

BATH HOUSING DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

December 31, 2019 and 2018

BATH HOUSING DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

December 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Bath Housing Development Corporation

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Bath Housing Development Corporation, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Bath Housing Development Corporation as of December 31, 2019 and 2018, and the consolidated changes in its net assets accepted in the United States of America.

Correction of Error

As discussed in Note 15 to the financial statements, certain errors resulting in various misstatements of amounts previously reported for accounts receivable, buildings and improvements, depreciation and gain on involuntary conversion as of December 31, 2018, were discovered by management of the Corporation during the current year. Accordingly, amounts reported for accounts receivable, buildings and improvements, depreciation and gain on involuntary conversion have been restated in the 2019 financial statements now presented, and an adjustment has been made to the applicable accounts on the Statements of Financial Position and to net assets without donor restrictions as of December 31, 2019, to correct the error. Our opinion is not modified with respect to that matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in Schedule 1 and Schedule 2 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Certified Public Accountants

August 27, 2020
South Portland, Maine

BATH HOUSING DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

	ASSETS	
	2019	(Restated) 2018
CURRENT ASSETS		
Cash		
Operating Accounts	\$ 94,325	\$ 23,431
Investments - Cash and Equivalents	16,272	17,299
Tax and Insurance Reserve	15,438	13,705
Replacement Reserve (Note 6)	138,618	201,391
Operating Reserve (Note 6)	12,004	15,727
Residual Receipts Reserve (Notes 5 and 6)	12,589	12,561
Total Cash	289,246	284,114
Other Current Assets		
Accounts Receivable - Tenants, Net of Allowance for Doubtful		
Accounts of \$41,057 and \$21,364 in 2019 and 2018, respectively	6,655	8,676
Accounts Receivable - Grants (Note 4)	-	12,559
Accounts Receivable - Other (Notes 3 and 14)	-	152,904
Tenant Security Deposits	42,417	40,878
Prepaid Insurance	910	3,611
Prepaid Real Estate Taxes	23,922	11,004
Investments in Debt and Equity Securities (Note 8)	289,738	277,927
Total Current Assets	652,888	791,673
PROPERTY AND EQUIPMENT (Note 2)		
Land and Improvements	2,209,428	1,738,896
Buildings and Improvements	4,802,649	3,869,309
Building Equipment	145,281	145,281
Maintenance Equipment	7,825	7,825
Motor Vehicles	22,748	22,748
Construction in Progress	376,922	246,851
Total	7,564,853	6,030,910
Less Accumulated Depreciation	971,814	814,700
Net Property and Equipment	6,593,039	5,216,210
TOTAL ASSETS	\$ 7,245,927	\$ 6,007,883

See accompanying notes to the financial statements.

BATH HOUSING DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Continued)

December 31, 2019 and 2018

LIABILITIES AND NET ASSETS

	<u>2019</u>	<u>(Restated) 2018</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 28,273	\$ 51,547
Accounts Payable - Related Party (Note 3)	59,489	72,897
Accrued Interest Payable	5,498	3,118
Prepaid Revenue	4,074	1,682
Tenant Security Deposits and Interest	41,253	25,721
Line of Credit (Note 2)	533,130	-
Mortgage Notes Payable - Current Portion	174,111	119,470
Total Current Liabilities	<u>845,828</u>	<u>274,435</u>
LONG-TERM LIABILITIES (Note 2)		
Mortgage Notes Payable	3,448,590	3,071,636
Deferred Financing Costs, Net	(32,803)	(35,342)
Accrued Interest Payable	11,144	11,144
	<u>3,426,931</u>	<u>3,047,438</u>
Less Current Portion	174,111	119,470
Total Long-term Liabilities	<u>3,252,820</u>	<u>2,927,968</u>
TOTAL LIABILITIES	<u>4,098,648</u>	<u>3,202,403</u>
NET ASSETS		
Net Assets Without Donor Restrictions	3,129,660	2,787,861
Net Assets With Donor Restrictions (Note 7)	17,619	17,619
Total Net Assets	<u>3,147,279</u>	<u>2,805,480</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,245,927</u>	<u>\$ 6,007,883</u>

See accompanying notes to the financial statements.

BATH HOUSING DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the Year Ended December 31, 2019

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>2019</u>
PUBLIC SUPPORT AND REVENUE			
Housing Assistance Payments (Note 5)	\$ 504,423	\$ -	\$ 504,423
Rental Revenue	642,987	-	642,987
Grant Income (Note 4)	452,215	-	452,215
Other Income	21,072	-	21,072
TOTAL REVENUE AND SUPPORT	<u>1,620,697</u>	<u>-</u>	<u>1,620,697</u>
OPERATING EXPENSES			
Supportive Services			
Management and General	108,123	-	108,123
Total Supportive Services	<u>108,123</u>	<u>-</u>	<u>108,123</u>
Program Services			
Housing Programs	1,118,478	-	1,118,478
Comfortably Home Program	119,876	-	119,876
Total Program Services	<u>1,238,354</u>	<u>-</u>	<u>1,238,354</u>
TOTAL OPERATING EXPENSES	<u>1,346,477</u>	<u>-</u>	<u>1,346,477</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>274,220</u>	<u>-</u>	<u>274,220</u>
Non-Operating Activity			
Investment Income (Loss)	67,479	-	67,479
Total Non-Operating Activities	<u>67,479</u>	<u>-</u>	<u>67,479</u>
CHANGE IN NET ASSETS	341,699	-	341,699
NET ASSETS AT BEGINNING OF YEAR (RESTATED)	2,787,861	17,619	2,805,480
NET ASSETS TRANSFERRED IN	<u>100</u>	<u>-</u>	<u>100</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,129,660</u>	<u>\$ 17,619</u>	<u>\$ 3,147,279</u>

See accompanying notes to the financial statements.

BATH HOUSING DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENTS OF ACTIVITIES
(Continued)For the Year Ended December 31, 2018
(Restated)

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>2018</u>
PUBLIC SUPPORT AND REVENUE			
Housing Assistance Payments (Note 5)	\$ 392,024	\$ -	\$ 392,024
Rental Revenue	494,038	-	494,038
Grant Income (Note 4)	29,682	120,360	150,042
Other Income	13,737	-	13,737
Total Operating Revenue	929,481	120,360	1,049,841
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of Restrictions	124,081	(124,081)	-
TOTAL REVENUE AND SUPPORT	1,053,562	(3,721)	1,049,841
OPERATING EXPENSES			
Supportive Services			
Management and General	126,992	-	126,992
Total Supportive Services	126,992	-	126,992
Program Services			
Housing Programs	970,930	-	970,930
Comfortably Home Program	118,435	-	118,435
Total Program Services	1,089,365	-	1,089,365
TOTAL OPERATING EXPENSES	1,216,357	-	1,216,357
CHANGE IN NET ASSETS FROM OPERATIONS	(162,795)	(3,721)	(166,516)
Non-Operating Activity			
Investment Income (Loss)	(13,591)	-	(13,591)
Gain on Involuntary Conversion (Note 13)	81,742	-	81,742
Total Non-Operating Activities	68,151	-	68,151
CHANGE IN NET ASSETS	(94,644)	(3,721)	(98,365)
NET ASSETS AT BEGINNING OF YEAR	2,882,505	21,340	2,903,845
NET ASSETS AT END OF YEAR	<u>\$ 2,787,861</u>	<u>\$ 17,619</u>	<u>\$ 2,805,480</u>

See accompanying notes to the financial statements.

