

BATH HOUSING DEVELOPMENT CORPORATION

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

BATH HOUSING DEVELOPMENT CORPORATION

CONTENTS

Independent Auditors' Report.....	3-5
--	------------

Consolidated Financial Statements

Consolidated Statements of Financial Position.....	6-7
Consolidated Statements of Activities.....	8-9
Consolidated Statements of Functional Expenses	10-11
Consolidated Statements of Cash Flows.....	12-13

Notes to Consolidated Financial Statements	14-31
---	--------------

Supplementary Information

Consolidating Schedule of Financial Position as of December 31, 2022	32-33
Consolidating Schedule of Financial Position as of December 31, 2021	34-35
Schedule of Revenue and Functional Expenses for the year ended December 31, 2022	36
Schedule of Revenue and Functional Expenses for the year ended December 31, 2021	37

INDEPENDENT AUDITORS' 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, 2022 and 2021 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, 2022 and 2021, 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 2, 2023

BATH HOUSING DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	\$ 260,162	\$ 296,139
Investments	314,803	366,532
Accounts receivable, net of allowance	36,127	14,291
Prepaid expenses	33,650	21,788
Total Current Assets	644,742	698,750
Tenant Security Deposits	76,347	78,760
Restricted Deposits and Funded Reserves		
Mortgage escrows	42,603	7,694
Replacement reserve	387,464	252,971
Other reserves	26,420	25,557
Total Restricted Deposits and Funded Reserves	456,487	286,222
Property, Plant and Equipment		
Land and land improvements	2,217,754	2,161,137
Buildings and improvements	9,812,680	10,116,381
Building equipment	175,854	175,854
Projects in development	630,242	537,769
Total Property, Plant and Equipment	12,836,530	12,991,141
Less: accumulated depreciation	(1,618,620)	(1,374,089)
Property, Plant and Equipment, Net	11,217,910	11,617,052
Total Assets	\$ 12,395,486	\$ 12,680,784

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

BATH HOUSING DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

DECEMBER 31, 2022 AND 2021

	2022	2021
Liabilities and Net Assets		
Current Liabilities		
Accounts payable - operations	\$ 62,225	\$ 52,503
Accounts payable - related party	95,579	58,126
Accrued interest payable - current portion	6,872	6,120
Line of credit	148,999	1,033,130
Mortgages payable - current portion	825,973	643,662
Prepaid rent	7,815	7,017
Total Current Liabilities	<u>1,147,463</u>	<u>1,800,558</u>
Tenant Security Deposit Liabilities	<u>73,985</u>	<u>78,757</u>
Long-Term Liabilities		
Mortgages payable - net of current portion	2,840,474	2,491,449
Less: unamortized debt issuance costs	(29,192)	(27,725)
Accrued interest payable - net of current portion	<u>11,144</u>	<u>11,144</u>
Total Long-Term Liabilities	<u>2,822,426</u>	<u>2,474,868</u>
Total Liabilities	<u>4,043,874</u>	<u>4,354,183</u>
Net Assets		
Without Donor Restrictions	4,311,075	4,071,642
With Donor Restrictions	<u>4,040,537</u>	<u>4,254,959</u>
Total Net Assets	<u>8,351,612</u>	<u>8,326,601</u>
Total Liabilities and Net Assets	<u>\$ 12,395,486</u>	<u>\$ 12,680,784</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, 2022

	Net Assets Without Donor Restrictions	Net Assets with Donor Restrictions	Total
Revenues, Gains, and Other Support			
Housing assistance payments	\$ 608,171	\$ --	\$ 608,171
Rental revenue	1,918,733	--	1,918,733
Contributions of cash and other financial assets	86,908	196,038	282,946
Other revenue	33,813	--	33,813
Net assets released from restrictions	410,460	(410,460)	--
Total Revenues, Gains, and Other Support	3,058,085	(214,422)	2,843,663
Expenses			
Program Services			
Housing Programs	2,300,486	--	2,300,486
Comfortably Home Program	162,072	--	162,072
Management and General	300,330	--	300,330
Total Expenses	2,762,888	--	2,762,888
Change in Net Assets from Operations	295,197	(214,422)	80,775
Non-Operating Revenues			
Investment Income (Loss)	(55,764)	--	(55,764)
Total Nonoperating Revenues	(55,764)	--	(55,764)
Change in Net Assets	239,433	(214,422)	25,011
Net Assets - Beginning of Year	4,071,642	4,254,959	8,326,601
Net Assets - End of Year	\$ 4,311,075	\$ 4,040,537	\$ 8,351,612

