

HOLLY CITY DEVELOPMENT CORPORATION
RESOLUTION 2016 - _____

Approving the Annual Audit for FYE 09/30/15

WHEREAS, the Holly City Development Corporation a New Jersey Non-Profit corporation formed through a Certificate of Incorporation executed the 26th day of August 1998, is required to perform an annual audit of its records;

AND WHEREAS, the annual audit for the fiscal year ending **09/30/15** has been completed.;

AND WHEREAS, the Board of Trustees are required to certify that each member thereof has personally reviewed the Annual Audit report, and specifically, the sections of the report entitled "**General Findings and Recommendations**";

AND WHEREAS, each Board member has received the annual Audit and has reviewed the report and specifically, the section entitled "**General Findings and Recommendations**";

NOW THEREFORE, BE IT RESOLVED THAT THE BOARD OF TRUSTEES OF THE HOLLY CITY DEVELOPMENT CORPORATION certifies that each member has personally reviewed the Annual Audit report and specifically, the section entitled "**General Findings and Recommendations**" and has attested the same by the accompanying signed group affidavit;

Brian Tomlin

Paula Ring

Larry Miller

James Parent

Kim Ayres

Dale Finch

DATE:

Attest:

Paul F. Dice, Secretary

HOLLY CITY DEVELOPMENT CORPORATION
(A Component Unit of Millville Housing Authority)

COMPARATIVE FINANCIAL STATEMENTS

For The Years Ended
September 30, 2015 and 2014

HOLLY CITY DEVELOPMENT CORPORATION
(A Component Unit of Millville Housing Authority)
COMPARATIVE FINANCIAL STATEMENTS
For the Years Ended September 30, 2015 and 2014

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CERTIFIED PUBLIC ACCOUNTANTS

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Board of Directors
Holly City Development Corporation
Millville, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of Holly City Development Corporation (a not-for-profit organization), a component unit of Millville Housing Authority, which comprise the statements of financial position as of September 30, 2015 and 2014, and the related statements of activities and cash flows for the years the ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Holly City Development Corporation as of September 30, 2015 and 2014, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Statements of Activities by Program for the fiscal years ended September 30, 2015 and 2014 on pages 18 and 19 are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates 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 to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other 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 taken as a whole.

Other Reporting Required by Government Auditing standards

In accordance with Government Auditing Standards, we have also issued our report dated January 4, 2016 on our consideration of Holly City Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Holly City Development Corporation's internal control over financial reporting and compliance.



POLCARI & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey
January 4, 2016

HOLLY CITY DEVELOPMENT CORPORATION
(A Component Unit of Millville Housing Authority)
COMPARATIVE STATEMENTS OF NET ASSETS
As of September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,651	\$ 120,270
Cash Held in Escrow	540,263	-
Accounts Receivable	14,046	17,989
Grants Receivable	151,021	-
Deposit	-	37,500
Prepaid Expenses	10,921	9,079
Total Current Assets	717,902	184,838
FIXED ASSETS		
Fixed Assets at Cost	1,262,624	1,253,803
Less: Accumulated Depreciation	(532,879)	(447,062)
Net Fixed Assets	729,745	806,741
CONSTRUCTION IN PROGRESS		
	77,217	-
Total Assets	\$ 1,524,864	\$ 991,579
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 30,287	\$ 20,247
Deferred Revenues	80,573	59,623
Due to Related Parties	100,340	34,073
Accrued Compensated Absences - Current	107	1,170
Short-Term Loans Payable	540,000	-
Current Portion of Notes Payable	13,078	65,647
Total Current Liabilities	764,385	180,760
LONG TERM LIABILITIES		
Non-Current Portion of Notes Payable	242,693	200,698
Accrued Compensated Absences, Non-Current	962	10,525
Total Liabilities	1,008,040	391,983
NET ASSETS		
Unrestricted Net Assets	516,824	599,596
Total Net Assets	516,824	599,596
Total Liabilities and Net Assets	\$ 1,524,864	\$ 991,579

The accompanying notes are an integral part of these financial statements.

