

**GLOUCESTER COUNTY HOUSING
DEVELOPMENT CORPORATION
AND SUBSIDIARY**

**(A COMPONENT UNIT OF THE HOUSING AUTHORITY
OF GLOUCESTER COUNTY, NEW JERSEY)**

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2021 AND 2020



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Gloucester County Housing
Development Corporation and Subsidiary

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of Gloucester County Housing Development Corporation (a nonprofit organization) and Subsidiary, a component unit of the Housing Authority of Gloucester County, New Jersey, which comprise the statements of net position as of December 31, 2021 and 2020, and the related statements of revenue and expenses and changes in net position and statements of 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 respective financial position of the business-type activities of the Gloucester County Housing Development Corporation and Subsidiary as of December 31, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof 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. 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 the Gloucester County Housing Development Corporation and Subsidiary 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 opinion.

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 generally accepted in the United States of America; this includes 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 Gloucester County Housing Development Corporation and Subsidiary'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 opinions. 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 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 the Gloucester County Housing Development Corporation and Subsidiary'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 the Gloucester County Housing Development Corporation and Subsidiary'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Bowman & Company LLP

Bowman & Company LLP
Certified Public Accountants

Woodbury, New Jersey
September 27, 2022

GLOUCESTER COUNTY HOUSING DEVELOPMENT CORPORATION AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2021

This section of the Gloucester County Housing Development Corporation and Subsidiary's annual financial report presents our discussion and analysis of the Corporation's financial performance during the fiscal year ended on December 31, 2021. We encourage readers to consider the information presented here in conjunction with the Corporation's financial statements and accompanying notes.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. The Management's Discussion and Analysis is intended to share management's analysis of the Corporation's financial performance. The Corporation's financial statements are designed to provide readers with a broad overview of the Corporation's finances, in a manner similar to private businesses, such as real estate development and management. The financial statements included in this report were prepared in accordance with GAAP applicable to governmental entities for Proprietary Fund types ("Business-Type" activities). The financial statements are accompanying data include the following:

1. **The Statements of Net Position** - presenting information on all the Corporation's assets and liabilities, with the difference between the two reported as net position (equity).
2. **The Statements of Revenue, Expenses, and Changes in Net Position** - presenting information on revenues and expenses showing how the Corporation performed.
3. **The Statements of Cash Flows** - presenting the inflows and outflows of cash and cash equivalents.
4. **Notes to Financial Statements**- providing additional information essential to fully understanding the data provided in the financial statements.

**GOUCESTER COUNTY HOUSING DEVELOPMENT CORPORATION AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
December 31, 2021**

FINANCIAL HIGHLIGHTS

- The Corporation's Total Net Position (equity) decreased from 2021 to 2020 by **\$233,153** (or -0.34%) from **\$7,039,846** to **\$6,806,693** which includes an decrease in Unrestricted Net Position for the same amount. - The Corporation's Total Net Position (equity) increased from 2020 to 2019 by **\$17,345** (or 0.25%) from **\$7,022,501** to **\$7,039,846** which includes an increase in Unrestricted Net Position for the same amount. - The Corporation had Total Operating Revenues of **\$415,662** in 2021, **\$243,793** in 2020, and **\$217,254** in 2019. The Corporation had Total Operating Expenses of **\$643,361** in 2021, **\$221,482** in 2020, and **\$168,326** in 2019.

-The Corporation's unrestricted cash and cash equivalent was **\$4,642** in 2020, **\$6,626** in 2020, and **\$3,015** in 2019.

-The Corporate member's share of loss in Pop Moylan Urban Redevelopment Company, LLC was **\$5,477** in 2021, **\$5,144** in 2020, and **\$3,812** in 2019.

OTHER FINANCIAL INFORMATION

The Gloucester County Housing Development Corporation is a component unit of the Housing Authority of Gloucester County, New Jersey. The Corporation holds two mortgage notes on the Nancy J. Elkins Seniors Housing project owned by Pop Moylan Urban Redevelopment Company, LLC. The Corporation is the sponsor of this project. As of the year ended December 31, 2021, the mortgage receivables combined equaled **\$3,207,622** and accrued interest receivable was **\$3,985,203**. The corporation, through its subsidiary, PMURC, Inc., is a managing member of the LLC. See the Financial Notes for further explanation.