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, 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 (Loss)	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 FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services		Supportive Services	
	Housing Programs	Comfortably Home Program	Management and General	Total
Administrative salaries	\$ --	\$ 10,447	\$ 198,483	\$ 208,930
Management fee	285,612	--	--	285,612
Auditing fees	17,388	--	636	18,024
Employee benefits contributions - Administrative	--	3,160	60,034	63,194
Legal	7,996	--	665	8,661
Accounting	24,717	--	8,225	32,942
Other operating - administrative	11,513	7,823	8,461	27,797
Grant expenditures	--	--	11,737	11,737
Tenant services Labor Fee	72,897	38,573	--	111,470
Employee benefits - tenant services	18,741	--	--	18,741
Water	32,625	--	--	32,625
Sewer	57,067	--	--	57,067
Electricity	203,499	--	--	203,499
Gas/Fuel	95,580	--	--	95,580
Maintenance fee expense - labor	398,512	45,958	--	444,470
Ordinary maintenance and operations - materials	151,897	32,223	976	185,096
Ordinary maintenance and operations - contracts	188,200	3,281	594	192,075
Maintenance fee expense - benefits	2,705	20,483	--	23,188
Insurance	94,379	124	5,183	99,686
Real estate taxes	90,293	--	--	90,293
Interest expense	162,085	--	--	162,085
Miscellaneous financial expenses	85,434	--	--	85,434
Collection losses	8,643	--	--	8,643
Depreciation	290,703	--	5,336	296,039
Total Expenses	\$ 2,300,486	\$ 162,072	\$ 300,330	\$ 2,762,888

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

BATH HOUSING DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Program Services		Supportive Services	
	Housing Programs	Comfortably Home Program	Management and 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	20,274	--	62,813
Employee benefits - tenant services	4,923	5,361	--	10,284
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
Miscellaneous financial expenses	65,014	--	--	65,014
Interest expense	161,208	--	--	161,208
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 STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ 25,011	\$ 4,403,467
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	296,039	233,256
Bad debt expense	8,643	9,928
Amortization of debt issuance costs	4,408	2,539
Net unrealized (gain) loss on investments	68,051	(25,070)
Net realized gain on sale of investments	(643)	(12,749)
Contribution of nonfinancial assets	--	(4,238,600)
Gain on sale of capital assets	(9,367)	--
Changes in operating assets and liabilities:		
Accounts receivable	(30,479)	(19,322)
Prepaid expenses	(11,862)	(372)
Accounts payable	9,722	27,000
Accounts payable - related party	37,453	(6,771)
Accrued interest payable	752	376
Tenant security deposit liability	(4,772)	36,100
Prepaid rents	798	(3,369)
Net Cash Provided by Operating Activities	<u>393,754</u>	<u>406,413</u>
Cash Flows from Investing Activities		
Purchase of fixed assets	(832,530)	(619,498)
Proceeds from the sale of capital assets	945,000	--
Sales of Investments	52,199	46,903
Purchases of Investments	(67,878)	(43,062)
Net Cash Provided by (Used in) Investing Activities	<u>96,791</u>	<u>(615,657)</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, 2022 AND 2021

	2022	2021
Cash Flows from Financing Activities		
Repayments of mortgages and notes payable	\$ (643,664)	\$ (136,538)
Proceeds from mortgages and notes payable	1,175,000	--
Proceeds from line of credit	--	500,000
Repayments on line of credit	(884,131)	--
Payments for debt issuance costs	(5,875)	--
Net Cash Provided by (Used In) Financing Activities	<u>(358,670)</u>	<u>363,462</u>
Net Increase in Cash, Cash Equivalents, and Restricted Cash	131,875	154,218
Cash, Cash Equivalents and Restricted Cash - Beginning	<u>661,121</u>	<u>506,903</u>
Cash, Cash Equivalents, and Restricted Cash - Ending	<u>\$ 792,996</u>	<u>\$ 661,121</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 156,925</u>	<u>\$ 169,081</u>
Noncash Investing and Financing Activities		
Contribution of nonfinancial assets	<u>\$ --</u>	<u>\$ 4,238,600</u>
Cash, Cash Equivalents, and Restricted Cash per Statements of Financial Position		
Cash	\$ 260,162	\$ 296,139
Mortgage escrows	42,603	7,694
Replacement reserve	387,464	252,971
Other reserves	26,420	25,557
Tenant security deposits	<u>76,347</u>	<u>78,760</u>
Total Cash, Cash Equivalents, and Restricted Cash per Statements of Financial Position	<u>\$ 792,996</u>	<u>\$ 661,121</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, 2022 AND 2021

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: 150 Congress Street, 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

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Updated (ASU) 2016-02, Leases (Topic 842) Topic 842 improves transparency and comparability among companies by recognizing lease assets and lease liabilities and disclosing key information about leasing arrangements. Topic 842 was effective for annual periods beginning after December 15, 2019 with early adoption permitted. ASU 2020-05 deferred the effective date of Topic 842 making it effective for annual reporting periods beginning after December 14, 2021. The Organization adopted Topic 842 as of January 1, 2022.