HOLLY CITY DEVELOPMENT CORPORATION
(A Component Unit of Millville Housing Authority)
COMPARATIVE STATEMENTS OF ACTIVITIES
For the Years Ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
REVENUE, GRANTS AND OTHER SUPPORT		
Membership Dues Program Service Fees:		
Individual Memberships	\$ 257,735	\$ 358,947
Pool Rental & Aquatics Classes	120,613	108,868
Day Camp Revenue	48,694	32,423
Fitness Classes	10,491	21,106
Other Revenues:		
Management & Other Service Fees	177,831	179,292
Lease Enforcement Service Fees	-	63,000
Community Room Rental	8,186	9,600
Miscellaneous Other Revenue	24,396	21,439
Investment Income	216	212
Donations	5,000	50,510
In-kind Contributions	37,800	37,800
Grant Income:		
Government Grants	213,113	156,413
Other Grants	12,484	25,000
	<u>916,559</u>	<u>1,064,610</u>
TOTAL REVENUE, GRANTS AND OTHER SUPPORT		
EXPENSES AND LOSSES		
OPERATING EXPENSES		
Program Services	955,940	1,022,161
Management and General	43,391	68,002
TOTAL EXPENSES	<u>999,331</u>	<u>1,090,163</u>
DECREASE IN NET ASSETS	(82,772)	(25,553)
NET ASSETS, BEGINNING OF YEAR	<u>599,596</u>	<u>625,149</u>
NET ASSETS, END OF YEAR	<u>\$ 516,824</u>	<u>\$ 599,596</u>

The accompanying notes are an integral part of these financial statements.

HOLLY CITY DEVELOPMENT CORPORATION
(A Component Unit of Millville Housing Authority)
STATEMENT OF CASH FLOWS
For the Years Ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Increase / (Decrease) in Net Assets	\$ (82,772)	\$ (25,553)
Adjustments to reconcile the Change in Net Assets to Net Assets Provided/(Used) in Operating Activities:		
Depreciation	85,817	79,062
Decrease/(Increase) in Assets		
Accounts Receivable	3,943	(5,529)
Grants Receivable	(151,021)	
Prepaid Expenses	(1,842)	(126)
Contributions Receivable	-	25,000
Deposits	-	(37,500)
Increase/(Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	10,040	(7,713)
Compensated Absences	(10,626)	(1,731)
Deferred Revenue	20,950	40,681
Net Cash Provided to Operating Activities	<u>\$ (125,511)</u>	<u>\$ 66,591</u>
<u>CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES</u>		
Acquisition of Property and Equipment	(8,821)	-
Deposit to Escrow Account	(540,263)	-
Payments for Construction in Progress	(39,717)	-
Net Cash Provided by Capital & Related Financing Activities	<u>(588,801)</u>	<u>-</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Advance from Millville Housing Authority	66,267	34,073
Proceeds from Short Term Notes Payable	540,000	-
Repayment of Notes Payable	(10,574)	(16,906)
Net Cash Provided by Investing Activities	<u>595,693</u>	<u>17,167</u>
Net Increase / (Decrease) in Cash & Cash Equivalents	(118,619)	83,758
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>120,270</u>	<u>36,512</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,651</u>	<u>\$ 120,270</u>
 <u>SUPPLEMENTAL CASH FLOW DISCLOSURES:</u>		
Cash paid for interest	<u>\$ 12,041</u>	<u>\$ 12,557</u>

The accompanying notes are an integral part of these financial statements.

HOLLY CITY DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF MILLVILLE HOUSING AUTHORITY)
NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2015 and 2014

NOTE 1 ORGANIZATION AND NATURE OF ACTIVITIES

Holly City Development Corporation, located in Millville, New Jersey, was Formed in August of 1998 for the following purposes:.