Nancy J. Elkins Seniors Housing is a tax credit project providing living space for elderly low-income families. The mortgage notes are payable as cash flow allows. The project has had little cash flow to make payments to the Corporation, hence there is a large accrued interest receivable. The project is expected to produce more cash flow in the near future but not sufficient enough to begin any principal reduction until beyond 2021.

The financial books are maintained in accordance with Generally Accepted Accounting Principles.

CAPITAL ASSETS and DEBT ADMINISTRATION

The Corporation's major capital asset is a parcel of land located in Deptford, New Jersey, which it leases to Pop Moylan Urban Redevelopment Company, LLC for the purpose of the Nancy J. Elkins Seniors Housing.

The Corporation currently has no debt.

GLOUCESTER COUNTY HOUSING DEVELOPMENT CORPORATION OF GLOUCESTER COUNTY
AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

CONDENSED FINANCIAL STATEMENTS

	December 31, 2021	December 31, 2020	December 31, 2019
<u>STATEMENTS OF NET POSITION</u>			
Assets:			
Current Assets	\$ 173,908	\$ 6,626	\$ 72,936
Restricted Assets	140,622	140,600	140,424
Capital Assets	399,085	399,085	399,085
Other Non Current Assets	7,532,981	7,409,057	7,095,843
Total Assets	\$ 8,246,596	\$ 7,955,368	\$ 7,708,288
Liabilities:			
Current Liabilities	\$ 1,333,773	\$ 814,869	\$ 590,278
Long-Term Liabilities	106,130	100,653	95,509
Total Liabilities	1,439,903	915,522	685,787
Net Assets:			
Net Investment in Capital Assets	399,085	399,085	399,085
Unrestricted Net Position	6,407,608	6,640,761	6,623,416
Total Net Position	6,806,693	7,039,846	7,022,501
Total Liabilities and Net Position	\$ 8,246,596	\$ 7,955,368	\$ 7,708,288
<u>STATEMENTS OF REVENUE, EXPENSES and CHANGES IN NET POSITION</u>			
Operating Revenues:			
Interest Income on Notes Receivable	\$ 161,343	\$ 161,785	\$ 161,343
Management Contract and Other Income	57,437	56,573	55,411
Development revenue	196,382	24,935	-
Land Lease Income	500	500	500
Total Operating Revenues	415,662	243,793	217,254
Operating Expenses:			
Administrative	639,703	218,666	164,976
Insurance	3,658	2,816	3,350
Total Operating Expense	643,361	221,482	168,326
Operating Income (Loss)	(227,699)	22,311	48,928
Non-operating Revenues (Expenses):			
Interest Income	23	178	703
Member's share in loss from limited liability company	(5,477)	(5,144)	(3,812)
Total Non-operating Revenues (Expenses)	(5,454)	(4,966)	(3,109)
Change in Net Position	\$ (233,153)	\$ 17,345	\$ 45,819
Net Position - Beginning	7,039,846	7,022,501	6,976,682
Total Net Position - Ending	\$ 6,806,693	\$ 7,039,846	\$ 7,022,501

**GOUCESTER COUNTY HOUSING DEVELOPMENT CORPORATION AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
December 31, 2021**

BUDGETARY HIGHLIGHTS

A budget was prepared by the Corporation for internal control purposes. The budgets were used strictly as a management tool.

ECONOMIC FACTORS and NEXT YEAR'S BUDGETS

The economy is still facing financial difficulties and monetary pain is felt at all levels. Unemployment, out-of-control health care costs, bankruptcies, and foreclosures continue to dampen the local economy. For the people who have recently entered into retirement and have seen their savings deplete during this economy, there has been an even greater need for affordable housing for seniors.

The Authority prepares its Financial Statements in accordance with Governmental GAAP which includes GASB 68, Accounting and Financial Reporting for Pensions, and GASB 75, Accounting and Financial Reporting for Post Employment Benefits Other than Pensions. Both are material to the Financial Statements and are based on estimates in accordance with the respective accounting standards.

The corporation's sponsored project, Nancy J. Elkins Seniors Housing, will continue to be a viable resource in this area. However, the cost of contracted labor will continue to increase, due in large part to the increases in health insurance and other post employment benefits which will be passed onto the corporation. Overall, next year's budget continues to reflect this trend.

