



RECEIVED
MAY 22 2020
CITY CLERK'S OFFICE

Jacob.Torgerson@target.com
Direct Dial: 612/761-6317
Fax: 612/761-3735

April 29, 2019

Richard McCarthy
City Attorney
City of Millville
12 South High Street
Millville, NJ 08332

RE: Compliance - Section 5.2.2 Target Millville, 2100 N 2nd Street

Dear Mr. McCarthy,

In fulfillment of the compliance requirement set forth in Section 5.2.2 of the Financial Agreement between the City of Millville and Target Millville Urban Renewal, L.L.C., Target Corporation hereby submits its audit report performed by Grant Thornton for the fiscal year ending February 1, 2020.

Please let me know if you have any questions or concerns.

Sincerely,

A handwritten signature in black ink that reads "Jacob Torgerson".

Jacob Torgerson
Manager, Public Partnerships

Enclosure

Cc: Department of Community Affairs
Trenton, NJ

**Statement of Operations and Report of
Independent Certified Public
Accountants**

Target Millville Urban Renewal, LLC

February 1, 2020

Contents

Page

Report of Independent Certified Public Accountants	3
Financial Statements	
Statement of Operations	5
Notes to Financial Statement	6

GRANT THORNTON LLP

200 S. Sixth St., Suite 1400
Minneapolis, MN
55402-1434

D 612 332 0001

F 612 332 8361

Report of Independent Certified Public Accountants

To the Member of
Target Millville Urban Renewal, LLC

We have audited the accompanying statement of operations of Target Millville Urban Renewal, LLC (a New Jersey corporation) for the year ended February 1, 2020, and the related notes to the financial statement.

Management's responsibility for the financial statement

Management is responsible for the preparation and fair presentation of this financial statement 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 the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statement 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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the results of operations of Target Millville Urban Renewal, LLC for the year ended February 1, 2020 in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Minneapolis, Minnesota
April 28, 2020

Target Millville Urban Renewal, LLC

STATEMENT OF OPERATIONS

Year ended February 1, 2020

	<u>2020</u>
Revenue	
Rental income	\$ 316,377
General and administrative expenses	
Depreciation	756,602
Service fee	265,418
Audit fee	23,100
Administrative fee	<u>20,000</u>
Total general and administrative expenses	<u>1,065,120</u>
Loss before interest	(748,743)
Interest expense	<u>5,195</u>
Net loss	<u><u>\$ (753,938)</u></u>

See accompanying notes to the financial statement.

Target Millville Urban Renewal, LLC
NOTES TO FINANCIAL STATEMENTS
February 1, 2020

NOTE A – SUMMARY OF ACCOUNTING POLICIES

Organization

Target Millville Urban Renewal, LLC (or the "Entity") was formed by Target Corporation ("Target" or the "Managing Member") to construct a retail store in the Millville development located in Millville, New Jersey. The Entity completed construction of the store in 2006 and leases the property to Target and receives fixed monthly lease payments. The Managing Member has committed to fund the operating deficits of the Entity.

Use of Estimates

The preparation of the Entity's financial statement in accordance with accounting principles generally accepted in the United States of America ("US GAAP") requires management to make estimates and assumptions affecting reported amounts in the financial statement and accompanying notes. Actual results may differ from those estimates.

Fiscal Year

The Entity's fiscal year ends on the Saturday nearest January 31. Unless otherwise stated, references to years in this report relate to fiscal years, rather than to calendar years. Fiscal year 2019 ended February 1, 2020, and consisted of 52 weeks.

Revenue Recognition

The Entity leases commercial real estate to Target under an operating lease. Rental income related to this lease is recognized on a contractual basis as the payments become due.

Property and Equipment

Property and equipment are recorded at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, for the building and improvements, which for the Entity is the remainder of the lease term.

Subsequent Events

In March 2020 the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic. This contagious virus, which has continued to spread, has adversely affected workforces, customers, economies, and financial markets globally, leading to an economic downturn. It has also disrupted the normal operations of many businesses. There have been mandates from federal, state and local authorities requiring forced closures of certain businesses, which could negatively impact our business. We cannot reasonably estimate the ultimate, if any, impact of COVID-19 on the Entity.

The Entity evaluated its February 1, 2020 financial statement for subsequent events through April 28, 2020 the date the financial statement was available to be issued. The Entity is not aware of any subsequent events that would require recognition or disclosure in the financial statement.

Target Millville Urban Renewal, LLC
NOTES TO FINANCIAL STATEMENTS - CONTINUED
February 1, 2020

NOTE B – LEASING ARRANGEMENTS

The Entity leases its commercial real estate to Target, a related party, under a non-cancelable operating lease from September 2006 until August 2021. The lease has an initial term of 15 years and minimum future rental revenue amounts under the operating lease at February 1, 2020 are as follows:

<u>Fiscal years</u>	
2020	\$ 316,377
2021	184,553
	<u>\$ 500,930</u>

NOTE C – SERVICE FEE

Service fee is paid in lieu of property tax to the City of Millville per the Financial Agreement entered into by the two parties and dated November 14, 2005.

NOTE D – RELATED PARTY TRANSACTIONS

The Entity has a leasing arrangement with Target which is discussed in detail in Note B. The Entity incurs interest expense at a fixed annual rate of 5% on debt that is owed to Target and matures September 10, 2021. The borrowings outstanding on this debt were \$82,656 at February 1, 2020. The Entity also pays Target Enterprise, Inc. an administrative fee for services provided to the Entity as stipulated in the administrative agreement. The Entity also has payables of \$3,324,596 to Target at February 1, 2020 for the cumulative expenses paid by Target.

NOTE E – INCOME TAXES

The Entity has been established as a single member limited liability company, which is treated as a disregarded entity for income tax purposes. No provision for federal and state income taxes has been made in the financial statement as the Entity is not subject to income taxes and all profit and losses are reported on the Managing Member's income tax returns.