- To sponsor, plan for, organize, process, construct, manage, repair, renovate and operate affordable housing and related facilities affordable to low income and moderate income persons and families in the City of Millville.
- To further economic development and redevelopment within the City of Millville and its environs including development of residential, commercial, office and other real estate projects in a manner beneficial to the community.
- To preserve, rehabilitate and replenish a deteriorating and aging housing stock at prices for rentals affordable to low-income and moderate-income persons and their families in accordance with federal and state standards.
- To provide support services or otherwise coordinate with, cooperate with and obtain assistance by way of grants, loans, guarantees or other forms of financial or technical support from federal, state, county and municipal governments and from private sector organizations for programs and facilities to serve low income families.
- To bring together the resources and technical expertise of federal, state, county and municipal officials agencies and governments together with the private sector in order to accomplish the foregoing with minimum duplication and maximum efficiency.
- To improve the quality of living for residents of the City of Millville by providing better and more diverse housing opportunities.
- To promote the highest standards of ethics.

Holly City Development Corporation is a component unit of Millville Housing Authority.

HOLLY CITY DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF MILLVILLE HOUSING AUTHORITY)
NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2015 and 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

These financial statements are prepared on the accrual basis of accounting.

Financial Statement Presentation

In accordance with generally accepted accounting principles for not-for-profit organizations in the United States of America, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets, if applicable. The Organization does not have any permanently or temporarily restricted net assets.

Contributions

In accordance with generally accepted accounting principles for not-for-profit organizations in the United States of America, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Recognition of Donor Restrictions

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

HOLLY CITY DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF MILLVILLE HOUSING AUTHORITY)
NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2015 and 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Depreciation

Property and equipment valued at \$1,000 or more is capitalized at cost if purchased and at fair market value if donated. Improvements also are capitalized at cost. Routine repairs and maintenance are expensed as incurred. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis.

Advertising Expense

The Organization expenses the production costs of advertising when incurred. For the years ended September 30, 2015 and 2014, \$25,292 and \$15,973 respectively, was reported as advertising expense.

Income Taxes

Holly City Development Corporation qualifies as a tax-exempt organization under Section 501 (c) (3) of the Internal Revenue Code. Accordingly, it is not subject to state or federal income taxes.

Revenue Recognition

Revenue and expenses are recorded on the accrual basis. Membership dues are reported in the period in which they are earned. Amounts that have been collected but not earned are recorded as deferred income.

Accounts Receivable

Accounts Receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through an allowance for doubtful accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. No allowance for doubtful accounts was required at September 30, 2015 and 2014.

HOLLY CITY DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF MILLVILLE HOUSING AUTHORITY)
NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2015 and 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates in the Preparation of Financial Statements

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

Accounting for Uncertainty in Income Taxes

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Generally accepted accounting principles prescribe a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. For the Organization, tax positions taken include the entity's status as a not-for-profit corporation and the approval and qualifications for this status. The Association files an annual Form 990 with the Internal Revenue Service and its tax returns for the year 2011 and subsequent years remain subject to examination by tax authorities.

Impairment Losses

The Corporation reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including the low income housing tax credits and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. No impairment losses were recognized in 2015 or 2014.

HOLLY CITY DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF MILLVILLE HOUSING AUTHORITY)
NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2015 and 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocations

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Those studies consider the time devoted by the Association's personnel and the portion of its resources used in providing various program services and other activities. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the organization.

Commitments and Contingencies

The organization receives a substantial amount of its support from members and government grants. A significant reduction in the level of support from either of these sources, if this were to occur, may have an effect on the organization's programs and activities.

NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable of \$14,046 and \$17,989 at September 30, 2015 and September 30, 2014, respectively, represents amounts billed to various agencies for services provided during the month of September.

