

**Livingston Manor Urban Renewal Associates, L.P.
D/B/A Livingston Manor**

**Financial Statements
(With Supplementary Information)
and Independent Auditor's Report**

December 31, 2021 and 2020

6/2/22

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**Livingston Manor Urban Renewal Associates, L.P.
D/B/A Livingston Manor**

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Independent Auditor's Report

To the General Partner
Livingston Manor Urban Renewal Associates, L.P.

Opinion

We have audited the financial statements of Livingston Manor Urban Renewal Associates, L.P., which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations, changes in partners' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Livingston Manor Urban Renewal Associates, L.P. as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). 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 Livingston Manor Urban Renewal Associates, L.P. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Livingston Manor Urban Renewal Associates, L.P.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 GAAS 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 GAAS, 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 Livingston Manor Urban Renewal Associates, L.P.'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 Livingston Manor Urban Renewal Associates, L.P.'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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of certain income and expenses and excess net profit computation for New Brunswick Housing and Redevelopment Authority are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 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 information is fairly stated in all material respects in relation to the financial statements as a whole.



Baltimore, Maryland
March 15, 2022

**Livingston Manor Urban Renewal Associates, L.P.
D/B/A Livingston Manor**

**Balance Sheets
December 31, 2021 and 2020**

	<u>Assets</u>		<u>Liabilities and Partners' Equity (Deficit)</u>	
	2021	2020	2021	2020
Current assets			Current liabilities	
Cash	\$ 186,012	\$ 164,521	Accounts payable	\$ 20,022
Tenant accounts receivable, net	1,430	3,187	Local administrative fee payable	2,500
Accounts receivable - subsidy	1,020	-	Accrued real estate taxes	23,552
Prepaid expenses	23,909	29,195		
			Total current liabilities	46,074
Total current assets	212,371	196,903		43,073
Restricted deposits and funded reserves			Deposits and prepaid liabilities	
Tenant security deposits	44,325	41,326	Tenant security deposits	44,325
Replacement reserve	92,876	76,616	Prepaid rent	12,638
Real estate tax and insurance escrow	52,655	25,701		
			Deposits and prepaid liabilities	56,963
Total restricted deposits and funded reserves	189,856	143,643		47,587
Rental property			Long-term liabilities	
Building and improvements	170,921	170,921	Mortgages payable - first mortgage, net	1,177,992
Furniture and equipment	3,751	3,751	Mortgages payable - other mortgages	1,900,000
	174,672	174,672	Accrued interest payable - first mortgage	287,133
Accumulated depreciation	(62,819)	(55,356)	Accrued interest payable - other mortgages	383,795
	111,853	119,316	Developer fee payable	323,372
Land	5,053	5,053		
			Total long-term liabilities	4,072,292
Total rental property	116,906	124,369	Partners' equity (deficit)	(3,656,196)
				(3,670,904)
Total assets	\$ 519,133	\$ 464,915	Total liabilities and partners' equity (deficit)	\$ 519,133
				\$ 464,915

See Notes to Financial Statements.

Livingston Manor Urban Renewal Associates, L.P.
D/B/A Livingston Manor

Statements of Operations
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenue		
Rental income	\$ 605,248	\$ 565,148
Vacancies and concessions	(11,388)	(17,131)
Other operating income	<u>6,658</u>	<u>18,693</u>
Total revenue	<u>600,518</u>	<u>566,710</u>
Operating expenses		
Salaries and employee benefits	101,624	84,697
Repairs and maintenance	91,133	81,679
Utilities	48,674	49,232
Property management fee	38,533	36,399
Real estate taxes	71,258	38,334
Property insurance	35,483	31,277
Miscellaneous operating expenses	<u>53,116</u>	<u>68,462</u>
Total operating expenses	<u>439,821</u>	<u>390,080</u>
Net operating income	<u>160,697</u>	<u>176,630</u>
Other income (expense)		
Interest expense - first mortgage	(12,133)	(12,133)
Interest expense - other mortgages	(15,000)	(15,000)
Other financial (expense) income	(569)	346
Entity income	15,814	-
Annual fee to affiliate of limited partner	(2,500)	(2,500)
Supervisory management fee	(62,069)	(57,188)
Depreciation	<u>(7,463)</u>	<u>(7,463)</u>
Total other income (expense)	<u>(83,920)</u>	<u>(93,938)</u>
Net income	<u><u>\$ 76,777</u></u>	<u><u>\$ 82,692</u></u>

See Notes to Financial Statements.

