

**FixPineridge Brook Corporation  
HUD Project No. 031-EE-051**

Financial Statements and  
Supplementary Information

June 30, 2025 and 2024

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## Independent Auditors' Report

To the Board of Directors of  
Pineridge Brook Corporation

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the financial statements of Pineridge Brook Corporation (an entity controlled by United Methodist Homes of New Jersey) (the Corporation), HUD Project No. 031-EE-051, which comprise the balance sheets as of June 30, 2025 and 2024, and the related statements of operations and changes in net 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 the Corporation as of June 30, 2025 and 2024, and the changes in its net deficit 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) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation 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 the Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

#### **Auditors' 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 auditors' 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation'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 supplementary information on pages 16 through 24 is presented for purposes of additional analysis as required by the *Uniform Financial Reporting Standards* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated **DATE OF REPORT** on our consideration of the 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 solely 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 the effectiveness of the Corporation's 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 the Corporation's internal control over financial reporting and compliance.

Philadelphia, Pennsylvania  
**Date of Report**

Balance Sheets  
June 30, 2025 and 2024

		<u>2025</u>	<u>2024</u>
<b>Assets</b>			
<b>Current Assets</b>			
1120	Cash, operations	\$ 100,290	\$ 26,699
1130	Accounts receivable, tenants	770	2,034
1140	Accounts and notes receivable, operations	3,636	6,490
1200	Prepaid expenses	19,201	12,386
1100T	Total current assets	<u>123,897</u>	<u>47,609</u>
<b>Deposits</b>			
1191	Tenant deposits held in trust	<u>19,290</u>	<u>19,461</u>
<b>Restricted Deposits and Funded Reserves</b>			
1320	Replacement reserve	176,333	191,253
1340	Residual receipts reserve	<u>10,320</u>	<u>10,120</u>
1300T	Total deposits	<u>186,653</u>	<u>201,373</u>
<b>Fixed Assets</b>			
1410	Land	480,000	480,000
1420	Buildings	6,547,784	6,503,287
1440	Furniture and equipment	218,968	154,994
1490	Miscellaneous fixed assets	-	19,919
1400T	Total fixed assets	7,246,752	7,158,200
1495	Less accumulated depreciation	<u>(3,665,856)</u>	<u>(3,459,027)</u>
1400N	Net fixed assets	<u>3,580,896</u>	<u>3,699,173</u>
1000T	Total assets	<u>\$ 3,910,736</u>	<u>\$ 3,967,616</u>
<b>Liabilities and Net Deficit</b>			
<b>Current Liabilities</b>			
2110	Accounts payable, operations	\$ 72,133	\$ 67,183
2210	Prepaid revenue	1,708	2,404
2120	Accrued wages payable	28,493	36,821
2190	Miscellaneous current liabilities	<u>45,279</u>	<u>43,083</u>
2122T	Total current liabilities	147,613	149,491
<b>Other Long-Term Liabilities</b>			
2191	Tenant deposits held in trust	19,290	19,461
2320	Mortgage payable first mortgage	<u>5,802,000</u>	<u>5,802,000</u>
2000T	Total liabilities	5,968,903	5,970,952
<b>Net Deficit</b>			
3131	Net deficit without donor restrictions	<u>(2,058,167)</u>	<u>(2,003,336)</u>
2033T	Total liabilities and net deficit	<u>\$ 3,910,736</u>	<u>\$ 3,967,616</u>

See notes to financial statements

**Pineridge Brook Corporation**  
**HUD Project No. 031-EE-051**

**DRAFT 9/16/25**

Statements of Operations and Changes in Net Deficit  
Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<b>Revenues</b>		
5152N Rental income	\$ 1,167,107	\$ 1,069,714
5300 Nursing home/assisted living revenues	8,593	7,840
5400T Financial revenue	8,819	7,632
5900T Other revenue	13,020	15,487
	<u>1,197,539</u>	<u>1,100,673</u>
5000T Total revenues	<u>1,197,539</u>	<u>1,100,673</u>
<b>Expenses</b>		
6263T Administrative	428,687	407,199
6400T Utilities	87,640	95,010
6500T Operating and maintenance	350,643	312,113
6700T Taxes and insurance	160,735	141,097
6600 Depreciation	206,829	199,580
6900 Other expenses	17,836	32,636
	<u>1,252,370</u>	<u>1,187,635</u>
6000T Total expenses	<u>1,252,370</u>	<u>1,187,635</u>
	(54,831)	(86,962)
	Change in net deficit	(86,962)
<b>Net Deficit, Beginning</b>	<u>(2,003,336)</u>	<u>(1,916,374)</u>
<b>Net Deficit, Ending</b>	<u><u>\$ (2,058,167)</u></u>	<u><u>\$ (2,003,336)</u></u>

