Report On Audit

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE

For the Year Ended December 31, 2025

Housing Authority of the City of East Orange
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HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
ON DECEMBER 31, 2025

The management of the Housing Authority of the City of East Orange (the Authority) we are pleased to present this Management's Discussion and Analysis (MD&A), which is required supplementary information under Governmental Accounting Standards Board (GASB) reporting standards. The MD&A is intended to provide readers with an overview of the Authority's financial activities and to assist in understanding the financial statements and related disclosures presented in this report.

This discussion focuses on the Authority's financial performance during the current fiscal year, highlights significant transactions and events, and identifies known factors that may affect future operations. Because this section is necessarily summarized, it should not be considered a substitute for the financial statements, notes to the financial statements, and other supplementary information contained in this report.

To obtain a more comprehensive understanding of the Authority's financial condition, results of operations, and cash flows, readers are encouraged to review the financial statements and accompanying notes in their entirety, beginning on page 18. The information presented in this MD&A should be considered in conjunction with those financial statements and related disclosures.

FINANCIAL HIGHLIGHTS

Primary Government Financial Analysis

Comparative Analysis for the Years Ended December 31, 2025 and 2024

The management of the Housing Authority of the City of East Orange (the Authority) presents the following discussion and analysis of the financial performance of the Authority's Primary Government for the fiscal year ended December 31, 2025, with comparative information for 2024. This discussion should be read in conjunction with the Authority's financial statements and accompanying notes.

Financial Highlights

During 2025, the Authority's financial position continued to improve despite increasing operating costs and a reduction in capital grant funding. Total net position increased by approximately $917,737, or 6.9%, from $13.2 million in 2024 to $14.1 million in 2025. This increase was primarily attributable to strong federal operating grant funding, continued growth in mortgage receivable balances, and positive operating performance relative to prior years.

Total assets and deferred outflows increased by approximately $653,366, or 2.7%, to $25.1 million on December 31, 2025. Cash and cash equivalents increased by approximately $130,339, while net capital assets increased by approximately $425,265. The Authority also continued to strengthen its long-term mortgage receivable portfolio, which increased by approximately $114,337 during the year.

FINANCIAL HIGHLIGHTS -CONTINUED

Net Position

The Authority's net position serves as a useful indicator of financial health. On December 31, 2025, total net position was $14,140,620, compared with $13,222,883 on December 31, 2024, representing an increase of 6.9%.

Net Position Summary

Net Position	2025	2024	Change
Net Investment in Capital Assets	$ 2,591,363	$ 4,147,665	$ (1,556,302)
Restricted Net Position	121,273	188,213	(66,940)
Unrestricted Net Position	11,427,984	8,887,005	2,540,979
Total Net Position	$ 14,140,620	$ 13,222,883	$ 917,737

The most significant change in net position occurred within unrestricted net position, which increased by approximately $2.5 million. This increase was largely the result of changes in pension and OPEB reporting, combined with improvements in operating and financing activities. Conversely, net investment in capital assets decreased in pension-related accounting adjustments, and the classification of capital-related resources.

Assets

Total assets increased from $21.1 million in 2024 to $21.4 million in 2025, representing an increase of approximately 1.5%. Current assets increased by approximately $152,159, or 3.0%, primarily due to increases in cash balances and accounts receivable.

Cash and cash equivalents increased from $3.94 million to $4.07 million, representing an increase of approximately 3.3%. Unrestricted cash increased by approximately $273,855, while restricted cash decreased by approximately $143,516, indicating that certain restricted resources were utilized for program and capital purposes during 2025.

Accounts receivable increased from $966,497 in 2024 to $1,017,698 in 2025, an increase of approximately 5.3%, reflecting timing differences related to grant reimbursements and other program receivables.

Long-term mortgage receivables increased from $11.47 million to $11.59 million, continuing to represent the Authority's largest asset category and highlighting the significance of its lending and redevelopment activities.

Capital Assets

Net capital assets increased by approximately $425,265, or 10.3%, from $4.15 million in 2024 to $4.57 million in 2025. The increase reflects continued investment in capital improvements and development activities.

FINANCIAL HIGHLIGHTS -CONTINUED

Capital Assets - Continued

Construction in progress increased significantly from $1.18 million to $1.56 million, an increase of approximately 32.4%, indicating that several development and modernization projects remained underway at year-end. Building assets increased by approximately $360,820, while leasehold improvements increased by approximately $3,445. Total capital asset additions exceeded annual depreciation expense, resulting in overall growth in the Authority's capital asset portfolio.

Depreciation expense totaled $131,799 during 2025 compared with $117,271 during 2024.

The major capital additions during the year were:

- Unit Renovations
- Roof Replacement
- Boiler Replacement
- Additional Security Cameras

Liabilities and Deferred Inflows

Total liabilities increased from $7.04 million in 2024 to $8.29 million in 2025, an increase of approximately 17.9%. The increase was driven primarily by the Authority's pension and OPEB obligations.

Accrued pension and OPEB liabilities increased by approximately $1.31 million, or 20.8%, from $6.32 million to $7.64 million. These obligations continue to represent the most significant long-term liability of the Authority.

Partially offsetting this increase, deferred inflows related to pension and OPEB reporting decreased by approximately $1.52 million, from $4.15 million to $2.63 million. Deferred outflows increased by approximately $332,000 during the year. These changes are attributable to annual actuarial adjustments required under GASB pension and OPEB reporting standards.

Results of Operations

Revenue

Total revenues increased from $16.95 million in 2024 to $17.72 million in 2025, representing an increase of approximately $769,889, or 4.5%.

The primary source of revenue continued to be HUD operating grants, which increased from $15.55 million to $16.73 million, an increase of approximately $1.18 million, or 7.6%. Federal funding represented more than 94% of total revenues during 2025. Tenant rental revenue decreased from $303,980 to $281,365, a decline of approximately 7.4%. Other revenue decreased by approximately 35.3%, from $1.04 million to $675,712, reflecting reduced miscellaneous income activity during the year.

FINANCIAL HIGHLIGHTS -CONTINUED

Expenses

Total operating expenses increased from $17.67 million in 2024 to $18.20 million in 2025, an increase of approximately $526,457, or 3.0%.

Housing Assistance Payments remained the Authority's largest expense and increased by approximately $1.14 million, or 8.5%, to $14.5 million. This increase reflects rising participation levels and higher subsidy costs within the Housing Choice Voucher Program.

Administrative expenses decreased significantly by approximately $598,235, or 17.1%, to $2.90 million, helping offset increases in other program expenses. Tenant services expenses decreased substantially, while maintenance expenses increased modestly by approximately 2.2%. Utility expenses increased approximately 19.3%, reflecting higher utility rates and consumption costs.

The Authority reported an operating loss of approximately $482,037 in 2025 compared with an operating loss of $725,469 in 2024, representing an improvement of approximately $243,432.

Nonoperating and Capital Activities

Nonoperating revenues totaled $437,683 in 2025 compared with $467,603 in 2024. Mortgage interest income remained stable at $336,150, while investment earnings declined by approximately 22.8% due to lower average investment balances and changing interest rates.

Capital grant contributions totaled $166,584 in 2025 compared with $352,314 in 2024. Despite the decline in capital funding, the Authority continued investing in modernization and redevelopment efforts.

As a result of operating activities, nonoperating revenues, and capital contributions, the Authority reported an increase in net position of approximately $122,230 during 2025 compared with $94,448 during 2024.

Cash Flow Analysis

Cash and cash equivalents increased from $3.94 million at December 31, 2024, to $4.07 million on December 31, 2025. Operating activities used approximately $440,472 in cash during 2025 compared with $1.27 million used during 2024, demonstrating significant improvement in operating cash flow.

Capital and related financing activities generated approximately $469,278, primarily due to note receivable collections, pension-related adjustments, and reduced capital spending compared to the prior year. Investing activities generated an additional $101,533 of cash from investment earnings.

FINANCIAL HIGHLIGHTS -CONTINUED

The Authority's Expenditures of Federal Awards amounted to $16,898,417 for the calendar year 2025 as compared to $15,904,405 the previous year for an increase of $994,012 or 6% percent.

The following are financial highlights of significant items for a four-year period ending on December 31, 2025:

	December-25	December-24	December-23	December-22
Significant Income				
Total Tenant Revenue	$ 281,365	$ 303,980	$ 290,728	$ 267,461
HUD Operating Grants	16,729,581	15,552,091	14,301,715	15,036,763
HUD Capital Grants	166,584	352,314	149,980	341,993
Investment Income	437,683	467,603	49,478	19,792
Other Government Grants	28,657	44,678	65,049	50,608
Other Income	675,712	1,044,677	922,757	585,361
Total	$ 18,319,582	$ 17,765,343	$ 15,779,707	$ 16,301,978
Payroll Expense				
Administrative Salaries	$ 1,679,664	$ 1,440,143	$ 1,151,975	$ 1,088,397
Tenant Services Salaries	-	86,852	67,870	106,689
Maintenance Labor	65,546	63,497	58,812	54,102
Protective Services Labor	96,804	120,120	93,903	87,853
Employee Benefits Expense	823,772	764,272	696,006	571,617
Total Payroll Expense	$ 2,665,786	$ 2,474,884	$ 2,068,566	$ 1,908,658
Other Significant Expenses				
Other Administrative Expenses	$ 433,571	$ 522,456	$ 330,520	$ 498,346
Utilities Expense	176,474	147,950	131,361	115,861
Maintenance Materials Cost	53,375	55,503	42,232	38,956
Maintenance Contract Cost	80,082	79,022	95,392	84,343
Insurance Premiums	88,849	127,323	89,253	75,341
Housing Assistance Payments	14,511,474	13,373,430	12,864,530	12,774,630
Total	$ 15,343,825	$ 14,305,684	$ 13,553,288	$ 13,587,477
Total Operating Expenses	$ 18,197,352	$ 17,670,895	$ 17,973,936	$ 15,987,437
Total of Federal Awards	$ 16,898,417	$ 15,904,405	$ 14,451,695	$ 15,378,756

USING THIS ANNUAL REPORT

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant programs:

1. Public and Indian Housing Program
2. Section 8 Housing Choice Voucher Program
3. Public Housing Capital Fund Program

The Housing Authority's auditors provided assurance in their independent auditor's report, with which this MD&A is included, that the basic financial statements are fairly stated. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditor's report carefully to determine the level of assurance provided for each of the other parts of this report.

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION

This discussion and analysis are intended to serve as an introduction to the Housing Authority's basic financial statements. The basic financial statements are prepared on an entity wide basis and consist of:

1) Statement of Net Position
2) Statement of Revenue, Expenses, and Changes in Net Position
3) Statement of Cash Flows
4) Notes to the Financial Statements

The Authority's financial statements and notes to financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) applicable to governmental entities in the United States of America for the Primary government types. The Authority's activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe, and sanitary housing to low income and special needs populations. The financial statements can be found on pages 18 through 22.

Statement of Net Position – This statement presents information on the Authority's total of assets and deferred outflow of resources, and total of liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position will serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

Statement of Revenue, Expenses and Changes in Net Position – This statement presents information showing how the Authority's net position increased or decreased during the current fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash inflows and cash outflows in the future periods.

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED

Statement of Cash Flows– This statement presents information showing the total cash receipts and cash disbursements of the Housing Authority during the current fiscal year. The statement reflects the net changes in cash resulting from operations plus any other cash requirements during the current year (i.e. capital additions, debt payments, prior period obligations, etc.). In addition, the statement reflects the receipt of cash that was obligated to the Housing Authority in prior periods and subsequently received during the current fiscal year (i.e. accounts receivable, notes receivable, etc.).

Notes to the Financial Statements - Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided. These notes give greater understanding on the overall activity of the Housing Authority and how values are assigned to certain assets and liabilities and the longevity of these values. In addition, notes reflect the impact (if any) of any uncertainties the Housing Authority may face. The Notes to Financial Statements can be found in this Report beginning on page 23 through 71.

In addition to the basic financial statements listed above, our report includes supplemental information. This information is to provide more detail on the Housing Authority's various programs and the required information mandated by regulatory bodies that fund the Housing Authority's various programs.

The Schedule of Expenditures of Federal Awards is presented for purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Audits of States, Local Governments and Non-profit Organizations. The schedule of Expenditures of Federal Awards can be found on pages 78-79 of this report.

1. **Federal Awards** - Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), federal award is defined as federal financial assistance and federal cost reimbursement contracts that non-federal agencies receive directly or indirectly from federal agencies or pass-through entities. Federal financial assistance is defined as assistance that nonfederal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, direct appropriations and other assistance.

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION - CONTINUED

he Schedule of Expenditures of Federal Awards -Continued

2. **Type A and Type B Programs** - The Single Audit Act Amendments of 1996 and the Uniform Guidance establish the levels of expenditures or expenses to be used in defining Type A and Type B Federal financial assistance programs. Type A programs for the Housing Authority of the City of East Orange are those which equal or exceeded $1,000,000 in expenditures for the fiscal year ended December 31, 2025. Type B programs for the Housing Authority of the City of East Orange are those which are less than $1,000,000 in expenditure for the fiscal year ended December 31, 2025.

THE AUTHORITY AS A WHOLE

The Authority's revenues consist primarily of rents and subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-approved amount by HUD. Grants are drawn down based on need against a pre-authorized funding level. The Authority's revenues were sufficient to cover all expenses.

By far, the largest portion of the Authority's net position reflects its net investment in capital assets (e.g., land, buildings, equipment, and construction in progress). The Authority uses these capital assets to provide housing services to its tenants. Consequently, these assets are reported as "Net Investment in Capital Assets" and are not available for future spending. The unrestricted position of the Authority is available for future use to provide program services.

THE HOUSING AUTHORITY OF THE CITY OF EAST ORANGE PROGRAMS

Public and Indian Housing Program:

Under the Public and Indian Housing Program, the Authority rents units that it owns to low-income households. This program is operated under an Annual Contributions Contract (ACC) with HUD. HUD's rent subsidy program provides housing assistance to low-income families so that they can lease "decent, safe, and sanitary" housing for specific eligible tenants. The rent paid by the tenant is a percentage of tenant gross income subject to a $50 minimum; it cannot exceed the greater of the following amounts: (a) 30% of the family's adjusted monthly income, (b) 10% of the family's monthly income, or (c) the Housing Authority of the City of East Orange flat rent amount.

Section 8 Housing Choice Voucher Program:

Under the Section 8 Housing Choice Voucher Program, the Authority administers contracts with independent landlords to provide housing to Section 8 tenants. The Authority subsidizes the tenant's rent through Housing Assistance Payment made to the landlord. This program is also administered under an Annual Contributions Contract (ACC) with HUD. HUD provides annual contributions funding to enable the Authority to structure a lease that sets the participants' rent at approximately 30% of household income subject to certain restrictions.

THE HOUSING AUTHORITY OF THE CITY OF EAST ORANGE PROGRAMS - CONTINUED

Public Housing Capital Fund Program:

The Public Housing Capital Fund was established under the Quality Housing & Work Responsibility Act of 1998 (QHWRA). Substantially all additions to land, structures and equipment are accomplished through these programs (included in the financial statements under PHA Owned Housing). These funds replace or materially upgrade deteriorated portions of existing Authority property. This fund is used for repairs, major replacements, upgrading and other non-routine maintenance work that needs to be done on the Authority's apartments to keep them clean, safe and in good condition.

Emergency Housing Voucher Program

The HUD Emergency Housing Voucher Program, also known as Emergency Solutions Grants (ESG), provides assistance to individuals and families facing homelessness by offering short-term and medium-term rental assistance. The program helps families who are at imminent risk of becoming homeless to obtain and maintain stable housing. The assistance can also be used to help homeless individuals and families to move into permanent housing as quickly as possible. The program provides funding to local governments, non-profit organizations, and other eligible entities to support activities such as emergency shelter operations, street outreach, and rapid re-housing services.

Rental Assistance Demonstration Program

The Rental Assistance Demonstration was created to give public housing authorities (PHAs) a powerful tool to preserve and improve public housing properties. RAD allows public housing agencies to leverage public and private debt and equity to reinvest in the public housing stock. Public housing units move to a Section 8 platform with a long-term contract under which residents continue to pay 30% of their income towards the rent and they maintain the same basic rights as they possess in the public housing program.

Resident Opportunity and Support Services – ROSS:

This program works to promote the development of local strategies to coordinate the use of assistance under the Public Housing program with public and private resources, for supportive services and resident empowerment activities. These services should enable participating families to increase earned income, reduce or eliminate the need for welfare assistance, make progress toward achieving economic independence and housing self-sufficiency or, in the case of elderly or disabled residents, help improve living conditions and enable residents to age-in-place.

