

N Street Village, Inc. & Subsidiaries

Consolidated Financial Statements

**For The Years Ended
June 30, 2017 And 2016 (As Restated)**

N Street Village, Inc. & Subsidiaries

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Independent Auditors' Report

**To The Board Of Directors
N Street Village, Inc. & Subsidiaries**
1333 N Street NW
Washington, DC 20005

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of N Street Village, Inc. & Subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2017 and 2016 (As Restated), and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 financial position of N Street Village, Inc. & Subsidiaries as of June 30, 2017 and 2016 (As Restated), and results of its activities, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Correction Of Error

As discussed in Note 18 to the consolidated financial statements, certain errors resulting in elimination of intercompany developer fees were discovered by management of N Street Village, Inc. & Subsidiaries during the current year. Accordingly, an adjustment has been made to net assets as of June 30, 2016 to correct for the error. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating supplementary information shown on pages 22 to 25 is presented for purposes of additional analysis of the consolidated financial statements rather than to present financial positions, results of activities, and cash flows of the individual companies, and is not a required part of the consolidated 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 consolidated financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Hertzbach & Company, P.A.

Owings Mills, Maryland
June 13, 2018

**CONSOLIDATED
FINANCIAL
STATEMENTS**

N Street Village, Inc. & Subsidiaries
Consolidated Statements Of Financial Position

June 30,	2017	(As Restated) 2016
Assets		
CURRENT ASSETS		
Cash And Cash Equivalents	\$ 9,021,055	\$ 5,840,707
Grants Receivable	653,913	372,203
Pledges Receivable	1,519,084	2,005,054
Developer Fee Receivable	1,312,397	222,402
Tenant And Other Receivables	323,328	30,423
Prepaid Expenses	155,639	86,983
Total Current Assets	<u>12,985,416</u>	<u>8,557,772</u>
NONCURRENT ASSETS		
Investments	2,671,029	1,702,626
Reserves And Escrows	1,421,210	52,092
Tenant Security Deposits	31,547	31,547
Property And Equipment, Net Of Accumulated Depreciation Of \$3,498,049 - 2017 And \$2,994,474 - 2016	22,210,062	16,625,164
Tax Credit Fees, Net Of Accumulated Amortization Of \$3,783 - 2017 And \$0 - 2016	41,617	-
Trust Receivable	429,346	429,772
Total Noncurrent Assets	<u>26,804,811</u>	<u>18,841,201</u>
TOTAL ASSETS	<u><u>\$ 39,790,227</u></u>	<u><u>\$ 27,398,973</u></u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

N Street Village, Inc. & Subsidiaries
Consolidated Statements Of Financial Position

June 30,	2017	(As Restated) 2016
Liabilities And Net Assets		
CURRENT LIABILITIES		
Accounts Payable And Accrued Expenses	\$ 512,691	\$ 642,307
Accrued Salaries And Related Expenses	474,676	255,436
Current Portion Of Mortgages And Notes Payable	415,342	71,433
Tenant Security Deposits And Prepaid Rent	84,725	77,843
Total Current Liabilities	<u>1,487,434</u>	<u>1,047,019</u>
NONCURRENT LIABILITIES		
Mortgages And Notes Payable, Net Of Current Portion And Unamortized Financing Fees Of \$308,232 - 2017 And \$0 - 2016	14,320,371	6,209,244
Deferred Developer Fee	908,328	-
Total Noncurrent Liabilities	<u>15,228,699</u>	<u>6,209,244</u>
TOTAL LIABILITIES	<u>16,716,133</u>	<u>7,256,263</u>
NET ASSETS		
Unrestricted Controlling	16,081,932	12,503,417
Unrestricted Board Designated	367,465	367,465
Unrestricted Noncontrolling	(236,541)	304,968
Total Unrestricted Net Assets	16,212,856	13,175,850
Temporarily Restricted Controlling	<u>6,861,238</u>	<u>6,966,860</u>
Total Net Assets	<u>23,074,094</u>	<u>20,142,710</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 39,790,227</u>	<u>\$ 27,398,973</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

N Street Village, Inc. & Subsidiaries
Consolidated Statements Of Activities

For The Years Ended June 30, 2017 And 2016 (As Restated)

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT						
Grants And Contributions	\$ 1,635,077	\$ 2,815,638	\$ 4,450,715	\$ 2,284,865	\$ 1,756,945	\$ 4,041,810
Rental And Service Fee Income	1,823,824	-	1,823,824	1,355,763	11,620	1,367,383
Government Contracts & Grants	-	3,620,185	3,620,185	-	2,003,501	2,003,501
Special Events Revenue, Net Of Benefit To Attendees Of \$317,189 - 2017 And \$175,172 - 2016	1,475,811	-	1,475,811	905,638	-	905,638
In-Kind Contributions	227,946	-	227,946	365,806	-	365,806
Developer Fee Revenue	181,667	-	181,667	423,887	-	423,887
Forgiveness Of Debt	30,000	-	30,000	30,000	-	30,000
Other Revenue	17,492	-	17,492	87,985	-	87,985
Net Assets Released From Restriction	6,632,959	(6,632,959)	-	2,583,219	(2,583,219)	-
Total Revenue And Support	12,024,776	(197,136)	11,827,640	8,037,163	1,188,847	9,226,010
EXPENSES						
Program Services	7,730,706	-	7,730,706	5,201,669	-	5,201,669
Management And General	694,952	-	694,952	1,021,638	-	1,021,638
Fundraising	736,363	-	736,363	818,849	-	818,849
Total Expenses	9,162,021	-	9,162,021	7,042,156	-	7,042,156
Change In Net Assets Before Non-Operational Activity And Noncontrolling Interest In Net Assets Of Subsidiary	2,862,755	(197,136)	2,665,619	995,007	1,188,847	2,183,854
NON-OPERATIONAL ACTIVITY						
Change In Value Of Trust	-	(426)	(426)	-	(14,510)	(14,510)
Investment And Interest Income	46,429	-	46,429	36,692	-	36,692
Realized Gain On Investments	-	-	-	66,664	-	66,664
Unrealized Gain (Loss) On Investments	177,822	91,940	269,762	(230,924)	134,524	(96,400)
Loss On Sale Of Assets	-	-	-	(3,315,114)	-	(3,315,114)
Total Non-Operational Activity	224,251	91,514	315,765	(3,442,682)	120,014	(3,322,668)
Change In Net Assets	3,087,006	(105,622)	2,981,384	(2,447,675)	1,308,861	(1,138,814)
Change In Net Assets - Noncontrolling	491,509	-	491,509	52,652	-	52,652
Change In Net Assets - Controlling And Board Designated	\$ 3,578,515	\$ (105,622)	\$ 3,472,893	\$ (2,395,023)	\$ 1,308,861	\$ (1,086,162)

The Accompanying Notes Are An Integral Part Of These Financial Statements

N Street Village, Inc. & Subsidiaries
Consolidated Statements Of Functional Expenses

For The Years Ended June 30, 2017 And 2016 (As Restated)

