

COLONIAL PARK, L.P.

NJHMFA PROJECT NO. 2659

FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021

COLONIAL PARK, LP
NJHMFA PROJECT NO. 2659

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INDEPENDENT AUDITOR'S REPORT

To the Partners of
Colonial Park, LP

Report on Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Colonial Park, LP (a New Jersey limited partnership), NJHMFA Project No. 2659, which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations, changes in partners' capital (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Colonial Park, LP as of December 31, 2022 and 2021, the results of its operations, the changes in partners' capital (deficit) and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Colonial Park, LP and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Colonial Park, LP's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Colonial Park, LP's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Colonial Park, LP's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

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

The supplementary schedules 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, except for Schedule Q, which has been presented in accordance with accounting principles 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*, we have also issued our report dated March 31, 2023 on our consideration of Colonial Park, LP'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 Colonial Park, LP's internal control over financial reporting and compliance.

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants

Woodbury, New Jersey
March 31, 2023

COLONIAL PARK, LP
NJHMFA PROJECT NO. 2659
Balance Sheets
As of December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets		
Cash - operating	\$ 1,194,350	\$ 1,156,685
Tenant accounts receivable - current tenants (net of allowance for doubtful accounts of \$66,292 in 2022 and \$46,000 in 2021)	9,569	21,318
Accounts receivable - HUD	158	2,064
Due from NJHMFA for negative arbitrage	101,918	101,918
Miscellaneous receivables	47,225	40,541
Prepaid expenses	65,943	48,717
Other assets	<u>13,561</u>	<u>13,561</u>
Total current assets	1,432,724	1,384,804
Tenant security deposits	73,726	71,338
Restricted deposits and funded reserves	2,226,461	2,088,719
Property and equipment, net of accumulated depreciation	<u>17,799,749</u>	<u>18,304,214</u>
Right-of-use asset - operating lease	<u>1,495,931</u>	-
Total assets	<u><u>\$ 23,028,591</u></u>	<u><u>\$ 21,849,075</u></u>
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities		
Accounts payable	\$ 91,304	\$ 72,974
Accrued liabilities	25,908	17,226
Prepaid rents	15,537	12,839
Accrued real estate taxes (PILOT)	6,933	6,888
Due to Housing Authority of Gloucester County	34,902	44,061
Current portion of long-term debt	90,838	86,388
Current portion of lease liability - operating lease	47,863	-
Unclaimed funds	313	300
Deferred development fee	<u>37,475</u>	<u>174,141</u>
Total current liabilities	<u>351,073</u>	<u>414,817</u>
Deposits liability		
Tenant security deposits payable	<u>73,726</u>	<u>71,338</u>
Long-term liabilities		
Lease liability - operating lease, net of current portion	1,450,645	-
Mortgages payable	13,612,616	13,670,498
Deferred development fee, net of current portion	1,027,670	1,065,145
Ground lease payable	1,256,200	1,065,200
Accrued interest payable	<u>3,485,858</u>	<u>3,193,470</u>
Total long-term liabilities	<u>20,832,989</u>	<u>18,994,313</u>
Total liabilities	<u>21,257,788</u>	<u>19,480,468</u>
Partners' capital (deficit)		
Partners' capital (deficit)	(124,359)	671,988
Repairs and replacement reserve	<u>1,895,162</u>	<u>1,696,619</u>
Total partners' capital	<u>1,770,803</u>	<u>2,368,607</u>
	<u><u>\$ 23,028,591</u></u>	<u><u>\$ 21,849,075</u></u>

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

COLONIAL PARK, LP
NJHMFA PROJECT NO. 2659
Statements of Operations
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenue		
Gross potential rent	\$ 2,853,059	\$ 2,754,415
Less vacancy loss and collection losses	<u>62,340</u>	<u>36,040</u>
Net rental income	2,790,719	2,718,375
Other income	<u>66,443</u>	<u>71,704</u>
	<u>2,857,162</u>	<u>2,790,079</u>
Expenses		
Administrative expenses	59,655	57,911
Salaries & related charges (contracted)	1,288,080	1,150,988
Maintenance contracts	85,535	53,141
Maintenance and repairs	174,198	154,932
Management fee	157,024	137,976
Payment in lieu of taxes	12,268	12,300
Property and liability insurance	164,203	127,655
Utilities	<u>238,310</u>	<u>219,960</u>
	<u>2,179,273</u>	<u>1,914,863</u>
Income from operations before interest, depreciation, and fees and changes	<u>677,889</u>	<u>875,216</u>
Interest and other		
Interest on mortgages and lease	<u>(622,649)</u>	<u>(615,762)</u>
Income from operations before depreciation and fees and changes	55,240	259,454
Depreciation expense (equal to mortgage principal amortization)	<u>(86,388)</u>	<u>(82,183)</u>
Income (loss) from operations before excess depreciation and fees and charges	(31,148)	177,271
Depreciation expense (in excess of mortgage principal)	(548,482)	(547,924)
Fees and charges (NJHMFA)	<u>(18,174)</u>	<u>(18,175)</u>
Net loss	<u>\$ (597,804)</u>	<u>\$ (388,828)</u>

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

COLONIAL PARK, LP
NJHMFA PROJECT NO. 2659
Statements of Changes in Partners' Capital (Deficit)
Years Ended December 31, 2022 and 2021

	Total	General Partner	Limited Partner	Repair and Replacement Reserve
Balance December 31, 2020	\$ 2,757,435	\$ 92,445	\$ 1,140,232	\$ 1,524,758
Capital contributions	-	-	-	-
Net loss	<u>(388,828)</u>	<u>(56)</u>	<u>(560,633)</u>	<u>171,861</u>
Balance December 31, 2021	2,368,607	92,389	579,599	1,696,619
Capital contributions	-	-	-	-
Net loss	<u>(597,804)</u>	<u>(80)</u>	<u>(796,267)</u>	<u>198,543</u>
Balance December 31, 2022	<u><u>\$ 1,770,803</u></u>	<u><u>\$ 92,309</u></u>	<u><u>\$ (216,668)</u></u>	<u><u>\$ 1,895,162</u></u>

