

**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, 2023 AND 2022

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Gloucester County Housing
Development Corporation and Subsidiary

Report on the Financial Statements

Opinion

We have audited the accompanying basic financial statements of the business-type activities of the Gloucester County Housing Development Corporation (a non-profit organization) and Subsidiary, a component unit of the Housing Authority of Gloucester County, New Jersey, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements which collectively comprise the organization's financial statements as listed in the table of contents.

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, 2023 and 2022, and the respective changes in financial position and 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 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 the Gloucester County Housing Development Corporation and Subsidiary's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 is the responsibility of management and, 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 basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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
Certified Public Accountants
& Consultants

Woodbury, New Jersey
August 15, 2024

**GLOUCESTER COUNTY HOUSING DEVELOPMENT CORPORATION AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended December 31, 2023 and 2022
Unaudited**

This section of the Gloucester County Housing Development Corporation and Subsidiary's (the "Corporation") annual financial report presents our discussion and analysis of the Corporation's financial performance during the fiscal year ended on December 31, 2023. 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 generally accepted accounting principles ("GAAP") applicable to governmental entities for Proprietary Fund types ("Business-Type" activities). The financial statements and 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)
For the Years Ended December 31, 2023 and 2022
Unaudited**

FINANCIAL HIGHLIGHTS

- The Corporation's Total Net Position (equity) increased from 2022 to 2023 by **\$3,126,938** (or 46.6%) from **\$6,712,240** to **\$9,839,178** which includes an increase in Unrestricted Net Position for the same amount. The Corporation's Total Net Position (equity) decreased from 2021 to 2022 by **\$94,453** (or -1.4%) from **\$6,806,693** to **\$6,712,240** which includes a decrease in Unrestricted Net Position for the same amount.
- The Corporation had Total Operating Revenues of **\$236,212** in 2023, **\$466,337** in 2022, and **\$415,662** in 2021. The Corporation had Total Operating Expenses of **\$499,930** in 2023, **\$556,061** in 2022, and **\$643,361** in 2021.
- The Corporation's unrestricted cash and cash equivalent was **\$3,412,717** in 2023, **\$29,412** in 2022, and **\$4,642** in 2021.
- The Corporate member's share of loss in Pop Moylan Urban Redevelopment Company, LLC was **\$4,900** in 2023, **\$4,751** in 2022, and **\$5,477** in 2021.

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, 2023, the mortgage receivables combined equaled **\$3,207,622** and accrued interest receivable was **\$4,307,890**. 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 2023.

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

	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
<u>STATEMENTS OF NET POSITION</u>			
Assets:			
Current Assets	\$ 45,608	\$ 139,594	\$ 173,908
Restricted Assets	3,367,149	140,635	140,622
Capital Assets	399,085	399,085	399,085
Other Non-Current Assets	8,115,939	7,754,191	7,532,981
Total Assets	<u>\$ 11,927,781</u>	<u>\$ 8,433,505</u>	<u>\$ 8,246,596</u>
Liabilities:			
Current Liabilities	\$ 1,972,822	\$ 1,610,384	\$ 1,333,773
Long-Term Liabilities	115,781	110,881	106,130
Total Liabilities	<u>2,088,603</u>	<u>1,721,265</u>	<u>1,439,903</u>
Net Assets:			
Net Investment in Capital Assets	399,085	399,085	399,085
Unrestricted Net Position	9,440,093	6,313,155	6,407,608
Total Net Position	<u>9,839,178</u>	<u>6,712,240</u>	<u>6,806,693</u>
Total Liabilities and Net Position	<u>\$ 11,927,781</u>	<u>\$ 8,433,505</u>	<u>\$ 8,246,596</u>
<u>STATEMENTS OF REVENUE, EXPENSES and CHANGES IN NET POSITION</u>			
Operating Revenues:			
Interest Income on Notes Receivable	\$ 161,343	\$ 161,343	\$ 161,343
Management Contract and Other Income	63,485	59,866	57,437
Development revenue	10,884	244,628	196,382
Land Lease Income	500	500	500
	<u>236,212</u>	<u>466,337</u>	<u>415,662</u>
Total Operating Revenues			
Operating Expenses:			
Administrative	489,398	552,788	639,703
Insurance	10,532	3,273	3,658
	<u>499,930</u>	<u>556,061</u>	<u>643,361</u>
Total Operating Expense			
Operating Income (Loss)	<u>(263,718)</u>	<u>(89,724)</u>	<u>(227,699)</u>
Non-operating Revenues (Expenses):			
Interest Income	22,384	22	23
Government grants	3,373,172	-	-
Member's share in loss from limited liability company	(4,900)	(4,751)	(5,477)
	<u>3,390,656</u>	<u>(4,729)</u>	<u>(5,454)</u>
Total Non-operating Expenses			
Change in Net Position	<u>\$ 3,126,938</u>	<u>\$ (94,453)</u>	<u>\$ (233,153)</u>
Net Position - Beginning	<u>6,712,240</u>	<u>6,806,693</u>	<u>7,039,846</u>
Total Net Position - Ending	<u>\$ 9,839,178</u>	<u>\$ 6,712,240</u>	<u>\$ 6,806,693</u>

