

Report On Audit

**Neighborhood Affordable
Housing Friends, Inc.
Edgewater Place Apartments
Edgewater, New Jersey**

**For the Year Ended
December 31, 2021**

Neighborhood Affordable Housing Friends, Inc.
Edgewater Place Apartments
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Independent Auditor's Report

Board of Trustee's
Neighborhood Affordable Housing Friends, Inc.
300 Undercliff Ave
Edgewater, New Jersey 07020

Opinion

We have audited the accompanying financial statements of Neighborhood Affordable Housing Friends, Inc. - Edgewater Place Apartments (a nonprofit organization) in the Borough of Edgewater, New Jersey which comprise the statements of financial position as of December 31, 2021, and 2020, and the related statements of activities, functional expenses, 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 Neighborhood Affordable Housing Friends, Inc. - Edgewater Place Apartments as of December 31, 2021, and 2020, and the results of its operations 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. 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 Neighborhood Affordable Housing Friends, Inc. - Edgewater Place Apartments 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 opinion.

Other Matter

The financial statement of the Neighborhood Affordable Housing Friends, Inc. - Edgewater Place Apartments as of December 31, 2020, was audited by other auditors whose report dated October 29, 2021, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Neighborhood Affordable Housing Friends, Inc. - Edgewater Place Apartments 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 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, including omissions, 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, 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 Neighborhood Affordable Housing Friends, Inc. - Edgewater Place Apartments 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 Neighborhood Affordable Housing Friends, Inc. - Edgewater Place Apartments 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.

Giampaolo & Associates

Lincroft, New Jersey

Date: August 19, 2022

NEIGHBORHOOD AFFORDABLE HOUSING FRIENDS, INC.
EDGEWATER PLACE APARTMENTS
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021 AND 2020

| | December 31, | |
|---|--------------|--------------|
| | 2021 | 2020 |
| Assets: | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 125,343 | \$ 34,554 |
| Operating | 172,300 | 221,758 |
| Restricted | 297,643 | 256,312 |
| Total cash and equivalents | | |
| Accounts Receivable | 11,599 | 11,648 |
| Accounts Receivable -Intercompany | 134,093 | 134,453 |
| Total Current Assets | 443,335 | 402,413 |
| Capital Assets: | | |
| Land | 310,200 | 310,200 |
| Buildings and Fixtures | 1,422,212 | 1,369,692 |
| Total Fixed Assets | 1,732,412 | 1,679,892 |
| Less: Accumulated Depreciation to Date | (592,777) | (551,817) |
| Net Book Value | 1,139,635 | 1,128,075 |
| | | |
| Total Assets | \$ 1,582,970 | \$ 1,530,488 |
| Liabilities | | |
| Current Liabilities: | | |
| Accounts Payable | \$ - | \$ 2,879 |
| Security Deposit Payable | 8,672 | 8,066 |
| Accrued Expenses | 2,506 | 2,571 |
| Unearned Revenue | 188 | 206 |
| Mortgage Payable - Current Portion | 20,470 | 19,669 |
| Total Current Liabilities | 31,836 | 33,391 |
| Noncurrent Liabilities | | |
| Mortgage Payable - Long Term | 706,990 | 726,913 |
| Total Liabilities | 738,826 | 760,304 |
| Net Assets without Donor Restriction | | |
| Net Assets without Donor Restriction | 844,144 | 770,184 |
| | | |
| Total Liabilities and Net Assets | \$ 1,582,970 | \$ 1,530,488 |

See accompanying notes to the financial statements.

NEIGHBORHOOD AFFORDABLE HOUSING FRIENDS, INC.
EDGEWATER PLACE APARTMENTS
STATEMENTS OF ACTIVITIES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2021 AND 2020

