

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

Combined Financial Statements
and Supplemental Information

June 30, 2021

(With Independent Auditors' Report Thereon)

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

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 - 2
Combined Financial Statements:	
Combined Statement of Financial Position	3 - 4
Combined Statement of Activities	5
Combined Statement of Cash Flows	6 - 7
Notes to Combined Financial Statements	8 - 21
Schedules:	
Schedule 1 - Consolidating Statement of Financial Position of SEPP, Inc. and Subsidiaries - June 30, 2021	22
Schedule 2 - Consolidating Statement of Activities of SEPP, Inc. and Subsidiaries - June 30, 2021	23
Schedule 3 - Consolidating Statement of Financial Position of SEPP, Inc. and Subsidiaries - June 30, 2020	24
Schedule 4 - Consolidating Statement of Activities of SEPP, Inc. and Subsidiaries - June 30, 2020	25
Schedule 5 - New York State Division of Housing and Community Renewal - Neighborhood Preservation Program - Schedule of Revenue and Expenses	26

* * * * *

INDEPENDENT AUDITORS' REPORT

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

Report on the Combined Financial Statements

We have audited the accompanying combined 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, 2021, and the related combined statements of activities and cash flows for the year then ended, and the related notes to combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the combined financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of SEPP Management Company, Inc. and SEPP, Inc. and Subsidiaries as of June 30, 2021, and the combined changes in their net assets (deficit) and their combined cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Organization's 2020 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated September 22, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is 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 audit 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
September 30, 2021

SEPP MANAGEMENT COMPANY, INC. AND
SEPP, INC. AND SUBSIDIARIES
Combined Statement of Financial Position
June 30, 2021
with comparative totals for 2020

<u>Assets</u>	<u>SEPP, Inc. and Subsidiaries</u>	<u>SEPP Management Company, Inc.</u>	<u>Eliminations</u>	<u>Total</u>	
				<u>2021</u>	<u>2020</u>
Current assets:					
Cash - general operating	\$ 718,842	390,926	-	1,109,768	1,082,598
Investments	1,307,469	-	-	1,307,469	1,135,791
Receivables	263	365,887	(128,648)	237,502	82,197
Due from related parties	150,659	-	-	150,659	101,474
Prepaid expenses	94,797	8,706	-	103,503	103,478
Total current assets	<u>2,272,030</u>	<u>765,519</u>	<u>(128,648)</u>	<u>2,908,901</u>	<u>2,505,538</u>
Notes receivable - related parties, less allowance of \$900,000 in 2021 and 2020	<u>285,500</u>	<u>-</u>	<u>-</u>	<u>285,500</u>	<u>111,500</u>
Restricted deposits:					
Tenants' security deposits	147,135	-	-	147,135	127,138
Tax and insurance escrow	278,234	-	-	278,234	247,624
Operating reserve	289,847	-	-	289,847	185,916
Mortgage insurance premium escrow	18,821	-	-	18,821	16,596
Reserve for replacements	902,659	-	-	902,659	666,472
Residual receipts	380,757	-	-	380,757	43,195
Total restricted deposits	<u>2,017,453</u>	<u>-</u>	<u>-</u>	<u>2,017,453</u>	<u>1,286,941</u>
Property and equipment, at cost:					
Land	677,421	-	-	677,421	577,421
Buildings and improvements	25,662,559	707,958	-	26,370,517	22,376,281
Furniture and equipment	1,728,435	199,344	-	1,927,779	1,704,508
Vehicles	18,336	29,286	-	47,622	47,622
	28,086,751	936,588	-	29,023,339	24,705,832
Less accumulated depreciation	<u>(20,338,323)</u>	<u>(457,341)</u>	<u>-</u>	<u>(20,795,664)</u>	<u>(17,490,481)</u>
Net property and equipment	<u>7,748,428</u>	<u>479,247</u>	<u>-</u>	<u>8,227,675</u>	<u>7,215,351</u>
Other assets:					
Investment in SEPP Nichols, Inc.	357,505	-	-	357,505	357,523
Investment in SEPP Development Corporation	-	-	-	-	10,000
Investment in Hamilton House Holding Company, LLC	-	-	-	-	30,100
Total other assets	<u>357,505</u>	<u>-</u>	<u>-</u>	<u>357,505</u>	<u>397,623</u>
Total assets	<u>\$ 12,680,916</u>	<u>1,244,766</u>	<u>(128,648)</u>	<u>13,797,034</u>	<u>11,516,953</u>

(Continued)

See accompanying notes to combined financial statements.

