

BATH HOUSING DEVELOPMENT CORPORATION

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

BATH HOUSING DEVELOPMENT CORPORATION

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Independent Auditors' Report

The Board of Directors
Bath Housing Development Corporation
Bath, Maine

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of the Bath Housing Development Corporation (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2024, and the changes in its net assets and its cash flows for the year 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") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 the Organization 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.

Prior Period Financial Statements

The financial statements of the Organization as of and for the year ended December 31, 2023, were audited by Marcum LLP, whose report dated June 13, 2024, expressed an unmodified opinion on those statements.

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 the Organization's ability to continue as a going concern for one year after the date that the financial statements are 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 the Organization'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 the Organization'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information the 2024 consolidating schedule of financial position and the schedule of revenue and functional expenses on pages 32, 33, 36 and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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 GAAS. In our opinion, the accompanying supplementary information on pages 32, 33, 36 and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

The 2023 consolidating schedule of financial position and schedule of revenue and functional expenses on pages 34, 35, 37 was subjected to the auditing procedures applied in the 2023 audit of the basic financial statements by Marcum LLP, whose report dated June 13, 2024 stated that the information was fairly stated in all material respects in relation to the 2023 financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2025 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

CBIZ CPAs P.C.

CBIZ CPAs P.C.
Boston, MA
May 23, 2025

BATH HOUSING DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2024 AND 2023

	2024	2023
Assets		
Current Assets		
Cash and cash equivalents	\$ 237,507	\$ 228,856
Investments	201,496	366,252
Accounts receivable, net of allowance	10,802	286,499
Prepaid expenses	44,946	33,979
Total Current Assets	<u>494,751</u>	<u>915,586</u>
Tenant Security Deposits	<u>80,791</u>	<u>80,143</u>
Restricted Deposits and Funded Reserves		
Mortgage escrows	32,101	42,598
Replacement reserve	652,418	535,107
Other reserves	3,410,952	27,814
Total Restricted Deposits and Funded Reserves	<u>4,095,471</u>	<u>605,519</u>
Property, Plant and Equipment		
Land and land improvements	2,272,924	2,273,962
Buildings and improvements	9,966,779	9,831,010
Building equipment	175,349	181,504
Projects in development	6,214,722	1,132,206
Total Property, Plant and Equipment	18,629,774	13,418,682
Less: accumulated depreciation	<u>(2,201,161)</u>	<u>(1,910,650)</u>
Property, Plant and Equipment, Net	<u>16,428,613</u>	<u>11,508,032</u>
Total Assets	<u>\$ 21,099,626</u>	<u>\$ 13,109,280</u>

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

BATH HOUSING DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

DECEMBER 31, 2024 AND 2023

	2024	2023
Liabilities and Net Assets		
Current Liabilities		
Bank overdraft	\$ --	\$ 2,159
Accounts payable - operations	766,486	51,441
Accounts payable - related party	184,610	134,441
Accrued interest payable - current portion	17,787	13,214
Lines of credit	328,380	116,704
Mortgages payable - current portion	166,872	158,717
Other deposit liabilities	25,000	--
Prepaid rent	20,374	12,771
Total Current Liabilities	<u>1,509,509</u>	<u>489,447</u>
Tenant Security Deposit Liabilities	<u>79,338</u>	<u>69,004</u>
Long-Term Liabilities		
Mortgages payable - net of current portion	10,532,114	3,856,759
Less: unamortized debt issuance costs	(34,313)	(29,624)
Accrued interest payable - net of current portion	<u>11,144</u>	<u>11,144</u>
Total Long-Term Liabilities	<u>10,508,945</u>	<u>3,838,279</u>
Total Liabilities	<u>12,097,792</u>	<u>4,396,730</u>
Net Assets		
Without Donor Restrictions	5,245,027	4,812,955
With Donor Restrictions	<u>3,756,807</u>	<u>3,899,595</u>
Total Net Assets	<u>9,001,834</u>	<u>8,712,550</u>
Total Liabilities and Net Assets	<u>\$ 21,099,626</u>	<u>\$ 13,109,280</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, 2024

	Net Assets Without Donor Restrictions	Net Assets with Donor Restrictions	Total
Revenues, Gains, and Other Support			
Housing assistance payments	\$ 628,684	\$ --	\$ 628,684
Rental revenue	2,128,353	--	2,128,353
Contributions of cash and other financial assets	22,407	352,482	374,889
Other revenue	48,862	--	48,862
Net assets released from restrictions	495,270	(495,270)	--
Total Revenues, Gains, and Other Support	3,323,576	(142,788)	3,180,788
Expenses			
Program Services			
Housing Programs	2,438,811	--	2,438,811
Comfortably Home Program	125,077	--	125,077
Management and General	571,154	--	571,154
Total Expenses	3,135,042	--	3,135,042
Change in Net Assets from Operations	188,534	(142,788)	45,746
Non-Operating Revenues			
Investment Income (Loss)	243,538	--	243,538
Total Nonoperating Revenues	243,538	--	243,538
Change in Net Assets	432,072	(142,788)	289,284
Net Assets - Beginning of Year	4,812,955	3,899,595	8,712,550
Net Assets - End of Year	\$ 5,245,027	\$ 3,756,807	\$ 9,001,834

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, 2023

	Net Assets Without Donor Restrictions	Net Assets with Donor Restrictions	Total
Revenues, Gains, and Other Support			
Housing assistance payments	\$ 608,156	\$ --	\$ 608,156
Rental revenue	2,073,809	--	2,073,809
Contributions of cash and other financial assets	281,426	195,272	476,698
Other revenue	36,573	--	36,573
Net assets released from restrictions	336,214	(336,214)	--
Total Revenues, Gains, and Other Support	3,336,178	(140,942)	3,195,236
Expenses			
Program Services			
Housing Programs	2,434,635	--	2,434,635
Comfortably Home Program	169,784	--	169,784
Management and General	292,124	--	292,124
Total Expenses	2,896,543	--	2,896,543
Change in Net Assets from Operations	439,635	(140,942)	298,693
Non-Operating Revenues			
Investment Income (Loss)	62,245	--	62,245
Total Nonoperating Revenues	62,245	--	62,245
Change in Net Assets	501,880	(140,942)	360,938
Net Assets - Beginning of Year	4,311,075	4,040,537	8,351,612
Net Assets - End of Year	\$ 4,812,955	\$ 3,899,595	\$ 8,712,550

