

**UNION MONTCLAIR HOUSING ASSOCIATES
(A LIMITED PARTNERSHIP)**

REPORT ON AUDITS

OF FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

UNION MONTCLAIR HOUSING ASSOCIATES
(A LIMITED PARTNERSHIP)

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TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS:	
Balance Sheets	3
Statements of Income	4
Statements of Changes in Partners' Capital (Deficit)	5
Statements of Cash Flows	6
Notes to Financial Statements	7-10
SUPPLEMENTARY INFORMATION:	
Schedules of Revenue, Expenses, and Provision for Repairs and Replacements Reserve	11-13
Schedule of Changes in Property and Equipment	14
Schedule of Loans, Notes or Mortgages Payable Other Than the Original NJHMFA Mortgage	15
Schedules of Receivables Other Than From Tenants	15
Schedules of Related Party Transactions	15
Schedule of Cash Distributions to Partners	15
Statement Regarding Income and Payroll Taxes	15
Schedule of Changes in Reserve Balances	16
Schedule of Cash Available for Distribution of Return on Equity	17
Schedule of Partners' Investment Supporting the Computation of Cumulative Return on Equity	18
Computation of Tax Liability Under Tax Abatement Agreement	19
Schedule of Accounts Payable and Accrued Liabilities	20
Computation of Managing Agent Fee and Accrual	21
HUD Balance Sheet Data	22
HUD Statement of Income Data	23-24
HUD Statement of Changes in Partners' Capital Data	25
HUD Statement of Cash Flows Data	26
HUD Computation of Surplus Cash – Annual	27
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	28-29
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR HUD PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE <i>CONSOLIDATED AUDIT GUIDE FOR AUDITS OF HUD PROGRAMS</i>	30-32
SCHEDULE OF FINDINGS, QUESTIONED COSTS, AND RECOMMENDATIONS	33
SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS, QUESTIONED COSTS, AND RECOMMENDATIONS	34
NJHMFA STANDARD HUD COMPLIANCE CERTIFICATION	35-36

*Certified Public Accountant***INDEPENDENT AUDITOR'S REPORT**

To the Partners of
Union Montclair Housing Associates
Montclair, New Jersey

Opinion

I have audited the accompanying financial statements of Union Montclair Housing Associates (A Limited Partnership), NJHMFA Project No. 598, which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of income, changes in partners' capital (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Union Montclair Housing Associates as of December 31, 2024 and 2023, 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

I conducted my audit in accordance with 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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Union Montclair Housing Associates and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

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, 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 Union Montclair Housing Associates' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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 generally accepted auditing standards 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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, I:

- 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 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 Union Montclair Housing Associates' 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Union Montclair Housing Associates' ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Report on Supplementary Information

My audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information for the years ended December 31, 2024 and 2023 shown on pages 11 to 27 is presented for purposes of additional analysis as required by the New Jersey Housing and Mortgage Finance Agency and the U.S. Department of Housing and Urban Development 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. Such information has been subjected to the auditing procedures applied in the audits 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 my opinion, the accompanying supplementary information shown on pages 11 to 27 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*, I have also issued a report dated February 26, 2024 on my consideration of Union Montclair Housing Associates' internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of my 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 Union Montclair Housing Associates' 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 Union Montclair Housing Associates' internal control over financial reporting and compliance.

 Gregory D. Swann, CPA

February 25, 2025

UNION MONTCLAIR HOUSING ASSOCIATES
(A LIMITED PARTNERSHIP)
BALANCE SHEETS
DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
PROPERTY AND EQUIPMENT:		
Land	\$ 97,650	\$ 97,650
Building and improvements	10,110,116	8,781,952
Furniture and fixtures	328,546	352,069
Motor vehicles and maintenance equipment	<u>30,521</u>	<u>30,521</u>
Total property and equipment	10,566,833	9,262,192
Less accumulated depreciation	<u>(8,291,931)</u>	<u>(8,274,903)</u>
Net Property and Equipment	<u>2,274,902</u>	<u>987,289</u>
CASH AND RECEIVABLES:		
Cash and cash equivalents	2,198,204	2,372,151
Rent and rent supplements receivable	<u>377,780</u>	<u>4,293</u>
Total Cash and Receivables	<u>2,575,984</u>	<u>2,376,444</u>
RESTRICTED DEPOSITS:		
Tenants' security deposits held in trust	118,552	116,816
Reserve for repairs and replacements	431,310	1,347,379
Funds held in escrow	<u>328,996</u>	<u>227,874</u>
Total Restricted Deposits	<u>878,858</u>	<u>1,692,069</u>
OTHER ASSETS:		
Prepaid expenses	173,002	157,244
Due from limited partners	<u>5,123</u>	<u>4,477</u>
Total Other Assets	<u>178,125</u>	<u>161,721</u>
TOTAL ASSETS	<u>\$5,907,869</u>	<u>\$5,217,523</u>
<u>LIABILITIES AND PARTNERS' CAPITAL</u>		
LIABILITIES:		
Mortgage note payable	\$ 919,446	\$ 1,285,899
Accounts payable and accrued expenses	116,008	87,231
Rents received in advance	684	7,187
Tenants' security deposits payable	118,552	116,816
Due to general partners	<u>1,294,767</u>	<u>1,294,767</u>
Total Liabilities	<u>2,449,457</u>	<u>2,791,900</u>
PARTNERS' CAPITAL:		
Partners' capital	3,027,102	1,078,244
Reserve for repairs and replacements	<u>431,310</u>	<u>1,347,379</u>
Total Partners' Capital	<u>3,458,412</u>	<u>2,425,623</u>
TOTAL LIABILITIES AND PARTNERS' CAPITAL	<u>\$5,907,869</u>	<u>\$5,217,523</u>

