FIRST HARTFORD CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

APRIL 30, 2020 AND 2019

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Contents

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and
Shareholders of First Hartford Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of First Hartford Corporation and Subsidiaries (the Company) as of April 30, 2020 and 2019, and the related consolidated statements of operations, comprehensive income, changes in shareholders' equity (deficiency), and cash flows for each of the years in the two-year period ended April 30, 2020, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of April 30, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the two-year period ended April 30, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the auditing standards of the PCAOB and 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 financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Mahoney Sabol + Company, LLP

Glastonbury, Connecticut
August 14, 2020

We have served as the Company's auditor since 2013.

FIRST HARTFORD CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
APRIL 30, 2020 AND 2019

ASSETS

	2020	2019
Real estate and equipment:		
Developed properties and property under construction (including $81,517,672 in 2020 and $80,474,006 in 2019 for VIEs)	$277,201,503	$262,564,890
Equipment and tenant improvements (including $2,765,209 in 2020 and $2,600,840 in 2019 for VIEs)	4,769,623	4,699,333
	281,971,126	267,264,223
Less accumulated depreciation and amortization (including $22,534,776 in 2020 and $20,238,251 in 2019 for VIEs)	(63,463,050)	(57,966,719)
	218,508,076	209,297,504
Properties held for sale	10,065,271	6,896,115
Cash and cash equivalents (including $2,834,540 in 2020 and $2,724,354 in 2019 for VIEs)	10,666,295	6,470,262
Cash and cash equivalents – restricted (including $376,655 in 2020 and $404,269 in 2019 for VIEs)	688,101	636,231
Marketable securities (including $405,848 in 2020 and $696,390 in 2019 for VIEs)	405,848	696,390
Accounts and notes receivable, net (including $202,505 in 2020 and $99,588 in 2019 for VIEs)	3,134,388	2,312,623
Other receivables	1,896,299	2,451,265
Deposits and escrow accounts (including $4,909,833 in 2020 and $6,488,214 in 2019 for VIEs)	7,867,915	13,469,322
Prepaid expenses (including $344,603 in 2020 and $406,546 in 2019 for VIEs)	1,447,689	1,876,297
Deferred expenses, net (including $116,691 in 2020 and $133,551 in 2019 for VIEs)	3,219,209	3,952,349
Investment in affiliates	455,271	429,847
Due from related parties and affiliates	6,832	204,257
Total assets	$258,361,194	$248,692,462

See accompanying notes.

FIRST HARTFORD CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
APRIL 30, 2020 AND 2019
(Continued)

LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)

	2020	2019
Liabilities:		
Mortgages and other notes payable:		
Construction loans payable	$27,578,488	$36,246,499
Mortgages payable (including $61,959,453 in 2020 and $62,806,632 in 2019 for VIEs)	200,842,689	183,931,827
Notes payable (including $1,704,697 in 2019 and $1,704,697 in 2019 for VIEs)	3,482,997	1,704,697
Lines of credit	9,105,000	6,750,000
Less: Deferred debt issuance costs (including $1,422,209 in 2020 and $1,468,871 in 2019 for VIEs)	(2,593,071)	(2,927,321)
	238,416,103	225,705,702
Accounts payable (including $475,358 in 2020 and $437,572 in 2019 for VIEs)	4,910,106	5,541,804
Other payables	3,880,012	4,383,410
Accrued liabilities (including $3,977,422 in 2020 and $3,708,078 in 2019 for VIEs)	8,415,307	7,354,956
Derivative liability	5,875,730	1,440,606
Deferred income (including $208,015 in 2020 and $214,655 in 2019 for VIEs)	1,527,944	1,097,189
Other liabilities	615,642	615,642
Due to related parties and affiliates (including $507,077 in 2020 and $507,428 in 2019 for VIEs)	627,794	556,629
Deferred tax liability	1,044,173	1,428,531
Total liabilities	265,312,811	248,124,469
Commitments and Contingencies		
Shareholders' Equity (Deficiency):		
First Hartford Corporation		
Preferred stock, $1 par value; $.50 cumulative and convertible; authorized 4,000,000 shares; no shares outstanding	-0-	-0-
Common stock, $1 par value; authorized 6,000,000 shares: issued 3,175,908 in 2020 and 3,210,808 in 2019, outstanding 2,279,664 and 2,314,564 in 2020 and 2019, respectively	3,175,908	3,210,808
Capital in excess of par	4,974,876	5,042,226
Accumulated deficit	(6,204,178)	(1,610,303)
Treasury stock, at cost, 896,244 shares in 2020 and 2019	(4,989,794)	(4,989,794)
Total First Hartford Corporation	(3,043,188)	1,652,937
Noncontrolling interests	(3,908,429)	(1,084,944)
Total shareholders' equity (deficiency)	(6,951,617)	567,993
Total liabilities and shareholders' equity (deficiency)	$258,361,194	$248,692,462

See accompanying notes.

FIRST HARTFORD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED APRIL 30, 2020 AND 2019

	2020	2019
Revenues:		
Rental income	$31,578,064	$30,378,070
Service income	3,448,234	12,889,893
Sales of real estate	27,767,525	31,997,373
Other revenues	4,992,545	5,482,441
	67,786,368	80,747,777
Operating costs and expenses:		
Rental expenses (includes depreciation and amortization of $6,245,664 and $6,080,036 in 2020 and 2019, respectively)	23,647,573	21,682,822
Service expenses	3,129,340	11,435,071
Cost of real estate sales	19,521,300	21,940,942
Other expenses	6,096,957	6,410,596
Selling, general and administrative expenses	6,516,312	5,902,992
	58,911,482	67,372,423
Income from operations	8,874,886	13,375,354
Non-operating income (expense):		
Equity in earnings of unconsolidated subsidiaries	1,360,000	751,999
Other income (expense)	(247,685)	77,223
Gain (loss) on derivatives	(4,435,124)	(780,826)
(Loss) on impairment	(1,183,662)	-0-
Interest expense	(11,538,173)	(10,640,815)
	(16,044,644)	(10,592,419)
Income (loss) before income taxes (benefit)	(7,169,758)	2,782,935
Income tax expense (benefit)	(606,236)	1,329,208
Consolidated net income (loss)	(6,563,522)	1,453,727
Net (income) loss attributable to noncontrolling interests	1,969,647	1,102,725
Net income (loss) attributable to First Hartford Corporation	$(4,593,875)	$2,556,452
Net income (loss) per share – basic	$(2.00)	$1.10
Net income (loss) per share – diluted	$(2.00)	$1.10
Shares used in basic per share computation	2,300,604	2,315,472
Shares used in diluted per share computation	2,300,604	2,315,472

See accompanying notes.

FIRST HARTFORD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED APRIL 30, 2020 AND 2019

	2020	2019
Consolidated net income (loss)	$(6,563,522)	$1,453,727
Other comprehensive income (loss), net of taxes:		
Unrealized gains (losses) on marketable securities	49,252	(166,896)
Total comprehensive income (loss)	(6,514,270)	1,286,831
Amounts attributable to noncontrolling interests:		
Net (income) loss	1,969,647	1,102,725
Unrealized (gains) losses on marketable securities	(49,252)	166,896
	1,920,395	1,269,621
Comprehensive income (loss) attributable to First Hartford Corporation	$(4,593,875)	$2,556,452

See accompanying notes.

FIRST HARTFORD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
FOR THE YEARS ENDED APRIL 30, 2020 AND 2019

	Common Stock	Capital in Excess of Par	Accumulated Deficit	Accumulated Other Comprehensive Income	Treasury Stock	Total First Hartford Corporation	Noncontrolling Interests	Total
Balance, April 30, 2018	$3,211,843	$5,043,779	$(4,166,755)	$-0-	$(4,989,384)	$(900,517)	$824,823	$(75,694)
Distributions	-0-	-0-	-0-	-0-	-0-	-0-	(640,146)	(640,146)
Purchase of common stock	(1,035)	(1,553)	-0-	-0-	(410)	(2,998)	-0-	(2,998)
Net income (loss)	-0-	-0-	2,556,452	-0-	-0-	2,556,452	(1,102,725)	1,453,727
Unrealized gain on marketable securities	-0-	-0-	-0-	-0-	-0-	-0-	(166,896)	(166,896)
Balance, April 30, 2019	3,210,808	5,042,226	(1,610,303)	-0-	(4,989,794)	1,652,937	(1,084,944)	567,993
Contributions	-0-	-0-	-0-	-0-	-0-	-0-	75,000	75,000
Distributions	-0-	-0-	-0-	-0-	-0-	-0-	(978,090)	(978,090)
Purchase of common stock	(34,900)	(67,350)	-0-	-0-	-0-	(102,250)	-0-	(102,250)
Net income (loss)	-0-	-0-	(4,593,875)	-0-	-0-	(4,593,875)	(1,969,647)	(6,563,522)
Unrealized loss on marketable securities	-0-	-0-	-0-	-0-	-0-	-0-	49,252	49,252
Balance, April 30, 2020	$3,175,908	$4,974,876	$(6,204,178)	$ -0-	$(4,989,794)	$(3,043,188)	$(3,908,429)	$(6,951,617)

See accompanying notes.

