

**POP MOYLAN URBAN
REDEVELOPMENT COMPANY, LLC**

NJHMFA PROJECT No. 1202

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2016 AND 2015**

**POP MOYLAN URBAN REDEVELOPMENT COMPANY, LLC
NJHMFA PROJECT NO. 1202**

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INDEPENDENT AUDITOR'S REPORT

To the Members of
Pop Moylan Urban Redevelopment Company, LLC

Report on the Financial Statements

We have audited the accompanying financial statements of Pop Moylan Urban Redevelopment Company, LLC, NJHMFA Project No. 1202, which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of operations, changes in members' equity (deficit), and cash flows 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 accounting principles prescribed or permitted by the New Jersey Housing and Mortgage Finance Agency; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for determining that the applicable financial reporting framework is acceptable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Pop Moylan Urban Redevelopment Company, LLC as of December 31, 2016 and 2015, and the results of its operations, the changes in members' equity (deficit) and its cash flows for the years then ended, on the basis of accounting described in Note 2.

Basis of Accounting

As described in Note 2 to the financial statements, the financial statements were prepared in conformity with the accounting 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. Our opinion is not modified with respect to this matter.

Restriction on Use

This report is intended solely for the information and use of the management of Pop Moylan Urban Redevelopment Company, LLC and the New Jersey Housing and Mortgage Finance Agency and is not intended to be and should not be used by anyone other than those specified parties.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information required by the New Jersey Housing and Mortgage Finance Agency, as listed in the Table of Contents, is presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the 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 our opinion, the supplementary schedules are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2017 on our consideration of Pop Moylan Urban Redevelopment Company, LLC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pop Moylan Urban Redevelopment Company, LLC's internal control over financial reporting and compliance.

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants

Woodbury, New Jersey
March 24, 2017

POP MOYLAN URBAN REDEVELOPMENT COMPANY, LLC
NJHMFA PROJECT NO. 1202
Balance Sheets
Basis of Accounting Prescribed by New Jersey Housing and Mortgage Finance Agency
As of December 31, 2016 and 2015

	2016	2015
ASSETS		
Current assets		
Cash - operating	\$ 239,924	\$ 291,090
Tenant accounts receivable - current tenants (net of allowance for doubtful accounts of \$4,300 in 2016 and \$100 in 2015)	2,963	1,710
Other receivables	2,318	37,340
Prepaid property and liability insurance	13,410	17,125
Total current assets	258,615	347,265
Tenant security deposits	5,004	4,872
Restricted deposits and funded reserves		
Real estate taxes escrow	16,804	16,660
Insurance escrow	102,900	85,660
Reserve for repairs and replacements	697,177	698,285
Minimum escrow fund	20,637	20,637
	837,518	821,242
Rental property and equipment		
Buildings and improvements	8,980,344	8,980,344
Furniture and fixtures	208,326	189,695
	9,188,670	9,170,039
Less: accumulated depreciation	6,323,993	5,983,756
	2,864,677	3,186,283
Total assets	<u>\$ 3,965,814</u>	<u>\$ 4,359,662</u>
LIABILITIES AND EQUITY		
Current liabilities		
Mortgage notes payable, current maturities	\$ 105,236	\$ 98,044
Accounts payable	14,483	16,265
Accrued interest payable	10,446	11,026
Accrued real estate taxes (PILOT)	3,117	3,018
Other accrued expenses	2,813	1,897
Prepaid rents	1,760	4,557
Due to Housing Authority of Gloucester County - contracted salaries and payroll taxes	16,774	1,357
Due to Gloucester County Housing Development Corporation - accrued management fee	180,130	233,104
Total current liabilities	334,759	369,268
Deposits liability		
Tenant security deposits	5,004	4,872
Long-term liabilities		
Mortgage notes payable, net of current maturities	5,645,522	5,750,757
Accrued interest payable	3,331,970	3,162,387
Total long-term liabilities	8,977,492	8,913,144
Total liabilities	9,317,255	9,287,284
Members' equity (deficit)		
Members' deficit	(6,048,618)	(5,625,907)
Repairs and replacement reserve	697,177	698,285
Total member's equity (deficit)	(5,351,441)	(4,927,622)
	<u>\$ 3,965,814</u>	<u>\$ 4,359,662</u>

The accompanying notes are an integral part of the financial statements.

