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

Combined Financial Statements
and Supplemental Information

June 30, 2022

(With Independent Auditors' Report Thereon)

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

Table of Contents



* * * * *

EFPR GROUP, CPAs PLLC

6390 Main Street, Suite 200
Williamsville, NY 14221

P 716.634.0700
TF 800.546.7556
F 716.634.0764
W EFPRgroup.com

# 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, 2022, 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, 2022, 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. 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 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, 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.

EFPR Group, CPAs, PLLC

Williamsville, New York
October 24, 2022

SEPP MANAGEMENT COMPANY, INC. AND
SEPP, INC. AND SUBSIDIARIES
Combined Statement of Financial Position
June 30, 2022
with comparative totals for 2021

| Assets | SEPP, Inc. and Subsidiaries | SEPP Management Company, Inc. | Eliminations | Total 2022 | Total 2021 |
|---|---|---|---|---|---|
| Current assets: | | | | | |
| Cash - general operating | $ 1,560,913 | 530,197 | - | 2,091,110 | 1,109,768 |
| Investments | 1,139,300 | - | - | 1,139,300 | 1,307,469 |
| Receivables | 36,557 | 354,034 | (134,049) | 256,542 | 237,502 |
| Due from related parties | 130,659 | - | - | 130,659 | 150,659 |
| Inventory | - | 10,845 | - | 10,845 | - |
| Prepaid expenses | 114,630 | 953 | - | 115,583 | 103,503 |
| Total current assets | 2,982,059 | 896,029 | (134,049) | 3,744,039 | 2,908,901 |
| Notes receivable - related parties, less allowance of $900,000 in 2021 and 2020 | 285,500 | - | - | 285,500 | 285,500 |
| Restricted deposits: | | | | | |
| Tenants' security deposits | 131,965 | - | - | 131,965 | 147,135 |
| Tax and insurance escrow | 254,275 | - | - | 254,275 | 278,234 |
| Operating reserve | 299,577 | - | - | 299,577 | 289,847 |
| Mortgage insurance premium escrow | 14,192 | - | - | 14,192 | 18,821 |
| Reserve for replacements | 847,705 | - | - | 847,705 | 902,659 |
| Residual receipts | 601,255 | - | - | 601,255 | 380,757 |
| Total restricted deposits | 2,148,969 | - | - | 2,148,969 | 2,017,453 |
| Property and equipment, at cost: | | | | | |
| Land | 602,916 | - | - | 602,916 | 677,421 |
| Buildings and improvements | 23,243,194 | 357,958 | - | 23,601,152 | 26,370,517 |
| Furniture and equipment | 1,501,161 | 199,344 | - | 1,700,505 | 1,927,779 |
| Vehicles | 18,336 | 29,286 | - | 47,622 | 47,622 |
| | 25,365,607 | 586,588 | - | 25,952,195 | 29,023,339 |
| Less accumulated depreciation | (18,135,820) | (440,952) | - | (18,576,772) | (20,795,664) |
| Net property and equipment | 7,229,787 | 145,636 | - | 7,375,423 | 8,227,675 |
| Other asset - investment in SEPP Nichols, Inc. | 357,505 | - | - | 357,505 | 357,505 |
| Total assets | $ 13,003,820 | 1,041,665 | (134,049) | 13,911,436 | 13,797,034 |

(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 2022 | Total 2021 |
|---|---|---|---|---|---|
| Current liabilities: | | | | | |
| Accounts payable | $ 403,772 | 20,321 | (134,049) | 290,044 | 369,572 |
| Accrued expenses | 145,998 | 61,052 | - | 207,050 | 208,053 |
| Deferred revenue | - | 31,000 | - | 31,000 | 31,861 |
| Current installments of mortgages payable | 185,986 | - | - | 185,986 | 216,951 |
| Total current liabilities | 735,756 | 112,373 | (134,049) | 714,080 | 826,437 |
| Tenants' security deposits | 131,965 | - | - | 131,965 | 147,135 |
| Loans from related party | 145,659 | - | - | 145,659 | 95,659 |
| Mortgages payable, excluding current installments | 9,340,264 | - | - | 9,340,264 | 11,733,677 |
| Debt issuance costs | (56,283) | - | - | (56,283) | (138,229) |
| Mortgages payable, excluding current installments and unamortized debt issuance costs | 9,283,981 | - | - | 9,283,981 | 11,595,448 |
| Total liabilities | 10,297,361 | 112,373 | (134,049) | 10,275,685 | 12,664,679 |
| Net assets without donor restrictions | 2,706,459 | 929,292 | - | 3,635,751 | 1,132,355 |
| Total liabilities and net assets | $ 13,003,820 | 1,041,665 | (134,049) | 13,911,436 | 13,797,034 |

See accompanying notes to combined financial statements.

