

**SENIORS HOUSING
DEVELOPMENT CORPORATION
OF GLOUCESTER COUNTY
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
Seniors Housing Development Corporation
of Gloucester County and Subsidiary

Report on the Financial Statements

Opinion

We have audited the accompanying basic financial statements of the business-type activities of the Seniors Housing Development Corporation of Gloucester County (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 Seniors Housing Development Corporation of Gloucester County 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 Seniors Housing Development Corporation of Gloucester County 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 Seniors Housing Development Corporation of Gloucester County 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 Seniors Housing Development Corporation of Gloucester County 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 Seniors Housing Development Corporation of Gloucester County 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

Seniors Housing Development Corporation of Gloucester County and Subsidiary
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended December 31, 2023 and 2022

Unaudited

This section of the Seniors 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.

Seniors Housing Development Corporation of Gloucester County 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) decreased from 2022 to 2023 by \$217,375 from \$13,933,294 to \$13,715,919 which includes a decrease in Unrestricted Net Position of \$204,362 and a decrease in Net Investment Capital Assets of \$13,013. The Corporation's Total Net Position (equity) decreased from 2021 to 2022 by \$68,493 from \$14,001,787 to \$13,933,294 which includes a decrease in Unrestricted Net Position of \$89,555 and an increase in Net Investment Capital Assets of \$21,062.

- The Corporation had Total Operating Revenues of **\$706,961** in 2023, **\$672,230** in 2022, and **\$635,827** in 2021. The Corporation had Total Administrative and Other Expenses of **\$911,344** in 2023, **\$728,075** in 2022, and **\$1,335,751** in 2021.

-The Corporation's Cash balance was **\$113,752** in 2023, **\$268,354** in 2022, and **\$446,382** in 2021.

OTHER FINANCIAL INFORMATION

The Seniors Housing Development Corporation of Gloucester County is an instrumentality of the Housing Authority of Gloucester County, New Jersey. On February 25, 2011, the Corporation sold Colonial Park Apartments on Evergreen Avenue in Woodbury, New Jersey, for \$8,810,000 to a "Tax-Credit" entity, Colonial Park, L.P. for the purpose of securing more funding in order to perform major renovations. The corporation continues to oversee the management of the building through its subsidiary, Seniors Housing Development Corporation of Gloucester County, whose financial performance is integrated in the financial statements contained herein.

The financial books are maintained in accordance with GAAP (for government entities). On the following pages are Condensed Financial Statements giving an overview of the Corporation's financial condition as of December 31, 2023.

CAPITAL ASSETS and DEBT ADMINISTRATION

Major renovations to Colonial Park Apartments have been completed in 2014. The main components were the installation of a new roof with solar panels and the redesigning of the apartments' kitchen and bathroom. These renovations will allow the apartments to operate more efficiently and improve the quality of life for our senior and disabled tenants.

The Corporation owns the land on Evergreen Avenue, which it leases to Colonial Park, LP. It also owns an adjacent residential unit at 341 Evergreen, whose rear acreage was utilized to extend the parking lot of Colonial Park Apartments. In 2016, the residential unit was rented to a tenant who is also utilizing the HAP program.

