

**PILGRIM BAPTIST VILLAGE I
HMFA NO. 615**

**FINANCIAL REPORT
WITH SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED
DECEMBER 31, 2014 AND 2013
WITH INDEPENDENT AUDITOR'S REPORT**

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INDEPENDENT AUDITOR'S REPORT

To The Board of Trustees
Pilgrim Baptist Village I
Newark, New Jersey

Report on the Financial Statements

I have audited the accompanying financial statements of Pilgrim Baptist Village I, HMFA No. 615, which comprise the statement of assets, liabilities, and net (deficit) – regulatory basis as of December 31, 2014 and the related statements of revenues, expenses and unrestricted operating net (deficit) – regulatory basis, and cash flows – regulatory basis 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 of the New Jersey Housing and Mortgage Finance Agency. 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I 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 of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization'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 organization's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements were prepared by Pilgrim Baptist Village I on the basis of the financial reporting provisions of the New Jersey Housing and Mortgage Finance Agency, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the New Jersey Housing and Mortgage Finance Agency. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In my opinion, because of the significance of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Pilgrim Baptist Village I as of December 31, 2014 or the results of its operations or its cash flows for the year then ended.

Opinion on Regulatory Basis of Accounting

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and net (deficit) of Pilgrim Baptist Village I as of December 31, 2014 and the results of its operations and its cash flows for the year then ended, on the basis of the financial reporting provisions of the New Jersey Housing and Mortgage Finance Agency as described in Note 1.

Prior Period Financial Statements

The financial statements of Pilgrim Baptist Village I as of December 31, 2013 were audited by other auditors, whose opinion dated September 22, 2014 on those financial statements was adverse based on U.S. Generally Accepted Accounting Principles, and unmodified based on Regulatory Basis of Accounting.

Other Matters

Other Information

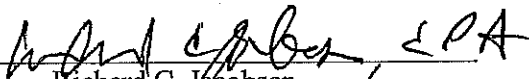
My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis as required by the New Jersey Housing and Mortgage Finance Agency, and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the financial statements. Such 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. The 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 my opinion, the 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, I have also issued my report dated April 27, 2015 on my consideration of Pilgrim Baptist Village I's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Pilgrim Baptist Village I's internal control over financial reporting and compliance.

Totowa, New Jersey
April 27, 2015


Richard C. Jacobsen
Certified Public Accountant

PILGRIM BAPTIST VILLAGE I
HMFA NO. 615
STATEMENTS OF ASSETS, LIABILITIES, AND NET (DEFICIT) - REGULATORY BASIS
DECEMBER 31,

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 18,034	\$ 35,692
Investments	440	533
Accounts Receivable	22,525	27,209
Other Receivables	13,480	12,943
Prepaid Expenses	144,861	61,221
Total Current Assets	<u>199,340</u>	<u>137,598</u>
RESTRICTED DEPOSITS AND FUNDED RESERVES	<u>875,482</u>	<u>822,707</u>
PROPERTY AND EQUIPMENT - NET	<u>4,166,577</u>	<u>4,423,264</u>
OTHER ASSETS:		
Due from Pilgrim Baptist Village II	190,300	235,953
Utility Deposit	8,975	8,975
Total Other Assets	<u>199,275</u>	<u>244,928</u>
TOTAL ASSETS	<u>\$5,440,674</u>	<u>\$ 5,628,497</u>
<u>LIABILITIES AND NET (DEFICIT)</u>		
CURRENT LIABILITIES:		
Accounts Payable	\$ 99,549	\$ 70,586
Accrued Liabilities	11,990	14,765
Current Installments of Mortgages Payable	248,484	232,054
Total Current Liabilities	<u>360,023</u>	<u>317,405</u>
DEPOSITS AND UNEARNED INCOME:		
Prepaid Rents		3,466
Tenant Security Deposits	60,308	57,655
Total Deposits and Unearned Income	<u>60,308</u>	<u>61,121</u>
LONG TERM LIABILITIES:		
Mortgages Payable	4,981,065	5,229,549
Accrued Interest - Second Mortgage Payable	930,508	888,986
Total Long Term Liabilities	<u>5,911,573</u>	<u>6,118,535</u>
TOTAL LIABILITIES	<u>6,331,904</u>	<u>6,497,061</u>
NET (DEFICIT):		
Operating	(1,485,754)	(1,444,081)
Repair and Replacement Reserve	594,524	575,517
TOTAL NET (DEFICIT)	<u>(891,230)</u>	<u>(868,564)</u>
TOTAL LIABILITIES AND NET (DEFICIT)	<u>\$5,440,674</u>	<u>\$ 5,628,497</u>

See Accompanying Notes to Financial Statements.

