

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Bath Housing Development Corporation
Seacliff Apartments

Report on the Financial Statements

We have audited the accompanying financial statements of Bath Housing Development Corporation's Seacliff Apartments, (the "Project"), which comprise the statements of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' 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 financial statements referred to above present fairly, in all material respects, the financial position of the Project as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Project as of December 31, 2019, were audited by other auditors whose report dated May 28, 2020, expressed an unmodified opinion on those statements.

Other Matter – Presentation

The financial statements presented herewith are limited to the operations of Seacliff Apartments. The accompanying financial statements are not intended to present the consolidated financial position of Bath Housing Development Corporation as of December 31, 2020 and 2019 or the consolidated changes in its net assets and its consolidated cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter - Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 2020 supplementary information, as listed in the table of contents on pages 20 to 29, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2020 supplementary information is fairly stated in all material respects in relation to the financial statements as a whole. The 2019 supplementary information, as listed in the table of contents, was subjected to the auditing procedures applied in the 2019 audit of the financial statements by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the 2019 financial statements as a whole.

Other Information

The certifications of corporate officers and managing agent have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Marcum LLP

Boston, Massachusetts
March 15, 2021

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

	2020	2019
Assets		
Current Assets		
Cash	\$ 125,889	\$ 61,379
Tenant accounts receivable, net of allowance for doubtful accounts	4,326	1,860
Accounts receivable - other	500	--
Total Current Assets	130,715	63,239
Tenant Security Deposits	11,004	11,116
Restricted Deposits and Funded Reserves		
Mortgage escrows	13,945	15,438
Replacement reserve	112,938	120,144
Other reserves	12,548	12,589
Total Restricted Deposits and Funded Reserves	139,431	148,171
Property, Plant and Equipment		
Land and land improvements	1,318,647	1,318,647
Buildings and improvements	2,214,394	2,127,449
Building equipment	133,329	133,329
Construction in process	--	6,422
Total Property, Plant and Equipment	3,666,370	3,585,847
Less: accumulated depreciation	(545,794)	(449,467)
Property, Plant and Equipment, Net	3,120,576	3,136,380
Total Assets	\$ 3,401,726	\$ 3,358,906

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

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

DECEMBER 31, 2020 AND 2019

	2020	2019
Liabilities and Net Assets		
Current Liabilities		
Accounts payable - operations	\$ 49,669	\$ 29,467
Accrued interest - first mortgage	501	530
Mortgages payable - current portion	111,199	101,991
Prepaid rent	605	489
Total Current Liabilities	161,974	132,477
Tenant Security Deposit Liabilities	11,004	11,343
Long-Term Liabilities		
Mortgages payable - net of current portion	1,666,843	1,780,914
Less: unamortized debt issuance costs	(30,264)	(32,803)
Total Long-Term Liabilities	1,636,579	1,748,111
Total Liabilities	1,809,557	1,891,931
Net Assets		
Without Donor Restrictions	1,592,169	1,466,975
Total Net Assets	1,592,169	1,466,975
Total Liabilities and Net Assets	\$ 3,401,726	\$ 3,358,906

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

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Revenues		
Tenant rent, net of vacancies	\$ 169,676	\$ 217,306
Housing assistance payments	605,084	504,423
Total Rental income	<u>774,760</u>	<u>721,729</u>
Tenant charges	4,000	5,721
Laundry and vending	3,169	2,626
Interest income	807	4,573
Other revenue	<u>60</u>	<u>1,065</u>
Total Revenues	<u>782,796</u>	<u>735,714</u>
 Expenses		
Operating and maintenance	153,163	183,995
Interest expense	97,754	102,139
Depreciation expense	96,327	87,954
Management fee	92,971	87,194
Taxes and insurance	85,233	86,923
Utilities	68,037	65,933
Administrative	40,081	28,973
Tenant services	<u>24,036</u>	<u>14,790</u>
Total Expenses	<u>657,602</u>	<u>657,901</u>
Increase in Net Assets	125,194	77,813
Net Assets - Beginning	<u>1,466,975</u>	<u>1,389,162</u>
Net Assets - Ending	<u>\$ 1,592,169</u>	<u>\$ 1,466,975</u>