In 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a "Public Health Emergency of International Concern." It has adversely impacted many industries and it could have continued material adverse impact on the economy and market conditions which could trigger a period of global economic slowdown. The outbreak presents uncertainty and risk with respect to the Corporation, its performance, and its financial results.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide users with an overview of the Corporation's finances. If you have questions concerning any of the information provided in this report, contact the Director of Finance, c/o: Housing Authority of

**GLOUCESTER COUNTY HOUSING DEVELOPMENT CORPORATION
AND SUBSIDIARY**

**Statements of Net Position
As of December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets		
Cash	\$ 4,642	\$ 6,626
Development revenue receivable	99,345	24,935
Due from affiliate	69,921	69,921
	<u>173,908</u>	<u>101,482</u>
Total current assets		
Noncurrent assets		
Land held for lease	399,085	399,085
Notes receivable	3,207,622	3,207,622
Accrued interest on notes receivable	3,985,203	3,823,860
Due from affiliate	340,156	282,719
Restricted cash - operating deficit reserve	140,622	140,600
	<u>8,072,688</u>	<u>7,853,886</u>
Total noncurrent assets		
	<u><u>\$ 8,246,596</u></u>	<u><u>\$ 7,955,368</u></u>
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable and accrued expenses	\$ 119,437	\$ 16,946
Due to Housing Authority of Gloucester County	1,214,336	797,923
	<u>1,333,773</u>	<u>814,869</u>
Total current liabilities		
Member's interest in the deficit of a limited liability company	<u>106,130</u>	<u>100,653</u>
Total liabilities	<u>1,439,903</u>	<u>915,522</u>
Net position		
Net investment in capital assets	399,085	399,085
Unrestricted net position	6,407,608	6,640,761
	<u>6,806,693</u>	<u>7,039,846</u>
	<u><u>\$ 8,246,596</u></u>	<u><u>\$ 7,955,368</u></u>

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

**GLOUCESTER COUNTY HOUSING DEVELOPMENT CORPORATION
AND SUBSIDIARY**

**Statements of Revenue and Expenses and Changes in Net Position
For the Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Operating revenue		
Interest income on notes receivable	\$ 161,343	\$ 161,785
Management contract income	57,437	56,573
Development revenue	196,382	24,935
Land lease income	500	500
	<u>415,662</u>	<u>243,793</u>
Total operating revenue		
	<u>415,662</u>	<u>243,793</u>
Operating expenses		
Administrative	639,703	218,666
Insurance	3,658	2,816
	<u>643,361</u>	<u>221,482</u>
Total operating expenses		
	<u>643,361</u>	<u>221,482</u>
Operating income (loss)	<u>(227,699)</u>	<u>22,311</u>
Non-operating revenue (expense)		
Interest income	23	178
Member's share in loss from limited liability company	(5,477)	(5,144)
	<u>(5,454)</u>	<u>(4,966)</u>
Net non-operating expense		
	<u>(5,454)</u>	<u>(4,966)</u>
Increase (decrease) in net position	(233,153)	17,345
Net position - beginning	<u>7,039,846</u>	<u>7,022,501</u>
Net position - ending	<u>\$ 6,806,693</u>	<u>\$ 7,039,846</u>

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

**GLOUCESTER COUNTY HOUSING DEVELOPMENT CORPORATION
AND SUBSIDIARY**

**Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Cash received from management contracts	\$ 500	\$ 500
Cash received for development revenue	121,972	-
Cash paid to vendors and suppliers	(336,035)	(60)
Cash received from Housing Authority of Gloucester County	211,578	3,169
	<u>(1,985)</u>	<u>3,609</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Interest income received	23	178
	<u>23</u>	<u>178</u>
Net increase (decrease) in cash	(1,962)	3,787
Cash - beginning	147,226	143,439
Cash - ending	<u>\$ 145,264</u>	<u>\$ 147,226</u>
Reconciliation of operating income to net cash provided by (used in) operating activities		
Operating income	\$ (227,699)	\$ 22,311
Adjustments to reconcile increase in net position to net cash provided by operating activities		
Decrease in		
Development revenue receivable	(74,410)	(24,935)
Accrued interest on notes receivable	(161,343)	(161,786)
Due from affiliate	(57,437)	(56,572)
Increase in		
Accounts payable and accrued expenses	102,491	2,756
Due to Housing Authority of Gloucester County	416,413	221,835
	<u>\$ (1,985)</u>	<u>\$ 3,609</u>
Net cash provided by operating activities		
Reconciliation of cash to the statements of net position		
Cash	\$ 4,642	\$ 6,626
Restricted cash - operating deficit reserve	140,622	140,600
	<u>\$ 145,264</u>	<u>\$ 147,226</u>
Disclosure of non-cash investing activity:		
Share of loss from investment in limited liability company	<u>\$ 5,477</u>	<u>\$ 5,144</u>

