

BATH HOUSING DEVELOPMENT CORPORATION

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

BATH HOUSING DEVELOPMENT CORPORATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Bath Housing Development Corporation

Opinion

We have audited the consolidated financial statements of Bath Housing Development Corporation, which comprise the consolidated statements of financial position as of December 31, 2021 and 2020 and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Bath Housing Development Corporation as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Bath Housing Development Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Bath Housing Development Corporation's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Bath Housing Development Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Bath Housing Development Corporation's ability to continue as a going concern for a reasonable period of time.

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

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information, as listed in the table of contents, on pages 32 to 37 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Marcum LLP

Providence, Rhode Island
June 3, 2022

BATH HOUSING DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 296,139	\$ 274,762
Investments	366,532	332,554
Accounts receivable, net of allowance	14,291	4,897
Prepaid expenses	21,788	21,416
Total Current Assets	698,750	633,629
Tenant Security Deposits	78,760	42,657
Restricted Deposits and Funded Reserves		
Mortgage escrows	7,694	13,945
Replacement reserve	252,971	150,440
Other reserves	25,557	25,099
Total Restricted Deposits and Funded Reserves	286,222	189,484
Property, Plant and Equipment		
Land and land improvements	2,161,137	2,160,922
Buildings and improvements	10,116,381	4,889,594
Building equipment	175,854	175,854
Construction in process	537,769	906,673
Total Property, Plant and Equipment	12,991,141	8,133,043
Less: accumulated depreciation	(1,374,089)	(1,140,833)
Property, Plant and Equipment, Net	11,617,052	6,992,210
Total Assets	\$ 12,680,784	\$ 7,857,980

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

BATH HOUSING DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

DECEMBER 31, 2021 AND 2020

	2021	2020
Liabilities and Net Assets		
Current Liabilities		
Accounts payable - operations	\$ 52,503	\$ 25,503
Accounts payable - related party	58,126	64,897
Accrued interest payable - current portion	6,120	5,744
Line of credit	1,033,130	533,130
Mortgages payable - current portion	643,662	136,380
Prepaid rent	7,017	10,386
Total Current Liabilities	<u>1,800,558</u>	<u>776,040</u>
Tenant Security Deposit Liabilities	<u>78,757</u>	<u>42,657</u>
Long-Term Liabilities		
Mortgages payable - net of current portion	2,491,449	3,135,269
Less: unamortized debt issuance costs	(27,725)	(30,264)
Accrued interest payable - net of current portion	<u>11,144</u>	<u>11,144</u>
Total Long-Term Liabilities	<u>2,474,868</u>	<u>3,116,149</u>
Total Liabilities	<u>4,354,183</u>	<u>3,934,846</u>
Net Assets		
Without Donor Restrictions	4,071,642	3,845,383
With Donor Restrictions	<u>4,254,959</u>	<u>77,751</u>
Total Net Assets	<u>8,326,601</u>	<u>3,923,134</u>
Total Liabilities and Net Assets	<u><u>\$ 12,680,784</u></u>	<u><u>\$ 7,857,980</u></u>

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

BATH HOUSING DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2021

	Net Assets Without Donor Restrictions	Net Assets with Donor Restrictions	Total
Revenues, Gains, and Other Support			
Housing assistance payments	\$ 620,881	\$ --	\$ 620,881
Rental revenue	1,227,473	--	1,227,473
Contributions of cash and other financial assets	43,115	97,056	140,171
Contributions of nonfinancial assets	--	4,238,600	4,238,600
Other revenue	44,062	--	44,062
Net assets released from restrictions	158,448	(158,448)	--
Total Revenues, Gains, and Other Support	2,093,979	4,177,208	6,271,187
Expenses			
Program Services			
Housing Programs	1,569,927	--	1,569,927
Comfortably Home Program	132,722	--	132,722
Management and General	206,783	--	206,783
Total Expenses	1,909,432	--	1,909,432
Change in Net Assets from Operations	184,547	4,177,208	4,361,755
Non-Operating Revenues			
Investment Income	41,712	--	41,712
Total Nonoperating Revenues	41,712	--	41,712
Change in Net Assets	226,259	4,177,208	4,403,467
Net Assets - Beginning of Year	3,845,383	77,751	3,923,134
Net Assets - End of Year	\$ 4,071,642	\$ 4,254,959	\$ 8,326,601

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

BATH HOUSING DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

	Net Assets Without Donor Restrictions	Net Assets with Donor Restrictions	Total
Revenues, Gains, and Other Support			
Housing assistance payments	\$ 605,084	\$ --	\$ 605,084
Rental revenue	710,822	--	710,822
Contributions of cash and other financial assets	599,461	130,193	729,654
Other revenue	3,391	--	3,391
Net assets released from restrictions	70,061	(70,061)	--
Total Revenues, Gains, and Other Support	1,988,819	60,132	2,048,951
Expenses			
Program Services			
Housing Programs	1,121,231	--	1,121,231
Comfortably Home Program	61,366	--	61,366
Management and General	135,455	--	135,455
Total Expenses	1,318,052	--	1,318,052
Change in Net Assets from Operations	670,767	60,132	730,899
Non-Operating Revenues			
Investment Income	44,956	--	44,956
Total Nonoperating Revenues	44,956	--	44,956
Change in Net Assets	715,723	60,132	775,855
Net Assets - Beginning of Year	3,129,660	17,619	3,147,279
Net Assets - End of Year	\$ 3,845,383	\$ 77,751	\$ 3,923,134

