

# **N Street Village, Inc. & Subsidiaries**

## **Consolidated Financial Statements**

**For the Years Ended June 30, 2018 and 2017**



**HERTZBACH**  
*certified public accountants · consultants*

# N Street Village, Inc. & Subsidiaries

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For the Years Ended June 30, 2018 and 2017

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## Independent Auditor's 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, 2018 and 2017, 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the 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 auditor's 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, 2018 and 2017, 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.

## **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 26-31 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  
January 10, 2019

# N Street Village, Inc. & Subsidiaries

Consolidated Statements of Financial Position

As of June 30, 2018 and 2017

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	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 3,569,415	\$ 7,585,636
Cash and cash equivalents - NSV internal reserves	2,129,445	1,435,419
Grants receivable	308,610	653,913
Pledges receivable	979,089	1,519,084
Developer fee receivable	255,443	1,312,397
Tenant and other receivables	81,168	323,328
Prepaid expenses	103,411	155,639
Total current assets	<u>7,426,581</u>	<u>12,985,416</u>
<b>Noncurrent assets</b>		
Investments	2,935,249	2,671,029
Reserves and escrows	979,637	1,421,210
Tenant security deposits	31,547	31,547
Property and equipment, net of accumulated depreciation of \$4,271,763 - 2018 and \$3,498,049 - 2017	26,616,329	22,210,062
Tax credit fees, net of accumulated amortization of \$6,810 - 2018 and \$3,783 - 2017	38,590	41,617
Trust receivable	452,632	429,346
Total noncurrent assets	<u>31,053,984</u>	<u>26,804,811</u>
Total assets	<u>\$ 38,480,565</u>	<u>\$ 39,790,227</u>

*See independent auditor's report and notes to consolidated financial statements.*

# N Street Village, Inc. & Subsidiaries

Consolidated Statements of Financial Position (Continued)

As of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 627,269	\$ 512,691
Accrued salaries and related expenses	397,544	474,676
Current portion of mortgages and notes payable	472,510	415,342
Developer fee payable	255,443	-
Tenant security deposits and prepaid rent	97,309	84,725
Total current liabilities	<u>1,850,075</u>	<u>1,487,434</u>
<b>Noncurrent liabilities</b>		
Mortgages and notes payable, net of current portion and unamortized financing fees of \$217,662 - 2018 and \$308,232 - 2017	9,571,222	14,320,371
Deferred developer fee	235,237	908,328
Total noncurrent liabilities	<u>9,806,459</u>	<u>15,228,699</u>
Total liabilities	<u>11,656,534</u>	<u>16,716,133</u>
<b>Net assets</b>		
Unrestricted controlling	20,403,807	16,081,932
Unrestricted board designated	367,465	367,465
Unrestricted noncontrolling	3,483,403	(236,541)
Total unrestricted net assets	<u>24,254,675</u>	<u>16,212,856</u>
Temporarily restricted controlling	2,569,356	6,861,238
Total net assets	<u>26,824,031</u>	<u>23,074,094</u>
Total liabilities and net assets	<u>\$ 38,480,565</u>	<u>\$ 39,790,227</u>

See independent auditor's report and notes to consolidated financial statements.

# N Street Village, Inc. & Subsidiaries

## Consolidated Statements of Activities

For the Years Ended June 30, 2018 and 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Revenue and support</b>						
Grants and contributions	\$ 1,842,270	\$ 276,902	\$ 2,119,172	\$ 1,635,077	\$ 2,815,638	\$ 4,450,715
Rental and service fee income	2,111,944	-	2,111,944	1,823,824	-	1,823,824
Government contracts and grants	-	3,561,742	3,561,742	-	3,620,185	3,620,185
Special events revenue, net of benefit to attendees of \$385,917 -2018 and \$317,189 - 2017	1,165,602	-	1,165,602	1,475,811	-	1,475,811
In-kind contributions	289,539	-	289,539	227,946	-	227,946
Developer fee revenue	302,739	-	302,739	181,667	-	181,667
Forgiveness of debt	-	-	-	30,000	-	30,000
Other revenue	31,431	-	31,431	17,492	-	17,492
Net assets released from restriction	8,153,812	(8,153,812)	-	6,632,959	(6,632,959)	-
Total revenue and support	13,897,337	(4,315,168)	9,582,169	12,024,776	(197,136)	11,827,640
<b>Expenses</b>						
Program services	8,735,424	-	8,735,424	7,730,706	-	7,730,706
Management and general	825,438	-	825,438	694,952	-	694,952
Fundraising	902,617	-	902,617	736,363	-	736,363
Total expenses	10,463,479	-	10,463,479	9,162,021	-	9,162,021
Change in net assets before non-operational activities and noncontrolling interest in net assets of subsidiary	3,433,858	(4,315,168)	(881,310)	2,862,755	(197,136)	2,665,619
<b>Non-operational activity</b>						
Change in value of trust	-	23,286	23,286	-	(426)	(426)
Investment and interest income	165,471	-	165,471	46,429	-	46,429
Realized gain on investments	43,746	-	43,746	-	-	-
Unrealized gain on investments	112,249	-	112,249	177,822	91,940	269,762
Total non-operational activity	321,466	23,286	344,752	224,251	91,514	315,765
Change in net assets	3,755,324	(4,291,882)	(536,558)	3,087,006	(105,622)	2,981,384
Less: Change in net assets - noncontrolling	566,551	-	566,551	491,509	-	491,509
Change in net assets - controlling and board designated	\$ 4,321,875	\$ (4,291,882)	\$ 29,993	\$ 3,578,515	\$ (105,622)	\$ 3,472,893

See independent auditor's report and notes to consolidated financial statements.