THE HOUSING AUTHORITY OF THE CITY OF EAST ORANGE PROGRAMS - CONTINUED

State - Congregate Housing Services Program

The Congregate Housing Services Program offers States grants to provide meals and other supportive services needed by frail elderly residents and residents with disabilities in federally subsidized housing. This program prevents premature and unnecessary institutionalization of frail elderly, non-elderly disabled and temporarily disabled persons. It provides a variety of innovative approaches for the delivery of meals and non-medical supportive services while making use of existing service programs, fills gaps in existing service systems, and ensures availability of funding for meals and other programs necessary for independent living. Assistance is in the form of grants to provide at least one hot meal per day in a group setting, 7 days per week, plus other supportive services necessary for independent living.

BUDGETARY HIGHLIGHTS

For the year ended December 31, 2025, individual program or grant budgets were prepared by the Authority and adopted by the Board of Commissioners. The budgets were primarily used as a management tool and have no legal stature. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

The Authority submits its annual operating and capital budgets to the State of New Jersey Department of Community Affairs in accordance with New Jersey statute. After the New Jersey Department of Community Affairs approves the budget, it is formally adopted by resolution of the Housing Authority's Board of Commissioners. Once adopted, the Board of Commissioners may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenses. Each fund's budget is prepared on a detailed line-item basis. Revenues are budgeted by source and expenditures are budgeted by expense classification within each revenue source.

NEW INITIATIVES

During 2025 and continuing into 2026, the Housing Authority's primary focus has remained on funding stability, fiscal accountability, and operational efficiency. As a public entity that derives approximately 92% of its revenue from the U.S. Department of Housing and Urban Development (HUD), compared to 90% in 2024, the Authority closely monitors federal appropriations and funding changes. This vigilance is particularly important as communities continue to face economic challenges that increase the demand for affordable housing and public assistance programs.

The Authority's administration remains committed to strengthening the financial performance of its operations while continuing to provide quality housing and supportive services to its residents. During the year, the Authority successfully completed the Rental Assistance Demonstration (RAD) conversion process, a significant milestone that positions the organization for long-term operational and financial sustainability.

NEW INITIATIVES -CONTINUED

The Authority has continued to make steady progress across all areas of its operations while maintaining strong occupancy levels in its public housing developments and high utilization rates within its Housing Assistance Programs. Daily interactions with residents serve as a constant reminder of the critical role the Authority plays in addressing the housing needs of the community.

Despite the financial and regulatory challenges facing public housing authorities, the Authority remains dedicated to identifying innovative opportunities to enhance and expand housing and housing assistance programs for eligible residents of the City of East Orange. At the same time, the Authority remains mindful of its responsibility to be a prudent steward of public resources and taxpayer funds.

CAPITAL ASSETS AND DEBT ADMINISTRATION

1 – Capital Assets

The Authority's primary government capital assets reported an increase in the netbook value of the capital assets in the amount of $425,265 or 10%. The major factor that contributed to the increase was the fixed asset additions of $553,725, In addition, the Authority's primary government recorded depreciation in the amount of $128,460. The Authority is involved with the process of converting their remaining units to RAD on an ongoing basis. A full detail of capital outlays can be found in the Notes to the Financial Statements Section Note – 8 Fixed Assets.

	December-25	December-24	Variance
Land	$ 1,464,948	$ 1,656,932	$ (191,984)
Building	3,696,324	3,335,504	360,820
Furniture, Equipment - Dwelling	355,754	355,754	-
Furniture, Equipment - Administration	282,526	282,525	1
Leasehold Improvements	28,345	24,900	3,445
Construction in Process	1,559,330	1,177,887	381,443
Total Fixed Assets	7,387,227	6,833,502	553,725
Accumulated Depreciation	(2,814,297)	(2,685,837)	(128,460)
Net Book Value	$ 4,572,930	$ 4,147,665	$ 425,265

Additional information on the Authority's capital assets can be found in Note 8 to the financial statements, which is included in this report.

2 - Debt Administration

The Authority primary government does not have any long-term debt at this time.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Authority continues to face challenges associated with rising operating costs, including utilities, maintenance, insurance, and employee-related expenses. In addition, pension and OPEB liabilities remain a significant long-term financial obligation. However, management remains focused on maintaining stable occupancy levels, preserving affordable housing resources, pursuing capital improvement initiatives, and strengthening the Authority's overall financial position.

The increase in construction-in-progress projects, reduction in accounts receivable, and continued repayment of debt indicate that the Authority remains committed to long-term asset preservation and financial stability. Although net position increased modestly in 2025, the Authority continues to maintain positive unrestricted net position and sufficient resources to meet its ongoing obligations while serving the housing needs of the East Orange community.

The capital budgets for the year 2026 have already been submitted to HUD for approval and no major changes are expected. The Capital fund programs are multiple-year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing property including administrative fees involved in the modernization.

In developing the Authority's budget for the year ending December 31, 2026, management considered several economic and operational factors that may affect future financial performance:

- Economic conditions within the State of New Jersey and the local service area, including employment trends, wage growth, inflation, and overall economic activity. These factors directly influence resident income levels and, consequently, tenant rental revenue, which is generally calculated based on household income.

- Continued increases in health insurance and other employee benefit costs that are expected to place upward pressure on personnel-related expenditures over the next several years.

- Inflationary impacts on utilities, maintenance materials, contracted services, insurance, and other operating costs, which may continue to affect the Authority's cost structure.

- Conditions within the local housing market, including the availability of rental units and increases in rents charged by private landlords. These trends are expected to continue influencing Housing Choice Voucher (Section 8) Housing Assistance Payments (HAP).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES -CONTINUED

Management will continue to focus on redevelopment initiatives, capital modernization activities, and the provision of quality affordable housing services to residents and program participants. The significant investments made in construction of the senior building during 2025 position the Authority to enhance its housing portfolio, improve service delivery, and address future community housing needs.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is intended to provide a comprehensive overview of the Authority's financial condition and operations for residents, government agencies, investors, and other interested stakeholders. Questions regarding the information presented in this report, or requests for additional financial information, should be directed to

Mr. Wilbert Gill, Executive Director
Housing Authority of the City of East Orange
160 Halsted Street, East Orange
New Jersey 07018
or by telephone at (973) 678-0250

The Authority is committed to transparency and accountability and welcomes inquiries from interested parties seeking a better understanding of its financial activities and programs.

GIAMPAOLO
& ASSOCIATES

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Lincroft, NJ 07738
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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of East Orange
160 Halsted Street
East Orange, New Jersey 07018

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business type activities and the aggregate discretely present component unit of the Housing Authority of the City of East Orange, (a governmental public corporation) in Essex County, New Jersey, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of East Orange basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities and the aggregate discretely present component unit of the Housing Authority of the City of East Orange as of December 31, 2025, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Housing Authority of the City of East Orange and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Housing Authority of the City of East Orange's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the City of East Orange 's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements. Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Housing Authority of the City of East Orange.

- Housing Authority of the City of East Orange's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and OPEB and PERS supplemental information on pages 1 through 13 and pages 72-77 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the City of East Orange's basic financial statements. The accompanying supplemental information on pages 78-84 is presented for additional analysis and is not required part of the basic financial statements.

The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The electronic filed Financial Data Schedule is presented for additional analysis as required by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center and is also not required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards, the Financial Data Schedule, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the Schedule of Expenditures of Federal Awards, and Financial Data Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2026, in our consideration of the Housing Authority of the City of East Orange's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority of the City of East Orange's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the City of East Orange's internal control over financial reporting and compliance.

Giampaolo & Associates

Lincroft, New Jersey
Date: August 17, 2026

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
STATEMENT OF NET POSITION - 1
AS OF DECEMBER 31, 2025

	December 31, 2025		
	Primary Government	Component Unit	Total (Memorandum)
Assets			
Current Assets:			
Cash and Cash Equivalents- Unrestricted	$ 3,635,161	$ 38,283	$ 3,673,444
Cash and Cash Equivalents- Restricted	432,139	221,038	653,177
Cash and Cash Equivalents	4,067,300	259,321	4,326,621
Accounts Receivables, Net of Allowances	1,017,698	4,454	1,022,152
Prepaid Expenses	143,645	-	143,645
Total Current Assets	5,228,643	263,775	5,492,418
Noncurrent Assets			
Capital Assets			
Land	1,464,948	154,170	1,619,118
Building	3,696,324	2,733,376	6,429,700
Furniture, Equipment - Dwelling	355,754	257,501	613,255
Furniture, Equipment - Administration	282,526	-	282,526
Leasehold Improvements	28,345	23,814	52,159
Construction in Process	1,559,330	192,768	1,752,098
Total Capital Assets	7,387,227	3,361,629	10,748,856
Less: Accumulated Depreciation	(2,814,297)	(474,142)	(3,288,439)
Net Book Value	4,572,930	2,887,487	7,460,417
Mortgage Receivable - Long Term	11,586,418	-	11,586,418
Other Assets	15,984	-	15,984
Total Other Assets	11,602,402	-	11,602,402
Total Assets	21,403,975	3,151,262	24,555,237
Deferred Outflow of Resources			
State of New Jersey P.E.R.S. and OPEB	3,660,380	-	3,660,380
Total Assets and Deferred Outflow of Resources	$ 25,064,355	$ 3,151,262	$ 28,215,617

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2025

	December 31, 2025		
	Primary Government	Component Unit	Total (Memorandum)
Liabilities			
Current Liabilities:			
Accounts Payable	$ 314,370	$ 11,911	$ 326,281
Accrued Liabilities	300,857	-	300,857
Tenant Security Deposits	26,341	30,370	56,711
Unearned Revenue	927	-	927
Lease Payable - Current Portion	3,074	-	3,074
Loan Liability - Current Portion	-	33,704	33,704
Total Current Liabilities	645,569	75,985	721,554
Noncurrent Liabilities			
Loan Liability - Non Current	-	1,256,354	1,256,354
Lease Payable - Non current	12,090	-	12,090
Accrued Pension and OPEB Liabilities	7,636,331	-	7,636,331
Total Noncurrent Liabilities	7,648,421	1,256,354	8,904,775
Total Liabilities	8,293,990	1,332,339	9,626,329
Deferred Inflow of Resources			
State of New Jersey P.E.R.S. and OPEB	2,629,745	-	2,629,745
Net Position:			
Net Investment in Capital Assets	2,591,363	1,597,429	4,188,792
Restricted	121,273	200,000	321,273
Unrestricted	11,427,984	21,494	11,449,478
Total Net Position	14,140,620	1,818,923	15,959,543
Total Liabilities, Deferred Inflow of Resources, and Net Position	$ 25,064,355	$ 3,151,262	$ 28,215,617

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2025

	December 31, 2025		
	Primary Government	Component Unit	Total (Memorandum)
Revenue:			
Tenant Rental Revenue	$ 281,365	$ 239,448	$ 520,813
HUD PHA Operating Grants	16,729,581	-	16,729,581
Other Governement Grants	28,657	-	28,657
Other Revenue	675,712	29,399	705,111
Total Revenue	17,715,315	268,847	17,984,162
Operating Expenses:			
Administrative Expense	2,895,081	82,947	2,978,028
Tenant Services	3,710	-	3,710
Utilities Expense	176,474	5,789	182,263
Maintenance Expense	218,335	13,441	231,776
Protective Services Expense	126,665	-	126,665
Other Operating Expenses	133,814	101,684	235,498
Housing Assistance Payments	14,511,474	-	14,511,474
Depreciations Expense	131,799	148,456	280,255
Total Operating Expenses	18,197,352	352,317	18,549,669
Excess (Expenses) From Operations	(482,037)	(83,470)	(565,507)
Non Operating Income:			
Investment Income	101,533	4,331	105,864
Mortgage Interest Income	336,150	-	336,150
Total Non Operating Income	437,683	4,331	442,014
Excess Expenses Before Capital Grant Contributions	(44,354)	(79,139)	(123,493)
Capital Grant Contributions	166,584	-	166,584
Change in Net Position	122,230	(79,139)	43,091
Beginning Net Position	13,222,883	1,898,062	15,120,945
Prior Period Adjustment	795,507		795,507
Beginning Net Position -Restated	14,018,390	1,898,062	15,916,452
Ending Net Position	$ 14,140,620	$ 1,818,923	$ 15,959,543

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
STATEMENT OF CASH FLOWS - 1
FOR TWELVE MONTHS ENDED DECEMBER 31, 2025

	December 31, 2025		
	Primary Government	Component Unit	Total (Memorandum)
Cash Flow From Operating Activities			
Receipts from Tenants	$ 276,966	$ 237,229	$ 514,195
Receipts from Federal Grants	16,388,221	-	16,388,221
Receipts from Other Grants	28,657	-	28,657
Receipts from Misc. Sources	592,121	29,399	621,520
Payments to Vendors and Suppliers	(376,397)		(376,397)
Payments for Housing Assistance Payments	(14,511,474)	-	(14,511,474)
Payments to Employees	(1,842,014)	-	(1,842,014)
Payment of Employee Benefits	(823,772)	-	(823,772)
Payment of Utilities Expenses	(172,780)	-	(172,780)
Payment of Program Cost	-	(153,938)	(153,938)
Net Cash (Used) Provided by Operating Activities	(440,472)	112,690	(327,782)
Cash Flow From Capital and Related Financing Activities			
Receipts from Capital Grants	166,584	-	166,584
Acquisitions and Construction of Capital Assets	(172,282)	(109,791)	(282,073)
Construction Loan Proceeds	-	-	-
Payments on Loan Payable	-	(20,904)	(20,904)
Recipts of Notes Receivable	221,813	-	221,813
Right to Use Assets	(15,984)	-	(15,984)
Operating Lease Payable	(3,663)	-	(3,663)
Change in Accrued Pension and OPEB Liabilities	1,313,933	-	1,313,933
Net Effect of Deferred Inflows and Outflows	(1,855,414)	-	(1,855,414)
Prior Period Adjustment	814,291	-	814,291
Net Cash Provided (Used) by Capital and Related Financing Activities	469,278	(130,695)	(475,708)
Cash Flow From Investing Activities			
Interest Income	101,533	4,331	105,864
Net Cash Provided by Investing Activities	101,533	4,331	105,864
Net Increase (Decrease) in Cash and Cash Equivalents	130,339	(13,674)	116,665
Beginning Cash	3,936,961	272,995	4,209,956
Ending Cash	$ 4,067,300	$ 259,321	$ 4,326,621
Reconciliation of Cash Balances:			
Cash and Cash Equivalents - Unrestricted	$ 3,635,161	$ 38,283	$ 3,673,444
Cash and Cash Equivalents - Restricted	432,139	221,038	653,177
Total Ending Cash	$ 4,067,300	$ 259,321	$ 4,326,621

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
STATEMENT OF CASH FLOWS - 2
FOR TWELVE MONTHS ENDED DECEMBER 31, 2025

	December 31, 2025		
	Primary Government	Component Unit	Total (Memorandum)
(Used) by Operating Activities			
Excess Expenses From Operations	$ (482,037)	$ (83,470)	$ (565,507)
Adjustments to reconcile excess expenses from operations to net cash (used) provided by operating activities:			
Depreciation Expense	131,799	148,456	280,255
(Increase) Decrease in:			
Accounts Receivables	(51,201)	47,658	(3,543)
Prepaid Expenses	29,381	-	29,381
Increase (Decrease) in:			
Accounts Payable	146,190	1,810	148,000
Accrued Liabilities	(8,656)	(1,894)	(10,550)
Unearned Revenues	927	-	927
Non-Current Liabilities	(208,226)	-	(208,226)
Security Depost Accounts	1,351	130	1,481
Net Cash (Used) Provided by Operating Activities	$ (440,472)	$ 112,690	$ (327,782)
Interest expense paid during the year	$ -	$ 87,802	$ 87,802
Lease Payments paid during the year	$ 3,663	$ -	$ 3,663

See accompanying notes to the financial statements.

NOTE 1 - SUMMARY OF ORGANIZATION, ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Organization – The Housing Authority of the City of East Orange (the "Authority") is a public corporation established under federal and state housing laws and organized pursuant to the Housing Authorities Law of the State of New Jersey (N.J.S.A. 40A:12A-1 et seq.). The Authority was created to develop, acquire, administer, and manage affordable housing programs and other initiatives designed to serve low- and moderate-income families residing in the City of East Orange, in accordance with regulations and requirements prescribed by the U.S. Department of Housing and Urban Development (HUD).

The Authority is governed by a Board of Commissioners that operates with substantial autonomy while remaining accountable to HUD and the New Jersey Department of Community Affairs. The Board appoints an Executive Director who is responsible for the day-to-day administration and management of the Authority's operations. The Authority's primary mission is the development, maintenance, and management of affordable housing opportunities for low- and moderate-income residents of the City of East Orange. Federal funding in the form of operating and capital subsidies is provided to support these activities.