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

Colonial Park, LP
NJHMFA PROJECT NO. 2659
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Rental receipts	\$ 2,809,460	\$ 2,713,811
Other receipts	42,533	49,949
Total receipts	<u>2,851,993</u>	<u>2,763,760</u>
Administrative expenses	70,775	45,853
Salaries & related charges (contracted)	1,297,239	1,410,432
Maintenance contracts	85,535	45,538
Maintenance and repairs	36,328	68,133
Management fee	157,024	137,976
Payment in lieu of taxes	12,223	12,300
Property and liability insurance	164,203	127,655
Utilities	235,458	216,660
Interest	206,335	210,508
Fees and charges	18,174	18,175
Deferred development fee paid	<u>174,141</u>	<u>95,417</u>
Total disbursements	<u>2,457,435</u>	<u>2,388,647</u>
Net cash provided by operating activities	<u>394,558</u>	<u>375,113</u>
Cash flows from investing activities		
Purchase of property and equipment	<u>(130,405)</u>	<u>(55,569)</u>
Cash flows from financing activities		
Principal payments on note payable, secured by mortgage	<u>(86,358)</u>	<u>(82,183)</u>
Net increase in cash	177,795	237,361
Cash, beginning	<u>3,316,742</u>	<u>3,079,381</u>
Cash, ending	<u>\$ 3,494,537</u>	<u>\$ 3,316,742</u>
Reconciliation of cash, security deposits, and restricted deposits and funded reserves within the balance sheet that sum to the total of the same amounts shown in the statement of cash flows:		
Cash - operating	\$ 1,194,350	\$ 1,156,685
Tenant security deposits	73,726	71,338
Restricted deposits and funded reserves	<u>2,226,461</u>	<u>2,088,719</u>
	<u>\$ 3,494,537</u>	<u>\$ 3,316,742</u>

(Continued)

Colonial Park, LP
NJHMFA PROJECT NO. 2659
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Net loss	\$ (597,804)	\$ (388,828)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation	634,870	630,107
Amortization	32,926	33,597
Accrued ground lease payable	191,000	174,250
Accrued interest payable	292,388	292,406
Provision for bad debt	20,292	6,000
Changes in assets and liabilities		
(Increase) decrease in		
Accounts receivable - tenants	(8,543)	(19,015)
Accounts receivable - HUD	1,906	6,190
Miscellaneous receivables	(6,684)	(8,819)
Prepaid expenses	(17,226)	(12,936)
Right-of-use asset - operating lease	(1,495,931)	
Increase (decrease) in		
Accounts payable	18,330	17,159
Accrued liabilities	8,682	(2,698)
Accrued real estate taxes (PILOT)	45	-
Prepaid rents	2,698	5,471
Lease liability - operating lease	1,498,508	-
Due to Housing Authority of Gloucester County	(9,159)	(259,444)
Deferred development fee	(174,141)	(95,417)
Unclaimed funds	13	300
Tenant security deposits	2,388	(3,210)
Net cash provided by operating activities	<u>\$ 394,558</u>	<u>\$ 375,113</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 210,509</u>	<u>\$ 210,509</u>

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

COLONIAL PARK, LP
NJHMFA PROJECT NO. 2659
Notes to Financial Statements

Note 1: ORGANIZATION

Colonial Park, L.P. (the Partnership) was formed as a limited partnership under the laws of the State of New Jersey on December 29, 2011. The purpose of the Partnership includes, but is not limited to, rehabilitating and operating an affordable housing project consisting of 199 rental units for senior citizens and disabled families. The Partnership utilizes 1 rental unit for a superintendent. The property is located in Woodbury, New Jersey. The building which houses an apartment complex was purchased in February 2011 and renovation activities commenced at that time. Renovations were completed December 12, 2013. By agreement, the Partnership is to be terminated by December 31, 2070.

Rents are subsidized by the United States Department of Housing and Urban Development (HUD) under Section 8 Contract #NJ160029002, dated May 20, 2011 and effective for a period of 20 years. This contract was a renewal of the contract which was previously between Seniors Housing Development Corporation of Gloucester County ("SHDC") and HUD originally dated September 21, 1979 and effective May 20, 1981.

Substantially all of the assets of the partnership are encumbered by mortgages. The mortgages are nonrecourse to the partnership and the partners.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Basis of Accounting

The financial statements of the Partnership are prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

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.

Concentration of Credit Risk

Financial instruments that potentially subject the Partnership to concentration of credit risk are cash and restricted reserve deposits. The Partnership deposits its cash with high-credit, quality financial institutions. At various times during the fiscal year, the Partnership's cash in bank balances exceeded the Federally insured limits. At December 31, 2022, the Partnership's uninsured cash balances totaled \$1,028,417.

Accounts Receivable and Bad Debts

Accounts receivable are stated at the amount the Partnership 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.

COLONIAL PARK, LP
NJHMFA PROJECT NO. 2659
Notes to Financial Statements (continued)

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

Property and Equipment

Property and equipment are recorded at cost. Assets capitalized generally have an original cost of \$2,000 or more and a useful life in excess of one year. Assets with net book balances of less than the capitalization threshold were written off. Depreciation is provided using primarily the straight-line method over the estimated useful lives of the assets, ranging from 5 to 40 years.

The Partnership 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.

For tax purposes, accelerated methods are used to depreciate the land improvements, building, and equipment over shorter useful lives.

