

*Report of Audit*

*on the*

*Financial Statements*

*of the*

*Westfield Senior Citizens  
Urban Renewal  
Partnership L.P.*

*for the*

*Years Ended*

*December 31, 2018 and 2017*

WESTFIELD SENIOR CITIZENS URBAN RENEWAL PARTNERSHIP L.P.

I N D E X

PAGE  
NUMBER

Independent Auditor's Report 1-2

EXHIBITS

"A" - Balance Sheets - December 31, 2018 and 2017 3

"B" - Statements of Profit and Loss for the Years Ended December 31, 2018 and 2017 4

"C" - Statements of Partners' Capital for the Years Ended December 31, 2018 and 2017 5

"D" - Statements of Cash Flows for the Years Ended December 31, 2018 and 2017 6

Notes to Financial Statements - December 31, 2018 and 2017 7-14



# SUPLEE, CLOONEY & COMPANY

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
Westfield Senior Citizens  
Urban Renewal Partnership L.P.  
1129 Boynton Avenue  
Westfield, New Jersey 07090

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Westfield Senior Citizens Urban Renewal Partnership L.P. which comprise the balance sheets as of December 31, 2018 and 2017 and the related statements of profit and loss, partners' capital and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Westfield Senior Citizens Urban Renewal Partnership L.P.'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

# SUPLEE, CLOONEY & COMPANY

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 entity'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 entity'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 Urban Renewal Partnership L.P. for the years ended December 31, 2018 and 2017, and the respective changes in its partner capital and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

June 10, 2019



WESTFIELD SENIOR CITIZENS URBAN RENEWAL PARTNERSHIP L.P.BALANCE SHEETS  
DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 241,651	\$ 324,787
Investments	1,746,897	1,768,819
Prepaid Expenses	24,172	52,355
Tenant Security Deposits Held by Management	114,966	113,068
Other Assets	89	400
Fixed Assets at Cost	\$ 13,831,143	\$ 13,347,371
Less: Accumulated Depreciation	<u>10,402,841</u>	<u>9,911,745</u>
<u>TOTAL NET FIXED ASSETS</u>	<u>\$ 3,428,302</u>	<u>\$ 3,435,626</u>
<u>TOTAL ASSETS</u>	<u>\$ 5,556,077</u>	<u>\$ 5,695,055</u>
<u>LIABILITIES AND PARTNERS' CAPITAL</u>		
Accounts Payable and Accrued Expenses	\$ 84,941	\$ 28,415
Payable to Affiliate	22,604	2,843
Accrued Service Charge to Town of Westfield	1,624,941	1,536,311
Accrued Interest Payable	1,510,491	1,497,491
Mortgage Payable	5,200,000	5,200,000
Tenant Security Deposits	<u>114,966</u>	<u>113,068</u>
<u>TOTAL LIABILITIES</u>	<u>\$ 8,557,943</u>	<u>\$ 8,378,128</u>
Partners' Capital	\$ (3,001,669)	\$ (2,759,547)
Other Comprehensive Income	<u>(197)</u>	<u>76,474</u>
<u>TOTAL LIABILITIES AND PARTNERS' CAPITAL</u>	<u>\$ 5,556,077</u>	<u>\$ 5,695,055</u>

The Notes to the Financial Statements are an integral part of these statements.