PILGRIM BAPTIST VILLAGE I
HMFA NO. 615
STATEMENTS OF REVENUES, EXPENSES, AND UNRESTRICTED OPERATING NET (DEFICIT) -
REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31,

	<u>2014</u>	<u>2013</u>
REVENUES:		
Apartment Rent	\$ 2,379,723	\$ 2,371,296
Vacancy and Other Adjustments	<u>(108,281)</u>	<u>(54,162)</u>
Net Rent	2,271,442	2,317,134
Other Income	<u>7,987</u>	<u>11,721</u>
Total Revenues	<u>2,279,429</u>	<u>2,328,855</u>
EXPENSES:		
Project Services:		
Administrative Expenses	93,662	89,600
Salaries and Related Charges	297,744	429,479
Maintenance and Repairs	317,771	259,881
Maintenance Contracts	196,019	219,885
Utilities	188,348	174,177
Managing Agent's Fee	115,497	124,722
Real Estate Taxes ("Pilot")	187,428	173,527
Property and Liability Insurance	<u>187,789</u>	<u>106,168</u>
Total Expenses	<u>1,584,258</u>	<u>1,577,439</u>
INCOME BEFORE DEPRECIATION, INTEREST AND RESERVES	<u>695,171</u>	<u>751,416</u>
INTEREST AND RESERVES:		
Interest on Mortgages	403,910 (1)	419,261
Fees and Charges	40,275 (2)	40,275
Repair and Replacement Reserve	<u>19,007</u>	<u>15,962</u>
Total Interest and Reserves	<u>463,192</u>	<u>475,498</u>
INCOME BEFORE DEPRECIATION	231,979	275,918
Depreciation Expense (Equal to Mortgage Principal Paid in the Period)	<u>232,054 (3)</u>	<u>216,703</u>
INCOME (LOSS) BEFORE ADDITIONAL DEPRECIATION	<u>(75)</u>	<u>59,215</u>
Additional Depreciation	<u>41,598</u>	<u>59,464</u>
CHANGE IN UNRESTRICTED OPERATING NET (DEFICIT)	<u>(41,673)</u>	<u>(249)</u>
UNRESTRICTED OPERATING NET (DEFICIT), BEGINNING OF YEAR	<u>(1,444,081)</u>	<u>(1,443,832)</u>
UNRESTRICTED OPERATING NET (DEFICIT), END OF YEAR	<u>\$ (1,485,754)</u>	<u>\$ (1,444,081)</u>

See Accompanying Notes to Financial Statements.

PILGRIM BAPTIST VILLAGE I
HMFA NO. 615
STATEMENTS OF CASH FLOWS - REGULATORY BASIS
FOR THE YEARS ENDED DECEMBER 31,

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Unrestricted Operating Net (Deficit)	\$ (41,673)	\$ (249)
Adjustments to Change in Unrestricted Operating Net (Deficit) to Net Cash Provided by Operating Activities:		
Depreciation	273,652	276,167
Provision for Doubtful Accounts	16,000	(120,000)
(Increase) Decrease in Accounts Receivables	(11,316)	134,486
(Increase) in Other Receivables	(537)	(4,966)
(Increase) in Prepaid Expenses	(83,640)	(13,726)
(Increase) Decrease in Restricted Deposits and Funded Reserves	(31,115)	15,561
Increase (Decrease) in Accounts Payable and Accrued Liabilities	26,188	(53,540)
(Decrease) in Other Liabilities	-	(1,376)
Increase (Decrease) in Prepaid Rents	(3,466)	3,145
Increase in Accrued Interest on Long Term Second Mortgage	41,522	41,523
Net Cash Provided by Operating Activities	185,615	277,025
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease in Investments	93	186
Capital Expenditures	(16,965)	(107,766)
Decrease in Amount Due from Pilgrim Baptist Village II	45,653	50,000
Net Cash Provided by (Used in) Investing Activities	28,781	(57,580)
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of Principal - First Mortgage	(232,054)	(216,703)
Net Cash (Used in) Financing Activities	(232,054)	(216,703)
 NET (DECREASE) INCREASE IN CASH	(17,658)	2,742
 CASH BALANCE, BEGINNING OF YEAR	35,692	32,950
 CASH BALANCE, END OF YEAR	\$ 18,034	\$ 35,692

SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION

CASH PAID DURING THE YEARS FOR:		
Interest	\$ 362,388	\$ 377,738

See Accompanying Notes to Financial Statements.

