SEPP MANAGEMENT COMPANY, INC. AND
SEPP, INC. AND SUBSIDIARIES

Combined Financial Statements
and Supplemental Information

June 30, 2024

(With Independent Auditors' Report Thereon)

SEPP MANAGEMENT COMPANY, INC. AND
SEPP, INC. AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
SEPP Management Company, Inc. and SEPP, Inc.:

Report on the Audit of the Combined Financial Statements

Opinion

We have audited the accompanying combined financial statements of the SEPP Management Company, Inc. and SEPP, Inc. and Subsidiaries (collectively, referred to as the Organization), which comprise the combined statement of financial position as of June 30, 2024, and the related combined statement of activities and cash flows for the year then ended, and the related notes to combined financial statements.

In our opinion, the combined financial statements present fairly, in all material respects, the financial position of SEPP Management Company, Inc. and SEPP, Inc. and Subsidiaries as of June 30, 2024, 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 audit 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 Auditors' Responsibilities for the Audit of the Combined 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.

Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined 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 within one year after the date that the combined financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined 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 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 combined 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 combined 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 combined 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 combined 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.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplemental information included in Schedules 1 through 5 are presented for purposes of additional analysis and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the combined 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 October 23, 2024, 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.

EFPR Group, CPAs, PLLC

Williamsville, New York
October 23, 2024

SEPP MANAGEMENT COMPANY, INC. AND
SEPP, INC. AND SUBSIDIARIES
Combined Statement of Financial Position
June 30, 2024
with comparative totals for 2023

Assets	SEPP, Inc. and Subsidiaries	SEPP Management Company, Inc.	Eliminations	Total 2024	Total 2023 (As restated)
Current assets:					
Cash - general operating	$ 893,521	582,318	-	1,475,839	1,261,035
Investments	2,008,495	321,208	-	2,329,703	2,173,843
Receivables	21,212	114,759	(60,352)	75,619	41,966
Inventory	-	13,511	-	13,511	12,435
Prepaid expenses	156,944	1,084	(31,000)	127,028	61,984
Total current assets	3,080,172	1,032,880	(91,352)	4,021,700	3,551,263
Notes receivable - related parties, less allowance of $900,000 in 2024 and 2023	285,500	-	-	285,500	285,500
Restricted deposits:					
Tenants' security deposits	139,558	-	-	139,558	134,429
Tax and insurance escrow	183,361	-	-	183,361	228,534
Operating reserve	302,756	-	-	302,756	295,953
Mortgage insurance premium escrow	12,299	-	-	12,299	14,230
Reserve for replacements	1,165,896	-	-	1,165,896	922,234
Residual receipts	1,119,952	-	-	1,119,952	943,197
Total restricted deposits	2,923,822	-	-	2,923,822	2,538,577
Property and equipment, at cost:					
Land	610,216	-	-	610,216	602,916
Buildings and improvements	25,871,465	368,345	-	26,239,810	23,892,104
Furniture and equipment	1,855,479	234,554	-	2,090,033	1,952,605
Vehicles	18,336	52,033	-	70,369	47,622
Construction in progress	-	-	-	-	76,347
	28,355,496	654,932	-	29,010,428	26,571,594
Less accumulated depreciation	(19,370,030)	(476,155)	-	(19,846,185)	(19,178,300)
Net property and equipment	8,985,466	178,777	-	9,164,243	7,393,294
Other asset - investment in 333 Grande Avenue LLC	800,000	-	-	800,000	-
Total assets	$16,074,960	1,211,657	(91,352)	17,195,265	13,768,634

(Continued)

See accompanying notes to combined financial statements.

SEPP MANAGEMENT COMPANY, INC. AND
SEPP, INC. AND SUBSIDIARIES
Combined Statement of Financial Position, Continued

Liabilities and Net Assets	SEPP, Inc. and Subsidiaries	SEPP Management Company, Inc.	Eliminations	Total 2024	Total 2023 (As restated)
Current liabilities:					
Accounts payable	$ 173,158	56,857	(60,352)	169,663	155,322
Accrued expenses	102,465	72,222	-	174,687	197,771
Deferred revenue	-	31,000	(31,000)	-	-
Current installments of mortgages payable	183,553	-	-	183,553	165,277
Total current liabilities	459,176	160,079	(91,352)	527,903	518,370
Tenants' security deposits	139,558	-	-	139,558	134,429
Mortgages payable, excluding current installments	9,354,256	-	-	9,354,256	9,436,112
Debt issuance costs	(44,687)	-	-	(44,687)	(46,624)
Mortgages payable, excluding current installments and unamortized debt issuance costs	9,309,569	-	-	9,309,569	9,389,488
Total liabilities	9,908,303	160,079	(91,352)	9,977,030	10,042,287
Net assets without donor restrictions	6,166,657	1,051,578	-	7,218,235	3,726,347
Total liabilities and net assets	$16,074,960	1,211,657	(91,352)	17,195,265	13,768,634

See accompanying notes to combined financial statements.

SEPP MANAGEMENT COMPANY, INC. AND
SEPP, INC. AND SUBSIDIARIES
Combined Statement of Activities
Year ended June 30, 2024
with comparative totals for 2023

	SEPP, Inc. and Subsidiaries	SEPP Management Company, Inc.	Eliminations	Total 2024	Total 2023 (As restated)
Revenue:					
Contributions	$ 891,153	147,813	(121,785)	917,181	91,324
Rental revenue	3,369,095	8,359	-	3,377,454	3,188,382
Management fees	-	428,618	(242,205)	186,413	155,684
Laundry and exterminating income	14,458	65,091	(11,349)	68,200	68,209
Return to owner	104,038	-	-	104,038	8,473
Investment income	146,785	21,233	-	168,018	86,581
Other revenue	322,250	187,069	-	509,319	257,739
Total revenue	4,847,779	858,183	(375,339)	5,330,623	3,856,392
Expenses:					
Administrative	1,027,432	662,099	(375,339)	1,314,192	1,305,137
Utilities	249,354	6,912	-	256,266	247,094
Maintenance and operating	759,329	9,948	-	769,277	732,056
Taxes and insurance	236,030	14,924	-	250,954	222,300
Financial	248,994	-	-	248,994	278,878
Other	-	13,900	-	13,900	13,738
Total expenses	2,521,139	707,783	(375,339)	2,853,583	2,799,203
Change in net assets (deficit) before depreciation	2,326,640	150,400	-	2,477,040	1,057,189
Depreciation	(654,237)	(19,775)	-	(674,012)	(609,088)
Change in net assets (deficit) without donor restrictions	1,672,403	130,625	-	1,803,028	448,101
Capital contributions	1,688,860	-	-	1,688,860	-
Net assets (deficit) without donor restrictions at beginning of year	2,805,394	920,953	-	3,726,347	3,278,246
Net assets without donor restrictions at end of year	$ 6,166,657	1,051,578	-	7,218,235	3,726,347

See accompanying notes to combined financial statements.