**Livingston Manor Urban Renewal Associates, L.P.
D/B/A Livingston Manor**

**Statements of Changes in Partners' Equity (Deficit)
Years Ended December 31, 2021 and 2020**

	<u>General partner</u>	<u>Special limited partner</u>	<u>Limited partner</u>	<u>Total partners' equity (deficit)</u>
Balance, December 31, 2019	\$ (119,233)	\$ 575,307	\$ (4,152,482)	\$ (3,696,408)
Net income	827	4,970	76,895	82,692
Distributions	<u>(28,594)</u>	<u>(1,733)</u>	<u>(26,861)</u>	<u>(57,188)</u>
Balance, December 31, 2020	(147,000)	578,544	(4,102,448)	(3,670,904)
Net income	768	4,614	71,395	76,777
Distributions	<u>(31,034)</u>	<u>(1,881)</u>	<u>(29,154)</u>	<u>(62,069)</u>
Balance, December 31, 2021	<u>\$ (177,266)</u>	<u>\$ 581,277</u>	<u>\$ (4,060,207)</u>	<u>\$ (3,656,196)</u>
Partners' percentage of partnership income	<u>1.00%</u>	<u>6.01%</u>	<u>92.99%</u>	<u>100.00%</u>

See Notes to Financial Statements.

Livingston Manor Urban Renewal Associates, L.P.
D/B/A Livingston Manor

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

	2021	2020
Cash flows from operating activities		
Rental receipts	\$ 600,974	\$ 546,249
Other operating receipts	6,658	18,693
Salaries and employee benefits paid	(101,624)	(68,883)
Repairs and maintenance paid	(93,355)	(87,786)
Utilities paid	(47,127)	(48,494)
Property management fee paid	(38,562)	(35,728)
Real estate taxes paid	(41,179)	(43,283)
Property insurance paid	(36,724)	(34,587)
Tenant security deposits received	2,999	3,859
Net mortgage escrow withdrawals	(26,954)	(4,434)
Miscellaneous financial income	(569)	346
Miscellaneous operating expenses paid	(57,149)	(53,894)
Local administrative fee	(2,500)	(2,500)
Supervisory management fee	(62,069)	(57,188)
Net cash provided by operating activities	<u>102,819</u>	<u>132,370</u>
Cash flows from investing activities		
Change in reserve for replacements	<u>(16,260)</u>	<u>(40,524)</u>
Net cash used in investing activities	<u>(16,260)</u>	<u>(40,524)</u>
Cash flows from financing activities		
Distribution to partners	<u>(62,069)</u>	<u>(57,188)</u>
Net cash used in financing activities	<u>(62,069)</u>	<u>(57,188)</u>
Net increase in cash and restricted cash	24,490	34,658
Cash and restricted cash, beginning	<u>205,847</u>	<u>171,189</u>
Cash and restricted cash, ending	<u><u>\$ 230,337</u></u>	<u><u>\$ 205,847</u></u>

Livingston Manor Urban Renewal Associates, L.P.
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Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Net income	\$ 76,777	\$ 82,692
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	7,463	7,463
Amortization of debt issuance costs	333	333
Accrued payroll forgiveness	(15,814)	-
Changes in:		
Tenant accounts receivable	1,757	746
Accounts receivable - subsidy	(1,020)	
Prepaid expenses	5,286	(8,259)
Real estate tax and insurance escrow	(26,954)	(4,434)
Accounts payable	(4,737)	21,507
Accrued real estate taxes	23,552	-
Tenant security deposits	2,999	3,859
Prepaid rents	6,377	1,663
Accrued interest - mortgages	26,800	26,800
	<u>\$ 102,819</u>	<u>\$ 132,370</u>
Net cash provided by operating activities		

See Notes to Financial Statements.

