

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

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INDEPENDENT AUDITORS' REPORT

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

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, 2022 and 2021, 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, 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 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, 2022 and 2021 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 23, 2023

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	2022	2021
Assets		
Current Assets		
Cash	\$ 20,130	\$ 130,865
Tenant accounts receivable, net of allowance for doubtful accounts	3,165	3,549
Accounts receivable - other	--	500
Prepaid expenses	137	--
Total Current Assets	23,432	134,914
Tenant Security Deposits	13,693	12,875
Restricted Deposits and Funded Reserves		
Mortgage escrows	42,603	7,694
Replacement reserve	269,893	189,446
Residual receipts reserve	12,656	12,503
Total Restricted Deposits and Funded Reserves	325,152	209,643
Property, Plant and Equipment		
Land and land improvements	1,318,647	1,318,647
Buildings and improvements	2,225,344	2,214,394
Building equipment	133,329	133,329
Total Property, Plant and Equipment	3,677,320	3,666,370
Less: accumulated depreciation	(729,734)	(637,955)
Property, Plant and Equipment, Net	2,947,586	3,028,415
Total Assets	\$ 3,309,863	\$ 3,385,847

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

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

DECEMBER 31, 2022 AND 2021

	2022	2021
Liabilities and Net Assets		
Current Liabilities		
Accounts payable - operations	\$ 36,731	\$ 37,725
Accrued interest - first mortgage	437	471
Mortgages payable - current portion	123,101	116,997
Prepaid rent	996	700
Total Current Liabilities	161,265	155,893
Tenant Security Deposit Liabilities	13,693	12,875
Long-Term Liabilities		
Mortgages payable - net of current portion	1,426,828	1,549,960
Less: unamortized debt issuance costs	(25,186)	(27,725)
Total Long-Term Liabilities	1,401,642	1,522,235
Total Liabilities	1,576,600	1,691,003
Net Assets		
Without Donor Restrictions	1,733,263	1,694,844
Total Net Assets	1,733,263	1,694,844
Total Liabilities and Net Assets	\$ 3,309,863	\$ 3,385,847

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, 2022 AND 2021

	2022	2021
Revenues		
Tenant rent, net of vacancies	\$ 189,810	\$ 180,049
Housing assistance payments	522,737	555,867
Miscellaneous rent revenue	85,434	65,014
Total Rental income	797,981	800,930
Tenant charges	2,250	4,044
Laundry and vending	2,633	2,823
Interest income	2,653	197
Other revenue	289	--
Total Revenues	805,806	807,994
Expenses		
Operating and maintenance	204,028	155,425
Interest expense	85,585	91,532
Depreciation expense	91,779	92,161
Management fee	95,758	96,112
Taxes and insurance	69,915	78,194
Utilities	89,747	73,638
Miscellaneous financial expense	85,434	65,014
Administrative	19,926	30,097
Tenant services	25,215	23,146
Total Expenses	767,387	705,319
Increase in Net Assets	38,419	102,675
Net Assets - Beginning	1,694,844	1,592,169
Net Assets - Ending	\$ 1,733,263	\$ 1,694,844

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, 2022

	Rental Housing Program	Management and General	Total
Office expenses	\$ 3,684	\$ --	\$ 3,684
Advertising	136	--	136
Management fee	--	95,758	95,758
Legal expense	2,017	--	2,017
Audit expense	--	6,695	6,695
Bookkeeping fees / accounting services	5,528	--	5,528
Bad debts	1,506	--	1,506
Miscellaneous admin expenses	360	--	360
Fuel	3,586	--	3,586
Electricity	58,722	--	58,722
Water	9,570	--	9,570
Sewer	17,869	--	17,869
Payroll	109,376	--	109,376
Supplies	42,584	--	42,584
Contracts	49,036	--	49,036
Garbage and trash removal	3,031	--	3,031
Misc. operating and maintenance expenses	1	--	1
Real estate taxes	35,000	--	35,000
Property and liability insurance	25,189	--	25,189
Health insurance and other employee benefits	9,726	--	9,726
Interest on mortgages payable	85,585	--	85,585
Tenant service payroll	25,215	--	25,215
Miscellaneous financial expense	85,434	--	85,434
Depreciation	91,779	--	91,779
Total Expenses	\$ 664,934	\$ 102,453	\$ 767,387

