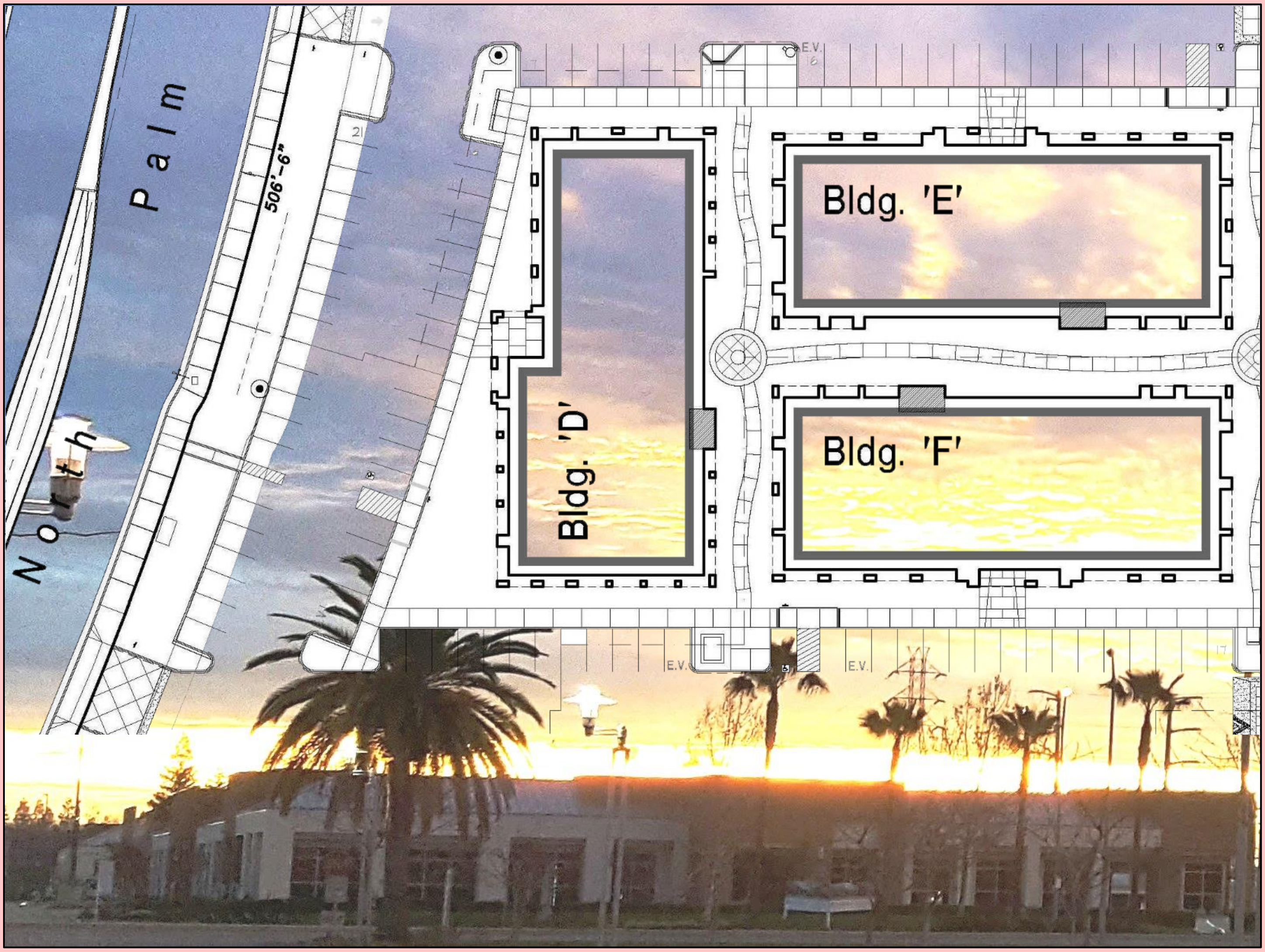

FCERA REALTY GROUP LLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

The cover is of a sunrise behind FCERA Realty Group LLC's investment, taken by Donald C. Kendig, CPA, the LLC's Agent, after going to the gym, and before the start of the workday. Mr. Kendig is facing east towards the rising sun and 7766 N Palm Avenue (Building D). An architectural rendering is overlaid on the sunrise to give an artistic view of the adjoining locations of the LLC's three buildings, and their relative location to Palm Avenue. Nees Avenue is just to the north, but not pictured.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
FCERA Realty Group, LLC
Fresno, California

We have audited the accompanying financial statements of FCERA Realty Group, LLC, which comprise the statement of net position, as of December 31, 2019, and the related statements of activities, changes in net asset, and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 from material misstatement.

