

N Street Village, Inc. & Subsidiaries

Consolidated Financial Statements

For the Years Ended June 30, 2020 and 2019

N Street Village, Inc. & Subsidiaries

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For the Years Ended June 30, 2020 and 2019

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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 statement of financial position as of June 30, 2020, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 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 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, 2020, and results of its activities, changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating supplementary information shown on pages 27-32 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 for the year ended June 30, 2020 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 for the year ended June 30, 2020 is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Emphasis of Matter

As discussed in Note 2 of the financial statements, during the year ended June 30, 2020, N Street Village, Inc. & Subsidiaries adopted Financial Accounting Standards Board Update (ASU) No. 2016-18 – *Statement of Cash Flows (Topic 230): Restricted Cash*, and ASU No. 2018-08 – *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

Other Matter

The financial statements of N Street Village, Inc. & Subsidiaries as of June 30, 2019 were audited by other auditors whose report dated January 20, 2020 expressed an unmodified opinion on those statements. The supplementary information as of June 30, 2019 was subjected to auditing procedures applied in the audit of the basic financial statement as of June 30, 2019 by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the financial statement as of June 30, 2019.

SC+H attest services, P.C.

Sparks, Maryland
January 18, 2021

N Street Village, Inc. & Subsidiaries

Consolidated Statements of Financial Position

As of June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 3,916,531	\$ 2,183,132
Cash and cash equivalents - NSV internal reserves	2,765,507	2,634,138
Grants receivable	663,216	304,673
Pledges receivable	288,500	492,084
Tenant and other receivables	73,339	73,468
Prepaid expenses	81,869	146,761
Investments	3,263,423	3,075,528
Total current assets	<u>11,052,385</u>	<u>8,909,784</u>
Noncurrent assets		
Reserves and escrows	1,114,955	1,066,011
Tenant security deposits	31,547	31,547
Property and equipment, net of accumulated depreciation of \$6,271,384 - 2020 and \$5,260,292 - 2019	24,976,722	25,965,541
Tax credit fees, net of accumulated amortization of \$12,864 - 2020 and \$9,837 - 2019	32,536	35,563
Trust receivable	403,705	457,058
Total noncurrent assets	<u>26,559,465</u>	<u>27,555,720</u>
Total assets	<u>\$ 37,611,850</u>	<u>\$ 36,465,504</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 486,197	\$ 341,802
Accrued salaries and related expenses	365,682	343,644
Mortgages and notes payable, current portion	88,847	450,329
Tenant security deposits and prepaid rent	<u>124,774</u>	<u>119,356</u>
Total current liabilities	<u>1,065,500</u>	<u>1,255,131</u>
Noncurrent liabilities		
Mortgages and notes payable, net of current portion and unamortized financing fees of \$201,974 - 2020 and \$209,818 - 2019	<u>9,807,090</u>	<u>9,169,027</u>
Total noncurrent liabilities	<u>9,807,090</u>	<u>9,169,027</u>
Total liabilities	<u>10,872,590</u>	<u>10,424,158</u>
Net assets		
Net assets without donor restrictions		
Net assets without donor restrictions - controlling	20,408,460	21,182,127
Net assets without donor restrictions - board designated	2,478,693	367,465
Net assets without donor restrictions - noncontrolling	<u>2,631,352</u>	<u>3,166,170</u>
Total net assets without donor restrictions	25,518,505	24,715,762
Net assets with donor restrictions	<u>1,220,755</u>	<u>1,325,584</u>
Total net assets	<u>26,739,260</u>	<u>26,041,346</u>
Total liabilities and net assets	<u>\$ 37,611,850</u>	<u>\$ 36,465,504</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, 2020 and 2019