	2017			2016			Total Expenses
	Programs	Management and General	Fundraising	Programs	Management and General	Fundraising	
Wages And Fringe Benefits	\$ 4,989,713	\$ 247,029	\$ 514,404	\$ 2,760,521	\$ 235,036	\$ 463,965	\$ 3,459,522
Occupancy And Utilities	704,201	50,778	18,152	693,344	53,924	19,539	766,807
Depreciation And Amortization	481,548	26,007	-	663,909	7,491	7,547	678,947
Professional Fees And Consulting	322,880	179,021	83,587	232,887	458,473	80,008	771,368
Donated Goods And Services	156,222	71,724	-	134,285	189,120	42,401	365,806
Maintenance Services	344,356	149	240	230,650	7,385	28	238,063
Food And Resident Needs	151,156	-	-	156,840	-	-	156,840
Interest	318,029	30,000	-	40,809	36,360	-	77,169
Insurance, Licenses And Taxes	77,349	56,567	475	130,584	5,747	7,182	143,513
Supplies, Equipment And Software	71,274	4,652	7,553	97,585	7,210	8,503	113,298
Printing, Postage And Publications	4,643	1,435	53,917	1,597	1,120	57,151	59,868
Meetings And Conferences	2,884	218	22,716	12,083	4,269	70,049	86,401
Credit Card And Other Financial Fees	268	4,387	20,077	183	9,362	15,531	25,076
Tax Credit Compliance	13,858	-	-	11,556	-	-	11,556
Bad Debt	2,657	3,500	2,500	-	1,662	1,000	2,662
Other	89,668	19,485	12,742	34,836	4,479	45,945	85,260
	<u>\$ 7,730,706</u>	<u>\$ 694,952</u>	<u>\$ 736,363</u>	<u>\$ 5,201,669</u>	<u>\$ 1,021,638</u>	<u>\$ 818,849</u>	<u>\$ 7,042,156</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

N Street Village, Inc. & Subsidiaries
Consolidated Statements Of Changes In Net Assets

For The Years Ending June 30, 2017 And 2016 (As Restated)

	Unrestricted			Total Unrestricted	Temporarily Restricted Controlling	Total
	Controlling	Board Designated	Noncontrolling			
Net Assets - June 30, 2015	\$ 14,898,440	\$ 367,465	\$ -	\$ 15,265,905	\$ 5,657,999	\$ 20,923,904
Investor Equity	-	-	357,620	357,620	-	357,620
Change In Net Assets For The Year Ended June 30, 2016	<u>(2,395,023)</u>	<u>-</u>	<u>(52,652)</u>	<u>(2,447,675)</u>	<u>1,308,861</u>	<u>(1,138,814)</u>
Net Assets - June 30, 2016	12,503,417	367,465	304,968	13,175,850	6,966,860	20,142,710
Syndication Fees	-	-	(50,000)	(50,000)	-	(50,000)
Change In Net Assets For The Year Ended June 30, 2017	<u>3,578,515</u>	<u>-</u>	<u>(491,509)</u>	<u>3,087,006</u>	<u>(105,622)</u>	<u>2,981,384</u>
Net Assets - June 30, 2017	<u><u>\$ 16,081,932</u></u>	<u><u>\$ 367,465</u></u>	<u><u>\$ (236,541)</u></u>	<u><u>\$ 16,212,856</u></u>	<u><u>\$ 6,861,238</u></u>	<u><u>\$ 23,074,094</u></u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

N Street Village, Inc. & Subsidiaries
Consolidated Statements Of Cash Flows

For The Years Ended June 30,	2017	(As Restated) 2016
CONSOLIDATED CASH FLOWS FROM		
OPERATING ACTIVITIES:		
Change In Net Assets	\$ 2,981,384	\$ (1,138,814)
Adjustments To Reconcile Change In Net Assets To Net Cash Provided By Operating Activities		
Write-Down On Transfer Of Asset	-	3,315,114
Disposal Of Fixed Assets	-	45,381
Depreciation And Amortization Of Tax Credit Fees	507,555	678,947
Amortization Of Financing Fees	191,803	-
Realized Gain On Investments	-	(66,664)
Unrealized (Gain) Loss On Investments	(269,762)	96,400
Increase In Value Of Charitable Trust	426	14,510
Forgiveness Of Loan Principal	(30,000)	(30,000)
Bad Debt	8,657	2,662
(Increase) Decrease In Operating Assets		
Grants Receivable	(281,710)	(95,053)
Pledges Receivable	485,970	(453,480)
Developer Fee Receivable	(1,089,995)	-
Tenant And Other Receivables	(301,562)	(13,523)
Prepaid Expenses	(68,656)	(53,543)
Tenant Security Deposits, Net	6,403	101
Increase (Decrease) In Operating Liabilities		
Accounts Payable And Accrued Expenses	(129,616)	394,058
Accrued Salaries And Related Expenses	219,240	166,706
Deferred Developer Fee	908,328	-
Client Escrow Accounts	(16,362)	(2,703)
Prepaid Rent	16,841	37,567
Net Cash Provided By Operating Activities	<u>3,138,944</u>	<u>2,897,666</u>
CONSOLIDATED CASH FLOWS FROM		
INVESTING ACTIVITIES:		
Proceeds From Sale Of Investments	-	144,366
Purchases Of Investments	(698,641)	(129,461)
Increase In Reserves And Escrows	(71,344)	-
Financing Fees Paid	(500,035)	-
Acquisition Of Property And Equipment	276,866	(1,388,153)
Net Cash Used In Investing Activities	<u>(993,154)</u>	<u>(1,373,248)</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

N Street Village, Inc. & Subsidiaries
Consolidated Statements Of Cash Flows
(Continued)

For The Years Ended June 30,	2017	(As Restated) 2016
CONSOLIDATED CASH FLOWS FROM		
FINANCING ACTIVITIES:		
Capital Contribution	\$ -	\$ 357,620
Syndication Fees Paid	(50,000)	-
Accrued Capitalized Interest	30,000	30,000
Proceeds From Mortgages And Notes Payable	1,100,000	-
Principal Payments On Mortgages And Notes Payable	<u>(45,442)</u>	<u>(26,145)</u>
Net Cash Provided By Financing Activities	<u>1,034,558</u>	<u>361,475</u>
Net Increase (Decrease) In Cash And Cash Equivalents	3,180,348	1,885,893
Cash And Cash Equivalents - Beginning Of Year	<u>5,840,707</u>	<u>3,954,814</u>
Cash And Cash Equivalents - End Of Year	<u>\$ 9,021,055</u>	<u>\$ 5,840,707</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During The Year For:		
Interest	<u>\$ 357,987</u>	<u>\$ 64,388</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH		
INVESTING AND FINANCING ACTIVITIES:		
Construction In Progress	\$ 2,416,396	\$ (2,416,396)
Property And Equipment Placed In Service	(8,827,332)	-
Repayment Of Bridge Loan	-	(1,500,000)
Increase In Construction Reserves	(1,297,774)	-
Bond Proceeds	5,704,808	2,693,612
DHCD Loan Proceeds For NSV Residential LLC	2,003,902	479,320
DHCD Loan Proceeds For Miriam's House LLC	<u>-</u>	<u>743,464</u>
	<u>\$ -</u>	<u>\$ -</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

N Street Village, Inc. and Subsidiaries

Notes To Consolidated Financial Statements

For The Years Ended June 30, 2017 And 2016

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS – N Street Village, Inc. (“NSV”) is a 501(c)(3) nonprofit organization incorporated in November 1972 in the District of Columbia and founded by Luther Place Memorial Church. 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 six locations in Northwest DC:

- 1333 N Street/1301 14th Street. Our 150,000 square foot flagship building provides 42 single permanent supportive housing low rent rooms in shared apartments for individuals with a history of chronic homelessness, mental illness, addiction and/or disability; 21 recovery housing beds in 2 large apartments for individuals with addiction and/or mental illness; Eden House Apartments – 51 units of independent, affordable housing for low- and moderate-income individuals and families, facilities for client services, and offices for administrative and development staff.
- 1226 Vermont Avenue. On the fourth floor of Luther Place Memorial Church, NSV 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 women living with HIV and AIDS. This 25-unit facility has been newly renovated to include an updated kitchen, a new computer lab and an exercise room.
- 1107 11th Street. NSV provides permanent supportive housing services for 30 women at Erna’s House, an apartment building that is master-leased by the District of Columbia from a private owner.
- 810 5th Street. The Patricia Handy Place for Women, opened in April 2016, is a 213-bed facility master-leased by the District of Columbia from a private owner. Under a contract with the District of Columbia, NSV provides emergency and temporary housing for women experiencing homelessness, including a dedicated floor for seniors and on-site intensive medical care.
- 901 Rhode Island Avenue. Under a contract with the District of Columbia, in November 2016 NSV began providing case management services for up to 42 previously homeless women at the historic Phyllis Wheatley YWCA.