| | <u>December 31,</u> | |
|---|---------------------|------------|
| | 2021 | 2020 |
| Revenue: | | |
| Rental Income | \$ 148,035 | \$ 122,250 |
| HUD Rental Assistance | 174,891 | 171,411 |
| Other Revenue | 2,204 | 3,746 |
| Interest Income | 642 | 925 |
| Total Revenue | 325,772 | 298,332 |
| Expenses: | | |
| Operating Expenses | | |
| Administration Expenses | 56,994 | 80,012 |
| Utility Expenses | 24,493 | 23,375 |
| Ordinary Maintenance Expenses | 48,727 | 93,283 |
| Taxes and Insurance | 50,780 | 43,611 |
| Interest & Mortgage Expenses | 29,858 | 30,783 |
| Total Operating Expenses | 210,852 | 271,064 |
| Income from Operations Before Depreciation | 114,920 | 27,268 |
| Depreciation Expense | (40,960) | (38,610) |
| Change in Total Net Assets without Donor Restriction | 73,960 | (11,342) |
| Beginning Net Assets without Donor Restriction | 770,184 | 781,526 |
| Net Assets without Donor Restriction | \$ 844,144 | \$ 770,184 |

See accompanying notes to the financial statements.

NEIGHBORHOOD AFFORDABLE HOUSING FRIENDS, INC.
EDGEWATER PLACE APARTMENTS
STATEMENTS OF CASH FLOW
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2021 AND 2020

| | <u>December 31,</u> | |
|---|---------------------|-------------------|
| | <u>2021</u> | <u>2020</u> |
| Cash Flow from Operating Activities | | |
| Rental Revenue | \$ 148,084 | \$ 122,250 |
| HUD Rental Assistance | 174,891 | 171,411 |
| Other Income | 2,204 | 3,747 |
| Payments to Vendors | (98,014) | (181,305) |
| Payments for Salaries and Wages | (34,130) | (37,336) |
| Payments for Real Estate Taxes | (44,015) | (37,998) |
| Payments for Insurance | (6,765) | (5,614) |
| Payments for Interest and Mortgage Expenses | (29,924) | (30,767) |
| Net Cash Provided by Operating Activities | <u>112,331</u> | <u>4,388</u> |
| Cash Flow From Capital Activities | | |
| Payments made to Mortgage Note | (19,122) | (18,279) |
| Purchase of Fixed Assets | (52,520) | (2,283) |
| Net Cash (Used) by Capital Activities | <u>(71,642)</u> | <u>(20,562)</u> |
| Cash Flow From Investing Activities | | |
| Interest Income | 642 | 925 |
| Net Cash Provided by Investing Activities | <u>642</u> | <u>925</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 41,331 | (15,249) |
| Beginning Cash | <u>256,312</u> | <u>271,561</u> |
| Ending Cash | <u>\$ 297,643</u> | <u>\$ 256,312</u> |
| Reconciliation of Operating Income to Net Cash | | |
| Provided by Operating Activities | | |
| Excess of Revenue from Operations | \$ 114,920 | \$ 27,268 |
| Adjustments to reconcile excess revenue from operations to net cash provided by operating activities: | | |
| Interest Income | (642) | (925) |
| (Increase) Decrease in: | | |
| Accounts Receivables | 49 | 207 |
| Accounts Receivable -Intercompany | 360 | (25,510) |
| Increase (Decrease) in: | | |
| Accounts Payable | (2,879) | 2,879 |
| Accrued Expenses | (65) | 1,349 |
| Unearned Revenue | (18) | 48 |
| Security Deposit Payable | 606 | (928) |
| Net Cash Provided by Operating Activities | <u>\$ 112,331</u> | <u>\$ 4,388</u> |
| Supplemental Cash Flow Disclosures | | |
| Cash Paid for Interest | <u>\$ 29,924</u> | <u>\$ 30,767</u> |

See accompanying notes to the financial statements.

NEIGHBORHOOD AFFORDABLE HOUSING FRIENDS, INC.
EDGEWATER PLACE APARTMENTS
Statements of Functional Expenses
For Twelve Months Ended December 31, 2021 and 2020