Topic 842 requires the Organization to apply its amendments under the modified retrospective transition approach. In conjunction with the adoption of Topic 842, the Organization has made the following election (i) to adopt the package of practical expedients to not reassess certain factors for leases that commenced prior to the implementation of Topic 842 (ii) to not apply the lease standard to existing land easements that were not previously recorded as leases (iii) to exclude short-term leases, defined as those with an initial term of one year or less from the lease standard, (iv) to net separate non-lease components from lease components and instead to account for all components as a single lease component, and (v) to use the risk-free rate for discounting lease payments when the rate implicit is in the lease is unknown to the lessee.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2022 and 2021, the Organization had net assets with donor restrictions of \$4,040,537 and \$4,254,959, 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.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2022 and 2021 is \$16,464 and \$14,944, respectively.

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 Maine Housing, 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, 2022 AND 2021

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, 2022 and 2021.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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, 2022 and 2021, amortization of the debt issuance costs was \$4,408 and \$2,539, respectively. At December 31, 2022 and 2021, unamortized debt issuance costs were \$29,192 and \$27,725, 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, 2022 AND 2021

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, 2022, 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, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 2, 2023, 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 Organization maintains mortgage escrow deposits for Seaclyff & 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 \$4,817. At December 31, 2022 and 2021, the mortgage escrow deposits were funded with a collective balance of \$42,603 and \$7,694, respectively.

REPLACEMENT RESERVES

The Organization is required to maintain replacement reserve account for Seaclyff & 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, which was subsequently increased to \$6,525 per month. At December 31, 2022 and 2021, the replacement reserves were funded with a collective balance of \$269,893 and \$189,446, respectively.

The Organization maintain a voluntary separate replacement reserve accounts for properties without required reserves. At December 31, 2022 and 2021, these replacement reserves were funded with a collective balance of \$117,571 and \$63,525, respectively.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 3 - RESTRICTED DEPOSITS (CONTINUED)

OTHER RESERVES

In accordance with the regulatory agreement, Seacliff & Family 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 years ended December 31, 2022 and 2021, deposits of \$85,417 and \$64,692, respectively were made into the excess surplus cash. For the years ended December 31, 2022 and 2021, interest earned was \$258 and \$7, respectively. During the years ended December 31, 2022 and 2021, withdrawals were \$85,522 and \$65,014, respectively. At December 31, 2022 and 2021, these reserves were funded with a collective balance of \$12,656 and \$12,503, 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 \$13,764 and \$13,054, respectively.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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, 2022 AND 2021

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, 2022 and 2021:

Investments by fair value level	12/31/2022	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	\$ 24,438	\$ --	\$ 24,438	\$ --
Total Debt Securities	24,438	--	24,438	--
Mutual Funds:				
Fixed Income	74,076	74,076	--	--
Real Assets	3,722	3,722	--	--
Equity Securities	212,567	212,567	--	--
Total Mutual Funds	290,365	290,365	--	--
Total Investments by Fair Value Level	\$ 314,803	\$ 290,365	\$ 24,438	\$ --

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	\$ --

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 4 – INVESTMENTS (CONTINUED)

The return on investments for the years ended December 31, 2022 and 2021 consisted of the following:

	2022	2021
Interest and Dividends	\$ 7,660	\$ 4,881
Unrealized Gain (loss) on investments	(68,051)	25,070
Account Fees	(1,742)	(1,859)
Realized Gains	643	13,292
Total	\$ (61,490)	\$ 41,384

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, 2022 and 2021 were \$74,344 and \$86,397, 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, 2022 and 2021 was \$103,043. Accrued interest on the note at both December 31, 2022 and 2021 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, 2022 and 2021 was \$110,185 and \$112,657, 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, 2022 and 2021 were \$71,294 and \$72,841, respectively.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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, 2022 and 2021 were \$138,643 and \$141,345, 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, 2022 and 2021 were \$157,146 and \$160,158, 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, 2022 and 2021 was \$286,863 and \$291,713, respectively.