BATH HOUSING DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2019

	Program Services		Supportive Services		Total
	Housing Programs	Comfortably Home Program	Management and General	Fundraising	
EXPENSES					
Administrative Salaries	\$ -	\$ 10,968	\$ 55,354	-	\$ 66,322
Management Fee	127,849	-	-	-	127,849
Auditing Fees	7,389	-	1,152	-	8,541
Employee Benefits Contributions - Administrative	-	6,135	10,040	-	16,175
Legal	13,554	-	155	-	13,709
Staff Training	-	452	-	-	452
Accounting	9,577	1,453	22,086	-	33,116
Other Operating - Administrative	3,476	1,277	2,292	-	7,045
Grant Expenditures	-	-	1,256	-	1,256
Tenant Services Labor Fee	14,790	-	-	-	14,790
Employee Benefits	3,290	-	-	-	3,290
Water	16,522	-	-	-	16,522
Sewer	21,236	-	-	-	21,236
Electricity	58,778	-	-	-	58,778
Gas/Fuel	38,835	-	-	-	38,835
Maintenance Fee Expense - Labor	120,376	37,149	-	-	157,525
Ordinary Maintenance and Operations - Materials	86,834	36,587	5,152	-	128,573
Ordinary Maintenance and Operations - Contract Costs	89,419	6,496	1,765	-	97,680
Maintenance Fee Expense - Benefits	48,572	13,834	-	-	62,406
Insurance	43,057	975	4,052	-	48,084
Real Estate Taxes	69,350	-	-	-	69,350
Interest Expense	165,935	-	-	-	165,935
Collection Losses/(Recapture)	31,894	-	-	-	31,894
Depreciation Expense	147,745	4,550	4,819	-	157,114
TOTAL EXPENSES	\$ 1,118,478	\$ 119,876	\$ 108,123	\$ -	\$ 1,346,477

See accompanying notes to the financial statements.

BATH HOUSING DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
(Continued)

For the Year Ended December 31, 2018

	Program Services		Supportive Services		Total
	Housing Programs	Comfortably Home Program	Management and General	Fundraising	
EXPENSES					
Administrative Salaries	\$ -	\$ 36,078	\$ 56,996	\$ -	\$ 93,074
Management Fee	116,000	-	-	-	116,000
Auditing Fees	7,715	-	3,500	-	11,215
Employee Benefits Contributions - Administrative	22	6,432	10,774	-	17,228
Legal	5,184	-	2,258	-	7,442
Staff Training	-	1,079	13	-	1,092
Travel	-	-	1,500	-	1,500
Accounting	6,736	-	13,174	-	19,910
Other Operating - Administrative	1,965	3,763	5,561	-	11,289
Grant Expenditures	-	-	2,765	-	2,765
Tenant Services Labor Fee	26,210	-	-	-	26,210
Employee Benefits	7,281	-	-	-	7,281
Tenant Services Benefit Fee	32	-	-	-	32
Water	12,067	-	-	-	12,067
Sewer	19,303	-	-	-	19,303
Electricity	51,921	-	-	-	51,921
Gas/Fuel	21,086	-	-	-	21,086
Maintenance Fee Expense - Labor	76,999	33,092	-	-	110,091
Ordinary Maintenance and Operations - Materials	66,783	19,320	1,681	-	87,784
Ordinary Maintenance and Operations - Contract Costs	153,951	2,075	3,319	-	159,345
Maintenance Fee Expense - Benefits	22,532	11,480	-	-	34,012
Insurance	36,825	566	1,412	-	38,803
Real Estate Taxes	52,020	-	248	-	52,268
Interest Expense	139,648	-	-	-	139,648
Collection Losses/(Recapture)	21,581	-	-	-	21,581
Depreciation Expense	125,069	4,550	4,715	-	134,334
TOTAL EXPENSES	<u>\$ 970,930</u>	<u>\$ 118,435</u>	<u>\$ 126,992</u>	<u>\$ -</u>	<u>\$ 1,216,357</u>

See accompanying notes to the financial statements.

BATH HOUSING DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>(Restated) 2018</u>
Cash Flows from Operating Activities:		
Increase (Decrease) in Net Assets	\$ 341,699	\$ (98,365)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	157,114	134,334
Amortization of Deferred Financing Costs	2,539	2,539
Gain on Involuntary Conversion	-	(81,742)
Net Unrealized (Gain) Loss on Investments	(49,292)	28,197
Net Realized Gain on Sale of Investments	(6,388)	-
Deferred Property Costs Written Off	-	16,976
Noncash Investment Activity	-	393
Changes in Operating Assets and Liabilities:		
Accounts Receivable - Tenants	2,021	(4,025)
Accounts Receivable - Grants	12,559	190,342
Accounts Receivable - Other	52,355	(52,355)
Due from Related Party	-	15,858
Prepaid Insurance	2,701	(1,083)
Prepaid Real Estate Taxes	(12,918)	(4,737)
Accounts Payable	(16,293)	(107,925)
Accounts Payable - Related Party	(13,408)	72,897
Accrued Interest Payable	2,380	(161)
Accrued Compensated Absences	-	(2,186)
Accrued Payroll	-	(1,929)
Prepaid Rent	2,392	1,541
Tenant Security Deposits Liability	15,532	4,753
Net Cash Provided by Operating Activities	<u>492,993</u>	<u>113,322</u>
Cash Flows from Investing Activities:		
Purchases of Property, Plant and Equipment	(1,540,924)	(806,314)
Insurance Proceeds	100,549	254,946
Sales of Investments	100,791	228,164
Purchases of Investments	(56,922)	(228,608)
Net Cash Used by Investing Activities	<u>(1,396,506)</u>	<u>(551,812)</u>
Cash Flows from Financing Activities:		
Long-term Debt Proceeds	500,130	418,090
Line of Credit Proceeds	533,000	-
Repayment of Long-term Debt	(123,046)	(142,261)
Contributions from Bath Housing Anchor Corporation	100	-
Net Cash Provided by Financing Activities	<u>910,184</u>	<u>275,829</u>
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	6,671	(162,661)
Cash, Cash Equivalents and Restricted Cash at Beginning of Year	<u>324,992</u>	<u>487,653</u>
Cash, Cash Equivalents and Restricted Cash at End of Year	<u>\$ 331,663</u>	<u>\$ 324,992</u>
Supplemental Disclosure of Cash Flows Information:		
Cash Paid During the Year for:		
Interest	<u>\$ 161,016</u>	<u>\$ 137,270</u>

See accompanying notes to the financial statements.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Bath Housing Development Corporation (the "Corporation") is a nonprofit 501(c)(3) corporation established to foster, encourage, participate in, finance, own, operate, promote and advance the development of housing projects and related facilities affordable by primarily low income persons and families; to provide affordable financial and technical assistance and services to low income homeowners; and to implement programs intended to enhance the growth of social and economic stability for low income families; and to promote the common good and general welfare of the inhabitants throughout Sagadahoc County, Maine.

Programs - The Corporation's financial statements include the rental activities of several properties located within the town of Bath, Maine: 19 Oak Street, 822, 832, and 842 Middle Street, 806 Middle Street, Seacliff Apartments, 49 Elm Street, 28 Maple Street, 470 Washington Street, Lincoln Street, Summer Street, Front Street, and Bath Housing Anchor Corporation. The Corporation also runs the Comfortably Home Program to assist area elderly residents living at home.

The Corporation's financial statements consolidate Bath Housing Anchor Corporation ("BHAC"). In an effort to continue to further its mission, the Corporation acquired two parcels in downtown Bath, including the Moses and Columbia Blocks and a parking lot located at 195 Front Street in Bath. The purpose of the purchase was to preserve the ten existing rental apartments as modestly priced housing in downtown Bath, maintain the ground level retail spaces with existing tenants considered a vital part of Front Street in downtown Bath, to maximize the parking lot to help relieve parking pressure in downtown Bath, and conduct an initial round of improvements designed to make the building safer and healthier, while honoring the historic character of the buildings. The Corporation therefore formed BHAC in March 2019, which it owns and operates as the single shareholder. BHAC was formed to operate the rental business with the existing commercial retail tenants in the building.

