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PROPERTY MANAGEMENT

**PILGRIM BAPTIST VILLAGE II
HMFA NO. 618**

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

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RICHARD C. JACOBSEN

CERTIFIED PUBLIC ACCOUNTANT

6 CONSTITUTION LANE
TOTOWA, NEW JERSEY 07512

(973) 720-1215

INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of Pilgrim Baptist Village II (a nonprofit organization), HMFA No. 618, 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 practices 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 II on the basis of the financial reporting practices 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 II 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 II 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 practices 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 II'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 II's internal control over financial reporting and compliance.

Totowa, New Jersey
April 24, 2018


Richard C. Jacobsen
Certified Public Accountant

PILGRIM BAPTIST VILLAGE II
HMFA NO. 618
STATEMENTS OF ASSETS, LIABILITIES, AND NET (DEFICIT) - STATUTORY BASIS
DECEMBER 31,

	2017	2016
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 30,461	\$ 86,823
Accounts Receivable	22,977	46,462
Due from Pilgrim Baptist Village I	237,000	47,000
Prepaid Insurance	58,299	57,400
Total Current Assets	348,737	237,685
RESTRICTED DEPOSITS AND FUNDED RESERVES	1,573,449	1,432,573
PROPERTY AND EQUIPMENT - NET	3,029,431	3,199,933
OTHER ASSET - Utility Deposit	-	8,830
TOTAL ASSETS	\$4,951,617	\$ 4,879,021
<u>LIABILITIES AND NET (DEFICIT)</u>		
CURRENT LIABILITIES:		
Accounts Payable	\$ 87,440	\$ 102,075
Accrued Liabilities	17,666	18,885
Due to U.S. Department of Housing and Urban Development	87,481	87,481
Current Installments of Mortgages Payable	274,838	256,657
Total Current Liabilities	467,425	465,098
DEPOSITS AND UNEARNED INCOME:		
Tenant Security Deposits	44,185	61,282
Total Deposits and Unearned Income	44,185	61,282
LONG TERM LIABILITIES:		
Mortgages Payable	5,505,311	5,780,149
Accrued Interest - Second Mortgage Payable	5,128,180	4,968,457
Total Long Term Liabilities	10,633,491	10,748,606
TOTAL LIABILITIES	11,145,101	11,274,986
NET (DEFICIT):		
Operating	(7,461,671)	(7,508,452)
Repair and Replacement Reserve	1,268,187	1,112,487
TOTAL NET (DEFICIT)	(6,193,484)	(6,395,965)
TOTAL LIABILITIES AND NET (DEFICIT)	\$4,951,617	\$ 4,879,021

See Accompanying Notes to Financial Statements.

PILGRIM BAPTIST VILLAGE II
HMFA NO. 618
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	\$ 2,471,903	\$ 2,459,748
Vacancy and Other Adjustments	(169,891)	(123,251)
Net Rent	<u>2,302,012</u>	<u>2,336,497</u>
Other Income	16,277	9,296
Total Revenues	<u>2,318,289</u>	<u>2,345,793</u>
EXPENSES:		
Project Services:		
Administrative Expenses	85,162	84,879
Salaries and Related Charges	226,184	241,539
Maintenance and Repairs	248,622	208,355
Maintenance Contracts	212,472	201,692
Utilities	151,415	130,169
Managing Agent's Fee	117,265	114,174
Real Estate Taxes	173,043	174,249
Property and Liability Insurance	124,268	122,147
Total Expenses	<u>1,338,431</u>	<u>1,277,204</u>
CHANGE IN OPERATING NET ASSETS BEFORE DEPRECIATION, INTEREST AND RESERVES	<u>979,858</u>	<u>1,068,589</u>
INTEREST AND RESERVES:		
Interest on Mortgages	493,080	510,059
Fees and Charges	39,975	39,975
Repair and Replacement Reserve	155,700	201,622
Total Interest and Reserves	<u>688,755</u>	<u>751,656</u>
CHANGE IN OPERATING NET ASSETS BEFORE DEPRECIATION	291,103	316,933
Depreciation Expense (Equal to Mortgage Principal Paid in the Period)	<u>256,657</u>	<u>239,678</u>
CHANGE IN OPERATING NET ASSETS BEFORE ADDITIONAL DEPRECIATION	34,446	77,255
Additional Depreciation	(12,335)	(810)
CHANGE IN OPERATING NET ASSETS	<u>46,781</u>	<u>78,065</u>
UNRESTRICTED OPERATING NET (DEFICIT), BEGINNING OF YEAR	<u>(7,508,452)</u>	<u>(7,586,517)</u>
UNRESTRICTED OPERATING NET (DEFICIT), END OF YEAR	<u><u>\$ (7,461,671)</u></u>	<u><u>\$ (7,508,452)</u></u>

See Accompanying Notes to Financial Statements.