SEPP MANAGEMENT COMPANY, INC. AND
SEPP, INC. AND SUBSIDIARIES
Combined Statement of Cash Flows
Year ended June 30, 2024
with comparative totals for 2023

	2024	2023 (As restated)
Cash flows from operating activities:		
Change in net assets without donor restrictions	$ 1,803,028	448,101
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation	674,012	609,088
Amortization of debt issuance costs	1,937	9,659
Unrealized and realized gain on investments	(12,505)	(42,281)
Loss on sale of property and equipment	-	1,890
Changes in:		
Receivables	(33,653)	189,576
Inventory	(1,076)	(1,590)
Prepaid expenses	(65,044)	22,599
Accounts payable	14,341	(124,722)
Accrued expenses	(23,084)	(9,279)
Net cash provided by operating activities	2,357,956	1,103,041
Cash flows from investing activities:		
Purchase of investments	(143,355)	(992,262)
Additions to property and equipment	(2,444,961)	(628,849)
Increase in investment in LLC	(800,000)	-
Net cash used in investing activities	(3,388,316)	(1,621,111)
Cash flows from financing activities:		
Proceeds from mortgages payable	-	522,103
Repayment of mortgages payable	(63,580)	(446,964)
Capital contributions	1,688,860	-
Net cash provided by financing activities	1,625,280	75,139
Net change in cash and equivalents	594,920	(442,931)
Cash and equivalents at beginning of year	3,665,183	4,108,114
Cash and equivalents at end of year	$ 4,260,103	3,665,183

(Continued)

See accompanying notes to combined financial statements.

SEPP MANAGEMENT COMPANY, INC. AND
SEPP, INC. AND SUBSIDIARIES
Combined Statement of Cash Flows Continued

	2024	2023
Supplemental schedule of cash flow information:		
Cash paid during the year for interest	$ 229,660	226,271
Classification of cash and equivalents:		
Operations	1,475,839	1,261,035
Tax and insurance escrow	183,361	228,534
Operating reserve	302,756	295,953
Mortgage insurance premium escrow	12,299	14,230
Reserve for replacements	1,165,896	922,234
Residual receipts	1,119,952	943,197
	$ 4,260,103	3,665,183

See accompanying notes to combined financial statements.

(1) Summary of Significant Accounting Policies

(a) Organization

The Organization is composed of affiliated entities which are described as follows:

SEPP, Inc. - SEPP, Inc. is a not-for-profit neighborhood preservation agency established to promote revitalization activities in designated neighborhoods in New York State, to provide funding in the form of grants, and to provide technical assistance.

SEPP Management Company, Inc. - SEPP Management Company, Inc. serves as the managing agent for twelve housing projects. SEPP Management Company, Inc. is related to SEPP, Inc. through common directors.

Marian Apartments - Marian Apartments (Marian) is a corporation formed to acquire an interest in real property located in Endwell, New York and to construct and operate thereon an apartment complex of 102 units. Marian is operated under Section 231 of the National Housing Act and regulated by the U.S. Department of Housing and Urban Development (HUD) with respect to rental charges and operating methods. Marian is wholly owned by SEPP, Inc.

SEPP Rural Elderly Housing, Inc. d/b/a Whitney Point Apartments - SEPP Rural Elderly Housing, Inc. d/b/a Whitney Point Apartments (Whitney) was organized in 1990 to develop, construct, own, maintain and operate a 24-unit rental housing project for persons of low and moderate income. The major activities of Whitney are governed by Rural Development (RD). Whitney is related to the Organization through common directors.

SEPP Housing Development Fund Corporation d/b/a Wells Apartments - SEPP Housing Development Fund Corporation d/b/a Wells Apartments (Wells) was formed on July 27, 1987 as a not-for-profit corporation to acquire an interest in real property located in Johnson City, New York and to construct and operate thereon an apartment complex of 50 units. The project is operated under Section 202 of the National Housing Act and regulated by HUD with respect to rental charges and operating methods. Wells is related to the Organization through common directors.

Creamery Hills, L.P. - Creamery Hills, L.P. (Creamery) was organized in 1996 as a limited partnership to own, develop, rehabilitate, maintain and operate a 24-unit rental housing project for persons of low and moderate income. The project is located in the Town of Harford, New York. The major activities of Creamery are governed by the partnership agreement and New York State Division of Housing and Community Renewal (DHCR). Creamery is wholly owned by SEPP, Inc.

(1) Summary of Significant Accounting Policies, Continued

(a) Organization, Continued

Cardinal Cove, L.P. - Cardinal Cove, L.P. (Cardinal Cove) was organized in 2015 as a limited partnership to own, develop, rehabilitate, maintain and operate a 50-unit rental project for persons of low and moderate income. The project is located in the Town of Union, New York. SEPP Cardinal Cove, Inc. is one of the general partners in Cardinal Cove. SEPP Cardinal Cove, Inc. is wholly owned by SEPP, Inc.

Watkins Glen Apartments Company I, L.P. - Watkins Glen Apartments Company I, L.P. (Watkins Glen) was organized in 2015 as a limited partnership to own, develop, rehabilitate, maintain and operate a 51-unit rental project for persons of low and moderate income. The project is located in the Village of Watkins Glen, New York. SEPP Watkins Glen, Inc. is one of the general partners in Watkins Glen. SEPP Watkins Glen, Inc. is wholly owned by SEPP, Inc.

Nichols Notch Apartments Company I, L.P. - Nichols Notch Apartments Company I, L.P. (Nichols Notch) was organized in 2002 as a limited partnership to develop, construct, own, maintain and operate a 57-unit rental housing project for persons of low and moderate income. The project is located in the Village of Endicott, New York and is currently known as Nichols Notch Apartments. The major activities of Nichols Notch are governed by the partnership agreement and New York State Housing Trust Fund Corporation (HTFC). Nichols Notch is wholly owned by SEPP, Inc.

Windsor Housing Company I, L.P. - Windsor Housing Company I, L.P. (Windsor Housing) was organized in 1997 as a limited partnership to develop, construct, own, maintain and operate a 24-unit rental housing project for persons of low and moderate income pursuant to Sections 515(b) and 521 of the Housing Act of 1949, as amended, and Article XVII-A of the New York State Private Housing Financing Law which provides for interest and rental subsidies. The project is located in Windsor, New York and is currently known as Windsor Woods Apartments. The major activities of Windsor Housing are governed by the partnership agreement, RD and HTFC. Windsor Housing is 100% owned by SEPP, Inc.

Hamilton House Apartments Company I, L.P. - Hamilton House Apartments Company I, L.P. (Hamilton House) was organized in 1998 as a limited partnership to develop, construct, own, maintain and operate a 37-unit rental housing project for persons of low and moderate income. The project is located in Binghamton, New York and is currently known as Hamilton House Apartments. The major activities of the Partnership are governed by the partnership agreement and HTFC. Hamilton House is 100% owned by SEPP, Inc.

