

Report On Audit

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

**For the Year Ended
December 31, 2022**

Neighborhood Affordable Housing Friends, Inc.
Undercliff 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. - Undercliff Apartments (a nonprofit organization) in the Borough of Edgewater, New Jersey which comprise the statements of financial position as of December 31, 2022, and 2021, 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. - Undercliff Apartments as of December 31, 2022, and 2021, 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 audit 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 Neighborhood Affordable Housing Friends, Inc. - Undercliff Apartments and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 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. - Undercliff 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. - Undercliff 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. - Undercliff 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.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying additional information shown on page 19 is presented for purposes of additional analysis as required by Uniform Financial Reporting Standards issued by the United States Department of Housing and Urban Development (HUD), Office of the Inspector General and is not a required part of the financial statements.

The accompanying schedule of expenditures of federal awards shown on pages 19, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the financial statements.

The above-described supplemental information is the responsibility of management and was derived from the relates 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 audit 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 above-described supplemental information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2023, in our consideration of the Neighborhood Affordable Housing Friends, Inc. - Undercliff Apartments' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Neighborhood Affordable Housing Friends, Inc. - Undercliff Apartments' 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 Neighborhood Affordable Housing Friends, Inc. - Undercliff Apartments' internal control over financial reporting and compliance.

Giampaolo & Associates

Lincroft, New Jersey

Date: September 8, 2023

NEIGHBORHOOD AFFORDABLE HOUSING FRIENDS, INC.
UNDERCLIFF AVENUE PROJECT
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022 AND 2021

	December 31,	
	2022	2021
Assets:		
Current Assets:		
Cash and Cash Equivalents		
Operating	\$ 122,932	\$ 115,007
Accounts Receivable	585	673
Total Current Assets	123,517	115,680
Capital Assets:		
Land	87,600	87,600
Buildings	536,939	531,339
Total Fixed Assets	624,539	618,939
Less: Accumulated Depreciation to Date	(209,205)	(193,029)
Net Book Value	415,334	425,910
Total Assets	\$ 538,851	\$ 541,590
Liabilities		
Current Liabilities:		
Accounts Payable	\$ 1,282	\$ 1,286
Accounts Payable - Intercompany	8,593	16,320
Accrued Expenses	760	781
Mortgage Payable - Current Portion	6,632	6,382
Security Deposit Liability	2,944	3,313
Unearned Revenue	49	7
Total Current Liabilities	20,260	28,089
Noncurrent Liabilities		
Mortgage Payable - Long Term	213,957	220,418
Total Liabilities	234,217	248,507
Net Assets without Donor Restriction		
Net Assets without Donor Restriction	304,634	293,083
Total Liabilities and Net Assets	\$ 538,851	\$ 541,590

See accompanying notes to the financial statements.

NEIGHBORHOOD AFFORDABLE HOUSING FRIENDS, INC.
UNDERCLIFF AVENUE PROJECT
STATEMENTS OF ACTIVITIES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022 AND 2021

	<u>December 31,</u>	
	2022	2021
Revenue:		
Rental Income	\$ 39,066	\$ 38,263
HUD Rental Assistance	62,784	60,773
Other Revenue	826	1,013
Interest Income	298	284
Total Revenue	102,974	100,333
Expenses:		
Operating Expenses		
Administration Expenses	15,964	12,671
Utility Expenses	9,553	8,046
Ordinary Maintenance Expenses	18,750	30,191
Taxes and Insurance	21,922	18,472
Interest & Mortgage Expenses	9,058	9,312
Total Operating Expenses	75,247	78,693
Income from Operations Before Depreciation	27,727	21,640
Depreciation Expense	(16,176)	(16,037)
Change in Total Net Assets without Donor Restriction	11,551	5,604
Beginning Net Assets without Donor Restriction	293,083	287,479
Net Assets without Donor Restriction	\$ 304,634	\$ 293,083

See accompanying notes to the financial statements.