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, 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 bene:	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

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash Flows From Operating Activities		
Rental receipts	\$ 711,721	\$ 729,365
Miscellaneous receipts	5,672	6,867
Interest receipts	2,653	197
Total Receipts	720,046	736,429
Administrative	19,414	34,618
Management fees	95,758	96,112
Utilities	89,747	73,638
Operating and maintenance	204,028	155,425
Real estate taxes	35,000	35,000
Property insurance	25,326	21,983
Miscellaneous taxes and insurance	9,726	21,211
Tenant security deposits	(818)	(1,871)
Other operating expenses	25,215	23,146
Interest on mortgages	83,080	89,023
Total Payments	586,476	548,285
Net Cash Provided by Operating Activities	133,570	188,144
Cash Flows From Investing Activities		
Purchases of Property and Equipment	(10,950)	--
Net Cash Used in Investing Activities	(10,950)	--
Cash Flows From Financing Activities		
Payments on mortgage payable - first mortgage	(117,028)	(111,085)
Net Cash Used in Financing Activities	(117,028)	(111,085)
Net Increase in Cash and Restricted Cash	5,592	77,059
Cash and Restricted Cash - Beginning	353,383	276,324
Cash and Restricted Cash- Ending	\$ 358,975	\$ 353,383

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, 2022 AND 2021

	2022	2021
Reconciliation of increase in net assets to net cash provided by operating activities		
Increase in net assets	\$ 38,419	\$ 102,675
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation expense	91,779	92,161
Interest expense - debt issuance costs	2,539	2,539
Bad debt expense	1,506	7,423
Change in operating assets and liabilities		
(Increase) decrease in tenant accounts receivable	(1,122)	(6,646)
(Increase) decrease in accounts receivable - other	500	--
(Increase) decrease in prepaid expenses	(137)	--
(Decrease) increase in accounts payable and accrued expense	(994)	(11,944)
(Decrease) increase in accrued interest - first mortgage	(34)	(30)
(Decrease) increase in tenant security deposit liabilities	818	1,871
(Decrease) increase in prepaid rent	296	95
Total Adjustments	95,151	85,469
Net Cash Provided By Operating Activities	\$ 133,570	\$ 188,144
 Supplemental Disclosure of Cash Flows Information		
Cash paid during the year for:		
Interest	\$ 83,080	\$ 89,023
 Cash and Restricted Cash		
Per Statement of Financial Position		
Cash	\$ 20,130	\$ 130,865
Tenant Security Deposits	13,693	12,875
Mortgage escrows	42,603	7,694
Replacement reserve	269,893	189,446
Residual receipts reserve	12,656	12,503
Total Cash and Restricted Cash		
per Statement of Financial Position	\$ 358,975	\$ 353,383

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, 2022 AND 2021

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, 2022 and 2021, 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, 2022 AND 2021

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, 2022 and 2021 is \$7,625 and \$6,119, 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, 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 Project's policy to depreciate items with a cost of \$5,000 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, 2022 and 2021.

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, 2022 and 2021. Unamortized costs and December 31, 2022 and 2021 were \$25,186 and \$27,725, respectively.

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

NOTES TO 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 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, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 23, 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 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 \$4,817. 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 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 \$6,525 per month. At December 31, 2022 and 2021, the replacement reserves were funded with a collective balance of \$269,893 and \$189,446, respectively.

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 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, which were used to offset housing assistance payments and is included in miscellaneous financial expense on the Statement of Operations. At December 31, 2022 and 2021, these reserves were funded with a collective balance of \$12,656 and \$12,503, respectively.

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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, 2022 and 2021 was \$955,466 and \$1,024,599, 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, 2022 and 2021 was \$594,463 and \$642,358, respectively.

Interest expense on these mortgages for the years ended December 31, 2022 and 2021 was \$83,046 and \$88,993, respectively.