NOTE 4 GRANTS RECEIVABLE

Grants receivable of \$151,021 represents funds due from the state of New Jersey under its Neighborhood Revitalization Tax Credit Program (NRTC). The NRTC program provides Holly City Development Corporation a grant to assist in completing Millville Center City's comprehensive revitalization plan. The Corporation must use at least 60% of the tax credit funds for housing and economic development; the remaining funds may be used for supportive services and other activities that promote neighborhood revitalization.

HOLLY CITY DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF MILLVILLE HOUSING AUTHORITY)
NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2015 and 2014

NOTE 5 DEPOSIT

The deposit of \$37,500 at September 30, 2014 represents a deposit on real estate purchased for redevelopment in connection with the Millville Center City project. This transaction was consummated in 2015.

NOTE 6 PROPERTY AND EQUIPMENT

A summary of property and equipment as of September 30, 2015 and 2014 is as follows:

	Sept. 30, 2015	Sept. 30, 2014
Land & Improvements	\$ 83,346	\$ 83,346
Buildings & Improvements	953,649	949,420
Furniture & Equipment	225,629	221,037
Total Fixed Assets	\$ 1,262,624	\$ 1,253,803
Accumulated Depreciation	(532,879)	(447,062)
Net Fixed Assets	\$ 729,745	\$ 806,741

NOTE 7 CONSTRUCTION IN PROGRESS

During the fiscal year ended September 30, 2015 the corporation acquired property at a cost of \$77,217 in connection with its NRTC grant. The property will be rehabilitated and sold in connection with revitalization of Center City Millville.

NOTE 8 DONATED PROPERTY AND SERVICES

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

HOLLY CITY DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF MILLVILLE HOUSING AUTHORITY)
NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2015 and 2014

NOTE 8 DONATED PROPERTY AND SERVICES (Continued)

Contributed services are not recognized as revenues unless the services received create or enhance the value of a nonfinancial asset; or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by volunteers. During the years ended September 30, 2015 and 2014, the Organization leased property, which is part of Maurice View Plaza, with a fair value of \$37,800 for \$1 per year.

NOTE 9 SHORT-TERM LOANS PAYABLE

On May 4, 2015 the corporation received a \$540,000 non-interest bearing loan from Cumberland County Improvement Authority to pay costs related to its NRTC grant program. The funds borrowed were placed in an escrow account to pay various contractors for services provided in connection with Millville Center City redevelopment activities. At September 30, 2015 the balance of funds held in escrow totaled \$540,263. Upon receipt of the related grant revenues, the funds in escrow will be released to the vendors and the Cumberland County Improvement Authority will be repaid this loan.

NOTE 10 NOTES PAYABLE

The following is a summary of activity for long-term notes payable for the years ended September 30, 2015 and 2014:

	Balance at			Balance at	Amounts Due
	<u>9/30/2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>9/30/2015</u>	<u>in 1 Year</u>
Sun National Bank	\$ 52,470	\$ -	\$ (2,400)	\$ 50,070	\$ 1,522
Cumberland Empowerment Zone	43,182	-	(1,527)	41,655	2,077
Century Savings Bank - Fitness Center	102,115	-	(4,188)	97,927	6,330
Millville H.A. - Equipment Loan	1,658	-	(1,658)	-	-
Millville H.A. - Locker Room Upgrade	46,869	-	(382)	46,487	-
Millville H.A. - Equipment Loan # 2	20,051	-	(419)	19,632	3,149
	<u>\$ 266,345</u>	<u>\$ -</u>	<u>\$ (10,574)</u>	<u>\$ 255,771</u>	<u>\$ 13,078</u>

HOLLY CITY DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF MILLVILLE HOUSING AUTHORITY)
NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2015 and 2014

NOTE 10 NOTES PAYABLE (Continued)