| | December 31, 2021 | | December 31, 2020 | |
|--|-------------------|---------------------|-------------------|---------------------|
| | Program Services | Supporting Services | Program Services | Supporting Services |
| <u>Administrative Expenses</u> | | Total | | Total |
| Salaries | - | \$ 8,881 | - | \$ 8,707 |
| Payroll Taxes and Employee Benefits Cost | - | 5,937 | - | 8,681 |
| Legal | - | 900 | - | 900 |
| Accounting Fees | - | 2,731 | - | 2,700 |
| Professional Fees | - | 12,362 | - | 9,683 |
| Audit Fee | - | 3,035 | - | 3,726 |
| Other Administrative Expenses | - | 23,148 | - | 25,668 |
| <u>Utilities Expenses</u> | | | | |
| Water | 7,180 | - | 8,270 | - |
| Electric | 1,856 | - | 1,789 | - |
| Gas | 15,457 | - | 13,316 | - |
| <u>Operating Expenses</u> | | | | |
| Salaries | 11,442 | - | 11,266 | - |
| Payroll Taxes and Employee Benefits Cost | 7,870 | - | 8,681 | - |
| <u>Maintenance and Repairs Expenses</u> | | | | |
| Maintenance Supplies | 2,106 | - | 14,158 | - |
| Contract Cost | 27,309 | - | 79,125 | - |
| <u>Taxes and Insurance</u> | | | | |
| Property Tax Expense | 44,015 | - | 37,997 | - |
| Insurance | 6,765 | - | 5,614 | - |
| <u>Financial</u> | | | | |
| Interest Expense | 29,858 | - | 30,783 | - |
| Total | \$ 153,858 | \$ 210,852 | \$ 210,999 | \$ 271,064 |

See accompanying notes to the financial statements.

NEIGHBORHOOD AFFORDABLE HOUSING FRIENDS, INC.
EDGEWATER PLACE APARTMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021, AND 2020

NOTE 1 - SUMMARY OF ORGANIZATION, ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Corporation Data

Neighborhood Affordable Housing Friends, Inc., Edgewater Place Apartments was formed for the recognition of mutual concern and common interest to achieve better living environments for residents of the County of Bergen in the State of New Jersey through providing decent, safe and affordable housing to elderly and economically disadvantaged individuals. Operations commenced on May 6, 2004. At present, the Corporation maintains a 19-unit housing complex on Edgewater Place in Edgewater, New Jersey.

Neighborhood Affordable Housing Friends, Inc., Edgewater Place Apartments was organized exclusively for charitable and educational purposes and guidelines used by the Department of Housing and Urban Development will be used as the definition of low income and very low income families.

The Neighborhood Affordable Housing Friends, Inc., Edgewater Place Apartments shall coordinate and expand the roles of Federal, State, Local Government, private sector organizations, professional organizations, private foundations and the community at large as it related to the provision of affordable housing in the State of New Jersey.

Activities

The Neighborhood Affordable Housing Friends, Inc., Edgewater Place Apartments conducts two activities, one of which is to provide affordable senior housing and the other to construct affordable senior housing in the Borough of Edgewater.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sources of Income

The Neighborhood Affordable Housing Friends, Inc., Edgewater Place Apartments 's revenues consist primarily of rents received from the tenants and subsidies received from State of New Jersey – NJHMFA. HUD's rent subsidy program provides housing assistance to low-income families so that they can lease "decent, safe, and sanitary" housing for specific eligible tenants.

Method of Accounting

The Corporation has elected a year end of December 31. The financial statements of Neighborhood Affordable Housing Friends, Inc., Edgewater Place Apartments are prepared under the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

NEIGHBORHOOD AFFORDABLE HOUSING FRIENDS, INC.
EDGEWATER PLACE APARTMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021, AND 2020

Significant Accounting Policies -Continued

Report Presentation

The financial statements presentation follows the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow the not-for-profit reporting model.

The Corporation is required to report information regarding its financial position and activities according to two classes of net assets:

- a. Net Assets Without Donor Restrictions
- b. Net Assets with Donor Restrictions

In addition, the Corporation is required to present a statement of cash flows.

Adoption of Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three classes to two - net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Project, including required disclosures about liquidity and availability of resources and increased disclosures on functional expenses.

The new standard is effective for the Corporation's year ending December 31, 2019 and thereafter and must be applied on a retrospective basis. The Corporation adopted the ASU effective January 1, 2019. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

Classification of Net Assets

Net assets of the Corporation are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Net Assets Without Donor Restrictions -Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Net Assets with Donor Restrictions - Assets subject to usage limitations based on donor- imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Corporation. Certain restrictions may need to be maintained in perpetuity.

