

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

N STREET VILLAGE, INC. AND SUBSIDIARY

JUNE 30, 2011 AND 2010

N Street Village, Inc. and Subsidiary

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INDEPENDENT AUDITORS' 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, 2011 and 2010, and the related consolidated statements of activities, functional expenses, change in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of N Street Village, Inc.'s management. 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010, 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.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information in the supplemental information is presented for purposes of additional analysis of the basic consolidated financial statements rather than to present the changes in net assets of the individual Organizations. The consolidating information referred to in this report has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Reznick Group, P.C.

Bethesda, Maryland
October 14, 2011

Lead Auditor: Russell Phillips

N Street Village, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2011 and 2010

ASSETS

	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 853,836	\$ 1,290,769
Receivables:		
Grants and contracts	234,608	86,843
Other	21,366	16,620
Prepaid expenses	<u>31,853</u>	<u>30,215</u>
Total current assets	<u>1,141,663</u>	<u>1,424,447</u>
INVESTMENTS, RESTRICTED DEPOSITS AND FUNDED RESERVES		
Investments	1,496,822	1,275,153
Reserves and escrows	697,437	695,254
Tenant security deposits	<u>31,791</u>	<u>31,802</u>
Total investments, restricted deposits and funded reserves	<u>2,226,050</u>	<u>2,002,209</u>
FIXED ASSETS		
Land, building, furniture and equipment, and improvements, net	<u>15,256,731</u>	<u>15,632,996</u>
OTHER ASSETS		
Trust receivable	228,611	192,854
Mortgage costs, net of accumulated amortization of \$27,194 and \$25,074, respectively	<u>36,378</u>	<u>38,498</u>
Total other assets	<u>264,989</u>	<u>231,352</u>
Total assets	<u>\$ 18,889,433</u>	<u>\$ 19,291,004</u>

(continued)

N Street Village, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION - CONTINUED

June 30, 2011 and 2010

LIABILITIES AND NET ASSETS

	<u>2011</u>	<u>2010</u>
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 131,028	\$ 94,881
Accrued salary and expenses	91,152	177,175
Current maturities - mortgages and notes payable	80,593	78,097
Tenant security deposits and prepaid rent	48,302	43,763
Funds held for others	-	884
	<u>351,075</u>	<u>394,800</u>
LONG-TERM LIABILITIES		
Mortgages and notes payable, net of current maturities	<u>3,528,303</u>	<u>3,596,936</u>
Total liabilities	<u>3,879,378</u>	<u>3,991,736</u>
NET ASSETS		
Unrestricted - controlling	14,038,587	14,063,378
Unrestricted - controlling - board designated	65,519	65,519
Unrestricted - non-controlling	<u>(494,123)</u>	<u>-</u>
Total unrestricted	13,609,983	14,128,897
Temporarily restricted	<u>1,400,072</u>	<u>1,170,371</u>
Total net assets	<u>15,010,055</u>	<u>15,299,268</u>
Total liabilities and net assets	<u>\$ 18,889,433</u>	<u>\$ 19,291,004</u>

See notes to consolidated financial statements

N Street Village, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF ACTIVITIES

Year ended June 30, 2011

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue and support				
Grants and contributions	\$ 1,289,239	\$ 350,190	\$ -	\$ 1,639,429
Rental and service fee income	1,048,873	-	-	1,048,873
Government grants and contracts	-	535,703	-	535,703
Special event revenue	536,551	-	-	536,551
In-kind contributions	204,810	-	-	204,810
Forgiveness of debt	30,000	-	-	30,000
Other	2,003	-	-	2,003
Net assets released from restrictions	860,466	(860,466)	-	-
Total revenue and support	3,971,942	25,427	-	3,997,369
Expenses				
Program services	3,559,253	-	-	3,559,253
Management and general	383,466	-	-	383,466
Fundraising	581,189	-	-	581,189
Special event benefit to attendees	68,596	-	-	68,596
Total expenses	4,592,504	-	-	4,592,504
Change in net assets before other items	(620,562)	25,427	-	(595,135)
Non-operational activity				
Change in value of charitable trust	-	35,757	-	35,757
Investment and interest income	12,346	20,288	-	32,634
Unrealized gain on investments	90,144	148,229	-	238,373
Realized loss on investments	(842)	-	-	(842)
Excess (deficiency) of revenues over expenses - consolidated	(518,914)	229,701	-	(289,213)
Deficiency of revenues over expenses attributable to non-controlling interest	494,123	-	-	494,123
Excess (deficiency) of revenues over expenses attributable to N Street Village, Inc.	\$ (24,791)	\$ 229,701	\$ -	\$ 204,910

