

Report of Audit

on the

Financial Statements

of the

*Westfield Senior Citizens
Housing Corporation*

for the

*Year Ended
December 31, 2017*

WESTFIELD SENIOR CITIZENS HOUSING CORPORATION

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WESTFIELD SENIOR CITIZENS HOUSING CORPORATION

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SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Westfield Senior Citizens
Housing Corporation
Westfield, New Jersey 07090

Report on the Financial Statements

We have audited the accompanying financial statements of Westfield Senior Citizens Housing Corporation which comprises the Statement of Financial Position as of December 31, 2017 and the related Statements of Activities and Cash Flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Westfield Senior Citizens Housing Corporation's 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Government Auditing Standards issued by the Comptroller General of the United States, and the requirements prescribed by Audit Requirements for Federal Awards (Uniform Guidance) and State of New Jersey OMB Circular 15-08 "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements 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 Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Westfield Senior Citizens Housing Corporation as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Westfield Senior Citizens Housing Corporation's basic financial statements. The accompanying supplementary information schedules and the schedule of expenditures of federal awards and state financial assistance, as listed in the table of contents, as required by the Uniform Guidance and the Office of Management and Budget Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid" is presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying supplementary information schedules and the schedules of expenditures of federal awards and state financial assistance, as listed in the table of contents, as required by Uniform Guidance, and New Jersey's OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid" is the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2018 on our consideration on Westfield Senior Citizens Housing Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Westfield Senior Citizens Housing Corporation's internal control over financial reporting and compliance.

September 19, 2018

A handwritten signature in black ink that reads "Suplee, Clooney & Company". The signature is written in a cursive, flowing style.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Board of Trustees
Westfield Senior Citizens
Housing Corporation
Westfield, New Jersey 07090

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Westfield Senior Citizens Housing Corporation as of December 31, 2017 and for the year then ended and the related notes to the financial statements, which collectively comprise Westfield Senior Citizens Housing Corporation's financial statements, and have issued our report thereon dated September 19, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Westfield Senior Citizens Housing Corporation's control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Westfield Senior Citizens Housing Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Westfield Senior Citizens Housing Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Westfield Senior Citizens Housing Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Suplee, Clooney & Company". The signature is written in a cursive, flowing style.

September 19, 2018



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL
ASSISTANCE PROGRAMS AND WITH INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

The Board of Trustees
Westfield Senior Citizens
Housing Corporation
Westfield, New Jersey 07090

Report on Compliance for Each Major Federal Program

We have audited Westfield Senior Citizens Housing Corporation's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Westfield Senior Citizens Housing Corporation's major federal programs for the year ended December 31, 2017. Westfield Senior Citizens Housing Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Westfield Senior Citizens Housing Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Westfield Senior Citizens Housing Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Westfield Senior Citizens Housing Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, Westfield Senior Citizens Housing Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of Westfield Senior Citizens Housing Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Westfield Senior Citizens Housing Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Westfield Senior Citizens Housing Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.

September 19, 2018



WESTFIELD SENIOR CITIZENS HOUSING CORPORATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017A S S E T S

Current Assets:

Cash and Cash Equivalents	\$	1,167,229
Investments		18,631,423
Accounts Receivable		1,006,687
Project Costs Receivable		681,939
Prepaid Expenses		107,320
Grant Receivable from HUD		666,121

<u>TOTAL CURRENT ASSETS</u>	\$	<u>22,260,719</u>
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Non-Current Assets:

Tenants' Security Deposits Held by Management	\$	70,049
Mortgages Receivable		8,256,778
Long-Term Note Receivable		11,052,979
Accrued Interest Receivable		1,591,144
Property Plant and Equipment - Net		2,413,868

<u>TOTAL NON-CURRENT ASSETS</u>	\$	<u>23,384,818</u>
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<u>TOTAL ASSETS</u>	\$	<u>45,645,537</u>
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable	\$	284,984
Tenants' Security Deposits		70,049
Payment in Lieu of Tax Payable		78,372

<u>TOTAL CURRENT LIABILITIES</u>	\$	<u>433,405</u>
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Long Term Debt:

Notes Payable		12,719,100
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<u>TOTAL LIABILITIES</u>	\$	<u>13,152,505</u>
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NET ASSETS

Net Assets - Unrestricted	\$	<u>32,493,032</u>
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<u>TOTAL LIABILITIES AND NET ASSETS</u>	\$	<u>45,645,537</u>
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The accompanying Notes to Financial Statements are an integral part of this statement.

