

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

CONTENTS

Independent Auditors' Report	3-5
Financial Statements	
Statements of Financial Position.....	6-7
Statements of Activities	8
Statements of Functional Expenses	9-10
Statements of Cash Flows.....	11-12
Notes to Financial Statements	13-20
Supplementary Information	
Supplementary Data Required by HUD	21-28
Schedule of Changes in Fixed Assets	29
Schedule of Receipts and Disbursements – Operating Fund.....	30
Schedule of Restricted Cash Reserves and Escrows.....	31
Schedule of Cash in Financial Institutions.....	32
Other Information	
Certificate of Managing Agent	33
Certificate of Corporate Officers	34

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of Bath Housing Development Corporation's Seacliff Apartments (the "Project", "Seacliff Apartments"), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Bath Housing Development Corporation's Seacliff Apartments 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 Seacliff Apartments 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 financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Seacliff Apartments' ability to continue as a going concern within one year after the date that the 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 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 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 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 Seacliff Apartment's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Seacliff Apartment'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.

Other Matter

Other Matter - Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information, as listed in the table of contents on pages 21 to 32, 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

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, 2021 and 2020 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 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

Providence, Rhode Island
March 18, 2022

BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

	2021	2020
Assets		
Current Assets		
Cash	\$ 130,865	\$ 125,889
Tenant accounts receivable, net of allowance for doubtful accounts	3,549	4,326
Accounts receivable - other	500	500
Total Current Assets	134,914	130,715
Tenant Security Deposits	12,875	11,004
Restricted Deposits and Funded Reserves		
Mortgage escrows	7,694	13,945
Replacement reserve	189,446	112,938
Residual receipts reserve	12,503	12,548
Total Restricted Deposits and Funded Reserves	209,643	139,431
Property, Plant and Equipment		
Land and land improvements	1,318,647	1,318,647
Buildings and improvements	2,214,394	2,214,394
Building equipment	133,329	133,329
Total Property, Plant and Equipment	3,666,370	3,666,370
Less: accumulated depreciation	(637,955)	(545,794)
Property, Plant and Equipment, Net	3,028,415	3,120,576
Total Assets	\$ 3,385,847	\$ 3,401,726

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

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

DECEMBER 31, 2021 AND 2020

	2021	2020
Liabilities and Net Assets		
Current Liabilities		
Accounts payable - operations	\$ 37,725	\$ 49,669
Accrued interest - first mortgage	471	501
Mortgages payable - current portion	116,997	111,199
Prepaid rent	700	605
Total Current Liabilities	155,893	161,974
Tenant Security Deposit Liabilities	12,875	11,004
Long-Term Liabilities		
Mortgages payable - net of current portion	1,549,960	1,666,843
Less: unamortized debt issuance costs	(27,725)	(30,264)
Total Long-Term Liabilities	1,522,235	1,636,579
Total Liabilities	1,691,003	1,809,557
Net Assets		
Without Donor Restrictions	1,694,844	1,592,169
Total Net Assets	1,694,844	1,592,169
Total Liabilities and Net Assets	\$ 3,385,847	\$ 3,401,726

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

BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Revenues		
Tenant rent, net of vacancies	\$ 180,049	\$ 169,676
Housing assistance payments	555,867	605,084
Miscellaneous rent revenue	65,014	--
Total Rental income	800,930	774,760
Tenant charges	4,044	4,000
Laundry and vending	2,823	3,169
Interest income	197	807
Other revenue	--	60
Total Revenues	807,994	782,796
Expenses		
Operating and maintenance	155,425	153,163
Interest expense	91,532	97,754
Depreciation expense	92,161	96,327
Management fee	96,112	92,971
Taxes and insurance	78,194	85,233
Utilities	73,638	68,037
Miscellaneous financial expense	65,014	--
Administrative	30,097	40,081
Tenant services	23,146	24,036
Total Expenses	705,319	657,602
Increase in Net Assets	102,675	125,194
Net Assets - Beginning	1,592,169	1,466,975
Net Assets - Ending	\$ 1,694,844	\$ 1,592,169

