

**254 BERGEN AVENUE
NJHMFA PROJECT NO. 1099**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED MARCH 31, 2016

**254 BERGEN AVENUE
NJHMFA PROJECT NO.: 1099
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FOR THE YEAR ENDED MARCH 31, 2016**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Jersey City Housing Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of 254 Bergen Avenue ("the Project") which comprise the statements of assets, liabilities and project equity of as of March 31, 2016, and the related statements of operations, changes in project equity 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 the financial reporting provisions prescribed by the New Jersey Housing Mortgage Finance Agency ("NJHMFA"). Management is also responsible for 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.

Auditor's 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 of 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 auditor's judgment, including the assessment of the risks of material misstatement to 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.

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 254 Bergen Avenue as of March 31, 2016 and the results of its operations, changes in partners' equity and cash flows for the year then ended in conformity with accounting principles prescribed by the New Jersey Housing Mortgage Finance Agency ("NJHMFA").

Basis of Accounting

We draw attention to Note 1(C) of the financial statements, which describes the basis of accounting. As described in Note 1(C) to the financial statements, the financial statements are prepared by the Project on the basis of accounting principles prescribed by NJHMFA, which is a basis of accounting other than generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Restriction on Use

Our report is intended solely for the information and use by management and investors of the Project and NJHMFA and is not intended to be and should not be used by anyone other than these specified parties.

Other Matters

In accordance with Government Auditing Standards, we have also issued our report dated July 15, 2016, on our consideration of the 254 Bergen Avenue's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards and important in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Project. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Fallon & Larsen LLP

July 15, 2016
Toms River, New Jersey

FINANCIAL STATEMENTS

**254 BERGEN AVENUE
 NJHMFA PROJECT NO.: 1099
 STATEMENT OF ASSETS, LIABILITIES AND PROJECT EQUITY
 AS OF MARCH 31, 2016**

ASSETS

Current assets:	
Cash and cash equivalents	\$ 54,205
Accounts receivable - tenants	1,132
Prepaid expenses	<u>18,743</u>
Total current assets	<u>74,080</u>
Non-current assets:	
Restricted cash	468,968
Capital assets, net	<u>1,622,556</u>
Total non-current assets	<u>2,091,524</u>
Total assets	<u>\$ 2,165,604</u>

LIABILITIES

Current liabilities:	
Accounts payable	\$ 20,032
Accrued expenses	1,030
Mortgage payable, current portion	57,561
Due to Jersey City Housing Authority	58,379
Tenant security deposits	<u>24,735</u>
Total current liabilities	<u>161,737</u>
Non-current liabilities:	
Mortgages payable, excluding current portion	<u>1,762,585</u>
Total liabilities	<u>\$ 1,924,322</u>

PROJECT EQUITY

Project equity (deficit):	
Restricted	370,161
Unrestricted	<u>(128,879)</u>
Total project equity	<u>\$ 241,282</u>
Total liabilities and equity	<u>\$ 2,165,604</u>

See accompanying notes to financial statements.

NJHMFA PROJECT NO.: 1099
254 BERGEN AVENUE
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2016

Operating revenues:	
Rental income	\$ 340,629
Other income	<u>3,938</u>
Total operating revenues	<u>344,567</u>
Operating expenses:	
Administrative expenses	31,502
Salaries and related charges	58,989
Maintenance and repairs	58,081
Utilities expenses	73,279
Payment-in-lieu-of-taxes	16,761
Collection losses	<u>35,844</u>
Total operating expenses	<u>274,456</u>
Income from operations before interest, reserves and depreciation	<u>70,111</u>
Non-operating revenues (expenses):	
Interest expense	(45,074)
Interest income	97
Provision for replacement reserve	<u>(34,308)</u>
Net non-operating revenues (expenses)	<u>(79,285)</u>
Net income before depreciation expense	(9,174)
Depreciation expense (equal to long-term debt principal amortization)	<u>(49,579)</u>
Net income (loss) before excess depreciation	(58,753)
Excess depreciation	<u>(15,206)</u>
Net loss	<u>\$ (73,959)</u>

See accompanying notes to financial statements.