See notes to financial statements

Statements of Cash Flows  
Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<b>Cash Flows Provided by Operating Activities</b>		
S1200-010 Rental receipts	\$ 1,170,529	\$ 1,074,505
S1200-020 Interest receipts	8,819	7,632
S1200-030 Other operating receipts	21,613	23,327
	<u>1,200,961</u>	<u>1,105,464</u>
S1200-040 Total receipts	1,200,961	1,105,464
S1200-050 Administrative	(210,628)	(243,390)
S1200-070 Management fee	(27,072)	(27,072)
S1200-090 Utilities	(87,640)	(95,010)
S1200-100 Salaries and wages	(262,174)	(222,762)
S1200-110 Operating and maintenance	(285,165)	(271,253)
S1200-120 Real estate taxes	(35,833)	(26,475)
S1200-140 Property insurance	(49,815)	(34,927)
S1200-150 Miscellaneous taxes and insurance	(77,375)	(77,553)
S1200-160 Tenant security deposits	(171)	1,185
S1200-170 Other operating expenses	(17,836)	(32,636)
	<u>(1,053,709)</u>	<u>(1,029,893)</u>
S1200-230 Total disbursements	(1,053,709)	(1,029,893)
S1200-240 Net cash provided by operating activities	<u>147,252</u>	<u>75,571</u>
<b>Cash Flows Used in Investing Activities</b>		
S1200-330 Net purchase of fixed assets	(88,552)	(50,426)
	<u>(88,552)</u>	<u>(50,426)</u>
S1200-350 Net cash used in investing activities	(88,552)	(50,426)
S1200-470 Net increase in cash and restricted cash	58,700	25,145
S1200-480 <b>Cash and Restricted Cash, Beginning</b>	<u>247,533</u>	<u>222,388</u>
S1200T <b>Cash and Restricted Cash, Ending</b>	<u>\$ 306,233</u>	<u>\$ 247,533</u>
<b>Reconciliation of Cash and Restricted Cash to Balance Sheets</b>		
1120 Cash, operations	\$ 100,290	\$ 26,699
1191 Tenant deposits held in trust	19,290	19,461
1320 Replacement reserve	176,333	191,253
1340 Residual receipts reserve	10,320	10,120
	<u>100,290</u>	<u>26,699</u>
Total cash and restricted cash	<u>\$ 306,233</u>	<u>\$ 247,533</u>

## **1. Nature of Operations and Summary of Significant Accounting Policies**

### **Nature of Operations**

Pineridge Brook Corporation (the Corporation) (U.S. Department of Housing and Urban Development Project No. 031-EE-051) was formed as a not-for-profit corporation and is jointly sponsored by The United Methodist Homes of New Jersey (The Homes), St. Mark's United Methodist Church, and First United Methodist Church. The Corporation owns and operates a 48-unit apartment project for elderly persons, known as Pineridge of Montclair (the Facility). The Corporation is managed by The Homes, which co-sponsors and/or operates nine other facilities, and is regulated by the U.S. Department of Housing and Urban Development (HUD). Rental operations began in December 2002. The Homes charges the Corporation a management fee of \$48 per unit per month for administrative services for 2025 and 2024. Management fees charged to the Corporation in 2025 and 2024 were \$27,072.

### **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 the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Accounts Receivable**

Accounts receivable are reported at amounts management expects to collect on balances outstanding at year-end. Accounts are charged to bad debt expense when deemed uncollectible based upon a periodic review of individual accounts. Accounts receivable are considered fully collectible by management and, accordingly, no allowance for credit losses is considered necessary.