The accompanying financial statements include all accounts and operations of the Authority. The Authority constitutes the primary governmental unit over which the Board of Commissioners and Executive Director exercise oversight responsibility. The Authority is not included as a component unit of any other governmental reporting entity. Although the members of the Board of Commissioners are appointed primarily by the Mayor and City Council of the City of East Orange, the Board possesses independent decision-making authority, including the power to appoint management, significantly influence operations, and maintain responsibility for accounting and fiscal matters.

Accordingly, the Authority has determined that it is not financially accountable to the City of East Orange and, therefore, is excluded from the City's reporting entity for financial reporting purposes.

The Authority's financial statements include the accounts of all the Authority's operations.The criteria for including organizations as component units within the Authority's reporting entity, as set forth in Section 2100 and 2300 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards,* include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Authority holds the corporate powers of the organization
- the Authority appoints a voting majority of the organization's board
- the Authority is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Authority
- there is fiscal dependency by the organization on the Authority

Organization - Continued
Based on the following criteria, the Authority has identified one (1) entity which should be subject to evaluation for inclusion in the Authority's reporting entity.

The Authority manages the financial affairs of the East Orange Housing and Community Development Corporation, and the corporation is financial burden on the Authority to provide support.

Significant Accounting Policies
The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources. The Authority has determined that the applicable measurement focus (flow of economic resources) and accounting basis (accrual) is like that of a commercial enterprise. As such, the use of proprietary funds best reflects the activities of the Authority.

The Authority has adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions.* The Statement establishes accounting and financial reporting standards for non-exchange transactions including financial or capital resources. The Authority's primary source of non-exchange revenue relates to grants and subsidies. Grant and subsidy revenue are recognized at the time eligible program expenditures occur and/or the Authority has complied with the grant and subsidy requirements.

The Authority participates in the State of New Jersey Public Employees Retirement System (PERS), which is sponsored and administered by the New Jersey Division of Pensions and Benefits. It is a cost sharing, multiple employers defined benefit pension plan. PERS was established in January 1955 under the provision of NJ SA 43:15A to provide coverage, including post-retirement health care, for substantially all full-time employees of the state, its counties, municipalities, school districts or public agencies, provided the employee is not a member of another state administered retirement system.

In January 2022, the Authority adopted GASB Statement No. 87, *Accounting for Leases.* This standard enhances the usefulness and comparability of governmental financial statements by requiring recognition of certain lease receivables and liabilities previously unreported. It establishes a single model for lessees and lessors and improves decision-usefulness by mandating detailed note disclosures regarding the timing, significance, and purpose of leasing arrangements.

Significant Accounting Policies - Continued

GASB Statement No. 87, Accounting for Leases, is a standard issued by the Governmental Accounting Standards Board to improve how leases are reported in governmental financial statements. Here's a clear explanation:

Purpose

Before GASB 87, many leases were treated as operating leases and kept off the balance sheet, which limited transparency. GASB 87 requires governments to recognize most leases as assets and liabilities, similar to how capital leases were previously treated, creating a more accurate picture of financial obligations.

Component Unit – Discretely Presented

The Authority has identified the East Orange Housing and Community Development Corporation as a component unit. In accordance with GASB Statement No. 61, due to the Authority manages the financial affairs of this nonprofit corporation and is financial burden on the Authority to provide support; this entity is being reported as a discretely presented component unit. Therefore, the activity of this nonprofit corporation is presented as a component unit on the Authority's electronically filed financial data schedule. The method of accounting for the component unit is in accordance with accounting principles generally accepted in the United States of America. This corporation operates on a calendar year that ended on December 31. East Orange Housing and Community Development Corporation was formed for the purpose of developing, operating, and managing low- and moderate-income housing in the City of East Orange

The Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. The Authority accounts for compensated absences in accordance with the provisions of This Statement that requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has already been used but not yet paid in cash or settled through noncash means.

During the fiscal year, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 102, *Certain Risk Disclosures*. GASB Statement No. 102 requires governments to disclose certain concentrations or constraints that make a reporting unit vulnerable to the risk of a substantial impact when an event associated with the concentration or constraint has occurred, has begun to occur, or is more likely than not to occur within 12 months of the financial statement issuance date. The implementation of this Statement did not have a material effect on the Authority's financial statements or note disclosures.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Under the accrual basis of accounting revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. This requires the Housing Authority to account for operations in a manner like private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Revenue Recognition

The major sources of revenue are tenants dwelling rentals, HUD operating subsidy, and other revenue. Other revenue is composed primarily of management fees, portability income for the Housing Choice Voucher program, and residents' charges and late fees. The Authority recognizes short-term rental income from tenants who have signed a lease agreement for less than one year, in accordance with HUD guidelines. The Authority's revenues are classified as either exchange or nonexchange transactions, in accordance with applicable Governmental Accounting Standards Board (GASB) guidance. The Authority reports are in conformity with GASB standards and, accordingly, Accounting Standards Codification (ASC) Topic 606 does not apply. The Authority provides housing assistance payments to participating owners on behalf of eligible tenants. The Authority also provides decent, safe, and sanitary housing for extremely low and very low-income families. The revenue is recorded as earned since it is measurable and available.

Exchange Revenues

Exchange revenues include dwelling rental income and certain fees received from tenants, in which each party receives and gives up essentially equal value. Rental income is recognized monthly as it is earned, based on tenant occupancy of housing units and collectible amounts. Tenant charges, including late fees and excess utility charges, are recognized when earned and considered collectible.

Nonexchange Revenues

Nonexchange revenues consist primarily of operating subsidies, grants received from the U.S. Department of Housing and Urban Development (HUD). These revenues are accounted for in accordance with GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions.

Basis of Accounting -Continued

Operating Subsidies

HUD operating subsidies for the Section 8 Housing Choice Voucher Program and for the Public Housing Program (PIH) are classified as government-mandated nonexchange transactions. Revenue is recognized in the period in which the Authority meets all applicable eligibility requirements, including statutory and regulatory compliance, and when any time requirements imposed by HUD are satisfied. Amounts received prior to meeting eligibility or time requirements are reported as unearned revenue.

Tenants dwelling rental charges are determined and billed monthly and are recognized as revenue when assessed because they are measurable and are collectible within the current period. The amounts not received by December 31, are accounts receivable and any amounts received for subsequent period are recorded as deferred revenue.

Recently Issued Accounting Standards Not Yet Adopted

GASB Statement No. 103 – Financial Reporting Model Improvements

GASB 103 was issued in April 2024 to improve key components of the governmental financial reporting model established under GASB 34. The objective is to enhance the usefulness, consistency, and transparency of financial reporting for users of governmental financial statements. GASB 103 is effective for fiscal years beginning after June 15, 2025, with earlier application encouraged. For housing authorities with a December 31 year-end, the standard is generally first applicable to the December 31, 2026 financial statements.

For a housing authority the most significant impacts will typically be:

- Revised MD&A format and content.
- Evaluation and presentation of unusual or infrequent transactions.
- Potential updates to proprietary fund statement presentation.
- For the notes disclosure, GASB 103 generally does not change the entity description language you provided, but it will affect the structure and content of the MD&A section accompanying the financial statements.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, was issued in September 2024 and is effective for fiscal years beginning after June 15, 2025. The Statement requires governments to separately disclose certain types of capital assets, including lease assets, subscription assets, and other intangible assets, within the capital assets note disclosures. The Statement also establishes additional disclosure requirements for capital assets held for sale. The Authority adopted the provisions of GASB Statement No. 104 during the year ended December 31, 2025. The adoption of this Statement did not have a material effect on the Authority's financial position, results of operations, or cash flows; however, it may require additional disclosures in the notes to the financial statements.

Recently Issued Accounting Standards Not Yet Adopted -Continued
GASB Statement No. 105, *Subsequent Events,* was issued in December 2025. The objective of this Statement is to improve financial reporting requirements for subsequent events by enhancing consistency in their application and providing more useful information to financial statement users. GASB 105 establishes a revised definition of subsequent events, clarifies the distinction between recognized and non-recognized subsequent events, requires disclosure of the date through which subsequent events have been evaluated, and establishes specific disclosure requirements for certain non-recognized subsequent events. The requirements of this Statement are effective for fiscal years beginning after June 15, 2026. The Authority is currently evaluating the impact that adoption of this Statement will have on its financial statements. For a December 31 year-end Housing Authority, GASB 105 would generally first be effective for the year ending December 31, 2027.

Report Presentation -
The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of State and Local Governments on a going concern basis. The Authority's financial statements are prepared in accordance with GASB Statement No. 34 (as amended), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* ("Statement"). The Statement requires the basic financial statements to be prepared using the economic resources measurement focus and the accrual basis of accounting and requires the presentation of a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows. The Statement also requires the Authority to include Management's Discussion and Analysis as part of Required Supplementary Information.

The federally funded programs administered by the Authority are detailed in the Financial Data Schedule and the Schedule of Expenditures of Federal Awards; both are included as Supplemental information.

Financial Reporting Entity
The financial reporting entity includes organizations, functions, and activities over which appointed officials exercise oversight responsibility. Oversight responsibility is determined based on financial interdependency, selection of governing authority, designation of Management, ability to significantly influence operations, and accountability for fiscal matters.

All governmental activities and functions performed for the Authority are its direct responsibility. The financial reporting entity consists of:

(a) the primary government, which is the Authority,
(b) organizations for which the primary government is financially accountable, and
(c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statement No. 61.

The decision to include a potential unit in the Authority's reporting entity is based on several criteria set forth in GASB Statement No. 2100 and 2300, and AU-C 230 including legal standing, fiscal dependency, and financial accountability. The Authority has identified the East Orange Housing and Community Development Corporation as a component unit due to the Authority manages the financial affair of this nonprofit corporation and is financial burden on the Authority to provide support; this entity is being reported as a discretely presented component unit. Therefore, the activity of this nonprofit corporation is presented as component unit on the Authority's electronically filed financial data schedule. The method of accounting for the component unit is in accordance with accounting principles generally accepted in the United States of America. This corporation operates on a calendar year that ended on December 31.

East Orange Housing and Community Development Corporation was formed for the purpose of developing, operating, and managing low- and moderate-income housing in the City of East Orange

Other accounting policies are as follows:
1 – Cash and cash equivalents are stated at cost, which approximates market. The Authority considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

2 – Collection losses on accounts receivable are charged against an allowance for doubtful accounts. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management's judgment, deserve current recognition in estimating bad debts.

3 – Buildings and equipment are recorded at cost for all programs and depreciation is computed on the straight-line basis.

Other accounting policies - Continued

4 – Repairs funded out of operations, such as painting, roofing and plumbing, are charged against income for all programs.

5 – Operating subsidies received from HUD are recorded as income when earned.

6 – The cost of accumulated unpaid compensated absences, including fringe benefits, is reported in the period earned rather than in the period paid.

7 – Prepaid expenses represent payments made by the Authority in the current year to provide services occurring in the subsequent fiscal year.

8 – The Authority does not have any infrastructure assets for its Enterprise Fund.

9 – Inter-fund receivable and payables arise from inter-fund transactions and are recorded by all funds in the period in which the transactions are executed.

10- Advertising cost is charged to expense when incurred.

11- Costs related to environmental remediation are charged to expense. Other environmental costs are also charged to expense unless they increase the value of the property and/or provide future economic benefits, in which event they are capitalized. Liabilities are recognized when the expenditures are considered probable and can be reasonably estimated. Measurement of liabilities is based on currently enacted laws and regulations, existing technology, and undiscounted site-specific costs. Generally, such recognition coincides with the Authority's commitment to a formal plan of action.

12- When expenses are incurred where both restricted and unrestricted net positions are available the Authority will first use the restricted funds until they are exhausted and then the unrestricted net position will be used.

13 - Taxes
The Authority operates as defined by the Internal Revenue Code Section 115 and is exempt from income taxes under Section 115.

Under federal, state, and local law, the Authority's program is exempt from income, property and excise taxes. However, the Authority is required to make payments in lieu of taxes (PILOT) for the low-income housing program in accordance with the provision of a Cooperation Agreement. Under the Cooperation Agreement, the Authority pay the municipality a 10% of its net shelter rent.

Other accounting policies - Continued

14- Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Authority, but which will only be resolved when one or more future events occur or fail to occur. The Authority's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Authority or unasserted claims that may result in such proceedings, the Authority's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Authority's financial statements. If the assessment indicates that a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

15 - Net Position

In accordance with the provisions of Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board *"Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"*, the Authority has classified its net position into three components - net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), granters, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This component of net position consists of net position that do not meet the definitions of "restricted" or "net investment in capital assets."

Other accounting policies - Continued

16 - Operating Revenue and Expenses

Operating revenue includes HUD operating subsidies, tenants dwelling rents, HAP portability payments, and all other revenue. Other revenue composed primarily of management fees, portability income for the Housing Choice Voucher program, and resident's charges and late fees. Operating expenses include wages, utilities, maintenance, depreciation of capital assets, administrative expenses and all other expenses relating to the provision of safe, decent, and affordable housing services that do not result from transactions defined as capital and related financing, non-capital and related financing or investing activities.

Nonoperating Revenue and Expenses

The Authority's nonoperating revenue relates primarily to interest income and extraordinary expenses. For reporting purposes. Nonoperating expenses are expenditures derived from transactions other than those associated with the Authority's primary housing operations and are reported as incurred.

The Authority's nonoperating revenue relates primarily to capital grants provided by HUD, donations of capital assets and interest income. For reporting purposes, capital grant revenue is recognized when expenditures are incurred, and advance receipts are initially recorded as unearned revenue. Nonoperating expenses are expenditures derived from transactions other than those associated with the Authority's primary housing operations and are reported as incurred.

17-Impairment Losses

The Authority has been and is currently involved in various activities in conjunction with its modernization programs. In accordance within accordance with GASB #42 *"Accounting for the Impairment or Disposal of Capital Assets and for Insurance Recoveries.* Under the provisions of the statement, long-lived assets are to be reviewed for impairment. Application for measurement of long-lived assets should be at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or discontinued operations. As of December 31, 2025, the Authority has determined that no impairment of its long-lived assets exists.

18- Recent Accounting Pronouncements

The Authority has implemented all new accounting pronouncements that are in effect and that may impact on its financial statements. The Authority does not believe that there are any new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

Budgetary and Policy Control

The Authority submits its annual operating subsidy forms and capital budgets to HUD. The Authority also submits its annual operating and capital budgets to the State of New Jersey Department of Community Affairs in accordance with New Jersey statute. After the New Jersey Department of Community Affairs approves the budget, it is formally adopted by resolution of the Housing Authority's Board of Commissioners. Once adopted, the Board of Commissioners may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenses. Each fund's budget is prepared on a detailed line-item basis. Revenues are budgeted by source and expenditures are budgeted by expense classification within each revenue source.

Activities - The programs administered by the Authority were:

Program	CFDA #	Project #	Units Authorized
Public Housing			
Public and Indian Housing Program	14.850	NJ50	64
Public Housing Capital Fund	14.872	NJ50	
Resident Opportunity and Supportive Services	14.870		
PIH FSS Program	14.896		
Section 8 Housing			
Section 8 Housing Choice Vouchers	14.871	NJ50	1615
Emergency Housing Vouchers	14.EHV		27
Business Activities			0

Public and Indian Housing Program:

Under the Public and Indian Housing Program, the Authority rents units that it owns to low-income households. This program is operated under an Annual Contributions Contract (ACC) with HUD. HUD's rent subsidy program provides housing assistance to low-income families so that they are able to lease "decent, safe, and sanitary" housing for specific eligible tenants. The rent paid by the tenant is a percentage of tenant gross income subject to a $50 minimum; it cannot exceed the greater of the following amounts: (a) 30% of the family's adjusted monthly income, (b) 10% of the family's monthly income, or (c) the Housing Authority of the City of East Orange flat rent amount.

Activities- Continued

Section 8 Housing Choice Voucher Program:
Under the Section 8 Housing Choice Voucher Program, the Authority administers contracts with independent landlords to provide housing to Section 8 tenants. The Authority subsidizes the tenant's rent through Housing Assistance Payment made to the landlord. This program is also administered under an Annual Contributions Contract (ACC) with HUD. HUD provides annual contributions funding to enable the Authority to structure a lease that sets the participants' rent at approximately 30% of household income subject to certain restrictions.

Section 8 Emergency Housing Voucher Program:
The Emergency Housing Voucher (EHV) program is available through the American Rescue Plan Act (ARPA). Through EHV, HUD is providing housing choice vouchers to local Public Housing Authorities (PHAs) to assist individuals and families who are homeless, at-risk of homelessness, fleeing, or attempting to flee, domestic violence, dating violence, sexual assault, stalking, or human trafficking, or were recently homeless or have a high risk of housing instability.

Public Housing Capital Fund Program:
The Public Housing Capital Fund was established under the Quality Housing & Work Responsibility Act of 1998 (QHWRA). Substantially all additions to land, structures and equipment are accomplished through these programs (included in the financial statements under PHA Owned Housing). These funds replace or materially upgrade deteriorated portions of existing Authority property. This fund is used for repairs, major replacements, upgrading and other non-routine maintenance work that needs to be done on the Authority's apartments to keep them clean, safe and in good condition.

