



CONSOLIDATED FINANCIAL STATEMENTS
(WITH SUPPLEMENTARY INFORMATION)
AND INDEPENDENT AUDITOR'S REPORT

N STREET VILLAGE, INC. AND SUBSIDIARY

JUNE 30, 2013 AND 2012

N Street Village, Inc. and Subsidiary

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INDEPENDENT AUDITOR'S REPORT

To the Audit Committee
N Street Village, Inc. and Subsidiary

We have audited the accompanying consolidated statements of financial position of N Street Village, Inc. and Subsidiary at June 30, 2013 and 2012, and the related consolidated statements of activities, functional expenses, change in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of N Street Village, Inc. and Subsidiary at June 30, 2013 and 2012, and their change in consolidated net assets and their consolidated cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The 2013 and 2012 accompanying supplemental information on pages 27 to 32 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

CohnReznick LLP

Bethesda, Maryland
March 24, 2014

Lead Auditor: Russell Phillips

N Street Village, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2013 and 2012

ASSETS

| | <u>2013</u> | <u>2012</u> |
|--|----------------------|----------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 364,257 | \$ 1,624,428 |
| Receivables: | | |
| Grants and contracts | 263,577 | 218,033 |
| Other | 450,525 | 49,799 |
| Prepaid expenses | <u>110,557</u> | <u>45,950</u> |
| Total current assets | <u>1,188,916</u> | <u>1,938,210</u> |
| INVESTMENTS, RESTRICTED DEPOSITS AND FUNDED RESERVES | | |
| Investments | 1,668,282 | 1,522,783 |
| Reserves and escrows | 530,211 | 658,376 |
| Tenant security deposits | <u>31,713</u> | <u>31,761</u> |
| Total investments, restricted deposits and funded reserves | <u>2,230,206</u> | <u>2,212,920</u> |
| FIXED ASSETS | | |
| Land, building, furniture and equipment and improvements, net | <u>17,425,385</u> | <u>17,170,384</u> |
| OTHER ASSETS | | |
| Trust receivable | 380,943 | 350,607 |
| Mortgage costs, net of accumulated amortization of \$31,431 and \$29,312, respectively | <u>32,141</u> | <u>34,260</u> |
| Total other assets | <u>413,084</u> | <u>384,867</u> |
| Total assets | <u>\$ 21,257,591</u> | <u>\$ 21,706,381</u> |

(continued)

N Street Village, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - CONTINUED

June 30, 2013 and 2012

LIABILITIES AND NET ASSETS

| | <u>2013</u> | <u>2012</u> |
|--|----------------------|----------------------|
| CURRENT LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 266,953 | \$ 181,720 |
| Accrued salary and expenses | 181,076 | 140,996 |
| Current maturities - mortgages and notes payable | 93,749 | 91,951 |
| Tenant security deposits and prepaid rent | <u>36,147</u> | <u>38,008</u> |
| Total current liabilities | <u>577,925</u> | <u>452,675</u> |
| LONG-TERM LIABILITIES | | |
| Mortgages and notes payable, net of current maturities | <u>3,464,783</u> | <u>3,547,519</u> |
| Total liabilities | <u>4,042,708</u> | <u>4,000,194</u> |
| NET ASSETS | | |
| Unrestricted - controlling | 16,550,022 | 16,913,559 |
| Unrestricted - controlling - board designated | 767,465 | 65,519 |
| Unrestricted - non-controlling | <u>(1,588,737)</u> | <u>(898,443)</u> |
| Total unrestricted | 15,728,750 | 16,080,635 |
| Temporarily restricted | <u>1,486,133</u> | <u>1,625,552</u> |
| Total net assets | <u>17,214,883</u> | <u>17,706,187</u> |
| Total liabilities and net assets | <u>\$ 21,257,591</u> | <u>\$ 21,706,381</u> |

See notes to consolidated financial statements

N Street Village, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF ACTIVITIES

Year ended June 30, 2013

| | Unrestricted | Temporarily restricted | Total |
|---|-------------------|---------------------------|-------------------|
| Revenue and support | | | |
| Grants and contributions | \$ 1,529,284 | \$ 645,728 | \$ 2,175,012 |
| Rental and service fee income | 1,003,690 | - | 1,003,690 |
| Government grants and contracts | - | 1,218,801 | 1,218,801 |
| Special event revenue | 702,342 | - | 702,342 |
| In-kind contributions | 445,901 | - | 445,901 |
| Forgiveness of debt | 30,000 | - | 30,000 |
| Net assets released from restrictions | <u>2,084,476</u> | <u>(2,084,476)</u> | <u>-</u> |
| Total revenue and support | <u>5,795,693</u> | <u>(219,947)</u> | <u>5,575,746</u> |
| Expenses | | | |
| Program services | 4,186,019 | - | 4,186,019 |
| Management and general | 1,348,807 | - | 1,348,807 |
| Fundraising | 682,991 | - | 682,991 |
| Special event benefit to attendees | <u>95,634</u> | <u>-</u> | <u>95,634</u> |
| Total expenses | <u>6,313,451</u> | <u>-</u> | <u>6,313,451</u> |
| Excess (deficiency) of revenues over expenses before other items | (517,758) | (219,947) | (737,705) |
| Non-operational activity | | | |
| Change in value of charitable trust | - | 30,336 | 30,336 |
| Investment and interest income | 23,503 | 7,572 | 31,075 |
| Unrealized gain on investments | 132,301 | 42,620 | 174,921 |
| Realized gain on investments | <u>10,069</u> | <u>-</u> | <u>10,069</u> |
| Excess (deficiency) of revenues over expenses - consolidated | (351,885) | (139,419) | (491,304) |
| Deficiency of revenues over expenses attributable to non-controlling interest | <u>690,294</u> | <u>-</u> | <u>690,294</u> |
| Excess (deficiency) of revenues over expenses attributable to N Street Village, Inc. | <u>\$ 338,409</u> | <u>\$ (139,419)</u> | <u>\$ 198,990</u> |

(continued)

N Street Village, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF ACTIVITIES - CONTINUED