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

CONDENSED FINANCIAL STATEMENTS

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>STATEMENTS OF NET POSITION</u>			
Assets:			
Current Assets	\$ 597,662	\$ 289,097	\$ 544,445
Restricted Assets	2,212	2,198	2,198
Capital Assets, net of Depreciation	480,491	493,504	472,442
Other Non-Current Assets	13,971,566	13,969,755	13,583,234
Total Assets	<u>\$ 15,051,931</u>	<u>\$ 14,754,554</u>	<u>\$ 14,602,319</u>
Liabilities:			
Current Liabilities	\$ 1,336,012	\$ 821,260	\$ 600,532
Long-Term Liabilities	-	-	-
Total Liabilities	<u>1,336,012</u>	<u>821,260</u>	<u>600,532</u>
Net Position:			
Net Investment in Capital Assets	480,491	493,504	472,442
Unrestricted Net Position	13,235,428	13,439,790	13,529,345
Total Net Position	<u>13,715,919</u>	<u>13,933,294</u>	<u>14,001,787</u>
Total Liabilities and Net Position	<u>\$ 15,051,931</u>	<u>\$ 14,754,554</u>	<u>\$ 14,602,319</u>
<u>STATEMENTS OF REVENUE, EXPENSES, and CHANGES IN NET POSITION</u>			
Operating Revenues:			
Interest Income on Notes Receivable	\$ 402,430	\$ 383,748	\$ 371,998
Other Revenues	304,531	288,482	263,829
Total Operating Revenues	<u>706,961</u>	<u>672,230</u>	<u>635,827</u>
Operating Expenses:			
Administrative and Other Expenses	911,344	728,075	1,335,751
Depreciation and Amortization Expense	13,013	12,687	8,345
Total Operating Expense	<u>924,357</u>	<u>740,762</u>	<u>1,344,096</u>
Operating Income (Loss)	<u>(217,396)</u>	<u>(68,532)</u>	<u>(708,269)</u>
Non-operating Revenues (Expenses):			
Interest Income	21	39	88
Net Non-operating Revenues	<u>21</u>	<u>39</u>	<u>88</u>
Income (Loss) Before Contributions and Transfers	<u>(217,375)</u>	<u>(68,493)</u>	<u>(708,181)</u>
Change in Net Position	<u>(217,375)</u>	<u>(68,493)</u>	<u>(708,181)</u>
Net Position - Beginning	13,933,294	14,001,787	14,709,968
Total Net Position - Ending	<u>\$ 13,715,919</u>	<u>\$ 13,933,294</u>	<u>\$ 14,001,787</u>

Seniors Housing Development Corporation of Gloucester County and Subsidiary
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
For the Years Ended December 31, 2023 and 2022

BUDGETARY HIGHLIGHTS

For the year ended December 31, 2023, the Operating Budget was prepared by the Corporation for financial and internal control purposes. The budgets were used primarily 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. However, on the bright side, Colonial Park Apartments will remain affordable for our senior tenants and continue to be managed as in the past with even better amenities for their comfort and convenience.

The 2023 budget remains in balance and we expect to meet all of our obligations. The building is currently under contract with the U.S. Department of Housing and Urban Development for assistance and we anticipate continued support from them into the near future. 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.

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.

**SENIORS HOUSING DEVELOPMENT CORPORATION OF GLOUCESTER COUNTY
AND SUBSIDIARY**

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

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets		
Unrestricted cash and cash equivalents	\$ 113,752	\$ 268,354
Restricted cash and cash equivalents	2,212	2,198
Accounts receivable, net of allowance for doubtful accounts of \$0 and \$9,448 in 2023 and 2022	1,355	-
Development fee receivable	482,333	37,502
Prepaid expenses	42	42
Total current assets	599,694	308,096
Noncurrent assets		
Capital assets, net of accumulated depreciation and amortization	480,491	493,504
Development fee receivable	545,364	1,027,670
Note receivable	8,200,222	8,200,222
Land lease receivable	1,464,550	1,256,200
Accrued interest receivable	3,761,610	3,468,862
Total noncurrent assets	14,452,237	14,446,458
	\$ 15,051,931	\$ 14,754,554
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable and accrued expenses	31,435	\$ 31,505
Due to the Housing Authority of Gloucester County	1,301,765	786,827
Unearned revenue	600	730
Tenant funds on deposit	2,212	2,198
Total current liabilities	1,336,012	821,260
Net position		
Net investment in capital assets	480,491	493,504
Unrestricted net position	13,235,428	13,439,790
Total net position	13,715,919	13,933,294
	\$ 15,051,931	\$ 14,754,554

