

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED MARCH 31, 2017**

**WITH  
INDEPENDENT AUDITORS' REPORT**

**254 BERGEN AVENUE  
NJHMFA PROJECT NO.: 1099  
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FOR THE YEAR ENDED MARCH 31, 2017**

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## INDEPENDENT AUDITORS' 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 statement of assets, liabilities and project equity of as of March 31, 2017, 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.

### 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 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 auditors' 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.

## **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, 2017 and the results of its operations, changes in project equity and cash flows for the year then ended in conformity with accounting principles prescribed by 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 September 30, 2017, 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 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 financial statements of the Project. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Novogradac & Company LLP*

September 30, 2017  
Toms River, New Jersey

## **FINANCIAL STATEMENTS**

**254 BERGEN AVENUE  
 NJHMFA PROJECT NO.: 1099  
 STATEMENT OF ASSETS, LIABILITIES AND PROJECT EQUITY  
 AS OF MARCH 31, 2017**

ASSETS

Current assets:	
Cash and cash equivalents	\$ 118,209
Accounts receivable - tenants	3,619
Prepaid expenses	2,998
Inventories	<u>21,249</u>
Total current assets	<u>146,075</u>
Non-current assets:	
Restricted cash	499,893
Capital assets, net	<u>1,538,632</u>
Total non-current assets	<u>2,038,525</u>
Total assets	<u>\$ 2,184,600</u>

LIABILITIES

Current liabilities:	
Accounts payable	\$ 11,201
Accrued expenses	1,030
Mortgage payable, current portion	62,022
Due to Jersey City Housing Authority	338,709
Tenant security deposits	<u>20,728</u>
Total current liabilities	<u>433,690</u>
Non-current liabilities:	
Mortgages payable, excluding current portion	<u>1,700,563</u>
Total non-current liabilities	<u>1,700,563</u>
Total liabilities	<u>2,134,253</u>

PROJECT EQUITY

Project equity (deficit):	
Restricted	374,502
Unrestricted	<u>(324,155)</u>
Total project equity	<u>50,347</u>
Total liabilities and equity	<u>\$ 2,184,600</u>

See accompanying notes to financial statements.

**NJHMFA PROJECT NO.: 1099  
254 BERGEN AVENUE  
STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED MARCH 31, 2017**

Operating revenues:	
Rental income	\$ 329,501
Other income	<u>4,947</u>
Total operating revenues	<u>334,448</u>
Operating expenses:	
Administrative	75,542
Salaries and related charges	109,996
Maintenance and repairs	107,776
Utilities	60,894
Payment-in-lieu-of-taxes	18,737
Collection losses	<u>755</u>
Total operating expenses	<u>373,700</u>
Loss from operations before interest, reserves and depreciation	<u>(39,252)</u>
Non-operating revenues (expenses):	
Interest expense	(37,649)
Interest income	1,069
Replacement reserve refund	30,000
Provision for replacement reserve	<u>(34,341)</u>
Net non-operating revenues (expenses)	<u>(40,921)</u>
Net loss before depreciation expense	(80,173)
Depreciation expense (equal to long-term debt principal amortization)	<u>(57,561)</u>
Net income (loss) before excess depreciation	(137,734)
Excess depreciation	<u>(57,542)</u>
Net loss	<u><u>\$ (195,276)</u></u>

See accompanying notes to financial statements.

**254 BERGEN AVENUE  
NJHMFA PROJECT NO.: 1099  
STATEMENT OF CHANGES IN PROJECT EQUITY  
YEAR ENDED MARCH 31, 2017**

**Unrestricted**

Balance, March 31, 2016	\$ (128,879)
Net loss	<u>(195,276)</u>
Balance, March 31, 2017	<u>\$ (324,155)</u>

**Restricted**

Balance, March 31, 2016	\$ 370,161
Interest earned	741
Additions during the period	33,600
Withdrawals during the period	<u>(30,000)</u>
Balance, March 31, 2017	<u>\$ 374,502</u>

See accompanying notes to financial statements.