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

**GLOUCESTER COUNTY HOUSING DEVELOPMENT CORPORATION
AND SUBSIDIARY
Notes to Financial Statements**

Note 1: ORGANIZATION AND ACTIVITY

Reporting entity - Gloucester County Housing Development Corporation ("the Corporation") is an instrumentality and a component unit of the Housing Authority of Gloucester County, New Jersey ("the Authority") organized as a nonprofit corporation under the laws of the State of New Jersey in December 1978. The purpose of the Corporation is to provide housing for persons of low-income through ownership, development, and financing. The Board of Directors consists of six members who are elected by existing Board members. The Corporation has no employees, but utilizes certain employees of the Authority to manage day-to-day operations and reimburses the Authority for the costs of those services.

PMURC, Inc. (PMURC), a wholly-owned subsidiary of the Corporation, was organized to invest in real estate for low-income housing.

Component unit - The Corporation is a component unit of the Housing Authority of Gloucester County as described in Governmental Accounting Standards Board (GASB) Statements No. 14, The Financial Reporting Entity, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, and GASB Statement No. 61, The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34, and GASB Statement No. 80, Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14. These financial statements are discreetly presented as part of the Authority's financial statements.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation – The financial statements of the Corporation have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accompanying basic financial statements include the accounts of the Corporation and of PMURC. All intercompany transactions and balances have been eliminated in the accompanying financial statements.

Basis of accounting - Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Enterprise funds are accounted for using the accrual basis of accounting.

Revenues -- Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Interest Income and management fees are recognized as revenue when services are provided.

**GLOUCESTER COUNTY HOUSING DEVELOPMENT CORPORATION
AND SUBSIDIARY**

Notes to Financial Statements (continued)

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting (continued)

Non-exchange transactions, in which the Corporation receives value without directly giving equal value in return, include grants, contributed capital, and donations. Revenue from grants, contributed capital, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Corporation must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Corporation on a reimbursement basis.

Expenses / Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Cash – Cash includes amounts in demand accounts.

Land – Land held for lease is carried at cost.

Notes receivable – Management closely monitors its outstanding receivable balances and charges off to expense any balances that are determined to be uncollectible. At December 31, 2021 and 2020, the Corporation considered all accounts receivable to be fully collectible. Accordingly, there was no allowance for doubtful accounts. Bad debt expense was \$0 for both of the years ended December 31, 2021 and 2020.

Net position - In accordance with the provisions of GASB Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", the Corporation has classified its net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced, by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component as the unspent amount. Currently this component relates solely to capital assets and there is no related debt.

Restricted – Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Corporation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Currently, the Corporation has no restricted net position.

Unrestricted – This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets." This component includes net position that may be allocated for specific purposes by the Board.

**GLOUCESTER COUNTY HOUSING DEVELOPMENT CORPORATION
AND SUBSIDIARY**

Notes to Financial Statements (continued)

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes – The Corporation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, does not record a provision for income taxes on related income. The wholly-owned Subsidiary is a corporation subject to Federal and state income taxes. PMURC had only a liability for the minimum tax to New Jersey for 2021 and there were no timing differences which would have resulted in deferred taxes.

Operating income – The Corporation distinguishes operating revenue and expenses from non-operating items. Operating revenue and expense generally result from the primary purpose of the Corporation. Operating revenue consists of the interest income on the notes receivable, management contract income, and land lease income, all of which are related to the provision of housing for persons of low-income through its related organization Pop Moylan Urban Redevelopment Company, LLC (Pop Moylan). Operating expenses consist of expenses attributable to the provision of the management contract services, as well as certain corporate operating expenses. All revenue and expenses, including interest income and the income (loss) resulting from its membership in Pop Moylan, not meeting these criteria are considered non-operating.

