BATH HOUSING DEVELOPMENT CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS
AND
REPORTS OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

FOR THE YEAR ENDED
DECEMBER 31, 2025

BATH HOUSING DEVELOPMENT CORPORATION
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FOR THE YEAR ENDED DECEMBER 31, 2025

Independent Auditor's Report

Board of Directors
Bath Housing Development Corporation

Opinion

We have audited the accompanying consolidating financial statements of Bath Housing Development Corporation and its subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2025, and the related consolidated statement of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Bath Housing Development Corporation and its subsidiaries as of December 31, 2025, and the changes in their net assets and their 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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Bath Housing Development Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Bath Housing Development Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Bath Housing Development Corporation’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Bath Housing Development Corporation’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Report on Summarized Comparative Information

The consolidated financial statements of Bath Housing Development Corporation and its subsidiaries as of and for the year ended December 31, 2024, were audited by another auditor who expressed an unmodified opinion on those statements on May 23, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying 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 auditing standards generally accepted in the United States of America. In our opinion, the schedule of federal awards is fairly stated in all material respects in relation to the 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 June 15, 2026 on our consideration of Bath Housing Development Corporation'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 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 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 Bath Housing Development Corporation's internal control over financial reporting and compliance.

Geel LLP

Geel LLP
Certified Public Accountants

Bristol, Connecticut
June 15, 2026

BATH HOUSING DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2025

	2025	2024
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 392,529	$ 237,507
Investments	-	201,496
Tenant Accounts Receivable, net of Allowance	4,491	10,174
Accounts Receivable - Grants	852,839	-
Accounts Receivable - Other	13,317	628
Prepaid Expenses	28,023	44,946
Total Current Assets	1,291,199	494,751
Restricted Deposits		
Tenant Security Deposits	124,452	80,791
Escrow Deposits	27,845	32,101
Replacement Reserves	778,352	652,418
Other Reserves	270,813	3,410,952
Total Restricted Deposits	1,201,462	4,176,262
Rental Property		
Buildings and Improvements	17,383,081	9,966,779
Site Improvements	300,062	300,062
Furniture and Equipment	181,275	175,349
Total Depreciable Assets	17,864,418	10,442,190
Less: Accumulated Depreciation	(2,426,070)	(2,201,161)
Net Depreciable Assets	15,438,348	8,241,029
Land	2,109,203	1,852,096
Construction in Progress	3,678,739	6,335,488
Total Rental Property	21,226,290	16,428,613
Total Assets	$ 23,718,951	$ 21,099,626
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	$ 390,822	$ 766,486
Accounts Payable - Related Party	98,872	184,610
Accrued Interest Payable	26,516	17,787
Line of Credit	631,914	328,380
Other Deposit Liabilities	-	25,000
Tenant Security Deposits	109,184	79,338
Unearned Revenue	274,465	20,374
Current Portion of Long-Term Debt	165,860	166,872
Total Current Liabilities	1,697,633	1,588,847
Noncurrent Liabilities		
Long-Term Debt	9,249,120	10,497,801
Accrued Interest Payable	11,144	11,144
Total Noncurrent Liabilities	9,260,264	10,508,945
Total Liabilities	10,957,897	12,097,792
Net Assets		
Net Assets without Donor Restrictions	9,145,884	5,245,027
Net Assets with Donor Restrictions	3,615,170	3,756,807
Total Net Assets	12,761,054	9,001,834
Total Liabilities and Net Assets	$ 23,718,951	$ 21,099,626

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

BATH HOUSING DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025

	2025			
	Without Donor Restrictions	With Donor Restrictions	Total	2024
Revenue				
Gross Rental Revenues	$ 2,269,983	$ -	$ 2,269,983	$ 2,128,353
Tenant Assistance	596,232	-	596,232	628,684
Contributions Revenue	138,686	13,972	152,658	137,407
Fees for Services	270,000		270,000	-
Other Revenue	81,429	-	81,429	48,862
Net Assets Released from Restrictions	155,609	(155,609)	-	-
Total Revenue	3,511,939	(141,637)	3,370,302	2,943,306
Operating Expenses				
Program:				
Salaries and Benefits	165,573	-	165,573	229,882
Management Fees	332,106	-	332,106	323,227
Administrative	71,559	-	71,559	53,301
Utilities	462,139	-	462,139	394,796
Operating and Maintenance	770,730	-	770,730	864,604
Taxes and Insurance	241,684	-	241,684	215,762
General	59,326	-	59,326	8,368
Total Program	2,103,117	-	2,103,117	2,089,940
Management and General:				
Supportive Salaries and Benefits	586,988	-	586,988	509,582
Bookkeeping Fees	39,796	-	39,796	36,956
Administrative	9,760	-	9,760	31,369
Operating and Maintenance	2,100	-	2,100	583
Taxes and Insurance	3,383	-	3,383	3,792
Total Management and General	642,027	-	642,027	582,282
Total Operating Expenses	2,745,144	-	2,745,144	2,672,222
Change in Net Assets from Operations	766,795	(141,637)	625,158	271,084
Other Income (Expenses)				
Capital Grant Income	3,576,473		3,576,473	237,482
Interest Income	97,556	-	97,556	243,538
Gain on Sale of Assets	138,393	-	138,393	-
Program:				
Interest Expense	(268,013)	-	(268,013)	(163,704)
Depreciation Expense	(404,379)	-	(404,379)	(291,995)
Management and General:				
Depreciation Expense	(5,968)	-	(5,968)	(7,121)
Total Other Income (Expenses)	3,134,062	-	3,134,062	18,200
Change in Net Assets	3,900,857	(141,637)	3,759,220	289,284
Net Assets, Beginning	5,245,027	3,756,807	9,001,834	8,712,550
Net Assets, Ending	$ 9,145,884	$ 3,615,170	$ 12,761,054	$ 9,001,834