SEPP MANAGEMENT COMPANY, INC. AND
SEPP, INC. AND SUBSIDIARIES
Combined Statement of Activities
Year ended June 30, 2022
with comparative totals for 2021

| | SEPP, Inc. and Subsidiaries | SEPP Management Company, Inc. | Eliminations | Total 2022 | Total 2021 |
|---|---|---|---|---|---|
| Revenue: | | | | | |
| Contributions | $ 93,607 | 89,828 | (89,828) | 93,607 | 89,828 |
| Rental revenue | 3,237,313 | 23,725 | - | 3,261,038 | 3,382,858 |
| Management fees | - | 377,139 | (228,426) | 148,713 | 157,304 |
| Laundry and exterminating income | 16,095 | 72,870 | (13,556) | 75,409 | 83,642 |
| Developer's fee | 337,500 | - | - | 337,500 | - |
| Return to owner | 12,413 | - | - | 12,413 | 73,699 |
| Investment income (loss) | (167,692) | 71 | - | (167,621) | 222,655 |
| Grant - paycheck protection program | - | - | - | - | 184,335 |
| Other revenue | 93,082 | 171,931 | - | 265,013 | 326,087 |
| Total revenue | 3,622,318 | 735,564 | (331,810) | 4,026,072 | 4,520,408 |
| Expenses: | | | | | |
| Administrative | 997,313 | 600,197 | (331,810) | 1,265,700 | 1,274,519 |
| Utilities | 263,091 | 22,714 | - | 285,805 | 301,984 |
| Maintenance and operating | 723,642 | 13,848 | - | 737,490 | 745,002 |
| Taxes and insurance | 277,879 | 27,456 | - | 305,335 | 307,302 |
| Financial | 292,315 | - | - | 292,315 | 367,046 |
| Loss on investment in partnerships | - | - | - | - | 30,118 |
| Other | - | 26,415 | - | 26,415 | 15,019 |
| Total expenses | 2,554,240 | 690,630 | (331,810) | 2,913,060 | 3,040,990 |
| Change in net assets (deficit) before depreciation and gain (loss) on sale of property and equipment | 1,068,078 | 44,934 | - | 1,113,012 | 1,479,418 |
| Depreciation | (595,147) | (21,792) | - | (616,939) | (620,411) |
| Gain (loss) on sale of property and equipment | 2,210,832 | (203,509) | - | 2,007,323 | - |
| Change in net assets (deficit) without donor restrictions | 2,683,763 | (180,367) | - | 2,503,396 | 859,007 |
| Net assets (deficit) without donor restrictions at beginning of year | 22,696 | 1,109,659 | - | 1,132,355 | 553,269 |
| Transfer of net assets (deficit) without donor restrictions | - | - | - | - | (279,921) |
| Net assets without donor restrictions at end of year | $ 2,706,459 | 929,292 | - | 3,635,751 | 1,132,355 |

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, 2022
with comparative totals for 2021

| | 2022 | 2021 |
|---|---|---|
| Cash flows from operating activities: | | |
| Change in net assets without donor restrictions | $ 2,503,396 | 859,007 |
| Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities: | | |
| Depreciation | 616,939 | 620,411 |
| Amortization of debt issuance costs | 4,740 | 4,118 |
| Unrealized and realized (gain) loss on investments | 176,117 | (210,116) |
| Gain on sale of property and equipment | (2,007,323) | - |
| Forgiveness of loan from paycheck protection program | - | (184,335) |
| Changes in: | | |
| Receivables | (19,040) | (155,305) |
| Note receivable | - | (174,000) |
| Due from related parties | 20,000 | (49,185) |
| Inventory | (10,845) | - |
| Prepaid expenses | (24,022) | 6,564 |
| Accounts payable | (64,820) | 120,850 |
| Accrued expenses | 6,314 | (139) |
| Deferred revenue | (861) | (14,346) |
| Net cash provided by operating activities | 1,200,595 | 823,524 |
| Cash flows from investing activities: | | |
| Purchase of investments | (7,948) | (34,344) |
| Additions to property and equipment | (512,973) | (152,811) |
| Proceeds from sale of property and equipment | 599,975 | - |
| Decrease in investment in SEPP Development Corporation | - | 10,000 |
| Decrease in investment in SEPP Nichols, Inc. | - | 18 |
| Decrease in investments in SEPP Hamilton House Holding Company, LLC | - | 30,100 |
| Net cash provided by (used in) investing activities | 79,054 | (147,037) |
| Cash flows from financing activities: | | |
| Increase in loans from related party | 50,000 | 27,159 |
| Repayment of mortgages payable | (201,621) | (210,408) |
| Net cash used in financing activities | (151,621) | (183,249) |
| Net change in cash and equivalents | 1,128,028 | 493,238 |
| Transfer of cash and equivalents | - | 244,447 |
| Cash and equivalents at beginning of year | 2,980,086 | 2,242,401 |
| Cash and equivalents at end of year | $ 4,108,114 | 2,980,086 |

(Continued)

See accompanying notes to combined financial statements.

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

| | 2022 | 2021 |
|---|---|---|
| Supplemental schedule of cash flow information: | | |
| Cash paid during the year for interest | $ 273,269 | 344,161 |
| Classification of cash and equivalents: | | |
| Operations | 2,091,110 | 1,109,768 |
| Tax and insurance escrow | 254,275 | 278,234 |
| Operating reserve | 299,577 | 289,847 |
| Mortgage insurance premium escrow | 14,192 | 18,821 |
| Reserve for replacements | 847,705 | 902,659 |
| Residual receipts | 601,255 | 380,757 |
| | $ 4,108,114 | 2,980,086 |
| Supplemental schedule of non-cash activities - transferred from Hamilton House Apartment Company I, L.P.: | | |
| Net assets without donor restrictions | $ - | (342,166) |
| Prepaid expenses | - | (6,589) |
| Property and equipment | - | (4,135,437) |
| Accumulated depreciation | - | 2,823,156 |
| Accounts payable | - | 30,233 |
| Accrued expenses | - | 106,607 |
| Mortgage payable | - | 1,768,643 |
| Cash and equivalents transferred | $ - | 244,447 |

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 eleven 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.