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

<u>Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2023	\$ 123,101	\$ 77,011	\$ 200,112
2024	129,080	71,032	200,112
2025	135,848	64,264	200,112
2026	142,983	57,129	200,112
2027	150,504	49,608	200,112
Thereafter	<u>868,413</u>	<u>120,072</u>	<u>988,485</u>
Total	<u>\$ 1,549,929</u>	<u>\$ 439,116</u>	<u>\$ 1,989,045</u>

BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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, 2022, annual contract rents were \$832,188. For the years ended December 31, 2022 and 2021, housing assistance payments totaled \$522,737 and \$555,867, respectively, which was approximately 66% and 69%, 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, 2022 and 2021, the Project used \$85,434 and \$65,014, respectively to offset housing assistance payments. At December 31, 2022 and 2021, the amount subject to recapture or to offset housing assistance payments was \$156 and \$3.

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 \$95,758 and \$96,112 were incurred for the years ended December 31, 2022 and 2021, respectively.

BHA also provides maintenance services and resident services to the Project. The Project incurred \$146,434 and \$111,066 of these costs during the years ended December 31, 2022 and 2021. At December 31, 2022 and 2021, BHA was owed \$32,816 and \$31,771 respectively.

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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, 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	\$ 20,130	\$ 130,865
Mortgage escrows	42,603	7,694
Replacement reserves	269,893	189,446
Other Reserves	12,656	12,503
Accounts receivable, net of allowance	3,165	4,049
	<u>348,447</u>	<u>344,557</u>
Financial assets not available for general expenditures		
Replacement reserves	(269,893)	(189,446)
Other Reserves	(12,656)	(12,503)
	<u>(282,549)</u>	<u>(201,949)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 65,898</u>	<u>\$ 142,608</u>

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

SUPPLEMENTARY DATA REQUIRED BY HUD

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets		
Cash - Operations	\$ 20,130	\$ 130,865
Tenant/Member Accounts Receivable (Coops)	10,790	9,668
Allowance for Doubtful Accounts	(7,625)	(6,119)
Net Tenant Accounts Receivable	3,165	3,549
Accounts and Notes Receivable - Operations	--	500
Prepaid Expenses	137	--
Total Current Assets	<u>23,432</u>	<u>134,914</u>
Tenant/Patient Deposits Held in Trust	13,693	12,875
Restricted Deposits		
Escrow Deposits	42,603	7,694
Replacement Reserve	269,893	189,446
Residual Receipts Reserve	12,656	12,503
Total Deposits	<u>325,152</u>	<u>209,643</u>
Property and Equipment		
Land	1,318,647	1,318,647
Buildings	2,225,344	2,214,394
Building Equipment (Portable)	133,329	133,329
Total Fixed Assets	<u>3,677,320</u>	<u>3,666,370</u>
Accumulated Depreciation	(729,734)	(637,955)
Net Fixed Assets	<u>2,947,586</u>	<u>3,028,415</u>
Total Assets	<u>\$ 3,309,863</u>	<u>\$ 3,385,847</u>

See Independent Auditors' Report

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

SUPPLEMENTARY DATA REQUIRED BY HUD

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

LIABILITIES AND NET ASSETS	2022	2021
Current Liabilities		
Accounts Payable - Operations	\$ 36,731	\$ 37,725
Accrued Interest Payable - First Mortgage (or Bonds)	437	471
Mortgage (or Bonds) Payable - First Mortgage (Bonds) (Short Term)	123,101	116,997
Prepaid Revenue	996	700
Total Current Liabilities	<u>161,265</u>	<u>155,893</u>
Tenant/Patient Deposits Held In Trust (Contra)	13,693	12,875
Long-Term Liabilities		
Mortgage (or Bonds) Payable - First Mortgage (or Bonds)	1,426,828	1,549,960
Debt Issuance Costs	(25,186)	(27,725)
Total Long Term Liabilities	<u>1,401,642</u>	<u>1,522,235</u>
Total Liabilities	<u>1,576,600</u>	<u>1,691,003</u>
Net Assets		
Net Assets without donor restrictions	<u>1,733,263</u>	<u>1,694,844</u>
Total Net Assets	<u>1,733,263</u>	<u>1,694,844</u>
Total Liabilities and Equity/Net Assets	<u><u>\$ 3,309,863</u></u>	<u><u>\$ 3,385,847</u></u>