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, dentist, and psychiatrist; health education, disease management, exercise, and nutrition classes; smoking cessation programs; massage; and more. NSV finds that client outcomes improve by providing comprehensive supportive services like these co-located with housing.

Effective March 24, 2016, NSV Residential LLC was formed to develop, rehabilitate, own, maintain and operate 95 units of residential space at 1333 N Street/1301 14th Street for rental to low income individuals and families. NSV’s interest in NSV Residential LLC is through NSV Residential Managing Member LLC, for which NSV is the managing member and 55% owner, and the National Housing Trust-Enterprise Preservation Corporation, a disaffiliated non-profit corporation, is a non-managing 45% member. NSV Residential Managing Member LLC is the managing member and 0.01% owner of NSV Residential LLC. The investor member and 99.99% owner of NSV Residential LLC is an affiliate of Hudson Housing Capital LLC. The assets and credit of NSV Residential Managing Member LLC are not available to satisfy the debts of other entities included in the consolidated financial statements.

NSV Residential LLC owns 76.47% of the land and building at 1333 N Street/1301 14th Street. The remaining 23.53% is owned by NSV and is used to provide program services and offices for administrative staff. The property owned by NSV Residential LLC is a Section 42 Low-Income Housing Tax Credit project. Applicants to the Eden House Apartments and the residential programs provided from this location (95 units) must meet income eligibility requirements. NSV also must comply with land use regulations and other tax and regulatory requirements.

N Street Village, Inc. and Subsidiaries

Notes To Consolidated Financial Statements

(Continued)

For The Years Ended June 30, 2017 And 2016

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NATURE OF BUSINESS (CONTINUED) – On June 19, 2014 NSV created NSV–Miriam’s House, LLC (“MHLLC”), a wholly owned subsidiary of the organization, intended to hold and operate the real property located at 1300 Florida Avenue, NW. NSV, NSV Residential LLC and MHLLC are jointly referred to as “the Organization.”

NSV depends on the support of individual donors, foundations, corporations, and other organizations to fund approximately 55% of the cost of providing its services. NSV receives about 31% of its revenue from government grants and contracts.

PRINCIPLES OF CONSOLIDATION – The financial statements have been presented on a consolidated basis due to the presence of common control between the entities. The consolidated financial statements include the activities of NSV, MHLLC and NSV Residential LLC (formed on March 24, 2016). All significant transactions and balances between the entities have been eliminated in consolidation.

METHOD OF ACCOUNTING – The Organization’s consolidated financial statements are prepared on the accrual method of accounting which recognizes income when it is earned and expenses when they are incurred.

BASIS OF PRESENTATION – The Organization complies with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-For-Profit Entities*, and is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Due to purpose restrictions, seventeen of the grants to the Organization are temporarily restricted as of June 30, 2017 and seven of the grants to the Organization were temporarily restricted as of June 30, 2016. All other net assets of the Organization are unrestricted as of June 30, 2017 and 2016.

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

ESTIMATES – The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS – The Organization considers all highly liquid investments with a maturity of three months or less at the date of acquisition and money market funds to be cash equivalents. As of the years ended June 30, 2017 and 2016, the Organization’s investment portfolio contains cash balances of \$1,435,419 and \$1,027,810, respectively, which are included in cash and cash equivalents on the accompanying consolidated statements of financial position.

GRANTS AND PLEDGES RECEIVABLE – Grants and pledges receivable are stated at net realizable value. In the opinion of management, all receivables outstanding are considered collectible, based on review of historical collections. Accordingly, an allowance for doubtful accounts has not been recorded.

RECEIVABLES AND BAD DEBTS – Tenant and other receivables 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.

N Street Village, Inc. and Subsidiaries

Notes To Consolidated Financial Statements

(Continued)

For The Years Ended June 30, 2017 And 2016

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 available-for-sale securities carried at fair value based on quoted market prices (Level 1) at the date nearest the financial position date. Unrealized gains or losses are included in the accompanying consolidated statements of activities.

PROPERTY AND EQUIPMENT – Land, buildings, furniture, equipment and improvements are stated at cost. The cost of repairs and maintenance is charged to operations as incurred. Major renewals, betterments and additions in excess of \$2,500 are capitalized. When assets are sold or otherwise disposed of, the cost of the asset and related accumulated depreciation are removed from the accounts and the resulting gain or loss is credited or charged to revenue. Depreciation is computed using the straight-line method over 15 - 40 years for buildings and improvements, 20 years for land improvements, and 3-7 years for furniture, fixtures and equipment. 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 long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. There have been no asset impairments as of June 30, 2017 and 2016.

CONSTRUCTION IN PROGRESS – The Organization capitalizes all direct and indirect costs related to the development of projects, which includes, among others, pre-development costs, constructions costs, and interest. The development costs exclude certain ordinary operating expenses, which are expensed as incurred. As of June 30, 2017 and 2016, construction in progress of \$43,932 and \$2,525,340, respectively, was included in fixed assets on the statements of financial position.

INTANGIBLE ASSETS AND AMORTIZATION – Tax credit monitoring fees are being amortized using the straight-line method over the 15-year tax credit compliance period. Amortization expense for the years ended June 30, 2017 and 2016 was \$3,783 and \$0, respectively. The estimated amortization expense related to the tax credit monitoring fees for each of the next five years is \$3,027.

INTEREST – The Organization has adopted ASC 835, Interest, which states that debt issuance costs related to a note shall be reported on the consolidated statements of financial position as a direct deduction from the face amount of that note, and any amortization of debt issuance costs shall be reported as interest expense. Accordingly, the Organization is reporting loan fees related to its mortgages and notes payable as a direct deduction from the principal balance of the debt, and is reporting amortization of the loan fees as interest expense on the debt. See Note 9 for additional information.

CAPITALIZED INTEREST – NSV Residential LLC incurred construction period interest that has been capitalized as part of construction in progress. As of June 30, 2017 and 2016, capitalized interest totaled \$39,133 and \$65,531, respectively.

FAIR VALUE OF FINANCIAL INSTRUMENTS – The Organization has adopted ASC 820, Fair Value Measurements and Disclosures. ASC 820 defines fair value, establishes a consistent framework for measuring fair value, and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. ASC 820 clarifies that fair value is an exit price, representing the amount expected to be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. To increase consistency and comparability in fair value measurements and related disclosures, ASC 820 sets forth a three-tier hierarchy for the inputs used to measure fair value based on the degree to which such inputs are observable in the marketplace, as follows:

N Street Village, Inc. and Subsidiaries

Notes To Consolidated Financial Statements

(Continued)

For The Years Ended June 30, 2017 And 2016

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED) –

- (i) Level 1 – observable inputs such as quoted prices in active markets;
- (ii) Level 2 – inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- (iii) Level 3 – unobservable inputs for which there is little or no market data, which require the reporting entity to develop its own assumptions.

NET ASSET CLASSIFICATION – The net assets of the Organization are reported in five groups as follows:

- Unrestricted Net Assets – unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operations of the Organization.
- Unrestricted Net Assets – Board Designated – funds set aside by the board of directors as an internal reserve for NSV operations. There was no change in board designated net assets for the years ended June 30, 2017 and 2016.
- Temporarily Restricted Net Assets – 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 – funds restricted by the donor to be maintained in perpetuity by NSV. As of June 30, 2017 and 2016, NSV did not have any permanently restricted net assets.
- Unrestricted Net Assets – Noncontrolling – net assets attributable to the investment member's interest in NSV Residential LLC. NSV is the managing member of NSV Residential LLC. The aggregate balance of investor member equity interest in NSV Residential LLC is included in the consolidated financial statements.