### **Deposits**

Deposits consist of tenant security deposits and cash restricted to use by HUD. The use of interest earned on these cash balances is also limited and represents the major portion of the Corporation's interest income.

### **Fixed Assets**

Fixed assets are recorded at cost, net of accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of buildings are 10 - 40 years and building equipment are 4 - 15 years.

### **Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of**

Long-lived assets are evaluated for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If expected cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the assets. No impairment charges were recognized in 2025 and 2024.

### **Financial Dependency**

One of the Corporation's largest sources of revenue is rental income from HUD. The Corporation billed rental income in the amount of \$953,890 and \$853,790 in 2025 and 2024, respectively. The Corporation is economically dependent on this income to carry on its operations. The contract with HUD expires June 30, 2028.

### **Rental Income**

Rental income is recognized using rates established by HUD. Under the Regulatory Agreement (Note 2), the Corporation may not increase rents charged to tenants without prior HUD approval.

### **Revenue Recognition**

The Corporation accounts for leases with tenants as operating leases. Rental income is recognized on a straight-line basis over the noncancellable term of the lease. The Corporation's residential lease term is generally one year or less.

The Corporation recognizes revenue for lease and nonlease related income, such as application fees, late fees and nonsufficient fund fees, as earned when incurred.

### **Income Taxes**

The Corporation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal income taxes on its exempt income under Section 501(a) of the IRC.

## **2. Restricted Deposits and Funded Reserves**

In accordance with the Regulatory Agreement with HUD, the Corporation is required to fund, on a monthly basis (\$2,233 at June 30, 2025), a reserve for replacements account, which is available to finance the cost of major repairs and replacement with the consent of HUD. The Corporation is also required to fund, on an annual basis with surplus cash, as defined, a reserve for residual receipts, which is to be used for HUD approved purposes.

Restricted deposits and funded reserves, stated at fair value, consist of money market accounts totaling \$186,653 and \$201,373 at June 30, 2025 and 2024, respectively. The money market accounts are considered Level 1 financial assets as defined by Financial Accounting Standards Board Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures*, since the input to measure fair value is based on a quoted price in an active market for the identical asset.

## **3. Liquidity and Availability of Resources**

The following table reflects the Corporation's financial assets available for general expenditure within one year at June 30, 2025 and 2024. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Unavailable financial assets consist of assets whose use is limited by HUD and tenant deposits.

	<u>2025</u>	<u>2024</u>
Cash, operations	\$ 100,290	\$ 26,699
Accounts receivable, tenants	770	2,034
Accounts and notes receivable, operations	<u>3,636</u>	<u>6,490</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 104,696</u>	<u>\$ 35,223</u>

As disclosed in Note 2, the Corporation is required to maintain a reserve for replacement account and also deposit any residual revenue, as defined, into a residual receipts account. The use of the funds in these accounts is subject to approval by HUD and is generally limited to capital expenditures and service coordinator expenses.

As part of the Corporation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, United Methodist Homes of New Jersey, the parent company of the Corporation, has the ability and intent to support operations as liquidity needs arise.

#### **4. Long-Term Debt**

On December 20, 2001, the Corporation entered into a 40-year Capital Advance Program/Mortgage Note Agreement (the Note) with HUD. At June 30, 2025 and 2024, the outstanding balance was \$4,929,100. The note bears no interest and repayment is not required as long as the housing constructed with these funds remains available for low-income elderly persons or low-income persons with disabilities (whichever is applicable) in accordance with Section 202 of the Housing Act of 1959, as amended, or Section 811 of the National Affordable Housing Act of 1990 (whichever is applicable), and the Regulatory Agreement and Regulations.

If the Corporation defaults under the terms of the Note, Mortgage, the Regulatory Agreement and/or the Regulations, at the option of the holder of the Note, the entire principal sum plus accumulated interest at an annual rate of 5.75%, will become due and payable.

The Corporation has pledged all of its fixed assets as collateral relative to this HUD financing.