WESTFIELD SENIOR CITIZENS URBAN RENEWAL PARTNERSHIP L.P.STATEMENTS OF PROFIT AND LOSS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>INCOME</u>		
Rental Income	\$ 1,472,173	\$ 1,423,407
Grants	1,000	-
Other Income	22,320	20,576
	<hr/>	<hr/>
<u>TOTAL INCOME FROM OPERATIONS</u>	<u>\$ 1,495,493</u>	<u>\$ 1,443,983</u>
<u>EXPENSES</u>		
Administrative Expenses	\$ 174,578	\$ 148,181
Salaries and Related Costs	544,867	482,369
Maintenance and Repairs	57,930	76,910
Maintenance Contracts	61,868	56,146
Utilities Expenses	172,787	156,848
Service Charge to Town of Westfield	88,630	85,453
Insurance	50,715	50,099
	<hr/>	<hr/>
<u>TOTAL OPERATING EXPENSES</u>	<u>\$ 1,151,375</u>	<u>\$ 1,056,006</u>
<u>NET INCOME FROM OPERATIONS</u>	<u>\$ 344,118</u>	<u>\$ 387,977</u>
<u>OTHER INCOME AND EXPENSE</u>		
Investment Income	\$ 60,856	\$ 48,947
Interest on Mortgage	(156,000)	(156,000)
	<hr/>	<hr/>
<u>NET INCOME BEFORE DEPRECIATION</u>	<u>\$ 248,974</u>	<u>\$ 280,924</u>
Depreciation	491,096	484,525
	<hr/>	<hr/>
<u>NET LOSS</u>	<u>\$ (242,122)</u>	<u>\$ (203,601)</u>
<u>OTHER COMPREHENSIVE INCOME</u>		
Unrealized Gain (Loss) on Investments	(76,671)	67,636
	<hr/>	<hr/>
<u>NET PROFIT (LOSS)</u>	<u><u>\$ (318,793)</u></u>	<u><u>\$ (135,965)</u></u>

The Notes to the Financial Statements are an integral part of these statements.

WESTFIELD SENIOR CITIZENS URBAN RENEWAL PARTNERSHIP L.P.STATEMENTS OF PARTNERS' CAPITAL  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>Accumulated Other Comprehensive Income</u>	<u>Partners' Capital</u>
Balance, January 1, 2017	\$ 8,838	\$ (2,555,946)
Net Profit (Loss) - During Year - 2017	<u>67,636</u>	<u>(203,601)</u>
Balance, December 31, 2017	\$ 76,474	\$ (2,759,547)
Net Profit (Loss) - During Year - 2018	<u>(76,671)</u>	<u>(242,122)</u>
Balance, December 31, 2018	<u>\$ (197)</u>	<u>\$ (3,001,669)</u>

The Notes to the Financial Statements are an integral part of these statements.

WESTFIELD SENIOR CITIZENS URBAN RENEWAL PARTNERSHIP L.P.STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>OPERATING ACTIVITIES</u>		
Net Loss	\$ (318,793)	\$ (135,965)
Add (Deduct) Expenses and Income Not Using Working Capital:		
Depreciation	491,096	484,525
Unrealized (Gains) Loss on Investments	76,671	(67,636)
Add (Deduct) Changes in Non-Cash Working Capital:		
Prepaid Expenses	28,183	(7,527)
Other Assets	311	-
Accounts Payable	56,526	(64,867)
Payable to Affiliate	19,761	(35,698)
Accrued Interest Payable	156,000	156,000
Accrued Service Charge to Town of Westfield	88,630	85,453
Tenant Security Deposits	(1,898)	6,961
Net Cash Provided by Operating Activities	<u>\$ 596,487</u>	<u>\$ 421,246</u>
<u>INVESTING ACTIVITIES</u>		
Purchase of Fixed Assets	\$ (483,772)	\$ (68,870)
Sales (Purchases) of Investments (Net)	(54,749)	(202,429)
Tenant Security Deposits	<u>1,898</u>	<u>(6,961)</u>
Net Cash Used by Investing Activities	<u>\$ (536,623)</u>	<u>\$ (278,260)</u>
<u>FINANCING ACTIVITIES</u>		
Payment of Interest to Affiliate	<u>\$ (143,000)</u>	<u>\$ (169,000)</u>
Net Cash Used by Financing Activities	<u>\$ (143,000)</u>	<u>\$ (169,000)</u>
Net Increase/(Decrease) In Cash and Cash Equivalents	\$ (83,136)	\$ (26,014)
Cash and Cash Equivalents at Beginning of Year	<u>\$ 324,787</u>	<u>\$ 350,801</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 241,651</u></u>	<u><u>\$ 324,787</u></u>
<u>SUPPLEMENTARY DISCLOSURES:</u>		
Investment Income Received	<u>\$ 60,856</u>	<u>\$ 48,947</u>
Interest Paid	<u>\$ 143,000</u>	<u>\$ 169,000</u>

The Notes to the Financial Statements are an integral part of these statements.