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

BATH HOUSING DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2025

	2025	2024
Cash Flows from Operating Activities:		
Change in Net Assets	$ 3,759,220	$ 289,284
Adjustments to Reconcile Net Income (Loss) to Net Cash		
Provided by (Used in) Operating Activities:		
Depreciation	410,347	299,116
Amortization of Debt Issuance Costs	10,104	4,492
Net Unrealized (Gain) Loss on Investments	-	(24,371)
(Gain) Loss on Sale of Capital Assets	(138,393)	-
Bad Debt Expense	30,060	6,858
Change in Operating Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable - Tenants	(24,377)	-
(Increase) Decrease in Accounts Receivable - Grants	(852,839)	268,839
(Increase) Decrease in Accounts Receivable - Other	(12,689)	-
(Increase) Decrease in Prepaid Expenses	16,923	(10,967)
Increase (Decrease) in Accounts Payable - Operations	(375,664)	(785)
Increase (Decrease) in Accounts Payable - Related Party	(85,738)	50,169
Increase (Decrease) in Security Deposit Liability	29,846	10,334
Increase (Decrease) in Other Deposit Liabilities	(25,000)	25,000
Increase (Decrease) in Unearned Revenue	254,091	7,603
Increase (Decrease) in Accrued Interest Payable	8,729	4,573
Net Cash Provided by (Used in) Operating Activities	3,004,620	930,145
Cash Flows from Investing Activities:		
Net Change in Replacement Reserve	(125,934)	(117,311)
Net Change in Escrows	4,256	10,497
Net Change in Other Reserves	3,140,139	(3,383,138)
Net Change in Investments	201,496	189,127
Proceeds from Sale of Property & Equipment	1,629,125	-
Purchases of Property & Equipment	(6,698,756)	(4,506,026)
Net Cash Provided by (Used in) Investing Activities	(1,849,674)	(7,806,851)
Cash Flows from Financing Activities:		
Proceeds from Acquisition of Debt	-	6,842,227
Payments of Financing Costs	-	(9,181)
Principal Payments on Debt	(1,259,797)	(158,717)
Net Change in Lines of Credit	303,534	211,676
Net Cash Provided by (Used in) Financing Activities	(956,263)	6,886,005
Net Increase (Decrease) in Cash and Restricted Cash	198,683	9,299
Cash and Restricted Cash - Beginning	318,298	308,999
Cash and Restricted Cash - Ending	$ 516,981	$ 318,298
Reconciliation of Cash and Restricted Cash Balances:		
Cash and Cash Equivalents	$ 392,529	$ 237,507
Tenant Security Deposits	124,452	80,791
Total Cash and Restricted Cash	$ 516,981	$ 318,298
Supplemental Disclosure of Cash Flow Information:		
Cash Paid During the Year for Interest	$ 276,742	$ 154,639
Cash Paid During the Year for Capitalized Interest	$ 125,691	$ 183,657

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

NOTE 1 – ORGANIZATION

The Bath Housing Development Corporation (the Corporation) 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. Bath Housing Authority (BHA) is considered a related party as minority of the directors of BHDC also serve on BHA's Board of Commissioners. BHDC is fiscally independent of BHA and is not a component unit of BHA

The Corporation's financial statements include the rental activities of several properties located within the town of Bath, Maine: Anchorage, Moorings, Dike's Landing, 19 Oak Street, 806 Middle Street, 822, 832, and 842 Middle Street, 28 Maple Street, 49 Elm Street, 470 Washington Street, Lincoln Street, 150 Congress Street, 80 Congress Street, Front Street, 520 Centre Street, Seacliff & Family, and HLT LLC.. During the year ended December 31, 2025, the Corporation sold 470 Washington Street, Lincoln Street, and 150 Congress Street. The Corporation also runs the Comfortably Home Program to serve older adults living at home.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The Corporation's records are maintained on an accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

Estimates

The preparation of financial statement in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation

The net assets of the Corporation and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions are not subject to donor-imposed stipulations or the restrictions have expired and may be expended for any purpose in performing the primary objectives of the Corporation. These assets may be designated for specific purposes by action of the Board of Directors.

Net Assets with Donor Restrictions are subject to donor-imposed stipulations that can be fulfilled by actions of the Corporation or that expire by the passage of time. As of December 31, 2025, the Corporation had net assets with donor restrictions of $3,615,170.