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

BATH HOUSING DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services		Supportive Services	
		Comfortably	Management and	
	Housing Programs	Home Program	General	Total
Administrative salaries	\$ --	\$ 13,949	\$ 154,342	\$ 168,291
Management fee	204,564	--	--	204,564
Auditing fees	16,187	--	1,313	17,500
Employee benefits contributions - Administrative	--	3,505	34,438	37,943
Legal	10,028	--	155	10,183
Accounting	29,851	--	2,228	32,079
Other operating - administrative	5,421	617	4,854	10,892
Grant expenditures	--	--	653	653
Tenant services Labor Fee	42,539	25,635	--	68,174
Employee benefits - tenant services	4,923	--	--	4,923
Water	26,808	--	--	26,808
Sewer	45,688	--	--	45,688
Electricity	110,011	--	--	110,011
Gas/Fuel	59,722	--	--	59,722
Maintenance fee expense - labor	119,441	29,271	--	148,712
Ordinary maintenance and operations - materials	91,509	35,168	--	126,677
Ordinary maintenance and operations - contracts	162,568	8,905	540	172,013
Maintenance fee expense - benefits	41,150	12,279	--	53,429
Insurance	62,936	3,393	2,924	69,253
Real estate taxes	72,511	--	--	72,511
Interest expense	161,208	--	--	161,208
Miscellaneous financial expenses	65,014	--	--	65,014
Collection losses	9,928	--	--	9,928
Depreciation	227,920	--	5,336	233,256
Total Expenses	\$ 1,569,927	\$ 132,722	\$ 206,783	\$ 1,909,432

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

BATH HOUSING DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Program Services</u>		<u>Supportive Services</u>	
	<u>Housing Programs</u>	<u>Comfortably Home Program</u>	<u>Management and General</u>	<u>Total</u>
Administrative salaries	\$ --	\$ 14,675	\$ 81,808	\$ 96,483
Management fee	143,046	--	--	143,046
Auditing fees	10,437	1,307	956	12,700
Employee benefits contributions - Administrative	--	3,063	20,134	23,197
Legal	8,593	--	--	8,593
Accounting	31,592	1,814	5,636	39,042
Other operating - administrative	3,548	90	1,980	5,618
Grant expenditures	--	--	13,850	13,850
Tenant services Labor Fee	34,790	--	--	34,790
Water	17,839	--	--	17,839
Sewer	28,609	--	--	28,609
Electricity	61,613	--	--	61,613
Gas/Fuel	39,130	--	--	39,130
Maintenance fee expense - labor	86,050	6,298	--	92,348
Ordinary maintenance and operations - materials	50,716	20,082	--	70,798
Ordinary maintenance and operations - contracts	121,904	4,644	818	127,366
Maintenance fee expense - benefits	28,321	2,215	4,937	35,473
Insurance	41,057	4,147	--	45,204
Real estate taxes	80,103	--	--	80,103
Interest expense	171,866	--	--	171,866
Collection losses	1,365	--	--	1,365
Depreciation	<u>160,652</u>	<u>3,031</u>	<u>5,336</u>	<u>169,019</u>
Total Expenses	<u>\$ 1,121,231</u>	<u>\$ 61,366</u>	<u>\$ 135,455</u>	<u>\$ 1,318,052</u>

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

BATH HOUSING DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 4,403,467	\$ 775,855
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	233,256	169,019
Bad debt expense	9,928	1,365
Amortization of debt issuance costs	2,539	2,539
Net unrealized (gain) loss on investments	(25,070)	(31,012)
Net realized gain on sale of investments	(12,749)	(8,076)
Contribution of nonfinancial assets	(4,238,600)	--
Loss on sale of capital assets	--	50,161
Forgiveness of debt	--	(48,484)
Changes in operating assets and liabilities:		
Accounts receivable	(19,322)	393
Prepaid expenses	(372)	3,416
Accounts payable	27,000	(1,712)
Accounts payable - related party	(6,771)	5,408
Accrued interest payable	376	246
Tenant security deposit liability	36,100	1,404
Prepaid rents	(3,369)	5,254
Net Cash Provided by Operating Activities	<u>406,413</u>	<u>925,776</u>
Cash Flows from Investing Activities		
Purchase of fixed assets	(619,498)	(774,790)
Proceeds from the sale of capital assets	--	156,439
Sales of Investments	46,903	72,243
Purchases of Investments	(43,062)	(75,971)
Net Cash (Used in) Investing Activities	<u>(615,657)</u>	<u>(622,079)</u>

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

BATH HOUSING DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Cash Flows from Financing Activities		
Repayments of mortgages and notes payable	\$ (136,538)	\$ (128,457)
Proceeds from line of credit	500,000	166,870
Repayments on line of credit	<u>--</u>	<u>(166,870)</u>
Net Cash Provided by (Used In) Financing Activities	<u>363,462</u>	<u>(128,457)</u>
 Net Increase in Cash, Cash Equivalents, and Restricted Cash	 154,218	 175,240
 Cash, Cash Equivalents and Restricted Cash - Beginning	 <u>506,903</u>	 <u>331,663</u>
 Cash, Cash Equivalents, and Restricted Cash - Ending	 <u><u>\$ 661,121</u></u>	 <u><u>\$ 506,903</u></u>
 Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	<u><u>\$ 158,293</u></u>	<u><u>\$ 169,081</u></u>
 Noncash Investing and Financing Activities		
Foregiveness of debt	<u><u>\$ --</u></u>	<u><u>\$ 48,484</u></u>
Contribution of nonfinancial assets	<u><u>\$ 4,238,600</u></u>	<u><u>\$ --</u></u>
 Cash, Cash Equivalents, and Restricted Cash per Statements of Financial Position		
Cash	\$ 296,139	\$ 274,762
Mortgage escrows	7,694	13,945
Replacement reserve	252,971	150,440
Other reserves	25,557	25,099
Tenant security deposits	<u>78,760</u>	<u>42,657</u>
Total Cash, Cash Equivalents, and Restricted Cash per Statements of Financial Position	<u><u>\$ 661,121</u></u>	<u><u>\$ 506,903</u></u>

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

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 1 - ORGANIZATION

The Bath Housing Development Corporation (BHDC, or the Organization) is a tax-exempt organization, which was 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.

The Organization'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 & Family, 49 Elm Street, 28 Maple Street, 470 Washington Street, Lincoln Street, Summer Street, Front Street, Anchorage, Moorings, Dike's Landing, HLT LLC, and Bath Housing Anchor Corporation. The Organization also runs the Comfortably Home Program to serve older adults living at home.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NEW ACCOUNTING STANDARDS ADOPTED

During the year ended December 31, 2021, the Organization adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial assets*. The amendments in this Update improve financial reporting by providing new presentation and disclosure requirements about contributed non-financial assets for not-for-profit entities, including disclosure requirements for recognized contributed services. The amendments do not change the recognition and measurement requirements.