Member's interest in the deficit of a limited liability company – PMURC holds a 1% general partnership interest in Pop Moylan Urban Redevelopment Company, LLC (Pop Moylan), which is accounted for using the equity method. Under the equity method of accounting, the initial investment is recorded at cost and subsequently increased by its share of earnings and decreased by its share of losses and distributions. Certain obligations and liabilities of the general partner require the recognitions of losses which can result in a negative basis.

Use of estimates - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New accounting standards adopted

Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period - The objective of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. It also simplifies accounting for interest cost incurred before the end of a construction period. The adoption of this Statement had no impact on the Corporation's financial statements.

Statement No. 93, Replacement of Interbank Offered Rates -The objective of this Statement is to address the accounting and financial reporting effects that result from the replacement of interbank offered rates (IBORs) with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. The adoption of this Statement had no impact on the Corporation's financial statements.

Statement No. 98, The Annual Comprehensive Financial Report - This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The adoption of this Statement had no impact on the Corporation's financial statements.

**GLOUCESTER COUNTY HOUSING DEVELOPMENT CORPORATION
AND SUBSIDIARY**

Notes to Financial Statements (continued)

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards to be implemented in the future

The Corporation plans to implement the following pronouncements by the required implementation dates or earlier, when deemed feasible:

Statement No. 87, *Leases* - The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This Statement originally would have become effective for the Corporation in the year ending December 31, 2020, but as a result of GASB Statement 95 will become effective in the year ending December 31, 2022. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 91, *Conduit Debt Obligations* - The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement originally would have become effective for the Corporation in the year ending December 31, 2021, but as a result of GASB Statement 95 will become effective in the year ending December 31, 2022. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 92, *Omnibus 2020* - The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statements are effective as follows:

1. The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
2. The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 originally would have become effective for the Corporation in the year ending December 31, 2021, but as a result of GASB Statement 95 will become effective in the year ending December 31, 2022.
3. The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities originally would have become effective for the Corporation in the year ending December 31, 2021, but as a result of GASB Statement 95 will become effective in the year ending December 31, 2022.
4. The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition originally would have become effective for the Corporation in the year ending December 31, 2021, but as a result of GASB Statement 95 will become effective in the year ending December 31, 2022.

Management has not yet determined the impact of this Statement on the financial statements.

**GLOUCESTER COUNTY HOUSING DEVELOPMENT CORPORATION
AND SUBSIDIARY**

Notes to Financial Statements (continued)

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards to be implemented in the future (continued)

Statement 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* - The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The Statement will become effective for the Corporation in the year ending December 31, 2023. Management does not expect this Statement will have an impact on the financial statements.

Statement 96, *Subscription-Based Information Technology Arrangements* - This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The Statement will become effective for the Corporation in the year ending December 31, 2023. Management does not expect this Statement will have an impact on the financial statements.

Statement 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* -The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The portions of the statement effect component unit criteria are effective immediately, but the other portions of the Statement will become effective for the Corporation in the year ending December 31, 2022. Management does not expect this Statement will have an impact on the financial statements.

**GLOUCESTER COUNTY HOUSING DEVELOPMENT CORPORATION
AND SUBSIDIARY**

Notes to Financial Statements (continued)

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards to be implemented in the future (continued)

Statement No. 99, Omnibus 2022. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective immediately. The requirements related to leases, PPPs, and SBITAs will become effective for the Corporation in the fiscal year ending December 31, 2023. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 will become effective for the Corporation in the fiscal year ending December 31, 2024. Management does not expect this Statement will have an impact on the financial statements

Prior year - Certain reclassifications have been made to the prior year financial statements in order to make them comparable to the current year presentation.

Comparability – The Corporation's estimate of its liability and expense for other post-employment benefits (OPEB) increased significantly for 2021 over 2020 due to changes in estimates of the Corporation's actuaries. This caused an increase in administrative expenses for both the Corporation and its component units.

Note 3: CASH

Custodial credit risk – Custodial credit risk is the risk that, in the event of a bank failure, the Corporation's deposits may not be recovered. The Corporation's formal policy regarding custodial credit risk is included in its cash management plan. The first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC).