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

**SENIORS HOUSING DEVELOPMENT CORPORATION OF GLOUCESTER COUNTY
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	\$ 402,430	\$ 383,748
Management contract income	180,160	170,464
Land lease income	105,000	100,000
Tenant charges	19,371	18,018
	706,961	672,230
 Operating expenses		
Administrative	902,999	718,878
Utilities	852	801
Maintenance	-	1,789
Insurance	7,493	6,607
	911,344	728,075
Total operating expenses before depreciation and amortization		
Operating loss before depreciation and amortization	(204,383)	(55,845)
 Depreciation and amortization	13,013	12,687
Operating loss	(217,396)	(68,532)
 Non-operating revenue		
Interest income	21	39
Decrease in net position	(217,375)	(68,493)
 Net position - beginning	13,933,294	14,001,787
Net position - ending	\$ 13,715,919	\$ 13,933,294

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

**SENIORS HOUSING DEVELOPMENT CORPORATION OF GLOUCESTER COUNTY
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	\$ 180,160	\$ 170,464
Cash received from tenants	18,030	18,018
Cash received from (paid to) Colonial Park, L.P.	43,807	174,141
Cash received from Housing Authority of Gloucester County	514,938	215,881
Cash paid for goods and services	<u>(911,544)</u>	<u>(722,822)</u>
Net cash used in operating activities	<u>(154,609)</u>	<u>(144,318)</u>
Cash flows from capital and related financing activities		
Purchase of property	<u>-</u>	<u>(33,749)</u>
Cash flows from investing activities		
Interest income received	<u>21</u>	<u>39</u>
Net decrease in cash	<u>(154,588)</u>	<u>(178,028)</u>
Cash - beginning	<u>270,552</u>	<u>448,580</u>
Cash - ending	<u><u>\$ 115,964</u></u>	<u><u>\$ 270,552</u></u>
Reconciliation of operating income to net cash used in operating activities		
Operating loss	\$ (217,396)	\$ (68,532)
Adjustments to reconcile operating loss to net cash (used in) operating activities		
Depreciation and amortization	13,013	12,687
Provision for bad debts	(9,448)	-
(Increase) decrease in assets		
Accounts receivable	8,093	-
Developer's fee receivable	37,475	174,141
Prepaid expenses	-	406
Land lease receivable	(208,350)	(191,000)
Accrued interest receivable	(292,748)	(292,748)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(70)	5,184
Due to the Housing Authority of Gloucester County	514,938	215,881
Unearned revenue	(130)	(337)
Tenant funds on deposit	<u>14</u>	<u>-</u>
Net cash used in operating activities	<u><u>\$ (154,609)</u></u>	<u><u>\$ (144,318)</u></u>
Reconciliation of cash and cash equivalents to the statements of net position		
Unrestricted cash and cash equivalents	\$ 113,752	\$ 268,354
Restricted cash and cash equivalents	<u>2,212</u>	<u>2,198</u>
	<u><u>\$ 115,964</u></u>	<u><u>\$ 270,552</u></u>

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

**SENIORS HOUSING DEVELOPMENT CORPORATION OF GLOUCESTER COUNTY
AND SUBSIDIARY**

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

Note 1: ORGANIZATION AND ACTIVITY

Reporting entity - Seniors Housing Development Corporation of Gloucester County and Subsidiary (the "Corporation") is an instrumentality and a component unit of the Housing Authority of Gloucester County (the "Authority") organized as a nonprofit corporation under the laws of the State of New Jersey in 1979. The Corporation is authorized to develop and manage affordable housing. The Corporation served as the developer for the renovation of that apartment complex, which was sold to a limited partnership, Colonial Park, L.P. ("CPLP"). The Corporation provides management services to CPLP through a management agreement. The Corporation holds a note due from CPLP secured by a mortgage on the building. The Corporation retained title to the land on which the apartment complex is situated and receives rent from CPLP for the land. The Board of Directors consists of six members who are appointed 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.

eMurphyg, Inc. ("EMG") was organized to assist the Corporation in carrying out its mission of developing and managing affordable housing. It is the general partner in the limited partnership, CPLP, described above. The Corporation owns 79% of the outstanding common stock of EMG.

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 EMG. 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.