The Corporation entered into an \$872,900 mortgage note agreement with the New Jersey Department of Community Affairs Neighborhood Preservation Balanced Housing Program. The note bears no interest and repayment is not required as long as the housing constructed with these funds remains available for low-income elderly persons for at least 70 years. If the Corporation defaults under the terms of the mortgage note agreement, the entire principal sum plus accumulated interest at an annual rate of 1% will become due and payable. The mortgage note does not become due and payable, in whole or in part, until the HUD Section 202 Mortgage loan is fully amortized.

#### **5. Related-Party Transactions**

The Homes advance cash on behalf of the Corporation primarily for payment of ongoing operating expenses. Accordingly, the Corporation reimburses The Homes for these services. The amounts reimbursed to The Homes were \$1,121,909 and \$1,062,102 for the years ended June 30, 2025 and 2024, respectively. The amounts owed to The Homes at June 30, 2025 and 2024 were \$24,001 and \$30,748, respectively, and are included in miscellaneous current liabilities.

#### **6. Concentration of Credit Risk**

The Corporation maintains cash accounts, which, at times, may exceed federally insured limits. The Corporation has not experienced any losses from maintaining cash accounts in excess of federally insured limits. Management believes it is not subject to any significant credit risk on its cash accounts.

**7. Current Vulnerability Due to Certain Concentrations**

The Corporation's primary asset is a rental housing project. The operations are concentrated in the multifamily real estate market. In addition, the Corporation operates in a heavily regulated environment. The operations of the Corporation are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

**8. Functional Expenses**

The Corporation's primary program service relates to providing housing for low income elderly persons within its geographic location. Expenses by both natural and functional classification consist of the following for the years ended June 30, 2025 and 2024:

	<b>2025</b>		
	<b>Program</b>	<b>Administrative</b>	<b>Total</b>
Salaries, benefits and payroll taxes	\$ 166,903	\$ 219,319	\$ 386,222
Supplies	71,412	40,170	111,582
Repairs and maintenance	80,423	45,238	125,661
Securities	164,314	-	164,314
Utilities	87,640	-	87,640
Taxes and insurance	35,833	44,409	80,242
Depreciation	206,829	-	206,829
Other	-	17,396	17,396
Management fees	-	27,072	27,072
Professional fees	-	45,412	45,412
Total	<u>\$ 813,354</u>	<u>\$ 439,016</u>	<u>\$ 1,252,370</u>
	<b>2024</b>		
	<b>Program</b>	<b>Administrative</b>	<b>Total</b>
Salaries, benefits and payroll taxes	\$ 134,541	\$ 216,708	\$ 351,249
Supplies	69,855	41,023	110,878
Repairs and maintenance	73,546	43,196	116,742
Securities	158,822	-	158,822
Utilities	95,010	-	95,010
Taxes and insurance	26,475	41,710	68,185
Depreciation	199,580	-	199,580
Other	-	15,126	15,126
Management fees	-	27,072	27,072
Professional fees	-	44,971	44,971
Total	<u>\$ 757,829</u>	<u>\$ 429,806</u>	<u>\$ 1,187,635</u>

Program service expenses consist of those expenses directly related to the operation of the facility that fulfill its purpose and mission. Expenses attributable to administrative services consist of those expenses relating to the oversight and management of the facility.

## **9. Contingencies**

The Corporation operates under the Regulatory Agreement with HUD. As part of the Regulatory Agreement, and as described in Note 2, a residual receipts account has been established. According to Section 202 revised regulations, if HUD determined at any time that Corporation funds held in the residual receipts account are more than the amount needed for Corporation operations and reserve requirements, HUD may require that excess funds be placed in an account to be used to reduce project rental assistance payments or for other Corporation purposes. Upon termination of the Regulatory Agreement, any excess funds in the residual receipts account must be remitted to HUD.

## **10. Subsequent Events**

The Corporation has evaluated subsequent events after the balance sheet date of June 30, 2025 through **Date of Report**, which is the date the financial statements were available to be issued. No additional matters were identified that require disclosure.