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. During 2022, the Organization repaid this note. The note balance at December 31, 2021 was \$500,000.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 5 - LONG-TERM DEBT (CONTINUED)

On August 31, 2022, HLT LLC entered into a loan with The Genesis Fund in the amount of \$500,000. The loan is secured by a first priority mortgage deed on the property located on 520 Centre Street. The note is guaranteed by Bath Housing Development Corporation. The loan bears interest at rate of 3.75% per annum and matures on February 28, 2024. Starting on October 1, 2022 monthly interest only payments of \$1,563 are required. The note balance at December 31, 2022 was \$500,000.

On May 16, 2022, the Organization entered into a loan with The Genesis Fund in the amount of \$675,000. The loan is secured by a first priority mortgage deed on the property located on 150 Congress Street. The loan bears interest at rate of 3.75% per annum and matures on November 16, 2023. Starting on June 16, 2022 monthly interest only payments of \$2,109 are required. The note balance at December 31, 2022 was \$675,000.

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, 2022 and 2021 were \$955,466 and \$1,024,599, 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, 2022 and 2021 were \$594,463 and \$642,358, 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 (6.173% and 2.094% as of December 31, 2022 and 2021, respectively). Any accrued unpaid interest is due monthly, with outstanding principal due upon lender's demand. During 2022, the Organization repaid \$884,131 on the line of credit. During 2021, the Organization had draws of \$500,000 on the line of credit. The outstanding balance payable as of December 31, 2022 and 2021 was \$148,999 and \$1,033,130, respectively.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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>
2023	\$ 974,972
2024	658,249
2025	166,373
2026	174,928
2027	183,893
Thereafter	<u>1,657,031</u>
Total Principal payments	3,815,446
Debt issuance costs, net	<u>(29,192)</u>
Less current portion	<u>(974,972)</u>
Long-term debt	<u><u>\$ 2,811,282</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, 2022, annual contract rents were \$832,188. For the years ended December 31, 2022 and 2021, housing assistance payments totaled \$608,171 and 620,881, 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, 2022 and 2021, the Project used \$85,434 and \$65,014, respectively to offset housing assistance payments received from HUD. At December 31, 2022 and 2021, the amount subject to recapture or to offset housing assistance payments was \$156 and \$3.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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 \$285,612 and \$204,564 of management fees during the years ended December 31, 2022 and 2021. The Organization reimbursed BHA for administrative and maintenance services of \$869,993 and \$481,472 for the years ended December 31, 2022 and 2021.

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, 2022 and 2021, rental revenue earned by the Organization was \$30,840 and \$30,840, respectively.

For the year ended December 31, 2022 and 2021, the Authority made housing assistance payments on behalf of residents living in properties owned by the Organization of \$840,983 and \$407,399.

At December 31, 2022 and 2021, the Organization owed BHA \$95,579 and \$58,126 for services provided by BHA.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 8 - 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, 2022 and 2021 that could readily be made available within one year of the statement of financial position to fund general operating expense:

	2022	2021
Cash	\$ 260,162	\$ 296,139
Investments	314,803	366,532
Tenant Security Deposits	76,347	78,760
Restricted reserves	456,487	286,222
Accounts receivable	<u>36,127</u>	<u>14,291</u>
Total Financial Assets	<u>1,143,926</u>	<u>1,041,944</u>
Financial assets not available for general expenditures:		
Tenant security deposits	(76,347)	(78,760)
Restricted reserves	<u>(456,487)</u>	<u>(286,222)</u>
	<u>(532,834)</u>	<u>(364,982)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 611,092</u>	<u>\$ 676,962</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, 2022 and 2021, the outstanding balance on the line of credit was \$148,999 and \$1,033,130; the balance available to be drawn upon is \$1,051,001 and \$166,870, respectively. 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 2023.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 9 – NET ASSETS WITH RESTRICTIONS

At December 31, 2022 and 2021, 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:

	2022	2021
Subject to Expenditure for Specified Purpose:		
Comfortably Home Program	\$ --	\$ 70,467
Miscellaneous grants	2,093	4,761
Subject to Passage of Time:		
Affordable housing restrictions on the Anchorage, Moorings, Dike's Landing Properties	4,038,444	4,179,371
Net Assets with Donor Restrictions	<u>\$ 4,040,537</u>	<u>\$ 4,254,599</u>

NOTE 10 – 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.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 11 – 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 a streamlined voluntary conversion transaction. This involved BHA transferring the ownership of BHA 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 three Housing Assistance Payment (HAP) contracts with BHA.