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

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2020

	Rental Housing Program	Management and General	Total
Office expenses	\$ 2,231	\$ --	\$ 2,231
Management fee	--	92,971	92,971
Legal expense	8,284	--	8,284
Audit expense	--	5,500	5,500
Bookkeeping fees / accounting services	21,811	--	21,811
Bad debts	748	--	748
Miscellaneous admin expenses	1,507	--	1,507
Fuel	2,503	--	2,503
Electricity	45,306	--	45,306
Water	7,588	--	7,588
Sewer	12,640	--	12,640
Payroll	49,332	--	49,332
Supplies	26,489	--	26,489
Contracts	71,907	--	71,907
Garbage and trash removal	2,972	--	2,972
Misc. operating and maintenance expenses	2,463	--	2,463
Real estate taxes	35,000	--	35,000
Property and liability insurance	24,574	--	24,574
Health insurance and other employee benefits	25,659	--	25,659
Interest on mortgages payable	97,754	--	97,754
Tenant service payroll	24,036	--	24,036
Depreciation	96,327	--	96,327
Total Expenses	\$ 559,131	\$ 98,471	\$ 657,602

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

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2019

	Rental Housing Program	Management and General	Total
Office expenses	\$ 1,546	\$ --	\$ 1,546
Management fee	--	87,194	87,194
Legal expense	5,101	--	5,101
Audit expense	--	5,400	5,400
Bookkeeping fees / accounting services	7,071	--	7,071
Bad debts	8,983	--	8,983
Miscellaneous admin expenses	872	--	872
Fuel	2,476	--	2,476
Electricity	45,981	--	45,981
Water	6,771	--	6,771
Sewer	10,705	--	10,705
Payroll	67,640	--	67,640
Supplies	52,614	--	52,614
Contracts	47,920	--	47,920
Garbage and trash removal	2,752	--	2,752
Misc. operating and maintenance expenses	13,069	--	13,069
Real estate taxes	35,000	--	35,000
Property and liability insurance	21,259	--	21,259
Health insurance and other employee benefits	30,664	--	30,664
Interest on mortgages payable	102,139	--	102,139
Tenant service payroll	14,790	--	14,790
Depreciation	87,954	--	87,954
Total Expenses	\$ 565,307	\$ 92,594	\$ 657,901

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

BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash Flows From Operating Activities		
Rental receipts	\$ 771,662	\$ 758,356
Miscellaneous receipts	6,729	9,412
Interest receipts	807	4,573
Total Receipts	779,198	772,341
Administrative	27,572	10,825
Management fees	92,971	84,183
Utilities	68,037	70,731
Operating and maintenance	153,163	174,062
Real estate taxes	35,000	35,000
Property insurance	16,133	25,319
Miscellaneous taxes and insurance	25,659	30,664
Tenant security deposits	339	(1,020)
Other operating expenses	24,036	11,443
Interest on mortgages	95,244	102,188
Total Payments	538,154	543,395
Net Cash Provided by Operating Activities	241,044	228,946
Cash Flows From Investing Activities		
Insurance Proceeds	--	100,549
Purchases of Property and Equipment	(80,523)	(247,804)
Net Cash Used in Investing Activities	(80,523)	(147,255)
Cash Flows From Financing Activities		
Payments on mortgage payable - first mortgage	(104,863)	(103,979)
Net Cash Used in Financing Activities	(104,863)	(103,979)
Net Increase (Decrease) in Cash and Restricted Cash	55,658	(22,288)
Cash and Restricted Cash - Beginning	220,666	242,954
Cash and Restricted Cash- Ending	\$ 276,324	\$ 220,666

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

BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Reconciliation of increase in net assets to net cash provided by operating activities		
Increase in net assets	\$ 125,194	\$ 77,813
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation expense	96,327	87,954
Insurance proceeds	--	(100,549)
Interest expense - debt issuance costs	2,539	2,539
Bad debt expense	748	8,983
Change in operating assets and liabilities		
(Increase) decrease in tenant accounts receivable	(3,214)	(9,429)
(Increase) decrease in accounts receivable - other	(500)	152,904
(Decrease) increase in accounts payable and accrued expenses	20,202	9,883
(Decrease) increase in accrued interest - first mortgage	(29)	(2,588)
(Decrease) increase in tenant security deposit liabilities	(339)	1,020
(Decrease) increase in prepaid rent	116	416
Total Adjustments	115,850	151,133
Net Cash Provided By Operating Activities	\$ 241,044	\$ 228,946
 Supplemental Disclosure of Cash Flows Information		
Cash paid during the year for:		
Interest	\$ 95,244	\$ 102,188
 Cash and Restricted Cash		
Per Statement of Financial Position		
Cash	\$ 125,889	\$ 61,379
Tenant Security Deposits	11,004	11,116
Mortgage escrows	13,945	15,438
Replacement reserve	112,938	120,144
Other reserves	12,548	12,589
Total Cash and Restricted Cash		
per Statement of Financial Position	\$ 276,324	\$ 220,666