Basis of Consolidation

The accompanying consolidated financial statements include the account of the Corporation and HLT LLC (HLT). The Corporation has full direct ownership and control of HLT. All significant intercompany transactions and balances are eliminated in consolidation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Measure of Operations
The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Corporation's ongoing housing activities. Nonoperating activities are limited to returns from investments (primarily restricted reserves); financing activities such as interest on debt; depreciation of long-lived assets; capital-related activities, including capital grants and gains or losses on the sale or disposition of property and equipment; and other non-budgeted activities considered to be of a more unusual or non-recurring nature.

Functional Expenses
The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. 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.

Cash and Cash Equivalents
The Corporation considered cash equivalents to be all highly liquid investments with a maturity of three months or less when purchased.

Restricted Cash
The amount included in restricted cash consists of security deposits held in trust for the future benefit of tenants upon moving out of the property as required by the regulatory authority.

Custodial Credit Risk for Cash and Deposits
The Corporation's cash balances are insured by the Federal Deposit Insurance Corporation. At times, these balances may exceed the Federal insurance limits; however, the Project has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant credit risk exists with respect to these cash balances as of December 31, 2025.

Tenant Accounts Receivable
The Corporation carries its tenant account receivables at cost less an allowance for doubtful accounts. On a periodic basis, the Corporation evaluates its tenant accounts receivable and establishes an allowance for doubtful accounts. As of December 31, 2025, the allowance for doubtful accounts was $27,839.

Rental Income
The Corporation leases residential units to tenants, office space and parking areas to third parties under non-cancellable operating leases. These leases are accounted for as operating leases under ASC 842, and rental income is recognized on a straight-line basis over the respective lease terms. Lease payments received in advance are deferred until earned.

The Corporation receives rental assistance through several programs, including a Section 202 property, project-based vouchers (PBVs), and rental assistance administered by MaineHousing. Under these arrangements, eligible tenants pay a portion of rent based on program requirements, and the Corporation receives subsidy payments for the difference between tenant rent and the contract rent.

Consistent with ASC 842, rental assistance payments other than Section 202 subsidies are considered part of lease revenue and are included within gross rental revenues. Section 202 rental assistance is presented separately as tenant assistance and is further described in Note 7. PBV activity with a related entity is disclosed in Note 8. Because these revenue streams arise from lease contracts, the Corporation has concluded that rental and subsidy income are excluded from the scope of ASC 606.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 non-financial assets are recognized at fair value at the date of contribution.

Grants and similar agreements are evaluated to determine whether they are contributions or exchange transactions. Contributions are recognized in accordance with the guidance above. Revenues from state and federal agencies and other cost-reimbursement-type grants that are conditioned upon incurring eligible expenditures or meeting specific compliance requirements are recognized as revenue at the time such expenditures are incurred and/or conditions are met. Amounts received in advance of meeting these requirements are recorded as deferred revenue. This includes grants for capital purposes, which are recognized as qualifying capital expenditures are incurred.

Capitalization and Depreciation

Fixed Assets are carried at cost. Improvements above the $500 capitalization threshold are capitalized, while expenditures for maintenance and repairs are charged to expenses as incurred. Upon disposal of depreciable property, the appropriate property accounts will be reduced by the related costs and accumulated depreciation.

Depreciation will be provided for in amounts sufficient to the related cost of depreciable assets placed in service to operations over their estimated service lives using straight-line methods. Buildings, building equipment, site improvements, and maintenance equipment, are being depreciated 10-40 years for buildings and improvements, and 5-10 years for building equipment.

Impairment of Long-Lived Assets

The Corporation reviews the carrying value of property for impairment whenever events or changes in circumstance indicate that the carrying value of an asset may not be recoverable. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. No impairment loss has been recognized during the year ended December 31, 2025.

Investments

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Trademark

The Company 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.

Income Tax Structure

Under provisions of the U.S. Internal Revenue Code, section 501(c)(3), The Corporation is exempt from taxes on income, other than unrelated business income, and accordingly does not record a provision for income taxes on its related earnings. The Corporation regularly reviews and evaluates its tax positions taken in previously filed information returns and as reflected in its financial statements, with regard to issues affecting its tax exempt status, unrelated business income, and related matters. It believes that in the event of an examination by taxing authorities, its positions would prevail based on the technical merits of such positions. Therefore, The Corporation has concluded that no tax benefits or liabilities are required to be recognized.

Prior-Year Presentation and Reclassifications

The accompanying financial statements include certain prior-year summarized comparative information for presentation purposes only. Accordingly, the prior-year amounts do not constitute a full presentation in accordance with accounting principles generally accepted in the United States of America.

Certain amounts in the prior-year summarized information have been reclassified to conform to the current-year presentation. These reclassifications had no effect on previously reported changes in net assets or total net assets.