WESTFIELD SENIOR CITIZENS HOUSING CORPORATIONSTATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

<u>INCOME</u>	
Rental Income	\$ 3,320,750
Other Operating Income	<u>429,322</u>
<u>TOTAL REVENUES FROM OPERATIONS</u>	<u>\$ 3,750,072</u>
<u>EXPENSES</u>	
Administrative Expenses	\$ 497,992
Salaries and Related Costs	963,901
Maintenance and Repairs	166,815
Maintenance Contracts	43,944
Utilities Expenses	230,925
Congregate Program	320,155
Store	35,323
Payment in Lieu of Tax	256,775
Insurance	124,370
Depreciation	<u>419,721</u>
<u>TOTAL OPERATING EXPENSES</u>	<u>\$ 3,059,921</u>
<u>INCOME FROM OPERATIONS</u>	<u>\$ 690,151</u>
<u>OTHER INCOME (EXPENSES)</u>	
Investment Income	\$ 749,701
Mortgage Interest Income	191,024
Unrealized Gain (Loss) on Investments	1,704,814
Other Income	1,484
Other Expense	<u>(92,940)</u>
<u>NET INCREASE IN NET ASSETS</u>	<u>\$ 3,244,234</u>
Net Assets, Beginning of Year	<u>29,248,798</u>
Net Assets, End of Year	<u>\$ 32,493,032</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

WESTFIELD SENIOR CITIZENS HOUSING CORPORATIONSTATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017OPERATING ACTIVITIES

Net Income from Operations	\$	690,151
Add (Deduct) Expenses and Income Not Using Working Capital:		
Depreciation		419,721
Add (Deduct) Changes in Non-Cash Working Capital:		
Accounts Receivable		(10,529)
Prepaid Expenses		(28,998)
Accounts Payable		923
Due to Affiliate		(110,125)
Deferred Revenue		(26,876)
Payment in Lieu of Tax Payable		7,039
Tenant's Security Deposits		(590)
		<hr/>
Net Cash Provided by Operating Activities	\$	<u>940,716</u>

INVESTING ACTIVITIES

Sale (Purchase) of Investments, Net	\$	(3,058,822)
Investment Income		749,701
Purchases of Fixed Assets		(344,192)
Mortgage Interest Received from Affiliate		169,000
Operating Costs Received from Affiliate		211,057
Other Income		1,484
Other Expense		(92,940)
Tenant's Security Deposits		497
		<hr/>
Net Cash Used by Investing Activities	\$	<u>(2,364,215)</u>
Net Increase (Decrease) In Cash and Cash Equivalents	\$	(1,423,499)
Cash and Cash Equivalents, Beginning of Year		<hr/> 2,590,728
Cash and Cash Equivalents, End of Year	\$	<u><u>1,167,229</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

WESTFIELD SENIOR CITIZENS HOUSING CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017

ORGANIZATION

Westfield Senior Citizens Housing Corporation (the "Corporation") is a New Jersey Corporation chartered for the purpose of providing housing for low and moderate income families.

The Corporation is a not-for-profit housing corporation and is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The purpose of the Corporation is to extend the independence of senior citizens through the provision of comfortable, affordable housing in conjunction with social and recreational activities. The Corporation has assisted in the construction and development, and also provides maintenance and operation of the following senior citizen housing projects:

- A. A 173 unit apartment building (Westfield I) for rental to senior citizens of low and moderate income. The project is subsidized under a Housing Assistance Payment (HAP) contract under the U.S. Department of Housing and Urban Development (HUD) Section 8 Housing Assistance Payment Program. The apartment project is located in the Town of Westfield, New Jersey.
- B. A 130 unit apartment building providing affordable housing to low and moderate income senior citizens with its affiliate, Second Westfield Senior Citizens Housing Corporation (Westfield II). This project is located on land adjacent to Westfield I. This project has qualified for and been allocated low income housing credits pursuant to Internal Revenue Code Section 42 (Section 42) which regulates the use of the project as to occupant eligibility and unit gross rent, among other requirements.
- C. A 72 unit apartment building for low income senior citizens age 62 and over with its affiliate, Village at Garwood Urban Renewal L.P. (VG). This project is located in Garwood, New Jersey. This project has qualified for rental assistance under HUD Section 202/811 Project Rental Assistance Contract (PRAC). This project was completed and began operations in June 2015.