	Balance at			Balance at	Amounts Due
	<u>9/30/2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>9/30/2014</u>	<u>in 1 Year</u>
Sun National Bank	\$ 55,631	\$ -	\$ (3,161)	\$ 52,470	\$ 52,470
Cumberland Empowerment Zone	45,494	-	(2,312)	43,182	2,657
Century Savings Bank - Fitness Center	107,335	-	(5,220)	102,115	5,563
Millville H.A. - Equipment Loan	4,805	-	(3,147)	1,658	1,658
Millville H.A. - Locker Room Upgrade	48,330	-	(1,461)	46,869	1,576
Millville H.A. - Equipment Loan # 2	21,656	-	(1,605)	20,051	1,723
	<u>\$ 283,251</u>	<u>\$ -</u>	<u>\$ (16,906)</u>	<u>\$ 266,345</u>	<u>\$ 65,647</u>

Sun National Bank

The proceeds of this loan were used to purchase land and a building. The loan was originally dated May 26, 2005 and matured May 26, 2015. During the fiscal year ended September 30, 2015 the loan agreement was amended to extend the maturity date to March 26, 2020. Under the restated loan agreement, monthly payments of \$340, including interest at 5.1% are due through February 26, 2020 with the then outstanding principal amount of \$42,867 payable on March 26, 2020.

Cumberland Empowerment Zone

The proceeds of this loan, dated October 26, 2011, were used to expand and construct a new exercise room at the Family Center. The loan was payable in monthly installments of \$395, including interest at 5.0% per annum with the unpaid balance due on July 21, 2026. On January 22, 2015 the loan was modified to provide for interest only payments at a reduced rate of 4.0% per annum for the period February 16, 2015 through January 16, 2016. For the period January 26, 2016 through January 26, 2017 monthly payments of \$395.40 are due, including principal and interest at the annual rate of 4.0%. Beginning February 26, 2017 the corporation will continue making monthly payments of principal and interest at 5%. The monthly payment amount will be based on the balance then outstanding to fully amortize the loan through its maturity at October 26, 2026.

The loan is collateralized by a second mortgage lien on property located at 10-12 Mulberry Street, Millville, NJ, a third mortgage lien on 14 Mulberry Street, Millville, NJ, assignment of rents and leases on 10-12 Mulberry Street and a second position security interest on all equipment, inventory and business assets of Holly City Development Corporation.

HOLLY CITY DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF MILLVILLE HOUSING AUTHORITY)
NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2015 and 2014

NOTE 10 **NOTES PAYABLE (Continued)**

Century Savings Bank – Fitness Center Loan

On July 9, 2011, the Organization entered a construction/permanent term loan with Century Savings Bank. Pursuant to that agreement, the Organization borrowed \$115,000 to construct a 1,600 square foot addition to the Family Center. Construction of the addition was completed in March 2012 and the loan was converted to a permanent loan. The loan's interest rate was 6.25% and was payable based on a ten year amortization schedule with a five year balloon. The loan was modified effective May 1, 2015 to reduce the interest rate to 4.75%. The loan modification required interest only payments for the period June 1, 2015 through August 1, 2015. Thereafter, repayment is based on fifty-nine (59) equal monthly principal and interest payments of \$905 commencing September 1, 2015. The unpaid balance of the note of \$65,357 is payable in full on August 1, 2020. The loan is collateralized by a first mortgage lien on 10-12 Mulberry Street, Millville, NJ and a security interest in furniture, fixtures and equipment and an assignment of rents and leases on the Mulberry Street property. The loan is guaranteed by Millville Housing Authority.

Millville Housing Authority – Equipment Loan

The Organization borrowed \$14,241 from Millville Housing Authority to purchase fitness equipment for the Holly City Family Center. Fully amortized principal and interest payments are due monthly beginning April 15, 2010 with the outstanding balance due in full on March 15, 2015. The note bears interest at a fixed rate of 7.00%.