**GLOUCESTER COUNTY HOUSING DEVELOPMENT CORPORATION AND SUBSIDIARY
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
For the Years Ended December 31, 2023 and 2022**

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 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 on to the corporation. Overall, next year's budget continues to

CONTACTING THE CORPORATION'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, 100 Pop Moylan Boulevard, Deptford, New Jersey 08096.

**GLOUCESTER COUNTY HOUSING DEVELOPMENT CORPORATION
AND SUBSIDIARY**

**Statements of Net Position
As of December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets		
Unrestricted Cash	\$ 45,608	\$ 29,412
Restricted cash and cash equivalents	3,367,149	-
Development revenue receivable	-	40,261
Prepaid expenses	32,199	-
Due from affiliate	71,078	69,921
Total current assets	3,516,034	139,594
Noncurrent assets		
Restricted cash - operating deficit reserve	33,643	140,635
Land held for lease	399,085	399,085
Notes receivable	3,207,622	3,207,622
Accrued interest on notes receivable	4,307,890	4,146,547
Due from affiliate	463,507	400,022
Total noncurrent assets	8,411,747	8,293,911
	\$ 11,927,781	\$ 8,433,505
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable and accrued expenses	\$ 55,406	\$ 67,506
Due to Housing Authority of Gloucester County	1,917,416	1,542,878
Total current liabilities	1,972,822	1,610,384
Member's interest in the deficit of a limited liability company	115,781	110,881
Total liabilities	2,088,603	1,721,265
Net position		
Net investment in capital assets	399,085	399,085
Unrestricted net position	9,440,093	6,313,155
	9,839,178	6,712,240
	\$ 11,927,781	\$ 8,433,505

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, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Operating revenue		
Interest income on notes receivable	\$ 161,343	\$ 161,343
Management contract income	63,485	59,866
Development revenue	10,884	244,628
Land lease income	500	500
	236,212	466,337
Total operating revenue	236,212	466,337
Operating expenses		
Administrative	489,398	552,788
Insurance	10,532	3,273
	499,930	556,061
Total operating expenses	499,930	556,061
Operating loss	(263,718)	(89,724)
Non-operating revenue (expense)		
County grant awards	3,373,172	-
Interest income	22,384	22
Member's share in loss from limited liability company	(4,900)	(4,751)
	3,390,656	(4,729)
Net non-operating revenue (expense)	3,390,656	(4,729)
Change in net position	3,126,938	(94,453)
Net position - beginning	6,712,240	6,806,693
Net position - ending	\$ 9,839,178	\$ 6,712,240