See Notes to Financial Statements

UNION MONTCLAIR HOUSING ASSOCIATES
(A LIMITED PARTNERSHIP)
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
INCOME:		
Apartment rent	\$ 2,568,994	\$ 2,245,893
Vacancy loss	<u>(13,673)</u>	<u>(3,932)</u>
Net rent	2,555,321	2,241,961
Other Income:		
Retained excess rents	66,060	67,056
Interest income	119,274	95,747
Laundry, late and other charges	6,840	7,730
Other miscellaneous income	<u>8,362</u>	<u>1,696</u>
Total Income	<u>2,755,857</u>	<u>2,414,190</u>
EXPENSES:		
Administrative	115,478	102,528
Salaries and related charges	418,023	393,046
Maintenance and repairs	53,732	34,934
Maintenance contracts	419,344	373,289
Utilities	242,170	244,326
Management fees	135,534	131,562
Fee in lieu of real estate taxes	184,277	162,037
Property and liability insurance	<u>244,817</u>	<u>219,149</u>
Total Expenses	<u>1,813,375</u>	<u>1,660,871</u>
INCOME BEFORE INTEREST, AGENCY FEES, DEPRECIATION, AND AMORTIZATION	<u>942,482</u>	<u>753,319</u>
Mortgage interest, net of subsidy	(231,473)	(207,231)
Agency fees	31,000	31,000
Depreciation	<u>110,166</u>	<u>81,492</u>
Total	<u>(90,307)</u>	<u>(94,739)</u>
NET INCOME	<u>\$ 1,032,789</u>	<u>\$ 848,058</u>

See Notes to Financial Statements

UNION MONTCLAIR HOUSING ASSOCIATES
(A LIMITED PARTNERSHIP)
STATEMENTS OF CHANGES IN PARTNERS' CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>Total</u>	<u>General Partner</u>	<u>Limited Partners</u>
Balance, January 1, 2023	\$ 330,295	\$ 188,452	\$ 141,843
Net income	848,058	8,481	839,577
Deposits to Reserve for Repairs and Replacements and Interest Retained in the Account	(100,109)	(1,001)	(99,108)
Withdrawals from Reserve for Repairs and Replacements	<u>-</u>	<u>-</u>	<u>-</u>
Balance, December 31, 2023	1,078,244	195,932	882,312
Net income	1,032,789	10,328	1,022,461
Deposits to Reserve for Repairs and Replacements and Interest Retained in the Account	(80,093)	(8,009)	(72,084)
Withdrawals from Reserve for Repairs and Replacements	<u>996,162</u>	<u>9,962</u>	<u>986,200</u>
Balance, December 31, 2024	<u>\$ 3,027,102</u>	<u>\$ 208,213</u>	<u>\$ 2,818,889</u>

See Notes to Financial Statements

UNION MONTCLAIR HOUSING ASSOCIATES
(A LIMITED PARTNERSHIP)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Net income	\$ 1,032,789	\$ 848,058
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation	110,166	81,492
Provision for bad debts	19,326	13,312
(Increase) decrease in:		
Rent and rent supplements receivable	(392,813)	(15,086)
Prepaid expenses	(15,758)	(4,517)
Funds held in escrow	(101,122)	(34,421)
Due from limited partners	(646)	(552)
Increase (decrease) in:		
Accounts payable and accrued expenses	28,777	13,615
Rents received in advance	<u>(6,503)</u>	<u>5,634</u>
Net Cash Provided by Operating Activities	<u>674,216</u>	<u>907,535</u>
CASH FLOWS USED BY INVESTING ACTIVITIES:		
Deposits to reserve for repairs and replacements and interest retained in the account	(80,093)	(100,109)
Withdrawals from reserve for repairs and replacements	996,162	-
Purchase of property and equipment	<u>(1,397,779)</u>	<u>(307,335)</u>
Net Cash Used by Investing Activities	<u>(481,710)</u>	<u>(407,444)</u>
CASH FLOWS USED BY FINANCING ACTIVITIES:		
Mortgage principal payments	<u>(366,453)</u>	<u>(342,212)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(173,947)	157,879
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,372,151</u>	<u>2,214,272</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 2,198,204</u>	<u>\$ 2,372,151</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Net interest subsidy received	<u>\$ 231,473</u>	<u>\$ 207,231</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Cash received for tenant security deposits	<u>\$ 1,736</u>	<u>\$ 2,002</u>

See Notes to Financial Statements

UNION MONTCLAIR HOUSING ASSOCIATES
(A LIMITED PARTNERSHIP)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

1. NATURE OF ORGANIZATION:

Union Montclair Housing Associates (the "Partnership") is a limited-dividend partnership formed under the New Jersey Uniform Limited Partnership Act and was organized for the purpose of constructing and operating a 126-unit apartment complex located in Montclair, New Jersey for low-income senior citizens and families.

The apartment complex was partially financed and constructed from the proceeds of a mortgage loan pursuant to the provisions of the New Jersey Housing Finance Agency Law of 1967, as amended, and is administered by the New Jersey Housing and Mortgage Finance Agency (the "NJHMFA"). In addition, the Partnership receives, through the NJHMFA, interest reduction payment and rental assistance payment subsidies under Section 236 of the National Housing Act from the United States Department of Housing and Urban Development ("HUD"). Consequently, the Partnership is subject to regulation by the NJHMFA and HUD as to rental charges and operating methods.

In accordance with a revision to the partnership agreement, the term of the Partnership will terminate on December 31, 2050, unless terminated sooner.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Limited Liability Partnership / Income Taxes – The financial statements include only those assets, liabilities, and results of operations that relate to Union Montclair Housing Associates. The financial statements do not include any assets, liabilities, revenues, or expenses attributable to the partners' individual activities.

The Partnership files a partnership income tax return for federal and state income tax purposes. As such, the Partnership does not pay income taxes as any income or loss is included in the income tax returns of the partners. Accordingly, no provision for income taxes is included in the financial statements.

