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PROPERTY MANAGEMENT

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

**FINANCIAL REPORT
WITH SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016
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

I have audited the accompanying financial statements of Pilgrim Baptist Village I (a nonprofit organization), HMFA No. 615, which comprise the statements of assets, liabilities, and net (deficit) – statutory basis as of December 31, 2017 and 2016, and the related statements of revenues, expenses and unrestricted operating net (deficit) – statutory basis, and cash flows – statutory basis for the years 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 or permitted by 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 audits. I conducted my audits 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 audits 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 prescribed or permitted by 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 meet 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, 2017 and 2016 or the changes in its net assets or its cash flows for the years 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, 2017 and 2016 and the changes in its net assets and its cash flows for the years then ended, in accordance with the financial reporting provisions prescribed or permitted by the New Jersey Housing and Mortgage Finance Agency as described in Note 1.

Other Matters

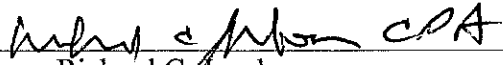
Other Information

My audits were 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 and nonfederal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 audits 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 in accordance with the financial reporting practices prescribed or permitted by the New Jersey Housing and Mortgage Finance Agency

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, and standards prescribed by the New Jersey Housing and Mortgage Finance Agency, I have also issued reports dated April 24, 2018 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 those reports 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. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards, and standards prescribed by the New Jersey Housing and Mortgage Finance Agency in considering Pilgrim Baptist Village I's internal control over financial reporting and compliance.

Totowa, New Jersey
April 24, 2018


Richard C. Jacobsen
Certified Public Accountant

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

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ -	\$ 4,744
Investments	341	440
Accounts Receivable	18,623	25,198
Prepaid Expenses	86,920	104,818
Total Current Assets	<u>105,884</u>	<u>135,200</u>
RESTRICTED DEPOSITS AND FUNDED RESERVES	<u>1,586,367</u>	<u>1,460,810</u>
PROPERTY AND EQUIPMENT - NET	<u>3,584,838</u>	<u>3,756,831</u>
OTHER ASSETS:		
Utility Deposit	-	8,975
Total Other Assets	<u>-</u>	<u>8,975</u>
TOTAL ASSETS	<u><u>\$5,277,089</u></u>	<u><u>\$ 5,361,816</u></u>
 <u>LIABILITIES AND NET (DEFICIT)</u>		
CURRENT LIABILITIES:		
Bank Overdraft	\$ 14,705	\$ -
Accounts Payable	158,238	173,874
Accrued Liabilities	15,455	123,558
Current Installments of Mortgages Payable	305,132	284,947
Due to Pilgrim Baptist Village II	237,000	47,000
Total Current Liabilities	<u>730,530</u>	<u>629,379</u>
DEPOSITS AND UNEARNED INCOME:		
Tenant Security Deposits	<u>45,788</u>	<u>67,997</u>
Total Deposits and Unearned Income	<u>45,788</u>	<u>67,997</u>
LONG TERM LIABILITIES:		
Mortgages Payable	4,124,882	4,430,013
Accrued Interest - Second Mortgage Payable	1,055,650	1,014,128
Total Long Term Liabilities	<u>5,180,532</u>	<u>5,444,141</u>
TOTAL LIABILITIES	<u>5,956,850</u>	<u>6,141,517</u>
NET (DEFICIT):		
Operating	(1,879,340)	(1,885,833)
Repair and Replacement Reserve	1,199,579	1,106,132
TOTAL NET (DEFICIT)	<u>(679,761)</u>	<u>(779,701)</u>
TOTAL LIABILITIES AND NET (DEFICIT)	<u><u>\$5,277,089</u></u>	<u><u>\$ 5,361,816</u></u>

See Accompanying Notes to Financial Statements.