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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Cash received from management contracts	\$ 500	\$ 500
Cash received for development revenue	49,988	303,712
Cash paid to vendors and suppliers	(54,831)	(490,072)
Cash received from (paid to) Housing Authority of Gloucester County	<u>(114,860)</u>	<u>210,621</u>
Net cash provided by (used in) operating activities	(119,203)	24,761
Cash flows from capital and related financing activities		
Cash received from federal and state assistance programs	<u>3,373,172</u>	<u>-</u>
Cash flows from investing activities		
Interest income received	<u>22,384</u>	<u>22</u>
Net increase (decrease) in cash	3,276,353	24,783
Cash - beginning	<u>170,047</u>	<u>145,264</u>
Cash - ending	<u><u>\$ 3,446,400</u></u>	<u><u>\$ 170,047</u></u>
Reconciliation of operating loss to net cash provided by (used in) operating activities		
Operating loss	\$ (263,718)	\$ (89,724)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
(Increase) Decrease in		
Development revenue receivable	40,261	59,084
Accrued interest on notes receivable	(161,343)	(161,344)
Due from affiliate	(64,642)	(59,866)
Prepaid expenses	(32,199)	-
Increase (Decrease) in		
Accounts payable and accrued expenses	(12,100)	(51,931)
Due to Housing Authority of Gloucester County	<u>374,538</u>	<u>328,542</u>
Net cash provided by (used in) operating activities	<u><u>\$ (119,203)</u></u>	<u><u>\$ 24,761</u></u>
Reconciliation of cash to the statements of net position		
Cash	\$ 45,608	\$ 29,412
Restricted cash - operating deficit reserve	<u>3,400,792</u>	<u>140,635</u>
	<u><u>\$ 3,446,400</u></u>	<u><u>\$ 170,047</u></u>
Disclosure of non-cash investing activity:		
Share of loss from investment in limited liability company	<u><u>\$ 4,900</u></u>	<u><u>\$ 4,751</u></u>

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

**GLOUCESTER COUNTY HOUSING DEVELOPMENT CORPORATION
AND SUBSIDIARY**

**Notes to Financial Statements
For the Years Ended December 31, 2023 and 2022**

Note 1: ORGANIZATION AND ACTIVITY

Reporting entity - Gloucester County Housing Development Corporation and Subsidiary (the "Corporation") is an instrumentality and a component unit of the Housing Authority of Gloucester County, New Jersey (the "Authority") organized as a non-profit 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 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)
For the Years Ended December 31, 2023 and 2022**

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 year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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, 2023 and 2022, the Corporation considered all notes 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, 2023 and 2022.

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)
For the Years Ended December 31, 2023 and 2022**

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 (“IRC”) 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 2023 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 government grants, 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 GAAP 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 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 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)
For the Years Ended December 31, 2023 and 2022**

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

New accounting standards adopted (continued)

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 adoption of this Statement had no impact on the Corporation's financial statements.

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 adoption of this Statement had no impact on the Corporation's financial statements.

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. 100, Accounting Changes and Error Corrections - The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The Statement will become effective for the Corporation in the year ending December 31, 2024. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 101, Compensated Absences - The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The Statement will become effective for the Corporation in the year ending December 31, 2024. Management is currently evaluating the impact this Statement will have on the basic financial statements of the Corporation.

**GLOUCESTER COUNTY HOUSING DEVELOPMENT CORPORATION
AND SUBSIDIARY**

**Notes to Financial Statements (continued)
For the Years Ended December 31, 2023 and 2022**

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

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

Statement No. 102, Certain Risk Disclosures. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The Statement will become effective for the Authority in the year ending December 31, 2025. Management is currently evaluating the impact this Statement will have on the basic financial statements of the Corporation.

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, 2023 and 2022, the Corporation's bank balances were exposed to custodial credit risk as follows:

	<u>2023</u>	<u>2022</u>
Insured by FDIC	\$ 250,000	\$ 250,000
Uninsured	3,196,432	2,497
	\$ 3,446,432	\$ 252,497

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, 2023 and 2022, outstanding principal was \$2,687,622. Accrued interest at December 31, 2023 and 2022 was \$3,603,939 and \$3,468,751, respectively. As of December 31, 2023 and 2022, 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, 2023 and 2022, accrued interest was \$703,951 and \$677,796. As of December 31, 2023 and 2022, Pop Moylan had not made any scheduled payments.