**SENIORS HOUSING DEVELOPMENT CORPORATION OF GLOUCESTER COUNTY
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.

Prepaid expenses – Prepaid expenses recorded on the financial statements represent payments made to vendors for services that will benefit periods beyond year-end.

Capital assets and depreciation – Capital assets primarily consist of expenditures to acquire, construct, place in operation, and improve the facilities of the Corporation. All capital assets are stated at cost. Depreciation is computed on the straight-line method over the estimated useful life of the asset which can range from seven to forty years. When capital assets are disposed, depreciation is removed from the respective accounts and the resulting gain or loss, if any, is recorded in operations.

Major additions and betterments in excess of \$5,000 are charged to the capital assets accounts while replacements, maintenance, and repairs that do not improve or extend the life of the respective assets are expensed currently.

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 is no allowance for doubtful accounts. Bad debt expense was \$0 and \$9,448 for the years ended December 31, 2023 and 2022, respectively.

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:

**SENIORS HOUSING DEVELOPMENT CORPORATION OF GLOUCESTER COUNTY
AND SUBSIDIARY**

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

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

Net position (continued)

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation and amortization, 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.

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 Subsidiary is a corporation subject to Federal and state income taxes. EMG had a liability for the minimum tax to New Jersey for 2023 and there were no timing differences which would have resulted in deferred taxes. There was no liability for 2023.

Operating income – The Corporation distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expense generally result from the primary purpose of the Corporation. Operating revenue consists of 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 a related organization CPLP. 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 investment in CPLP, not meeting these criteria are considered nonoperating.

Member’s interest in the deficit of a limited partnership – EMG holds a 0.01% general partnership interest in CPLP, 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.

**SENIORS HOUSING DEVELOPMENT CORPORATION OF GLOUCESTER COUNTY
AND SUBSIDIARY**

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

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

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 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.

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.

**SENIORS HOUSING DEVELOPMENT CORPORATION OF GLOUCESTER COUNTY
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

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.

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.

**SENIORS HOUSING DEVELOPMENT CORPORATION OF GLOUCESTER COUNTY
AND SUBSIDIARY**

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

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	133,942	20,613
	<u>\$ 383,942</u>	<u>\$ 270,613</u>

Note 4: **CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2023 and 2022, was as follows:

	<u>Balance December 31, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2023</u>
Capital assets not being depreciated and amortized				
Land	\$ 363,364	\$ -	\$ -	\$ 363,364
Capital assets being depreciated and amortized				
Buildings	147,877	-	-	147,877
Equipment	42,967	-	-	42,967
Total capital assets being depreciated and amortized	190,844	-	-	190,844
Total capital assets	554,208	-	-	554,208
Less: accumulated depreciation and amortization	60,704	13,013	-	73,717
Net capital assets	<u>\$ 493,504</u>	<u>\$ (13,013)</u>	<u>\$ -</u>	<u>\$ 480,491</u>

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

Note 4: CAPITAL ASSETS (continued)

	Balance December 31, 2021	Additions	Reductions	Balance December 31, 2022
Capital assets not being depreciated and amortized				
Land	\$ 363,364	\$ -	\$ -	\$ 363,364
Capital assets being depreciated and amortized				
Buildings	147,877	-	-	147,877
Equipment	9,218	33,749	-	42,967
Total capital assets being depreciated and amortized	157,095	33,749	-	190,844
Total capital assets	520,459	33,749	-	554,208
Less: accumulated depreciation and amortization	48,017	12,687	-	60,704
Net capital assets	\$ 472,442	\$ 21,062	\$ -	\$ 493,504

Note 5: NOTES RECEIVABLE

The Corporation has a note receivable from CPLP, secured by a mortgage on the Colonial Park apartment complex. The outstanding principal balance at December 31, 2023 and 2022, is \$8,200,222. Interest is charged at a rate of 3.57%. The note has no specific maturity date. This loan is a nonrecourse loan as to all general partners of CPLP and is due to be repaid in annual principal payments plus accrued interest beginning June 1, 2012, from available cash flow after payment of certain expenses and fees as defined in the Third Amended and Restated Partnership Agreement of CPLP. No payments have been made as of December 31, 2023. Cumulative interest in the amounts of \$3,761,610 and \$3,468,862 was accrued as of December 31, 2023 and 2022, respectively.