Year ended June 30, 2012

| | Unrestricted | Temporarily restricted | Total |
|---|---------------------|---------------------------|---------------------|
| Revenue and support | | | |
| Grants and contributions | \$ 2,193,171 | \$ 705,300 | \$ 2,898,471 |
| Rental and service fee income | 1,011,667 | - | 1,011,667 |
| Government grants and contracts | - | 831,690 | 831,690 |
| Special event revenue | 638,485 | - | 638,485 |
| In-kind contributions | 345,448 | - | 345,448 |
| Forgiveness of debt | 30,000 | - | 30,000 |
| Net assets released from restrictions | <u>1,408,328</u> | <u>(1,408,328)</u> | <u>-</u> |
| Total revenue and support | <u>5,627,099</u> | <u>128,662</u> | <u>5,755,761</u> |
| Expenses | | | |
| Program services | 3,730,548 | - | 3,730,548 |
| Management and general | 789,438 | - | 789,438 |
| Fundraising | 616,978 | - | 616,978 |
| Special event benefit to attendees | <u>94,978</u> | <u>-</u> | <u>94,978</u> |
| Total expenses | <u>5,231,942</u> | <u>-</u> | <u>5,231,942</u> |
| Excess (deficiency) of revenues over expenses before other items | 395,157 | 128,662 | 523,819 |
| Non-operational activity | | | |
| Net contribution from acquisition (note 13) | 2,061,608 | | 2,061,608 |
| Change in value of charitable trust | - | 88,797 | 88,797 |
| Investment and interest income | 24,915 | 9,262 | 34,177 |
| Unrealized loss on investments | (3,338) | (1,241) | (4,579) |
| Realized loss on investments | <u>(7,690)</u> | <u>-</u> | <u>(7,690)</u> |
| Excess (deficiency) of revenues over expenses - consolidated | 2,470,652 | 225,480 | 2,696,132 |
| Deficiency of revenues over expenses attributable to non-controlling interest | <u>404,320</u> | <u>-</u> | <u>404,320</u> |
| Excess (deficiency) of revenues over expenses attributable to N Street Village, Inc. | <u>\$ 2,874,972</u> | <u>\$ 225,480</u> | <u>\$ 3,100,452</u> |

See notes to consolidated financial statements

N Street Village, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Year ended June 30, 2013

| | Programs | Management and General | Fundraising | Total |
|----------------------------------|---------------------|---------------------------|-------------------|---------------------|
| Wages and fringe benefits | \$ 2,157,823 | \$ 643,720 | \$ 501,270 | \$ 3,302,813 |
| Occupancy and utilities | 528,206 | 448 | - | 528,654 |
| Depreciation and amortization | 627,281 | 19,354 | 15,753 | 662,388 |
| Donated goods and services | 7,953 | 258,524 | 30,207 | 296,684 |
| Maintenance services | 289,926 | 2,028 | 177 | 292,131 |
| Professional fees and consulting | 112,427 | 315,862 | 28,917 | 457,206 |
| Interest | 86,703 | 30,218 | - | 116,921 |
| Insurance | 120,034 | 10,143 | 1,182 | 131,359 |
| Food and resident needs | 128,436 | 3,675 | 4,711 | 136,822 |
| Printing and publications | 645 | 7,046 | 41,497 | 49,188 |
| Supplies (clinic and office) | 24,780 | 13,667 | 2,684 | 41,131 |
| IT support and equipment | 37,871 | 11,097 | 16,210 | 65,178 |
| Tax credit compliance | 17,298 | - | - | 17,298 |
| Transport and travel | 16,543 | 5,099 | 14,872 | 36,514 |
| Postage | 1,550 | 1,110 | 5,952 | 8,612 |
| Advertising | 281 | 93 | 871 | 1,245 |
| Bad debt | - | - | 500 | 500 |
| Other | 28,262 | 26,723 | 18,188 | 73,173 |
| Total | <u>\$ 4,186,019</u> | <u>\$ 1,348,807</u> | <u>\$ 682,991</u> | <u>\$ 6,217,817</u> |

(continued)

N Street Village, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES - CONTINUED

Year ended June 30, 2012

| | Programs | Management and General | Fundraising | Total |
|----------------------------------|---------------------|---------------------------|-------------------|---------------------|
| Wages and fringe benefits | \$ 1,768,638 | \$ 330,892 | \$ 431,405 | \$ 2,530,935 |
| Occupancy and utilities | 418,341 | - | - | 418,341 |
| Depreciation and amortization | 570,858 | 5,118 | 6,766 | 582,742 |
| Donated goods and services | 66,951 | 232,292 | 43,805 | 343,048 |
| Maintenance services | 270,700 | 690 | 155 | 271,545 |
| Professional fees and consulting | 146,899 | 158,333 | 40,140 | 345,372 |
| Interest | 110,051 | 4,352 | 5,753 | 120,156 |
| Insurance | 122,654 | 9,085 | 1,011 | 132,750 |
| Food and resident needs | 121,252 | 771 | 1,404 | 123,427 |
| Printing and publications | 868 | 4,979 | 36,373 | 42,220 |
| Supplies (clinic and office) | 31,545 | 3,342 | 3,165 | 38,052 |
| IT support and equipment | 36,295 | 27,152 | 10,726 | 74,173 |
| Tax credit compliance | 16,283 | - | - | 16,283 |
| Transport and travel | 11,967 | 3,410 | 3,432 | 18,809 |
| Postage | 917 | 258 | 8,560 | 9,735 |
| Advertising | 596 | 693 | 3,077 | 4,366 |
| Bad debt | - | 371 | 2,500 | 2,871 |
| Other | 35,733 | 7,700 | 18,706 | 62,139 |
| Total | <u>\$ 3,730,548</u> | <u>\$ 789,438</u> | <u>\$ 616,978</u> | <u>\$ 5,136,964</u> |

See notes to consolidated financial statements

N Street Village, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CHANGE IN NET ASSETS

Years ended June 30, 2013 and 2012

| | Unrestricted | | | Total | Temporarily restricted | Total |
|---|----------------------|---------------------|-----------------------|----------------------|---------------------------|----------------------|
| | Controlling | Board Designated | Non-controlling | | | |
| Net assets, June 30, 2011 | \$ 14,038,587 | \$ 65,519 | \$ (494,123) | \$ 13,609,983 | \$ 1,400,072 | \$ 15,010,055 |
| Excess (deficiency) of revenues over expenses | 2,874,972 | - | (404,320) | 2,470,652 | 225,480 | 2,696,132 |
| Net assets, June 30, 2012 | 16,913,559 | 65,519 | (898,443) | 16,080,635 | 1,625,552 | 17,706,187 |
| Net asset transfer | (504,250) | 504,250 | - | - | - | - |
| Excess (deficiency) of revenues over expenses | 140,713 | 197,696 | (690,294) | (351,885) | (139,419) | (491,304) |
| Net assets, June 30, 2013 | <u>\$ 16,550,022</u> | <u>\$ 767,465</u> | <u>\$ (1,588,737)</u> | <u>\$ 15,728,750</u> | <u>\$ 1,486,133</u> | <u>\$ 17,214,883</u> |