POP MOYLAN URBAN REDEVELOPMENT COMPANY, LLC
NJHMFA PROJECT NO. 1202
Statements of Operations
Basis of Accounting Prescribed by New Jersey Housing and Mortgage Finance Agency
Years Ended December 31, 2016 and 2015

	2016	2015
Revenue		
Gross potential rent	\$ 797,250	\$ 778,050
Less vacancy loss	45,392	42,930
Net rental income	751,858	735,120
Other income	43,194	53,130
	795,052	788,250
Expenses		
Administrative expenses	41,573	34,591
Salaries and related charges (contracted)	180,059	119,305
Maintenance and repairs	22,035	16,888
Maintenance contracts	113,634	101,793
Utilities	72,318	81,674
Management fee	52,694	52,349
Payment in lieu of taxes	12,191	11,899
Property and liability insurance	34,235	39,405
	528,739	457,904
Income from operations before interest, fees, reserves, and depreciation	266,313	330,346
Interest and reserve		
Interest on mortgages	(298,163)	(304,440)
Fees and charges	(18,313)	(18,313)
Provision for repairs and replacements reserve	(49,500)	(42,625)
Refund from repairs and replacements reserve	17,189	103,915
	(348,787)	(261,463)
Loss from operations before depreciation	(82,474)	68,883
Depreciation expense (equal to mortgage principal amortization)	98,044	91,343
Loss from operations before excess depreciation	(180,518)	(22,460)
Depreciation expense (in excess of mortgage principal amortization)	242,193	247,603
Net loss	\$ (422,711)	\$ (270,063)

The accompanying notes are an integral part of the financial statements.

POP MOYLAN URBAN REDEVELOPMENT COMPANY, LLC
NJHMFA PROJECT NO. 1202
Statements of Changes in Members' Equity (Deficit)
Basis of Accounting Prescribed by New Jersey Housing and Mortgage Finance Agency
Years Ended December 31, 2016 and 2015

	<u>Total</u>	<u>Unrestricted</u>		<u>Restricted</u>
		<u>Managing Member</u>	<u>Investor Member</u>	<u>Repair and Replacement Reserve</u>
Balance, December 31, 2014	\$ (4,632,499)	\$ (75,872)	\$ (5,279,972)	\$ 723,345
Deposits to repairs and replacements reserve	42,625			42,625
Withdraws from repairs and replacement reserve	(69,115)			(69,115)
Reserve refunds	-			-
Interest earned	1,430			1,430
Net loss	<u>(270,063)</u>	<u>(2,701)</u>	<u>(267,362)</u>	<u>-</u>
Balance, December 31, 2015	(4,927,622)	(78,573)	(5,547,334)	698,285
Deposits to repairs and replacements reserve	49,500			49,500
Withdraws from repairs and replacement reserve	(51,989)			(51,989)
Reserve refunds	-			-
Interest earned	1,381			1,381
Net loss	<u>(422,711)</u>	<u>(4,227)</u>	<u>(418,484)</u>	<u>-</u>
Balance, December 31, 2016	<u>\$ (5,351,441)</u>	<u>\$ (82,800)</u>	<u>\$ (5,965,818)</u>	<u>\$ 697,177</u>

The accompanying notes are an integral part of the financial statements.

POP MOYLAN URBAN REDEVELOPMENT COMPANY, LLC
NJHMFA PROJECT NO. 1202
Statements of Cash Flows
Basis of Accounting Prescribed by New Jersey Housing and Mortgage Finance Agency
Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Net loss	\$ (422,711)	\$ (270,063)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation	340,237	338,946
Provision for reserve for repairs and replacements	50,881	44,055
Changes in assets and liabilities		
(Increase) decrease in		
Accounts receivable - tenants	(1,253)	410
Accounts receivable - other	35,022	(35,115)
Prepaid expenses	3,715	(111)
Increase (decrease) in		
Accounts payable	(1,782)	(70,446)
Accrued real estate taxes (PILOT)	99	163
Accrued interest	169,003	168,580
Other accrued expenses	916	(1,110)
Prepaid rents	(2,797)	1,657
Due to Housing Authority of Gloucester County	15,417	(11,542)
Due to Gloucester County Housing Development Corporation - accrued management fee	(52,974)	(2,407)
Net cash provided by operating activities	133,773	163,017
Cash flows from investing activities		
Purchase of rental furniture, fixtures and improvements	(18,630)	(36,724)
Net change in tax and property insurance escrows	(17,384)	(6,126)
Net change in reserve for replacements	(50,881)	(44,055)
Net cash used in investing activities	(86,895)	(86,905)
Cash flows from financing activities		
Principal payments on mortgage	(98,044)	(91,343)
Net decrease in cash	(51,166)	(15,231)
Cash, beginning	291,090	306,321
Cash, ending	\$ 239,924	\$ 291,090
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 129,160	\$ 135,860