(1) Summary of Significant Accounting Policies, Continued

(a) Organization, Continued

Harry L. Apartments Company I, L.P. - Harry L. Apartments Company I, L.P. (Harry L) was organized in 2007 as a limited partnership to develop, construct, own, maintain and operate a 60-unit rental housing project for persons of low and moderate income. The project is located in the Village of Johnson City, New York and is currently referred to as Harry L. Apartments. The major activities of the Partnership are governed by the partnership agreement and HTFC. SEPP Harry L., Inc. is the general partner of Harry L. As of December 31, 2023, Harry L is 100% owned by SEPP, Inc.

Fairmont Park Apartments, L.P. - Fairmont Park Apartments, L.P. (Fairmont Park) was organized in June 2020 as a limited partnership to own, develop, rehabilitate, maintain and operate a 34-unit rental project for persons of low and moderate income. The project is located in the Town of Union. SEPP Fairmont Park, Inc. is one of the general partners in Fairmont Park. SEPP Fairmont Park, Inc. is wholly owned by SEPP, Inc.

333 Grande Avenue LLC - 333 Grande Avenue LLC (Grande Avenue) was organized in New York State as a limited liability company to own, develop, maintain and operate a 72-unit rental project. SEPP Grand Avenue Corp. is a 50% owner of the .01% managing member (333 Grand Avenue Managers LLC). SEPP Grand Avenue Corp. is wholly owned by SEPP, Inc.

(b) Principles of Combination

The accompanying combined financial statements reflect the combination of the individual financial statements (collectively, the Organization). All significant intercompany accounts and transactions have been eliminated in the combination. The year end of Creamery Hills, L.P, Nichols Notch Apartments Company I, L.P, Windsor Housing Company I, L.P and Hamilton House Apartments I, L.P. is December 31. The financial information as of December 31, 2023 is combined in these financial statements. Management has determined that the effects of the difference in year end is immaterial.

(c) Basis of Accounting

The combined financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(d) Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions represents resources available for the general support of the Organization’s activities. Net assets with donor restrictions are those whose use has been limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled by actions of the Organization. The Organization had only net assets without donor restrictions in 2024 and 2023.

(1) Summary of Significant Accounting Policies, Continued

(e) Estimates

The preparation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(f) Cash and Equivalents

For purposes of the combined statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

(g) Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash accounts in financial institutions. The Organization maintains financial instruments at financial institutions which periodically may exceed federally insured limits. At June 30, 2024 and 2023, the Organization had $334,292 and $186,856, respectively, in excess of the federally insured limits. These balances do not reflect the funds held by the bank for the Organization’s escrow accounts.

(h) Receivables and Bad Debts

The Organization’s accounts receivable are primarily derived from rental income. At each combined statement of financial position date, the Organization recognizes an expected allowance for credit losses. This estimate is calculated on a pooled basis where similar characteristics exist and individually when there are no shared characteristics.

The allowance method is derived from a review of the Organization’s historical losses based on an aging of receivables. Historical losses have been consistent. This estimate is adjusted for management’s assessment of current conditions, forecasts of future events, and other factors deemed relevant risk factors. As a result, management has determined that the allowance for credit losses is adequate.

The Organization writes off receivables when there is information that indicates that there is no possibility of collection. If any recoveries are made from any accounts receivable previously written off, they will be recognized in revenue. There were no write-offs for the years ended June 30, 2024 and 2023.

(i) Investments

Investments are reported at their fair values based on quoted market prices. Realized and unrealized gains and losses are included in the combined statement of activities as changes in net assets without donor restrictions.

(j) Inventory

Inventories of supplies (appliances) are stated at the lower of cost or market.

(1) Summary of Significant Accounting Policies, Continued

(k) Capitalization and Depreciation

Property and equipment are recorded at cost or fair market value at the date of the gift in the case of donated equipment. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of equipment are recorded as unrestricted support. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property and equipment, the appropriate property and equipment accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the combined statement of activities.

(l) Long-Lived Assets

The Organization reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. For assets held and used, if the undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts, an impairment loss has occurred. The amount of the impairment loss is equal to the asset’s carrying value over its estimated fair value. At June 30, 2024 and 2023, no impairment loss has been recognized by the Organization.

(m) Debt Issuance Costs

Debt issuance costs, which represent the cost of obtaining certain financing, net of accumulated amortization, are being amortized on the straight-line method over the term of the debt and are reported as a direct deduction from the face amount of the mortgage payable to which such costs relate. Amortization expense amounted to $2,613 and $9,659 for the years ended June 30, 2024 and 2023, respectively, and is included as a component of interest expense on the combined statement of activities.

(n) Rental Income

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Organization and the tenants of the property are short-term operating leases.

(o) Promises to Give

Contributions are recognized when the donor makes an unconditional promise to give to the Organization. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

(1) Summary of Significant Accounting Policies, Continued

(p) Contracts with Customers

Under Accounting Standards Update (ASU) No. 2014-09 (Topic 606) - Revenue from Contracts with Customers, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for these goods or services. The Organization utilizes a five-step framework as identified in ASU No. 2014-09. The primary sources of revenue from contracts with customers for the Organization are as follows:

Program revenue consists of owners investment, fees for service, and property management fees. Program revenue consist of a single performance obligation and are recognized over time using the straight line method on a monthly basis as the service is performed.

Management fees consist of a single performance obligation and are recognized over time using the straight line method on a monthly basis as the service is performed.

Factors that could impact the nature, amount, timing and uncertainty of revenue or cash flow of the Organization include vacancies and staffing. Revenue from contracts with customers received in advance are deferred and recognized once earned. Revenue from contracts with customers are generally nonrefundable, billed monthly and payment is typically due within 30 days of the invoice date.

Billings, cash collections and timing of revenue recognition can result in contract assets and liabilities on the consolidated statements of financial position. The Organization can receive payments from customers before revenue is recognized, resulting in deferred revenue. These amounts are liquidated when revenue is recognized.

Receivables from contracts with customers was as follows at June 30:

	2024	2023	2022
Receivables	$ 36,755	25,717	19,861

(q) Subsequent Events

The Organization has evaluated subsequent events through the date of the report which is the date the combined financial statements were available to be issued.

(1) Summary of Significant Accounting Policies, Continued

(r) Income Taxes

SEPP Management Company, Inc., SEPP, Inc., Marian Apartments, SEPP Housing Development Fund Corporation and SEPP Rural Elderly Housing, Inc. are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code); therefore, no provision for income taxes is reflected in the combined financial statements. The Organizations have been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. The Organizations presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that the Organizations have taken no uncertain tax positions that require adjustment in its combined financial statements. U.S. Forms 990 filed by the Organizations are subject to examination by taxing authorities.

SEPP Harry L., Inc., Creamery Hills, Inc., SEPP Nichols, Inc., SEPP Cardinal Cove, Inc., SEPP Watkins Glen, Inc., and SEPP Fairmont Park, Inc. are for profit entities subject to federal and state income taxes on net income. These entities adopted the accounting standard regarding "Accounting for Uncertain Tax Positions." This standard provides detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in the entities' financial statements. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. The adoption of this standard had no material effect on the entities' financial position, results of operations, or cash flows.