**Report on Internal Control  
Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance  
With *Government Auditing Standards***

Independent Auditors' Report

To the Board of Directors of  
Pineridge Brook Corporation

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 Pineridge Brook Corporation (the Corporation), which comprise the balance sheet as of June 30, 2025, and the related statements of operations and changes in net deficit and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated **Date of Report**.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 entity'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 or significant deficiencies may exist that were not identified.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Philadelphia, Pennsylvania

**Date of Report**

**Report on Compliance  
for the Major Federal Program and  
Report on Internal Control Over Compliance  
Required by the Uniform Guidance**

**Independent Auditors' Report**

To the Board of Directors of  
Pineridge Brook Corporation

**Report on Compliance for the Major Federal Program**

***Opinion on the Major Federal Program***

We have audited Pineridge Brook Corporation's (the Corporation) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Corporation's major federal program for the year ended June 30, 2025. The Corporation's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2025.

***Basis for Opinion on the Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Corporation's compliance with the compliance requirements referred to above.

## **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal controls over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Corporation's federal programs.

## **Auditors' Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Corporation's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Corporation's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on 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 on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a 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 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as described above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Philadelphia, Pennsylvania

Date of Report

**Pineridge Brook Corporation**  
**HUD Project No. 031-EE-051**

**DRAFT 9/16/25**

Supplementary Data Required by HUD  
Profit and Loss Data  
Year Ended June 30, 2025

**Revenues**

	Rent:		
5120	Rent revenue, gross potential	\$	213,217
5121	Tenant assistance payments		<u>953,890</u>
5152N	Net rental revenue		<u>1,167,107</u>
	Revenue:		
5300	Nursing homes/assisted living/board and care/other		<u>8,593</u>
	Financial:		
5410	Project operations		4,038
5430	Revenue from investments, residual receipts		200
5440	Revenue from investments, replacement reserve		<u>4,581</u>
5400T	Total financial revenue		<u>8,819</u>
	Other:		
5990	Miscellaneous revenue		<u>13,020</u>
5900T	Total other revenue		<u>13,020</u>
5000T	Total revenue		<u>1,197,539</u>

**Expenses**

	Administrative:		
6310	Office salaries		111,928
6311	Office expenses		34,874
6320	Management fee		27,072
6330	Manager or superintendent salaries		73,326
6350	Audit expense		15,733
6370	Bad debt		57
6390	Miscellaneous		<u>165,697</u>
6263T	Total administrative expenses		<u>428,687</u>
	Utilities:		
6450	Electricity		24,488
6451	Water		36,033
6452	Gas		<u>27,119</u>
6400T	Total utilities expense		<u>87,640</u>

Supplementary Data Required by HUD  
Profit and Loss Data  
Year Ended June 30, 2025

	Operating and maintenance:	
6510	Payroll	\$ 65,478
6515	Supplies	24,363
6520	Contracts	88,066
6530	Security payroll/contract	164,314
6548	Snow removal	8,422
		<u>          </u>
6500T	Total operating and maintenance expenses	<u>350,643</u>
	Taxes and insurance:	
6710	Real estate taxes	35,833
6711	Payroll taxes	26,618
6720	Property and liability insurance	44,409
6722	Workmen's compensation	8,690
6723	Health insurance and other employee benefits	45,185
		<u>          </u>
6700T	Total taxes and insurance expenses	<u>160,735</u>
6900	Nursing homes/assisted living/board and care/other elderly care expenses	<u>17,836</u>
6000T	Total cost of operations before depreciation	<u>1,045,541</u>
5060T	Profit before depreciation	<u>151,998</u>
6600	Depreciation expense	<u>206,829</u>
5060N	Operating loss	<u>(54,831)</u>
3247	<b>Change in Net Deficit Without Donor Restrictions</b>	<u><u>\$ (54,831)</u></u>
3250	<b>Change in Total Net Deficit From Operations</b>	<u><u>\$ (54,831)</u></u>
S1000-010	Total first mortgage (or bond) principal payments required during the audit year (usually 12 months)	<u><u>\$ -</u></u>
S1000-020	Total of all monthly reserve for replacement deposits (usually 12 months) required during the audit period even if deposits have been temporarily waived or suspended	<u><u>\$ 26,796</u></u>
S1000-030	Replacement reserves or residual receipts and releases which are included as expense items on this profit and loss statement	<u><u>\$ -</u></u>

Supplementary Data Required by HUD  
Equity Data  
Year Ended June 30, 2025

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**Net Deficit Without Donor Restrictions**

