

GOULD INVESTORS L.P. AND SUBSIDIARIES  
Consolidated Financial Statements  
For the Years Ended September 30, 2021 and 2020

GOULD INVESTORS L.P. AND SUBSIDIARIES  
Consolidated Financial Statements  
For the Years Ended  
September 30, 2021 and 2020

INDEX

	<u>Page</u>
Independent Auditor's Report	1
Consolidated Balance Sheets	2
Consolidated Statements of Operations	3
Consolidated Statements of Comprehensive Income (Loss)	4
Consolidated Statements of Changes in Partners' Capital	5
Consolidated Statements of Cash Flows	6-7
Notes to Consolidated Financial Statements	8-33



## INDEPENDENT AUDITOR'S REPORT

To the Partners  
of Gould Investors L.P. and Subsidiaries

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Gould Investors L.P. and Subsidiaries (the "Partnership"), which comprise the consolidated balance sheets as of September 30, 2021 and 2020, and the related consolidated statements of operations, comprehensive income (loss), changes in partners' capital, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Gould Investors L.P. and Subsidiaries as of September 30, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Buchbinder Tunick & Company LLP*

BUCHBINDER TUNICK & COMPANY LLP

New York, NY  
December 22, 2021

---

One Pennsylvania Plaza, Suite 3200 • New York, NY 10119 • 212.695.5003

— With offices in New Jersey and Maryland —

GOULD INVESTORS L.P. AND SUBSIDIARIES  
Consolidated Balance Sheets  
September 30, 2021 and 2020  
(Amounts in Thousands)

	<u>2021</u>	<u>2020</u>
Assets:		
Real estate investments:		
Real estate owned:		
Rental properties, at cost	\$312,662	\$318,278
Less accumulated depreciation	<u>87,582</u>	<u>87,108</u>
Real estate owned, net	225,080	231,170
Purchase money mortgage loans, net	3,573	4,285
Real estate loans	35,634	30,872
Other real estate investments	<u>29,769</u>	<u>29,180</u>
Total real estate investments	<u>294,056</u>	<u>295,507</u>
Other assets:		
Cash and cash equivalents	79,010	37,689
Restricted cash	-	3,367
Accounts, dividends and other receivables	15,715	7,555
Unbilled rent receivable	41,247	34,700
Investment in One Liberty Properties, Inc., a related party, at equity	24,150	23,382
Investment in BRT Apartments Corp., a related party, at equity	17,710	15,981
Investment in equity securities	32,926	29,994
Other investments, at equity	32,795	25,650
Leasing costs, net	10,022	10,361
Due from related parties, net	-	190
Prepaid expenses and other assets	<u>22,803</u>	<u>13,171</u>
Total other assets	<u>276,378</u>	<u>202,040</u>
Total assets	<u>\$570,434</u>	<u>\$497,547</u>
Liabilities and partners' capital:		
Liabilities:		
Mortgages payable, net of \$7,989 and \$6,753 of deferred financing costs, respectively	\$291,722	\$262,005
Due to related parties, net	114	-
Real estate taxes and rental deposits payable	2,586	2,210
Accrued expenses and other liabilities	<u>18,650</u>	<u>17,314</u>
Total liabilities	<u>313,072</u>	<u>281,529</u>
Commitments and contingencies		
Class A Preferred Limited Partnership Interest	<u>2,936</u>	<u>7,339</u>
Partners' capital:		
General partners	2,257	2,026
Limited partners: unlimited units authorized; 688,606 and 690,726 units issued and outstanding, respectively	219,535	197,178
Accumulated other comprehensive (loss)	<u>(1,491)</u>	<u>(2,567)</u>
Total Gould Investors L.P. partners' capital	220,301	196,637
Non-controlling interests	<u>34,125</u>	<u>12,042</u>
Total partners' capital	<u>254,426</u>	<u>208,679</u>
Total liabilities and partners' capital	<u>\$570,434</u>	<u>\$497,547</u>

See accompanying notes to consolidated financial statements.

GOULD INVESTORS L.P. AND SUBSIDIARIES  
Consolidated Statements of Operations  
For the years ended September 30, 2021 and 2020  
(Amounts in Thousands)

	<u>2021</u>	<u>2020</u>
Revenues:		
Rentals from real property	\$ <u>50,887</u>	\$ <u>50,156</u>
Operating expenses:		
Depreciation	5,355	5,091
General and administrative	14,729	13,963
Real estate operating expenses	9,533	9,738
Real estate taxes	9,510	8,811
Impairment charge	<u>-</u>	<u>630</u>
Total operating expenses	<u>39,127</u>	<u>38,233</u>
Income from operations	11,760	11,923
Other income and (expenses):		
Equity in income of unconsolidated entities	15,990	680
Equity in earnings from sale of unconsolidated joint venture property	2,183	4,642
Interest and other income	7,865	6,859
Interest:		
(Expense)	(11,654)	(11,133)
(Amortization of deferred financing costs)	(952)	(899)
Gain on sale of real estate	7,852	2,003
Investment gains (losses)	6,608	(17,754)
(Loss) gain on sale – other	<u>(43)</u>	<u>371</u>
Net income (loss)	39,609	(3,308)
Less: net income attributable to non-controlling interests	<u>(3,111)</u>	<u>(55)</u>
Net income (loss) attributable to Gould Investors L.P.	<u>\$ 36,498</u>	<u>\$ (3,363)</u>

See accompanying notes to consolidated financial statements.

GOULD INVESTORS L.P. AND SUBSIDIARIES  
 Consolidated Statements of Comprehensive Income (Loss)  
 For the years ended September 30, 2021 and 2020  
 (Amounts in Thousands)

	<u>2021</u>	<u>2020</u>
Net income (loss)	<u>\$39,609</u>	<u>\$(3,308)</u>
Other comprehensive income (loss):		
Net unrealized gain (loss) on derivative instruments	131	(157)
Gould Investors L.P. share of unconsolidated joint venture net unrealized gain (loss) on derivative instruments	<u>945</u>	<u>(605)</u>
Other comprehensive income (loss)	<u>1,076</u>	<u>(762)</u>
Comprehensive income (loss)	40,685	(4,070)
Adjust for: comprehensive (income) loss attributable to non-controlling interests	<u>(3,111)</u>	<u>55</u>
Comprehensive income (loss) attributable to Gould Investors L.P.	<u>\$37,574</u>	<u>\$(4,015)</u>

See accompanying notes to consolidated financial statements.

GOULD INVESTORS L.P. AND SUBSIDIARIES  
Consolidated Statements of Changes in Partners' Capital  
For the years ended September 30, 2021 and 2020  
(Amounts in Thousands)

	<u>General Partners</u>	<u>Limited Partners</u>	<u>Accumulated Other Comprehensive (Loss) Income</u>	<u>Non- Controlling Interests</u>	<u>Total</u>
Balance, September 30, 2019	\$2,197	\$214,124	\$(1,805)	\$ 1,865	\$216,381
Net (loss) income	(33)	(3,330)	-	55	(3,308)
Other comprehensive (loss)	-	-	(762)	-	(762)
Contributions from Non-Controlling Interests	-	-	-	10,737	10,737
Distributions to Non-Controlling Interests	-	-	-	(615)	(615)
Distributions to partners	(127)	(12,651)	-	-	(12,778)
Distributions to Class A Preferred Limited Partnership Interest	(5)	(363)	-	-	(368)
Purchase and cancellation of Limited Partnership units	<u>(6)</u>	<u>(602)</u>	<u>-</u>	<u>-</u>	<u>(608)</u>
Balance, September 30, 2020	<u>2,026</u>	<u>197,178</u>	<u>(2,567)</u>	<u>12,042</u>	<u>208,679</u>
Net income	369	36,129	-	3,111	39,609
Other comprehensive income	-	-	1,076	-	1,076
Contributions from Non-Controlling Interests	-	-	-	20,336	20,336
Distributions to Non-Controlling Interests	-	-	-	(1,408)	(1,408)
Capital transactions of Non-Controlling Interests	-	-	-	44	44
Distributions to partners	(126)	(12,644)	-	-	(12,770)
Distributions to Class A Preferred Limited Partnership Interest	(2)	(178)	-	-	(180)
Purchase and cancellation of Limited Partnership units	<u>(10)</u>	<u>(950)</u>	<u>-</u>	<u>-</u>	<u>(960)</u>
Balance, September 30, 2021	<u>\$2,257</u>	<u>\$219,535</u>	<u>\$(1,491)</u>	<u>\$34,125</u>	<u>\$254,426</u>

See accompanying notes to consolidated financial statements.