Basis of Consolidation - The accompanying consolidated financial statements include the accounts of the Corporation and BHAC. The Corporation has full direct ownership and control of BHAC. All significant inter-company transactions and balances are eliminated in consolidation. BHAC is consolidated based on financial information at December 31, its reporting year-end.

Method of Accounting - The financial statements of the Corporation are prepared on the accrual basis of accounting, and include only those assets, liabilities and results of operations which relate to the business of Bath Housing Development Corporation.

Property and Equipment - Property and equipment are stated at cost. Buildings, improvements, and equipment are being depreciated using the straight-line method over their estimated useful lives. Repairs and maintenance are expensed and betterments and renewals are capitalized as incurred. When assets are retired or disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains and losses are reflected in income.

Debt Issuance Costs - Debt issuance costs incurred in connection with the issuance of long-term debt are capitalized and amortized to interest expense over the term of the debt using the straight-line method, which approximates the effective interest method. The unamortized amount is presented as a reduction of long-term debt on the statement of financial position.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Income Taxes - No provision for taxes on income is made since Bath Housing Development Corporation, as a non-profit corporation under Section 501(c)(3) of the Internal Revenue Code, is exempt from federal and state income taxes.

In accordance with accounting principles generally accepted in the United States of America, management has evaluated its exposure to material tax positions and determined that there are no such tax positions requiring accounting recognition. Informational returns filed by the Corporation are subject to examination by the Internal Revenue Service for a period of three years. While no informational returns are currently being examined by the Internal Revenue Service, the three previous tax years remain open. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

Trademark - The Corporation holds a trademark for its Comfortably Home Program. The trademark was developed internally and thus the value is limited to fees directly related to securing the legal registration of the trademark, which has been determined to be insignificant and has not been capitalized.

Cash - For the purposes of reporting cash flows, cash, cash equivalents and restricted cash includes cash on hand and amounts due from banks.

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

Functional Allocation of Expenses - Expenses are presented by function on the statements of revenue and functional expenses. Expenditures are allocated between program services expenditures and support services expenditures based on the nature and purpose of each individual expenditure, as determined by management on a reasonable basis that is consistently applied.

Accounts Receivable and Bad Debts - Tenant rent charges for the current month are due on the first of the month. Tenants who are evicted or move out are charged with damages or cleaning fees, if applicable. Tenant receivables consist of amounts due for rental income, charges for damages and cleaning fees. The Corporation does not accrue interest on the tenant receivable balances. Accounts Receivable are stated at the amount management expects to collect on outstanding balances. Management estimates the allowance for doubtful accounts based on historical collection experience and a review of the current status of tenant accounts receivable. It is reasonably possible that management's estimate of the allowance will change.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition - The Corporation recognizes net rental revenue in the period in which the rent is earned. Leases are for periods of up to one year, with rent and associated payments due monthly. Payments collected in advance are deferred until the rental income is earned. Other revenue can include fees for late payment, damages, laundry, concessions, and other charges and is recorded when earned. The Corporation recognizes grant revenue in the period earned, which includes the period in which the Corporation has met any applicable donor-imposed conditions.

Advertising - The Corporation expenses advertising costs as they are incurred.

Impairment of Long-Lived Assets - In accordance with the provisions of accounting for the impairment or disposal of long-lived assets, management reviews long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable based on the undiscounted future cash flows of the asset. If the carrying amount of an asset may not be recoverable, a write-down to fair value is recorded. Fair values are determined based on the discounted cash flows, quoted market values, or external appraisals, as applicable. Long-lived assets are reviewed for impairment at the individual asset or the asset group level for which the lowest level of independent cash flows can be identified.

Classification of Net Assets - Net assets of the Corporation are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Net Assets Without Donor Restrictions - Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Net Assets With Donor Restrictions - Net assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Corporation. Certain restrictions may need to be maintained in perpetuity.

Earnings related to restricted net assets will be included in net assets without donor restrictions unless otherwise specifically required to be included in donor-restricted net assets by the donor or by applicable state law.

Donor-restricted support both received and expended for purposes either implicit with the gift or explicitly outlined by the donor within the same operating period have been classified as net assets without donor restrictions.

Donor-restricted support that was initially a conditional contribution and for which the donor-imposed conditions and restrictions are met in the same reporting period has been classified as net assets without donor restrictions.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Reclassifications - Certain amounts in prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications had no impact on the results of operations or net assets.

Subsequent Events - Subsequent events have been evaluated through August 27, 2020, the date the financial statements were available to be issued.

NOTE 2 - MORTGAGE NOTES PAYABLE AND LINE OF CREDIT

A mortgage note payable to MaineHousing is due to mature on May 1, 2028 and is secured by residential rental property at 822, 832, and 842 Middle Street in Bath. The note bears interest at 4% per annum and requires monthly payments of principal and interest of \$1,274. The note balances at December 31, 2019 and 2018 were \$109,106 and \$119,798, respectively.

A mortgage note payable to the City of Bath is secured by residential rental property at 822, 832, and 842 Middle Street in Bath and is due upon sale of the property. The note bears interest at 3% up to a maximum of \$11,144. The balance due on the note at both December 31, 2019 and 2018 was \$103,043. Accrued interest on the note at both December 31, 2019 and 2018 was \$11,144.

A mortgage note payable to MaineHousing is due to mature on February 1, 2046 and is secured by residential rental property at 806 Middle Street in Bath. The note is guaranteed by Bath Housing Authority, a related party under common management. The note bears interest at 5% per annum and requires monthly payments of principal and interest of \$671. The note balances at December 31, 2019 and 2018 was \$117,247 and \$119,373, respectively.

A mortgage note payable to MaineHousing is due to mature on July 1, 2046 and is secured by residential rental property at 49 Elm Street in Bath. The note is guaranteed by Bath Housing Authority. The note bears interest at 5% per annum and requires monthly payments of principal and interest of \$429. The note balances at December 31, 2019 and 2018 were \$75,713 and \$77,044, respectively.

A mortgage note payable to MaineHousing was originally due to mature on July 1, 2046 and is secured by residential rental property at 28 Maple Street in Bath. The note is guaranteed by Bath Housing Authority. The note bears interest at 5% per annum and required monthly payments of principal and interest of \$177 through March 1, 2018. The note was modified effective April 1, 2018 resulting in an increase to the loan amount to \$150,992. The modified mortgage note payable is due to mature on March 1, 2048. Monthly payments of principal and interest of \$1,274 are due through maturity. The note balances at December 31, 2019 and 2018 were \$146,343 and \$148,668, respectively.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

NOTE 2 - MORTGAGE NOTES PAYABLE AND LINE OF CREDIT (Continued)

A mortgage note payable to MaineHousing was originally due to mature on September 1, 2019 and is secured by residential rental property at 470 Washington Street in Bath. The note is guaranteed by Bath Housing Authority. The original interest rate was 3% per annum and required monthly interest only payments of \$500 through April 30, 2018. The note was modified in 2018 to bear interest at 5% with monthly principal and interest payments of \$913 commencing May 1, 2018 through maturity on April 1, 2048. The note modification also included a one-time principal reduction payment of \$30,000 that was due and paid on April 1, 2018. The note balances at December 31, 2019 and 2018 were \$165,749 and \$168,342, respectively.