WESTFIELD SENIOR CITIZENS URBAN RENEWAL PARTNERSHIP L.P.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(1) ORGANIZATION

Westfield Senior Citizens Urban Renewal Partnership, L.P. (the Partnership) was formed as a Limited Partnership in the State of New Jersey in December 1993. The Partnership was formed to construct and operate a 130 unit apartment building providing affordable housing to low and moderate income senior citizens. The project is located in Westfield, New Jersey and was placed in service on October 19, 1995.

The general partner of the partnership is Second Westfield Senior Citizens Housing Corporation (Westfield II), a New Jersey not-for-profit corporation organized under IRC Section 501 (c)(3) for the purpose of operating the project. The project is on land adjacent to a low and moderate income senior citizen project which has been in existence since 1978 and which is operated by Westfield Senior Citizens Housing Corporation (Westfield I). Both projects are situated on property owned by the Town of Westfield, New Jersey.

The 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. The partnership has executed a Deed of Easement and Restrictive Covenant for Extended Low Income Occupancy which requires the utilization of the project pursuant to Section 42 for a minimum of thirty (30) years, even if the partnership disposes of the project.

Westfield I and Westfield II are under common control. These affiliates share operating personnel and services for the efficient management of both apartment buildings. Accordingly, Westfield II will reimburse Westfield I for various shared expenses on a current basis. In addition, Westfield I extended a mortgage loan to the Partnership in the amount of \$5,200,000.

On September 1, 2011, the partnership interest of the limited partners was purchased by Boynton Mews L.L.C., a wholly owned subsidiary of Westfield II.

(2) 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 Partnership have been prepared on the accrual basis in accordance with generally accepted accounting principles

WESTFIELD SENIOR CITIZENS URBAN RENEWAL PARTNERSHIP L.P.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Equivalents

For purposes of the Statement of Cash Flows, the Partnership considers all highly liquid debt instrument purchases with a maturity of three months or less to be cash equivalents.

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 primary objective of the Partnership's investments is capital appreciation and absolute return without undue exposure to risk. Investment funds are selected to support long-term goals, and provide a reasonable rate of return.

Fixed Assets

Property and equipment are stated at cost at date of acquisition. Depreciation is based on an estimated useful life of the acquired assets, applied on a straight line or double declining balance basis. Costs of building projects in process are recorded to Construction in Progress and capitalized for depreciation upon completion.

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 reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

WESTFIELD SENIOR CITIZENS URBAN RENEWAL PARTNERSHIP L.P.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

Income taxes on earnings or tax benefit of losses were realized by the partners through 2010. Effective September 1, 2011 with the change in partnership interests, the Partnership became a disregarded entity for tax purposes. Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

Westfield II is exempt from federal income taxes under the provisions of Section 501 (c)(3) of the Internal Revenue Code and is required to file IRS Form 990 (Return of Organization Exempt from Income Tax).

The most significant tax position of Westfield II 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 Westfield II had no activities subject to UBIT in the year ended December 31, 2018. 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 IRS Form 990 of Westfield II 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 2015 through 2017 are open to examination by the IRS as of December 31, 2018.