NEIGHBORHOOD AFFORDABLE HOUSING FRIENDS, INC.
UNDERCLIFF AVENUE PROJECT
STATEMENTS OF CASH FLOWS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022 AND 2021

	December 31,	
	2022	2021
Cash Flow from Operating Activities		
Rental Revenue	\$ 39,066	\$ 38,263
HUD Rental Assistance	62,784	60,773
Other Income	826	1,013
Payments to Vendors	(36,940)	(48,156)
Payments for Salaries and Wages	(15,317)	(11,992)
Payments for Real Estate Taxes	(19,041)	(15,841)
Payments for Insurance	(2,881)	(2,631)
Payments for Interest & Mortgage Expenses	(9,058)	(9,312)
Net Cash Provided by Operating Activities	19,439	12,117
Cash Flow From Capital Activities		
Payments Made to Mortgage Note	(6,212)	(5,958)
Purchase of Fixed Assets	(5,600)	(7,427)
Net Cash (Used) by Capital Activities	(11,812)	(13,385)
Cash Flow From Investing Activities		
Interest Income	298	284
Net Cash Provided by Investing Activities	298	284
Net Increase (Decrease) in Cash and Cash Equivalents	7,925	(983)
Beginning Cash	115,007	115,990
Ending Cash	\$ 122,932	\$ 115,007
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities		
Excess Revenue from Operations	\$ 27,727	\$ 21,640
Adjustments to reconcile excess revenue to net cash provided by operating activities:		
Interest Income	(298)	(284)
(Increase) Decrease in:		
Accounts Receivables	88	895
Increase (Decrease) in:		
Accounts Payable	(4)	425
Accounts Payable - Intercompany	(7,727)	(9,516)
Accrued Expenses	(21)	(21)
Security Deposit Payable	(369)	343
Unearned Revenue	43	(1,365)
Net Cash Provided by Operating Activities	\$ 19,439	\$ 12,117
Supplemental Cash Flow Disclosures		
Cash Paid for Interest	\$ 9,058	\$ 9,312

See accompanying notes to the financial statements.

NEIGHBORHOOD AFFORDABLE HOUSING FRIENDS, INC.
UNDERCLIFF AVENUE PROJECT
Statements of Functional Expenses
For Twelve Months Ended December 31, 2022 and 2021

	December 31, 2022			December 31, 2021		
	Program Services	Supporting Services	Total	Program Services	Supporting Services	Total
<u>Administrative Expenses</u>						
Salaries	-	\$ 3,354	\$ 3,354	-	\$ 3,120	\$ 3,120
Payroll Taxes and Employee Benefits Cost	-	\$ 3,719	\$ 3,719	-	\$ 2,426	\$ 2,426
Legal	-	\$ 50	\$ 50	-	\$ 300	\$ 300
Accounting Fees	-	\$ 900	\$ 900	-	\$ 900	\$ 900
Professional Fees	-	-	-	-	-	-
Audit Fee	-	\$ 2,000	\$ 2,000	-	\$ 2,000	\$ 2,000
Other Administrative Expenses	-	\$ 2,222	\$ 2,222	-	\$ 1,340	\$ 1,340
<u>Utilities Expenses</u>						
Water	2,489	-	\$ 2,489	1,885	-	\$ 1,885
Electric	1,089	-	\$ 1,089	1,068	-	\$ 1,068
Gas	5,975	-	\$ 5,975	5,094	-	\$ 5,094
<u>Operating Expenses</u>						
Salaries	4,525	-	\$ 4,525	4,020	-	\$ 4,020
Payroll Taxes and Employee Benefits Cost	3,719	-	\$ 3,719	2,426	-	\$ 2,426
Tenant Services	-	-	-	160	-	\$ 160
<u>Maintenance and Repairs Expenses</u>						
Maintenance Supplies	6,440	-	\$ 6,440	1,916	-	\$ 1,916
Contract Cost	7,785	-	\$ 7,785	24,255	-	\$ 24,255
<u>Taxes and Insurance</u>						
Property Tax Expense	19,041	-	\$ 19,041	15,841	-	\$ 15,841
Insurance	2,881	-	\$ 2,881	2,631	-	\$ 2,631
<u>Financial</u>						
Interest Expense	9,058	-	\$ 9,058	9,312	-	\$ 9,312
Total	\$ 63,002	\$ 12,245	\$ 75,247	\$ 68,607	\$ 10,086	\$ 78,693

See accompanying notes to the financial statements.

**NEIGHBORHOOD AFFORDABLE HOUSING FRIENDS, INC.
UNDERCLIFF AVENUE APARTMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022, AND 2021**

NOTE 1 - Summary of Organization and Activities

Corporation Data

Neighborhood Affordable Housing Friends, Inc., Undercliff Avenue 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 7-unit housing complex on Undercliff Avenue in Edgewater, New Jersey.