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

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 1 - ORGANIZATION

The Bath Housing Development Corporation (BHDC) acquired Seacliff Apartments (the Project) in November 2012. The Project is a 50-unit apartment complex for low income individuals and families located in Bath, Maine, Maine State Housing Authority (MSHA) Project number ME36-H017-408. The Project is a wholly owned development of BHDC.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The financial statements are prepared utilizing the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses when the related liability for goods and services is incurred, regardless of the timing of the related cash flows. The Project reports information regarding its financial position and activities according to the following net asset classification:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Project. These net assets may be used at the discretion of the Project's management and the Board of Directors of BHDC.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Project or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. At December 31, 2020 and 2019, the Project had no net assets with donor restrictions.

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS

Cash consists of cash on deposit with financial institutions. Restricted cash is not considered cash available for regular operations, and includes cash held with financial institutions for repairs or improvements to the buildings which extend their useful lives, reserves to offset future potential decreases in rental subsidies, and for payments of property tax and insurance.

ACCOUNTS RECEIVABLE

Accounts receivable from tenants are carried at the original amount billed less an estimate made for doubtful accounts based on a review of all outstanding amounts. Management has reviewed all outstanding accounts for collectability and determined that the allowance for doubtful accounts at December 31, 2020 and 2019 is \$2,586 and \$15,213, respectively.

REVENUE RECOGNITION

The Project recognizes monthly rental revenue earned from housing units on the due date based on written tenant leases. Rental payments received in advance of the due dates are deferred until earned. Leases are for periods of up to one year, with rental payments due monthly. All leases between the Project and tenants of the property are written and are operating leases. Subsidy revenue for low-income eligible tenants is provided under a Section 8 housing assistance payment contract. This contract requires tenants to contribute a portion of the contract rent based on formulas prescribed by the Department of Housing and Urban Development (HUD). The difference from the calculated subsidy and the contract rent is paid by the HUD. The current contract expires in November 2032.

Subsidy income is considered part of the lease and is not considered a contribution under Accounting Standards Codification (ASC) 958 *Not-for-profit Entities*. This standard indicates that government payments to specifically identified participants are to be considered exchange transactions and potentially subject to ASC 606 *Revenues from Contracts with Customers*. The Project believes that such both rental and subsidy income streams are exempted from compliance with ASC 606 due to their inclusion under current and future lease standards.

Other income results from fees for late payments, cleaning, damages, and laundry facilities and is recorded when earned.

BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the use of estimates that affect reported amounts of assets, liabilities, revenues and expenses and related disclosures. Actual amounts could differ from those estimates.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at cost. It is the Project's policy to depreciate items with a cost of \$500 or more. Depreciation is provided using the straight-line method over the following estimated useful lives:

	<u>Estimated Useful Lives</u>
Building and improvements	10-40 years
Building equipment	5-10 years

IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets to be held and used by the Project are reviewed for impairment when events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. The fair value of the asset is measured using available market prices. There were no impairment charges taken during the years ended December 31, 2020 and 2019.

DEBT ISSUANCE COSTS

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense. Debt issuance costs are amortized over the life of the mortgage using the straight-line method, which approximates the effective interest method. Amortization of the debt issuance costs was \$2,539 for the years ended December 31, 2020 and 2019. Unamortized costs and December 31, 2020 and 2019 were \$30,264 and \$32,803, respectively.

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES

No provision for taxes on income is made in the Project's financial statements since the Project is owned by Bath Housing Development Corporation, a not-for-profit corporation, which is exempt from income taxes under I.R.C. Section 501(c)(3).

In accordance with accounting principles generally accepted in the United States of America, management has evaluated its exposure to uncertain tax positions and determined that there are no such tax positions requiring accounting recognition. Informational returns filed by the BHDC 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.

ECONOMIC CONCENTRATIONS

The Project is a housing complex located in Bath, Maine. Future operations could be affected by changes in economic or other conditions in that geographical area or by changes in federal low-income housing subsidies or the demand for such housing.

CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the project to concentrations of credit risk consist primarily of checking and time deposit accounts with banks. These balances fluctuate greatly during the year and can exceed the \$250,000 limit of FDIC coverage. Management regularly monitors the financial institutions, together with their respective cash balances, and attempts to maintain this potential risk at a minimum. All bank accounts for the project are held under Bath Housing Development Corporation's Employer Identification Number (EIN).

FUNCTIONAL ALLOCATION OF EXPENSES

The Project allocates its expenses on a functional basis among program and supportive services. Expenses that can be identified with a specific program or supportive service are charged directly according to their natural expenditure classification. All other expenses are allocated based other allocation metrics depending on the nature of the expense.

BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 15, 2021 which is the date these financial statements were available to be issued. There were no subsequent events identified requiring recognition or disclosure in the financial statements.

NOTE 3 - RESTRICTED DEPOSITS

MORTGAGE ESCROWS

The Project maintains mortgage escrow deposits to ensure adequate funds are set aside to cover the cost of real estate taxes and property insurance. Required monthly deposits to this escrow account are \$4,224. At December 31, 2020 and 2019, the mortgage escrow deposits were funded with a collective balance of \$13,945 and \$15,438, respectively.

REPLACEMENT RESERVES

The Project is required to maintain replacement reserves in accordance with the applicable loan documents. The replacement reserve funds are to be used for repairs and replacement of the property and can be drawn upon only with the authorization of the Department of Housing and Urban Development (HUD). The Project is required to make deposits to the replacement reserve equal to \$3,182 per month. At December 31, 2020 and 2019, the replacement reserves were funded with a collective balance of \$112,938 and \$120,144, respectively.

EXCESS SURPLUS CASH

In accordance with the regulatory agreement, the Project has funded an excess surplus cash reserve. The excess surplus cash funds are held by MSHA and can only be drawn with their approval. No deposits were made into the excess surplus cash account during the years ended December 31, 2020 and 2019. For the years ended December 31, 2020 and 2019, interest earned was \$49 and \$28, respectively. During the year ended December 31, 2020 withdrawals were \$90; there were no withdrawals during 2019. At December 31, 2020 and 2019, these reserves were funded with a collective balance of \$12,548 and \$12,589, respectively.

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 4 - LONG-TERM DEBT

The Project entered into a mortgage with Bath Savings Institution in November 2012 in the original amount of \$1,500,000, payable in monthly installments of principal and interest of \$10,616. The loan bears interest at 5.86% per annum. The mortgage matures in November 2032 and is collateralized by the Project's real estate. The outstanding principal balance on this loan at December 31, 2020 and 2019 was \$1,089,111 and \$1,150,308, respectively.

The Project entered into a second mortgage with the Bath Housing Authority in November 2012 in the original amount of \$1,000,000, payable in monthly installments of principal and interest of \$6,008. The loan bears interest at 4.0% per annum. The mortgage matures in November 2032 and is collateralized by the Project's real estate. The outstanding principal balance on this loan at December 31, 2020 and 2019 was \$688,931 and \$732,597, respectively.

Interest expense on these mortgages for the years ended December 31, 2020 and 2019 was \$95,215 and \$99,600, respectively.

Maturities of the long-term debt in the aggregate and for each of the next five years are as follows:

Year	Principal Payments	Interest Payments	Total
2021	\$ 110,788	\$ 89,324	\$ 200,112
2022	116,568	83,544	200,112
2023	122,660	77,452	200,112
2024	129,080	71,032	200,112
2025	135,848	64,264	200,112
Thereafter	<u>1,163,098</u>	<u>206,211</u>	<u>1,369,309</u>
Total	<u>\$ 1,778,042</u>	<u>\$ 591,827</u>	<u>\$ 2,369,869</u>

**BATH HOUSING DEVELOPMENT CORPORATION
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NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 5 – HOUSING ASSISTANCE PAYMENTS CONTRACT

The Department of Housing and Urban Development (HUD) has contracted with the project to make housing assistance payments on behalf of qualified tenants. The contract, dated October 1, 2012, is for a twenty-year period through October 31, 2032. Effective October 1, 2020, annual contract rents were \$806,268. For the years ended December 31, 2020 and 2019, housing assistance payments totaled \$605,084 and \$504,423, respectively, which was approximately 78% and 70%, of rental revenues.

In accordance with HUD Housing Notice H-2012-14, the project may be required to use funds in the excess surplus cash account to offset housing assistance payments or these funds may be recaptured. Balances in excess of \$250 per unit (\$12,500) are subject to recapture or to offset housing assistance payments. At December 31, 2020 and 2019, the amount subject to recapture or to offset housing assistance payments was \$48 and \$90.