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, 2024

	Program Services		Supportive Services	
	Housing Programs	Comfortably Home Program	Management and General	Total
Administrative salaries	\$ 17,086	\$ --	\$ 397,972	\$ 415,058
Management fee	313,227	10,000	--	323,227
Auditing fees	26,428	--	619	27,047
Employee benefits contributions - Administrative	21,788	--	110,900	132,688
Legal	6,759	--	661	7,420
Accounting	39,758	--	4,053	43,811
Other operating - administrative	11,713	2,255	1,457	15,425
Grant expenditures	--	--	30,143	30,143
Tenant services Labor Fee	84,553	35,818	--	120,371
Employee benefits - tenant services	19,657	--	--	19,657
Water	46,572	--	--	46,572
Sewer	66,527	--	--	66,527
Electricity	193,257	--	--	193,257
Gas/Fuel	88,440	--	--	88,440
Maintenance fee expense - labor	437,227	36,253	--	473,480
Ordinary maintenance and operations - materials	118,305	19,558	--	137,863
Ordinary maintenance and operations - contracts	269,304	6,357	14,436	290,097
Maintenance fee expense - benefits	--	14,727	--	14,727
Insurance	119,419	109	3,792	123,320
Real estate taxes	96,234	--	--	96,234
Interest expense	163,704	--	--	163,704
Collection losses	6,858	--	--	6,858
Depreciation	291,995	--	7,121	299,116
Total Expenses	<u>\$ 2,438,811</u>	<u>\$ 125,077</u>	<u>\$ 571,154</u>	<u>\$ 3,135,042</u>

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, 2023

	<u>Program Services</u>		<u>Supportive Services</u>	
	<u>Housing Programs</u>	<u>Comfortably Home Program</u>	<u>Management and General</u>	<u>Total</u>
Administrative salaries	\$ 52,979	\$ 365	\$ 184,904	\$ 238,248
Management fee	307,241	10,910	--	318,151
Auditing fees	20,754	--	446	21,200
Employee benefits contributions - administrative	14,752	122	54,070	68,944
Legal	10,832	--	5,576	16,408
Accounting	23,569	--	5,375	28,944
Other operating - administrative	10,586	863	5,559	17,008
Grant expenditures	--	--	24,336	24,336
Tenant services labor fee	84,738	28,026	--	112,764
Employee benefits - tenant services	26,572	11,150	--	37,722
Water	39,379	--	--	39,379
Sewer	62,288	--	--	62,288
Electricity	234,770	--	--	234,770
Gas/Fuel	85,085	--	--	85,085
Maintenance fee expense - labor	440,841	45,998	--	486,839
Ordinary maintenance and operations - materials	118,316	40,794	788	159,898
Ordinary maintenance and operations - contracts	200,794	8,673	1,019	210,486
Maintenance fee expense - benefits	--	22,883	--	22,883
Insurance	107,552	--	3,585	111,137
Real estate taxes	98,344	--	--	98,344
Miscellaneous financial expenses	10,067	--	--	10,067
Interest expense	161,442	--	--	161,442
Collection losses	38,170	--	--	38,170
Depreciation	285,564	--	6,466	292,030
Total Expenses	\$ 2,434,635	\$ 169,784	\$ 292,124	\$ 2,896,543

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, 2024 AND 2023

	2024	2023
Cash Flows from Operating Activities		
Change in net assets	\$ 289,284	\$ 360,938
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	299,116	292,030
Bad debt expense	6,858	38,170
Amortization of debt issuance costs	4,492	6,787
Net unrealized (gain) loss on investments	(24,371)	(35,297)
Changes in operating assets and liabilities:		
Accounts receivable	268,839	(288,542)
Prepaid expenses	(10,967)	(329)
Accounts payable	1,374	(10,784)
Accounts payable - related party	50,169	38,862
Accrued interest payable	4,573	6,342
Tenant security deposit liability	10,334	(4,981)
Other deposit liabilities	25,000	--
Prepaid rents	7,603	4,956
Net Cash Provided by Operating Activities	<u>932,304</u>	<u>408,152</u>
Cash Flows from Investing Activities		
Purchase of fixed assets	(4,506,026)	(582,152)
Sales of Investments	357,911	145,171
Purchases of Investments	<u>(168,784)</u>	<u>(161,323)</u>
Net Cash (Used in) Investing Activities	<u>(4,316,899)</u>	<u>(598,304)</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, 2024 AND 2023

	2024	2023
Cash Flows from Financing Activities		
Increase (decrease) in cash overdraft, net	\$ (2,159)	\$ 2,159
Repayments of mortgages and notes payable	(158,717)	(150,971)
Proceeds from mortgages and notes payable	6,842,227	500,000
Proceeds from lines of credit	328,380	100,417
Repayments on lines of credit	(116,704)	(132,712)
Payments for debt issuance costs	(9,181)	(7,219)
Net Cash Provided by Financing Activities	6,883,846	311,674
Net Increase in Cash, Cash Equivalents, and Restricted Cash	3,499,251	121,522
Cash, Cash Equivalents and Restricted Cash - Beginning	914,518	792,996
Cash, Cash Equivalents, and Restricted Cash - Ending	\$ 4,413,769	\$ 914,518
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest expense	\$ 154,639	\$ 148,313
Cash paid during the year for capitalized interest	\$ 183,657	\$ -
Noncash Investing and Financing Activities		
Purchases of fixed assets included in accounts payable	\$ 713,671	\$ --
Cash, Cash Equivalents, and Restricted Cash per Statements of Financial Position		
Cash	\$ 237,507	\$ 228,856
Mortgage escrows	32,101	42,598
Replacement reserve	652,418	535,107
Other reserves	3,410,952	27,814
Tenant security deposits	80,791	80,143
Total Cash, Cash Equivalents, and Restricted Cash per Statements of Financial Position	\$ 4,413,769	\$ 914,518