Rental Assistance Demonstration Program
The Rental Assistance Demonstration was created in order to give public housing authorities (PHAs) a powerful tool to preserve and improve public housing properties. RAD allows public housing agencies to leverage public and private debt and equity in order to reinvest in the public housing stock. Public housing units move to a Section 8 platform with a long-term contract under which residents continue to pay 30% of their income towards the rent and they maintain the same basic rights as they possess in the public housing program.

Resident Opportunity and Support Services – ROSS:
This program works to promote the development of local strategies to coordinate the use of assistance under the Public Housing program with public and private resources, for supportive services and resident empowerment activities. These services should enable participating families to increase earned income, reduce or eliminate the need for welfare assistance, make progress toward achieving economic independence and housing self-sufficiency or, in the case of elderly or disabled residents, help improve living conditions and enable residents to age-in-place.

Activities - Continued

State - Congregate Housing Services Program

The Congregate Housing Services Program offers States grants to provide meals and other supportive services needed by frail elderly residents and residents with disabilities in federally subsidized housing. This program prevents premature and unnecessary institutionalization of frail elderly, non-elderly disabled, and temporarily disabled persons. It provides a variety of innovative approaches for the delivery of meals and non-medical supportive services while making use of existing service programs, fills gaps in existing service systems, and ensures availability of funding for meals and other programs necessary for independent living. Assistance is in the form of grants to provide at least one hot meal per day in a group setting, 7 days per week, plus other supportive services necessary for independent living.

PIH Family Self Sufficiency Program

FSS is a program that enables HUD-assisted families to increase their earned income and reduce their dependency on welfare assistance and rental subsidies. Public Housing Agencies (PHAs) work in collaboration with a Program Coordinating Committee (PCC) to secure commitments of public and private resources for the operation of the FSS program, to develop the PHA's FSS Action Plan (the FSS policy framework), and to implement the program. The term of the FSS contract is generally 5 years, but it may be extended for another 2 years by the PHA for good cause. An interest-bearing escrow account is established by the PHA for each participating family.

Business Activities

The Authority is in the process of developing sixty (60) senior units in the City of East Orange.

Component Unit – Discretely Presented

The decision to include a potential unit in the Authority's reporting entity is based on several criteria set forth in GASB Statement No. 2100 and 2300, and AU-C 230 including legal standing, fiscal dependency, and financial accountability. The Authority has identified the East Orange Housing and Community Development Corporation as a component unit. In accordance with GASB Statement No. 2100 and 2300, and AU-C 230, due to the Authority manages the financial affairs of this nonprofit corporation and is financial burden on the Authority to provide support; this entity is being reported as a discretely presented component unit. Therefore, the activity of this nonprofit corporation is presented as a component unit on the Authority's electronically filed financial data schedule. The method of accounting for the component unit is in accordance with accounting principles generally accepted in the United States of America. This corporation operates on a calendar year that ended on December 31. East Orange Housing and Community Development Corporation was formed for the purpose of developing, operating, and managing low- and moderate-income housing in the City of East Orange

Revenue from Rental Contracts

The Authority recognizes rental revenue from tenants who entered into a lease agreement (contract) for a unit in the development. The lease agreement allows the tenant use of the unit until the expiration of the lease term or cancellation by the tenant or landlord due to cause. Lease terms are for one year, unless mutually agreed to by the landlord and the tenant(s) prior to move in. Tenant(s) has to be income qualified in accordance with income limitations before allowed to occupy unit.

All lease agreements have similar terms; therefore all lease contract revenue has been aggregated in the caption rental income in the statement of revenue, expenses and changes in net position. The lease contract revenue is recognized at the end of each month when the performance obligation of providing a unit is complete. The performance obligation each month also includes applicable maintenance services provided to maintain the tenant's unit and the buildings. Since the performance of these services are completed simultaneously each month, they are treated as performance obligation.

Tenant's lease payments are due the first day of each month of the lease term. The monthly unit rental charge is determined based on HUD calculation. Any tenant's rental payment not received by the fifth day of each month will be considered late. Any rental payment received in advance of the first day of the month are recognized as deferred revenue since the conditions for recognizing revenue will not occur until the end of the following month.

Sources of Income

Housing Authority

The major sources of revenue are HUD operating subsidies, tenants dwelling rents, HAP portability payments, and other revenue. Other revenue composed primarily of miscellaneous fees from the tenant, management fees and HAP portability payments. The Authority provides housing assistance payments to participating owners on behalf of eligible tenants. The Authority also provides provide decent, safe, and sanitary housing for extremely low and very low-income families. The revenue is recorded as earned since it is measurable and available.

Component Unit

The Corporation's revenues consist primarily of dwelling rental income, other government grants and donations.

Board of Commissioners
The following criteria define the scope of the entity for financial reporting purposes:

1. Oversight of Financial Independence
   The Board has the authority to supervise and ensure the financial independence of any component unit.

2. Governing and Decision-Making Authority
   The Board possesses ultimate governing authority, including responsibility for financial decision-making and accountability for those decisions.

3. Appointment and Accountability of Management
   The Board appoints the Authority's management team, which is responsible for day-to-day operations and is directly accountable to the Board.

4. Influence Over Operations
   The Board exercises significant influence over operations through budget approvals, contract authorization, control of facilities, and decisions regarding the hiring or retention of key managerial personnel.

5. Fiscal Control and Accountability
   The Board maintains absolute authority over all funds of the Authority and assumes full accountability for fiscal matters.

NOTE 2 – ESTIMATES
The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the collectability of accounts receivable, the use, and recoverability of inventory, and the useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. The most significant estimates included in the preparation of the financial statements are allowance for doubtful accounts and estimated fixed asset lives.

NOTE 3 - PENSION PLAN

The Authority participates in the State of New Jersey Public Employees Retirement System (PERS), which is sponsored and administered by the New Jersey Division of Pensions and Benefits. It is a cost sharing, multiple employers defined benefit pension plan. PERS was established in January 1955 under the provision of NJ SA 43:15A to provide coverage, including post-retirement health care, for substantially all full-time employees of the state, its counties, municipalities, school districts or public agencies, provided the employee is not a member of another state administered retirement system.

Membership is mandatory for such employees. Contributions to the plan are made by both the employee and the Authority. Required employee contributions to the system are based on a flat rate determined by the New Jersey Division of Pensions for active plan members. Benefits paid to retired employees are based on length of service, latest earnings, and veteran status. Authority contributions to the system are determined by PERS and are billed annually to the Authority.

The State of New Jersey, Department of Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information for PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0925.

On the web: http://www.nj.gov/treasury/pensions/documents/financial/gasb/gasb68-pers18.pdf

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994 and Chapter 115, P.L. of 1998, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employer's contributions are actuarially determined annually by the Division of Pensions. Employee contributions are currently 7.5% of base wages. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments, the cost of medical premiums after retirement for qualified retirees, and noncontributory death benefits. The Authority's contribution for 2025 amounted to $262,287 and $204,167 for 2024.

Post Employment Retirement Benefits

The Authority provides post employment health care benefits and life insurance for its eligible retirees. Eligibility requires that employees be 55 years or older with various years of service.

Further information on the Pension Plan and its effects due to the adoption of GASB 68 can be found in Note 20 – Accrued Pension Liability.

NOTE 4 – CASH, CASH EQUIVALENTS

Cash and Cash Equivalents

Cash and cash equivalents of the Housing Authority of the City of East Orange are stated at cost, which approximates fair value. Cash and cash equivalents include cash on deposit in financial institutions, petty cash, money market accounts, certificates of deposit, and other highly liquid investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows, cash and cash equivalents include all cash balances and investments with original maturities of three months or less at the time of purchase.

Concentration of Credit Risk

HUD regulations require housing authorities to invest excess funds in obligations of the United States Government, certificates of deposit, or other federally insured investments. In addition, HUD requires that deposits be fully collateralized. Acceptable collateral includes FDIC insurance coverage and securities with a market value sufficient to secure deposits in excess of federally insured limits. Obligations of the United States Government may also be pledged as collateral for deposits. Such collateral must be held by the Authority or by an independent bank or trust company in the Authority's name. The Authority's deposits are collateralized in accordance with the requirements of HUD regulations and applicable provisions of New Jersey banking laws.

Risk Disclosures

Collateral for Deposits

Pursuant to N.J.S.A. 40A:5-14, public funds of New Jersey authorities must be deposited in financial institutions authorized to do business in the State of New Jersey or invested through the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 specifies the types of securities in which public entities may invest. The Authority is required to maintain its deposits with financial institutions that participate in the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted to safeguard governmental deposits from loss due to the failure of a participating financial institution and provides additional protection for public funds held in excess of FDIC insurance limits.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. To minimize exposure to such risk, the Authority's investment policy generally limits investments to maturities of two years or less at the time of purchase. As of December 31, 2025, all of the Authority's deposits and investments were either available on demand or had maturities of less than two years.

NOTE 4 - CASH AND CASH EQUIVALENTS (CONTINUED)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The Authority's investment policy is designed to minimize credit risk by limiting investments to authorized investment instruments and by restricting concentrations of investments in any single issuer, other than the United States Government, its agencies, and instrumentalities.

The Authority's bank deposits are exposed to custodial credit risk, which is the risk that, in the event of a financial institution's failure, the Authority may not be able to recover its deposits. To assess this risk, deposits are categorized according to the level of custodial protection provided.

Custodial credit risk categories are described as follows:

- **Category 1** – Deposits insured or collateralized with securities held by the Authority or its agent in the Authority's name.

- **Category 2** – Deposits collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.

- **Category 3** – Deposits that are uncollateralized, including any deposits for which the securities are held by the pledging financial institution or its agent but not in the Authority's name.

However, under GASB reporting standards and the protections afforded by GUDPA, deposits are generally reported based on custodial credit risk disclosures applicable at year-end. The Authority primary government cash deposits are classified as category 1 as of December 31, 2025, and 2024.

The custodial credit risk categories are described as follows:

Depository Accounts	Primary Government	Component Unit
Insured	$ 250,000	$ 250,000
Collateralized held by pledging bank's trust department in the Authority's name	3,817,300	-
Uninsured -Component Unit	-	9,321
Total Cash, Cash Equivalents	$ 4,067,300	$ 259,321

NOTE 4 – CASH, CASH EQUIVALENTS – CONTINUED

Component Unit

The East Orange Housing and Community Development Corporation maintains its cash in financial institutions insured by Federal Deposit Insurance Corporation (FDIC). Deposit accounts, at times, may exceed federally insured limits. The Corporation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalent.

Restricted Cash

The Authority has restricted cash on December 31, 2025, in the amount of $27,317. This amount is held as security deposits for the tenants of the Public and Indian Housing program in an interest-bearing account.

The restricted cash in the amount of $121,273 for 2025 was reported under the Emergency Housing Voucher Program as a HAP reserve for future use. In accordance with HUD's PIH Notice 2007-03, the reserve fund balance may only be used to assist additional families up to the number of units under contract.

The Authority under the Section 8 Housing Choice Voucher program is administering a Family Self-Sufficiency (FSS) program. An interest-bearing FSS escrow account is established by the PHA for each participating family. The amount on deposit was $283,549 on December 31, 2025. The Authority deemed a payable amount of $253,730 for the participants of the FSS program.

The restricted cash in the amount of $-0- for 2025 was reported under the Housing Voucher Program as a HAP reserve for fund use. In accordance with HUD's PIH Notice 2007-03, the reserve fund balance may only be used to assist additional families up to the number of units under contract.

Restricted Cash -Component Unit

The East Orange Housing and Community Development Corporation placed $250,000 in a Certificate of Deposit for the purpose of funding future construction costs. The current balance on December 31, 2025, is $190,668. There was also a restricted cash balance of $30,370. This is held as security deposits for the tenants.

Investments

The Component Unit investments on December 31, 2025, included the following:

Investments	Maturities	31-Dec-25 Interest Rate	31-Dec-25 Fair Value	31-Dec-24 Fair Value
Fixed Income Account	Upon Demand	3.79%	$ 190,668	$ 181,660
Money Market Account	Upon Demand	0.00%	638	8,650
Total			$ 191,306	$ 190,310

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts Receivable on December 31, 2025, and 2024 consisted of the following:

	December-25 Primary Government	December-25 Component Unit
Tenants Accounts Receivable - Present	$ 4,399	$ 4,454
Less: Allowance for Doubtful Accounts	(3,038)	-
Net Tenants Accounts Receivable	1,361	4,454
Accounts Receivable - HUD	341,630	-
Accounts Receivable - Other Government	591,116	-
Accounts Receivable - Misc Fees and Deposits	83,591	-
Net Accounts Receivable - Other Receivables	1,016,337	-
Net Accounts Receivables - December 31, 2024	$ 1,017,698	$ 4,454

	December-24 Primary Government	December-24 Component Unit
Tenants Accounts Receivable - Present	$ 26,847	$ 2,235
Less: Allowance for Doubtful Accounts	(22,713)	-
Net Tenants Accounts Receivable	4,134	2,235
Accounts Receivable - HUD	611,516	-
Accounts Receivable - Other Government	67,205	-
Accounts Receivable - Misc Fees and Deposits	283,642	219,226
Net Accounts Receivable - Other Receivables	962,363	219,226
Net Accounts Receivables - December 31, 2024	$ 966,497	$ 221,461

Tenant Rent and Receivables Policy

Tenant rent is due on the first day of each month. Payments not received by the fifth day are considered past due, and late fees are assessed accordingly.

Tenant receivables are reported at the net amount management reasonably expects to collect, after deducting an allowance for doubtful accounts. Receivables deemed uncollectible are charged to bad debt expense following a periodic review conducted by management.

NOTE 5 - ACCOUNTS RECEIVABLE -CONTINUED

While generally accepted accounting principles (GAAP) in the United States require the use of the allowance method to recognize bad debts, the impact of applying the direct write-off method is not materially different from the results that would be achieved under the allowance method.

Any recoveries of previously written-off debts are recognized as income in the year they are received. For the fiscal period ending December 31, 2025, the total bad debt expense recorded was $6,378 and for 2024 was $9,562.

NOTE 6 – PREPAID EXPENSES

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items. All purchases of insurance premiums are written off monthly. Acquisition of materials and supplies is accounted for by the consumption method, that is, the expenses are charged when the items are consumed. Prepaid expenses on December 31, 2025, and 2024 consisted of the following:

	December-25 Primary Government	December-24 Primary Government
Prepaid Insurance	$ 8,187	$ 31,685
Insurance Deposits	135,458	135,458
Maintenance Room Inventory	-	5,883
Total Prepaid Expenses	$ 143,645	$ 173,026

The Authority reported insurance deposit in the amount of $135,458 which represents the required HAARG insurance deposits. This insurance deposit will be refunded sixty months (60) after the Authority cancels the coverage with HAARG.

NOTE 7 – INTERFUND ACTIVITY

Interfund activity is reported as short-term loans, services provided during the course of operations, reimbursements, or transfers. Short-term loans are reported as interfund short term receivable and payable as appropriate. The amounts between the various programs administered by the Authority on December 31, 2025, are detailed in the Financial Data Schedule of this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

NOTE 8 - FIXED ASSETS

Fixed assets primarily represent expenditures incurred to acquire, construct, place into operation, and improve the Authority's facilities. These assets are recorded at cost, as determined by appraisal.

Routine repairs, maintenance, and minor renewals are expensed in the year incurred, while major renewals and improvements are capitalized. Capitalization occurs when expenditure meets the requirements outlined in the Authority's Capitalization Policy. Under this policy, assets purchased or constructed at a cost of $5,000 or less are expense immediately.

Property and equipment are stated at cost, and donated fixed assets are recorded at their fair value on the date of donation.

Housing Authority
Depreciation Expense
Depreciation expense for December 31, 2025, was $128,460 and for 2024 was $117,271. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

1. Building and Structure	40 years
2. Office Improvements	7 years
3. Site Improvements	15 years
4. Building Components	15 years
5. Office Equipment	5 years

The Authority has been and is currently involved in various activities in conjunction with its modernization programs. In accordance with in accordance with GASB #42 *"Accounting for the Impairment or Disposal of Capital Assets and for Insurance Recoveries.* Under the provisions of the statement, long-lived assets are to be reviewed for impairment. Application for measurement of long-lived assets should be at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or discontinued operations.