(3) CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents are summarized as follows:

	<u>2018</u>	<u>2017</u>
Checking Accounts	\$142,692	\$226,781
Money Market Account	<u>98,959</u>	<u>98,006</u>
	<u>\$241,651</u>	<u>\$324,787</u>

These accounts are maintained in two 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 URBAN RENEWAL PARTNERSHIP L.P.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(4) INVESTMENTS

Investments at fair values are as follows. Fair value is determined by quoted market prices or prices which are provided by investment managers.

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Equity	\$ 419,211	\$ 412,940	\$ 423,699	\$ 483,711
Fixed Income	<u>1,348,277</u>	<u>1,333,957</u>	<u>1,283,266</u>	<u>1,285,108</u>
Total Investments	<u>\$1,767,488</u>	<u>\$1,746,897</u>	<u>\$1,706,965</u>	<u>\$1,768,819</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 primary objective of the Partnership's investments is capital appreciation and absolute return without undue exposure to risk. Investment funds are selected to support long-term goals, and provide a reasonable rate of return.

(5) PREPAID EXPENSES

Prepaid expenses include the following:

	<u>2018</u>	<u>2017</u>
Insurance	\$19,232	\$52,355
Other	<u>4,940</u>	<u>-0-</u>
	<u>\$24,172</u>	<u>\$52,355</u>

(6) SECURITY DEPOSITS

Security deposits in the amount of \$114,966 and \$113,068 represent deposits held in an interest-bearing account as of December 31, 2018 and 2017, respectively. These deposits represent a liability to tenants for security deposits collected from them.

WESTFIELD SENIOR CITIZENS URBAN RENEWAL PARTNERSHIP L.P.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(7) FIXED ASSETS

A summary of the fixed assets is as follows:

	<u>Balance</u> <u>12/31/2017</u>	<u>Additions/</u> <u>Transfers</u>	<u>Balance</u> <u>12/31/2018</u>
Buildings and Improvements	\$12,973,402	\$483,772	\$13,457,174
Furniture and Fixtures	<u>373,969</u>	<u>-0-</u>	<u>373,969</u>
	\$13,347,371	\$483,772	\$13,831,143
Accumulated Depreciation	<u>9,911,745</u>	<u>491,096</u>	<u>10,402,841</u>
	<u>\$ 3,435,626</u>	<u>\$ (7,324)</u>	<u>\$ 3,428,302</u>

Property and equipment are stated at cost at date of acquisition. Depreciation is based on the estimated useful life of the acquired assets, applied on a straight line or double declining balance basis. Costs of building projects in process are recorded to Construction in Progress and capitalized for depreciation upon completion.

(8) ACCOUNTS PAYABLE

Accounts payable is summarized as follows:

	<u>2018</u>	<u>2017</u>
Utilities	\$ 9,605	\$ 9,955
Capital Projects	59,199	-0-
Administrative Expenses	1,615	2,280
Legal Expenses	4,992	2,964
Maintenance and Repairs	1,278	7,180
Social Services	-0-	184
Salaries, Wages and Payroll Taxes	<u>8,252</u>	<u>5,852</u>
	<u>\$84,941</u>	<u>\$28,415</u>

WESTFIELD SENIOR CITIZENS URBAN RENEWAL PARTNERSHIP L.P.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(9) PAYABLE TO AFFILIATE

Accounts Payable to Westfield I is summarized as follows:

	<u>2018</u>	<u>2017</u>
Pension	\$ 77	\$ -0-
Salaries and Wages	22,527	17,527
Other Operating Expenses	-0-	(3,778)
Less: Operating Exp due from Westfield I	<u>-0-</u>	<u>(10,906)</u>
	<u>\$22,604</u>	<u>\$ 2,843</u>

The payable includes expense reimbursements payable to affiliate, Westfield I, for shared personnel and operating expenses. The payable to Westfield I in 2017 is offset with operating expenses due from Westfield I.

(10) LAND LEASE

The Partnership has a lease agreement with the Town of Westfield for the land on which the project has been constructed. The lease is for a period of 33 years expiring December 31, 2026. The annual rent is \$1 plus a service charge as defined in the Financial Agreement with the Town of Westfield.