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

<u>Liabilities and Net Assets</u>	<u>SEPP, Inc. and Subsidiaries</u>	<u>SEPP Management Company, Inc.</u>	<u>Eliminations</u>	<u>Total</u>	
				<u>2021</u>	<u>2020</u>
Current liabilities:					
Accounts payable	\$ 454,954	43,266	(128,648)	369,572	194,953
Accrued expenses	148,073	59,980	-	208,053	101,585
Deferred revenue	-	31,861	-	31,861	46,207
Current installments of mortgages payable	<u>216,951</u>	<u>-</u>	<u>-</u>	<u>216,951</u>	<u>207,871</u>
Total current liabilities	819,978	135,107	(128,648)	826,437	550,616
Tenants' security deposits	147,135	-	-	147,135	127,138
Loans from related party	95,659	-	-	95,659	68,500
Promissory note - payroll protection program	-	-	-	-	184,335
Mortgages payable, excluding current installments	11,733,677	-	-	11,733,677	10,175,442
Debt issuance costs	<u>(138,229)</u>	<u>-</u>	<u>-</u>	<u>(138,229)</u>	<u>(142,347)</u>
Mortgages payable, excluding current installments and unamortized debt issuance costs	<u>11,595,448</u>	<u>-</u>	<u>-</u>	<u>11,595,448</u>	<u>10,033,095</u>
Total liabilities	12,658,220	135,107	(128,648)	12,664,679	10,963,684
Net assets without donor restrictions	<u>22,696</u>	<u>1,109,659</u>	<u>-</u>	<u>1,132,355</u>	<u>553,269</u>
Total liabilities and net assets	<u>\$ 12,680,916</u>	<u>1,244,766</u>	<u>(128,648)</u>	<u>13,797,034</u>	<u>11,516,953</u>

See accompanying notes to combined financial statements.

SEPP MANAGEMENT COMPANY, INC. AND
SEPP, INC. AND SUBSIDIARIES
Combined Statement of Activities
Year ended June 30, 2021
with comparative totals for 2020

	SEPP, Inc. and Subsidiaries	SEPP Management Company, Inc.	Eliminations	Total	
				<u>2021</u>	<u>2020</u>
Revenue:					
Contributions	\$ 89,828	89,828	(89,828)	89,828	88,305
Rental revenue	3,295,078	87,780	-	3,382,858	3,099,563
Management fees	-	347,267	(189,963)	157,304	150,865
Laundry and exterminating income	14,134	78,991	(9,483)	83,642	64,770
Return to owner	73,699	-	-	73,699	29,192
Investment income	222,558	97	-	222,655	71,479
Grant - paycheck protection program	-	184,335	-	184,335	-
Gain on disposal of property and equipment	-	-	-	-	5,000
Other revenue	<u>163,310</u>	<u>162,777</u>	<u>-</u>	<u>326,087</u>	<u>208,696</u>
Total revenue	<u>3,858,607</u>	<u>951,075</u>	<u>(289,274)</u>	<u>4,520,408</u>	<u>3,717,870</u>
Expenses:					
Administrative	964,898	598,895	(289,274)	1,274,519	1,105,399
Utilities	268,840	33,144	-	301,984	278,266
Maintenance and operating	726,585	18,417	-	745,002	749,874
Taxes and insurance	274,056	33,246	-	307,302	269,745
Financial	367,046	-	-	367,046	367,785
Development expense	-	-	-	-	30,780
Loss on investment in partnerships	30,118	-	-	30,118	27,695
Other	<u>-</u>	<u>15,019</u>	<u>-</u>	<u>15,019</u>	<u>26,923</u>
Total expenses	<u>2,631,543</u>	<u>698,721</u>	<u>(289,274)</u>	<u>3,040,990</u>	<u>2,856,467</u>
Change in net assets (deficit) before depreciation	1,227,064	252,354	-	1,479,418	861,403
Depreciation	<u>(592,256)</u>	<u>(28,155)</u>	<u>-</u>	<u>(620,411)</u>	<u>(472,440)</u>
Change in net assets (deficit) without donor restrictions	634,808	224,199	-	859,007	388,963
Net assets (deficit) without donor restrictions at beginning of year	(332,191)	885,460	-	553,269	164,306
Transfer of net assets (deficit) without donor restrictions	<u>(279,921)</u>	<u>-</u>	<u>-</u>	<u>(279,921)</u>	<u>-</u>
Net assets without donor restrictions at end of year	<u>\$ 22,696</u>	<u>1,109,659</u>	<u>-</u>	<u>1,132,355</u>	<u>553,269</u>