## N Street Village, Inc. & Subsidiaries

Consolidated Statements of Functional Expenses  
For the Years Ended June 30, 2018 and 2017

	2018				2017			
	Programs	Management and general	Fundraising	Total expenses	Programs	Management and general	Fundraising	Total expenses
Wages and fringe benefits	\$ 5,446,411	\$ 397,893	\$ 607,120	\$ 6,451,424	\$ 4,989,713	\$ 247,029	\$ 514,404	\$ 5,751,146
Occupancy and utilities	721,806	55,187	19,188	796,181	704,201	50,778	18,152	773,131
Depreciation and amortization	750,614	9,885	16,242	776,741	481,548	26,007	-	507,555
Professional fees and consulting	431,447	99,237	98,651	629,335	322,880	179,021	83,587	585,488
Donated goods and services	137,302	152,237	-	289,539	156,222	71,724	-	227,946
Maintenance services	321,276	304	490	322,070	344,356	149	240	344,745
Food and resident needs	204,902	-	173	205,075	151,156	-	-	151,156
Interest	380,435	72,500	-	452,935	318,029	30,000	-	348,029
Insurance, licenses and taxes	145,079	9,961	12,045	167,085	77,349	56,567	475	134,391
Supplies, equipment and software	78,090	8,529	7,072	93,691	71,274	4,652	7,553	83,479
Printing, postage and publications	2,517	600	67,518	70,635	4,643	1,435	53,917	59,995
Meetings and conferences	1,991	690	13,441	16,122	2,884	218	22,716	25,818
Credit card and other financial fees	1,972	3,610	23,907	29,489	268	4,387	20,077	24,732
Tax credit compliance	13,893	-	-	13,893	13,858	-	-	13,858
Bad debt	16,092	-	-	16,092	2,657	3,500	2,500	8,657
Other	81,597	14,805	36,770	133,172	89,668	19,485	12,742	121,895
	<u>\$ 8,735,424</u>	<u>\$ 825,438</u>	<u>\$ 902,617</u>	<u>\$10,463,479</u>	<u>\$ 7,730,706</u>	<u>\$ 694,952</u>	<u>\$ 736,363</u>	<u>\$ 9,162,021</u>

See independent auditor's report and notes to consolidated financial statements.



## N Street Village, Inc. & Subsidiaries

Consolidated Statements of Changes in Net Assets  
For the Years Ended June 30, 2018 and 2017

	Unrestricted			Temporarily Restricted Controlling	Total
	Controlling	Board Designated	Noncontrolling		
Net assets - June 30, 2016	\$ 12,503,417	\$ 367,465	\$ 304,968	\$ 6,966,860	\$ 20,142,710
Syndication fees	-	-	(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>(105,622)</u>	<u>2,981,384</u>
Net assets - June 30, 2017	16,081,932	367,465	(236,541)	6,861,238	23,074,094
Investor equity	-	-	4,286,495	-	4,286,495
Change in net assets for the year ended June 30, 2018	<u>4,321,875</u>	<u>-</u>	<u>(566,551)</u>	<u>(4,291,882)</u>	<u>(536,558)</u>
Net assets - June 30, 2018	<u>\$ 20,403,807</u>	<u>\$ 367,465</u>	<u>\$ 3,483,403</u>	<u>\$ 2,569,356</u>	<u>\$ 26,824,031</u>

See independent auditor's report and notes to consolidated financial statements.

# N Street Village, Inc. & Subsidiaries

Consolidated Statements of Cash Flows  
For the Years Ended June 30, 2018 and 2017

	2018	2017
<b>Consolidated cash flows from operating activities</b>		
Change in net assets	\$ (536,558)	\$ 2,981,384
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization of tax credit fees	776,741	507,555
Amortization of financing fees	90,570	191,803
Unrealized (gain) loss on investments	(112,249)	(269,762)
Increase in value of charitable trust	(23,286)	426
Forgiveness of loan principal	-	(30,000)
Bad debt	16,092	8,657
(Increase) decrease in operating assets:		
Grants receivable	345,303	(281,710)
Pledges receivable	539,995	485,970
Developer fee receivable	1,056,954	(1,089,995)
Tenant and other receivables	226,068	(301,562)
Prepaid expenses	52,228	(68,656)
Tenant security deposits, net	-	6,403
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(185,705)	(129,616)
Accrued salaries and related expenses	(77,132)	219,240
Deferred developer fee	(673,091)	908,328
Developer fee payable	255,443	-
Client escrow accounts	15,617	(16,362)
Prepaid rent	(3,033)	16,841
Net cash provided by operating activities	<u>1,763,957</u>	<u>3,138,944</u>
<b>Consolidated cash flows from investing activities</b>		
Change in investment activity	(151,971)	(698,641)
(Increase) decrease in reserves and escrows	441,573	(71,344)
Financing fees paid	-	(500,035)
Acquisition of property and equipment	<u>(4,879,698)</u>	<u>276,866</u>
Net cash used in investing activities	<u>(4,590,096)</u>	<u>(993,154)</u>

See independent auditor's report and notes to consolidated financial statements.