FIRST HARTFORD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED APRIL 30, 2020 AND 2019

	2020	2019
Operating activities:		
Consolidated net income (loss)	$(6,563,522)	$1,453,727
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Equity in earnings of unconsolidated subsidiaries, net of distributions of $1,360,000 in 2020 and $359,999 in 2019	-0-	(392,000)
Gain on sale of real estate	(8,246,225)	(10,056,431)
Loss on disposal of fixed assets	1,097,094	-0-
Loss on impairment	1,183,662	-0-
Depreciation of real estate and equipment	6,555,124	5,885,847
Amortization of deferred expenses	647,265	593,750
Deferred income taxes	(384,358)	1,218,316
Loss on marketable securities	313,035	-0-
Unrealized loss on derivatives	4,435,124	780,826
Changes in operating assets and liabilities:		
Accounts, notes and other receivables	(266,799)	2,771,886
Deposits and escrows	5,601,407	1,815,562
Prepaid expenses	428,608	(150,016)
Deferred expenses	420,125	(1,256,182)
Accrued liabilities	1,060,351	(101,974)
Deferred income	430,755	(138,446)
Accounts and other payables	(1,135,096)	73,316
Net cash provided by operating activities	5,576,550	2,498,181
Investing activities:		
Investments in marketable securities	-0-	(243,854)
Proceeds from sale of marketable securities	26,759	-0-
Purchases of equipment and tenant improvements	(470,827)	(994,476)
Investments in affiliated companies	(25,424)	-0-
Proceeds from sales of real estate	27,767,525	31,997,373
Additions to developed properties and property under construction	(40,266,081)	(32,044,069)
Net cash (used in) investing activities	(12,968,048)	(1,285,026)

See accompanying notes.

FIRST HARTFORD CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED APRIL 30, 2020 AND 2019
(Continued)

	2020	2019
Financing activities:		
Purchase of common stock	$(102,250)	$(2,998)
Distributions to noncontrolling interests	(978,090)	(640,146)
Contributions from noncontrolling interests	75,000	-0-
Proceeds from:		
Construction loans	11,314,974	19,574,675
Mortgages	25,370,765	-0-
Notes	1,778,300	-0-
Credit lines	9,655,000	8,750,000
Principal payments on:		
Construction loans	(19,982,985)	(15,496,962)
Mortgages	(8,459,903)	(7,665,556)
Notes	-0-	-0-
Credit lines	(7,300,000)	(6,760,000)
Advances to related parties and affiliates, net	268,590	(65,043)
Net cash (used in) financing activities	11,639,401	(2,306,030)
Net change in cash and cash equivalents and restricted cash	4,247,903	(1,092,875)
Cash and cash equivalents and restricted cash, beginning of year	7,106,493	8,199,368
Cash and cash equivalents and restricted cash, end of year	$11,354,396	$7,106,493

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

	2020	2019
Cash paid during the year for interest	$11,333,564	$10,501,900
Cash paid (refunded) during the year for income taxes	$(24,074)	$120,420
Debt refinancing during the year:		
New mortgage loan	$2,473,561	$-0-
Debt reduced	(1,511,118)	(0)
Escrow funded	(50,000)	(0)
Net cash from refinancing	$912,443	$-0-

See accompanying notes.

1. Summary of Significant Accounting Policies:

Description of Business

First Hartford Corporation (the Company) was incorporated in Maine in 1909 and is engaged in the purchase, development, ownership, management and sale of real estate, all of which is considered the "Real Estate Operation" segment. The Company has a second segment "Fee for Service" in which the Company is engaged as a preferred developer for CVS and Cumberland Farms (see Revenue Recognition below).

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, and all other entities in which the Company has a controlling financial interest. The latter includes those in which the Company has been determined to be the primary beneficiary of a variable interest entity or otherwise meets certain criteria as a sole general partner or managing member in accordance with the consolidation guidance of the Financial Accounting Standards Board (FASB) Accounting Standards Codification. As such, included in the consolidated financial statements are the accounts of Rockland Place Apartments Limited Partnership and Clarendon Hill Somerville Limited Partnership. The Company's ownership percentage in these variable interest entity partnerships is nominal. All intercompany balances and transactions have been eliminated in consolidation.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation

Because the Company is engaged in the development and sale of real estate at various stages of construction, the operating cycle may extend beyond one year. Accordingly, following the usual practice of the real estate industry, the accompanying consolidated balance sheets are unclassified.

Statements of Cash Flows

In accordance with ASU 2016-18, the Company presents the change in total cash, cash equivalents and restricted cash within the statement of cash flows. The Company considers all highlight liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Revenue Recognition

The Company accounts for revenue in accordance with Accounting Standards Codification (ASC) Topic 606, "Revenue from Contracts with Customers" (Topic 606). The Company adopted new revenue recognition guidance on May 1, 2018, using the full retrospective method. Revenue is recognized when or as control of the promised services or goods is transferred to our customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services.

The following is a description of the Company's revenue recognition policies, updated for the effects of Topic 606, for the Company's principal activities, separated by our reportable segments as discussed further within Note 11.

1. Summary of Significant Accounting Policies (continued):

Revenue Recognition (concluded):

Real Estate Operations Segment:
Rental Income – Rental income is recognized on a straight-line basis over the terms of the respective leases and consists of base rent and reimbursements for certain costs such as real estate taxes, utilities, insurance, common maintenance and other recoverable costs as provided in the lease agreements. There are no contingent rents. If conditions of rent are not met, certain tenants may have rights to pay percentage rent not to exceed stated rent. Currently, there are a very limited number of tenants on percentage rent.

Management Services – The Company provides management and maintenance services to third parties, primarily the Company's unconsolidated Claymont, DE and Bronx, NY properties. The Company is compensated for such services through a monthly management fee earned based on a specified percentage of the monthly rental income generated from the property under management. Property management services represent a series of distinct daily services rendered over time.

Sales of Real Estate – The Company recognizes sales of real estate as revenue at a point in time when control is transferred and the Company has satisfied its performance obligation. For the years ended April 30, 2020 and 2019, the Company had real estate sales totaling $27,767,525 and $31,997,373, respectively. The cost of the property sold was $19,521,300 and $21,940,942 for 2020 and 2019, respectively. None of the property sold was otherwise providing significant ongoing cash flows to the Company.

Development Services – The Company typically satisfies its performance obligation as services are rendered over time, measured by the ratio of costs incurred up to a given date to estimated total costs for each contract. This cost to cost measure is used because management considers it to be the best available measure of progress on these contracts.

Construction Income – Construction revenues are recognized as performance obligations are satisfied over time (formerly known as the percentage-of-completion method), measured by the ratio of costs incurred up to a given date to estimated total costs for each contract. This cost to cost measure is used because management considers it to be the best available measure of progress on these contracts.

Other Revenues – Other revenues represents retail sales at the Company's three retail establishments it owns at its shopping centers. The Company recognizes these revenues at a point in time when control of the goods is transferred to its customers.

Fee for Service Segment:
Preferred Developer Services – The Company is party to preferred developer agreements with CVS and Cumberland Farms. Under these agreements, the Company satisfies its performance obligation over time as services are provided. Fees are typically payable upon contractually defined events, like project milestones. Fees and reimbursable expenses related to the development of pharmacy stores for CVS during the years ended April 30, 2020 and 2019 were $1,388,950 and $2,079,250, respectively. Fees and reimbursable expenses earned for Cumberland Farms during the years ended April 30, 2020 and 2019 were $715,000 and $545,000, respectively. These fees are included in service income in the consolidated statements of operations.