PILGRIM BAPTIST VILLAGE II
HMFA NO. 618
STATEMENTS OF CASH FLOWS - STATUTORY BASIS
FOR THE YEARS ENDED DECEMBER 31,

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Operating Net Assets	\$ 46,781	\$ 78,065
Adjustments to Change in Operating Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	244,322	238,868
Provision for Doubtful Accounts	95,000	40,000
(Increase) in Accounts Receivable	(71,515)	(35,110)
Decrease in Other Receivables	-	204
Decrease (Increase) in Prepaid Expenses and Other Assets	7,931	(9,387)
(Increase) Decrease in Restricted Deposits and Funded Reserves	(2,273)	71,815
(Decrease) in Accounts Payable and Accrued Liabilities	(15,854)	(9,015)
Increase in Accrued Interest on Long Term Second Mortgage	159,723	159,722
Net Cash Provided by Operating Activities	<u>464,115</u>	<u>535,162</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital Expenditures	(73,820)	(57,550)
Increase in Amount Due from Pilgrim Baptist Village I	(190,000)	(47,000)
Net Cash (Used in) Investing Activities	<u>(263,820)</u>	<u>(104,550)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of Principal - First Mortgage	(256,657)	(239,678)
(Decrease) in Amount Due to Pilgrim Baptist I	-	(128,750)
Net Cash (Used in) Financing Activities	<u>(256,657)</u>	<u>(368,428)</u>
NET (DECREASE) INCREASE IN CASH	(56,362)	62,184
CASH BALANCE, BEGINNING OF YEAR	<u>86,823</u>	<u>24,639</u>
CASH BALANCE, END OF YEAR	<u><u>\$ 30,461</u></u>	<u><u>\$ 86,823</u></u>

SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION

CASH PAID DURING THE YEARS FOR:		
Interest	<u><u>\$ 333,358</u></u>	<u><u>\$ 350,337</u></u>

See Accompanying Notes to Financial Statements.

PILGRIM BAPTIST VILLAGE II
HMFA NO. 618
NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Pilgrim Baptist Village II (“the Project”) is a 152-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 for 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 II
HMFA NO. 618
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 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 II
HMFA NO. 618
NOTES TO FINANCIAL STATEMENTS**

December 31, 2017 and 2016

NOTE 3 – MORTGAGES PAYABLE

Mortgages payable consisted of the following at December 31:

	2017	2016
Outstanding First Mortgage Balance	\$ 4,449,128	\$ 4,705,785
Outstanding Second Mortgage Balance	1,331,021	1,331,021
Total Due	5,780,149	6,036,806
Less Mortgage Principal Due Within One Year	(274,838)	(256,657)
Long Term Liability	\$ 5,505,311	\$ 5,780,149

The first mortgage bears interest at the annual rate of 7.084% and is payable in monthly installments through February 2029. The second mortgage bears interest at the annual rate of 12.00% and is payable in monthly installments commencing March 2029 through February 2034. As of December 31, 2017 and 2016, the balance of accrued interest on the second mortgage was \$5,128,180 and \$4,968,457, 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	\$ 274,838
2019	294,308
2020	315,157
2021	337,483
2022	361,390

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

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 \$173,043 and \$174,249, respectively

PILGRIM BAPTIST VILLAGE II
HMFA No. 618
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 152-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 continuation of housing assistance payments which were \$1,953,877 and \$1,997,508 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 II
HMFA NO. 618
SCHEDULES**

DECEMBER 31,

	2017	2016
<u>SCHEDULE 1 - CASH</u>		
Petty Cash	\$ 200	\$ 200
Operating Checking Account	28,001	78,329
Payroll Account	1,314	7,348
Checking Account - Site	946	946
Totals	\$ 30,461	\$ 86,823