The accompanying notes are an integral part of the financial statements.

POP MOYLAN URBAN REDEVELOPMENT COMPANY, LLC
NJHMFA PROJECT NO. 1202
Notes to Financial Statements

Note 1: ORGANIZATION AND ACTIVITY

The Pop Moylan Urban Redevelopment Company, LLC (the "Company") was formed as a limited liability company under the laws of the State of New Jersey on October 10, 1996, for the purpose of constructing and operating a low-income rental housing project consisting of 80 units for the elderly in Deptford, New Jersey, and currently operating under the name Nancy J. Elkins Seniors Housing.

The project has qualified for low-income housing tax credits pursuant to Internal Revenue Code Section 42 (Section 42) which regulates the use of the project must meet the provisions of these regulations during each of 15 consecutive years in order to remain qualified to receive the tax credits.

The Company will continue to operate until December 31, 2046 unless dissolved earlier in accordance with the Amended and Restated Operating Agreement ("Operating Agreement").

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis for Presentation

The accompanying financial statements have been prepared in accordance with the New Jersey Housing and Mortgage Finance Agency (NJHMFA) Policies and Procedures Manual, revised July 1, 1996.

The accounting practices prescribed or permitted by NJHMFA for the depreciation of property and equipment differ from accounting principles generally accepted in the United States of America. The estimated useful lives are the same as the lives used for tax purposes. In addition, depreciation is to be shown in an amount equal to the principal amount of the mortgage payment made in the period. The excess of total depreciation over the amount of the principal payments is presented below the net income line for financial statement purposes.

The accounting practices prescribed or permitted by NJHMFA for transactions in the reserve for repairs and replacements differ from accounting principles generally accepted in the United States of America as follows:

- Funding of the reserve for repairs and replacements is recorded as an expense.
- Reimbursements from the reserve for repairs and replacements are recorded as income when approved by the Agency as opposed to when the actual expenditure is made by the Company.
- Interest earned by the reserve for repairs and replacements fund is recorded directly in restricted equity.

Use of Estimates

The preparation of financial statements in conformity with the basis of accounting described above requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

POP MOYLAN URBAN REDEVELOPMENT COMPANY, LLC
NJHMFA PROJECT NO. 1202
Notes to Financial Statements (Continued)

Note 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk are cash and restricted reserve deposits. The Company deposits its cash with high-credit, quality financial institutions. At various times during the fiscal year, the Company's cash in bank balances exceeded the Federally insured limits. At December 31, 2016, the Company's uninsured cash balances totaled \$10,837.

Accounts Receivable and Bad Debts

Accounts receivable are stated at the amount the Company expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances which are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

Rental Property and Equipment

Property and equipment are recorded at cost. Assets capitalized generally have an original cost of \$1,000 or more and a useful life in excess of seven years. Depreciation is provided using primarily the straight-line method over the estimated useful lives of the assets, ranging from 7 to 27.5 years.

The Company reviews and evaluates its property and equipment for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. An impairment is considered to exist if both (a) the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the assets and (b) the carrying amount exceeds its fair value. If both criteria are met, then recorded amounts of the assets will be reduced to their fair value.

Rental Income

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Company and the tenants of the property are operating leases. Under the Operating Agreement, the Company may not increase rents charged to tenants without prior NJHMFA approval. A portion of the rents of certain tenants are subsidized by payments received under programs funded by the US Department of Housing and Urban Development through its Section 8 Rental Assistance program. The payments are received through the Housing Authority of Gloucester County, New Jersey, and the New Jersey Department of Community Affairs, and total 24% and 26% of net rental income for the years ended December 31, 2016 and 2015, respectively.