1. Summary of Significant Accounting Policies (continued):

Accounts Receivable and Allowance for Doubtful Accounts

The Company records accounts receivable for its unconditional rights to consideration arising from its performance under contracts with customers. The carrying value of such receivables, net of the allowance for doubtful accounts, represents their estimated net realizable value. The Company estimates its allowance for doubtful accounts for specific accounts receivable balances based on historical collection trends, the age of outstanding accounts receivables, and existing economic conditions associated with the receivables. The allowance for doubtful accounts totaled $102,851 and $26,134 as of April 30, 2020 and 2019, respectively. Past-due accounts receivable balances are written off when all internal collection efforts have been unsuccessful. As a practical expedient, the Company does not adjust the promised amount of consideration for the effects of a significant financing component when it expects, at contract inception, that the period between the transfer of a promised service to a customer and when the customer pays for that service will be one year or less. The Company does not typically include extended payment terms in its contracts with customers.

Remaining Performance Obligations

Remaining performance obligations represent the aggregate transaction prices for contracts where the Company's performance obligations have not yet been satisfied. On April 30, 2020, the Company had no remaining performance obligations relating to construction projects.

Contract Assets and Contract Liabilities

Contract assets represent assets for revenue that has been recognized in advance of billing the customer and for which the right to bill is contingent upon something other than the passage of time. Included in contract assets are costs and estimated earnings in excess of billings, uninstalled materials, and other costs related to long-term construction contracts.

When the Company receives consideration, or such consideration is unconditionally due, from a customer prior to transferring services to the customer under the terms of the services contract, the Company records a contract liability. Included in contract liabilities are billings in excess of costs and estimated earnings and deferred revenue. Such deferred revenue typically results from milestone payments pertaining to future services not yet rendered. The Company recognizes the contract liability as revenue once it has transferred control of service to the customer and all revenue recognition criteria are met.

Contract assets and contract liabilities are determined for each contract on a net basis. As of April 30, 2020 and 2019, contract assets of $-0- and $36,296, respectively, are included in accounts and notes receivable in the accompanying consolidated balance sheets and contract liabilities totaling $674,119 and $350,000 as of April 30, 2020 and 2019 are included in deferred income in the accompanying consolidated balance sheets. The remaining balance of deferred income consists primarily of prepayments of monthly rent and preferred developer fees.

Contract Costs

Contract costs include all direct material, direct labor and benefits, materials unique to or installed in the project, subcontract costs and allocations of indirect construction costs. Provisions for estimated losses on contracts in progress are made in the period in which such losses are determined.

As long-term contracts extend over one or more years, revisions in estimates of costs and earnings during the course of the contract are reflected in the accounting period in which the facts, which require the revision, become known. Applying the contract cost practical expedient, the Company recognizes the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that it otherwise would have recognized is one year or less.

1. **Summary of Significant Accounting Policies (continued):**

Other Receivables and Payables

Pursuant to the Company's Preferred Developer Agreement with CVS, the Company is obligated to fund allowable costs incurred in connection with the identification and development of new retail pharmacy stores for which it receives direct reimbursements from CVS. Payables for allowable costs incurred in connection with these activities but not yet funded were $2,101,363 and $2,550,345 as of April 30, 2020 and 2019 respectively, and have been included as "other payables" in the consolidated balance sheets. Related reimbursements due from CVS were $1,896,299 and $2,451,265 as of April 30, 2020 and 2019, respectively, and have been included in "other receivables" in the consolidated balance sheets.

Also included in "other payables" as of April 30, 2020 and 2019 were $1,662,362 and $1,700,562, respectively, of cost reimbursements due upon completion of two projects.

Cash and Cash Equivalents – Restricted

Cash and cash equivalents – restricted, includes funds received from CVS in connection with the Company's Preferred Developer Agreement. Such amounts are to be used for the payment of costs incurred by the Company for the development and construction of CVS retail pharmacy stores. The restricted cash also includes Tenant Security Deposits held by the VIEs.

Developed Properties, Equipment and Tenant Improvements

Developed properties, equipment and tenant improvements are recorded at cost.

Depreciation and amortization are provided using the straight-line method based on the following estimated useful lives.

Description	Years
Developed properties	15 – 40
Equipment	3 – 10
Tenant improvements	Lesser of improvement life or lease term

Expenditures for major renewals and betterments, which extend the useful lives of developed properties, equipment and tenant improvements, are capitalized. Expenditures for maintenance and repairs are charged to operations as incurred.

Property Under Construction

The Company capitalizes costs directly associated with property under construction. Such costs include materials, construction labor and payroll cost, allocation of salaries and payroll cost from direct activities such as engineering, purchasing and legal and services provided by subcontractors. Material carrying costs for property taxes, insurance and interest are also capitalized during the period of active construction until construction is substantially complete (see Note 3).

The Company capitalizes labor cost for direct work by offsite staff on specific projects. In the year ended April 30, 2020, $124,365 was capitalized. In the year ended April 30, 2019, $140,961 was capitalized.

1. Summary of Significant Accounting Policies (continued):

Property Held for Sale

The Company classifies property as "held for sale" if management commits to sell the property and actively markets the property to potential buyers at fair market value, the property is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such property, and the sale is probable within one year.

Deferred Expenses

Expenditures directly related to real estate under consideration for development are deferred and included in deferred expenses in the consolidated balance sheets. These costs include option payments, attorney's fees, architect and engineering fees, consultants, etc., but only to the extent they are from outside sources. If development of the real estate commences, all of the accumulated costs are reclassified to property under construction in the consolidated balance sheets. If the project is later abandoned, all of the accumulated costs are charged to expense.

Leasing costs incurred, primarily commissions, are capitalized for signed leases and included in deferred expenses in the accompanying consolidated balance sheets. Such costs are amortized using the straight-line method over the terms of the related leases. The unamortized balance of such cost was $1,513,486 and $1,288,540 as of April 30, 2020 and 2019, respectively.

Amortization expense for the next five years and thereafter is expected to be as follows:

Year Ending April 30,	
2021	$187,983
2022	176,969
2023	160,627
2024	129,915
2025	121,013
Thereafter	736,979
Total	$1,513,486

1. Summary of Significant Accounting Policies (continued):

Investment in Affiliated Entities

The Company has an investment in an affiliated limited liability entity Dover Parkade, LLC, ("Dover"). The Company has a 50% interest in Dover which owns a shopping center in Dover Township, NJ. The operating and financial policies of Dover are not controlled by the Company. For years prior to May 1, 2009, the Company was committed to provide funding to this equity method investee. The Company's investment was recorded at cost and subsequently adjusted for its share of their net income and losses and distributions. Through April 30, 2009, losses and distributions from Dover exceeded the Company's investment and the Company's investment balance was reduced below $0 and recorded as a liability. Beginning May 1, 2009, distributions from Dover have been credited to income and any additional losses have not been allowed to further reduce the investment balance. The resulting carrying value of this investment of ($615,642) as of April 30, 2020 and 2019 is included in other liabilities. The Company recorded equity in earnings of unconsolidated subsidiaries of $700,261 and $751,999 for the years ended April 30, 2020 and 2019, respectively, which includes distributions of $1,360,000 and $360,000, respectively.

On October 4, 2011, the Company entered into a partnership with a nonprofit entity which purchased a 99 year leasehold interest in a 208 unit subsidized housing project in Claymont, Delaware. The Company is a non-controlling .01% limited partner in the entity. The Company's investment is carried at cost of $100. A subsidiary of the Company is the managing agent.

In August 2017, the Company finalized an agreement to invest in an affiliated limited liability company called Ware Seguin 1518, LLC. The Company accounts for its 50% interest in Ware Seguin 1518, LLC under the equity method of accounting. Ware Seguin 1518, LLC owns property in Schertz, TX that it plans to develop for approximately 285 single family residential lots and approximately 15 acres of commercial or other uses. The operating and financial policies of Ware Seguin 1518, LLC are not controlled by the Company. The Company's initial investment was $326,498 and the Company committed to invest an additional amount up to $500,000, of which an additional $455,070 was made as of April 30, 2020. Additional future investments may be required if agreed by the Members. The Company is also a guarantor of 50% of a $1,000,000 bank loan obtained by Ware Sequin 1518, LLC that was used to purchase the property. There has been no income statement activity as of April 30, 2020 and 2019.

On April 19, 2018, a 75%-owned subsidiary of the Company invested in a limited liability company that purchased a 100 unit subsidized housing property in the Bronx, NY for $14,900,000. The Company, through this investment, is a non-controlling .005% Class B member in the limited liability company. The Company's investment is carried at cost of $100. The managing member has delegated the management of the property to the Company, for which it is being paid a management fee of 4% of operating revenue. The Company, through a wholly-owned subsidiary, was the general contractor for the renovation of this property, which cost approximately $9,458,000. Finally, a developer fee of $3,669,000 will be paid to the 75%-owned subsidiary of the Company. The first installment of this developer fee ($350,000) was paid upon closing; the second installment ($324,119) was paid upon conversion to permanent financing; the third installment ($524,758) is expected to be paid in fiscal 2021 upon satisfaction of various conditions; and the balance of the developer fee ($2,470,123) will be paid over the next 15 years contingent upon sufficient net cash flows of the property.