# N Street Village, Inc. & Subsidiaries

Consolidated Statements of Cash Flows (Continued)  
For the Years Ended June 30, 2018 and 2017

	2018	2017
<b>Consolidated cash flows from financing activities</b>		
Capital contribution	\$ 4,286,495	\$ -
Syndication fees paid	-	(50,000)
Accrued capitalized interest	72,000	30,000
Proceeds from mortgages and notes payable	-	1,100,000
Principal payments on mortgages and notes payable	(4,854,551)	(45,442)
Net cash provided by (used in) financing activities	(496,056)	1,034,558
<b>Net increase (decrease) in cash and cash equivalents</b>	(3,322,195)	3,180,348
Cash and cash equivalents, beginning of year	9,021,055	5,840,707
Cash and cash equivalents, end of year	\$ 5,698,860	\$ 9,021,055
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the year for interest	\$ 386,492	\$ 357,987
<b>Supplemental disclosure of noncash investing and financing activities:</b>		
Construction in progress	\$ -	\$ 2,416,396
Property and equipment placed in service	(300,283)	(8,827,332)
Increase in construction reserves	-	(1,297,774)
Bond proceeds	-	5,704,808
DHCD loan proceeds for NSV Residential LLC	-	2,003,902
Increase in accounts payable and accrued expenses	300,283	-
	\$ -	\$ -

See independent auditor's report and notes to consolidated financial statements.

# N Street Village, Inc. & Subsidiaries

Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2018 and 2017

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## 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 14<sup>th</sup> Street** - Our 150,000 square foot flagship building provides 44 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.
- **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.

*See independent auditor’s report.*

# **N Street Village, Inc. & Subsidiaries**

Notes to Consolidated Financial Statements (Continued)  
For the Years Ended June 30, 2018 and 2017

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## **1) Nature of Business and Summary of Significant Accounting Policies (Continued)**

### ***Nature of Business (Continued)***

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.

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 34% of the cost of providing its services during the year ended June 30, 2018. NSV received approximately 37% of its revenue from government grants and contracts for the year ended June 30, 2018. NSV received approximately 22% of its revenue from rental and service fee income for the year ended June 30, 2018.

### ***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 (hereafter referred to as the Organization). 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, eight of the grants to the Organization

*See independent auditor's report.*

# **N Street Village, Inc. & Subsidiaries**

Notes to Consolidated Financial Statements (Continued)  
For the Years Ended June 30, 2018 and 2017

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## **1) Nature of Business and Summary of Significant Accounting Policies (Continued)**

### ***Basis of Presentation (Continued)***

are temporarily restricted as of June 30, 2018 and seventeen of the grants to the Organization were temporarily restricted as of June 30, 2017. All other net assets of the Organization are unrestricted as of June 30, 2018 and 2017.

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, 2018 and 2017, the Organization's investment portfolio contains cash balances of \$2,129,445 and \$1,435,419, respectively, which are included in cash and cash equivalents – NSV internal reserves on the accompanying consolidated statements of financial position. These reserves are held by the Organization as an operating reserve, in an amount approximately equal to two months of NSV operating expenses.

### ***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.

### ***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.

*See independent auditor's report.*

# N Street Village, Inc. & Subsidiaries

Notes to Consolidated Financial Statements (Continued)  
For the Years Ended June 30, 2018 and 2017

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## 1) Nature of Business and Summary of Significant Accounting Policies (Continued)

### *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, 2018 and 2017.

### *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, 2018 and 2017, construction in progress of \$25,321 and \$43,932, respectively, was included in property and equipment on the consolidated 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, 2018 and 2017 was \$3,027 and \$3,783, 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 8 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, 2018 and 2017, capitalized interest totaled \$0 and \$39,133, 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

*See independent auditor's report.*

# N Street Village, Inc. & Subsidiaries

Notes to Consolidated Financial Statements (Continued)  
For the Years Ended June 30, 2018 and 2017

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## 1) Nature of Business and Summary of Significant Accounting Policies (Continued)

### *Fair Value of Financial Instruments (Continued)*

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:

- (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 – controlling - unrestricted revenue and contributions received without donor-imposed or board designated restrictions or attributable to the investment member's interest in NSV Residential LLC. 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, 2018 and 2017.
- 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, 2018 and 2017, 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 30, 2018 and 2017, the Organization received in-kind donations of professional services and other goods valued at \$289,539 and \$227,946, respectively, which are reported as in-kind donations in the accompanying consolidated statements of activities. During the years ended June 30, 2018 and 2017, the Organization also received approximately 9,483 and 10,288 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.