A mortgage note payable to MaineHousing is due to mature on November 30, 2020 and is secured by residential rental property at 57 Chestnut Street in Bath. The note is in accordance with MaineHousing's Land Acquisition Program and will be forgiven as of the date in which the mortgaged property is sold to a family with income less than or equal to 80% of area median income. The note is non-interest bearing. The note balance at both December 31, 2019 and 2018 was \$48,484.

A mortgage note payable to MaineHousing was originally due to mature on March 1, 2020. The mortgage note is secured by residential rental property at 41-43 Lincoln Street in Bath. The note is guaranteed by Bath Housing Authority. The original note bore interest at 3% per annum and required 24 monthly interest only payments of \$750 commencing April 1, 2018 until March 1, 2020 when the remaining principal and interest was due. The mortgage note was modified effective February 1, 2020 to bear interest at 5% with monthly payments of principal and interest of \$1,610 commencing March 1, 2020 through maturity on February 1, 2050. The note balance at both December 31, 2019 and 2018 was \$300,000.

A mortgage note payable to MaineHousing was used to fund the purchase of the Moses and Columbia Blocks property located at 176 to 194 Front Street in Bath in May 2019. The note is due to mature on June 1, 2021 and is secured by the residential rental property on Front Street in Bath. The note is guaranteed by Bath Housing Authority. The note bears interest at 3% per annum and required an interest only payment of \$986 on June 1, 2019 and monthly interest only payments of \$1,250 commencing on July 1, 2019 through maturity at which time the remaining outstanding balance plus accrued interest will be due and payable in full. The note balance at December 31, 2019 was \$500,000.

A mortgage note payable to Bath Savings Institution is due to mature on November 29, 2032 and is secured by Seacliff Apartments. The note bears interest at 5.86% per annum and requires monthly payments of principal and interest of \$10,616 through maturity. The note balances at December 31, 2019 and 2018 were \$1,150,308 and \$1,208,335, respectively.

A mortgage note payable to Bath Housing Authority is due to mature on November 29, 2032 and is secured by Seacliff Apartments. The note bears interest at 4% per annum and requires monthly payments of principal and interest of \$6,060 through maturity. The note balances at December 31, 2019 and 2018 were \$732,597 and \$778,549, respectively.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

NOTE 2 - MORTGAGE NOTES PAYABLE AND LINE OF CREDIT (Continued)

Maturities of mortgage principal are as follows at December 31, 2019:

2020	\$ 174,111
2021	636,582
2022	143,569
2023	150,921
2024	158,709
Thereafter	<u>2,184,698</u>
	<u>\$ 3,448,590</u>

Line of Credit – On July 6, 2018 the Corporation entered into a line of credit agreement with Peoples United Bank for a total maximum limit of \$700,000. The line of credit is guaranteed by Bath Housing Authority and secured by investments owned by the Corporation and Bath Housing Authority. The line of credit bears variable interest of 2% plus One Month LIBOR (3.70% and 4.46% as of December 31, 2019 and 2018, respectively). Any accrued unpaid interest is due monthly, with outstanding principal due upon lender's demand. The outstanding balance payable as of December 31, 2019 was \$533,130.

NOTE 3 - RELATED PARTY TRANSACTIONS

The Corporation entered into a management agreement with Bath Housing Authority and is required to pay a management fee that ranges from 10% to 12% of collected rents. Management fees of \$127,849 and \$116,000 were incurred during 2019 and 2018, respectively.

During 2019 and 2018, the Corporation paid administrative and maintenance reimbursements of \$327,579 and \$293,547, respectively, to the Bath Housing Authority.

Bath Housing Authority leases the building from the Corporation under an operating lease. The lease was renewed in 2018 for three years with rent at \$28,800 per annum. During both 2019 and 2018, Bath Housing Authority paid rent of \$28,800 to the Corporation. This amount is included in rental income.

Bath Housing Anchor Corporation, a related party under common control, entered into an operating lease commencing June 1, 2019 with the Corporation to rent space at the Moses and Columbia Blocks property. The lease is effective for 30 years through June 30, 2049 with rent at \$70,813 per annum. During both 2019, Bath Housing Anchor Corporation paid rent of \$41,307 to the Corporation. This amount is included in rental income.

At December 31, 2019 and 2018, the Corporation owed Bath Housing Authority \$59,489 and \$72,897, respectively, for various maintenance and administrative charges. At December 31, 2018, the Corporation was owed \$15,698 from Bath Housing Authority for various maintenance and administrative charges.

Bath Housing Authority provides guarantees for certain mortgages of the Corporation. See Note 2.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

NOTE 4 - GRANT INCOME

The Corporation receives grant income from a variety of sources to fund multiple programs for area residents. During 2019 and 2018, John T. Gorman awarded and paid the Corporation \$20,000. As a condition in both years, the grant funding was to be expended towards the Comfortably Home Program. In both years the full \$20,000 was incurred and expended towards the program satisfying the condition and recognized as grant income in 2019 and 2018.

During 2018, MaineHousing awarded the Corporation \$112,559 to be used directly for the Comfortably Home Program. The terms of the grant agreement required that the Corporation expend \$12,559 towards the program in 2018 and expend the remaining \$100,000 towards the program in 2019. The Corporation received the full \$112,559 in funding during 2019. In 2018, the Corporation met the condition by incurring and expending the \$12,559 directly towards the program and therefore recognized it as grant income and included it with grant receivables as of December 31, 2018. In 2019, the Corporation met the condition by incurring and expending the remaining \$100,000 directly towards the program and recognized it as grant income.

During 2018, MaineHousing awarded and paid the Corporation \$75,000, to be used directly for the Comfortably Home Program. The full \$75,000 was incurred and expended towards the program in 2018 satisfying the condition and therefore recognized as grant income.

The Corporation additionally received and recognized \$20,000 in grant income from the City of Bath in both 2019 and 2018.

In 2018, the Corporation was awarded \$745,000 of Community Development Block Grant Funds from the City of Bath for the purpose of rehabbing various properties owned by the Corporation. The funds are released on a reimbursement basis for eligible renovation costs in accordance with the grant agreement. Eligible funds are available for release from December 25, 2018 through June 30, 2020. During 2019, \$312,467 of the eligible costs had been incurred and expended by the Corporation satisfying the condition and therefore recognized as grant income. The full \$312,467 in grant funding was received by the Corporation in 2019.

NOTE 5 - HOUSING ASSISTANCE AGREEMENT

The U.S. Department of Housing and Urban Development (HUD) has contracted with Seacliff Apartments under Section 8 of Title II of the Housing and Community Development Act of 1974, to make housing assistance payments to the project on behalf of qualified tenants. The renewal contract, dated October 1, 2012, is for a twenty-year period with two (2) five-year renewals. Effective October 1, 2019, gross contract rents equal \$790,560 and may not be increased without HUD approval.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 5 - HOUSING ASSISTANCE AGREEMENT (Continued)

In accordance with HUD Housing Notice H-2012-14, Seacliff Apartments is required to use funds in the residual receipts account to offset project based Section 8 housing assistance payments. The project is allowed to maintain \$250 per unit to use for project purposes, subject to agency approval. The excess balance will be used to reduce project based Section 8 housing assistance payments until the excess is used. During 2018, the project used \$137,834 of residual receipts to offset housing assistance payments. No funds were used during 2019. These funds have been recorded as Residual Receipts Recapture Income with an offset to Residual Receipts Recapture Expense. Net housing assistance payments earned during 2019 and 2018 totaled \$504,423 and \$392,024, respectively.