IN-KIND CONTRIBUTIONS – The Organization receives goods and services from various donors in support of its programs and records these items at their estimated fair value at the date of donation. During the years ended June 31, 2017 and 2016, the Organization received in-kind donations of professional services and other goods valued at \$227,946 and \$365,806, respectively, which are reported as in-kind donations in the accompanying consolidated statements of activities. During the years ended June 30, 2017 and 2016, the Organization also received approximately 10,288 and 7,972 hours of donated services, respectively, from volunteers in support of its programs that do not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

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 the Organization 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.

N Street Village, Inc. and Subsidiaries
Notes To Consolidated Financial Statements
(Continued)

For The Years Ended June 30, 2017 And 2016

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION (CONTINUED) – Developer fees are recognized as earned by NSV during the construction period based on the terms of the Development Fee Agreement. Developer fee revenue is deferred over the Operating Deficit Guaranty period (see Note 17 for more information), in the event that NSV is required to fund future obligations of its subsidiaries. Developer fee receivable, developer fee income and deferred developer fee are eliminated in consolidation to the extent that developer fees will be paid from operational cash flow of the respective projects. As of June 30, 2017 and 2016 all developer fees earned will be paid from limited partner capital contributions, and are therefore not eliminated on the accompanying consolidated financial statements.

ADVERTISING COSTS – Advertising costs are charged to operations when incurred.

FUNCTIONAL ALLOCATION OF EXPENSES – The costs of providing programs and supporting services are summarized on a functional basis in the consolidated statements of activities. 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 charged to those cost centers or based on the square footage of space used by each function. Estimates may be used in developing allocations of expenses by function.

INCOME TAXES – NSV is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, except for unrelated business income as defined in the Code. The Organization did not have any unrelated business income during the years ended June 30, 2017 and 2016. Accordingly, no provision for income taxes has been included in the accompanying consolidated financial statements.

Since taxable income or losses from NSV Residential LLC and MHLLC pass through to the individual investors, no provision for income taxes has been included in the consolidated financial statements for either subsidiary. Neither NSV Residential LLC or MHLLC have any other tax positions that require disclosure.

NONCONTROLLING INTEREST – Net assets – unrestricted noncontrolling on the accompanying consolidated statements of financial position represents the aggregate balance of the investor member’s equity interest in NSV Residential LLC. Net assets as of June 30, 2017 and 2016 includes the investor member’s equity balance of \$(236,541) and \$304,968, respectively.

RECLASSIFICATIONS – Reclassifications have been made to the prior year balances to conform to the current year presentation, which had no effect on the change in consolidated net assets reported in a prior year.

2. RESERVES AND ESCROWS

Reserves and escrows at June 30, 2017 and 2016 are summarized as follows:

	2017	2016
Operating Deficit Reserve	\$ 46,956	\$ 10,000
Replacement Reserve	50,750	-
Bond Reserves	1,297,774	-
Client Escrow Accounts	25,730	42,092
Total Reserves And Escrows	\$ 1,421,210	\$ 52,092

N Street Village, Inc. and Subsidiaries
Notes To Consolidated Financial Statements
(Continued)

For The Years Ended June 30, 2017 And 2016

3. INVESTMENTS

The Organization follows FASB ASC 958, *Not-For-Profit Entities* where investments in equity and debt securities with readily determinable fair values are measured at fair value in the consolidated statements of financial position. Investments are carried at fair value based on quoted market prices (Level 1). Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the consolidated statements of activities as increase or decreases in net assets.

The following table details the Organization's marketable debt and equity securities, including cumulative unrealized gains and losses, at fair value as of June 30, 2017 and 2016:

	2017			2016		
	Cost	Fair Value	Unrealized Gain (Loss)	Cost	Fair Value	Unrealized Gain (Loss)
Mutual Funds	2,287,389	2,648,190	360,801	\$ 1,527,059	\$ 1,670,153	\$ 143,094
Fixed Income Securities	19,852	22,458	2,606	28,165	32,077	3,912
Equities	-	381	381	-	396	396
Total	<u>\$ 2,307,242</u>	<u>\$ 2,671,029</u>	<u>\$ 363,788</u>	<u>\$ 1,555,224</u>	<u>\$ 1,702,626</u>	<u>\$ 147,402</u>

4. PROPERTY AND EQUIPMENT

Property and Equipment as of June 30, 2017 and 2016 consisted of the following:

	Useful Lives	2017	2016
Building And Improvements	15 - 40 Years	\$ 20,693,440	\$ 12,715,123
Land	N/A	2,540,127	2,530,949
Land Improvements	20 Years	1,512,569	1,451,263
Furniture And Equipment	3 - 7 Years	918,043	619,360
Construction In Progress	N/A	43,932	2,525,340
Subtotal		25,708,111	19,842,035
Less Accumulated Depreciation		(3,498,049)	(2,994,469)
Total		<u>\$ 22,210,062</u>	<u>\$ 16,847,566</u>

5. ACQUISITION AND DISPOSITION OF PROPERTY

NSV sold 76.47% of the land and building at 1333 N Street/1301 14th Street to NSV Residential LLC on March 24, 2016. The remaining 23.53% is owned by NSV and is used to provide program services and offices for administrative staff. The appraised value of \$6,882,587 was paid through a note payable to NSV of \$5,235,492 and cash of \$1,647,095. The cash was used to pay off the outstanding bridge loan of \$1,500,000. Due to the restrictions on the property because it is a Section 42 Low-Income Housing Tax Credit project, NSV recognized a \$3,315,114 write-down on the transfer of assets as of June 30, 2016.

N Street Village, Inc. and Subsidiaries
Notes To Consolidated Financial Statements
(Continued)

For The Years Ended June 30, 2017 And 2016

6. PROPERTY RENOVATIONS

The Organization launched a project to renovate its owned buildings at 1300 Florida Avenue and 1333 N Street/1301 14th Street to ensure that these facilities safely and adequately support comprehensive services 24 hours a day, 7 days a week, 365 days a year. Miriam's House at 1300 Florida Avenue has been renovated to provide 8 additional housing units, a fully renovated kitchen, a new computer lab, and an exercise room, as well as energy efficiency improvements including new windows and HVAC system.

At 1333 N Street/1301 14th Street, the first phase, renovation of the residential units, was complete in December, 2016. Included in this first phase was renovation of the 51 units of affordable housing apartments (Eden House), renovation of the 42 units of permanent supportive housing, and the addition of two new units of permanent supportive housing. The first phase also included a new roof, and upgrades to the mechanical systems and elevators. The second phase, scheduled to start in July 2017, will include expansion of the Day Center and the Wellness Center, relocation of the kitchen, and the creation of a Technology Center. As of the date of the independent auditor's report, the second phase contract was substantially complete. A third phase is scheduled to start in May 2018 and will include renovation of the fifth floor to be used as a night shelter.

7. 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, 2017 and 2016, trust receivable balances are as follows:

	2017	2016
Trust receivable, beginning	\$ 429,772	\$ 444,282
Contributions	-	-
Change in fair value	(426)	(14,510)
Trust receivable, ending	\$ 429,346	\$ 429,772

8. LINE OF CREDIT

NSV obtained an \$800,000 line of credit with First Virginia Community Bank on December 19, 2014, which is secured by assets held in investment accounts. Borrowings bear interest at the prime rate. There were no borrowings on the line of credit as of June 30, 2017 and 2016. The line matures on May 20, 2018 with an option to renew.