GOULD INVESTORS L.P. AND SUBSIDIARIES  
Consolidated Statements of Cash Flows  
For the years ended September 30, 2021 and 2020  
(Amounts in Thousands)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Net income (loss)	\$39,609	\$ (3,308)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
(Increase) in rental income from straight lining of rent	(6,537)	(5,673)
Depreciation and amortization	6,169	5,684
Investment (gains) losses	(6,608)	17,754
Impairment charge	-	630
(Gain) on sale of real estate	(7,852)	(2,003)
Equity in earnings from sale of unconsolidated joint venture property	(2,183)	(4,642)
Loss (gain) on sale – other	9	(371)
Loss on sale of marketable securities	34	-
(Equity) in income of unconsolidated entities	(15,990)	(680)
Distributions of earnings from unconsolidated joint ventures	8,644	10,901
Changes in operating assets and liabilities:		
(Increase) decrease in accounts, dividends and other receivables	(8,171)	6,324
(Increase) in prepaid expenses and other assets	(7,190)	(4)
Increase (decrease) in due to related parties, net	304	(521)
Increase in accrued expenses and other liabilities	<u>1,845</u>	<u>4,280</u>
Net cash provided by operating activities	<u>2,083</u>	<u>28,371</u>
Cash flows from investing activities:		
Purchase of real estate	(9,332)	(3,794)
Additions to building improvements	(3,443)	(2,431)
Proceeds from sale of real estate	20,679	3,082
Proceeds from sale of other investments	6,028	-
Proceeds from sale of securities available-for-sale	8,393	5,433
Investment in securities available-for-sale	(4,484)	(4,195)
Collection of purchase money mortgage loans and real estate loans	16,399	521
Additions to real estate loans and purchase money mortgages	(20,450)	(1,313)
Investment in affiliates and others, net	(7,312)	(6,513)
Contributions from non-controlling interests	16,967	10,737
Distributions of return of capital from unconsolidated joint ventures	<u>1,776</u>	<u>11,627</u>
Net cash provided by investing activities	<u>25,221</u>	<u>13,154</u>

See accompanying notes to consolidated financial statements.

GOULD INVESTORS L.P. AND SUBSIDIARIES  
Consolidated Statements of Cash Flows - (Continued)  
For the years ended September 30, 2021 and 2020  
(Amounts in Thousands)

	<u>2021</u>	<u>2020</u>
Cash flows from financing activities:		
Proceeds from mortgages payable	\$ 55,000	\$ 164
Scheduled amortization of mortgages payable	(3,924)	(4,073)
Repayment of mortgages payable	(20,123)	(4,248)
Cash distribution to limited and general partners	(12,770)	(12,778)
Cash distributions to preferred limited partners	(180)	(368)
Cash distributions to non-controlling interests	(1,408)	(585)
Redemption of preferred units	(4,403)	-
Repurchase of limited partnership units	<u>(960)</u>	<u>(608)</u>
Net cash provided by (used in) financing activities	<u>11,232</u>	<u>(22,496)</u>
Net increase in cash, cash equivalents and restricted cash	38,536	19,029
Cash and cash equivalents and restricted cash at beginning of year	<u>43,194</u>	<u>24,165</u>
Cash and cash equivalents and restricted cash at end of year	<u>\$81,730</u>	<u>\$43,194</u>
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$ 115	\$ 81
Cash paid for interest	10,918	10,612
Supplemental schedule of non-cash investing activities:		
Distribution of JBG Smith Realty LP units	2,463	2,085
Purchase accounting allocation – intangible lease assets	647	2,419

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported in the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows (amounts in thousands):

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$79,010	\$37,689
Restricted cash	-	3,367
Restricted cash included in prepaid expenses and other assets	<u>2,720</u>	<u>2,138</u>
Total cash and cash equivalents and restricted cash shown in the consolidated statements of cash flows	<u>\$81,730</u>	<u>\$43,194</u>

Restricted cash included in escrow, deposits and other assets and receivables represent amounts related to real estate tax and other reserve escrows required to be held by lenders in accordance with the Partnership's mortgage agreements. The restriction on these escrow reserves will lapse when the related mortgage is repaid.

See accompanying notes to consolidated financial statements.

GOULD INVESTORS L.P. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
September 30, 2021 and 2020

Note 1- Summary of Significant Accounting Policies

(a) General

Gould Investors L.P., a Delaware limited partnership, its consolidated interests, and its subsidiaries (“Gould” or the “Partnership”), own and operate a diversified portfolio of real estate located throughout the United States. Gould also invests in various other real estate entities, as well as various hedge funds and non-real estate entities. At September 30, 2021, Gould owned 40 properties, two tenancy-in-common interests and participated in 30 real estate joint ventures and 29 non-real estate joint ventures.

(b) Principles of Consolidation and Basis of Presentation

The accompanying consolidated financial statements are prepared using the accrual basis of accounting and include the accounts of Gould, its wholly owned subsidiaries and its majority-owned or controlled entities. All material intercompany transactions and balances have been eliminated in consolidation.

The Financial Accounting Standards Board, or FASB, provides substantial guidance for determining whether an entity is a variable interest entity or VIE. Once an entity is determined to be a VIE the FASB requires the performance of a qualitative rather than a quantitative analysis to determine the primary beneficiary of a VIE. Under this guidance, an entity would be required to consolidate a VIE if it has (i) the power to direct the activities that most significantly impact the entity’s economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could be significant to the VIE.

The Partnership assesses the accounting treatment for each joint venture investment. This assessment includes a review of each joint venture agreement to determine the rights of each party and whether those rights are protective or participating. For the Partnership’s VIE’s, the Partnership reviews such agreements to determine which party has the power to direct the activities that most significantly impact the entity’s economic performance.

The agreements typically contain certain protective rights such as the requirement of member approval to sell, finance or refinance the property and the payment of capital expenditures and operating expenditures outside of the approved budget or operating plan. In situations where the Partnership and its member (i) approve the annual budget, (ii) approve certain expenditures, (iii) prepare or review and approve the joint venture’s tax return before filing, and (iv) approve each lease at each property, the Partnership does not consolidate the joint venture as the Partnership considers these to be substantive participation rights that result in shared power of the activities that most significantly impact the performance of the joint venture.

(c) Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires the Partnership to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets

GOULD INVESTORS L.P. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (Continued)  
September 30, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies (continued)

(c) Use of Estimates (continued)

and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(d) Depreciation of Real Estate Owned

Rental properties are depreciated by the straight-line method using estimated lives of 30 to 33 years for buildings and 3 to 30 years for building improvements. Expenditures which increase useful life are capitalized, while the cost of normal repairs and maintenance not chargeable to tenants is reflected in operations as incurred.

(e) Accounting for Long-Lived Assets

The Partnership reviews its real estate portfolio on a periodic basis to ascertain if there are any indicators of impairment to the value of any of its real estate assets, including deferred costs and intangibles, in order to determine if there is any need for an impairment charge. In reviewing the portfolio, the Partnership examines the type of asset, the economic situation in the area in which the asset is located, the economic situation in the industry in which the tenants are involved and the timeliness of the payments made by the tenants under the leases, as well as any current correspondence that may have been had with the tenants, including property inspection reports. For each real estate asset owned for which indicators of impairment exist, if the undiscounted cash flow analysis yields an amount which is less than the asset's carrying amount, an impairment loss is recorded to the extent that the estimated fair value is less than the asset's carrying amount. The estimated fair value is determined using a discounted cash flow model of the expected future cash flows through the useful life of the property. Real estate assets that are expected to be disposed of are valued at the lower of carrying amount or fair value less costs to sell on an individual asset basis.

(f) Investments in Unconsolidated Joint Ventures

The Partnership accounts for its investments in unconsolidated joint ventures under the equity method of accounting as the Partnership (i) does not exercise substantial operating control over these entities, and (ii) such entities are not variable-interest entities subject to consolidation.

Included herein are several real estate ventures in which the Partnership holds a less than majority ownership or controlling interest. Also included are two tenancy-in-common interests. All such investments are recorded using the equity method.

Investments in unconsolidated ventures are recorded initially at cost as equity investments in real estate, and are subsequently adjusted for the Partnership's proportionate share of earnings and cash contributions and distributions. On a periodic basis, the Partnership assesses whether there are any indicators that the value of equity investments in real estate may be impaired and whether or not that impairment is other than temporary. To the extent an other than temporary impairment has occurred, the charge is measured as the excess of the carrying amount of the investment over the fair value of the investment.