The major capital additions during the year were:

- Unit Renovations
- Roof Replacement
- Boiler Replacement
- Additional Security Cameras

NOTE 8 - FIXED ASSETS -CONTINUED

Below is a schedule of changes in fixed assets for the Authority primary government for the twelve months ending December 31, 2025:

Housing Authority	December-24	Additions	Transfer	December-25
Land	$ 1,656,932	$ -	$ (191,984)	$ 1,464,948
Building	3,335,504	168,836	191,984	3,696,324
Furniture, Equipment - Dwelling	355,754	-	-	355,754
Furniture, Equipment - Administration	282,525	1	-	282,526
Leasehold Improvements	24,900	3,445	-	28,345
Construction in Process	1,177,887	381,443	-	1,559,330
Total Fixed Assets	6,833,502	553,725	-	7,387,227
Accumulated Depreciation	(2,685,837)	(128,460)	-	(2,814,297)
Net Book Value	$ 4,147,665	$ 425,265	$ -	4,572,930

Below is a schedule of the netbook value of the fixed assets for the Authority as of December 31, 2025:

	December-25
Land	$ 1,464,948
Building	1,527,421
Furniture, Equipment - Dwelling	-
Furniture, Equipment - Administration	-
Leasehold Improvements	21,231
Construction in Process	1,559,330
Net Book Value	$ 4,572,930

NOTE 8 - FIXED ASSETS – CONTINUED

Component Unit

Fixed assets consist primarily of expenditures to acquire and construct affordable housing in the City of East Orange. Expenditures are capitalized when they meet the Capitalization Policy requirements. Under the policy, assets purchased or constructed at a cost not exceeding $500 are expensed when incurred. Depreciation of capital assets is provided using the straight-line basis over the useful lives of the respective assets.

Depreciation

Buildings are depreciated over 15-40 years, and furniture, equipment, and machinery are being depreciated over 3-7 years. Depreciation expense for December 31, 2025, was $146,792 and for 2024 was $149,304.

Below is a schedule of changes in fixed assets for the component unit for the twelve months ending December 31, 2025:

	December-24	Additions	December-25
Land	$ 154,170	$ -	$ 154,170
Land Improvements	2,733,376	-	2,733,376
Building and Contents	257,501		257,501
Leasehold Improvements	-	23,814	23,814
Construction in Process	82,976	109,791	192,767
Total Capital Assets	3,228,023	133,605	3,361,628
Less Accumulated Depreciation	(327,349)	(146,792)	(474,141)
Net Book Value	$ 2,900,674	$ (13,187)	2,887,487

Below is a schedule of the netbook value of the fixed assets for the Corporation as of December 31, 2025:

	December-25
Land	$ 154,170
Land Improvements	2,513,777
Building and Contents	2,959
Leasehold Improvements	23,814
Construction in Process	192,767
Net Book Value	$ 2,887,487

NOTE 9- MORTGAGE NOTE RECEIVABLE - LONG TERM

The Authority as of December 31, 2025, has the following Mortgage receivable:

	Mortgage Balance December-25	Accrued Interest December-25	Total December-25
Genesis Note #1	$ 4,320,265	$ 949,948	$ 5,270,213
Genesis Note #2 and #3	5,181,335	484,238	5,665,573
160 Halstead Street	630,000	20,632	650,632
Total Mortgage Receivable	$ 10,131,600	$ 1,454,818	$ 11,586,418

	Balance December-24	Accrued Interest December-25	Accrued Interest Payment Made	Total December-25
Genesis Note #1	$ 5,206,536	$ 194,412	$ (130,735)	$ 5,270,213
Genesis Note #2 and #3	5,621,213	135,438	(91,078)	$ 5,665,573
160 Halstead Street	644,332	6,300	-	$ 650,632
Total Mortgage Receivable	$ 11,472,081	$ 336,150	$ (221,813)	$ 11,586,418

First Note

As of August 23, 2018, the Authority entered into an agreement with Genesis Concord Vista LLC (First Note) for a mortgage note in relation to the conversion AMP 3 to RAD (Rental Assistance Demonstration), in the amount of $4,320,265. The maturity date of the note is August 23, 2050, and the note accrues interest annually at a rate of 4.50%. The amount accrued as of December 31, 2025, was $949,948. Management believes that they will receive the accrued interest.

Second Note

As of August 23, 2018, the Authority entered into an agreement with Genesis Concord Vista LLC (Second Note) for a mortgage note in relation to the conversion AMP 3 to RAD (Rental Assistance Demonstration), in the amount of $3,009,735. The maturity date of the note is August 23, 2050, and the note accrues interest annually at a rate of 4.50%. The amount accrued as of December 31, 2025, was $484,238. Management believes that they will receive the accrued interest.

Third Note

As of August 23, 2018, the Authority entered into an agreement with Genesis Concord Vista LLC (Third Note) for a mortgage note in relation to the conversion AMP 3 to RAD (Rental Assistance Demonstration), in the amount of $2,171,600. The maturity date of the note is August 23, 2050, and the note accrues interest annually at a rate of 4.50%. The amount accrued as of December 31, 2025, was $-0-. Management believes that they will receive the accrued interest.

NOTE 9- MORTGAGE NOTE RECEIVABLE - LONG TERM -CONTINUED

Fourth Note

In October 2020 the Authority provided a Note for the 160 Halstead Street project in the amount of $630,000. The interest rate is 1.00%. The maturity date is Thirty Years (30) from the date of advance of funds. Interest shall accrue on the outstanding principal balance of the Note. On the maturity date the entire unpaid principal balance of the note and all unpaid interest shall be immediately due and payable. The maturity date of the note is October 2055, and the note accrues interest annually at a rate of 1.00%. The amount accrued as of December 31, 2025, was $6,300. Management believes that they will receive the accrued interest.

NOTE 10 – RIGHT TO USE ASSETS

Right of use (ROU) assets represent the Authority's right to use an underlying asset for the lease term and lease liabilities represent their obligation to make lease payments arising from the lease. The lease liability is based on the future estimated cash payments discounted over the non-cancellable portion of the lease term. An implicit discount rate is included in the Authority's lease agreement. The operating lease ROU assets also includes any lease payments made and excludes lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term ROU asset (operating lease) and on the straight-line basis over lease term.

In January 2022, the Authority entered into a lease with a postage machine to lease. The agreement requires 60 monthly payments of $154. The Authority has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The discount rate used was 4.0%. The right to use assets are amortized on a straight-line basis over the life of the related lease. The amount of amortization expense for December 31, 2025, was $1,677.

In January 2025, the Authority entered into a lease with a copier machine to lease three (3) copiers. The agreement requires 48 monthly payments of $394. The Authority has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The discount rate used was 12% which is the weighted discount rate remaining. The right to use assets are amortized on a straight-line basis over the life of the related lease. The amount of amortization expense for December 31, 2025, was $3,579.

NOTE 10 – RIGHT TO USE ASSETS - CONTINUED

On December 31, 2025, the weighted average remaining lease term for both leases is 39 months (3.25 years).

On December 31, 2025, the weighted average discount rate for both leases is 10.4%.

The right to use assets are amortized on a straight-line basis over the life of the related leases.

	Postage Machine	3 Copiers	Total
Initial Present Value	$ 8,385	17893	$ 26,278
Less Accumulated Depreciation	(6,715)	(3,579)	(10,294)
Net Right to Use Assets	$ 1,670	$ 14,314	$ 15,984

Future minimum lease payments under operating leases as of December 31, 2025, are as follows

	Postage Machine	3 Copiers	Total
December-26	$ 1,477	$ 1,597	$ 3,074
December-27	-	2,465	2,465
December-28	-	4,374	4,374
December-29	-	5,251	5,251
Total	$ 1,477	$ 13,687	$ 15,164

NOTE 11 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A deferred outflow is an outflow of resources, which is a consumption of net assets by the government that is applicable to the reporting period. A deferred inflow is an inflow of resources, which is an acquisition of net assets by the government that is applicable to the reporting period.

The OPEB and Pension Liability discussed in Note 19 and 20 resulted in the Authority incurring deferred outflows and inflows. The difference between expected and actual experience with regard to economic and demographic factors, when the actuary calculated the net pension liability, is amortized over a five-year closed period for OPEB and PERS, reflecting the average remaining service life of members (active and inactive members), respectively. The first year of amortization is recognized as pension expense and OPEB with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources.

The Authority's deferred outflows and inflows are as of December 31, 2025, follows:

Deferred Outflows of Resources	OPEB	Pension	Total
Differences Between Expected and Actual Experiences	$ 267,193	$ 67,297	$ 334,490
Changes in Assumptions	882,050	373	882,423
Net Difference Between Projected and Actual Earning on Pension Plan Investments	-	-	-
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	1,652,102	791,365	2,443,467
Total	$ 2,801,345	$ 859,035	$ 3,660,380

Deferred Inflows of Resources	OPEB	Pension	Total
Differences Between Expected and Actual Experiences	$ 893,939	$ 2,522	$ 896,461
Changes in Assumptions	875,786	27,193	902,979
Net Difference Between Projected and Actual Earning on Pension Plan Investments	2,388	196,819	199,207
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	137,535	493,563	631,098
Total	$ 1,909,648	$ 720,097	$ 2,629,745

NOTE 11 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES -CONTINUED

Difference in Expected and Actual Experience

The difference between expected and actual experience with regard to economic and demographic factors is amortized over a five-year closed period reflecting the average remaining service life of the plan members (active and inactive), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is $334,490 and $896,461.

Changes in Assumptions

The change in assumptions about future economic or demographic factors or other inputs is amortized over a five-year closed period, reflecting the average remaining service life of the plan members (active and inactive members), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is $882,423 and $902,979.

Net Difference between Projected and Actual Investments Earnings on Pension Plan Investments

The difference between the System's expected rate of return of and the actual investment earnings on pension plan investments is amortized over a five-year closed period in accordance with GASB 68 and GASB 75. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is $-0- and $199,207.

Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions

The change in employer proportionate share is the amount of difference between the employer proportionate shares of net pension liability in the prior year compared to the current year. The difference between employer contributions and proportionate share of contributions is the difference between the total amount of employer contributions and the amount of the proportionate share of employer contributions. The change in proportionate share and the difference between employer contributions and proportionate share of contributions is amortized over a six-year closed period for OPEB and PERS, reflecting the average remaining service life of members (active and inactive members), respectively. The changes in proportion and differences between employer contributions and proportionate share of contributions for the fiscal year are $2,443,467 and $631,098.

NOTE 12 – ACCOUNTS PAYABLE

Accounts payable are a liability account that represents the amount owed by the Authority to its creditors for goods or services received but not yet paid for. When the Authority receives goods or services on credit, it incurs a liability to pay the vendor or supplier in the future. This liability is recorded as an account payable on the Authority's financial statements, specifically on the Statement of Net Position under the category of current liabilities. Accounts payable are an important aspect of a company's financial management, as they represent its short-term obligations to its vendors and suppliers. Accounts payable on December 31, 2025, and 2024 consist of the following:

Primary Government	December-25	December-24
Accounts Payable Vendors	$ 35,275	$ 128,375
Accounts Payable - FSS Participants	253,730	-
Accounts Payable - P.I.L.O.T.	25,365	14,440
Total Accounts Payable -Primary Government	314,370	142,815
Component Unit		
Accounts Payable Vendors	11,911	10,101
Total Accounts Payable	$ 326,281	$ 152,916

NOTE 13 – ACCOUNTS PAYABLE – OTHER GOVERNMENT (PILOT PAYABLE)

Under Federal, State and local law, the Authority's programs are exempt from income, property and excise taxes. However, the Authority is required to make a payment in lieu of taxes (PILOT) for the PHA Owned Program in accordance with the provisions of its Cooperation Agreement with the City of East Orange. The total amount of PILOT payable on December 31, 2025, was $25,365. The PILOT expense for December 2025 is $10,925.

NOTE 14 – ACCRUED EXPENSES

Accrued expenses are Authority expenses that have been incurred but have not yet paid. These expenses are recognized in the financial statements before payment has been made, and typically refer to items such as salaries, interest, and taxes. Accrued expenses on December 31, 2025, and 2024 consisted of the following:

Primary Government	December-25	December-24
Accrued Wages/Payroll Taxes	$ 16,751	$ 9,915
Compensated Absences - Current Portion	284,106	281,328
Accrued Vendor Invoices	-	43,635
Total Accrued Expenses -Primary Government	300,857	334,878

NOTE 15 – ACCRUED COMPENSATED ABSENCES

Compensated absences are those absences for which employees will be paid, such as vacation and sick leave computed in accordance with *GASB Statement No. 101.* A liability for compensated absences that is attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Authority and its employees are accounted for in the period in which such services are rendered or in which such events take place.

Policy

Employees may only accumulate vacation leave with the approval of the Executive Director. Unused sick leave may be carried to future periods and used in the event of extended illness. Employees may be compensated for accumulated vacation and sick leave in the event of retirement or termination from service based on the current provisions outlined in the union contract.

In 2017 the Authority reached an agreement to allow nonunion employees to accumulate vacation time beforehand was only allowed for union employees.

The Authority has determined that the potential liability for accumulated vacation and sick time is as follows:

Balance on December-24	Additions	Payments	Balance on December-25	Current Portion
$ 281,328	$ 8,746	$ (5,968)	$ 284,106	$ 284,106

NOTE 16 – UNEARNED REVENUE

Unearned revenue represents resources received or recognized before the Authority has satisfied the requirements for revenue recognition. Such amounts are recorded as liabilities until the related services are provided, eligibility requirements are met, or the applicable time period has elapsed.

Unearned revenue primarily consists of tenant's rent payments, grant proceeds received in advance of allowable expenditures, and other amounts received prior to being earned. As of December 31, 2025, and 2024, the Authority reported unearned revenue of $927 and $-0- for January tenants rents payments received.

NOTE 17 – FSS LIABILITY

The Authority reported an FSS liability of $253,730 on December 31, 2025, which was accounting in the accounts payable.

The Authority under the Section 8 Housing Choice Voucher program is administering a Family Self-Sufficiency (FSS) program. An interest-bearing FSS escrow account is established by the PHA for each participating family. An escrow credit, based on increases in earned income of the family, is credited to this account by the PHA during the term of the FSS contract. The PHA may make a portion of this escrow account available to the family during the term of the contract to enable the family to complete an interim goal such as education.

If the family completes the contract and no member of the family is receiving welfare, the amount of the FSS account is paid to the head of the family. If the PHA terminates the FSS contract, or if the family fails to complete the contract before its expiration, the family's FSS escrow funds are forfeited.

NOTE 18 – LOAN LIABILITY – COMPONENT UNIT

The Corporation has the following loans outstanding on December 31, 2025

Amherst Loan	$	316,331
PNC Loan		973,727
Total Loans Outstanding	$	1,290,058

NOTE 18 – LOAN LIABILITY – COMPONENT UNIT - CONTINUED

	Balance December-24	Payments Made	Balance December-25	Current Portion
Amherst Loan	$ 319,912	$ (3,581)	$ 316,331	$ 11,390
PNC Loan	991,050	(17,323)	973,727	22,314
Total Loans Outstanding	$ 1,310,962	$ (20,904)	$ 1,290,058	$ 33,704

Amherst Loan

The Corporation obtained temporary financing with the New Jersey Community Capital (Lender) in the amount of not to exceed $332,485 for the acquisition and construction cost for the two (2) two-unit rental properties located at 108 and 114 Amherst Street, East Orange, New Jersey. The term of the construction loan is for twelve (12) months with one optional six (6) month extension at the request of the Corporation. The Mini-permanent term is for seventy -two (72) months based on a three hundred (300) month amortization schedule. Upon a certificate of occupancy, the loan will convert to a seventy -two (72) month mini-permanent loan, with payments based on the outstanding principal balance and a two-hundred and forty (240) month amortization schedule. At maturity, all outstanding principal, accrued interest and fees, shall be due and payable in full.

The temporary financing loan in the amount of $332,485 was converted to a permanent loan on October 1, 2021, when the Corporation obtain a Certificate of Occupancy for the units. The loan bears an interest rate applicable to 7.00% with a maturity date of September 1, 2026. The loan has two hundred forty (240) month amortization with a seventy-two (72) month payout.

The debt requirements as to principal reduction of the mortgages for long term debt until exhausted are as follows:

December 31, 2026	$ 11,390
December 31, 2027	12,213
December 31, 2028	13,096
December 31, 2029	14,043
December 31, 2030	15,058
Subtotal	65,800
Therafter	250,531
Total	$ 316,331

NOTE 18 – LOAN LIABILITY – COMPONENT UNIT - CONTINUED

PNC Bank Loan

The Corporation obtain financing with the Children Home Society of New Jersey March 25, 2025, in the amount of $1,000,000 for the acquisition and construction cost for the six (6) single family row homes rental properties located at 43 Eaton Place, East Orange, New Jersey. The term of the loan is sixty months (60) with an amortization of twenty-five years (25). The loan bears an interest rate applicable to 6.42% with a maturity date of June 1, 2029. The debt requirements as to principal reduction of the mortgages for long term debt until exhausted are as follows:

December 31, 2026	$ 22,314
December 31, 2027	23,456
December 31, 2028	24,655
December 31, 2029	903,302
Total	$ 973,727

NOTE 19 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

The Authority as of December 31, 2025, reported accrued pension and OPEB liability amounts as follows:

	December-25	December-24
Accrued OPEB Liability	$ 5,276,019	$ 4,283,603
Accrued Pension Liability	2,360,312	2,038,795
Total OPEB and Pension Liability	$ 7,636,331	$ 6,322,398

These amounts arose due to adoption of GASB #75 (OPEB) in 2017 year as well as GASB #68 (Pension) which was adopted in 2014 year. This note will discuss the liability associated with GASB #75, which is accrued to other postemployment benefits. Note - 20 will discuss the effect of GASB #68 pension liability which arose from that.

