

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED MARCH 31, 2018

**WITH
REPORT OF INDEPENDENT AUDITORS**

**254 BERGEN AVENUE
NJHMFA PROJECT NO. 1099
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FOR THE YEAR ENDED MARCH 31, 2018**

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REPORT OF INDEPENDENT AUDITORS

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 (deficit) of as of March 31, 2018, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 to the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Project'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 Project'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.



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Project as of March 31, 2018 and the results of its operations, changes in project equity (deficit) and cash flows for the year then ended in accordance with accounting principles prescribed by NJHMFA.

Basis of Accounting

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

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, which includes NJHMFA required financial data templates, is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2018, on our consideration of the Project'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* in considering the Project's internal control over financial reporting and compliance.

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.

June 29, 2018
Toms River, New Jersey

FINANCIAL STATEMENTS

**254 BERGEN AVENUE
 NJHMFA PROJECT NO. 1099
 STATEMENT OF ASSETS, LIABILITIES AND PROJECT EQUITY (DEFICIT)
 AS OF MARCH 31, 2018**

ASSETS

Current assets:	
Cash and cash equivalents	\$ 79,840
Tenant security deposits	20,728
Accounts receivable, net	2,380
Prepaid expenses	2,458
Inventory	<u>36,231</u>
Total current assets	<u>141,637</u>
Non-current assets:	
Restricted deposits	519,457
Capital assets, net	<u>1,471,223</u>
Total non-current assets	<u>1,990,680</u>
Total assets	<u>\$ 2,132,317</u>

LIABILITIES

Current liabilities:	
Accounts payable	\$ 6,018
Accrued expenses	1,030
Mortgage payable, current portion	66,829
Due to JCHA	459,634
Tenant security deposits	<u>20,728</u>
Total current liabilities	<u>554,239</u>
Non-current liabilities:	
Mortgages payable, excluding current portion	<u>1,633,734</u>
Total non-current liabilities	<u>1,633,734</u>
Total liabilities	<u>2,187,973</u>

PROJECT EQUITY (DEFICIT)

Project equity (deficit):	
Restricted	408,886
Unrestricted	<u>(464,542)</u>
Total project equity (deficit)	<u>(55,656)</u>
Total liabilities and project equity (deficit)	<u>\$ 2,132,317</u>

See accompanying notes to financial statements.

**254 BERGEN AVENUE
 NJHMFA PROJECT NO. 1099
 STATEMENT OF OPERATIONS
 FOR THE YEAR ENDED MARCH 31, 2018**

Operating revenues:	
Rental income	\$ 340,629
Other income	<u>1,233</u>
Total operating revenues	<u>341,862</u>
Operating expenses:	
Administrative	60,269
Salaries and related charges	156,330
Maintenance and repairs	52,135
Utilities	53,306
Payment in lieu of taxes	19,130
Collection losses	<u>2,436</u>
Total operating expenses	<u>343,606</u>
Loss from operations before interest, reserves and depreciation	<u>(1,744)</u>
Non-operating revenues (expenses):	
Interest expense	(33,931)
Interest income	669
Provision for replacement reserve	<u>(34,384)</u>
Net non-operating revenues (expenses)	<u>(67,646)</u>
Loss before depreciation expense	(69,390)
Depreciation expense (equal to long-term debt principal amortization)	<u>(62,022)</u>
Loss before excess depreciation	(131,412)
Excess depreciation	<u>(8,975)</u>
Net loss	<u><u>\$ (140,387)</u></u>

See accompanying notes to financial statements.

**254 BERGEN AVENUE
NJHMFA PROJECT NO. 1099
STATEMENT OF CHANGES IN PROJECT EQUITY (DEFICIT)
FOR THE YEAR ENDED MARCH 31, 2018**

Unrestricted

Balance, March 31, 2017	\$ (324,155)
Net loss	<u>(140,387)</u>
Balance, March 31, 2018	<u><u>\$ (464,542)</u></u>

Restricted

Balance, March 31, 2017	\$ 374,502
Interest earned	784
Additions during the period	33,600
Withdrawals during the period	<u>-</u>
Balance, March 31, 2018	<u><u>\$ 408,886</u></u>

See accompanying notes to financial statements.