GOULD INVESTORS L.P. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (Continued)  
September 30, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies (continued)

(f) Investments in Unconsolidated Joint Ventures (continued)

The Partnership has elected to follow the cumulative earnings approach when assessing, for the consolidated statements of cash flows, whether the distribution from the investee is a return of the investor's investment as compared to a return on its investment. The source of the cash generated by the investee to fund the distribution is not a factor in the analysis (that is, it does not matter whether the cash was generated through investee refinancing, sale of assets or operating results).

Consequently, the investor only considers the relationship between the cash received from the investee to its equity in the undistributed earnings of the investee, on a cumulative basis, in assessing whether the distribution from the investee is a return on or return of its investment. Cash received from the unconsolidated entity is presumed to be a return on the investment to the extent that, on a cumulative basis, distributions received by the investor are less than its share of the equity in the undistributed earnings of the entity.

(g) Purchase Accounting for Acquisition of Real Estate

The Partnership allocates the purchase price of real estate to land, building and intangibles, such as the value of above, below and at-market leases and origination costs associated with in-place leases. The Partnership assesses the fair value of the lease intangibles and the assumed mortgage based on estimated cash flow projections that utilize appropriate discount rates and available market information. Such inputs are Level 3 in the fair value hierarchy. The fair value of the tangible assets of an acquired property is determined by valuing the property as if it were vacant. The value, as determined, is allocated to land, buildings and improvements based on management's determination.

In valuing an acquired property's intangibles, factors considered by management include an estimate of carrying costs during the expected lease-up periods, such as real estate taxes, insurance, other operating expenses, and estimates of lost rental revenue during the expected lease-up periods based on its evaluation of current market demand. Management also estimates costs to execute similar leases, including leasing commissions, tenant improvements, legal and other related costs.

The values of acquired above-market and below-market leases are recorded based on the present values (using discount rates which reflect the risks associated with the leases acquired) of the differences between the contractual amounts to be received and management's estimate of market lease rates, measured over the terms of the respective leases that management deemed appropriate at the time of the acquisitions. Such valuations include a consideration of the non-cancellable terms of the respective leases as well as any applicable renewal period(s). The fair values associated with below-market rental renewal options are determined based on the Partnership's experience and the relevant facts and circumstances that existed at the time of the acquisitions. The values of above-market leases are amortized to rental income over the terms of the respective non-cancelable lease periods. The portion of the values of below-market leases associated with the original non-cancelable lease terms are amortized to rental income over the terms of the respective non-cancelable lease periods. The portion of the values of the leases associated with below-market renewal options that are likely to be exercised are amortized to rental income over the respective renewal periods. The value of other intangible assets (including leasing commissions

GOULD INVESTORS L.P. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (Continued)  
September 30, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies (continued)

(g) Purchase Accounting for Acquisition of Real Estate (continued)

and tenant improvements) is amortized to expense over the applicable terms of the respective leases. If a lease were to be terminated prior to its stated expiration or not renewed, all unamortized amounts relating to that lease would be recognized in operations at that time. The estimated useful lives of the intangible assets or liabilities range from one to twenty-three years.

In connection with acquisitions in the current and prior year, the Partnership recorded deferred intangible lease assets of \$647,000 and \$2,419,000, respectively, representing the value of the acquired above market leases and assumed lease origination costs.

The Partnership recognized a net increase and (decrease) in rental revenue of \$106,000 and \$(292,000) for the amortization of the above/below market leases for the years ended September 30, 2021 and 2020, respectively. For the years ended September 30, 2021 and 2020, the Partnership recognized amortization expense of \$135,000 and \$304,000, respectively, relating to lease origination costs resulting from the reallocation of the purchase price of the acquired properties. At September 30, 2021 and 2020 accumulated amortization of remaining intangible lease assets was \$1,644,000 and \$1,501,000, and accumulated amortization of intangible lease liabilities was \$3,492,000 and \$3,206,000, respectively.

The unamortized balance of intangible lease assets, included in prepaid expenses and other assets on the consolidated balance sheet, at September 30, 2021 will be deducted from rental income through 2043 as follows:

2022	\$ 366,000
2023	283,000
2024	271,000
2025	271,000
2026	270,000
Thereafter	<u>1,084,000</u>
Total	<u>\$2,545,000</u>

The unamortized balance of intangible lease liabilities included in accrued expenses and other liabilities on the consolidated balance sheet at September 30, 2021 will be added to rental income through 2026 as follows:

2022	\$ 299,000
2023	229,000
2024	203,000
2025	203,000
2026	202,000
Thereafter	<u>109,000</u>
Total	<u>\$1,245,000</u>

GOULD INVESTORS L.P. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (Continued)  
September 30, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies (continued)

(h) Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with maturities of three months or less when purchased.

(i) Purchase Money Mortgages

The Partnership records Purchase Money Mortgage loans ("PMM") at their stated principal amount less any discount or premium. The Partnership evaluates the collectability of both interest and principal of each of the PMMs, if circumstances warrant, determining whether they are impaired. A PMM is impaired when, based on current information and events, it is probable that the Partnership will be unable to collect all amounts due according to the existing contractual terms. When a PMM is impaired, the amount of the loss accrual is calculated by comparing the recorded investment to the value determined by discounting the expected future cash flows at the PMM's effective interest rate or, as a practical expedient, to the value of the collateral if the PMM is collateral dependent.

At September 30, 2021 and 2020, the outstanding PMM principal balances totaled \$4,925,000 and \$5,637,000, respectively before provisions described below. The interest rates range from 3% to 5.5% and maturities range from 2038 to 2049. Total interest income received was \$198,000 and \$239,000 during the years ended September 30, 2021 and 2020, respectively.

During the years ended September 30, 2021 and 2020, the Partnership reviewed the collection and credit risk on the PMM's outstanding. The Partnership concluded that no adjustment was required at September 30, 2021 and 2020 above the remaining provision established. The balance of the provision for the years ended September 30, 2021 and 2020 was \$1,352,000.

During the year ended September 30, 2020, the Partnership originated PMM's totaling \$126,000.

(j) Allowance for Doubtful Accounts

The Partnership periodically evaluates the collectability of amounts due from tenants and if necessary maintains an allowance for doubtful accounts for estimated losses resulting from the inability of tenants to make required payments under the lease agreements. Management exercises judgment in establishing these allowances and considers payment history and current credit status in developing these estimates. As of September 30, 2021 and 2020, there was no allowance for doubtful accounts established.

At September 30, 2021 and 2020, due to the uncertainty with respect to the collection of the unbilled rent receivable related to certain tenants, the Partnership wrote off its entire unbilled straight-line rent receivable of \$55,000 and \$165,000, respectively.

GOULD INVESTORS L.P. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (Continued)  
September 30, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies (continued)

(k) Deferred Financing Costs

Mortgage and credit line costs are deferred and recorded on the balance sheet as a reduction of mortgages payable. They are amortized on a straight-line basis over the terms of the respective debt obligations, which approximates the effective interest method. At September 30, 2021 and 2020, the Partnership's unamortized costs were \$7,989,000 and \$6,753,000, respectively. Amortization expense for the years ended September 30, 2021 and 2020 was \$814,000 and \$592,000, respectively. As there was no balance outstanding on the Line of Credit, the Partnership reclassified the related unamortized deferred financing costs of \$55,000 and \$18,000 to prepaid expenses and other assets on the consolidated balance sheets at September 30, 2021 and 2020, respectively.

(l) Investment in Equity Securities

Substantially all of our investments in equity securities are carried at fair value and record the subsequent changes in fair values in the Consolidated Statement of Operations as a component of investment gains (losses).

Investment gains (losses) for the years ended September 30, 2021 and 2020, respectively were:

Equity Securities	<u>2021</u>	<u>2020</u>
Unrealized investment gains (losses) on securities held at the end of the period	\$6,608,000	\$(19,029,000)
Gross realized gains	\$407,000	\$1,209,000
Gross realized (losses)	\$(143,000)	\$(210,000)

Additionally, one of our consolidated entities sold stock during 2020 for a net gain of \$366,000.

Included in "Investment in equity securities" at September 30, 2021 and 2020 are 354,278 units of Vornado Realty LP ("VRLP units). At September 30, 2021 and 2020 these units had a market value of \$14,883,000 and \$11,943,000, respectively.