NOTE 6 - RELATED PARTY TRANSACTIONS

The Project has entered into a management agreement with the Bath Housing Authority (BHA), a related party due to common board members with BHDC. Under this agreement, BHA will manage the Project for a monthly fee equal to 12% of the gross rents. Management fees of \$92,971 and \$87,194 were incurred for the years ended December 31, 2020 and 2019, respectively.

BHA also provides maintenance services and resident services to the Project. The Project incurred \$129,608 and \$120,165 of these costs during the years ended December 31, 2020 and 2019. At December 31, 2020 and 2019, BHA was owed \$34,547 and \$21,916 respectively.

BHDC allocates a portion of its insurance and other general expenses to the Project. At December 31, 2020, the Project owed BHDC \$6,237.

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 7 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Project monitors its liquidity so it is able to meet its operating needs and other contractual commitments. None of the project's assets are subject to donor restrictions. The Project's replacement reserve and other reserve require the approval of HUD or MSHA. Therefore these funds are not reflected in the amounts below. The Project has the following financial assets at December 31, 2020 and 2019 that could readily be made available within one year of the statement of financial position to fund general operating expense:

	2020	2019
Cash	\$ 125,889	\$ 61,379
Mortgage escrows	13,945	15,438
Replacement reserves	112,938	120,144
Other Reserves	12,548	12,589
Accounts receivable, net of allowance	4,826	1,860
	270,146	211,410
Financial assets not available for general expenditures		
Replacement reserves	(112,938)	(120,144)
Other Reserves	(12,548)	(12,589)
	(125,486)	(132,733)
Financial assets available to meet cash needs for general expenditures within one year	\$ 144,660	\$ 78,677

NOTE 8 – ECONOMIC UNCERTAINTIES

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of business across the country for non-essential services. There is a considerable uncertainty about the duration of the disruption. The Project has been able to continue its operations in this environment, however, at this point, management believes that the impact on the Project's financial condition or results of operations are minimal.

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

SUPPLEMENTARY DATA REQUIRED BY HUD

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

		<u>2020</u>	<u>2019</u>
ASSETS			
Current Assets			
1120	Cash - Operations	\$ 125,167	\$ 61,379
1130	Tenant/Member Accounts Receivable (Coops)	6,912	17,073
1131	Allowance for Doubtful Accounts	(2,586)	(15,213)
1130N	Net Tenant Accounts Receivable	4,326	1,860
1140	Accounts and Notes Receivable - Operations	500	-
1100T	Total Current Assets	<u>129,993</u>	<u>63,239</u>
1191	Tenant/Patient Deposits Held in Trust	11,726	11,116
Restricted Deposits			
1310	Escrow Deposits	13,945	15,438
1320	Replacement Reserve	112,938	120,144
1330	Other Reserves	12,548	12,589
1300T	Total Deposits	<u>139,431</u>	<u>148,171</u>
Property and Equipment			
1410	Land	1,318,647	1,318,647
1420	Buildings	2,214,394	2,127,449
1440	Building Equipment (Portable)	133,329	133,329
1400T	Total Fixed Assets	<u>3,666,370</u>	<u>3,585,847</u>
1495	Accumulated Depreciation	(545,794)	(449,467)
1400N	Net Fixed Assets	<u>3,120,576</u>	<u>3,136,380</u>
Other Assets			
1000T	Total Assets	<u>\$ 3,401,726</u>	<u>\$ 3,358,906</u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
2110	Accounts Payable - Operations	\$ 49,669	\$ 29,467
2131	Accrued Interest Payable - First Mortgage (or Bonds)	501	530
2170	Mortgage (or Bonds) Payable - First Mortgage (Bonds) (Short Term)	111,199	101,991
2210	Prepaid Revenue	605	489
2122T	Total Current Liabilities	<u>161,974</u>	<u>132,477</u>
2191	Tenant/Patient Deposits Held In Trust (Contra)	11,004	11,343
Long-Term Liabilities			
2320	Mortgage (or Bonds) Payable - First Mortgage (or Bonds)	1,666,843	1,780,914
2340	Debt Issuance Costs	(30,264)	(32,803)
2300T	Total Long Term Liabilities	<u>1,636,579</u>	<u>1,748,111</u>
2000T	Total Liabilities	<u>1,809,557</u>	<u>1,891,931</u>
Net Assets			
3131	Net Assets without donor restrictions	1,592,169	1,466,975
3130	Total Net Assets	<u>1,592,169</u>	<u>1,466,975</u>
2033T	Total Liabilities and Equity/Net Assets	<u>\$ 3,401,726</u>	<u>\$ 3,358,906</u>