**PILGRIM BAPTIST VILLAGE I
HMFA NO. 615
NOTES TO FINANCIAL STATEMENTS**

December 31, 2014 and 2013

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Pilgrim Baptist Village I ("the Project") is a 153-unit apartment facility located in Newark, New Jersey, chartered for the purpose of providing housing for low and moderate income families. It is operated under Section 8 of the National Housing Act and regulated by the New Jersey Housing and Mortgage Finance Agency ("HMFA") and the U.S. Department of Housing and Urban Development ("HUD") with respect to rental charges and operating methods. The Project's major programs are its mortgages provided by HMFA, and its rent subsidies.

Legal title to the Project is held by Pilgrim Baptist Village, Inc. ("the Corporation"). The accompanying financial statements are those of the Project and do not represent the financial statements of the Corporation. The Corporation operates two projects, Pilgrim Baptist Village I and Pilgrim Baptist Village II.

The accompanying financial statements have been prepared based on the policies and procedures set forth in the accounting manual of HMFA. The following significant accounting policies have been followed in the preparation of the financial statements:

Depreciation

The cost of property and equipment with an estimated useful life in excess of one year is capitalized and depreciated over the estimated useful lives of the related assets. Depreciation is computed using the straight line method. Land improvements are depreciated over 15 years; buildings and building improvements are depreciated over 7 to 50 years; office furniture and equipment are depreciated over 5 to 7 years; and motor vehicles and maintenance equipment are depreciated over 5 years.

Pursuant to the HMFA Accounting Policies and Procedures Manual, depreciation equal to the amortization of the principal reduction of the first mortgage is reflected as a line item expense and the remaining portion of the depreciation, which together equals the total book depreciation, is also reflected as a line item expense.

Replacements and improvements are capitalized and repairs are charged against operations.

Repair and Replacement

Pursuant to the mortgage loan agreement with HMFA, the Project is required to fund, on a monthly basis, a repair and replacement account. Such funds are available to finance the cost of property improvements, equipment, and repair expenses. Under this method, the Project is required to reflect in its statement of revenues and expenses the provision for the reserve for repair and replacement in the period in which the addition to the reserve is made. Expenditures from the reserve are accounted for as reserve refunds at the time that the disbursement from the reserve account is made. This method is not in accordance with accounting principles generally accepted in the United States of America.

**PILGRIM BAPTIST VILLAGE I
HMFA NO. 615
NOTES TO FINANCIAL STATEMENTS**

December 31, 2014 and 2013

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Estimates

The preparation of financial statements in conformity with accounting policies and principles established by HMFA requires management to make estimates and assumptions that could affect the reported amount of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash Equivalents

For the statement of cash flows, all unrestricted investment instruments with original maturities of three months or less are cash equivalents.

Accounts Receivable

The Project records accounts receivable at face value, and periodically conducts a review for potential uncollectible amounts. Based on this review, a reserve for doubtful accounts is adjusted to reflect management's estimate of uncollectible amounts. As of December 31, 2014 and 2013, management believes accounts receivable, net of this reserve, to be collectible.

Income Taxes

Neither the Project nor its nonprofit corporate owner is subject to income taxes. The Corporation is exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code.

Subsequent Events

Management has evaluated events subsequent to the date of the financial statements through April 27, 2015, the date the financial statements were available to be issued. No events have occurred subsequent to the date of the financial statements through April 27, 2015 that would require adjustment to or disclosure in the financial statements.

NOTE 2 - RESTRICTED DEPOSITS AND FUNDED RESERVES

The Project is required to set aside specified amounts, on a monthly basis, for taxes and insurance into escrow accounts and for the replacement of property, equipment and major repairs into a reserve for repairs and replacements account. These accounts are held by HMFA. Withdrawals from the accounts must be approved by HMFA.

**PILGRIM BAPTIST VILLAGE I
HMFA NO. 615
NOTES TO FINANCIAL STATEMENTS**

December 31, 2014 and 2013

NOTE 3 - MORTGAGES PAYABLE

Mortgages payable consisted of the following at December 31:

	2014	2013
Outstanding First Mortgage Balance	\$ 4,883,532	\$ 5,115,586
Outstanding Second Mortgage Balance	346,017	346,017
Total Due	5,229,549	5,461,603
Less Mortgage Principal Due Within One Year	(248,484)	(232,054)
Long Term Liability	\$ 4,981,065	\$ 5,229,549

The first mortgage bears interest at the annual rate of 7.084%, and is payable in monthly installments through September 2027. The second mortgage bears interest at the annual rate of 12.00%, and is payable in monthly installments commencing October 2027 through September 2032. As of December 31, 2014 and 2013, the balance of accrued interest on the second mortgage was \$930,508 and \$888,986, respectively.