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**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

SUPPLEMENTARY DATA REQUIRED BY HUD

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

REVENUE	2022	2021
Rent Revenue		
Rent Revenue - Gross Potential	\$ 214,927	\$ 188,837
Tenant Assistance Payments	522,737	555,867
Miscellaneous Rent Revenue	85,434	65,014
Total Rent Revenue	<u>823,098</u>	<u>809,718</u>
Vacancies		
Apartments	25,117	8,788
Total Vacancies	<u>25,117</u>	<u>8,788</u>
Net Rental Revenue (Rent Revenue Less Vacancies)	<u>797,981</u>	<u>800,930</u>
Financial Revenue		
Financial Revenue - Project Operations	298	86
Revenue from Investments - Replacement Reserve	2,355	111
Total Financial Revenue	<u>2,653</u>	<u>197</u>
Other Revenue		
Laundry and Vending Revenue	2,633	2,823
Tenant Charges	2,250	4,044
Miscellaneous Revenue	289	--
Total Other Revenue	<u>5,172</u>	<u>6,867</u>
Total Revenue	<u>805,806</u>	<u>807,994</u>
EXPENSES		
Administrative Expenses		
Advertising and Marketing	136	--
Office Expenses	3,684	3,304
Management Fee	95,758	96,112
Legal Expense - Project	2,017	7,358
Audit Expense	6,695	6,500
Bookkeeping Fees/Accounting Services	5,528	5,380
Bad Debts	1,506	7,423
Miscellaneous Administrative Expenses	360	132
Total Administrative Expenses	<u>115,684</u>	<u>126,209</u>
Utilities Expenses		
Fuel Oil/Coal	3,586	2,767
Electricity	58,722	44,383
Water	9,570	9,478
Sewer	17,869	17,010
Total Utilities Expense	<u>89,747</u>	<u>73,638</u>

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**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

SUPPLEMENTARY DATA REQUIRED BY HUD

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Operating & Maintenance Expenses		
Payroll	109,376	49,972
Supplies	42,584	35,494
Contracts	49,036	66,239
Garbage and Trash Removal	3,031	3,232
Miscellaneous Operating and Maintenance Expenses	1	488
Total Operating and Maintenance Expenses	<u>204,028</u>	<u>155,425</u>
Taxes & Insurance		
Real Estate Taxes	35,000	35,000
Property & Liability Insurance (Hazard)	25,189	21,983
Health Insurance and Other Employee Benefits	9,726	21,211
Total Taxes and Insurance	<u>69,915</u>	<u>78,194</u>
Financial Expenses		
Interest on First Mortgage (or Bonds) Payable	85,585	91,532
Miscellaneous Financial Expenses	85,434	65,014
Total Financial Expenses	<u>171,019</u>	<u>156,546</u>
Expenses		
Nursing Homes/Assisted Living/ Board & Care/Other Elderly Care Expenses	<u>25,215</u>	<u>23,146</u>
Operating Results		
Total Cost of Operations before Depreciation	<u>675,608</u>	<u>613,158</u>
Profit (Loss) before Depreciation	<u>130,198</u>	<u>194,836</u>
Depreciation Expenses	<u>91,779</u>	<u>92,161</u>
Operating Profit or (Loss)	<u>\$ 38,419</u>	<u>\$ 102,675</u>

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**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

SUPPLEMENTARY DATA REQUIRED BY HUD

FOR THE YEAR ENDED DECEMBER 31, 2022

Cash Flow from Operating Activities

Rental Receipts	\$ 711,721
Interest Receipts	2,653
Other Operating Receipts	5,672
Total Receipts	720,046
Administrative	(19,414)
Management Fee	(95,758)
Utilities	(89,747)
Operating and Maintenance	(204,028)
Real Estate Taxes	(35,000)
Property Insurance	(25,326)
Miscellaneous Taxes and Insurance	(9,726)
Other Operating Expenses	(25,215)
Interest on First Mortgage	(83,080)
Total Disbursements	(587,294)
Net Cash provided by Operating Activities	132,752