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**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

SUPPLEMENTARY DATA REQUIRED BY HUD

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

REVENUE	2020	2019
Rent Revenue		
5120 Rent Revenue - Gross Potential	\$ 189,403	\$ 273,456
5121 Tenant Assistance Payments	605,084	504,423
5100T Total Rent Revenue	794,487	777,879
Vacancies		
5220 Apartments	19,727	56,150
5200T Total Vacancies	19,727	56,150
5152N Net Rental Revenue (Rent Revenue Less Vacancies)	774,760	721,729
Financial Revenue		
5410 Financial Revenue - Project Operations	361	1,932
5440 Revenue from Investments - Replacement Reserve	446	2,641
5400T Total Financial Revenue	807	4,573
Other Revenue		
5910 Laundry and Vending Revenue	3,169	2,626
5920 Tenant Charges	4,000	5,721
5990 Miscellaneous Revenue	60	1,065
5900T Total Other Revenue	7,229	9,412
5000T Total Revenue	782,796	735,714
EXPENSES		
Administrative Expenses		
6311 Office Expenses	2,231	1,546
6320 Management Fee	92,971	87,194
6340 Legal Expense - Project	8,284	5,101
6350 Audit Expense	5,500	5,400
6351 Bookkeeping Fees/Accounting Services	21,811	7,071
6370 Bad Debts	748	8,983
6390 Miscellaneous Administrative Expenses	1,507	872
6263T Total Administrative Expenses	133,052	116,167
Utilities Expenses		
6420 Fuel Oil/Coal	2,503	2,476
6450 Electricity	45,306	45,981
6451 Water	7,588	6,771
6453 Sewer	12,640	10,705
6400T Total Utilities Expense	68,037	65,933

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**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

SUPPLEMENTARY DATA REQUIRED BY HUD

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

		2020	2019
Operating & Maintenance Expenses			
6510	Payroll	49,332	67,640
6515	Supplies	26,489	52,614
6520	Contracts	71,907	47,920
6525	Garbage and Trash Removal	2,972	2,752
6590	Miscellaneous Operating and Maintenance Expenses	2,463	13,069
6500T	Total Operating and Maintenance Expenses	<u>153,163</u>	<u>183,995</u>
Taxes & Insurance			
6710	Real Estate Taxes	35,000	35,000
6720	Property & Liability Insurance (Hazard)	24,574	21,259
6723	Health Insurance and Other Employee Benefits	25,659	30,664
6700T	Total Taxes and Insurance	<u>85,233</u>	<u>86,923</u>
Financial Expenses			
6820	Interest on First Mortgage (or Bonds) Payable	97,754	102,139
6800T	Total Financial Expenses	<u>97,754</u>	<u>102,139</u>
6900 Expenses			
6900	Nursing Homes/Assisted Living/ Board & Care/Other Elderly Care Expenses	<u>24,036</u>	<u>14,790</u>
Operating Results			
6000T	Total Cost of Operations before Depreciation	<u>561,275</u>	<u>569,947</u>
5060T	Profit (Loss) before Depreciation	<u>221,521</u>	<u>165,767</u>
6600	Depreciation Expenses	<u>96,327</u>	<u>87,954</u>
5060N	Operating Profit or (Loss)	<u>\$ 125,194</u>	<u>\$ 77,813</u>

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**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