(continued)

N Street Village, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF ACTIVITIES - CONTINUED

Year ended June 30, 2010

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue and support				
Grants and contributions	\$ 2,023,969	\$ 183,652	\$ -	\$ 2,207,621
Rental and service fee income	1,031,046	-	-	1,031,046
Government grants and contracts	-	368,539	-	368,539
In-kind contributions	153,364	-	-	153,364
Forgiveness of debt	30,000	-	-	30,000
Other	2,712	-	-	2,712
Net assets released from restrictions	<u>852,023</u>	<u>(852,023)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>4,093,114</u>	<u>(299,832)</u>	<u>-</u>	<u>3,793,282</u>
Expenses				
Program services	3,274,089	-	-	3,274,089
Management and general	462,647	-	-	462,647
Fundraising	<u>559,189</u>	<u>-</u>	<u>-</u>	<u>559,189</u>
Total expenses	<u>4,295,925</u>	<u>-</u>	<u>-</u>	<u>4,295,925</u>
Change in net assets before other items	(202,811)	(299,832)	-	(502,643)
Non-operational activity				
Change in value of charitable trust	-	33,571	-	33,571
Investment and interest income	31,908	-	-	31,908
Unrealized gain on investments	175,745	-	-	175,745
Realized loss on investments	<u>(37,336)</u>	<u>-</u>	<u>-</u>	<u>(37,336)</u>
Deficiency of revenues over expenses attributable to N Street Village, Inc.	<u>\$ (32,494)</u>	<u>\$ (266,261)</u>	<u>\$ -</u>	<u>\$ (298,755)</u>

See notes to consolidated financial statements

N Street Village, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Year ended June 30, 2011

	Programs	Management and General	Fundraising	Total
Wages and fringe benefits	\$ 1,690,466	\$ 75,104	\$ 393,216	\$ 2,158,786
Occupancy and utilities	552,878	-	-	552,878
Depreciation and amortization	498,555	4,543	5,880	508,978
Donated goods and services	70,293	88,635	45,882	204,810
Maintenance services	226,061	439	1,197	227,697
Professional fees and consulting	66,055	163,821	49,010	278,886
Interest	117,925	833	1,563	120,321
Insurance	94,887	3,228	459	98,574
Facility rental and catering	-	-	18,939	18,939
Food and resident needs	121,886	-	454	122,340
Printing and publications	661	3,496	26,302	30,459
Supplies (clinic and office)	37,754	1,994	2,298	42,046
IT support and equipment	31,918	7,253	8,458	47,629
Tax credit compliance	16,520	-	-	16,520
Telephone	17,819	5,124	2,751	25,694
Transport and travel	10,992	8,348	6,572	25,912
Postage	928	400	6,112	7,440
Advertising	-	1,970	1,775	3,745
Other	3,655	18,278	10,321	32,254
Total	<u>\$ 3,559,253</u>	<u>\$ 383,466</u>	<u>\$ 581,189</u>	<u>\$ 4,523,908</u>

(continued)

N Street Village, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES - CONTINUED

Year ended June 30, 2010

	Programs	Management and General	Fundraising	Total
Wages and fringe benefits	\$ 1,533,016	\$ 195,975	\$ 330,278	\$ 2,059,269
Occupancy and utilities	410,723	-	-	410,723
Depreciation and amortization	535,702	1,716	4,238	541,656
Donated goods and services	95,002	22,628	38,471	156,101
Maintenance services	205,997	1,166	221	207,384
Professional fees and consulting	13,794	191,872	20,255	225,921
Interest	118,119	833	1,563	120,515
Insurance	78,406	3,702	238	82,346
Facility rental and catering	-	-	95,187	95,187
Food and resident needs	106,616	113	312	107,041
Printing and publications	339	3,931	26,598	30,868
Supplies (clinic and office)	31,795	1,701	2,176	35,672
IT support and equipment	17,437	7,268	5,304	30,009
Tax credit compliance	48,003	-	-	48,003
Telephone	14,390	1,399	2,098	17,887
Transport and travel	9,579	3,215	5,500	18,294
Postage	710	804	7,527	9,041
Advertising	905	1,559	2,050	4,514
Bad debt	-	1,671	-	1,671
Other	53,556	23,094	17,173	93,823
Total	<u>\$ 3,274,089</u>	<u>\$ 462,647</u>	<u>\$ 559,189</u>	<u>\$ 4,295,925</u>

