

**EXHIBIT A**

*Financial Statements*

# **DeRosa Capital 11 LLC**

(a North Carolina Limited Liability Company)

## **Unaudited Financial Statements**

As of July 10, 2020 (Inception)

Reviewed by:

**TaxDrop**

TaxDrop LLC  
A New Jersey CPA Company

## Financial Statements

### DeRosa Capital 11 LLC

#### Table of Contents

Independent Accountant's Review Report	FS-3
Financial Statements and Supplementary Notes	
Balance Sheet as of July 10, 2020 (Inception)	FS-5
Income Statement for July 10, 2020 (Inception)	FS-6
Statement of Changes in Shareholders' Equity for July 10, 2020 (Inception)	FS-7
Statement of Cash Flows for July 10, 2020 (Inception)	FS-8
Notes and Additional Disclosures to the Financial Statements as of July 10, 2020 (Inception)	FS-9



CPA &amp; Advisor

**INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

December 23, 2020

To: Board of Directors of DeRosa Capital 11 LLC  
Attn: Matthew Faircloth, General Manager

Re: 2020 Financial Statement Review  
DeRosa Capital 11 LLC

We have reviewed the accompanying financial statements of DeRosa Capital 11 LLC (the "Company"), which comprise the balance sheet as of July 10, 2020 (Inception) and the related statements of income, equity, and cash flows for the date then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially limited in scope compared to an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

**Management's Responsibility for the Financial Statements**

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

**Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

**Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements for them to be in accordance with accounting principles generally accepted in the United States of America.

**Going Concern**

As discussed in the Notes and Additional Disclosures, certain conditions indicate the Company may be unable to continue as a going concern. The accompanying financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern. Our conclusion is not modified with respect to that matter.

Sincerely,

The logo for TaxDrop, featuring the word "TaxDrop" in a bold, sans-serif font. The letter "D" is stylized with a downward-pointing arrow integrated into its right side.

TaxDrop LLC  
A New Jersey CPA Company

**DEROSA GROUP 11 LLC**  
**BALANCE SHEET**  
**July 10, 2020 (Inception) through July 10, 2020**  
**(Unaudited)**

## ASSETS

Total Assets	<u>\$ 0</u>
--------------	-------------

## LIABILITIES AND STOCKHOLDERS' EQUITY

Total Liabilities	<u>\$ 0</u>
-------------------	-------------

## STOCKHOLDERS' EQUITY

Members Equity	0
----------------	---

Retained earnings	<u>0</u>
-------------------	----------

Total Stockholders' Equity	<u>0</u>
----------------------------	----------

Total Liabilities and Stockholders' Equity	<u>\$ 0</u>
--	-------------

The accompanying notes are an integral part of these financial statements.

**DEROSA CAPITAL 11 LLC**  
**STATEMENT OF OPERATIONS**  
**July 10, 2020 (Inception) through July 10, 2020**  
**(Unaudited)**

Revenues	\$ 0
Cost of revenues	<u>0</u>
Gross profit (loss)	0
Operating expenses	<u>0</u>
Net Income	<u><u>\$ 0</u></u>

The accompanying notes are an integral part of these financial statements.

**DEROSA CAPITAL 11 LLC**  
**STATEMENT OF STOCKHOLDERS' EQUITY**  
**July 10, 2020 (Inception) through July 10, 2020**  
**(Unaudited)**

	<b>Members' Equity</b>	<b>Retained Earnings</b>	<b>Total Stockholders' Equity</b>
Balance as of July 10, 2020	\$0	\$0	\$0

The accompanying notes are an integral part of these financial statements.



**DEROSA CAPITAL 11 LLC**  
**STATEMENT OF CASH FLOWS**  
**July 10, 2020 (Inception) through July 10, 2020**  
**(Unaudited)**

**Cash Flow from Operating Activities**

Net Income (Loss)	<u>\$ 0</u>
-------------------	-------------

Net cash used in operating activities	0
---------------------------------------	---

**Cash Flow from Investing Activities**

Net change in cash from investing activities	0
--	---

**Cash Flow from Financing Activities**

Net change in cash from financing activities	<u>0</u>
--	----------

Net change in cash and cash equivalents	0
---	---

Cash and cash equivalents at beginning of period	<u>0</u>
--	----------

Cash and cash equivalents at end of period	<u><u>\$ 0</u></u>
--	--------------------

The accompanying notes are an integral part of these financial statements.

**DEROSA CAPITAL 11 LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**AS OF JULY 10, 2020**

**NOTE 1 – NATURE OF OPERATIONS**

DeRosa Capital 11 LLC (the “Company”) (which may be referred to as the “Company”, “we,” “us,” or “our”) was registered in North Carolina on July 10, 2020 for the purpose of syndicating the purchase of a multifamily asset named Residences at Diamond Ridge (the “Property”), a 336-unit located in Winston Salem, North Carolina. The Company is managed and owned by DeRosa Capital 11 Management LLC (the “Manager”), a North Carolina limited liability company formed on July 10, 2020.