OPEB Liability

The Authority as of December 31, 2025, reported a net OPEB liability in the amount of $5,276,019 due to GASB #75. The component of the current year net OPEB liability of the Authority as of June 30, 2024, the last evaluation date, is as follows:

	June-24	June-23
Employer Total OPEB Liability	$ 5,229,702	$ 4,243,827
Plan Net Position	46,317	39,776
Employer Net OPEB Liability	$ 5,276,019	$ 4,283,603

The Authority allocation percentage is 0.028502% as of June 30, 2024.

NOTE 19 – OTHER POST EMPLOYMENT BENEFITS - CONTINUED

OPEB Liability – Plan Description and Benefits Provided

Plan Description: The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost-sharing multiple- employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at https://www.state.nj.us/treasury/pensions/financial-reports.shtml.

Benefits Provided: The Plan provides medical and prescription drug to retirees and their covered dependents of the participating employers. Under the provisions of Chapter 88, P.L 1974 and Chapter 48, P.L. 1999, local government employees electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission.

OPEB Liability – Plan Description and Benefits Provided - Continued

Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who:

1) retired on a disability pension; or

2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or

3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or

4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiation's agreement.

NOTE 19 – OTHER POST EMPLOYMENT BENEFITS - CONTINUED
OPEB Liability – Plan Description and Benefits Provided - Continued
Pursuant to Chapter 78, P.L, 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011, will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

Allocation Methodology
GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. The total OPEB liability for the year ended December 31, 2025, was $5,276,019.

Employees covered by benefits terms: On June 30, 2024 (the census date), the following employees were covered by the benefits terms:

Plan Members	28

Net OPEB Liability
The total OPEB liability as of June 30, 2024, latest report, was determined by an actuarial valuation as of June 30, 2022, which was rolled forward to June 30, 2024. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Actuarial Assumptions: The total OPEB Liability on June 30, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement, unless otherwise specified:

Inflation Rate = 2.16%
Salary Increases
Through 2026 = 2.00% to 6.00%
Thereafter = 3.00% to 7.00%

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2021 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2021 scale.

NOTE 19 – OTHER POST EMPLOYMENT BENEFITS - CONTINUED

Actuarial Assumptions - Continued

Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2021 scale.

Certain actuarial assumptions used in the June 30, 2021, valuation was based on the results of the pension plans' experience studies for which the members are eligible for coverage under this Plan - the Police and Firemen Retirement System (PFRS) and the Public Employees' Retirement System (PERS). The PFRS and PERS experience studies were prepared for the periods July 1, 2013 to June 30, 2024 and July 1, 2014 to June 30, 2024, respectively.

100% of active members are considered to participate in the Plan upon retirement.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.6% and decreases to a 4.5% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 7.5% decreasing to a 4.5% long-term trend rate after eight years. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2024, was 3.93% and 2023 was 3.65%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of the OPEB Liability to changes in the discount rate: The following presents the total OPEB liability of the Authority, as well as what the Authority's OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.93%) or one percentage point higher (4.93%) than the current discount rate:

	Discount Rate Sensitivity		
	1% Decrease	Current Rate	1% Increase
	2.93%	3.93%	4.93%
Total OPEB Liability	$ 6,145,993	$ 5,276,019	$ 4,579,246

NOTE 19 – OTHER POST EMPLOYMENT BENEFITS - CONTINUED

Sensitivity of the OPEB Liability to changes in healthcare cost trend rates: The following presents the total OPEB liability of the Authority, as well as what the Authority's OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates than the current healthcare cost trend rates:

	Healthcare Cost Inflation Rate Sensitivity		
	1% Decrease	Current	1% Increase
Total OPEB Liability	$ 4,462,435	$ 5,276,019	$ 6,322,059

Change in Assumptions: Effective June 30, 2024.

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflow of resources related to the changes in proportion. These amounts should be recognized (amortized) by each employer over the average remaining service lives of all plan members, which is 8.05, 8.14 and 8.04 year for the 2024.

Changes in Net OPEB Liability:

Total OPEB Liability	**2024**	**2023**
Service Cost	$ 160,615	$ 170,196
Interest on Total OPEB liability	163,374	165,704
Expected Investment Return	-	893
Administrative Expenses	9,270	3,596
Changes in Benefits Term	31,726	6,567
Current Period Deferred Inflows/Outflows of Resources	672,028	(256,384)
Inputs	120,366	(1,264,596)
Net Difference Between Projected and Actual Investments Earning on OPEB Plan Investments	-	453
Benefit Payments	(164,963)	-
Change in Plan	-	-
Net Change in Total OPEB Liability	992,416	(1,173,571)
Total OPEB Liability, Beginning	4,283,603	5,457,174
Total OPEB Liability, Ending	$ 5,276,019	$ 4,283,603

NOTE 19 – OTHER POST EMPLOYMENT BENEFITS - CONTINUED

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expenses as follows:

Year Ending June 30, 2025	$ (331,191)
Year Ending June 30, 2026	(142,587)
Year Ending June 30, 2027	(24,503)
Year Ending June 30, 2028	(130,633)
Year Ending June 30, 2029	(83,226)
Therafter	89,270
Total	$ (622,870)

NOTE 20 – ACCRUED PENSION LIABILITY

Net Pension Liability Information

The Authority as of December 31, 2025, reported a net pension liability in the amount of $2,360,312 due to GASB 68. The component of the current year net pension liability of the Authority as of June 30, 2025, the last evaluation date, is as follows:

	June-25	June-24
Employer Total Pension Liability	$ 8,454,437	$ 11,045,185
Plan Net Position	(6,094,125)	(9,006,390)
Employer Net Pension Liability	$ 2,360,312	$ 2,038,795

The Authority allocation percentage is 0.019191638% for June 2025 and 0.015004331% for June 30, 2024.

Plan Description

The Authority participates in the State of New Jersey Public Employees Retirement System (PERS), which is sponsored and administered by the New Jersey Division of Pensions and Benefits. The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division).

For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.gov/treasury/pensions/financial-reports.shtml.

NOTE 20 – ACCRUED PENSION LIABILITY – CONTINUED

Net Pension Liability Information

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The Authority participates in the State of New Jersey, Public Employees' Retirement System (PERS).

The following represents the membership tiers for PERS:

1) Tier 1 – Members who enrolled prior to July 1, 2007
2) Tier 2 – Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3) Tier 3 – Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4) Tier 4 – Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5) Tier 5 – Members who were eligible to enroll on or after June 28, 2011.

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability.

The actuaries will determine the unfunded liability of those retirement systems, by employers, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012, and will be adjusted by the rate of return on the actuarial value of assets.

Allocation Percentage Methodology

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense excluding that attributable to employer-paid member contributions are determined separately for each individual employer of the State and local groups of the plan.

NOTE 20 – ACCRUED PENSION LIABILITY – CONTINUED

Allocation Percentage Methodology

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedules of pension amounts by employer. The allocation percentages for each group as of June 30, 2025, are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2025.

The contribution for PERS is set by NJSA 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which include the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2025 the State's pension contribution was less than the actuarial determined amount.

Actuarial Assumptions

The total pension liability for June 30, 2025, measurement dates were determined by using an actuarial valuation as of July 1, 2022, with update procedures used to roll forward the total pension liability to June 30, 2025. The actuarial valuations used the following actuarial assumptions:

Inflation	2.75%
Salary Increases:	
Through 2026	2.00-6.00%, based on age
Thereafter	3.00-7.00%, based on age
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis.

Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2025.

The actuarial assumptions used in July 1, 2022, valuation were based on the results of an actuarial experience study for the period July 1, 2014, to June 30, 2025.

NOTE 20 – ACCRUED PENSION LIABILITY – CONTINUED

Actuarial Assumptions -Continued

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% on June 30, 2025) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2025, as summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk Mitigation Strategies	3.00%	3.40%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Investment Grade Credit	8.00%	2.67%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
U.S. Equity	27.00%	7.71%
Non-U.S. Developed Markets Equity	13.50%	8.57%
Emerging Markets Equity	5.00%	10.23%
Private Equity	13.00%	11.42%
	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2025, and for 2024. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers.

NOTE 20 – ACCRUED PENSION LIABILITY – CONTINUED

Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

The following presents the current-period net pension liability of the employers calculated using the current-period discount rate assumption of 7.0% percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.0% percent) or 1 percentage-point higher (8.0% percent) than the current assumption (in thousands). Sensitivity of the Authority's proportionate share of Net Pension Liability due to change in the Discount Rate:

	1% Decrease (6.0%)	Current Discount (7.0%)	1% Increase (8.0%)
Authority's Proprortionate Share of the Net Pension Liability (Asset)	$ 3,259,002	$ 2,360,312	$ 1,632,107

Collective Deferred Outflows of Resources and Deferred Inflows of Resources

The amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows:

Year Ending June 30, 2026	$ 43,716
Year Ending June 30, 2027	(91,244)
Year Ending June 30, 2028	(70,410)
Year Ending June 30, 2029	(41,215)
Year Ending June 30, 2030	289
Total	$ (158,864)

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.13, 5.16, 5.21, 5.63, 5.48 and 5.57 years for the 2021, 2020, 2019, 2018, 2017, and 2016 amounts, respectively.

NOTE 20 – ACCRUED PENSION LIABILITY – CONTINUED

Pension Expense

The components of allocable pension expense, which exclude pension expenses related to specific liabilities of individual employers, for the plan fiscal year ending June 30, 2025, are as follows:

Service Cost	$	154,849
Interest on the Total Pension Liability		570,934
Benefits Changes		-
Member Contributions		(126,824)
Administrative Expenses		4,121
Expected Investment Return Net of Investment Expenses		(366,780)
Pension Expense Related to Specific Liabilities of Individual Employers		(2,089)
Current Period Recognition (Amortization) of Deferred Outflows and Inflows of Resources:		
Difference Between Expected and Actual Experience		17,411
Changes of Assumptions		(26,574)
Differences Between Projected and Actual Investment Earnings on Pension Plan Investments		(143,512)
Total	$	81,536

NOTE 21 – NET INVESTMENT IN CAPITAL ASSETS

This component consists of land, construction in process and depreciable assets, net of accumulation and net of related debt outstanding. If there are significant unspent related debt proceeds as of year-end, the portion of the debt related to the unspent proceeds is not included in the calculation of investment in Net Investment in Capital Assets. Rather, that portion of the debt is included in the same net asset component as the unspent proceeds.

NOTE 22 – RESTRICTED NET POSITION

The Authority's Restricted Net Position account balance on December 31, 2025, is $121,273. The balance pertains to the Emergency Housing Vouchers - HAP

	Primary Government	Component Unit
Authority EHV HAP Reserve	$ 121,273	$ -
Reserve for Construction Project	-	200,000
Total Restricted Net Position	$ 121,273	$ 200,000

The restricted cash in the amount of $121,273 for 2025 was reported under the Emergency Housing Voucher Program as a HAP reserve for future use. In accordance with HUD's PIH Notice 2007-03, the reserve fund balance may only be used to assist additional families up to the number of units under contract.

Component Unit

The East Orange Housing and Community Development Corporation at the board meeting on October 24, 2018, approved placing funds in a certificate of deposit for future construction.

Housing Choice Voucher Program HUD Held Reserves Funds

Effective January 1, 2012, HUD was required to control the disbursement of funds in such a way that the Authority does not receive funds before they are needed, resulting in the re-establishment of HUD held program reserves to comply with the Treasury requirements. HUD held reserve is a holding account at the HUD level that maintains the excess of HAP funds that have been obligated (ABA) but undisbursed to the Authority. The excess HAP funds will remain obligated but not disbursed to the Authority. HUD will hold these funds until needed by the Authority. The amount of HUD reserves held for the Authority on December 31, 2025, was not made available.

NOTE 23 – UNRESTRICTED NET POSITION

Unrestricted net position is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Authority Board or may otherwise be limited by contractual agreements with outside parties.

The Authority's primary government Unrestricted Net Position account balance on December 31, 2025, is $11,427,984. The details of the account balance are as follows:

	Low Rent PIH Reserve	HCV ADM Reserve	COCC Reserve	Business Activities Reserve	Total
Balance December 31, 2024	$ 9,004,185	$ (117,180)	$ -	$ -	$ 8,887,005
Increase During the Year	1,072,370	70,413	-	1,600,124	2,742,907
(Decrease) During the Year	-	-	(997,435)	-	(997,435)
Transfer	(11,124,544)	-	11,124,544	-	-
Prior Period Adjustment	-	795,507	-	-	795,507
Balance December 31, 2025	$ (1,047,989)	$ 748,740	$ 10,127,109	$ 1,600,124	$ 11,427,984

NOTE 24 - ANNUAL CONTRIBUTIONS BY FEDERAL AGENCIES

HUD contributes operating subsidy for the Public and Indian program approved in the operating budget under the Annual Contribution Contract. The operating subsidy contributions for the year ended December 31, 2025, were $365,850.

Annual Contributions Contracts for the Section 8 Housing Choice Voucher Program and the Emergency Housing Voucher are to provide housing assistance payments to private owners of residential units on behalf of eligible low or very low-income families. The programs provide such payment with respect to existing housing covering the difference between the maximum rental on a dwelling unit, and the amount of rent contribution by the participating family and related administrative expenses. HUD contributions for the Section 8 Housing Choice Voucher for December 31, 2025, were $16,082,811 and the Emergency Housing Voucher program was $152,427.

NOTE 25 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Authority operations are concentrated in the low-income housing real estate market. In addition, the Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules, and regulations of federal, state, and local regulatory agencies, including, but not limited to HUD. Such administrative directives, rules, and regulations are subject to change by an act of congress, or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Total financial support by HUD was $16,898,417 to the Authority which represents approximately 92% percent of the Authority's total revenue for the year ended December 31, 2025.

NOTE 26 – GROUND LEASE

On August 23, 2018, the Authority entered into a ground lease agreement with a Developer for AMP #3 conversion and constructing rehab of existing 178 dwelling rental unit, known as the Genesis Concord Vista, LLC. The base rent shall be $1.00 per annum, payable at the signing of the agreement. The term of the lease is 32 years, unless sooner termination in accordance with the provisions of the lease.

On October 30, 2020, the Authority entered into a ground lease agreement with a Developer for the construction of existing 60 dwelling rental unit, known as the East Orange Housing Senior Supportive Housing. The base rent shall be $1.00 per annum, payable at the signing of the agreement. The term of the lease is 99 years, unless sooner termination is in accordance with the provisions of the lease.

On June 24, 2021, the Authority entered into a ground lease agreement with a Developer for the construction of existing 172 dwelling rental unit, known as the North Walnut Street development. The term of the lease is 99 years, unless sooner termination in accordance with the provisions of the lease with an initial rent of $1,500,000 and fixed rent of $30,000. The fixed rent shall be paid annually and shall be increased by two percent (2.0%) on the first day of the Second Lease Year and continue each Lease Year until the first date of the thirtieth (30th) Lease Year, thereafter the fixed rent shall not be subject to any further increases through the term of the Lease.

NOTE 27 – CONTINGENCIES AND COMMITMENTS

Litigation – On December 31, 2025, the Authority, from time-to-time, may be involved with lawsuits arising in the ordinary course of business. In the opinion of the Authority's management, any liability resulting from such litigation would not be material in relation to the Authority's financial position and results of operations.

Contingencies

The Authority is subject to possible examinations made by federal and state authorities who determine compliance with terms, conditions, laws, and regulations governing other grants given to the Authority in the current and prior years. There were no such examinations for the year ended December 31, 2025.

Other Insurance

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; natural disasters; etc. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

NOTE 27 – CONTINGENCIES AND COMMITMENTS -CONTINUED

Construction Commitments

On December 31, 2025, the Authority outstanding construction commitments pertaining to its capital fund were not material. The cost pertaining to such commitments will be paid by grants approved and committed to the Authority by the U.S. Department of Housing and Urban Development.

NOTE 28 - PRIOR PERIOD ADJUSTMENTS

For year ending December 31, 2025

As of December 31, 2025, the Authority had a prior period adjustment in the amount of $795,507 while recording the opening OPEB and Pension Liability as of January 1, 2025, for the change in the discount rate from the prior year.

NOTE 29 – SUBSEQUENT EVENTS

The events described in the statements pertain to the period between the statement of net assets date and the availability of the financial statements for issuance. During this interim period, any events that occurred must be assessed for potential recognition or disclosure. The effects of subsequent events serve as evidence regarding conditions that existed after the statement of net assets date, necessitating disclosure in the accompanying notes.