See notes to consolidated financial statements

N Street Village, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CHANGE IN NET ASSETS

Years ended June 30, 2011 and 2010

	Unrestricted			Temporarily restricted	Total
	Controlling	Non-controlling	Total		
Net assets, June 30, 2009	\$ 14,161,391	\$ -	\$ 14,161,391	\$ 1,436,632	\$ 15,598,023
Deficiency of revenues over expenses	(32,494)	-	(32,494)	(266,261)	(298,755)
Net assets, June 30, 2010	14,128,897	-	14,128,897	1,170,371	15,299,268
Excess (deficiency) of revenues over expenses	(24,791)	(494,123)	(518,914)	229,701	(289,213)
Net assets, June 30, 2011	<u>\$ 14,104,106</u>	<u>\$ (494,123)</u>	<u>\$ 13,609,983</u>	<u>\$ 1,400,072</u>	<u>\$ 15,010,055</u>

See notes to consolidated financial statements

N Street Village, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Change in net assets	\$ (289,213)	\$ (298,755)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	508,978	541,656
Realized losses on investments	842	37,336
Forgiveness of loan principal	(30,000)	(30,000)
Bad debt	-	1,671
Unrealized gains on investments	(238,373)	(175,745)
Increase in value of charitable trusts	(35,757)	(33,571)
(Increase) decrease in		
Contributions receivable	-	3,839
Grants, rent and other receivables	(152,511)	165,601
Prepaid expenses	(1,638)	35,226
Tenant security deposit, net	3,918	711
Increase (decrease) in		
Accounts payable and accrued expenses	(49,876)	100,142
Accrued interest	15,000	15,000
Funds held for others	(884)	(7,141)
Prepaid rent	632	(3,439)
	<u>(268,882)</u>	<u>352,531</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities		
Proceeds from sale of investments	24,380	103,962
Purchase of investments	(8,518)	(89,097)
Purchase of furniture and equipment	(130,593)	(56,318)
Net withdrawals from (deposits to) insurance escrow	13,154	(23,577)
Net withdrawals from (deposits to) replacement reserve	6,916	(47,957)
Net deposits to operating deficit reserve	(697)	(480)
Net deposits to other reserves	(21,556)	(25,045)
	<u>(116,914)</u>	<u>(138,512)</u>
Net cash used in investing activities		

(continued)

N Street Village, Inc. and Subsidiary

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

Years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from financing activities		
Principal payments on notes payable	<u>(51,137)</u>	<u>(47,869)</u>
Net cash used in financing activities	<u>(51,137)</u>	<u>(47,869)</u>
Net increase (decrease) in cash and cash equivalents	(436,933)	166,150
Cash and cash equivalents, beginning of year	<u>1,290,769</u>	<u>1,124,619</u>
Cash and cash equivalents, end of year	<u>\$ 853,836</u>	<u>\$ 1,290,769</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 105,321</u>	<u>\$ 105,515</u>
Significant noncash investing and financing activities related:		
Investment in rental property	\$ (59,962)	\$ (202,371)
Accumulated depreciation	59,962	202,371
Mortgage costs	-	(66,499)
Accumulated amortization	<u>-</u>	<u>66,499</u>
	<u>\$ -</u>	<u>\$ -</u>

See notes to consolidated financial statements

N Street Village, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2011 and 2010

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.

NSV accomplishes its mission by offering a portfolio of services designed to meet the needs of its beneficiaries. These services, offered at 14th and N Street in Northwest DC, are currently delivered through several programs.