**Livingston Manor Urban Renewal Associates, L.P.
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**Notes to Financial Statements
December 31, 2021 and 2020**

Note 1 - Organization and nature of operations

Livingston Manor Urban Renewal Associates, L.P. (the "Partnership") was formed as a limited partnership under the laws of the State of New Jersey on November 15, 1994. The purpose of the Partnership is to acquire, construct, renovate and operate a housing project consisting of 51 residential rental units for the purpose of providing affordable senior citizen housing. The property is located in New Brunswick, New Jersey.

Items of Partnership income are generally allocated 1% to the general partner, 6.01% to the special limited partners, and 92.99% to the limited partner; losses are generally allocated .01% to the general partner, 1% to the special limited partners and 98.99% to the limited partner; however, specific allocations are determined and governed by the limited partnership agreement.

The major activities of the Partnership are governed by the limited partnership agreement and Internal Revenue Code Section 42. Each building of the project has qualified for and been allocated low-income housing tax credits pursuant to Internal Revenue Code Section 42, which regulates the use of the project as to occupant eligibility and unit gross rent, among other requirements. Each building of the project has met the provisions of these regulations during each of 15 consecutive years through 2010 in order to continue to qualify to receive the tax credits.

By agreement, the Partnership is to be terminated by December 31, 2046.

Note 2 - Significant accounting policies

Basis of accounting

The financial statements of the Partnership are prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

Accounts receivable and bad debts

Tenant receivables are reported net of allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of tenant accounts receivable. It is reasonably possible that the management's estimate of the allowance will change. As of December 31, 2021 and 2020, the allowance for doubtful accounts totaled \$4,042 and \$4,160, respectively.

Rental property

Rental property is recorded at cost and depreciated over the remaining useful lives using the straight-line method for financial reporting purposes. The Partnership recognized an impairment loss on the rental property in 2013; as such, the remaining useful lives are estimated as follows:

Building and improvements	22 years
Furniture and equipment	10 years

For tax purposes, accelerated methods are used to depreciate the cost of furnishings and equipment over 7 years, land and improvements over 15 years, while the building is depreciable using the straight-line method over a 27.5-year period.

Maintenance and repairs are charged to expense when incurred. Upon retirement or other disposition, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the statements of operations.

Livingston Manor Urban Renewal Associates, L.P.
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Notes to Financial Statements
December 31, 2021 and 2020

Impairment of long-lived assets

In accordance with accounting guidance, the Partnership applies accounting for impairment or disposal of long-lived assets. The Partnership reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. No impairment loss was recognized during the years ended December 31, 2021 and 2020.

Debt issuance costs

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

Rental income

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Partnership and tenants of the property are operating leases.

Advertising costs

Advertising costs are charged to operations when incurred.

Income taxes

The Partnership has elected to be treated as a pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its owners on their respective income tax returns. The Partnership's federal tax status as a pass-through entity is based on its legal status as a partnership. Accordingly, the Partnership is not required to take any tax positions in order to qualify as a pass-through entity. The Partnership is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Partnership has no other tax positions, which must be considered for disclosure. Income tax returns filed by the Partnership are subject to examination by the Internal Revenue Service for a period of three years. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2018 remain open.

Use of estimates

The preparation of 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 financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Livingston Manor Urban Renewal Associates, L.P.
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**Notes to Financial Statements
December 31, 2021 and 2020**

Note 3 - Restricted deposits and funded reserves

Replacement reserve

The Partnership established a replacement reserve account to provide working capital needs, improvements, and replacements to the project. As of December 31, 2021 and 2020, the balance in the replacement reserve was as follows:

	2021	2020
Balance, January 1	\$ 76,616	\$ 36,092
Deposits	60,048	58,296
Interest earnings	-	191
Withdrawals	(43,788)	(17,963)
Balance, December 31	<u>\$ 92,876</u>	<u>\$ 76,616</u>