WESTFIELD SENIOR CITIZENS HOUSING CORPORATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the more significant accounting policies:

Basis of Financial Statements

The financial statements of the Corporation have been prepared on the accrual basis in accordance with generally accepted accounting principles.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months.

Investments

Investment portfolios are valued in the aggregate at fair value. The fair value of all debt and equity securities with a readily determinable fair value are based on quotations obtained from national securities exchanges. The alternative investments, which are not readily marketable, are carried at estimated fair values as provided by the investment managers.

Depreciation

Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from three (3) to forty (40) years. For the year ended December 31, 2017 depreciation expense of \$419,721 was recognized.

Grant Income

The Corporation earns a portion of its revenue through grants from the State of New Jersey. Revenue under state funded grants is recognized as expenses are incurred. Funds received in advance under these grants are deferred and subsequently recognized in the applicable grant period.

The grant program may be subject to audit by the State of New Jersey. Management believes that amounts disallowed by the grantor, if any, would not have a material impact on the Corporation.

Repairs and Maintenance Expenditures

Expenditures for maintenance, repairs and minor renewals are expensed as incurred; expenditures which are made for improvements, replacements and major renewals are capitalized.

WESTFIELD SENIOR CITIZENS HOUSING CORPORATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax Status

The Corporation is exempt from federal income taxes under the provisions of Section 501 (c)(3) of the Internal Revenue Code.

The most significant tax position of the Corporation is its assertion that it is exempt from income taxes. Other significant tax positions include its determination of whether any amounts are subject to unrelated business tax (UBIT). Management has determined that the Corporation had no activities subject to UBIT in the year ended December 31, 2017. All significant tax positions have been considered by management and it has determined that it is more likely than not that all tax positions would be sustained upon examination by taxing authorities.

The Corporation is required to file Form 990 (Return of Organization Exempt from Income Tax) which is subject to examination by the Internal Revenue Service (IRS) up to three years from the extended due date of the tax return. The Forms 990 for 2014 through 2016 are open to examination by the IRS as of December 31, 2017.

(2) CASH AND CASH EQUIVALENTS

The cash and cash equivalents of the Corporation at current values at December 31 are as follows:

Checking Accounts	\$ 185,992
Money Market	<u>981,237</u>
	<u>\$1,167,229</u>

The checking accounts and money market account are maintained at three (3) separate banks. Balances on deposit are insured by the Federal Deposit Insurance Corporation in the amount of \$250,000 in each bank depository.

WESTFIELD SENIOR CITIZENS HOUSING CORPORATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

(3) ACCOUNTS RECEIVABLE

Accounts receivable at December 31 are detailed as follows:

Congregate Participant Receivable	\$ 31,781
Congregate Grant Receivable	127,136
Developer Fee Receivable from Affiliate	703,715
Other Receivables from Affiliates	<u>144,055</u>
	<u>\$1,006,687</u>

(4) PROJECT COSTS RECEIVABLE

In 2010, the Corporation contracted for the purchase of property in Garwood, New Jersey, for a purchase price of \$1,800,000. The Corporation sponsored Village at Garwood Urban Renewal LP ("VG") for the development of a 72 unit apartment complex for senior citizens age 62 and over. This project was approved by the Borough of Garwood.

VG received approval from the US Department of Housing and Urban Development (HUD) for the project. VG completed the closing of the land purchase in August 2013, and construction financing with The New Jersey Housing and Mortgage Finance Agency (NJHMFA) and HUD mortgage financing in December 2013. The construction financing was available over a 24-month construction period.

The Village at Garwood project was completed and began operations in June 2015.

The Corporation as Sponsor for this project incurred various costs associated with the development of the project as well as its final opening and operation. The Corporation has received various reimbursements of costs from the project's financing. Unreimbursed costs amounted to \$681,939 at December 31, 2017.

At the completion of the project, the Corporation is to receive a Developer Fee that will total \$1,300,000 under a Development Services Agreement with VG. This fee has been accrued at the project's completion. At December 31, 2017, a balance of \$703,715 is outstanding.