1. Summary of Significant Accounting Policies (continued):

Fair Value Measurements

Certain assets and liabilities are presented at fair value on a recurring basis. In addition, fair values are disclosed for certain other assets and liabilities. In all cases, fair value is determined using valuation techniques based on a hierarchy of inputs. A summary of the hierarchy follows:

- Level 1 – Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 – Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant observable inputs are available, either directly or indirectly such as interest rates and yield curves that are observable at commonly quoted intervals; and
- Level 3 – Prices or valuations that require inputs that are unobservable.

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 Company's 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.

The Company's financial instruments include cash and cash equivalents, accounts receivable, marketable securities, accounts payable, accrued expenses and debt. The fair values of accounts receivable, accounts payable and accrued expenses are estimated to approximate their carrying amounts because of their relative short-term nature. In general, the carrying amount of variable rate debt approximates its fair value. Further, the carrying amount of fixed rate debt approximates fair value debt since the interest rates on the debt approximates the Company's current incremental borrowing rate. Information about the fair values of marketable securities and derivative liabilities is presented below.

Level 1

Marketable Securities – Common and Preferred Stocks

The Company determines the appropriate classifications of its investments in marketable debt and equity securities at the time of purchase and re-evaluates such determinations at each balance sheet date. As of April 30, 2020 and 2019, investments consist of equity securities, which are classified as available for sale. Investments in marketable securities are stated at fair value of $405,848 and $696,390 as of April 30, 2020 and 2019 (cost of $558,242 and $745,642). Fair value for marketable securities is based on the last sale of the period obtained from recognized stock exchanges (i.e. Level 1). Net unrealized holding gains and temporary losses on equity securities are included in net earnings. Net unrealized gains (losses) of $49,252 and $(166,896) are included in noncontrolling interests for the years ended April 30, 2020 and 2019, respectively. Gains or losses on securities sold are based on the specific identification method.

1. Summary of Significant Accounting Policies (continued):

Fair Value Measurements (concluded):

Level 2

Derivative Instruments

The Company, through its 50% owned consolidated subsidiaries, has entered into two separate floating-to-fixed interest rate swap agreements with banks that expire in May 2025 and July 2031. Also, on June 1, 2019, the Company, through a wholly-owned subsidiary, entered into a separate floating-to-fixed interest rate swap agreement with a bank that expires January 2029. The Company has determined that these derivative instruments do not meet the requirements of hedge accounting and have therefore recorded the change in fair value of these derivative instruments through income in the consolidated statement of operations. The (loss) on derivatives incurred during the years ended April 30, 2020 and 2019 totaled $(4,435,124) and $(780,826), respectively, and the Company has recorded a liability of $5,875,730 and $1,440,606 in the consolidated balance sheets, which represents the fair value of the interest rate swaps as of April 30, 2020 and 2019, respectively.

The following table presents information about the Company's respective assets and liabilities measured at fair value on a recurring basis at April 30, 2020 and 2019, including the fair value measurements and the level of inputs used in determining those fair values:

April 30, 2020	Level 1	Level 2	Level 3	Total
Assets:				
U.S. Equity Securities	$405,848	$ -0-	$ -0-	$405,848
Liabilities:				
Interest Rate Swap Agreement	$ -0-	$(5,875,730)	$ -0-	$(5,875,730)
April 30, 2019	Level 1	Level 2	Level 3	Total
Assets:				
U.S. Equity Securities	$696,390	$ -0-	$ -0-	$696,390
Liabilities:				
Interest Rate Swap Agreement	$ -0-	$(1,440,606)	$ -0-	$(1,440,606)

The Company recognizes transfers between levels within the hierarchy as of the beginning of the reporting period. There have been no significant transfers between levels within the hierarchy for the years ended April 30, 2020 and 2019.

Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount might not be recovered. When impairment indicators are identified, the Company reduces the carrying value of the asset or group of assets, to the undiscounted expected cash flows through a charge to impairment loss in the current period.

Earnings (loss) per share (EPS)

Basic earnings (loss) per share amounts are determined using the weighted-average outstanding common shares for the year. Diluted earnings (loss) per share amounts include the weighted-average outstanding common shares as well as potentially dilutive common stock options and warrants using the "treasury stock" method. There were no options outstanding at April 30, 2020 or April 30, 2019.

1. Summary of Significant Accounting Policies (continued):

Income Taxes

Deferred income taxes are provided on the differences between the financial statement and income tax bases of assets and liabilities and on net operating loss carryforwards using the enacted tax rates.

A valuation allowance is provided for deferred income tax assets for which realization is not likely in the near term.

As of April 30, 2020 and 2019, the Company had no significant uncertain income tax positions. The Company recognizes interest and penalties on any uncertain income tax positions as a component of income tax expense. During the years ended April 30, 2020 and 2019, the Company did not recognize any interest or penalties related to unrecognized tax benefits.

On October 26, 2017, the Company was informed that its fiscal year 2016 Federal tax return was selected for examination. On May 23, 2019, the Company was informed that the audit had concluded with no significant findings.

The statute of limitations is three years unless there is fraud or substantial understatement of income. Therefore, tax returns beginning with fiscal year 2018 are open to examination by Federal, local and state authorities.

New Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases, codified as Accounting Standards Codification (ASC) 842, which results in lessees recognizing most leased assets and corresponding lease liabilities on the balance sheet. Certain refinements were made to lessor accounting to conform the standard with the recently issued revenue recognition guidance in ASU 2014-09, “Revenue From Contracts With Customers”, specifically related to the allocation and recognition of contract consideration earned from lease and non-lease revenue components.

Substantially all of our revenues and the revenues of our equity method investments in real estate are earned from arrangements that are within the scope of ASC 842. On July 30, 2018, the FASB issued ASU 2018-11, also codified as ASC 842, which created a practical expedient that provides lessors an option not to separate lease and non-lease components when certain criteria are met and instead account for those components as a single lease component. We determined that our lease arrangements for our properties meet the criteria under the practical expedient to account for lease and non-lease components (CAM, insurance, and taxes) as a single lease component, which alleviates the requirement upon adoption of ASC 842 that we reallocate or separately present consideration from lease and non-lease components.

The Company adopted this ASU in the fiscal year ended April 30, 2020, which resulted in the Company recognizing right-of-use assets (included in Equipment and tenant improvements) and corresponding lease liabilities (included in Accrued liabilities). These assets and liabilities totaled $223,251 and $225,136, respectively, as of April 30, 2020. These leases are primarily operating leases of copiers, postage machines, office rentals, and equipment.

2. Consolidated Variable Interest Entities

The Company's consolidated financial statements include the accounts of Rockland Place Apartments Limited Partnership ("Rockland"), Clarendon Hill Somerville Limited Partnership ("Clarendon") and Trolley Barn Associates, LLC ("Trolley Barn"). The Company has consolidated Rockland, Clarendon and Trolley Barn based on the express legal rights and obligations provided to it by the underlying partnership agreements and its control of their business activity.

Connolly and Partners, LLC (75% owned by the Company) has a .01% ownership interest in and is a general partner of Rockland. Connolly and Partners, LLC also owns 49% of Clarendon Hill Somerville, LLC which owns .01% of and is the general partner of Clarendon. Trolley Barn is 50% owned by the Company.

Rockland owns and operates a rental housing project consisting of 204 units located in Rockland, Massachusetts. Clarendon owns and operates a 501 unit apartment complex in Somerville, Massachusetts. Both projects were renovated and are managed by the Company. Renovation costs were financed with loans from MHFA, subsidies from U.S. Department of Housing and Urban Development (HUD) and limited partner capital contributions.

Each building of the projects qualifies for low-income housing credits pursuant to Internal Revenue Code Section 42 ("Section 42"), which regulates the use of the projects as to occupant eligibility and unit gross rent, among other requirements. Each building of the projects must meet the provisions of these regulations during each of fifteen consecutive years in order to remain qualified to receive the credits. In addition, Rockland and Clarendon have executed an Extended Low-Income Housing Agreement, which requires the utilization of each project pursuant to Section 42 through the compliance period, even if Rockland or Clarendon disposes of the project.

Each project's low-income housing credits are contingent on its ability to maintain compliance with applicable sections of Section 42. Failure to maintain compliance with occupant eligibility, and/or unit gross rent, or to correct noncompliance within a specified time period could result in recapture of previously taken tax credits plus interest. In addition, such potential noncompliance may result in an adjustment to the capital contributed by the investment limited partner.