**254 BERGEN AVENUE
 NJHMFA PROJECT NO. 1099
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED MARCH 31, 2018**

Cash Flows from Operating Activities:	
Net loss	\$ (140,387)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation	70,997
Provision for repairs and replacements reserve	34,384
(Increase) decrease in assets:	
Accounts receivable, tenants	1,239
Inventories	(14,982)
Prepaid expenses	540
Increase (decrease) in liabilities:	
Accounts payable	(5,183)
Net cash used in operating activities	<u>(53,392)</u>
Cash Flows from Investing Activities:	
Net loans from JCHA	120,925
Net deposits to tax and insurance escrows	(5,908)
Deposits to repairs and replacements reserve	(34,384)
Purchases of fixed assets	<u>(3,588)</u>
Net cash provided by investing activities	<u>77,045</u>
Cash Flows from Financing Activities:	
Principal payments on mortgage	<u>(62,022)</u>
Net cash used in financing activities	<u>(62,022)</u>
Net decrease in cash and cash equivalents	(38,369)
Cash and cash equivalents, beginning of year	<u>118,209</u>
Cash and cash equivalents, end of year	<u>\$ 79,840</u>

See accompanying notes to financial statements.

**254 BERGEN AVENUE
NJHMFA PROJECT NO. 1099
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Jersey City Housing Authority (the "Authority" or "JCHA") 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 State of New Jersey, Division of Local Government Services. An executive director is appointed by the 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 Authority to provide low-rent housing for qualified individuals. The Project is owned by the Authority and is governed by the Board of Commissioners of the Authority.

Construction of the facility was financed by the New Jersey Housing Mortgage Finance Agency ("NJHMFA") and is located in Jersey City, New Jersey. The Project operates a Project Based Section 8 program administered through the State of New Jersey, Department of Community Affairs.

The accompanying financial statements present the financial activity of the Project and not the Authority as a whole.

B. Basis of Accounting/Preparation of the Financial Statements

The accompanying financial statements have been prepared in accordance with NJHMFA Policies and Procedures Manual, revised July 1, 1996. The accounting practices prescribed by NJHMFA 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, 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 NJHMFA as opposed to when the actual expenditure is made by the Project.

**254 BERGEN AVENUE
NJHMFA PROJECT NO. 1099
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED MARCH 31, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Accounting/Preparation of the Financial Statements (continued)

- Interest earned by the reserve fund is recorded directly in the fund balance.

C. 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.

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 at the date of acquisition.

Restricted cash is not considered cash and cash equivalents, and includes cash held with financial institutions for refunds of tenant security deposits, funding of bond reserves, repairs or improvements to the buildings which extend their useful lives, and annual insurance and property tax payments

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. An allowance for doubtful accounts is established to provide for all accounts, which may not be collected in the future for any reason. Collection losses on accounts receivable are charged against the allowance for doubtful accounts.

F. Allowance for Doubtful Accounts

The Project periodically reviews all accounts receivable to determine the amount, if any, that may be uncollectable. If it is determined that an account or accounts may be uncollectable, the Project prepares an analysis of such accounts and records an appropriate allowance against such amounts.

G. Prepaid Expenses

Prepaid expenses represent amounts paid as of year-end that will benefit future operations.

**254 BERGEN AVENUE
NJHMFA PROJECT NO. 1099
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED MARCH 31, 2018**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Inventory

Inventories are valued at cost using the First In First Out (FIFO) method. If inventory falls below cost due to damage, deterioration, or obsolescence, the Project establishes an allowance for obsolete inventory. The Project uses the consumption method for expense recognition and relies upon its periodic (annual) inventory for financial reporting purposes.

I. 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.

J. Impairment of Long Lived Assets

The Project evaluates events or changes in circumstances affecting long-lived assets to determine whether an impairment of its assets has occurred. If the Project determines that a capital asset is impaired, and that the impairment is significant and other-than-temporary, then an impairment loss will be recorded in the Project's financial statements. There were no impairment losses for the year ended March 31, 2018.

K. Operating Revenues 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 and expenses as non-operating.

L. Taxes

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

**254 BERGEN AVENUE
 NJHMFA PROJECT NO. 1099
 NOTES TO FINANCIAL STATEMENTS (continued)
 FOR THE YEAR ENDED MARCH 31, 2018**

NOTE 2. CASH AND CASH EQUIVALENTS

At March 31, 2018, 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 for local governments by New Jersey law.

As of March 31, 2018, the carrying amount of the Project's cash and cash equivalents (including restricted deposits) was \$620,025, and the bank balances approximated \$619,838. Of the bank balances, \$350,381 was covered by federal depository insurance and the remaining \$269,457 was collateralized with the pledging financial institutions as of March 31, 2018.

Custodial credit risk is the risk that, in the event of a bank failure, the Project's deposits may not be returned to it. The Project does not have a formal policy for custodial credit risk. As of March 31, 2018, the Project's bank balances were not exposed to custodial credit risk.