BATH HOUSING DEVELOPMENT CORPORATION

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION DECEMBER 31, 2022

	Bath Housing Development Corporation	Seacliff Apartments	Bath Housing Anchor Corporation	Eliminations	Total
Assets					
Current Assets					
Cash and cash equivalents	\$ 240,032	\$ 20,130	\$ --	\$ --	\$ 260,162
Investments	314,803	--	--	--	314,803
Accounts receivable, net of allowance	44,987	3,165	1,260	(13,285)	36,127
Prepaid expenses	33,513	137	--	--	33,650
Total Current Assets	633,335	23,432	1,260	(13,285)	644,742
Tenant Security Deposits	62,654	13,693	--	--	76,347
Restricted Deposits and Funded Reserves					
Mortgage escrows	--	42,603	--	--	42,603
Replacement reserve	117,571	269,893	--	--	387,464
Other reserves	13,764	12,656	--	--	26,420
Total Restricted Deposits and Funded Reserves	131,335	325,152	--	--	456,487
Property, Plant and Equipment					
Land and land improvements	899,107	1,318,647	--	--	2,217,754
Buildings and improvements	7,587,336	2,225,344	--	--	9,812,680
Building equipment	42,525	133,329	--	--	175,854
Projects in development	630,242	--	--	--	630,242
Total Property, Plant and Equipment	9,159,210	3,677,320	--	--	12,836,530
Less: accumulated depreciation	(888,886)	(729,734)	--	--	(1,618,620)
Property, Plant and Equipment, Net	8,270,324	2,947,586	--	--	11,217,910
Total Assets	\$ 9,097,648	\$ 3,309,863	\$ 1,260	\$ (13,285)	\$ 12,395,486

See Independent Auditors' Report

BATH HOUSING DEVELOPMENT CORPORATION

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION (CONTINUED) DECEMBER 31, 2022

	Bath Housing Development Corporation	Seacliff Apartments	Bath Housing Anchor Corporation	Eliminations	Total
Current Liabilities					
Accounts payable - operations	\$ 58,310	\$ 3,915	\$ --	\$ --	\$ 62,225
Accounts payable - related party	76,048	32,816	--	(13,285)	95,579
Accrued interest payable - current portion	6,435	437	--	--	6,872
Line of credit	148,999	--	--	--	148,999
Mortgages payable - current portion	702,872	123,101	--	--	825,973
Prepaid rent	6,819	996	--	--	7,815
Total Current Liabilities	999,483	161,265	--	(13,285)	1,147,463
Tenant Security Deposit Liabilities	60,292	13,693	--	--	73,985
Long-Term Liabilities					
Mortgages payable - net of current portion	1,413,646	1,426,828	--	--	2,840,474
Less: unamortized debt issuance costs	(4,006)	(25,186)	--	--	(29,192)
Accrued interest payable - net of current portion	11,144	--	--	--	11,144
Total Long-Term Liabilities	1,420,784	1,401,642	--	--	2,822,426
Total Liabilities	2,480,559	1,576,600	--	(13,285)	4,043,874
Net Assets					
Without Donor Restrictions	2,576,552	1,733,263	1,260	--	4,311,075
With Donor Restrictions	4,040,537	--	--	--	4,040,537
Total Net Assets	6,617,089	1,733,263	1,260	--	8,351,612
Total Liabilities and Net Assets	\$ 9,097,648	\$ 3,309,863	\$ 1,260	\$ (13,285)	\$ 12,395,486

See Independent Auditors' Report

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
Projects in development	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 Auditors' 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

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SCHEDULE OF REVENUE AND FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2022

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BATH HOUSING DEVELOPMENT CORPORATION

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

	Supportive Services				Program Services														Bath Housing Anchor Corporation	Comfortably Home Program	Eliminations	Total														
	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 Street	Lincoln Street	Summer Street	Front Street																						
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	
Grant Income		43,115		--		--		--		--		--		--		--		--		--	--		--		--		--		--		97,056		--	140,171		
Investment Income		--		1,446,200		2,145,300		647,100		--		--		--		--		--		--	--		--		--		--		--		--	--	4,238,600			
Loss on sale of capital assets		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						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		--		--		73,58		--		--		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	--	--	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)	\$ (140,256)	\$ (137,607)	\$ (62,081)	\$ (633)	\$ 20,982	\$ (5,844)	\$ 102,675	\$ 658	\$ (3,030)	\$ 605	\$ (7,351)	\$ 10,096	\$ (251)	\$ 14,282	\$ (35,666)	\$ --	\$ 4,403,467																		

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