Creamery Hills, L.P., Nichols Notch Apartments Company I, L.P., Windsor Housing Company I, L.P. and Hamilton House Apartments Company I, L.P. have elected to be treated as a pass-through entity for income tax purposes and, as such, are not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its owners on their respective income tax returns. Their federal tax status as a pass-through entity is based on their legal status as partnerships. Accordingly, Creamery Hills, L.P., Nichols Notch Apartments Company I, L.P., Windsor Housing Company I, L.P. and Hamilton House Apartments Company I, L.P. are not required to take any tax positions in order to qualify as a pass-through entity. Creamery Hills, L.P., Nichols Notch Apartments Company I, L.P., Windsor Housing Company I, L.P. and Hamilton House Apartments Company I, L.P. are required to file and do file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these combined financial statements do not reflect a provision for income taxes and Creamery Hills, L.P., Nichols Notch Apartments Company I, L.P., Windsor Housing Company I, L.P. and Hamilton House Apartments Company I, L.P. have no other tax positions which must be considered for disclosure.

(1) Summary of Significant Accounting Policies, Continued

(s) Reclassifications

Reclassifications have been made to certain 2023 balances in order to conform them to the 2024 presentation.

(2) Liquidity

The Organization has $1,551,458 of financial assets available within one year of the combined statement of financial position date to meet cash needs for general expenditures, consisting of $1,475,839 of cash - general operating and $75,619 of receivables. None of these financial assets are subject to donor or contractual restrictions that make them unavailable for general expenditure within one year of the 2024 combined statement of financial position. Additionally, the Organization has available $2,329,703 in investments at June 30, 2024, however, use of the investments for operating purposes is subject to approval by the Board of Directors. As more fully described in note 7, the Organization has a line of credit of $50,000, which can be drawn upon in the event of an unanticipated liquidity need.

(3) Notes Receivable - Related Parties

Notes receivable - related parties at June 30, 2024 and 2023 consist of the following:

	2024	2023
A non-interest bearing note receivable from SEPP Development Corporation. Payment on the outstanding balance shall be due upon demand.	$ 285,500	285,500
1% note receivable from Watkins Glen. Payment of the outstanding principal balance and accrued interest, shall be due March 1, 2047.	900,000	900,000
	1,185,500	1,185,500
Less allowance for doubtful accounts	(900,000)	(900,000)
Total notes receivable - related parties	$ 285,500	285,500

(4) Investments

The following tables set forth the Organization's investments at fair value by level type, within the fair value hierarchy, as of June 30, 2024 and 2023.

	2024			
	Level 1	Level 2	Level 3	Total
Cash and equivalents	$ 750,650	-	-	750,650
U.S. Government securities	71,084	-	-	71,084
Common stocks	1,089,654	-	-	1,089,654
Corporate fixed income	-	314,662	-	314,662
Mutual funds	103,653	-	-	103,653
	$ 2,015,041	314,662	-	2,329,703

	2023			
	Level 1	Level 2	Level 3	Total
Cash and equivalents	$ 993,184	-	-	993,184
U.S. Government securities	101,107	-	-	101,107
Common stocks	624,930	-	-	624,930
Corporate fixed income	-	50,274	-	50,274
Mutual funds	404,348	-	-	404,348
	$ 2,123,569	50,274	-	2,173,843

Financial Instruments

Investments in marketable securities at June 30, 2024 and 2023 are stated at fair value. In accordance with the policy of carrying investments at fair value, the change in the net unrealized appreciation or depreciation is included in the combined statement of activities. A summary of investment income for the years ended June 30, 2024 and 2023 is as follows:

	2024	2023
Interest and dividends	$ 180,523	44,300
Realized gain on investments	37,643	3,577
Unrealized gain (loss) on investments	(50,148)	38,704
Total investment income	$ 168,018	86,581

Fair Value Measurements

A framework has been established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

(4) Investments, Continued

Fair Value Measurements, Continued

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2024 and 2023.

- Common stocks - Valued at the closing price reported on the active market on which the individual securities are traded.
- Corporate Fixed Income - Valued at the daily closing price as reported on the active market on which the individual bonds are listed.
- Mutual funds - Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.
- U.S. Government securities - Valued using pricing models maximizing the use of observable inputs for similar securities.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

(5) Investment in Partnerships/ Limited Liability Companies

SEPP Harry L., Inc. is the general partner of Harry L. (0.01%). SEPP Cardinal Cove, Inc. is one of the general partners of Cardinal Cove (0.0051%), SEPP Watkins Glen, Inc. is one of the general partners in Watkins Glen (0.0051%). SEPP Fairmont Park, Inc. is one of the general partners in Fairmont Park Apartments L.P. (.0051%). SEPP Grand Avenue Corp. is a 50% owner of the managing member of Grande Avenue (0.005%). SEPP Harry L., Inc., SEPP Cardinal Cove, Inc., SEPP Watkins Glen, Inc. and SEPP Fairmont Park, Inc. have the same Board members as SEPP Management Co., Inc. These investments have been recorded using the equity method of accounting. Under the equity method, the investment in Harry L. Apartments Company I, L.P., Cardinal Cove, Watkins Glen and Fairmont Park has been reduced to zero. The Organization discontinues recording its share of losses in the partnership once its investment in the partnerships is reduced to zero. Grande Avenue was under construction at June 30, 2024. As of December 31, 2023, Harry L Apartments Company I, L.P. is 100% owned by SEPP, Inc.

The financial position as of December 31, 2023 and results of operations of the partnerships for the year ended December 31, 2023 are summarized as follows:

		Harry L. Apartments Company I, L.P.	Cardinal Cove, L.P.	Watkins Glen Apartments Company I, L.P.	Fairmont Park Apartments L.P.
Current assets	$	50,896	96,755	56,717	81,754
Current liabilities		(43,535)	(158,618)	(148,234)	(25,631)
Working capital		7,361	(61,863)	(91,517)	56,123
Restricted deposits		363,446	329,568	257,723	315,652
Property and equipment, net		5,586,233	9,309,081	10,709,465	9,883,298
Other assets		-	35,000	25,000	35,000
Long-term debt		(2,335,174)	(6,399,352)	(4,487,070)	(4,519,199)
Other liabilities		(30,902)	(26,526)	(28,289)	(43,593)
Partners' equity	$	3,590,964	3,185,908	6,385,312	5,727,281
Gross income	$	475,701	360,529	439,981	288,465
Net loss	$	(163,042)	(343,066)	(386,709)	(363,460)

(6) Mortgages Payable

Mortgages payable at June 30, 2024 and 2023 are summarized as follows:

	2024	2023
Whitney Point Apartments is financed by a 50-year mortgage payable to RD. The Corporation has entered into an interest subsidy agreement with RD which effectively reduces the interest rate to approximately 1% over the term of the loan. The 8.75% mortgage is payable in monthly installments of $7,051, net of the interest subsidy, through the year 2040. During 2024 and 2023, the interest subsidy payments of $60,111, have been treated as a reduction of interest expense. The apartment project is pledged as collateral for the mortgage.	$ 722,031	742,472
Creamery is financed by a 5.75% thirty-year mortgage payable to CPC in the original amount of $625,000 dated September 21, 2023. The apartment project is pledged as collateral for the mortgage.	623,692	522,103
Wells is indebted under a mortgage loan agreement in the original amount of $2,246,900 under a HUD-insured loan agreement which bears interest at 4.35%. The note is secured by deeds of trust on the property and equipment and was payable in level monthly installments (principle and interest) of $10,426 through June 2049. The original mortgage loan agreement was modified by the lender and approved by HUD on February 1, 2020. The interest rate was reduced to 3.98% and effective March 1, 2020, the note is payable in level monthly installments (principle and interest) of $9,981 through June 2049.	1,898,584	1,941,855
Marian is financed by a mortgage payable to Midland Loan with an original balance of $1,974,000 payable in monthly installments of $13,360 including principal and interest at a rate of 6.22% through year 2031.	950,541	1,048,404

(6) Mortgages Payable, Continued

	2024	2023
Nichols Notch is financed by a 1% mortgage note payable to HTFC. The entire principal balance is due and payable in full on June 4, 2034, the thirtieth anniversary of the date of execution of the mortgage note. Interest is payable annually and shall be paid from excess income as defined in the regulatory agreement. Accrued interest amounted to $20,000 at December 31, 2023 and 2022.	$ 2,000,000	2,000,000
Nichols Notch is obligated under the terms of a note from SEPP, Inc. (FHLB loan). The lender has provided the note under the terms of the Affordable Housing Program (AHP) Direct Subsidy Agreement with the Federal Home Loan Bank of New York and M&T Bank. The note is non-interest bearing.	614,399	614,399
Windsor Housing original thirty-year first mortgage note is payable to RD in the amount of $284,420, with interest at the rate of 7.25%. The Partnership has entered into an interest subsidy agreement with RD which effectively reduces the interest rate to approximately 1% over the term of the loan. The mortgage is payable in monthly installments (calculated based on an amortization period of thirty-six years) of $603, net of the interest subsidy, through the year 2033, at which time the entire unpaid interest and principal is due and payable in full. During 2023 and 2022, the interest subsidy payments of $13,955 have been treated as a reduction of interest expense.	240,528	244,122
Windsor Housing original second mortgage note is payable to HTFC, with interest at the rate of 1%. The entire balance is due and payable in full in January 2047, the fiftieth anniversary of the date of execution of the mortgage note. Interest is payable annually and shall be paid from excess income prior to distribution of any return of equity, each as defined in the regulatory agreement. There was no accrued interest payable at December 31, 2023 and 2022.	718,187	718,187

(6) Mortgages Payable, Continued

		2024	2023
Hamilton House is financed by a 1% mortgage payable to HTFC. The entire principal balance is due and payable in full on December 18, 2030, the thirtieth anniversary of the date of execution of the mortgage note. Interest is payable annually and shall be paid from excess income as defined in the regulatory agreement. Accrued interest amounted to $70,354 and $92,190 at December 31, 2023 and 2022.	$	1,769,847	1,769,847
Mortgages payable		9,537,809	9,601,389
Less current installments		(183,553)	(165,277)
Mortgages payable, excluding current installments		9,354,256	9,436,112
Less unamortized debt issuance costs		(44,687)	(46,624)
Mortgages payable, excluding current installments and unamortized debt issuance costs	$	9,309,569	9,389,488

The aggregate maturity of the mortgages payable for the five years following June 30, 2024 and thereafter is as follows:

2025	$	183,553
2026		194,850
2027		206,882
2028		222,299
2029		236,167
Thereafter		8,494,058
	$	9,537,809

(7) Line of Credit

SEPP, Inc. has available a bank line of credit up to $50,000. At June 30, 2024 and 2023, there was no outstanding balance on this line of credit. Interest on the line of credit is at prime plus 1.75% (10.25% at June 30, 2024).

(8) Functional Expenses

The Organization is a neighborhood preservation agency that promotes revitalization activities in designed neighborhoods. The Organization also serves as the managing agent for twelve housing projects. All expenses related to providing these services have been allocated to program services with the exception of certain components within administrative and taxes and insurance expense. Salaries and benefits are allocated among program and support services based on time and effort. Office and miscellaneous expenses are allocated based on direct usage. The allocation of expenses on a functional basis for the years ended June 30, 2024 and 2023 is as follows:

	2024	2023
Program services:		
Utilities	$ 256,266	247,094
Maintenance and operating	769,277	732,056
Financial	248,994	278,878
Taxes and insurance	250,954	222,300
Other	13,900	13,738
Depreciation	674,012	609,088
Total program services	2,213,403	2,103,154
Support services - management and general activities - administrative	1,314,192	1,305,137
Total expenses	$ 3,527,595	3,408,291

(9) Related Parties Transactions

SEPP Management Company, Inc. serves as the managing agent for twelve housing projects which have common directors as the Corporation. The housing projects pay management fees based upon a set percentage of their gross rents and other receipts. During the years ended June 30, 2024 and 2023, total management fees amounted to $428,618 and $382,054, respectively. Certain housing projects also pay bookkeeping fees equal to a fee per unit. During the years ended June 30, 2024 and 2023, total bookkeeping fees, which are included in other revenue on the accompanying combined statement of activities, amounted to $16,236 and $16,186, respectively.

During the years ended June 30, 2024 and 2023, SEPP Management Company, Inc. also served as the exterminating agent and the laundry machine agent for nine related housing projects. Total service fees from the related parties for the years ended June 30, 2024 and 2023 amounted to $65,091 and $64,595, respectively.

(9) Related Parties Transactions, Continued

SEPP, Inc. has a note receivable from SEPP Development Corporation in the amount of $285,500 as of June 30, 2024 and 2023 (note 3). In addition, SEPP, Inc. has a note receivable from Watkins Glen in the amount of $900,000 as of June 30, 2024 and 2023 (note 3).

(10) Retirement Plan

The Organization sponsors a 403(b) retirement savings plan. Employees are eligible who are at least 21 years of age, and have completed one year or at least 1,000 hours of service. Employees are 100% vested upon entrance into the plan. Employee contributions to the plan range from 1% to 15% of compensation. The Organization will contribute 2% of compensation and, in addition will match $.50 of each dollar, up to the first 4% of pay deferral. The Organization paid $34,892 and $33,993 as of June 30, 2024 and 2023, respectively, into the plan.

(11) Compensated Absences

The employment contracts between SEPP Management Company, Inc. and its full-time employees allow for various cumulative and non-cumulative compensated leaves. Part-time employees earn personal and holiday time. Full-time employees earn vacation leave per year based upon length of employment. Employees may carry a specified amount of vacation leave to the next year. Therefore a liability of $23,151 and $23,991 is recorded as of June 30, 2024 and 2023, respectively. Sick leave is earned and may not be accumulated, but is not earned as compensation upon termination; therefore no liability is recorded as of June 30, 2024 and 2023.