Millville Housing Authority – Locker Room Upgrade

The Organization borrowed \$51,564 from Millville Housing Authority to renovate the locker rooms for the Holly City Family Center. Fully amortized principal and interest payments were due monthly beginning April 30, 2011 with the outstanding balance due in full on March 30, 2021. The note bears interest at a fixed rate of 7.00%. Per agreement with Millville Housing Authority all loan payments were suspended indefinitely effective January 1, 2015 and interest due on the loan from that date until payments are resumed is abated.

HOLLY CITY DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF MILLVILLE HOUSING AUTHORITY)
NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2015 and 2014

NOTE 10 NOTES PAYABLE (Continued)

Millville Housing Authority – Equipment Loan # 2

The Organization borrowed \$22,041 from Millville Housing Authority to purchase fitness equipment for the Holly City Family Center. Fully amortized principal and interest payments are due monthly beginning July 1, 2013 with the outstanding balance due in full on June 1, 2023. The note bears interest at a fixed rate of 7.00%.

Required Loan Payments

The following is a schedule of required principal payments for the next five years and thereafter:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,522	\$ 2,560	\$ 4,082
2017	1,608	2,474	4,082
2018	1,690	2,392	4,082
2019	1,754	2,328	4,082
2020	43,496	2,275	45,771
	<u>\$ 50,070</u>	<u>\$ 12,029</u>	<u>\$ 62,099</u>

Cumberland Empowerment Zone

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 2,077	\$ 1,642	3,719
2017	3,030	1,715	4,745
2018	3,074	1,671	4,745
2019	3,225	1,520	4,745
2020	3,381	1,364	4,745
Thereafter	26,868	8,714	35,582
	<u>\$ 41,655</u>	<u>\$ 16,626</u>	<u>\$ 58,281</u>

Century Savings Bank

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 6,330	\$ 2,218	\$ 10,866
2017	6,638	4,228	10,866
2018	6,960	3,906	10,866
2019	7,297	3,569	10,866
2020	70,702	3,390	74,092
	<u>\$ 97,927</u>	<u>\$ 17,311</u>	<u>\$ 117,556</u>

Millville Housing Authority - Locker Room Upgrade

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ -	\$ -	\$ 4,797
2016	1,801	2,996	4,797
2017	1,929	2,868	4,797
2018	2,078	2,719	4,797
2019	2,194	2,603	4,797
Thereafter	38,485	10,750	49,235
	<u>\$ 46,487</u>	<u>\$ 21,936</u>	<u>\$ 68,423</u>

HOLLY CITY DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF MILLVILLE HOUSING AUTHORITY)
NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2015 and 2014

NOTE 10 NOTES PAYABLE (Continued)

Millville Housinsg Authority Equipment Loan #2

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 3,149	\$ 2,993	\$ 6,142
2017	1,748	1,323	3,071
2018	1,877	1,194	3,071
2019	1,976	1,095	3,071
2020	2,011	1,060	3,071
Thereafter	8,871	4,059	12,930
	<u>\$ 19,632</u>	<u>\$ 11,724</u>	<u>\$ 31,356</u>

Interest expense totaled \$12,041 and \$17,384 for the years ended September 30, 2015 and 2014, respectively.

NOTE 11 DEFERRED REVENUE

Deferred revenue at September 30, 2015 and 2014 consists of the following:

	<u>Sept. 30, 2015</u>	<u>Sept. 30, 2014</u>
Prepaid membership revenue of Holly City Family Center	\$ 10,629	\$ 19,036
Unexpended grant funds received from the Pascal Sykes Foundation	65,614	-
Unexpended NRTC grant funds	4,330	40,587
	<u>\$ 80,573</u>	<u>\$ 59,623</u>

NOTE 12 CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in bank deposit accounts, and these balances, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. At September 30, 2015, the bank balance was \$159,004, all of which was covered by FDIC Insurance.

HOLLY CITY DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF MILLVILLE HOUSING AUTHORITY)
NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2015 and 2014

NOTE 13 **RELATED PARTY TRANSACTIONS**

Holly City Development Corporation is closely associated with and related to Millville Housing Authority. The activity of Holly City Development Corporation has been included in the financial statements of Millville Housing Authority as a component unit for the fiscal years ended September 30, 2015 and 2014.