SUPPLEMENTARY DATA REQUIRED BY HUD

FOR THE YEAR ENDED DECEMBER 31, 2020

Cash Flow from Operating Activities		
S1200-010	Rental Receipts	\$ 771,662
S1200-020	Interest Receipts	807
S1200-030	Other Operating Receipts	6,729
S1200-040	Total Receipts	<u>779,198</u>
S1200-050	Administrative	(19,131)
S1200-070	Management Fee	(92,971)
S1200-090	Utilities	(68,037)
S1200-110	Operating and Maintenance	(153,163)
S1200-120	Real Estate Taxes	(35,000)
S1200-140	Property Insurance	(24,574)
S1200-150	Miscellaneous Taxes and Insurance	(25,659)
S1200-160	Tenant Security Deposits	(339)
S1200-170	Other Operating Expenses	(24,036)
S1200-180	Interest on First Mortgage	(95,244)
S1200-230	Total Disbursements	<u>(538,154)</u>
S1200-240	Net Cash provided by (used in) Operating Activities	<u>241,044</u>
Cash Flow from Investing Activities		
S1200-330	Net Purchase of Fixed Assets	(80,523)
S1200-350	Net Cash used in Investing Activities	<u>(80,523)</u>
Cash Flow from Financing Activities		
S1200-360	Principal Payments - First Mortgage (or Bonds)	(104,863)
S1200-460	Net Cash used in Financing Activities	<u>(104,863)</u>
S1200-470	Net increase (decrease) in Cash and Cash Equivalents	<u>55,658</u>
Cash and Cash Equivalents		
S1200-480	Beginning of Period Cash	<u>220,666</u>
S1200T	End of Period Cash	<u>\$ 276,324</u>
Reconciliation of Net Profit (Loss) to Net Cash Provided by (Used in) Operating Activities		
3250	Change in Total Net Assets from Operations	\$ 125,194
Adjustments to Reconcile Net Profit (Loss) to Net Cash Provided by (Used in) Operating Activities		
6600	Depreciation Expenses	96,327
S1200-486	Amortization of Debt Issuance Costs	2,539
S1200-490	Decrease (increase) in Tenant/Member Accounts Receivable	10,161
S1200-500	Decrease (increase) in Accounts Receivable - Other	(500)
S1200-540	Increase (decrease) in Accounts Payable	20,202
S1200-570	Increase (decrease) in Accrued Interest Payable	(29)
S1200-580	Increase (decrease) in Tenant Security Deposits held in trust	(339)
S1200-590	Increase (decrease) in Prepaid Revenue	116
S1200-600	Other adjustments to reconcile net profit (loss) to Net Cash provided by (used in) Operating Activities	<u>(12,627)</u>
Net Cash provided by (used in) Operating Activities		
S1200-610	Net Cash provided by (used in) Operating Activities	<u>\$ 241,044</u>

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**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

SUPPLEMENTARY DATA REQUIRED BY HUD

FOR THE YEAR ENDED DECEMBER 31, 2020

Schedule of Reserve for Replacement

1320P	Balance at Beginning of Year	\$	120,144
1320DT	Total Monthly Deposits		38,180
1320INT	Interest on Replacement Reserve Accounts		486
1320WT	Approved Withdrawals		(45,872)
1320	Balance at End of Year, Confirmed by Mortgagee	\$	<u>112,938</u>

Schedule of Residual Receipts

1340P	Balance at Beginning of Year	\$	12,589
1340INT	Interest on Residual Receipt Accounts		49
1340WT	Approved Withdrawals		(90)
1340	Balance at Current Fiscal Year End	\$	<u><u>12,548</u></u>

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**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

SUPPLEMENTARY DATA REQUIRED BY HUD

FOR THE YEAR ENDED DECEMBER 31, 2020

Computation of Surplus Cash, Distributions, and Residual Receipts (Annual)

S1300-010	Cash	\$ 136,893
S1300-040	Total Cash	<u>136,893</u>
S1300-050	Accrued Mortgage (or Bond) Interest Payable	501
S1300-075	Accounts Payable - 30 days	49,669
S1300-090	Deficient Tax Insurance or MIP Escrow Deposits	10,153
2210	Prepaid Revenue	605
2191	Tenant/Patient Deposits Held In Trust (Contra)	11,004
S1300-110	Other Current Obligations	<u>19,012</u>
S1300-140	Total Current Obligations	<u>90,944</u>
S1300-150	Surplus Cash (Deficiency)	<u>\$ 45,949</u>
S1300-210	Deposit Due Residual Receipts	<u>\$ 45,949</u>

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**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

SCHEDULE OF CHANGES IN FIXED ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2020

	Balance		Balance
	January 1, 2020	Additions	December 31, 2020
Land and improvements	\$ 1,318,647	\$ --	\$ 1,318,647
Buildings and improvements	2,127,449	86,945	2,214,394
Building equipment	133,329	--	133,329
Construction in progress	6,422	--	(6,422)
	<hr/>		<hr/>
Total Fixed Assets	3,585,847	86,945	(6,422)
	<hr/>		<hr/>
Accumulated Depreciation	449,467	96,327	--
	<hr/>		<hr/>
Net Fixed Assets			<u>\$ 3,120,576</u>
 <u>Fixed Asset Additions Detail</u>			
Sprinkler Installation		<u>\$ 86,945</u>	
 <u>Fixed Asset deductions Detail</u>			
Sprinkler Installation		<u>\$ 6,422</u>	