(12) Prior Period Eliminations

Certain elimination adjustments to the 2023 financial statements were required to properly reflect elimination entries in consolidation. A summary of the restatement is as follows:

	As previously stated	Adjustments	Restated amounts
Other asset - investment in partnership	$ 1,432,087	(1,432,087)	-
Contributions	$ 1,165,906	(1,074,582)	91,324
Net assets without donor restrictions	$ 3,635,751	(357,505)	3,278,246

Schedule 1

SEPP MANAGEMENT COMPANY, INC. AND
SEPP, INC. AND SUBSIDIARIES
Consolidating Statement of Financial Position - SEPP, Inc. and Subsidiaries
June 30, 2024

Assets	SEPP, Inc.	Marian Apartments	Creamery Hills, L.P.	Wells Apartments	Whitney Point Apartments	Nichols Notch Apartments Company I, L.P.	Windsor Housing Company I, L.P.	Hamilton House Apartments Company I, L.P.	Eliminations	Total
Current assets:										
Cash - general operating	$ 191,692	406,803	26,436	80,844	33,141	81,365	33,096	40,144	-	893,521
Investments	2,008,495	-	-	-	-	-	-	-	-	2,008,495
Receivables	20,000	-	134	-	-	482	210	386	-	21,212
Due from related parties	30,659	12,000	-	-	-	-	-	-	(42,659)	-
Prepaid expenses	58,834	38,922	7,827	3,665	11,977	20,886	7,177	7,656	-	156,944
Total current assets	2,309,680	457,725	34,397	84,509	45,118	102,733	40,483	48,186	(42,659)	3,080,172
Note receivable - related parties, less allowance of $900,000	285,500	-	-	-	-	-	-	-	-	285,500
Restricted deposits:										
Tenants' security deposits	-	30,707	16,570	14,842	13,917	28,130	15,519	19,873	-	139,558
Tax and insurance escrow	-	13,736	29,275	8,967	9,113	74,868	8,617	38,785	-	183,361
Operating reserve	-	-	24,005	-	-	184,154	-	94,597	-	302,756
Mortgage insurance premium escrow	-	3,397	-	8,902	-	-	-	-	-	12,299
Reserve for replacements	-	350,669	57,310	382,526	69,678	169,518	70,348	65,847	-	1,165,896
Residual receipts	-	1,091,643	-	28,309	-	-	-	-	-	1,119,952
Total restricted deposits	-	1,490,152	127,160	443,546	92,708	456,670	94,484	219,102	-	2,923,822
Property and equipment, at cost:										
Land	-	20,943	-	175,309	31,300	250,000	32,664	100,000	-	610,216
Buildings and improvements	-	6,017,498	3,267,635	2,943,683	1,241,629	6,453,239	1,851,054	4,096,727	-	25,871,465
Furniture and equipment	45,088	278,272	265,001	235,830	126,190	601,557	246,948	56,593	-	1,855,479
Vehicles	-	18,336	-	-	-	-	-	-	-	18,336
	45,088	6,335,049	3,532,636	3,354,822	1,399,119	7,304,796	2,130,666	4,253,320	-	28,355,496
Less accumulated depreciation	(45,088)	(5,203,269)	(1,709,708)	(2,643,574)	(983,055)	(3,671,724)	(1,867,802)	(3,245,810)	-	(19,370,030)
Net property and equipment	-	1,131,780	1,822,928	711,248	416,064	3,633,072	262,864	1,007,510	-	8,985,466
Other asset - investment in partnerships	3,168,895	-	-	-	-	-	-	-	(2,368,895)	800,000
Total assets	$ 5,764,075	3,079,657	1,984,485	1,239,303	553,890	4,192,475	397,831	1,274,798	(2,411,554)	16,074,960
Liabilities and Net Assets										
Current liabilities:										
Accounts payable	20,300	56,327	5,651	28,602	11,441	13,973	6,352	50,512	(20,000)	173,158
Accrued expenses	-	4,927	-	6,297	599	20,000	288	70,354	-	102,465
Current installments of mortgages payable	-	104,196	8,117	45,068	22,309	-	3,863	-	-	183,553
Total current liabilities	20,300	165,450	13,768	79,967	34,349	33,973	10,503	120,866	(20,000)	459,176
Tenants' security deposits	-	30,707	16,570	14,842	13,917	28,130	15,519	19,873	-	139,558
Loan to related party	12,000	-	10,659	-	-	-	-	-	(22,659)	-
Mortgages payable, excluding current installments	-	846,345	615,575	1,853,516	699,722	2,614,399	954,852	1,769,847	-	9,354,256
Debt issuance costs	-	-	-	(44,011)	-	-	-	(676)	-	(44,687)
Mortgages payable, excluding current installments and unamortized debt issuance costs	-	846,345	615,575	1,809,505	699,722	2,614,399	954,852	1,769,171	-	9,309,569
Total liabilities	32,300	1,042,502	656,572	1,904,314	747,988	2,676,502	980,874	1,909,910	(42,659)	9,908,303
Net assets (deficit) without donor restrictions	5,731,775	2,037,155	1,327,913	(665,011)	(194,098)	1,515,973	(583,043)	(635,112)	(2,368,895)	6,166,657
Total liabilities and net assets	$ 5,764,075	3,079,657	1,984,485	1,239,303	553,890	4,192,475	397,831	1,274,798	(2,411,554)	16,074,960

Schedule 2

SEPP MANAGEMENT COMPANY, INC. AND
SEPP, INC. AND SUBSIDIARIES
Consolidating Statement of Activities - SEPP, Inc. and Subsidiaries
Year ended June 30, 2024

	SEPP, Inc.	Marian Apartments	Creamery Hills, L.P.	Wells Apartments	Whitney Point Apartments	Nichols Notch Apartments Company I, L.P.	Windsor Housing Company I, L.P.	Hamilton House Apartments Company I, L.P.	Eliminations	Total
Revenue:										
Contributions	$ 1,765,433	-	-	-	-	-	-	-	(874,280)	891,153
Rental revenue	-	1,372,516	223,236	649,864	201,871	427,214	207,453	286,941	-	3,369,095
Laundry and exterminating income	-	5,102	1,410	2,184	905	2,217	892	1,748	-	14,458
Return to owner	104,038	-	-	-	-	-	-	-	-	104,038
Investment income	145,987	439	27	173	14	89	18	38	-	146,785
Other revenue	8,300	30,645	1,508	233,522	39,250	13	-	9,012	-	322,250
Total revenue	2,023,758	1,408,702	226,181	885,743	242,040	429,533	208,363	297,739	(874,280)	4,847,779
Expenses:										
Administrative	122,252	320,747	51,815	201,208	63,890	119,593	59,291	88,636	-	1,027,432
Utilities	2,300	63,542	24,001	50,395	15,668	37,116	22,214	34,118	-	249,354
Maintenance and operating	-	272,624	64,611	94,738	63,634	141,667	52,565	69,490	-	759,329
Taxes and insurance	-	71,412	21,723	26,456	22,769	39,552	28,895	25,223	-	236,030
Financial	-	66,427	42,887	87,739	4,050	20,000	10,808	17,083	-	248,994
Total expenses	124,552	794,752	205,037	460,536	170,011	357,928	173,773	234,550	-	2,521,139
Change in net assets (deficit) before depreciation	1,899,206	613,950	21,144	425,207	72,029	71,605	34,590	63,189	(874,280)	2,326,640
Depreciation	-	(86,680)	(83,555)	(58,058)	(41,183)	(166,137)	(73,907)	(144,717)	-	(654,237)
Change in net assets (deficit) without donor restrictions	1,899,206	527,270	(62,411)	367,149	30,846	(94,532)	(39,317)	(81,528)	(874,280)	1,672,403
Capital contributions (distributions)	-	-	1,659,619	-	-	98,759	(6,990)	-	(62,528)	1,688,860
Net assets (deficit) without donor restrictions at beginning of year	3,832,569	1,509,885	(269,295)	(1,032,160)	(224,944)	1,511,746	(536,736)	(553,584)	(1,432,087)	2,805,394
Net assets (deficit) without donor restrictions at end of year	$ 5,731,775	2,037,155	1,327,913	(665,011)	(194,098)	1,515,973	(583,043)	(635,112)	(2,368,895)	6,166,657