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

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

Board of Directors
FCERA Realty Group, LLC

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FCERA Realty Group, LLC as of December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The 2018 financial statements of FCERA Realty Group, LLC were audited by other auditors whose report dated April 30, 2019, expressed an unmodified opinion on those statements.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

St. Louis, Missouri
October 23, 2020

BASIC FINANCIAL STATEMENTS

Statements of Net Assets

	December 31, 2019	December 31, 2018
Assets:		
Investments		
Real Estate Investments at Fair Value (Cost of $2,357,268 as of December 31, 2019 and $6,933,140 as of December 31, 2018)	$ 2,480,300	$ 6,544,280
Cash	118,198	61,318
Accounts Receivable	76,546	29,515
Prepaid Insurance	2,347	7,892
Total Assets	$ 2,677,391	$ 6,643,005
Liabilities:		
Unearned Rent	$ -	$ 283
Security Deposits and Refunds Due	8,085	12,125
Accounts Payable and Other Liabilities	14,421	17,163
Total Liabilities	22,506	29,571
Total Net Assets	$ 2,654,885	$ 6,613,434

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

Statements of Activities

	December 31, 2019	December 31, 2018
Revenues:		
Rental Income	$ 496,685	$ 445,012
Other Income	876	-
Total Revenues	497,561	445,012
Expenses:		
Property Taxes	67,193	105,700
Legal	64,837	40,026
Association Dues	42,634	47,092
Utilities	38,036	27,683
Janitorial Service and Supply	28,380	11,741
Insurance	15,028	16,899
Management Fees	13,800	8,500
Accounting	9,540	8,862
Repairs and Maintenance	6,762	12,299
Fire and Methane Monitoring	1,812	2,220
Pest Control	1,155	690
Taxes and Filing Fees	632	1,447
Miscellaneous Office Expense	247	1,245
Bank Charges	74	120
Tenant Improvements	-	195,240
Broker Commissions	-	14,769
Total Expenses	290,130	494,533
Increase (Decrease) in Net Assets	207,431	(49,521)
Realized Gain (Loss) on Real Estate Investments	(259,392)	-
Reversal of Previously Recorded Unrealized Loss on Realized Investment	259,392	-
Unrealized Appreciation on Real Estate Investments	252,500	-
Net Increase (Decrease) in Net Assets before Contributions & Distributions	459,931	(49,521)

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

Statements of Changes in Net Assets

	December 31, 2019	December 31, 2018
Net Assets, Beginning of Year	$ 6,613,434	$ 6,502,955
Increase (Decrease) in Net Assets	207,431	(49,521)
Realized Gain (Loss) on Real Estate Investments	(259,392)	-
Reversal of Previously Recorded Unrealized Loss on Realized Investment	259,392	-
Unrealized Appreciation on Real Estate Investments	252,500	-
Net Increase (Decrease) in Net Assets before Contributions & Distributions	$ 7,073,365	$ 6,453,434
Contributions from Sole Member	$ -	$ 255,000
Distributions to Sole Member		
Cash	(102,000)	(95,000)
Real Estate Investments	(4,316,480)	-
Net Assets, End of Year	$ 2,654,885	$ 6,613,434

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

Statements of Cash Flows

		December 31, 2019		December 31, 2018
Cash Flows from Operating Activities				
Increase (Decrease) in Net Assets	$	459,931	$	(49,521)
Adjustments to Reconcile Increase (Decrease) in Net				
Assets to Net Cash Provided By and (Used in) Operating Activities:				
Unrealized Appreciation on Real Estate Investments		(252,500)		-
Realized Gain (Loss) on Real Estate Investments		259,392		-
Reversal of Previously Recorded Unrealized Loss				
on Realized Investment		(259,392)		-
Change in Operating Assets:				
Prepaid Insurance		5,545		1,115
Accounts Receivable		(47,031)		(29,515)
Change in Operating Liabilities:				
Accounts Payable and Other Liabilities		(2,742)		(48,302)
Unearned Rent		(283)		(7,299)
Security Deposits and Refunds Due		(4,040)		4,040
Total Adjustments		(301,051)		(79,961)
Net Cash Flows Provided by (Used in) Operating Activities		158,880		(129,482)
Cash Flows from Financing Activities				
Sole Member Contributions		-		255,000
Sole Member Distributions		(102,000)		(95,000)
Net Cash Flows from Financing Activities		(102,000)		160,000
Net Increase in Cash		56,880		30,519
Cash, Beginning of Year		61,318		30,799
Cash, End of Year	$	118,198	$	61,318
Supplemental Disclosures of Cash Flow Information				
Distribution of Real Estate	$	(4,316,480)	$	-