NOTE 3 – AVAILABILITY AND LIQUIDITY

The following represents the Corporation's financial assets as of December 31, 2025:

Financial assets at yearend:	
Cash and Cash Equivalents	$ 392,529
Investments	-
Receivables	870,647
Restricted Deposits	1,201,462
Total Financial Assets	$ 2,464,638
Less amounts not available to be used within one year:	
Restricted Deposits	1,173,617
Financial assets available to meet general expenditures over the next twelve months	$ 1,291,021

The Corporation also has a line of credit agreements for up to $1,500,000. This line of credits were established primarily for real estate transactions, however, draw access exists to meet cash needs for general expenditures within one year. As of December 31, 2025, the outstanding balance on the line of credits was $631,914. The outstanding balance is due upon lender's demand, however, the Corporation does not expect the lender to demand payment in 2026.

NOTE 4 – RESTRICTED DEPOSITS AND FUNDED RESERVES

Mortgage Escrows
The Corporation 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. As of December 31, 2025, required monthly deposits were $6,050, and the escrow deposits were fully funded with a balance of $1,460.

The Corporation 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. As of December 31, 2025, the tax and insurance escrow was funded with a balance of $26,385.

Replacement Reserves
The Corporation is required to maintain a replacement reserve for Seacliff & Family in accordance with the applicable loan documents. As of December 31, 2025, required monthly deposits were $7,026. Funds in the replacement reserves are restricted for capital, replacement, and other project expenditures approved by HUD. As of December 31, 2025, the replacement reserves were funded with a collective balance of $564,675.

The Corporation 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. As of December 31, 2025, the replacement reserve was funded with a balance of $73,673.

The Corporation maintains a voluntary separate replacement reserve for properties without required reserves. As of December 31, 2025, the replacement reserve was funded with a balance of $140,004.

Other Reserves
In accordance with the regulatory agreement, Seacliff & Family is required to make excess cash deposits annually to a residual receipts account. Funds in this account are restricted from use, pending approval by MSHA or HUD. Surplus cash for the Project was $49,991 as of December 31, 2025.

During the year ended December 31, 2025, deposits of $27,712 were made into the residual receipts account. During the year ended December 31, 2025, withdrawals totaled $29,266, which were used to offset housing assistance payments and were included in general expenses on the statements of activities. During the years ended December 31, 2025, interest earned totaled $886 and is restricted from use subject to other residual receipt deposits. As of December 31, 2025, the residual receipts account was funded with a balance of $12,849.

Under the terms of a Regulatory Agreement with MSHA, the Corporation 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, As of December 31, 2025, these reserves were funded with a balance of $17,446.

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 Corporation 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. As of December 31, 2025, the construction escrow was funded with a balance of $208,045.

Tenant Security Deposits
The Corporation is also required to deposit cash collected for tenant security deposits in a separate account and restricted from use for operating purposes.

NOTE 5 – SALE OF PROPERTIES AND SELLER FINANCING

During 2025, the Corporation sold 470 Washington Street, Lincoln Street, and 150 Congress Street. The sales generated a net gain of $138,393. Cash proceeds totaled $1,629,125. Two of the sales included seller-financing arrangements with an aggregate face amount of $237,000. The notes bear no interest and provide for forgiveness of principal as the buyer documents leasing to income-qualified tenants. Because management does not expect to receive any cash payments under these terms, the notes were recorded at a fair value of $-0-, reducing the gain recognized on the sales. The forgiveness provisions aligns with the Corporation's mission to promote affordable housing.

NOTE 6 – LONG-TERM DEBT

MSHA – 822, 832, and 842 Middle Street
A mortgage note in the original amount of $266,880 payable to MSHA is due to mature on May 1, 2028 and is secured by residential property at 822, 832, and 842 Middle Street in Bath. The note bears interest at 4% per annum and requires monthly principal and interest of $1,274.

City of Bath – 822, 832, and 842 Middle Street
A mortgage note in the original amount of $103,043 payable to the City of Bath is secured by residential 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. As of December 31, 2025, accrued interest on the note totaled $11,144.

MSHA – 806 Middle Street
A mortgage note in the original amount of $125,000 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 BHA, a related party under common management. The note bears interest at 5% per annum and requires monthly payments of principal and interest of $671.

MSHA – 49 Elm Street
A mortgage note in the original amount of $80,000 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 BHA. The note bears interest at 5% per annum and requires monthly payments of principal and interest of $429.

MSHA – 28 Maple Street
A mortgage note in the original amount of $150,169 payable to MSHA is due to mature on March 1, 2048 and is secured by residential rental property at 28 Maple Street in Bath. The note is guaranteed by BHA. The note bears interest at 5% per annum and required monthly payments of principal and interest of $806 through maturity.

MSHA – 470 Washington Street
A mortgage note in the original amount of $170,000 payable to MSHA is due to mature on April 1, 2048 and is secured by residential rental property at 470 Washington Street in Bath. The note is guaranteed by BHA. The note bears interest at 5% with monthly principal and interest payments of $913 commencing May 1, 2018 through maturity. The note was paid off in connection with the sale of 470 Washington Street in 2025.

NOTE 6 – LONG-TERM DEBT (CONT'D)

MSHA – 41-43 Lincoln Street
A mortgage note in the original amount of $300,000 payable to MSHA is due to mature on February 1, 2050. 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 note bears interest at 5% with monthly payments of principal and interest of $1,610 commencing March 1, 2020 through maturity. The note was paid off in connection with the sale of 41-43 Lincoln street in 2025.