Kime Apartments Corporation - Kime Apartments Corporation (Kime) was formed on May 21, 1984 as a not-for-profit corporation to acquire an interest in real property located in Great Bend, Pennsylvania and to construct and operate thereon an apartment complex of 50 units. The project was operated under Section 202 of the National Housing Act and regulated by HUD with respect to rental charges and operating methods. Kime is related to the Organization through common directors.

On March 2, 2022, the Corporation sold the real property located at 299 Main Street, Great Bend, Pennsylvania otherwise known as Kime Apartments to an unrelated third party.

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.

(1) Summary of Significant Accounting Policies, Continued

(a) Organization, Continued

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.

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.

(1) Summary of Significant Accounting Policies, Continued

(a) Organization, Continued

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. Effective June 18, 2020, SEPP, Inc. purchased the limited partner's interest in Hamilton House. Hamilton House 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.

(b) Principles of Combination

The accompanying combined financial statements reflect the combination of the individual financial statements. 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, 2021 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 2022 and 2021.

(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.

(1) Summary of Significant Accounting Policies, Continued

(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) Concentrations

At times, the Organization's cash and equivalents may exceed federally insured limits. At June 30, 2022 and 2021, the Organization's cash balances were in excess of the insurable limit. The Organization monitors its financial institutions and the concentration of credit risk on a regular basis and does not anticipate nonperformance by the financial institutions.

(h) 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.

(i) Receivables

The Organization records accounts receivable based on services provided. Interest income is not accrued or recorded on outstanding amounts.

(j) Inventory

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

(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, 2022 and 2021, no impairment loss has been recognized by the Organization.

## (1) Summary of Significant Accounting Policies, Continued

### (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 $4,739 and $4,118 for the years ended June 30, 2022 and 2021, 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 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.

### (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.

## (1) Summary of Significant Accounting Policies, Continued

### (p) Contracts with Customers, Continued

Factors that could impact the nature, amount, timing and uncertainty of revenue or cash flow of the Organization include vacancies, staffing, and COVID-19. 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:

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| Receivables | $ 19,861 | 13,566 | 13,907 |

### (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.

### (r) Risks and Uncertainties

The United States is presently in the midst of a national health emergency related to the COVID-19 virus. The overall consequences on a national, regional and local level are unknown, but have the potential to result in a significant economic impact. The impact of this situation on the Organization and its future results and financial position is not presently determinable.

### (s) Income Taxes

The Organization is 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 Organization has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. The Organization 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 Organization has taken no uncertain tax positions that require adjustment in its combined financial statements. U.S. Forms 990 filed by the Organization are subject to examination by taxing authorities.

## (2) Liquidity

The Organization has $2,347,652 of financial assets available within one year of the combined statement of financial position date to meet cash needs for general expenditures, consisting of $2,091,110 of cash general operating and $256,542 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 2022 combined statement of financial position. Additionally, the Organization has available $1,139,300 in investments at June 30, 2022, however, use of the investments for operating purposes is subject to approval by the Board of Directors. As more fully described in note 8, 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, 2022 and 2021 consist of the following:

| | 2022 | 2021 |
|---|---|---|
| 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, 2022 and 2021.

| | 2022 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Cash and equivalents | $ 17,127 | - | - | 17,127 |
| U.S. Government securities | 100,239 | - | - | 100,239 |
| Common stocks | 666,392 | - | - | 666,392 |
| Corporate fixed income | - | 50,352 | - | 50,352 |
| Mutual funds | 305,190 | - | - | 305,190 |
| | $ 1,088,948 | 50,352 | - | 1,139,300 |

(4) Investments, Continued

| | 2021 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Cash and equivalents | $ 27,826 | - | - | 27,826 |
| U.S. Government securities | 130,538 | - | - | 130,538 |
| Common stocks | 859,571 | - | - | 859,571 |
| Corporate fixed income | - | 53,386 | - | 53,386 |
| Mutual funds | 236,148 | - | - | 236,148 |
| | $ 1,254,083 | 53,386 | - | 1,307,469 |

Financial Instruments

Investments in marketable securities at June 30, 2022 and 2021 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 (loss) for the years ended June 30, 2022 and 2021 is as follows:

| | 2022 | 2021 |
|---|---|---|
| Interest and dividends | $ 8,496 | 12,539 |
| Realized gain on investments | 31,834 | 80,195 |
| Unrealized gain (loss) on investments | (207,951) | 129,921 |
| Total investment income (loss) | $ (167,621) | 222,655 |

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:

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.

## (4) Investments, Continued

### Fair Value Measurements, Continued

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, 2022 and 2021.

- 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

SEPP Harry L., Inc. is the general partner of Harry L. Apartments Company I, Limited Partnership (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 Harry L., Inc., SEPP Cardinal Cove, Inc., SEPP Watkins Glen, Inc. and SEPP Fairmont Park, Inc. have the same Board members as SEPP, 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.