	2020			2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenue and support						
Grants and contributions	\$ 3,487,102	\$ 864,794	\$ 4,351,896	\$ 2,107,775	\$ 227,108	\$ 2,334,883
Rental and service fee income	2,191,151	-	2,191,151	2,064,466	-	2,064,466
Government contracts and grants	-	3,916,581	3,916,581	-	3,306,788	3,306,788
Special events revenue, net of benefit to attendees of \$386,681 - 2020 and \$458,268 - 2019	1,378,470	-	1,378,470	1,473,667	-	1,473,667
In-kind contributions	215,769	-	215,769	313,829	-	313,829
Developer fee revenue	-	-	-	235,274	-	235,274
Other revenue	84,388	-	84,388	27,341	-	27,341
Net assets released from restriction	4,832,851	(4,832,851)	-	4,782,093	(4,782,093)	-
Total revenue and support	12,189,731	(51,476)	12,138,255	11,004,445	(1,248,197)	9,756,248
Expenses						
Program services	9,511,034	-	9,511,034	9,044,115	-	9,044,115
Management and general	1,062,246	-	1,062,246	907,574	-	907,574
Fundraising	1,052,923	-	1,052,923	1,045,027	-	1,045,027
Total expenses	11,626,203	-	11,626,203	10,996,716	-	10,996,716
Change in net assets before non-operational activities and noncontrolling interest in net assets of a subsidiary	563,528	(51,476)	512,052	7,729	(1,248,197)	(1,240,468)
Non-operational activity						
Change in value of trust	-	(53,353)	(53,353)	-	4,425	4,425
Investment and interest income	53,356	-	53,356	29,028	-	29,028
Realized gain on investments	41,197	-	41,197	38,958	-	38,958
Unrealized gain on investments	144,662	-	144,662	131,890	-	131,890
Total non-operational activity	239,215	(53,353)	185,862	199,876	4,425	204,301
Change in net assets	802,743	(104,829)	697,914	207,605	(1,243,772)	(1,036,167)
Less: change in net assets - noncontrolling	534,818	-	534,818	570,715	-	570,715
Change in net assets - controlling and board designated	\$ 1,337,561	\$ (104,829)	\$ 1,232,732	\$ 778,320	\$ (1,243,772)	\$ (465,452)

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, 2020 and 2019

	2020			2019				
	Programs	Management and general	Fundraising	Total expenses	Programs	Management and general	Fundraising	Total expenses
Wages and fringe benefits	\$ 5,746,110	\$ 608,483	\$ 683,293	\$ 7,037,886	\$ 5,674,216	\$ 434,649	\$ 679,734	\$ 6,788,599
Depreciation and amortization	923,414	38,233	52,466	1,014,113	903,179	33,090	55,286	991,555
Professional fees and consulting	658,339	111,501	100,951	870,791	426,235	55,081	79,813	561,129
Occupancy and utilities	714,033	54,514	52,525	821,072	763,487	53,933	52,323	869,743
Maintenance services	443,875	37	51	443,963	340,973	375	524	341,872
Interest	263,456	42,000	-	305,456	259,907	42,000	-	301,907
Other	245,002	26,137	28,973	300,112	110,213	17,686	40,934	168,833
Donated goods and services	63,818	151,951	-	215,769	68,142	245,687	-	313,829
Food and resident needs	184,816	-	197	185,013	236,053	-	-	236,053
Insurance, licenses and taxes	144,915	11,635	12,481	169,031	123,556	10,553	17,331	151,440
Supplies, equipment and software	78,880	11,050	9,953	99,883	107,516	9,330	7,161	124,007
Printing, postage and publications	2,351	611	65,934	68,896	2,706	542	64,744	67,992
Credit card and other financial fees	85	6,081	37,284	43,450	172	4,636	32,156	36,964
Bad debt	23,535	-	-	23,535	8,719	-	-	8,719
Tax credit compliance	18,321	-	-	18,321	18,952	-	-	18,952
Meetings and conferences	84	13	8,815	8,912	89	12	15,021	15,122
	<u>\$ 9,511,034</u>	<u>\$ 1,062,246</u>	<u>\$ 1,052,923</u>	<u>\$11,626,203</u>	<u>\$ 9,044,115</u>	<u>\$ 907,574</u>	<u>\$ 1,045,027</u>	<u>\$10,996,716</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, 2020 and 2019