NOTE 3. ACCOUNTS RECEIVABLE, NET

Tenant accounts receivable represents amounts owed to the Authority by tenants for outstanding rent. The balance is shown net of an allowance for doubtful accounts of \$4,103.

NOTE 4. RESTRICTED DEPOSITS

The NJHMFA requires that the Project fund various reserve accounts which are held in escrow in the New Jersey State Cash Management Fund. As of March 31, 2018, restricted deposits consisted of the following:

<u>Cash Category</u>	<u>Amount</u>
Tenant security deposits	\$ 20,728
Reserve for replacement	408,886
Real estate tax escrow	47,045
Insurance escrow	55,447
Bond issue escrow	<u>8,079</u>
	<u>\$ 540,185</u>

Tenant security deposits represent amounts held by the Project on behalf of tenants. Upon move-out, the tenant is due amounts deposited plus interest earned less any amounts charged for damage to the unit.

Reserve for replacement represents the future cost of major repairs and improvements. As of March 31, 2018, the Project was required to contribute \$2,800 per month.

**254 BERGEN AVENUE
 NJHMFA PROJECT NO. 1099
 NOTES TO FINANCIAL STATEMENTS (continued)
 FOR THE YEAR ENDED MARCH 31, 2018**

NOTE 4. RESTRICTED DEPOSITS (continued)

Real estate tax escrow is restricted for the cost of the property's payment in lieu of taxes payment with the City.

Insurance escrow reserve is restricted for the cost of the Project's annual premium for liability insurance.

Bond issue escrow is a minimum escrow restricted for the costs of the original bond issuance.

NOTE 5. PAYMENT IN LIEU OF TAXES

The Project is required to pay to the City a payment in lieu of taxes ("PILOT") as an annual charge for services. For the year ended March 31, 2018, PILOT expense amounted to \$19,130.

NOTE 6. CAPITAL ASSETS, NET

The following is a summary of the changes in capital assets for the year ended March 31, 2018:

	<u>March 31, 2017</u>	<u>Additions</u>	<u>Dispositions</u>	<u>March 31, 2018</u>
<u>Non-depreciable capital assets:</u>				
Land	\$ 541,569	\$ -	\$ -	\$ 541,569
Construction in progress	<u>9,000</u>	<u>-</u>	<u>-</u>	<u>9,000</u>
Total	<u>550,569</u>	<u>-</u>	<u>-</u>	<u>550,569</u>
<u>Depreciable capital assets:</u>				
Buildings and improvements	2,672,239	-	-	2,672,239
Furniture and equipment	<u>3,822</u>	<u>3,588</u>	<u>-</u>	<u>7,410</u>
Total	<u>2,676,061</u>	<u>3,588</u>	<u>-</u>	<u>2,679,649</u>
Total capital assets	<u>3,226,630</u>	<u>3,588</u>	<u>-</u>	<u>3,230,218</u>
Accumulated depreciation	<u>(1,687,998)</u>	<u>(70,997)</u>	<u>-</u>	<u>(1,758,995)</u>
Net capital assets	<u>\$ 1,538,632</u>	<u>\$ (67,409)</u>	<u>\$ -</u>	<u>\$ 1,471,223</u>

Depreciation expense for the year ended March 31, 2018, amounted to \$70,997.

NOTE 7. RELATED PARTY TRANSACTIONS

The Project is owned and operated by JCHA. 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, 2018, the Project owed JCHA \$459,634 for unreimbursed costs. The advance is interest free, unsecured and due upon demand.

**254 BERGEN AVENUE
 NJHMFA PROJECT NO. 1099
 NOTES TO FINANCIAL STATEMENTS (continued)
 FOR THE YEAR ENDED MARCH 31, 2018**

NOTE 8. MORTGAGES PAYABLE

Mortgages payable consisted of the following at March 31, 2018:

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 Project.	\$ 343,388
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.	<u>283,860</u>
Total loans payable	1,700,563
Less: current portion	<u>66,829</u>
Loans payable, excluding current portion	<u>\$ 1,633,734</u>

Annual debt service for principal and interest over the next five years is as follows:

Year	Principal	Interest	Total
2019	\$ 66,829	\$ 26,613	\$ 93,442
2020	72,008	21,433	93,441
2021	77,859	15,853	93,712
2022	83,604	9,837	93,441
2023	<u>1,400,263</u>	<u>3,360</u>	<u>1,403,623</u>
	<u>\$ 1,700,563</u>	<u>\$ 77,096</u>	<u>\$ 1,777,659</u>

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.