NOTE 6 - COMMITMENTS

Under the terms of the Regulatory Agreement with MaineHousing, Seacliff Apartments is required to make deposits to an escrow account to fund expected future costs as determined by the Capital Needs Assessment:

<u>Escrow Account</u>	<u>Amount</u>
Replacement Reserve	Currently \$3,142 monthly

Under the terms of the Housing Assistance Contract with HUD, Seacliff Apartments is required to deposit annual surplus cash into a residual receipts account. Use of residual receipt funds is contingent upon HUD's written approval.

Under the terms of a Regulatory Agreement with MaineHousing, the Corporation is required to fund an Operating Reserve in the amount of \$500 annually for the use of the residential rental units located at 822, 832 and 842 Middle Street, Bath.

As required by a Financial Assistance Agreement with MaineHousing, for a period of thirty years, the Corporation will endeavor to keep at least 7 of the 8 residential rental units located at 822, 832 and 842 Middle Street in Bath occupied by individuals or families whose income is 60% or less of the area median income. In addition, for the Qualified Project Period, the low income units shall be rent-restricted at 50% of the area median income.

Per the Declaration of Covenants, Conditions and Restrictions with MaineHousing, the Corporation is required to maintain 100% of the units at 806 Middle Street, 28 Maple Street, 49 Elm Street and 470 Washington Street leased to persons whose income is at or below 80% of area median income.

During 2018, Seacliff Apartments entered into a construction contract with Elite Construction for contractor services related to fire damages. The total cost of the contract was \$234,808. As of December 31, 2019, all costs had been incurred on the contract.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2019 and 2018, the Corporation's net assets with donor restrictions are comprised of unexpended grant funds which contain donor restrictions which had not been satisfied.

NOTE 8 - INVESTMENTS MEASURED AT FAIR VALUE

Bath Housing Development Corporation maintains an investment account with People's United Bank. These amounts are not FDIC insured and are subject to market fluctuation. The Corporation accounts for its investments in accordance with FASB ASC 820-10-50, which requires disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity can access at the measurement date. Level 1 investments include mutual funds.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 investment inputs include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in non-active markets. Level 2 investments include fixed income mutual funds, corporate bonds and investments in real estate investment trusts.

Level 3 - Unobservable inputs for the asset or liability. The Corporation does not have any Level 3 investments.

The following tables illustrate the classification of Bath Housing Development Corporation's financial instruments measured on a recurring basis within the fair value hierarchy as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Debt Securities - Mutual Funds (Level 1)	\$ 187,453	\$ 182,424
Debt Securities - Mutual Funds (Level 2)	47,828	42,025
Debt Securities - Corporate Bonds (Level 2)	50,728	49,708
Debt Securities - Real Estate Investment Trust (Level 2)	3,729	3,770
	<u>\$ 289,738</u>	<u>\$ 277,927</u>

BATH HOUSING DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 8 - INVESTMENTS MEASURED AT FAIR VALUE (Continued)

As of December 31, 2019, all corporate bonds are due to mature between 1 – 5 years.

The return on investments for the years ended December 31, 2019 and 2018 consisted of the following:

	2019	2018
Interest and Dividends	\$ 6,739	\$ 6,424
Unrealized Loss on Investments	49,291	(28,590)
Account Fees	(1,634)	(1,710)
Realized Gain	6,388	6,328
	\$ 60,784	\$ (17,548)

NOTE 9 - ADOPTION OF ACCOUNTING PRONOUNCEMENTS

In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. The new standard is effective for annual reporting periods beginning after December 15, 2018. Any adjustments must be reflected as of the beginning of the fiscal year.

The Corporation adopted ASU 2016-18 effective January 1, 2019, which resulted in the following changes to the balances that were previously reported for the year ended December 31, 2018: an increase of \$13,759 in net cash flows provided by operating activities, a decrease of \$13,759 in net cash flow decrease for the year, an increase in cash of \$27,119 at the beginning of the year, and an increase in cash of \$40,878 at the end of the year from what was previously reported for the year ended December 31, 2018.

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08 Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. ASU 2018-08 clarifies whether transactions should be accounted for as contributions or as exchange transactions and how to determine whether a contribution is conditional. These decisions affect the timing of the revenue recognized. The new standard is effective for annual reporting periods beginning after December 15, 2018.

The Corporation adopted ASU 2018-08 effective January 1, 2019 retrospectively with the cumulative effect of initially applying the Update recognized on the date of initial application. The adoption of this Update did not result in an adjustment to the opening net assets or any other account balance and no account has been affected in the current period by the application of the guidance.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 9 - ADOPTION OF ACCOUNTING PRONOUNCEMENTS (Continued)

In January 2016, the FASB issued ASU 2016-01 Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The standard is intended to improve the recognition, measurement, presentation and disclosure of financial instruments. Among other changes, there will no longer be an available-for-sale classification for which changes in fair value are currently reported in other comprehensive income for equity securities with readily determinable fair values. Equity investments with readily determinable fair values will be measured at fair value with changes in fair value recognized in net income. The new standard is effective for annual reporting periods beginning after December 15, 2018.

The Corporation adopted ASU 2016-01 effective January 1, 2019 retrospectively with the cumulative effect of initially applying the Update recognized on the date of initial application. The adoption of this Update did not result in an adjustment to the opening net assets or any other account balance and no account has been affected in the current period by the application of the guidance.

NOTE 10 - METHOD USED FOR ALLOCATION OF EXPENSES AMONG PROGRAM AND SUPPORTING SERVICES

The financial statements of the Corporation report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include administrative services, maintenance expenses, and other general and administrative expenses, which are allocated based on unit proportions and/or percentages of revenue depending on the nature of the expense as determined by management. There were no fundraising activities during 2019 and 2018 and therefore there were no associated fundraising costs during 2019 and 2018.

NOTE 11 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Corporation's working capital and cash flows are derived from monthly revenue consisting mostly of rent revenue, housing assistance payments, and grant income. The Corporation is regulated by entities including MaineHousing and HUD.

The Corporation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Corporation manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become do.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

NOTE 11 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

The following reflects the Corporation's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of regulatory, donor or contractual restrictions within one year of the statement of financial position date. Amounts not available also include cash with donor restrictions and amounts set-aside for long-term investing in capital reserves that could be drawn upon if approved by HUD or MaineHousing.

	<u>2019</u>	<u>2018</u>
Cash	\$ 289,246	\$ 284,114
Investments	289,738	277,927
Accounts Receivable	<u>6,655</u>	<u>174,139</u>
Total Financial Assets	585,639	736,180
Contractual (Regulatory) Restrictions:		
Restricted Receivables:		
Accounts Receivable - Grants	-	(12,559)
Restricted Deposits:		
Replacement Reserve	(138,618)	(201,391)
Operating Reserve	(12,004)	(15,727)
Residual Receipts Reserve	<u>(12,589)</u>	<u>(12,561)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 422,428</u>	<u>\$ 493,942</u>

The Organization also has a line of credit agreement with Peoples United Bank for up to \$700,000 that could be drawn upon to meet cash needs for general expenditures within one year. As of December 31, 2019, the outstanding balance on the line of credit is \$533,130 and the balance available to be drawn upon is \$166,870. The outstanding principal balance is due upon lender's demand. The Corporation does not expect the lender to demand payment of the outstanding balance in 2020.

NOTE 12 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Corporation operates in a heavily regulated environment. The operations of the Corporation are subject to the administrative directives of federal, state and local agencies, including but not limited to the HUD and MaineHousing. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by the agency or other situation. Such changes may occur with little notice or with inadequate funding to pay for the related cost, including the additional burden to comply with the change.