The Organization and Millville Housing Authority have a common Board of Trustees. There is a management agreement between the Organization and Millville Housing Authority.

NOTE 14 **RELATED PARTY TRANSACTIONS (Continued)**

The Organization also leases part of Maurice View Plaza from Millville Housing Authority for \$1 per year. The fair market value of this space is \$37,800 per year.

Holly City Development Corporation formed Holly City LLP 1 in October of 2006. The Organization's sole purpose is to create an entity that would help to facilitate the development of a new tax credit low-rise project with which Holly City Development Corporation is currently involved. This entity will have no assets and will serve to limit the liability to both Holly City Development Corporation and Millville Housing Authority.

NOTE 15 **SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through January 4, 2016, the date on which the financial statements were available to be issued.

HOLLY CITY DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES BY PROGRAM
For the Year Ended September 30, 2015

	Program				Total Program Services	Management and General	Totals
	Holly City Family Center	Affordable Hsg. Programs	Community Development				
REVENUE, GRANTS AND OTHER SUPPORT							
Membership Dues	\$ 257,735	\$ -	\$ -	\$ 257,735	\$	\$ 257,735	
Pool Rental & Aquatics Classes	120,613	-	-	120,613		120,613	
Fitness Classes & Training Revenue	10,491	-	-	10,491		10,491	
Day Camp Revenue	48,694	-	-	48,694		48,694	
Miscellaneous Other Revenue	24,204	-	192	24,396		24,396	
In-kind Contributions	37,800	-	-	37,800		37,800	
Management, Lease Enforcement and Other Fees	-	177,831	-	177,831		177,831	
Community Room Rental	-	8,186	-	8,186		8,186	
Investment Income	105	-	111	216		216	
Government Grants	-	-	213,113	213,113		213,113	
Other Grants and Donations	5,000	-	12,484	17,484		17,484	
TOTAL REVENUE, GRANTS AND OTHER SUPPORT	504,642	186,017	225,900	916,559		916,559	
OPERATING EXPENSES							
Salaries	270,256	103,309	5,845	379,410	-	379,410	
Payroll Taxes and Employee Benefits	35,324	11,665	-	46,989		46,989	
Advertising & Marketing Expense	19,232	-	6,060	25,292		25,292	
Bank Charges and Credit Card Fees	5,422	-	-	5,422		5,422	
Computer Expense	945	11,646	199	12,790	8,782	21,572	
Depreciation Expense	70,392	564	-	70,956	14,861	85,817	
Insurance	19,257	11,917	2,333	33,507		33,507	
Interest Expense	9,006	3,035	-	12,041		12,041	
Legal and Professional Fees	1,668	174	168,094	169,936	17,789	187,725	
Management & Other Services	8,058	12,789	4,344	25,191	1,250	26,441	
Pool and Exercise Facilities Expense	17,200	-	-	17,200		17,200	
Property Tax Expense	4,398	-	6,403	10,801		10,801	
Rent	37,800	-	-	37,800		37,800	
Repairs and Maintenance	17,746	-	-	17,746		17,746	
Supplies	2,985	200	326	3,511	200	3,711	
Other Operating Expenses	3,614	285	1,652	5,551	343	5,894	
Telephone	2,724	-	-	2,724	166	2,890	
Staff Training	1,935	-	-	1,935		1,935	
Utilities	77,138	-	-	77,138		77,138	
TOTAL OPERATING EXPENSES	605,100	155,584	195,256	955,940	43,391	999,331	
EXCESS / (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ (100,458)	\$ 30,433	\$ 30,644	\$ (39,381)	\$ (43,391)	\$ (82,772)	

HOLLY CITY DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES BY PROGRAM
For the Year Ended September 30, 2014