Rockland has an agreement with the Rockland Housing Authority whereby the Housing Authority has the option to purchase the property, after the 15-year tax credit compliant period on January 1, 2024, from Rockland. The option price is based on a specified formula in the agreement.

Clarendon has an agreement with the 51% owner of Clarendon Hill Somerville, LLC, Clarendon Hill Towers Tenant Association, LLC ("CHTTA"), whereby CHTTA has an option to purchase the property after the 15 year tax credit compliance period from the partnership. The option price is the greater of:

a. Outstanding debt and taxes, or
b. Fair market value of the property

The assets at April 30, 2020 and 2019 of the consolidated VIEs (Rockland and Clarendon) that can be used only to settle their obligations and the liabilities for which creditors (or beneficial interest holders) do not have recourse to the general credit of the Company are shown parenthetically in the line items of the consolidated balance sheets.

2. Consolidated Variable Interest Entities (concluded):

A summary of the assets and liabilities of Rockland and Clarendon included in the Company's consolidated balance sheets as follows:

	April 30, 2020	April 30, 2019
Real estate and equipment, net	$63,697,107	$65,762,591
Other assets	9,181,848	10,947,635
Total assets	72,878,955	76,710,226
Intercompany profit elimination	(2,340,907)	(3,317,901)
Consolidated	$70,538,048	$73,392,325
Mortgages and other notes payable	$62,241,942	$63,042,458
Other liabilities	4,660,795	4,986,060
Total liabilities	$66,902,737	$68,028,518

Substantially all assets of Rockland and Clarendon are pledged as collateral for its debt. The recourse of the holders of the mortgages and other notes payable is limited to the assets of Rockland and Clarendon. Combined revenues for Rockland and Clarendon were $13,185,886 for the year ended April 30, 2020 and $12,592,406 for the year ended April 30, 2019. The combined net loss for Rockland and Clarendon was $1,547,212 for the year ended April 30, 2020 and $941,499 for the year ended April 30, 2019. Since the Company's ownership interest in both entities is nominal, substantially all of such losses are allocated to the noncontrolling interests in the consolidated financial statements.

Trolley Barn's only asset is approximately seven acres of land in Cranston, RI with a carrying value of $391,905.

3. Construction Loans, Mortgages, Notes Payable, and Lines of Credit:

Information about the Company's debt follows:

	2020	2019
Construction loans and mortgages payable with interest rates ranging from zero to 10.00% at April 30, 2020 and 2019 and maturities at various dates through 2056.	$228,421,177	$220,178,326
Notes payable with interest rates ranging from zero to 4.40% at April 30, 2020 and 2019 and maturities ranging from 2022 to 2050.	3,482,997	1,704,697
Lines of credit with interest rates ranging from 4.13% to 5.75% at April 30, 2020 and 2019 and maturities at various dates through 2021.	9,105,000	6,750,000
	241,009,174	228,633,023
Less deferred debt issuance costs	(2,593,071)	(2,927,321)
	$238,416,103	$225,705,702

3. Construction Loans, Mortgages, Notes Payable, and Lines of Credit (continued):

For the years ended April 30, 2020 and 2019, \$149,542 and \$546,730 of interest related to various development and construction projects was capitalized.

Aggregate principal payments due on the above debt for each of the years succeeding April 30, 2020 are as follows:

Year Ending April 30,	
2021	$31,137,820
2022	10,781,651
2023	6,952,892
2024	11,225,552
2025	15,127,492
Thereafter	165,783,767
	$241,009,174

Substantially all real estate owned is pledged as collateral for construction and mortgage loans.

Construction Loans:

Edinburg, TX – Construction Loan: On October 18, 2019, the Company obtained a \$2,239,000 construction loan to finance construction of a commercial building at its Edinburg, TX property. Of the initial construction draw of \$222,668, \$195,750 was used to repay Protective Life against their remaining loan to release the lot the building is being constructed on. The interest rate on the loan is the Prime Rate per Wall Street Journal plus 0.75% with a floor of 5.75% and a ceiling of 8.75%. The monthly loan payments are interest only for the first twelve months then convert to monthly principal and interest payments calculated using a 20 year amortization period with a final balloon payment due on October 16, 2024. The Company is also a guarantor on this loan.

After the partial repayment noted above, the remaining balance of the loan with Protective Life is \$11,420,990 and is secured by vacant land of approximately 50 acres directly adjacent to the shopping center. The loan has a maturity date of January 1, 2034 with an interest rate of 5.0%. This remaining loan is personally guaranteed by the Chairman of the Company.

Mortgage Loans:

Buda, TX – Refinance: On June 21, 2019, the Company refinanced its land loan on its property in Buda, TX. The land loan, which had a balance of \$1,511,118 (including accrued interest), was replaced by another land improvement loan of \$3,500,000, which will help fund the development of a single tenant building on the property. A line of credit balance of \$500,000 was repaid with the proceeds. The new land loan has an interest rate equal to the greater of 6.00% or the Prime Rate plus 0.50%. The loan is interest only payable monthly through the maturity date of June 10, 2021. On April 28, 2020, the Company sold a 1.20 acre parcel of this land and paid down \$2,022,649 of its mortgage loan with the proceeds. The Company continues to own approximately 10.90 acres of land on this property.

Cranston, RI – New Loan: On March 31, 2020, the Company obtained a \$4,000,000 mortgage loan on its school building in Cranston, RI. The new loan has a variable interest rate equal to one-month LIBOR plus 1.75%. The monthly loan payments are principal and interest payments calculated using a 30 year amortization period with a final balloon payment due on March 31, 2030. The Company is also a guarantor on this loan.

3. Construction Loans, Mortgages, Notes Payable, and Lines of Credit (continued):

Notes Payable:

On April 24, 2020, the Company executed a promissory note (the "PPP Note") evidencing an unsecured loan in the amount of $1,778,300 under the Paycheck Protection Program (the "PPP Loan"). The Paycheck Protection Program (or "PPP") was established under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and is administered by the U.S. Small Business Administration ("SBA"). The Loan is being made through an approved SBA lender (the "Lender").

The PPP Loan has a two-year term and bears interest at a fixed rate of 1.00% per annum. Monthly principal and interest payments are deferred for six months. Beginning seven months from the date of the PPP Note, the Company is required to make monthly payments of principal and interest to the Lender of approximately $100,077. The PPP Loan may be prepaid at any time prior to maturity with no prepayment penalties. The PPP Note matures on April 23, 2022.

The PPP Note contains customary events of default relating to, among other things, payment defaults, making materially false and misleading representations to the SBA or Lender, or breaching the terms of the PPP Loan documents. The occurrence of an event of default may result in the immediate repayment of all amounts outstanding, collection of all amounts owing from the Company, or filing suit and obtaining judgment.

Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loan granted under the PPP. Such forgiveness will be determined, subject to limitations, based on the use of loan proceeds for payment of qualified payroll costs, mortgage interest, rent, and utilities. However, no assurance is provided that forgiveness for any portion of the PPP Loan will be obtained.

3. Construction Loans, Mortgages, Notes Payable, and Lines of Credit (concluded):

Lines of Credit:
On July 30, 2015, the Company obtained a credit line with a regional bank. This line of credit, which was increased from $2,760,000 to $3,760,000 on December 27, 2018, is used from time to time primarily to fund initial investments related to development opportunities. The interest rate on this loan is 3.00% plus One Month ICE LIBOR rate (with floor of 1.0%) up to maturity date (i.e., twelve months from issuance of proceeds) and 12.0% thereafter. As of April 30, 2020 and 2019, the Company had borrowings of $3,400,000 and $3,500,000, respectively, against this credit line.

On December 7, 2015, the Company entered into a $2,000,000 revolving demand loan agreement ("line of credit") with a regional bank. This line of credit has been increased to $3,000,000 and the final payment date has been extended to September 30, 2021. The interest rate on this loan is Wall Street Journal Prime, with a floor of 3.25%. The loan is unsecured and there are no guarantors. Interest is to be paid monthly; principal is to be repaid within twelve months or on demand, at the bank's discretion. There are no prepayment penalties. This line of credit is used from time to time primarily to fund initial investments related to development opportunities. As of April 30, 2020 and 2019, the Company had borrowings of $2,000,000 and $2,750,000, respectively, against this credit line.