NEIGHBORHOOD AFFORDABLE HOUSING FRIENDS, INC.
EDGEWATER PLACE APARTMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021, AND 2020

Significant Accounting Policies -Continued

Classification of Net Assets - Continued

Earnings related to restricted net assets will be included in net assets without donor-restrictions unless otherwise unless specifically required to be included in donor-restricted net assets by the donor or by applicable state law.

The Corporation does not interpret the guidance in the standard to include amounts restricted by a donor restricted. The Corporation believes that these amounts do not meet the spirit of the standard for such a classification or is there any industry standard indicating that others will treat these assets as donor restricted.

All net assets of the Corporation on December 31, 2021, were considered to be net assets without donor restrictions.

Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the collectability of accounts receivable, the use, and the useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Cash and Cash Equivalents

The Corporation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Property and Equipment and Depreciation

Property and equipment valued at \$5,000 or more is capitalized at cost if purchased and at fair market value if donated. Improvements are also capitalized at cost. Routine repairs and maintenance are expensed as incurred. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis.

Impairment Losses

The Corporation reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. No impairment losses were recognized in 2021.

NEIGHBORHOOD AFFORDABLE HOUSING FRIENDS, INC.
EDGEWATER PLACE APARTMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021, AND 2020

Significant Accounting Policies -Continued

Advertising Expense

The Corporation expenses the production costs of advertising when incurred. For the Year ended December 31, 2021, \$-0- was reported as advertising expense.

Income Recognition

Income and expenses are recorded on the accrual basis. The major sources of income are tenant rents payments, Federal subsidy. The Corporation provides housing eligible tenants to provide decent, safe, and sanitary housing for extremely low and very low-income families. The revenue is recorded as earned since it is measurable and available.

Operating expenses include wages, utilities, maintenance, depreciation of capital assets, administrative expenses and all other expenses relating to the provision of safe, decent, and affordable housing services that do not result from transactions defined as capital and related financing, non-capital and related financing or investing activities.

Non-operating revenues and expense consist of those income and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities.

Income Taxes:

No provision has been made for income taxes, if any since the Corporation is a 501c (3) corporation in the State of New Jersey. It is required to file annually IRS form 990. In carryout out the Corporation' tax exempt purpose; there are no income taxes due to an exemption from federal and state taxes. Federal and state payroll tax returns required to be filed by the Corporation have been filed on a timely basis and sums due for those returns were made on a timely basis.

Accounting for Uncertainty in Income Taxes

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Generally accepted accounting principles prescribe a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. For the Corporation, tax positions taken include the entity's status as a not-for-profit corporation and the approval and qualifications for this status. The Corporation files an annual Form 990 with the Internal Revenue Service and its tax returns for the year 2018 is subject to examination by tax authorities.

NEIGHBORHOOD AFFORDABLE HOUSING FRIENDS, INC.
EDGEWATER PLACE APARTMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021, AND 2020

Significant Accounting Policies - Continued

Expense Allocations

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Expenditures incurred in connection with the Corporation's operations have been summarized as follows:

| | December-21 | December-20 |
|----------------------|-------------|-------------|
| Utilities | \$ 24,493 | \$ 23,375 |
| Ordinary Maintenance | 48,727 | 93,283 |
| Taxes and Insurance | 50,780 | 43,611 |
| Total | \$ 124,000 | \$ 160,269 |

Commitments and Contingencies

Litigation – on December 31, 2021, the Corporation was not involved in any threatening litigation.

Contingencies

The Corporation is subject to possible examinations made by federal and state authorities who determine compliance with terms, conditions, laws, and regulations governing other grants given to the Corporation in the current and prior years. There were no such examinations for the years ended December 31, 2021.

Other Insurance

The Corporation is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; natural disasters; etc. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

The Corporation receives a substantial amount of its tenants and governmental subsidy. A significant reduction in the level of support from either of these sources, if this were to occur, may influence the Corporation's programs and activities.

Liquidity

On December 31, 2021, the Corporation has \$443,335 cash and equivalents available to meet needs for general expenditures consisting of cash of \$297,643 and \$145,692 of accounts receivable. None of the financial assets are subject to donor or other contractual restrictions. Accordingly, all such funds are available to meet the cash needs of the Corporation in the next 12 months.