*See independent auditor's report.*



# **N Street Village, Inc. & Subsidiaries**

Notes to Consolidated Financial Statements (Continued)  
For the Years Ended June 30, 2018 and 2017

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## **1) Nature of Business and Summary of Significant Accounting Policies (Continued)**

### ***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.

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 16 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, it was projected that all developer fees earned would be paid from limited partner capital contributions, and were therefore not eliminated on the accompanying consolidated financial statements. As of June 30, 2018, it was determined that a portion of developer fees payable will be paid from operational cash flow, therefore those amounts are 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 had \$15,266 and \$0 of unrelated business income during the years ended June 30, 2018 and 2017, respectively, related to employee fringe benefits. Accordingly, for the years ended June 30, 2018 and 2017, a provision for unrelated business income taxes of \$2,644 and \$0, respectively, has been included in fringe benefits 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.

*See independent auditor's report.*

# N Street Village, Inc. & Subsidiaries

Notes to Consolidated Financial Statements (Continued)  
For the Years Ended June 30, 2018 and 2017

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## 1) Nature of Business and Summary of Significant Accounting Policies (Continued)

### *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, 2018 and 2017 includes the investor member’s equity balance of \$3,483,403 and \$(236,541), respectively.

## 2) Reserves and Escrows Required by Lender and Operating Agreements

Reserves and escrows as of June 30, 2018 and 2017 are summarized as follows:

	<u>2018</u>	<u>2017</u>
Operating deficit reserve	\$ 464,640	\$ 46,956
Replacement reserve	201,466	50,750
Bond reserves	148,279	1,297,774
Transition reserve	18,552	-
Insurance escrow	103,809	-
Client escrow accounts	42,891	25,730
Total reserves and escrows	<u>\$ 979,637</u>	<u>\$ 1,421,210</u>

## 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, 2018 and 2017:

	<u>2018</u>			<u>2017</u>		
	Cost	Fair value	Unrealized gain (loss)	Cost	Fair value	Unrealized gain (loss)
Mutual funds	\$ 2,439,599	\$ 2,914,195	\$ 474,596	\$ 2,287,389	\$ 2,648,190	\$ 360,801
Fixed income securities	18,981	20,779	1,798	19,852	22,458	2,606
Equities	-	275	275	-	381	381
Total	<u>\$ 2,458,580</u>	<u>\$ 2,935,249</u>	<u>\$ 476,669</u>	<u>\$ 2,307,241</u>	<u>\$ 2,671,029</u>	<u>\$ 363,788</u>

*See independent auditor’s report.*

# N Street Village, Inc. & Subsidiaries

Notes to Consolidated Financial Statements (Continued)  
For the Years Ended June 30, 2018 and 2017

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## 4) Property and Equipment

Property and Equipment as of June 30, 2018 and 2017 consisted of the following:

	Useful lives	2018	2017
Building and improvements	15 - 40 years	\$ 25,850,204	\$ 20,693,440
Land	N/A	2,540,127	2,540,127
Land improvements	20 years	1,512,569	1,512,569
Furniture and equipment	3 - 7 years	959,871	918,043
Construction in progress	N/A	25,321	43,932
		30,888,092	25,708,111
Less accumulated depreciation		(4,271,763)	(3,498,049)
Total		<u>\$ 26,616,329</u>	<u>\$ 22,210,062</u>

## 5) Property Renovations

The Organization launched a project to renovate its owned buildings at 1300 Florida Avenue and 1333 N Street/1301 14<sup>th</sup> 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 14<sup>th</sup> 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 was complete in June 2018. Included in the second phase was the expansion of the Day Center and the Wellness Center, relocation of the kitchen, and the creation of a Technology Center. A third phase started in June 2018, and includes renovation of the fifth floor facilities providing 21 temporary housing beds in 2 large apartments for women in recovery and/or with mental illness.

*See independent auditor's report.*

# N Street Village, Inc. & Subsidiaries

Notes to Consolidated Financial Statements (Continued)  
For the Years Ended June 30, 2018 and 2017

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## 6) 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, 2018 and 2017, trust receivable balances are as follows:

	<u>2018</u>	<u>2017</u>
Trust receivable, beginning	\$ 429,346	\$ 429,772
Change in fair value	<u>23,286</u>	<u>(426)</u>
Trust receivable, ending	<u><u>\$ 452,632</u></u>	<u><u>\$ 429,346</u></u>

## 7) 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, 2018 and 2017. The line matures on May 20, 2020 with an option to renew.