MSHA – 520 Centre Street
On April 1, the Company 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 Genesis Fund – 520 Centre Street
On August 31, 2022, the Company 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 at 520 Centre Street. The note is guaranteed by the Corporation. The loan bears interest at rate of 3.75% per annum and matures on February 28, 2024. Starting on October 1, 2022 monthly interest only payments of $1,563 are required. 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 Genesis Fund – 150 Congress Street
On May 16, 2022, the Company 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 was paid off in connection with the sale of 150 Congress Street in 2025.

Bath Savings Institution – Seacliff & Family
A mortgage note payable to 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 Seacliff & Family's real estate.

Bath Housing Authority – Seacliff & Family
A mortgage note payable to Bath Housing Authority, a related party to BHDC, 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 Seacliff & Family's real estate.

NOTE 6 – LONG-TERM DEBT (CONT'D)

M&T Bank LOC
On July 6, 2018, the Corporation entered into a line of credit agreement with M&T 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 Corporation and Bath Housing Authority. The line of credit bears variable interest of 2% plus One Month SOFR (5.79% as of December 31, 2025). Any accrued unpaid interest is due monthly, with outstanding principal due upon lender's demand.

Evernorth LOC
On November 21, 2024, the Company 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 Corporation. The line of credit bears interest at 3% per annum and is due to mature on the earlier of August 31, 2026 or the construction loan closing of the Project.

Summary long-term debt activity is as follows:

	Beginning	Additions	Deductions	Ending	Due Within One Year
MSHA - 822, 832, 842 Middle St	$ 48,745	$ -	$ (13,583)	$ 35,162	$ 14,140
City of Bath - 822, 832, 842 Middle St	103,043	-	-	103,043	-
MSHA - 806 Middle St	104,855	-	(2,872)	101,983	3,019
MSHA - 49 Elm St	67,960	-	(1,797)	66,163	1,888
MSHA - 28 Maple St	132,818	-	(3,139)	129,679	3,300
MSHA - 470 Washington St	150,653	-	(150,653)	-	-
MSHA - 41-43 Lincoln St	276,406	-	(276,406)	-	-
MSHA - 520 Centre St	6,842,227	-	-	6,842,227	-
The Genesis Fund - 520 Centre St	1,000,000	-	-	1,000,000	-
The Genesis Fund - 150 Congress St	675,000	-	(675,000)	-	-
Bath Savings Institution - Seacliff	804,539	-	(82,356)	722,183	87,323
Bath Housing Authority - Seacliff	492,740	-	(53,991)	438,749	56,190
M&T Bank LOC	207,240	124,823	-	332,063	332,063
Evernorth LOC	121,140	178,711	-	299,851	299,851
	$ 11,027,366	$ 303,534	$ (1,259,797)	$ 10,071,103	$ 797,774
			Less: Current Portion	(797,774)	
			Less: Debt Issuance Costs	(24,209)	
			Long-Term Portion	$ 9,249,120	

Annual maturities of the mortgage payable for the five years following 2025 are as follows:

2026	$ 797,774
2027	174,413
2028	1,174,408
2029	176,968
2030	186,314
Thereafter	7,561,226
	$ 10,071,103

NOTE 7 – HOUSING ASSISTANCE PAYMENTS CONTRACT

The Department of Housing and Urban Development (HUD) has contracted with the Corporation 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, 2025, annual contract rents were $965,952. For the year ended December 31, 2025, housing assistance payments, net of amounts transferred from the excess surplus cash account of $29,266, totaled $596,232.

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 year ended December 31, 2025, the Project used $29,266, to offset housing assistance payments received from HUD. As of December 31, 2025, the amount subject to recapture or to offset housing assistance payments was $349.

NOTE 8 – OPERATING LEASES

The Corporation leases parking facilities under non-cancellable operating lease agreements with unrelated parties. It also leases office space from a related entity under a non-cancellable operating lease, as further described in Note 9. These leases expire at various dates through June 2052. Future minimum lease payments under all operating leases are as follows:

2026	$	104,842
2027		104,842
2028		104,842
2029		23,650
2030		23,650
Thereafter		506,504
Total	$	868,330

NOTE 9 – TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

Developer Fees
The Corporation earns developer fees from real estate development projects. Developer fee revenue is recognized as services are performed and the related performance obligations are satisfied. Developer fees are capitalized as part of the related property development cost. Fees are established as part of the project's approved development budget and funding sources.

During the year, the Corporation earned a $270,000 developer fee related to the 520 Centre Street project. The Corporation is also developing additional projects; however, no developer fees have been earned on those projects as of year-end.

Property Management Fee
BHA acts as the management agent for properties owned by the Corporation and the Corporation incurs a management fee for services provided by BHA. Fees charged are a percentage of rental income and vary by property. For the years ended December 31, 2025 the Corporation incurred management fees totaling $332,106.