SCHEDULE 2 - ACCOUNTS RECEIVABLE

Current Tenants	\$ 138,859	\$ 87,006
Former Tenants	134,118	114,456
Reserve for Bad Debts	(250,000)	(155,000)
Totals	\$ 22,977	\$ 46,462

**PILGRIM BAPTIST VILLAGE II
HMFA NO. 618
SCHEDULES**

DECEMBER 31, 2017

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
SCHEDULE 3 - RESTRICTED DEPOSITS AND FUNDED RESERVES				
Real Estate Taxes Escrow	\$ 61,220	\$ 177,641	\$ 175,217	\$ 63,644
Insurance Escrow	145,085	117,023	117,174	144,934
Repair and Replacement Reserve	1,112,487	214,745	59,045	1,268,187
Minimum Escrow	52,499	-	-	52,499
Tenant Security Deposits	61,282	4,877	21,974	44,185
Totals	<u>\$ 1,432,573</u>	<u>\$ 514,286</u>	<u>\$ 373,410</u>	<u>\$ 1,573,449</u>

SCHEDULE 4 - PROPERTY AND EQUIPMENT - NET

COST:

Land	\$ 122,004	\$ -	\$ -	\$ 122,004
Land Improvements	430,121	-	-	430,121
Buildings and Improvements	11,387,831	51,170	-	11,439,001
Office Furniture and Equipment	21,467	-	-	21,467
Motor Vehicles and Maintenance Equipment	136,043	22,650	-	158,693
Totals	<u>\$ 12,097,466</u>	<u>\$ 73,820</u>	<u>\$ -</u>	<u>\$ 12,171,286</u>

ACCUMULATED DEPRECIATION:

Land Improvements	\$ 229,993	\$ 24,373	\$ -	\$ 254,366
Buildings and Improvements	8,549,755	206,282	-	8,756,037
Office Furniture and Equipment	21,467	-	-	21,467
Motor Vehicles and Maintenance Equipment	96,318	13,667	-	109,985
Totals	<u>\$ 8,897,533</u>	<u>\$ 244,322</u>	<u>\$ -</u>	<u>\$ 9,141,855</u>

SUMMARY OF NET BOOK VALUE:

Land	\$ 122,004
Land Improvements	175,755
Buildings and Improvements	2,682,964
Office Furniture and Equipment	-
Motor Vehicles and Maintenance Equipment	48,708
Totals	<u>\$ 3,029,431</u>

**PILGRIM BAPTIST VILLAGE II
HMFA NO. 618
SCHEDULES**

DECEMBER 31,

	<u>2017</u>	<u>2016</u>
<u>SCHEDULE 5 - ACCOUNTS PAYABLE</u>		
A & L Commercial Cleaning	\$ 2,750	\$ 3,750
Academy Group, Inc.	389	386
Adrielle Felton	152	-
Aja Ransome	67	-
American Express	304	-
American Heritage Life Insurance Co.	22	-
AmTrust North America	4,478	3,955
Aquaflow	-	1,500
Asimah Spencer	150	-
Barbara Reid	28	-
Brenda Shepard	131	-
Charron Sanders	66	-
City of Newark, Division of Water	14,865	15,578
Corbett Exterminating	663	633
Crosstown Plumbing	-	1,961
Direct Energy	-	348
Dwight Carpentry & Painting LLC	-	4,650
Ennis & Company	5,031	1,006
Feinstein, Raiss, Kelin & Booker	-	3,407
Gunnello Services, Inc.	-	2,767
Home Depot Credit Services	567	-
Horizon Blue Cross Blue Shield	-	2,477
Jammie Horton	47	-
Independence Electric	145	1,069
J. Bahr Company, Inc.	-	945
Jem Appliances & Electronics	14,775	-
Leslie Waterworks	110	-
Lynnetta Perry	30	-
MATC PS Plan & Trust	-	312
Mjake Security	10,147	19,968
Network Digital	571	571
New Jersey Motor Vehicle Commission	-	140
Nicole Hearn	396	-
P & P Lawnmowers, Inc	-	171
Pitney Bowes Global	-	228
Progressive Insurance	-	1,742
Public Service Electric and Gas	12,058	11,255
Real Page	225	214
Reasonable Lock	1,019	136
Riccardi Brothers	-	359
Sprint	-	97
Staples Credit Plan	85	144
State Realty Agency, LLC	10,479	9,515
T. Farese & Sons, Inc.	-	3,339
Terrell Brannon	212	-
Trumpore Plumbing and Heating	6,628	7,642
Verizon	748	755
Wilmar Industries	-	525
Window City Enterprises LLC	-	530
Yazmine Bey	102	-
Totals	<u>\$ 87,440</u>	<u>\$ 102,075</u>