As of December 31, 2021 and 2020, the Corporation's bank balances were exposed to custodial credit risk as follows:

	<u>2021</u>	<u>2020</u>
Insured by FDIC	\$ 202,624	\$ 151,387
Uninsured	<u>-</u>	<u>-</u>
	<u>\$ 202,624</u>	<u>\$ 151,387</u>

**GLOUCESTER COUNTY HOUSING DEVELOPMENT CORPORATION
AND SUBSIDIARY**

Notes to Financial Statements (continued)

Note 4: NOTES RECEIVABLE

The Corporation holds a second mortgage from Pop Moylan, a related party, which bears interest at 5.03% per annum. Annual payments of \$188,664 were due commencing on January 1, 1999, and continuing every January 1 through 2028. Payments are due only to the extent of net cash flow as defined in Pop Moylan's Amended and Restated Operating Agreement. At December 31, 2021 and 2020, outstanding principal was \$2,687,622. Accrued interest at December 31, 2021 and 2020 was \$3,333,563 and \$3,198,376, respectively. As of December 31, 2021 and 2020, Pop Moylan had not made any scheduled payments.

The Corporation holds a third mortgage from Pop Moylan, a related party, in the amount of \$520,000. The mortgage bears interest at the rate of 5.03% per annum on the outstanding principal balance. Annual payments of \$34,458 were due commencing on January 1, 1999, and continuing through January 1, 2028. Payments are due only to the extent of net cash flow as defined in Pop Moylan's Amended and Restated Operating Agreement. At December 31, 2021 and 2020, accrued interest was \$651,640 and \$625,484. As of December 31, 2021 and 2020, Pop Moylan had not made any scheduled payments.

Both notes are secured by a deed of trust on rental property owned by Pop Moylan.

Note 5: RELATED PARTY TRANSACTIONS

Pop Moylan Urban Redevelopment Company, LLC – The Corporation manages a rental property owned by Pop Moylan, a related party. The management and bookkeeping fees are established by the New Jersey Housing and Mortgage Finance Agency (NJHMFA). At December 31, 2021 and 2020, the management fee was \$59.83 and \$58.93 per unit per month, respectively. The bookkeeping fee is paid by Pop Moylan to the Authority. Management fees totaling \$57,437 and \$56,573 were accrued for the years ending December 31, 2021 and 2020, respectively. During the years ended December 31, 2021 and 2020, Pop Moylan paid the Corporation a total of \$0 and \$0, respectively, of accrued management fees due to sufficient cash flow of Pop Moylan as defined by the Operating Agreement. As of December 31, 2021 and 2020, \$340,156 and \$282,719 of management fee is receivable and included in due from affiliate on the balance sheet.

There were transactions with Pop Moylan during the year for other costs between the entities. As a result, at year-end, there was a receivable due from Pop Moylan of \$69,921 at December 31, 2021 and 2020.

Notes receivable – See Note 4.

Housing Authority of Gloucester County - The Authority was organized as a public housing authority under the supervision of HUD in October 1972. There were transactions with the Authority during the year for contracted services provided to the Corporation as well as allocations of various other costs between the entities. As a result, at year-end there was a payable due to the Authority in the amount of \$886,441 and \$772,988 at December 31, 2021 and 2020, respectively. There are no specific terms for repayment of this intercompany amount and no interest is provided on the outstanding balance.

**GLOUCESTER COUNTY HOUSING DEVELOPMENT CORPORATION
AND SUBSIDIARY**

Notes to Financial Statements (continued)

Note 6: PRE-DEVELOPMENT EXPENSES

The Corporation is in the predevelopment phase for 24 units of special needs housing, in Deptford, New Jersey. In accordance with the Predevelopment Loan Agreement, the Corporation incurred expenses of \$196,382 and \$24,935 for December 31, 2021 and 2020, respectively. See also Note 10.

Note 7: GROUND LEASE

The Corporation entered into a ground lease agreement with Pop Moylan (the lessee) to lease the land on which a rental property owned by Pop Moylan was built for a period of 50 years. Minimum annual payments of \$500 are due on August 6 of each year. Maximum annual payments of \$10,460 are due and payable to the extent of surplus cash of the lessee. Maximum annual payments not paid due to insufficient surplus cash accrue interest at the rate of 12% per annum; however such deferred amounts are not required to be paid unless the Corporation notifies Pop Moylan in writing that additional payments are due. No surplus cash was available to pay additional ground rent at December 31, 2021 and 2020 and the Corporation has not notified Pop Moylan of any deferred amounts due.