(5) Investment in Partnerships, Continued

The financial position as of December 31, 2021 and results of operations of the partnerships for the year ended December 31, 2021 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 | 79,737 | 69,624 | 85,059 | 109,822 |
| Current liabilities | (85,307) | (148,884) | (91,095) | (83,144) |
| Working capital | (5,570) | (79,260) | (6,036) | 26,678 |
| Restricted deposits | 377,066 | 349,234 | 429,552 | 295,166 |
| Property and equipment, net | 5,903,529 | 10,038,485 | 11,226,935 | 10,634,233 |
| Other assets | - | 35,000 | 25,000 | 35,000 |
| Long-term debt | (2,335,174) | (6,399,322) | (4,502,211) | (8,143,311) |
| Other liabilities | (31,261) | (26,285) | (25,921) | (1,145,721) |
| Partners' equity | 3,908,590 | 3,917,852 | 7,147,319 | 1,702,045 |
| Gross income | 428,603 | 326,937 | 426,708 | 116,364 |
| Net loss | (177,387) | (428,683) | (350,216) | (312,088) |

(6) Mortgages Payable

Mortgages payable at June 30, 2022 and 2021 are summarized as follows:

| | 2022 | 2021 |
|---|---|---|
| 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 2021 and 2020 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. | $ 761,327 | 778,462 |

(6) Mortgages Payable, Continued

| | 2022 | 2021 |
|---|---|---|
| Creamery is financed by a 7.65% mortgage payable in monthly installments of $4,314, including principal and interest. The apartment project is pledged as collateral for the mortgage. The mortgage loan is nonrecourse debt secured by deeds of trust of the related real estate. | $ 291,205 | 319,197 |
| 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. | 1,983,439 | 2,023,405 |
| Kime was indebted under a mortgage loan agreement in the amount of $2,441,800 under a HUD-insured loan agreement which bears interest at 3.95%. The note was secured by deeds of trust on the property and equipment and was payable in level monthly installments (principle and interest) of $10,739 through February 2051. The loan was paid off with the sale of Kime on March 2, 2022. | - | 2,249,731 |
| 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. | 1,140,381 | 1,226,825 |
| 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. | 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 |

(6) Mortgages Payable, Continued

| | | 2022 | 2021 |
|---|---|---|---|
| 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 $1,766, 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 2021 and 2020, the interest subsidy payments of $13,955 have been treated as a reduction of interest expense. | $ | 247,465 | 250,575 |
| 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, 2021 and 2020. | | 718,187 | 718,187 |
| 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. | | 1,769,847 | 1,769,847 |
| Mortgages payable | | 9,526,250 | 11,950,628 |
| Less current installments | | (185,986) | (216,951) |
| Mortgages payable, excluding current installments | | 9,340,264 | 11,733,677 |
| Less unamortized debt issuance costs | | (56,283) | (138,229) |
| Mortgages payable, excluding current installments and unamortized debt issuance costs | $ | 9,283,981 | 11,595,448 |

(6) Mortgages Payable, Continued

The aggregate maturity of the mortgages payable for the five years following June 30, 2022 and thereafter is as follows:

| | | |
|---|---|---|
| 2023 | $ | 185,986 |
| 2024 | | 197,953 |
| 2025 | | 210,685 |
| 2026 | | 224,385 |
| 2027 | | 238,975 |
| Thereafter | | 8,468,266 |
| | $ | 9,526,250 |

(7) Grant Income - Paycheck Protection Program

In April 2020, the Organization received a loan under the Paycheck Protection Program that was designed by the United States Small Business Administration (SBA) to provide direct incentive for small businesses to keep their workers on payroll due to COVID-19. In December 2020, the SBA provided approval for the forgiveness of the loan. As of June 30, 2021, the Organization recognized $184,335 towards eligible expenses and the amount is included as grant income in the accompanying combined statement of activities.

(8) Line of Credit

SEPP, Inc. has available a bank line of credit up to $50,000. At June 30, 2022 and 2021, there was no outstanding balance on this line of credit. Interest on the line of credit is at prime plus 1.75% (5.50% at June 30, 2022).

(9) 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 eleven 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, 2022 and 2021 is as follows:

## (9) Functional Expenses, Continued

| | 2022 | 2021 |
|---|---|---|
| Program services: | | |
| Utilities | $ 285,805 | 301,984 |
| Maintenance and operating | 737,490 | 745,002 |
| Financial | 292,315 | 367,046 |
| Taxes and insurance | 305,335 | 307,302 |
| Other | 229,924 | 45,137 |
| Depreciation | 616,939 | 620,411 |
| Total program services | 2,467,808 | 2,386,882 |
| Support services - management and general activities - administrative | 1,265,700 | 1,274,519 |
| Total expenses | $ 3,733,508 | 3,661,401 |

## (10) Related Parties Transactions

SEPP Management Company, Inc. serves as the managing agent for eleven housing projects which have the same 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, 2022 and 2021, total management fees amounted to $377,139 and $347,267, respectively. Certain housing projects also pay bookkeeping fees equal to a fee per unit. During the years ended June 30, 2022 and 2021, total bookkeeping fees, which are included in other revenue on the accompanying combined statement of activities, amounted to $19,686 and $20,362, respectively.