See notes to consolidated financial statements

N Street Village, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|--|------------------|------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ (491,304) | \$ 2,696,132 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities | | |
| Depreciation and amortization | 662,388 | 582,742 |
| Realized (gain) loss on investments | (10,069) | 7,690 |
| Forgiveness of loan principal | (30,000) | (30,000) |
| Bad debt | 500 | 2,871 |
| Unrealized (gain) loss on investments | (174,921) | 4,579 |
| Increase in value of charitable trusts | (30,336) | (88,797) |
| Net contribution from acquisition | - | (2,061,608) |
| (Increase) decrease in | | |
| Contributions receivable | (500) | (2,871) |
| Grants, rent and other receivables | (446,270) | (11,858) |
| Increase in trust receivable | - | (33,199) |
| Prepaid expenses | (64,607) | (14,097) |
| Tenant security deposit, net | 388 | (6,439) |
| Increase (decrease) in | | |
| Accounts payable and accrued expenses | 36,877 | 100,536 |
| Accrued interest | 15,000 | 15,000 |
| Prepaid rent | (2,201) | (3,825) |
| Net cash provided by (used in) operating activities | <u>(535,055)</u> | <u>1,156,856</u> |
| Cash flows from investing activities | | |
| Proceeds from sale of investments | 105,096 | 84,446 |
| Purchase of investments | (65,605) | (122,676) |
| Purchase of furniture and equipment | (826,834) | (223,515) |
| Net withdrawals from (deposits to) insurance escrow | 5,647 | (24,828) |
| Net withdrawals from (deposits to) replacement reserve | 95,486 | 55,879 |
| Net withdrawals from (deposits to) other reserves | 27,032 | 8,010 |
| Payment for acquisition of Miriam's House, net of cash acquired of \$25,125 | - | (49,875) |
| Net cash used in investing activities | <u>(659,178)</u> | <u>(272,559)</u> |

(continued)

N Street Village, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

Years ended June 30, 2013 and 2012

| | <u>2013</u> | <u>2012</u> |
|---|-------------------|-----------------------|
| Cash flows from financing activities | | |
| Principal payments on notes payable | <u>(65,938)</u> | <u>(113,705)</u> |
| Net cash used in financing activities | <u>(65,938)</u> | <u>(113,705)</u> |
| Net increase (decrease) in cash and cash equivalents | (1,260,171) | 770,592 |
| Cash and cash equivalents, beginning of year | <u>1,624,428</u> | <u>853,836</u> |
| Cash and cash equivalents, end of year | <u>\$ 364,257</u> | <u>\$ 1,624,428</u> |
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the year for interest | <u>\$ 101,921</u> | <u>\$ 105,156</u> |
| Significant noncash investing and financing activities from: | | |
| Fair value of assets acquired | \$ - | \$ (2,245,800) |
| Assets assumed | - | 42,392 |
| Liabilities assumed | <u>-</u> | <u>(17,430)</u> |
| Gross contribution received in acquisition of Miriam's House | - | (2,220,838) |
| Payment for acquisition of Miriam's House, net of cash acquired of \$25,125 | <u>-</u> | <u>(49,875)</u> |
| Net contribution received in acquisition of Miriam's House | <u>\$ -</u> | <u>\$ (2,270,713)</u> |
| Accounts payable and accrued expenses | \$ (88,436) | \$ - |
| Accumulated depreciation | (21,028) | - |
| Fixed assets | <u>109,464</u> | <u>-</u> |
| | <u>\$ -</u> | <u>\$ -</u> |

See notes to consolidated financial statements

N Street Village, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2013 and 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

General Information

N Street Village, Inc. is a 501(c)(3) nonprofit organization incorporated in 1972 in the District of Columbia and founded by Luther Place Memorial Church. N Street Village, Inc. (NSV) is a social service organization with a dual mission: to empower low-income and homeless women to claim their highest quality of life and to provide affordable housing for low- and moderate-income individuals and families.

NSV accomplishes its mission by offering a portfolio of services designed to meet the needs of its beneficiaries. These services are currently offered at four locations in Northwest DC:

- 1333 N Street/1301 14th Street. The flagship building is the home to Eden House Apartments, supportive housing programs, client services, administrative and development staff. Sixty-five units house approximately 212 residents at a time in this 150,000 square foot facility.
- 1226 Vermont Ave. On the fourth floor of Luther Place Memorial Church, the Organization operates the 31-bed Luther Place Night Shelter for women.
- 1300 Florida Avenue. NSV owns and operates the Miriam's House program that provides housing and services for up to 20 women living with HIV and AIDS at a time.
- 1107 11th Street. The Organization provides permanent supportive housing services for 31 women at Erna's House, an apartment building that is master-leased by the District of Columbia from a private owner.

NSV serves its clients through several programs in addition to those stated above. Bethany Women's Day Center provides meals, laundry and shower facilities, activities, and access to crisis management support. The Wellness Center provides health promotion and disease prevention services, including access to a physician, nurse, dentist, and psychiatrist; health education, disease management, exercise, and nutrition classes; smoking cessation programs; massage; chiropractic care; and more. NSV finds that client outcomes improve by providing comprehensive supportive services like these co-located with housing.

NSV is the general partner and .01% owner of its subsidiary, N Street Village Limited Partnership (NSVLP), which operates and owns the facility at 1333 N Street/1301 14th Street. NSVLP is a Section 42 Low-Income Housing Tax Credit project. Applicants to this facility's Eden House Apartments and the residential programs for women (65 beds) must meet income eligibility requirements. NSVLP must comply with land use regulations and other tax and regulatory requirements. NSV and NSVLP are jointly referred to as "the Organization."

NSV depends on the support of individual donors, foundations, corporations, and other organizations to fund approximately 46% of the cost of providing its services. NSV receives about 25% of its revenue from government grants and contracts. Rental income covers much of the cost of operating Eden House Apartments.

N Street Village, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of NSV and NSVLP. All significant intercompany transactions and accounts have been eliminated in consolidation.

Use of Estimates

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

Basis of Presentation

The accompanying financial statements are presented on the accrual basis of accounting and in accordance with accounting principles and standards that apply to nonprofit organizations.

Cash and Cash Equivalents

NSV considers petty cash, checking, money market mutual funds and liquid investments with original maturities of three months or less to be cash and cash equivalents. At June 30, 2013 and June 30, 2012, cash and cash equivalents of \$168,193 and \$100,504, respectively, are segregated within the investment portfolio.

At June 30, 2013 and 2012, cash of \$33,018 and \$7,004, respectively, was held in escrow for several residents of Erna's House pursuant to the program rules which is included in reserves and escrows on the accompanying consolidated statements of financial position.