	Program			Total Program Services	Management and General	Totals
	Holly City Family Center	Affordable Hsg. Programs	Community Development			
REVENUE, GRANTS AND OTHER SUPPORT						
Membership Dues	\$ 358,947	\$ -	\$ -	\$ 358,947		\$ 358,947
Pool Rental & Aquatics Classes	108,868	-	-	108,868		108,868
Fitness Classes & Training Revenue	21,106	-	-	21,106		21,106
Day Camp Revenue	32,423	-	-	32,423		32,423
Miscellaneous Other Revenue	21,439	-	-	21,439		21,439
In-kind Contributions	37,800	-	-	37,800		37,800
Management, Lease Enforcement and Other Fees	-	242,292	-	242,292		242,292
Community Room Rental	-	9,600	-	9,600		9,600
Investment Income	212	-	-	212		212
Government Grants	-	-	156,413	156,413		156,413
Other Grants and Donations	10,510	40,000	25,000	75,510		75,510
TOTAL REVENUE, GRANTS AND OTHER SUPPORT	591,305	291,892	181,413	1,064,610		1,064,610
OPERATING EXPENSES						
Salaries	296,398	90,771	-	387,169	-	387,169
Payroll Taxes and Employee Benefits	42,316	15,683	-	57,999	-	57,999
Advertising & Marketing Expense	15,873	-	100	15,973	-	15,973
Bank Charges and Credit Card Fees	7,230	-	-	7,230	-	7,230
Computer Expense	924	7,320	-	8,244	9,551	17,795
Depreciation Expense	63,637	-	-	63,637	15,425	79,062
Insurance	30,008	3,507	8,760	42,275	7,502	49,777
Interest Expense	13,758	3,626	-	17,384	-	17,384
Legal and Professional Fees	-	3,555	102,502	106,057	8,252	114,309
Management & Other Services	468	37,908	53,077	91,453	5,938	97,391
Pool and Exercise Facilities Expense	11,843	-	-	11,843	-	11,843
Lease Enforcement Specialists	157	64,139	-	64,296	-	64,296
Property Tax Expense	4,393	5,265	-	9,658	-	9,658
Rent	37,800	-	-	37,800	-	37,800
Repairs and Maintenance	23,486	4,839	-	28,325	-	28,325
Supplies	495	473	-	968	2,951	3,919
Other Operating Expenses	6,836	2,552	350	9,738	6,468	16,206
Telephone	-	45	-	45	3,499	3,544
Staff Training	1,778	-	-	1,778	1,186	2,964
Utilities	64,467	3,052	-	67,519	-	67,519
TOTAL OPERATING EXPENSES	621,867	242,735	164,789	1,029,391	60,772	1,090,163
EXCESS / (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ (30,562)	\$ 49,157	\$ 16,624	\$ 35,219	\$ (60,772)	\$ (25,553)



CERTIFIED PUBLIC ACCOUNTANTS

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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

Board of Directors
Holly City Development Corporation
Millville, New Jersey

We 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 Controller General of the United States, the financial statements of Holly City Development Corporation (the Organization) as of and for the year ended September 30, 2015 and have issued our report thereon dated January 4, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Holly City Development Corporation's internal control over financial reporting as a basis for designing our audit procedures 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 Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 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.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS

(Continued)

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

Compliance

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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.


POLCARI & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey
January 4, 2016



CERTIFIED PUBLIC ACCOUNTANTS

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STATEMENT REGARDING TAXES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Board of Directors
Holly City Development Corporation
Millville, New Jersey

We have assured that all tax returns (payroll taxes and report of organization exempt from income taxes) have been filed by Holly City Development Corporation for the period October 1, 2014 to September 30, 2015. All liabilities noted on the aforementioned tax returns as well as the liabilities for payroll taxes accrued in the Organizations September 30, 2015 balance sheet have been liquidated prior to the date of this report.

POLCARI & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Wayne, New Jersey
January 4, 2016