Included in "Investment in equity securities" at September 30, 2021 and 2020 are 182,804 and 268,401 units, of JBG Smith Properties LP ("JBGS units"), respectively. At September 30, 2021 and 2020 these units had a market value of \$5,413,000 and \$7,177,000, respectively.

In fiscal 2021, the Partnership distributed a total of 81,315 JBGS units to its limited partners. These units, which had a basis of \$2,439,000, had a fair market value at the time of distribution of \$2,463,000. The difference between the cost basis (before fees) and fair market value at the time of distribution, \$24,000 was realized and is included in "(Loss) Gain on Sale – Other" on the consolidated statements of operations.

In fiscal 2020, the Partnership distributed a total of 62,818 JBGS units to its limited partners (see Note 9; as part of a distribution declared during Fiscal Year September 30, 2020, there were 4,280 JBGS

GOULD INVESTORS L.P. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (Continued)  
September 30, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies (continued)

(l) Investment in Equity Securities (continued)

units distributed subsequent to year end). These units, which had a basis of \$1,326,000, had a fair market value at the time of distribution of \$2,206,000. The difference between the cost basis (before fees) and fair market value at the time of distribution, \$881,000, was realized and is included in “(Loss) Gain on sale-Other” on the consolidated statements of operations.

(m) Other Investments

Other investments consist principally of interests in entities whose main purpose is to invest in publicly traded securities, or in operating entities of targeted industry sectors.

Included in “Other investments, at equity” are the Partnership’s equity investments in various investment vehicles. During the fiscal years ended September 30, 2021 and 2020 these investments accounted for \$5,467,000 and \$2,425,000 respectively, of the Partnership’s “Equity in income of unconsolidated entities”.

(n) Financial Instruments

The following methods and assumptions were utilized by the Partnership in estimating the fair values of each class of financial instruments which adjustments to measure at fair value are not reported:

Financial Instruments Not Measured At Fair Value

*Cash and cash equivalents* – Assumed equal to the carrying value as these financial instruments are either due on demand or mature within three months.

*Purchase Money Mortgage loans* – The purchase money mortgage loans of the Partnership are currently fixed at effective interest rates which approximate market for similar types of loans. Accordingly, the carrying amounts of the loans approximate their fair values.

*Mortgages payable* – At September 30, 2021, the carrying value of the Partnership’s mortgages payable exceeded the estimated fair value by approximately \$875,000, assuming market interest rates between 3.0% and 4.5%. Considerable judgment is necessary to interpret market data and develop estimated fair value. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value assumptions.

Financial Instruments Measured At Fair Value

The Partnership accounts for fair value measurements based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, a fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity and the reporting entity’s own assumptions about market participant assumptions. In accordance with the hierarchy, Level 1 assets/liabilities are valued based on quoted prices for identical instruments in active

GOULD INVESTORS L.P. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (Continued)  
September 30, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies (continued)

(n) Financial Instruments (continued)

Financial Instruments Measured At Fair Value (continued)

markets, Level 2 assets/liabilities are valued based on quoted prices in active markets for similar instruments, on quoted prices in less active or inactive markets, or on other "observable" market inputs and Level 3 assets/liabilities are valued based significantly on "unobservable" market inputs. The Partnership does not currently own any financial instruments that are classified as Level 3.

The following is a summary of the Partnership's assets and liabilities that were reported at fair value as of September 30, 2021:

	<u>Carrying and Fair Value</u>	<u>Fair Value Measurements Using Fair Value Hierarchy</u>	
		<u>Level 1</u>	<u>Level 2</u>
<u>Financial assets:</u>			
Investments in equity securities:			
Vornado Realty L.P.	\$14,883,000	\$14,883,000	\$ -
JBG Smith Properties	5,413,000	5,413,000	-
Financial	4,588,000	4,588,000	-
Other	<u>8,042,000</u>	<u>8,042,000</u>	<u>-</u>
Total	<u>\$32,926,000</u>	<u>\$32,926,000</u>	<u>-</u>
 <u>Financial liabilities:</u>			
Derivative Financial Instruments (included in "accrued expenses and other liabilities")			
	<u>\$ 107,000</u>	<u>\$ -</u>	<u>\$ 107,000</u>

The following is a summary of the Partnership's assets and liabilities that were reported at fair value as of September 30, 2020:

	<u>Carrying and Fair Value</u>	<u>Fair Value Measurements Using Fair Value Hierarchy</u>	
		<u>Level 1</u>	<u>Level 2</u>
<u>Financial assets:</u>			
Investments in equity securities:			
Vornado Realty L.P.	\$11,943,000	\$11,943,000	\$ -
JBG Smith Properties	7,177,000	7,177,000	-
Financial	5,856,000	5,856,000	-
Other	<u>5,018,000</u>	<u>5,018,000</u>	<u>-</u>
Total	<u>\$29,994,000</u>	<u>\$29,994,000</u>	<u>\$ -</u>
 <u>Financial liabilities:</u>			
Derivative Financial Instruments (included in "accrued expenses and other liabilities")			
	<u>\$ 238,000</u>	<u>\$ -</u>	<u>\$238,000</u>

GOULD INVESTORS L.P. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (Continued)  
September 30, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies (continued)

(n) Financial Instruments (continued)

Derivative Financial Instruments

The Partnership records derivative financial instruments at fair value. Fair values are approximated using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of the derivative. This analysis reflects the contractual terms of the derivative, including the period to maturity, and uses observable market-based inputs, including interest rate curves, foreign exchange rates, and implied volatilities. At September 30, 2021 and 2020 the derivatives are included in "accrued expenses and other liabilities" on the consolidated balance sheets.

The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether the Partnership has elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows are considered cash flow hedges. For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is initially reported in accumulated other comprehensive income (outside of earnings) and subsequently reclassified to earnings in the period in which the hedged transaction affects earnings. The ineffective portion of changes in the fair value of the derivative is recognized directly in earnings. For derivatives not designated as cash flow hedges, changes in the fair value of the derivative are recognized directly in earnings in the period in which the change occurs.

Although the Partnership has determined that the majority of the inputs used to value its derivative falls within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with it utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterpart. However, as of September 30, 2021 and 2020, the Partnership has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative position and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivative. As a result, the Partnership has determined that its derivative valuation is classified as Level 2 in the fair value hierarchy.

(o) Revenue Recognition

Rentals from real property include the base rent that each tenant is required to pay in accordance with the terms of their respective leases reported primarily on a straight-line basis over the initial term of the lease. Revenue arising from tenant leases attributable to rebilled operating expenses is accrued in the same periods as expenses are incurred.

In order for management to determine, in its judgment, that the unbilled rent receivable applicable to each specific property is collectible, management reviews unbilled rent receivables considering the tenant's payment history, the financial condition of the tenant, business conditions in the industry in which the tenant is engaged and economic conditions in the area in which the property is located. Some of the leases provide for additional contingent rental revenue in the form of percentage rents and increases based

GOULD INVESTORS L.P. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (Continued)  
September 30, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies (continued)

(o) Revenue Recognition (continued)

on the consumer price index. The percentage rents are based upon the level of sales achieved by the lessee and are recorded once the required sales levels are reached.

Gains or losses on disposition of properties are recorded when the criteria for recognizing such gains or losses under accounting principles generally accepted in the United States of America are met.

(p) Income Taxes

The Partnership qualifies for taxation as a partnership under applicable provisions of the Internal Revenue Code; accordingly, a provision for federal income taxes has not been recorded in the accompanying consolidated financial statements since the partners are taxed on their proportionate share of the Partnership's taxable income. However, included in the consolidated financial statements are taxes relating to certain states.

The Partnership's earnings reported to partners for tax purposes will differ from those reflected in the accompanying consolidated statements of operations. This results primarily from differences in depreciation and several tax deferred transactions. For income tax purposes, the Partnership reports on a calendar year basis.

Contained within FASB ASC 740 *Income Taxes* is guidance the FASB issued on accounting for uncertainty in income taxes. This guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Partnership has not identified any uncertain tax positions requiring accrual.

As of September 30, 2021, the Partnership's income tax filings for calendar years 2018 to 2020 remain eligible for examination by the federal and state tax authorities.

(q) Concentration of Credit Risk

Financial instruments that subject the Partnership to concentrations of credit risk include cash and cash equivalents and receivables. The Partnership maintains accounts at various financial institutions. While the Partnership attempts to limit any financial exposure, some of its deposit balances exceed federally insured limits. The Partnership has not experienced any losses on such accounts.