**254 BERGEN AVENUE
NJHMFA PROJECT NO.: 1099
STATEMENT OF CHANGES IN PROJECT EQUITY
YEAR ENDED MARCH 31, 2016**

Unrestricted

Balance, March 31, 2015	\$ (54,920)
Net loss	<u>(73,959)</u>
Balance, March 31, 2016	<u>\$ (128,879)</u>

Restricted

Balance, March 31, 2015	\$ 335,853
Interest earned	708
Additions during the period	33,600
Withdrawals during the period	<u>-</u>
Balance, March 31, 2016	<u>\$ 370,161</u>

See accompanying notes to financial statements.

**254 BERGEN AVENUE
 NJHMFA PROJECT NO.: 1099
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED MARCH 31, 2016**

Cash Flows from Operating Activities:	
Net loss	\$ (73,959)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:	
Depreciation	64,785
Provision for repairs and replacements reserve	34,308
Bad debts	35,844
(Increase) decrease in assets:	
Accounts receivable, tenants	(9,099)
Prepaid expenses	(6,432)
Increase (decrease) in liabilities:	
Accounts payable	13,900
Due to other government	58,379
Tenant security deposits	<u>(395)</u>
Net cash provided by operating activities	<u>117,331</u>
Cash Flows from Investing Activities:	
Net deposits to tax and insurance escrows	(86,278)
Deposits to repairs and replacements reserve	<u>(34,308)</u>
Net cash used by investing activities	<u>(120,586)</u>
Cash Flows from Financing Activities:	
Principal payments on mortgage	<u>(53,420)</u>
Net cash used from financing activities	<u>(53,420)</u>
Net decrease in cash	(56,675)
Cash and cash equivalents, beginning of year	<u>110,880</u>
Cash and cash equivalents, end of year	<u>\$ 54,205</u>

See accompanying notes to financial statements.

**254 BERGEN AVENUE
NJHMFA PROJECT NO.: 1099
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Housing Authority of the City of Jersey City ("JCHA") or ("the Authority") is a governmental, public corporation created under federal and state housing laws for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in the City of Jersey City ("the City"). The Authority is responsible for operating certain low-rent housing programs in the City under programs administered by the U.S. Department of Housing and Urban Development ("HUD"). These programs provide housing for eligible families under the United States Housing Act of 1937, as amended.

The Authority is governed by an appointed board of commissioners who serve several year terms. The governing board is essentially autonomous but responsible to the United States Department of Housing and Urban Development ("HUD") and the Division. An executive director is appointed by the Housing Authority's board to manage the day-to-day operations of the Authority.

254 Bergen Avenue ("the Project") is a housing development established in 1989 by the Jersey City Housing Authority ("JCHA") to provide a low-rent housing for qualified individuals. The Project is owned by JCHA and is governed by the Board of Commissioners of JCHA.

Construction of the facility was financed by the New Jersey Housing Mortgage Finance Agency ("NJHMFA") and is located in Jersey City, New Jersey.

The accompanying financial statements present the financial activity of 254 Bergen Avenue and not the Authority as a whole.

The Project maintains its accounting records by program. The significant program operated by the Project is as follows:

Department of Community Affairs Project Based Section 8

The objective of the Section 8 Housing Voucher Program is to assist in making safe and quality housing in the private rental market affordable to low, and very low-income households by reducing housing costs through direct rent subsidy payments to landlords. The program is funded by the U.S. Department of Housing and Urban Development.

B. Reporting Entity

In accordance with Statement No. 61 of the Government Accounting Standards Board ("GASB"), the Authority's basic financial statements include those of the Project and any component units. Component units are legally separate, tax-exempt organizations whose majority of officials are appointed by the primary government or the organization is fiscally dependent on the primary

**254 BERGEN AVENUE
NJHMFA PROJECT NO.: 1099
NOTES TO FINANCIAL STATEMENTS (continued)
YEAR ENDED MARCH 31, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Reporting Entity (continued)

government and there is a potential for those organizations either to provide specific financial benefits to, or impose specific financial burdens on, the primary government. An organization has a financial benefit or burden relationship with the primary government if any one of the following conditions exist:

1. The primary government (Authority) is legally entitled to or can otherwise access the organization's resources.
2. The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.
3. The primary government is obligated in some manner for the debt of the organization.