Receivables and Bad Debts

Tenant receivables and accounts receivable are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Investments

Investments with readily determinable fair values are reflected at fair market value. Income is recognized from interest and dividends as earned. Marketable securities consist of fixed income securities and mutual funds. The Organization's marketable securities are classified as available-for-sale securities and are carried at fair value on a recurring basis based on quoted market prices (Level 1) at the date nearest the financial position date. Unrealized holding gains or losses are included in the accompanying consolidated statements of activities.

N Street Village, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

Land, Building, Furniture and Equipment and Improvements

Property, furniture and equipment in excess of \$2,500 are capitalized and stated at cost. Depreciation and amortization are recorded using the straight-line method over the estimated useful life of the related asset. Property undergoing rehabilitation that has not been placed in service is included in construction in progress and is not depreciated.

Impairment of Long-Lived Assets

The Organization reviews its fixed assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized. No asset impairment losses have been recognized during the years ended June 30, 2013 and 2012.

Fair Value of Assets

The Organization follows U.S. generally accepted account principles (GAAP) which provide a framework for measuring fair value. Fair value is defined as the exchange price that would be received for an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. GAAP requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. GAAP also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels. There are three general valuation techniques that may be used to measure fair value, as described below:

- A) Level 1 - Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades or other sources;
- B) Level 2 - Uses prices that currently would be required to replace the service capacity of an asset (replacement cost); and
- C) Level 3 - Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

Income Taxes

NSV received an IRS determination letter to be treated as a tax exempt entity pursuant to Section 501(c)(3) of the Internal Revenue Code. NSV did not have any unrelated business income for the years ended June 30, 2013 and 2012. Accordingly, these financial statements do not reflect a provision for NSV to pay income taxes. NSV has no other tax positions which must be considered for disclosure. The Organization's tax returns are subject to examination generally for three years after they are filed. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2010 remain open.

N Street Village, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

Since taxable income or losses pass through to the individual partners, no provision or benefit for income taxes has been included in the consolidated financial statements for activity from NSVLP. NSVLP has no other tax positions which must be considered for disclosure.

Deferred Financing Costs and Amortization

Mortgage costs are amortized over the term of the mortgage loan using the straight-line method. Accounting principles generally accepted in the United States of America require that the effective yield method be used to amortize financing costs; however, the effect of using the above method to amortize mortgage costs is not materially different from the results obtained under the effective yield method. Amortization expense for both years ended June 30, 2013 and 2012 was \$2,119. Estimated annual amortization expense for each of the ensuing years through June 30, 2018 is \$2,119.

Net Asset Classification

The net assets of the Organization are reported in six self-balancing groups as follows:

- Unrestricted net assets include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operations of the Organization.
- Unrestricted board designated net assets represent funds set aside by the board of directors as an internal reserve for NSV operations. During the year ended June 30, 2013, \$504,250 of unrestricted net assets were designated by the board to be used for the rehabilitation of NSV's facilities.
- Temporarily restricted net assets include revenue and contributions subject to donor-imposed stipulations that will be met by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities and change in net assets as net assets released from restrictions.
- Permanently restricted net assets represent funds restricted by the donor to be maintained in-perpetuity by NSV. As of June 30, 2013 and 2012, NSV did not have any permanently restricted net assets.
- Unrestricted non-controlling net assets represent net assets attributable to NSV's non-controlling interest in NSVLP. The aggregate balance of the limited partner's equity interest in the non-wholly owned limited partnership (i.e., NSVLP) is included in the consolidated financial statements. The aggregate deficit balance of the limited partner's equity interest in NSVLP included in the consolidated financial statements remained in the Organization's net assets through June 30, 2010. At June 30, 2010, the non-controlling limited partner's equity interest in NSVLP was a deficit balance of \$1,549,421, which is included in unrestricted net assets in the accompanying consolidated statements of financial position. Subsequent to July 1, 2010, any negative balances are included in unrestricted net assets - non-controlling.

N Street Village, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

Revenue Recognition

Grants and contributions are recorded as revenue in the year notification is received from the donor. Grants and contributions received by NSV are recognized as unrestricted support upon satisfaction of donor-imposed restrictions. Temporarily restricted net assets represent grants and contributions for which donor imposed restrictions have not been met.

Any promises to give due beyond a year are discounted to the net present value of future cash flows. All promises to give, grants receivable and notes receivable are considered by management to be fully collectible.

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

NSV has a policy of releasing any restrictions on donated assets when the asset is placed in service.

In-kind Contributions

These contributions are recorded at fair market value on the date the services were provided or the goods were given. They are recorded both as revenue and as an expense, with the exception of any donated fixed assets, in the accompanying consolidated statements of activities.

Advertising

Advertising costs are expensed as incurred.

Functional Allocation of Expenses

The costs of providing programs and other activities are summarized on a functional basis in the consolidated statements of activities. Line item details are included in the consolidated statement of functional expenses. Indirect costs have been allocated to program services, management and general, and fundraising based on the proportion of staff salaries and fringe benefits expenses directly allocated to those cost centers. Overhead costs are occupancy costs and have been allocated based on appropriate square footage calculations.

NOTE 2 - INVESTMENTS

Investments are carried at fair value and at June 30, 2013 and 2012 consisted of the following. These are not considered current assets due to donor restrictions limiting availability to 5% of the total over the next year.

N Street Village, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

Unrealized gains or losses on investments at June 30, 2013 and 2012 are detailed below:

| | June 30, 2013 | | | June 30, 2012 | | |
|-------------------------|---------------------|---------------------------|---------------------|---------------------|---------------------------|---------------------|
| | Cost | Unrealized gain (loss) | Fair value | Cost | Unrealized gain (loss) | Fair value |
| Mutual funds-equities | \$ 1,164,995 | \$ 90,508 | \$ 1,255,503 | \$ 1,195,532 | \$ (117,633) | \$ 1,077,899 |
| Mutual funds-bonds | 361,371 | (17,735) | 343,636 | 364,595 | (12,141) | 352,454 |
| Corporate bonds | 56,868 | 4,657 | 61,525 | 70,839 | 12,965 | 83,804 |
| Asset-backed securities | 3,038 | 2,305 | 5,343 | 3,038 | 3,224 | 6,262 |
| Government bonds | 2,027 | 248 | 2,275 | 2,036 | 328 | 2,364 |
| Total | <u>\$ 1,588,299</u> | <u>\$ 79,983</u> | <u>\$ 1,668,282</u> | <u>\$ 1,636,040</u> | <u>\$ (113,257)</u> | <u>\$ 1,522,783</u> |