As a limited partnership, the liability of each limited partner in the Partnership is limited to his capital contribution and limited partners shall have no personal liability for the liabilities of the Partnership.

Cash Equivalents – The Partnership considers all highly liquid investments with a maturity date of three months or less to be cash equivalents.

Property and Equipment – Purchases of property and equipment are stated at cost and depreciated over their estimated useful lives using accelerated or the straight-line method of depreciation. Property and equipment consists of land, buildings, equipment, vehicles, and office furniture and equipment. Minor equipment purchases are charged directly to expense.

Amortization – Amortization of deferred charges are on the straight-line basis over the future periods to be benefited.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Date of Management's Review – In preparing the financial statements, the Partnership has evaluated events and transactions for potential recognition or disclosure through the date of the independent auditor's report, which is the date that the financial statements were available to be issued.

UNION MONTCLAIR HOUSING ASSOCIATES
(A LIMITED PARTNERSHIP)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Revenue Recognition –ASC 606 requires an entity to recognize revenue when (or as) goods are transferred or services are provided to customers in an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services.

For purposes of determining when to recognize revenue, and in what amount, ASC 606 requires the application of a 5-step model: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) an entity satisfies a performance obligation.

Adoption of this standard does not have a material effect on the reported financial position and results of operations of the Partnership.

3. RESERVE FOR REPAIRS AND REPLACEMENTS:

Under regulations prescribed by the NJHMFA and HUD, the Partnership is required to set aside amounts for the replacement of property and other major project repair expenditures. NJHMFA approval must be obtained prior to expenditure of any funds. Reserve for repairs and replacements funds are funded from carrying charges paid by or on behalf of tenants and held in trust for the Partnership at a financial institution designated by the NJHMFA.

4. FUNDS HELD IN ESCROW:

Funds held in escrow consisted of the following at December 31:

	<u>2024</u>	<u>2023</u>
Real estate tax escrow	\$ 94,237	\$ 82,927
Insurance escrow	196,630	106,818
Minimum escrow	<u>38,129</u>	<u>38,129</u>
	<u>\$328,996</u>	<u>\$227,874</u>

These funds are held in trust for the Partnership at a financial institution designated by the NJMFHA.

The Partnership was obligated to make deposits on behalf of the sponsor, Union Montclair Housing Corporation, which were allocated by the NJHMFA to a Development Cost Escrow ("DCE") and a Community Development Escrow ("CDE"). The NJHMFA also maintains a Net Worth Escrow ("NWE") for the benefit of the Partnership. These funds may be, and have been, used, subject to NJHMFA approval, for deficits, capital improvements and betterments, and desirable social services. The DCE and CDE accounts have been depleted. Interest income earned and retained on the NWE account is to be applied to the NJHMFA, the general partner, and the limited partners pursuant to an agreed upon formula. There were no distributions from the NWE account to the Partnership during the years ended December 31, 2024 and 2023. The agreement also provides that after the payment of the mortgage note payable (see Note 5), any funds remaining in these escrow accounts will be distributed to the NJHMFA and the general partner in accordance with terms specified in the agreement. These funds are not an asset of the Partnership and, accordingly, are not reflected in the basic financial statements.

UNION MONTCLAIR HOUSING ASSOCIATES
(A LIMITED PARTNERSHIP)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

5. MORTGAGE PAYABLE:

The construction of the apartment complex was financed by a loan from the NJHMFA in the amount of \$6,200,000. The loan is secured by a mortgage on the land, building and equipment of the complex. The loan bears interest at the rate of 7.084% per year and matures on March 1, 2027. Monthly installments of principal and interest are \$38,130. In addition, the NJHMFA charges a fee at the rate of 1/24 of 1% of the original loan balance on a monthly basis. Fees paid during the years ended December 31, 2024 and 2023 were \$31,000 per year. Interest incurred on the mortgage prior to reduction for interest subsidies received totaled \$91,093 and \$115,335 for the years ended December 31, 2024 and 2023, respectively.

Debt service on the mortgage is subsidized pursuant to Section 236 of the National Housing Act. Under Section 236, HUD provides annual subsidies in an amount sufficient to reduce the effective interest rate from the market rate of 7.084% to approximately 1%. The Partnership is entitled to Section 236 subsidies throughout the term of the mortgage. Interest subsidies received during the years ended December 31, 2024 and 2023 were \$322,566 per year.

The future aggregate annual principal payments are as follows:

December 31, 2025	\$392,414
December 31, 2026	\$420,212
December 31, 2027	\$106,820

6. RELATED PARTY TRANSACTIONS:

The general partner made non-interest bearing advances totaling \$1,294,767 at December 31, 2024 and 2023 to the Partnership. These funds were obtained from the DCE, CDE, and Net Worth Escrow accounts.

7. HOUSING ASSISTANCE AGREEMENT:

The Partnership is subject to a Housing Assistance Payments Contract agreement with HUD effective January 1, 2019 for an initial term of twenty (20) years. Under the agreement, the Partnership receives housing assistance payments that subsidize the rents paid by tenants based upon a pre-determined formula that takes into account an individual tenant's income and assets, as well as other factors. Housing assistance payments can be received for a maximum of 70 apartment units. In accordance with its contract with HUD, the Partnership was eligible for rent increases for years after 2019. The Partnership submitted a request for 2020 and received \$163,875 and calculated an estimated additional amount to be received for 2021 of \$134,644. Housing assistance payments income for the years ended December 31, 2024 and 2023 were \$1,223,578 and \$955,071, respectively.