	Without donor restrictions			Total without donor restrictions	With donor restrictions - controlling	Total
	Controlling	Board designated	Noncontrolling			
Net assets, June 30, 2018	\$ 20,403,807	\$ 367,465	\$ 3,483,403	\$ 24,254,675	\$ 2,569,356	\$ 26,824,031
Investor equity contributions	-	-	255,480	255,480	-	255,480
Distributions	-	-	(1,998)	(1,998)	-	(1,998)
Change in net assets for the year ended June 30, 2019	<u>778,320</u>	<u>-</u>	<u>(570,715)</u>	<u>207,605</u>	<u>(1,243,772)</u>	<u>(1,036,167)</u>
Net assets, June 30, 2019	21,182,127	367,465	3,166,170	24,715,762	1,325,584	26,041,346
Transfer to board designated	(2,111,228)	2,111,228	-	-	-	-
Change in net assets for the year ended June 30, 2020	<u>1,337,561</u>	<u>-</u>	<u>(534,818)</u>	<u>802,743</u>	<u>(104,829)</u>	<u>697,914</u>
Net assets, June 30, 2020	<u>\$ 20,408,460</u>	<u>\$ 2,478,693</u>	<u>\$ 2,631,352</u>	<u>\$ 25,518,505</u>	<u>\$ 1,220,755</u>	<u>\$ 26,739,260</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, 2020 and 2019

	2020	2019
	<u> </u>	<u> </u>
Consolidated cash flows from operating activities		
Change in net assets	\$ 697,914	\$ (1,036,167)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,014,113	991,555
Amortization of financing fees	7,844	7,844
Unrealized gain on investments	(144,662)	(131,890)
(Increase) decrease in value of charitable trust	53,353	(4,425)
Forgiveness of loan principal	(350,000)	(375,000)
Bad debt	23,535	8,719
(Increase) decrease in operating assets:		
Grants receivable	(358,543)	3,937
Pledges receivable	203,584	487,005
Developer fee receivable	-	255,443
Tenant and other receivables	(23,406)	(1,019)
Prepaid expenses	64,892	(43,350)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	144,395	14,816
Accrued salaries and related expenses	22,038	(53,900)
Deferred developer fee	-	(235,237)
Developer fee payable	-	(255,443)
Tenant security deposits	(12,575)	8,677
Prepaid rent	17,993	13,370
	<u>1,360,475</u>	<u>(345,065)</u>
Net cash provided by (used in) operating activities		
Consolidated cash flows from investing activities		
Change in investment activity	(43,233)	(8,389)
Acquisition of property and equipment	(22,267)	(638,024)
	<u>(65,500)</u>	<u>(646,413)</u>
Net cash used in investing activities		

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, 2020 and 2019

	2020	2019
Consolidated cash flows from financing activities		
Capital contribution - noncontrolling	\$ -	\$ 255,480
Distribution - noncontrolling	-	(1,998)
Accrued interest	42,000	42,000
Proceeds from mortgages and notes payable	675,440	-
Principal payments on mortgages and notes payable	(98,703)	(99,220)
Net cash provided by financing activities	<u>618,737</u>	<u>196,262</u>
Net increase (decrease) in cash and cash equivalents, and restricted cash	1,913,712	(795,216)
Cash and cash equivalents and restricted cash, beginning of year	<u>5,914,828</u>	<u>6,710,044</u>
Cash and cash equivalents and restricted cash, end of year	<u>\$ 7,828,540</u>	<u>\$ 5,914,828</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 177,773</u>	<u>\$ 220,536</u>
The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the consolidated statements of financial position that sum to the total of the same such amounts presented in cash and restricted cash, end of year, above:		
Cash and cash equivalents	\$ 3,916,531	\$ 2,183,132
Cash and cash equivalents - NSV internal reserves	2,765,507	2,634,138
Reserves and escrows	1,114,955	1,066,011
Tenant security deposits	<u>31,547</u>	<u>31,547</u>
Total cash and restricted cash, end of year	<u>\$ 7,828,540</u>	<u>\$ 5,914,828</u>

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, 2020 and 2019

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 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.
- **1300 Florida Avenue** - NSV owns and operates the Miriam’s House program that provides housing and services for 25 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.

NSV has adjusted operations to address the Covid-19 pandemic consistent with Washington DC Government and CDC guidance; these modifications remain in place as the public health crisis continues. Effective March 16, 2020, the Patricia Handy Place for Women emergency shelter began 24-hour operations in order to minimize the risk of contagion for residents. Bethany Women’s Center day program ceased operations entirely as of April 6, 2020, consistent with Washington DC government guidance regarding group gatherings.