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

	<u>2017</u>	<u>2016</u>
REVENUES:		
Apartment Rent	\$ 2,461,453	\$ 2,468,340
Vacancy and Other Adjustments	<u>(149,840)</u>	<u>(181,811)</u>
Net Rent	2,311,613	2,286,529
Other Income	<u>48,810</u>	<u>14,134</u>
Total Revenues	<u>2,360,423</u>	<u>2,300,663</u>
EXPENSES:		
Project Services:		
Administrative Expenses	97,801	94,310
Salaries and Related Charges	322,363	300,222
Maintenance and Repairs	275,629	248,217
Maintenance Contracts	202,762	190,082
Utilities	210,330	196,181
Managing Agent's Fee	118,994	116,620
Real Estate Taxes ("Pilot")	178,054	171,563
Property and Liability Insurance	<u>187,292</u>	<u>201,436</u>
Total Expenses	<u>1,593,225</u>	<u>1,518,631</u>
CHANGE IN OPERATING NET ASSETS BEFORE DEPRECIATION, INTEREST AND RESERVES	<u>767,198</u>	<u>782,032</u>
INTEREST AND RESERVES:		
Interest on Mortgages	351,018	370,445
Fees and Charges	40,275	40,275
Repair and Replacement Reserve	<u>93,447</u>	<u>397,255</u>
Total Interest and Reserves	<u>484,740</u>	<u>807,975</u>
CHANGE IN OPERATING NET ASSETS BEFORE DEPRECIATION	282,458	(25,943)
Depreciation Expense (Equal to Mortgage Principal Paid in the Period)	<u>284,946</u>	<u>266,096</u>
CHANGE IN OPERATING NET ASSETS BEFORE ADDITIONAL DEPRECIATION	(2,488)	(292,039)
Additional Depreciation	<u>(8,981)</u>	<u>1,115</u>
CHANGE IN OPERATING NET ASSETS UNRESTRICTED OPERATING NET (DEFICIT), BEGINNING OF YEAR	<u>(1,885,833)</u>	<u>(1,592,679)</u>
UNRESTRICTED OPERATING NET (DEFICIT), END OF YEAR	<u>\$ (1,879,340)</u>	<u>\$ (1,885,833)</u>

See Accompanying Notes to Financial Statements.

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

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Operating Net Assets	\$ 6,493	\$(293,154)
Adjustments to Change in Operating Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	275,965	267,211
Provision for Doubtful Accounts	35,000	55,000
(Increase) in Accounts Receivables	(28,425)	(60,826)
Decrease in Other Receivables	-	78
Decrease in Prepaid Expenses and Other Assets	26,972	9,675
(Increase) Decrease in Restricted Deposits and Funded Reserves	(54,319)	51,888
(Decrease) Increase in Accounts Payable and Accrued Liabilities	(109,034)	82,351
Increase in Accrued Interest on Long Term Second Mortgage	41,522	42,099
Net Cash Provided by Operating Activities	194,174	154,322
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital Expenditures	(103,972)	(67,200)
Decrease in Amount Due from Pilgrim Baptist Village II	-	128,750
Net Cash Provided by (Used in) Investing Activities	(103,972)	61,550
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of Principal - First Mortgage	(284,946)	(266,096)
Increase in Amount Due to Pilgrim Baptist Village II	190,000	47,000
Net Cash (Used in) Financing Activities	(94,946)	(219,096)
NET (DECREASE) IN CASH	(4,744)	(3,224)
CASH BALANCE, BEGINNING OF YEAR	4,744	7,968
CASH BALANCE, END OF YEAR	\$ -	\$ 4,744

SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION

CASH PAID DURING THE YEARS FOR:		
Interest	\$ 309,496	\$ 328,346

See Accompanying Notes to Financial Statements.

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

December 31, 2017 and 2016

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Pilgrim Baptist Village I (“the Project”) is a 154-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, 2017 and 2016

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, 2017 and 2016, 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.

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, 2017 and 2016

NOTE 3 - MORTGAGES PAYABLE

Mortgages payable consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
Outstanding First Mortgage Balance	\$ 4,083,997	\$ 4,368,943
Outstanding Second Mortgage Balance	<u>346,017</u>	<u>346,017</u>
Total Due	4,430,014	4,714,960
Less Mortgage Principal Due Within One Year	<u>(305,132)</u>	<u>(284,947)</u>
Long Term Liability	<u>\$ 4,124,882</u>	<u>\$ 4,430,013</u>

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, 2017 and 2016, the balance of accrued interest on the second mortgage was \$1,055,650 and \$1,014,128, respectively.

Land and buildings secure these mortgages.

Maturities of mortgages payable for the next five years as of December 31, 2017 are as follows:

2018	\$ 305,132
2019	326,748
2020	349,895
2021	374,681
2022	401,223

NOTE 4 – DUE (TO) FROM PILGRIM BAPTIST VILLAGE II

This amount represents reimbursements due (to) 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, 2017 and 2016 were \$178,054 and \$171,563, respectively.

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

December 31, 2017 and 2016

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 154-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 \$1,833,922 and \$1,877,258 in 2017 and 2016 respectively.

NOTE 8 – BOARD OF TRUSTEES

The Board of Trustees is comprised of five members. The majority of the members are employees of HMFA. HMFA holds the mortgages of the Project.

NOTE 9 – DATE OF MANAGEMENT REVIEW

Subsequent events were evaluated through April 24, 2018, which is the date the financial statements were available to be issued, and there were none to be reported.