Real estate tax and insurance escrow

The Partnership established a tax and insurance escrow for payment of annual real estate taxes and property insurance. As of December 31, 2021 and 2020, the balance in the real estate tax and insurance escrow was as follows:

	2021	2020
Balance, January 1	\$ 25,701	\$ 21,267
Deposits	104,856	77,568
Interest earnings	-	110
Payments	(77,902)	(73,244)
Balance, December 31	<u>\$ 52,655</u>	<u>\$ 25,701</u>

Note 4 - Statements of cash flows

The following table provides a reconciliation of cash and restricted cash reported within the balance sheets that sum to the total of the same such amounts in the statements of cash flows:

	2021	2020
Cash	\$ 186,012	\$ 164,521
Tenant security deposit	44,325	41,326
Total cash and restricted cash shown in the statements of cash flows	<u>\$ 230,337</u>	<u>\$ 205,847</u>

Amounts included in restricted cash are comprised of security deposits held in trust for the future benefits of tenants upon moving out of the property as required by the regulatory authority.

Note 5 - Related party transactions

The Partnership contracted with Pennrose Management Company (the "Management Company"), an affiliate of the general partner, to manage the day-to-day operations of the property for a fee

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Notes to Financial Statements
December 31, 2021 and 2020

equal to 6.50% of income collected (subject to certain exclusions) as compensation for its services. During 2021 and 2020, \$38,533 and \$36,399, respectively, were incurred under the contract, of which \$647 and \$676, respectively, remains payable and included in accounts payable.

Further, the Management Company earns a monthly administrative fee to defray the cost of certain expenditures. During 2021 and 2020, \$3,720 and \$3,720, respectively, was incurred and is included in miscellaneous operating expenses.

Further, the Management Company provides payroll and other administrative services on a reimbursement basis. During 2021 and 2020, \$115,224 and \$70,756, respectively, were reimbursed.

The special limited partner is entitled to an annual cumulative local administrative fee in the amount of \$2,500. The fee is payable from distributable cash flow. As of December 31, 2021 and 2020, \$2,500 and \$2,500, respectively, remain payable.

The general partners earn an annual noncumulative supervisory management fee equal to 50% of the amount of remaining cash flow. For the years ended December 31, 2021 and 2020, \$62,069 and \$57,188, respectively, were incurred and paid.

Pennrose Management Company - Capital Improvement Division, an affiliate of the general partner, provides maintenance oversight to the project totaling \$7 per unit per month. During 2021 and 2020, \$4,284, respectively, was incurred and paid.

For services performed in conjunction with the development of the project, the general partners earned a fee in the amount of \$850,000. The fee is noninterest-bearing. As of December 31, 2021 and 2020, developer fee payable was \$323,372, respectively.

During 2020 the Management Company received a loan under the Paycheck Protection Program ("PPP") which was created through the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The loan program includes a provision for forgiveness if certain criteria are met with respect to employment and pay levels. To the extent, the Management Company is granted forgiveness of its loan, it will forgive a proportionate amount of payroll reimbursement due from the Partnership. As of December 31, 2020, there is \$15,814 of payroll reimbursement due to the Management Company, which is included in accounts payable on the balance. During the year ended December 31, 2021, the amount is forgiven and recorded within entity income.

Note 6 - Distributable cash flow

Cash flow, which means the excess of cash receipts over cash expenditures as determined for each fiscal year or portion thereof, shall be distributed in the following order of priority as defined in the partnership agreement:

1. To repay any loan payable to any partner other than a general partner;
2. To the partners and affiliates, an amount or amounts equal to the unpaid balance of any voluntary loan made by them;
3. To pay local administration fee to special limited partner equal to \$2,500 annually;
4. To pay supervisory management fee to general partners equal to 50% of cash flows;

**Livingston Manor Urban Renewal Associates, L.P.
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**Notes to Financial Statements
December 31, 2021 and 2020**

5. To the extent of 50% of the remaining cash flow, to the guarantors, an amount or amounts equal to the unpaid balance of any operating loan made by them; and
6. The balance, 45.97% to the limited partner, 50% to the general partner, 3.03% to the Class D special limited partner, and 1% to the Class A special limited partner.