8. MANAGEMENT FEE:

During the years ended December 31, 2024 and 2023, the Partnership paid a management fee equal to \$82.13 and \$79.82 per unit, per month, respectively, to Rainbow Property Management, LLC. Management fees incurred during the years ended December 31, 2024 and 2023 were \$135,534 and \$131,562, respectively, which included bonus fees approved by the NJHMFA in the amount of \$11,354 and \$10,874 during the years ended December 31, 2024 and 2023, respectively.

UNION MONTCLAIR HOUSING ASSOCIATES
(A LIMITED PARTNERSHIP)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

9. FEE IN LIEU OF REAL ESTATE TAXES:

In 1979, the managing general partner assigned to the Partnership its right, title, and interest in a tax abatement agreement dated March 1978 with the Township of Montclair, which exempts the Partnership from real estate taxes. However, in lieu of real estate taxes, the Partnership is subject to an annual service charge for municipal services received based upon an agreed upon formula. The term of the abatement is for the term of the mortgage placed on the property as described in Note 5.

10. CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS:

The Partnership's sole asset is a 126-unit apartment complex. The Partnership's operations are concentrated in the multifamily real estate market. In addition, the Partnership operates in a heavily regulated environment. The operations of the Partnership are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, the NJHMFA and HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or a change mandated by the NJHMFA and/or HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the administrative burden, to comply with a change.

11. CONCENTRATIONS OF CREDIT RISK:

Financial instruments that potentially subject the Partnership to significant concentrations of credit risk consist principally of cash and rents receivable.

Federal Depository Insurance Coverage insures cash up to \$250,000 per financial institution in which the Partnership maintains cash deposits. At times, the Partnership's deposits may exceed insured limits. The Partnership has not experienced any losses in its accounts and believes there is no significant risk with respect to these deposits.

Concentrations of credit risk with respect to rents receivable are limited due to the number of tenants in the apartment complex.

UNION MONTCLAIR HOUSING ASSOCIATES
(A LIMITED PARTNERSHIP)
SCHEDULES OF INCOME, EXPENSES, AND PROVISION
FOR REPAIRS AND REPLACEMENTS RESERVE
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
INCOME:		
Apartment rent	\$ 2,568,994	\$ 2,245,893
Vacancy loss	<u>(13,673)</u>	<u>(3,932)</u>
Net rent	2,555,321	2,241,961
Other income (Exhibit 1)	<u>200,536</u>	<u>172,229</u>
Total Income	<u>2,755,857</u>	<u>2,414,190</u>
EXPENSES:		
Administrative (Exhibit 2)	115,478	102,528
Salaries and related charges (Exhibit 3)	418,023	393,046
Maintenance and repairs (Exhibit 4)	53,732	34,934
Maintenance contracts (Exhibit 5)	419,344	373,289
Utilities (Exhibit 6)	242,170	244,326
Management fees	135,534	131,562
Fee in lieu of real estate taxes	184,277	162,037
Property and liability insurance	<u>244,817</u>	<u>219,149</u>
Total Expenses	<u>1,813,375</u>	<u>1,660,871</u>
INCOME BEFORE DEPRECIATION, INTEREST, AND RESERVES	<u>942,482</u>	<u>753,319</u>
INTEREST AND RESERVES:		
Mortgage interest	91,093	115,335
Less Section 236 interest subsidy	(322,566)	(322,566)
Fees and charges	31,000	31,000
Provision for repair and replacement reserve	<u>(916,069)</u>	<u>100,109</u>
Total Interest and Reserves	<u>(1,116,542)</u>	<u>(76,122)</u>
INCOME BEFORE DEPRECIATION AND AMORTIZATION	2,059,024	829,441
Depreciation expense equal to mortgage principal amortization	<u>366,454</u>	<u>342,212</u>
INCOME BEFORE DEPRECIATION DEFICIENCY	1,692,570	487,229
Depreciation expense less than mortgage principal payments	<u>(256,288)</u>	<u>(260,720)</u>
NET INCOME	<u>\$ 1,948,858</u>	<u>\$ 747,949</u>

UNION MONTCLAIR HOUSING ASSOCIATES
(A LIMITED PARTNERSHIP)
SCHEDULES OF INCOME, EXPENSES, AND PROVISION
FOR REPAIRS AND REPLACEMENTS RESERVE
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
EXHIBIT 1 - OTHER INCOME:		
Retained excess rents	\$ 66,060	\$ 67,056
Interest income	119,274	95,747
Laundry income	6,600	6,600
Late charges and other	240	1,130
Other income	<u>8,362</u>	<u>1,696</u>
 Total Other Income	 <u>\$ 200,536</u>	 <u>\$ 172,229</u>
EXHIBIT 2 - ADMINISTRATIVE EXPENSES:		
Stationery and supplies	\$ 1,510	\$ 1,390
Telephone	8,106	8,852
Dues and subscriptions	2,450	1,780
Postage	1,538	1,508
Inspection and other fees	5,258	240
Legal	8,009	8,131
Accounting and auditing	18,925	18,390
Social service supplies	3,000	5,500
Computer charges	12,172	11,452
Provision for bad debts	19,326	13,312
Bank service charge	2,976	2,205
Miscellaneous	26,369	22,646
Other	<u>5,839</u>	<u>7,122</u>
 Total Administrative Expenses	 <u>\$ 115,478</u>	 <u>\$ 102,528</u>
EXHIBIT 3 - SALARIES AND RELATED CHARGES:		
Superintendent's salary	\$ 64,560	\$ 58,160
Office and administrative salaries	163,570	149,752
Maintenance salaries	49,019	43,852
Manager's apartment	33,216	33,216
Employee benefits	77,391	79,478
Employer's payroll taxes	22,879	20,932
Workers compensation insurance	<u>7,388</u>	<u>7,656</u>
 Total Salaries and Related Charges	 <u>\$ 418,023</u>	 <u>\$ 393,046</u>
EXHIBIT 4 - MAINTENANCE AND REPAIRS:		
Kitchen equipment	\$ 15,682	\$ 13,028
Windows and glass	1,275	2,910
Vehicle and equipment	2,613	1,936
Miscellaneous maintenance supplies	<u>34,162</u>	<u>17,060</u>
 Total Maintenance and Repairs	 <u>\$ 53,732</u>	 <u>\$ 34,934</u>