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

DECEMBER 31,

	2017	2016
<u>SCHEDULE 1 - CASH</u>		
Petty Cash	\$ 500	\$ 500
Operating Checking Account	(16,552)	(369)
Payroll Account	876	3,957
Escrow Manager Account	471	656
Totals	\$ (14,705)	\$ 4,744

SCHEDULE 2 - ACCOUNTS RECEIVABLE

Current Tenants	\$ 75,918	\$ 86,677
Former Tenants	217,705	178,521
Reserve for Doubtful Accounts	(275,000)	(240,000)
Totals	\$ 18,623	\$ 25,198

SCHEDULE 3 - PREPAID EXPENSES

Property and Liability Insurance	\$ 85,608	\$ 83,575
Real Estate Taxes	1,312	21,243
Totals	\$ 86,920	\$ 104,818

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

DECEMBER 31, 2017

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
SCHEDULE 4 - RESTRICTED DEPOSITS AND FUNDED RESERVES				
Real Estate Taxes Escrow	\$ 42,777	\$ 176,849	\$ 158,123	\$ 61,503
Insurance Escrow	191,011	216,682	181,089	226,604
Repair and Replacement Reserve	1,106,132	190,301	96,854	1,199,579
Minimum Escrow	52,893	-	-	52,893
Tenant Security Deposits	67,997	18,219	40,428	45,788
Totals	<u>\$ 1,460,810</u>	<u>\$ 602,051</u>	<u>\$ 476,494</u>	<u>\$ 1,586,367</u>

SCHEDULE 5 - PROPERTY AND EQUIPMENT - NET

COST:

Land	\$ 172,459	\$ -	\$ -	\$ 172,459
Land Improvements	207,962	-	-	207,962
Buildings and Improvements	11,103,576	55,660	-	11,159,236
Office Furniture and Equipment	36,123	-	-	36,123
Motor Vehicles and Maintenance Equipment	148,624	48,312	-	196,936
Totals	<u>\$ 11,668,744</u>	<u>\$ 103,972</u>	<u>\$ -</u>	<u>\$ 11,772,716</u>

ACCUMULATED DEPRECIATION:

Land Improvements	\$ 172,620	\$ 10,099	\$ -	\$ 182,719
Buildings and Improvements	7,588,933	250,912	-	7,839,845
Office Furniture and Equipment	36,123	-	-	36,123
Motor Vehicles and Maintenance Equipment	114,237	14,954	-	129,191
Totals	<u>\$ 7,911,913</u>	<u>\$ 275,965</u>	<u>\$ -</u>	<u>\$ 8,187,878</u>

SUMMARY OF NET BOOK VALUE:

Land	\$ 172,459
Land Improvements	25,243
Buildings and Improvements	3,319,391
Office Furniture and Equipment	-
Motor Vehicles and Maintenance Equipment	67,745
Totals	<u>\$ 3,584,838</u>

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

DECEMBER 31,

<u>SCHEDULE 6 - ACCOUNTS PAYABLE</u>	<u>2017</u>	<u>2016</u>
A & L Commercial Cleaning	\$ 2,750	\$ 3,750
Academy Group, Inc.	380	379
Administrative Office of the Court	-	270
Amtrust North America	4,478	3,955
Aquaflow	4,523	6,135
CIT	-	330
City of Newark, Division of Water	21,920	20,259
Corbett Exterminating	2,412	1,570
Crosstown Plumbing	-	1,004
Duplitron	-	470
Dwight Carpentry	4,250	22,200
Ennis & Company, CPAs	3,019	-
Feinstein, Raiss, Kelin & Booker	3,264	2,891
Giving it A Woman's Touch	-	3,750
Home Depot Credit Services	-	446
Horizon Blue Cross Blue Shield	-	2,121
Independence Electric	4,192	28,568
J Bahr Company, Inc.	1,970	-
Jem Appliances	21,385	-
L. Epstein Hardware	-	423
Leslie Waterworks	-	77
MATC PS Plan & Trust	-	50
M. Miller & Son, Inc.	-	9,768
Melanie Walters	1	-
Mjake Security	15,417	19,641
Nadege Jerome	7	-
Nature's Own	2,170	-
Progressive Insurance	-	1,742
Public Service Electric and Gas	30,594	22,303
Real Page	455	217
Reasonable Lock & Safe	-	1,495
Sprint	-	97
State Realty Agency, LLC	29,749	9,718
T. Farese & Sons, Inc.	2,357	3,800