NOTE 13 - GAIN ON INVOLUNTARY CONVERSION

During 2018 the Corporation suffered fire damage at Seacliff Apartments. The estimated damage to the property totaled \$273,753 (depreciated value). Insurance proceeds of \$100,549 and \$254,946 were received in 2019 and 2018, respectively. During 2018, the Project recognized \$355,495 in construction and repair costs related to the rehabilitation.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 14 - BUSINESS LOSS RECEIVABLE

During 2019 and 2018, the Corporation submitted insurance claims for lost rents and rehabilitation costs due to fire damage to several units at Seacliff Apartments. The insurance company agreed to reimburse the project \$36,657 for lost rent related to 2018 and \$46,435 for lost rent related to 2019. As of December 31, 2018, the project was owed \$137,206 for lost rents and rehab costs. All funds owed as part of the claim were received in 2019.

NOTE 15 - PRIOR PERIOD ADJUSTMENT

During 2019, management discovered that certain prior year transactions related to a fire casualty had not been correctly reported. To correct the issue, management made the following adjustments:

	As Originally Reported (2018)	Corrected Amount 2018 (Restated)
Accounts Receivable - Other	\$ 36,657	\$ 152,904
Buildings and Improvements	\$ 3,963,571	\$ 3,869,309
Accumulated Depreciation	\$ (828,566)	\$ (814,700)
Accounts Payable - Related Party	\$ (57,199)	\$ (72,897)
Gain on Involuntary Conversion	\$ 62,373	\$ 81,742
Depreciation Expense	\$ (135,118)	\$ (134,334)
Change in Net Assets	\$ (118,518)	\$ (98,365)
Net Assets (Combined), Beginning of Year	\$ 2,903,845	\$ 2,903,845
New Assets Without Donor Restrictions, End Of Year	\$ 2,767,708	\$ 2,787,861

The following changes were made in the 2018 statement of cash flows as a result of the adjustments:

	As Originally Reported (2018)	Corrected Amount 2018 (Restated)
Decrease in Net Assets	\$ (118,518)	\$ (98,365)
Depreciation	\$ 135,118	\$ 134,334
Gain on Involuntary Conversion	\$ (62,373)	\$ (81,742)
Change in Accounts Receivable - Other	\$ (36,657)	\$ (52,355)
Change in Accounts Payable - Related Party	\$ 57,199	\$ 72,897

BATH HOUSING DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 16 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following provides a reconciliation of cash, cash equivalents and restricted cash reported within the Balance Sheet that sum to the total of the same such amounts shown in the Statements of Cash Flows.

	<u>2019</u>	<u>2018</u>
Cash - Operations	\$ 94,325	\$ 23,431
Investments - Cash & Equivalents	16,272	17,299
Tax and Insurance Reserve	15,438	13,705
Replacement Reserve	138,618	201,391
Operating Reserve	12,004	15,727
Residual Receipts Reserve	12,589	12,561
Tenant Security Deposits	<u>42,417</u>	<u>40,878</u>
Total Cash, Cash Equivalents and Restricted Cash Accounts	<u>\$ 331,663</u>	<u>\$ 324,992</u>

NOTE 17 - SUBSEQUENT EVENT

On March 13, 2020, a national emergency was declared in the United States as a result of the coronavirus pandemic. This public health crisis has had a significant and wide-ranging effect on the United States economy and is expected to continue for some time. There has been limited impact on the Corporation's financial position and operations. Management continues to monitor and actively assess the impact of this evolving situation on its operations and financial position but the full duration, magnitude and potential future financial effect is indeterminable at this time.

SUPPLEMENTARY INFORMATION

BATH HOUSING DEVELOPMENT CORPORATION
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

December 31, 2019

ASSETS

	Bath Housing Development Corporation	Seacliff Apartments	Bath Housing Anchor Corporation	Intercompany Eliminations	Total
CURRENT ASSETS					
Cash					
Operating Accounts	\$ 24,704	\$ 61,379	\$ 8,242	\$ -	\$ 94,325
Investments - Cash and Equivalents	16,272	-	-	-	16,272
Tax and Insurance Reserve	-	15,438	-	-	15,438
Replacement Reserve	18,474	120,144	-	-	138,618
Operating Reserve	12,004	-	-	-	12,004
Residual Receipts Reserve	-	12,589	-	-	12,589
Total Cash	71,454	209,550	8,242	-	289,246
Other Current Assets					
Accounts Receivable - Tenants, Net of Allowance for Doubtful Accounts of \$41,057	4,795	1,860	-	-	6,655
Tenant Security Deposits	31,301	11,116	-	-	42,417
Prepaid Insurance	910	-	-	-	910
Prepaid Real Estate Taxes	23,922	-	-	-	23,922
Investments in Debt and Equity Securities	289,738	-	-	-	289,738
Total Current Assets	422,120	222,526	8,242	-	652,888
PROPERTY AND EQUIPMENT					
Land and Improvements	890,781	1,318,647	-	-	2,209,428
Buildings	2,675,200	2,127,449	-	-	4,802,649
Building Equipment	11,952	133,329	-	-	145,281
Maintenance Equipment	7,825	-	-	-	7,825
Motor Vehicles	22,748	-	-	-	22,748
Construction in Progress	370,500	6,422	-	-	376,922
Total	3,979,006	3,585,847	-	-	7,564,853
Less Accumulated Depreciation	522,347	449,467	-	-	971,814
Net Property and Equipment	3,456,659	3,136,380	-	-	6,593,039
TOTAL ASSETS	\$ 3,878,779	\$ 3,358,906	\$ 8,242	\$ -	\$ 7,245,927

BATH HOUSING DEVELOPMENT CORPORATION
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
(Continued)

December 31, 2019

LIABILITIES AND NET ASSETS

LIABILITIES

	Bath Housing Development Corporation	Seacliff Apartments	Bath Housing Anchor Corporation	Intercompany Eliminations	Total
CURRENT LIABILITIES					
Accounts Payable	\$ 16,736	\$ 7,551	\$ 3,986	\$ -	\$ 28,273
Accounts Payable - Related Party	37,573	21,916	-	-	59,489
Accrued Interest Payable	4,968	530	-	-	5,498
Prepaid Revenue	2,777	489	808	-	4,074
Tenant Security Deposits and Interest	29,910	11,343	-	-	41,253
Line of Credit	533,130	-	-	-	533,130
Mortgage Notes Payable - Current Portion	72,120	101,991	-	-	174,111
Total Current Liabilities	697,214	143,820	4,794	-	845,828
LONG-TERM LIABILITIES					
Mortgage Notes Payable	1,565,685	1,882,905	-	-	3,448,590
Deferred Financing Costs	-	(32,803)	-	-	(32,803)
Accrued Interest Payable	11,144	-	-	-	11,144
	1,576,829	1,850,102	-	-	3,426,931
Less Current Portion	72,120	101,991	-	-	174,111
Total Long-term Liabilities	1,504,709	1,748,111	-	-	3,252,820
TOTAL LIABILITIES	2,201,923	1,891,931	4,794	-	4,098,648
NET ASSETS					
Net Assets Without Donor Restrictions	1,659,237	1,466,975	3,448	-	3,129,660
Net Assets With Donor Restrictions	17,619	-	-	-	17,619
TOTAL LIABILITIES AND NET ASSETS	\$ 3,878,779	\$ 3,358,906	\$ 8,242	\$ -	\$ 7,245,927

BATH HOUSING DEVELOPMENT CORPORATION
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