UNION MONTCLAIR HOUSING ASSOCIATES
(A LIMITED PARTNERSHIP)
SCHEDULES OF INCOME, EXPENSES, AND PROVISION
FOR REPAIRS AND REPLACEMENTS RESERVE
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
EXHIBIT 5 - MAINTENANCE CONTRACTS:		
Monitoring and protection	\$ 6,424	\$ 10,851
Rubbish removal	29,696	28,811
Heating, ventilation, and air conditioning	10,070	16,212
Grounds, parking, and landscaping	173,936	122,047
Painting and decorating	51,666	24,040
Exterminating	11,700	12,108
Other maintenance contracts	<u>135,852</u>	<u>159,220</u>
 Total Maintenance Contracts	 <u>\$ 419,344</u>	 <u>\$ 373,289</u>
 EXHIBIT 6 - UTILITIES:		
Water	\$ 30,601	\$ 36,096
Electricity	32,936	27,556
Gas	1,084	947
Fuel	<u>177,549</u>	<u>179,727</u>
 Total Utilities	 <u>\$ 242,170</u>	 <u>\$ 244,326</u>

UNION MONTCLAIR HOUSING ASSOCIATES
(A LIMITED PARTNERSHIP)
SCHEDULE OF CHANGES IN PROPERTY AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Total</u>	<u>Land</u>	<u>Building and Improvements</u>	<u>Furniture and Fixtures</u>	<u>Motor Vehicles and Maintenance Equipment</u>	<u>Accumulated Depreciation</u>
Balance, January 1, 2024	\$ 987,289	\$ 97,650	\$ 8,781,952	\$ 352,069	\$ 30,521	\$(8,274,903)
Additions	1,397,779	-	1,397,779	-	-	-
Dispositions	-	-	(69,615)	(23,523)	-	93,138
Depreciation expense	<u>(110,166)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(110,166)</u>
Balance, December 31, 2024	<u>\$ 2,274,902</u>	<u>\$ 97,650</u>	<u>\$ 10,110,116</u>	<u>\$ 328,546</u>	<u>\$ 30,521</u>	<u>\$(8,291,931)</u>

UNION MONTCLAIR HOUSING ASSOCIATES
(A LIMITED PARTNERSHIP)

SCHEDULE OF LOANS, NOTES OR MORTGAGES PAYABLE
OTHER THAN THE ORIGINAL NJHMFA MORTGAGE
DECEMBER 31, 2024 AND 2023

See Notes 5 and 6 to the financial statements.

SCHEDULES OF RECEIVABLES OTHER THAN FROM TENANTS
DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Due from limited partners	<u>\$5,123</u>	<u>\$4,477</u>

SCHEDULES OF RELATED PARTY TRANSACTIONS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

See Note 6 to the financial statements.

SCHEDULE OF CASH DISTRIBUTIONS TO PARTNERS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

There were no distributions made to partners by the Partnership.

STATEMENT REGARDING INCOME AND PAYROLL TAXES
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

Nothing came to my attention that all required federal, state, and local income and payroll tax returns were not filed on time and that related tax payments were not made on a timely basis.

UNION MONTCLAIR HOUSING ASSOCIATES
(A LIMITED PARTNERSHIP)
SCHEDULE OF CHANGES IN RESERVE BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Total</u>	<u>Reserve for Repairs and Replacements</u>	<u>Real Estate Tax Escrow</u>	<u>Insurance Escrow</u>	<u>Minimum Escrow</u>
Balance, January 1, 2024	\$ 1,575,253	\$ 1,347,379	\$ 82,927	\$ 106,818	\$ 38,129
Add:					
Deposits	568,740	69,240	174,000	325,500	-
Interest earnings	13,930	10,853	978	2,099	-
Less payments for:					
Reimbursement for capital improvements and expenses	(996,162)	(996,162)	-	-	-
Fee in lieu of real estate taxes	(163,668)	-	(163,668)	-	-
Insurance premiums	<u>(237,787)</u>	<u>-</u>	<u>-</u>	<u>(237,787)</u>	<u>-</u>
Balance, December 31, 2024	<u>\$ 760,306</u>	<u>\$ 431,310</u>	<u>\$ 94,237</u>	<u>\$ 196,630</u>	<u>\$ 38,129</u>

UNION MONTCLAIR HOUSING ASSOCIATES
 (A LIMITED PARTNERSHIP)
 SCHEDULE OF CASH AVAILABLE FOR DISTRIBUTION OF RETURN ON EQUITY
 FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Total</u>	Community Development <u>Escrow</u>	Development Cost <u>Escrow</u>	Net Worth <u>Escrow</u>
Balance, January 1, 2024	\$ 620,010	\$ -	\$ -	\$ 620,010
Interest income	<u>32,662</u>	<u>-</u>	<u>-</u>	<u>32,662</u>
Balance, December 31, 2024	<u>\$ 652,672</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 652,672</u>

UNION MONTCLAIR HOUSING ASSOCIATES
(A LIMITED PARTNERSHIP)
SCHEDULE OF PARTNERS' INVESTMENT SUPPORTING THE
COMPUTATION OF CUMULATIVE RETURN ON EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2024

Required equity contribution	<u>\$688,889</u>
Period elapsed, October 26, 1979 to December 31, 2024	45 years, 2 months
Accumulated distributable amount, at 4% per annum	<u>\$1,201,508</u>

UNION MONTCLAIR HOUSING ASSOCIATES
(A LIMITED PARTNERSHIP)
COMPUTATION OF TAX LIABILITY UNDER TAX ABATEMENT AGREEMENT
FOR THE YEAR ENDED DECEMBER 31, 2024