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, 2021
with comparative totals for 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets without donor restrictions	\$ 859,007	388,963
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation	620,411	472,440
Amortization of debt issuance costs	4,118	6,639
Unrealized and realized gain on investments	(210,116)	(28,977)
Gain on disposal of property and equipment	-	(5,000)
Forgiveness of loan from paycheck protection program	(184,335)	-
Changes in:		
Receivables	(155,305)	(38,444)
Note receivable	(174,000)	-
Due from related parties	(49,185)	(32,679)
Prepaid expenses	6,564	23,932
Accounts payable	120,850	50,917
Accrued expenses	(139)	11,027
Deferred revenue	(14,346)	(13,444)
Net cash provided by operating activities	<u>823,524</u>	<u>835,374</u>
Cash flows from investing activities:		
Purchase of investments	(34,344)	(40,851)
Additions to property and equipment	(152,811)	(345,161)
Decrease in investment in SEPP Development Corporation	10,000	-
Decrease in investment in SEPP Nichols, Inc.	18	20
Decrease in investments in SEPP Windsor Holding Company, LLC	-	27,675
(Increase) decrease in investments in SEPP Hamilton House Holding Company, LLC	30,100	(30,100)
Net cash used in investing activities	<u>(147,037)</u>	<u>(388,417)</u>
Cash flows from financing activities:		
Increase in loans from related party	27,159	-
Repayment of mortgages payable	(210,408)	(190,844)
Proceeds from promissory note - paycheck protection program	-	184,335
Net cash used in financing activities	<u>(183,249)</u>	<u>(6,509)</u>
Net change in cash and equivalents	493,238	440,448
Transfer of cash and equivalents	244,447	-
Cash and equivalents at beginning of year	<u>2,242,401</u>	<u>1,801,953</u>
Cash and equivalents at end of year	<u>\$ 2,980,086</u>	<u>2,242,401</u>

(Continued)

See accompanying notes to combined financial statements.

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

	<u>2021</u>	<u>2020</u>
Supplemental schedule of cash flow information:		
Cash paid during the year for interest	\$ 344,161	<u>332,243</u>
Disposal of fully depreciated property and equipment	<u>\$ -</u>	<u>17,913</u>
Classification of cash and equivalents:		
Operations	1,109,768	1,082,598
Tax and insurance escrow	278,234	247,624
Operating reserve	289,847	185,916
Mortgage insurance premium escrow	18,821	16,596
Reserve for replacements	902,659	666,472
Residual receipts	<u>380,757</u>	<u>43,195</u>
	<u>\$ 2,980,086</u>	<u>2,242,401</u>
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	<u>1,768,643</u>	-
Cash and equivalents transferred	<u>\$ 244,447</u>	<u>-</u>

See accompanying notes to combined financial statements.

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

Notes to Combined Financial Statements

June 30, 2021

(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.

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 is 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.

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.

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

Notes to Combined Financial Statements, Continued

(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 99.5% owned by SEPP, Inc.

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

Notes to Combined Financial Statements, Continued

(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 99.51% 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, 2020 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 2021 and 2020.

(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.

SEPP MANAGEMENT COMPANY, INC. AND
SEPP, INC. AND SUBSIDIARIES
Notes to Combined Financial Statements, Continued

(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, 2021 and 2020, 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) 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.

(k) 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, 2021 and 2020, no impairment loss has been recognized by the Organization.

SEPP MANAGEMENT COMPANY, INC. AND
SEPP, INC. AND SUBSIDIARIES
Notes to Combined Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(l) 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 \$4,118 and \$16,639 for the years ended June 30, 2021 and 2020, respectively, and is included as a component of interest expense on the combined statement of activities.

(m) 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.

(n) 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.

(o) 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.