## 8) Mortgages and Notes Payable

Mortgages, loans and notes payable consisted of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
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.	35,740	45,883
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.	31,836	48,502

*See independent auditor's report.*

# N Street Village, Inc. & Subsidiaries

Notes to Consolidated Financial Statements (Continued)  
For the Years Ended June 30, 2018 and 2017

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## 8) Mortgages and Notes Payable (Continued)

	2018	2017
<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% per annum on the \$2,100,000 only. The \$64,454 note was non-interest bearing and required an annual payment of \$15,000 until paid in full. The \$64,454 note was paid in full during the year ended June 30, 2018. The \$2,100,000 note matures on December 31, 2020, which can be extended for two additional 5-year periods. Interest of \$72,000 and \$30,000, respectively, were incurred for the years ending June 30, 2018 and 2017.</p>	2,277,000	2,224,454
<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>	725,000	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 was short-term, bore interest at LIBOR plus 2.25% and matured 24 months after initial closing. On December 12, 2017 (the conversion date) the short-term bonds were paid off, replaced with permanent bonds totaling \$4,000,000 and bear interest at 4% per annum for the first 17 years, after which interest will reset to the greater of 4% or LIBOR plus 2.25%. Beginning on the conversion date, the loan will be payable in equal monthly installments of principal and interest based on a 30 year amortization schedule. The outstanding balance of the loan is subject to repayment in full on the 17th anniversary of the conversion date. The loan is secured by a deed of trust, assignment of rents and security agreement.</p>	3,965,132	8,398,420

*See independent auditor’s report.*

## N Street Village, Inc. & Subsidiaries

Notes to Consolidated Financial Statements (Continued)  
For the Years Ended June 30, 2018 and 2017

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### 8) Mortgages and Notes Payable (Continued)

	<u>2018</u>	<u>2017</u>
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. Beginning May 1, 2018, payments are due annually from NSV Residential LLC's Available Cash Flow, as defined in the loan agreement.	2,483,222	2,483,222
Total mortgages and notes payable	10,261,394	15,043,945
Less: current portion of mortgages and notes payable	(472,510)	(415,342)
Less: unamortized financing fees	<u>(217,662)</u>	<u>(308,232)</u>
Mortgages and notes payable, net of current portion and unamortized financing fees	<u>\$ 9,571,222</u>	<u>\$ 14,320,371</u>

Total interest expense on mortgages and notes payable for the years ended June 30, 2018 and 2017 was \$401,632 and \$348,029, respectively, which includes amortized financing fees of \$90,570 and \$92,531, respectively, and bond fees of \$50,803 and \$38,500, respectively.

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

2019	\$ 472,510
2020	452,033
2021	2,365,847
2022	84,683
2023	84,308
Thereafter	<u>6,802,013</u>
Total mortgages and notes payable	<u>\$ 10,261,394</u>

Estimated financing fees being amortized to interest expense over the next five years is \$7,844 per year.

*See independent auditor's report.*

## N Street Village, Inc. & Subsidiaries

Notes to Consolidated Financial Statements (Continued)  
For the Years Ended June 30, 2018 and 2017

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### 9) Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Purpose restrictions		
Capital campaign	\$ 1,739,153	\$ 6,035,818
Wellness Center	300,000	310,204
Other purposes	77,571	66,917
Education and Employment Center	-	13,953
Patricia Handy Place for Women	-	5,000
Total purpose restrictions	<u>2,116,724</u>	<u>6,431,892</u>
Time restriction	<u>452,632</u>	<u>429,346</u>
Total temporarily restricted net assets	<u><u>\$ 2,569,356</u></u>	<u><u>\$ 6,861,238</u></u>

### 10) 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>2018</u>	<u>2017</u>
Satisfaction of purpose restrictions		
Capital campaign	\$ 4,322,167	\$ 1,186,154
Patricia Handy Place for Women	2,449,066	2,379,000
Erna's House	340,659	315,583
Recovery Housing	316,807	396,248
Luther Place Night Shelter	190,428	223,358
Phyllis Wheatley YWCA	154,099	194,037
Miriam's House	133,111	538,162
Helping Hand	79,525	-
Other purposes	59,846	79,103
Permanent supportive housing	52,072	45,022
Wellness Center	35,204	118,327
Education and Employment Center	13,953	59,817
Bethany Women's Center	6,875	35,380
Total release of purpose restrictions	<u>8,153,812</u>	<u>5,570,191</u>
Satisfaction of time restriction	<u>-</u>	<u>1,062,768</u>
Total net assets released from restriction	<u><u>\$ 8,153,812</u></u>	<u><u>\$ 6,632,959</u></u>

*See independent auditor's report.*

# **N Street Village, Inc. & Subsidiaries**

Notes to Consolidated Financial Statements (Continued)  
For the Years Ended June 30, 2018 and 2017

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## **11) 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.

## **12) Pension Plan**

NSV has a 403(b) retirement plan that covers employees meeting certain eligibility requirements. During the years ended June 30, 2018 and 2017, NSV made no contributions to the plan and provide matching funds of \$15,907 and \$0, respectively, to participants in the plan.

## **13) 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.

## **14) 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.

*See independent auditor's report.*



# N Street Village, Inc. & Subsidiaries

Notes to Consolidated Financial Statements (Continued)  
For the Years Ended June 30, 2018 and 2017

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## 15) 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. As of June 30, 2018 and 2017, the Organization maintained unemployment reserves of \$3,463 for each year, which is included in accrued salary and related expenses on the accompanying consolidated statements of financial position.