METHOD OF ACCOUNTING

The consolidated 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 Organization 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 Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Organization 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, 2021 and 2020, the Organization had net assets with donor restrictions of \$4,254,959 and \$77,751, respectively.

BASIS OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of the organization Bath Housing Anchor Corporation (BHAC or the corporation), and HLT LLC (HLT). The Organization has full direct ownership and control of BHAC and HLT. All significant inter-company transactions and balances are eliminated in consolidation. BHAC and HLT are consolidated based on financial information at December 31, its reporting year-end.

CASH AND CASH EQUIVALENTS

The Organization considers cash equivalents to be all highly liquid investments with a maturity of three months or less when purchased.

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, 2021 and 2020 is \$14,944 and \$9,396, respectively.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION

The Organization's primary revenue sources are as follows:

Rental Revenue - The Organization receives rental revenue from units, which are reserved for tenants with low and very low income. Rental revenue is recognized as the rents are earned based on written tenant leases. Rental payments received in advance are deferred. All leases between the Organization and its tenants are operating leases. The Organization has also entered into multiple Housing Assistance Payment (HAP) Contracts with MaineHousing, which are funded by the U.S. Department of Housing and Urban Development (HUD) whereby it is entitled to a rent subsidy as defined in the contract. Subsidized tenants must meet Section 8 eligibility requirements and pay 30% of their adjusted income for rent.

Housing assistance payments 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 Organization believes that both rental and subsidy income streams are exempted from compliance with ASC 606 due to their inclusion under current and future lease standards.

Grant and Contribution Revenue – Contributions, which include unconditional promises to give, are recognized as revenues in the period received or promised. Conditional contributions, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been substantially met. Contributions are considered to be unrestricted unless specifically restricted by the donor. Contributions of nonfinancial assets are recognized at fair value at the date of contribution.

Revenues from state and federal agencies are generally recognized at the time eligible program expenditures occur and/or the Organization has complied with the grant and subsidy requirements

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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 Organization'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 Organization 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, 2021 and 2020.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES

No provision for taxes on income is made in the Organization's financial statements it 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 Organization 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 Organization operates housing complexes 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.

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. For the years ended December 31, 2021 and 2020, amortization of the debt issuance costs was \$2,539. At December 31, 2021 and 2020, unamortized debt issuance costs were \$27,725 and \$30,264, respectively.

RECLASSIFICATIONS

Certain prior year amount have been reclassified for consistency with the current period presentation. These reclassification had no effect on the reported change in net assets.

TRADEMARK

The Organization 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.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. At December 31, 2021, Bath Housing Development Corporation's cash was fully insured.

INVESTMENTS

Investments in marketable debt securities, equity securities, money market funds and mutual funds with readily determinable fair values are stated at fair value. Fair value is defined as the price paid that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses are included in the change in net assets in the accompanying consolidated statements of activities.

Gains and losses on sales of securities are determined based on the trade day price and are recorded in the statement of activities in the period in which the securities are sold. Dividend and interest income are recognized as earned. Realized and unrealized gains or losses are classified as nonoperating activity and are available to support operations in future years and to offset potential market declines.

FUNCTIONAL ALLOCATION OF EXPENSES

The Organization 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 on square footage, estimates of time and effort, and other allocation metrics, depending on the nature of the expense.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 3, 2022, which is the date these financial statements were available to be issued. Except as disclosed below, there were no subsequent events identified requiring recognition or disclosure in the financial statements.

In June 2022, the Organization sold the Moses & Columbia Blocks, which includes the residential units located at 24 Summer Street for a purchase price of \$900,000. In May 2022, the Organization acquired a parcel of real estate located at 150 Congress Ave for \$675,452.

NOTE 3 - RESTRICTED DEPOSITS

MORTGAGE ESCROWS

The Organization maintains mortgage escrow deposits for Seacliff & Family to ensure adequate funds are set aside to cover the cost of real estate taxes and property insurance. This is not required for the other properties. Required monthly deposits to this escrow account are \$4,224. At December 31, 2021 and 2020, the mortgage escrow deposits were funded with a collective balance of \$7,694 and \$13,945, respectively.

REPLACEMENT RESERVES

The Organization is required to maintain replacement reserve account for Seacliff & Family 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). On June 3, 2021, HUD approved an increase in the monthly replacement reserve deposits from \$3,182 to \$6,367 per month. At December 31, 2021 and 2020, the replacement reserves were funded with a collective balance of \$189,446 and \$112,938, respectively.

The Organization maintain a voluntary separate replacement reserve accounts for properties that have received funding through the Community Development Block Grant Program (CDBG). During 2021, the Organization set up a voluntary replacement reserve account for the Anchorage, Moorings, and Dike's Landing properties and contributed \$26,000 for the year. At December 31, 2021 and 2020, these replacement reserves were funded with a collective balance of \$63,525 and \$37,502, respectively.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 3 - RESTRICTED DEPOSITS (CONTINUED)

OTHER RESERVES

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. During the year ended December 31, 2021, deposits of \$64,692 were made into the excess surplus cash. No deposits were made into the excess surplus cash account during the year ended December 31, 2020. For the years ended December 31, 2021 and 2020, interest earned was \$7 and \$49, respectively. During the years ended December 31, 2021 and 2020, withdrawals were \$65,014 and \$90, respectively. At December 31, 2021 and 2020, these reserves were funded with a collective balance of \$12,503 and \$12,548, respectively.

Under the terms of a Regulatory Agreement with MSHA, the Organization 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. At December 31, 2020 and 2019, these reserves were funded with a collective balance of \$13,054 and \$12,551, respectively.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 4 – INVESTMENTS

The Financial Accounting Standards Board has issued guidance that defines fair value, establishes a framework for measuring fair value, specifies a fair value hierarchy based on the inputs used to measure fair value, and specifies disclosure requirements for fair value measurements. The guidance also maximizes the use of observable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing an asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; or market corroborated inputs.

Level 3: Unobservable inputs for the asset or liability and should be used to measure fair value to the extent that relevant observable inputs are not available.