**GLOUCESTER COUNTY HOUSING DEVELOPMENT CORPORATION
AND SUBSIDIARY**

Notes to Financial Statements (continued)

Note 8: INVESTMENT IN LIMITED LIABILITY COMPANY

PMURC holds a 1% general partnership interest in Pop Moylan. Profits, losses and cash distributions from the operation of Pop Moylan are allocated based on the Corporation's operating agreement. The project consists of an 80-unit apartment project in Deptford, New Jersey.

Summarized financial information of Pop Moylan as of December 31, 2021 and 2020, and for the years then ended, is as follows:

BALANCE SHEETS

	<u>2021</u>	<u>2020</u>
ASSETS		
Investment in real estate		
Buildings and improvements	\$ 9,061,154	\$ 9,061,154
Furniture and fixtures	<u>174,412</u>	<u>145,638</u>
	9,235,566	9,206,792
Less accumulated depreciation	<u>7,906,537</u>	<u>7,551,063</u>
	1,329,029	1,655,729
Other assets	<u>916,090</u>	<u>1,043,698</u>
	<u><u>\$ 2,245,119</u></u>	<u><u>\$ 2,699,427</u></u>
LIABILITIES AND MEMBERS' DEFICIT		
LIABILITIES		
Mortgage payable	\$ 4,991,580	\$ 5,141,507
Other liabilities	<u>4,836,908</u>	<u>4,639,298</u>
	9,828,488	9,780,805
MEMBERS' DEFICIT	<u>(7,583,369)</u>	<u>(7,081,378)</u>
	<u><u>\$ 2,245,119</u></u>	<u><u>\$ 2,699,427</u></u>

**GLOUCESTER COUNTY HOUSING DEVELOPMENT CORPORATION
AND SUBSIDIARY**

Notes to Financial Statements (continued)

Note 8: INVESTMENT IN LIMITED LIABILITY COMPANY (continued)

STATEMENTS OF OPERATIONS

	<u>2021</u>	<u>2020</u>
Revenue		
Rent	\$ 773,033	\$ 799,695
Other	73,772	70,519
	<u>846,805</u>	<u>870,214</u>
Expenses		
Depreciation	355,474	350,679
Interest	255,815	265,881
Other expenses	783,243	768,019
	<u>1,394,532</u>	<u>1,384,579</u>
Excess of expenses over revenue	(547,727)	(514,365)
Deposits to repairs and replacement reserve	45,193	45,204
Withdraws from repairs and replacement reserve	-	(17,000)
Interest earned	543	3,424
Loss on disposal of equipment	-	-
Members' deficit – beginning	<u>(7,081,378)</u>	<u>(6,598,641)</u>
Members' deficit – ending	<u>\$ (7,583,369)</u>	<u>\$ (7,081,378)</u>

Note 9: OPERATING DEFICIT RESERVE

Pursuant to Pop Moylan's Amended and Restated Operating Agreement, the Corporation was required to fund an operating deficit reserve in the initial amount of \$122,126. Annually, on each January 10th, the Corporation is required to deposit 10% of Pop Moylan's net cash flow into the reserve. The reserve is to be used to fund project operations when there is insufficient operating cash available. As of December 31, 2021 and 2020, the balance of the reserve was \$140,622 and \$140,600, respectively. This amount represents the initial deposit plus accumulated interest as Pop Moylan has not experienced positive cash flow to date.

**GLOUCESTER COUNTY HOUSING DEVELOPMENT CORPORATION
AND SUBSIDIARY**

Notes to Financial Statements (continued)

Note 10: SUBSEQUENT EVENTS

In June 2021, Corporation applied for funding from the New Jersey Department of Consumer Affairs (NJDCA) Affordable Housing Trust Funds for approximately \$4 Million to develop 24 units of special needs housing. In 2022, the NJDCA notified the Corporation of the funding award.

In 2022, the Corporation incurred revenue from the County in accordance with the Pre-Development Loan Agreement.