On April 19, 2017, the Company entered into a $2,000,000 unsecured line of credit with a regional bank. This line of credit was increased to $4,000,000 on April 17, 2018. Terms of the line of credit are as follows:

Term:	3 years – extended to mature on 5/1/2023
Rate:	One month LIBOR (with floor of 0.75%) + 3.25%
Fee:	0.50% (One Time)
Unused Fee:	0.25% annually on the unused line
Guarantee:	Full guarantee by the Chairman of the Company (Individual)
Deposits:	Must maintain a minimum of $500,000 at bank
Other:	Each funding request to be at the sole discretion of the bank and only to acquire credit tenanted properties.
Clean Up:	Borrower to be out of debt once each year for at least 30 days.

As of April 30, 2020 and 2019, the Company had borrowings of $3,705,000 and $500,000, respectively, against this credit line.

4. Pledge of Stock in Subsidiaries:

For an extended period of time the Company was unable to obtain financing (secured or unsecured) without the personal guarantees of the Chairman of the Company. To some degree, the Company has recently been able to obtain financing without a guarantee, but generally guarantees continue to be a necessary component to some construction loans. In the past, the Company has provided pledges of the stock of its subsidiaries to the Chairman of the Company as protection from personal losses due to his guarantees. These pledges are expected to stay in place until the guarantees are eliminated. The Chairman of the Company has guaranteed the following outstanding amounts at April 30, 2020:

Mortgage loan – Edinburg, TX	$11,420,990
Mortgage loan – Manchester, CT (Company HQ)	$179,281
Land loan – Austin, TX	$2,217,350
Line of credit – Regional bank	$3,705,000

In the event that the Chairman is called upon to pay on any of the above guarantees, the Company would become liable to him.

5. Related Party Transactions:

Included in amounts due from related parties and affiliates is $-0- and $200,000 at April 30, 2020 and 2019 relating to funds provided to Studley Enterprises, Inc. by Cranston/BVT Associates, LP, a 50% owned subsidiary of the Company. Studley Enterprises is wholly-owned by the Managing Member of Cranston Brewery, LLC, which owns the other 50% of Cranston/BVT Associates, LP.

Included in amounts due to related parties and affiliates is $578,900 and $554,938 payable to Cranston Brewery LLC at April 30, 2020 and 2019, respectively. Cranston Brewery LLC is an affiliate but not owned by the Company. The amount due represents its funding of operations of Trolley Barn Associates (50%). The Company's advances to Trolley Barn Associates were eliminated in consolidation.

Included in amounts due to related parties and affiliates is $44,904 and $-0- payable to WMC 1, LLC at April 30, 2020 and 2019, respectively. WMC 1, LLC is owned by a director of the Company. The amount due represents WMC 1, LLC's share of a distribution from a Connolly Bronx, LLC, a 75% owned subsidiary of the Company.

6. Employee Retirement Plan:

The Company has a 401(k) Plan for its employees. Under this plan, all employees over 18 years of age, working at least 30 hours weekly are eligible to participate. Participants are eligible to defer earnings to the extent of IRS regulations. The Company matches up to 4% of each participating employee's annual salary. Pension expense was $203,711 and $173,400 for the years ended April 30, 2020 and 2019, respectively.

7. Income Taxes:

The provision (benefit) for income taxes consists of:

	2020	2019
Current Federal income taxes	$(270,137)	$-0-
Current State income taxes	48,259	110,891
Deferred Federal income taxes	(248,203)	957,970
Deferred State income taxes	(136,155)	260,347
	$(606,236)	$1,329,208

The net deferred income tax asset (liability) consists of:

	2020	2019
Tax effect of net operating loss carry-forwards	$1,036,460	$661,454
Basis in fixed assets	(1,995,923)	(1,470,649)
AMT credits	9,571	333,219
Rent receivable	(183,679)	(199,733)
Investments in partnerships	(598,803)	(769,144)
Unrealized loss on derivatives	314,950	-0-
Impairment loss	307,752	-0-
Other	65,499	16,322
	$(1,044,173)	$(1,428,531)

7. Income Taxes (concluded):

A reconciliation of the provision (benefit) for income taxes with amounts determined by applying the statutory U.S. Federal income tax rate before income taxes is as follows:

	2020	2019
Federal statutory rate (21.0%)	$(1,505,649)	$584,416
State tax – net of Federal effect	48,258	110,891
Losses (income) attributable to noncontrolling interests in pass-through entities	512,108	286,709
Other	339,047	347,192
Provision (benefit) for income taxes	$(606,236)	$1,329,208

8. Leases of Property:

The Company leases commercial and residential real estate to tenants under various operating leases expiring through 2038.

Rental income for the years ended April 30, by type of tenant, follows:

	2020	2019
Residential	$13,185,886	$12,592,406
Commercial	18,392,178	17,785,664
	$31,578,064	$30,378,070

Minimum future rentals to be received on non-cancellable commercial real estate leases as of April 30, 2020 are as follows:

Year Ending April 30,	
2021	$14,161,594
2022	13,045,959
2023	11,202,854
2024	9,952,183
2025	8,291,522
Thereafter	30,415,774
Total	$87,069,886

The following table shows the location, general character, ownership status, and cost of the materially important physical properties of the Company.

8. Leases of Property (continued):

Consolidated Subsidiaries – Commercial Properties:

Company Managed	Location of Properties	Use	Available Space or Facilities and Major Tenants	Ownership Status	Cost
X	Edinburg, TX	Shopping Center	485,474 sq. ft. JC Penney 21% Academy Sports 16% Burlington Coat Factory 17%, Effective rent per sq. ft. occupied, exclusive of JC Penney (JC Penney owns its building) is $11.00, occupied 98%	100% owned by a subsidiary of the Company, except JC Penney building. A lender to get extra interest if available (50% of cash flow) plus 50% of cash proceeds from sale or refinancing.	$55,083,578
X	West Springfield, MA	Shopping Center	144,350 sq. ft. Price Rite 28% Big Lots 21% Harbor Freight 12%, Effective rent per sq. ft. occupied is $9.96, 96% occupied	100% owned by a subsidiary of the Company.	8,230,587
X	North Adams, MA	Shopping Center	131,691 sq. ft. Steeple City Cinema 20% (Company owned); Steeple City Liquor 11% (Company owned); Peebles 14%, Planet Fitness 8%, Effective rent per sq. ft. occupied – net of 41,067 sq. ft. Company owned $6.68, 82% occupied	100% owned by a subsidiary of the Company. Commencing on October 1, 2019 the Company will remit 50% of the cash flow of the property to Lender as Additional Interest.	7,612,099
X	Plainfield, CT	Strip Shopping Center	60,154 sq. ft. Big Y 76%, Effective rent per sq. ft. occupied is $12.11, 93% occupied	100% owned by a subsidiary of the Company.	5,062,718

8. **Leases of Property (continued):**

Consolidated Subsidiaries – Commercial Properties:

Company Managed	Location of Properties	Use	Available Space or Facilities and Major Tenants	Ownership Status	Cost
X	New Orleans, LA	Strip Shopping Center	37,671 sq. ft. Marshalls 53%, Petco 33%, Effective rent per sq. ft. occupied is $22.32, 100% occupied	100% owned by a subsidiary of the Company.	9,201,659
	Cranston, RI	Shopping Center	255,365 sq. ft. Stop & Shop 26%, Burlington Coat Factory 18%, Edge Fitness 14%, Effective rent per sq. ft. occupied is $14.97 90% occupied	50% owned by a subsidiary of the Company.	34,007,903
	Cranston, RI	School	59,925 sq. ft. Achievement First R.I., Ltd., Effective rent per sq. ft. is $15.50, Currently leased to July 31, 2030	50% owned by a subsidiary of the Company.	8,540,019
	Cranston, RI	Restaurant	Texas Roadhouse Land Lease 100% occupied	50% owned by a subsidiary of the Company.	239,414
	Cranston, RI	Police Station	60,000 sq. ft. Leased to City of Cranston, Effective rent per sq. ft. occupied is $17.75 100% occupied	50% owned by a subsidiary of the Company.	10,132,902
X	Lubbock, TX	Shopping Center	160,531 sq. ft. Steinmart 26%, Mardel 25%, TJ Maxx 19%, Effective rent per sq. ft. occupied is $9.94, 98% occupied	2.0% owned by a subsidiary of the Company.	6,458,420

8. Leases of Property (continued):

Consolidated Subsidiaries – Commercial Properties:

The properties listed above contain approximately 1,395,161 rentable sq. ft., of which approximately 71,057 sq. ft., or approximately 5%, was vacant at April 30, 2020. Over the next 10 years, 87 of the current 91 leases will expire as follows:

Year Ended	Number of Leases	Sq. Ft.	Base Rent	Percentage of Base Rent
4/30/21	10	37,895	$471,675	3.23%
4/30/22	17	146,837	$2,279,546	15.59%
4/30/23	12	137,219	$1,349,521	9.23%
4/30/24	13	181,915	$1,939,921	13.27%
4/30/25	10	163,126	$1,639,581	11.21%
4/30/26	7	127,231	$1,113,187	7.61%
4/30/27	6	49,421	$968,500	6.62%
4/30/28	4	66,341	$867,137	5.93%
4/30/29	6	101,062	$858,529	5.87%
4/30/30	2	52,625	$698,525	4.78%

Total rental income of these properties for the year ended April 30, 2020 was $17,147,407, of which $3,316,437 is allocated for reimbursement of real estate taxes, common area expenses, and insurance expenses.

