

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

**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, 2023 and 2022, 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, 2023 and 2022, 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.

Report on 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, 2023 and 2022 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

Boston, MA
March 27, 2024

BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2023 AND 2022

	2023	2022
Assets		
Current Assets		
Cash	\$ --	\$ 20,130
Tenant accounts receivable, net of allowance for doubtful accounts	2,034	3,165
Prepaid expenses	983	137
Total Current Assets	<u>3,017</u>	<u>23,432</u>
Tenant Security Deposits	<u>15,701</u>	<u>13,693</u>
Restricted Deposits and Funded Reserves		
Mortgage escrows	42,598	42,603
Replacement reserve	362,963	269,893
Residual receipts reserve	12,850	12,656
Total Restricted Deposits and Funded Reserves	<u>418,411</u>	<u>325,152</u>
Property, Plant and Equipment		
Land and land improvements	1,328,168	1,318,647
Buildings and improvements	2,225,344	2,225,344
Building equipment	133,329	133,329
Total Property, Plant and Equipment	<u>3,686,841</u>	<u>3,677,320</u>
Less: accumulated depreciation	(818,315)	(729,734)
Property, Plant and Equipment, Net	<u>2,868,526</u>	<u>2,947,586</u>
Total Assets	<u>\$ 3,305,655</u>	<u>\$ 3,309,863</u>

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

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

DECEMBER 31, 2023 AND 2022

	2023	2022
Liabilities and Net Assets		
Current Liabilities		
Bank overdraft	\$ 2,159	\$ --
Accounts payable - operations	53,713	36,731
Accrued interest - first mortgage	403	437
Mortgages payable - current portion	129,549	123,101
Prepaid rent	309	996
Total Current Liabilities	186,133	161,265
Tenant Security Deposit Liabilities	14,194	13,693
Long-Term Liabilities		
Mortgages payable - net of current portion	1,297,279	1,426,828
Less: debt issuance costs, net of accumulated amortization	(22,647)	(25,186)
Total Long-Term Liabilities	1,274,632	1,401,642
Total Liabilities	1,474,959	1,576,600
Net Assets		
Without Donor Restrictions	1,830,696	1,733,263
Total Net Assets	1,830,696	1,733,263
Total Liabilities and Net Assets	\$ 3,305,655	\$ 3,309,863

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, 2023 AND 2022

	2023	2022
Revenues		
Tenant rent, net of vacancies	\$ 211,176	\$ 189,810
Housing assistance payments	598,089	522,737
Miscellaneous rent revenue	10,067	85,434
Total Rental income	819,332	797,981
Tenant charges	5,189	2,250
Laundry and vending	1,887	2,633
Interest income	13,610	2,653
Other revenue	--	289
Total Revenues	840,018	805,806
Expenses		
Operating and maintenance	219,910	204,028
Interest expense	79,512	85,585
Depreciation expense	88,581	91,779
Management fee	98,320	95,758
Taxes and insurance	82,183	69,915
Utilities	96,033	89,747
Miscellaneous financial expense	10,067	85,434
Administrative	43,126	19,926
Tenant services	24,853	25,215
Total Expenses	742,585	767,387
Increase in Net Assets	97,433	38,419
Net Assets - Beginning	1,733,263	1,694,844
Net Assets - Ending	\$ 1,830,696	\$ 1,733,263

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

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2023

	Rental Housing Program	Management and General	Total
Office expenses	\$ 4,307	\$ --	\$ 4,307
Management fee	--	98,320	98,320
Legal expense	2,854	--	2,854
Audit expense	--	6,850	6,850
Bookkeeping fees / accounting services	7,504	--	7,504
Bad debts	6,518	--	6,518
Miscellaneous admin expenses	42	--	42
Fuel	3,702	--	3,702
Electricity	61,645	--	61,645
Water	11,092	--	11,092
Sewer	19,594	--	19,594
Payroll	150,479	--	150,479
Supplies	34,755	--	34,755
Contracts	46,263	--	46,263
Garbage and trash removal	3,464	--	3,464
Real estate taxes	35,000	--	35,000
Property and liability insurance	31,441	--	31,441
Health insurance and other employee benefits	15,742	--	15,742
Interest on mortgages payable	79,512	--	79,512
Tenant service payroll	24,853	--	24,853
Miscellaneous financial expense	10,067	--	10,067
Depreciation	88,581	--	88,581
Total Expenses	\$ 637,415	\$ 105,170	\$ 742,585