(5) PREPAID EXPENSES

Prepaid expenses include payments on the Corporation's insurance policies for the following period. Prepaid expenses amount to \$107,320 at December 31, 2017.

WESTFIELD SENIOR CITIZENS HOUSING CORPORATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

(6) GRANT RECEIVABLE FROM HUD

Under a U.S. Department of Housing and Urban Development (HUD) Capital Advance Agreement, the Corporation as Sponsor has secured Section 202 funding in the amount of \$11,719,100 to assist VG in financing a low-income, senior citizen rental housing project located in Garwood, New Jersey. Through December 31, 2017 a total of \$11,052,979 of this grant was disbursed. The outstanding receivable from HUD amounts to \$666,121 at December 31, 2017.

(7) LONG-TERM NOTE RECEIVABLE

Under a Mortgage Note, the Corporation provided funding of \$11,719,100 to VG. The funds were provided by a grant from the U.S. Department of Housing and Urban Development (HUD) Capital Advance Program. The funds provided additional funding to construct the 72 unit apartment project in Garwood, New Jersey, for very low income senior citizens. Principal and accrued interest at .25% are due and payable in full on February 15, 2070. At December 31, 2017, a total of \$11,052,979 was advanced under this Mortgage Note. The fair value of the amount outstanding on the note approximates the amount recorded in the financial statements.

Interest totaling \$61,486 has been accrued on this Note through December 31, 2017 and is included in Accrued Interest Receivable.

(8) MORTGAGES RECEIVABLE

A. In 1995, Westfield Senior Citizen Urban Renewal Partnership L.P. ("WSC II"), a limited partnership, completed the construction of additional low cost senior citizen housing apartment units on the site adjacent to the Corporation's current location. The site for the new units was provided by the Town of Westfield. A mortgage balance of \$5,200,000 is payable over 33 years (through the year 2027) at an annual interest rate of 3%.

Interest accrued and unpaid through December 31, 2017 amounted to \$1,497,491, and is included in Accrued Interest Receivable. Total interest payments received during the year amounted to \$169,000.

B. The Corporation has extended mortgages totaling \$3,056,778 as of December 31, 2017 to VG to fund the housing project in Garwood, New Jersey. Principal and accrued interest at .25% are due and payable in full on February 15, 2070.

Interest totaling \$31,028 has been accrued on these Mortgages through December 31, 2017 and is included in Accrued Interest Receivable.

The fair value of the amount outstanding on these mortgages approximates the amount recorded in the financial statements.

WESTFIELD SENIOR CITIZENS HOUSING CORPORATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

(9) INVESTMENTS

Investments at fair values at December 31, 2017 are as follows. Fair value is determined by quoted market prices or prices which are provided by investment managers. Alternative investments include financial instruments subject to market risk.

	<u>Cost</u>	<u>Fair Value</u>
Equities - Level 1	\$1,640,151	\$1,893,571
Certificates of Deposit - Level 1	500,000	504,180
Fixed Income - Level 1	5,394,700	5,294,953
Mutual Funds - Level 1	3,156,930	4,387,461
Stock Funds – Level 1	4,830,573	6,242,139
Alternative Investments - Level 3	<u>291,315</u>	<u>309,119</u>
	<u>\$15,813,669</u>	<u>\$18,631,423</u>

Investments are stated at fair value. The fair value of all debt and equity securities with a readily determinable fair value are based on quotations obtained from national securities exchanges (Level 1 measurements). The alternative investments, which are not readily marketable or have little or no market activity, are carried at estimated fair values as provided by the investment managers (Level 3 measurements). These valuations include assumptions and methods that were reviewed by the Corporation's management. The Corporation believes that the carrying amount of its alternative investments is a reasonable estimate of fair value. Those estimated fair values may differ from the values that would have been used had a ready market for these securities existed.

The primary objective of the Corporation's investments is capital appreciation and absolute return without undue exposure to risk. Investment funds are selected to support long-term goals.