Schedule 3

SEPP MANAGEMENT COMPANY, INC. AND
SEPP, INC. AND SUBSIDIARIES
Consolidating Statement of Financial Position - SEPP, Inc. and Subsidiaries
June 30, 2023

Assets	SEPP, Inc.	Marian Apartments	Creamery Hills, L.P.	Kime Apartments Corporation	Wells Apartments	Whitney Point Apartments	Nichols Notch Apartments Company I, L.P.	Windsor Housing Company I, L.P.	Hamilton House Apartments Company I, L.P.	Eliminations	Total
Current assets:											
Cash - general operating	$ 110,980	359,099	51,561	-	61,447	57,207	100,918	21,996	21,153	-	784,361
Investments	1,867,899	-	-	-	-	-	-	-	-	-	1,867,899
Receivables	-	-	-	-	-	263	-	-	-	-	263
Due from related parties	135,659	-	-	-	-	-	-	-	-	(135,659)	-
Prepaid expenses	470	37,148	6,032	-	2,786	11,868	20,563	6,023	7,130	-	92,020
Total current assets	2,115,008	396,247	57,593	-	64,233	69,338	121,481	28,019	28,283	(135,659)	2,744,543
Note receivable - related parties, less allowance of $900,000	285,500	-	-	-	-	-	-	-	-	-	285,500
Restricted deposits:											
Tenants' security deposits	-	29,477	15,343	-	15,133	13,354	27,911	14,838	18,373	-	134,429
Tax and insurance escrow	-	17,511	48,012	-	12,210	7,333	90,326	9,873	43,269	-	228,534
Operating reserve	-	-	24,000	-	-	-	178,735	-	93,218	-	295,953
Mortgage insurance premium escrow	-	5,146	-	-	9,084	-	-	-	-	-	14,230
Reserve for replacements	-	295,922	50,000	-	229,308	43,967	181,654	72,275	49,108	-	922,234
Residual receipts	-	920,073	-	-	23,124	-	-	-	-	-	943,197
Total restricted deposits	-	1,268,129	137,355	-	288,859	64,654	478,626	96,986	203,968	-	2,538,577
Property and equipment, at cost:											
Land	-	20,943	-	-	168,009	31,300	250,000	32,664	100,000	-	602,916
Buildings and improvements	-	5,675,452	1,492,188	-	2,772,976	1,209,821	6,445,749	1,840,220	4,097,740	-	23,534,146
Furniture and equipment	45,088	390,515	255,881	-	208,547	105,358	462,778	246,948	38,146	-	1,753,261
Vehicles	-	18,336	-	-	-	-	-	-	-	-	18,336
Construction in progress	-	-	76,347	-	-	-	-	-	-	-	76,347
	45,088	6,105,246	1,824,416	-	3,149,532	1,346,479	7,158,527	2,119,832	4,235,886	-	25,985,006
Less accumulated depreciation	(45,088)	(5,116,589)	(1,626,153)	-	(2,585,516)	(941,872)	(3,505,587)	(1,795,209)	(3,105,906)	-	(18,721,920)
Net property and equipment	-	988,657	198,263	-	564,016	404,607	3,652,940	324,623	1,129,980	-	7,263,086
Other asset - investment in partnerships	1,432,087	-	-	-	-	-	-	-	-	(1,432,087)	-
Total assets	$ 3,832,595	2,653,033	393,211	-	917,108	538,599	4,253,047	449,628	1,362,231	(1,567,746)	12,831,706
Liabilities and Net Assets											
Current liabilities:											
Accounts payable	26	59,833	4,401	-	31,612	7,104	78,991	8,907	36,257	(15,000)	212,131
Accrued expenses	-	5,434	-	-	6,440	613	20,000	310	92,190	-	124,987
Current installments of mortgages payable	-	97,928	-	-	43,312	20,443	-	3,594	-	-	165,277
Total current liabilities	26	163,195	4,401	-	81,364	28,160	98,991	12,811	128,447	(15,000)	502,395
Tenants' security deposits	-	29,477	15,343	-	15,133	13,354	27,911	14,838	18,373	-	134,429
Loan from related party	-	-	120,659	-	-	-	-	-	-	(120,659)	-
Mortgages payable, excluding current installments	-	950,476	522,103	-	1,898,543	722,029	2,614,399	958,715	1,769,847	-	9,436,112
Debt issuance costs	-	-	-	-	(45,772)	-	-	-	(852)	-	(46,624)
Mortgages payable, excluding current installments and unamortized debt issuance costs	-	950,476	522,103	-	1,852,771	722,029	2,614,399	958,715	1,768,995	-	9,389,488
Total liabilities	26	1,143,148	662,506	-	1,949,268	763,543	2,741,301	986,364	1,915,815	(135,659)	10,026,312
Net assets (deficit) without donor restrictions	3,832,569	1,509,885	(269,295)	-	(1,032,160)	(224,944)	1,511,746	(536,736)	(553,584)	(1,432,087)	2,805,394
Total liabilities and net assets	$ 3,832,595	2,653,033	393,211	-	917,108	538,599	4,253,047	449,628	1,362,231	(1,567,746)	12,831,706

SEPP MANAGEMENT COMPANY, INC. AND
SEPP, INC. AND SUBSIDIARIES
Consolidating Statement of Activities - SEPP, Inc. and Subsidiaries
Year ended June 30, 2023