The Partnership is exempt from real estate taxes for a period equal to the lesser of fifty years from completion of the project or the term of the first mortgage placed on the property by the Agency. In consideration of this exemption, the Partnership pays the following service charge:

Net rent	\$ 2,555,321	
Retained excess rents	<u>66,060</u>	
		\$ 2,621,381
Less manager's apartment		<u>(33,216)</u>
		2,588,165
Rate		<u>7.12%</u>
Fee in lieu of real estate taxes		184,277
Balance due (prepaid) at December 31, 2023		1,631
Paid in 2024		<u>(163,668)</u>
Balance due (prepaid) for the year ended December 31, 2024		<u>\$ 22,240</u>

UNION MONTCLAIR HOUSING ASSOCIATES
(A LIMITED PARTNERSHIP)
SCHEDULE OF ACCOUNTS PAYABLE AND ACCRUED LIABILITIES
DECEMBER 31, 2024

Tax return preparation fee		\$ 4,750
Trade Payables:		
Audit fee	\$ 18,925	
Managing agent fee	10,348	
Stationery & supplies	138	
Postage	365	
Inspection & other fees	120	
Legal	738	
Bank charge	273	
Miscellaneous administrative	2,562	
Other	1,623	
Superintendent's salary	1,750	
Office and administrative salaries	3,944	
Maintenance salaries	1,258	
Employee benefits	6,757	
Employer's payroll taxes	607	
Vehicle & equipment	137	
Miscellaneous maintenance supplies	648	
Grounds, parking & landscaping	11,362	
Exterminating	107	
Other maintenance contracts	10,753	
Water	2,639	
Electricity	2,160	
Gas	81	
Fuel	11,723	
Fee in lieu of real estate taxes	<u>22,240</u>	
 Total Trade Payables		 <u>111,258</u>
 Total Accounts Payable and Accrued Liabilities		 <u>\$ 116,008</u>

UNION MONTCLAIR HOUSING ASSOCIATES
(A LIMITED PARTNERSHIP)
COMPUTATION OF MANAGING AGENT FEE AND ACCRUAL
FOR THE YEAR ENDED DECEMBER 31, 2024

Number of units	126
Monthly rate per unit	<u>82.13</u>
Monthly management fee	10,348
Number of months	<u>12</u>
Managing agent fee	124,181
Bonus fee - 2022	<u>11,354</u>
Total managing agent fee	135,535
Balance due at December 31, 2023	16,613
Paid during 2024	<u>(141,800)</u>
Balance due at December 31, 2024	<u>\$ 10,348</u>

UNION MONTCLAIR HOUSING ASSOCIATES
HUD BALANCE SHEET DATA
12/31/24

ASSETS

	CURRENT ASSETS:	
1120	Cash in bank	\$ 2,198,204
1130	Tenant accounts receivable	4,883
1135	Accounts receivable - HUD	372,897
1200	Prepaid expenses	<u>173,002</u>
1100T	Total Current Assets	<u>2,748,986</u>
1191	Tenant deposits held in trust	<u>118,552</u>
	DEPOSITS:	
1320	Replacement reserve	431,310
1330	Other reserves - funds held in escrow	<u>328,996</u>
1300T	Total Deposits	<u>760,306</u>
	PROPERTY AND EQUIPMENT:	
1410	Land	97,650
1420	Building and improvements	10,110,116
1465	Office furniture and equipment	328,546
1470	Maintenance equipment	<u>30,521</u>
1400T	Total Property and Equipment	10,566,833
1495	Accumulated depreciation	<u>(8,291,931)</u>
1400N	Net Property and Equipment	<u>2,274,902</u>
	OTHER ASSETS:	
1590	Miscellaneous other asset - due from limited partners	<u>5,123</u>
1500T	Total Other Assets	<u>5,123</u>
1000T	TOTAL ASSETS	<u>\$ 5,907,869</u>

LIABILITIES AND NET ASSETS

	CURRENT LIABILITIES:	
2110	Accounts payable - operations	\$ 116,008
2170	Mortgage payable	392,414
2174	Other loans & notes - due to general partner	1,294,767
2210	Rents received in advance	<u>684</u>
2122T	Total Current Liabilities	<u>1,803,873</u>
2191	Tenant security deposits	<u>118,552</u>
	LONG TERM LIABILITIES:	
2320	Mortgage payable	<u>527,032</u>
2000T	TOTAL LIABILITIES	2,449,457
3130	PARTNERS' CAPITAL	<u>3,458,412</u>
2033T	TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,907,869</u>

UNION MONTCLAIR HOUSING ASSOCIATES
 HUD STATEMENT OF INCOME DATA
 FOR THE YEAR ENDED DECEMBER 31, 2024

	REVENUES:	
5120	Rent revenue - gross potential	\$ 1,345,416
5121	Tenant assistance payments	1,223,578
5194	Retained excess income	<u>66,060</u>
5100T	Total rent revenue	<u>2,635,054</u>
5220	Vacancies - apartments	<u>13,673</u>
5200T	Total vacancies	<u>13,673</u>
5152N	Net rental revenue	<u>2,621,381</u>
5410	Interest income - project operations	108,420
5440	Interest income - replacement reserve	<u>10,854</u>
5400T	Total financial revenue	<u>119,274</u>
5910	Laundry and vending revenue	6,600
5920	NSF and late charges	240
5945	Interest reduction payments	322,566
5990	Miscellaneous revenue	<u>8,362</u>
5900T	Total other revenue	<u>337,768</u>
5000T	Total Revenues	<u>3,078,423</u>
	EXPENSES:	
6310	Office salaries	163,570
6311	Office expenses	34,010
6320	Management fees	135,534
6331	Administrative rent free unit	33,216
6340	Legal expenses	8,009
6350	Audit expense	18,925
6351	Bookkeeping fees	5,839
6370	Bad debts	19,326
6390	Social service supplies	3,000
6390	Miscellaneous administrative expenses	<u>26,369</u>
6263T	Total Administrative Expenses	<u>447,798</u>
6420	Fuel oil	177,549
6450	Electricity	32,936
6451	Water	30,601
6452	Gas	<u>1,084</u>
6400T	Total Utilities Expense	<u>242,170</u>
6510	Payroll	113,579
6515	Supplies	51,119
6520	Contracts	373,154
6525	Garbage and trash removal	29,696
6530	Security contract	6,424