(p) 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 of the COVID-19 on a national, regional and local level are unknown, but has 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.

(q) 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.

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

Notes to Combined Financial Statements, Continued

(2) Liquidity

The Organization has \$1,347,270 of financial assets available within one year of the combined statement of financial position date to meet cash needs for general expenditures, consisting of \$1,109,768 of cash general operating and \$237,502 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 2021 combined statement of financial position. Additionally, the Organization has available \$1,307,469 in investments at June 30, 2021, 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, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
A non-interest bearing note receivable from SEPP Development Corporation. Payment on the outstanding balance shall be due upon demand.	\$ 285,500	111,500
1% note receivable from Watkins Glen. Payment of the outstanding principal balance and accrued interest, shall be due March 1, 2047.	<u>900,000</u>	<u>900,000</u>
	1,185,000	1,011,500
Less allowance for doubtful accounts	<u>(900,000)</u>	<u>(900,000)</u>
Total notes receivable - related parties	\$ <u>285,500</u>	<u>111,500</u>

(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, 2021 and 2020.

	2021			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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	<u>236,148</u>	<u>-</u>	<u>-</u>	<u>236,148</u>
	\$ <u>1,254,083</u>	<u>53,386</u>	<u>-</u>	<u>1,307,469</u>

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

Notes to Combined Financial Statements, Continued

(4) Investments, Continued

	2020			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and equivalents	\$ 28,605	-	-	28,605
U.S. Government securities	142,579	-	-	142,579
Common stocks	482,282	-	-	482,282
Corporate fixed income	-	59,444	-	59,444
Mutual funds	422,881	-	-	422,881
	\$ 1,076,347	59,444	-	1,135,791

Financial Instruments

Investments in marketable securities at June 30, 2021 and 2020 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, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 12,539	42,502
Realized gain on investments	80,195	10,006
Unrealized gain on investments	129,921	18,971
Total investment income	\$ 222,655	71,479

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.

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.

SEPP MANAGEMENT COMPANY, INC. AND
SEPP, INC. AND SUBSIDIARIES
Notes to Combined Financial Statements, Continued

(4) Investments, Continued

Fair Value Measurements, Continued

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, 2021 and 2020.

- Common stocks - Valued at the closing price reported on the active market on which the individual securities are traded.
- 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 Harry L., Inc., SEPP Cardinal Cove, Inc. and SEPP Watkins Glen, 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 and Watkins Glen 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.

SEPP MANAGEMENT COMPANY, INC. AND
SEPP, INC. AND SUBSIDIARIES
Notes to Combined Financial Statements, Continued

(5) Investment in Partnerships, Continued

The financial position as of December 31, 2020 and results of operations of the partnerships for the year ended December 31, 2020 are summarized as follows:

	Harry L. Apartments Company I, <u>L.P.</u>	Cardinal Cove, <u>L.P.</u>	Watkins Glen Apartments Company I, <u>L.P.</u>
Current assets	\$ 89,785	100,617	110,985
Current liabilities	<u>(75,918)</u>	<u>(157,034)</u>	<u>(90,450)</u>
Working capital	13,867	(56,417)	20,535
Restricted deposits	451,611	348,211	431,037
Property and equipment, net	5,990,079	10,444,718	11,586,489
Other assets	-	35,000	25,000
Long-term debt	(2,335,174)	(6,399,307)	(4,509,098)
Other liabilities	<u>(34,406)</u>	<u>(25,670)</u>	<u>(27,623)</u>
Partners' equity (deficit)	\$ <u>4,085,977</u>	<u>4,346,535</u>	<u>(7,526,340)</u>
Gross income	\$ <u>433,177</u>	<u>319,358</u>	<u>455,170</u>
Net loss	\$ <u>(145,809)</u>	<u>(440,335)</u>	<u>(316,525)</u>

(6) Mortgages Payable

Mortgages payable at June 30, 2021 and 2020 are summarized as follows:

	<u>2021</u>	<u>2020</u>
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 2020 and 2019 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.	\$ 778,462	794,220

SEPP MANAGEMENT COMPANY, INC. AND
SEPP, INC. AND SUBSIDIARIES
Notes to Combined Financial Statements, Continued