9. MORTGAGES AND NOTES PAYABLE

Mortgages, loans and notes payable consisted of the following at June 30, 2017 and 2016:

	2017	2016
A \$743,464 interest-free loan from the DC Department of Housing and Community Development (DHCD) dated July 7, 2015, secured by a deed of trust on land and a building for the benefit of NSV-Miriam's House LLC. Principal is payable annually equal to the lesser of (i) 75% of available cash flow (as defined in the agreement) or (ii) \$18,586 and matures on April 1, 2055.	\$ 743,464	\$ 743,464
NSV, Inc. assumed a note payable from Miriam's House, Inc. in the amount of \$103,098 due to DHCD dated May 1, 1995, secured by a deed of trust on land and a 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.	45,883	58,270

N Street Village, Inc. and Subsidiaries
Notes To Consolidated Financial Statements
(Continued)

For The Years Ended June 30, 2017 And 2016

9. MORTGAGES AND NOTES PAYABLE (CONTINUED)

<p>A \$500,000 interest-free loan from DHCD secured by a deed of trust on land and a building for the benefit of NSV Inc. Principal payments are due in monthly installments of \$1,389 through March 2020.</p>	48,502	66,558
<p>A loan from the Trust for Affordable Housing (TAH) for NSV Inc., secured by a deed of trust on land and buildings in the amount of \$600,000, which in turn was loaned to NSVLP until its dissolution at December 31, 2014. 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, 2017 and 2016, \$30,000 of income was recognized as loan forgiveness.</p>	-	30,000
<p>A note payable of \$1,500,000 along with capitalized development costs of \$139,454, due to Luther Place Memorial Church ("LPMC"). Interest accrued at a rate of 2% on \$1,500,000 only, all other advances are not-interest bearing. NSV refinanced the note payable to LPMC on December 30, 2014 with the principal balances of \$2,100,000 and \$64,454 respectively. Interest accrues at a rate of 2% on the \$2,100,000 only. The \$64,454 note is non-interest bearing and requires an annual payment of \$15,000 until paid in full. The \$2,100,000 note matures on December 31, 2020, which can be extended for two additional 5-year periods. Interest of \$30,000 was incurred for the years ending June 30, 2017 and 2016.</p>	2,224,454	2,209,454
<p>A note payable of \$1,100,000 due to The Community Foundation For The National Capital Region. The note is unsecured, non-interest bearing and is payable in installments of \$375,000 due June 5, 2018, \$375,000 due June 5, 2019 and \$350,000 due June 5, 2020.</p>	1,100,000	-
<p>The DC Housing Finance Agency (DCHFA) has agreed to loan up to \$8,500,000 through Multifamily Housing Mortgage Revenue Bonds, Series 2016, to NSV Residential LLC to finance the acquisition, development, construction, rehabilitation and equipping of the residential rent housing in the building located at 1333 N Street, NW. Of the total bond amount, \$4,500,000 is short-term, bears interest at LIBOR plus 2.25% and matures 24 months after initial closing, at which point the remaining bonds convert to a \$4,000,000 permanent loan.</p>	8,398,420	2,693,611
<p>A \$2,483,222 DHCD Community Development Block Grant loan to NSV Residential LLC that bears interest at 3% compounding annually and matures 40 years from the placed-in-service date, December 2016. Payment will be due annually beginning May 1, 2018 from NSV Residential LLC's Available Cash Flow, as defined in the loan agreement.</p>	2,483,222	479,320
<p>Total Mortgages And Notes Payable</p>	15,043,945	6,280,677
<p>Less: Current Portion Of Mortgages And Notes Payable</p>	(415,342)	(71,433)
<p>Less: Unamortized Financing Fees</p>	(308,232)	-
<p>Mortgages And Notes Payable, Net Of Current Portion And Unamortized Financing Fees</p>	\$ 14,320,371	\$ 6,209,244

N Street Village, Inc. and Subsidiaries
Notes To Consolidated Financial Statements
(Continued)

For The Years Ended June 30, 2017 And 2016

9. MORTGAGES AND NOTES PAYABLE (CONTINUED)

Total interest expense on mortgages and notes payable for the year ended June 30, 2017 was \$348,029, which includes amortized financing fees of \$92,531. Total interest expense on mortgages and notes payable for the year ended June 30, 2016 was \$77,168, which includes no amortized financing fees.

Maturities of the mortgages and notes payable for the ensuing five years ending June 30 and thereafter are as follows:

2018	\$ 4,915,342
2019	406,491
2020	377,242
2021	2,216,010
2022	3,754
Thereafter	<u>7,125,106</u>
 Total Mortgages And Notes Payable	 <u>\$ 15,043,945</u>

Estimated financing fees being amortized to interest expense over the next five years are \$90,570 for the year ending June 30, 2018 and \$7,844 for the years ending June 30, 2019 through June 30, 2022.

10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Purpose Restrictions		
Capital Campaign	\$ 6,035,818	\$ 4,723,655
Wellness Center	310,204	122,281
Other Purposes	66,917	33,587
Education And Employment Center	13,953	73,770
Patricia Handy Place For Women	5,000	60,975
Miriam's House	-	336,000
Total Purpose Restrictions	<u>6,431,892</u>	<u>5,350,268</u>
Time Restriction	<u>429,346</u>	<u>1,616,592</u>
Total Temporarily Restricted Net Assets	<u>\$ 6,861,238</u>	<u>\$ 6,966,860</u>

The Weinberg Fund

The Weinberg Fund was established through a time-restricted 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, 2017 and 2016, the temporarily restricted balances were \$0 and \$1,186,820, respectively, and are included in the time restrictions in the schedule above. As of June 30, 2017, the time restriction on the Weinberg Fund expired and all net assets of the fund were released from restriction.

N Street Village, Inc. and Subsidiaries
Notes To Consolidated Financial Statements
(Continued)

For The Years Ended June 30, 2017 And 2016

11. NET ASSETS RELEASED FROM RESTRICTIONS

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

	<u>2017</u>	<u>2016</u>
Satisfaction Of Purpose Restrictions		
Patricia Handy Place For Women	\$ 2,379,000	\$ 679,817
Capital Campaign	1,186,154	181,088
Miriam's House	538,162	215,772
Recovery Housing	396,248	411,324
Erna's House	315,583	353,584
Luther Place Night Shelter	223,358	234,394
Phyllis Wheatley YWCA	194,037	-
Wellness Center	118,327	75,804
Other Purposes	79,103	150,817
Education And Employment Center	59,817	84,630
Permanent Supportive Housing	45,022	94,845
Bethany Women's Center	35,380	32,699
Total Release Of Purpose Restrictions	<u>5,570,191</u>	<u>2,514,774</u>
Satisfaction Of Time Restriction	<u>1,062,768</u>	<u>68,445</u>
Total Net Assets Released From Restriction	<u>\$ 6,632,959</u>	<u>\$ 2,583,219</u>

12. HOUSING ASSISTANCE AGREEMENT

The District of Columbia Housing Authority contracted with MHLLC on March 10, 2016, to make housing assistance payments to the corporation on behalf of up to 20 qualified residents residing at the property at 1300 Florida Avenue, NW, through its Local Rent Supplement Program, under Title II of the Fiscal Year 2007 Budget Support Emergency Act of 2006. The initial contract term is for 15 years and expires on March 10, 2031. Subject to the availability of sufficient appropriated funds from the District of Columbia, the term of the contract will be automatically renewed for one five-year period, after which time MHLLC can request continued renewal of the contract.

The District of Columbia Housing Authority contracted with NSV Residential LLC on December 29, 2016, to make housing assistance payments to the company on behalf of up to 37 qualified residents residing at the property at 1333 N Street/1301 14th Street, through its Local Rent Supplement Program, under Title II of the Fiscal Year 2007 Budget Support Emergency Act of 2006. The initial contract term is for 15 years and expires on December 31, 2031. Subject to the availability of sufficient appropriated funds from the District of Columbia, the term of the contract will be automatically renewed for one five-year period, after which time NSV Residential LLC can request continued renewal of the contract.