Management has conducted an evaluation of the Authority's activity up to August 17, 2026, which is the date when the financial statements became available for issuance. Following this assessment, it has been determined that no subsequent events have transpired that would require recognition in the financial statements or disclosure in the notes accompanying the financial statements.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
Required Supplementary Information
December 31, 2025

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS LAST TEN FISCAL YEARS

GASB #75 requires supplementary information which includes changes in the Authority's total OPEB liability along with related ratios as listed below.

***The amounts determined for each fiscal year were determined as of June**

Total OPEB Liability	**2024**	**2023**	**2022**	**2021**
Service Cost	$ 160,615	$ 170,196	$ 256,513	$ 256,513
Interest on Total OPEB liability	163,374	165,704	125,467	125,467
Expected Investment Return	-	893	(722)	(722)
Administrative Expenses	9,270	3,596	3,436	3,436
Changes in Benefits Term	31,726	6,567	615	615
Current Period Deferred Inflows/Outflows of Resources	672,028	(256,384)	361,523	361,523
Inputs	120,366	(1,264,596)	(113,779)	(113,779)
Net Difference Between Projected and Actual Investments Earning on OPEB Plan Investments	-	453	1,507	1,507
Benefit Payments	(164,963)	-	-	-
Change in Plan	-	-	-	-
Net Change in Total OPEB Liability	992,416	(1,173,571)	634,560	634,560
Total OPEB Liability, Beginning	4,283,603	5,457,174	4,822,614	4,822,614
Total OPEB Liability, Ending	$ 5,276,019	$ 4,283,603	$ 5,457,174	$ 5,457,174
Covered, Employee Payroll	$ 1,842,014	$ 2,049,890	$ 1,269,150	$ 1,269,150
Total OPEB Liability as a percentage of covered employee payroll	286.43%	208.97%	429.99%	429.99%

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
Required Supplementary Information
December 31, 2025

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS LAST TEN FISCAL YEARS

GASB #75 requires supplementary information which includes changes in the Authority's total OPEB liability along with related ratios as listed below.

Total OPEB Liability	**2020**	**2019**	**2018**	**2017**
Service Cost	$ 162,831	$ 137,094	$ 351,969	$ 312,929
Interest on Total OPEB liability	133,673	130,823	160,281	160,285
Expected Investment Return	(2,051)	(2,321)	-	-
Administrative Expenses	2,664	1,949	-	-
Changes in Benefits Term	278	(392)	-	-
Current Period Deferred Inflows/Outflows of Resources	1,850,481	(127,393)	-	-
Inputs	(112,501)	(166,465)	-	-
Net Difference Between Projected and Actual Investments Earning on OPEB Plan Investments	1,219	736	-	-
Benefit Payments	-	-	(39,038)	(53,446)
Change in Plan	-	(2,964,793)	-	
Net Change in Total OPEB Liability	2,036,594	(2,990,762)	473,212	419,768
Total OPEB Liability, Beginning	2,786,020	5,776,782	5,303,570	4,883,802
Total OPEB Liability, Ending	$ 4,822,614	$ 2,786,020	$ 5,776,782	$ 5,303,570
Covered, Employee Payroll	$ 1,308,402	$ 1,251,767	$ 1,281,327	$ 1,798,945
Total OPEB Liability as a percentage of covered employee payroll	368.59%	222.57%	450.84%	294.82%

The amounts determined for each fiscal year were determined as of June 30.

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
Required Supplementary Information
December 31, 2025

SHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY OF THE PUBLIC EMPLOYEE RETIREMENT SYSTEM

GASB #68 requires supplementary information which includes the Authority's share of the net pension liability along with related ratios as listed below. The schedule below displays the Authority's proportionate share of Net Pension Liability.

	2025	2024	2023	2022	2021
Housing Authority's proportion of the net pension liability	0.019191638%	0.015004331%	0.019928979%	0.019928979%	0.017703538%
Housing Authority's proportionate share of the net pension liability	$ 2,360,312	$ 2,038,795	$ 3,007,557	$ 3,007,557	$ 2,097,249
Housing Authority's covered employee payroll	$ 1,842,014	$ 2,049,890	$ 1,607,884	$ 1,607,884	$ 1,269,150
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	128.14%	99.46%	187.05%	187.05%	165.25%
Plan fiduciary net position as a percentage of the total pension liability	72.08%	81.54%	78.88%	78.88%	74.09%

**The amounts determined for each fiscal year were determined as of June 30.*

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY OF THE PUBLIC EMPLOYEE RETIREMENT SYSTEM - CONTINUED

The schedule below displays the Authority's proportionate share of Net Pension Liability.

	2020	2019	2018	2017	2016
Housing Authority's proportion of the net pension liability	0.014966879%	0.012689684%	0.01406135%	0.01161213%	0.00323170%
Housing Authority's proportionate share of the net pension liability	$ 2,441,018	$ 2,286,521	$ 2,768,610	$ 2,703,119	$ 3,669,596
Housing Authority's covered employee payroll	$ 1,308,402	$ 1,251,767	$ 1,264,827	$ 1,123,076	$ 1,358,040
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	186.56%	182.66%	218.89%	240.69%	270.21%
Plan fiduciary net position as a percentage of the total pension liability	75.91%	43.43%	53.60%	48.01%	59.86%

**The amounts determined for each fiscal year were determined as of June 30.*

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
Required Supplementary Information
December 31, 2025

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY OF THE PUBLIC EMPLOYEE RETIREMENT SYSTEM

The schedule below displays the Authority's contractually required contributions along with related ratios.

	2025	2024	2023	2022	2021
Contractually required contribution	$ 262,287	$ 204,167	$ 251,314	$ 251,314	$ 207,329
Contribution in relation to the contractually required contribution	(262,287)	(204,167)	(251,314)	(251,314)	(207,329)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Authority's covered payroll	$ 1,842,014	$ 2,049,890	$ 1,607,884	$ 1,607,884	$ 1,269,150
Contribution as a percentage of covered employee payroll	14.24%	9.96%	15.63%	15.63%	16.34%

**The amounts determined for each fiscal year were determined as of June 30.*

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY OF THE PUBLIC EMPLOYEE RETIREMENT SYSTEM - CONTINUED

The schedule below displays the Authority's contractually required contributions along with related ratios.

	2020	2019	2018	2017	2016
Contractually required contribution	$ 163,751	$ 123,435	$ 139,865	$ 107,574	$ 110,072
Contribution in relation to the contractually required contribution	(163,751)	(123,435)	(139,865)	(107,574)	(110,072)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Authority's covered payroll	$ 1,308,402	$ 1,251,767	$ 1,264,827	$ 1,123,076	$ 1,358,040
Contribution as a percentage of covered employee payroll	12.52%	9.86%	11.06%	9.58%	8.11%

**The amounts determined for each fiscal year were determined as of June 30.*

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2025

Programs funded by:
U.S. Department of Housing and Urban Development

	CFDA #'s	Beginning Balance	Revenue Recognized	Fiscal Year Expenditures	Ending Balance
Public and Indian Housing Program					
NJ050	14.850	$ -	$ 365,850	$ 365,850	$ -
Grant Total 14.850		-	365,850	365,850	-
Section 8 Housing Choice Voucher Program					
NJ39PO50	14.871	-	16,082,811	16,082,811	-
Emergency Housing Vouchers	14.EHV	-	152,427	152,427	-
Cluster Grant Total 14.871		-	16,235,238	16,235,238	-
Public Housing Capital Fund Program					
NJ39P050	14.872	-	168,836	168,836	-
Grant Total 14.872		-	168,836	168,836	-
PIH Family Self Sufficiency Program					
FSS18NJ2189	14.896	-	128,493	128,493	-
Grant Total 14.896		-	128,493	128,493	-
Total Expenditures of Federal Awards		$ -	$ 16,898,417	$ 16,898,417	$ -

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2025

Note 1. Presentation:
The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the Housing Authority of the City of East Orange is under programs of the federal government for the year ended December 31, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Housing Authority of the City of East Orange, it is not intended to and does not present the financial position, change in net position, or cash flows of the Housing Authority of the City of East Orange.

Note 2. Summary of Significant Accounting Policies:
Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate
The Housing Authority of the City of East Orange has not elected to use the 10 percent de minimis indirect cost rate as allowable under the Uniform Guidance.

Note 4. Loans Outstanding:
The Housing Authority of the City of East Orange had no loans outstanding on December 31, 2025.

Note 5. Non-Cash Federal Assistance:
The Authority did not receive any non-cash Federal assistance for the year ended December 31, 2025.

Note 6. Sub recipients:
Of the federal expenditures presented in the schedule above, the Housing Authority of the City of East Orange did not provide federal awards to any sub recipients.

Note 7. Relationship to Federal Financial Reports
Amounts reported in the accompanying Schedule agree, in all material respects, to the amounts reported in the related financial statements submitted by the Authority for the year ended December 31, 2025.

Note 8. HUD Housing Assistance Programs
For HUD programs, expenditures are recognized based upon eligible housing assistance payments and administrative fees earned during the fiscal year. Capital Fund Program expenditures are recognized as eligible costs are incurred and approved under the terms of the grant agreements.

East Orange Housing Authority (NJ050)
EAST ORANGE, NJ
Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit Fiscal Year End: 12/31/2025

	Project Total	6.1 Component Unit - Discretely	14.896 PIH Family Self-Sufficiency Program	1 Business Activities	2 State/Local	14.871 Housing Choice Vouchers	14.EHV Emergency Housing Voucher	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	$68,660	$38,283				$2,956,062		$610,439	$3,673,444		$3,673,444
112 Cash - Restricted - Modernization and Development											
113 Cash - Other Restricted		$190,668				$283,549	$121,273		$595,490		$595,490
114 Cash - Tenant Security Deposits	$27,317	$30,370							$57,687		$57,687
115 Cash - Restricted for Payment of Current Liabilities											
100 Total Cash	$95,977	$259,321	$0	$0	$0	$3,239,611	$121,273	$610,439	$4,326,621	$0	$4,326,621
121 Accounts Receivable - PHA Projects											
122 Accounts Receivable - HUD Other Projects			$0			$341,630			$341,630		$341,630
124 Accounts Receivable - Other Government						$591,116			$591,116		$591,116
125 Accounts Receivable - Miscellaneous	$0							$83,591	$83,591		$83,591
126 Accounts Receivable - Tenants	$4,399	$4,454							$8,853		$8,853
126.1 Allowance for Doubtful Accounts -Tenants	-$3,038	$0	$0			$0		$0	-$3,038		-$3,038
126.2 Allowance for Doubtful Accounts - Other			$0			$0		$0	$0		$0
127 Notes, Loans, & Mortgages Receivable - Current											
128 Fraud Recovery						$555,867			$555,867		$555,867
128.1 Allowance for Doubtful Accounts - Fraud						-$555,867			-$555,867		-$555,867
129 Accrued Interest Receivable											
120 Total Receivables, Net of Allowances for Doubtful	$1,361	$4,454	$0	$0	$0	$932,746	$0	$83,591	$1,022,152	$0	$1,022,152
131 Investments - Unrestricted											
132 Investments - Restricted											
135 Investments - Restricted for Payment of Current Liability											
142 Prepaid Expenses and Other Assets						$8,187		$135,458	$143,645		$143,645
143 Inventories											
143.1 Allowance for Obsolete Inventories											
144 Inter Program Due From	$0							$14,395	$14,395	-$14,395	$0
145 Assets Held for Sale											
150 Total Current Assets	$97,338	$263,775	$0	$0	$0	$4,180,544	$121,273	$843,883	$5,506,813	-$14,395	$5,492,418
161 Land	$69,808	$154,170		$1,395,140					$1,619,118		$1,619,118
162 Buildings	$3,423,063	$2,733,376		$191,984				$81,277	$6,429,700		$6,429,700
163 Furniture, Equipment & Machinery - Dwellings	$352,092	$257,501						$3,662	$613,255		$613,255
164 Furniture, Equipment & Machinery - Administration	$81,238					$128,845		$72,443	$282,526		$282,526
165 Leasehold Improvements						$28,345			$28,345		$28,345
166 Accumulated Depreciation	-$2,527,789	-$474,142		$0		-$129,886		-$156,622	-$3,288,439		-$3,288,439
167 Construction in Progress		$192,768		$13,000				$1,546,330	$1,752,098		$1,752,098
168 Infrastructure		$23,814							$23,814		$23,814
160 Total Capital Assets, Net of Accumulated Depreciation	$1,398,412	$2,887,487	$0	$1,600,124	$0	$27,304	$0	$1,547,090	$7,460,417	$0	$7,460,417
171 Notes, Loans and Mortgages Receivable - Non-Current	$0							$11,586,418	$11,586,418		$11,586,418
172 Notes, Loans, & Mortgages Receivable - Non Current -											
173 Grants Receivable - Non Current											
174 Other Assets	$0							$15,984	$15,984		$15,984
176 Investments in Joint Ventures											
180 Total Non-Current Assets	$1,398,412	$2,887,487	$0	$1,600,124	$0	$27,304	$0	$13,149,492	$19,062,819	$0	$19,062,819
200 Deferred Outflow of Resources	$658,919					$3,001,461			$3,660,380		$3,660,380

East Orange Housing Authority (NJ050)
EAST ORANGE, NJ
Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit Fiscal Year End: 12/31/2025

	Project Total	6.1 Component Unit - Discretely	14.896 PIH Family Self-Sufficiency Program	1 Business Activities	2 State/Local	14.871 Housing Choice Vouchers	14.EHV Emergency Housing Voucher	COCC	Subtotal	ELIM	Total
290 Total Assets and Deferred Outflow of Resources	$2,154,669	$3,151,262	$0	$1,600,124	$0	$7,209,309	$121,273	$13,993,375	$28,230,012	-$14,395	$28,215,617
311 Bank Overdraft											
312 Accounts Payable <= 90 Days	$511	$11,911				$253,730		$9,399	$275,551		$275,551
313 Accounts Payable >90 Days Past Due											
321 Accrued Wage/Payroll Taxes Payable	$3,324					$12,922		$11,094	$27,340		$27,340
322 Accrued Compensated Absences - Current Portion	$17,613					$147,011		$119,482	$284,106		$284,106
324 Accrued Contingency Liability											
325 Accrued Interest Payable											
331 Accounts Payable - HUD PHA Programs											
332 Account Payable - PHA Projects											
333 Accounts Payable - Other Government	$25,365								$25,365		$25,365
341 Tenant Security Deposits	$26,341	$30,370							$56,711		$56,711
342 Unearned Revenue	$927								$927		$927
343 Current Portion of Long-term Debt - Capital		$33,704							$33,704		$33,704
344 Current Portion of Long-term Debt - Operating											
345 Other Current Liabilities								$3,074	$3,074		$3,074
346 Accrued Liabilities - Other	$3,694					$7,388		$3,694	$14,776		$14,776
347 Inter Program - Due To						$14,395			$14,395	-$14,395	$0
348 Loan Liability - Current											
310 Total Current Liabilities	$77,775	$75,985	$0	$0	$0	$435,446	$0	$146,743	$735,949	-$14,395	$721,554
351 Long-term Debt, Net of Current - Capital		$1,256,354							$1,256,354		$1,256,354
352 Long-term Debt, Net of Current - Operating Borrowings											
353 Non-current Liabilities - Other								$12,090	$12,090		$12,090
354 Accrued Compensated Absences - Non Current											
355 Loan Liability - Non Current											
356 FASB 5 Liabilities											
357 Accrued Pension and OPEB Liabilities	$1,147,319					$3,947,226		$2,541,786	$7,636,331		$7,636,331
350 Total Non-Current Liabilities	$1,147,319	$1,256,354	$0	$0	$0	$3,947,226	$0	$2,553,876	$8,904,775	$0	$8,904,775
300 Total Liabilities	$1,225,094	$1,332,339	$0	$0	$0	$4,382,672	$0	$2,700,619	$9,640,724	-$14,395	$9,626,329
400 Deferred Inflow of Resources	$579,152					$2,050,593			$2,629,745		$2,629,745
508.4 Net Investment in Capital Assets	$1,398,412	$1,597,429	$0			$27,304		$1,165,647	$4,188,792		$4,188,792
511.4 Restricted Net Position	$0	$200,000	$0				$121,273	$0	$321,273		$321,273
512.4 Unrestricted Net Position	-$1,047,989	$21,494	$0	$1,600,124	$0	$748,740	$0	$10,127,109	$11,449,478		$11,449,478
513 Total Equity - Net Assets / Position	$350,423	$1,818,923	$0	$1,600,124	$0	$776,044	$121,273	$11,292,756	$15,959,543	$0	$15,959,543
600 Total Liabilities, Deferred Inflows of Resources and	$2,154,669	$3,151,262	$0	$1,600,124	$0	$7,209,309	$121,273	$13,993,375	$28,230,012	-$14,395	$28,215,617