Cash Flow from Investing Activities

Net Deposits to the Mortgage Escrow account	(34,909)
Net Deposits to the Reserve for Replacement account	(80,447)
Net Deposits to Other Reserves	(153)
Net Purchase of Fixed Assets	(10,950)
Net Cash used in Investing Activities	(126,459)

Cash Flow from Financing Activities

Principal Payments - First Mortgage (or Bonds)	(117,028)
Net Cash used in Financing Activities	(117,028)
Net increase in Cash and Cash Equivalents	(110,735)

Beginning of Period Cash	130,865
End of Period Cash	\$ 20,130

See Independent Auditors' Report

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

SUPPLEMENTARY DATA REQUIRED BY HUD

FOR THE YEAR ENDED DECEMBER 31, 2022

Reconciliation of Net Profit (Loss) to Net Cash Provided by (Used in) Operating Activities	
Change in Total Net Assets from Operations	\$ 38,419
Adjustments to Reconcile Net Profit (Loss) to Net Cash Provided by (Used in) Operating Activities	
Depreciation Expenses	91,779
Amortization of Debt Issuance Costs	2,539
Decrease (increase) in Tenant/Member Accounts Receivable	(1,122)
Decrease (increase) in Accounts Receivable - Other	500
Decrease (increase) in Prepaid Expenses	(137)
Increase (decrease) in Accounts Payable	(994)
Increase (decrease) in Accrued Interest Payable	(34)
Increase (decrease) in Prepaid Revenue	296
Other adjustments to reconcile net profit (loss) to Net Cash provided by (used in) Operating Activities	<u>1,506</u>
Net Cash provided by (used in) Operating Activities	
Net Cash provided by Operating Activities	<u><u>\$ 132,752</u></u>

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**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

SUPPLEMENTARY DATA REQUIRED BY HUD

FOR THE YEAR ENDED DECEMBER 31, 2022

Schedule of Reserve for Replacement

Balance at Beginning of Year	\$ 189,446
Total Monthly Deposits	78,300
Interest on Replacement Reserve Accounts	2,147
Balance at End of Year, Confirmed by Mortgagee	<u>\$ 269,893</u>
Deposits Suspended or Waived Indicator	

Schedule of Residual Receipts

Balance at Beginning of Year	\$ 12,503
Total Deposits	85,417
Interest on Residual Receipt Accounts	258
Approved Withdrawals	<u>(85,522)</u>
Balance at Current Fiscal Year End	<u>\$ 12,656</u>

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

SUPPLEMENTARY DATA REQUIRED BY HUD

FOR THE YEAR ENDED DECEMBER 31, 2022

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

Cash	\$ 20,130
Cash - Tenant Security Deposit	13,693
Total Cash	<u>33,823</u>
Accrued Mortgage (or Bond) Interest Payable	437
Accounts Payable - 30 days	36,731
Prepaid Revenue	996
Tenant/Patient Deposits Held In Trust (Contra)	13,693
Other Current Obligations	(27,555)
Total Current Obligations	<u>24,302</u>
Surplus Cash (Deficiency)	<u>\$ 9,521</u>
Deposit Due Residual Receipts	<u>\$ 9,521</u>

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BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS

SCHEDULE OF CHANGES IN FIXED ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2022

	Balance			Balance
	January 1, 2022	Additions	Deductions	December 31, 2022
Land and improvements	\$ 1,318,647	\$ --	\$ --	\$ 1,318,647
Buildings and improvements	2,214,394	10,950	--	2,225,344
Building equipment	133,329	--	--	133,329
Total Fixed Assets	3,666,370	10,950	--	3,677,320
Accumulated Depreciation	637,955	91,779	--	729,734
Net Fixed Assets				<u>\$ 2,947,586</u>