Since Inception, the Company has relied on contributions from owners to fund its operations. As of December 31, 2019, the Company has a limited operating history and may likely incur additional losses prior to generating positive retained earnings. These matters raise substantial concern about the Company’s ability to continue as a going concern (see Note 7). During the next twelve months, the Company intends to fund its operations with funding from a crowdfunding campaign (see Note 8) as well as additional investments, if and when such can be realized. If the Company cannot secure additional short-term capital, it may cease operations. These financial statements and related notes thereto do not include any adjustments that might result from these uncertainties.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America (“US GAAP”). The accompanying unaudited financial statements do not include all the information and notes required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for the fair presentation of the unaudited financial statements for the years presented have been included.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and footnotes thereto. Actual results could materially differ from these estimates. It is reasonably possible that changes in estimates will occur in the near term.

Significant estimates inherent in the preparation of the accompanying financial statements include valuation of provision for refunds and chargebacks, equity transactions and contingencies.

**Risks and Uncertainties**

The Company has a limited operating history. The Company's business and operations are sensitive to general business and economic conditions in the United States. A host of factors beyond the Company's control could cause fluctuations in these conditions. Adverse conditions may include recession, downturn or otherwise, local competition or changes in consumer taste. These adverse conditions could affect the Company's financial condition and the results of its operations.

**Concentration of Credit Risk**

The Company maintains its cash with a major financial institution located in the United States of America, which it believes to be credit worthy. The Federal Deposit Insurance Corporation insures balances up to \$250,000. At times, the Company may maintain balances in excess of the federally insured limits.

### Cash and Cash Equivalents

The Company considers short-term, highly liquid investment with original maturities of three months or less at the time of purchase to be cash equivalents. Cash consists of funds held in the Company's checking account. As of July 10, 2020, the Company had \$0 cash on hand.

### Fixed Assets

Property and equipment is recorded at cost. Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense. When equipment is retired or sold, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is reflected in income. In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 350-40, Accounting for Costs of Computer Software Developed or Obtained for Internal Use, the Company has capitalized external direct costs of material and services developed or obtained for software development projects. Amortization for each software project begins when the computer software is ready for its intended use.

Depreciation is provided using the straight-line method, based on useful lives of the assets which range from three to forty years.

The Company reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment there was no impairment as of July 10, 2020, as there were no fixed assets as of July 10, 2020.

### Fair Value Measurements

Generally accepted accounting principles define fair value as the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price) and such principles also establish a fair value hierarchy that prioritizes the inputs used to measure fair value using the following definitions (from highest to lowest priority):

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 – Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data by correlation or other means.
- Level 3 – Prices or valuation techniques requiring inputs that are both significant to the fair value measurement and unobservable.

### Income Taxes

The Company is a limited liability company. Accordingly, under the Internal Revenue Code, all taxable income or loss flows through to its members. Therefore, no provision for income tax has been recorded in the financial statements. Income from the Company is reported and taxed to the members on their individual tax returns.

The Company complies with FASB ASC 740 for accounting for uncertainty in income taxes recognized in a company's consolidated financial statements, which prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. FASB ASC 740 also provides guidance on derecognition, classification, interest and penalties,

accounting in interim periods, disclosure and transition. Based on the Company's evaluation, it has been concluded that there are no significant uncertain tax positions requiring recognition in the Company's consolidated financial statements. The Company believes that its income tax positions would be sustained on audit and does not anticipate any adjustments that would result in a material change to its financial position.

The Company may in the future become subject to federal, state and local income taxation though it has not been since its inception. The Company is not presently subject to any income tax audit in any taxing jurisdiction.

#### Revenue Recognition

Effective January 1, 2019, the Company adopted Accounting Standards Codification 606, Revenue from Contracts with Customers ("ASC 606"). Revenue is recognized when performance obligations under the terms of the contracts with our customers are satisfied. Prior to the adoption of ASC 606, we recognized revenue when persuasive evidence of an arrangement existed, delivery of products had occurred, the sales price was fixed or determinable and collectability was reasonably assured. The Company generates revenues by growing and selling organic, kosher, non-GMO produce. The Company's payments are generally collected upfront. For the date of inception on July 10, 2020, the Company recognized \$0 in revenue and is currently pre-revenue.

#### Accounts Receivable

Trade receivables due from customers are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. Trade receivables are stated at the amount billed to the customer. Payments of trade receivables are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices. As of July 10, 2020, the company had \$0 in accounts receivable.

The Company estimates an allowance for doubtful accounts based upon an evaluation of the current status of receivables, historical experience, and other factors as necessary. It is reasonably possible that the Company's estimate of the allowance for doubtful accounts will change.

#### Advertising

The Company expenses advertising costs as they are incurred.