During the years ended June 30, 2022 and 2021, SEPP Management Company, Inc. also served as the exterminating agent and the laundry machine agent for the nine related housing projects. Total service fees from the related parties for the years ended June 30, 2022 and 2021 amounted to $72,870 and $78,991, respectively.

SEPP, Inc. has a note receivable from SEPP Development Corporation in the amount of $285,500 as of June 30, 2022 and 2021 (note 3). In addition, SEPP, Inc. has a note receivable from Watkins Glen in the amount of $900,000 as of June 30, 2022 and 2021 (note 3).

SEPP, Inc. received $337,500 of developer's fee during the year ended June 30, 2022 related to Fairmont Park.

## (11) 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 $33,385 and $31,353 as of June 30, 2022 and 2021, respectively, into the plan.

## (12) 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 $22,450 and $25,261 is recorded as of June 30, 2022 and 2021, 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, 2022 and 2021.

<u>Schedule 1</u>

SEPP MANAGEMENT COMPANY, INC. AND
SEPP, INC. AND SUBSIDIARIES
Consolidating Statement of Financial Position - SEPP, Inc. and Subsidiaries
June 30, 2022

| 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. | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Current assets: | | | | | | | | | | |
| Cash - general operating | $ 387,251 | 416,929 | 7,277 | 598,547 | 39,457 | 45,092 | 21,700 | 33,149 | 11,511 | 1,560,913 |
| Investments | 1,139,300 | - | - | - | - | - | - | - | - | 1,139,300 |
| Receivables | - | - | 35,028 | 1,266 | - | 263 | - | - | - | 36,557 |
| Due from related parties | 130,659 | - | - | - | - | - | - | - | - | 130,659 |
| Prepaid expenses | 22,491 | 39,874 | 5,638 | - | 2,592 | 11,533 | 19,829 | 6,073 | 6,600 | 114,630 |
| Total current assets | 1,679,701 | 456,803 | 47,943 | 599,813 | 42,049 | 56,888 | 41,529 | 39,222 | 18,111 | 2,982,059 |
| Note receivable - related parties, less allowance of $900,000 | 285,500 | - | - | - | - | - | - | - | - | 285,500 |
| Restricted deposits: | | | | | | | | | | |
| Tenants' security deposits | - | 29,967 | 13,453 | - | 14,841 | 12,755 | 27,500 | 15,389 | 18,060 | 131,965 |
| Tax and insurance escrow | - | 18,799 | 53,089 | - | 12,254 | 9,493 | 105,069 | 9,937 | 45,634 | 254,275 |
| Operating reserve | - | - | - | - | - | - | 205,759 | - | 93,818 | 299,577 |
| Mortgage insurance premium escrow | - | 5,012 | - | - | 9,180 | - | - | - | - | 14,192 |
| Reserve for replacements | - | 262,891 | 21,128 | - | 191,211 | 53,362 | 168,351 | 85,728 | 65,034 | 847,705 |
| Residual receipts | - | 580,483 | - | - | 20,772 | - | - | - | - | 601,255 |
| Total restricted deposits | - | 897,152 | 87,670 | - | 248,258 | 75,610 | 506,679 | 111,054 | 222,546 | 2,148,969 |
| Property and equipment, at cost: | | | | | | | | | | |
| Land | - | 20,943 | - | - | 168,009 | 31,300 | 250,000 | 32,664 | 100,000 | 602,916 |
| Buildings and improvements | - | 5,556,632 | 1,475,883 | - | 2,623,418 | 1,181,971 | 6,526,416 | 1,817,173 | 4,061,701 | 23,243,194 |
| Furniture and equipment | 45,088 | 348,760 | 255,881 | - | 179,415 | 105,358 | 286,665 | 246,948 | 33,046 | 1,501,161 |
| Vehicles | - | 18,336 | - | - | - | - | - | - | - | 18,336 |
| | 45,088 | 5,944,671 | 1,731,764 | - | 2,970,842 | 1,318,629 | 7,063,081 | 2,096,785 | 4,194,747 | 25,365,607 |
| Less accumulated depreciation | (45,088) | (5,054,952) | (1,573,125) | - | (2,531,500) | (901,894) | (3,342,734) | (1,723,423) | (2,963,104) | (18,135,820) |
| Net property and equipment | - | 889,719 | 158,639 | - | 439,342 | 416,735 | 3,720,347 | 373,362 | 1,231,643 | 7,229,787 |
| Other asset - investment in SEPP Nichols, Inc. | 357,505 | - | - | - | - | - | - | - | - | 357,505 |
| Total assets | $ 2,322,706 | 2,243,674 | 294,252 | 599,813 | 729,649 | 549,233 | 4,268,555 | 523,638 | 1,472,300 | 13,003,820 |
| Liabilities and Net Assets | | | | | | | | | | |
| Current liabilities: | | | | | | | | | | |
| Accounts payable | 186,219 | 49,257 | 85,469 | - | 22,311 | 6,345 | 15,144 | 7,211 | 31,816 | 403,772 |
| Accrued expenses | - | 5,911 | 5,918 | - | 6,578 | 654 | 20,000 | 330 | 106,607 | 145,998 |
| Current installments of mortgages payable | - | 92,037 | 30,242 | - | 41,625 | 18,739 | - | 3,343 | - | 185,986 |
| Total current liabilities | 186,219 | 147,205 | 121,629 | - | 70,514 | 25,738 | 35,144 | 10,884 | 138,423 | 735,756 |
| Tenants' security deposits | - | 29,967 | 13,453 | - | 14,841 | 12,755 | 27,500 | 15,389 | 18,060 | 131,965 |
| Loan from related party | - | - | 145,659 | - | - | - | - | - | - | 145,659 |
| Mortgages payable, excluding current installments | - | 1,048,344 | 260,963 | - | 1,941,814 | 742,588 | 2,614,399 | 962,309 | 1,769,847 | 9,340,264 |
| Debt issuance costs | - | - | (7,722) | - | (47,533) | - | - | - | (1,028) | (56,283) |
| Mortgages payable, excluding current installments and unamortized debt issuance costs | - | 1,048,344 | 253,241 | - | 1,894,281 | 742,588 | 2,614,399 | 962,309 | 1,768,819 | 9,283,981 |
| Total liabilities | 186,219 | 1,225,516 | 533,982 | - | 1,979,636 | 781,081 | 2,677,043 | 988,582 | 1,925,302 | 10,297,361 |
| Net assets (deficit) without donor restrictions | 2,136,487 | 1,018,158 | (239,730) | 599,813 | (1,249,987) | (231,848) | 1,591,512 | (464,944) | (453,002) | 2,706,459 |
| Total liabilities and net assets | $ 2,322,706 | 2,243,674 | 294,252 | 599,813 | 729,649 | 549,233 | 4,268,555 | 523,638 | 1,472,300 | 13,003,820 |