NOTE 3 - FIXED ASSETS

Land, building, furniture and equipment, and improvements at June 30, 2013 and 2012 consisted of the following:

| | Useful lives | 2013 | 2012 |
|-------------------------------|-----------------|----------------------|----------------------|
| Building and improvements | 27.5 – 40 years | \$ 18,611,601 | \$ 18,048,402 |
| Land | Not applicable | 5,346,690 | 5,346,690 |
| Leasehold improvements | 5 – 40 years | 2,280,332 | 2,265,614 |
| Furniture and equipment | 3 – 7 years | 796,316 | 506,805 |
| Construction in progress | Not applicable | 150,853 | 124,039 |
| | | 27,185,792 | 26,291,550 |
| Less accumulated depreciation | | (9,760,407) | (9,121,166) |
| Total fixed assets, net | | <u>\$ 17,425,385</u> | <u>\$ 17,170,384</u> |

N Street Village, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE 4 - MORTGAGES AND NOTES PAYABLE

Mortgages and notes payable consisted of the following at June 30, 2013 and 2012:

| | <u>2013</u> | <u>2012</u> |
|--|---------------------|---------------------|
| NSV assumed a note payable from Miriam's House, Inc. in the amount of \$103,098 due to DC Department of Housing and Community Development (DHCD), dated May 1, 1995, secured by a deed of trust on the land and building. Principal and interest are payable in monthly installments of \$948. The note bears interest at 3% per annum and matures on April 1, 2020. | \$ 81,623 | \$ 95,928 |
| A \$500,000 interest-free loan from DHCD secured by a deed of trust note on the Luther Place Memorial Church Property for NSV. Principal payments are due in monthly installments of \$1,389 through March 2020. | 116,558 | 131,831 |
| A loan from the Trust for Affordable Housing (TAH) for NSV, secured by a deed of trust on land and buildings, in the amount of \$600,000, which in turn was loaned to NSVLP. The loan is non-interest bearing with principal to be forgiven over 20 years in equal installments beginning in 1997. For both years ended June 30, 2013 and 2012, \$30,000 of income was recognized as loan forgiveness. | 120,000 | 150,000 |
| Capitalized development, resource development, and construction costs of \$139,454 paid by the Luther Place Memorial Church on behalf of NSV, together with \$1,500,000 in notes payable for the transfer of the land on which NSV's building stands, are due to the Luther Place Memorial Church. The loan bears interest at the rate of 2% on the \$1,500,000 advance for transfer of land and is secured by a deed of trust on the land and building. All other advances are non-interest bearing. The loan matures on December 31, 2020. Included in the balance is accrued interest of \$510,000 and \$495,000, respectively, at June 30, 2013 and June 30, 2012. | 2,149,454 | 2,134,454 |
| A \$1,425,000 mortgage for NSVLP from Enterprise Mortgage Investments, Inc. which was later assigned to Fannie Mae. The loan bears interest at a rate of 7.667% per annum. Principal and interest are payable by the partnership in monthly installments of \$10,127 through maturity, August 2028. The loan is secured by a first lien on the partnership property and an assignment of rents. NSVLP is required to maintain certain mortgage escrow deposits and replacement reserves under the terms of the agreement. | <u>1,090,897</u> | <u>1,127,257</u> |
| Total mortgages and notes payable | 3,558,532 | 3,639,470 |
| Less current portion | <u>(93,749)</u> | <u>(91,951)</u> |
| Mortgages and notes payable, net of current portion | <u>\$ 3,464,783</u> | <u>\$ 3,547,519</u> |

N Street Village, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

The Organization held a forgivable note payable in the amount of \$200,000, due to Suntrust Bank, interest free. The purpose of the note financed the construction of Miriam's House facility. The note is intended to be forgiven at maturity as long as the Organization continues to use the facility for its exempt purpose and complies with other note terms. The \$200,000 forgivable note matured in May 2011 and accordingly \$200,000 has been recognized as debt forgiveness revenue in the valuation of the acquisition as of October 24, 2011.

Maturities of the mortgages and notes payable for the ensuing five years and thereafter are as follows:

| | | |
|---------------------------|----|-------------------------|
| Year ending June 30, 2014 | \$ | 93,749 |
| 2015 | | 98,534 |
| 2016 | | 102,202 |
| 2017 | | 106,148 |
| 2018 | | 80,394 |
| Thereafter | | <u>3,077,505</u> |
| | \$ | <u><u>3,558,532</u></u> |

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2013 and 2012:

| | <u>2013</u> | <u>2012</u> |
|-----------------------|----------------------------|----------------------------|
| Purpose restrictions: | | |
| Residential programs | \$ 1,144 | \$ - |
| Various purposes | 120,376 | 295,782 |
| Time restrictions | <u>1,364,613</u> | <u>1,329,770</u> |
| | <u><u>\$ 1,486,133</u></u> | <u><u>\$ 1,625,552</u></u> |

The Weinberg Fund

The Weinberg Fund was established through a pacesetting gift totaling \$500,000 from the Weinberg Foundation plus a matching amount raised by the Organization. The terms of the donation permit withdrawal of 5% of the total investment balance, regardless of fluctuations in the value of the investments. NSV's investment policies statement complies with the terms of this donation. At June 30, 2013 and 2012, the temporarily restricted balances were \$983,671 and \$969,164, respectively, and are included in the time restrictions line in the schedule above.

N Street Village, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE 6 - NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions by the passage of time or by NSV incurring expenses in accordance with donor-imposed restrictions:

| | <u>2013</u> | <u>2012</u> |
|---------------------------------------|---------------------|---------------------|
| Satisfaction of purpose restrictions: | | |
| Residential programs | \$ 1,274,317 | \$ 1,202,296 |
| Education and employment center | 72,500 | 57,500 |
| Bethany women's center | 500 | 11,301 |
| Various purposes | 688,977 | 88,086 |
| Satisfaction of time restrictions | <u>48,182</u> | <u>49,145</u> |
| | <u>\$ 2,084,476</u> | <u>\$ 1,408,328</u> |

NOTE 7 - LINE OF CREDIT

NSV maintained a \$300,000 line of credit with a local financial institution. Borrowings bear interest at the prime rate plus 1% with a minimum rate of 5.75%. The line of credit was not drawn upon as of June 30, 2013 nor at any point in fiscal years 2013 and 2012. The line of credit expired on June 14, 2013 and was secured by the Organization's bond and mutual fund portfolio included in note 2.

NOTE 8 - CONCENTRATION OF CREDIT RISK

The Organization maintains its cash and cash equivalent balances in several accounts in various financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) or the Securities Investor Protection Corporation (SIPC) up to specified limits by each institution. At times, the balances may exceed these insurance limits; however, the Organization has not experienced any losses with respect to its balances in excess of FDIC or SIPC insurance. Management believes that no significant concentration of credit risk exists.