Land and buildings secure these mortgages.

Maturities of mortgages payable for the next five years as of December 31, 2014 are as follows:

2015	\$ 248,484
2016	266,062
2017	284,947
2018	305,132
2019	326,748

NOTE 4 - DUE FROM PILGRIM BAPTIST VILLAGE II

This amount represents reimbursements due from a related entity. There were no other related party transactions.

NOTE 5 - PAYMENT IN LIEU OF TAXES DUE TO MUNICIPALITY ("PILOT")

The Project is required to pay to the City of Newark an annual service charge for services supplied. The service charge is computed on the basis of 7.40% of net effective rental income, and 20.00% of other income. Such amounts charged to operations for the years ended December 31, 2014 and 2013 were \$187,428 and \$173,527, respectively.

**PILGRIM BAPTIST VILLAGE I
HMFA NO. 615
NOTES TO FINANCIAL STATEMENTS**

December 31, 2014 and 2013

NOTE 6 – UNRESTRICTED NET ASSETS

None of the Project's net assets are subject to donor-imposed restrictions. Accordingly, all net assets are accounted for as unrestricted net assets. In addition, all expenditures were incurred in connection with Project operations. No expenditures were made for corporate (mortgage entity) purposes.

NOTE 7 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Project's primary asset is a 153-unit apartment project. 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, HMFA. Such administrative directives, rules and regulations are subject to change by an act of congress or an administrative change mandated by HMFA. 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. Furthermore, the Project may not increase rents to tenants without HMFA approval.

In addition, the Project is dependent upon the continuation of housing assistance payments which were \$1,905,065 and \$1,942,200 in 2014 and 2013 respectively.

NOTE 8 – BOARD OF TRUSTEES

The Board of Trustees is comprised of five members. Four of the members are employees of HMFA. HMFA holds the mortgages of the Project and provides its rent subsidies.

**PILGRIM BAPTIST VILLAGE I
HMFA NO. 615
SCHEDULES**

DECEMBER 31,

	2014	2013
<u>SCHEDULE 1 - CASH</u>		
Petty Cash	\$ 500	\$ 500
Operating Checking Account	15,153	32,595
Escrow Manager Account	2,001	2,226
Landlord Security Fee Account	380	371
Totals	\$ 18,034	\$ 35,692
 <u>SCHEDULE 2 - ACCOUNTS RECEIVABLE</u>		
Current Tenants	\$ 47,077	\$ 49,699
Former Tenants	110,448	96,510
Reserve for Doubtful Accounts	(135,000)	(119,000)
Totals	\$ 22,525	\$ 27,209
 <u>SCHEDULE 3 - OTHER RECEIVABLES</u>		
Public Service Electric and Gas - Interest	\$ 78	\$ 78
Security Deposit Account	9,152	8,615
Due from Clinton Hill	4,250	4,250
Totals	\$ 13,480	\$ 12,943
 <u>SCHEDULE 4 - PREPAID EXPENSES</u>		
Property and Liability Insurance	\$ 134,943	\$ 50,975
Workers' Compensation Insurance	-	2,834
Real Estate Taxes	9,918	7,412
Totals	\$ 144,861	\$ 61,221

**PILGRIM BAPTIST VILLAGE I
HMFA NO. 615
SCHEDULES**

DECEMBER 31, 2014

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
SCHEDULE 5 - RESTRICTED DEPOSITS AND FUNDED RESERVES				
Real Estate Taxes Escrow	\$ 65,133	\$ 172,736	\$ 189,934	\$ 47,935
Insurance Escrow	71,509	315,174	266,861	119,822
Repair and Replacement Reserve	575,517	181,187	162,180	594,524
Minimum Escrow	52,893	-	-	52,893
Tenant Security Deposits	57,655	2,653	-	60,308
Totals	<u>\$ 822,707</u>	<u>\$ 671,750</u>	<u>\$ 618,975</u>	<u>\$ 875,482</u>

SCHEDULE 6 - PROPERTY AND EQUIPMENT - NET

COST:				
Land	\$ 172,459	\$ -	\$ -	\$ 172,459
Land Improvements	207,962	-	-	207,962
Buildings and Improvements	11,008,756	-	-	11,008,756
Office Furniture and Equipment	36,123	-	-	36,123
Motor Vehicles and Maintenance Equipment	98,020	16,965	-	114,985
Totals	<u>\$ 11,523,320</u>	<u>\$ 16,965</u>	<u>\$ -</u>	<u>\$ 11,540,285</u>