NEIGHBORHOOD AFFORDABLE HOUSING FRIENDS, INC.
EDGEWATER PLACE APARTMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021, AND 2020

Significant Accounting Policies - Continued

Budget

The Corporation's policy is to have an operation budget prepared and adopted prior to the next fiscal year. The Corporation as December 31, 2021, did adopt an operating budget for the fiscal year ended December 31, 2022.

Salaries and Employee Benefits

All personnel of Neighborhood Affordable Housing Friends, Inc., Edgewater Place Apartments are employees of The Borough of Edgewater Housing Authority. As such, cost for salaries, payroll taxes and employee benefits are charged to Neighborhood Affordable Housing Friends, Inc., Edgewater Place Apartments by The Borough of Edgewater Housing Authority. Neighborhood Affordable Housing Friends, Inc., Edgewater Place Apartments then reimburse The Borough of Edgewater Housing Authority for employee cost inclusive of all health insurance and retirement benefits.

Revenue from Rental Contracts

Neighborhood Affordable Housing Friends, Inc., Edgewater Place Apartments recognizes rental revenue from tenant(s) who entered into a lease agreement (contract) for a unit in the development. The lease agreement allows the tenant use of the unit the expiration of the lease term or cancellation by the tenant or landlord due to cause. Lease terms are for one year, unless mutually agreed to by the landlord and the tenant(s) prior to move in. Tenant(s) have to be income qualified in accordance with income limitations before allowed to occupy unit.

The lease agreement has similar terms therefore, all lease contract revenue has been aggregated in the caption rental income in the statement of activities. The lease contract revenue is recognized at the end of each month when the performance obligation of providing a unit is complete. The performance obligation each month also includes applicable maintenance services provided to maintain the tenant(s) unit and the building. Since the performance of these services are completed simultaneously each month, they are treated as performance obligation.

Tenant(s) lease payments are due the first day of each month of the lease term. The monthly unit rental charge is determined based on HUD calculation. Any tenant(s) rental payment not received by the fifth day of each month will be charged a late fee. Any rental payment received in advance of the first day of the month are recognized as deferred revenue since the conditions for recognizing revenue will not occur until the end of the following month.

Rent Increases

Under the regulatory agreement, the Neighborhood Affordable Housing Friends, Inc., Edgewater Place Apartments may not increase rents charged to tenants without the New Jersey Housing and Finance Agency approval.

**NEIGHBORHOOD AFFORDABLE HOUSING FRIENDS, INC.
EDGEWATER PLACE APARTMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021, AND 2020**

Significant Accounting Policies - Continued

Cash Equivalents - Statement of Cash Flows

Neighborhood Affordable Housing Friends, Inc., Edgewater Place Apartments considers demand deposits with financial institutions and short-term debt securities purchased with a maturity of three months or less to be cash equivalents. As of December 31, 2021, and 2020, Neighborhood Affordable Housing Friends, Inc., Edgewater Place Apartments had no cash equivalents. The Statement of Cash Flows is presented using the direct method.

NOTE 3 – CASH AND CASH EQUIVALENTS

The Neighborhood Affordable Housing Friends, Inc., Edgewater Place Apartments' cash, cash equivalents are stated at cost, which approximates market. Cash, cash equivalents and investment include cash in banks, petty cash and a money market checking account and certificates of deposit, and other investments with original maturities of less than three months from the date of purchase.

Concentration of Credit Risk

The Corporation maintains its cash in financial institutions insured by Federal Deposit Insurance Corporation (FDIC). Deposit accounts, at times, may exceed federally insured limits. The Corporation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalent.