(11) PENSION PLAN

A retirement plan is available to employees of Westfield II, whereby eligible employees could elect to defer a percentage of their earnings into an Internal Revenue Code Section 401(k) plan. The plan requires safe harbor non-elective employer contributions equal to 3% of eligible employees' compensation effective April 1, 2013. The Partnership approved a discretionary contribution of 4% to the 401(k) Plan for the year ended December 31, 2018. No discretionary contributions were made for 2017. Total employer contributions to the 401(k) plan amounted to \$22,866 and \$7,923 for the years ended December 31, 2018 and 2017, respectively.

WESTFIELD SENIOR CITIZENS URBAN RENEWAL PARTNERSHIP L.P.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(12) FINANCIAL AGREEMENT

The Partnership has entered into a Financial Agreement with the Town of Westfield under provisions of the Long Term Tax Exemption Law (N.J.S.A. 40A:20-1 et. seq.). The term of the tax exemption under this agreement is for 30 years expiring in October 2025. The Partnership shall pay to the Town of Westfield an annual service charge in an amount equal to the greater of 6% of the gross rent income of the project or 20% of the taxes that are otherwise due on the value of the land and improvements in accordance with a prescribed schedule as follows:

<u>Period</u>	<u>Service Charge</u>
Nov 1, 2010 – Oct 31, 2017	Greater of 6% of gross rents or 20% of taxes otherwise due
Nov 1, 2017 – Oct 31, 2022	Greater of 6% of gross rents or 40% of taxes otherwise due
Nov 1, 2022 – Oct 31, 2025	Greater of 6% of gross rents or 60% of taxes otherwise due

The annual Service Charge for 2018 and the liability at December 31, 2018 are as follows:

Gross Rents	\$1,472,173
Service Charge at 6%	88,630
Accrued Balance 12/31/17	<u>1,536,311</u>
Accrued Balance 12/31/18	<u>\$1,624,941</u>

The annual Service Charge is payable only if revenues are sufficient to satisfy operating expenses, reserves, debt service, capital improvements, and other expenses essential to its operations.

WESTFIELD SENIOR CITIZENS URBAN RENEWAL PARTNERSHIP L.P.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

(13) MORTGAGE PAYABLE

The Partnership has an outstanding mortgage payable to Westfield I, its affiliate. This mortgage in the amount of \$5,200,000 bears interest at the rate of 3% and is collateralized by the Partnership's leasehold interest in the property. The principal is payable in equal monthly installments to the extent operating funds are available. The mortgage note will mature on October 31, 2025. No principal payments have been made on this mortgage.

Interest is accrued on the outstanding principal balance. Interest accrued and the outstanding liability at December 31, 2018 is as follows:

Mortgage Balance	<u>\$5,200,000</u>
Interest at 3%	156,000
Payments	(143,000)
Accrued Interest Balance 12/31/17	<u>1,497,491</u>
Accrued Interest Balance 12/31/18	<u>\$1,510,491</u>

(14) LOW INCOME HOUSING TAX CREDITS

The Project's low income housing tax credits are contingent on its ability to maintain compliance with applicable sections of Section 42. Failure to maintain compliance with occupant eligibility and/or unit gross rent or to correct noncompliance within a specified time period could result in recapture of previously taken tax credits plus interest. In addition, such potential noncompliance may require an adjustment to the contributed capital.

(15) SUBSEQUENT EVENTS

Westfield Senior Citizens Urban Renewal Partnership, L.P. has evaluated subsequent events occurring after the financial statement date through June 10, 2019, which is the date the financial statements were available to be issued. Based on this evaluation, Westfield Senior Citizens Urban Renewal Partnership, L.P. has determined that no subsequent events have occurred which require disclosure in the financial statements.

(16) COMMITMENTS AND CONTINGENCIES

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