Neighborhood Affordable Housing Friends, Inc., Undercliff Avenue 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., Undercliff Avenue 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sources of Income

The Neighborhood Affordable Housing Friends, Inc., Undercliff Avenue Apartments revenues consist primarily of rents received from the tenants and subsidies received from State of New Jersey – NJHMFA and from time-to-time grant revenue form the County. 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., Undercliff Avenue 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.
UNDERCLIFF AVENUE APARTMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022, AND 2021

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.
UNDERCLIFF AVENUE APARTMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022, AND 2021

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, 2022 were considered to be net assets without donor restrictions.

Cash Equivalents - Statement of Cash Flows

Neighborhood Affordable Housing Friends, Inc., Undercliff Avenue 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, 2022, and 2021, Neighborhood Affordable Housing Friends, Inc., Undercliff Avenue Apartments had no cash equivalents. The Statement of Cash Flows is presented using the direct method.

Basis of Accounting

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 2022.

NEIGHBORHOOD AFFORDABLE HOUSING FRIENDS, INC.
UNDERCLIFF AVENUE APARTMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022, AND 2021

Basis of Accounting - Continued

Advertising Expense

The Corporation expenses the production costs of advertising when incurred. For the Year ended December 31, 2022, \$-0- was reported as advertising expense.

Revenue Recognition

The major sources of revenue are tenants dwelling rentals, Federal subsidy, and Governmental grants and resident's charges and late fees. The Corporation recognizes short-term rental income from tenants who have signed a lease agreement for less than one year, in accordance with HUD guidelines. The Corporation considers both rental income and subsidies to be exempt from compliance with ASC 606 as they are covered under current and future lease standards. However, tenant reimbursements for charges are subject to ASC 606 and recognized as revenue when incurred. Additionally, the Corporation also generates revenue from tenant charges and fees, all of which are considered integral to the primary operations and are recognized as revenue at the time they are received.

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 2021 is subject to examination by tax authorities.

NEIGHBORHOOD AFFORDABLE HOUSING FRIENDS, INC.
UNDERCLIFF AVENUE APARTMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022, AND 2021

Basis of Accounting - Continued

Salaries and Employee Benefits

All personnel of Neighborhood Affordable Housing Friends, Inc., Undercliff Avenue 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., Undercliff Avenue Apartments by The Borough of Edgewater Housing Authority. Neighborhood Affordable Housing Friends, Inc., Undercliff Avenue Apartments then reimburse The Borough of Edgewater Housing Authority for employee cost inclusive of all health insurance and retirement benefits.

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:

	<u>December-22</u>	<u>December-21</u>	<u>December-20</u>
Administrative Salaries	\$ 3,354	\$ 3,120	\$ 3,059
Maintenance Salaries	4,525	4,020	3,958
Employee Benefits Cost	<u>7,438</u>	<u>4,851</u>	<u>6,100</u>
Total	<u>\$ 15,317</u>	<u>\$ 11,992</u>	<u>\$ 13,118</u>

Other accounting policies

Commitments and Contingencies

Litigation – on December 31, 2022, 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 year ended December 31, 2022.

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.

NEIGHBORHOOD AFFORDABLE HOUSING FRIENDS, INC.
UNDERCLIFF AVENUE APARTMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022, AND 2021

Other accounting policies -Continued

Liquidity

On December 31, 2022, the Corporation has \$123,517 cash and equivalents available to meet needs for general expenditures consisting of cash of \$123,932 and \$585 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.

Budget

The Corporation's policy is to have an operation budget prepared and adopted prior to the next fiscal year. The Corporation, as of December 31, 2022, did adopt an operating budget for the fiscal year ended December 31, 2023.

Revenue from Rental Contracts

Neighborhood Affordable Housing Friends, Inc., Undercliff Avenue 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) must 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., Undercliff Avenue Apartments may not increase rents charged to tenants without the New Jersey Housing and Finance Agency approval.

NEIGHBORHOOD AFFORDABLE HOUSING FRIENDS, INC.
UNDERCLIFF AVENUE APARTMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022, AND 2021

Other accounting policies -Continued

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 collectibility of accounts receivable, the use, and recoverability of inventory, 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 those estimates, particularly given that the COVID-19 pandemic continues to create financial uncertainty throughout the economy. The most significant estimates included in the preparation of the financial statements are allowance for doubtful accounts and estimated fixed asset lives.