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

DECEMBER 31,

	<u>2017</u>	<u>2016</u>
<u>SCHEDULE 6 - ACCOUNTS PAYABLE (continued)</u>		
Trumpore Plumbing	\$ 2,247	\$ 4,325
Verizon Communications	698	2,120
Totals	<u>\$ 158,238</u>	<u>\$ 173,874</u>
 <u>SCHEDULE 7 - ACCRUED LIABILITIES</u>		
Accrued Repairs - Fire Damage	\$ -	\$ 109,058
Audit Fee	15,455	14,500
Totals	<u>\$ 15,455</u>	<u>\$ 123,558</u>

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

DECEMBER 31,

	2017	2016
<u>SCHEDULE 8- OTHER INCOME</u>		
Laundry Income	\$ 2,374	\$ 1,590
Late Charges and Other	6,804	10,210
Excess insurance proceeds over expenses - fire repairs	36,737	-
Interest Income	2,895	2,334
Totals	\$ 48,810	\$ 14,134

SCHEDULE 9- ADMINISTRATIVE EXPENSES

Stationery Supplies	\$ 7,136	\$ 3,392
Telephone	19,408	17,843
Postage	983	1,138
Other Office Expense	8,671	7,666
Other Professional Fees	8,657	9,768
Legal	4,299	16,519
Auditing	15,455	14,500
Bookkeeping, Accounting	13,100	9,045
Electronic Services	1,298	2,462
Miscellaneous Administrative Expenses	18,794	11,977
Totals	\$ 97,801	\$ 94,310

SCHEDULE 10 - SALARIES AND RELATED CHARGES

Superintendent's Salary	\$ 52,833	\$ 49,657
Office and Administrative Salaries	105,949	105,561
Maintenance Salaries	69,079	49,166
Bus/Van Driver Salaries	16,912	17,746
Other Salaries	15,579	21,235
Employee Benefits	20,886	22,585
Employer Payroll Taxes	27,490	27,352
Workman's Compensation Insurance	13,635	6,920
Totals	\$ 322,363	\$ 300,222

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

DECEMBER 31,

	2017	2016
<u>SCHEDULE 11 - MAINTENANCE AND REPAIRS</u>		
Masonry	\$ 1,643	\$ 9,322
Carpentry	13,492	18,072
Plumbing	115,470	79,608
Electrical	38,751	37,948
Kitchen Equipment	877	-
Windows and Glasses	4,703	2,461
Vehicle and Equipment	2,814	786
Snow Removal	10,058	14,423
Grounds and Landscaping	24,367	15,088
Painting and Apartment Repairs	21,544	40,318
HVAC Supplies	5,951	1,060
Hardware Supplies	17,350	8,090
Miscellaneous Maintenance Supplies	18,609	21,041
Totals	\$ 275,629	\$ 248,217

SCHEDULE 12 - MAINTENANCE CONTRACTS

Monitoring and Protection Services	\$ 122,279	\$ 114,748
Cleaning	33,360	35,000
Rubbish Removal	36,747	27,744
Exterminating	9,989	9,758
Other	387	2,832
Totals	\$ 202,762	\$ 190,082

SCHEDULE 13 - UTILITIES

Water	\$ 87,999	\$ 91,073
Sewer Charges	56,831	35,784
Electricity	60,350	62,516
Gas	5,150	6,808
Totals	\$ 210,330	\$ 196,181

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

DECEMBER 31,

	2017	2016
<u>SCHEDULE 14 - MANAGING AGENT'S FEE</u>		
Balance Due, beginning of year	\$ 9,718	\$ 9,653
Management Fee for the Year (151 units at \$65.67 and \$64.36 per month per unit in 2017 and 2016, respectively)	118,994	116,620
Less Payments, during the year	<u>(98,963)</u>	<u>(116,555)</u>
Balance Due, end of year	<u><u>\$ 29,749</u></u>	<u><u>\$ 9,718</u></u>

SCHEDULE 15 - ANALYSIS OF PILOT

Net Rent	\$2,311,613	\$2,286,529
Service Charge Rate	<u>7.40%</u>	<u>7.40%</u>
Municipal Service Charge	<u>171,059</u>	<u>169,203</u>
Laundry Income	2,374	1,590
Late Charges and Other	<u>6,804</u>	<u>10,210</u>
Totals	9,178	11,800
Service Charge Rate	<u>20.00%</u>	<u>20.00%</u>
Municipal Service Charge	<u>1,836</u>	<u>2,360</u>
PILOT Payable for the Year	172,895	171,563
Additional Assessment	<u>5,159</u>	<u>-</u>
Total PILOT Charge	178,054	171,563
Prepaid Balance, beginning of year	(21,243)	(20,132)
Less Payments during the year	<u>(158,123)</u>	<u>(172,674)</u>
Prepaid Balance, end of year	<u><u>\$ (1,312)</u></u>	<u><u>\$ (21,243)</u></u>