NOTE 9 – TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES (CONT'D)

Administrative and Maintenance Services
BHA provides administrative and maintenance services in connection with its duties as the management agent and as such, the Corporation reimburses BHA for its costs associated with performance of its duties and responsibilities as required under the Management Agreements. For the year ended December 31, 2025, services provided totaled $1,189,142.

Office Space
The Corporation leases office space to BHA. Effective December 2023, the lease required monthly payments of $4,429 for a three-year term through December 2026. In June 2025 the lease was terminated, and in July 2025 BHA entered into a new lease agreement for office space located at 520 Centre Street, Bath. The initial lease was for a period from July 2025 through December 2025 and automatically renews for a three-year term provided BHA is not in default under the lease terms. The lease requires monthly payments of $6,766 through December 31, 2028. For the year ended December 31, 2025, rental revenue earned by the Corporation was $67,171.

Housing Assistance Payments
BHA also provides project-based vouchers (PBV) rental assistance to BHDC properties under Housing Assistance Payments (HAP) contract established through prior HUD streamline conversions. Total PBV assistance received from BHA during the year ended December 31, 2025 totaled $788,105.

Amounts Due to/(from) Related Parties
Amounts due to related parties as of December 31, 2025, consist of the following:

	Amount	Entity
Salaries, Benefits and Administrative Services	$ 98,872	BHA
Net Related Party Payable (Receivable)	$ 98,872	

NOTE 10 – NET ASSETS WITH RESTRICTIONS

At December 31, 2025, the Corporation'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:

Subject to Expenditure for Specified Purpose:	
Miscellaneous grants	$ 587
Subject to Passage of Time:	
Affordable housing restrictions on the Anchorage, Moorings, Dike's Landing Properties	3,614,583
Net Assets with Donor Restrictions	$ 3,615,170

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 Company and the 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 Company 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 Company 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.

NOTE 12 – CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Corporation derives a significant portion of its revenues from federal, state, and local government programs that support subsidized housing, including programs administered by the U.S. Department of Housing and Urban Development (HUD). These funding sources are subject to extensive regulation and administrative oversight.

The Corporation's continued receipt of such funding is dependent upon compliance with applicable regulations and the continued availability of appropriations. Changes in laws, regulations, funding levels, or administrative requirements by Congress, HUD, or other governmental agencies could have a material impact on the Corporation's revenues and operations. Such changes may occur with limited notice and may impose additional compliance requirements or costs that are not fully reimbursed.

NOTE 13 – DATE OF MANAGEMENT'S REVIEW

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Corporation through June 15, 2026, the date which the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

BATH HOUSING DEVELOPMENT CORPORATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2025

	Bath Housing Development Corp	Seacliff Apartments	Subtotal	Eliminations	Total
ASSETS					
Current Assets					
Cash and Cash Equivalents	$ 302,893	$ 89,636	$ 392,529	$ -	$ 392,529
Investments	-	-	-	-	-
Tenant Accounts Receivable, net	3,463	1,028	4,491	-	4,491
Accounts Receivable - Grants	852,839	-	852,839	-	852,839
Accounts Receivable - Other	13,317	-	13,317	-	13,317
Prepaid Expenses	28,023	-	28,023	-	28,023
Total Current Assets	1,200,535	90,664	1,291,199	-	1,291,199
Restricted Deposits					
Tenant Security Deposits	105,507	18,945	124,452	-	124,452
Escrow Deposits	26,385	1,460	27,845	-	27,845
Replacement Reserves	213,677	564,675	778,352	-	778,352
Other Reserves	257,964	12,849	270,813	-	270,813
Total Restricted Deposits	603,533	597,929	1,201,462	-	1,201,462
Rental Property					
Buildings and Improvements	15,157,737	2,225,344	17,383,081	-	17,383,081
Site Improvements	118,194	181,868	300,062	-	300,062
Furniture and Equipment	42,020	139,255	181,275	-	181,275
Total Depreciable Assets	15,317,951	2,546,467	17,864,418	-	17,864,418
Less: Accumulated Depreciation	(1,431,085)	(994,985)	(2,426,070)	-	(2,426,070)
Net Depreciable Assets	13,886,866	1,551,482	15,438,348	-	15,438,348
Land	962,903	1,146,300	2,109,203	-	2,109,203
Construction in Progress	3,676,562	2,177	3,678,739	-	3,678,739
Total Rental Property	18,526,331	2,699,959	21,226,290	-	21,226,290
Total Assets	$ 20,330,399	$ 3,388,552	$ 23,718,951	$ -	$ 23,718,951

BATH HOUSING DEVELOPMENT CORPORATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2025