Schedule 2

# SEPP MANAGEMENT COMPANY, INC. AND
# SEPP, INC. AND SUBSIDIARIES
## Consolidating Statement of Activities - SEPP, Inc. and Subsidiaries
## Year ended June 30, 2022

| | 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. | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenue: | | | | | | | | | | |
| Contributions | $ 93,607 | - | - | - | - | - | - | - | - | 93,607 |
| Rental revenue | - | 1,261,215 | 203,426 | 320,718 | 429,021 | 190,245 | 374,463 | 198,548 | 259,677 | 3,237,313 |
| Laundry and exterminating income | - | 5,968 | 1,032 | 1,504 | 2,078 | 1,325 | 1,800 | 739 | 1,649 | 16,095 |
| Developer's fee | 337,500 | - | - | - | - | - | - | - | - | 337,500 |
| Return to owner | 12,413 | - | - | - | - | - | - | - | - | 12,413 |
| Investment income (loss) | (168,158) | 172 | 6 | 12 | 53 | 15 | 124 | 30 | 54 | (167,692) |
| Other revenue | 5,000 | 24,855 | 35,035 | 328 | 25,866 | - | 404 | - | 1,594 | 93,082 |
| Total revenue | 280,362 | 1,292,210 | 239,499 | 322,562 | 457,018 | 191,585 | 376,791 | 199,317 | 262,974 | 3,622,318 |
| Expenses: | | | | | | | | | | |
| Administrative | 94,979 | 280,737 | 63,211 | 99,961 | 128,480 | 57,838 | 131,511 | 59,968 | 80,628 | 997,313 |
| Utilities | 1,200 | 55,718 | 25,100 | 36,978 | 37,343 | 13,456 | 35,830 | 23,647 | 33,819 | 263,091 |
| Maintenance and operating | - | 263,754 | 55,211 | 46,388 | 67,686 | 48,655 | 110,380 | 53,565 | 78,003 | 723,642 |
| Taxes and insurance | - | 59,722 | 50,795 | 34,411 | 21,176 | 21,020 | 37,729 | 28,697 | 24,329 | 277,879 |
| Financial | - | 59,594 | 25,059 | 60,450 | 91,451 | 7,383 | 20,000 | 11,295 | 17,083 | 292,315 |
| Loss on investment in partnerships | - | - | - | - | - | - | - | - | - | - |
| Total expenses | 96,179 | 719,525 | 219,376 | 278,188 | 346,136 | 148,352 | 335,450 | 177,172 | 233,862 | 2,554,240 |
| Change in net assets (deficit) before depreciation and gain on sale of property and equipment | 184,183 | 572,685 | 20,123 | 44,374 | 110,882 | 43,233 | 41,341 | 22,145 | 29,112 | 1,068,078 |
| Depreciation | - | (53,853) | (50,512) | (53,467) | (40,264) | (35,894) | (156,561) | (64,648) | (139,948) | (595,147) |
| Gain on sale of property and equipment | - | - | - | 2,210,832 | - | - | - | - | - | 2,210,832 |
| Change in net assets (deficit) without donor restrictions | 184,183 | 518,832 | (30,389) | 2,201,739 | 70,618 | 7,339 | (115,220) | (42,503) | (110,836) | 2,683,763 |
| Net assets (deficit) without donor restrictions at beginning of year | 1,952,304 | 499,326 | (209,341) | (1,601,926) | (1,320,605) | (239,187) | 1,706,732 | (422,441) | (342,166) | 22,696 |
| Net assets (deficit) without donor restrictions at end of year | $ 2,136,487 | 1,018,158 | (239,730) | 599,813 | (1,249,987) | (231,848) | 1,591,512 | (464,944) | (453,002) | 2,706,459 |