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

BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

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

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Cash Flows From Operating Activities		
Rental receipts	\$ 803,191	\$ 711,721
Miscellaneous receipts	7,076	5,672
Interest receipts	13,610	2,653
Total Receipts	823,877	720,046
Administrative	2,416	19,414
Management fees	98,320	95,758
Utilities	96,033	89,747
Operating and maintenance	234,961	204,028
Real estate taxes	35,000	35,000
Property insurance	32,287	25,326
Miscellaneous taxes and insurance	15,742	9,726
Tenant security deposits	(501)	(818)
Other operating expenses	24,853	25,215
Interest on mortgages	77,007	83,080
Total Payments	616,118	586,476
Net Cash Provided by Operating Activities	207,759	133,570
Cash Flows From Investing Activities		
Purchases of Property and Equipment	(9,521)	(10,950)
Net Cash Used in Investing Activities	(9,521)	(10,950)
Cash Flows From Financing Activities		
Payments on mortgage payable - first mortgage	(123,101)	(117,028)
Net Cash Used in Financing Activities	(123,101)	(117,028)
Net Increase in Cash and Restricted Cash	75,137	5,592
Cash and Restricted Cash - Beginning	358,975	353,383
Cash and Restricted Cash- Ending	\$ 434,112	\$ 358,975

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, 2023 AND 2022

	2023	2022
Reconciliation of increase in net assets to net cash provided by operating activities		
Increase in net assets	\$ 97,433	\$ 38,419
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation expense	88,581	91,779
Interest expense - debt issuance costs	2,539	2,539
Bad debt expense	6,518	1,506
Change in operating assets and liabilities		
(Increase) decrease in tenant accounts receivable	(5,387)	(1,122)
(Increase) decrease in accounts receivable - other	--	500
(Increase) decrease in prepaid expenses	(846)	(137)
(Decrease) increase in accounts payable and accrued expense	19,141	(994)
(Decrease) increase in accrued interest - first mortgage	(34)	(34)
(Decrease) increase in tenant security deposit liabilities	501	818
(Decrease) increase in prepaid rent	(687)	296
Total Adjustments	110,326	95,151
Net Cash Provided By Operating Activities	\$ 207,759	\$ 133,570
 Supplemental Disclosure of Cash Flows Information		
Cash paid during the year for:		
Interest	\$ 77,007	\$ 83,080
 Cash and Restricted Cash		
Per Statements of Financial Position		
Cash	\$ --	\$ 20,130
Tenant Security Deposits	15,701	13,693
Mortgage escrows	42,598	42,603
Replacement reserve	362,963	269,893
Residual receipts reserve	12,850	12,656
Total Cash and Restricted Cash		
per Statements of Financial Position	\$ 434,112	\$ 358,975

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, 2023 AND 2022

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, 2023 and 2022, 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, 2023 AND 2022

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, 2023 and 2022 is \$14,143 and \$7,625, respectively.

RECENTLY ADOPTED ACCOUNTING GUIDANCE – CURRENT EXPECTED CREDIT LOSSES

In June 2016, the Financial Accounting Standards Board (FASB) issued guidance (FASB Accounting Standards Codification (ASC) 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Receivables arising from operating leases accounted for in accordance with ASC 842 are excluded from the scope of this standard. The impact of this standard did not have a material impact on the financial statements.

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.

BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION (CONTINUED)

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.

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, 2023 and 2022.

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEBT ISSUANCE COSTS

Debt issuance costs of \$50,789, net of accumulated amortization of \$28,142 and \$25,603 as of December 31, 2023 and 2022, respectively, 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 for the years ended December 31, 2023 and 2022 was \$2,539 for both years.

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).

BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 27, 2024 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 \$5,391. At December 31, 2023 and 2022, the mortgage escrow deposits were funded with a collective balance of \$42,598 and \$42,603, 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 January 1, 2023, HUD approved an increase in the monthly replacement reserve deposits to be \$6,688 per month. At December 31, 2023 and 2022, the replacement reserves were funded with a collective balance of \$362,963 and \$269,893, respectively.

BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 3 - RESTRICTED DEPOSITS (CONTINUED)

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, 2023 and 2022, deposits of \$9,521 and \$85,417, respectively, were made into the excess surplus cash. For the years ended December 31, 2023 and 2022, interest earned was \$740 and \$258, respectively. During the years ended December 31, 2023 and 2022, withdrawals were \$10,067 and \$85,522, respectively, which were used to offset housing assistance payments and is included in miscellaneous financial expense on the statements of activities. At December 31, 2023 and 2022, these reserves were funded with a collective balance of \$12,850 and \$12,656, respectively.

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, 2023 and 2022 was \$882,211 and \$955,466, 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, 2023 and 2022 was \$544,617 and \$594,463, respectively.

Interest expense on these mortgages for the years ended December 31, 2023 and 2022 was \$76,973 and \$83,046, respectively.

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NOTE 4 - 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>Year</u>	<u>Payments</u>	<u>Payments</u>	<u>Total</u>
2024	\$ 129,549	\$ 70,563	\$ 200,112
2025	135,848	64,264	200,112
2026	142,983	57,129	200,112
2027	150,504	49,608	200,112
2028	158,434	41,678	200,112
Thereafter	<u>709,510</u>	<u>120,072</u>	<u>829,582</u>
Total	<u>\$ 1,426,828</u>	<u>\$ 403,314</u>	<u>\$ 1,830,142</u>

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, 2023, annual contract rents were \$884,640. For the years ended December 31, 2023 and 2022, housing assistance payments totaled \$598,089 and \$522,737, respectively, which was approximately 73% and 66%, 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, 2023 and 2022, the Project used \$10,067 and \$85,434, respectively to offset housing assistance payments. At December 31, 2023 and 2022, the amount subject to recapture or to offset housing assistance payments was \$350 and \$156.

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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 \$98,320 and \$95,758 were incurred for the years ended December 31, 2023 and 2022, respectively.

BHA also provides maintenance, administrative, and resident services to the Project. The Project incurred \$196,228 and \$146,434 of these costs during the years ended December 31, 2023 and 2022. At December 31, 2023 and 2022, BHA was owed \$31,339 and \$32,816 respectively.

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 reserves and other reserves 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, 2023 and 2022 that could readily be made available within one year of the statement of financial position to fund general operating expenses:

	2023	2022
Cash	\$ --	\$ 20,130
Mortgage escrows	42,598	42,603
Replacement reserves	362,963	269,893
Other reserves	12,850	12,656
Accounts receivable, net of allowance	2,034	3,165
	420,445	348,447
Financial assets not available for general expenditures		
Replacement reserves	(362,963)	(269,893)
Other reserves	(12,850)	(12,656)
	(375,813)	(282,549)
Financial assets available to meet cash needs for general expenditures within one year	\$ 44,632	\$ 65,898

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

SUPPLEMENTARY DATA REQUIRED BY HUD

DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
Current Assets		
Cash - Operations	\$ --	\$ 20,130
Tenant/Member Accounts Receivable (Coops)	16,177	10,790
Allowance for Doubtful Accounts	(14,143)	(7,625)
Net Tenant Accounts Receivable	2,034	3,165
Prepaid Expenses	983	137
Total Current Assets	3,017	23,432
Tenant/Patient Deposits Held in Trust	15,701	13,693
Restricted Deposits		
Escrow Deposits	42,598	42,603
Replacement Reserve	362,963	269,893
Residual Receipts Reserve	12,850	12,656
Total Deposits	418,411	325,152
Property and Equipment		
Land	1,328,168	1,318,647
Buildings	2,225,344	2,225,344
Building Equipment (Portable)	133,329	133,329
Total Fixed Assets	3,686,841	3,677,320
Accumulated Depreciation	(818,315)	(729,734)
Net Fixed Assets	2,868,526	2,947,586
 Total Assets	 \$ 3,305,655	 \$ 3,309,863