Restricted Deposits and Funded Reserves

Residual Receipts

The residual receipts escrow account is maintained by NJHMFA for the benefit of Neighborhood Affordable Housing Friends, Inc., Edgewater Place Apartments in the amount of \$163,628 as of December 31, 2021 and \$213,692 for 2020. The escrow consisted of the following:

| | <u>December-21</u> | <u>December-20</u> |
|-------------------|--------------------|--------------------|
| Beginning Balance | \$ 213,692 | \$ 245,989 |
| Deposit Made | - | - |
| Interest Earned | 443 | 812 |
| Withdrawals Made | <u>(50,507)</u> | <u>(33,109)</u> |
| Ending Balance | <u>\$ 163,628</u> | <u>\$ 213,692</u> |

Tenant Security Deposit Account

Neighborhood Affordable Housing Friends, Inc., Edgewater Place Apartments has restricted cash in the amount of \$8,672 as of December 31, 2021 and \$8,066 for 2020, which is held as security deposits for the tenants of Neighborhood Affordable Housing Friends, Inc., Edgewater Place Apartments in an interest bearing accounts.

NEIGHBORHOOD AFFORDABLE HOUSING FRIENDS, INC.
EDGEWATER PLACE APARTMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021, AND 2020

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts Receivable on December 31, 2021, and 2020 consisted of the following:

| | December 31, | |
|--|--------------|-----------|
| | 2021 | 2020 |
| Accounts Receivable - Tenants | \$ 1,638 | \$ 2,532 |
| Accounts Receivable - Repayment Agreements | 9,134 | 8,832 |
| Accounts Receivable - Other | 827 | 284 |
| Total Accounts Receivables | \$ 11,599 | \$ 11,648 |

Tenants' rents are due the first of each month. Management considers rents outstanding after the 5th day of the month as past due and late charges are applied accordingly. The Neighborhood Affordable Housing Friends, Inc., Edgewater Place Apartments carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Authority evaluates its accounts receivable and establishes an allowance for doubtful accounts based on history of past write off's, collections, and current credit conditions. Accounts are written off as uncollectible when management determines that a sufficient period of time has elapsed without receiving payment and the individual do not exhibit the ability to meet their obligations.

NOTE 5 – FIXED ASSETS

Fixed assets consist primarily of property under construction for the sale to qualified families and are stated at cost. Expenditures are capitalized when they meet the Capitalization Policy requirements. Under the policy, assets purchased or constructed at a cost not exceeding \$5,000 are expensed when incurred.

Depreciation Expense

Depreciation expense for December 31, 2021, was \$40,960 and \$30,783 for 2020. Depreciation is computed by using straight-line method for financial reporting purposes and the modified accelerated cost recovery system (MACRS) method for federal income tax purposes. The estimated useful lives of depreciable assets are:

| | |
|----------------------------|----------|
| 1.) Building and Structure | 40 Years |
| 2.) Site Improvements | 15 Years |
| 3.) Furniture & Equipment | 15 Years |
| 4.) Vehicles | 5 Years |
| 5.) Computer Equipment | 5 years |

NEIGHBORHOOD AFFORDABLE HOUSING FRIENDS, INC.
EDGEWATER PLACE APARTMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021, AND 2020

NOTE 5 – FIXED ASSETS -CONTINUED

The Neighborhood Affordable Housing Friends, Inc., Edgewater Place Apartments reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred.

The amount of impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the years ended December 31, 2021.

Below is a schedule of fixed assets for the twelve months ended December 31, 2021

| | December-20 | Additions | December-21 |
|--------------------------|--------------|-----------|--------------|
| Land | \$ 310,200 | \$ - | \$ 310,200 |
| Building | 1,369,692 | 52,520 | 1,422,212 |
| Total Fixed Assets | 1,679,892 | 52,520 | 1,732,412 |
| Accumulated Depreciation | (551,817) | (40,960) | (592,777) |
| Net Book Value | \$ 1,128,075 | \$ 11,560 | \$ 1,139,635 |

| | December-19 | Additions | December-20 |
|--------------------------|--------------|-------------|--------------|
| Land | \$ 310,200 | \$ - | \$ 310,200 |
| Building | 1,367,409 | 2,283 | 1,369,692 |
| Total Fixed Assets | 1,677,609 | 2,283 | 1,679,892 |
| Accumulated Depreciation | (513,207) | (38,610) | (551,817) |
| Net Book Value | \$ 1,164,402 | \$ (36,327) | \$ 1,128,075 |

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NOTE 6 – UNEARNED REVENUE

The Corporation reported unearned revenues on its statement of financial position. Unearned revenues arise when resources are received by the Corporation before it has legal claim to them, as when rents monies are received prior to the month which it is measurable. In subsequent periods, when the Corporation has a legal claim to the resources, the liability for unearned revenue is removed from the statement of financial position and the revenue is recognized. The unearned revenue for 2021 is \$188 and \$206 for 2020. Unearned revenues consisted of tenant prepaid rents for January.