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.

See independent auditor’s report.

N Street Village, Inc. & Subsidiaries

Notes to Consolidated Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

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

Nature of Business (Continued)

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 47% of the cost of providing its services during the year ended June 30, 2020. NSV received approximately 32% of its revenue from government grants and contracts for the year ended June 30, 2020. NSV received approximately 18% of its revenue from rental and service fee income for the year ended June 30, 2020.

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

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Organization are classified in the following two classes:

Net assets with donor restrictions consist of contributions that have been restricted by the donor for specific purposes or are time restricted, including contributions that have been restricted by the donor that stipulate the resources be maintained in perpetuity, but permit the Organization to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

See independent auditor's report.

N Street Village, Inc. & Subsidiaries

Notes to Consolidated Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

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

Basis of Presentation (Continued)

Net assets without donor restrictions represents funds that are available for support of the operations of the Organization, and that are not subject to donor stipulation.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets.

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, 2020 and 2019, the Organization's investment portfolio contains cash balances of \$2,765,507 and \$2,634,138, respectively, which are included in cash and cash equivalents – NSV internal reserves 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.

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, 2020 and 2019

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.

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, 2020 and 2019.

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, 2020 and 2019 was \$3,027 for each year. The estimated amortization expense related to the tax credit monitoring fees for each of the next five years is \$3,027 per year.

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.

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:

See independent auditor's report.

N Street Village, Inc. & Subsidiaries

Notes to Consolidated Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

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 four groups as follows:

- Net assets without donor restrictions – controlling - revenues and contributions received without donor-imposed or board designated restrictions and income/(loss) attributable to the managing member's interest in NSV Residential LLC. These net assets are available for the operations of the Organization.
- Net assets without donor restrictions – board designated – funds set aside by the board of directors as an internal reserve for NSV operations. During the year ended June 30, 2020, the Organization designated a quasi-endowment for the purpose of strategic or capital investment. Assets, income and capital gains are not to be used for routine operating expenses, but the quasi-endowment would provide a secondary source of liquidity in the event of a financial emergency.
- Net assets with donor restrictions - controlling – revenue and contributions subject to donor-imposed stipulations that will be met by actions of the Organization and/or the passage of time or maintained in perpetuity by NSV. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and change in net assets as net assets released from restrictions.
- Net assets without donor restrictions – 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, 2020 and 2019, the Organization received in-kind donations of professional services and other goods valued at \$215,769 and \$313,829, respectively, which are reported as in-kind donations in the accompanying consolidated statements of activities. During the years ended June 30, 2020 and 2019, the Organization also received approximately 7,316 and 8,456 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, 2020 and 2019

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

Revenue Recognition

NSV earns revenue from charitable donations from both corporations and individuals. All donations are considered contributions rather than contracts as commensurate value is not received by the donors. All donations received are unconditional in nature and are recognized as revenue when pledged. Donations are received both with and without donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose restrictions.

All grants are considered contributions rather than contracts as commensurate value is not received by the grantors. Grants received are both conditional and unconditional in nature. Revenue from conditional grants is recognized as the barriers established in the grant agreements are achieved. Revenue from unconditional grants is recognized when pledged. Grants are received both with and without donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose restrictions.

Special event revenue is considered contributions rather than contracts as commensurate value is not received by the attendees. Special event revenue is recognized net of benefits to attendees. All donations received in connection with special events are unconditional in nature and are recognized as revenue when pledged.

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.

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, 2020 and 2019. 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.

See independent auditor's report.

N Street Village, Inc. & Subsidiaries

Notes to Consolidated Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

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

Noncontrolling Interest

Net assets without donor restrictions - 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, 2020 and 2019 includes the investor member's equity balance of \$2,631,352 and \$3,166,170, respectively.

Reclassifications

Reclassifications have been made to the prior year balances to conform to the current year presentation.