Schedule 3

SEPP MANAGEMENT COMPANY, INC. AND
SEPP, INC. AND SUBSIDIARIES
Consolidating Statement of Financial Position - SEPP, Inc. and Subsidiaries
June 30, 2021

| 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. | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Current assets: | | | | | | | | | | |
| Cash - general operating | $ 36,860 | 483,337 | 14,657 | 6,623 | 39,231 | 27,278 | 46,062 | 55,930 | 8,864 | 718,842 |
| Investments | 1,307,469 | - | - | - | - | - | - | - | - | 1,307,469 |
| Receivables | - | - | - | - | - | 263 | - | - | - | 263 |
| Due from related parties | 150,659 | - | - | - | - | - | - | - | - | 150,659 |
| Prepaid expenses | 470 | 36,848 | 5,613 | 4,848 | 2,579 | 11,527 | 19,565 | 6,758 | 6,589 | 94,797 |
| Total current assets | 1,495,458 | 520,185 | 20,270 | 11,471 | 41,810 | 39,068 | 65,627 | 62,688 | 15,453 | 2,272,030 |
| Note receivable - related parties, less allowance of $900,000 | 285,500 | - | - | - | - | - | - | - | - | 285,500 |
| Restricted deposits: | | | | | | | | | | |
| Tenants' security deposits | - | 30,476 | 15,141 | 12,392 | 14,394 | 13,268 | 27,109 | 14,883 | 19,472 | 147,135 |
| Tax and insurance escrow | - | 18,443 | 36,003 | 34,073 | 10,474 | 13,218 | 118,634 | 10,065 | 37,324 | 278,234 |
| Operating reserve | - | - | - | - | - | - | 197,309 | - | 92,538 | 289,847 |
| Mortgage insurance premium escrow | - | 4,297 | - | 4,137 | 10,387 | - | - | - | - | 18,821 |
| Reserve for replacements | - | 178,413 | 16,247 | 69,877 | 161,515 | 91,189 | 183,483 | 96,214 | 105,721 | 902,659 |
| Residual receipts | - | 360,460 | - | - | 20,297 | - | - | - | - | 380,757 |
| Total restricted deposits | - | 592,089 | 67,391 | 120,479 | 217,067 | 117,675 | 526,535 | 121,162 | 255,055 | 2,017,453 |
| Property and equipment, at cost: | | | | | | | | | | |
| Land | - | 20,943 | - | 74,505 | 168,009 | 31,300 | 250,000 | 32,664 | 100,000 | 677,421 |
| Buildings and improvements | - | 5,314,161 | 1,475,883 | 2,918,169 | 2,583,845 | 1,151,317 | 6,438,029 | 1,778,764 | 4,002,391 | 25,662,559 |
| Furniture and equipment | 45,088 | 348,760 | 255,881 | 235,629 | 179,415 | 102,002 | 286,665 | 241,949 | 33,046 | 1,728,435 |
| Vehicles | - | 18,336 | - | - | - | - | - | - | - | 18,336 |
| | 45,088 | 5,702,200 | 1,731,764 | 3,228,303 | 2,931,269 | 1,284,619 | 6,974,694 | 2,053,377 | 4,135,437 | 28,086,751 |
| Less accumulated depreciation | (45,088) | (5,001,099) | (1,522,613) | (2,744,183) | (2,491,236) | (866,000) | (3,186,173) | (1,658,775) | (2,823,156) | (20,338,323) |
| Net property and equipment | - | 701,101 | 209,151 | 484,120 | 440,033 | 418,619 | 3,788,521 | 394,602 | 1,312,281 | 7,748,428 |
| Other asset - Investment in SEPP Nichols, Inc. | 357,505 | - | - | - | - | - | - | - | - | 357,505 |
| Total assets | $ 2,138,463 | 1,813,375 | 296,812 | 616,070 | 698,910 | 575,362 | 4,380,683 | 578,452 | 1,582,789 | 12,680,916 |
| Liabilities and Net Assets | | | | | | | | | | |
| Current liabilities: | | | | | | | | | | |
| Accounts payable | 186,159 | 50,388 | 85,163 | 27,192 | 24,299 | 22,178 | 12,443 | 16,899 | 30,233 | 454,954 |
| Accrued expenses | - | 6,360 | - | 7,405 | 6,711 | 641 | 20,000 | 349 | 106,607 | 148,073 |
| Current installments of mortgages payable | - | 86,501 | 27,992 | 40,730 | 40,004 | 18,614 | - | 3,110 | - | 216,951 |
| Total current liabilities | 186,159 | 143,249 | 113,155 | 75,327 | 71,014 | 41,433 | 32,443 | 20,358 | 136,840 | 819,978 |
| Tenants' security deposits | - | 30,476 | 15,141 | 12,392 | 14,394 | 13,268 | 27,109 | 14,883 | 19,472 | 147,135 |
| Loan from related party | - | - | 95,659 | - | - | - | - | - | - | 95,659 |
| Mortgages payable, excluding current installments | - | 1,140,324 | 291,205 | 2,209,001 | 1,983,401 | 759,848 | 2,614,399 | 965,652 | 1,769,847 | 11,733,677 |
| Debt issuance costs | - | - | (9,007) | (78,724) | (49,294) | - | - | - | (1,204) | (138,229) |
| Mortgages payable, excluding current installments and unamortized debt issuance costs | - | 1,140,324 | 282,198 | 2,130,277 | 1,934,107 | 759,848 | 2,614,399 | 965,652 | 1,768,643 | 11,595,448 |
| Total liabilities | 186,159 | 1,314,049 | 506,153 | 2,217,996 | 2,019,515 | 814,549 | 2,673,951 | 1,000,893 | 1,924,955 | 12,658,220 |
| Net assets (deficit) without donor restrictions | 1,952,304 | 499,326 | (209,341) | (1,601,926) | (1,320,605) | (239,187) | 1,706,732 | (422,441) | (342,166) | 22,696 |
| Total liabilities and net assets | $ 2,138,463 | 1,813,375 | 296,812 | 616,070 | 698,910 | 575,362 | 4,380,683 | 578,452 | 1,582,789 | 12,680,916 |