Leases

The Partnership determines if a contract is a leasing arrangement and the classification of that lease, if applicable, at inception. Operating lease assets represent the right to control the use of an identified asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. For operating leases, the Partnership uses the risk-free rate of return. The Partnership recognizes operating lease expense for operating leases on a straight-line basis over the lease term.

The Partnership has a 50-year ground lease with SHDC. Leases with an initial term of 12 months or less are not recorded on the balance sheet and are expensed on a straight-line basis. Lease and non-lease components are accounted for together as a single lease component for operating leases associated with office space. Prior to January 1, 2022, and the implementation of ASU 2016-02, Leases (Topic 842), equipment operating leases were accounted for as expense in the statements of operations when the rental payment was incurred. No asset or liability was recorded for operating leases.

Rental Property

The Partnership does not own the land on which the building is situated, but rents the land from the previous owner of the building. (See Note 7.) Rental property is recorded at cost. Rental property is depreciated over the respective assets' estimated useful lives using the straight-line method for financial reporting purposes.

Debt Issuance Costs

The Partnership presents debt issuance costs as a reduction of the carrying amount of the debt. Amortization of the debt issuance costs is reported as interest expense in the statements of operations.

COLONIAL PARK, LP
NJHMFA PROJECT NO. 2659
Notes to Financial Statements (continued)

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

Revenue Recognition

The Partnership's primary revenue stream is rent charges for residential units under leases with durations of less than one year. The Partnership records revenue for such leases at gross potential rent as prescribed by New Jersey Housing Mortgage Finance Agency (NJHMFA). Under the Operating Agreement, the Partnership may not increase rents charged to tenants without prior NJHMFA approval. The rental value of vacancies and other concessions are stated separately to present net rental income on the accrual basis. Subsidy revenue for low-income eligible tenants is provided under a Section 8 housing assistance payment contract. This contract requires tenants to contribute a portion of the contract rent based on formulas prescribed by the Department of Housing and Urban Development (HUD). The difference from the calculated subsidy and the contract rent is paid by HUD. The current contract expires on May 21, 2031. For the years ended December 31, 2022 and 2021, subsidy revenue of \$2,061,483 and \$1,966,998, respectively, was included in rental income. These totals represent 71% of net rental income for the years ended December 31, 2022 and 2021.

Subsidy income is considered part of the lease and is not considered a contribution under ASC 958. This standard indicates that government payments to specifically identified participants are to be considered exchange transactions and potentially subject to ASC 606. The Partnership believes that both rental and subsidy income streams are exempted from compliance with ASC 606 due to their inclusion under current and future lease standards. Revenue streams involving tenants which are subject to ASC 606 include: tenant reimbursement of consumption-based costs paid by the Partnership on behalf of the tenant, such as utilities and other monthly fees. Additional revenue includes laundry, vending, and damages. Such fees are ancillary to the lease process and are recognized as revenue at the point in time such fees are incurred.

Income Taxes

The entity is recognized as a partnership for federal and state purposes. No provision for income taxes is presented in the accompanying financial statements since taxable income or loss is reported by the partners on their individual income tax returns.

New Accounting Pronouncement Adopted

Leases – Issued in February 2016, Accounting Standards Update (ASU) No. 2016-02 requires lessees to recognize right-of-use assets and lease liabilities on the balance sheet for the rights and obligations created by all leases with terms of more than 12 months. This new accounting will apply to both types of leases—capital (or finance) leases and operating leases. Previously, GAAP has required only capital leases to be recognized on lessee balance sheets. The adoption of this standard had a material impact on the financial statements. The Company adopted the standard using the modified retrospective approach with January 1, 2022, as the date of initial adoption. The results for reporting periods after January 1, 2022 are presented under Topic 842, while prior periods have not been adjusted.

The Partnership elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Partnership to carry forward the historical lease classification.

COLONIAL PARK, LP
NJHMFA PROJECT NO. 2659
Notes to Financial Statements (continued)

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued)

As a result of adopting the new standards, the Partnership recorded additional net lease assets and lease liabilities of \$1,539,514 as of January 1, 2022. Adoption of the new standard did not materially impact the Partnership's change in partners' capital (deficit).

Note 3: CAPITAL CONTRIBUTIONS

In accordance with the Third Amended and Restated Partnership Agreement, the limited partner is required to make capital contributions up to \$7,517,529. The first payment in the amount of \$700,000 was made in December 2011 and an additional payment of \$6,054,970 was made in June 2014, satisfying the second and third installments of the Capital Contribution requirements. In 2021, the general partner contributed \$10,930 to pay for repairs to the lobby's walls.

Note 4: RESTRICTED DEPOSITS AND FUNDED RESERVES

The financing documents for the partnership's debt with the NJHMFA require the partnership to maintain with the NJHMFA certain restricted cash accounts. All reserve and escrow accounts are required to be held in accounts under the sole control of the NJHMFA and paid out for the benefit of the project as needed on request of the partnership. Monthly payments to fund the escrow accounts in amounts determined by NJHMFA are required in conjunction with the payments of principal and interest on the debt. Any interest that may be earned on the accounts remains in the escrow accounts and is available to be used for similar purposes unless the partnership and NJHMFA mutually agree to apply the funds to some other project purpose. The summary of escrow balances are as follows:

	December 31,	
	2022	2021
Repairs and replacement reserve	\$ 1,895,162	\$ 1,696,619
Insurance escrow	63,441	128,685
Operating reserve	204,427	204,293
Debt service escrow	41,472	41,472
Tax escrow	12,762	12,700
Mortgage insurance premium escrow	9,197	4,918
Working capital	-	32
Total restricted deposits and funded reserves	<u>\$ 2,226,461</u>	<u>\$ 2,088,719</u>