SCHEDULE 6 - ACCRUED LIABILITIES

Accrued Real Estate Taxes ("PILOT")	\$ 2,211	\$ 4,385
Audit Fee	15,455	14,500
Totals	<u>\$ 17,666</u>	<u>\$ 18,885</u>

**PILGRIM BAPTIST VILLAGE II
HMFA NO. 618
SCHEDULES**

DECEMBER 31,

	2017	2016
<u>SCHEDULE 7 - OTHER INCOME</u>		
Laundry Income	\$ 3,179	\$ 3,243
Late Charges	10,293	3,500
Interest	2,805	2,553
Totals	\$ 16,277	\$ 9,296

SCHEDULE 8- ADMINISTRATIVE EXPENSES

Stationery Supplies	\$ 1,382	\$ 1,207
Telephone	13,265	14,342
Postage	9,201	8,422
Other Office Expense	935	1,795
Inspection and Other Fees	156	277
Other Professional Fees	2,600	-
Legal	8,965	17,837
Auditing	15,455	14,500
Bookkeeping, Accounting	12,075	12,072
Electronic Services	1,578	2,352
Miscellaneous Administrative Expenses	19,550	12,075
Totals	\$ 85,162	\$ 84,879

SCHEDULE 9 - SALARIES AND RELATED CHARGES

Superintendent's Salary	\$ 45,769	\$ 49,708
Grounds and Landscaping Salaries	-	171
Office and Administrative Salaries	77,485	73,337
Maintenance Salaries	37,834	30,942
Bus/Van Driver Salaries	-	1,985
Other Salaries	2,631	23,639
Employee Benefits	29,903	32,299
Employer Payroll Taxes	17,938	20,426
Workman's Compensation Insurance	14,624	9,032
Totals	\$ 226,184	\$ 241,539

**PILGRIM BAPTIST VILLAGE II
HMFA NO. 618
SCHEDULES**

DECEMBER 31,

	2017	2016
<u>SCHEDULE 10 - MAINTENANCE AND REPAIRS</u>		
Masonry	\$ 2,500	\$ 60
Carpentry	65,114	36,862
Plumbing	91,804	61,305
Electrical	20,329	29,392
Windows and Glasses	1,744	5,245
Vehicle and Equipment	2,221	1,338
Snow Removal	15,604	19,755
Grounds and Landscaping	14,141	7,505
Painting and Apartment Repairs	9,052	12,256
Janitorial Supplies	1,136	275
HVAC Supplies	4,950	4,893
Hardware Supplies	7,864	11,591
Miscellaneous Maintenance Supplies	12,163	17,878
Totals	\$ 248,622	\$ 208,355
<u>SCHEDULE 11 - MAINTENANCE CONTRACTS</u>		
Monitoring and Protection Services	\$ 123,455	\$ 121,240
Rubbish Removal	43,454	35,913
Exterminating	9,713	9,469
Cleaning	33,250	35,070
Other Maintenance Contracts	2,600	-
Totals	\$ 212,472	\$ 201,692
<u>SCHEDULE 12 - UTILITIES</u>		
Water	\$ 47,183	\$ 47,817
Sewer Charges	56,890	44,643
Electricity	42,198	31,044
Gas	5,144	6,665
Totals	\$ 151,415	\$ 130,169

PILGRIM BAPTIST VILLAGE II

HMFA NO. 618

SCHEDULES

DECEMBER 31,

	<u>2017</u>	<u>2016</u>
<u>SCHEDULE 13 - MANAGING AGENT'S FEE</u>		
Balance Due, beginning of year	\$ 9,515	\$ 9,451
Management Fee for the Year (152 units at \$64.29 and 151 units at \$63.01 per month per unit in 2017 and 2016, respectively)	117,265	114,174
Less Payments, during the year	<u>(116,301)</u>	<u>(114,110)</u>
Balance Due, end of year	<u>\$ 10,479</u>	<u>\$ 9,515</u>