The Partnership invests in various marketable securities. Marketable securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain marketable securities, it is at least reasonably possible that changes in the values of marketable securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

GOULD INVESTORS L.P. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (Continued)  
September 30, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies (continued)

(q) Concentration of Credit Risk (continued)

Two tenants in the aggregate, generated revenues of 53% and 55%, for the years ended September 30, 2021 and 2020, respectively, of the Partnership's total revenues. These tenants, who each occupy an entire office building, generated revenues for the years ended September 30, 2021 and 2020 of \$26,888,000 and \$27,440,000, respectively. The current terms of the leases expire in June 2038 and November 2027, respectively.

(r) Retirement Plans

Gould maintains a defined contribution pension plan covering its eligible employees and funds all pension costs as accrued. Total pension expense amounted to \$646,000 and \$650,000 for the years ended September 30, 2021 and 2020, respectively.

The Partnership contributes to a number of multiemployer defined benefit pension plans under the terms of collective-bargaining agreements that cover its union-represented employees. The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

- a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- c. If the Partnership chooses to stop participating in some of its multiemployer plans, the Partnership may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

During the years ended September 30, 2021 and 2020, the Partnership contributed approximately \$8,000 to multiemployer defined benefit pension plans. There have been no significant changes that affect the comparability of the 2021 and 2020 contributions.

In addition, the Partnership participates in various multiemployer health and welfare plans which cover its union represented employees. During the years ended September 30, 2021 and 2020, contributions related to these plans approximated \$22,000 and \$21,000, respectively.

(s) Variable Interest Entities

The Partnership determined that certain investments are Variable Interest Entities ("VIEs"). The Partnership determined it is not the primary beneficiary of any of these VIEs as the Partnership has shared power over certain activities that most significantly impact the owner/operator's economic performance as well as the obligation to absorb losses of or the right to receive benefits from the VIE which potentially could be significant. Therefore, the Partnership does not consolidate these VIEs for financial statement purposes. Accordingly, the Partnership accounts for those investments as "Other Real Estate

GOULD INVESTORS L.P. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (Continued)  
September 30, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies (continued)

(s) Variable Interest Entities (continued)

Investments” or “Other Investments, at equity” on the Consolidated Balance Sheets, and the earnings from those investments as “Equity in income of unconsolidated entities” on the consolidated statements of operations.

(t) New Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, and in July 2018, the FASB issued ASU No. 2018-11, *Leases (Topic 842), Targeted Improvements*, and 2018-10 *Codification Improvements to Topic 842, Leases*. These standards require lessees to recognize (i) lease assets and lease liabilities for those leases which were previously classified as operating leases under ASC 840, *Leases*, and (ii) expense base on the effective interest method for finance leases or on a straight-line basis for operating leases. The Partnership is required to record a liability for the obligation to make payments under the lease and an asset for the right to use the underlying asset during the lease term. Lessor accounting is largely unchanged from that applied under the previous standard. The guidance in this standard is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. Early adoption is permitted. The Partnership adopted this guidance on October 1, 2020.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The guidance replaces the current “incurred loss” model with an “expected loss” approach. The standard is effective for annual periods beginning after December 15, 2022 and interim periods therein. The Partnership evaluated the new guidance and determined the impact, on its consolidated financial statements to be immaterial.

In August 2017, the FASB issued ASU No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvement to Accounting for Hedging Activities*, which amends the presentation and disclosure requirements for hedge accounting and changes how companies assess hedge effectiveness. This ASU is intended to more closely align hedge accounting with companies’ risk management strategies, simplify the application of hedge accounting, and increase transparency as to the scope and results of hedging programs. The standard is effective for annual periods beginning after December 15, 2020 and interim periods therein. The Partnership is currently evaluating the new guidance to determine the impact, if any, on its consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation-Stock Compensation (Topic 718), Improvements to Non-employee Share Based Payment Accounting*, which simplifies the accounting for share-based awards to non-employees will be measured at fair value on the grant date of the awards and entities will assess the probability of satisfying performance conditions if any are present. Awards will continue to be classified according to Topic 718 upon vesting which eliminates the need to reassess classification upon vesting, consistent with awards granted to employees, unless the award is modified

GOULD INVESTORS L.P. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (Continued)  
September 30, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies (continued)

(t) New Accounting Pronouncements (continued)

after the service has been rendered, any other conditions necessary to earn the right to benefit from the instruments have been satisfied, and the non-employee is no longer providing services. The standard is effective for annual periods beginning after December 15, 2019 and interim periods therein. The Partnership adopted this guidance on October 1, 2020 and determined the impact on its consolidated financial statements to be immaterial.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820), Disclosure Framework – Changes to the Disclosure Requirements For Fair Value Measurement*, which removes, adds and modifies certain disclosure requirements related to fair value measurements as part of its disclosure framework project. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. An entity is permitted to early adopt either the entire standard or only the provisions that remove or modify requirements. The Partnership adopted this guidance on October 1, 2020.

In October 2018, the FASB issued ASU 2018-16 *Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) as a Benchmark Interest Rate for Hedging Purposes*. The amendments in this update permit the OIS rate based on SOFR as an eligible benchmark interest rate. The amendments in this update are effective for fiscal years beginning after December 15, 2019. The Partnership adopted this guidance on October 1, 2020 with no material impact on the consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848)*. ASU 2020-04 contains practical expedients for reference rate reform related activities that impact debt, lease, derivatives and other contracts. This guidance in ASU 2020-04 is optional and may be elected over time as reference rate reform activities occur. During the first quarter of 2020, the Partnership has elected to apply hedge accounting expedients related to probability and the assessments of effectiveness for future LIBOR-indexed cash flows to assume that the index upon which future hedged transactions will be based matches the index on the corresponding derivatives. Application of these expedients preserves the presentation of derivatives consistent with past presentation. The Partnership continues to evaluate the impact of the guidance and may apply other elections as applicable as additional changes in the market occur.

GOULD INVESTORS L.P. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (Continued)  
September 30, 2021 and 2020

Note 2 - Real Estate Investments

At the respective consolidated balance sheet dates, real estate owned is summarized as follows:

	<u>2021</u>	<u>2020</u>
	(In Thousands)	
Land, buildings and improvements:		
Office buildings	\$ 88,698	\$ 87,034
Apartment buildings	54,777	54,797
Apartment buildings with ground floor retail	51,936	51,906
Shopping centers and mixed-use properties	39,524	38,014
Industrial and commercial properties	19,729	17,118
Retail/residential condominiums	38,174	45,538
Freestanding retail stores	<u>19,824</u>	<u>23,871</u>
Real estate owned, at cost	312,662	318,278
Less accumulated depreciation and amortization	<u>87,582</u>	<u>87,108</u>
Total real estate owned	<u>\$225,080</u>	<u>\$231,170</u>

Depreciation expense, for the years ended September 30, 2021 and 2020 totaled \$5,355,000 and \$5,091,000, respectively.

Included in "Real estate owned" at September 30, 2021 and 2020, is land with a carrying value of \$145,237,000 and \$146,030,000, respectively, capitalized condominium conversion costs of \$0 and \$767,000, respectively, and developmental air rights of \$2,452,000 at September 30, 2021 and 2020, respectively.

Future minimum rentals to be received by the Partnership pursuant to non-cancelable operating leases are as follows:

<u>Years Ending</u> <u>September 30,</u>	<u>Amount</u>
	(In Thousands)
2022	\$ 37,068
2023	32,423
2024	33,362
2025	33,294
2026	32,497
Thereafter	<u>640,380</u>
Total	<u>\$809,024</u>

Due to the impact of the COVID-19 pandemic, some rent concession agreements have been executed and others are being negotiated with certain of the Partnership's tenants. In accordance with the FASB Staff Q&A, Topic 842 and 840 – *Accounting for Lease Concessions Related to the Effects of the COVID-19 Pandemic*, a lessor may make an accounting policy election to (i) not evaluate whether such COVID-19 pandemic related rent-relief is a lease modification under Topic 842 and (ii) treat each tenant

GOULD INVESTORS L.P. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (Continued)  
September 30, 2021 and 2020

Note 2 - Real Estate Investments (continued)

rent deferral or forgiveness as if it were contemplated as part of the existing lease contract. The Partnership has elected to apply this accounting policy to those lease agreements, based on the type of concession provided to the tenant, where the revised cash flows are substantially the same or less than the original lease agreement. As a result, during the year ended September 30, 2020 the Partnership deferred and accrued \$184,000 of rent and permanently forgave \$494,000 of lease payments due. As of September 30, 2021 and 2020, \$176,000, and \$44,000 of deferred rent payments had been collected. The Partnership has assessed the collectability of all lease payments as probable as of September 30, 2021.