NOTE 3 – CASH AND CASH EQUIVALENTS

The Neighborhood Affordable Housing Friends, Inc., Undercliff Avenue 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.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts Receivable on December 31, 2022, and 2021 were in the amounts of \$585 and \$673, respectively, which consisted of tenant's rental receivable amounts.

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. Neighborhood Affordable Housing Friends, Inc., Undercliff Avenue Apartments carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Neighborhood Affordable Housing Friends, Inc., Undercliff Avenue Apartments 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 has elapsed without receiving payment and the individual do not exhibit the ability to meet their obligations. It is reasonably possible that management's estimate of the allowance will change.

NEIGHBORHOOD AFFORDABLE HOUSING FRIENDS, INC.
UNDERCLIFF AVENUE APARTMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022, AND 2021

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 of Fixed Assets is provided using the straight-line basis over the useful lives of the respective assets.

Depreciation Expense

Depreciation expenses for December 31, 2022, was \$16,176 and \$16,037 for 2021. 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

The Neighborhood Affordable Housing Friends, Inc., Undercliff Avenue 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' 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 fiscal year ended December 31, 2022.

	December-21	Additions	December-22
Land	\$ 87,600	\$ -	\$ 87,600
Building	531,339	5,600	536,939
Total Fixed Assets	618,939	5,600	624,539
Accumulated Depreciation	(193,029)	(16,176)	(209,205)
Net Book Value	\$ 425,910	\$ (10,576)	\$ 415,334

	December-20	Additions	December-21
Land	\$ 87,600	\$ -	\$ 87,600
Building	523,912	7,427	531,339
Total Fixed Assets	611,512	7,427	618,939
Accumulated Depreciation	(176,992)	(16,037)	(193,029)
Net Book Value	\$ 434,520	\$ (8,610)	\$ 425,910

NEIGHBORHOOD AFFORDABLE HOUSING FRIENDS, INC.
UNDERCLIFF AVENUE APARTMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022, AND 2021

NOTE 6 – LONG TERM DEBT – MORTGAGE PAYABLE

The Corporation had an outstanding mortgage held by the TD Bank through September of 2017. The Corporation refinanced the mortgage with Bank of New Jersey and paid off the remaining balance owed to TD Bank in the amount of \$254,306.

The refinanced mortgage with Bank of New Jersey now called Connect One Bank was in the amount of \$265,000 and bears interest at the rate of 4% per annum over a 30-year period. The mortgage requires monthly payments of \$1,274 and is collateralized by the Corporation's real estate. The mortgage balance as of December 31, 2022, was \$220,589 and for December 31, 2021, was in the amount of \$226,800.

	Balance December-20	Payments Made	Balance December-21	Current Portion	Non-Current Portion
Connect One	\$ 232,758	\$ (5,958)	\$ 226,800	\$ 6,382	\$ 220,418
	Balance December-21	Payments Made	Balance December-22	Current Portion	Non-Current Portion
Connect One	\$ 226,800	\$ (6,211)	\$ 220,589	\$ 6,632	\$ 213,957

The debt service requirement, as to principal reduction of the mortgage, is as follows:

Year	Principal	Interest	Total Payment
2023	6,632	8,659	15,291
2024	6,991	8,300	15,291
2025	7,338	7,953	15,291
2026	7,362	7,929	15,291
Subtotal	28,323	32,841	61,164
Therafter	192,266	76,588	268,854
Total	\$ 220,589	\$ 109,429	\$ 330,018

NEIGHBORHOOD AFFORDABLE HOUSING FRIENDS, INC.
UNDERCLIFF AVENUE APARTMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022, AND 2021

NOTE 7 – RELATED PARTY TRANSACTIONS

The Neighborhood Affordable Housing Friends, Inc., Undercliff Avenue 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 as of December 31, 2022, and 2021 consisted of:

	<u>December-22</u>	<u>December-21</u>	<u>December-20</u>
Administrative Salaries	\$ 3,354	\$ 3,120	\$ 3,059
Maintenance Salaries	4,525	4,020	3,958
Employee Benefits Cost	7,438	4,851	6,100
Total	<u>\$ 15,317</u>	<u>\$ 11,992</u>	<u>\$ 13,118</u>

NOTE 8 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Neighborhood Affordable Housing Friends, Inc., Undercliff Avenue Apartments has entered into contracts with NJHMFA to provide significant funding to the Neighborhood Affordable Housing Friends, Inc., Undercliff Avenue Apartments various programs. The Neighborhood Affordable Housing Friends, Inc., Undercliff Avenue Apartments operations are concentrated in the low-income housing real estate market. In addition, the Neighborhood Affordable Housing Friends, Inc., Undercliff Avenue Apartments operates in a heavily regulated environment. The operations of the Neighborhood Affordable Housing Friends, Inc., Undercliff Avenue 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 \$62,784 to the Neighborhood Affordable Housing Friends, Inc., Undercliff Avenue Apartments which represents approximately 61% percent of the Neighborhood Affordable Housing Friends, Inc., Undercliff Avenue Apartments total revenue for the December 31, 2022, and \$60,773, which represents approximately 61% percent for 2021.