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, 2024 AND 2023

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, Front Street, Anchorage, Moorings, Dike's Landing, HLT LLC, and Bath Housing Anchor Corporation. Bath Housing Anchor Corporation was dissolved during the year-ended December 31, 2024. The Organization also runs the Comfortably Home Program to serve older adults living at home.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

METHOD OF ACCOUNTING

The consolidated financial statements are prepared utilizing the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses when the related liability for goods and services is incurred, regardless of the timing of the related cash flows. The Organization reports information regarding its financial position and activities according to the following net asset classification:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

METHOD OF ACCOUNTING (CONTINUED)

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. At December 31, 2024 and 2023, the Organization had net assets with donor restrictions of \$3,756,807 and \$3,899,595, 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, 2024 AND 2023

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, 2024 and 2023 is \$30,496 and \$47,529, 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 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, 2024 AND 2023

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, 2024 and 2023.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

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, 2024 and 2023, amortization of the debt issuance costs was \$4,492 and \$6,787, respectively. At December 31, 2024 and 2023, unamortized debt issuance costs were \$34,313 and \$29,624, respectively.

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, 2024 AND 2023

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, 2024, the Organization'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, 2024 AND 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 23, 2025, which is the date these financial statements were available to be issued, and there are 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 Seacliff & Family 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 \$5,758. At December 31, 2024 and 2023, the mortgage escrow deposits were funded with a collective balance of \$6,786 and \$42,598, respectively.

The Organization maintains mortgage escrow deposits for 520 Centre Street to ensure adequate funds are set aside to cover the cost of real estate taxes and property insurance. This account was established upon loan closing with MSHA in April 2024. At December 31, 2024, the tax and insurance escrow was funded with a balance of \$25,315.

REPLACEMENT RESERVES

The Organization is required to maintain replacement reserve account for Seacliff & Family in accordance with the applicable loan documents. The replacement reserve funds are to be used for repairs and replacement of the property and can be drawn upon only with the authorization of the Department of Housing and Urban Development (HUD). On January 1, 2024, HUD approved an increase in the monthly replacement reserve deposits to be \$6,855 per month. At December 31, 2024 and 2023, the replacement reserves were funded with a collective balance of \$462,850 and \$362,963, respectively.

The Organization maintains a replacement reserve for 520 Centre Street in accordance with the applicable loan documents. This account was established upon loan closing with MSHA in April 2024. At December 31, 2024, the replacement reserve was funded with a balance of \$64,630.

The Organization maintains a voluntary separate replacement reserve accounts for properties without required reserves. At December 31, 2024 and 2023, these replacement reserves were funded with a collective balance of \$124,938 and \$172,144, respectively.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

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 year ended December 31, 2023, the Organization made deposits of \$9,521 into the excess surplus cash account. There were no deposits made for the year ended December 31, 2024. During the year ended December 31, 2023 withdrawals were \$10,067, which were used to offset housing assistance payments and was included in the miscellaneous financial expense on the accompanying consolidated statement of functional expenses. For the years ended December 31, 2024 and 2023, interest earned was \$740 and \$258, respectively. At December 31, 2024 and 2023, these reserves were funded with a collective balance of \$13,517 and \$12,850, 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, 2024 and 2023, these reserves were funded with a collective balance of \$16,250 and \$14,964, respectively.

In accordance with the loan agreements with MSHA for 520 Centre Street, the entire amount of the loan was disbursed into an escrow account during the construction of the property. Funds are disbursed to the Organization when requisitions are submitted to MSHA. If the full amount of the loan is not used during construction, the remaining funds will be applied to the loan balance to reduce the principal balance. At December 31, 2024, the construction escrow reserve was funded with a balance of \$3,381,185.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

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.

The Organization maintains an investment account with Wilmington Trust. 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, 2024 AND 2023

NOTE 4 – INVESTMENTS (CONTINUED)

The following tables illustrate the classification of the Organization’s financial instruments measured on a recurring basis within the fair value hierarchy as of December 31, 2024 and 2023:

Investments by fair value level	12/31/2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds:				
Fixed Income	\$ 68,396	\$ 68,396	\$ --	\$ --
Real Assets	5,244	5,244	--	--
Equity Securities	127,856	127,856	--	--
Total Mutual Funds	201,496	201,496	--	--
Total Investments by Fair Value Level	\$ 201,496	\$ 201,496	\$ --	\$ --

Investments by fair value level	12/31/2023	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	\$ 24,865	\$ --	\$ 24,865	\$ --
Total Debt Securities	24,865	--	24,865	--
Mutual Funds:				
Fixed Income	102,774	102,774	--	--
Real Assets	10,358	5,495	--	--
Equity Securities	228,255	258,643	--	--
Total Mutual Funds	341,387	366,912	--	--
Total Investments by Fair Value Level	\$ 366,252	\$ 366,912	\$ 24,865	\$ --

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 4 – INVESTMENTS (CONTINUED)

The return on investments for the years ended December 31, 2024 and 2023 consisted of the following:

	2024	2023
Interest and Dividends	\$ 6,898	\$ 9,110
Unrealized Gain (loss) on investments	24,371	35,297
Account Fees	(1,310)	(1,745)
Total	<u>\$ 29,959</u>	<u>\$ 42,662</u>

NOTE 5 - LONG-TERM DEBT

A mortgage note payable to MSHA is due to mature on May 1, 2028 and is secured by residential rental property at 822, 832, and 842 Middle Street in Bath. The note bears interest at 4% per annum and requires monthly payments of principal and interest of \$1,274. The note balances at December 31, 2024 and 2023 were \$48,745 and \$61,800, 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, 2024 and 2023 was \$103,043. Accrued interest on the note at both December 31, 2024 and 2023 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, 2024 and 2023 were \$104,855 and \$107,587, 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, 2024 and 2023 were \$67,960 and \$69,668, respectively.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

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 \$806 are due through maturity. The note balances at December 31, 2024 and 2023 were \$132,818 and \$135,804, 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, 2024 and 2023 were \$150,653 and \$153,981, 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 balances at December 31, 2024 and 2023 was \$276,406 and \$281,765, respectively.