### *Construction Contract*

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 payable. As of June 30, 2018, the entirety of the contract has been completed. A balance of \$280,698 is payable and is included in accounts payable and accrued expenses on the accompanying consolidated statements of financial position.

NSV entered into a second construction agreement with The Korth Companies, Inc. dated May 4, 2018 in the original amount of \$226,633. As of June 30, 2018, contract expenses of \$19,451 were incurred and remains payable and is included in accounts payable and accrued expenses on the accompanying consolidated statements of financial position.

### *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, 2018 and 2017, cumulative developer fee of \$1,513,882 has been earned. For the years ending June 30, 2018 and 2017, \$302,739 and \$181,667, respectively, of developer fee revenue was recognized. As of June 30, 2018 and 2017, deferred developer fee revenue is \$605,589 and \$908,328, respectively. As of June 30, 2018 and 2017, developer fee receivable and payable were \$625,795 and \$1,312,397, respectively. To the extent that developer fees are projected to be paid from operating cash flows, those amounts have been eliminated on the accompanying consolidated statements of financial position.

### *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 \$527,750. The term of the agreement ends with completion of the projects. During the years ending June 30, 2018 and 2017, 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, 2018, and 2017, \$0 and \$279,323, respectively, are reflected in accounts payable and accrued expenses on the accompanying consolidated statements of financial position.

*See independent auditor's report.*

# N Street Village, Inc. & Subsidiaries

Notes to Consolidated Financial Statements (Continued)  
For the Years Ended June 30, 2018 and 2017

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## 15) Commitments and Contingencies (Continued)

### *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 14<sup>th</sup> 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, 2018 and 2017, management fees totaling \$14,471 and \$14,534, 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, 2018 and 2017.

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 14<sup>th</sup> 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, 2018 and 2017, management fees totaling \$99,009 and \$59,138, 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 as of June 30, 2018 and 2017.

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, 2018 and 2017, management fees totaling \$18,294 and \$18,533, 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 as of June 30, 2018 and 2017.

### *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, 2018 and 2017, asset management fees of \$5,000 and \$2,500, respectively, were incurred and paid.

### *Purchase Option and Right of First Refusal*

NSV Residential LLC’s 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 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

*See independent auditor’s report.*

# N Street Village, Inc. & Subsidiaries

Notes to Consolidated Financial Statements (Continued)  
For the Years Ended June 30, 2018 and 2017

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## 15) Commitments and Contingencies (Continued)

### *Purchase Option and Right of First Refusal (Continued)*

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.

## 16) Guarantees

In connection with the ongoing renovation of the property at 1333 N Street/1301 14<sup>th</sup> 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:

- 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, 2018 and 2017, 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, 2018 and 2017, no advances have been made under this guarantee.

## 17) 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 auditor's 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:

- NSV ended one of its programs, the Luther Place Night Shelter at 1226 Vermont Avenue, in September 2018. The Luther Place Night Shelter opened in 1991 as part of Luther Place Memorial Church's addition to its fourth floor. Since that time, the needs of both Luther Place Memorial Church and N Street Village have grown, and N Street Village has been able to expand its temporary and transitional housing capacity in other locations. N Street Village has been working with Luther Place Memorial Church for the past year to return the night shelter space to back to the church while ensuring that all residents are transitioned to similar or better housing. See Note 5 for additional information.

*See independent auditor's report.*

## N Street Village, Inc. & Subsidiaries

Consolidating Statements of Financial Position  
As of June 30, 2018

	N Street Village, Inc.	NSV Residential LLC	Miriam's House LLC	Eliminations	Total
<b>Current assets</b>					
Cash and cash equivalents	\$ 2,938,933	\$ 569,124	\$ 61,358	\$ -	\$ 3,569,415
Cash and cash equivalents - NSV internal reserves	2,129,445	-	-	-	2,129,445
Grants receivable	308,610	-	-	-	308,610
Pledges receivable	979,089	-	-	-	979,089
Developer fee receivable	625,795	-	-	(370,352)	255,443
Tenant and other receivables	594,689	20,469	24,551	(558,541)	81,168
Prepaid expenses	102,271	888	252	-	103,411
Total current assets	<u>7,678,832</u>	<u>590,481</u>	<u>86,161</u>	<u>(928,893)</u>	<u>7,426,581</u>
<b>Noncurrent assets</b>					
Investments	2,935,249	-	-	-	2,935,249
Reserves and escrows	89,847	752,601	137,189	-	979,637
Tenant security deposits	-	31,547	-	-	31,547
Property and equipment, net of accumulated depreciation of \$4,271,763	8,194,426	14,974,723	3,874,161	(426,981)	26,616,329
Tax credit fees, net of accumulated amortization of \$6,810	-	38,590	-	-	38,590
Trust receivable	452,632	-	-	-	452,632
Notes receivable from subsidiaries	5,508,822	-	-	(5,508,822)	-
Due from subsidiaries	2,781,889	-	-	(2,781,889)	-
Total noncurrent assets	<u>19,962,865</u>	<u>15,797,461</u>	<u>4,011,350</u>	<u>(8,717,692)</u>	<u>31,053,984</u>
Total assets	<u>\$ 27,641,697</u>	<u>\$ 16,387,942</u>	<u>\$ 4,097,511</u>	<u>\$ (9,646,585)</u>	<u>\$ 38,480,565</u>

See independent auditor's report.