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, 2021

	Rental Housing Program	Management and General	Total
Office expenses	\$ 3,304	\$ --	\$ 3,304
Management fee	--	96,112	96,112
Legal expense	7,358	--	7,358
Audit expense	--	6,500	6,500
Bookkeeping fees / accounting services	5,380	--	5,380
Bad debts	7,423	--	7,423
Miscellaneous admin expenses	132	--	132
Fuel	2,767	--	2,767
Electricity	44,383	--	44,383
Water	9,478	--	9,478
Sewer	17,010	--	17,010
Payroll	49,972	--	49,972
Supplies	35,494	--	35,494
Contracts	66,239	--	66,239
Garbage and trash removal	3,232	--	3,232
Misc. operating and maintenance expenses	488	--	488
Real estate taxes	35,000	--	35,000
Property and liability insurance	21,983	--	21,983
Health insurance and other employee benefits	21,211	--	21,211
Interest on mortgages payable	91,532	--	91,532
Tenant service payroll	23,146	--	23,146
Miscellaneous financial expense	65,014	--	65,014
Depreciation	92,161	--	92,161
Total Expenses	\$ 602,707	\$ 102,612	\$ 705,319

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

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

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

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Cash Flows From Operating Activities		
Rental receipts	\$ 729,365	\$ 771,662
Miscellaneous receipts	6,867	6,729
Interest receipts	197	807
Total Receipts	736,429	779,198
Administrative	34,618	27,572
Management fees	96,112	92,971
Utilities	73,638	68,037
Operating and maintenance	155,425	153,163
Real estate taxes	35,000	35,000
Property insurance	21,983	16,133
Miscellaneous taxes and insurance	21,211	25,659
Tenant security deposits	(1,871)	339
Other operating expenses	23,146	24,036
Interest on mortgages	89,023	95,244
Total Payments	548,285	538,154
Net Cash Provided by Operating Activities	188,144	241,044
Cash Flows From Investing Activities		
Purchases of Property and Equipment	--	(80,523)
Net Cash Used in Investing Activities	--	(80,523)
Cash Flows From Financing Activities		
Payments on mortgage payable - first mortgage	(111,085)	(104,863)
Net Cash Used in Financing Activities	(111,085)	(104,863)
Net Increase (Decrease) in Cash and Restricted Cash	77,059	55,658
Cash and Restricted Cash - Beginning	276,324	220,666
Cash and Restricted Cash- Ending	\$ 353,383	\$ 276,324

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, 2021 AND 2020

	2021	2020
Reconciliation of increase in net assets to net cash provided by operating activities		
Increase in net assets	\$ 102,675	\$ 125,194
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation expense	92,161	96,327
Interest expense - debt issuance costs	2,539	2,539
Bad debt expense	7,423	748
Change in operating assets and liabilities		
(Increase) decrease in tenant accounts receivable	(6,646)	(3,214)
(Increase) decrease in accounts receivable - other	--	(500)
(Decrease) increase in accounts payable and accrued expenses	(11,944)	20,202
(Decrease) increase in accrued interest - first mortgage	(30)	(29)
(Decrease) increase in tenant security deposit liabilities	1,871	(339)
(Decrease) increase in prepaid rent	95	116
Total Adjustments	85,469	115,850
Net Cash Provided By Operating Activities	\$ 188,144	\$ 241,044
 Supplemental Disclosure of Cash Flows Information		
Cash paid during the year for:		
Interest	\$ 89,023	\$ 95,244
 Cash and Restricted Cash		
Per Statement of Financial Position		
Cash	\$ 130,865	\$ 125,889
Tenant Security Deposits	12,875	11,004
Mortgage escrows	7,694	13,945
Replacement reserve	189,446	112,938
Residual receipts reserve	12,503	12,548
Total Cash and Restricted Cash		
per Statement of Financial Position	\$ 353,383	\$ 276,324

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, 2021 AND 2020

NOTE 1 - ORGANIZATION

The Bath Housing Development Corporation (BHDC), a non-profit corporation, 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, 2021 and 2020, 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, 2021 AND 2020

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, 2021 and 2020 is \$6,119 and \$2,586, 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, 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 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, 2021 and 2020.

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, 2021 and 2020. Unamortized costs and December 31, 2021 and 2020 were \$27,725 and \$30,264, respectively.

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

NOTES TO 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 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, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SUBSEQUENT EVENTS

Management has evaluated subsequent events through [Report Date] 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, 2021 and 2020, the mortgage escrow deposits were funded with a collective balance of \$7,694 and \$13,945, 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). On June 3, 2021, HUD approved an increase in the monthly replacement reserve deposits to be \$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.