NOTE 9 - RISKS AND UNCERTAINTIES

As discussed in note 2, NSV's invested assets consist of mutual funds and fixed income securities. These investments are exposed to various risks, such as interest rate, market, and credit. Market fluctuations could materially affect the fair value of investments reported in the statements of financial position. However, management believes that the diversification of NSV's invested assets among these two asset classes should mitigate the impact of any dramatic change on either asset class.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Reserve Requirements

NSVLP established an operating reserve of \$266,000 from the limited partner's capital contributions, which is available to fund operating deficits over the life of the partnership. Operating deficits are to be funded from

N Street Village, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

this reserve prior to the general partner's operating deficit loan guaranty. At both June 30, 2013 and 2012, the balance in the operating reserve was \$193,549.

Low-Income Housing Tax Credits

NSVLP's low-income housing credits are contingent on its ability to maintain compliance with applicable sections of Internal Revenue Code Section 42. Failure to maintain compliance with occupant eligibility, and/or unit gross rent or to correct noncompliance within a specified time period could result in recapture of the limited partner's previously claimed tax credits plus interest. The consequence of possible noncompliance may require an adjustment to contributed capital by the limited partner.

Self-Insurance

NSV maintains a self-insurance program for its unemployment benefits. NSV is liable for unemployment benefits paid for successful unemployment claims. At June 30, 2013 and 2012, the Organization maintained unemployment reserves of \$34,816 and \$29,602, respectively, which are included in accrued salary and expenses on the accompanying consolidated statements of financial position.

NOTE 11 - COMMERCIAL LEASE

On February 1, 2011, the Organization entered into an agreement to lease 3,790 square feet to a tenant. The lease agreement required equal rental payments of \$5,442 per month. Per the agreement, a utility expense reimbursement of \$4,420 per month was paid by the tenant. The commercial rent for the year ended June 30, 2012 was \$19,047. That tenant ended its lease on October 15, 2011. NSV plans to use this space to provide additional services to its clients.

NOTE 12 - RESERVES AND ESCROWS

Reserves and escrows at June 30, 2013 and 2012 are summarized as follows:

| | <u>2013</u> | <u>2012</u> |
|----------------------------|-------------------|-------------------|
| Replacement reserve | \$ 213,975 | \$ 309,461 |
| Insurance escrow | 73,146 | 78,793 |
| Operating deficit reserve | 193,549 | 193,549 |
| Other reserve | <u>49,541</u> | <u>76,573</u> |
| Total reserves and escrows | <u>\$ 530,211</u> | <u>\$ 658,376</u> |

NOTE 13 - ACQUISITION OF MIRIAM'S HOUSE, INC.

NSV's strategic plan calls for growth through partnerships and collaborations when opportunities are present. On October 24, 2011, NSV completed an acquisition with Miriam House, a 501(c)(3) entity located in DC that provides housing and services to women with HIV and AIDS, and paid \$75,000 as consideration. All interest from Miriam's House passed to N Street Village, the surviving corporation. Management of the Organization expects the resulting program to be predominantly supported by contributions and government contracts.

N Street Village, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

The non-recurring valuation (Level 3) of the identifiable assets and liabilities resulted in a net contribution of \$2,061,608 (excess of acquisition date value of the identifiable assets over the acquisition date value of the liability assumed and consideration paid). This amount is composed of the fair values of land of \$1,415,490, buildings and improvements of \$830,310, loans of \$159,279 and the net fair values of other assets and liabilities. The combined organization and its clients benefit from improved revenue diversification, efficient property management, a broader portfolio of services, and more effective administration and governance. Miriam's House's trial balance at October 24, 2011 consisted of the following:

| | | |
|--------------------------|----|-----------------------|
| Cash | \$ | 53,389 |
| Accounts receivable, net | | 41,407 |
| Prepaid expenses | | 3,143 |
| Fixed assets, net | | <u>915,117</u> |
| Total assets | | <u>1,013,056</u> |
| Accounts payable | | 11,552 |
| Notes payable | | <u>362,352</u> |
| Total liabilities | | <u>373,904</u> |
| Total net assets | \$ | <u><u>639,152</u></u> |

NOTE 14 - TRUST RECEIVABLE

NSV is a beneficiary of a charitable remainder trust which is held and managed by a third party. The trust's fair value is measured on a recurring basis based on current market expectations about the future receivable (Level 3). As of June 30, 2013 and 2012, trust receivable consisted of the following:

| | <u>2013</u> | <u>2012</u> |
|-----------------------------|--------------------------|--------------------------|
| Trust receivable, beginning | \$ 350,607 | \$ 228,611 |
| Contributions | - | 33,199 |
| Change in fair value | <u>30,336</u> | <u>88,797</u> |
| Trust receivable, ending | <u><u>\$ 380,943</u></u> | <u><u>\$ 350,607</u></u> |

N Street Village, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE 15 - SUBSEQUENT EVENTS

Management evaluated the activity of the Organization through March 24, 2014 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred other than as disclosed below that would require recognition in the financial statements or disclosure in the notes to the financial statements.

NSV obtained a \$400,000 line of credit with a local financial institution on August 1, 2013. Borrowings bear interest at the prime rate plus 1% with a minimum rate of 4.75%. The full amount of the line of credit was drawn by October 31, 2013. The line of credit expires on August 1, 2014 and is secured by the Organization's bond and mutual fund portfolio included in note 2.

SUPPLEMENTARY INFORMATION

N Street Village, Inc. and Subsidiary

SUPPLEMENTAL INFORMATION

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

June 30, 2013

| | ASSETS | | | |
|--|---------------------------|-------------------------|------------------------|----------------------|
| | N Street Village, Inc. | N Street Village, LP | Eliminating entries | Total |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | \$ 364,057 | \$ 200 | \$ - | \$ 364,257 |
| Receivables | | | | |
| Grants and contracts | 263,577 | - | - | 263,577 |
| Other | 438,620 | - | - | 438,620 |
| Rent | - | 11,905 | - | 11,905 |
| Prepaid expenses | 109,022 | 1,535 | - | 110,557 |
| | <u>1,175,276</u> | <u>13,640</u> | <u>-</u> | <u>1,188,916</u> |
| INVESTMENTS, RESTRICTED DEPOSITS AND FUNDED RESERVES | | | | |
| Investments | 1,668,282 | - | - | 1,668,282 |
| Replacement reserve | - | 213,975 | - | 213,975 |
| Operating deficit reserve | - | 193,549 | - | 193,549 |
| Insurance escrow | - | 73,146 | - | 73,146 |
| Tenant security deposits | - | 31,713 | - | 31,713 |
| Other reserves | 43,018 | 6,523 | - | 49,541 |
| | <u>1,711,300</u> | <u>518,906</u> | <u>-</u> | <u>2,230,206</u> |
| FIXED ASSETS | | | | |
| Land, building, furniture and equipment, and improvements, net | 7,163,201 | 10,262,184 | - | 17,425,385 |
| OTHER ASSETS | | | | |
| Interest receivable - subsidiary | 559,964 | - | (559,964) | - |
| Trust receivable | 380,943 | - | - | 380,943 |
| Due from subsidiary | 2,354,263 | - | (2,354,263) | - |
| Loans receivable - subsidiary | 2,403,828 | - | (2,403,828) | - |
| Investment in limited partnership | 7,484,589 | - | (7,484,589) | - |
| Mortgage costs, net of accumulated amortization of \$31,431 | - | 32,141 | - | 32,141 |
| | <u>13,183,587</u> | <u>32,141</u> | <u>(12,802,644)</u> | <u>413,084</u> |
| Total other assets | <u>13,183,587</u> | <u>32,141</u> | <u>(12,802,644)</u> | <u>413,084</u> |
| Total assets | <u>\$ 23,233,364</u> | <u>\$ 10,826,871</u> | <u>\$ (12,802,644)</u> | <u>\$ 21,257,591</u> |