Presented below is additional information about the fair values of the Corporation's Level 3 assets for the year ended December 31:

Alternative Investments

Beginning balance	\$ 181,612
Total realized and unrealized gains and losses included in earnings	(59,334)
Purchases, issuances, settlements and transfers, net	<u>186,840</u>
Ending balance	<u>\$ 309,118</u>

WESTFIELD SENIOR CITIZENS HOUSING CORPORATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

(10) FIXED ASSETS

Fixed Assets are recorded at cost and depreciated on a straight line basis over their estimated use life.

	December 31, <u>2016</u>	<u>Additions</u>	December 31, <u>2017</u>
Building and Improvements	\$11,590,241	\$ 296,260	\$11,886,501
Equipment and Furnishings	1,078,069	47,932	1,126,001
Construction in Progress	<u>--</u>	<u>--</u>	<u>--</u>
	12,668,310	344,192	13,012,502
Accumulated Depreciation	<u>10,178,913</u>	<u>419,721</u>	<u>10,598,634</u>
	<u>\$ 2,489,397</u>	<u>\$(75,529)</u>	<u>\$ 2,413,868</u>

(11) TENANT SECURITY DEPOSITS

Security deposits in the amount of \$70,049 represents deposits held in an interest-bearing account as of December 31, 2017. These represent a liability to the tenants for security deposits collected from them.

(12) ACCOUNTS PAYABLE

Accounts payable as of December 31 is detailed as follows:

Administrative and Recreation	\$ 5,548
Employee Benefits	10,347
Utilities	12,975
Maintenance	23,609
FEMA Reimbursement	17,224
Congregate Expenses	28,381
Salaries and Wages	21,174
Sponsor Expenses	120,745
Professional Fees	22,527
Sales Tax	508
Capital Projects	21,622
Other Expenses	<u>324</u>
	<u>\$284,984</u>

WESTFIELD SENIOR CITIZENS HOUSING CORPORATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

(13) LONG-TERM DEBT – NOTES PAYABLE

The Corporation's long-term debt consists of funding obtained by the Corporation as Sponsor to provide financing to VG for the construction of a 72 unit senior citizen housing project in Garwood, New Jersey. The outstanding Notes Payable are as follows:

- A. Under a Federal Home Loan Bank (FHLB) of New York Affordable Housing Program (AHP), the Corporation consummated a Promissory Note in the amount of \$1,000,000. The Corporation obtained funding through the AHP. The Note is secured by a Security Agreement on the real estate owned by VG. The Note bears no interest. The agreement is subject to compliance requirements under AHP Regulations. The Note shall be deemed satisfied and the Corporation and VG shall be entitled to a release of the Security Agreement upon the expiration of fifteen (15) years of operation of the project.

- B. Under a US Department of Housing and Urban Development (HUD) Sponsor Note under the Capital Advance Program, the Corporation consummated a note in the amount of \$11,719,100. The note bears no interest and is not required to be repaid so long as the VG housing project remains available for very low income senior citizens in accordance with HUD Section 202. The note matures on February 15, 2070.

(14) HOUSING ASSISTANCE PAYMENT CONTRACT

The Corporation has been approved for a Housing Assistance Payment (HAP) contract under the United States Department of Housing and Urban Development (HUD) Section 8 Housing Assistance Payment Program. Under the program, the projects' rents are partially subsidized by the federal government.

WESTFIELD SENIOR CITIZENS HOUSING CORPORATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

(15) PROJECT GRANTS

- A. During 2013, the Corporation applied for and was approved for a Section 202 Demonstration Predevelopment Grant from HUD in the amount of \$388,193. This grant provided funding for development costs of the Garwood Project. These funds were lent to VG for development costs of the project.
- B. The Corporation applied for and was approved for a grant from the Federal Home Loan Bank (FHLB) under the Affordable Housing Program (AHP) Direct Subsidy Commitment and/or Memorandum of Understanding for rental projects for \$1,000,000 to assist in funding the Garwood Project. These funds were lent to VG as additional funding for the project.
- C. The Corporation applied for and was approved for a grant from the U.S. Department of Housing and Urban Development (HUD) under the Section 202 Capital Advance Program for \$11,719,100 to assist in funding the VG Garwood Project. These funds were lent to VG as additional funding for the project.