East Orange Housing Authority (NJ050)

EAST ORANGE, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit Fiscal Year End: 12/31/2025

	Project Total	6.1 Component Unit - Discretely	14.896 PIH Family Self-Sufficiency Program	1 Business Activities	2 State/Local	14.871 Housing Choice Vouchers	14.EHV Emergency Housing Voucher	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	$264,970	$239,448							$504,418		$504,418
70400 Tenant Revenue - Other	$11,703				$4,692				$16,395		$16,395
70500 Total Tenant Revenue	$276,673	$239,448	$0	$0	$4,692	$0	$0	$0	$520,813		$520,813
70600 HUD PHA Operating Grants	$365,850		$128,493			$16,082,811	$152,427		$16,729,581		$16,729,581
70610 Capital Grants	$166,584								$166,584		$166,584
70710 Management Fee											
70720 Asset Management Fee											
70730 Book Keeping Fee											
70740 Front Line Service Fee											
70750 Other Fees								$16,794	$16,794		$16,794
70700 Total Fee Revenue								$16,794	$16,794		$16,794
70800 Other Government Grants					$28,657				$28,657		$28,657
71100 Investment Income - Unrestricted	$263	$4,331				$98,431		$2,839	$105,864		$105,864
71200 Mortgage Interest Income								$336,150	$336,150		$336,150
71300 Proceeds from Disposition of Assets Held for Sale											
71310 Cost of Sale of Assets											
71400 Fraud Recovery						$55,659			$55,659		$55,659
71500 Other Revenue		$29,399				$135,568		$467,691	$632,658		$632,658
71600 Gain or Loss on Sale of Capital Assets											
72000 Investment Income - Restricted											
70000 Total Revenue	$809,370	$273,178	$128,493	$0	$33,349	$16,372,469	$152,427	$823,474	$18,592,760		$18,592,760
91100 Administrative Salaries	$109,108	$34,814	$90,699		$20,027	$1,014,795	$24,088	$386,133	$1,679,664		$1,679,664
91200 Auditing Fees	$3,694	$5,700				$7,293		$3,111	$19,798		$19,798
91300 Management Fee		$13,637							$13,637		$13,637
91310 Book-keeping Fee		$470							$470		$470
91400 Advertising and Marketing	$345								$345		$345
91500 Employee Benefit contributions - Administrative	$51,499		$34,127		$3,601	$588,148	$1,843	$102,628	$781,846		$781,846
91600 Office Expenses	$19,971					$81,992		$17,931	$119,894		$119,894
91700 Legal Expense	$5,103	$1,944						$23,883	$30,930		$30,930
91800 Travel	$3,062	$3,933	$841			$17,341		$13,296	$38,473		$38,473
91810 Allocated Overhead			$1,431			$48,910			$50,341		$50,341
91900 Other	$27,189	$22,449	$1,395		$9,721	$106,429		$75,447	$242,630		$242,630
91000 Total Operating - Administrative	$219,971	$82,947	$128,493	$0	$33,349	$1,864,908	$25,931	$622,429	$2,978,028		$2,978,028
92000 Asset Management Fee											
92100 Tenant Services - Salaries											
92200 Relocation Costs											
92300 Employee Benefit Contributions - Tenant Services											
92400 Tenant Services - Other	$3,710								$3,710		$3,710
92500 Total Tenant Services	$3,710	$0	$0	$0	$0	$0	$0	$0	$3,710		$3,710
93100 Water	$23,344	$5,501							$28,845		$28,845
93200 Electricity	$73,033	$288				$12,670		$1,851	$87,842		$87,842
93300 Gas	$63,081					$2,402		$93	$65,576		$65,576
93400 Fuel											

East Orange Housing Authority (NJ050)

EAST ORANGE, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit Fiscal Year End: 12/31/2025

	Project Total	6.1 Component Unit - Discretely	14.896 PIH Family Self-Sufficiency Program	1 Business Activities	2 State/Local	14.871 Housing Choice Vouchers	14.EHV Emergency Housing Voucher	COCC	Subtotal	ELIM	Total
93500 Labor											
93600 Sewer											
93700 Employee Benefit Contributions - Utilities											
93800 Other Utilities Expense											
93000 Total Utilities	$159,458	$5,789	$0	$0	$0	$15,072	$0	$1,944	$182,263		$182,263
94100 Ordinary Maintenance and Operations - Labor	$64,946							$600	$65,546		$65,546
94200 Ordinary Maintenance and Operations - Materials	$43,400					$5,464		$4,511	$53,375		$53,375
94300 Ordinary Maintenance and Operations Contracts	$66,641	$13,441							$80,082		$80,082
94500 Employee Benefit Contributions - Ordinary	$32,773								$32,773		$32,773
94000 Total Maintenance	$207,760	$13,441	$0	$0	$0	$5,464	$0	$5,111	$231,776		$231,776
95100 Protective Services - Labor	$96,804								$96,804		$96,804
95200 Protective Services - Other Contract Costs	$17,140								$17,140		$17,140
95300 Protective Services - Other						$3,568			$3,568		$3,568
95500 Employee Benefit Contributions - Protective Services	$9,153								$9,153		$9,153
95000 Total Protective Services	$123,097	$0	$0	$0	$0	$3,568	$0	$0	$126,665		$126,665
96110 Property Insurance		$8,210							$8,210		$8,210
96120 Liability Insurance		$2,566							$2,566		$2,566
96130 Workmen's Compensation											
96140 All Other Insurance	$32,039	$1,934				$20,709		$23,391	$78,073		$78,073
96100 Total insurance Premiums	$32,039	$12,710	$0	$0	$0	$20,709	$0	$23,391	$88,849		$88,849
96200 Other General Expenses	-$25,365					$30,855	$26,136		$31,626		$31,626
96210 Compensated Absences	-$3,712					$12,458			$8,746		$8,746
96300 Payments in Lieu of Taxes	$10,925								$10,925		$10,925
96400 Bad debt - Tenant Rents	$6,378								$6,378		$6,378
96500 Bad debt - Mortgages											
96600 Bad debt - Other		$1,172							$1,172		$1,172
96800 Severance Expense											
96000 Total Other General Expenses	-$11,774	$1,172	$0	$0	$0	$43,313	$26,136	$0	$58,847		$58,847
96710 Interest of Mortgage (or Bonds) Payable		$87,802							$87,802		$87,802
96720 Interest on Notes Payable (Short and Long Term)	$0								$0		$0
96730 Amortization of Bond Issue Costs											
96700 Total Interest Expense and Amortization Cost	$0	$87,802	$0	$0	$0	$0	$0	$0	$87,802		$87,802
96900 Total Operating Expenses	$734,261	$203,861	$128,493	$0	$33,349	$1,953,034	$52,067	$652,875	$3,757,940		$3,757,940
97000 Excess of Operating Revenue over Operating	$75,109	$69,317	$0	$0	$0	$14,419,435	$100,360	$170,599	$14,834,820		$14,834,820
97100 Extraordinary Maintenance											
97200 Casualty Losses - Non-capitalized											
97300 Housing Assistance Payments						$14,211,448	$17,490		$14,228,938		$14,228,938
97350 HAP Portability-In						$132,726	$149,810		$282,536		$282,536
97400 Depreciation Expense	$127,314	$148,456				$2,098		$2,387	$280,255		$280,255
97500 Fraud Losses											

East Orange Housing Authority (NJ050)

EAST ORANGE, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit Fiscal Year End: 12/31/2025

	Project Total	6.1 Component Unit - Discretely	14.896 PIH Family Self-Sufficiency Program	1 Business Activities	2 State/Local	14.871 Housing Choice Vouchers	14.EHV Emergency Housing Voucher	COCC	Subtotal	ELIM	Total
97600 Capital Outlays - Governmental Funds											
97700 Debt Principal Payment - Governmental Funds											
97800 Dwelling Units Rent Expense											
90000 Total Expenses	$861,575	$352,317	$128,493	$0	$33,349	$16,299,306	$219,367	$655,262	$18,549,669		$18,549,669
10010 Operating Transfer In											
10020 Operating transfer Out											
10030 Operating Transfers from/to Primary Government											
10040 Operating Transfers from/to Component Unit											
10050 Proceeds from Notes, Loans and Bonds											
10060 Proceeds from Property Sales											
10070 Extraordinary Items, Net Gain/Loss											
10080 Special Items (Net Gain/Loss)											
10091 Inter Project Excess Cash Transfer In											
10092 Inter Project Excess Cash Transfer Out											
10093 Transfers between Program and Project - In											
10094 Transfers between Project and Program - Out											
10100 Total Other financing Sources (Uses)	$0	$0	$0	$0	$0	$0	$0	$0	$0		$0
10000 Excess (Deficiency) of Total Revenue Over (Under)	-$52,205	-$79,139	$0	$0	$0	$73,163	-$66,940	$168,212	$43,091		$43,091
11020 Required Annual Debt Principal Payments	$0	$106,956	$0	$0	$0	$0	$0	$0	$106,956		$106,956
11030 Beginning Equity	$11,527,172	$1,898,062	$0	$1,600,124	$0	-$92,626	$188,213	$0	$15,120,945		$15,120,945
11040 Prior Period Adjustments, Equity Transfers and	-$11,124,544					$795,507	$0	$11,124,544	$795,507		$795,507
11050 Changes in Compensated Absence Balance											
11060 Changes in Contingent Liability Balance											
11070 Changes in Unrecognized Pension Transition Liability											
11080 Changes in Special Term/Severance Benefits											
11090 Changes in Allowance for Doubtful Accounts -											
11100 Changes in Allowance for Doubtful Accounts - Other											
11170 Administrative Fee Equity						$483,556			$483,556		$483,556
11180 Housing Assistance Payments Equity						$292,488			$292,488		$292,488
11190 Unit Months Available	840	120		0	0	19152	204	0	20316		20316
11210 Number of Unit Months Leased	840	120		0	0	13798	168	0	14926		14926
11270 Excess Cash	-$41,624								-$41,624		-$41,624
11610 Land Purchases	$0							$0	$0		$0
11620 Building Purchases	$166,584							$0	$166,584		$166,584
11630 Furniture & Equipment - Dwelling Purchases	$0							$0	$0		$0
11640 Furniture & Equipment - Administrative Purchases	$0							$0	$0		$0
11650 Leasehold Improvements Purchases	$0							$0	$0		$0
11660 Infrastructure Purchases	$0							$0	$0		$0
13510 CFFP Debt Service Payments	$0							$0	$0		$0
13901 Replacement Housing Factor Funds	$0							$0	$0		$0

GIAMPAOLO
& ASSOCIATES

467 Middletown Lincroft Road
Lincroft, NJ 07738
Tel: 732-842-4550

INDEPENDENT AUDITOR'S 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 Commissioners
Housing Authority of the City of East Orange
160 Halsted Street
East Orange, New Jersey 07018

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business type activities and the aggregate discretely present component unit of Housing Authority of the City of East Orange, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise Housing Authority of the City of East Orange's basic financial statements, and have issued our report thereon dated August 17, 2026.

Report on Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered Housing Authority of the City of East Orange's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Housing Authority of the City of East Orange's internal control. Accordingly, we do not express an opinion on the effectiveness of Housing Authority of the City of East Orange's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis.

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Housing Authority of the City of East Orange's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Giampaolo & Associates

Lincroft, New Jersey
Date: August 17, 2026

GIAMPAOLO
& ASSOCIATES

467 Middletown Lincroft Road
Lincroft, NJ 07738
Tel: 732-842-4550

INDEPENDENT AUDITOR'S REPORT
REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Commissioners
Housing Authority of the City of East Orange
160 Halsted Street
East Orange, New Jersey 07018

Report on Compliance for Each Major Federal Program
Opinion on Each Major Federal Program

We have audited Housing Authority of the City of East Orange's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Housing Authority of the City of East Orange's major federal programs for the year ended December 31, 2025. Housing Authority of the City of East Orange's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Housing Authority of the City of East Orange complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our 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 audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance
Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Housing Authority of the City of East Orange's federal programs.

Auditor's Responsibilities for the Audit of Compliance
Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Housing Authority of the City of East Orange's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Housing Authority of the City of East Orange's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Housing Authority of the City of East Orange's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Housing Authority of the City of East Orange's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Housing Authority of the City of East Orange's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified. Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Housing Authority of the City of East Orange as of and for the year ended December 31, 2025, and have issued our report thereon dated August 17, 2026, which contained an unmodified opinion on those financial statements.

Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Giampaolo & Associates

Lincroft, New Jersey
Date: August 17, 2026

HOUSING AUTHORITY OF THE CITY OF EAST ORANGE
Schedule of Findings and Questioned Cost
Year Ended December 31, 2025

Prior Audit Findings
None reported

Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued: Unmodified

Internal Control over Financial Reporting:

Material Weakness (es) Identified?	____ yes	X no	
Significant Deficiency(ies) identified that are considered to be material weakness(es)?	____ yes	X	none reported

Noncompliance Material to Financial Statements Noted? ____ yes X no

Federal Awards

Internal Control over Major Programs:

Material Weakness (es) Identified?	____ yes	X no	
Significant Deficiency(ies) identified that are considered to be material weakness(es)?	____ yes	X	none reported

Type of audit report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section Title 2 U.S. Code of Federal Regulation Part 200, Uniform Administrative Requirements, ____ yes X no

Identification of Major Programs

CFDA#	Name of Federal Program	Amount
	Housing Voucher Program Cluster	
14.871	Section 8 Housing Choice Vouchers Program	$ 16,082,811
14.EHV	Emergency Housing Vouchers	$ 152,427
14.850	Public Housing Operating Fund Program	$ 365,850

Dollar threshold used to Distinguish between Type A and Type B Programs $ 1,000,000

Auditee qualified as a low-risk auditee X yes ____ no

FINDINGS – FINANCIAL STATEMENT AUDIT
None reported

FINDINGS AND QUESTIONED COST – MAJOR FEDERAL AWARD PROGRAM AUDIT
None reported

GIAMPAOLO
& ASSOCIATES

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners
Housing Authority of the City of East Orange
160 Halsted Street
East Orange, New Jersey 07018

We have performed the applicable procedures enumerated in the American Institute of Certified Public Accountants' Statement of Position (SOP) 02-1, Performing Agreed-Upon Procedures Engagements that Address the U.S. Department of Housing and Urban Development, Public Indian Housing - Real Estate Assessment Center (PIH-REAC), by Housing Authority of the City of East Orange (the PHA) compliance with the reporting requirements of Title 2 U.S. Code of the Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), for the year ended December 31, 2025. Management of Housing Authority of the City of East Orange is responsible for compliance with the requirements of the electronic submission of the items listed in the "UFRS Rule Information" column.

The management of Housing Authority of the City of East Orange has agreed to and acknowledged that the procedures performed are appropriate to assist users in evaluating Housing Authority of the City of East Orange's compliance with the reporting requirements of the "UFRS Rule Information" column for the year ended December 31, 2025. This report may not be suitable for any other purpose. The procedures may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures performed and the findings are included in the attached Appendix.

We were engaged by the Housing Authority of the City of East Orange to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. We were not engaged in and did not conduct an examination or review engagement, the objective of which would be the expression of the "UFRS Rule Information" column an opinion or conclusion, respectively, on Housing Authority of the City of East Orange's compliance with the requirements of "UFRS Rule Information" column for the year ended December 31, 2025. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Housing Authority of the City of East Orange and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the PHA and the U.S. Department of Housing and Urban Development, PIH-REAC, and is not intended to be and should not be used by anyone other than these specified parties.

Giampaolo & Associates

Lincroft, New Jersey
August 17, 2026

Procedure	UFRS Rule Information	Hard Copy Document(s)	Findings
1	Balance Sheet and Revenue Expense (data line items 111 to 13901)	Financial Data Schedule, all CFDAs, if applicable	Agrees
2	Footnotes (data element G5000-010)	Footnotes to audited basic financial statements	Agrees
3	Type of opinion on FDS (data element G3100-040)	Auditor's Supplemental report on FDS	Agrees
4	Audit findings narrative (data element G5200-010)	Schedule of findings and Questioned Costs	Agrees
5	General information (data element series G2000, G2100, G2200,G9000, G9100)	OMB Data Collection Form	Agrees
6	Financial statement report information (data element G3000-010 to G3000-050)	Schedule of Findings and Questioned Costs , Part 1 of OMB Data Collection Form	Agrees
7	Federal program report information (data element G4000-020 to G4000-040)	Schedule of Findings and Questioned Costs , Part 1 of OMB Data Collection Form	Agrees
8	Type of Compliance Requirement (G4200-020 & G4000-030)	OMB Data Collection Form	Agrees
9	Basic financial statements and auditor reports required to be submitted electronically	Basic Financial Statements (inclusive of auditor reports)	Agrees