Based upon the application of these criteria, this report includes all programs and activities operated by the Project. There were no additional entities required to be included in the reporting entity under these criteria in the current fiscal year. However, the Project is owned by JCHA and as such is included in their financial statements.

C. Basis of Accounting

The accompanying financial statements have been prepared in accordance with the New Jersey Housing and Mortgage Finance Agency ("the Agency" or "NJHMFA") Policies and Procedures Manual, revised July 1, 1996.

The accounting practices prescribed or permitted by the Agency differ from accounting principles generally accepted in the United States of America (GAAP) as follows:

- The basic financial statements consist of statements of assets, liabilities and project equity and the statements of operations, changes in project equity and cash flows.
- Funding of the reserve for repairs and replacements is recorded as an expense.
- Reimbursements from the reserve for repairs and replacements are recorded as income and restricted partners' equity when approved by the Agency as opposed to when the actual expenditure is made by the partnership.
- Interest earned by the reserve fund is recorded directly in the fund balance.

**254 BERGEN AVENUE
NJHMFA PROJECT NO.: 1099
NOTES TO FINANCIAL STATEMENTS (continued)
YEAR ENDED MARCH 31, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Cash and Cash Equivalents

Cash and cash equivalents include all unrestricted cash balances and highly liquid investments with a maturity of three months or less. Restricted deposits and funded reserves which are required under the terms of the financing are not considered cash and cash equivalents. The Project places its temporary cash investments with high credit quality financial institutions. At times, such investments may be in excess of the FDIC insurance limits.

E. Accounts Receivable

Rents are due from tenants on the first day of each month. As a result, tenants' accounts receivable balances primarily consist of rents past due and vacated tenants. Also included in accounts receivable are those amounts that tenants owe the Project as payment for committing fraud or misrepresentation. These charges usually consist of retroactive rent and other amounts that may be determined by a formal written agreement or by a court order. An allowance for doubtful accounts is established to provide for all accounts, which may not be collected in the future for any reason.

F. Prepaid Expenses

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items.

G. Capital Assets, net

Capital assets are stated at cost. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized. Depreciation is calculated using the straight-line method based on the estimated useful lives of the following asset groups:

- Buildings 27.5 - 40 Years
- Furniture and Equipment 3 - 7 Years

The Project has established a capitalization threshold of \$5,000.

H. Operating Revenue and Expenses

The Project defines its operating revenues as income derived from charges to residents and others for services provided as well as government subsidies and grants used for operating purposes. Operating expenses are costs incurred in the operation of its program activities to provide services to residents and others. The Project classifies all other revenues as non-operating.

**254 BERGEN AVENUE
 NJHMFA PROJECT NO.: 1099
 NOTES TO FINANCIAL STATEMENTS (continued)
 YEAR ENDED MARCH 31, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Income Taxes

The Project, as part of a unit of local government is exempt from real estate, sales and income taxes.

J. Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. CASH AND CASH EQUIVALENTS

At March 31, 2016, the Project had funds on deposit in checking accounts.

All bank deposits are entirely insured or collateralized by a collateral pool maintained by public depositories as required by New Jersey law.

As of March 31, 2016, the carrying amount of the Project's cash (including restricted cash) was \$523,173, and the bank balances were \$522,917. Cash and cash equivalents consisted of the following:

<u>Cash Category</u>	<u>Amount</u>
Operations	\$ 29,471
Tenant security deposits	24,734
Restricted	<u>468,968</u>
	<u>\$ 523,173</u>

Of the bank balances, \$303,949 was covered by federal depository insurance and the remaining \$218,968 was collateralized with the pledging financial institutions as of March 31, 2016.

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Project does not have a formal policy for custodial credit risk. As of March 31, 2016, the Project's bank balances were not exposed to custodial credit risk.

**254 BERGEN AVENUE
 NJHMFA PROJECT NO.: 1099
 NOTES TO FINANCIAL STATEMENTS (continued)
 FOR THE YEAR ENDED MARCH 31, 2016**

NOTE 3. ACCOUNTS RECEIVABLE, NET

Accounts receivable - tenants represents amounts due for tenant rents and at March 31, 2016, it is shown net of an allowance for doubtful accounts of \$2,482.