Schedule 4

SEPP MANAGEMENT COMPANY, INC. AND
SEPP, INC. AND SUBSIDIARIES
Consolidating Statement of Activities - SEPP, Inc. and Subsidiaries
Year ended June 30, 2021

| | 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. | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenue: | | | | | | | | | | |
| Contributions | $ 89,828 | - | - | - | - | - | - | - | - | 89,828 |
| Rental revenue | - | 1,228,849 | 194,164 | 468,446 | 422,717 | 182,850 | 369,227 | 193,613 | 235,212 | 3,295,078 |
| Laundry and exterminating income | - | 4,636 | 1,059 | 1,502 | 1,591 | 695 | 1,956 | 932 | 1,763 | 14,134 |
| Return to owner | 73,699 | - | - | - | - | - | - | - | - | 73,699 |
| Investment income | 221,681 | 175 | 7 | 28 | 55 | 42 | 343 | 69 | 158 | 222,558 |
| Other revenue | 5,000 | 24,861 | 14 | - | 68,392 | - | 26 | - | 65,017 | 163,310 |
| Total revenue | 390,208 | 1,258,521 | 195,244 | 469,976 | 492,755 | 183,587 | 371,552 | 194,614 | 302,150 | 3,858,607 |
| Expenses: | | | | | | | | | | |
| Administrative | 92,928 | 258,781 | 63,989 | 126,150 | 119,813 | 50,530 | 119,380 | 54,834 | 78,493 | 964,898 |
| Utilities | 1,200 | 52,364 | 24,599 | 59,948 | 35,639 | 13,852 | 32,068 | 16,966 | 32,204 | 268,840 |
| Maintenance and operating | - | 230,264 | 44,534 | 75,361 | 87,132 | 59,097 | 110,305 | 45,450 | 74,442 | 726,585 |
| Taxes and insurance | - | 58,063 | 44,456 | 43,388 | 20,775 | 21,075 | 36,449 | 26,061 | 23,789 | 274,056 |
| Financial | - | 86,244 | 27,213 | 103,061 | 93,199 | 8,733 | 20,000 | 11,513 | 17,083 | 367,046 |
| Loss on investment in partnerships | 30,118 | - | - | - | - | - | - | - | - | 30,118 |
| Total expenses | 124,246 | 685,716 | 204,791 | 407,908 | 356,558 | 153,287 | 318,202 | 154,824 | 226,011 | 2,631,543 |
| Changes net assets (deficit) before depreciation | 265,962 | 572,805 | (9,547) | 62,068 | 136,197 | 30,300 | 53,350 | 39,790 | 76,139 | 1,227,064 |
| Depreciation | - | (37,599) | (50,512) | (79,433) | (36,886) | (30,893) | (156,350) | (62,199) | (138,384) | (592,256) |
| Change in net assets (deficit) without donor restrictions | 265,962 | 535,206 | (60,059) | (17,365) | 99,311 | (593) | (103,000) | (22,409) | (62,245) | 634,808 |
| Net assets (deficit) without donor restrictions at beginning of year | 1,686,342 | (35,880) | (149,282) | (1,584,561) | (1,419,916) | (238,594) | 1,809,732 | (400,032) | - | (332,191) |
| Transfer of net assets (deficit) without donor restrictions | - | - | - | - | - | - | - | - | (279,921) | (279,921) |
| Net assets (deficit) without donor restrictions at end of year | $ 1,952,304 | 499,326 | (209,341) | (1,601,926) | (1,320,605) | (239,187) | 1,706,732 | (422,441) | (342,166) | 22,696 |

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, 2022

| | |
|---|---|
| Revenue | $ 89,828 |
| Expenses: | |
| Staff salaries: | |
| Executive Director | 27,851 |
| Accounting Manager | 20,729 |
| Director of Operations | 25,577 |
| Fringe benefits | 7,416 |
| Total staff salaries | 81,573 |
| Regulated OTPS: | |
| Insurance/bonding | 1,850 |
| Agency audit | 1,450 |
| Legal fees | 1,000 |
| Total regulated OTPS | 4,300 |
| General OTPS: | |
| Telephone | 1,200 |
| Office supplies | 1,800 |
| Travel | 955 |
| Total general OTPS | 3,955 |
| Total expenses | $ 89,828 |