Eden House Apartments has 51 units of affordable rental housing for individuals and families. Bethany Women's Day Center provides meals (49,702 meals provided for the year ended June 30, 2011), laundry and shower facilities, activities, and access to case managers. The Luther Place Night Shelter is a 31-bed, women's overnight shelter that is operated on the 4th floor of Luther Place Memorial Church. NSV's residents consist of up to 62 women in the Group Homes, Transitional Housing, and Recovery Housing programs. The Wellness Center's services include a range of health promotion and disease prevention services, including access to a physician, nurse and psychiatrist, health education classes, smoking cessation, massage, chiropractic care, exercise and nutrition supports, disease management classes and more. NSV also includes an Education and Employment Center, and extensive support for women with mental health and addiction recovery needs. NSV finds that client outcomes improve by addressing many needs in one place.

Rental income covers much of the cost of operating Eden House Apartments. NSV depends on the generosity of individual donors, foundations, corporations, and other organizations to fund the costs of providing its other services. NSV receives less than 18% of its operating funds from government sources.

NSV is the general partner, and .01% owner, of its subsidiary, N Street Village Limited Partnership (NSVLP) which operates and owns Eden House Apartments. NSVLP is a Section 42 Low-Income Housing Tax Credit project. Applicants to Eden House Apartments and the residential programs for women (62 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."

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.

N Street Village, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

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, 2011 and 2010, cash and cash equivalents of \$136,926 and \$76,315, respectively, are segregated for withdrawal within the investment portfolio.

At June 30, 2011 and 2010, included in cash and cash equivalents was \$0 and \$2,833, respectively, of restricted cash for client banking.

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 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.

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.

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, 2011 and 2010.

N Street Village, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

Fair Value of Assets

Effective January 1, 2008, the Organization adopted U.S. generally accepted account principles (GAAP) that 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, 2011 and 2010. 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.

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 the years ended June 30, 2011 and 2010 was \$2,120. Estimated annual amortization expense for each of the ensuing years through June 30, 2016 is \$2,118.

N Street Village, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

Net Asset Classification

The net assets of the Organization are reported in five 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.
- Unrestricted non-controlling net assets represent net assets attributable to non-controlling interest.
- 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.

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 contributions and grants for which donor imposed restrictions have not been met.

Any promises to give due beyond a year are discounted to their 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.

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 in the accompanying consolidated statements of activities.

Non-Controlling Interest in Limited Partnership

This amount represents the aggregate balance of limited partner equity interest in the non-wholly owned limited partnership that is included in the consolidated financial statements. The aggregate deficit balance of limited partner equity interest in NSVLP included in the consolidated financial statements remains in the

N Street Village, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

Organization's net assets at June 30, 2010. At June 30, 2010, the non-controlling limited partner 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 will be included in unrestricted net assets - non-controlling.

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.

New Accounting Pronouncement

In April 2009, the FASB issued authoritative guidance on mergers and acquisitions for not-for-profit entities. This guidance establishes the principles and requirements for accounting for a combination of not-for-profit entities, which is a transaction or other event that results in a not-for-profit entity initially recognizing another not-for-profit entity, a business, or a nonprofit activity in its financial statements. For existing consolidated subsidiaries with non-controlling interests, the new accounting guidance requires the non-controlling ownership interests to be included in net assets of the Organization. It is effective for financial statements issued for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2009. At June 30, 2011, the adoption of this new guidance resulted in an unrestricted net deficit of \$494,123 for non-controlling interest.

NOTE 2 - INVESTMENTS

Investments consist of marketable securities carried at fair value. These are not considered current assets due to donor restrictions limiting availability to 5% of the total over the next year.

	June 30, 2011		
	Cost	Unrealized gain (loss)	Fair value
Fixed income	\$ 55,462	\$ 39,092	\$ 94,554
Mutual funds	1,545,892	(143,624)	1,402,268
Total investments	\$ 1,601,354	\$ (104,532)	\$ 1,496,822

N Street Village, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

	June 30, 2010		
	Cost	Unrealized gain (loss)	Fair value
Fixed income	\$ 71,399	\$ 37,989	\$ 109,388
Mutual funds	1,546,659	(380,894)	1,165,765
Total investments	<u>\$ 1,618,058</u>	<u>\$ (342,905)</u>	<u>\$ 1,275,153</u>

NOTE 3 - FIXED ASSETS

Land, building, furniture and equipment, and improvements at June 30, 2011 and 2010 consisted of the following:

	Useful lives	2011	2010
Building and improvements	27.5-40 years	\$ 17,139,242	\$ 17,132,842
Land	Not applicable	3,931,200	3,931,200
Leasehold improvements	5-40 years	2,265,614	2,266,064
Furniture and equipment	3-7 years	461,218	396,537
		23,797,274	23,726,643
Less: Accumulated depreciation		<u>(8,540,543)</u>	<u>(8,093,647)</u>
		<u>\$ 15,256,731</u>	<u>\$ 15,632,996</u>

N Street Village, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

NOTE 4 - MORTGAGES AND NOTES PAYABLE

Mortgages and notes payable consisted of the following at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
A \$500,000 interest-free loan from DC Department of Housing and Community Development (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.	\$ 148,500	\$ 167,944
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.	180,000	210,000
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. All other advances are non-interest bearing. The loan matures on December 31, 2020. Included in the balance is accrued interest of \$480,000 and \$465,000, respectively, at June 30, 2010 and June 30, 2009.	2,119,454	2,104,454
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>1,160,942</u>	<u>1,192,635</u>
Total mortgages and notes payable	3,608,896	3,675,033
Less current portion	<u>(80,593)</u>	<u>(78,097)</u>
Mortgages and notes payable, net of current portion	<u>\$ 3,528,303</u>	<u>\$ 3,596,936</u>

N Street Village, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

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

Year ending June 30, 2012	\$	80,593
2013		83,288
2014		86,196
2015		89,336
2016		92,724
Thereafter		<u>3,176,759</u>
	\$	<u><u>3,608,896</u></u>

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Purpose restrictions:		
Bethany Women's Center	\$ -	\$ 24,429
Residential Programs	144,029	20,755
Education and Employment Center	-	18,183
Various Purposes	17,143	11,137
Time Restrictions	<u>1,238,900</u>	<u>1,095,867</u>
	<u>\$ 1,400,072</u>	<u>\$ 1,170,371</u>

Commencing in fiscal year 2011, NSV has adopted a policy of releasing restrictions when the asset is placed in service.

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, 2011 and 2010, the temporarily restricted balances were \$1,010,289 and \$888,639, 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, 2011 and 2010

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:

	2011	2010
Satisfaction of purpose restrictions:		
Bethany Women's Center	\$ 29,529	\$ 7,401
Residential Programs	513,420	454,536
Education and Employment Center	76,583	208,154
Various Purposes	109,849	30,147
Satisfaction of Time Restrictions	131,085	151,785
	\$ 860,466	\$ 852,023

NOTE 7 - LINE OF CREDIT

NSV maintains a \$300,000 line of credit with a local financial institution. Future borrowings will bear interest at the prime rate plus 1% with a minimum rate of 5.75% and prime rate, respectively, at June 30, 2011 and 2010. At June 30, 2011 and 2010, the prime rate was 3.25%. The line of credit was renewed at an interest rate of prime rate plus 1% with a minimum rate of 5.75% and expires on June 14, 2012. It is secured by the Organization's bond and bond mutual fund portfolio included in note 2. The line of credit was not drawn upon as of June 30, 2011 and 2010.

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 with respect to these cash and cash equivalent balances at June 30, 2011 and 2010.

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 at June 30, 2011 and 2010. 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.

N Street Village, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

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 this reserve prior to the general partner's operating deficit loan guaranty. At June 30, 2011 and 2010, the balance in the operating reserve was \$193,549 and \$192,852, respectively.

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, 2011 and 2010, the organization maintained unemployment reserves of \$30,602 and \$28,069, 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 requires 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 years ended June 30, 2011 and 2010 was \$50,862 and \$64,766, respectively. The current tenant ended its lease on October 15, 2011. NSV plans to use this space to provide additional services to its clients or lease it to another nonprofit tenant. Future minimum lease payments through June 30, 2012 are \$34,517.

NOTE 12 - FUNDS HELD FOR OTHERS

NSV offered a representative payee service to clients. The Organization processed deposits from, and withdrawals by, clients who enrolled in this service. The balance of the funds deposited by the clients is shown as a liability. At June 30, 2010, funds held for others were \$884. This service was discontinued in August 2010 and all funds were returned to clients or their representative payees.