NEIGHBORHOOD AFFORDABLE HOUSING FRIENDS, INC.
UNDERCLIFF AVENUE APARTMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022, AND 2021

NOTE 9 – SUBSEQUENT EVENTS

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.

The severity of the impact of COVID-19 on the Corporation operations will depend on several factors, including, but limited to, the duration and severity of the pandemic and the extent and severity of the impact on the Corporation's tenants, employees and vendors, all of which are uncertain and cannot be predicted. The Corporation's future results could be adversely impacted by delays in rent collections. Management is unable to predict with absolute certainty the impact of COVID-19 on its financial conditions, results of operations or cash flows.

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 provide evidence about conditions that existed after the statement of net assets date required disclosure in the accompanying notes. Management has evaluated the activity of the Corporation thru September 8, 2023, 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.

**NEIGHBORHOOD AFFORDABLE HOUSING FRIENDS, INC. -
UNDERCLIFF APARTMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022**

U.S. Department of Housing and Urban Development

Contract # NJ39-M000-136	CFDA#	Amount Expenditures
U.S. Department of Housing and Urban Development Section 221 Insured Loan	14.103	\$ 226,800
Section 8 Interest Reduction	14.103	<u>62,784</u>
Total Expenditures of Federal Awards		<u><u>\$ 289,584</u></u>

Note 1. Presentation:

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of Neighborhood Affordable Housing Friends, Inc. - Undercliff Apartments is under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Neighborhood Affordable Housing Friends, Inc. - Undercliff Apartments, it is not intended to and does not present the financial position, change in net assets, or cash flow of the Neighborhood Affordable Housing Friends, Inc. - Undercliff Apartments

Note 2. Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Neighborhood Affordable Housing Friends, Inc. - Undercliff Apartments has not elected to use the 10 percent de minimis indirect cost rate as allowable under the Uniform Guidance.

Note 3. Federally Funded and Insured Mortgage:

Neighborhood Affordable Housing Friends, Inc. - Undercliff Apartments has received a U.S. Department of Housing and Urban Development direct loan under Section 221 of the National Housing Act. The loan balance outstanding at the beginning of the year is included in the federal expenditures presented in the Schedule. Neighborhood Affordable Housing Friends, Inc. - Undercliff Apartments received no additional loans during the year. The balance of the loan outstanding on December 31, 2022, consists of CFDA Loan 14.155, HUD Section 221 Insured Loan in the amount of \$214,207. See Note 6 on page 16 of this report for full detail.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Neighborhood Affordable Housing Friends, Inc. - Undercliff Apartments, which comprise the statement of financial position as of December 31, 2022, and 2021 and the related statement of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated September 8, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Neighborhood Affordable Housing Friends, Inc. - Undercliff Apartments' 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Neighborhood Affordable Housing Friends, Inc. - Undercliff Apartments' internal control. Accordingly, we do not express an opinion on the effectiveness of Neighborhood Affordable Housing Friends, Inc. - Undercliff Apartments' 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Neighborhood Affordable Housing Friends, Inc. - Undercliff Apartments' 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 financial statements. 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*.

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.

Giampaolo & Associates

Lincroft, New Jersey

Date: September 8, 2023

**NEIGHBORHOOD AFFORDABLE HOUSING FRIENDS, INC. -
UNDERCLIFF APARTMENTS**

Schedule of Findings and Questioned Cost
Year Ended December 31, 2022

Prior Audit Findings

None reported

Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statement of the Neighborhood Affordable Housing Friends, Inc. - Undercliff Apartments.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of the Neighborhood Affordable Housing Friends, Inc. - Undercliff Apartments were disclosed during the audit.
4. The threshold used for distinguishing between Type A and B programs was \$750,000.
5. Neighborhood Affordable Housing Friends, Inc. - Undercliff Apartments qualified as a low risk Auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

None reported