At September 30, 2021 and 2020, the Partnership had recorded unbilled rent receivables aggregating \$41,247,000 and \$34,700,000, respectively, which are to be billed and received pursuant to various lease terms over the next 91 years. The minimum future rentals presented above include amounts applicable to the repayment of these unbilled rent receivables. Some of the leases provide for additional contingent rental revenue in the form of percentage rents and increases based on the Consumer Price Index.

Note 3 - Real Estate Acquisitions and Dispositions

Real Estate Acquisitions

The following chart details the Partnership's real estate acquisition during the fiscal year ended September 30, 2021 (amounts in thousands):

<u>Description of Property</u>	<u>Contract Purchase Price</u>	<u>Capitalized Acquisition Costs</u>	<u>Total Costs</u>
Industrial Building, Eugene, OR	\$3,150	\$109	\$3,259

On December 7, 2021 Gould purchased a 39 unit apartment building in North Miami Beach, Florida. The purchase price, paid in all cash, was \$7,000,000.

The following chart provides the allocation of the purchase price for the Partnership's real estate acquired during fiscal year 2021 (amounts in thousands):

<u>Description of Property</u>	<u>Land</u>	<u>Building</u>	<u>Intangible Lease Asset</u>	<u>Total (a)</u>
Industrial Building, Eugene, OR	\$931	\$1,681	\$647	\$3,259

(a) Includes property acquisition costs, which have been capitalized.

GOULD INVESTORS L.P. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (Continued)  
September 30, 2021 and 2020

Note 3 - Real Estate Acquisitions and Dispositions (continued)

Real Estate Acquisitions (continued)

The following chart details the Partnership's real estate acquisitions during the fiscal year ended September 30, 2020 (amounts in thousands):

<u>Description of Property</u>	<u>Contract Purchase Price</u>	<u>Capitalized Acquisition Costs</u>	<u>Total Costs</u>
Free standing retail stores, CA & IA (a)	\$3,500	\$260	\$3,760
Air Rights, New York, NY	<u>2,356</u>	<u>96</u>	<u>2,452</u>
Totals	<u>\$5,856</u>	<u>\$356</u>	<u>\$6,212</u>

(a) Represents a master lease containing three properties (two in California, one in Iowa).

The following chart provides the allocation of the purchase price for the Partnership's real estate acquired during fiscal year 2020 (amounts in thousands):

<u>Description of Property</u>	<u>Investment in Real Estate</u>	<u>Land</u>	<u>Building</u>	<u>Intangible Lease Asset</u>	<u>Total (b)</u>
Free standing retail stores, CA & IA	\$ -	\$391	\$950	\$2,419	\$3,760
Air Rights, New York, NY(a)	<u>2,452</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,452</u>
Totals	<u>\$2,452</u>	<u>\$391</u>	<u>\$950</u>	<u>\$2,419</u>	<u>\$6,212</u>

(a) Included in "Rental Properties, at cost" on the consolidated balance sheets.

(b) Includes property acquisitions costs, which have been capitalized.

Sale of Properties

The following chart details the Partnership's real estate sales during the fiscal year ended September 30, 2021 (amounts in thousands):

<u>Property</u>	<u>Sales Price</u>	<u>Net Basis (a)</u>	<u>Gain</u>
66 condominium units, Pomona, NY	\$ 6,825	\$2,025	\$4,800
Apartment unit, Miami, FL	3,200	2,801	399
Free-standing retail store, Des Moines, IA	2,450	1,448	1,002
2 condominium units, New York, NY	1,335	702	633
Free-standing retail store, Wareham, MA	<u>2,672</u>	<u>1,654</u>	<u>1,018</u>
	<u>\$16,482</u>	<u>\$8,630</u>	<u>\$7,852</u>

(a) Includes closing costs

GOULD INVESTORS L.P. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (Continued)  
September 30, 2021 and 2020

Note 3 - Real Estate Acquisitions and Dispositions (continued)

Sale of Properties (continued)

The following chart details the Partnership's real estate sales during the fiscal year ended September 30, 2020 (amounts in thousands):

<u>Property</u>	<u>Sales Price</u>	<u>Net Basis (a)</u>	<u>Gain</u>
22 condominium units, Pomona, NY	\$3,567	\$1,563	\$2,004
Miscellaneous prior period closing costs	<u>-</u>	<u>1</u>	<u>(1)</u>
	<u>\$3,567</u>	<u>\$1,564</u>	<u>\$2,003</u>

(a) Includes closing costs.

Impairment of Property

During the year ended September 30, 2020, the Partnership determined there were indicators of impairment at two of its apartment units located in Miami, FL, as a result of the unit's vacancies. Management determined that, based on the discounted cash flow method, the fair value of the properties was less than their carrying amounts. Accordingly, the Partnership recorded total impairment charges of \$630,000 which are included in the accompanying consolidated statements of operations for the year ended September 30, 2020.

Note 4 - Other Real Estate Investments

Included in "Other real estate investments" at September 30, 2021 and 2020 are 32 and 30, respectively, of unconsolidated partnership investments (includes the Partnership's entire interest in two tenancy-in-common interests).

Selected financial data relating to these ventures for the years ended September 30, 2021 and 2020 are as follows:

<u>Balance Sheet Data:</u>	<u>2021</u>	<u>2020</u>
	(In Thousands)	
Land, building, building improvements	\$583,000	\$565,000
Total assets	676,000	745,000
Mortgages and notes payable	523,000	529,000
Total liabilities	550,000	567,000
Gould equity investment	26,712	25,899
Gould equity income (loss)	2,843	(2,589)

GOULD INVESTORS L.P. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (Continued)  
September 30, 2021 and 2020

Note 4 - Other Real Estate Investments (continued)

Included in "Other real estate investments" at September 30, 2021 and 2020, respectively, is approximately \$3,057,000 and \$3,281,000 representing unsold cooperative shares.

The Partnership's equity interests in other real estate investments and income recognized from such investments are as follows:

<u>Balance Sheet Data:</u>	<u>As of September 30,</u> (In Thousands)	
	<u>2021</u>	<u>2020</u>
Two tenancy in common interests – NYC	\$(6,081)	\$ (6,315)
Joint ventures owning:		
Residential units	2,883	4,574
Retail/commercial/office properties	15,930	17,046
Mixed use residential/commercial properties	7,453	7,854
Other	<u>6,527</u>	<u>2,740</u>
Total	<u>\$26,712</u>	<u>\$25,899</u>
	<u>Year ended September 30,</u> (In Thousands)	
	<u>2021</u>	<u>2020</u>
Two tenancy in common interests – NYC	\$ 797	\$ 776
Joint ventures owning:		
Residential units	(1,115)	(2,637)
Retail/commercial/office properties	3,347	296
Mixed use residential/commercial properties	(402)	(876)
Other	<u>216</u>	<u>(148)</u>
Total	<u>\$2,843</u>	<u>\$(2,589)</u>

During fiscal 2021 and 2020, several of the "Other real estate investments" paid \$26,000 and \$27,000, respectively, in management, supervisory and brokerage fees to a company controlled by the general partner and officers of the managing general partner of the Partnership.

On November 24, 2021, an unconsolidated joint venture, in which Gould is a 50% partner, sold the property it owned in Texas. As a result of the sale Gould received a distribution of \$2,730,000 representing its share of the net proceeds.

On December 3, 2021, Gould sold its investment in an unconsolidated joint venture that owned a property in Chicago, IL, for \$6,200,000.

GOULD INVESTORS L.P. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (Continued)  
September 30, 2021 and 2020

Note 5 - Investments in One Liberty Properties, Inc. and BRT Apartments Corp.

The following is a summary of the Partnership's investments in One Liberty Properties, Inc. ("OLP") and BRT Apartments Corp., ("BRT"), related parties (see Note 9):

	<u>September 30, 2021</u>		<u>September 30, 2020</u>	
	<u>Shares Owned</u>	<u>Fair Market Value</u>	<u>Shares Owned</u>	<u>Fair Market Value</u>
OLP	1,921,711	\$58,592,968	1,885,686	\$30,849,823
BRT	2,989,298	\$57,633,665	2,989,298	\$35,213,930

At September 30, 2021 and 2020, Gould's equity interest in OLP was approximately 9.2% and it has accounted for its investment in OLP using the equity method. Included at September 30, 2021 and 2020 in the consolidated statements of operations in "Equity in income of unconsolidated entities" is \$3,289,000 and \$2,602,000, respectively, from OLP.