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**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

SCHEDULE OF RECEIPTS AND DISBURSMENTS – OPERATING FUND

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Source of Funds		
Rental operations		
Tenant rent	\$ 166,578	\$ 253,933
Tenant assistance payments	605,084	504,423
Interest	361	--
Other income	6,729	11,344
Total rental operations receipts	778,752	769,700
Disbursements		
Administrative	120,551	95,008
Utilities	68,037	70,731
Operating and maintenance	153,163	174,062
Interest	95,244	102,188
Resident services	24,036	11,443
Taxes and insurance	76,792	90,983
Total rental operations disbursements	537,823	544,415
Other receipts		
Insurance proceeds	--	100,549
Transfers from restricted deposits and funded reserves	97,613	169,623
Transfers to tenant security deposit account	227	7,501
Total other receipts or transfers	97,840	277,673
Other disbursements or transfers		
Transfers to restricted deposits and funded reserves	(88,873)	(95,744)
Transfers from tenant security deposit account	--	--
Purchases of property and equipment	(80,523)	(247,804)
Principal payments on mortgages	(104,863)	(103,979)
Total other disbursements or transfers	(274,259)	(447,527)
Net (decrease) increase in operating Cash	64,510	55,431
Operating cash, beginning of year	61,379	5,948
Operating cash, end of year	\$ 125,889	\$ 61,379

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**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

SCHEDULE OF RESTRICTED CASH RESERVES AND ESCROWS

FOR THE YEAR ENDED DECEMBER 31, 2020

Description	Deposits			Withdrawals	
	Balance Beginning of Year	Transfers from Operations Account	Interest Earned	Transfers to Operations Account	Balance End of Year
Restricted Accounts:					
Taxes and Insurance Reserve	\$ 15,438	\$ 50,693	\$ --	\$ (52,186)	\$ 13,945
Replacement Reserve	120,144	38,180	486	(45,872)	112,938
Residual Receipts	12,589	--	49	(90)	12,548
Total restricted cash reserves and escrow	<u>\$ 148,171</u>	<u>\$ 88,873</u>	<u>\$ 535</u>	<u>\$ (98,148)</u>	<u>\$ 139,431</u>

Restricted Reserve Funding Calculations

	Annual	Due Date	Per Month	Number of months funding	Required Balance
Taxes	\$ 35,000	9/1	\$ 2,917	3	8,750
Property Insurance	14,705	1/1	1,225	12	14,705
Directors & Officers Insurance	643	1/1	54	12	643

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**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

SCHEDULE OF CASH IN FINANCIAL INSTITUTIONS

FOR THE YEAR ENDED DECEMBER 31, 2020

Account Name	Account Number	Financial Institution	Account Type	Interest Rate	Maturity Date	Signatory Control	Balance
Operating Account	xxx1738	Bath Savings Institution	Checking	0.06%	N/A	Sole	<u>\$ 125,889</u>
Tax and Insurance Reserve	xxx1835	Bath Savings Institution	Checking	0.00%	N/A	Either /Or	<u>\$ 13,945</u>
Replacement Reserve	xxx1649	Bath Savings Institution	Checking	0.06%	N/A	Either /Or	<u>\$ 112,938</u>
Residual Receipts	xxxxx0251	Federated	Money Market	0.39%	N/A	MaineHousing	<u>\$ 12,548</u>
Tenant Security Deposits	xxx1851	Bath Savings Institution	Checking	0.00%	N/A	Sole	<u>\$ 11,004</u>

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**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

December 31, 2020

Certificate of Corporate Officers

We certify that we have examined the accompanying financial statements and supplementary information of Seacliff Apartments and, to the best of our knowledge and belief, the same are complete and accurate.

Mary K Terry 3/15/2021
Corporate Officer Date
Seacliff Apartments

Catherine Powers
Corporate Officer Date 3/15/2021
Seacliff Apartments

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

December 31, 2020

Certificate of Managing Agent

I certify that I have examined the accompanying financial statements and supplementary information of Seacliff Apartments and, to the best of our knowledge and belief, the same are complete and accurate.



Debora Keller, Executive Director
Bath Housing Authority

3/15/2021

Date