On April 1, 2024, the Organization entered into a deferred forgivable promissory note and an interest-only promissory note with MSHA in the amount of \$3,330,000 and \$3,512,227, respectively. The promissory notes are secured by residential rental property at 520 Centre Street in Bath. The deferred forgivable promissory note is non-interest bearing and the full principal amount will automatically be forgiven on April 1, 2069 (the "Cancellation Date") if no Event of Default occurs before the Cancellation Date. The interest-only promissory note bears interest at 5% per annum and requires monthly interest-only payments of \$14,634 commencing May 1, 2024 through maturity on April 1, 2054. The note balances at December 31, 2024 were \$6,842,227.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

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 The Organization. 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. In November 2023, this loan was modified which increased the loan amount to \$1,000,000, increased the interest rate to 6.00% per annum and extended the maturity date until November 2028. The note balance at December 31, 2024 and 2023 was \$1,000,000 for both years.

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. In October 2023, this loan was modified which increased the interest rate to 6.00% per annum, changed the monthly interest only payments to \$3,375 and extended the maturity date until November 2026. The note balance at December 31, 2024 and 2023 was \$675,000 for both years.

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, 2024 and 2023 were \$804,539 and \$882,211, 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, 2024 and 2023 were \$492,740 and \$544,617, 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 SOFR (6.687% and 6.173% as of December 31, 2024 and 2023, respectively). Any accrued unpaid interest is due monthly, with outstanding principal due upon lender's demand. The outstanding balance payable as of December 31, 2024 and 2023 was \$207,240 and \$116,704, respectively.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 5 - LONG-TERM DEBT (CONTINUED)

On November 21, 2024, the Organization entered into a line of credit agreement with Evernorth Loan Fund, Inc. for a total maximum limit of \$300,000. The line of credit is unsecured, however, it is recourse against the Organization. The line of credit bears interest at 3% per annum and is due to mature on the earlier of May 21, 2026 or the construction loan closing of the Project. The outstanding balance payable as of December 31, 2024 was \$121,140.

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

	<u>Principal</u>
2025	\$ 495,252
2026	166,373
2027	849,928
2028	183,893
2029	1,287,414
Thereafter	<u>8,044,506</u>
Total Principal payments	11,027,366
Debt issuance costs, net	<u>(34,313)</u>
Less current portion	<u>(495,252)</u>
Long-term debt	<u><u>\$ 10,497,801</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, 2024, annual contract rents were \$939,480. For the years ended December 31, 2024 and 2023, housing assistance payments, net of amounts transferred from the excess surplus cash account of \$0 and \$10,067, respectively, totaled \$628,684 and \$598,089, respectively.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 6 – HOUSING ASSISTANCE PAYMENTS CONTRACT (CONTINUED)

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, 2024 and 2023, the Project used \$0 and \$10,067, respectively to offset housing assistance payments received from HUD. At December 31, 2024 and 2023, the amount subject to recapture or to offset housing assistance payments was \$1,017 and \$350.

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 \$323,227 and \$313,151 of management fees during the years ended December 31, 2024 and 2023. The Organization reimbursed BHA for administrative and maintenance services of \$1,175,981 and \$967,400 for the years ended December 31, 2024 and 2023.

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, 2024 and 2023, rental revenue earned by the Organization was \$53,150 and \$30,840, respectively. In December 2023, the existing lease was amended which extended the term of the lease for three years through December 2026 and increased the monthly payment to \$4,429.

For the years ended December 31, 2024 and 2023, the Authority made housing assistance payments on behalf of residents living in properties owned by the Organization of \$1,001,495 and \$979,508, respectively.

At December 31, 2024 and 2023, the Organization owed BHA \$184,610 and \$134,441 for services provided by BHA.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

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, 2024 and 2023 that could readily be made available within one year of the statement of financial position to fund general operating expense:

	2024	2023
Cash	\$ 237,507	\$ 228,856
Investments	201,496	366,252
Tenant Security Deposits	80,791	80,143
Restricted reserves	4,095,471	605,519
Accounts receivable	<u>10,802</u>	<u>286,499</u>
Total Financial Assets	<u>4,626,067</u>	<u>1,567,269</u>
Financial assets not available for general expenditures:		
Tenant security deposits	(80,791)	(80,143)
Restricted reserves	<u>(4,095,471)</u>	<u>(605,519)</u>
	<u>(4,176,262)</u>	<u>(685,662)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 449,805</u>	<u>\$ 881,607</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, 2024 and 2023, the outstanding balance on the line of credit was \$207,240 and \$116,704; the balance available to be drawn upon is \$992,760 and \$1,083,296, 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 2025.

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

NOTE 9 – NET ASSETS WITH RESTRICTIONS

At December 31, 2024 and 2023, 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:

	<u>2024</u>	<u>2023</u>
Subject to Expenditure for Specified Purpose:		
Miscellaneous grants	\$ 937	\$ 2,438
Subject to Passage of Time:		
Affordable housing restrictions on the Anchorage, Moorings, Dike's Landing Properties	<u>3,755,870</u>	<u>3,897,157</u>
Net Assets with Donor Restrictions	<u>\$ 3,756,807</u>	<u>\$ 3,899,595</u>

NOTE 10 – OPERATING LEASES

The Organization leases commercial or parking space to a number of tenants under separate non-cancelable lease agreements. The lease agreements terminate at various dates through June 2052. The base rent due for the next five years and thereafter is as follows:

2025	\$ 75,150
2026	75,150
2027	22,000
2028	22,000
2029	22,000
Thereafter	<u>493,166</u>
Total	<u>\$ 709,466</u>

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

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 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, 2024