December 31, 2018

	ASSETS			
	Bath Housing Development Corporation	(Restated) Seacliff Apartments	Intercompany Eliminations	Total
CURRENT ASSETS				
Cash				
Operating Accounts	\$ 17,483	\$ 5,948	\$ -	\$ 23,431
Investments - Cash and Equivalents	17,299	-	-	17,299
Tax and Insurance Reserve	-	13,705	-	13,705
Replacement Reserve	8,248	193,143	-	201,391
Operating Reserve	15,727	-	-	15,727
Residual Receipts Reserve	-	12,561	-	12,561
Total Cash	58,757	225,357	-	284,114
Other Current Assets				
Accounts Receivable - Tenants, Net of Allowance for Doubtful Accounts of \$12,844	7,262	1,414	-	8,676
Accounts Receivable - Grants	12,559	-	-	12,559
Accounts Receivable - Other	-	152,904	-	152,904
Tenant Security Deposits	23,281	17,597	-	40,878
Prepaid Insurance	3,611	-	-	3,611
Prepaid Real Estate Taxes	11,004	-	-	11,004
Investments in Debt and Equity Securities	277,927	-	-	277,927
Total Current Assets	394,401	397,272	-	791,673
PROPERTY AND EQUIPMENT				
Land and Improvements	457,949	1,280,947	-	1,738,896
Buildings	2,112,901	1,756,408	-	3,869,309
Building Equipment	11,952	133,329	-	145,281
Maintenance Equipment	7,825	-	-	7,825
Motor Vehicles	22,748	-	-	22,748
Construction in Progress	67,366	179,485	-	246,851
Total	2,680,741	3,350,169	-	6,030,910
Less Accumulated Depreciation	453,187	361,513	-	814,700
Net Property and Equipment	2,227,554	2,988,656	-	5,216,210
TOTAL ASSETS	\$ 2,621,955	\$ 3,385,928	\$ -	\$ 6,007,883

BATH HOUSING DEVELOPMENT CORPORATION
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
(Continued)

December 31, 2018

LIABILITIES AND NET ASSETS

LIABILITIES

	Bath Housing Development Corporation	(Restated) Seacliff Apartments	Intercompany Eliminations	Total
CURRENT LIABILITIES				
Accounts Payable	\$ 19,837	\$ 31,710	\$ -	\$ 51,547
Accounts Payable - Related Party	72,897	-	-	72,897
Accrued Interest Payable	-	3,118	-	3,118
Prepaid Revenue	1,609	73	-	1,682
Tenant Security Deposits and Interest	15,398	10,323	-	25,721
Mortgage Notes Payable - Current Portion	19,097	100,373	-	119,470
Total Current Liabilities	<u>128,838</u>	<u>145,597</u>	<u>-</u>	<u>274,435</u>
LONG-TERM LIABILITIES				
Mortgage Notes Payable	1,084,752	1,986,884	-	3,071,636
Deferred Financing Costs	-	(35,342)	-	(35,342)
Accrued Interest Payable	11,144	-	-	11,144
	<u>1,095,896</u>	<u>1,951,542</u>	<u>-</u>	<u>3,047,438</u>
Less Current Portion	19,097	100,373	-	119,470
Total Long-term Liabilities	<u>1,076,799</u>	<u>1,851,169</u>	<u>-</u>	<u>2,927,968</u>
TOTAL LIABILITIES	<u>1,205,637</u>	<u>1,996,766</u>	<u>-</u>	<u>3,202,403</u>
NET ASSETS				
Net Assets Without Donor Restrictions	1,398,699	1,389,162	-	2,787,861
Net Assets With Donor Restrictions	17,619	-	-	17,619
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,621,955</u>	<u>\$ 3,385,928</u>	<u>\$ -</u>	<u>\$ 6,007,883</u>

BATH HOUSING DEVELOPMENT CORPORATION
 SCHEDULE OF REVENUE AND FUNCTIONAL EXPENSES

For the Year Ended December 31, 2019

	Supportive Services	Program Services														Total Program Services	Total
	Management and General	19 Oak Street	822, 832, 842 Middle Street	806 Middle Street	Seaciff Apartments	49 Elm Street	28 Maple	470 Washington Street	Lincoln Street	Summer Street	Front Street	Bath Housing Anchor Corporation	Comfortably Home Program	Intercompany Eliminations			
REVENUE																	
Housing Assistance Payments	\$ -	\$ -	\$ -	\$ -	\$ 504,423	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 504,423
Rental Revenue	28,800	51,022	69,379	25,494	217,306	25,808	29,594	29,793	47,623	60,484	41,307	57,684	-	(41,307)	-	614,187	
Grant Income	332,215	-	-	-	-	-	-	-	-	-	-	-	120,000	-	-	120,000	
Investment Income	62,906	-	-	-	4,573	-	-	-	-	-	-	-	-	-	-	4,573	
Other Income	11,660	-	-	-	9,412	-	-	-	-	-	-	-	-	-	-	9,412	
Total Revenue	435,581	51,022	69,379	25,494	735,714	25,808	29,594	29,793	47,623	60,484	41,307	57,684	120,000	(41,307)	-	1,293,902	
ADMINISTRATIVE EXPENSES																	
Administrative Salaries	55,354	-	-	-	-	-	-	-	-	-	-	-	10,968	-	-	10,968	
Management Fee	-	6,123	8,325	3,059	87,194	3,097	3,551	3,575	5,715	7,210	-	-	-	-	-	127,849	
Auditing Fees	1,152	540	812	284	5,400	-	353	-	-	-	-	-	-	-	-	7,389	
Employee Benefits Contributions - Administrative	10,040	-	-	-	-	-	-	-	-	-	-	-	6,135	-	-	16,175	
Legal	155	-	954	6,928	5,101	-	-	-	-	-	-	571	-	-	13,554		
Staff Training	-	-	-	-	-	-	-	-	-	-	-	-	452	-	452		
Accounting	22,086	-	-	-	7,071	292	-	378	649	685	502	-	1,453	-	11,030		
Other Operating - Administrative	2,292	-	-	-	2,418	-	-	-	-	-	-	42,365	1,277	(41,307)	4,753		
Grant Expenditures	1,256	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Total Administrative Expenses	92,335	6,663	10,091	10,271	107,184	3,389	3,904	3,953	6,364	7,895	502	42,936	20,285	(41,307)	223,437		
TENANT SERVICES																	
Tenant Services Labor Fee	-	-	-	-	14,790	-	-	-	-	-	-	-	-	-	-	14,790	
Employee Benefits	-	-	-	-	3,290	-	-	-	-	-	-	-	-	-	-	3,290	
Total Tenant Service Expenses	-	-	-	-	18,080	-	-	-	-	-	-	-	-	-	18,080		
UTILITIES EXPENSE																	
Water	-	1,060	1,561	862	6,771	690	714	679	1,419	2,005	-	761	-	-	16,522		
Sewer	-	1,469	1,803	1,455	10,705	1,090	1,140	1,065	2,258	170	-	51	-	-	21,236		
Electricity	-	2,867	1,298	318	45,981	835	2,288	1,263	1,189	2,097	-	642	-	-	58,778		
Gas/Fuel	-	2,678	4,214	2,266	2,476	3,517	1,804	1,607	5,127	5,704	-	9,442	-	-	38,835		
Total Utilities Expenses	-	8,104	8,876	4,901	65,933	6,132	5,946	4,614	9,993	9,976	-	10,896	-	-	135,371		
MAINTENANCE EXPENSES																	
Maintenance Fee Expense - Labor	-	8,822	9,802	4,901	67,640	4,901	6,859	5,880	7,843	3,728	-	-	37,149	-	157,525		
Ordinary Maintenance and Operations - Materials	5,152	3,508	9,740	3,809	52,614	2,022	4,851	5,274	3,315	1,701	-	-	36,587	-	123,421		
Ordinary Maintenance and Operations - Contract Costs	1,765	4,554	8,481	1,425	63,741	2,401	160	2,555	2,174	3,424	-	504	6,496	-	95,915		
Maintenance Fee Expense - Benefits	-	3,571	3,965	1,984	27,374	1,984	2,776	2,378	3,174	1,366	-	-	13,834	-	62,406		
Total Maintenance Expenses	6,917	20,455	31,988	12,119	211,369	11,308	14,646	16,087	16,506	10,219	-	504	94,066	-	439,267		
GENERAL EXPENSES																	
Insurance	4,052	3,378	3,882	1,412	21,259	1,295	1,518	1,341	5,464	1,196	2,312	-	975	-	44,032		
Real Estate Taxes	-	6,212	5,708	-	35,000	-	-	1,896	5,081	15,453	-	-	-	-	69,350		
Interest Expense	-	-	4,949	6,115	102,139	4,127	7,994	9,027	9,726	7,521	14,337	-	-	-	165,935		
Collection Losses/(Recapture)	-	17,949	-	367	8,983	3,353	-	(15)	1,257	-	-	-	-	-	31,894		
Depreciation Expense	4,819	5,558	12,864	3,753	87,954	4,905	10,632	5,587	6,236	-	10,256	-	4,550	-	152,295		
Total General Expenses	8,871	33,097	27,403	11,647	255,335	13,680	20,144	17,836	27,764	24,170	26,905	-	5,525	-	463,506		
TOTAL EXPENSES	108,123	68,319	78,358	38,938	657,901	34,509	44,640	42,490	60,627	52,260	27,407	54,336	119,876	(41,307)	1,238,354		
INCREASE (DECREASE) IN NET ASSETS	\$ 327,458	\$ (17,297)	\$ (8,979)	\$ (13,444)	\$ 77,813	\$ (8,701)	\$ (15,046)	\$ (12,697)	\$ (13,004)	\$ 8,224	\$ 13,900	\$ 3,348	\$ 124	\$ -	\$ 14,241		