Note 5: LEASES

Leases - The Partnership has a ground lease from SHDC. (See Note 8) under a non-cancelable lease agreement. The following summarizes the line items in the statements of the Partnership which include amounts for operating leases as of December 31, 2022:

Operating Leases	
Operating lease right-of-use assets	<u>\$ 1,495,931</u>
Operating lease liabilities – current portion	\$ 47,863
Operating lease liabilities – long-term portion	<u>1,450,645</u>
	<u>\$ 1,498,508</u>

COLONIAL PARK, LP
NJHMFA PROJECT NO. 2659
Notes to Financial Statements (continued)

Note 5: **LEASES (continued)**

The following summarizes the weighted average remaining lease term and discount rate as of December 31, 2022:

Weighted Average Remaining Lease Term	
Operating lease	20.15 years
Weighted Average Discount Rate	
Operating lease	4.00%

The maturities of lease liabilities as of December 31, 2022 are as follows:

Year Ending December 31:

2023	\$ 105,000
2024	110,000
2025	115,000
2026	120,000
2027	125,000
Thereafter	<u>1,495,000</u>
Total lease payments	2,070,000
Less: imputed interest	<u>571,492</u>
Present value of lease liabilities	<u><u>\$ 1,498,508</u></u>

See also Note 8 for information related to interest on unpaid lease liability.

COLONIAL PARK, LP
NJHMFA PROJECT NO. 2659
Notes to Financial Statements (continued)

Note 6: PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION

The Authority's property and equipment activity for the years ended December 31, 2022 and 2021 was as follows:

	Balance December 31, 2021	Additions	Reductions	Balance December 31, 2022
Buildings and improvements	\$ 23,935,088	\$ 79,896	\$ -	\$ 24,014,984
Furniture and fixtures	229,805	50,508	-	280,313
	24,164,893	130,404	-	24,295,297
Less accumulated depreciation	5,860,679	634,879	-	6,495,548
Net property and equipment	<u>\$ 18,304,214</u>	<u>\$ (504,466)</u>	<u>\$ -</u>	<u>\$ 17,799,749</u>

	Balance December 31, 2020	Additions	Reductions	Balance December 31, 2021
Buildings and improvements	\$ 23,924,158	\$ 10,930	\$ -	\$ 23,935,088
Furniture and fixtures	185,166	44,639	-	229,805
	24,109,324	55,570	-	24,164,893
Less accumulated depreciation	5,230,572	630,107	-	5,860,679
Net property and equipment	<u>\$ 18,878,752</u>	<u>\$ (574,537)</u>	<u>\$ -</u>	<u>\$ 18,304,214</u>

COLONIAL PARK, LP
NJHMFA PROJECT NO. 2659
Notes to Financial Statements (continued)

Note 7: NOTES PAYABLE SECURED BY MORTGAGES

In connection with the development of the property, the Partnership has the following nonrecourse notes secured by mortgages:

Note secured by first mortgage

In 2011, New Jersey Housing and Mortgage Finance Agency issued a commitment to finance a note secured by a first mortgage for the acquisition and renovation of the project in the amount of \$5,872,659, of which \$4,808,894 was drawn. The note bears interest at 6.55%, which was amended to 5% on May 30, 2012. From the date of the note, December 2011, to January 1, 2014, accrued interest only was due on amounts drawn and billed monthly. This note was amended effective December 1, 2016, to update the principal in the amount of \$4,543,601 and extend the maturity date to November 1, 2046. Accrued interest on this note was \$16,996 and \$17,356 at December 31, 2022 and 2021, respectively. Monthly payments of principal and interest were due in the amount of \$24,391. The balance of this note was \$4,078,967 and \$4,165,325 at December 31, 2022 and 2021, respectively.

Note secured by second mortgage

The note secured by the second mortgage is an interest subsidy loan provided by NJHMFA in the amount of \$512,723. The note was paid in full in 2017.

Note secured by third mortgage

The note secured by the third mortgage in the amount of \$1,880,003 is payable to Fulton Home Bank of New Jersey, a member bank of the Federal Home Loan Bank (FHLB) of NY. The loan was provided by the FHLB's affordable housing program. No repayment is required so long as the Partnership maintains the property as an affordable housing project for 15 years. The note is non-interest bearing. SHDC is the sponsor/guarantor of the note. Proceeds were used to make final payments on the second note secured by the first mortgage.

Note secured by fourth mortgage

The note secured by the fourth mortgage is owed to Seniors Housing Development Corporation of Gloucester County (SHDC), the principal shareholder of the General Partner. The amount outstanding is \$8,200,222 at December 31, 2022 and 2021. Interest is payable on the note at the rate of 3.57% calculated on a 365 day year. The note has no specific maturity date. This loan is a nonrecourse loan as to all general partners of CPLP and is due to be repaid in annual principal payments plus accrued interest beginning June 1, 2012 from available cash flow after payment of certain expenses and fees as defined in the Third Amended and Restated Partnership Agreement of CPLP. No payments were made in 2022 or 2021. Accrued interest on this note was \$3,468,862 and \$3,176,114 at December 31, 2022 and 2021, respectively.

COLONIAL PARK, LP
NJHMFA PROJECT NO. 2659
Notes to Financial Statements (continued)

Note 7: NOTES PAYABLE SECURED BY MORTGAGES (continued)

Aggregate annual maturities of all mortgage loans payable are as follows:

Year Ending December 31,	
2023	\$ 90,808
2024	95,454
2025	100,337
2026	105,471
2027	110,867
Thereafter	<u>13,656,255</u>
	14,159,192
Less: Debt issuance costs, net	<u>455,738</u>
	<u>\$ 13,703,454</u>

Note 8: RELATED PARTY TRANSACTIONS

Development fee

SHDC served as developer for the substantial renovation of the Colonial Park Apartments. For the performance of this function, SHDC earned a development fee of \$3,065,643. SHDC was paid \$174,141 and \$95,417 during 2022 and 2021, respectively. Development fee payable is \$1,065,145 and \$1,239,286 as of December 31, 2022 and 2021, respectively. Any amount of the deferred development fee that has not been paid in full will become due on December 31, 2025.