S1100-060	Previous year net deficit without donor restrictions	\$ (2,003,336)
3247	Change in net deficit without donor restrictions	<u>(54,831)</u>
3131	Net deficit without donor restrictions	<u><u>\$ (2,058,167)</u></u>

**Total Net Deficit**

S1100-050	Previous year total net deficit	\$ (2,003,336)
3250	Change in total net deficit from operations	<u>(54,831)</u>
3130	Total net deficit	<u><u>\$ (2,058,167)</u></u>

Supplementary Data Required by HUD  
Balance Sheet  
June 30, 2025

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**Detail, Accounts and Notes Receivable, Operations**

1140-010	Description, miscellaneous detail for 1140: State of New Jersey Congregate Program Due from Foundation	\$	3,633 <u>3</u>
1140-020	Total amount, details for 1140	\$	<u><u>3,636</u></u>

**Detail, Miscellaneous Current Liabilities**

2190-010	Description, miscellaneous detail for 2190: Due to United Methodist Homes of New Jersey Audit accrual Utility accrual HSA Township of Montclair	\$	24,001 14,540 2,881 116 <u>3,741</u>
2190-020	Total amount, details for 2190	\$	<u><u>45,279</u></u>

Supplementary Data Required by HUD  
Cash Flow Data  
Year Ended June 30, 2025

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S1200-160	Tenant security deposits	\$	-
S1200-230	Total disbursements		(1,053,538)
S1200-240	Net cash provided by operating activities		147,423
S1200-250	Net withdrawals from the reserve for replacement account		14,920
S1200-260	Net deposits to the residual receipts account		(200)
S1200-350	Net cash used in investing activities		(73,832)
S1200-470	Net increase in cash		73,591
S1200-480	Beginning of period cash		26,699
S1200T	End of period cash		100,290

Supplementary Data Required by HUD  
Profit and Loss Data  
Year Ended June 30, 2025

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**Detail, Miscellaneous Revenue**

5990-10	Description, miscellaneous detail for 5990:		
	Washing machine income	\$	1,903
	Damages and cleaning fees		18
	Other revenue		30
	Wellness Nurse Services		11,069
			<hr/>
5990-20	Total amount, details for 5990	\$	13,020
			<hr/> <hr/>

**Detail, Miscellaneous Expenses**

6390-10	Description, miscellaneous detail for 6390:		
	Service contracts	\$	14,264
	Professional fees		29,679
	Computer expenses		21,976
	Dues, fees and license		5,713
	Training and education		5,137
	Travel		4,736
	Person centered care		83,833
	Senior resource center		359
			<hr/>
6390-20	Total amount, details for 6390	\$	165,697
			<hr/> <hr/>

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Supplementary Data Required by HUD  
Reserve Accounts Data  
Year Ended June 30, 2025

**Schedule of Reserve for Replacement**

1320P	Balance at June 30, 2024	\$	191,253
1320DT	Total monthly deposits		26,796
1320INT	Interest		4,581
1320WT	Approved withdrawals		<u>(46,297)</u>
1320	Balance at June 30, 2025	\$	<u><u>176,333</u></u>

**Schedule of Residual Receipts**

1340P	Balance at June 30, 2024	\$	10,120
1340INT	Interest		<u>200</u>
1340	Balance at June 30, 2025	\$	<u><u>10,320</u></u>

Supplementary Data Required by HUD  
 Surplus Cash and Fixed Asset Data  
 Year Ended June 30, 2025

**Deficit Cash, Distributions and Residual Receipts (Annual)**

S1300-010	Cash and tenants' deposits held in trust	\$ 119,580
S1300-040	Total	<u>119,580</u>
S1300-075	Accounts payable, 30 days	72,133
S1300-100	Accrued liabilities	28,493
2191	Tenant deposits held in trust	19,290
2210	Prepaid revenue	1,708
S1300-110	Other current obligations	<u>45,279</u>
S1300-140	Total current obligations	<u>166,903</u>
S1300-150	Cash deficit	<u><u>\$ (47,323)</u></u>