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 following is a description of valuation methodologies used for assets measured at fair value:

Mutual funds and exchange traded funds (ETF's) – Valued at the daily closing price as reported by the fund. Mutual funds held are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held are deemed to be actively traded.

Corporate Bonds - Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 4 – INVESTMENTS (CONTINUED)

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, 2021 and 2020:

Investments by fair value level	12/31/2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities:				
Corporate bonds	\$ 51,087	\$ --	\$ 51,087	\$ --
Total Debt Securities	51,087	--	51,087	--
Mutual Funds:				
Fixed Income	51,307	51,307	--	--
Real Assets	5,495	5,495	--	--
Equity Securities	258,643	258,643	--	--
Total Mutual Funds	315,445	315,445	--	--
Total Investments by Fair Value Level	\$ 366,532	\$ 315,445	\$ 51,087	\$ --

Investments by fair value level	12/31/2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities:				
Corporate bonds	\$ 52,681	\$ --	\$ 52,681	\$ --
Total Debt Securities	52,681	--	52,681	--
Mutual Funds:				
Fixed Income	35,748	35,748	--	--
Real Assets	4,214	3,729	--	--
Equity Securities	239,911	187,453	--	--
Total Mutual Funds	279,873	226,930	--	--
Total Investments by Fair Value Level	\$ 332,554	\$ 226,930	\$ 52,681	\$ --

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 4 – INVESTMENTS (CONTINUED)

The return on investments for the years ended December 31, 2021 and 2020 consisted of the following:

	2021	2020
Interest and Dividends	\$ 4,881	\$ 5,151
Unrealized Gain (loss) on investments	25,070	31,012
Account Fees	(1,859)	(298)
Realized Gains	13,292	8,076
Total	<u>\$ 41,384</u>	<u>\$ 43,941</u>

NOTE 5 - LONG-TERM DEBT

A mortgage note payable to MSHA 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, 2021 and 2020 were \$86,397 and \$97,978, 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, 2021 and 2020 was \$103,043. Accrued interest on the note at both December 31, 2021 and 2020 was \$11,144.

A mortgage note payable to MSHA 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, 2021 and 2020 was \$112,657 and \$115,009, respectively.

A mortgage note payable to MSHA 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, 2021 and 2020 were \$72,841 and \$74,313, respectively.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 5 - LONG-TERM DEBT (CONTINUED)

A mortgage note payable to MSHA 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, 2021 and 2020 were \$141,345 and \$143,914, respectively.

A mortgage note payable to MSHA 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, 2021 and 2020 were \$160,158 and \$163,023, respectively.

A mortgage note payable to MSHA 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, 2021 and 2020 was \$291,713 and \$296,327, respectively.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 5 - LONG-TERM DEBT (CONTINUED)

A mortgage note payable to MSHA 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 mortgage note was modified effective May 2021 which extended the maturity date to January 1, 2022. The loan was informally extended to June 1, 2022. The note balance at December 31, 2021 and 2020 was \$500,000.

A mortgage note payable to Bath Savings Institution is due to mature on November 29, 2032 and is secured by Seacliff & Family. 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, 2021 and 2020 were \$1,024,599 and \$1,089,663, respectively.

A mortgage note payable to Bath Housing Authority is due to mature on November 29, 2032 and is secured by Seacliff & Family. 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, 2021 and 2020 were \$642,358 and \$688,379, respectively.

On July 6, 2018 the Organization entered into a line of credit agreement with Peoples United Bank for a total maximum limit of \$700,000. During 2021, the line of credit was amended to increase the maximum amount to \$1,200,000. The line of credit is guaranteed by Bath Housing Authority and secured by investments owned by the Organization and Bath Housing Authority. The line of credit bears variable interest of 2% plus One Month LIBOR (2.094% and 2.153% as of December 31, 2021 and 2020, respectively). Any accrued unpaid interest is due monthly, with outstanding principal due upon lender's demand. During 2021, the Organization had draws of \$500,000 on the line of credit. During 2020, the Organization had draws on the line of credit of \$166,870 and repaid \$166,870. \$533,130 was drawn on the line of credit in 2019. The outstanding balance payable as of December 31, 2021 and 2020 was \$1,033,130 and \$533,130, respectively.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 5 - LONG-TERM DEBT (CONTINUED)

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

	<u>Principal</u>
2022	\$ 1,676,792
2023	150,563
2024	158,248
2025	166,373
2026	174,888
Thereafter	<u>1,841,377</u>
Total Principal payments	4,168,241
Debt issuance costs, net	<u>(27,725)</u>
Less current portion	<u>(1,676,792)</u>
Long-term debt	<u><u>\$ 2,463,724</u></u>

NOTE 6 – HOUSING ASSISTANCE PAYMENTS CONTRACT

The Department of Housing and Urban Development (HUD) has contracted with the Organization to make housing assistance payments on behalf of qualified tenants residing at Seacliff & Family. The contract, dated October 1, 2012, is for a twenty-year period through October 31, 2032. Effective October 1, 2020, annual contract rents were \$820,068. For the years ended December 31, 2021 and 2020, housing assistance payments totaled \$555,867 and \$605,084, respectively.

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. During the years ended December 31, 2021 and 2020, the Project used \$65,014 and \$0, respectively to offset housing assistance payments received from HUD. At December 31, 2021 and 2020, the amount subject to recapture or to offset housing assistance payments was \$3 and \$48.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 7 - RELATED PARTY TRANSACTIONS

The Bath Housing Authority (BHA) is considered a related party as minority of the directors of BHDC also serve on the Authority's Board of Commissioners. BHDC is fiscally independent of the BHA and is not a component unit of the Authority.

The Authority acts as the management agent for properties owned by the Organization. The Organization incurs a management for the services provided by BHA. In addition, the Authority is reimbursed administrative and maintenance services performed. The Organization incurred \$204,564 and \$143,046 of management fees during the years ended December 31, 2021 and 2020. The Organization reimbursed BHA for administrative and maintenance services of \$481,472 and \$276,165 for the years ended December 31, 2021 and 2020.