13. PENSION PLAN

NSV has a 403(b) retirement plan that covers employees meeting certain eligibility requirements. NSV made no contributions and provide no matching funds to participants in the plan for the years ended June 30, 2017 and 2016.

N Street Village, Inc. and Subsidiaries Notes To Consolidated Financial Statements (Continued)

For The Years Ended June 30, 2017 And 2016

14. CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at various financial institutions located in the Washington, DC metropolitan area and, at times, these balances may exceed the insured limits of the Federal Deposit Insurance Corporation (FDIC) or the Securities Investor Protection Corporation (SIPC). The Organization has not experienced any losses with respect to its balances in excess of FDIC or SIPC insurance. Management believes that there is no significant concentration of credit risk as a result of maintaining these accounts.

15. RISKS AND UNCERTAINTIES

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

16. COMMITMENTS AND CONTINGENCIES

UNEMPLOYMENT SELF INSURANCE – NSV maintained a self-insurance program for its unemployment benefits through December 31, 2013. NSV is liable for unemployment benefits paid for successful unemployment claims originating prior to December 31, 2013. At June 30, 2017 and 2016, the Organization maintained unemployment reserves of \$3,463 and \$3,474, respectively, which are included in accrued salary and related expenses on the accompanying consolidated statements of financial position.

CONSTRUCTION CONTRACT – NSV Residential LLC entered into a construction agreement with Bozzuto Construction Inc. dated March 24, 2016. The contract, in the original amount of \$6,069,342, was complete as of June 30, 2017. As of June 30, 2016, \$285,000 is owed to the contractor and is included in accounts payable and accrued expenses in the accompanying consolidated statements of financial position. As of June 30, 2017, the contract was paid in full and the contractor owed NSV Residential LLC \$75,000 of liquidated damages which is included in tenant and other receivables on the accompanying consolidated statements of financial position.

NSV entered into a construction agreement with The Korth Companies, Inc. dated June 26, 2017 in the original amount of \$3,301,517. As of June 30, 2017, no contract expenses were incurred or remain payable. Construction is anticipated to begin in July 2017.

DEVELOPER FEES – NSV entered into an agreement with NSV Residential LLC that provides for developer fees of \$1,513,882 for services in connection with the development and supervision of construction for the renovation of the property at 1333 N Street/1301 14th Street. The fees are recognized on the percent complete method and payable from capital contributions and net cash flow of NSV Residential LLC, as defined in the Amended and Restated Operating Agreement dated March 24, 2016. As of June 30, 2017 and 2016, cumulative developer fee of \$1,513,882 and \$423,887, respectively, has been earned. For the years ending June 30, 2017 and 2016, \$181,667 and \$423,887, respectively, of developer fee revenue was recognized. As of June 30, 2017 and 2016, deferred developer fee revenue is \$908,328 and \$0, respectively. As of June 30, 2017 and 2016, developer fee receivable and payable were \$1,312,397 and \$222,402, respectively. Management anticipates that all developer fees will be paid from investor member capital contributions within the next year.

N Street Village, Inc. and Subsidiaries Notes To Consolidated Financial Statements (Continued)

For The Years Ended June 30, 2017 And 2016

16. COMMITMENTS AND CONTINGENCIES (CONTINUED)

CONSTRUCTION MANAGEMENT AGREEMENT – NSV Inc. entered into a Development and Construction Management Agreement with Joseph Development Inc. (“JDI”) on April 1, 2013. JDI provides supervision and management for all development and construction activities for NSV Inc. for the MHLLC construction project with fees totaling \$194,500 and the 1333 N Street/1301 14th Street construction project (phase one and phase two) with fees totaling \$508,250. The term of the agreement ends with completion of the projects. During the years ending June 30, 2017 and 2016, the entirety of the contract relating to MHLLC and phase one of the 1333 N Street/1301 14th Street construction project was incurred and capitalized to the buildings. As of June 30, 2017, and 2016, \$279,323 and \$75,385, respectively, are reflected in accounts payable and accrued expenses on the accompanying consolidated statements of financial position.

PROPERTY MANAGEMENT AGREEMENTS – NSV Inc. has a property management agreement with William C. Smith & Company to manage and operate the portion of the real property at 1333 N Street /1301 14th Street used for client services and administrative offices. The management fee is 4% of the collected effective gross income of the property. The agreement became effective on March 24, 2016 and is automatically renewed each year unless terminated by either party consistent with the terms of the agreement. During the years ended June 30, 2017 and 2016, management fees totaling \$14,534 and \$68,181, respectively, were charged to operations and are included in professional fees and consulting on the accompanying consolidated statements of functional expenses. No amounts were payable at June 30, 2017 and 2016.

NSV Residential LLC has a property management agreement with William C. Smith & Company to manage and operate the portion of the real property at 1333 N Street/1301 14th Street owned by the NSV Residential LLC as a low-income tax credit property. The management fee is 6% of the collected effective gross income of the property. The agreement became effective on March 22, 2016 and is automatically renewed each year unless terminated by either party consistent with the terms of the agreement. During the years ended June 30, 2017 and 2016, management fees totaling \$59,138 and \$14,633, respectively, were charged to operations and are included in professional fees and consulting on the accompanying consolidated statements of functional expenses. No amounts were payable at June 30, 2017 and 2016.

MHLLC has a property management agreement with William C. Smith & Company to manage and operate the real property at 1300 Florida Avenue. The management fee is 7% of the collected effective gross income of the property. The agreement became effective on March 1, 2016 and is automatically renewed each year unless terminated by either party consistent with the terms of the agreement. During the years ended June 30, 2017 and 2016, management fees totaling \$18,533 and \$6,000, respectively, were charged to operations and are included in professional fees and consulting on the accompanying consolidated statements of functional expenses. No amounts were payable at June 30, 2017 and 2016.

ASSET MANAGEMENT AGREEMENT – NSV Residential LLC is obligated under the terms of Amended and Restated Operating Agreement dated March 24, 2016 between NSV Residential Managing Member LLC and the Investor Members (“Operating Agreement”) to pay the special investment member a \$5,000 annual asset management fee commencing in the year of the Second Capital Contribution. The fee will increase annually by a percentage equal to the change in the Consumer Price Index and is payable from Net Cash Flow as defined in the Operating Agreement. During the years ended June 30, 2017 and 2016, asset management fees of \$2,500 and \$0, respectively, were incurred.

PURCHASE OPTION AND RIGHT OF FIRST REFUSAL – The Operating Agreement provides NSV Inc. with a right of first refusal to purchase the property owned by NSV Residential LLC for a period beginning at the end of the fifteen-year tax credit compliance period and ending 18 months thereafter. The price under the right of first refusal will be the sum of amounts sufficient to pay the indebtedness of NSV Residential LLC and all liabilities and taxes of the members of NSV Residential LLC upon its termination and liquidation as projected to occur immediately following the sale under the terms of the Operating Agreement. The Operating Agreement also

N Street Village, Inc. and Subsidiaries
Notes To Consolidated Financial Statements
(Continued)

For The Years Ended June 30, 2017 And 2016

16. COMMITMENTS AND CONTINGENCIES (CONTINUED)

PURCHASE OPTION AND RIGHT OF FIRST REFUSAL (CONTINUED) – provides NSV Inc. with an option to purchase either the property owned by NSV Residential LLC or the interest of the investor members in NSV Residential LLC for a period beginning at the end of the fifteen-year tax credit compliance period and ending 18 months thereafter. The price under the option is the greater of the fair market value, as determined by appraisal, or the right of first refusal price.