At September 30, 2021 and 2020 Gould's equity interest in BRT was approximately 16.4% and 17.4%, respectively, and it has accounted for its investment using the equity method. Included at September 30, 2021 and 2020 in the consolidated statements of operations in "Equity in income of unconsolidated entities" is \$4,390,000 and \$(1,759,000) respectively, from BRT.

Summarized selected information for these entities are as follows (in thousands):

	<u>One Liberty Properties, Inc.</u> (unaudited) <u>September 30,</u>	
	<u>2021</u>	<u>2020</u>
Assets	\$751,973	\$786,730
Liabilities	\$446,874	\$493,212

  

	<u>Nine Months Ended September 30,</u>	
	<u>2021</u> (unaudited)	<u>2020</u> (unaudited)
Revenues	\$61,674	\$ 63,171
Expenses	(38,518)	(38,200)
Gains (losses) on sale and Other income (loss)	<u>9,345</u>	<u>(1,129)</u>
Net Income	32,501	23,842
Net (income) attributable to non-controlling interests	<u>(151)</u>	<u>(7)</u>
Net income attributable to common shareholders	<u>\$32,350</u>	<u>\$23,835</u>

GOULD INVESTORS L.P. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (Continued)  
September 30, 2021 and 2020

Note 5 - Investments in One Liberty Properties, Inc. and BRT Apartments Corp. (continued)

	<u>BRT Apartments Corp.</u> (unaudited) September 30,	
	<u>2021</u>	<u>2020</u>
Assets	\$398,048	\$374,247
Liabilities	\$191,755	\$189,904
	<u>Nine Months Ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
	(unaudited)	(unaudited)
Revenues	\$21,774	\$21,053
Expenses	(29,133)	(32,594)
Gain (loss) on Sale and Other income (loss)	37,829	(4,923)
Total	30,470	(16,464)
Net (income) attributable to non-controlling interests	(102)	(97)
Net income (loss) attributable to common shareholders	<u>\$30,368</u>	<u>\$(16,561)</u>

Note 6 – Debt Obligations

(a) Mortgages Payable

The following table details the mortgages payable, net, balances per the consolidated balance sheets (amounts in thousands):

	<u>September 30,</u>	
	<u>2021</u>	<u>2020</u>
Mortgages Payable, gross	\$299,711	\$268,758
Unamortized deferred financing costs	(7,989)	(6,753)
Mortgages Payable, net	<u>\$291,722</u>	<u>\$262,005</u>

Outstanding non-recourse (subject to standard “carve outs”) mortgages payable bear interest at rates ranging from 2.75% to 6.5% per annum, and mature between fiscal 2022 and 2048. At September 30, 2021, substantially all the Partnership's real estate was individually pledged to collateralize these notes. Scheduled principal repayments during the next five fiscal years and thereafter are as follows:

<u>Years Ending</u> <u>September 30,</u>	<u>Amount</u> (In Thousands)
2022	\$ 9,118
2023	15,647
2024	5,353
2025	5,562
2026	11,313
Thereafter	<u>252,718</u>
Total	<u>\$299,711</u>

GOULD INVESTORS L.P. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (Continued)  
September 30, 2021 and 2020

Note 6 - Debt Obligations (continued)

(b) Revolving Credit Loan

The Partnership has a Loan Agreement (“loan”) with an outstanding amount not to exceed \$15,000,000 with VNB New York LLC which expires on August 27, 2024. The loan is collateralized by 353,964 VRLP units. The borrowing base and availability under the loan is based on 60% of the fair market value of the VRLP units. As of December 14, 2021 the maximum available under the loan was approximately \$8,674,000. The loan provides for interest at the lower of LIBOR plus 2.75% with a minimum rate of 3.00% and an unused facility fee of 0.25% per annum. There was no outstanding balance on the loan at September 30, 2021 and 2020.

(c) Derivative Financial Instruments

The Partnership’s primary objective in using derivatives is to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Partnership primarily uses interest rate swaps as part of its interest rate risk management strategy. At September 30, 2021, the Partnership had the following outstanding interest rate derivatives, all of which were interest rate swaps and designated as cash flows hedges of interest rate risk (dollars in thousands):

<u>Notional Amount</u>	<u>Fixed Interest Rate</u>	<u>Loan Maturity Date</u>
1,550	4.01	August 2022
10,000 (a)	2.57	December 2025
1,000	3.40	September 2026
950	4.35	May 2027
6,667 (a)	2.66	April 2029

(a) Interest rate derivative of an unconsolidated joint venture.

The derivative agreements in existence at September 30, 2021 provide that if the wholly owned subsidiary of the Partnership which is a party to the agreement defaults or is capable of being declared in default on any of its indebtedness, then a default can be declared on such subsidiary’s derivative obligation. In addition, the Partnership (but not any of its subsidiaries) is a credit support provider and a party to the derivative agreement and if there is a default by the Partnership on any of its indebtedness, a default can be declared on the derivative obligation under the agreement to which the Partnership is a party. (See consolidated statements of comprehensive income (loss) for changes in net unrealized gain (loss) on derivative instruments).

Note 7 - Commitments and Contingencies

Commitments

Included in “Investment in equity securities” are 353,964 VRLP units, received in a transaction with Vornado Realty Trust. The Partnership guaranteed up to \$22,000,000 of a loan securing a commercial property in New York City entered into by Vornado Eleven Penn Plaza, LLC as borrower and included in the consolidated financial statements of Vornado Realty Trust, provided that before the lender can proceed against the Partnership an event of default must have occurred, the lender must declare all unpaid

GOULD INVESTORS L.P. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (Continued)  
September 30, 2021 and 2020

Note 7 - Commitments and Contingencies (continued)

Commitments (continued)

amounts due and owing and all remedies the lender has against the borrower and Vornado Realty Trust must have been exhausted.

The Partnership assesses whether an arrangement is a lease or contains a lease at inception. For arrangements considered leases or that contain a lease that is accounted for separately, the Partnership determines the classification and initial measurement of the right-of-use asset and lease liability at the lease commencement date, which is the date that the underlying asset becomes available for use. The Company has elected to account for non-lease components associated with its leases and lease components as a single lease component.

The Partnership recognizes a right-of-use asset, which represents the Partnership's right to use the underlying asset for the lease term, and a lease liability, which represents the present value of the Partnership's obligation to make payments arising over the lease term. The present value of the lease payments is calculated using either the implicit interest rate in the lease or an incremental borrowing rate.

Lease assets and liabilities are classified as follows on the condensed consolidated balance sheet:

<b>Lease</b>	<b>Classification</b>	<b>As of September 30,</b>
<b>Assets</b>		
Operating	Operating lease – right-of-use asset	\$ 3,828,000
Total leased assets		<u>\$ 3,828,000</u>
<b>Liabilities</b>		
Operating	Lease obligation – operating lease	\$ 3,913,000
Total lease liabilities		<u>\$ 3,913,000</u>

Rent expense is recorded on the straight-line basis. Rent expense for the year ended September 30, 2021 was \$407,000. Rent expense is recorded in general and administrative expense in the consolidated statements of operations.

As of September 30, 2021, the Partnership has committed capital to 14 investments totaling approximately \$7,700,000. When invested, the amounts will be classified as "Other investments, at equity" or "Other Real Estate Investments" on the consolidated balance sheets.

Subsequent to year end, the Partnership committed \$10,000,000 to a Fund that will be consolidated on the Partnership's Financial Statements. As of the financial statement reporting date, \$3,250,000 of that commitment has been called.

GOULD INVESTORS L.P. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (Continued)  
September 30, 2021 and 2020

Note 7 - Commitments and Contingencies (continued)

Commitments (continued)

Effective January 1, 2009, Gould created the Gould Investors L.P. Incentive Compensation Plan (the "plan"). Under the plan, Gould may award up to a total of 70,000 Limited Partnership Unit Equivalents ("Units") to officers, directors and employees of the Managing General Partner and to selected employees and consultants of the Partnership. These Units require an all cash exercise five years from the date of issuance. There are no rights of ownership included with these Units. There are no provisions for partial vesting and as such if the employee is not employed by the Partnership at the time of vesting, the Partnership has no obligation towards that employee. The value of these Units will be based on the book value of the Partnership as of the fiscal year immediately preceding the vesting date. As of September 30, 2021 and 2020 there were 18,727 and 18,246 Units outstanding, respectively, and 29,410 units available to be issued under the plan.