Repair and Replacement Reserve

Under the Operating Agreement, the Company is required to set aside amounts for the repair and replacement of property with withdrawals to be approved by NJHMFA. NJHMFA-restricted deposits and related net assets are held in a separate account and are not available for operating purposes.

POP MOYLAN URBAN REDEVELOPMENT COMPANY, LLC
NJHMFA PROJECT NO. 1202
Notes to Financial Statements (Continued)

Note 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Income Taxes

No provision or benefit for income taxes has been included in these financial statements since taxable income or loss passes through to, and is reportable by, the members individually.

Subsequent Events

Subsequent events were evaluated through March 24, 2017, the date the financial statement were available to be issued.

Note 3: **MORTGAGE NOTES PAYABLE**

First Mortgage Note

The Company has a first mortgage note from NJHMFA in the original amount of \$2,817,369 which bears interest at 7.1% per annum. Monthly payments of principal and interest are due in the amount of \$18,934. The loan matures April 2028. At December 31, 2016 and 2015, outstanding principal was \$1,765,471 and \$1,863,514, respectively, and accrued interest payable was \$10,446 and \$11,026, respectively.

An additional annual fee of .65% of the original amount of the mortgage is payable to NJHMFA under the terms of the first mortgage. For the years ended December 31, 2016 and 2015, fees of \$18,313, were charged to expense.

Second Mortgage Note

The Company has a second mortgage note from the Gloucester County Housing Development Corporation (GCHDC), an affiliate of the managing member, in the amount of \$2,847,099. The mortgage bears interest at the rate of 5.03% per annum on the outstanding principal balance. Annual payments of \$188,664 are due commencing on January 1, 1999, and continuing every January 1 through 2028. Payments of principal and interest are due only to the extent of net cash flow as defined in the Operating Agreement. As of December 31, 2016 and 2015, outstanding principal was \$2,687,622 and accrued interest payable was \$2,657,256 and \$2,521,699, respectively.

Third Mortgage Note

The Company has a mortgage note from GCHDC, an affiliate of the managing member, through the Federal Home Loan Bank, in the amount of \$520,000. The mortgage bears interest at the rate of 5.03% per annum on the outstanding principal balance. Annual payments of \$34,458 are due commencing on January 1, 1999, and continuing every January 1 through 2028. Payments of principal and interest are due only to the extent of net cash flow as defined in the Operating Agreement. As of December 31, 2016, no principal payments have been made. As of December 31, 2016 and 2015, accrued interest payable was \$520,788 and \$494,560, respectively.

POP MOYLAN URBAN REDEVELOPMENT COMPANY, LLC
NJHMFA PROJECT NO. 1202
Notes to Financial Statements (Continued)

Note 3: **MORTGAGE NOTES PAYABLE (continued)**

Fourth Mortgage Note

The Company has a mortgage note from the New Jersey Department of Community Affairs in the amount of \$777,665. Interest accrues at the rate of 1% per annum. Beginning January 1, 1998 and continuing every January 1 through 2028, annual payments of \$30,133 are payable from net cash flows as defined in the Operating Agreement. As of December 31, 2016, no principal payments have been made. As of December 31, 2016 and 2015, accrued interest payable was \$153,926 and \$146,128, respectively.

The liability of the Company under the mortgage notes is limited to the underlying value of the real estate collateral plus other amounts deposited with the lender and an assignment of leases from the property.

As of December 31, 2016 and 2015, there was no net cash flow available for payments of debt service other than for the first mortgage note.

Aggregate annual maturities of the mortgage notes payable over each of the next five years and thereafter as of December 31, 2016, are as follows:

December 31,	2017	\$	105,236
	2018		112,956
	2019		121,232
	2020		130,135
	2021		139,682
	Thereafter		<u>5,141,517</u>
			<u>\$ 5,750,758</u>

Note 4: **RELATED PARTY TRANSACTIONS**

Management and Bookkeeping Fee

GCHDC serves as the management company for the Company. GCHDC charges the project a fee for bookkeeping and management services. The fees are \$6.62 and \$54.89 per unit per month, respectively. Management and bookkeeping fees were \$52,694 and \$6,355, respectively, for 2016 and \$52,349 and \$6,336, respectively, for 2015.