N Street Village, Inc. and Subsidiary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2011 and 2010

NOTE 13 - RESERVES AND ESCROWS

Reserves and escrows at June 30, 2011 and 2010 are summarized as follows:

	<u>2011</u>	<u>2010</u>
Replacement reserve	\$ 365,340	\$ 372,256
Insurance escrow	53,965	67,119
Operating deficit reserve	193,549	192,852
Other reserve	<u>84,583</u>	<u>63,027</u>
	<u>\$ 697,437</u>	<u>\$ 695,254</u>

NOTE 14 - SUBSEQUENT EVENTS

Management evaluated the activity of the Organization through October 14, 2011 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

SUPPLEMENTAL INFORMATION

N Street Village, and Subsidiary

SUPPLEMENTAL INFORMATION

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

June 30, 2011

	ASSETS			
	N Street Village, Inc.	N Street Village, LP	Eliminating entries	Total
CURRENT ASSETS				
Cash and cash equivalents	\$ 789,831	\$ 64,005	\$ -	\$ 853,836
Receivables			-	
Grants and contracts	234,608	-	-	234,608
Other	5,471	-	-	5,471
Rent	-	15,895	-	15,895
Prepaid expenses	31,294	559	-	31,853
	<u>1,061,204</u>	<u>80,459</u>	<u>-</u>	<u>1,141,663</u>
INVESTMENTS, RESTRICTED DEPOSITS AND FUNDED RESERVES				
Investments	1,496,822	-	-	1,496,822
Replacement reserve	-	365,340	-	365,340
Operating deficit reserve	-	193,549	-	193,549
Insurance escrow	-	53,965	-	53,965
Tenant security deposits	-	31,791	-	31,791
Other reserves	-	84,583	-	84,583
	<u>1,496,822</u>	<u>729,228</u>	<u>-</u>	<u>2,226,050</u>
FIXED ASSETS				
Land, building, furniture and equipment, and improvements, net	4,280,834	10,975,897	-	15,256,731
OTHER ASSETS				
Interest receivable - subsidiary	484,741	-	(484,741)	-
Trust receivable	228,611	-	-	228,611
Due from subsidiary	2,231,867	-	(2,231,867)	-
Loans receivable - subsidiary	2,403,828	-	(2,403,828)	-
Investment in limited partnership	7,484,698	-	(7,484,698)	-
Mortgage costs, net of accumulated amortization of \$27,194	-	36,378	-	36,378
	<u>12,833,745</u>	<u>36,378</u>	<u>(12,605,134)</u>	<u>264,989</u>
Total other assets	<u>12,833,745</u>	<u>36,378</u>	<u>(12,605,134)</u>	<u>264,989</u>
Total assets	<u>\$ 19,672,605</u>	<u>\$ 11,821,962</u>	<u>\$ (12,605,134)</u>	<u>\$ 18,889,433</u>

N Street Village, and Subsidiary

SUPPLEMENTAL INFORMATION - CONTINUED

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION - CONTINUED

June 30, 2011

LIABILITIES AND NET ASSETS

	N Street Village, Inc.	N Street Village, LP	Eliminating entries	Total
CURRENT LIABILITIES				
Accounts payable	\$ 54,368	\$ 71,528	\$ -	\$ 125,896
Accrued salary and expenses	88,506	2,646	-	91,152
Accrued investor services fee	-	5,132	-	5,132
Current maturities - mortgages and notes payable	46,668	33,925	-	80,593
Tenant security deposits	-	35,798	-	35,798
Prepaid rent	-	12,504	-	12,504
Total current liabilities	189,542	161,533	-	351,075
LONG-TERM LIABILITIES				
Due to Luther Place Memorial Church	2,119,454	-	-	2,119,454
Mortgages and notes payable, net of current maturities	281,832	1,127,017	-	1,408,849
Loans payable - subsidiary	-	2,403,828	(2,403,828)	-
Due to subsidiary	-	2,231,867	(2,231,867)	-
Interest payable - subsidiary	-	484,741	(484,741)	-
Total long-term liabilities	2,401,286	6,247,453	(5,120,436)	3,528,303
Total liabilities	2,590,828	6,408,986	(5,120,436)	3,879,378
NET ASSETS				
Unrestricted - controlling	15,681,705	5,412,976	(6,990,575)	14,104,106
Unrestricted - non-controlling	-	-	(494,123)	(494,123)
Total unrestricted	15,681,705	5,412,976	(7,484,698)	13,609,983
Temporarily restricted	1,400,072	-	-	1,400,072
Total net assets	17,081,777	5,412,976	(7,484,698)	15,010,055
Total liabilities and net assets	\$ 19,672,605	\$ 11,821,962	\$ (12,605,134)	\$ 18,889,433