NOTE 4. RESTRICTED CASH

The New Jersey Housing Mortgage Finance Agency requires that the Project fund various reserve accounts which are held in escrow in the New Jersey State Cash Management Fund. These restricted reserves consisted of the following at March 31, 2016:

<u>Cash Category</u>	<u>Amount</u>
Reserve for replacement	\$ 370,161
Real estate tax escrow	45,084
Insurance escrow	45,644
Bond issue escrow	<u>8,079</u>
	<u>\$ 468,968</u>

Reserve for Replacement - covers the future cost of major repairs and improvements. As of March 31, 2016, the Project was required to contribute \$2,800 per month.

Real Estate Tax Escrow - covers the cost of the property's PILOT payment with the City of Jersey City.

Insurance Escrow - covers the cost of the property's annual premium for liability insurance.

Bond Issue Escrow - a minimum escrow amount set up to cover costs of the original bond issuance.

NOTE 5. PAYMENT IN LIEU OF TAXES

The Project is required to pay to the City of Jersey City a payment in lieu of taxes as an annual charge for services ("PILOT"). For the year ended March 31, 2016, PILOT expense amounted to \$16,761.

**254 BERGEN AVENUE
NJHMFA PROJECT NO.: 1099
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED MARCH 31, 2016**

NOTE 6. CAPITAL ASSETS, NET

Capital assets consist primarily of expenditures to acquire, construct, place in operation and improve the facilities of the Project and are stated at cost, less accumulated depreciation. The following is a summary of the changes in capital assets for the fiscal year ended March 31, 2016:

	Balances at <u>March 31, 2015</u>	<u>Additions</u>	<u>Dispositions</u>	Balances at <u>March 31, 2016</u>
<u>Non-depreciable capital assets:</u>				
Land	\$ 541,569	\$ -	\$ -	\$ 541,569
<u>Depreciable capital assets:</u>				
Buildings	2,591,407	-	-	2,591,407
Leasehold improvements	<u>62,475</u>	<u>-</u>	<u>-</u>	<u>62,475</u>
Total	<u>2,653,882</u>	<u>-</u>	<u>-</u>	<u>2,653,882</u>
Total capital assets	<u>3,195,451</u>	<u>-</u>	<u>-</u>	<u>3,195,451</u>
Accumulated depreciation	<u>(1,508,110)</u>	<u>(64,785)</u>	<u>-</u>	<u>(1,572,895)</u>
Net capital assets	<u>\$ 1,687,341</u>	<u>\$ (64,785)</u>	<u>\$ -</u>	<u>\$ 1,622,556</u>

Depreciation expense for the fiscal year ended March 31, 2016 amounted to \$64,785.

NOTE 7. MORTGAGES PAYABLE

Mortgages payable consisted of the following at March 31, 2016:

Mortgage Loan payable to the New Jersey Housing Mortgage Finance Agency (NJHMFA) in connection with the development of 254 Bergen Ave. The loan with the original amount of \$1,077,250 carries an annual interest rate of 7.75%, requires monthly principal and interest payments of \$7,787, matures in September, 2022 and is secured by a first mortgage on the property. \$ 462,971

Mortgage loan payable to the Department of Community Affairs of the State of New Jersey as part of the Balanced Housing Program in the original amount of \$1,073,315. The loan is interest free, matures in September, 2022 and is secured by a second mortgage on the property at 254 Bergen Avenue. 1,073,315

Mortgage loan payable to the Department of Community Affairs of the State of New Jersey from the Petroleum Overcharge Reimbursement Fund in the original amount of \$283,860. The loan is interest free, matures in September, 2022 and is secured by a third mortgage on the property at 254 Bergen Ave. 283,860

Total loans payable	1,820,146
Less: current portion	<u>57,561</u>

Loans payable, excluding current portion	<u>\$ 1,762,585</u>
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**254 BERGEN AVENUE
 NJHMFA PROJECT NO.: 1099
 NOTES TO FINANCIAL STATEMENTS (continued)
 FOR THE YEAR ENDED MARCH 31, 2016**

NOTE 7. MORTGAGES PAYABLE (continued)