#### Recent Accounting Pronouncements

In February 2019, FASB issued ASU No. 2019-02, Leases, that requires organizations that lease assets, referred to as "lessees", to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases with lease terms of more than 12 months. ASU 2019-02 will also require disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases and will include qualitative and quantitative requirements. The new standard for nonpublic entities will be effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years, and early application is permitted. We are currently evaluating the effect that the updated standard will have on the financial statements and related disclosures.

In June 2018, FASB amended ASU No. 2018-07, Compensation – Stock Compensation, to expand the scope of Topic 718, Compensation – Stock Compensation, to include share-based payment transactions for acquiring goods and services from nonemployees. The new standard for nonpublic entities will be effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020, and early application is permitted. We are currently evaluating the effect that the updated standard will have on the financial statements and related disclosures.

In August 2018, amendments to existing accounting guidance were issued through Accounting Standards Update 2018-15 to clarify the accounting for implementation costs for cloud computing arrangements. The amendments specify that existing guidance for capitalizing implementation costs incurred to develop or obtain internal-use software also applies to implementation costs incurred in a hosting arrangement that is a service contract. The

guidance is effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021, and early application is permitted. We are currently evaluating the effect that the updated standard will have on the financial statements and related disclosures.

The FASB issues ASUs to amend the authoritative literature in ASC. There have been a number of ASUs to date, including those above, that amend the original text of ASC. Management believes that those issued to date either (i) provide supplemental guidance, (ii) are technical corrections, (iii) are not applicable to us or (iv) are not expected to have a significant impact our financial statements.

#### NOTE 3 – INCOME TAX PROVISION

The Company will file its income tax return for the period ended December 31, 2020 in 2021, which will remain subject to examination by the Internal Revenue Service under the statute of limitations for a period of three years from the date it is filed.

#### NOTE 4 – COMMITMENTS AND CONTINGENCIES

The Company is not currently involved with and does not know of any pending or threatening litigation against the Company.

#### Related Party Activity

The Company anticipates paying the Manager an owner fee, reimbursement for expenses, and distributions in dividends on a regular basis.

#### NOTE 5 – GOING CONCERN

These financial statements are prepared on a going concern basis. The Company began operations in 2020. The Company's ability to continue is dependent upon management's plan to raise additional funds and achieve profitable operations. The financial statements do not include any adjustments that might be necessary if the Company is not able to continue as a going concern.

#### NOTE 6 – SUBSEQUENT EVENTS

##### Member Units Issued

Following the formation of the Company on July 10, 2020, its Manager raised \$9 MM in equity (see table below) and \$12.95 MM in commercial mortgage debt prior to closing.

##### Property Purchase

The Property was purchased on October 9, 2020 for a price of \$18.5 MM. The property is professionally managed by Carlisle Residential Properties (the "PM"), a third party, headquartered in Greensboro, NC. Carlisle will be managing the day-to-day operations of the property, capital improvements, and accounting and financial reporting. Equity fund raising will continue until \$11.8 MM in equity is raised to complete the planned capital improvements and increase in capitalized value.

##### Equity Capitalization as of December 1, 2020

Below is the current status of equity fund raising. Initial Share Price is \$1,000 per share for both Class A and B shares. The Class A offering offers members an 8% annual preferred return paid monthly with no equity interest. The Class B offering offers members a 6% preferred return and 70% equity in exchange for \$9.8 MM in contributions.

Category	As of 12/21/2020			
	Balance	Shares	% of Total	% of Class
Class A Funding				
Sold	1,210,000.00	1,210	10%	61%
Unsold	790,000.00	790	7%	40%
Total Class A Funding	2,000,000.00	2,000		
Class B Funding				
Sold	7,830,800.00	7,831	66%	80%
Unsold	1,969,200.00	1,969	17%	20%
Total Class B Funding	9,800,000.00	9,800		
Total Equity Stack	11,800,000.00		100%	
Total Equity Raised	9,040,800.00	9,041	77%	
Remaining Equity to Raise	2,759,200.00	2,759	23%	
Total Equity Required	11,800,000.00	11,800	100%	

#### Anticipated Crowdfunded Offering

The Company is offering (the “Crowdfunded Offering”) up to \$1,070,000 in membership interests. The Company is attempting to raise a minimum amount of \$25,000 in this offering and up to \$1,070,000 maximum. The Company must receive commitments from investors totaling the minimum amount by the offering deadline listed in the Form C, as amended in order to receive any funds.

The Crowdfunded Offering is being made through OpenDeal Portal LLC (the “Intermediary” aka “Republic” or “Republic.co”). The Intermediary will be entitled to receive a 4% commission fee and 1% of the securities issued in this offering.

#### COVID 19

In January 2020, the World Health Organization has declared the outbreak of a novel coronavirus (COVID-19) as a “Public Health Emergency of International Concern,” which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the Company, its performance, and its financial results.

#### Management’s Evaluation

Management has evaluated subsequent events through December 23, 2020, the date the financial statements were available to be issued. Based on this evaluation, no additional material events were identified which require adjustment or disclosure in the financial statements.