	SEPP, Inc.	Marian Apartments	Creamery Hills, L.P.	Kime Apartments Corporation	Wells Apartments	Whitney Point Apartments	Nichols Notch Apartments Company I, L.P.	Windsor Housing Company I, L.P.	Hamilton House Apartments Company I, L.P.	Eliminations	Total
Revenue:											
Contributions	$ 1,123,986	-	-	-	-	-	-	-	-	(1,074,582)	49,404
Rental revenue	-	1,293,979	215,463	-	598,135	194,438	397,305	204,317	276,837	-	3,180,474
Laundry and exterminating income	-	6,157	1,701	-	2,140	984	2,690	924	2,221	-	16,817
Return to owner	8,473	-	-	-	-	-	-	-	-	-	8,473
Investment income	78,642	306	15	-	74	9	89	20	38	-	79,193
Other revenue	5,600	31,214	1,747	-	58,097	-	13	-	9	-	96,680
Total revenue	1,216,701	1,331,656	218,926	-	658,446	195,431	400,097	205,261	279,105	(1,074,582)	3,431,041
Expenses:											
Administrative	119,232	297,748	41,499	-	148,531	61,319	111,698	63,688	86,196	-	929,911
Utilities	1,200	60,505	24,061	-	45,401	13,519	37,306	24,710	33,552	-	240,254
Maintenance and operating	-	277,753	54,366	-	80,988	46,371	109,578	77,413	75,536	-	722,005
Taxes and insurance	-	61,954	12,817	-	22,050	21,731	38,428	28,395	24,518	-	209,893
Financial	-	72,772	62,720	-	89,633	5,609	20,000	11,061	17,083	-	278,878
Total expenses	120,432	770,732	195,463	-	386,603	148,549	317,010	205,267	236,885	-	2,380,941
Change in net assets (deficit) before depreciation	1,096,269	560,924	23,463	-	271,843	46,882	83,087	(6)	42,220	(1,074,582)	1,050,100
Depreciation	-	(69,197)	(53,028)	-	(54,016)	(39,978)	(162,853)	(71,786)	(142,802)	-	(593,660)
Change in net assets (deficit) without donor restrictions	1,096,269	491,727	(29,565)	-	217,827	6,904	(79,766)	(71,792)	(100,582)	(1,074,582)	456,440
Nonoperating transfer of assets	599,813	-	-	(599,813)	-	-	-	-	-	-	-
Net assets (deficit) without donor restrictions at beginning of year	2,136,487	1,018,158	(239,730)	599,813	(1,249,987)	(231,848)	1,591,512	(464,944)	(453,002)	(357,505)	2,348,954
Net assets (deficit) without donor restrictions at end of year	$ 3,832,569	1,509,885	(269,295)	-	(1,032,160)	(224,944)	1,511,746	(536,736)	(553,584)	(1,432,087)	2,805,394

Schedule 5

SEPP MANAGEMENT COMPANY, INC. AND
SEPP, INC. AND SUBSIDIARIES
New York State Division of Housing and Community Renewal -
Neighborhood Preservation Program
Schedule of Revenue and Expenses
Year ended June 30, 2024

Revenue	$ 121,785
Expenses:	
Staff salaries:	
Executive Director	21,829
Accounting Manager	30,452
Director of Operations	35,011
Fringe benefits	18,473
Total staff salaries	105,765
Regulated OTPS:	
Insurance/bonding	3,750
Agency audit	2,500
Legal fees	1,500
Total regulated OTPS	7,750
General OTPS:	
Telephone	2,300
Office supplies	2,350
Prinitng	370
Travel	3,250
Total general OTPS	8,270
Total expenses	$ 121,785

SEPP MANAGEMENT COMPANY, INC. AND
SEPP, INC. AND SUBSIDIARIES
Schedule of Expenditures of Federal Awards
Year ended June 30, 2024

Federal Grantor/Program Title	Assistance Listing Number	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Housing and Urban Development - Community Development Block Grants/Entitlement Grants	14.218	$ 874,280	-
U.S. Department of the Treasury - Coronavirus State and Local Fiscal Recovery Funds	21.027	800,000	-
Total federal awards		$ 1,674,280	-

See accompanying notes to schedule of expenditures of federal awards.

SEPP MANAGEMENT COMPANY, INC. AND
SEPP, INC. AND SUBSIDIARIES

Notes to Schedule of Expenditures of Federal Awards

June 30, 2024

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards programs administered by SEPP Management Company, Inc. and SEPP, Inc. and Subsidiaries (collectively, referred to as the Organization). Federal awards received directly from federal agencies, as well as federal awards passed through from other government agencies, are included on the schedule of expenditures of federal awards.

(2) Basis of Accounting

The information is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

(3) Indirect Costs

The Organization does not use the 10% de minimis cost rate.

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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

The Board of Directors
SEPP Management Company, Inc. and SEPP, Inc.:

We have audited, in accordance with the 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 financial statements of SEPP Management Company, Inc. and SEPP, Inc. and Subsidiaries (collectively, referred to as the Organization), which comprise the combined statement of financial position as of June 30, 2024, and the related combined statements of activities and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated October 23, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization'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 Organization'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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York
October 23, 2024

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Directors
SEPP Management Company, Inc. and SEPP, Inc.:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited SEPP Management Company, Inc. and SEPP, Inc. and Subsidiaries (collectively, referred to as the Organization) compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2024. The Organization'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, SEPP Management Company, Inc. and SEPP, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2024.

Basis for Opinion on Each Major 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization 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 Organization's compliance with the compliance requirements referred to above.

Responsibilities for 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 Organization's federal programs.

Auditors' Responsibility 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 Organization'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 judgement made by a reasonable user of the report on compliance about the Organization'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 judgement 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 Organization'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 Organization'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 Organization'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 the compliance requirements of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a 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 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 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. 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.

EFPR Group, CPAs, PLLC

Williamsville, New York
October 23, 2024

SEPP MANAGEMENT COMPANY, INC. AND
SEPP, INC. AND SUBSIDIARIES

Schedule of Findings and Questioned Costs

Year ended June 30, 2024

Part 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	
Internal control over financial reporting:		
1. Material weakness(es) identified?	____ Yes	_x_ No
2. Significant deficiency(ies) identified?	____ Yes	_x_ None reported
3. Noncompliance material to financial statements noted?	____ Yes	_x_ No

Federal Awards:

Internal control over major programs:		
4. Material weakness(es) identified?	____ Yes	_x_ No
5. Significant deficiency(ies) identified?	____ Yes	_x_ None reported
Type of auditors' report issued on compliance for major programs:	Unmodified	
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) (Uniform Guidance)?	____ Yes	_x_ No

7. The Organization's major programs audited were:

Name of Federal Program	Assistance Listing Number
Community Development Block Grants/Entitlement Grants	14.218
Coronavirus State and Local Fiscal Recovery Funds	21.027

8. Dollar threshold used to distinguish between Type A and Type B programs.	$750,000	
9. Auditee qualified as low-risk auditee?	____ Yes	_x_ No

Part II - FINDINGS - FINANCIAL STATEMENTS AUDIT

No reportable findings.

Part III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

No reportable findings or questioned costs.

SEPP MANAGEMENT COMPANY, INC. AND
SEPP, INC. AND SUBSIDIARIES

Status of Prior Year Audit Findings

June 30, 2024

There were no findings with regard to the prior year financial statements (June 30, 2023).