The Units that were granted in 2016 vested on December 31, 2020 and in January 2021 the total amount paid was \$926,000. The Units that were granted in 2017 will vest on December 31, 2021 and in January 2022, the approximate value of these Units at September 30, 2021 of \$1,158,000 will be paid.

Included in general and administrative expenses on the consolidated statements of operations is \$1,489,000 and \$882,000 for the years ended September 30, 2021 and 2020, respectively, representing the current years portion of the expense, and the change in book value for prior years Unit issuances.

Included in accrued expenses and other liabilities on the consolidated balance sheets is \$3,595,000 and \$3,033,000 at September 30, 2021 and 2020, respectively, representing the deferred compensation relating to the Plan.

Contingencies

The Partnership is involved in various litigation matters that arise in the normal course of business. While it is not possible to determine with certainty the ultimate outcome or the duration of any such litigation, the Partnership believes, based on current knowledge and the advice of counsel, that such matters will not have a material impact on the partnership's consolidated financial position or result of operations.

Note 8 - Partners' Capital

The Partnership's general partners are Gould General LLC and Georgetown Partners, Inc., the Managing General Partner, which is a Delaware corporation. The general partners share in an aggregate 1.01% of the Partnership's profits, losses and distributions, while the limited partners share in the remaining 98.99% after required distribution to all Preferred Interests. See Note 9 regarding transactions between the Partnership and its general partners.

GOULD INVESTORS L.P. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (Continued)  
September 30, 2021 and 2020

Note 8 - Partners' Capital (continued)

Class A Preferred Limited Partnership Interest

The Class A Preferred Limited Partnership Interest has certain preferential rights as to minimum cash distributions on an annual basis. The Class A Preferred Limited Partnership Interest currently has the cumulative right, to "put" to the Partnership, and the Partnership has the right and option to "call" up to 20% of the Class A Preferred Limited Partnership Interest at a set redemption price aggregating \$146,788 for each 1% interest redeemed and retired.

The total distribution paid in the current fiscal year was \$180,000.

On December 22, 2020 and October 15, 2020, Gould redeemed the tranches callable and puttable on October 1, 2023 and October 1, 2020, respectively. Gould paid the face amount of \$2,935,770 and \$1,467,885 to the holder.

At September 30, 2021 the outstanding balance relating to these interests was:

<u>Put/Call Amount</u>	<u>Preferred Distribution Rate</u>	<u>Earliest Callable Date</u>
\$2,935,770	5%	October 1, 2024

Distributions

On September 1, 2021, the Partnership distributed, at the election of each limited partner, \$9 per unit in cash or \$9.90 per unit in value of JBGS units. The cash distributed as part of this distribution was \$5,088,000 and the fair market value of the 40,643 JBGS units distributed was \$1,231,000. The general partners received a total of approximately \$63,000 of cash.

On February 1, 2021, the Partnership distributed, at the election of each limited partner, \$9 per unit in cash or \$9.90 per unit in value of JBGS units. The cash distributed as part of this distribution was \$5,093,000 and the fair market value of the 40,672 JBGS units distributed was \$1,232,000. The general partners received a total of approximately \$63,000 of cash.

On September 1, 2020, the Partnership distributed, at the election of each limited partner, \$9 per unit in cash or \$9.90 per unit in value of JBGS units. The cash distributed as part of this distribution was \$5,221,000 and the fair market value of the 39,075 JBGS units distributed was \$1,103,000. The general partners received a total of approximately \$64,000 of cash.

On February 1, 2020, the Partnership distributed, at the election of each limited partner, \$9 per unit in cash or \$9.90 per unit in value of JBGS units. The cash distributed as part of this distribution was \$5,225,000 and the fair market value of the 28,025 JBGS units distributed was \$1,103,000. The general partners received a total of approximately \$64,000 of cash.

GOULD INVESTORS L.P. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (Continued)  
September 30, 2021 and 2020

Note 8 - Partners' Capital (continued)

Distributions (continued)

The following tabulation summarizes changes in outstanding limited partnership units:

	<u>2021</u>	<u>2020</u>
Balance outstanding, October 1	690,726	692,049
Purchase and cancellation of limited partnership units	<u>(2,120)</u>	<u>(1,323)</u>
Balance outstanding, September 30	<u>688,606</u>	<u>690,726</u>

Accumulated Other Comprehensive (Loss) Income

Accumulated other comprehensive (loss) income consisted of unrealized (loss) on derivative instruments of \$(1,491,000) and \$(2,567,000) for the years ended September 30, 2021 and 2020, respectively.

Note 9 - Related Party Transactions

Certain officers of the managing general partner are also officers of BRT and OLP. Additionally, officers of the managing general partner control companies that provide management, leasing and mortgage brokerage services for substantially all of the rental properties owned by the Partnership.

The Partnership pays advisory fees for administrative services and investment advice directly to its general partners as provided by the partnership agreement. Such fees, which are based upon various factors, including invested assets (as defined) and gains on sales of properties and investments, amounted to \$4,755,000 and \$4,335,000 for the years ended September 30, 2021 and 2020, respectively.

The Partnership allocates general and administrative expenses to several entities, including BRT, pursuant to a Shared Services Agreement. Allocations of general and administrative expenses are also made to management companies controlled by the general partners and officers of the managing general partner. Such allocations are netted against "General and administrative expenses" in the consolidated statements of operations and amounted to approximately \$2,205,000 in fiscal 2021 and \$2,253,000 in fiscal 2020.

Management fees and sales commissions charged amounted to \$1,713,000 in fiscal 2021 and \$1,597,000 in fiscal 2020. Leasing commissions and mortgage brokerage fees incurred, which will be amortized, amounted to \$272,000 and \$133,000 in fiscal 2021 and 2020, respectively.

The amortization of such fees are included in "Real estate operating expenses" and "Amortization of deferred financing costs", respectively, in the consolidated statements of operations.

In addition, during fiscal 2021 and 2020, the Partnership capitalized as building improvements an aggregate of \$304,000 and \$191,000, respectively, paid to the management company as supervisory fees. These fees are based upon a percentage of total building improvements capitalized by the Partnership and supervised by the management company and are included in "Real estate owned" in the consolidated balance sheets.

GOULD INVESTORS L.P. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements (Continued)  
September 30, 2021 and 2020

Note 9 - Related Party Transactions (continued)

In February 2020, the Partnership loaned \$100,000 to an entity in which it is a partner. The loan accrued interest at 5% and was paid off in full in March, 2021.

In November 2014, the Partnership purchased a loan secured by a partnership interest from BRT Apartments Corp. with a face value of \$2,000,000 with an interest rate of 10% per annum. The Borrower has a fifty percent interest in a consolidated subsidiary of the Partnership, which secures the mortgage. As of September 30, 2021 and 2020 there was an outstanding balance of \$747,000. During fiscal 2021 and 2020 interest income of \$76,000 was received relating to this mortgage. The maturity date of the loan is December 31, 2021.

In fiscal 2021 and 2020, Gould had \$7,059,000 and \$7,084,000, respectively, invested in multiple funds managed by a related party to the owners of the managing general partner.

The Partnership is the owner of two subsidiaries that are the General Partner of two separate funds which are consolidated within the financial statements. Subsequent to year end, the Partnership loaned \$3,513,000 to one of those funds.

Note 10 - Subsequent Events

Subsequent events have been evaluated through December 22, 2021 the date that the consolidated financial statements were available to be issued. There were no other events relative to our consolidated financial statements that require additional disclosure.

Note 11 - Per Unit Data

Earnings per limited partnership unit are based upon the weighted average number of such units outstanding during the respective years. The calculation of per unit data is summarized as follows:

	<u>2021</u>	<u>2020</u>
	(In thousands, except per unit data)	
Income (loss) from continuing operations (after non-controlling interests)	\$36,498	\$(3,363)
Less portion applicable to Class A Preferred Limited Partnership Interests	<u>(180)</u>	<u>367</u>
	36,318	(3,730)
Less portion applicable to general partners	<u>(367)</u>	<u>38</u>
Income (loss) from continuing operations applicable to limited partnership units	<u>\$35,951</u>	<u>\$(3,692)</u>
Per unit income (loss) from continuing operations applicable to limited partnership units	<u>\$ 52.18</u>	<u>\$ (5.34)</u>
Weighted average number of limited partnership units outstanding	<u>689</u>	<u>691</u>