**254 BERGEN AVENUE
NJHMFA PROJECT NO. 1099
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED MARCH 31, 2018**

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.

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 June 29, 2018 (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.



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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 254 Bergen Avenue, NJHMFA Project No. 1099 (the "Project") as of and for the year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the Project's basic financial statements, and have issued our report thereon dated June 29, 2018.

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.



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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.

June 29, 2018
Toms River, New Jersey

**254 BERGEN AVENUE
NJHMFA PROJECT NO. 1099
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED MARCH 31, 2018**

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

There were no findings or questioned costs in the prior year.

SUPPLEMENTARY INFORMATION

**254 BERGEN AVENUE
 NJHMFA PROJECT NO. 1099
 SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED MARCH 31, 2018**

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

Jersey City Housing Authority - affiliate \$ (459,634)

SCHEDULE B - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

<u>Account</u>	<u>Amount</u>
Utilities	\$ 1,422
Salaries	1,030
Other vendors	<u>4,596</u>
	<u>\$ 7,048</u>

SCHEDULE C - LOANS, NOTES OR MORTGAGES PAYABLE

See note 8 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>	<u>Total</u>
Balance, March 31, 2017	\$ 374,502	\$ 8,079	\$ 46,043	\$ 50,541	\$ 479,165
Additions	33,600	-	19,500	4,800	57,900
Withdrawals	-	-	(18,590)	-	(18,590)
Adjustments	-	-	-	-	-
Interest earned	<u>784</u>	<u>-</u>	<u>92</u>	<u>106</u>	<u>982</u>
Balance, March 31, 2018	<u>\$ 408,886</u>	<u>\$ 8,079</u>	<u>\$ 47,045</u>	<u>\$ 55,447</u>	<u>\$ 519,457</u>

**254 BERGEN AVENUE
NJHMFA PROJECT NO. 1099
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED MARCH 31, 2018**

SCHEDULE E - CHANGES IN FIXED ASSET ACCOUNTS

See note 6 in the notes to the financial statements.

SCHEDULE F - OTHER INCOME

<u>Account</u>	<u>Amount</u>
Other tenant charges	\$ <u>1,233</u>

SCHEDULE G - ADMINISTRATIVE EXPENSES

<u>Account</u>	<u>Amount</u>
Sundry	\$ 35,968
Telephone	1,611
Insurance	9,046
Auditing	7,999
Legal expense	<u>5,645</u>
	\$ <u>60,269</u>

SCHEDULE H - SALARIES AND RELATED CHARGES

<u>Account</u>	<u>Amount</u>
Office salaries	\$ 19,785
Maintenance salaries	58,368
Employee benefits	<u>78,177</u>
	\$ <u>156,330</u>

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SCHEDULE I - MAINTENANCE AND REPAIRS

<u>Account</u>	<u>Amount</u>
Plumbing	\$ 1,317
Electrical	800
Janitorial	7,794
Maintenance contractors	41,578
Miscellaneous repairs and maintenance	<u>646</u>
	<u>\$ 52,135</u>

SCHEDULE J - UTILITIES

<u>Account</u>	<u>Amount</u>
Water and sewer	\$ 34,231
Electricity	10,360
Gas	4,546
Other utilities	<u>4,169</u>
	<u>\$ 53,306</u>

SCHEDULE K - RELATED PARTY TRANSACTIONS

See note 7 in the notes to the financial statements.

**254 BERGEN AVENUE
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SCHEDULE L - COMPUTATION OF PAYMENT IN LIEU OF TAXES

	<u>Calendar Year</u>	
	<u>2018</u>	<u>2017</u>
Gross shelter rent:		
Dwelling rental revenue	\$ 340,629	\$ 329,501
Less: utilities expenses	<u>(53,306)</u>	<u>(60,894)</u>
Total gross shelter rent	287,323	268,607
PILOT rate percentage	<u>7.00 %</u>	<u>7.00 %</u>
PILOT for the calendar year	<u>\$ 20,113</u>	<u>\$ 18,802</u>

Fiscal Year PILOT Reconciliation:

PILOT Calendar Year 2017 for nine months	\$ 14,102
PILOT Calendar Year 2018 for three months	<u>5,028</u>
Total PILOT expense for the fiscal year ended March 31, 2018	19,130
Amount (prepaid) / payable at April 1, 2017	(2,998)
Payments made during the fiscal year ended March 31, 2018	<u>(18,590)</u>
Amount (prepaid) / payable at March 31, 2018	<u>\$ (2,458)</u>