N Street Village, and Subsidiary

SUPPLEMENTAL INFORMATION - CONTINUED

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION - CONTINUED

June 30, 2010

ASSETS

	N Street Village, Inc.	N Street Village, LP	Eliminating entries	Total
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,223,356	\$ 67,413	\$ -	\$ 1,290,769
Receivables				
Grants and contracts	86,843	-	-	86,843
Other	5,433	-	-	5,433
Rent	-	11,187	-	11,187
Prepaid expenses	27,594	2,621	-	30,215
	<u>1,343,226</u>	<u>81,221</u>	<u>-</u>	<u>1,424,447</u>
INVESTMENTS, RESTRICTED DEPOSITS AND FUNDED RESERVES				
Investments	1,275,153	-	-	1,275,153
Replacement reserve	-	372,256	-	372,256
Operating deficit reserve	-	192,852	-	192,852
Insurance escrow	-	67,119	-	67,119
Tenant security deposits	-	31,802	-	31,802
Other reserves	-	63,027	-	63,027
	<u>1,275,153</u>	<u>727,056</u>	<u>-</u>	<u>2,002,209</u>
FIXED ASSETS				
Land, building, furniture and equipment, and improvements, net	4,267,518	11,365,478	-	15,632,996
OTHER ASSETS				
Interest receivable - subsidiary	421,753	-	(421,753)	-
Trust receivable	192,854	-	-	192,854
Due from subsidiary	2,157,867	-	(2,157,867)	-
Loans receivable - subsidiary	2,403,828	-	(2,403,828)	-
Investment in limited partnership	7,484,747	-	(7,484,747)	-
Mortgage costs, net of accumulated amortization of \$25,074	-	38,498	-	38,498
	<u>12,661,049</u>	<u>38,498</u>	<u>(12,468,195)</u>	<u>231,352</u>
Total other assets	<u>12,661,049</u>	<u>38,498</u>	<u>(12,468,195)</u>	<u>231,352</u>
Total assets	<u>\$ 19,546,946</u>	<u>\$ 12,212,253</u>	<u>\$ (12,468,195)</u>	<u>\$ 19,291,004</u>

N Street Village, and Subsidiary

SUPPLEMENTAL INFORMATION - CONTINUED

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION - CONTINUED

June 30, 2010

LIABILITIES AND NET ASSETS

	N Street Village, Inc.	N Street Village, LP	Eliminating entries	Total
CURRENT LIABILITIES				
Accounts payable	\$ 39,440	\$ 47,567	\$ -	\$ 87,007
Accrued salary and expenses	175,531	1,644	-	177,175
Funds held for others	884	-	-	884
Accrued investor services fee	-	7,874	-	7,874
Current maturities - mortgages and notes payable	46,668	31,429	-	78,097
Tenant security deposits	-	31,891	-	31,891
Prepaid rent	-	11,872	-	11,872
Total current liabilities	262,523	132,277	-	394,800
LONG-TERM LIABILITIES				
Due to Luther Place Memorial Church	2,104,454	-	-	2,104,454
Mortgages and notes payable, net of current maturities	331,276	1,161,206	-	1,492,482
Loans payable - subsidiary	-	2,403,828	(2,403,828)	-
Due to subsidiary	-	2,157,867	(2,157,867)	-
Interest payable - subsidiary	-	421,753	(421,753)	-
Total long-term liabilities	2,435,730	6,144,654	(4,983,448)	3,596,936
Total liabilities	2,698,253	6,276,931	(4,983,448)	3,991,736
NET ASSETS				
Unrestricted - controlling	15,678,322	5,935,322	(7,484,747)	14,128,897
Temporarily restricted	1,170,371	-	-	1,170,371
Total net assets	16,848,693	5,935,322	(7,484,747)	15,299,268
Total liabilities and net assets	\$ 19,546,946	\$ 12,212,253	\$ (12,468,195)	\$ 19,291,004