Note 7 - Mortgages payable

In connection with the development of the property, the Partnership has negotiated the following nonrecourse mortgages:

First mortgage

In June 1995, an agreement was entered into with the City of New Brunswick, the Housing Authority of the City of New Brunswick and the New Brunswick Development Corporation. Under the terms of the agreement, the City of New Brunswick agreed to loan funds available from UDAG in the principal amount of \$1,180,000 under an interim UDAG note, which became due and payable without interest on August 31, 1997. Permanent UDAG financing was provided thereafter for a term of 30 years. Interest accrues at 1% per annum. All principal and interest is due at maturity in August 2027. Interest expense for the years ended December 31, 2021 and 2020 was \$12,133, respectively, which includes debt issuance cost amortization of \$333 based on an imputed interest rate of 1.03%. Accrued interest as of December 31, 2021 and 2020 is \$287,133 and \$275,333, respectively. As of December 31, 2021 and 2020, the outstanding principal balance was \$1,180,000, respectively:

	2021	2020
Mortgage payable - first mortgage	\$ 1,180,000	\$ 1,180,000
Unamortized debt issuance costs	(2,008)	(2,341)
Mortgage payable, net	<u>\$ 1,177,992</u>	<u>\$ 1,177,659</u>

Second mortgage

In June 1995, the Partnership entered into an agreement with the Neighborhood Preservation Balanced Housing Program, Division of Housing and Community Resources, Department of Community Affairs of the State of New Jersey (the "lender") wherein the lender agreed to make available to the Partnership funds from the New Jersey Department of Community Affairs Balanced Housing Program in the amount of \$1,500,000. Interest shall accrue at the rate of 1% per annum. The principal balance of the loan and accrued interest are due January 2026. Interest expense for the years ended December 31, 2021 and 2020 was \$15,000. Accrued interest as of December 31, 2021 and 2020 is \$383,795 and \$368,795, respectively. As of December 31, 2021 and 2020, the outstanding principal balance was \$1,500,000.

Third mortgage

In November 1995, the Partnership entered into an agreement with the New Brunswick Development Corporation ("DEVCO") wherein \$400,000 would be made available from a FHLB grant agreement between the Partnership, DEVCO and a lending institution. The loan does not accrue interest and is due in January 2026. As of December 31, 2021 and 2020, the outstanding principal balance was \$400,000.

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**Notes to Financial Statements
December 31, 2021 and 2020**

The above mortgages are collateralized by all land, buildings, and equipment of the Partnership.

Note 8 - Surplus cash

As of December 31, 2021, the Partnership's surplus cash position based on the balance sheets was as follows:

Cash	\$ 186,012
Tenant security deposits	44,325
Outstanding replacement reserve withdrawal	<u>980</u>
Total	<u>231,317</u>
Accounts payable	20,022
Tenant security deposits	44,325
Prepaid rent	<u>12,638</u>
Total	<u>76,985</u>
Surplus cash	<u><u>\$ 154,332</u></u>

Note 9 - Payment in lieu of taxes ("PILOT")

The Partnership entered into an agreement with the city of New Brunswick to make annual Payments in Lieu of Taxes. The payment to the city is calculated at 10% of gross revenue payable annually for a period not to exceed 30 years. For years 1 through 15, the payment shall be 10% of the annual gross revenue; years 16 through 20 shall be greater than 10% of gross revenue or 20% of the amount of taxes otherwise due; years 21 through 25 shall be the greater of 10% of gross revenue or 40% of the amount of taxes otherwise due; years 26 through 28 shall be the greater of 10% of gross revenue or 60% of the amount of taxes otherwise due; and years 29 through 30 shall be the greater of 10% of gross revenue or 80% of the amount of taxes otherwise due. For the years ended December 31, 2021 and 2020, the Partnership was in years 26 and 25, respectively, of the agreement.