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

Schedule of Investments

					December 31, 2019		December 31, 2018	
Investment	Ownership	City, State	Acquisition Date	Square Feet (Unaudited)	Cost	Fair Value	Cost	Fair Value
Real Estate Investments								
Commercial Office Building D	WO	Fresno, CA	March 24, 2017	9480 Sqft	$ 2,357,268	$ 2,480,300	$ 2,357,268	$ 2,227,800
Commercial Office Building E	WO	Fresno, CA	March 24, 2017	9184 Sqft	-	-	2,287,936	2,158,240
Commerical Office Building F	WO	Fresno, CA	March 24, 2017	9184 Sqft	-	-	2,287,936	2,158,240
Total Real Estate Investments					$ 2,357,268	$ 2,480,300	$ 6,933,140	$ 6,544,280

Building D is 93.42% of Total Net Assets at 12/31/2019

WO= Wholly Owned Investment

NOTES TO THE FINANCIAL STATEMENTS

Note 1: Organization

Ownership

FCERA Realty Group LLC, a single-member LLC, (the LLC) was registered in the State of California on February 7, 2017 for the purpose of acquiring rental properties. The single member of the LLC is the Fresno County Employees' Retirement Association (FCERA), which is a qualified pension plan. On March 24, 2017, the LLC acquired three office buildings located at 7766, 7772, & 7778 N. Palm Avenue, Fresno, CA 93711, which are 9,480, 9,184, and 9,184 square feet, respectively, or 27,848 square feet of office space in total, in the form of cold dark shells. On October 2, 2019, the LLC transferred buildings 7772 and 7778 N. Palm Avenue to its sole member, FCERA. As a result, 7766 N. Palm Avenue is the single remaining building owned by the LLC at year end.

Management

The Retirement Administrator for FCERA is the registered agent. The FCERA also provides administrative services and support to the LLC. Refer to Note 5 for a full description of related party transactions.

Note 2: Summary of Significant Accounting Policies

Principles of Reporting

The accompanying financial statements are prepared under accounting principles generally accepted in the United States of America using the accrual basis of accounting. Accordingly, revenues are recognized as earned and expenses are recognized as incurred.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2: Summary of Significant Accounting Policies (cont'd)

Cash

For the purpose of the cash flow statements, cash is deposits held with banks.

Valuation of Rental Property

The LLC's intent is to perform independent appraisals of the remaining property every three years. An initial appraisal was performed to estimate 1) the "cold shell" fair value of each of the three properties, and 2) the "cold shell" fair rental value of each as of March 15, 2017.

The initial appraisal includes a complete property and market inspection and analysis by designated Members of the Appraisal Institute (MAI), and the initial appraisal was prepared in accordance with the requirements of the Appraisal Report option of Uniform Standards of Professional Appraisal Practice (USPAP) Standards Rule 2-2(b), which are the generally recognized ethical and performance standards for the appraisal profession in the United States. Calculations used in the initial independent appraisal was based on a sales comparison approach.

For the purposes of this annual audit, staff prepared an internal valuation of property based a discounted cash flow model of expected revenues based on the existing lease agreement and future occupancies.

The rental property's stated fair value can be defined as the most probable price in cash, terms equivalent to cash, or in other precisely revealed terms, for which the appraised property will sell in a competitive market under all conditions requisite to a fair sale with the buyer and seller each acting prudently, knowledgeably, and assuming that neither is in undue duress.

Because of the inherent uncertainty of real estate valuations related to assumptions regarding highest and best use, capitalization rates, discount rates, leasing, and other factors, the estimated fair values reflected in the financial statements may differ from values that would be determined by negotiation between independent parties in sales transactions, and the difference could be material.

Note 2: Summary of Significant Accounting Policies (cont'd)

Valuation of Rental Property (cont'd)

The LLC does not provide for depreciation and amortization on its rental property. Any difference between cost and fair value of rental property held as of the year-end or reporting period is reported as a change in unrealized appreciation/(depreciation) on real estate investments. Any difference between cost and fair value of rental property disposed of during a year or reporting period is reported as a realized gain/(loss) on real estate investments.

Expenses for repairs and maintenance, and restorative remediation are expensed when incurred.