Annual debt service for principal and interest over the next five years and in five-year increments thereafter are as follows:

Year	Principal	Interest	Total
2017	57,561	35,880	93,441
2018	62,022	31,419	93,441
2019	66,829	26,613	93,442
2020	72,008	21,433	93,441
2021	77,589	15,853	93,442
2022-2023	1,484,137	13,200	1,497,337
	\$ 1,820,146	\$ 144,398	\$ 1,964,544

NOTE 8. RELATED PARTY TRANSACTIONS

The Project is owned and operated by Jersey City Housing Authority. JCHA allocates certain general and administrative expenses, including salaries, fringe benefits (pension, compensated absences and health insurance), maintenance, insurance and legal, to the Project. Costs are reimbursed periodically. As of March 31, 2016, the Project owed JCHA \$58,379 for unreimbursed costs. The advance is interest free and due upon demand.

NOTE 9. RISK MANAGEMENT

The Project is exposed to various risks of loss related to torts, theft, damage, and destruction of assets; errors and omissions; and natural disasters. The Project maintains insurance policies acquired from independent insurance carriers covering all structural property, automobiles, crime coverage, personal property and general liability. Settlement amounts have not exceeded insurance coverage for the last three years.

NOTE 10. CONCENTRATION OF RISK

The Project's major asset is real estate. The Project's operations are concentrated in the multifamily real estate market. In addition, the Project operates in a heavily regulated environment. The operations of the Project are subject to the administrative directives, rules and regulations of federal, state, and local regulatory agencies, including, but not limited to, NJHMFA. Such administrative directives, rules and regulations are subject to change by an act of congress or an administrative change mandated by HUD or NJHMFA. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

**254 BERGEN AVENUE
NJHMFA PROJECT NO.: 1099
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED MARCH 31, 2016**

NOTE 11. SUBSEQUENT EVENTS

Events that occur after the financial statement date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the financial statement date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the financial statement date require disclosure in the accompanying notes to the financial statements. Management evaluated the activity of the Partnership through July 15, 2016 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Jersey City Housing Authority:

We have audited the financial statements of 254 Bergen Avenue ("the Project") as of and for the year ended March 31, 2016, and have issued our report therein dated July 15, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Project is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Project's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Project's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Project's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (continued)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Project's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as item 2016-001.

Project's Response to Findings

254 Bergen Avenue's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. 254 Bergen Avenue's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Project's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fallon & Larsen LLP

July 15, 2016
Toms River, New Jersey

**254 BERGEN AVENUE
NJHMFA PROJECT NO.: 1099
SCHEDULE OF FINDINGS AND RESPONSES
MARCH 31, 2016**

Financial Statement Findings

Finding 2016-001

Criteria: The Project is to provide insurance in accordance with NJHMFA insurance specifications and minimum requirements.

Condition: The Project has not acquired insurance that meets NJHMFA insurance specifications and minimum requirements

Context: During review of the NJHMFA Insurance Escrow Statement, it was noted that the Project was not making any insurance payments out of the insurance escrow account. Based on discussions with management, it came to our attention that the Project had not yet been insured with a policy that meets NJHMFA insurance specifications and minimum requirements

Cause: Management has not properly evaluated and implemented the requirements of NJHMFA related to insurance.

Effect: The Project is not in compliance with NJHMFA insurance specifications and minimum requirements.

Recommendation: The Project should follow the appropriate procurement procedures to obtain an insurance policy in accordance with NJHMFA insurance specifications and minimum requirements.

Views of responsible officials and planned corrective action: Management agrees with the finding and will meet with the Authority's insurance carrier in order to purchase insurance which will meet the requirements of NJHMFA.

Schedule of Prior Year Audit Findings

Condition: During review of the NJHMFA Insurance Escrow Statement, it was noted that the Project was not making any insurance payments out of the insurance escrow account. Based on discussions with management, it came to our attention that the Project had not yet been insured with a policy that meets NJHMFA insurance specifications and minimum requirements

Status: The finding remains open. See Finding 2016-001

SUPPLEMENTAL INFORMATION

**254 BERGEN AVENUE
 NJHMFA PROJECT NO.: 1099
 SUPPLEMENTAL INFORMATION
 FOR THE YEAR ENDED MARCH 31, 2016**

SCHEDULE A - RECEIVABLES (PAYABLES) OTHER THAN FROM TENANTS (VENDORS)

None

SCHEDULE B - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

<u>Account</u>	<u>Amount</u>
Utilities	\$ 4,550
Salaries	1,030
Other vendors	<u>15,482</u>
	<u>\$ 21,062</u>

SCHEDULE C - LOANS, NOTES OR MORTGAGES PAYABLE

See footnote number 7 in the notes to the financial statements.