The Organization leases office space to BHA. The initial lease term was for a three year period ending on December 31, 2020 and automatically renews for two successive terms of three years provided BHA is not in default. The lease agreement renewed for an additional three year term on January 1, 2021. The annual rent for this three-year period is \$30,840, payable in monthly payments of \$2,570. For the years ended December 31, 2021 and 2020, rental revenue earned by the Organization was \$30,840 and \$28,800, respectively.

At December 31, 2021 and 2020, the Organization owed BHA \$58,126 and \$64,897 for services provided by BHA.

NOTE 8 – OPERATING LEASE AGREEMENTS

Bath Housing Anchor Corporation leases commercial space to a number tenants under separate non-cancelable lease agreements. The lease agreements terminate at various dates through July 2024. The base rent includes escalating lease payments. The base rent due for the next three years is as follows:

2022	\$ 103,458
2023	93,702
2024	<u>39,707</u>
Total	<u>\$ 236,867</u>

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 9 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization monitors its liquidity so it is able to meet its operating needs and other contractual commitments. The Organization has the following financial assets at December 31, 2021 and 2020 that could readily be made available within one year of the statement of financial position to fund general operating expense:

	2021	2020
Cash	\$ 296,139	\$ 274,762
Investments	366,532	332,554
Tenant Security Deposits	78,760	42,657
Restricted reserves	286,222	189,484
Accounts receivable	<u>14,291</u>	<u>4,897</u>
Total Financial Assets	<u>1,041,944</u>	<u>844,354</u>
Financial assets not available for general expenditures:		
Tenant security deposits	(78,760)	(42,657)
Restricted reserves	<u>(286,222)</u>	<u>(189,484)</u>
	<u>(364,982)</u>	<u>(232,141)</u>
Financial assets available to meet cash		
needs for general expenditures within one year	<u>\$ 676,962</u>	<u>\$ 612,213</u>

The Organization also has a line of credit agreement with Peoples United Bank for up to \$1,200,000, which was amended in 2021 to increase the amount available from \$700,000. This line of credit was established primarily for real estate transactions; however it could be drawn upon to meet cash needs for general expenditures within one year. As of December 31, 2021 and 2020, the outstanding balance on the line of credit was \$1,033,130 and \$533,130; the balance available to be drawn upon is \$166,870 for both years. The outstanding principal balance is due upon lender's demand. The Organization does not expect the lender to demand payment of the outstanding balance in 2022.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 10 – NET ASSETS WITH RESTRICTIONS

At December 31, 2021 and 2020, the Organization's net assets with donor restrictions are comprised of unexpended grant funds which contain donor restrictions which had not been satisfied and the value of contributed affordable housing developments that are restricted to serving households at or below 80% of the area median income for a period of thirty years. Over the course of the thirty year restricted use period, net assets will be classified from donor restricted to without donor restrictions. The following table summarizes net assets with donor restrictions:

Subject to Expenditure for Specified Purpose:

Comfortably Home Program	\$ 70,467
Miscellaneous grants	4,761

Subject to Passage of Time:

Affordable housing restrictions on the Anchorage, Moorings, Dike's Landing Properties	<u>4,179,371</u>
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Net Assets with Donor Restrictions	<u>\$ 4,254,599</u>
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NOTE 11 – CONTRIBUTED NONFINANCIAL ASSETS

During the year ended December 31, 2021, the Organization recognized contributed nonfinancial assets within revenue of \$4,238,600 consisting of three affordable housing developments (Anchorage, Moorings, and Dike's Landing) for use within the Organization's housing programs from the Bath Housing Authority, a related party. These three affordable housing developments are restricted to serving households at or below 80% of the area median income for a period of thirty years. The Organization estimated the fair value on the basis of the assessed value from the City of Bath's assessor's office.

NOTE 12 – 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. While the disruption is currently expected to be temporary, there is considerable uncertainty about the duration of closings. The extent to which COVID-19 may impact the Organization's financial condition or results of operations is uncertain.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 13—STREAMLINED VOLUNTARY CONVERSION

Streamlined Voluntary Conversion (SVC) refers to a Public Housing Authority's (PHA's) ability to voluntarily decide to remove their public housing units from a public housing Annual Contributions Contract (ACC), authorized under Section 22 of the U.S. Housing Act of 1937. Families residing in these units receive tenant-based vouchers.

Effective August 1, 2021, the Organization and the Bath Housing Authority (BHA) closed on the streamlined voluntary conversion transaction. This involved BHA transferring the ownership of the properties (Anchorage, Moorings, and Dike's Landing) to the Organization (See Note 11) and entering into a ground lease for the land on which the buildings are constructed for a term of 98 years expiring on December 31, 2120.

The Organization and BHA entered into a land use restriction agreement which restricts the use of the properties as affordable housing serving households at or below 80% of the area median income for a period of 30 years. Rents for residents of the Anchorage, Moorings, and Dike's Landing properties are subsidized through 3 Housing Assistance Payment (HAP) contracts with BHA.

BATH HOUSING DEVELOPMENT CORPORATION

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION DECEMBER 31, 2021

	Bath Housing Development Corporation	Seacliff Apartments	Bath Housing Anchor Corporation	Eliminations	Total
Assets					
Current Assets					
Cash and cash equivalents	\$ 135,765	\$ 130,865	\$ 29,509	\$ --	\$ 296,139
Investments	366,532	--	--	--	366,532
Accounts receivable, net of allowance	32,712	3,549	--	(21,970)	14,291
Prepaid expenses	21,788	--	--	--	21,788
Total Current Assets	556,797	134,414	29,509	(21,970)	698,750
Tenant Security Deposits	65,885	12,875	--	--	78,760
Restricted Deposits and Funded Reserves					
Mortgage escrows	--	7,694	--	--	7,694
Replacement reserve	63,525	189,446	--	--	252,971
Other reserves	13,054	12,503	--	--	25,557
Total Restricted Deposits and Funded Reserves	76,579	209,643	--	--	286,222
Property, Plant and Equipment					
Land and land improvements	842,490	1,318,647	--	--	2,161,137
Buildings and improvements	7,901,987	2,214,394	--	--	10,116,381
Building equipment	42,525	133,329	--	--	175,854
Construction in process	537,769	--	--	--	537,769
Total Property, Plant and Equipment	9,324,771	3,666,370	--	--	12,991,141
Less: accumulated depreciation	(736,134)	(637,955)	--	--	(1,374,089)
Property, Plant and Equipment, Net	8,588,637	3,028,415	--	--	11,617,052
Total Assets	\$ 9,287,898	\$ 3,385,347	\$ 29,509	\$ (21,970)	\$ 12,680,784