UNION MONTCLAIR HOUSING ASSOCIATES
 HUD STATEMENT OF INCOME DATA
 FOR THE YEAR ENDED DECEMBER 31, 2024

EXPENSES: (continued)		
Operating and Maintenance Expenses (continued)		
6546	Heating / cooling repairs and maintenance	10,070
6570	Vehicle and maintenance equipment repairs	<u>2,613</u>
6500T	Total Operating and Maintenance Expenses	<u>586,655</u>
6710	Real estate taxes	184,277
6711	Payroll taxes	22,879
6720	Property and liability insurance	244,817
6722	Workmen's compensation	7,388
6723	Health insurance and other employee benefits	<u>77,391</u>
6700T	Total Taxes and Insurance	<u>536,752</u>
6820	Interest on mortgage payable	91,093
6890	Miscellaneous financial expenses - NJHMFA fee	<u>31,000</u>
6800T	Total Financial Expenses	<u>122,093</u>
6000T	Total Cost of Operations Before Depreciation	<u>1,935,468</u>
5060T	Profit before depreciation	1,142,955
6600	Depreciation expense	<u>110,166</u>
5060N	Net operating income	<u>\$ 1,032,789</u>
3250	Net income	<u>\$ 1,032,789</u>
S1000-010	Total mortgage principal payments required during the period	<u>\$ 366,453</u>
S1000-020	Total of monthly deposits during the period into the replacement reserve account, as required by the regulatory agreement.	<u>\$ 69,240</u>

UNION MONTCLAIR HOUSING ASSOCIATES
HUD STATEMENT OF CHANGES IN PARTNERS' CAPITAL DATA
FOR THE YEAR ENDED DECEMBER 31, 2024

S1100-010	Partners' capital - January 1, 2024	\$2,425,623
3250	Net income	<u>1,032,789</u>
3130	Partners' capital - December 31, 2024	<u>\$3,458,412</u>

UNION MONTCLAIR HOUSING ASSOCIATES
HUD STATEMENT OF CASH FLOWS DATA
FOR THE YEAR ENDED DECEMBER 31, 2024

CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
S1200-010	Rental receipts	\$ 2,188,165
S1200-020	Interest received	119,274
S1200-030	Other operating receipts	<u>337,768</u>
S1200-040	Total Receipts	<u>2,645,207</u>
S1200-050	Administrative	(97,140)
S1200-070	Management fees	(141,799)
S1200-090	Utilities	(235,250)
S1200-100	Salaries and wages	(274,783)
S1200-110	Operating and maintenance	(472,694)
S1200-120	Real estate taxes	(174,978)
S1200-140	Property insurance	(344,203)
S1200-150	Miscellaneous taxes and insurance	(108,050)
S1200-180	Interest on mortgage	(91,093)
S1200-220	Miscellaneous financial	<u>(31,000)</u>
S1200-230	Total Disbursements	<u>(1,970,990)</u>
S1200-240	Net Cash Provided by Operating Activities	<u>674,217</u>
CASH FLOWS USED BY INVESTING ACTIVITIES:		
S1200-250	Net deposits to reserve for replacements	916,069
S1200-330	Net purchase of fixed assets	<u>(1,397,780)</u>
S1200-350	Net Cash Used by Investing Activities	<u>(481,711)</u>
CASH FLOWS USED BY FINANCING ACTIVITIES:		
S1200-360	Mortgage principal payments	<u>(366,453)</u>
S1200-460	Net Cash Used by Financing Activities	<u>(366,453)</u>
S1200-470	INCREASE IN CASH	(173,947)
S1200-480	CASH, beginning of year	<u>2,372,151</u>
S1200T	CASH, end of year	<u>\$ 2,198,204</u>
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
3250	Net income	\$ 1,032,789
Adjustments to reconcile increase in net assets to net cash flows provided by operating activities:		
6600	Depreciation	110,166
Increase (decrease) in:		
S1200-490	Tenant accounts receivable	(590)
S1200-500	Accounts receivable - other	(373,543)
S1200-520	Prepaid expenses	(15,757)
S1200-540	Accounts payable and accrued expenses	28,777
S1200-590	Rents received in advance	(6,503)
S1200-601	Other reserves (tax and insurance escrows)	<u>(101,122)</u>
S1200-610	Net Cash Provided by Operating Activities	<u>\$ 674,217</u>

UNION MONTCLAIR HOUSING ASSOCIATES
 HUD COMPUTATION OF SURPLUS CASH - ANNUAL
 DECEMBER 31, 2024

CASH:		
S1300-010	Cash	\$ 2,316,756
1135	Accounts receivable - HUD	<u>372,897</u>
S1300-040	Total Cash	<u>2,689,653</u>
CURRENT OBLIGATIONS:		
S1300-075	Accounts payable and accrued expenses - 30 days	116,008
2210	Rents received in advance	684
2191	Tenant security deposits	118,552
S1300-110	Other current obligations - due to general partner	<u>1,294,767</u>
S1300-140	Total Current Obligations	<u>1,530,011</u>
S1300-150	Surplus Cash (Deficiency)	<u>\$ 1,159,642</u>
S1300-200	Amount available for distribution during next fiscal period	<u>\$ 1,159,642</u>

**INDEPENDENT AUDITORS' 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**

To the Partners of
Union Montclair Housing Associates
Montclair, New Jersey

I have audited, in accordance with 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 Union Montclair Housing Associates, which comprise the balance sheet as of December 31, 2024, and the related statements of income, changes in partners' capital, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated February 25, 2025.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered Union Montclair Housing Associates' 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 my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Union Montclair Housing Associates' internal control. Accordingly, I do not express an opinion on the effectiveness of Union Montclair Housing Associates' 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.