Profits, Losses and Distributions

After giving effect to the special allocation provisions defined in the Operating Agreement, all profits and losses, other than from sales or other dispositions, are allocated 1% to the managing member and 99% to the investor member.

Commercial Leases

As described in Note 7, the Company has a commercial lease with an affiliate of a member.

POP MOYLAN URBAN REDEVELOPMENT COMPANY, LLC
NJHMFA PROJECT NO. 1202
Notes to Financial Statements (Continued)

Note 4: RELATED PARTY TRANSACTIONS (continued)

Contracted Employees

The Company does not have its own employees, but instead utilizes employees of the Housing Authority of Gloucester County. Salaries, payroll taxes and related expenses are charged to the Company at cost. If an employee does not work full-time for the Company, his or her time is allocated to the Company based on percentage of time spent on duties associated with the project.

Note 5: OPERATING DEFICIT RESERVE

Pursuant to the Operating Agreement, the managing member was required to establish an operating deficit reserve in the initial amount of \$122,126 from the final capital contribution of the investor member. Annually on each January 10, the managing member is required to deposit the Operating Deficit Reserve Payment, as defined in the Operating Agreement in to the reserve. The reserve is to be used to fund project operations when there is insufficient operating cash available to fund operations. The reserve has been funded and is being held by an affiliate of the managing member on behalf of the Company. The balance at December 31, 2016 and 2015 in the operating deficit reserve was \$139,047 and \$138,838, respectively.

Note 6: GROUND LEASE

The Company has a 50-year ground lease agreement with GCHDC, expiring in 2046, to lease the land on which the rental property owned by Pop Moylan was built. Minimum annual payments of \$500 are due on August 6 of each year. Maximum annual payments of \$10,460 are due and payable to the extent of surplus cash. Maximum annual payments not paid due to insufficient surplus cash may accrue interest at the rate of 12% per annum. Such amounts are not accrued unless GCHDC notifies the Company in writing that additional payments are due. During 2016 and 2015, respectively, \$500 was charged to operations and paid in full. No surplus cash was available to pay additional ground rent, including interest, and no additional ground rent has been accrued at December 31, 2016 and 2015.

Note 7: COMMERCIAL LEASES

An affiliate of a member has entered into an agreement to lease office space from the project. The lease was effective December 1, 1997, and expires November 30, 2037. Annual payments of \$96,450 are receivable in equal monthly installments. For the years ending December 31, 2016 and 2015, respectively, \$96,450 was recognized as rental revenue. This amount has been included in the gross potential rent in the Statements of Operations.

POP MOYLAN URBAN REDEVELOPMENT COMPANY, LLC
NJHMFA PROJECT NO. 1202
Notes to Financial Statements (Continued)

Note 7: **COMMERCIAL LEASES (continued)**

Future minimum lease income for each of the next five years and thereafter as of December 31, 2016 is as follows:

December 31,	2017	\$	96,450
	2018		96,450
	2019		96,450
	2020		96,450
	2021		96,450
	Thereafter		1,535,163
			\$ 2,017,413

Note 8: **CONTINGENCY**

The Company's low-income housing tax credits are contingent on its ability to maintain compliance with applicable sections of Section 42. Failure to maintain compliance with occupant eligibility, and/or unit gross rent, or to correct noncompliance within a specified time period could result in financial penalties.

Note 9: **CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS**

The Company's main asset is the Nancy J. Elkins Seniors Housing Project. The Company's operations are concentrated in the multifamily real estate market. In addition, the Company operates in a heavily regulated environment. The operations of the Company are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, NJHMFA. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by NJHMFA. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Note 10: **COMMITMENTS**

Escrow Commitments – As required by the NJHMFA, the Company was required to make monthly deposits effective January 2016 into the Real Estate Tax escrow account, Insurance escrow account, and Repairs and Replacement escrow account in the amounts of \$1,017, \$3,617, and \$4,125, respectively.