	Bath Housing Development Corporation	Seacliff Apartments	Bath Housing Anchor Corporation	Eliminations	Total
Assets					
Current Assets					
Cash and cash equivalents	\$ 177,648	\$ 59,859	\$ --	\$ --	\$ 237,507
Investments	201,496	--	--	--	201,496
Accounts receivable, net of allowance	8,293	15,311	--	(12,802)	10,802
Prepaid expenses	44,493	453	--	--	44,946
Total Current Assets	431,930	75,623	--	(12,802)	494,751
Tenant Security Deposits	64,399	16,392	--	--	80,791
Restricted Deposits and Funded Reserves					
Mortgage escrows	25,315	6,786	--	--	32,101
Replacement reserve	189,568	462,850	--	--	652,418
Other reserves	3,397,435	13,517	--	--	3,410,952
Total Restricted Deposits and Funded Reserves	3,612,318	483,153	--	--	4,095,471
Property, Plant and Equipment					
Land and land improvements	944,756	1,328,168	--	--	2,272,924
Buildings and improvements	7,741,435	2,225,344	--	--	9,966,779
Building equipment	42,020	133,329	--	--	175,349
Projects in development	6,214,722	--	--	--	6,214,722
Total Property, Plant and Equipment	14,942,933	3,686,841	--	--	18,629,774
Less: accumulated depreciation	(1,293,829)	(907,332)	--	--	(2,201,161)
Property, Plant and Equipment, Net	13,649,104	2,779,509	--	--	16,428,613
Total Assets	\$ 17,757,751	\$ 3,354,677	\$ --	\$ (12,802)	\$ 21,099,626

See Independent Auditors' Report

BATH HOUSING DEVELOPMENT CORPORATION

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION (CONTINUED) DECEMBER 31, 2024

	Bath Housing Development Corporation	Seacliff Apartments	Bath Housing Anchor Corporation	Eliminations	Total
Current Liabilities					
Bank Overdraft	\$ --	\$ --	\$ --	\$ --	\$ --
Accounts payable - operations	758,329	8,157	--	--	766,486
Accounts payable - related party	173,230	24,182	--	(12,802)	184,610
Accrued interest payable - current portion	17,420	367	--	--	17,787
Line of credit	328,380	--	--	--	328,380
Mortgages payable - current portion	30,525	136,347	--	--	166,872
Prepaid rent	17,694	2,680	--	--	20,374
Other deposit liabilities	25,000	--	--	--	25,000
Total Current Liabilities	<u>1,350,578</u>	<u>171,733</u>	<u>--</u>	<u>(12,802)</u>	<u>1,509,509</u>
Tenant Security Deposit Liabilities	63,961	15,377	--	--	79,338
Long-Term Liabilities					
Mortgages payable - net of current portion	9,371,182	1,160,932	--	--	10,532,114
Less: unamortized debt issuance costs	(14,205)	(20,108)	--	--	(34,313)
Accrued interest payable - net of current portion	11,144	--	--	--	11,144
Total Long-Term Liabilities	<u>9,368,121</u>	<u>1,140,824</u>	<u>--</u>	<u>--</u>	<u>10,508,945</u>
Total Liabilities	<u>10,782,660</u>	<u>1,327,934</u>	<u>--</u>	<u>(12,802)</u>	<u>12,097,792</u>
Net Assets					
Without Donor Restrictions	3,218,284	2,026,743	--	--	5,245,027
With Donor Restrictions	3,756,807	--	--	--	3,756,807
Total Net Assets	<u>6,975,091</u>	<u>2,026,743</u>	<u>--</u>	<u>--</u>	<u>9,001,834</u>
Total Liabilities and Net Assets	<u>\$ 17,757,751</u>	<u>\$ 3,354,677</u>	<u>\$ --</u>	<u>\$ (12,802)</u>	<u>\$ 21,099,626</u>

See Independent Auditors' Report

BATH HOUSING DEVELOPMENT CORPORATION

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION DECEMBER 31, 2023

	Bath Housing Development Corporation	Seacliff Apartments	Bath Housing Anchor Corporation	Eliminations	Total
Assets					
Current Assets					
Cash and cash equivalents	\$ 228,856	\$ --	\$ --	\$ --	\$ 228,856
Investments	366,252	--	--	--	366,252
Accounts receivable, net of allowance	294,996	2,034	1,260	(11,791)	286,499
Prepaid expenses	32,996	983	--	--	33,979
Total Current Assets	923,100	3,017	1,260	(11,791)	915,586
Tenant Security Deposits	64,442	15,701	--	--	80,143
Restricted Deposits and Funded Reserves					
Mortgage escrows	--	42,598	--	--	42,598
Replacement reserve	172,144	362,963	--	--	535,107
Other reserves	14,964	12,850	--	--	27,814
Total Restricted Deposits and Funded Reserves	187,108	418,411	--	--	605,519
Property, Plant and Equipment					
Land and land improvements	945,794	1,328,168	--	--	2,273,962
Buildings and improvements	7,605,666	2,225,344	--	--	9,831,010
Building equipment	48,175	133,329	--	--	181,504
Projects in development	1,132,206	--	--	--	1,132,206
Total Property, Plant and Equipment	9,731,841	3,686,841	--	--	13,418,682
Less: accumulated depreciation	(1,092,335)	(818,315)	--	--	(1,910,650)
Property, Plant and Equipment, Net	8,639,506	2,868,526	--	--	11,508,032
Total Assets	\$ 9,814,156	\$ 3,305,655	\$ 1,260	\$ (11,791)	\$ 13,109,280

See Independent Auditors' Report

BATH HOUSING DEVELOPMENT CORPORATION

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION (CONTINUED) DECEMBER 31, 2023