Management Partnership

SHDC serves as the management Partnership for the Partnership. SHDC charges the project a fee for bookkeeping and management services. The fees are \$7.29 and \$60.01 per unit per month, respectively. The bookkeeping fee is capped at \$1,105 per month. For the year ended December 31, 2022 and 2021 the organization paid an additional \$13,000 and \$0 in bonus management fee, respectively. Management and bookkeeping fees were \$157,024 and \$13,440, respectively, for 2022 and \$137,976 and \$13,260, respectively, for 2021.

Partnership profits, losses, and distributions

The third amended and restated partnership agreement, which was effective December 8, 2011, provides that items of Partnership income or loss, other than from sales or other dispositions, are allocated .01% to the general partner, and 99.99% to the limited partner. Specific allocations are determined and governed by the Partnership agreement.

COLONIAL PARK, LP
NJHMFA PROJECT NO. 2659
Notes to Financial Statements (continued)

Note 8: RELATED PARTY TRANSACTIONS (continued)

Ground lease

The Partnership entered into a ground lease agreement with SHDC to lease the land on which the building stands for a period of 32 years. The annual lease payment varies from a low of \$10,000 in 2011 to a high in 2028 and 2029 at \$130,000 per year. Interest accrues on the unpaid balance of principal and interest at a rate of 1% per month. No ground lease payments were made in 2022 or 2021. Lease expense at December 31, 2022 and 2021 is \$102,577 and \$95,000, respectively. Accrued interest on the ground lease payable at December 31, 2022 and 2021 is \$800,000 and \$700,000, respectively. See also Note 5.

Notes payable

As described in Note 7, the Partnership has a note payable to its management Partnership.

General partner

The general partner is a corporation, eMurphyg, Inc. The stock of eMurphyg is owned 79% by SHDC.

Contracted employees

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

Note 9: ALLOWABLE DISTRIBUTIONS TO PARTNERS

Under the terms of the Third Amended and Restated Partnership Agreement, distributions to partners from funds provided by rental operations are allowed, provided that cash flow is available after payment of operating expenses, deposits to reserves, permanent debt service, and other required payments. For the year ended December 31, 2022 and 2021, there was no surplus cash available for allowable distributions to partners.

Note 10: COMMITMENTS AND CONTINGENCIES

The Partnership received a commitment for an annual allocation of \$841,825 of low income housing tax credits from New Jersey Housing and Mortgage Finance Agency.

The Partnership's low-income housing tax credits are contingent on its ability to maintain compliance with applicable provisions of Section 42 of the Internal Revenue Code (IRC 42), as amended, through 2028. Failure to maintain compliance with occupant eligibility and/or unit gross rent or to correct noncompliance within a specified time period could result in recapture of previously taken tax credits plus interest. In addition, such potential noncompliance may require an adjustment to the contributed capital of the limited partner. Management believes it is operating in compliance with IRC 42.

The Partnership has no significant contracts outstanding at the end of the year.

Certain claims have been filed against the Partnership. In the opinion of management, all matters are adequately covered by insurance or are without merit.

COLONIAL PARK, LP
NJHMFA PROJECT NO. 2659
Notes to Financial Statements (continued)

Note 11: VULNERABILITY DUE TO CONCENTRATION

The Partnership's sole revenue producing asset is the housing project; operations are concentrated in the multi-family real estate market. In addition, the Partnership operates in a regulated environment. Operations of the Partnership are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, NJDCA. Such administrative directives, rules and regulations are subject to change. 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 12: COVID-19 PANDEMIC

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a "Public Health Emergency of International Concern," which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the Partnership, its performance, and its financial results.

Note 13: SUBSEQUENT EVENTS

The Partnership has evaluated subsequent events through March 31, 2023, the date the financial statements were available to be issued.

COLONIAL PARK, LP

NJHMFA PROJECT NO. 2659

SUPPLEMENTARY INFORMATION

(AS REQUIRED BY NJHMFA)

FOR THE YEARS ENDED

DECEMBER 31, 2022 AND 2021

COLONIAL PARK, LP
NJHMFA PROJECT NO. 2659
Supplemental Information
As of December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>SCHEDULE A - RECEIVABLES OTHER THAN FROM TENANTS</u>		
Due from NJHMFA for negative arbitrage	\$ 101,918	\$ 101,918
Solar credits	30,040	37,191
Other receivables	<u>17,185</u>	<u>3,350</u>
	<u><u>\$ 149,143</u></u>	<u><u>\$ 142,459</u></u>
 <u>SCHEDULE B - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES</u>		
<u>Accounts payable</u>		
Utilities	\$ 49,520	\$ 46,669
Additions/Other	840	7,603
Maintenance	40,589	2,719
Administrative	<u>355</u>	<u>15,983</u>
	<u><u>\$ 91,304</u></u>	<u><u>\$ 72,974</u></u>
 <u>Accrued liabilities</u>		
Estimated incurred but not reported insurance claims - self-insurance	\$ 22,908	\$ 14,226
Investor service fee	<u>3,000</u>	<u>3,000</u>
	<u><u>\$ 25,908</u></u>	<u><u>\$ 17,226</u></u>

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

SEE NOTES 7 AND 8.