The Company does not have any individual tenants that account for 5% or more of the Company's revenues.

Consolidated Subsidiaries – Residential Properties:

Company Managed	Location of Properties	Use	Available Space or Facilities and Major Tenants	Ownership Status	Cost
X	Rockland, MA	Apartments	204 units, low to moderate income, 97% occupied, effective sq. ft. rent - $26.10	.01% owned by a 75% owned subsidiary of the Company.	26,980,621
X	Somerville, MA	Apartments	501 units, low to moderate income, 99% occupied, effective sq. ft. rent - $24.42	.0049% owned by a 75% owned subsidiary of the Company.	50,672,626

8. **Leases of Property (continued):**

Non-Consolidated Subsidiaries:

Company Managed	Location of Properties	Use	Available Space or Facilities and Major Tenants	Ownership Status	Cost
X	Claymont, DE	Apartments	208 units, senior housing, 100% sec 8 subsidized, 98% occupied, effective sq. ft. rent - $24.08	Nonconsolidated, .01% owned by a 75% owned subsidiary of the Company.	8,123,244
X	Bronx, NY	Apartments	99 units, senior housing, 100% sec 8 subsidized, 100% occupied, effective sq. ft. rent - $38.01	Nonconsolidated, .005% owned by a 75% owned subsidiary of the Company.	33,445,192
	Dover Township, NJ	Shopping Center	108,084 sq. ft. Stop & Shop 52% Dollar Tree 9% Plus Outparcels	50% owned by a subsidiary of the Company.	14,256,449
	Schertz, TX	Land for Development	N/A	50% owned by a subsidiary of the Company.	455,071

In addition to the materially important physical properties of the Company listed above, the Company owns several other properties that are being developed or may be developed in the future as opportunities arise. Many of these other properties involve ground lease or build-to-suit deals. In some cases, the land being developed is solely for a single entity, in other cases the land is primarily for a single entity with some excess land retained for future development, and in other cases the land is banked for future potential development. Generally, the Company looks to sell the properties within twelve months after development is completed.

8. **Leases of Property (continued):**

Location of Properties	Use	Anticipated Completion Date	Cost Incurred to Date
Iowa Colony, TX	Single tenant build-to-suit	FY 2021	4,572,946
Humble, TX	Single tenant build-to-suit	FY 2021	3,161,573
Houston, TX (West Lake)	23.65 acres of land – can support 120,000 sq. ft. development	FY 2021	10,774,823
Montgomery, TX	21.96 acres of land – can support 130,000 sq. ft. development	FY 2021 / 2022	6,845,436
Katy, TX (Cinco Ranch)	4.95 acres of land – can support 30,000 sq. ft. development	FY 2021	3,977,238
Katy, TX (Cane Island)	2.73 acres of land – can support 10,000 sq. ft. development	FY 2021	1,518,704
Austin, TX (Easton Park)	12.77 acres of land – can support 50,000 sq. ft. development	FY 2021	3,352,768
Spring, TX (Glennloch)	2.97 acres of land – can support 12,000 sq. ft. development	FY 2021	642,608
Pearland, TX (Magnolia)	1.93 acres of land – can support 12,000 sq. ft. development	FY 2021	1,039,773
Buda, TX	10.90 acres of land – can support 35,000 sq. ft. development	FY 2021	3,865,320
Conroe, TX (Harpers)	3.40 acres of land – can support 20,000 sq. ft. development	FY 2021	2,210,304

8. **Leases of Property (continued):**

Location of Properties	Use	Anticipated Completion Date	Cost Incurred to Date
Del Valle, TX	15.58 acres of land – can support 52,000 sq. ft. development	FY 2021 / 2022	1,452,091
Little Ferry, NJ	Single tenant building	FY 2021	10,913,922
All Other Properties Held			651,451
Total cost of developed properties and property under construction (excludes non-consolidated subsidiaries)			$277,201,503

The Company also owns properties that it is currently holding for sale. The properties include single-tenant properties in Gretna, LA and Hudson, NY. The cost of these properties as of April 30, 2020 was $10,065,271.

9. Investments in Affiliates:

Summarized financial and other information for the Company's investment in Dover Parkade LLC (Dover) follows:

Dover – New Jersey:

As of and for the years ended April 30,
Company ownership – 50%

	2020	2019
Assets	$11,465,580	$11,230,333
Liabilities	24,981,096	18,501,328
Members' deficit	(13,515,516)	(7,270,995)
Revenue	2,774,688	2,781,338
Operating expenses	1,251,440	1,228,906
Loss on derivative	2,175,648	-0-
Prepayment penalty	2,008,140	-0-
Interest expense	856,579	768,433
Net income (loss)	(3,517,119)	783,999

Dover's major tenant is Stop & Shop, which provided 51% and 52% of the total revenue in the years ended April 30, 2020 and 2019, respectively, under a lease that expires on June 30, 2026.

On February 12, 2020, the Company refinanced its mortgage loan on its property in Dover. The new loan amount was for $23,000,000 and has a ten-year term (with a 30-year amortization) with an interest rate equal to the one-month LIBOR rate plus 180 basis points. The interest rate was fixed at 3.41% via an interest rate swap. The prior loan, which had a balance of $17,950,526, was paid in full along with a prepayment penalty of $2,008,140. The net cash proceeds of the refinancing totaled $2,639,397. Of that amount, $2,000,000 was distributed to the owners (the Company received 50%, or $1,000,000) with the remaining amount to be used for future improvements to the property.

10. Concentrations of Credit Risk:

The Company's financial instruments that are subject to concentrations of credit risk consist of cash and cash equivalents, marketable securities, and accounts, notes and other receivables.

The Company places its cash deposits, including investments in certificates of deposit, with various financial institutions. Bank deposits may be in excess of current Federal depository insurance limits. The Company manages exposure to counterparty credit risk through specific minimum credit standards, diversification of counterparties and procedures to monitor its credit risk concentrations.

The Company assesses the financial strength of its tenants prior to executing leases and typically requires a security deposit and prepayment of rent. The Company establishes an allowance for doubtful accounts receivable based upon factors surrounding the credit risk of specific tenants, historical trends and other information.

The Company assesses the financial strength of CVS prior to incurring costs in connection with the development of CVS pharmacy stores. Based on historical experience and other information, no allowance for doubtful accounts related to these receivables is considered necessary by management as of April 30, 2020 or 2019.

11. Segment Information:

The factors used by the Company to identify reportable segments include differences in products and services and segregated operations within the Company. The first segment, "Real Estate Operations" participates in the purchase, development, management, ownership and the sale of real estate. Within its second segment, "Fee for Service", the Company provides preferred developer services to CVS and Cumberland Farms Inc. in certain geographic areas. Summary financial information for the two reportable segments is as follows:

	2020	2019
Revenues:		
Real Estate Operations	$65,682,418	$78,123,527
Fee for Service	2,103,950	2,624,250
Total	$67,786,368	$80,747,777
Operating Cost and Expense:		
Real Estate Operations	$49,706,686	$58,218,254
Fee for Service	2,688,484	3,251,177
Administrative Expenses	6,516,312	5,902,992
Total	$58,911,482	$67,372,423

All costs after administrative expenses are cost of the real estate operation.

The only assets in the balance sheet belonging to the Fee for Service segment is restricted cash of $311,446 in 2020 and $231,962 in 2019 and receivables of $1,937,809 in 2020 and $2,495,945 in 2019.

12. Purchases of Real Estate:

Gretna, LA – Property Purchase: On May 15, 2019, the Company purchased a property with a single retail tenant in Gretna, LA for $5,922,274 including closing costs. This purchase was financed with proceeds from a new loan of $5,253,669, borrowings from a credit line of $500,000, cash of $68,605, and working capital of $100,000. Key terms of the loan were as follows:

Loan Amount:	$5,310,000
Maturity Date:	May 15, 2020
Interest Rate:	One Month ICE LIBOR rate plus 3.00% up to maturity date and 12.0% thereafter.
Payments:	Interest only payable monthly with principal and unpaid interest payable in full at maturity.
Guarantors:	The Company (Corporate).