See Independent Auditors' Report

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

SCHEDULE OF RECEIPTS AND DISBURSMENTS – OPERATING FUND

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Source of Funds		
Rental operations		
Tenant rent	\$ 188,984	\$ 173,498
Tenant assistance payments	522,737	555,867
Interest	248	86
Other income	5,672	6,867
Total rental operations receipts	717,641	736,318
 Disbursements		
Administrative	115,172	130,730
Utilities	89,747	73,638
Operating and maintenance	204,028	155,425
Interest	83,080	89,023
Resident services	25,215	23,146
Taxes and insurance	70,052	78,194
Total rental operations disbursements	587,294	550,156
 Other receipts		
Transfers from restricted deposits and funded reserves	108,408	117,717
Total other receipts or transfers	108,408	117,717
 Other disbursements or transfers		
Transfers to restricted deposits and funded reserves	(221,512)	(187,818)
Purchases of property and equipment	(10,950)	--
Principal payments on mortgages	(117,028)	(111,085)
Total other disbursements or transfers	(349,490)	(298,903)
Net (decrease) increase in operating Cash	(110,735)	4,976
Operating cash, beginning of year	130,865	125,889
Operating cash, end of year	\$ 20,130	\$ 130,865

See Independent Auditors' Report

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

SCHEDULE OF RESTRICTED CASH RESERVES AND ESCROWS

FOR THE YEAR ENDED DECEMBER 31, 2022

<u>Description</u>	<u>Deposits</u>			<u>Withdrawals</u>	<u>Balance End of Year</u>
	Balance Beginning of Year	Transfers from Operations Account	Interest Earned	Transfers to Operations Account	
Restricted Accounts:					
Taxes and Insurance Reserve	\$ 7,694	\$ 57,795	\$ --	\$ (22,886)	\$ 42,603
Replacement Reserve	189,446	78,300	2,147	--	269,893
Residual Receipts	<u>12,503</u>	<u>85,417</u>	<u>258</u>	<u>(85,522)</u>	<u>12,656</u>
Total restricted cash reserves and escrow	<u>\$ 209,643</u>	<u>\$ 221,512</u>	<u>\$ 2,405</u>	<u>\$ (108,408)</u>	<u>\$ 325,152</u>

Restricted Reserve Funding Calculations

	Annual	Due Date	Per Month	Number of months funding	Required Balance
Taxes	\$ 35,000	9/1	\$ 2,917	3	8,751
Property Insurance	24,925	1/1	2,077	3	6,231
Directors & Officers Insurance	265	1/1	22	3	66

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**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

SCHEDULE OF CASH IN FINANCIAL INSTITUTIONS

FOR THE YEAR ENDED DECEMBER 31, 2022

Account Name	Account Number	Financial Insitution	Account Type	Interest Rate	Maturity Date	Signatory Control	Balance
Operating Account	xxx1738	Bath Savings Institution	Checking	0.08%	N/A	Sole	<u>\$ 20,130</u>
Tax and Insurance Reserve	xxx1835	Bath Savings Institution	Checking	0.00%	N/A	Either /Or	<u>\$ 42,603</u>
Replacement Reserve	xxx1649	Bath Savings Institution	Checking	0.08%	N/A	Either /Or	<u>\$ 269,893</u>
Residual Receipts	xxxxx0251	Federated	Money Market	0.03%	N/A	MaineHousing	<u>\$ 12,656</u>
Tenant Security Deposits	xxx1851	Bath Savings Institution	Checking	0.00%	N/A	Sole	<u>\$ 13,693</u>

See Independent Auditors' Report

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

December 31, 2022

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

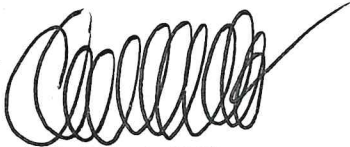
Date: *March 23, 2023*

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

December 31, 2022

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.



Corporate Officer
Seacliff Apartments

Date:

MAR 23, 2023



Corporate Officer
Seacliff Apartments

Date:

MAR 23, 2023