	Bath Housing Development Corp	Seacliff Apartments	Subtotal	Eliminations	Total
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accounts Payable - Operations	$ 384,788	$ 6,034	$ 390,822	$ -	$ 390,822
Accounts Payable - Related Party	82,864	16,008	98,872	-	98,872
Accrued Interest Payable	26,188	328	26,516	-	26,516
Line of Credit	631,914	-	631,914	-	631,914
Other Deposit Liabilities	-	-	-	-	-
Tenant Security Deposits	90,239	18,945	109,184	-	109,184
Unearned Revenue	274,430	35	274,465	-	274,465
Current Portion of Long Term Debt	22,347	143,513	165,860	-	165,860
Total Current Liabilities	1,512,770	184,863	1,697,633	-	1,697,633
Noncurrent Liabilities					
Long-Term Debt	8,249,270	999,850	9,249,120	-	9,249,120
Accrued Interest Payable	11,144	-	11,144	-	11,144
Total Noncurrent Liabilities	8,260,414	999,850	9,260,264	-	9,260,264
Total Liabilities	9,773,184	1,184,713	10,957,897	-	10,957,897
Net Assets					
Net Assets without Donor Restrictions	6,942,045	2,203,839	9,145,884	-	9,145,884
Net Assets with Donor Restrictions	3,615,170	-	3,615,170	-	3,615,170
Total Net Assets	10,557,215	2,203,839	12,761,054	-	12,761,054
Total Liabilities and Net Assets	$ 20,330,399	$ 3,388,552	$ 23,718,951	$ -	$ 23,718,951

BATH HOUSING DEVELOPMENT CORPORATION
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025

	BHDC Operations	Comfortably Home	Anchorage	Moorings	Dike's Landing	19 Oak St	806 Middle St	822, 832, 842 Middle St	28 Maple St	49 Elm St	470 Washington St	Lincoln St	150 Congress	80 Congress	195 / 213 Front St Parking	520 Centre St	520 Centre St - Office	Seacliff Apartments	Total
Revenue																			
Rental Revenues	$ -	$ -	$ 530,208	$ 591,036	$ 261,860	$ 72,976	$ 33,113	$ 105,148	$ 52,555	$ 31,992	$ 12,011	$ 76,449	$ 13,607	$ 26,575	$ 22,962	$ 129,458	$ 40,596	$ 269,437	$ 2,269,983
Tenant Assistance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	596,232	596,232
Contributions Revenue	74,178	78,480	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	152,658
Fees for Services	270,000																		270,000
Other Revenue	26,412	-	2,468	3,339	323	49	-	1,354	-	177	13,081	923	-	-	-	-	-	33,303	81,429
Total Revenue	370,590	78,480	532,676	594,375	262,183	73,025	33,113	106,502	52,555	32,169	25,092	77,372	13,607	26,575	22,962	129,458	40,596	898,972	3,370,302
Operating Expenses																			
Program:																			
Salaries and Benefits	-	70,852	9,887	10,687	4,810	1,337	537	2,137	537	537	399	1,605	-	-	-	4,810	-	57,438	165,573
Management Fees	-	-	63,625	70,924	31,423	7,298	3,311	12,618	5,256	3,199	1,201	7,591	272	532	459	17,005	-	107,392	332,106
Administrative	-	1,405	8,418	8,641	3,849	796	493	2,321	1,189	413	5,685	2,518	2,689	567	219	1,864	6,454	24,038	71,559
Utilities	-	-	114,749	105,051	40,333	4,590	5,817	9,179	10,418	5,650	2,827	11,195	7,122	5,112	-	39,004	-	101,092	462,139
Operating and Maintenance	-	16,888	136,750	141,631	62,936	14,226	12,034	28,460	29,282	34,494	6,776	31,498	10,737	5,447	-	44,085	34	195,452	770,730
Taxes and Insurance	-	68	45,257	37,790	17,995	12,440	2,085	6,795	2,098	2,054	2,578	5,921	10,248	52	4,186	21,043	-	71,074	241,684
General	9,054	-	(90)	-	(114)	-	(124)	5,611	2,310	-	12,956	(200)	-	-	-	-	-	29,923	59,326
Total Program	9,054	89,213	378,596	374,724	161,232	40,687	24,153	67,121	51,090	46,347	32,422	60,128	31,068	11,710	4,864	127,811	6,488	586,409	2,103,117
Management and General:																			
Supportive Salaries and Benefits	586,988	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	586,988
Bookkeeping Fees	1,609	-	10,460	11,319	5,167	1,364	932	1,996	1,000	781	516	1,574	1,166	935	413	564	-	-	39,796
Administrative	9,760	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,760
Operating and Maintenance	2,100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,100
Taxes and Insurance	3,383	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,383
Total Management and General	603,840	-	10,460	11,319	5,167	1,364	932	1,996	1,000	781	516	1,574	1,166	935	413	564	-	-	642,027
Total Operating Expenses	612,894	89,213	389,056	386,043	166,399	42,051	25,085	69,117	52,090	47,128	32,938	61,702	32,234	12,645	5,277	128,375	6,488	586,409	2,745,144
Change in Net Assets from Operations	(242,304)	(10,733)	143,620	208,332	95,784	30,974	8,028	37,385	465	(14,959)	(7,846)	15,670	(18,627)	13,930	17,685	1,083	34,108	312,563	625,158
Other Income (Expenses)																			
Capital Grant Income	3,576,473	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,576,473
Interest Income	30,707	-	-	-	-	-	-	-	-	-	-	-	-	-	-	48,402	-	18,447	97,556
Gain on Sale of Assets	-	-	-	-	-	-	-	-	-	-	45,377	(166,640)	259,656	-	-	-	-	-	138,393
Program:																			
Interest Expense	(7,565)	-	-	-	-	-	(5,176)	(1,663)	(6,522)	(3,350)	(3,729)	(13,217)	(29,362)	-	-	(111,295)	(19,873)	(66,261)	(268,013)
Depreciation Expense	-	-	(36,674)	(56,903)	(20,569)	(18,370)	(7,819)	(24,614)	(10,632)	(4,905)	(3,457)	(15,634)	(8,915)	-	-	(108,234)	-	(87,653)	(404,379)
Management and General:																			
Depreciation Expense	(5,968)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,968)
Total Other Income (Expenses)	3,593,647	-	(36,674)	(56,903)	(20,569)	(18,370)	(12,995)	(26,277)	(17,154)	(8,255)	38,191	(195,491)	221,379	-	-	(171,127)	(19,873)	(135,467)	3,134,062
Change in Net Assets	3,351,343	(10,733)	106,946	151,429	75,215	12,604	(4,967)	11,108	(16,689)	(23,214)	30,345	(179,821)	202,752	13,930	17,685	(170,044)	14,235	177,096	3,759,220