**Detail, Other Current Obligations**

S1300-120	Description, miscellaneous detail for S1300-110:	
	Due to United Methodist Homes of New Jersey	\$ 24,001
	Audit accrual	14,540
	Utility accrual	2,881
	HSA	116
	Township of Montclair	<u>3,741</u>
S1300-130	Amount, miscellaneous detail for S1300-110	<u><u>\$ 45,279</u></u>

Supplementary Data Required by HUD  
 Surplus Cash and Fixed Asset Data  
 Year Ended June 30, 2025

		<b>Assets</b>			
		<b>Balance July 1, 2024</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2025</b>
1410	<b>Land</b>	\$ 480,000	\$ -	\$ -	\$ 480,000
1420	<b>Buildings</b>	6,503,287	44,497	-	6,547,784
1440	<b>Building Equipment</b>	154,994	63,974	-	218,968
1490	<b>Miscellaneous Fixed Assets</b>	19,919	-	19,919	-
<b>1400T Total fixed assets</b>		<u>\$ 7,158,200</u>	<u>\$ 108,471</u>	<u>\$ 19,919</u>	<u>\$ 7,246,752</u>
		<b>Accumulated Depreciation</b>			
1495	Total accumulated depreciation	<u>\$ 3,459,027</u>	<u>\$ 206,829</u>	<u>\$ -</u>	<u>\$ 3,665,856</u>
1400N	Total net book value	<u>\$ 3,699,173</u>			<u>\$ 3,580,896</u>
		<b>1420A-030 Amount</b>			
1420AT	<b>Additions for 1420, Details</b>				
	Flooring	\$ 10,300			
	Cabinets & Countertops	1,400			
	Doors	3,517			
	Hot water heater	19,775			
	Paint	6,380			
	Ptacs	3,125			
	<b>Total</b>	<u>\$ 44,497</u>			
		<b>1440A-030 Amount</b>			
1440AT	<b>Additions for 1440, Details</b>				
	Filing Cabinet	\$ 1,690			
	Computer	3,142			
	Nurse call system	49,798			
	Range	5,420			
	Waste Container	3,924			
	<b>Total</b>	<u>\$ 63,974</u>			
		<b>1490D-030 Amount</b>			
1490DT	<b>Disposals for 1490, Details</b>				
	Nurse call system	\$ 19,919			
	<b>Total</b>	<u>\$ 19,919</u>			

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2025

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Assistance Listing Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Housing and Urban Development</b>		
Supportive Housing for the Elderly (Section 202): Capital Advance	14.157	\$ 4,929,100
Supportive Housing for the Elderly (Section 202): Project Rental Assistance Contract	14.157	<u>953,890</u>
Total expenditures of federal awards		<u>\$ 5,882,990</u>

**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Pineridge Brook Corporation (the Corporation) and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the 2025 basic financial statements.

**2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**3. U.S. Department of Housing and Urban Development (HUD) - Supportive Housing for the Elderly**

The federal loan program listed subsequently is administered directly by the Corporation and balances and transactions relating to the program are included in the Corporation's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. At July 1, 2024, the outstanding mortgage payable balance is \$4,929,100. The mortgage balance outstanding as of July 1, 2024 is included in the federal expenditures presented in the Schedule. In addition, the Corporation received rent subsidies in the amount of \$953,890 in 2025, which are also included in the federal expenditures presented in the Schedule.

The balance of loans outstanding as of June 30, 2025 consists of:

<u>Assistance Listing Number</u>	<u>Program Name</u>	<u>Outstanding Balance at June 30, 2025</u>
14.157	FHA Section 202 Supportive Housing for the Elderly Contract 031-EE-051	\$4,929,100

**4. Indirect Costs**

The Corporation has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?            yes       X       no

Significant deficiency(ies) identified?            yes       X       none reported

Noncompliance material to financial statements noted?            yes       X       no

**Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified?            yes       X       no

Significant deficiency(ies) identified?            yes       X       none reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?            yes       X       no

Identification of major federal programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.157	U.S. Department of Housing and Urban Development, Supportive Housing for the Elderly (Section 202)

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?       X       yes            no

**Section II - Financial Statement Findings**

None.

**Section III - Federal Award Findings and Questioned Costs**

None.

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Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2025

**Summary of Prior Year Findings**

None.