N Street Village, Inc. and Subsidiary

SUPPLEMENTAL INFORMATION - CONTINUED

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION - CONTINUED

June 30, 2013

LIABILITIES AND NET ASSETS

| | N Street Village, Inc. | N Street Village, LP | Eliminating entries | Total |
|---|---------------------------|-------------------------|------------------------|----------------------|
| CURRENT LIABILITIES | | | | |
| Accounts payable | \$ 210,243 | \$ 53,304 | \$ - | \$ 263,547 |
| Accrued salary and expenses | 174,267 | 6,809 | - | 181,076 |
| Accrued investor services fee | | 3,406 | - | 3,406 |
| Current maturities - mortgages and notes payable | 54,250 | 39,499 | - | 93,749 |
| Tenant security deposits | - | 29,669 | - | 29,669 |
| Prepaid rent | - | 6,478 | - | 6,478 |
| Total current liabilities | 438,760 | 139,165 | - | 577,925 |
| LONG-TERM LIABILITIES | | | | |
| Due to Luther Place Memorial Church | 2,149,454 | - | - | 2,149,454 |
| Mortgages and notes payable, net of current maturities | 263,931 | 1,051,398 | - | 1,315,329 |
| Loans payable - subsidiary | - | 2,403,828 | (2,403,828) | - |
| Due to subsidiary | - | 2,354,263 | (2,354,263) | - |
| Interest payable - subsidiary | - | 559,964 | (559,964) | - |
| Total long-term liabilities | 2,413,385 | 6,369,453 | (5,318,055) | 3,464,783 |
| Total liabilities | 2,852,145 | 6,508,618 | (5,318,055) | 4,042,708 |
| NET ASSETS | | | | |
| Unrestricted - controlling | 18,127,621 | 4,318,253 | (5,895,852) | 16,550,022 |
| Unrestricted - controlling - board designated | 767,465 | - | - | 767,465 |
| Unrestricted - non-controlling | - | - | (1,588,737) | (1,588,737) |
| Total unrestricted | 18,895,086 | 4,318,253 | (7,484,589) | 15,728,750 |
| Temporarily restricted | 1,486,133 | - | - | 1,486,133 |
| Total net assets | 20,381,219 | 4,318,253 | (7,484,589) | 17,214,883 |
| Total liabilities and net assets | \$ 23,233,364 | \$ 10,826,871 | \$ (12,802,644) | \$ 21,257,591 |

N Street Village, Inc. and Subsidiary

SUPPLEMENTAL INFORMATION - CONTINUED

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION - CONTINUED

June 30, 2012

| | ASSETS | | | |
|--|---------------------------|-------------------------|------------------------|----------------------|
| | N Street Village, Inc. | N Street Village, LP | Eliminating entries | Total |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | \$ 1,446,391 | \$ 178,037 | \$ - | \$ 1,624,428 |
| Receivables | | | - | |
| Grants and contracts | 218,033 | - | - | 218,033 |
| Other | 44,329 | - | - | 44,329 |
| Rent | - | 5,470 | - | 5,470 |
| Prepaid expenses | 39,363 | 6,587 | - | 45,950 |
| Total current assets | 1,748,116 | 190,094 | - | 1,938,210 |
| INVESTMENTS, RESTRICTED DEPOSITS AND FUNDED RESERVES | | | | |
| Investments | 1,522,783 | - | - | 1,522,783 |
| Replacement reserve | - | 309,461 | - | 309,461 |
| Operating deficit reserve | - | 193,549 | - | 193,549 |
| Insurance escrow | - | 78,793 | - | 78,793 |
| Tenant security deposits | - | 31,761 | - | 31,761 |
| Other reserves | 17,004 | 59,569 | - | 76,573 |
| Total restricted deposits and funded reserves | 1,539,787 | 673,133 | - | 2,212,920 |
| FIXED ASSETS | | | | |
| Land, building, furniture and equipment, and improvements, net | 6,604,677 | 10,565,707 | - | 17,170,384 |
| OTHER ASSETS | | | | |
| Interest receivable - subsidiary | 521,896 | - | (521,896) | - |
| Trust receivable | 350,607 | - | - | 350,607 |
| Due from subsidiary | 2,263,784 | - | (2,263,784) | - |
| Loans receivable - subsidiary | 2,403,828 | - | (2,403,828) | - |
| Investment in limited partnership | 7,484,658 | - | (7,484,658) | - |
| Mortgage costs, net of accumulated amortization of \$29,312 | - | 34,260 | - | 34,260 |
| Total other assets | 13,024,773 | 34,260 | (12,674,166) | 384,867 |
| Total assets | \$ 22,917,353 | \$ 11,463,194 | \$ (12,674,166) | \$ 21,706,381 |