COLONIAL PARK, LP
NJHMFA PROJECT NO. 2659
Supplemental Information (Continued)
Years Ended December 31, 2022 and 2021

SCHEDULE D - CHANGES IN RESERVE BALANCES

	Balance December 31, 2021	Additions/ Transfers	Withdrawals/ Transfers	Interest Earned	Balance December 31, 2022
Repair and replacement reserve	\$ 1,696,618	\$ 199,856	\$ (2,500)	\$ 1,188	\$ 1,895,162
Insurance escrow	128,685	96,750	(162,058)	64	63,441
Operating reserve	204,294	-	-	133	204,427
Minimum escrow requirement account	41,472	-	-	-	41,472
Real estate tax escrow	12,699	12,276	(12,223)	10	12,762
MIP	4,919	27,075	(22,807)	10	9,197
Working capital	32	-	(32)	-	-
	<u>\$ 2,088,719</u>	<u>\$ 335,957</u>	<u>\$ (199,620)</u>	<u>\$ 1,405</u>	<u>\$ 2,226,461</u>
	Balance December 31, 2020	Additions/ Transfers	Withdrawals/ Transfers	Interest Earned	Balance December 31, 2021
Repair and replacement reserve	\$ 1,524,757	\$ 198,814	\$ (27,813)	\$ 860	\$ 1,696,618
Insurance escrow	231,365	31,986	(134,805)	139	128,685
Operating reserve	204,185	-	-	109	204,294
Minimum escrow requirement account	41,472	-	-	-	41,472
Real estate tax escrow	12,786	12,204	(12,300)	9	12,699
MIP	8,438	19,781	(23,310)	10	4,919
Working capital	32	-	-	-	32
	<u>\$ 2,023,035</u>	<u>\$ 262,785</u>	<u>\$ (198,228)</u>	<u>\$ 1,127</u>	<u>\$ 2,088,719</u>

COLONIAL PARK, LP
NJHMFA PROJECT NO. 2659
Supplemental Information (Continued)
Years Ended December 31, 2022 and 2021

SCHEDULE E - CHANGES IN PROPERTY AND EQUIPMENT ACCOUNTS

	Assets				Accumulated Depreciation				Net Book Value
	Balance December 31, 2021	Additions	Disposals	Balance December 31, 2022	Balance December 31, 2021	Current Provision	Disposals	Balance December 31, 2022	
Building and improvements	\$ 23,935,088	\$ 79,896	\$ -	\$ 24,014,984	\$ 5,735,166	\$ 599,507	\$ -	\$ 6,334,673	\$ 17,680,311
Furniture and fixtures	229,805	50,508	-	280,313	125,513	35,362	-	160,875	119,438
	<u>\$ 24,164,893</u>	<u>\$ 130,404</u>	<u>\$ -</u>	<u>\$ 24,295,297</u>	<u>\$ 5,860,679</u>	<u>\$ 634,869</u>	<u>\$ -</u>	<u>\$ 6,495,548</u>	<u>\$ 17,799,749</u>

	Assets				Accumulated Depreciation				Net Book Value
	Balance December 31, 2020	Additions	Disposals	Balance December 31, 2021	Balance December 31, 2020	Current Provision	Disposals	Balance December 31, 2021	
Building and improvements	\$ 23,924,158	\$ 10,930	\$ -	\$ 23,935,088	\$ 5,136,770	\$ 598,396	\$ -	\$ 5,735,166	\$ 18,199,922
Furniture and fixtures	185,166	44,639	-	229,805	93,802	31,711	-	125,513	104,292
	<u>\$ 24,109,324</u>	<u>\$ 55,569</u>	<u>\$ -</u>	<u>\$ 24,164,893</u>	<u>\$ 5,230,572</u>	<u>\$ 630,107</u>	<u>\$ -</u>	<u>\$ 5,860,679</u>	<u>\$ 18,304,214</u>

COLONIAL PARK, LP
NJHMFA PROJECT NO. 2659
Supplemental Information (Continued)
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>SCHEDULE F - OTHER INCOME</u>		
Laundry machines	\$ 9,063	\$ 10,200
Miscellaneous service income	11,583	11,158
Income from investments	17,320	3,792
Late charges	371	1,109
Solar credits	28,106	37,191
COVID other income	<u>-</u>	<u>8,254</u>
	<u><u>\$ 66,443</u></u>	<u><u>\$ 71,704</u></u>
<u>SCHEDULE G - ADMINISTRATIVE EXPENSES</u>		
Stationery supplies	\$ 1,291	\$ -
Telephone	8,725	8,914
Postage	53	-
Inspection and other fees	3,389	3,980
Other professional fees	-	3,850
Advertising	67	-
Legal services	3,035	2,690
Credit check fees	679	1,038
Annual audit	16,570	16,305
Social services	2,996	850
Net Congregate expenses	213	57
Bookkeeping, accounting	13,440	13,260
Miscellaneous administrative expenses	6,925	3,021
Other - office expenses	<u>2,272</u>	<u>3,946</u>
	<u><u>\$ 59,655</u></u>	<u><u>\$ 57,911</u></u>

COLONIAL PARK, LP
NJHMFA PROJECT NO. 2659
Supplemental Information (Continued)
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>SCHEDULE H - SALARIES AND RELATED CHARGES (CONTRACTED) *</u>		
Superintendent's salary *	\$ 68,329	\$ 62,335
Janitorial salaries *	69,955	63,687
Security salaries*	167,755	154,067
Social services salaries *	107,028	131,251
Office and administrative salaries *	134,693	124,129
Maintenance salaries*	55,730	46,652
Employee benefits *	613,406	496,996
Employer's payroll taxes *	50,122	48,413
Worker's compensation insurance *	21,062	23,458
	<u>\$ 1,288,080</u>	<u>\$ 1,150,988</u>
<u>SCHEDULE I - MAINTENANCE AND REPAIRS</u>		
Land lease	\$ 102,577	\$ 95,000
Plumbing	9,541	14,871
Electrical	3,800	1,399
Vehicle and equipment	722	-
Snow removal	2,008	2,619
Grounds & landscaping supplies	591	500
Painting and decorating	8,998	2,437
Small equipment and tools	12,781	3,343
Janitorial supplies	13,207	7,781
Hardware supplies	2,204	695
Other maintenance and repairs	17,769	26,287
	<u>\$ 174,198</u>	<u>\$ 154,932</u>

*Colonial Park, LP 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 Colonial Park at cost, including payroll taxes, benefits and related expenses.