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. 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.

BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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, 2021 and 2020 was \$1,024,599 and \$1,089,111, 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 \$6,060. 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, 2021 and 2020 was \$642,358 and \$688,931, respectively.

Interest expense on these mortgages for the years ended December 31, 2021 and 2020 was \$88,993 and \$95,215, 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
2022	\$ 116,997	\$ 83,115	\$ 200,112
2023	122,660	77,452	200,112
2024	129,080	71,032	200,112
2025	135,848	64,264	200,112
2026	142,983	57,129	200,112
Thereafter	<u>1,019,389</u>	<u>169,676</u>	<u>1,189,065</u>
Total	<u>\$ 1,666,957</u>	<u>\$ 522,668</u>	<u>\$ 2,189,625</u>

BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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 \$820,068. For the years ended December 31, 2021 and 2020, housing assistance payments totaled \$555,867 and \$605,084, respectively, which was approximately 69% and 78%, 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. During the years ended December 31, 2021 and 2020, the Project used \$65,014 and \$0, respectively to offset housing assistance payments. At December 31, 2021 and 2020, the amount subject to recapture or to offset housing assistance payments was \$3 and \$48.

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 \$96,112 and \$92,971 were incurred for the years ended December 31, 2021 and 2020, respectively.

BHA also provides maintenance services and resident services to the Project. The Project incurred \$111,066 and \$129,608 of these costs during the years ended December 31, 2021 and 2020. At December 31, 2021 and 2020, BHA was owed \$31,753 and \$34,547 respectively.

BHDC allocates a portion of its insurance and other general expenses to the Project. At December 31, 2021 and 2020, the Project owed BHDC \$0, and \$6,237, respectively.

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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, 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	\$ 130,865	\$ 125,889
Mortgage escrows	7,694	13,945
Replacement reserves	189,446	112,938
Other Reserves	12,503	12,548
Accounts receivable, net of allowance	4,049	4,826
	<u>344,557</u>	<u>270,146</u>
Financial assets not available for general expenditures		
Replacement reserves	(189,446)	(112,938)
Other Reserves	(12,503)	(12,548)
	<u>(201,949)</u>	<u>(125,486)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 142,608</u>	<u>\$ 144,660</u>

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, 2021 AND 2020

		2021		2020
ASSETS				
Current Assets				
1120	Cash - Operations	\$ 130,865	\$	125,889
1130	Tenant/Member Accounts Receivable (Coops)	9,668		6,912
1131	Allowance for Doubtful Accounts	(6,119)		(2,586)
1130N	Net Tenant Accounts Receivable	3,549		4,326
1140	Accounts and Notes Receivable - Operations	500		500
1100T	Total Current Assets	134,914		130,715
1191	Tenant/Patient Deposits Held in Trust	12,875		11,004
Restricted Deposits				
1310	Escrow Deposits	7,694		13,945
1320	Replacement Reserve	189,446		112,938
1340	Residual Receipts Reserve	12,503		12,548
1300T	Total Deposits	209,643		139,431
Property and Equipment				
1410	Land	1,318,647		1,318,647
1420	Buildings	2,214,394		2,214,394
1440	Building Equipment (Portable)	133,329		133,329
1400T	Total Fixed Assets	3,666,370		3,666,370
1495	Accumulated Depreciation	(637,955)		(545,794)
1400N	Net Fixed Assets	3,028,415		3,120,576
1000T	Total Assets	\$ 3,385,847	\$	3,401,726

See Independent Auditors' Report

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

SUPPLEMENTARY DATA REQUIRED BY HUD

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

LIABILITIES AND NET ASSETS	2021	2020	
Current Liabilities			
2110	Accounts Payable - Operations	\$ 37,725	\$ 49,669
2131	Accrued Interest Payable - First Mortgage (or Bonds)	471	501
2170	Mortgage (or Bonds) Payable - First Mortgage (Bonds) (Short Term)	116,997	111,199
2210	Prepaid Revenue	700	605
2122T	Total Current Liabilities	155,893	161,974
2191	Tenant/Patient Deposits Held In Trust (Contra)	12,875	11,004
Long-Term Liabilities			
2320	Mortgage (or Bonds) Payable - First Mortgage (or Bonds)	1,549,960	1,666,843
2340	Debt Issuance Costs	(27,725)	(30,264)
2300T	Total Long Term Liabilities	1,522,235	1,636,579
2000T	Total Liabilities	1,691,003	1,809,557
Net Assets			
3131	Net Assets without donor restrictions	1,694,844	1,592,169
3130	Total Net Assets	1,694,844	1,592,169
2033T	Total Liabilities and Equity/Net Assets	\$ 3,385,847	\$ 3,401,726