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

Note 6: RELATED PARTY TRANSACTIONS

Colonial Park, L.P. - The Corporation served as developer for the substantial renovation of the Colonial Park Apartments. For the performance of this function, the Corporation had earned a development fee of \$3,065,643. \$37,475 was received from Colonial Park, L.P. in 2023. Development fee receivable was \$1,027,697 and \$1,065,172 as of December 31, 2023 and 2022, respectively. Any amount of the development fee, including deferred development fee, that has not been paid in full will become due on December 31, 2025.

The Corporation leases the land on which the project is situated to CPLP. The lease is payable at varying amounts scheduled each year in the land lease. The lease income amounts were \$105,000 and \$100,000 for 2023 and 2022, respectively. Payments received from CPLP are restricted by available cash flow. No payments were received for the years ending December 31, 2023 and 2022. These amounts have been accrued as a receivable in the financial statements, in addition to interest of \$103,350 and \$91,000 for 2023 and 2022, respectively. Cumulative principal and interest receivable at December 31, 2023 and 2022, was \$1,464,550 and \$1,256,200, respectively.

The Corporation serves as the management company for CPLP. 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 \$63.80 and \$60.01 per unit per month, respectively, and the bookkeeping fee was \$7.61 and \$7.21 per unit per month, respectively, and capped at \$1,105 and \$1,120 per month, respectively. At December 31, 2023 and 2022, the Corporation received management income of \$166,120 and \$157,024, respectively, and bookkeeping fees of \$14,040 and \$13,440, respectively.

See also Note 5 for notes receivable.

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 \$1,301,765 and \$786,827 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.

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

Note 7: INVESTMENT IN LIMITED PARTNERSHIP

EMG holds a .01% general partnership interest in CPLP. Profits, losses, and cash distributions from the operation of CPLP are allocated based on the Partnership's operating agreement. The project consists of a 200-unit apartment project in Woodbury, New Jersey.

Summarized financial information of CPLP as of December 31, 2023 and 2022, and for the years then ended, is as follows:

SUMMARY OF ASSETS, LIABILITIES, AND PARTNERS' CAPITAL

	<u>2023</u>	<u>2022</u>
ASSETS		
Investment in real estate		
Buildings and improvements	\$ 24,130,557	\$ 24,014,985
Furniture and fixtures	326,969	280,313
	24,457,526	24,295,298
Less accumulated depreciation	7,149,822	6,495,549
	17,307,704	17,799,749
Other assets	5,763,162	5,228,842
	\$ 23,070,866	\$ 23,028,591
LIABILITIES AND PARTNERS' CAPITAL		
LIABILITIES		
Mortgage payable	\$ 13,549,383	\$ 13,612,616
Other liabilities	8,292,823	7,645,172
	21,842,206	21,257,788
PARTNERS' CAPITAL	1,228,660	1,770,803
	\$ 23,070,866	\$ 23,028,591

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

Note 7: **INVESTMENT IN LIMITED PARTNERSHIP (continued)**

STATEMENTS OF OPERATIONS

	<u>2023</u>	<u>2022</u>
Revenue		
Rent	\$ 2,812,918	\$ 2,790,719
Other	37,467	66,443
	<u>2,850,385</u>	<u>2,857,162</u>
Expenses		
Depreciation	654,274	634,870
Interest	629,795	622,649
Fees and charges	18,174	18,174
Other expenses	2,090,285	2,179,273
	<u>3,392,528</u>	<u>3,454,966</u>
Deficit of revenue over expenses	(542,143)	(597,804)
Partners' capital – beginning	<u>1,770,803</u>	<u>2,368,607</u>
Partners' capital – ending	<u>\$ 1,228,660</u>	<u>\$ 1,770,803</u>

Note 8: **SUBSEQUENT EVENTS**

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