POP MOYLAN URBAN REDEVELOPMENT COMPANY, LLC

NJHMFA PROJECT NO. 1202

SUPPLEMENTARY INFORMATION

(AS REQUIRED BY NJHMFA)

FOR THE YEARS ENDED

DECEMBER 31, 2016 and 2015

POP MOYLAN URBAN REDEVELOPMENT COMPANY, LLC
NJHMFA PROJECT NO. 1202
Supplemental Information
As of December 31, 2016 and 2015

SCHEDULE A - RECEIVABLES OTHER THAN FROM TENANTS

	2016	2015
Other income - roof rent	\$ 1,908	\$ 2,130
Laundry machines	410	410
Refund from repairs and replacements reserve	-	34,800
	\$ 2,318	\$ 37,340

SCHEDULE B - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	2016	2015
<u>Accounts payable</u>		
Utilities	\$ 3,261	\$ 4,600
Administrative	676	967
Repairs and maintenance	10,546	10,698
	\$ 14,483	\$ 16,265
<u>Other accrued expenses</u>		
Estimated incurred but not reported insurance claims - self-insurance	\$ 2,813	\$ 1,897
	\$ 2,813	\$ 1,897

SCHEDULE C - LOANS, NOTES OR MORTGAGE NOTES PAYABLE
(OTHER THAN MORTGAGES PAYABLE TO NJHMFA)

SEE NOTES 3 AND 4.

POP MOYLAN URBAN REDEVELOPMENT COMPANY, LLC
NJHMFA PROJECT NO. 1202
Supplemental Information (Continued)
Years Ended December 31, 2016 and 2015

SCHEDULE D - CHANGES IN RESERVE BALANCES

	Balance December 31, 2015	Additions/ Transfers	Withdrawals/ Transfers	Interest Earned	Balance December 31, 2016
Real estate tax escrow	\$ 16,660	\$ 12,204	\$ (12,092)	\$ 32	\$ 16,804
Insurance escrow	85,660	43,404	(26,360)	196	102,900
Repairs and replacements reserve	698,285	49,500	(51,989)	1,381	697,177
Minimum escrow requirement account	20,637	-	-	-	20,637
	<u>\$ 821,242</u>	<u>\$ 105,108</u>	<u>\$ (90,441)</u>	<u>\$ 1,609</u>	<u>\$ 837,518</u>
	Balance December 31, 2014	Additions/ transfers	Withdrawals/ transfers	Interest earned	Balance December 31, 2015
Real estate tax escrow	\$ 16,161	\$ 12,204	\$ (11,736)	\$ 31	\$ 16,660
Insurance escrow	80,033	41,004	(35,548)	171	85,660
Repairs and replacements reserve	723,345	42,625	(69,115)	1,430	698,285
Minimum escrow requirement account	20,637	-	-	-	20,637
	<u>\$ 840,176</u>	<u>\$ 95,833</u>	<u>\$ (116,399)</u>	<u>\$ 1,632</u>	<u>\$ 821,242</u>

POP MOYLAN URBAN REDEVELOPMENT COMPANY, LLC
NJHMFA PROJECT NO. 1202
Supplemental Information (Continued)
Years Ended December 31, 2016 and 2015

SCHEDULE E - CHANGES IN RENTAL PROPERTY AND EQUIPMENT ACCOUNTS

	Assets			Balance December 31, 2016	Accumulated Depreciation			Balance December 31, 2016	Net Book Value
	Balance December 31, 2015	Additions	Disposals		Balance December 31, 2015	Current Provision	Disposals		
Building and improvements	\$ 8,980,344	\$ -	\$ -	\$ 8,980,344	\$ 5,847,862	\$ 328,652	\$ -	\$ 6,176,514	\$ 2,803,830
Furniture and fixtures	189,695	18,631	-	208,326	135,894	11,585	-	147,479	60,847
	<u>\$ 9,170,039</u>	<u>\$ 18,631</u>	<u>\$ -</u>	<u>\$ 9,188,670</u>	<u>\$ 5,983,756</u>	<u>\$ 340,237</u>	<u>\$ -</u>	<u>\$ 6,323,993</u>	<u>\$ 2,864,677</u>
	Assets			Balance December 31, 2015	Accumulated Depreciation			Balance December 31, 2015	Net Book Value
	Balance December 31, 2014	Additions	Disposals		Balance December 31, 2014	Current Provision	Disposals		
Building and improvements	\$ 8,980,344	\$ -	\$ -	\$ 8,980,344	\$ 5,519,210	\$ 328,652	\$ -	\$ 5,847,862	\$ 3,132,482
Furniture and fixtures	152,971	36,724	-	189,695	125,600	10,294	-	135,894	53,801
	<u>\$ 9,133,315</u>	<u>\$ 36,724</u>	<u>\$ -</u>	<u>\$ 9,170,039</u>	<u>\$ 5,644,810</u>	<u>\$ 338,946</u>	<u>\$ -</u>	<u>\$ 5,983,756</u>	<u>\$ 3,186,283</u>