17. GUARANTEES

In connection with the ongoing renovation of the property at 1333 N Street/1301 14th Street, NSV unconditionally guarantees the obligations of NSV Residential Managing Member LLC and has agreed to maintain a minimum net worth of \$5,000,000 and minimum liquid assets of \$1,000,000. Obligations that are guaranteed include the following:

- Development Deficit Guaranty - The obligation to pay all Excess Development Costs as defined in the Operating Agreement. Up to \$200,000 will be treated as a loan. Any amounts in excess of \$200,000 will not be repaid. As of June 30, 2017 and 2016, no advances have been made under this guaranty.
- Operating Deficit Guaranty – The obligation to provide funds to cover any Operating Deficit after Breakeven Operations and continuing for three years and until the Operating Reserve Minimum balance of \$542,143 has been achieved, as those terms are defined in the Operating Agreement. The Operating Deficit Guaranty is capped at \$983,025 and is a noninterest bearing loan. As of June 30, 2017 and 2016, no advances have been made under this guarantee.
- Tax Credit Compliance – NSV Residential LLC has been allocated low-income housing credits that are contingent on its ability to maintain compliance with applicable provisions of Internal Revenue Code Section 42. Failure to maintain compliance with occupant eligibility and/or gross rent, or to correct noncompliance within a specified period of time could result in recapture of previously taken credits plus interest. Such potential noncompliance may require an adjustment to contributed capital by the investor member or may trigger the obligation to repurchase the investor member's interest. As of June 30, 2017 and 2016, no advances have been made under this guarantee.

18. PRIOR PERIOD ADJUSTMENT

The June 30, 2016 consolidated financial statements have been adjusted by \$423,887 to reverse developer fee intercompany transactions eliminated during the year ending June 30, 2016. The effect of the adjustment was an increase of \$423,887 to Developer Fee Revenue and Net Assets, an increase of \$222,402 to Developer Fee Receivable and an increase of \$201,485 to Property And Equipment.

	As Previously Reported June 30, 2016	As Restated June 30, 2016
Consolidated Statement Of Financial Position:		
Developer Fee Receivable	-	222,402
Property And Equipment	16,423,679	16,625,164
Net Assets	19,718,823	20,142,710
Consolidated Statement Of Activities:		
Developer Fee Revenue	-	423,887

N Street Village, Inc. and Subsidiaries
Notes To Consolidated Financial Statements
(Continued)

For The Years Ended June 30, 2017 And 2016

19. SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to the consolidated statement of financial position date for potential recognition or disclosure through the independent auditors' report date, the date the consolidated financial statements were available to be issued. Management has determined that the following events require disclosure in the consolidated financial statements:

- On December 12, 2017 (the conversion date), NSV Residential LLC paid off \$4,500,000 of its short-term bonds with DCHFA and converted its remaining \$4,000,000 of short-term bonds to permanent bonds. The permanent bonds bear interest at 4% per annum and are payable in equal monthly installments based on a 30-year amortization schedule. The bonds mature on December 12, 2034, the 17th anniversary of the conversion date.
- NSV intends to end one of its programs, the Luther Place Night Shelter at 1226 Vermont Avenue, in September 2018. NSV anticipates replacing this program with a new program on the fifth floor at their property at 1333 N Street/1301 14th Street, once the third phase of their property renovations are complete. See Note 6 for more information.

**SUPPLEMENTARY
INFORMATION**

N Street Village, Inc. & Subsidiaries
Consolidating Statement Of Financial Position

June 30, 2017

	N Street Village, Inc.	NSV Residential	Miriam's House LLC	Eliminations	Total
CURRENT ASSETS					
Cash And Cash Equivalents	\$ 8,509,135	\$ 462,126	\$ 49,794	\$ -	\$ 9,021,055
Grants Receivable	653,913	-	-	-	653,913
Pledges Receivable	1,519,084	-	-	-	1,519,084
Developer Fee Receivable	1,312,397	-	-	-	1,312,397
Tenant And Other Receivables	326,970	291,900	16,931	(312,473)	323,328
Prepaid Expenses	114,586	40,747	306	-	155,639
Total Current Assets	12,436,085	794,773	67,031	(312,473)	12,985,416
NONCURRENT ASSETS					
Investments	2,671,029	-	-	-	2,671,029
Reserves And Escrows	72,686	1,297,774	50,750	-	1,421,210
Tenant Security Deposits	-	31,547	-	-	31,547
Property And Equipment, Net Of Accumulated Depreciation Of \$3,498,049	4,244,567	15,361,767	3,972,754	(1,369,026)	22,210,062
Tax Credit Fees, Net Of Accumulated Amortization Of \$3,783	-	41,617	-	-	41,617
Trust Receivable	429,346	-	-	-	429,346
Notes Receivable From Subsidiaries	5,501,141	-	-	(5,501,141)	-
Due From Subsidiaries	2,874,298	-	-	(2,874,298)	-
Total Noncurrent Assets	15,793,067	16,732,705	4,023,504	(9,744,465)	26,804,811
TOTAL ASSETS	\$ 28,229,152	\$ 17,527,478	\$ 4,090,535	\$ (10,056,938)	\$ 39,790,227

See Independent Auditors' Report

N Street Village, Inc. & Subsidiaries
Consolidating Statement Of Financial Position

June 30, 2017

	N Street Village, Inc.	NSV Residential	Miriam's House LLC	Eliminations	Total
CURRENT LIABILITIES					
Accounts Payable And Accrued Expenses	\$ 398,978	\$ 417,497	\$ 18,291	\$ (322,075)	\$ 512,691
Accrued Salary And Related Expenses	470,367	3,898	411	-	474,676
Current Portion Of Mortgages And Notes Payable	405,278	-	10,064	-	415,342
Developer Fee Payable	-	1,312,397	-	(1,312,397)	-
Tenant Security Deposits And Prepaid Rent	26,011	55,999	2,715	-	84,725
Total Current Liabilities	1,300,634	1,789,791	31,481	(1,634,472)	1,487,434
NONCURRENT LIABILITIES					
Mortgages And Notes Payable, Net Of Current Portion And Unamortized Financing Fees Of \$308,232	2,967,678	10,573,410	779,283	-	14,320,371
Notes Payable To Subsidiaries	-	5,235,492	256,047	(5,491,539)	-
Deferred Developer Fee Due To Subsidiaries	908,328	-	-	-	908,328
	-	165,380	2,708,918	(2,874,298)	-
Total Noncurrent Liabilities	3,876,006	15,974,282	3,744,248	(8,365,837)	15,228,699
TOTAL LIABILITIES	5,176,640	17,764,073	3,775,729	(10,000,309)	16,716,133
NET ASSETS					
Unrestricted Controlling	15,823,809	(54)	314,806	(56,629)	16,081,932
Unrestricted Board Designated	367,465	-	-	-	367,465
Unrestricted Noncontrolling	-	(236,541)	-	-	(236,541)
Total Unrestricted Net Assets	16,191,274	(236,595)	314,806	(56,629)	16,212,856
Temporarily Restricted Controlling	6,861,238	-	-	-	6,861,238
Total Net Assets	23,052,512	(236,595)	314,806	(56,629)	23,074,094
TOTAL LIABILITIES AND NET ASSETS	\$ 28,229,152	\$ 17,527,478	\$ 4,090,535	\$ (10,056,938)	\$ 39,790,227