N Street Village, Inc. and Subsidiary

SUPPLEMENTAL INFORMATION - CONTINUED

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION - CONTINUED

June 30, 2012

LIABILITIES AND NET ASSETS

| | N Street Village, Inc. | N Street Village, LP | Eliminating entries | Total |
|---|---------------------------|-------------------------|------------------------|----------------------|
| CURRENT LIABILITIES | | | | |
| Accounts payable | \$ 82,349 | \$ 94,167 | \$ - | \$ 176,516 |
| Accrued salary and expenses | 140,562 | 434 | - | 140,996 |
| Accrued investor services fee | - | 5,204 | - | 5,204 |
| Current maturities - mortgages and notes payable | 55,331 | 36,620 | - | 91,951 |
| Tenant security deposits | - | 29,329 | - | 29,329 |
| Prepaid rent | - | 8,679 | - | 8,679 |
| Total current liabilities | 278,242 | 174,433 | - | 452,675 |
| LONG-TERM LIABILITIES | | | | |
| Due to Luther Place Memorial Church | 2,134,454 | - | - | 2,134,454 |
| Mortgages and notes payable, net of current maturities | 322,428 | 1,090,637 | - | 1,413,065 |
| Loans payable - subsidiary | - | 2,403,828 | (2,403,828) | - |
| Due to subsidiary | - | 2,263,784 | (2,263,784) | - |
| Interest payable - subsidiary | - | 521,896 | (521,896) | - |
| Total long-term liabilities | 2,456,882 | 6,280,145 | (5,189,508) | 3,547,519 |
| Total liabilities | 2,735,124 | 6,454,578 | (5,189,508) | 4,000,194 |
| NET ASSETS | | | | |
| Unrestricted - controlling | 18,491,158 | 5,008,616 | (6,586,215) | 16,913,559 |
| Unrestricted - controlling - board designated | 65,519 | - | - | 65,519 |
| Unrestricted - non-controlling | - | - | (898,443) | (898,443) |
| Total unrestricted | 18,556,677 | 5,008,616 | (7,484,658) | 16,080,635 |
| Temporarily restricted | 1,625,552 | - | - | 1,625,552 |
| Total net assets | 20,182,229 | 5,008,616 | (7,484,658) | 17,706,187 |
| Total liabilities and net assets | \$ 22,917,353 | \$ 11,463,194 | \$ (12,674,166) | \$ 21,706,381 |

N Street Village, Inc. and Subsidiary
SUPPLEMENTAL INFORMATION - CONTINUED
CONSOLIDATING STATEMENTS OF ACTIVITIES

Year ended June 30, 2013

| | N Street Village, Inc. | N Street Village, LP | Eliminating entries | Total |
|--|---------------------------|-------------------------|------------------------|--------------------|
| Revenue and support | | | | |
| Contributions and grants | \$ 2,175,012 | \$ - | \$ - | \$ 2,175,012 |
| Rental and service fee income | 49,020 | 1,259,806 | (305,136) | 1,003,690 |
| Government grants | 1,218,801 | - | - | 1,218,801 |
| Special event revenue | 702,342 | - | - | 702,342 |
| In-kind contributions | 445,901 | - | - | 445,901 |
| Forgiveness of debt | 30,000 | - | - | 30,000 |
| | <u>4,621,076</u> | <u>1,259,806</u> | <u>(305,136)</u> | <u>5,575,746</u> |
| Expenses | | | | |
| Program services | 2,558,559 | 1,846,737 | (219,277) | 4,186,019 |
| Management and general | 1,320,809 | 105,037 | (77,039) | 1,348,807 |
| Fundraising | 729,879 | - | (46,888) | 682,991 |
| Special event benefit to attendees | 95,634 | - | - | 95,634 |
| | <u>4,704,881</u> | <u>1,951,774</u> | <u>(343,204)</u> | <u>6,313,451</u> * |
| Excess (deficiency) of revenues over expenses before other items | (83,805) | (691,968) | 38,068 | (737,705) |
| Non-operational activity | | | | |
| Change in value of charitable trusts | 30,336 | - | - | 30,336 |
| Investment and interest income | 29,470 | 1,605 | - | 31,075 |
| Unrealized gain on investments | 174,921 | - | - | 174,921 |
| Realized gain on investments | 10,069 | - | - | 10,069 |
| Interest income - subsidiary | 38,068 | - | (38,068) | - |
| Loss from investment in partnership | (69) | - | 69 | - |
| | <u>(69)</u> | <u>-</u> | <u>69</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenses - consolidated | 198,990 | (690,363) | 69 | (491,304) |
| Non-controlling interest | <u>-</u> | <u>-</u> | <u>690,294</u> | <u>690,294</u> |
| Excess (deficiency) of revenues over expenses attributable to N Street Village, Inc. | <u>\$ 198,990</u> | <u>\$ (690,363)</u> | <u>\$ 690,363</u> | <u>\$ 198,990</u> |

*Depreciation accounts for \$93,304 and \$566,965, respectively, of expenses for NSV and NSVLP.

N Street Village, Inc. and Subsidiary

SUPPLEMENTAL INFORMATION - CONTINUED

CONSOLIDATING STATEMENTS OF ACTIVITIES - CONTINUED

Year ended June 30, 2012

| | N Street Village, Inc. | N Street Village, LP | Eliminating entries | Total |
|---|---------------------------|-------------------------|------------------------|---------------------|
| Revenue and support | | | | |
| Contributions and grants | \$ 2,898,471 | \$ - | \$ - | \$ 2,898,471 |
| Rental and service fee income | 42,841 | 1,383,744 | (414,918) | 1,011,667 |
| Government grants | 831,690 | - | - | 831,690 |
| Special event revenue | 638,485 | - | - | 638,485 |
| Interest income - subsidiary | - | - | - | - |
| In-kind contributions | 345,448 | - | - | 345,448 |
| Forgiveness of debt | 30,000 | - | - | 30,000 |
| Total revenue and support | 4,786,935 | 1,383,744 | (414,918) | 5,755,761 |
| Expenses | | | | |
| Program services | 2,362,165 | 1,690,807 | (322,424) | 3,730,548 |
| Management and general | 747,762 | 97,514 | (55,838) | 789,438 |
| Fundraising | 690,790 | - | (73,812) | 616,978 |
| Special event benefit to attendees | 94,978 | - | - | 94,978 |
| Total expenses | 3,895,695 | 1,788,321 | (452,074) | 5,231,942 * |
| Excess (deficiency) of revenues over expenses before other items | 891,240 | (404,577) | 37,156 | 523,819 |
| Non-operational activity | | | | |
| Net contribution from acquisition (note 13) | 2,061,608 | | | 2,061,608 |
| Change in value of charitable trusts | 88,797 | - | - | 88,797 |
| Investment and interest income | 33,960 | 217 | - | 34,177 |
| Unrealized loss on investments | (4,579) | - | - | (4,579) |
| Realized loss on investments | (7,690) | - | - | (7,690) |
| Interest income - subsidiary | 37,156 | - | (37,156) | - |
| Loss from investment in partnership | (40) | - | 40 | - |
| Excess (deficiency) of revenues over expenses - consolidated | 3,100,452 | (404,360) | 40 | 2,696,132 |
| Non-controlling interest | - | - | 404,320 | 404,320 |
| Excess (deficiency) of revenues over expenses attributable to N Street Village, Inc. | \$ 3,100,452 | \$ (404,360) | \$ 404,360 | \$ 3,100,452 |

*Depreciation accounts for \$75,324 and \$505,299, respectively, of expenses for NSV and NSVLP.