See Independent Auditor's Report

BATH HOUSING DEVELOPMENT CORPORATION

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION (CONTINUED) DECEMBER 31, 2021

	Bath Housing Development Corporation	Seacliff Apartments	Bath Housing Anchor Corporation	Eliminations	Total
Current Liabilities					
Accounts payable - operations	\$ 46,293	\$ 5,972	\$ 238	\$ --	\$ 52,503
Accounts payable - related party	40,672	31,253	8,171	(21,970)	58,126
Accrued interest payable - current portion	5,649	471	--	--	6,120
Line of credit	1,033,130	--	--	--	1,033,130
Mortgages payable - current portion	526,665	116,997	--	--	643,662
Prepaid rent	6,154	700	163	--	7,017
Total Current Liabilities	1,658,563	155,393	8,572	(21,970)	1,800,558
Tenant Security Deposit Liabilities	65,882	12,875	--	--	78,757
Long-Term Liabilities					
Mortgages payable - net of current portion	941,489	1,549,960	--	--	2,491,449
Less: unamortized debt issuance costs	--	(27,725)	--	--	(27,725)
Accrued interest payable - net of current portion	11,144	--	--	--	11,144
Total Long-Term Liabilities	952,633	1,522,235	--	--	2,474,868
Total Liabilities	2,677,078	1,690,503	8,572	(21,970)	4,354,183
Net Assets					
Without Donor Restrictions	2,355,861	1,694,844	20,937	--	4,071,642
With Donor Restrictions	4,254,959	--	--	--	4,254,959
Total Net Assets	6,610,820	1,694,844	20,937	--	8,326,601
Total Liabilities and Net Assets	\$ 9,287,898	\$ 3,385,347	\$ 29,509	\$ (21,970)	\$ 12,680,784

See Independent Auditor's Report

BATH HOUSING DEVELOPMENT CORPORATION

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION DECEMBER 31, 2020

	Bath Housing Development Corporation	Seacliff Apartments	Bath Housing Anchor Corporation	Eliminations	Total
Assets					
Current Assets					
Cash and cash equivalents	\$ 126,024	\$ 125,889	\$ 22,849	\$ --	\$ 274,762
Investments	332,554	--	--	--	332,554
Accounts receivable, net of allowance	12,465	4,326	--	(11,894)	4,897
Prepaid expenses	21,416	--	--	--	21,416
Total Current Assets	492,459	130,215	22,849	(11,894)	633,629
Tenant Security Deposits	31,653	11,004	--	--	42,657
Restricted Deposits and Funded Reserves					
Mortgage escrows	--	13,945	--	--	13,945
Replacement reserve	37,502	112,938	--	--	150,440
Other reserves	12,551	12,548	--	--	25,099
Total Restricted Deposits and Funded Reserves	50,053	139,431	--	--	189,484
Property, Plant and Equipment					
Land and land improvements	842,275	1,318,647	--	--	2,160,922
Buildings and improvements	2,675,200	2,214,394	--	--	4,889,594
Building equipment	42,525	133,329	--	--	175,854
Construction in process	906,673	--	--	--	906,673
Total Property, Plant and Equipment	4,466,673	3,666,370	--	--	8,133,043
Less: accumulated depreciation	(595,039)	(545,794)	--	--	(1,140,833)
Property, Plant and Equipment, Net	3,871,634	3,120,576	--	--	6,992,210
Total Assets	\$ 4,445,799	\$ 3,401,226	\$ 22,849	\$ (11,894)	\$ 7,857,980

See Independent Auditor's Report

BATH HOUSING DEVELOPMENT CORPORATION

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION (CONTINUED) DECEMBER 31, 2020

	Bath Housing Development Corporation	Seacliff Apartments	Bath Housing Anchor Corporation	Eliminations	Total
Current Liabilities					
Accounts payable - operations	\$ 16,332	8,885	\$ 286	\$ --	\$ 25,503
Accounts payable - related party	27,096	40,284	9,411	(11,894)	64,897
Accrued interest payable - current portion	5,243	501	--	--	5,744
Line of credit	533,130	--	--	--	533,130
Mortgages payable - current portion	25,181	111,199	--	--	136,380
Prepaid rent	3,284	605	6,497	--	10,386
Total Current Liabilities	610,266	161,474	16,194	(11,894)	776,040
Tenant Security Deposit Liabilities	31,653	11,004	--	--	42,657
Long-Term Liabilities					
Mortgages payable - net of current portion	1,468,426	1,666,843	--	--	3,135,269
Less: unamortized debt issuance costs	--	(30,264)	--	--	(30,264)
Accrued interest payable - net of current portion	11,144	--	--	--	11,144
Total Long-Term Liabilities	1,479,570	1,636,579	--	--	3,116,149
Total Liabilities	2,121,489	1,809,057	16,194	(11,894)	3,934,846
Net Assets					
Without Donor Restrictions	2,246,559	1,592,169	6,655	--	3,845,383
With Donor Restrictions	77,751	--	--	--	77,751
Total Net Assets	2,324,310	1,592,169	6,655	--	3,923,134
Total Liabilities and Net Assets	\$ 4,445,799	\$ 3,401,226	\$ 22,849	\$ (11,894)	\$ 7,857,980