See Independent Auditors' Report

N Street Village, Inc. & Subsidiaries
Consolidating Statement Of Activities

For The Year Ended June 30, 2017

	N Street Village, Inc.	NSV Residential LLC	Miriam's House LLC	Eliminations	Consolidated
REVENUE AND SUPPORT					
Grants And Contributions	\$ 4,450,715	\$ -	\$ -	\$ -	\$ 4,450,715
Rental And Service Fee Income	367,354	1,179,455	277,015	-	1,823,824
Government Contracts And Grants	3,620,185	-	-	-	3,620,185
Special Events Revenue, Net Of Benefit					
To Attendees Of \$317,189	1,475,811	-	-	-	1,475,811
In-Kind Contributions	227,946	-	-	-	227,946
Developer Fee Revenue	181,667	-	-	-	181,667
Forgiveness Of Debt	30,000	-	-	-	30,000
Other Revenue	152,492	-	-	(135,000)	17,492
Total Revenue And Support	10,506,170	1,179,455	277,015	(135,000)	11,827,640
EXPENSES					
Program Services	6,124,668	1,671,482	335,002	(400,446)	7,730,706
Management And General	694,952	-	-	-	694,952
Fundraising	736,363	-	-	-	736,363
Total Expenses	7,555,983	1,671,482	335,002	(400,446)	9,162,021
Change In Net Assets Before Non-Operational Activities And Noncontrolling Interest In Net Assets Of Subsidiary	2,950,187	(492,027)	(57,987)	265,446	2,665,619
NON-OPERATIONAL ACTIVITY					
Change In Value Of Trust	(426)	-	-	-	(426)
Investment And Interest Income	311,406	469	-	(265,446)	46,429
Unrealized Gain (Loss) On Investments	269,762	-	-	-	269,762
Total Non-Operational Activity	580,742	469	-	(265,446)	315,765
Change In Net Assets	3,530,929	(491,558)	(57,987)	-	2,981,384
Change In Net Assets - Noncontrolling	-	491,509	-	-	491,509
Change In Net Assets - Controlling And Board Designatec	<u>\$ 3,530,929</u>	<u>\$ (49)</u>	<u>\$ (57,987)</u>	<u>\$ -</u>	<u>\$ 3,472,893</u>

See Independent Auditors' Report

N Street Village, Inc. & Subsidiaries
Consolidating Statement Of Financial Position

June 30, 2016 (As Restated)

	N Street Village, Inc.	NSV Residential LLC	Miriam's House LLC	Eliminations	Total
CURRENT ASSETS					
Cash And Cash Equivalents	\$ 5,003,232	\$ 678,186	\$ 159,289	\$ -	\$ 5,840,707
Grants Receivable	372,203	-	-	-	372,203
Pledges Receivable	2,005,054	-	-	-	2,005,054
Developer Fee Receivable	222,402	-	-	-	222,402
Tenant And Other Receivables	73,212	2,837	11,003	(56,629)	30,423
Prepaid Expenses	50,495	36,488	-	-	86,983
Total Current Assets	7,726,598	717,511	170,292	(56,629)	8,557,772
NONCURRENT ASSETS					
Investments	1,702,626	-	-	-	1,702,626
Reserves And Escrows	52,092	-	-	-	52,092
Tenant Security Deposits	-	31,547	-	-	31,547
Property And Equipment, Net Of Accumulated Depreciation Of \$2,994,474	3,494,028	9,352,268	4,057,899	(279,031)	16,625,164
Trust Receivable	429,772	-	-	-	429,772
Notes Receivable From Subsidiaries	5,316,040	-	-	(5,316,040)	-
Due From Subsidiaries	3,646,839	-	-	(3,646,839)	-
Total Noncurrent Assets	14,641,397	9,383,815	4,057,899	(9,241,910)	18,841,201
TOTAL ASSETS	\$ 22,367,995	\$ 10,101,326	\$ 4,228,191	\$ (9,298,539)	\$ 27,398,973

See Independent Auditors' Report

N Street Village, Inc. & Subsidiaries
Consolidating Statement Of Financial Position

June 30, 2016 (As Restated)

	N Street Village, Inc.	NSV Residential LLC	Miriam's House LLC	Eliminations	Total
CURRENT LIABILITIES					
Accounts Payable And Accrued Expenses	\$ 247,873	\$ 442,458	\$ 8,605	\$ (56,629)	\$ 642,307
Accrued Salary And Related Expense	249,455	5,130	851	-	255,436
Current Portion Of Mortgages And Notes Payable	61,667	-	9,766	-	71,433
Developer Fee Payable	-	222,402	-	(222,402)	-
Tenant Security Deposits And Prepaid Rent	43,072	34,771	-	-	77,843
Total Current Liabilities	602,067	704,761	19,222	(279,031)	1,047,019
NONCURRENT LIABILITIES					
Mortgages And Notes Payable, Net Of Current Portion	2,244,345	3,172,931	791,968	-	6,209,244
Notes Payable To Subsidiaries	-	5,235,492	80,548	(5,316,040)	-
Due To Subsidiaries	-	683,179	2,963,660	(3,646,839)	-
Total Noncurrent Liabilities	2,244,345	9,091,602	3,836,176	(8,962,879)	6,209,244
TOTAL LIABILITIES	2,846,412	9,796,363	3,855,398	(9,241,910)	7,256,263
NET ASSETS					
Unrestricted	12,187,258	(5)	372,793	(56,629)	12,503,417
Unrestricted - Board Designated	367,465	-	-	-	367,465
Unrestricted - Noncontrolling	-	304,968	-	-	304,968
Total Unrestricted Net Assets	12,554,723	304,963	372,793	(56,629)	13,175,850
Temporarily Restricted Net Assets	6,966,860	-	-	-	6,966,860
Total Net Assets	19,521,583	304,963	372,793	(56,629)	20,142,710
TOTAL LIABILITIES AND NET ASSETS	\$ 22,367,995	\$ 10,101,326	\$ 4,228,191	\$ (9,298,539)	\$ 27,398,973

See Independent Auditors' Report

N Street Village, Inc. & Subsidiaries
Consolidating Statement Of Activities

For The Year Ended June 30, 2016 (As Restated)

	N Street Village, Inc.	NSV Residential LLC	Miriam's House LLC	Eliminations	Consolidated
REVENUE AND SUPPORT					
Grants And Contributions	\$ 4,041,810	\$ -	\$ -	\$ -	\$ 4,041,810
Rental And Service Fee Income	1,105,030	245,551	16,802	-	1,367,383
Government Contracts And Grants	1,667,501	-	336,000	-	2,003,501
Special Events Revenue, Net Of Benefit					
To Attendees Of \$175,172	905,638	-	-	-	905,638
In-Kind Contributions	365,806	-	-	-	365,806
Developer Fee Revenue	423,887	-	-	-	423,887
Forgiveness Of Debt	30,000	-	-	-	30,000
Other Revenue	26,921	2,419	119,614	(60,969)	87,985
Total Revenue And Support	8,566,593	247,970	472,416	(60,969)	9,226,010
EXPENSES					
Program Services	4,862,752	300,627	99,259	(60,969)	5,201,669
Management And General	1,021,638	-	-	-	1,021,638
Fundraising	818,849	-	-	-	818,849
Total Expenses	6,703,239	300,627	99,259	(60,969)	7,042,156
Change In Net Assets Before Non-Operational Activities And Noncontrolling Interest In Net Assets Of Subsidiary	1,863,354	(52,657)	373,157	-	2,183,854
NON-OPERATIONAL ACTIVITY					
Change In Value Of Trust	(14,510)	-	-	-	(14,510)
Investment And Interest Income	93,321	-	-	(56,629)	36,692
Realized Gain On Investments	66,664	-	-	-	66,664
Unrealized Gain (Loss) On Investments	(96,400)	-	-	-	(96,400)
Loss On Sale Of Assets	(3,315,114)	-	-	-	(3,315,114)
Total Non-Operational Activity	(3,266,039)	-	-	(56,629)	(3,322,668)
Change In Net Assets	(1,402,685)	(52,657)	373,157	(56,629)	(1,138,814)
Change In Net Assets - Noncontrolling	-	52,652	-	-	52,652
Change In Net Assets - Controlling And Board Designated	\$ (1,402,685)	\$ (5)	\$ 373,157	\$ (56,629)	\$ (1,086,162)

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