**254 BERGEN AVENUE  
 NJHMFA PROJECT NO.: 1099  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED MARCH 31, 2017**

Cash Flows from Operating Activities:	
Net loss	\$ (195,276)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:	
Depreciation	115,103
Provision for repairs and replacements reserve	34,341
Withdrawal from repairs and replacements reserve	(30,000)
Bad debts	755
(Increase) decrease in assets:	
Accounts receivable, tenants	(3,242)
Inventories	(21,249)
Prepaid expenses	15,745
Tenant security deposits	4,007
Increase (decrease) in liabilities:	
Accounts payable	(8,831)
Due to JCHA	280,330
Tenant security deposits	<u>(4,007)</u>
Net cash provided by operating activities	<u>187,676</u>
Cash Flows from Investing Activities:	
Net deposits to tax and insurance escrows	(5,857)
Deposits to repairs and replacements reserve	(34,341)
Withdrawals from repairs and replacements reserve	30,000
Purchases of fixed assets	<u>(31,179)</u>
Net cash used by investing activities	<u>(41,377)</u>
Cash Flows from Financing Activities:	
Principal payments on mortgage	<u>(57,561)</u>
Net cash used from financing activities	<u>(57,561)</u>
Net decrease in cash and cash equivalents	88,738
Cash and cash equivalents, beginning of year	<u>29,471</u>
Cash and cash equivalents, end of year	<u><u>\$ 118,209</u></u>

See accompanying notes to financial statements.

**254 BERGEN AVENUE  
NJHMFA PROJECT NO.: 1099  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2017**

**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 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 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, 2017**

**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 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, 2017**

**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, 2017**

**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, 2017, 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, 2017, the carrying amount of the Project's cash (including restricted cash) was \$618,102, and the bank balances were \$631,695. Cash and cash equivalents consisted of the following:

<u>Cash Category</u>	<u>Amount</u>
Operations	\$ 118,209
Tenant security deposits	20,728
Restricted	<u>479,165</u>
	<u>\$ 618,102</u>

Of the bank balances, \$402,530 was covered by federal depository insurance and the remaining \$229,165 was collateralized with the pledging financial institutions as of March 31, 2017.

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, 2017, 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, 2017**

**NOTE 3. ACCOUNTS RECEIVABLE, NET**

Accounts receivable - tenants represents amounts due for tenant rents and at March 31, 2017, it is shown net of an allowance for doubtful accounts of \$2,981.

**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, 2017:

<u>Cash Category</u>	<u>Amount</u>
Tenant security deposits	\$ 20,728
Reserve for replacement	374,502
Real estate tax escrow	46,043
Insurance escrow	50,541
Bond issue escrow	<u>8,079</u>
	<u>\$ 499,893</u>

Tenant security deposits - represents tenant funds held in escrow to be paid upon move-out of unit.

Reserve for Replacement - covers the future cost of major repairs and improvements. As of March 31, 2017, 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, 2017, PILOT expense amounted to \$18,737.

**254 BERGEN AVENUE  
 NJHMFA PROJECT NO.: 1099  
 NOTES TO FINANCIAL STATEMENTS (continued)  
 FOR THE YEAR ENDED MARCH 31, 2017**

**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, 2017:

	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	31,179	-	2,622,586
Leasehold improvements	<u>62,475</u>	<u>-</u>	<u>-</u>	<u>62,475</u>
Total	<u>2,653,882</u>	<u>31,179</u>	<u>-</u>	<u>2,685,061</u>
Total capital assets	<u>3,195,451</u>	<u>31,179</u>	<u>-</u>	<u>3,226,630</u>
Accumulated depreciation	<u>(1,572,895)</u>	<u>(115,103)</u>	<u>-</u>	<u>(1,687,998)</u>
Net capital assets	<u>\$ 1,622,556</u>	<u>\$ (83,924)</u>	<u>\$ -</u>	<u>\$ 1,538,632</u>

Depreciation expense for the fiscal year ended March 31, 2017, amounted to \$115,103.

**NOTE 7. MORTGAGES PAYABLE**

Mortgages payable consisted of the following at March 31, 2017:

Mortgage Loan payable to 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. \$ 405,410

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	1,762,585
Less: current portion	<u>62,022</u>

Loans payable, excluding current portion	<u>\$ 1,700,563</u>
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**254 BERGEN AVENUE  
 NJHMFA PROJECT NO.: 1099  
 NOTES TO FINANCIAL STATEMENTS (continued)  
 FOR THE YEAR ENDED MARCH 31, 2017**

**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
2018	62,022	31,419	93,441
2019	66,828	26,613	93,441
2020	72,008	21,433	93,441
2021	77,589	15,853	93,442
2022	83,604	9,837	93,441
2023	1,400,534	3,360	1,403,894
	\$ 1,762,585	\$ 108,515	\$ 1,871,100

**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, 2017, the Project owed JCHA \$338,709 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, 2017**

**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 September 30, 2017 (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.