The Company sold this property on May 8, 2020.

Iowa Colony, TX: On October 17, 2019, the Company purchased a parcel of land in Iowa Colony, TX for $1,803,284 including closing costs. This purchase was financed with proceeds from a construction loan of $1,370,701, cash of $357,583, and working capital of $75,000. Key terms of the construction loan were as follows:

Maximum Loan Amount:	$4,606,000
Maturity Date:	April 17, 2021

12. Purchases of Real Estate (concluded):

Interest Rate:	2.25% plus One Month ICE LIBOR rate, as defined, with a floor of 3.25% through the maturity date; 12.0% thereafter.
Payments:	Interest only payable monthly with full principal payment due at maturity.
Guarantee:	The Company (Corporate).

Hudson, NY – Property Purchase: On November 8, 2019, the Company purchased a property with a single retail tenant in Hudson, NY for $4,109,536 including closing costs. This purchase was financed with proceeds from a new loan of $3,895,000, cash of $27,887, and working capital of $186,649. Key terms of the loan were as follows:

Loan Amount:	$3,895,000
Maturity Date:	December 1, 2044
Interest Rate:	3.75% plus 50% of all Appreciation Interest, as defined, recognized upon sale of the property after the Company retains the first $205,000 of Appreciation Interest.
Payments:	Interest and principal payable monthly with 25-year amortization period. Borrower also is entitled to 50% of all Net Cash Flow, as defined, from the property.

The Company sold this property on June 4, 2020.

Katy, TX (Cinco Ranch) – Land Purchase: On December 6, 2019, the Company purchased a 4.95 acre parcel of land in Katy, TX for $3,971,332 including closing costs. This purchase was financed by utilization of the Company lines of credit of $3,800,000 and working capital.

Humble, TX – Land Purchase: On April 10, 2019, the Company purchased an 8.54 acre parcel of land in Humble, TX for $2,922,365 including closing costs. The purchase was financed by proceeds from a construction loan of $1,980,130, borrowings from a credit line of $905,000, and working capital of $37,235. Key terms of the construction loan are as follows:

Maximum Loan Amount:	$5,590,000
Maturity Date:	October 10, 2021
Interest Rate:	2.25% plus One Month ICE LIBOR rate, as defined, with a floor of 3.25% through the maturity date; 12.0% thereafter.
Payments:	Interest only payable monthly with full principal payment due at maturity.
Guarantee:	The Company (Corporate).

13. Contingencies:

234 Realty, LLC and 287 Realty, LLC v. First Hartford Realty Corporation

On June 20, 2019, 234 Realty, LLC and 287 Realty, LLC (the "Paolino Entities") filed two lawsuits in Providence County Superior Court against the Company for breach of contract alleging the Company failed to pay fees allegedly due to the Paolino Entities for services purportedly rendered by the Paolino Entities in facilitating real estate transactions between the Company and two other parties, CVS Pharmacy, Inc. (CVS) and Cumberland Farms, Inc. (CFI) (collectively, the "Paolino Claims"). Although they have yet to assert a specific demand, the Paolino Entities appear to allege that approximately $2,500,000 is owed by the Company to the Paolino Entities.

The Company's management strongly denies the Paolino Claims based upon, among other legal and factual bases: (1) the Paolino Entities' lack of required licensure to collect fees from the Company for facilitating the real estate transactions underlying the Paolino Claims, (2) applicable state laws barring the unlicensed Paolino Entities from collecting fees from the Company for facilitating the real estate transactions underlying the Paolino Claims, and (3) even if the Company owes certain fees to the Paolino Entities despite their lack of required licensure, agreements reached between the Company and the Paolino Entities reduce the fee amounts to which the Paolino Entities may be entitled such that the remaining value of the Paolino Claims would be a maximum of approximately $2,100,000.

Since the Paolino Entities filed their claims in June 2019, the parties have engaged in basic written discovery. On July 29, 2020, the Court granted the Company's Motion to Amend its Answers in the lawsuits to assert substantial counterclaims against the Paolino Entities (the "Company Counterclaims"). The Company Counterclaims against the Paolino Entities assert damages in excess of $14,000,000 for the recovery of fees previously paid by the Company to the Paolino Entities despite the Paolino Entities' lack of required licensure to demand and collect such fees under applicable state laws.

Based on the course of the litigation and case volume in the Rhode Island Superior Court, these cases will likely reach trial in 2021. Alternative dispute resolution processes, including non-binding mediation, are sometimes required by the Court, and may be employed from time to time to attempt to resolve the Paolino Claims and the Company Counterclaims. The Company intends to continue to defend the Paolino Claims and prosecute the Company Counterclaims vigorously, but may engage in alternative dispute resolution if required or appropriate.

It presently is not possible to predict the outcome of these matters with certainty. The resolution of the Paolino Claims and the Company Counterclaims could have a positive or adverse effect on the Company's earnings and cash flows in the year that a determination is made and enforced; however, in management's opinion, the final resolution of these matters will not have a material adverse effect on the Company's consolidated financial position given the Company's estimated maximum exposure on the Paolino Claims as noted above.

Other Proceedings

In March 2019, the Company received a letter from the Massachusetts Attorney General's Office ("AGO") claiming that it improperly abated asbestos during building renovations at the Spring Gate Apartments in Rockland, Massachusetts, potentially in violation of the Massachusetts Clean Air Act and Massachusetts False Claims Act. The AGO has stated that it intends to seek a civil monetary fine of up to $300,000 and agreement on updating the Company's employee training certifications and related paperwork on our Operations & Maintenance (O&M) plan. The Company has entered into a series of tolling agreements and is actively discussing a settlement of the claims.

13. **Contingencies (continued):**

The Company is also involved in other legal proceedings which arise during the normal course of its business, including disputes over tax assessments, commercial contracts, lease agreements, construction contracts, employee disputes and personal injuries. No amounts have been accrued in these consolidated financial statements since the outcome of these matters is uncertain and the amount of liability, if any, cannot be determined. However, the Company does not believe the outcome of any of these proceedings will have a material impact on its consolidated financial statements.

On March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. As of the date of this filing, our properties remain open, subject to regulated or reduced store hours. We cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact our consolidated financial position, consolidated results of operations, and consolidated cash flows in fiscal 2021 and beyond.

14. **Loss on Impairment:**

In fiscal year 2020, the Company recorded an impairment loss of $1,183,662 on assets held at its restaurant in Edinburg, TX. Included in the impairment charge were write-downs of tenant improvements, kitchen equipment, and a capitalized license fee. The impairment charge, which is based on uncertainty about the future of the restaurant in light of the COVID-19 pandemic, including uncertainty about the ability to generate cash flows sufficient to cover the carrying values of the assets.

15. **Subsequent Events:**

The Company has evaluated for subsequent events through August 14, 2020, the date the financial statements were issued.

Gretna, LA – Property Sale: On May 8, 2020, the Company sold a single-tenant property in Gretna, LA for $6,013,888 (cost of approximately $6,123,000). A mortgage loan of $5,311,420 was paid off with the proceeds.

Montgomery, TX – Land Loan: On May 20, 2020, the Company obtained a $2,000,000 land loan for its property in Montgomery, TX. Proceeds of the loan were primarily used to pay off an existing loan of $1,939,305. The interest rate on the loan is the Prime Rate plus 1.00% with a floor of 5.25%. The monthly loan payments are principal and interest for 24 months using a 10-year amortization period with a final balloon payment due on May 20, 2022. The Company is also a guarantor on this loan.

Montgomery, TX – Construction Loan: On May 20, 2020, the Company obtained a $5,174,086 construction loan for its property in Montgomery, TX. Proceeds of the loan at closing of $133,473 were used to pay off an existing loan of $49,892 and expenses. The interest rate on the loan is the Prime Rate plus 1.00% with a floor of 5.25%. The monthly loan payments are interest only through November 20, 2021 and then convert to principal and interest for 5 months using a 25-year amortization period with a final balloon payment due on May 20, 2022. The Company is also a guarantor on this loan.

Hudson, NY – Sale of Property: On June 4, 2020, the Company sold a single tenant property in Hudson, NY for $4,619,846 (cost of approximately $4,438,000).

Houston, TX (West Lake) – Partial Sale of Property: On July 15, 2020, the Company sold a 1.18 acre portion of its property in Houston, TX for $512,876 (cost of approximately $714,000). A credit line balance of $400,000 was paid with the proceeds. The Company continues to hold 22.47 acres of this property.