NOTE 7 – LONG TERM DEBT – MORTGAGE PAYABLE

The Corporation had an outstanding mortgage held by connect One formerly called Bank of New Jersey as of December 31, 2020. The amount of the mortgage was originally \$850,000 and bears interest at a rate of 4% per annum which is to be repaid over a 30-year period. The mortgage requires monthly payments of \$4,087 and is collateralized by the Corporation’s real estate. The mortgage balance as of December 31, 2021, was \$727,460. The debt service requirement, as to principal reduction of the mortgage, is a follows:

| | Balance | Payments | Balance | Current | Non-Current |
|-------------|-------------|-------------|--------------------|-------------------|-------------|
| | December-20 | Made | December-21 | Portion | Portion |
| Connect One | \$ 746,582 | \$ (19,122) | \$ 727,460 | \$ 20,470 | \$ 706,990 |
| | | | | | |
| | | | December-22 | \$ 20,470 | |
| | | | December-23 | 21,304 | |
| | | | December-24 | 22,199 | |
| | | | December-25 | 23,124 | |
| | | | December-26 | 23,615 | |
| | | | Subtotal | 110,712 | |
| | | | Therafter | 616,748 | |
| | | | Total Note Payable | <u>\$ 727,460</u> | |

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NOTE 8 – RELATED PARTY TRANSACTIONS

The Neighborhood Affordable Housing Friends, Inc., Edgewater Place Apartments has contracted with the Edgewater housing Authority for the management, including the services of the executive director and maintenance for the purpose of providing both entities cost saving benefits. Total charges billed for the management service and maintenance were \$34,130 for 2021 and \$37,336 for 2020.

| | <u>December-21</u> | <u>December-20</u> |
|-------------------------|--------------------|--------------------|
| Administrative Salaries | \$ 8,881 | \$ 8,707 |
| Maintenance Salaries | 11,442 | 11,266 |
| Employee Benefits Cost | 13,807 | 17,363 |
| Total | <u>\$ 34,130</u> | <u>\$ 37,336</u> |

NOTE 9 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Neighborhood Affordable Housing Friends, Inc., Edgewater Place Apartments has entered into contracts with NJHMFA to provide significant funding to the Neighborhood Affordable Housing Friends, Inc., Edgewater Place Apartments various programs. The Neighborhood Affordable Housing Friends, Inc., Edgewater Place Apartments operations are concentrated in the low income housing real estate market. In addition, the Neighborhood Affordable Housing Friends, Inc., Edgewater Place Apartments operates in a heavily regulated environment. The operations of the Neighborhood Affordable Housing Friends, Inc., Edgewater Place Apartments 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.

Total financial support by NJHMFA was \$174,891 to the Neighborhood Affordable Housing Friends, Inc., Edgewater Place Apartments which represents approximately 54% percent of the Neighborhood Affordable Housing Friends, Inc., Edgewater Place Apartments total revenue for the December 31, 2021.

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NOTE 10 – SUBSEQUENT EVENTS

Coronavirus Pandemic:

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the Authority's operations. Future potential impacts may include disruptions or restrictions on our employees' ability to work or the tenant's ability to pay the required monthly rent. Operating functions that may be changed include intake, recertification's and maintenance. Changes to the operating environment may increase operating costs. Additional impacts may include the ability of tenants to continue making rental payments as a result of job loss or other pandemic related issues. The future effects of these issues are unknown.

Events that occur after the statement of net assets date but before the financial statements were available to be issued, must be evaluated for recognition or disclosed. The effects of subsequent events that provide evidence about conditions that existed after the statement of financial position date required disclosure in the accompanying notes. Management has evaluated the activity of the Corporation thru August 19, 2022; the date which the financial statements were available for issue and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.