	Bath Housing Development Corporation	Seacliff Apartments	Bath Housing Anchor Corporation	Eliminations	Total
Current Liabilities					
Bank Overdraft	\$ --	\$ 2,159	\$ --	\$ --	\$ 2,159
Accounts payable - operations	40,858	10,583	--	--	51,441
Accounts payable - related party	103,102	43,130	--	(11,791)	134,441
Accrued interest payable - current portion	12,811	403	--	--	13,214
Line of credit	116,704	--	--	--	116,704
Mortgages payable - current portion	29,168	129,549	--	--	158,717
Prepaid rent	12,462	309	--	--	12,771
Total Current Liabilities	315,105	186,133	--	(11,791)	489,447
Tenant Security Deposit Liabilities	54,810	14,194	--	--	69,004
Long-Term Liabilities					
Mortgages payable - net of current portion	2,559,480	1,297,279	--	--	3,856,759
Less: unamortized debt issuance costs	(6,977)	(22,647)	--	--	(29,624)
Accrued interest payable - net of current portion	11,144	--	--	--	11,144
Total Long-Term Liabilities	2,563,647	1,274,632	--	--	3,838,279
Total Liabilities	2,933,562	1,474,959	--	(11,791)	4,396,730
Net Assets					
Without Donor Restrictions	2,980,999	1,830,696	1,260	--	4,812,955
With Donor Restrictions	3,899,595	--	--	--	3,899,595
Total Net Assets	6,880,594	1,830,696	1,260	--	8,712,550
Total Liabilities and Net Assets	\$ 9,814,156	\$ 3,305,655	\$ 1,260	\$ (11,791)	\$ 13,109,280

See Independent Auditors' Report

BATH HOUSING DEVELOPMENT CORPORATION

SCHEDULE OF REVENUE AND FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2024

	Supportive Services				Program Services													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 St	Lincoln Street	80 Congress	150 Congress	195 /213 Front St. Parking	Bath Housing Anchor Corporation	Comfortably Home Program		Eliminations
Revenues, Gains, and Other Support																			
Housing Assistance Payments	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 628,684	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 628,684
Rental Revenues	--	543,714	551,022	257,119	71,149	98,839	45,558	237,690	36,347	43,293	39,794	76,868	53,150	51,810	22,000	--	--	2,128,353	
Contributions	274,889	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	100,000	374,889	
Investment Income (loss)	225,195	--	--	--	--	--	--	18,343	--	--	--	--	--	--	--	--	--	243,538	
Other Income	30,229	1,081	1,862	988	100	650	75	6,244	--	200	100	1,583	5,750	--	--	--	--	48,862	
Total Revenues, Gains, and Other Support	530,313	544,795	552,884	258,107	71,249	99,489	45,633	890,961	36,347	43,493	39,894	78,451	53,150	57,560	22,000	--	100,000	3,424,326	
Administrative																			
Administrative salaries	397,972	--	--	--	--	--	--	17,086	--	--	--	--	--	--	--	--	--	415,058	
Management fee	--	65,246	66,123	30,854	7,115	11,861	4,556	103,965	3,635	4,329	3,979	7,687	1,063	2,368	446	--	10,000	323,227	
Auditing fees	619	5,388	5,670	2,586	1,053	671	433	7,150	451	392	472	782	219	1,161	219	--	--	27,047	
Employee benefits contributions - Administrative	110,900	4,758	5,009	2,253	625	1,002	251	6,261	251	251	375	752	--	--	--	--	--	132,688	
Legal	661	837	1,817	556	--	1,297	--	892	--	--	1,360	--	--	--	--	--	--	7,420	
Accounting	4,053	9,242	9,725	4,435	1,166	1,846	773	6,855	651	830	813	1,349	875	838	360	--	--	43,811	
Other operating - administrative	1,457	1,221	2,868	1,269	--	--	--	4,788	--	--	--	--	--	--	307	1,260	2,255	15,425	
Grant expenditures	30,143	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	30,143	
Total Administrative	545,805	86,692	91,212	41,953	9,959	16,677	6,013	146,997	4,988	5,802	6,999	10,570	1,938	4,367	1,332	1,260	12,255	994,819	
Tenant Services																			
Tenant services	--	17,287	18,699	8,177	--	--	--	40,390	--	--	--	--	--	--	--	--	25,709	110,262	
Employee benefits	--	7,780	8,191	3,686	--	--	--	--	--	--	--	--	--	--	--	--	10,109	29,766	
Total Tenant Services	--	25,067	26,890	11,863	--	--	--	40,390	--	--	--	--	--	--	--	--	35,818	140,028	
Utilities																			
Water	--	9,625	12,477	2,082	1,455	1,917	789	11,893	639	775	605	1,786	224	2,305	--	--	--	46,572	
Sewer	--	13,365	21,473	3,151	1,840	2,217	1,033	18,258	731	984	681	2,172	191	431	--	--	--	66,527	
Electricity	--	32,633	57,977	34,713	1,886	2,119	610	46,807	1,278	4,447	1,810	1,098	2,512	5,367	--	--	--	193,257	
Gas/Fuel	--	32,602	14,185	--	--	6,470	2,432	3,299	4,095	1,363	2,090	6,471	2,694	12,739	--	--	--	88,440	
Total Utilities	--	88,225	106,112	39,946	5,181	12,723	4,864	80,257	6,743	7,569	5,186	11,527	5,621	20,842	--	--	--	394,796	
Maintenance																			
Maintenance fee expense - labor	--	93,295	98,205	44,192	12,058	19,293	4,323	122,756	4,823	4,323	7,235	14,470	12,254	--	--	--	36,253	473,480	
Ordinary maintenance and operations - materials	--	26,051	31,377	10,268	617	3,908	407	31,871	441	3,808	4,511	4,356	636	54	--	--	19,558	137,863	
Ordinary maintenance and operations - contracts	14,436	39,413	86,700	32,971	2,902	13,028	7,442	40,230	3,705	(1,409)	11,973	25,470	136	6,743	--	--	6,357	290,097	
Maintenance fee expense - benefits	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	14,727	14,727	
Total Maintenance	14,436	158,759	216,282	87,431	15,577	36,229	12,172	194,857	8,969	6,722	23,719	44,296	13,026	6,797	--	--	76,895	916,167	
General Expenses																			
Insurance	3,792	24,953	21,607	10,647	4,998	6,045	1,812	34,451	1,794	1,816	2,315	5,619	51	3,244	67	--	109	123,320	
Real estate taxes	--	15,108	17,169	6,157	6,380	--	--	35,000	--	--	--	--	--	11,683	4,737	--	--	96,234	
Interest expense	--	1,114	--	--	--	2,235	5,321	73,061	3,445	6,688	7,623	13,967	--	44,714	5,536	--	--	163,704	
Misc. financial expenses	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	
Collection losses	--	3,588	5,875	2,250	--	(2,690)	130	884	(1,653)	(2,904)	2,630	(1,252)	--	--	--	--	--	6,858	
Depreciation	7,121	36,674	55,914	19,111	18,370	15,122	7,819	89,017	4,905	10,632	6,911	15,634	--	11,886	--	--	--	299,116	
Total General	10,913	81,437	100,565	38,165	29,748	20,712	15,082	232,413	8,491	16,232	19,479	33,968	51	71,527	10,340	--	109	689,232	
Total Expenses	571,154	440,180	541,061	219,358	60,465	86,341	38,131	694,914	29,191	36,325	55,383	100,361	20,636	103,533	11,672	1,260	125,077	3,135,042	
Increase (Decrease) in Net Assets	\$ (40,841)	\$ 104,615	\$ 11,823	\$ 38,749	\$ 10,784	\$ 13,148	\$ 7,502	\$ 196,047	\$ 7,156	\$ 7,168	\$ (15,489)	\$ (21,910)	\$ 32,514	\$ (45,973)	\$ 10,328	\$ (1,260)	\$ (25,077)	\$ 289,284	