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

SUPPLEMENTARY DATA REQUIRED BY HUD

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

REVENUE		2021	2020
Rent Revenue			
5120	Rent Revenue - Gross Potential	\$ 188,837	\$ 189,403
5121	Tenant Assistance Payments	555,867	605,084
5190	Miscellaneous Rent Revenue	65,014	--
5100T	Total Rent Revenue	<u>809,718</u>	<u>794,487</u>
Vacancies			
5220	Apartments	8,788	19,727
5200T	Total Vacancies	<u>8,788</u>	<u>19,727</u>
5152N	Net Rental Revenue (Rent Revenue Less Vacancies)	<u>800,930</u>	<u>774,760</u>
Financial Revenue			
5410	Financial Revenue - Project Operations	86	361
5440	Revenue from Investments - Replacement Reserve	111	446
5400T	Total Financial Revenue	<u>197</u>	<u>807</u>
Other Revenue			
5910	Laundry and Vending Revenue	2,823	3,169
5920	Tenant Charges	4,044	4,000
5990	Miscellaneous Revenue	--	60
5900T	Total Other Revenue	<u>6,867</u>	<u>7,229</u>
5000T	Total Revenue	<u>807,994</u>	<u>782,796</u>
EXPENSES			
Administrative Expenses			
6311	Office Expenses	3,304	2,231
6320	Management Fee	96,112	92,971
6340	Legal Expense - Project	7,358	8,284
6350	Audit Expense	6,500	5,500
6351	Bookkeeping Fees/Accounting Services	5,380	21,811
6370	Bad Debts	7,423	748
6390	Miscellaneous Administrative Expenses	132	1,507
6263T	Total Administrative Expenses	<u>126,209</u>	<u>133,052</u>
Utilities Expenses			
6420	Fuel Oil/Coal	2,767	2,503
6450	Electricity	44,383	45,306
6451	Water	9,478	7,588
6453	Sewer	17,010	12,640
6400T	Total Utilities Expense	<u>73,638</u>	<u>68,037</u>

See Independent Auditors' Report

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

SUPPLEMENTARY DATA REQUIRED BY HUD

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

		2021		2021
Operating & Maintenance Expenses				
6510	Payroll	49,972		49,332
6515	Supplies	35,494		26,489
6520	Contracts	66,239		71,907
6525	Garbage and Trash Removal	3,232		2,972
6590	Miscellaneous Operating and Maintenance Expenses	488		2,463
6500T	Total Operating and Maintenance Expenses	155,425		153,163
Taxes & Insurance				
6710	Real Estate Taxes	35,000		35,000
6720	Property & Liability Insurance (Hazard)	21,983		24,574
6723	Health Insurance and Other Employee Benefits	21,211		25,659
6700T	Total Taxes and Insurance	78,194		85,233
Financial Expenses				
6820	Interest on First Mortgage (or Bonds) Payable	91,532		97,754
6890	Miscellaneous Financial Expenses	65,014		--
6800T	Total Financial Expenses	156,546		97,754
6900 Expenses				
6900	Nursing Homes/Assisted Living/ Board & Care/Other Elderly	23,146		24,036
Operating Results				
6000T	Total Cost of Operations before Depreciation	613,158		561,275
5060T	Profit (Loss) before Depreciation	194,836		221,521
6600	Depreciation Expenses	92,161		96,327
5060N	Operating Profit or (Loss)	\$ 102,675		\$ 125,194