POP MOYLAN URBAN REDEVELOPMENT COMPANY, LLC
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Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>SCHEDULE F - OTHER INCOME</u>		
Laundry machines	\$ 4,920	\$ 4,745
Vending machines and other services	35,260	47,091
Miscellaneous service income	2,037	484
Income from investments	377	328
Late charges and other	566	461
Other - sale of materials	34	21
	<u>\$ 43,194</u>	<u>\$ 53,130</u>
 <u>SCHEDULE G - ADMINISTRATIVE EXPENSES</u>		
Stationary supplies	\$ 73	\$ 76
Telephone	4,394	3,888
Postage	111	111
Other office expense	688	1,165
Inspection and other fees	3,352	2,291
Advertising	947	747
Legal services	810	324
Credit check fees	505	523
Auditing	15,030	14,990
Social Services	1,242	150
Net congregate expenses	1,269	1,285
Bookkeeping, accounting	6,355	6,336
Miscellaneous administrative expenses	2,597	2,551
Other	4,200	154
	<u>\$ 41,573</u>	<u>\$ 34,591</u>

POP MOYLAN URBAN REDEVELOPMENT COMPANY, LLC
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Supplemental Information (Continued)
Years Ended December 31, 2016 and 2015

	2016	2015
<u>SCHEDULE H - SALARIES AND RELATED CHARGES (CONTRACTED) *</u>		
Superintendent's salary *	\$ 21,778	\$ 19,440
Janitorial salaries *	29,479	23,176
Social services salaries *	6,929	6,541
Office and administrative salaries *	35,574	20,061
Maintenance Salaries *	12,010	-
Employee benefits *	61,301	41,495
Employer's payroll taxes *	8,945	5,613
Worker's compensation insurance *	4,043	2,979
	<u>\$ 180,059</u>	<u>\$ 119,305</u>

SCHEDULE I - MAINTENANCE AND REPAIRS

Plumbing	\$ 869	\$ 295
Electrical	1,135	-
Snow removal	-	1,435
Grounds and landscaping	171	191
Painting and decorating	2,669	769
Small equipment and tools	215	853
Janitorial supplies	3,971	2,178
HVAC Supplies	480	1,130
Hardware supplies	2,968	2,671
Miscellaneous maintenance supplies	9,057	6,866
Land lease	500	500
	<u>\$ 22,035</u>	<u>\$ 16,888</u>

* Pop Moylan Urban Redevelopment Company, LLC does not have its own employees but utilizes employees of the Housing Authority of Gloucester County, either full-time or part-time, who are charged to Pop Moylan at cost, including payroll taxes, benefits and related expenses.

POP MOYLAN URBAN REDEVELOPMENT COMPANY, LLC
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Supplemental Information (Continued)
Years Ended December 31, 2016 and 2015

	2016	2015
<u>SCHEDULE J - MAINTENANCE CONTRACTS</u>		
Monitoring and protection services	\$ 75,261	\$ 74,157
Fire system monitoring	858	808
Cleaning	180	-
Elevator	3,818	2,000
Rubbish removal	5,547	5,317
Heating and air conditioning	2,711	990
Grounds, parking and landscaping	4,175	4,240
Painting and decorating	10,521	6,202
Exterminating	912	1,357
Other maintenance contracts	9,651	6,722
	\$ 113,634	\$ 101,793
 <u>SCHEDULE K - UTILITIES</u>		
Water	\$ 10,424	\$ 7,263
Sewer charges	12,750	7,790
Electricity	40,890	46,920
Fuel	112	250
Gas	8,142	19,451
	\$ 72,318	\$ 81,674
 <u>SCHEDULE L - COMPUTATION OF MANAGEMENT AGENT FEE</u>		
Fee (per unit per month)	\$ 54.89	\$ 54.53
Number of units	80	80
	4,391	4,362
Number of months	12	12
Management agent fee	\$ 52,694	\$ 52,349