(6) Mortgages Payable, Continued

	<u>2021</u>	<u>2020</u>
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.	\$ 319,197	345,038
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.	2,023,405	2,061,813
Kime is 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 is secured by deeds of trust on the property and equipment and is payable in level monthly installments (principle and interest) of \$10,739 through February 2051.	2,249,731	2,288,887
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.	1,226,825	1,307,301
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

SEPP MANAGEMENT COMPANY, INC. AND
SEPP, INC. AND SUBSIDIARIES
Notes to Combined Financial Statements, Continued

(6) Mortgages Payable, Continued

	<u>2021</u>	<u>2020</u>
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 2020 and 2019, the interest subsidy payments of \$13,955 have been treated as a reduction of interest expense.	\$ 250,575	253,468
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, 2020 and 2019.	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.	<u>1,769,847</u>	<u>-</u>
Mortgages payable	11,950,628	10,383,313
Less current installments	<u>(216,951)</u>	<u>(207,871)</u>
Mortgages payable, excluding current installments	11,733,677	10,175,442
Less unamortized debt issuance costs	<u>(138,229)</u>	<u>(142,347)</u>
Mortgages payable, excluding current installments and unamortized debt issuance costs	<u>\$ 11,595,448</u>	<u>10,033,095</u>

SEPP MANAGEMENT COMPANY, INC. AND
SEPP, INC. AND SUBSIDIARIES
Notes to Combined Financial Statements, Continued

(6) Mortgages Payable, Continued

The aggregate maturity of the mortgages payable for the five years following June 30, 2021 and thereafter is as follows:

2022		\$ 216,951
2023		229,925
2024		243,740
2025		258,400
2026		274,115
Thereafter		<u>10,727,497</u>
		<u>\$ 11,950,628</u>

(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. The SBA will forgive the loan if all employee retention criteria are met, and the funds are used for eligible expenses. If the criteria are not met, the loan is to be paid in equal payments over a period of two years, including interest at 1%. 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 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, 2021 and 2020, there was no outstanding balance on this line of credit. Interest on the line of credit is at prime plus 1.75% (5.25% at June 30, 2021).

(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 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, 2021 and 2020 is as follows:

SEPP MANAGEMENT COMPANY, INC. AND
SEPP, INC. AND SUBSIDIARIES
Notes to Combined Financial Statements, Continued

(9) Functional Expenses, Continued

	<u>2021</u>	<u>2020</u>
Program services:		
Utilities	\$ 301,984	278,266
Maintenance and operating	745,002	749,874
Financial	367,046	367,785
Taxes and insurance	307,302	269,745
Other	45,137	85,398
Depreciation	<u>620,411</u>	<u>472,440</u>
Total program services	2,386,882	2,223,508
Support services - management and general activities - administrative	<u>1,274,519</u>	<u>1,105,399</u>
Total expenses	\$ <u>3,661,401</u>	<u>3,328,907</u>

(10) Related Parties Transactions

SEPP Management Company, Inc. serves as the managing agent for twelve 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, 2021 and 2020, total management fees amounted to \$347,267 and \$339,856, respectively. Certain housing projects also pay bookkeeping fees equal to a fee per unit. During the years ended June 30, 2021 and 2020, total bookkeeping fees, which are included in other revenue on the accompanying combined statement of activities, amounted to \$20,362 and \$28,587, respectively.

During the years ended June 30, 2021 and 2020, 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, 2021 and 2020 amounted to \$78,991 and \$60,856, respectively.

SEPP, Inc. has a note receivable from SEPP Development Corporation in the amount of \$285,500 and \$111,500 as of June 30, 2021 and 2020, respectively (note 3). Also, SEPP, Inc. has a note receivable from Watkins Glen in the amount of \$900,000 as of June 30, 2021 and 2020 (note 3).

SEPP MANAGEMENT COMPANY, INC. AND
SEPP, INC. AND SUBSIDIARIES
Notes to Combined Financial Statements, Continued

(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 \$31,353 and \$24,694 as of June 30, 2021 and 2020, 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 \$25,261 and \$33,083 is recorded as of June 30, 2021 and 2020, 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, 2021 and 2020.