See Independent Auditors' Report

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

SUPPLEMENTARY DATA REQUIRED BY HUD

DECEMBER 31, 2023 AND 2022

	2023	2022
LIABILITIES AND NET ASSETS		
Current Liabilities		
Bank Overdraft - Operations	\$ 2,159	\$ --
Accounts Payable - Operations	53,713	36,731
Accrued Interest Payable - First Mortgage (or Bonds)	403	437
Mortgage (or Bonds) Payable		
- First Mortgage (Bonds) (Short Term)	129,549	123,101
Prepaid Revenue	309	996
Total Current Liabilities	186,133	161,265
Tenant/Patient Deposits Held In Trust (Contra)	14,194	13,693
Long-Term Liabilities		
Mortgage (or Bonds) Payable - First Mortgage (or Bonds)	1,297,279	1,426,828
Debt Issuance Costs	(22,647)	(25,186)
Total Long Term Liabilities	1,274,632	1,401,642
Total Liabilities	1,474,959	1,576,600
Net Assets		
Net Assets without donor restrictions	1,830,696	1,733,263
Total Net Assets	1,830,696	1,733,263
Total Liabilities and Net Assets	\$ 3,305,655	\$ 3,309,863

See Independent Auditors' Report

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

SUPPLEMENTARY DATA REQUIRED BY HUD

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

REVENUE	2023	2022
Rent Revenue		
Rent Revenue - Gross Potential	\$ 262,660	\$ 214,927
Tenant Assistance Payments	598,089	522,737
Miscellaneous Rent Revenue	10,067	85,434
Total Rent Revenue	870,816	823,098
Vacancies		
Apartments	51,484	25,117
Total Vacancies	51,484	25,117
Net Rental Revenue (Rent Revenue Less Vacancies)	819,332	797,981
Financial Revenue		
Financial Revenue - Project Operations	57	298
Revenue from Investments - Replacement Reserve	12,813	2,355
Revenue from Investments - Miscellaneous	740	--
Total Financial Revenue	13,610	2,653
Other Revenue		
Laundry and Vending Revenue	1,887	2,633
Tenant Charges	5,189	2,250
Miscellaneous Revenue	--	289
Total Other Revenue	7,076	5,172
Total Revenue	840,018	805,806
EXPENSES		
Administrative Expenses		
Advertising and Marketing	--	136
Office Expenses	4,307	3,684
Management Fee	98,320	95,758
Legal Expense - Project	2,854	2,017
Audit Expense	6,850	6,695
Bookkeeping Fees/Accounting Services	7,504	5,528
Bad Debts	6,518	1,506
Miscellaneous Administrative Expenses	42	360
Total Administrative Expenses	126,395	115,684
Utilities Expenses		
Fuel Oil/Coal	3,702	3,586
Electricity	61,645	58,722
Water	11,092	9,570
Sewer	19,594	17,869
Total Utilities Expense	96,033	89,747

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**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

SUPPLEMENTARY DATA REQUIRED BY HUD

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

EXPENSES (CONTINUED)	<u>2023</u>	<u>2022</u>
Operating & Maintenance Expenses		
Payroll	\$ 150,479	\$ 109,376
Supplies	34,755	42,584
Contracts	46,263	49,036
Garbage and Trash Removal	3,464	3,031
Miscellaneous Operating and Maintenance Expenses	--	1
Total Operating and Maintenance Expenses	<u>234,961</u>	<u>204,028</u>
Taxes & Insurance		
Real Estate Taxes	35,000	35,000
Property & Liability Insurance (Hazard)	31,441	25,189
Health Insurance and Other Employee Benefits	<u>15,742</u>	<u>9,726</u>
Total Taxes and Insurance	<u>82,183</u>	<u>69,915</u>
Financial Expenses		
Interest on First Mortgage (or Bonds) Payable	79,512	85,585
Miscellaneous Financial Expenses	<u>10,067</u>	<u>85,434</u>
Total Financial Expenses	<u>89,579</u>	<u>171,019</u>
Expenses		
Nursing Homes/Assisted Living/ Board & Care/ Other Elderly Care Expenses	<u>24,853</u>	<u>25,215</u>
Operating Results		
Total Cost of Operations before Depreciation	<u>654,004</u>	<u>675,608</u>
Profit before Depreciation	<u>186,014</u>	<u>130,198</u>
Depreciation Expenses	<u>88,581</u>	<u>91,779</u>
Operating Profit	<u>\$ 97,433</u>	<u>\$ 38,419</u>

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BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS

SUPPLEMENTARY DATA REQUIRED BY HUD

FOR THE YEAR ENDED DECEMBER 31, 2023

Cash Flow from Operating Activities	
Rental Receipts	\$ 803,191
Interest Receipts	13,610
Other Operating Receipts	7,076
Total Receipts	<u>823,877</u>
Administrative	(2,416)
Management Fee	(98,320)
Utilities	(96,033)
Operating and Maintenance	(234,961)
Real Estate Taxes	(35,000)
Property Insurance	(32,287)
Miscellaneous Taxes and Insurance	(15,742)
Tenant Security Deposits	(1,507)
Other Operating Expenses	(24,853)
Interest on First Mortgage	(77,007)
Total Disbursements	<u>(618,126)</u>
Net Cash provided by Operating Activities	<u>205,751</u>
Cash Flow from Investing Activities	
Net Withdrawals to the Mortgage Escrow account	5
Net Deposits to the Reserve for Replacement account	(93,070)
Net Deposits to Other Reserves	(194)
Net Purchase of Fixed Assets	(9,521)
Net Cash used in Investing Activities	<u>(102,780)</u>
Cash Flow from Financing Activities	
Principal Payments - First Mortgage (or Bonds)	(123,101)
Net Cash used in Financing Activities	<u>(123,101)</u>
Net decrease in Cash and Cash Equivalentents	<u>(20,130)</u>
Beginning of Period Cash	<u>20,130</u>
End of Period Cash	<u>\$ --</u>

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BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS

SUPPLEMENTARY DATA REQUIRED BY HUD

FOR THE YEAR ENDED DECEMBER 31, 2023

Reconciliation of Net Profit (Loss) to Net Cash Provided by	
(Used in) Operating Activities	
Change in Total Net Assets from Operations	\$ 97,433
Adjustments to Reconcile Net Profit (Loss) to Net Cash Provided by	
(Used in) Operating Activities	
Depreciation Expenses	88,581
Amortization of Debt Issuance Costs	2,539
Decrease (increase) in Tenant/Member Accounts Receivable	(5,387)
Decrease (increase) in Prepaid Expenses	(846)
Increase (decrease) in Accounts Payable	19,141
Increase (decrease) in Accrued Interest Payable	(34)
Increase (decrease) in Tenant Security Deposits held in trust	(1,507)
Increase (decrease) in Prepaid Revenue	(687)
Other adjustments to reconcile net profit (loss) to Net Cash provided by (used in) Operating Activities	<u>6,518</u>
Net Cash provided by (used in) Operating Activities	
Net Cash provided by Operating Activities	<u><u>\$ 205,751</u></u>

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**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

SUPPLEMENTARY DATA REQUIRED BY HUD

FOR THE YEAR ENDED DECEMBER 31, 2023

Schedule of Reserve for Replacement

Balance at Beginning of Year	\$ 269,893
Total Monthly Deposits	80,256
Interest on Replacement Reserve Accounts	<u>12,814</u>
Balance at End of Year, Confirmed by Mortgagee	<u>\$ 362,963</u>
Deposits Suspended or Waived Indicator	

Schedule of Residual Receipts

Balance at Beginning of Year	\$ 12,656
Total Deposits	9,521
Interest on Residual Receipt Accounts	740
Approved Withdrawals	<u>(10,067)</u>
Balance at Current Fiscal Year End	<u>\$ 12,850</u>

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BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS

SUPPLEMENTARY DATA REQUIRED BY HUD

FOR THE YEAR ENDED DECEMBER 31, 2023

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

Cash	\$	--
Cash - Tenant Security Deposit		<u>15,701</u>
Total Cash		<u>15,701</u>
Accrued Mortgage (or Bond) Interest Payable		403
Accounts Payable - 30 days		55,872
Prepaid Revenue		309
Tenant/Patient Deposits Held In Trust (Contra)		14,194
Other Current Obligations		<u>(26,815)</u>
Total Current Obligations		<u>43,963</u>
Surplus Cash (Deficiency)	\$	<u>(28,262)</u>
Deposit Due Residual Receipts	\$	<u>(28,262)</u>

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BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS

SCHEDULE OF CHANGES IN FIXED ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Balance</u> <u>January 1, 2023</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>December</u> <u>31, 2023</u>
Land and land improvements	\$ 1,318,647	\$ 9,521	\$ --	\$ 1,328,168
Buildings and improvements	2,225,344	--	--	2,225,344
Building equipment	<u>133,329</u>	<u>--</u>	<u>--</u>	<u>133,329</u>
 Total Fixed Assets	 3,677,320	 9,521	 --	 3,686,841
 Accumulated Depreciation	 <u>729,734</u>	 <u>88,581</u>	 <u>--</u>	 <u>818,315</u>
 Net Fixed Assets				 <u>\$ 2,868,526</u>