PILGRIM BAPTIST VILLAGE I
HMFA NO. 615
SCHEDULE OF EXPENDITURES OF FEDERAL AND NONFEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

<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	\$ 1,833,922 <u>\$ 1,833,922</u>
NONFEDERAL AWARDS:			
NJ Housing and Mortgage Finance Agency: First Mortgage	N/A	615	\$ 4,368,943 346,017
Second Mortgage	N/A	615	<u>\$ 4,714,960</u>

Note A- BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and nonfederal awards includes the federal and nonfederal award activity of Pilgrim Baptist Village I, HMFA No. 615, for the year ended December 31, 2017.

The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

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.

PILGRIM BAPTIST VILLAGE I
HMFA NO. 615
SCHEDULE OF EXPENDITURES OF FEDERAL AND NONFEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

Note B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures on this schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement. Pilgrim Baptist Village I has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note C- NONFEDERAL LOANS

Pilgrim Baptist Village I has received direct loans from the New Jersey Housing and Mortgage Finance Agency as indicated in this schedule. The respective loan balances outstanding at the beginning of the year are included in the nonfederal expenditures presented in this schedule. Pilgrim Baptist Village I received no additional loans during the year.

The respective loan balances outstanding as of December 31, 2017 are as follows:

NJ Housing and Mortgage Finance Agency:	
First Mortgage	\$ 4,083,997
Second Mortgage	346,017
	<u>\$ 4,430,014</u>

RICHARD C. JACOBSEN

CERTIFIED PUBLIC ACCOUNTANT

6 CONSTITUTION LANE
TOTOWA, NEW JERSEY 07512

(973) 720-1215

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, 2017, and have issued my report thereon dated April 24, 2018.

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, 2017.

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, 2017.

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 24, 2018



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) - statutory basis as of December 31, 2017, and the related statements of revenues, expenses, and unrestricted operating net (deficit) - statutory basis, and cash flows - statutory basis for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated April 24, 2018.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs as items 2017-01, and 2017-2 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.

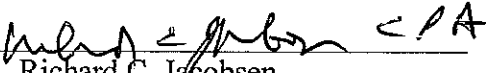
Pilgrim Baptist Village I's Response to Finding

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

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 24, 2018


Richard C. Jacobsen
Certified Public Accountant

RICHARD C. JACOBSEN

CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 Compliance Supplement that could have a direct and material effect on the Project's major federal program for the year ended December 31, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal award applicable to its federal program.

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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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 direct and 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, 2017.

Other Matters

I noted no other matters that I am required to report in accordance with the Uniform Guidance.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Totowa, New Jersey
April 24, 2018


Richard C. Jacobsen
Certified Public Accountant

RICHARD C. JACOBSEN

CERTIFIED PUBLIC ACCOUNTANT

6 CONSTITUTION LANE
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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, 2017:

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 24, 2018



Richard C. Jacobsen
Certified Public Accountant

**PILGRIM BAPTIST VILLAGE I
HMFA NO. 615
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2017**

Finding No. 2016-01:

Condition: There were no formal board meetings held by the Board of Trustees during 2016.

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. 2016-02:

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

Recommendation: Management should aggressively review the listing and make a determination as to collectability. Accounts deemed uncollectible should be written off, pending approval from the New Jersey Housing and Mortgage Finance Agency.

Current Status: Unresolved.

Finding No. 2016-03:

Condition: The monthly bank reconciliation contained numerous outstanding checks which indicated stale dates, some dating back over a year.

Recommendation: Management should review the outstanding checks, and determine if adjustments are required.

Current status: Resolved.

PILGRIM BAPTIST VILLAGE I
HMFA NO. 615
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2017

SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on whether the financial statements of Pilgrim Baptist Village I were prepared 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 \$750,000.
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, 2017**

FINDINGS - FINANCIAL STATEMENT AUDIT

Finding 2017-01:

Condition: There were no formal board meetings held during 2017.

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

Effect: There is no documented oversight of the Project.

Context: There were no formal board meetings held during 2017.

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.

Finding 2017-02:

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

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

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

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

Cause: Management has not yet completed its analysis of collectability.

Recommendation: Management should complete its analysis and write off uncollectible receivables, pending approval from HMFA.

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

**PILGRIM BAPTIST VILLAGE I
HMFA NO. 615
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2017**

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 24, 2018

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, 2017.

Finding No. 2017-01

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. 2017-02

Management should continue to 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 continuing effort to resolve this finding during 2017.

Sincerely,

Hubert Graham
Managing Agent