SCHEDULE D - CHANGES IN RESERVE BALANCES

	<u>Replacement reserve escrow</u>	<u>Bond issue escrow</u>	<u>Real estate tax escrow</u>	<u>Insurance escrow</u>	Total
Balance, March 31, 2015	335,853	8,079	3,250	1,200	348,382
Additions	33,600	-	19,500	4,800	57,900
Withdrawals	-	-	(18,590)	-	(18,590)
Adjustments	-	-	40,836	39,558	80,394
Interest earned	<u>708</u>	<u>-</u>	<u>88</u>	<u>86</u>	<u>882</u>
Balance, March 31, 2016	<u>\$ 370,161</u>	<u>\$ 8,079</u>	<u>\$ 45,084</u>	<u>\$ 45,644</u>	<u>\$ 468,968</u>

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SCHEDULE E - CHANGES IN FIXED ASSET ACCOUNTS

See note number 6 in the notes to the financial statements.

SCHEDULE F - OTHER INCOME

<u>Account</u>	<u>Amount</u>
Other tenant charges	\$ <u>3,938</u>

SCHEDULE G - ADMINISTRATIVE EXPENSES

<u>Account</u>	<u>Amount</u>
Sundry	\$ 15,470
Telephone	1,522
Insurance	6,313
Auditing	7,697
Legal expense	<u>500</u>
	\$ <u>31,502</u>

SCHEDULE H - SALARIES AND RELATED CHARGES

<u>Account</u>	<u>Amount</u>
Office salaries	\$ 19,509
Maintenance salaries	10,184
Other salaries	551
Payroll taxes	823
Employee benefits	<u>27,922</u>
	\$ <u>58,989</u>

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SCHEDULE I - MAINTENANCE AND REPAIRS

<u>Account</u>	<u>Amount</u>
Plumbing	\$ 6,433
Electrical	1,371
Janitorial	4,158
Maintenance contractors	39,678
Painting	1,141
Repairs	4,948
Miscellaneous operating and maintenance	<u>352</u>
	\$ <u>58,081</u>

SCHEDULE J - UTILITIES

<u>Account</u>	<u>Amount</u>
Water and sewer	\$ 59,295
Electricity	7,211
Gas	1,068
Other utilities	<u>5,705</u>
	\$ <u>73,279</u>

SCHEDULE K - RELATED PARTY TRANSACTIONS

See note 8 in the notes to the financial statements.

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SCHEDULE L - COMPUTATION OF PAYMENT IN LIEU OF TAXES

	<u>CY 2016</u>	<u>CY 2015</u>
<u>Affordable Units Calculation:</u>		
Number of units	<u>33</u>	<u>33</u>
Gross shelter rent:		
Dwelling rental revenue	\$ 340,629	\$ 338,736
Less: fair market rental units	<u>0</u>	<u>0</u>
Total gross rents	340,629	338,736
Less: utilities expenses attributable to affordable units	<u>(73,279)</u>	<u>(71,996)</u>
Total gross shelter rent	267,350	266,740
Affordable units PILOT rate percentage	<u>6.28 %</u>	<u>6.28 %</u>
Affordable units PILOT for the period	<u>\$ 16,790</u>	<u>\$ 16,751</u>
<u>Fiscal Year PILOT Reconciliation:</u>		
PILOT CY 2015 for three quarters	\$ 12,563	
PILOT CY 2016 for one quarter	<u>4,198</u>	
Total PILOT expense for the period ending March 31, 2016	16,761	
Amount (prepaid) / payable at April 1, 2015	(1,275)	
Payments made during the period	<u>(18,590)</u>	
Amount (prepaid) / payable at March 31, 2016	<u>\$ (3,104)</u>	