(16) PAYMENT IN LIEU OF REAL ESTATE TAXES

The Corporation has a lease agreement with the Town of Westfield (the "Town") for the land on which the development was constructed. The period of the lease is not to exceed 50 years. The annual payment in lieu of real estate taxes is an amount equal to 6.28% of the annual net rental income of the development as prescribed by Exhibit A to the Resolution, adopted August 12, 1975, between the Town and the Corporation. During fiscal year 1985-86, the Resolution was amended to include interest income and other miscellaneous income; however, the annual payment in lieu of real estate taxes rate was unchanged by the Resolution. Payments in lieu of real estate taxes amount to \$256,775 for the year ending December 31, 2017.

(17) PENSION PLAN

The Corporation provides a 401(k) retirement plan whereby eligible employees can elect to defer a percentage of their earnings. The plan requires safe harbor non-elective employer contributions equal to 3% of eligible employees' compensation. No discretionary contributions were approved for the year ended December 31, 2017. Total employer contributions to the 401(k) plan, net of forfeitures, amounted to \$18,500 for the year ended December 31, 2017 and is included in Employee Benefits expenses.

WESTFIELD SENIOR CITIZENS HOUSING CORPORATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

(18) RELATED PARTIES

Three (3) board members of the Corporation are also board members of Village at Garwood (VG-GP), a New Jersey Non-Profit Organization (general partner). In addition, the current Executive Director of the Corporation is the President of VG-GP. This entity was formed for the purpose of securing property, and constructing and operating a 72 unit apartment complex in Garwood, New Jersey for senior citizens. Village at Garwood Urban Renewal L.P. (VG) (tax credit investor partner) has a 99% ownership while the general partner has a 1% ownership.

The Corporation has consummated a Property Management Agreement with VG for the Corporation to provide services as Managing Agent of the property for agreed management fees.

Through December 31, 2017, the Corporation extended mortgages totaling \$3,056,778 to VG. In addition, the Corporation has unreimbursed project costs through December 31, 2017 in the amount of \$681,939.

Under a Development Services Agreement with VG, the Corporation as the Developer of the VG senior housing project is to receive \$1,300,000 as a Development Fee. A total of \$596,285 has been received through December 31, 2017. The outstanding amount of \$703,715 is included in Accounts Receivable.

Under a Mortgage Note agreement, the Corporation extended financing totaling \$11,719,100 to VG. The loan bears interest at .25% compounded annually and is payable in full in 2070.

Under a Promissory Note agreement, the Corporation extended a loan in the amount of \$1,000,000 to VG. The loan bears interest at .25% compounded annually and is payable in full in 2070.

The Corporation as Sponsor for the development of the Village at Garwood project applied for and received rebates under the New Jersey Clean Energy Program Residential New Construction Rebate program. Each apartment was inspected and a rebate amount assigned to each apartment. The total rebate received amounted to \$110,125 and was remitted to VG.

WESTFIELD SENIOR CITIZENS HOUSING CORPORATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

(19) SUBSEQUENT EVENTS

The Corporation has evaluated subsequent events occurring after the financial statement date through September 19, 2018, which is the date the financial statements were available to be issued. Based on this evaluation, Westfield Senior Citizens Housing Corporation has determined the following subsequent event:

In April 2018 VG completed its final closing with HUD, accordingly WSCHC received reimbursements of costs incurred totaling \$737,617.

Management has determined that no other subsequent events have occurred which require disclosure in the financial statements.

(20) COMMITMENTS AND CONTINGENCIES

In the opinion of management, claims, lawsuits, commitments and contingencies incidental to the business of the Corporation, have been adequately provided for in the financial statements.

SCHEDULE 1

WESTFIELD SENIOR CITIZENS HOUSING CORPORATION

SCHEDULE OF RENTAL INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017

Apartment Rent - Net of Vacancies	\$ <u>3,320,750</u>
	\$ <u><u>3,320,750</u></u>

SCHEDULE 2

SCHEDULE OF OTHER OPERATING INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017

Store Revenues	\$ 34,584
Congregate Grant	240,515
Congregate Participant Fees	93,618
Laundry Machines	18,361
Management Fees	<u>42,244</u>
	\$ <u><u>429,322</u></u>

SCHEDULE 3

WESTFIELD SENIOR CITIZENS HOUSING CORPORATION

SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

Accounting	\$	26,998
Legal		218,248
Stationery and Supplies		10,932
Telephone		13,627
Auditing		14,500
Activities		12,803
Dues and Subscriptions		230
Postage		3,144
Donations		25,000
Advertising		1,116
Other Professional Services		19,937
Inspection		9,170
Investment Fees		96,814
Other Administrative Expenses		45,473
		<hr/>
	\$	<u>497,992</u>