**NOVOGRADAC  
& COMPANY LLP®**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' 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***

To the Board of Commissioners  
Jersey City Housing Authority:

We have audited, in accordance with the 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, the financial statements of the 254 Bergen Avenue, NJHMFA Project No. 1099 (the "Project") as of and for the year ended March 31, 2017, and the related notes to the financial statements, which collectively comprise the Project's basic financial statements, and have issued our report thereon dated September 30, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Project's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control. Accordingly, we do not express an opinion on the effectiveness of the Project's internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Project's financial statements are free from 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **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 Project'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.

*Novogardac & Company LLP*

September 30, 2017  
Toms River, New Jersey

**254 BERGEN AVENUE  
NJHMFA PROJECT NO.: 1099  
SCHEDULE OF FINDINGS AND RESPONSES  
MARCH 31, 2017**

Financial Statement Findings

There were no findings relating to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

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 has been cleared as the difference in coverage coupled with the outstanding balance on the mortgage is not material to the financial statements.

**SUPPLEMENTAL INFORMATION**

**254 BERGEN AVENUE  
 NJHMFA PROJECT NO.: 1099  
 SUPPLEMENTAL INFORMATION  
 FOR THE YEAR ENDED MARCH 31, 2017**

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

None

**SCHEDULE B - ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

<u>Account</u>	<u>Amount</u>
Utilities	\$ 2,911
Salaries	1,030
Other vendors	<u>8,290</u>
	<u>\$ 12,231</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, 2016	370,161	8,079	45,084	45,644	468,968
Additions	33,600	-	19,500	4,800	57,900
Withdrawals	(30,000)	-	(18,631)	-	(48,631)
Adjustments	-	-	-	-	-
Interest earned	<u>741</u>	<u>-</u>	<u>90</u>	<u>97</u>	<u>928</u>
Balance, March 31, 2017	<u>\$ 374,502</u>	<u>\$ 8,079</u>	<u>\$ 46,043</u>	<u>\$ 50,541</u>	<u>\$ 479,165</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>4,947</u>

**SCHEDULE G - ADMINISTRATIVE EXPENSES**

<u>Account</u>	<u>Amount</u>
Sundry	\$ 45,782
Telephone	3,547
Insurance	8,533
Auditing	11,836
Legal expense	<u>5,844</u>
	\$ <u>75,542</u>

**SCHEDULE H - SALARIES AND RELATED CHARGES**

<u>Account</u>	<u>Amount</u>
Office salaries	\$ 35,927
Maintenance salaries	35,689
Other salaries	559
Payroll taxes	2,824
Employee benefits	<u>34,997</u>
	\$ <u>109,996</u>

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**SCHEDULE I - MAINTENANCE AND REPAIRS**

<u>Account</u>	<u>Amount</u>
Plumbing	\$ 12,989
Electrical	232
Janitorial	30,128
Maintenance contractors	55,406
Painting	3,945
Repairs	4,993
Miscellaneous operating and maintenance	<u>83</u>
	\$ <u><u>107,776</u></u>

**SCHEDULE J - UTILITIES**

<u>Account</u>	<u>Amount</u>
Water and sewer	\$ 43,172
Electricity	8,277
Gas	2,793
Other utilities	<u>6,652</u>
	\$ <u><u>60,894</u></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>Calendar Year</u>	
	<u>2017</u>	<u>2016</u>
Gross shelter rent:		
Dwelling rental revenue	\$ 329,501	\$ 340,629
Less: utilities expenses	<u>(60,894)</u>	<u>(73,279)</u>
Total gross shelter rent	268,607	267,350
PILOT rate percentage	<u>7.00 %</u>	<u>7.00 %</u>
PILOT for the calendar year	<u>\$ 18,802</u>	<u>\$ 18,715</u>

**Fiscal Year PILOT Reconciliation:**

PILOT Calendar Year 2016 for three quarters	\$ 14,036
PILOT Calendar Year 2017 for one quarter	<u>4,701</u>
Total PILOT expense for the fiscal year ended March 31, 2017	18,737
Amount (prepaid) / payable at April 1, 2016	(3,104)
Payments made during the fiscal year ended March 31, 2017	<u>(18,631)</u>
Amount (prepaid) / payable at March 31, 2017	<u>\$ (2,998)</u>