Security Deposits and Rental Income

The LLC recognizes rental income based on the contractual rents due under the terms of the related leases. Security deposits consist of tenant payments made as stipulated in the agreements. The LLC records a liability for security deposits.

Federal Income Taxes

The LLC qualifies for exemption from federal income tax as a disregarded entity. This is because the LLC is a Single Member LLC ("SMLLC"). An SMLLC is a separate entity for state law purposes, providing protection to the parent entity from liabilities of the SMLLC, but it is a disregarded entity for federal tax purposes, assuming the tax status of its parent entity. The parent entity, FCERA, is a tax-exempt government pension plan, and accordingly, there is no provision for income taxes made in the accompanying financial statements for the LLC.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the LLC and recognize an federal income tax liability (or asset) if the LLC has taken an uncertain federal income tax position that, more likely than not, would not be sustained upon examination by the Internal Revenue Service.

Note 2: Summary of Significant Accounting policies (cont'd)

Federal Income Taxes (cont'd)

Management has analyzed the federal income tax position taken by the LLC, and has concluded that as of December 31, 2019, there is no uncertain federal income tax position taken or expected to be taken that would require recognition of a federal income tax liability (or asset) or disclosure in the financial statements. The LLC is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

California State and Fresno City Taxes

As mentioned under "Federal Income Taxes" accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the LLC and recognize a California State (State) or Fresno City (City) tax liability (or asset) if the LLC has taken uncertain tax positions that, more likely than not, would not be sustained.

Management has analyzed the State and City tax positions taken by the LLC, and has concluded that as of December 31, 2019 there is no uncertain State or City income tax positions taken or expected to be taken that would require recognition of tax liabilities (or assets) or disclosure in the financial statements. The State has determined the organization is tax-exempt from California franchise or income tax as stated in Revenue and Taxation Code Section 23701x, effective as of February 7, 2017. The City has also granted the LLC tax-exempt status per FTB Code Section 23701(x) as of June 5, 2019.

Property Taxes

Property tax liabilities paid by the LLC during the 2019 calendar year have been expensed at the time incurred. Additionally, the burden of property taxes for buildings 7772 & 7778 N. Palm Avenue has been removed from the LLC due to the transfer on October 2, 2019. Refer to Note 5 for a full description of related party transactions.

Note 2: Summary of Significant Accounting Policies (cont'd)

Mold Remediation and Legal: Mold Remediation

Mold was discovered in all three buildings shortly after the close of escrow and the costs incurred in 2017 by the LLC to assess and remediate the buildings were recorded under Mold Remediation. The LLC is continuing to pursue reimbursement for the expenses incurred and has enlisted the support of legal counsel, recorded under legal expenses.

Common Area Maintenance Expense

In addition to base rent, tenants are responsible for additional payments related to certain operating expenses including property taxes, association dues, insurance, utilities, fire and methane monitoring, property insurance, external janitorial and pressure washing, and common area maintenance fees (CAM). CAM expenses are budgeted yearly and collected monthly with the base rent. The fees are calculated on a pro rata share of each tenant's office space.

Capital Contributions

Capital contributions made throughout the year are determined by the sole member. There were no capital contributions made at December 31, 2019. Total contributions of $255,000 were made at December 31, 2018.

Distributions to Sole Member

Per the operating agreement, distributions shall be made to the sole member at the times and in the aggregate amounts determined by the sole member. Total cash distributions to the sole member were $102,000 at December 31, 2019; and $95,000 at December 31, 2018. On October 2, 2019, the LLC transferred buildings 7772 and 7778 N. Palm Avenue, valued at $4,316,480 to its sole member, FCERA. As a result, 7766 N. Palm Avenue is the single remaining building owned by the LLC at year end.

Note 2: Summary of Significant Accounting Policies (cont'd)

Subsequent Events

The potential for subsequent events were evaluated from the year-end report date of December 31, 2019 through October 23, 2020, which is the date the financial statements were available to be issued.

In March of 2020, The World Health Organization declared the outbreak of the coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused a severe negative impact on the world economy and has contributed to significant declines and volatility in financial markets. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the LLC for future periods. Management is carefully monitoring the situation and evaluating its options as circumstances evolve.

On September 2, 2020, the Board of Retirement which oversees the FCERA Realty Group, LLC, agreed to list the remaining LLC property for sale.

Operating Leases

Since October 2, 2019, 7772 and 7778 N. Palm Avenue have been transferred out of the LLC. Since October 15, 2017, 7766 N. Palm Avenue has been 34.32% leased; and since June 25, 2018, has been 34.32% occupied.