See Independent Auditors' Report

BATH HOUSING DEVELOPMENT CORPORATION

SCHEDULE OF REVENUE AND FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2023

	Supportive Services										Program Services										Total
	Management & General	Anchorage	Moornings	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	150 Congress	195 /213 Front St. Parking	Bath Housing Anchor Corporation	Comfortably Home Program	Eliminations		
Revenues, Gains, and Other Support																					
Housing Assistance Payments	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 608,156	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	
Rental Revenues	30,840	512,489	537,172	247,551	67,020	99,844	43,700	211,176	33,119	32,303	47,520	72,075	--	--	117,000	22,000	--	--	--		
Contributions	280,854	572	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	195,272	--		
Investment Income (loss)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--		
Investment Income (loss)	48,635	--	--	--	--	--	--	13,610	--	--	--	--	--	--	--	--	--	--	--		
Other Income	11,722	6,024	1,957	1,193	--	7,978	--	7,076	--	--	--	623	--	--	--	--	--	--	--		
Total Revenues, Gains, and Other Support	372,051	519,085	539,129	248,744	67,020	107,822	43,700	840,018	33,119	32,303	47,520	72,698	--	--	117,000	22,000	--	195,272	--		
Administrative																					
Administrative salaries	184,904	11,439	12,041	5,418	1,505	2,408	602	15,051	602	602	903	1,806	--	--	602	--	--	365	--		
Management fee	--	61,499	64,461	29,706	6,702	11,981	4,370	98,320	3,312	3,230	4,752	7,208	--	--	11,700	--	--	10,910	--		
Auditing fees	446	3,886	4,088	1,864	762	484	313	6,850	273	334	340	564	--	--	838	158	--	340	--		
Employee benefits contributions - Administrative	54,070	4,449	4,683	2,108	937	585	234	--	234	234	351	703	--	--	234	--	--	122	--		
Legal	5,576	425	--	1,470	--	2,098	--	2,854	871	2,595	519	--	--	--	--	--	--	--	--		
Accounting	5,375	4,490	4,724	2,154	559	881	362	7,504	315	386	393	652	--	--	967	182	--	--	--		
Other operating - administrative	5,559	2,126	2,066	2,045	--	--	--	4,349	--	--	--	--	--	--	--	--	--	863	--		
Grant expenditures	24,336	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--		
Total Administrative	280,266	88,314	92,063	44,765	10,465	18,437	5,881	134,928	5,607	7,381	7,258	10,933	--	--	14,341	340	--	12,260	--		
Tenant Services																					
Tenant services	--	19,791	20,832	9,374	--	--	--	34,741	--	--	--	--	--	--	--	--	--	28,026	--		
Employee benefits	--	8,201	8,632	3,885	--	--	--	5,854	--	--	--	--	--	--	--	--	--	11,150	--		
Total Tenant Services	--	27,992	29,464	13,259	--	--	--	40,595	--	--	--	--	--	--	--	--	--	39,176	--		
Utilities																					
Water	--	8,140	7,386	2,843	1,088	1,654	795	11,092	783	935	832	1,560	--	--	2,271	--	--	--	--		
Sewer	--	11,435	13,582	5,294	1,432	2,210	1,258	19,594	1,233	1,545	1,339	2,238	--	--	1,128	--	--	--	--		
Electricity	--	35,078	68,945	38,904	5,531	3,746	661	61,645	2,138	3,658	2,155	1,837	(60)	--	10,532	--	--	--	--		
Gas/Fuel	--	30,800	13,025	--	--	7,222	2,694	3,702	3,908	2,684	1,836	7,098	--	--	12,116	--	--	--	--		
Total Utilities	--	85,453	102,938	47,041	8,051	14,832	5,408	96,033	8,062	8,822	6,162	12,733	(60)	--	26,047	--	--	--	--		
Maintenance																					
Maintenance fee expense - labor	--	116,694	103,770	42,860	5,273	13,154	2,788	135,428	3,288	2,788	4,933	9,865	--	--	--	--	--	45,998	--		
Ordinary maintenance and operations - materials	788	24,443	19,688	8,727	1,785	3,718	735	34,755	1,082	11,380	1,433	10,233	--	--	337	--	--	40,794	--		
Ordinary maintenance and operations - contracts	1,019	53,789	39,743	16,759	2,600	8,077	418	49,727	5,148	10,009	1,020	8,730	--	--	4,774	--	--	8,673	--		
Maintenance fee expense - benefits	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	22,883	--		
Total Maintenance	1,807	194,926	163,201	68,346	9,658	24,949	3,941	219,910	9,518	24,177	7,386	28,828	--	--	5,111	--	--	118,348	--		
General Expenses																					
Insurance	3,585	22,960	19,670	9,706	4,697	6,001	1,808	31,441	1,796	1,808	2,264	5,278	--	--	45	78	--	--	--		
Real estate taxes	--	14,243	21,096	6,098	5,966	--	--	35,000	--	--	--	--	--	--	11,242	4,699	--	--	--		
Interest expense	--	--	--	--	--	2,705	5,450	79,512	3,522	6,823	7,772	14,206	--	--	32,459	8,993	--	--	--		
Misc. financial expenses	--	--	--	--	--	--	--	10,067	--	--	--	--	--	--	--	--	--	--	--		
Collection losses	--	24,547	4,023	--	--	--	2,184	6,518	--	--	--	898	--	--	--	--	--	--	--		
Depreciation	6,466	36,674	54,561	17,096	12,495	7,819	18,370	88,581	4,905	10,632	6,911	15,634	--	--	11,886	--	--	--	--		
Total General	10,051	98,424	99,350	32,900	23,158	16,525	27,812	251,119	10,223	19,263	16,947	36,016	--	--	55,632	13,770	--	--	--		
Total Expenses	292,124	495,109	487,016	206,311	51,332	74,743	43,042	742,585	33,410	59,643	37,753	88,510	(60)	--	101,131	14,110	--	169,784	--		
Increase (Decrease) in Net Assets	\$ 79,927	\$ 23,976	\$ 52,113	\$ 42,433	\$ 15,688	\$ 33,079	\$ 658	\$ 97,433	\$ (291)	\$ (27,340)	\$ 9,767	\$ (15,812)	\$ 60	\$ --	\$ 15,869	\$ 7,890	\$ --	\$ 25,488	\$ --		