2) Accounting Pronouncements Adopted

On July 1, 2019, the Organization adopted ASU No. 2016-18 – *Statement of Cash Flows (Topic 230): Restricted Cash*, which reduced diversity in practice in the classification and presentation of changes in restricted cash on the statement of cash flows by including restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling the beginning of year and end of total amounts shown on the statement of cash flows. The Organization adopted the provisions under this ASU on July 1, 2019 on a retrospective basis which resulted in an increase in beginning of year and period and end of year and period cash. Restricted cash was \$1,146,502 and \$1,097,558 as of June 30, 2020 and 2019, respectively, and therefore resulted in an increase in cash and restricted cash of was \$1,146,502 and \$1,097,558 as presented on the statements of cash flows as of June 30, 2020 and 2019, respectively.

On July 1, 2019, the Organization adopted ASU No. 2018-08 – *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made ("ASU 2018-08")*. ASU 2018-08 provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The guidance also helps determine whether a contribution is conditional and better distinguishes a donor-imposed condition from a donor-imposed restriction. The Organization has determined that the adoption of ASU 2018-08 did not result in a change to the way the Organization recognizes its revenue and there was no cumulative effect adjustment to beginning net assets.

3) Liquidity Analysis

As of June 30, 2020, the Organization has \$4,200,658 of current assets available to meet needs for general expenditures consisting of cash and cash equivalents of \$3,916,531, marketable securities of \$210,788 and tenant and other receivables of \$73,339. As of June 30, 2019, the Organization had \$6,966,266 of current assets available to meet needs for general expenditures consisting of cash and cash equivalents of \$4,817,270, marketable securities of \$2,075,528 and tenant and other receivables of \$73,468. None of the financial assets are subject to donor or other contractual restrictions. Accordingly, all such funds are available to meet the cash needs of the Organization in the next 12 months.

The Organization manages its liquidity by developing annual operating budgets, utilizing monthly cash flow projections and designating board reserves for specific and unanticipated needs. These disciplines ensure that sufficient funds are available for general expenditures as liabilities and obligations come due. As part of the Organization's liquidity management plan, excess cash is designated by the board to deposit in investment operating reserves. In general, the Organization aims to maintain sufficient financial assets on hand to meet at least two months worth of operating expenses.

See independent auditor's report.

N Street Village, Inc. & Subsidiaries

Notes to Consolidated Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

4) Reserves and Escrows Required by Lender and Operating Agreements

Reserves and escrows as of June 30, 2020 and 2019 are summarized as follows:

	2020	2019
Operating deficit reserve	\$ 432,164	\$ 465,901
Replacement reserve	351,174	257,239
Bond reserves	149,869	148,824
Transition reserve	18,765	18,622
Insurance escrow	123,028	122,599
Client escrow accounts	39,955	52,826
Total reserves and escrows	<u>\$ 1,114,955</u>	<u>\$ 1,066,011</u>

5) 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, 2020 and 2019:

	2020			2019		
	Cost	Fair value	Unrealized gain (loss)	Cost	Fair value	Unrealized gain (loss)
Mutual funds	\$ 2,491,221	\$ 3,240,602	\$ 749,381	\$ 2,447,988	\$ 3,053,295	\$ 605,307
Fixed income securities	18,981	22,759	3,778	18,981	22,168	3,187
Equities	-	62	62	-	65	65
Total	<u>\$ 2,510,202</u>	<u>\$ 3,263,423</u>	<u>\$ 753,221</u>	<u>\$ 2,466,969</u>	<u>\$ 3,075,528</u>	<u>\$ 608,559</u>

See independent auditor's report.

N Street Village, Inc. & Subsidiaries

Notes to Consolidated Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

6) Property and Equipment

Property and Equipment as of June 30, 2020 and 2019 consisted of the following:

	Useful lives	2020	2019
Building and improvements	15 - 40 years	\$ 26,192,147	\$ 26,177,529
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	1,003,263	995,608
		31,248,106	31,225,833
Less accumulated depreciation		(6,271,384)	(5,260,292)
Total		<u>\$ 24,976,722</u>	<u>\$ 25,965,541</u>

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, 2020 and 2019, trust receivable balances are as follows:

	2020	2019
Trust receivable, beginning	\$ 457,058	\$ 452,633
Change in fair value	(53,353)	4,425
Trust receivable, ending	<u>\$ 403,705</u>	<u>\$ 457,058</u>

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, 2020 and 2019. The line matures on May 20, 2022 with an option to renew.