My 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Union Montclair Housing Associates' financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of Union Montclair Housing Associates' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Union Montclair Housing Associates' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

 Gregory D. Swann, CPA

February 25, 2025

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR HUD PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE CONSOLIDATED AUDIT GUIDE FOR AUDITS OF HUD PROGRAMS

To the Partners of
Union Montclair Housing Associates
Montclair, New Jersey

Report on Compliance for Each Major HUD Program

Opinion on Each Major HUD Program

I have audited Union Montclair Housing Associates' (A Limited Partnership), NJHMFA Project No. 598, compliance with the compliance requirements described in the *Consolidated Audit Guide for Audits of HUD Programs* ("the *Guide*"), that could have a direct and material effect on each of Union Montclair Housing Associates' major U.S. Department of Housing and Urban Development (HUD) programs for the year ended December 31, 2024. Union Montclair Housing Associates' major HUD programs are its Section 236 mortgage and Section 8 Housing Assistance Payments contract. The related direct and material compliance requirements are federal financial reports; mortgage status; replacement reserve; distributions to owners; equity skimming; cash receipts; cash disbursements; tenant security deposits; tenant application, eligibility, and recertification; management functions; and excess income.

In my opinion, Union Montclair Housing Associates complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major HUD programs for the year ended December 31, 2024.

Basis for Opinion

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Guide*. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of my report.

I am required to be independent of Union Montclair Housing Associates and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that my audit provides a reasonable basis for my opinion on compliance for each major HUD program. My audit does not provide a legal determination of Union Montclair Housing Associates' compliance.

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 control over compliance with the requirements of laws, regulations, rules, and provisions of contracts or grant agreements applicable to Union Montclair Housing Associates' HUD programs.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 to express an opinion on Union Montclair Housing Associates' compliance based on my 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 generally accepted auditing standards, *Government Auditing Standards*, and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, 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 Union Montclair Housing Associates' compliance with the requirements of each major HUD program as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the Guide, I:

- 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 Union Montclair Housing Associates' compliance with the compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.
- Obtain an understanding of Union Montclair Housing Associates' 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 Guide, but not for the purpose of expressing an opinion on the effectiveness of Union Montclair Housing Associates' internal control over compliance. Accordingly, no such opinion is expressed.

I am 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 I 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 the specific program requirements of a HUD program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a HUD 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 combination of deficiencies, in internal control over compliance with a compliance requirement of a HUD program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention by those charged with governance.

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

Purpose of this Report

My 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 my testing of internal control over compliance and the results of my testing based on the requirements of *the Guide*. Accordingly, this report is not suitable for any other purpose.

 Gregory D. Swann, CPA

February 25, 2025

UNION MONTCLAIR HOUSING ASSOCIATES
(A LIMITED PARTNERSHIP)
SCHEDULE OF FINDINGS, QUESTIONED COSTS, AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2024

My audit disclosed no findings that are required to be reported herein under the *Consolidated Audit Guide for Audits of HUD Programs*.

UNION MONTCLAIR HOUSING ASSOCIATES
(A LIMITED PARTNERSHIP)
SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS,
QUESTIONED COSTS, AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2024

1. Audit report dated February 21, 2024 for the year ended December 31, 2023 issued by Gregory S. Swanson, CPA disclosed no audit findings, questioned costs, and recommendations.
2. There were no reports issued by the HUD Office of Inspector General or other federal agencies or contract administrators during the period covered by this audit.
3. There were no letters or reports issued by HUD management during the period covered by this audit.

Certified Public Accountant

NJHMFA STANDARD HUD COMPLIANCE CERTIFICATION

The Partners
Union Montclair Housing Associates
Montclair, New Jersey

I have audited the financial statements of Union Montclair Housing Associates (A Limited Partnership), NJHMFA Project No. 598, as of and for the year ended December 31, 2024, and have issued my report thereon dated February 25, 2025.

Auditor's Responsibility

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Consolidated Audit Guide for Audits of HUD Programs* (the "Guide"), issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General. Those standards and the Guide require that I plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Union Montclair Housing Associates' compliance with those requirements. I believe that my audit provides a reasonable basis for my opinion.

Management's Responsibility

The management of Union Montclair Housing Associates is responsible for compliance with those requirements.

Opinion

In my opinion, Union Montclair Housing Associates complied, in all material respects, with the requirements described above for the year ended December 31, 2024.

Compliance and Other Matters

In addition, I have tested Union Montclair Housing Associates' compliance with certain specific program requirements that are part of the most recent Guide for the year ended December 31, 2024.

I also attest to you that I have reviewed the following on a test basis:

1. All reports required by HUD for timely filing and accuracy.
2. The validity of the H.A.P. contract and amendments thereto.
3. The accuracy of the maximum chargeable rents.
4. The qualifications of the tenants as to admission and their required monthly contribution.
5. The certifications and recertifications of tenants.
6. The files located at the project and managing agent's office for adequacy.

Based upon my review of items 1 to 6 above, nothing came to my attention that would invalidate the future and uninterrupted receipt of the federal subsidies, under existing rules and regulations.

This report is intended solely for the information and use of the partners, management, the New Jersey Housing and Mortgage Finance Agency, and the U.S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Gregory D. Swann, CPA

February 25, 2025