## N Street Village, Inc. & Subsidiaries

Consolidating Statements of Financial Position (Continued)  
As of June 30, 2018

	N Street Village, Inc.	NSV Residential LLC	Miriam's House LLC	Eliminations	Total
<b>Current liabilities</b>					
Accounts payable and accrued expenses	\$ 438,027	\$ 727,498	\$ 37,568	\$ (575,824)	\$ 627,269
Accrued salary and related expenses	390,536	5,987	1,021	-	397,544
Current portion of mortgages and notes payable	390,278	71,862	10,370	-	472,510
Developer fee payable	-	625,795	-	(370,352)	255,443
Tenant security deposits and prepaid rent	43,416	52,297	1,596	-	97,309
Total current liabilities	<u>1,262,257</u>	<u>1,483,439</u>	<u>50,555</u>	<u>(946,176)</u>	<u>1,850,075</u>
<b>Noncurrent liabilities</b>					
Mortgages and notes payable, net of current portion and unamortized financing fees of \$217,662	2,643,558	6,158,830	768,834	-	9,571,222
Notes payable to subsidiaries	-	5,235,492	256,047	(5,491,539)	-
Deferred developer fee	605,589	-	-	(370,352)	235,237
Due to subsidiaries	-	26,889	2,755,000	(2,781,889)	-
Total noncurrent liabilities	<u>3,249,147</u>	<u>11,421,211</u>	<u>3,779,881</u>	<u>(8,643,780)</u>	<u>9,806,459</u>
Total liabilities	<u>4,511,404</u>	<u>12,904,650</u>	<u>3,830,436</u>	<u>(9,589,956)</u>	<u>11,656,534</u>
<b>Net assets</b>					
Unrestricted controlling	20,193,472	(111)	267,075	(56,629)	20,403,807
Unrestricted board designated	367,465	-	-	-	367,465
Unrestricted noncontrolling	-	3,483,403	-	-	3,483,403
Total unrestricted net assets	<u>20,560,937</u>	<u>3,483,292</u>	<u>267,075</u>	<u>(56,629)</u>	<u>24,254,675</u>
Temporarily restricted controlling	2,569,356	-	-	-	2,569,356
Total net assets	<u>23,130,293</u>	<u>3,483,292</u>	<u>267,075</u>	<u>(56,629)</u>	<u>26,824,031</u>
Total liabilities and net assets	<u>\$ 27,641,697</u>	<u>\$ 16,387,942</u>	<u>\$ 4,097,511</u>	<u>\$ (9,646,585)</u>	<u>\$ 38,480,565</u>

See independent auditor's report.

# N Street Village, Inc. & Subsidiaries

Consolidating Statements of Activities  
For the Year Ended June 30, 2018

	N Street Village, Inc.	NSV Residential LLC	Miriam's House LLC	Eliminations	Consolidated
<b>Revenue and support</b>					
Grants and contributions	\$ 2,119,172	\$ -	\$ -	\$ -	\$ 2,119,172
Rental and service fee income	364,864	1,460,132	286,948	-	2,111,944
Government contracts and grants	3,561,742	-	-	-	3,561,742
Special events revenue, net of benefit to attendees of \$385,917	1,165,602	-	-	-	1,165,602
In-kind contributions	289,539	-	-	-	289,539
Developer fee revenue	302,739	-	-	-	302,739
Other revenue	241,431	-	-	(210,000)	31,431
Total revenue and support	<u>8,045,089</u>	<u>1,460,132</u>	<u>286,948</u>	<u>(210,000)</u>	<u>9,582,169</u>
<b>Expenses</b>					
Program services	6,833,820	2,030,674	334,679	(463,749)	8,735,424
Management and general	825,438	-	-	-	825,438
Fundraising	902,617	-	-	-	902,617
Total expenses	<u>8,561,875</u>	<u>2,030,674</u>	<u>334,679</u>	<u>(463,749)</u>	<u>10,463,479</u>
Change in net assets before non-operational activities and noncontrolling interest in net assets of subsidiary	<u>(516,786)</u>	<u>(570,542)</u>	<u>(47,731)</u>	<u>253,749</u>	<u>(881,310)</u>
<b>Non-operational activity</b>					
Change in value of trust	23,286	-	-	-	23,286
Investment and interest income	415,286	3,934	-	(253,749)	165,471
Realized gain (loss) on investments	43,746	-	-	-	43,746
Unrealized gain (loss) on investments	112,249	-	-	-	112,249
Total non-operational activity	<u>594,567</u>	<u>3,934</u>	<u>-</u>	<u>(253,749)</u>	<u>344,752</u>
Change in net assets	<u>77,781</u>	<u>(566,608)</u>	<u>(47,731)</u>	<u>-</u>	<u>(536,558)</u>
Less: Change in net assets - noncontrolling	<u>-</u>	<u>566,551</u>	<u>-</u>	<u>-</u>	<u>566,551</u>
Change in net assets - controlling and board designated	<u>\$ 77,781</u>	<u>\$ (57)</u>	<u>\$ (47,731)</u>	<u>\$ -</u>	<u>\$ 29,993</u>

See independent auditor's report.