COLONIAL PARK, LP
NJHMFA PROJECT NO. 2659
Supplemental Information (Continued)
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>SCHEDULE J - MAINTENANCE CONTRACTS</u>		
Security	\$ 750	\$ -
Fire system monitoring	1,924	1,693
Elevator	15,345	1,424
Rubbish removal	9,572	8,240
Heating and air conditioning	15,841	11,256
Grounds, parking and landscaping	9,430	6,745
Painting and decorating	10,954	15,248
Exterminating	4,485	5,835
Other maintenance contracts	17,234	2,700
	<u>\$ 85,535</u>	<u>\$ 53,141</u>

SCHEDULE K - UTILITIES

Water	\$ 30,926	\$ 28,806
Sewer charges	127,600	115,600
Electricity	44,762	44,175
Gas	35,022	31,379
Fuel	-	-
	<u>\$ 238,310</u>	<u>\$ 219,960</u>

SCHEDULE L - COMPUTATION OF MANAGEMENT AGENT FEE

Fee (per unit per month)	\$ 60.01	\$ 57.49
Number of units	<u>200</u>	<u>200</u>
	12,002	11,498
Number of months	<u>12</u>	<u>12</u>
Subtotal	<u>144,024</u>	<u>137,976</u>
Bonus management fee	<u>13,000</u>	<u>-</u>
Management agent fee	<u>\$ 157,024</u>	<u>\$ 137,976</u>

COLONIAL PARK, LP
NJHMFA PROJECT NO. 2659
Supplemental Information (Continued)
Years Ended December 31, 2022 and 2021

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

	<u>2022</u>			<u>2021</u>		
	<u>January 1 to</u> <u>May 31</u>	<u>June 1 to</u> <u>December 31</u>	<u>Expense</u>	<u>January 1 to</u> <u>May 31</u>	<u>June 1 to</u> <u>December 31</u>	<u>Expense</u>
Base	\$ 12,000	\$ 12,000		\$ 12,000	\$ 12,000	
Add: Published Annual Adjustment Factor	<u>1.019</u>	<u>1.025</u>		<u>1.025</u>	<u>1.023</u>	
	5,093	7,175		5,125	7,161	
Add: Prior year PILOT payable	<u>6,888</u>			<u>6,888</u>		
Total PILOT due	11,981			12,013		
PILOT paid	<u>12,223</u>			<u>12,286</u>		
			\$ 12,268			\$ 12,300
		<u>\$ 6,933</u>			<u>\$ 6,888</u>	

COLONIAL PARK, LP
NJHMFA PROJECT NO. 1202
Supplemental Information (Continued)
Years Ended December 31, 2022 and 2021

SCHEDULE N - AVAILABLE CASH FLOW SCHEDULE (AS DEFINED BY PARTNERSHIP AGREEMENT)

Net loss at year end \$ (597,804)

Additions

Depreciation/amortization	667,796	
Escrow disbursements	195,703	
Unpaid interest:	-	
Purchase mortgage - SHDC	292,388	
1st mortgage note	-	
Investor service fee	3,000	
Change in accounts receivable - HUD	1,906	
Change in provision for bad debt	20,292	
Change in prepaid rents	2,698	
Change in accrued real estate taxes (PILOT)	45	
Change in accounts payable	18,330	
Change in accrued liabilities	5,682	
Change in unclaimed funds	13	
Change in lease liability - operating lease	1,498,508	
Interest on escrow accounts	1,405	
Ground lease	100,000	
Ground lease interest	91,000	
Total additions	2,898,766	2,898,766

Deductions

Capital purchases from operations	(130,405)	
Debt principal payments	(86,358)	
Escrow deposits	(332,040)	
Change in due from the Housing Authority of Gloucester County	(9,159)	
Change in accounts receivable - tenants	(8,543)	
Change in miscellaneous receivables	(6,684)	
Change in right-of-use asset - operating lease	(1,495,931)	
Change in prepaid expenses	(17,226)	
Change in deferred development fee	(174,141)	
Total deductions	(2,260,487)	(2,260,487)

Cash flow available \$ 40,475

*As per Colonial Park, LP's partnership agreement, current year available cash is to be used to pay the third priority, deferred development fee.

COLONIAL PARK, LP
NJHMFA PROJECT NO. 1202
Supplemental Information (Continued)
Years Ended December 31, 2022 and 2021

SCHEDULE O - CUMULATIVE RETURN ON EQUITY

Return on equity 7.04%

Per NJHMFA

2011	\$ 3,240
2012	49,280
2013	49,280
2014	171,906
2015	475,263
2016	475,138
2017	475,138
2018	475,138
2019	475,138
2020	475,138
2021	475,138
2022	<u>475,138</u>

Total accumulated return on equity	<u><u>\$ 4,074,935</u></u>
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Contributions

Syndication payments	\$ 6,749,116
	<u>x 7.04%</u>

Return on equity - 2022	<u><u>\$ 475,138</u></u>
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There were no distributions to partners during the year ended December 31, 2022.