See Independent Auditors' Report

BATH HOUSING DEVELOPMENT CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2024

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Sub-recipients	Total Federal Expenditures
Department of Housing & Urban Development (HUD)				
Section 8 Project-Based Cluster				
Project Based Rental Assistance (PBRA)	14.195	--	\$ --	\$ 628,684
Total Section 8 Project-Based Cluster			--	628,684
Passed Through the State of Maine				
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	Not Available	--	237,482
Total Department of Housing & Urban Development			--	866,166
Total Expenditures of Federal Awards			\$ --	\$ 866,166

See Notes to the Schedule of Expenditures of Federal Awards

BATH HOUSING DEVELOPMENT CORPORATION

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of Bath Housing Development Corporation, under programs of the federal government for the year ended December 31, 2024. The information in the schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Bath Housing Development Corporation, it is not intended to and does not present the financial position, changes in net assets or cash flows of Bath Housing Development Corporation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. For cost-reimbursement awards, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. For performance-based awards, expenditures reported represent amounts earned.

NOTE 3 – INDIRECT COST RATE

The Bath Housing Development Corporation has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors of
Bath Housing Development Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"), the consolidated financial statements of the Bath Housing Development Corporation (the "Entity"), which comprise the statement of financial position as of December 31, 2024, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements (collectively referred to as the "financial statements"), and have issued our report thereon dated May 23, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Entity's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Entity's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CBIZ CPAs P.C.

CBIZ CPAs P.C
Boston, MA
May 23, 2025

Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
Bath Housing Development Corporation

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Bath Housing Development Corporation's (the "Entity") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Entity's major federal program for the year ended December 31, 2024. The Entity's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Entity complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Entity and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Entity's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Entity's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Entity's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Entity's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Entity's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Entity's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2024-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Entity's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Entity's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Entity's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Entity's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CBIZ CPAs P.C.

CBIZ CPAs P.C
Boston, MA
May 23, 2025

BATH HOUSING DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2024

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified Opinion*

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

Noncompliance material to financial statements noted? Yes No

FEDERAL AWARDS

Internal control over the major federal program:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

Type of auditors' report issued on compliance for the major federal program: *Unmodified Opinion*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of the major federal program:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
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14.195	Section 8 Project Based Cluster
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Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

BATH HOUSING DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2024

SECTION II - FINANCIAL STATEMENTS FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2024-001: Eligibility

Other Matter / Significant Deficiency

U.S. Department of Housing and Urban Development

ALN #14.195 – Section 8 Project Based Cluster

Criteria: The owner must reexamine the income and composition of all families at least every 12 months. After consultation with the family and upon verification of the information, the owner must make appropriate adjustments in the Total Tenant Payment in accordance with part 5 of this title and determine whether the family's unit size is still appropriate. (24 CFR 880.603(c))

Condition: We selected a sample of 7 re-examinations for participants in the Program and identified the following:

- Two instances in which the verifications obtained for the annual recertification could not be located.
- One instance in which the Organization relied on self-verification of pension income, without documenting why third-party verifications were not able to be obtained.
- One instance in which the Organization obtained sufficient verifications; however, the incorrect amount was used (Net pension amount was used instead of the gross amount).

Cause: Document retention issues with re-examination documents.

Effect: As a result of being unable to locate certain required documentation, the Organization cannot fully support participant eligibility.

Questioned Costs: None

Context: We selected a sample of 7 re-examinations from a population of 50 participants. This was not a statistically valid sample.

Repeat Finding: Not a repeat finding.

BATH HOUSING DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2024

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

2024-001: Eligibility (Continued)

Recommendation: We recommend that the Organization perform a quality control review to ensure that the appropriate documentation has been retained.

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No prior audit findings.



CORRECTIVE ACTION PLAN¹
24 CFR § 880.603(c)
2024

Finding Number:² 2024-001: Eligibility

Planned Corrective Action:

1. All 2024 reexamination files will be reviewed to confirm a corresponding file is present and social security income is accurately reflected. File findings will be noted accordingly.
2. Moving forward, a Quality Control audit will occur monthly to include:
 - Confirmation of a corresponding file for every annual reexamination completed.
 - 50% of all reexamination files will be audited to confirm the following:
 - o Verification of income and assets.
 - o Gross income is accurately reflected.
 - o An EIV report is present; social security income reported is accurate.
 - o A signed 50059 is present in the file.

The audit will be conducted by a staff member that did not complete the reexam.

Anticipated Completion Date: 1. July 31, 2025; 2. Ongoing

Responsible Contact Person: Jessica Irish

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