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BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS

SCHEDULES OF RECEIPTS AND DISBURSEMENTS – OPERATING FUND

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Source of Funds		
Rental operations		
Tenant rent	\$ 205,102	\$ 188,984
Tenant assistance payments	598,089	522,737
Interest	56	248
Other income	7,076	5,672
Total rental operations receipts	810,323	717,641
 Disbursements		
Administrative	100,736	115,172
Utilities	96,033	89,747
Operating and maintenance	234,961	204,028
Interest	77,007	83,080
Resident services	24,853	25,215
Taxes and insurance	83,029	70,052
Total rental operations disbursements	616,619	587,294
 Other receipts		
Transfers from restricted deposits and funded reserves	74,760	108,408
Total other receipts or transfers	74,760	108,408
 Other disbursements or transfers		
Transfers to restricted deposits and funded reserves	(154,465)	(221,512)
Transfers from tenant security deposit account	(1,507)	--
Purchases of property and equipment	(9,521)	(10,950)
Principal payments on mortgages	(123,101)	(117,028)
Total other disbursements or transfers	(288,594)	(349,490)
 Net decrease in operating cash		
	(20,130)	(110,735)
 Operating cash, beginning of year		
	20,130	130,865
 Operating cash, end of year		
	\$ --	\$ 20,130

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**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

SCHEDULE OF RESTRICTED CASH RESERVES AND ESCROWS

FOR THE YEAR ENDED DECEMBER 31, 2023

<u>Description</u>	<u>Deposits</u>			<u>Withdrawals</u>	
	Balance Beginning of Year	Transfers from Operations Account	Interest Earned	Transfers to Operations Account	Balance End of Year
Restricted Accounts:					
Taxes and Insurance Reserve	\$ 42,603	\$ 64,688	\$ --	\$ (64,693)	\$ 42,598
Replacement Reserve	269,893	80,256	12,814	--	362,963
Residual Receipts	<u>12,656</u>	<u>9,521</u>	<u>740</u>	<u>(10,067)</u>	<u>12,850</u>
Total restricted cash reserves and escrow	<u>\$ 325,152</u>	<u>\$ 154,465</u>	<u>\$ 13,554</u>	<u>\$ (74,760)</u>	<u>\$ 418,411</u>

Restricted Reserve Funding Calculations

	Annual	Due Date	Per Month	Number of months	Required Balance
Taxes	\$ 35,000	9/1	\$ 2,917	3	8,751
Property Insurance	27,534	1/1	\$ 2,295	3	6,885
Directors & Officers Insurance	584	1/1	\$ 49	3	147

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**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

SCHEDULE OF CASH IN FINANCIAL INSTITUTIONS

FOR THE YEAR ENDED DECEMBER 31, 2023

Account Name	Account Number	Financial Institution	Account Type	Interest Rate	Maturity Date	Signatory Control	Balance
Operating Account	xxx1738	Bath Savings Institution	Checking	0.08%	N/A	Sole	<u>\$ --</u>
Tax and Insurance Reserve	xxx1835	Bath Savings Institution	Checking	0.00%	N/A	Either /Or	<u>\$ 42,598</u>
Replacement Reserve	xxx1649	Bath Savings Institution	Checking	0.08%	N/A	Either /Or	<u>\$ 362,963</u>
Residual Receipts	xxxxx0251	Federated Hermes	Money Market	0.03%	N/A	MaineHousing	<u>\$ 12,850</u>
Tenant Security Deposits	xxx1851	Bath Savings Institution	Checking	0.00%	N/A	Sole	<u>\$ 15,701</u>

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**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

December 31, 2023

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.

DocuSigned by:
Debora Keller
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Debora Keller, Executive Director
Bath Housing Authority

Date: 3/27/2024

**BATH HOUSING DEVELOPMENT CORPORATION
SEACLIFF APARTMENTS**

December 31, 2023

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.

DocuSigned by:

Debora Keller

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Corporate Officer
Seacliff Apartments

Date: 3/27/2024

DocuSigned by:

Barbara Gaul

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Corporate Officer
Seacliff Apartments

Date: 3/27/2024