# N Street Village, Inc. & Subsidiaries

Consolidating Statements of Financial Position  
As of June 30, 2017

	N Street Village, Inc.	NSV Residential LLC	Miriam's House LLC	Eliminations	Total
<b>Current assets</b>					
Cash and cash equivalents	\$ 7,073,716	\$ 462,126	\$ 49,794	\$ -	\$ 7,585,636
Cash and cash equivalents - NSV internal reserves	1,435,419	-	-	-	1,435,419
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	<u>12,436,085</u>	<u>794,773</u>	<u>67,031</u>	<u>(312,473)</u>	<u>12,985,416</u>
<b>Noncurrent assets</b>					
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	<u>15,793,067</u>	<u>16,732,705</u>	<u>4,023,504</u>	<u>(9,744,465)</u>	<u>26,804,811</u>
Total assets	<u>\$ 28,229,152</u>	<u>\$ 17,527,478</u>	<u>\$ 4,090,535</u>	<u>\$ (10,056,938)</u>	<u>\$ 39,790,227</u>

See independent auditor's report.

## N Street Village, Inc. & Subsidiaries

Consolidating Statements of Financial Position (Continued)

As of June 30, 2017

	N Street Village, Inc.	NSV Residential LLC	Miriam's House LLC	Eliminations	Total
<b>Current liabilities</b>					
Accounts payable and accrued expenses	\$ 398,978	\$ 417,497	\$ 18,291	\$ (322,075)	\$ 512,691
Accrued salary and related expense	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	<u>1,300,634</u>	<u>1,789,791</u>	<u>31,481</u>	<u>(1,634,472)</u>	<u>1,487,434</u>
<b>Noncurrent liabilities</b>					
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	908,328	-	-	-	908,328
Due to subsidiaries	-	165,380	2,708,918	(2,874,298)	-
Total noncurrent liabilities	<u>3,876,006</u>	<u>15,974,282</u>	<u>3,744,248</u>	<u>(8,365,837)</u>	<u>15,228,699</u>
Total liabilities	<u>5,176,640</u>	<u>17,764,073</u>	<u>3,775,729</u>	<u>(10,000,309)</u>	<u>16,716,133</u>
<b>Net assets</b>					
Unrestricted	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	<u>16,191,274</u>	<u>(236,595)</u>	<u>314,806</u>	<u>(56,629)</u>	<u>16,212,856</u>
Temporarily restricted net assets	6,861,238	-	-	-	6,861,238
Total net assets	<u>23,052,512</u>	<u>(236,595)</u>	<u>314,806</u>	<u>(56,629)</u>	<u>23,074,094</u>
Total liabilities and net assets	<u>\$ 28,229,152</u>	<u>\$ 17,527,478</u>	<u>\$ 4,090,535</u>	<u>\$ (10,056,938)</u>	<u>\$ 39,790,227</u>

See independent auditor's report.



# N Street Village, Inc. & Subsidiaries

Consolidating Statements of Activities  
For the Year Ended June 30, 2017

	N Street Village, Inc.	NSV Residential LLC	Miriam's House LLC	Eliminations	Consolidated
<b>Revenue and support</b>					
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	<u>10,506,170</u>	<u>1,179,455</u>	<u>277,015</u>	<u>(135,000)</u>	<u>11,827,640</u>
<b>Expenses</b>					
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	<u>7,555,983</u>	<u>1,671,482</u>	<u>335,002</u>	<u>(400,446)</u>	<u>9,162,021</u>
Change in net assets before non-operational activities and noncontrolling interest in net assets of subsidiary	<u>2,950,187</u>	<u>(492,027)</u>	<u>(57,987)</u>	<u>265,446</u>	<u>2,665,619</u>
<b>Non-operational activity</b>					
Change in value of trust	(426)	-	-	-	(426)
Investment and interest income	311,406	469	-	(265,446)	46,429
Realized gain on investments	-	-	-	-	-
Unrealized gain (loss) on investments	269,762	-	-	-	269,762
Total non-operational activity	<u>580,742</u>	<u>469</u>	<u>-</u>	<u>(265,446)</u>	<u>315,765</u>
Change in net assets	<u>3,530,929</u>	<u>(491,558)</u>	<u>(57,987)</u>	<u>-</u>	<u>2,981,384</u>
Less: Change in net assets - noncontrolling	-	491,509	-	-	491,509
Change in net assets - controlling and board designated	<u>\$ 3,530,929</u>	<u>\$ (49)</u>	<u>\$ (57,987)</u>	<u>\$ -</u>	<u>\$ 3,472,893</u>

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