POP MOYLAN URBAN REDEVELOPMENT COMPANY, LLC
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Supplemental Information (Continued)
Years Ended December 31, 2016 and 2015

SCHEDULE M - COMPUTATION OF PAYMENT IN
LIEU OF TAXES (PILOT)

	<u>2016</u>	<u>2015</u>
Gross apartments rent	\$ 700,800	\$ 681,600
Less: Section 8 subsidies	191,903	177,499
Less: Vacancy loss	<u>45,392</u>	<u>42,930</u>
Net apartment rents	463,505	461,171
Commercial rent	<u>96,450</u>	<u>96,450</u>
Total tenant rent	559,955	557,621
Less: Utilities	<u>72,318</u>	<u>81,674</u>
Total tenant rent less utilities	487,637	475,947
PILOT rate	<u>2.5%</u>	<u>2.5%</u>
Total PILOT due	12,191	11,899
PILOT paid	<u>9,074</u>	<u>8,881</u>
PILOT payable	<u>\$ 3,117</u>	<u>\$ 3,018</u>

POP MOYLAN URBAN REDEVELOPMENT COMPANY, LLC
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Years Ended December 31, 2016 and 2015

SCHEDULE N - CUMULATIVE RETURN ON EQUITY

Return on equity 11.12%

Per NJHMFA

1996	\$ 2,998
1997	57,408
1998	77,057
1999	248,792
2000	267,007
2001	267,007
2002	267,007
2003	267,007
2004	267,007
2005	267,007
2006	267,007
2007	267,007
2008	267,007
2009	267,007
2010	267,007
2011	267,007
2012	267,007
2013	267,007
2014	267,007
2015	267,007
2016	<u>267,007</u>

Total accumulated return on equity	<u>\$ 4,925,369</u>
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Amount distributed	<u>\$ -</u>
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Contributions

Syndication payments	<u>\$ 2,401,138</u>
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Total contribution basis for return on equity	<u>\$ 2,401,138</u>
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x 11.12%	<u> </u>
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Return on equity - 2016	<u>\$ 267,007</u>
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There were no distributions to partners during the year ended December 31, 2016.

POP MOYLAN URBAN REDEVELOPMENT COMPANY, LLC
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Supplemental Information (Continued)
Years Ended December 31, 2016 and 2015

SCHEDULE O - RELATED PARTY TRANSACTIONS

<u>Company Name</u>	<u>Type of Service</u>	<u>Amount Paid (Received)</u>	
		<u>2016</u>	<u>2015</u>
Gloucester County Housing Development Corporation	Bookkeeping and reporting services	\$ 6,355	\$ 6,336
Gloucester County Housing Development Corporation	Management fee paid	105,668	54,756
Gloucester County Housing Development Corporation	Ground lease	500	500
Housing Authority of Gloucester County	Contracted salaries and related expenses	164,642	119,305
Housing Authority of Gloucester County	Rent income	<u>(96,450)</u>	<u>(96,450)</u>
		<u>\$ 180,715</u>	<u>\$ 84,447</u>

**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 Members of
Pop Moylan Urban Redevelopment Company, LLC

We have audited, 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, the financial statements of Pop Moylan Urban Redevelopment Company, LLC, which comprise the balance sheet as of December 31, 2016, and the related statements of operations, members' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated March 24, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Furthermore, during the performance of our audit of the financial statements of Pop Moylan Urban Redevelopment Company, LLC, nothing came to our attention that caused us to believe that:

- Pop Moylan Urban Redevelopment Company, LLC had not filed and paid its federal, state and local income taxes (including payroll taxes) in a timely manner; and
- Pop Moylan Urban Redevelopment Company, LLC made any cash distributions to the partners that were not duly authorized by the New Jersey Housing and Mortgage Finance Agency (NJHMFA).

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants

Woodbury, New Jersey
March 24, 2017