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Notes to Financial Statements
December 31, 2021 and 2020

For the years ended December 31, 2021 and 2020, the Partnership incurred charges of \$71,258 and \$38,334, respectively:

	2021	2020
Residents' rent, excluding tenant assistance	\$ 373,276	\$ 409,774
Vacancies and concessions	(11,388)	(17,131)
Employee units	(8,797)	(9,579)
Other income includable in calculation	4,990	4,942
Gross income	358,081	388,006
PILOT rate	10%	10%
Total	35,808	38,801
Additional PILOT based on 60% of gross income	35,090	0
PILOT adjustment	360	(467)
PILOT expense	<u>\$ 71,258</u>	<u>\$ 38,334</u>

Note 10 - Contingency

In early 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of lease revenue and other material adverse effects to the Partnership's financial position, results of operations, and cash flows. The Partnership is currently unable to fully determine the extent of COVID-19's impact on its business in future periods. The Partnership's performance in future periods will be heavily influenced by the timing, length, and intensity of any business disruptions from COVID-19 and the related effects on the Partnership's operations. Management continues to monitor the results of operations to evaluate the actual and potential economic impact on the project.

Note 11 - Subsequent events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Partnership through March 15, 2022 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Supplementary Information

**Livingston Manor Urban Renewal Associates, L.P.
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**Schedules of Certain Income and Expenses
Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Rental income		
Rent revenue - gross potential	\$ 373,276	\$ 409,774
Tenant assistance payments	<u>231,972</u>	<u>155,374</u>
Total rental income	<u>\$ 605,248</u>	<u>\$ 565,148</u>
Vacancies and concessions		
Apartments vacancies	\$ 11,388	\$ 14,995
Rental concessions	<u>-</u>	<u>2,136</u>
Total vacancies and concessions	<u>\$ 11,388</u>	<u>\$ 17,131</u>
Other operating income		
Laundry and vending	\$ 4,605	\$ 4,311
Security deposit forfeitures	887	5,011
Damages income	115	1,121
Late fees	475	137
Application fees	400	420
Services income	50	50
Miscellaneous other income	<u>126</u>	<u>7,643</u>
Total other operating income	<u>\$ 6,658</u>	<u>\$ 18,693</u>
Salaries and employee benefits		
Salaries - administrative	\$ 50,681	\$ 39,276
Salaries - maintenance	30,874	28,790
Payroll taxes	7,038	6,070
Health insurance and other benefits	7,962	6,533
Workmen's compensation insurance	<u>5,069</u>	<u>4,028</u>
Total salaries and employee benefits	<u>\$ 101,624</u>	<u>\$ 84,697</u>

Livingston Manor Urban Renewal Associates, L.P.
D/B/A Livingston Manor

Schedules of Certain Income and Expenses
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Repairs and maintenance		
Exterminating	\$ 3,083	\$ 1,953
Grounds	11,497	6,982
Fire protection	4,424	4,234
Supplies	(828)	1,604
HVAC expense	2,326	4,068
Painting, decorating and cleaning	1,438	3,625
Repairs and maintenance - other than contracts	7,121	12,198
Repairs and maintenance - contracts	14,286	13,337
Elevator	11,293	8,433
Carpeting	8,980	6,852
Miscellaneous maintenance expenses	<u>27,513</u>	<u>18,393</u>
Total repairs and maintenance	<u>\$ 91,133</u>	<u>\$ 81,679</u>
Utilities		
Electricity	\$ 13,931	\$ 15,228
Water	10,217	9,585
Sewer	11,454	11,126
Trash removal	5,885	6,743
Gas	5,297	4,368
Cable	<u>1,890</u>	<u>2,182</u>
Total utilities	<u>\$ 48,674</u>	<u>\$ 49,232</u>
Miscellaneous operating expenses		
Office supplies and expense	\$ 2,969	\$ 3,320
Training and travel	1,119	1,196
Telephone and answering service	4,951	5,562
Computer supplies and expense	7,230	7,059
Bad debt expense	1,668	14,775
Administrative fee	3,720	3,720
Miscellaneous administrative	3,526	1,359
Rent free unit	8,797	9,579
Advertising and newspaper	2,069	1,863
Legal	1,877	3,580
Audit	7,415	7,415
Other professional fees	2,906	3,059
Other taxes, licenses and insurance	<u>4,869</u>	<u>5,975</u>
Total miscellaneous operating expenses	<u>\$ 53,116</u>	<u>\$ 68,462</u>