INDEPENDENT AUDITOR'S 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*

Board of Directors
Bath Housing Development Corporation

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Bath Housing Development Corporation and its subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2025, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated June 15, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bath Housing Development Corporation'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bath Housing Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Bath Housing Development Corporation'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 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.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bath Housing Development Corporation'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 determination of financial statement amounts. 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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting 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 over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

Geel LLP

Geel LLP
Certified Public Accountants

Bristol, Connecticut
June 15, 2026

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Board of Directors
Bath Housing Development Corporation

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Bath Housing Development Corporation's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Bath Housing Development Corporation's major federal programs for the year ended December 31, 2025. Bath Housing Development Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Bath Housing Development Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2025.

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; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Bath Housing Development Corporation and to meet our other ethical responsibilities, in accordance with 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 Bath Housing Development Corporation'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 Bath Housing Development Corporation's federal programs.

Auditor's 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 Bath Housing Development Corporation'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 generally accepted auditing standards, *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 Bath Housing Development Corporation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Bath Housing Development Corporation'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 Bath Housing Development Corporation'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 Bath Housing Development Corporation'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.

Report on Internal Control over Compliance

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.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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.

Geel LLP

Geel LLP
Certified Public Accountants

Bristol, Connecticut
June 15, 2026

BATH HOUSING DEVELOPMENT CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2025

Federal Grantor / Passthrough Entity / Program Title	Assistance Listing Number	Pass-Through Identification Number	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)			
Direct Programs			
Project-Based Rental Assistance (PBRA)	14.195	--	$ 596,232
Total Section 8 Project-Based Cluster			596,232
Economic Development Initiative, Community Project Funding, and Miscellaneous Grants	14.251	--	2,773,797
Total Direct Programs			3,370,029
Pass-Through the State of Maine			
Community Development Block Grant	14.228	2025/2026	802,676
Total Expenditures of Federal Awards			$ 4,172,705

The accompanying notes are an integral part of this schedule.

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Corporation, under programs of the federal government for the year ended December 31, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Corporation, it is not intended to and does not present the financial position, change in net positions, or cash flows of the Corporation.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance*,* wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

(3) The Authority has not elected to use the 15 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C – PROGRAM COST

The amounts presented as federal expenditures represent only the federal portion of the actual program costs. Actual program costs, including the Corporation’s portion, may be more than is shown on the schedule.

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:				
• Material weaknesses identified?	______	Yes	X	No
• Significant deficiencies identified?	______	Yes	X	None Reported
Noncompliance material to financial statements noted?	______	Yes	X	No

Federal Awards

Internal control over major programs:				
• Material weaknesses identified?	______	Yes	X	No
• Significant deficiencies identified?	______	Yes	X	None Reported
Type of auditor's report issued on compliance for major federal programs:	**Unmodified**			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	______	Yes	X	No

Identification of major federal programs:

Assistance Listing Number(s)	Name of federal program or cluster
14.251	Economic Development Initiative, Community Project Funding and Miscellaneous Grants

Dollar threshold used to distinguish between type A and type B programs:	$ 1,000,000			
Auditee qualified as a low-risk auditee?	X	Yes	______	No

II. Financial Statement Findings

None Reported.

III. Federal Awards Findings

None Reported.

2024-001 – Eligibility – Section 8 Project Based Cluster – 14.195

Statement of Condition and Criteria

The prior audit identified documentation deficiencies within annual re-examinations. Exceptions included missing verification documents, reliance on self-certification of pension income without documenting attempts to obtain third-party verification, and one instance in which the incorrect pension amount was used despite adequate documentation being present. These issues were attributed to weaknesses in document retention procedures.

Recommendation

It was recommended that the Corporation implement a quality control review process to ensure that required verification documents are retained and that income determinations are supported by appropriate third-party documentation in accordance with HUD requirements.

Status

Corrective action taken.