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

<u>Assets</u>	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.	<u>Total</u>
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	<u>1,495,458</u>	<u>520,185</u>	<u>20,270</u>	<u>11,471</u>	<u>41,810</u>	<u>39,068</u>	<u>65,627</u>	<u>62,688</u>	<u>15,453</u>	<u>2,272,030</u>
Note receivable - related parties, less allowance of \$900,000	<u>285,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>285,500</u>
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	<u>-</u>	<u>592,089</u>	<u>67,391</u>	<u>120,479</u>	<u>217,067</u>	<u>117,675</u>	<u>526,535</u>	<u>121,162</u>	<u>255,055</u>	<u>2,017,453</u>
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
Total property and equipment	<u>45,088</u>	<u>5,702,200</u>	<u>1,731,764</u>	<u>3,228,303</u>	<u>2,931,269</u>	<u>1,284,619</u>	<u>6,974,694</u>	<u>2,053,377</u>	<u>4,135,437</u>	<u>28,086,751</u>
Less accumulated depreciation	<u>(45,088)</u>	<u>(5,001,099)</u>	<u>(1,522,613)</u>	<u>(2,744,183)</u>	<u>(2,491,236)</u>	<u>(866,000)</u>	<u>(3,186,173)</u>	<u>(1,658,775)</u>	<u>(2,823,156)</u>	<u>(20,338,323)</u>
Net property and equipment	<u>-</u>	<u>701,101</u>	<u>209,151</u>	<u>484,120</u>	<u>440,033</u>	<u>418,619</u>	<u>3,788,521</u>	<u>394,602</u>	<u>1,312,281</u>	<u>7,748,428</u>
Other assets:										
Investment in SEPP Nichols, Inc.	357,505	-	-	-	-	-	-	-	-	357,505
Investment in Hamilton House Holding Company, LLC	-	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 2,138,463</u>	<u>1,813,375</u>	<u>296,812</u>	<u>616,070</u>	<u>698,910</u>	<u>575,362</u>	<u>4,380,683</u>	<u>578,452</u>	<u>1,582,789</u>	<u>12,680,916</u>
<u>Liabilities and Net Assets</u>										
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	<u>186,159</u>	<u>143,249</u>	<u>113,155</u>	<u>75,327</u>	<u>71,014</u>	<u>41,433</u>	<u>32,443</u>	<u>20,358</u>	<u>136,840</u>	<u>819,978</u>
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	<u>-</u>	<u>1,140,324</u>	<u>282,198</u>	<u>2,130,277</u>	<u>1,934,107</u>	<u>759,848</u>	<u>2,614,399</u>	<u>965,652</u>	<u>1,768,643</u>	<u>11,595,448</u>
Total liabilities	<u>186,159</u>	<u>1,314,049</u>	<u>506,153</u>	<u>2,217,996</u>	<u>2,019,515</u>	<u>814,549</u>	<u>2,673,951</u>	<u>1,000,893</u>	<u>1,924,955</u>	<u>12,658,220</u>
Net assets (deficit) without donor restrictions	<u>1,952,304</u>	<u>499,326</u>	<u>(209,341)</u>	<u>(1,601,926)</u>	<u>(1,320,605)</u>	<u>(239,187)</u>	<u>1,706,732</u>	<u>(422,441)</u>	<u>(342,166)</u>	<u>22,696</u>
Total liabilities and net assets	<u>\$ 2,138,463</u>	<u>1,813,375</u>	<u>296,812</u>	<u>616,070</u>	<u>698,910</u>	<u>575,362</u>	<u>4,380,683</u>	<u>578,452</u>	<u>1,582,789</u>	<u>12,680,916</u>

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

SEPP MANAGEMENT COMPANY, INC. AND
SEPP, INC. AND SUBSIDIARIES
Consolidating Statement of Financial Position - SEPP, Inc. and Subsidiaries
June 30, 2020