Livingston Manor Urban Renewal Associates, L.P.
D/B/A Livingston Manor

Schedules of Certain Income and Expenses
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Other financial (expense) income		
Miscellaneous financial income	\$ -	\$ 1,024
Miscellaneous financial expenses	<u>(569)</u>	<u>(678)</u>
Total other financial (expense) income	<u>\$ (569)</u>	<u>\$ 346</u>
Entity income		
Accrued payroll forgiveness	<u>\$ 15,814</u>	<u>\$ -</u>

See Independent Auditor's Report.

**Livingston Manor Urban Renewal Associates, L.P.
D/B/A Livingston Manor**

**Excess Net Profit Computation for New Brunswick Housing
and Redevelopment Authority
Year Ended December 31, 2021**

Gross Revenue

(1) Total Gross Revenue per audited Statements of Operations	\$ 368,546
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Adjustments:

(2) Insurance, Operating and Maintenance Expenses paid by Tenant which are ordinarily paid by a Landlord	-
(3) Vacancy reserves in excess of the allowable reserve of 10% of Gross Revenues	-
(4) Rental income from an affiliate related to the Project	-
(5) Adjusted Total Gross Revenue (sum of (1) through (4))	368,546

Expenses

(6) Total Expenses per audited Statement of Operations <i>(the statutes N.J.S.A. 40A:20-15 do not expressly identify what items are to be deducted from gross revenues. City's position is that these statutes be read in pari-materia with N.J.S.A 40A:20-3.)</i>	477,486
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Adjustments

(7) Depreciation or obsolescence	7,463
(8) Interest on debt, except interest which is part of debt service	27,133
(9) Income taxes	-
(10) Salaries, bonuses or compensation paid, directly or indirectly, to Directors, Management, Officers, Stockholders, Partners or other persons holding any proprietary ownership interest in the property.	2,500
(11) Payments for services rendered in excess of reasonable and customary payments to an affiliate or related party	-
(12) Amortization in excess of allowable reserve	-
(13) Adjusted Total Expenses (Line (6) less lines (7) through (12))	440,390
(14) Statutory Net Profit (Line (5) less (13))	(71,844)
(15) Less allowable profit <i>(Allowable profit (per financial agreement) x Total Project Cost (Line 17))</i>	(763,617)
(16) Excess Service Charge (Line (14) less (15))	\$ -
(17) Total Project Cost (per "Computation of total Project Cost per N.J.S.A 40A:20-3(h)" form)	\$ 6,363,472

See Independent Auditor's Report.



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Independent Auditor's Report

To the General Partner
Livingston Manor Urban Renewal Associates, L.P.

Opinion

We have audited the financial statements of Livingston Manor Urban Renewal Associates, L.P., which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations, changes in partners' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Livingston Manor Urban Renewal Associates, L.P. as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). 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 Livingston Manor Urban Renewal Associates, L.P. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Livingston Manor Urban Renewal Associates, L.P.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 GAAS 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 GAAS, 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 Livingston Manor Urban Renewal Associates, L.P.'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 Livingston Manor Urban Renewal Associates, L.P.'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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of certain income and expenses and excess net profit computation for New Brunswick Housing and Redevelopment Authority are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

CohnReznick LLP

Baltimore, Maryland
March 15, 2022

**Livingston Manor Urban Renewal Associates, L.P.
D/B/A Livingston Manor**

**Excess Net Profit Computation for New Brunswick Housing
and Redevelopment Authority
Year Ended December 31, 2021**

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See Independent Auditor's Report.