COLONIAL PARK, LP
NJHMFA PROJECT NO. 2659
Supplemental Information (Continued)
Years Ended December 31, 2022 and 2021

SCHEDULE P - RELATED PARTY TRANSACTIONS

<u>Company Name</u>	<u>Type of Service</u>	<u>Amount Paid</u>	
		<u>2022</u>	<u>2021</u>
Seniors Housing Development Corporation	Bookkeeping and reporting services	\$ 13,440	\$ 13,260
Seniors Housing Development Corporation	Accrued management fee	157,024	137,976
Seniors Housing Development Corporation	Ground lease	102,577	95,000
Housing Authority of Gloucester County	Contracted salaries and related expenses	<u>1,288,080</u>	<u>1,150,988</u>
		<u>\$ 1,561,121</u>	<u>\$ 1,397,224</u>

COLONIAL PARK, LP
NJHMFA PROJECT NO. 2659
Supplemental Information (Continued)
Years Ended December 31, 2022 and 2021

SCHEDULE Q - SCHEDULES OF OPERATIONS - REGULATORY BASIS

	<u>2022</u>	<u>2021</u>
Revenue		
Gross potential rent	\$ 2,853,059	\$ 2,754,415
Less vacancy loss and collection losses	<u>62,340</u>	<u>36,040</u>
Net rental income	2,790,719	2,718,375
Other income	<u>66,443</u>	<u>71,704</u>
	<u>2,857,162</u>	<u>2,790,079</u>
Expenses		
Administrative expenses	59,655	57,911
Salaries & related charges (contracted)	1,288,080	1,150,988
Maintenance contracts	85,535	53,141
Maintenance and repairs	174,198	154,932
Management fee	157,024	137,976
Payment in lieu of taxes	12,268	12,300
Property and liability insurance	164,203	127,655
Utilities	<u>238,310</u>	<u>219,960</u>
	<u>2,179,273</u>	<u>1,914,863</u>
Income from operations before interest and depreciation	<u>677,889</u>	<u>875,216</u>
Interest and reserve		
Interest on mortgages and lease	(622,649)	(615,762)
Provision for repairs and replacements reserve	(198,543)	(171,861)
Refund from repairs and replacements reserve	<u>-</u>	<u>-</u>
	<u>(821,192)</u>	<u>(787,623)</u>
Income (loss) from operations before depreciation	(143,303)	87,593
Depreciation expense	<u>(86,388)</u>	<u>(82,183)</u>
Income (loss) from operations before excess depreciation and fees and charges	(229,691)	5,410
Depreciation expense (in excess of mortgage principal)	(548,482)	(547,924)
Fees and charges	<u>(18,174)</u>	<u>(18,175)</u>
Net loss	<u><u>\$ (796,347)</u></u>	<u><u>\$ (560,689)</u></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 Partners of
Colonial Park, LP

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 Colonial Park, LP, which comprise the balance sheet as of December 31, 2022, and the related statements of operations, changes in partners' capital (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 31, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Colonial Park, LP's internal control over financial reporting (internal control) as a basis for designing 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 Colonial Park, LP's internal control. Accordingly, we do not express an opinion on the effectiveness of Colonial Park, LP'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.

Report on Compliance and Other Matters

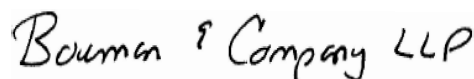
As part of obtaining reasonable assurance about whether Colonial Park, LP's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material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

Furthermore, during the performance of our audit of the financial statements of Colonial Park, LP, nothing came to our attention that caused us to believe that:

- Colonial Park, LP had not filed and paid its federal, state and local income taxes (including payroll taxes) in a timely manner; and
- Colonial Park, LP 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
Certified Public Accountants

Woodbury, New Jersey
March 31, 2023

**Colonial Park, LP
Schedule of Findings
For the Year Ended December 31, 2022**

Schedule of Current Year Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements prescribed by HUD and the NJHMFA.

None Noted.

Schedule of Current Year Federal/State Awards/Financial Assistance Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to Federal and/or State awards/financial assistance that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements prescribed by HUD and the NJHMFA.

None Noted.

**Colonial Park, LP
Schedule of Prior Year Findings
As Prepared By Management**

Schedule of Prior Year Financial Statement Findings

This section identifies the status of prior year findings related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* and with the audit requirements as prescribed by HUD and the NJHMFA.

None Noted.

Schedule of Prior Year Federal/State Awards/Financial Assistance Findings

This section identifies the status of prior year findings related to Federal and/or State awards/financial assistance that are required to be reported in accordance with *Government Auditing Standards* and with the audit requirements as prescribed by HUD and the NJHMFA.

None Noted.

INDEPENDENT AUDITOR'S REPORT ON STANDARD HUD COMPLIANCE

To the Partners of
Colonial Park, LP

We have audited the financial statements of Colonial Park, LP as of and for the year ended December 31, 2022, and have issued our report thereon dated March 31, 2023.

Auditor's Responsibility

We conducted our audit in accordance with generally accepted auditing standards, in the United States (GAAS) and when applicable the standards to financial audits contained in the generally accepted government auditing standards (GAGAS) 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 material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Colonial Park, LP's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

Management's Responsibility

The management of Colonial Park, LP is responsible for compliance with those requirements.

Opinion

In our opinion, Colonial Park, LP complied, in all material respects, with the requirements described above for the year ended December 31, 2022.

Compliance and Other Matters

In addition, we have tested Colonial Park, LP's compliance with the 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 the Inspector General, for the year ended December 31, 2022.

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

1. All reports required by HUD for timely filing and accuracy.
2. The validity of the H.A.P. contract 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, the managing agent's office, and supervisory managing agent's office for adequacy.

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

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants

Woodbury, New Jersey
March 31, 2023