ACCUMULATED DEPRECIATION:

Land Improvements	\$ 142,323	\$ 10,099	\$ -	\$ 152,422
Buildings and Improvements	6,826,903	259,238	-	7,086,141
Office Furniture and Equipment	34,546	1,461	-	36,007
Motor Vehicles and Maintenance Equipment	96,284	2,854	-	99,138
Totals	<u>\$ 7,100,056</u>	<u>\$ 273,652</u>	<u>\$ -</u>	<u>\$ 7,373,708</u>

SUMMARY OF NET BOOK VALUE:

Land	\$ 172,459
Land Improvements	55,540
Buildings and Improvements	3,922,615
Office Furniture and Equipment	116
Motor Vehicles and Maintenance Equipment	15,847
Totals	<u>\$ 4,166,577</u>

**PILGRIM BAPTIST VILLAGE I
HMFA NO. 615
SCHEDULES**

DECEMBER 31,

<u>SCHEDULE 7 - ACCOUNTS PAYABLE</u>	<u>2014</u>	<u>2013</u>
Academy Group, Inc.	\$ 341	\$ -
Aquaflow	3,510	-
Corbett Exterminating	831	-
City of Newark, Division of Water	14,053	8,165
Crosstown Plumbing	1,242	-
Direct Energy	5,266	6,580
Document Solutions	35	-
Donohue, Gironda & Doria, CPA's	4,921	9,637
Dwight Carpentry	3,400	8,000
Ennis & Company	988	-
Farese and Sons	-	3,800
Home Depot Credit Services	1,679	-
Horizon Blue Cross Blue Shield	1,083	-
Independence Electric	10,667	-
Inishia Summers	73	-
Jem Appliances	6,385	8,990
Leslie Waterworks	154	-
Liberty Mutual	-	5,534
Mjake Security	4,979	4,979
Nature's Own	2,107	-
Public Service Electric and Gas	20,130	5,414
Real Page	124	-
Riccardi Brothers	1,175	-
Sprint	168	-
Staples	94	-
State Realty Agency, LLC	9,625	9,487
Trumpore Plumbing	5,302	-
Verizon Communications	1,067	-
Window City	150	-
Totals	\$ 99,549	\$ 70,586

SCHEDULE 8 - ACCRUED LIABILITIES

Audit Fee	11,990	14,765
Totals	\$ 11,990	\$ 14,765

PILGRIM BAPTIST VILLAGE I
HMFA NO. 615
SCHEDULES

DECEMBER 31,

	2014	2013
<u>SCHEDULE 9- OTHER INCOME</u>		
Laundry Income	\$ 1,845	\$ 1,647
Late Charges and Other	4,661	8,649
Interest Income	1,481	1,425
	\$ 7,987	\$ 11,721

<u>SCHEDULE 10- ADMINISTRATIVE EXPENSES</u>		
Stationery Supplies <i>B 1300</i>	\$ 5,165	\$ 1,727
Telephone	18,729	17,767
Dues and Subscriptions	-	578
Postage	1,926	758
Other Office Expense <i>B 1200</i>	8,632	8,627
Inspection and Other Fees	163	3,870
Other Professional Fees <i>B 900</i>	3,200	701
Legal <i>B 5500</i>	6,255	3,382
Auditing	11,990	14,765
Bookkeeping, Accounting	11,788	11,565
Electronic Services	2,048	3,402
Miscellaneous Administrative Expenses	23,766	22,458
Totals <i>B 18,500</i>	\$ 93,662	\$ 89,600

<u>SCHEDULE 11 - SALARIES AND RELATED CHARGES</u>		
Superintendent's Salary <i>B 44,700</i>	\$ 48,315	\$ 48,040
Grounds and Landscaping Salaries	14,793	13,485
Office and Administrative Salaries	57,792	85,425
Maintenance Salaries	81,042	130,149
Other Salaries	14,549	30,872
Driver Salaries	-	1,046
Employee Benefits	28,376	55,222
Employer Payroll Taxes	29,367	38,971
Workman's Compensation Insurance	23,510	26,269
Totals	\$ 297,744	\$ 429,479