See Independent Auditor's Report

BATH HOUSING DEVELOPMENT CORPORATION

SCHEDULE OF REVENUE AND FUNCTIONAL EXPENSE FOR THE YEAR ENDED DECEMBER 31, 2021

	Supportive Services				Program Services														Bath Housing	Comfortably		
	Management & General	Anchorage	Moorings	Dike's Landing	19 Oak Street	822, 832, 842 Middle Street	806 Middle Street	Seacliff Apartments	49 Elm Street	28 Maple Street	470 Washington St	Lincoln Street	Summer Street	Front Street	Anchor Corporation	Home Program	Eliminations	Total				
Revenues, Gains, and Other Support																						
Housing Assistance Payments	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 620,881	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 620,881				
Rental Revenues	30,840	184,144	194,352	85,204	53,569	86,401	32,667	180,049	29,757	34,404	36,162	62,876	111,835	68,080	105,213	--	(68,080)	1,227,473				
Contributions	43,115	--	--	--	--	--	--	--	--	--	--	--	--	--	--	97,056	--	140,171				
Contributions of nonfinancial assets	--	1,446,200	2,145,300	647,100	--	--	--	--	--	--	--	--	--	--	--	--	--	4,238,600				
Investment Income	41,515	--	--	--	--	--	--	197	--	--	--	--	--	--	--	--	--	41,712				
Other Income	34,634	268	437	562	--	10	163	6,867	--	--	--	30	--	--	1,091	--	--	44,062				
Total Revenues, Gains, and Other Support	150,104	1,630,612	2,340,089	732,866	53,569	86,411	32,830	807,994	29,757	34,404	36,162	62,906	111,835	68,080	106,304	97,056	(68,080)	6,312,899				
Administrative																						
Administrative salaries	154,342	--	--	--	--	--	--	--	--	--	--	--	--	--	--	13,949	--	168,291				
Management fee	--	22,097	23,322	10,224	5,357	10,368	3,267	96,112	2,976	3,440	3,616	6,288	11,184	--	6,313	--	--	204,564				
Auditing fees	1,313	--	--	--	1,069	1,544	618	6,500	550	612	645	1,173	2,167	1,309	--	--	--	17,500				
Employee benefits contributions - Administrative	34,438	--	--	--	--	--	--	--	--	--	--	--	--	--	--	3,505	--	37,943				
Legal	155	90	1,430	110	1,000	--	--	7,358	--	--	40	--	--	--	--	--	--	10,183				
Accounting	2,228	3,176	3,342	1,524	1,814	2,620	1,048	5,380	932	1,037	1,093	1,989	3,676	2,220	--	--	--	32,079				
Other operating - administrative	4,854	--	--	--	--	--	--	3,386	--	--	--	--	--	--	70,115	617	(68,080)	10,892				
Grant expenditures	653	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	653				
Total Administrative	197,983	25,363	28,094	11,858	9,240	14,532	4,933	118,736	4,458	5,089	5,394	9,450	17,027	3,529	76,428	18,071	(68,080)	482,105				
Tenant Services																						
Tenant services	--	5,180	5,453	2,454	--	--	--	29,452	--	--	--	--	--	--	--	20,274	--	62,813				
Employee benefits	--	1,949	2,051	923	--	--	--	--	--	--	--	--	--	--	--	5,361	--	10,284				
Total Tenant Services	--	7,129	7,504	3,377	--	--	--	29,452	--	--	--	--	--	--	--	25,635	--	73,097				
Utilities																						
Water	--	3,271	2,088	743	923	1,438	796	9,478	800	1,406	683	1,738	2,992	--	452	--	--	26,808				
Sewer	--	5,695	3,828	1,348	1,255	1,934	1,344	17,010	1,350	2,683	1,096	2,772	4,913	--	460	--	--	45,688				
Electricity	--	10,592	20,667	13,723	6,077	1,077	288	44,383	1,828	3,285	1,364	1,211	3,007	--	2,509	--	--	110,011				
Gas/Fuel	--	10,863	4,132	--	--	5,092	1,705	2,767	2,896	1,906	1,196	4,833	13,746	--	10,586	--	--	59,722				
Total Utilities	--	30,421	30,715	15,814	8,255	9,541	4,133	73,638	6,874	9,280	4,339	10,554	24,658	--	14,007	--	--	242,229				
Maintenance																						
Maintenance fee expense - labor	--	14,730	15,506	6,978	4,524	7,239	1,809	49,972	1,809	1,809	2,715	5,431	6,919	--	--	29,271	--	148,712				
Ordinary maintenance and operations - materials	0	15,262	13,769	6,089	2,439	6,034	980	35,494	1,446	849	1,272	2,826	5,049	--	--	35,168	--	126,677				
Ordinary maintenance and operations - contracts	540	20,556	9,445	6,622	7,325	10,243	2,099	69,959	4,135	822	4,717	6,301	18,757	--	1,587	8,905	--	172,013				
Maintenance fee expense - benefits	--	5,028	5,293	2,382	1,495	2,392	598	14,955	598	598	897	1,795	5,119	--	--	12,279	--	53,429				
Total Maintenance	540	55,576	44,013	22,071	15,783	25,908	5,486	170,380	7,988	4,078	9,601	16,353	35,844	--	1,587	85,623	--	500,831				
General Expenses																						
Insurance	2,924	4,687	4,934	2,220	3,113	3,980	1,212	21,983	1,198	1,208	1,511	3,468	4,630	8,792	--	3,393	--	69,253				
Real estate taxes	--	--	--	--	6,059	--	--	35,000	--	--	--	--	5,614	25,838	--	--	--	72,511				
Interest expense	--	--	--	--	--	3,671	5,697	91,532	3,676	7,147	8,075	14,693	8,391	18,326	--	--	--	161,208				
Misc. financial expenses	--	--	--	--	--	--	--	65,014	--	--	--	--	--	--	--	--	--	65,014				
Collection losses	--	2,015	--	--	--	74	--	7,423	--	--	--	416	--	--	--	--	--	9,928				
Depreciation	5,336	15,065	22,347	6,741	11,752	7,723	17,213	92,161	4,905	10,632	6,637	15,323	5,575	11,846	--	--	--	233,256				
Total General	8,260	21,767	27,281	8,961	20,924	15,448	24,122	313,113	9,779	18,987	16,223	33,900	24,210	64,802	--	3,393	--	611,170				
Total Expenses	206,783	140,256	137,607	62,081	54,202	65,429	38,674	705,319	29,099	37,434	35,557	70,257	101,739	68,331	92,022	132,722	(68,080)	1,909,432				
Increase (Decrease) in Net Assets	\$ (56,679)	\$ 1,490,356	\$ 2,202,482	\$ 670,785	\$ (633)	\$ 20,982	\$ (5,844)	\$ 102,675	\$ 658	\$ (3,030)	\$ 605	\$ (7,351)	\$ 10,096	\$ (251)	\$ 14,282	\$ (35,666)	\$ --	\$ 4,403,467				