<u>Assets</u>	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.	Total
Current assets:									
Cash - general operating	\$ 12,928	443,502	5,143	7,136	42,552	41,271	28,220	40,635	621,387
Investments	1,135,791	-	-	-	-	-	-	-	1,135,791
Due from related parties	95,659	-	-	-	-	305	-	-	95,964
Prepaid expenses	-	36,644	13,638	4,482	2,537	11,476	18,495	6,919	94,191
Total current assets	<u>1,244,378</u>	<u>480,146</u>	<u>18,781</u>	<u>11,618</u>	<u>45,089</u>	<u>53,052</u>	<u>46,715</u>	<u>47,554</u>	<u>1,947,333</u>
Notes receivable - related parties, less allowance of \$900,000	<u>111,500</u>	-	-	-	-	-	-	-	111,500
Restricted deposits:									
Tenants' security deposits	-	31,064	14,756	12,298	14,140	12,899	26,905	15,076	127,138
Tax and insurance escrow	-	14,801	21,892	38,052	15,922	16,955	131,664	8,338	247,624
Operating reserve	-	-	-	-	-	-	185,916	-	185,916
Mortgage insurance premium escrow	-	4,562	-	4,054	7,980	-	-	-	16,596
Reserve for replacements	-	149,407	14,087	76,419	131,437	70,741	151,087	73,294	666,472
Residual receipts	-	25,511	-	-	17,684	-	-	-	43,195
Total restricted deposits	<u>-</u>	<u>225,345</u>	<u>50,735</u>	<u>130,823</u>	<u>187,163</u>	<u>100,595</u>	<u>495,572</u>	<u>96,708</u>	<u>1,286,941</u>
Property and equipment, at cost:									
Land	-	20,943	-	74,505	168,009	31,300	250,000	32,664	577,421
Buildings and improvements	-	5,384,677	1,475,883	2,997,319	2,546,566	1,141,017	6,438,029	1,684,832	21,668,323
Furniture and equipment	45,088	233,967	255,881	129,206	144,539	81,567	286,665	328,251	1,505,164
Vehicles	-	18,336	-	-	-	-	-	-	18,336
	<u>45,088</u>	<u>5,657,923</u>	<u>1,731,764</u>	<u>3,201,030</u>	<u>2,859,114</u>	<u>1,253,884</u>	<u>6,974,694</u>	<u>2,045,747</u>	<u>23,769,244</u>
Less accumulated depreciation	<u>(45,088)</u>	<u>(4,963,500)</u>	<u>(1,472,101)</u>	<u>(2,664,750)</u>	<u>(2,454,350)</u>	<u>(835,107)</u>	<u>(3,029,823)</u>	<u>(1,596,576)</u>	<u>(17,061,295)</u>
Net property and equipment	<u>-</u>	<u>694,423</u>	<u>259,663</u>	<u>536,280</u>	<u>404,764</u>	<u>418,777</u>	<u>3,944,871</u>	<u>449,171</u>	<u>6,707,949</u>
Other assets:									
Investment in SEPP Nichols, Inc.	357,523	-	-	-	-	-	-	-	357,523
Investment in Hamilton House Holding Company, LLC	30,100	-	-	-	-	-	-	-	30,100
Total assets	<u>\$ 1,743,501</u>	<u>1,399,914</u>	<u>329,179</u>	<u>678,721</u>	<u>637,016</u>	<u>572,424</u>	<u>4,487,158</u>	<u>593,433</u>	<u>10,441,346</u>
<u>Liabilities and Net Assets</u>									
Current liabilities:									
Accounts payable	57,159	90,649	60,459	35,563	15,528	3,244	16,122	6,367	285,091
Accrued expenses	-	6,780	-	7,534	6,838	655	20,000	367	42,174
Deferred revenue	-	-	-	-	9,668	-	-	-	9,668
Current installments of mortgages payable	-	84,479	25,838	39,156	38,445	17,060	-	2,893	207,871
Total current liabilities	<u>57,159</u>	<u>181,908</u>	<u>86,297</u>	<u>82,253</u>	<u>70,479</u>	<u>20,959</u>	<u>36,122</u>	<u>9,627</u>	<u>544,804</u>
Tenants' security deposits	-	31,064	14,756	12,298	14,140	12,899	26,905	15,076	127,138
Loan from related party	-	-	68,500	-	-	-	-	-	68,500
Mortgages payable, excluding current installments	-	1,222,822	319,200	2,249,731	2,023,368	777,160	2,614,399	968,762	10,175,442
Debt issuance costs	-	-	(10,292)	(81,000)	(51,055)	-	-	-	(142,347)
Mortgages payable, excluding current installments and unamortized debt issuance costs	<u>-</u>	<u>1,222,822</u>	<u>308,908</u>	<u>2,168,731</u>	<u>1,972,313</u>	<u>777,160</u>	<u>2,614,399</u>	<u>968,762</u>	<u>10,033,095</u>
Total liabilities	<u>57,159</u>	<u>1,435,794</u>	<u>478,461</u>	<u>2,263,282</u>	<u>2,056,932</u>	<u>811,018</u>	<u>2,677,426</u>	<u>993,465</u>	<u>10,773,537</u>
Net assets (deficit) without donor restrictions	<u>1,686,342</u>	<u>(35,880)</u>	<u>(149,282)</u>	<u>(1,584,561)</u>	<u>(1,419,916)</u>	<u>(238,594)</u>	<u>1,809,732</u>	<u>(400,032)</u>	<u>(332,191)</u>
Total liabilities and net assets	<u>\$ 1,743,501</u>	<u>1,399,914</u>	<u>329,179</u>	<u>678,721</u>	<u>637,016</u>	<u>572,424</u>	<u>4,487,158</u>	<u>593,433</u>	<u>10,441,346</u>