ok under Budget total

**PILGRIM BAPTIST VILLAGE I
HMFA NO. 615
SCHEDULES**

DECEMBER 31,

	2014	2013
<u>SCHEDULE 12 - MAINTENANCE AND REPAIRS</u>		
Carpentry	\$ 46,627 -	\$ 79,157
Plumbing <i>B 61,500</i>	68,763	55,929
Electrical <i>B 21,500</i>	(41,827) *	33,969
Kitchen Equipment	-	20,320
Windows and Glasses <i>B 1,000</i>	4,713	728
Vehicle and Equipment <i>B 2700</i>	5,491	2,461
Grounds and Landscaping <i>B 10,900</i>	24,101	12,273
Painting and Decorating <i>B 57,900</i>	95,719 *	38,296
HVAC Supplies	554	155
Hardware Supplies <i>B 10,500</i>	15,466	8,703
Miscellaneous Maintenance Supplies <i>B 19,100</i>	14,510	2,495
Roof Repairs	-	4,080
Window Guards	-	365
Fire Extinguishers	-	950
Totals	\$ 317,771 ✓	\$ 259,881

SCHEDULE 13 - MAINTENANCE CONTRACTS

Monitoring and Protection Services	\$ 119,457	\$ 119,770
Cleaning	30,250 -	11,035
Rubbish Removal	20,192	28,110
Grounds, Parking and Landscaping	-	1,950
Exterminating	9,300 -	12,750
Boiler Repairs <i>B 0</i>	16,820	46,270
	\$ 196,019 ✓	\$ 219,885

SCHEDULE 14 - UTILITIES

Water <i>B 33,900</i>	\$ 44,570	\$ 41,714
Sewer Charges <i>B 44,900</i>	52,113	54,126
Electricity <i>B 25,900</i>	89,414	73,433
Ga: Totals	2,251	4,904
	\$ 188,348 ✓	\$ 174,177

ok under
Budget Total

**PILGRIM BAPTIST VILLAGE I
HMFA NO. 615
SCHEDULES**

DECEMBER 31,

	2014	2013
<u>SCHEDULE 15 - MANAGING AGENT'S FEE</u>		
Balance Due, beginning of year	\$ 9,487	\$ 9,236
Management Fee for the Year (151 units at \$63.74 and \$62.83 per month per unit in 2014 and 2013, respectively)	115,497	113,848
Evaluation Bonus	-	10,874
Less Payments, during the year	(115,359)	(124,471)
Balance Due, end of year	\$ 9,625	\$ 9,487

<u>SCHEDULE 16 - ANALYSIS OF PILOT</u>		
Net Rent	\$2,271,442	\$2,317,134
Service Charge Rate	7.40%	7.40%
Municipal Service Charge	168,087	171,468
Laundry Machines Revenue	1,845	1,647
Late Charges and Other	4,661	8,649
Totals	6,506	10,296
Service Charge Rate	20.00%	20.00%
Municipal Service Charge	1,301	2,059
Subtotal	169,388	173,527
Additional Assessments and Adjustments	18,040	-
RILOT Payable for the Year	187,428	173,527
Prepaid Balance, beginning of year	(7,412)	(8,627)
Less Payments during the year	(189,934)	(172,312)
Prepaid Balance, end of year	\$ (9,918)	\$ (7,412)

*City of Newark
Bills*

**PILGRIM BAPTIST VILLAGE I
HMFA NO. 615
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency Number</u>	<u>Expenditures</u>
FEDERAL AWARDS:			
U.S. Department of Housing and Urban Development:			
Passed through State of New Jersey			
Housing and Mortgage Finance Agency:			
Section 8 Housing Assistance Payments	14.195	NJ39H085098	\$ 1,905,065
			<u>\$ 1,905,065</u>
NONFEDERAL AWARDS:			
NJ Housing and Mortgage Finance Agency:			
First Mortgage	N/A	615	\$ 4,883,532
Second Mortgage	N/A	615	346,017
			<u>\$ 5,229,549</u>

Note A- BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Pilgrim Baptist Village I, HMFA No. 615, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of Pilgrim Baptist Village I, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Pilgrim Baptist Village I.

RICHARD C. JACOBSEN

CERTIFIED PUBLIC ACCOUNTANT

6 CONTINENTAL CIRCLE
TOTOWA, NEW JERSEY 07512

(973) 720-1215

Email: rcjacobsen25@aol.com

STANDARD HUD COMPLIANCE CERTIFICATION

To The Board of Trustees
Pilgrim Baptist Village I
Newark, New Jersey

I have audited the financial statements of Pilgrim Baptist Village I, HMFA No. 615, as of and for the year ended December 31, 2014, and have issued my report thereon dated April 27, 2015.

Auditor's Responsibility

I conducted my audit in accordance with generally accepted auditing standards in the United States (GAAS) and when applicable the standards to financial audits contained in generally accepted government auditing standards (GAGAS) issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Pilgrim Baptist Village I's compliance with those requirements. I believe that my audit provides a reasonable basis for my opinion.