SCHEDULE 4

SCHEDULE OF SALARIES AND RELATED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Salaries:		
Office and Administrative	\$	403,119
Maintenance and Janitorial		155,810
Store Salaries		42,233
Superintendent		87,840
Social Service		71,587
Transportation		41,720
Employees' Benefits		210,562
Payroll Taxes		66,931
Less: Reimbursements from Village at Garwood		<hr/> (115,901)
	\$	<u>963,901</u>

SCHEDULE 5

WESTFIELD SENIOR CITIZENS HOUSING CORPORATION

SCHEDULE OF MAINTENANCE AND REPAIRS
FOR THE YEAR ENDED DECEMBER 31, 2017

Painting and Decorating	\$	22,967
Carpentry		-
Plumbing		1,121
Masonry		-
Electrical		6,843
Vehicle and Equipment		7,804
Snow Removal		16,919
Windows and Glass		4,255
Repairs - Doors and Hardware		-
Grounds		34,694
Maintenance Supplies		37,017
Other Maintenance and Repair Expenses		35,195
		<hr/>
	\$	166,815
		<hr/> <hr/>

SCHEDULE 6

SCHEDULE OF MAINTENANCE CONTRACTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Security	\$	7,342
Exterminating		9,194
Rubbish Removal		10,104
Elevator		6,624
Generator		4,432
Other Maintenance Contracts		6,248
		<hr/>
	\$	43,944
		<hr/> <hr/>

WESTFIELD SENIOR CITIZENS HOUSING CORPORATION

SCHEDULE OF UTILITIES EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

Electricity	\$	140,240
Water		40,109
Gas		<u>50,576</u>
	\$	<u><u>230,925</u></u>

SCHEDULE 8

WESTFIELD SENIOR CITIZENS HOUSING CORPORATION

SCHEDULE OF CHANGES IN FIXED ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>BUILDINGS AND IMPROVEMENTS</u>	<u>EQUIPMENT, FURNITURE AND FIXTURES</u>	<u>CONSTRUCTION IN PROGRESS</u>	<u>TOTAL</u>
Balance, December 31, 2016	\$ 11,590,241	\$ 1,078,069	\$ -	\$ 12,668,310
Additions	296,260	47,932		344,192
Dispositions				-
Balance, December 31, 2017	<u>\$ 11,886,501</u>	<u>\$ 1,126,001</u>	<u>\$ -</u>	<u>\$ 13,012,502</u>

ACCUMULATED DEPRECIATION

	<u>BUILDINGS AND IMPROVEMENTS</u>	<u>EQUIPMENT, FURNITURE AND FIXTURES</u>	<u>TOTAL</u>
Balance, December 31, 2016	\$ 9,202,136	\$ 976,777	\$ 10,178,913
Additions	380,801	38,920	419,721
Dispositions			-
Balance, December 31, 2017	<u>\$ 9,582,937</u>	<u>\$ 1,015,697</u>	<u>\$ 10,598,634</u>

WESTFIELD SENIOR CITIZENS HOUSING CORPORATION

SCHEDULE OF TAX LIABILITY UNDER TAX ABATEMENT AGREEMENT
FOR THE YEAR ENDED DECEMBER 31, 2017

Rental Income	\$	3,320,750
Investment and Other Income		<u>768,030</u>
Contract Rents	\$	<u>4,088,780</u>
Payment in Lieu of Taxes @ 6.28%	\$	<u>256,775</u>
Reconciliation:		
Tax Payable April 1	\$	71,333
Tax Per Above Calculation		<u>256,775</u>
	\$	<u>328,108</u>
Less Actual Cash Paid		<u>249,736</u>
Tax Payable, December 31	\$	78,372
Payment Jan 2018		78,335
Balance Owed	\$	<u><u>37</u></u>