See Independent Auditor's Report

BATH HOUSING DEVELOPMENT CORPORATION

SCHEDULE OF REVENUE AND FUNCTIONAL EXPENSE FOR THE YEAR ENDED DECEMBER 31, 2020

	Supportive Services		Program Services														
	Management & General	19 Oak Street	822, 832, 842 Middle Street	806 Middle Street	Seacliff Apartments	49 Elm Street	28 Maple Street	470 Washington Street	Lincoln Street	Summer Street	Front Street	Bath Housing Anchor Corporation	Comfortably Home Program	Eliminations	Total		
Revenues, Gains, and Other Support																	
Housing Assistance Payments	\$ --	\$ --	\$ --	\$ --	\$ 605,084	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 605,084		
Rental Revenues	28,800	52,184	75,639	27,276	169,676	28,267	29,796	33,408	59,948	109,385	67,890	96,443	--	(67,890)	710,822		
Grant Income	599,461	--	--	--	--	--	--	--	--	--	--	--	130,193	--	729,654		
Investment Income	44,149	--	--	--	807	--	--	--	--	--	--	--	--	--	44,956		
Loss on sale of capital assets	(50,161)	--	--	--	--	--	--	--	--	--	--	--	--	--	(50,161)		
Other Income	46,160	--	--	--	7,229	--	--	--	--	--	--	163	--	--	53,552		
Total Revenues, Gains, and Other Support	668,409	52,184	75,639	27,276	782,796	28,267	29,796	33,408	59,948	109,385	67,890	96,606	130,193	(67,890)	2,093,907		
Administrative																	
Administrative salaries	81,808	--	--	--	--	--	--	--	--	--	--	--	14,675	--	96,483		
Management fee	--	5,218	9,077	2,728	92,971	2,827	2,980	3,341	5,995	10,939	--	6,970	--	--	143,046		
Auditing fees	956	550	804	276	5,500	285	318	334	612	1,070	688	--	1,307	--	12,700		
Employee benefits contributions - Administrative	20,134	--	--	--	--	--	--	--	--	--	--	--	3,063	--	23,197		
Legal	--	100	--	--	8,284	--	--	194	--	--	--	15	--	--	8,593		
Accounting	5,636	1,086	1,582	570	21,811	564	626	659	1,204	2,139	1,351	--	1,814	--	39,042		
Other operating - administrative	1,980	--	--	--	2,548	--	--	--	--	--	--	68,890	90	(67,890)	5,618		
Grant expenditures	13,850	--	--	--	--	--	--	--	--	--	--	--	--	--	13,850		
Total Administrative	124,364	6,954	11,463	3,574	131,114	3,676	3,924	4,528	7,811	14,148	2,039	75,875	20,949	(67,890)	342,529		
Tenant Services																	
Tenant services	--	--	--	--	34,790	--	--	--	--	--	--	--	--	--	34,790		
Employee benefits	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--		
Total Tenant Services	--	--	--	--	34,790	--	--	--	--	--	--	--	--	--	34,790		
Utilities																	
Water	--	1,258	1,387	690	7,588	737	1,199	522	2,488	1,936	--	34	--	--	17,839		
Sewer	--	1,548	1,802	1,097	12,640	1,199	2,202	731	4,369	2,550	--	471	--	--	28,609		
Electricity	--	4,840	928	277	45,306	2,004	878	1,088	1,093	3,159	--	2,040	--	--	61,613		
Gas/Fuel	--	38	4,924	1,401	2,503	2,475	2,080	1,246	4,347	11,700	--	8,416	--	--	39,130		
Total Utilities	--	7,684	9,041	3,465	68,037	6,415	6,359	3,587	12,297	19,345	--	10,961	--	--	147,191		
Maintenance																	
Maintenance fee expense - labor	--	4,831	7,731	1,931	49,332	1,931	1,931	2,900	5,801	9,662	--	--	6,298	--	92,348		
Ordinary maintenance and operations - materials	--	3,031	5,452	1,212	26,489	1,212	1,520	1,819	3,639	6,342	--	--	20,082	--	70,798		
Ordinary maintenance and operations - contracts	818	3,302	4,836	422	77,342	4,832	4,730	4,446	3,453	11,978	--	6,563	4,644	--	127,366		
Maintenance fee expense - benefits	--	1,609	2,574	643	16,095	643	643	966	1,931	3,217	--	--	2,215	--	30,536		
Total Maintenance	818	12,773	20,593	4,208	169,258	8,618	8,824	10,131	14,824	31,199	--	6,563	33,239	--	321,048		
General Expenses																	
Insurance	4,937	1,747	2,553	878	24,574	906	1,010	1,062	2,742	3,397	2,188	--	4,147	--	50,141		
Real estate taxes	--	5,986	5,107	--	35,000	--	--	2,620	--	5,325	26,065	--	--	--	80,103		
Interest expense	--	--	4,126	5,810	97,754	3,749	7,235	8,214	14,401	9,825	20,752	--	--	--	171,866		
Collection losses	--	--	--	87	--	748	--	--	530	--	--	--	--	--	1,365		
Depreciation	5,336	5,558	12,270	3,753	96,327	4,905	10,632	5,587	6,236	--	15,384	--	3,031	--	169,019		
Total General	10,273	13,291	24,056	10,528	253,655	10,308	18,877	17,483	23,909	18,547	64,389	--	7,178	--	472,494		
Total Expenses	135,455	40,702	65,153	21,775	656,854	29,017	37,984	35,729	58,841	83,239	66,428	93,399	61,366	(67,890)	1,318,052		
Increase (Decrease) in Net Assets	\$ 532,954	\$ 11,482	\$ 10,486	\$ 5,501	\$ 125,942	\$ (750)	\$ (8,188)	\$ (2,321)	\$ 1,107	\$ 26,146	\$ 1,462	\$ 3,207	\$ 68,827	\$ --	\$ 775,855		

See Independent Auditor's Report