SCHEDULE 14 - ANALYSIS OF PILOT

Net Rent	\$2,302,012	\$2,336,497
Service Charge Rate	7.40%	7.40%
Municipal Service Charge	<u>170,349</u>	<u>172,900</u>
Laundry Machines Revenue	3,179	3,243
Late Charges and Other	<u>10,293</u>	<u>3,500</u>
Totals	13,472	6,743
Service Charge Rate	20.00%	20.00%
Municipal Service Charge	<u>2,694</u>	<u>1,349</u>
PILOT Payable for the Year	173,043	174,249
Balance Due, beginning of year	4,385	(773)
Less Payments during the year	<u>(175,217)</u>	<u>(169,091)</u>
Balance Due, end of year	<u>\$ 2,211</u>	<u>\$ 4,385</u>

PILGRIM BAPTIST VILLAGE II
HMFA NO. 618
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	NJ39H085099	\$ 1,953,877 <u>\$ 1,953,877</u>
NONFEDERAL AWARDS:			
NJ Housing and Mortgage Finance Agency: First Mortgage	N/A	615	\$ 4,705,785
Second Mortgage	N/A	615	1,331,021 <u>\$ 6,036,806</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 II, HMFA No. 618, 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 II, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Pilgrim Baptist Village II.

PILGRIM BAPTIST VILLAGE II
HMFA NO. 618
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 II 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 II 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 II 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:	\$ 4,449,128
First Mortgage	1,331,021
Second Mortgage	<u>\$ 5,780,149</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 II
Newark, New Jersey

I have audited the financial statements of Pilgrim Baptist Village II, HMFA No. 618, 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 II'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 II is responsible for compliance with those requirements.

Opinion

In my opinion, Pilgrim Baptist Village II 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 II'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

6 CONSTITUTION LANE
TOTOWA, NEW JERSEY 07512

(973) 720-1215

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 II
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 II ("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, 2017-02, and 2017-03 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 II's Response to Findings

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 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 24, 2018


Richard C. Jacobsen
Certified Public Accountant

RICHARD C. JACOBSEN

CERTIFIED PUBLIC ACCOUNTANT

6 CONSTITUTION LANE
TOTOWA, NEW JERSEY 07512

(973) 720-1215

**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 II
Newark, New Jersey

Report on Compliance for the Major Federal Program

I have audited Pilgrim Baptist Village II'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

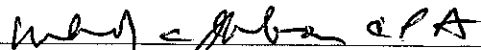
Management of the Project is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Project's internal control over compliance with the types 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
TOTOWA, NEW JERSEY 07512

(973) 720-1215

INDEPENDENT AUDITOR'S CERTIFICATIONS

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

With respect to Pilgrim Baptist Village II., 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 II
HMFA NO. 618
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: Unresolved.

PILGRIM BAPTIST VILLAGE II
HMFA NO. 618
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 II were prepared in conformity with the current New Jersey Housing and Mortgage Finance Agency accounting policies and procedures.
2. Three 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 II 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 II 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 II was determined to be a low-risk auditee

**PILGRIM BAPTIST VILLAGE II
HMFA NO. 618
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 due from tenants 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 continue 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 II
HMFA NO. 618
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

YEAR ENDED DECEMBER 31, 2017

FINDINGS – FINANCIAL STATEMENT AUDIT (continued)

Finding 2017-03:

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

Criteria: A monthly bank reconciliation provides management with a tool to monitor and control cash balances, but to be effective should be reviewed on a current basis to determine that reconciling items are valid and cash balances are accurate.

Effect: Effective use of a bank reconciliation as a management tool is weakened.

Context: Cash balance as indicated in the reconciliation appears understated.

Cause: Management has not reviewed and adjusted the reconciling items.

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

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 II

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 II 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 2018.

Finding 2017-03

The bank reconciliation contained numerous outstanding checks with stale dates, in some cases dating back over a year, and a review should be made to resolve these items.

Response

Management agrees, and this will be done in 2018.

Sincerely,

Hubert Graham
Managing Agent