Management's Responsibility

The management of Pilgrim Baptist Village I is responsible for compliance with those requirements.

Opinion

In my opinion, Pilgrim Baptist Village I complied, in all material respects, with the requirements described above for the year ended December 31, 2014.

Compliance and Other Matters

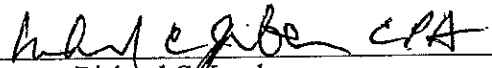
In addition, I have tested Pilgrim Baptist Village I's compliance with certain specific program requirements that are part of the most recent Consolidated Audit Guide, issued by the U.S. Department of Housing and Urban Development, Office of Inspector General, for the year ended December 31, 2014.

I also attest to you that I have reviewed the following on a test basis:

1. Reports required by HUD for timely filing and accuracy.
2. The validity of the H.A.P. contracts and amendments thereto.
3. The accuracy of the maximum chargeable rents.
4. The qualifications of the tenants as to admission and their required monthly contributions.
5. The certifications and recertifications of tenants.
6. The files located at the project and the managing agent's office for adequacy.

Based upon my review of the items 1 to 6 above, nothing came to my attention that would invalidate the future and uninterrupted receipt of the federal subsidies, under existing rules and regulations.

Totowa, New Jersey
April 27, 2015



Richard C. Jacobsen
Certified Public Accountant

RICHARD C. JACOBSEN

CERTIFIED PUBLIC ACCOUNTANT

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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

To The Board of Trustees
Pilgrim Baptist Village I
Newark, New Jersey

I 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 Pilgrim Baptist Village I ("the Project") which comprise the statement of assets, liabilities, and net (deficit) - regulatory basis as of December 31, 2014, and the related statements of revenues, expenses, and unrestricted operating net (deficit) - regulatory basis, and cash flows - regulatory basis for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated April 27, 2015.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I 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 my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control. Accordingly, I 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 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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2014-01 and 2014-02 that I consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Project's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.


Pilgrim Baptist Village I's Response to Findings

The Project's responses to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. The Project's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

Totowa, New Jersey
April 27, 2015


Richard C. Jacobsen
Certified Public Accountant

RICHARD C. JACOBSEN

CERTIFIED PUBLIC ACCOUNTANT

6 CONTINENTAL CIRCLE
TOTOWA, NEW JERSEY 07512

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

To The Board of Trustees
Pilgrim Baptist Village I
Newark, New Jersey

Report on Compliance for the Major Federal Program

I have audited Pilgrim Baptist Village I's, ("the Project") compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on the Project's major federal program for the year ended December 31, 2014. The Project's major federal program is identified in the summary of auditor results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for the Project's major federal program based on my audit of the compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Project's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for the major federal program. However, my audit does not provide a legal determination of the Project's compliance.

Opinion on the Major Federal Program

In my opinion, the Project complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2014.

Other Matters

I noted no other matters that I am required to report in accordance with OMB Circular A-133.

Report on Internal Control over Compliance


Management of the Project is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Project's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Project's internal control over compliance.

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

My consideration of internal control over compliance 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. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Totowa, New Jersey
April 27, 2015


Richard C. Jacobsen
Certified Public Accountant

RICHARD C. JACOBSEN

CERTIFIED PUBLIC ACCOUNTANT

6 CONTINENTAL CIRCLE
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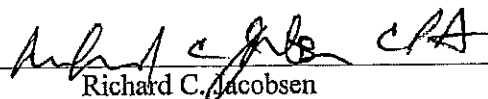
INDEPENDENT AUDITOR'S CERTIFICATIONS

To the Board of Trustees
Pilgrim Baptist Village I
Newark, New Jersey

With respect to Pilgrim Baptist Village I, I certify to the following for the year ended December 31, 2014:

1. All required federal, state and local tax returns were filed on a timely basis and the sums due for those returns were paid on a timely basis.
2. There were no related party transactions, other than disclosed in the financial statements.
3. There were no distributions of assets or income made to any trustees, owners or sponsors of the project.

Totowa, New Jersey
April 27, 2015

 CPA

Richard C. Jacobsen
Certified Public Accountant

**PILGRIM BAPTIST VILLAGE I
HMFA NO. 615
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2014**

Finding No. 2013-01:

Condition: There were no formal board meetings held by the Board of Trustees during 2013.

Recommendation: The auditor recommended that formal board meetings should be held, and minutes recorded to evidence Board of Trustees involvement in operations of the Project.

Current Status: Unresolved.

Finding No. 2013-02:

Condition: Cancellation of old receivables due from prior tenants was not submitted to HMFA for approval.