WESTFIELD SENIOR CITIZENS HOUSING CORPORATION

SCHEDULE OF RELATED PARTY TRANSACTIONS
DECEMBER 31, 2017

<u>Transactions with Westfield Senior Citizen Urban Renewal L.P.</u>		
Interest Accrued and Paid	\$	169,000
Balances at December 31, 2017:		
Mortgage Receivable	\$	5,200,000
Accrued Interest Receivable		1,497,491
Miscellaneous Receivable		2,843
<u>Transactions with Village at Garwood Urban Renewal L.P.</u>		
Operating Costs Accrued and Paid	\$	211,057
Balances at December 31, 2017:		
Mortgages Receivable	\$	3,056,778
Accrued Interest Receivable		93,653
Long-Term Notes Receivable		11,052,979
Project Costs Receivable		681,939
Development Fee Receivable		703,715

WESTFIELD SENIOR CITIZENS HOUSING CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

<u>FEDERAL GRANTOR/PROGRAM TITLE</u>	<u>FEDERAL C.F.D.A. NUMBER</u>	<u>GRANT PERIOD</u>	<u>GRANTOR'S NUMBER</u>	<u>GRANT AWARD AMOUNT</u>	<u>EXPENDITURES</u>
Department of Housing and Urban Development	14,156	2017	NJ39H085002	\$ 2,654,361	2,654,361
Section 8 Existing Housing Assistance Program: Annual Contributions				\$ 2,654,361	2,654,361

WESTFIELD SENIOR CITIZENS HOUSING CORPORATION

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2017

<u>STATE GRANTOR/PROGRAM TITLE</u>	<u>GRANT PERIOD</u>	<u>CONTRACT</u>	<u>GRANT</u>	<u>FISCAL YEAR</u>	<u>CUMULATIVE</u>	
	<u>FROM</u> <u>TO</u>	<u>NUMBER</u>	<u>AWARD</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>	
			<u>AMOUNT</u>			
New Jersey Department of Health and Social Services <u>New Jersey Division of Aging and Community Services</u>						
Congregate Housing Services Program	7/1/2016	6/30/2017	DOAS17CHSP033	\$ 228,224	\$ 118,453	\$ 233,300
Congregate Housing Services Program	7/1/2017	6/30/2018	DOAS18CHSP023	171,469	127,136	127,136
			\$ 399,693	\$ 245,589	\$ 360,436	

WESTFIELD SENIOR CITIZENS HOUSING CORPORATION

NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1: GENERAL

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance presents the activity of all federal and state financial assistance programs of Westfield Senior Citizens Housing Corporation. The Corporation is defined in the Notes to the Corporation's general-purpose financial statements. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies is included on the Schedule of Expenditures of Federal Awards.

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedule is presented using the accrual basis of accounting.

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Amounts reported in the accompanying schedules agree with amounts reported in the Corporation's basic financial statements.

NOTE 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

WESTFIELD SENIOR CITIZENS HOUSING CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Section I - Summary of Auditor's Results

Financial Statements

- | | |
|--|------------|
| (1) Type of Auditor's Report Issued: | Unmodified |
| (a) Material weaknesses identified? | No |
| (b) Significant deficiencies identified that are not considered to be material weaknesses? | No |
| (1) Noncompliance material to the basic financial statements noted? | No |

Federal Program(s)

- | | |
|--|------------|
| (1) Internal Control Over Major Federal Programs: | |
| (a) Material weaknesses identified? | No |
| (b) Significant deficiencies identified that are not considered to be material weaknesses? | No |
| (2) Type of Auditor's Report issued on compliance for major federal program(s)? | Unmodified |
| (3) Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? | No |

(4) Identification of Major Federal Program(s):

<u>Program</u>	<u>CFDA</u>
Section 8 Existing Housing Assistance Program: Annual Contributions	14.156

Program Threshold Determination:

Type A Federal Program Threshold > \$750,000.00
Type B Federal Program Threshold <= \$750,000.00

- | | |
|---|-----|
| (6) Auditee qualified as a low-risk auditee under Uniform Guidance? | Yes |
|---|-----|

WESTFIELD SENIOR CITIZENS HOUSING CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Section II - Financial Statement Audit - Reported Findings Under Government Auditing Standards

Internal Control Findings

None Reported

Compliance Findings

None Reported

Section III - Findings and Questioned Costs Relative to Major Federal Programs

Federal Programs - None Reported

WESTFIELD SENIOR CITIZENS HOUSING CORPORATION

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017

Federal Programs - None Reported