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

**GLOUCESTER COUNTY HOUSING DEVELOPMENT CORPORATION
AND SUBSIDIARY**

**Notes to Financial Statements (continued)
For the Years Ended December 31, 2023 and 2022**

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, 2023 and 2022, the management fee was \$66.13 and \$62.36 per unit per month, respectively. The bookkeeping fee is paid by Pop Moylan to the Corporation. Management fees totaling \$63,485 and \$59,866 were accrued for the years ending December 31, 2023 and 2022, respectively. During the years ended December 31, 2023 and 2022, Pop Moylan paid the Corporation a total of \$0 and \$0, respectively, of accrued management fees due to insufficient cash flow of Pop Moylan as defined by the Operating Agreement. As of December 31, 2023 and 2022, \$463,507 and \$400,022 of management fee is receivable and included in due from affiliate on the statement of net position.

There were transactions with Pop Moylan during the year for other costs between the entities. As a result, there was a receivable due from Pop Moylan of \$71,078 and \$69,921 at December 31, 2023 and 2022, respectively.

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, there was a payable due to the Authority in the amount of \$1,917,416 and \$1,542,878 at December 31, 2023 and 2022, respectively. There are no specific terms for repayment of this intercompany amount and no interest is provided on the outstanding balance.

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 \$80,465 and \$244,628 for December 31, 2023 and 2022, respectively. GCHDC broke ground in October 2023.

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, 2023 and 2022, and the Corporation has not notified Pop Moylan of any deferred amounts due.

**GLOUCESTER COUNTY HOUSING DEVELOPMENT CORPORATION
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**Notes to Financial Statements (continued)
For the Years Ended December 31, 2023 and 2022**

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, 2023 and 2022, and for the years then ended, is as follows:

BALANCE SHEETS

	<u>2023</u>	<u>2022</u>
ASSETS		
Investment in real estate		
Buildings and improvements	\$ 9,061,154	\$ 9,061,154
Furniture and fixtures	<u>242,626</u>	<u>219,546</u>
	9,303,780	9,280,700
Less: accumulated depreciation	<u>8,624,129</u>	<u>8,263,139</u>
	679,651	1,017,561
Other assets	<u>1,117,938</u>	<u>958,191</u>
	<u>\$ 1,797,589</u>	<u>\$ 1,975,752</u>
LIABILITIES AND MEMBERS' DEFICIT		
LIABILITIES		
Mortgage payable	\$ 4,657,921	\$ 4,830,653
Other liabilities	<u>5,655,549</u>	<u>5,219,406</u>
	10,313,470	10,050,059
MEMBERS' DEFICIT	<u>(8,515,881)</u>	<u>(8,074,307)</u>
	<u>\$ 1,797,589</u>	<u>\$ 1,975,752</u>

**GLOUCESTER COUNTY HOUSING DEVELOPMENT CORPORATION
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**Notes to Financial Statements (continued)
For the Years Ended December 31, 2023 and 2022**

Note 8: **INVESTMENT IN LIMITED LIABILITY COMPANY (continued)**

STATEMENTS OF OPERATIONS

	<u>2023</u>	<u>2022</u>
Revenue		
Rent	\$ 847,405	\$ 819,916
Other	97,268	163,793
	944,673	983,709
Expenses		
Depreciation	360,989	356,602
Interest	233,929	246,024
Other expenses	839,746	856,162
	1,434,664	1,458,788
Deficit of revenue over expenses	(489,991)	(475,079)
Deposits to repairs and replacement reserve	51,733	41,063
Withdraws from repairs and replacement reserve	(5,854)	(57,473)
Interest earned	2,538	551
Members' deficit – beginning	(8,074,307)	(7,583,369)
Members' deficit – ending	\$ (8,515,881)	\$ (8,074,307)

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, 2023 and 2022, the balance of the reserve was \$33,643 and \$140,635, 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)
For the Years Ended December 31, 2023 and 2022**

Note 10: **DEVELOPMENT**

On April 26, 2023, the Corporation was awarded \$7,365,746 from the State of New Jersey, Department of Community Affairs, National Housing Trust Fund 2023 Program in the form of a 30-year note payable. This award will be used to develop 24 units of affordable housing. No draws on this award were made during 2023. A grant was received from the County of Gloucester in the amount of \$3,373,172 during 2023. This amount is included in the statements of revenue, expenses, and changes in net position as non-operating grant revenue, county grant awards.

Note 11: **SUBSEQUENT EVENTS**

Management of the Corporation has evaluated subsequent events through August 15, 2024, the date the financial statements were available to be issued.