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

SUPPLEMENTARY DATA REQUIRED BY HUD

FOR THE YEAR ENDED DECEMBER 31, 2021

Cash Flow from Operating Activities

S1200-010	Rental Receipts	\$ 729,365
S1200-020	Interest Receipts	197
S1200-030	Other Operating Receipts	6,867
S1200-040	Total Receipts	<u>736,429</u>
S1200-050	Administrative	(34,618)
S1200-070	Management Fee	(96,112)
S1200-090	Utilities	(73,638)
S1200-110	Operating and Maintenance	(155,425)
S1200-120	Real Estate Taxes	(35,000)
S1200-140	Property Insurance	(21,983)
S1200-150	Miscellaneous Taxes and Insurance	(21,211)
S1200-170	Other Operating Expenses	(23,146)
S1200-180	Interest on First Mortgage	(89,023)
S1200-230	Total Disbursements	<u>(550,156)</u>
S1200-240	Net Cash provided by Operating Activities	<u>186,273</u>

Cash Flow from Investing Activities

S1200-245	Net Deposits to the Mortgage Escrow account	6,251
S1200-250	Net Deposits to the Reserve for Replacement account	(76,508)
S1200-255	Net Deposits to Other Reserves	45
S1200-350	Net Cash used in Investing Activities	<u>(70,212)</u>

Cash Flow from Financing Activities

S1200-360	Principal Payments - First Mortgage (or Bonds)	(111,085)
S1200-460	Net Cash used in Financing Activities	<u>(111,085)</u>
S1200-470	Net increase in Cash and Cash Equivalents	<u>4,976</u>
S1200-480	Beginning of Period Cash	<u>125,889</u>
S1200T	End of Period Cash	<u>\$ 130,865</u>

BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS

SUPPLEMENTARY DATA REQUIRED BY HUD

FOR THE YEAR ENDED DECEMBER 31, 2021

Reconciliation of Net Profit (Loss) to Net Cash Provided by (Used in) Operating Activities

3250	Change in Total Net Assets from Operations	\$	102,675
------	--	----	---------

Adjustments to Reconcile Net Profit (Loss) to Net Cash Provided by (Used in) Operating Activities

6600	Depreciation Expenses		92,161
S1200-486	Amortization of Debt Issuance Costs		2,539
S1200-490	Decrease (increase) in Tenant/Member Accounts Receivable		(6,646)
S1200-540	Increase (decrease) in Accounts Payable		(11,944)
S1200-570	Increase (decrease) in Accrued Interest Payable		(30)
S1200-590	Increase (decrease) in Prepaid Revenue		95
S1200-600	Other adjustments to reconcile net profit (loss) to Net Cash provided by (used in) Operating Activities		7,423

Net Cash provided by (used in) Operating Activities

S1200-610	Net Cash provided by Operating Activities	\$	<u>186,273</u>
-----------	---	----	----------------

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

SUPPLEMENTARY DATA REQUIRED BY HUD

FOR THE YEAR ENDED DECEMBER 31, 2021

Schedule of Reserve for Replacement

1320P	Balance at Beginning of Year	\$ 112,938
1320DT	Total Monthly Deposits	76,404
1320INT	Interest on Replacement Reserve Accounts	104
1320	Balance at End of Year, Confirmed by Mortgagee	<u>\$ 189,446</u>
1320R	Deposits Suspended or Waived Indicator	N

Schedule of Residual Receipts

1340P	Balance at Beginning of Year	\$ 12,548
1340DT	Total Deposits	64,962
1340INT	Interest on Residual Receipt Accounts	7
1340WT	Approved Withdrawals	<u>(65,014)</u>
1340	Balance at Current Fiscal Year End	<u>\$ 12,503</u>

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

SUPPLEMENTARY DATA REQUIRED BY HUD

FOR THE YEAR ENDED DECEMBER 31, 2021

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

S1300-010	Cash	\$	130,865
S1300-010	Cash - Tenant Security Deposit		12,875
S1300-040	Total Cash		<u>143,740</u>
S1300-050	Accrued Mortgage (or Bond) Interest Payable		471
S1300-075	Accounts Payable - 30 days		37,725
2210	Prepaid Revenue		700
2191	Tenant/Patient Deposits Held In Trust (Contra)		12,875
S1300-110	Other Current Obligations		6,552
S1300-140	Total Current Obligations		<u>58,323</u>
S1300-150	Surplus Cash (Deficiency)	\$	<u>85,417</u>
S1300-210	Deposit Due Residual Receipts	\$	<u>85,417</u>

See Independent Auditors' Report

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

SCHEDULE OF CHANGES IN FIXED ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2021