See accompanying notes to the financial statements.

BATH HOUSING DEVELOPMENT CORPORATION
SCHEDULE OF REVENUE AND FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	Supportive Services	Program Services									Total Program Services	Total	
		Management and General	19 Oak Street	822, 832, 842 Middle Street	806 Middle Street	(Restated) Seacliff Apartments	49 Elm Street	28 Maple	470 Washington Street	Lincoln Street			Comfortably Home Program
REVENUE													
Housing Assistance Payments	\$ -	\$ -	\$ -	\$ -	\$ 392,024	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 392,024	\$ 392,024
Rental Revenue	28,800	45,939	63,290	23,375	220,823	20,727	24,241	27,389	39,454	-	-	465,238	494,038
Grant Income	31,908	-	-	-	-	-	-	-	-	118,134	-	118,134	150,042
Investment Income	(15,672)	-	-	-	2,081	-	-	-	-	-	-	2,081	(13,591)
Gain on Involuntary Conversion	-	-	-	-	81,742	-	-	-	-	-	-	81,742	81,742
Other Income	6,608	-	-	-	7,129	-	-	-	-	-	-	7,129	13,737
Total Revenue	51,644	45,939	63,290	23,375	703,799	20,727	24,241	27,389	39,454	118,134	1,066,348	1,117,992	
ADMINISTRATIVE EXPENSES													
Administrative Salaries	56,996	-	-	-	-	-	-	-	-	36,078	-	36,078	93,074
Management Fee	-	5,513	8,747	2,805	90,252	2,487	2,909	3,287	-	-	-	116,000	116,000
Auditing Fees	3,500	805	1,288	322	5,300	-	-	-	-	-	-	7,715	11,215
Employee Benefits Contributions - Administrative	10,774	13	-	9	-	-	-	-	-	6,432	-	6,454	17,228
Legal	2,258	-	-	770	4,414	-	-	-	-	-	-	5,184	7,442
Staff Training	13	-	-	-	-	-	-	-	-	1,079	-	1,079	1,092
Travel	1,500	-	-	-	-	-	-	-	-	-	-	-	1,500
Accounting	13,174	-	-	-	5,651	322	322	441	-	-	-	6,736	19,910
Other Operating - Administrative	5,561	-	-	-	1,965	-	-	-	-	3,763	-	5,728	11,289
Grant Expenditures	2,765	-	-	-	-	-	-	-	-	-	-	-	2,765
Total Administrative Expenses	96,541	6,331	10,035	3,906	107,582	2,809	3,231	3,728	-	47,352	184,974	281,515	
TENANT SERVICES													
Tenant Services Labor Fee	-	-	-	-	26,210	-	-	-	-	-	-	26,210	26,210
Employee Benefits	-	8	-	-	7,273	-	-	-	-	-	-	7,281	7,281
Tenant Services Benefit Fee	-	11	16	5	-	-	-	-	-	-	-	32	32
Total Tenant Service Expenses	-	19	16	5	33,483	-	-	-	-	-	33,523	33,523	
UTILITIES EXPENSE													
Water	-	829	1,696	1,429	5,295	456	598	322	1,442	-	-	12,067	12,067
Sewer	-	1,005	2,044	2,609	10,856	589	768	522	910	-	-	19,303	19,303
Electricity	-	1,995	1,092	413	44,371	433	2,227	734	656	-	-	51,921	51,921
Gas/Fuel	-	3,219	4,357	2,154	1,861	3,311	52	534	5,598	-	-	21,086	21,086
Total Utilities Expenses	-	7,048	9,189	6,605	62,383	4,789	3,645	2,112	8,606	-	-	104,377	104,377
MAINTENANCE EXPENSES													
Maintenance Fee Expense - Labor	-	5,389	8,470	2,311	53,128	2,311	2,311	3,079	-	33,092	-	110,091	110,091
Ordinary Maintenance and Operations - Materials	1,681	2,651	8,298	1,211	50,789	1,152	1,347	905	430	19,320	-	86,103	87,784
Ordinary Maintenance and Operations - Contract Costs	3,319	4,425	7,072	2,350	128,187	2,251	427	4,336	4,903	2,075	-	156,026	159,345
Maintenance Fee Expense - Benefits	-	1,577	2,478	676	15,547	676	676	902	-	11,480	-	34,012	34,012
Total Maintenance Expenses	5,000	14,042	26,318	6,548	247,651	6,390	4,761	9,222	5,333	65,967	386,232	391,232	
GENERAL EXPENSES													
Insurance	1,412	2,952	4,599	1,023	20,708	1,306	-	839	5,398	566	-	37,391	38,803
Real Estate Taxes	248	6,399	6,267	-	35,000	-	-	1,895	2,459	-	-	52,020	52,268
Interest Expense	-	-	5,015	6,033	107,069	3,887	5,385	5,643	6,616	-	-	139,648	139,648
Collection Losses	-	13,674	-	-	7,907	-	-	-	-	-	-	21,581	21,581
Other General/Development Expense	19,076	-	-	-	-	-	-	-	-	-	-	-	19,076
Depreciation Expense	4,715	5,558	13,353	3,753	78,032	4,905	8,860	5,411	5,197	4,550	-	129,619	134,334
Total General Expenses	25,451	28,583	29,234	10,809	248,716	10,098	14,245	13,788	19,670	5,116	380,259	405,710	
TOTAL EXPENSES	126,992	56,023	74,792	27,873	699,815	24,086	25,882	28,850	33,609	118,435	1,089,365	1,216,357	
INCREASE (DECREASE) IN NET ASSETS	\$ (75,348)	\$ (10,084)	\$ (11,502)	\$ (4,498)	\$ 3,984	\$ (3,359)	\$ (1,641)	\$ (1,461)	\$ 5,845	\$ (301)	\$ (23,017)	\$ (98,365)	

See accompanying notes to the financial statements.