N Street Village, and Subsidiary

SUPPLEMENTAL INFORMATION - CONTINUED

CONSOLIDATING STATEMENTS OF ACTIVITIES
AND CHANGE IN NET ASSETS

Year ended June 30, 2011

	N Street Village, Inc.	N Street Village, LP	Eliminating entries	Total
Revenue and support				
Contributions and grants	\$ 1,639,429	\$ -	\$ -	\$ 1,639,429
Rental and service fee income	74,000	1,415,461	(440,588)	1,048,873
Government grants	535,703	-	-	535,703
Special event revenue	536,551	-	-	536,551
Interest income - subsidiary	62,988	-	(62,988)	-
In-kind contributions	204,810	-	-	204,810
Forgiveness of debt	30,000	-	-	30,000
Other	2,003	-	-	2,003
Total revenue and support	3,085,484	1,415,461	(503,576)	3,997,369
Expenses				
Program services	2,232,533	1,830,296	(503,576)	3,559,253
Management and general	274,949	108,517	-	383,466
Fundraising	581,189	-	-	581,189
Special event benefit to attendees	68,596	-	-	68,596
Total expenses	3,157,267	1,938,813	(503,576)	4,592,504 *
Change in net assets before other item	(71,783)	(523,352)	-	(595,135)
Non-operational activity				
Change in value of charitable trusts	35,757	-	-	35,757
Investment and interest income	31,628	1,006	-	32,634
Unrealized gain on investments	238,373	-	-	238,373
Realized loss on investments	(842)	-	-	(842)
Loss from investment in partnership	(49)	-	49	-
Excess (deficiency) of revenues over expenses - consolidated	233,084	(522,346)	49	(289,213)
Non-controlling interest	-	-	494,123	494,123
Excess (deficiency) of revenues over expenses attributable to N Street Village, Inc.	\$ 233,084	\$ (522,346)	\$ 494,172	\$ 204,910

*Depreciation accounts for \$45,951 and \$460,907, respectively, of expenses for NSV and NSVLP.

N Street Village, and Subsidiary

SUPPLEMENTAL INFORMATION - CONTINUED

CONSOLIDATING STATEMENTS OF ACTIVITIES
AND CHANGE IN NET ASSETS - CONTINUED

Year ended June 30, 2010

	N Street Village, Inc.	N Street Village, LP	Eliminating entries	Total
Revenue and support				
Contributions and grants	\$ 2,207,621	\$ -	\$ -	\$ 2,207,621
Rental and service fee income	118,000	1,391,436	(478,390)	1,031,046
Government grants	368,539	-	-	368,539
Interest income - subsidiary	34,935	-	(34,935)	-
In-kind contributions	153,364	-	-	153,364
Forgiveness of debt	30,000	-	-	30,000
Other	2,712	-	-	2,712
	<u>2,915,171</u>	<u>1,391,436</u>	<u>(513,325)</u>	<u>3,793,282</u>
Expenses				
Program services	1,967,187	1,791,446	(484,544)	3,274,089
Management and general	366,434	106,224	(10,011)	462,647
Fundraising	577,959	-	(18,770)	559,189
	<u>2,911,580</u>	<u>1,897,670</u>	<u>(513,325)</u>	<u>4,295,925 *</u>
Change in net assets before other item	3,591	(506,234)	-	(502,643)
Non-operational activity				
Change in value of charitable trusts	33,571	-	-	33,571
Investment and interest income	31,169	739	-	31,908
Unrealized gain on investments	175,745	-	-	175,745
Realized loss on investments	(37,336)	-	-	(37,336)
Loss from investment in partnership	(48)	-	48	-
	<u>(48)</u>	<u>-</u>	<u>48</u>	<u>-</u>
Excess (deficiency) of revenues over expenses attributable to N Street Village, Inc.	<u>\$ 206,692</u>	<u>\$ (505,495)</u>	<u>\$ 48</u>	<u>\$ (298,755)</u>

*Depreciation accounts for \$46,186 and \$493,351, respectively, of expenses for NSV and NSVLP.