Recommendation: The Project must obtain approval from HMFA prior to cancelling receivables due from prior tenants.

Current Status: Resolved.

PILGRIM BAPTIST VILLAGE I
HMFA NO. 615
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2014

SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of Pilgrim Baptist Village I in conformity with the current New Jersey Housing and Mortgage Finance Agency accounting policies and procedures.
2. Two significant deficiencies in internal control, which were not material weaknesses, were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Pilgrim Baptist Village I were disclosed during the audit.
4. No material weaknesses were identified during the audit of the major federal award program.
5. The auditors' report on compliance for the major federal award program for Pilgrim Baptist Village I expresses an unmodified opinion.
6. No other audit findings were noted that the auditor is required to report.
7. The program tested as a major program was:

<u>Name</u>	<u>CFDA Number</u>
Section 8 Housing Assistance Payments	14.195
8. The threshold for distinguishing Types A and B Programs was \$300,000.
9. Pilgrim Baptist Village I was determined to be a low-risk auditee

**PILGRIM BAPTIST VILLAGE I
HMFA NO. 615**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2014

FINDINGS - FINANCIAL STATEMENT AUDIT

Finding 2014-01:

Criteria: Formal and scheduled meetings held on a regular basis demonstrate oversight and involvement of the Board of Trustees in Project operations.

Condition: There were no formal board meetings held during 2014.

Context: There were no formal board meetings held during 2014.

Effect: There is no documented oversight of the Project.

Cause: The Board of Trustees do not conduct and document meetings.

Recommendation: The Board of Trustees should schedule and document meetings on a regular basis.

View of Responsible Official: The managing agent will bring this to the attention of the Board of Trustees, and agrees with the finding.

PILGRIM BAPTIST VILLAGE I
HMFA NO. 615

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2014

Finding 2014-02:

Criteria: A current listing of rent receivable due from tenants with reasonable expectation of collectability provides management with a tool to budget cash flow and fund Project operations.

Condition: Receivables from prior tenants, and some current tenants appear doubtful of collection.

Context: Receivables from prior tenants, and some current tenants appear doubtful of collection.

Effect: Effective use of receivable detail as a management tool is weakened.

Cause: Management has not reviewed the listing and documented a decision as to whether approval from HMFA should be requested to write off uncollectible accounts.

Recommendation: Management should aggressively review the listing and make a determination as to collectability. Accounts deemed uncollectible should be written off, pending approval from HMFA.

View of Responsible Official: The managing agent agrees with the finding.

FINDINGS - MAJOR FEDERAL AWARD PROGRAM AUDIT:

NONE

STATE REALTY AGENCY, LLC

1290 Springfield Avenue * P.O. Box 797 * Irvington, New Jersey 07111-1927
Tel: (973) 371-4500 * Fax: (973) 371-1505

Pilgrim Baptist Village I Corrective Action Plan

April 27, 2015

The Board of Trustees
New Jersey Housing and Mortgage Finance Agency ("HMFA")
P.O. Box 18550
637 South Clinton Avenue
Trenton, New Jersey 08650-2085

Pilgrim Baptist Village I respectfully submits the following correction action plan for the year ended December 31, 2014.

Finding No. 2014-01

There were no formal board meetings held by the Board of Trustees.

Response

It will be communicated to the Board that formal board meetings should be held periodically and minutes prepared to document involvement in the operating activity of the project.

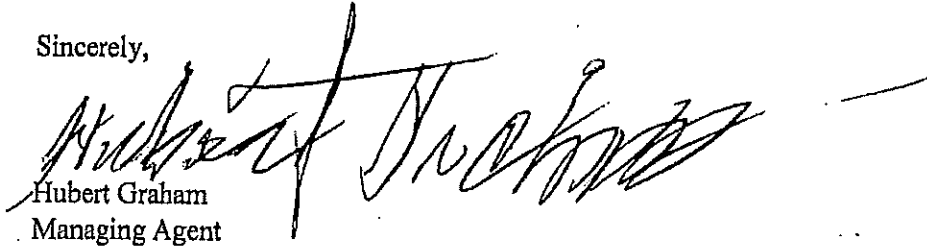
Finding No. 2014-02

Management should aggressively review the listing of rent receivable due from both current and former tenants to determine collectability. Amounts deemed uncollectible should be written off, pending approval from HMFA.

Response

Management agrees, and will make effort to resolve this finding during 2015.

Sincerely,

A handwritten signature in black ink, appearing to read "Hubert Graham", is written over the typed name. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Hubert Graham
Managing Agent