SEPP MANAGEMENT COMPANY, INC. AND
SEPP, INC. AND SUBSIDIARIES
Consolidating Statement of Activities - SEPP, Inc. and Subsidiaries
Year ended June 30, 2020

	SEPP, <u>Inc.</u>	Marian <u>Apartments</u>	Creamery Hills, <u>L.P.</u>	Kime Apartments <u>Corporation</u>	Wells <u>Apartments</u>	Whitney Point <u>Apartments</u>	Nichols Notch Apartments <u>Company I, L.P.</u>	Windsor Housing <u>Company I, L.P.</u>	<u>Total</u>
Revenue:									
Contributions	\$ 88,305	-	-	-	-	-	-	-	88,305
Rental revenue	-	1,220,670	199,417	467,855	415,131	181,585	358,865	183,080	3,026,603
Laundry and exterminating income	-	5,117	1,187	1,467	1,904	1,343	2,414	1,500	14,932
Return to owner	29,192	-	-	-	-	-	-	-	29,192
Investment income	69,839	86	15	60	72	87	622	115	70,896
Other revenue	-	24,871	11	-	16,296	-	19	-	41,197
Total revenue	<u>187,336</u>	<u>1,250,744</u>	<u>200,630</u>	<u>469,382</u>	<u>433,403</u>	<u>183,015</u>	<u>361,920</u>	<u>184,695</u>	<u>3,271,125</u>
Expenses:									
Administrative	93,605	251,030	35,358	126,340	120,062	49,690	118,324	48,220	842,629
Utilities	1,600	51,983	30,117	58,965	31,290	12,121	32,598	19,389	238,063
Maintenance and operating	-	276,089	59,628	87,814	65,392	62,431	119,779	60,954	732,087
Taxes and insurance	-	56,598	34,380	43,174	20,866	20,635	35,656	25,813	237,122
Financial	-	92,425	29,064	104,777	99,372	9,846	20,000	12,301	367,785
Development expense	30,780	-	-	-	-	-	-	-	30,780
Loss on investment in partnerships	27,695	-	-	-	-	-	-	-	27,695
Total expenses	<u>153,680</u>	<u>728,125</u>	<u>188,547</u>	<u>421,070</u>	<u>336,982</u>	<u>154,723</u>	<u>326,357</u>	<u>166,677</u>	<u>2,476,161</u>
Changes net assets (deficit) without donor restrictions before depreciation	33,656	522,619	12,083	48,312	96,421	28,292	35,563	18,018	794,964
Depreciation	-	(36,982)	(50,114)	(79,693)	(31,927)	(29,678)	(155,919)	(61,982)	(446,295)
Change in net assets (deficit) without donor restrictions	33,656	485,637	(38,031)	(31,381)	64,494	(1,386)	(120,356)	(43,964)	348,669
Net assets (deficit) without donor restrictions at beginning of year	<u>1,652,686</u>	<u>(521,517)</u>	<u>(111,251)</u>	<u>(1,553,180)</u>	<u>(1,484,410)</u>	<u>(237,208)</u>	<u>1,930,088</u>	<u>(356,068)</u>	<u>(680,860)</u>
Net assets (deficit) without donor restrictions at end of year	<u>\$ 1,686,342</u>	<u>(35,880)</u>	<u>(149,282)</u>	<u>(1,584,561)</u>	<u>(1,419,916)</u>	<u>(238,594)</u>	<u>1,809,732</u>	<u>(400,032)</u>	<u>(332,191)</u>

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, 2021

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