	Balance January 1, 2021	Additions	Deductions	Balance December 31, 2021
Land and improvements	\$ 1,318,647	\$ --	\$ --	\$ 1,318,647
Buildings and improvements	2,214,394	--	--	2,214,394
Building equipment	133,329	--	--	133,329
Total Fixed Assets	3,666,370	--	--	3,666,370
Accumulated Depreciation	545,794	92,161	--	637,955
Net Fixed Assets				<u>\$ 3,028,415</u>

See Independent Auditors' Report

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

SCHEDULE OF RECEIPTS AND DISBURSMENTS – OPERATING FUND

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Source of Funds		
Rental operations		
Tenant rent	\$ 173,498	\$ 166,578
Tenant assistance payments	555,867	605,084
Interest	86	361
Other income	6,867	6,729
Total rental operations receipts	<u>736,318</u>	<u>778,752</u>
Disbursements		
Administrative	130,730	120,551
Utilities	73,638	68,037
Operating and maintenance	155,425	153,163
Interest	89,023	95,244
Resident services	23,146	24,036
Taxes and insurance	78,194	76,792
Total rental operations disbursements	<u>550,156</u>	<u>537,823</u>
Other receipts		
Transfers from restricted deposits and funded reserves	117,717	97,613
Transfers to tenant security deposit account	--	227
Total other receipts or transfers	<u>117,717</u>	<u>97,840</u>
Other disbursements or transfers		
Transfers to restricted deposits and funded reserves	(187,818)	(88,873)
Purchases of property and equipment	--	(80,523)
Principal payments on mortgages	(111,085)	(104,863)
Total other disbursements or transfers	<u>(298,903)</u>	<u>(274,259)</u>
Net increase in operating Cash	4,976	64,510
Operating cash, beginning of year	<u>125,889</u>	<u>61,379</u>
Operating cash, end of year	<u>\$ 130,865</u>	<u>\$ 125,889</u>

See Independent Auditors' Report

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

SCHEDULE OF RESTRICTED CASH RESERVES AND ESCROWS

FOR THE YEAR ENDED DECEMBER 31, 2021

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	\$ 13,945	\$ 46,452	\$ --	\$ (52,703)	\$ 7,694
Replacement Reserve	112,938	76,404	104	--	189,446
Residual Receipts	<u>12,548</u>	<u>64,962</u>	<u>7</u>	<u>(65,014)</u>	<u>12,503</u>
Total restricted cash reserves and escrow	<u>\$ 139,431</u>	<u>\$ 187,818</u>	<u>\$ 111</u>	<u>\$ (117,717)</u>	<u>\$ 209,643</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	21,352	1/1	1,779	3	5,338
Directors & Officers Insurance	631	1/1	53	3	158

See Independent Auditors' Report

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

SCHEDULE OF CASH IN FINANCIAL INSTITUTIONS

FOR THE YEAR ENDED DECEMBER 31, 2021

Account Name	Account Number	Financial Institution	Account Type	Interest Rate	Maturity Date	Signatory Control	Balance
Operating Account	xxx1738	Bath Savings Institution	Checking	0.08%	N/A	Sole	<u>\$ 130,865</u>
Tax and Insurance Reserve	xxx1835	Bath Savings Institution	Checking	0.00%	N/A	Either /Or	<u>\$ 7,694</u>
Replacement Reserve	xxx1649	Bath Savings Institution	Checking	0.08%	N/A	Either /Or	<u>\$ 189,446</u>
Residual Receipts	xxxxx0251	Federated	Money Market	0.03%	N/A	MaineHousing	<u>\$ 12,503</u>
Tenant Security Deposits	xxx1851	Bath Savings Institution	Checking	0.00%	N/A	Sole	<u>\$ 12,875</u>

See Independent Auditors' Report

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

December 31, 2021

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

Date: March 18, 2022

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

December 31, 2021

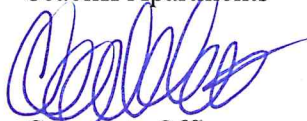
Certificate of Corporate Officers

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.

Barbara L. Gaul, Chair

Corporate Officer
Seacliff Apartments

Date: March 18, 2022



Corporate Officer
Seacliff Apartments

VICE CHAIR

Date: March 18, 2022