The following table depicts the approximate percentage of office space each tenant occupies as of December 31, 2019:

Tenant	Approximate Percentage of Total Rental Space
7766 N. Palm Avenue:	
Dwight W. Sievert M.D. Inc.	34%

Note 2: Summary of Significant Accounting Policies (cont'd)

Operating Leases (Cont'd)

10 Year Lease Term	Annualized Amount	Sq Ft Occupied	Per Sq Ft
January 2019- December 2019	$ 66,821	3,254	$ 1.85
January 2020- December 2020	74,045	3,254	1.90
January 2021- December 2021	100,663	4,324	1.94
January 2022- December 2022	103,257	4,324	1.99
January 2023- December 2023	105,852	4,324	2.04
	450,637		
Remaining Years Summary			
January 2024- December 2028	570,761	4,324	$ 2.09 - 2.31
Total Expected Lease Revenues	1,021,398		

Note 3: Cash

Cash consisted of the following as of December 31, 2019 and 2018:

	December 31, 2019	December 31, 2018
Cash in Bank	$ 117,852	$ 46,885
Cash Fund Balance - Property Management	346	14,433
Total Cash	$ 118,198	$ 61,318

Note 4: Concentration of Credit Risk

The LLC maintains cash in a bank account, as well as with the property management company, Dana Butcher Associates, for operational purposes. The Dodd-Frank Wall Street Reform and Consumer Protection Act, signed into law on July 21, 2010, permanently raised the standard maximum deposit insurance amount to $250,000 FDIC insurance limit per depositor, per depository institution or insured bank in an effort to increase consumer confidence in the banking system. At times balances will exceed the insured limit. The LLC has not experienced any losses in such accounts and, therefore, does not feel that it is exposed to any significant risk in this area.

At December 31, 2019, the LLC's cash balances in excess of the applicable insured limit of $250,000 totaled $0.

Note 5: Related Party Transactions

The following represent transactions between the LLC and related parties:

It was initially understood that the LLC would qualify for a property tax exemption as a disregarded entity of FCERA, as is the case for Federal, State and City taxes; however, the California Attorney General issued an opinion to the contrary. As a result, on October 2, 2019, the LLC transferred the office buildings that FCERA occupies back to FCERA, for a full tax-exempt status. The office buildings mentioned are located at 7772 and 7778 N. Palm Avenue.

The FCERA Retirement Board and administrative staff occupy two buildings with a combined square footage of 18,368. For the fiscal years ended December 31, 2019 and December 31, 2018, FCERA paid the LLC total rents and Common Area Maintenance (CAM) fees in the amount of $459,096 and $382,138, respectively.

As part of the rent, FCERA was responsible for CAM fees which amounted to $206,518 and $133,102 of the total income for the years ended December 31, 2019 and 2018, respectively. Upon transfer of the 7772 and 7778 North Palm buildings back to FCERA, it was determined that FCERA owes the LLC $76,546 for property taxes, legal and other operational costs that the LLC had previously paid in advance prior to the transfer to buildings.

Note 6: Fair Value Measurements

Accounting Standards Codification (ASC 820) provides direction on the establishment of fair value measurement framework through a single definition of fair value and the requirement of expanded disclosure summarizing the fair value measurement. ASC 820 specifies that fair value is a market-based measurement not an entity-specific measurement. A fair value measurement should be based on the assumptions that market participants would use in pricing an asset or liability. Key assumptions used in the determination of the fair value measurement are listed below:

Note 6: Fair Value Measurements (Cont'd)

Fair Value Measurement Key Assumptions	
Discount rate on future cash flows	7%
Revenue growth over life of lease agreement	2 to 3 % per year, varies
45% occupied currently, raising to 90% occupied at year 3 of current lease agreement	
Terminal Value	$3,035,000

A hierarchy exists for measuring fair value in three levels based on the reliability of inputs:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the LLC has ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments.

Level 2 – Valuations based on quoted prices in less active, dealer or broker markets. Fair values are primarily obtained through third party pricing services for identical or comparable assets or liabilities.

Level 3 – Valuations derived from other valuation methods, including pricing models and similar techniques, and not based on market, exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections that are not observable in the market and significant professional judgement in determining the fair value assigned to such assets or liabilities.

FAIR VALUE MEASUREMENT at December 31, 2019	Quoted Prices in Active Markets Level 1	Other Observable Inputs Level 2	Unobservable Inputs Level 3
Real Estate Investments and Improvements	-	-	$2,480,300
Total Real Estate Investments and Improvements	$ -	$ -	**$2,480,300**