See independent auditor's report.

N Street Village, Inc. & Subsidiaries

Notes to Consolidated Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

9) Mortgages and Notes Payable

Mortgages, loans and notes payable consisted of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</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, 2022. Interest expense of \$532 and \$929 was incurred and paid during the years ended June 30, 2020 and 2019, respectively.	16,336	25,288
A \$500,000 interest-free loan from DHCD was secured by a deed of trust on land and a building for the benefit of NSV Inc. Principal payments were due in monthly installments of \$1,389 through March 2020.	-	15,169
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 were not-interest bearing. NSV refinanced the note payable to LPMC on December 30, 2014 with a principal balance of \$2,100,000. The note bears interest at a rate of 2% per annum and payable upon maturity on December 31, 2020. The note may be extended for two additional 5-year periods. NSV is in the process of extending the note for an additional five years, to mature on December 31, 2025. Interest of \$42,000 was incurred for the years ending June 30, 2020 and 2019.	2,361,000	2,319,000

See independent auditor's report.

N Street Village, Inc. & Subsidiaries

Notes to Consolidated Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

9) Mortgages and Notes Payable (Continued)

	<u>2020</u>	<u>2019</u>
A note payable of \$1,100,000 due to the Community Foundation for the National Capital Region. The note was unsecured, non-interest bearing and payable in installments of \$375,000 due June 5, 2018, \$375,000 due June 5, 2019 and \$350,000 due June 5, 2020. The \$350,000 and \$375,000 payments due June 5, 2020 and 2019, respectively, were forgiven and are included in grants and contributions as of June 30, 2020 on the accompanying consolidated statements of activities.	\$ -	\$ 350,000

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 that 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. Accrued interest as of June 30, 2020 and 2019 is \$12,728 and \$12,978, respectively. Interest expense of \$184,627 and \$184,481 was incurred during the years ended June 30, 2020 and 2019, respectively, which includes amortized financing fees of \$7,844 during each year, and bond fees of \$22,662 and \$19,580, respectively.

	3,818,449	3,893,031
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N Street Village, Inc. & Subsidiaries

Notes to Consolidated Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

9) Mortgages and Notes Payable (Continued)

	<u>2020</u>	<u>2019</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. Accrued interest as of June 30, 2020 and 2019 is \$201,668 and 123,371, respectively. Interest expense of \$78,297 and \$74,497 was incurred during the years ended June 30, 2020 and 2019, respectively.	\$ 2,483,222	\$ 2,483,222

On April 28, 2020, the Organization received a Paycheck Protection Program loan from City First Bank of D.C., N.A. in the amount of \$675,440. There were no financing fees incurred related to this loan. The loan bears interest at a nominal rate of 1% per annum and matures on April 28, 2022. The loan is eligible to be forgiven so long as the Organization meets several criteria including maintenance of employees and salary levels, expenditure of at least 60% of the loan proceeds on payroll costs, and expenditure of the remainder of the proceeds on mortgage interest, rent and/or utilities.

	<u>\$ 675,440</u>	<u>\$ -</u>
Total mortgages and notes payable	10,097,911	9,829,174
Less: current portion of mortgages and notes payable	(88,847)	(450,329)
Less: unamortized financing fees	<u>(201,974)</u>	<u>(209,818)</u>
Mortgages and notes payable, net of current portion and unamortized financing fees	<u>\$ 9,807,090</u>	<u>\$ 9,169,027</u>

Total interest expense on mortgages and notes payable for the years ended June 30, 2020 and 2019 was \$305,456 and \$301,907, respectively, which includes amortized financing fees of \$7,844 during each year, and bond fees of \$22,662 and \$19,580, respectively.

See independent auditor's report.

N Street Village, Inc. & Subsidiaries

Notes to Consolidated Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

9) Mortgages and Notes Payable (Continued)

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

2021	\$ 88,847
2022	761,774
2023	84,308
2024	87,743
2025	91,318
Thereafter	<u>8,983,921</u>
Total mortgages and notes payable	<u>\$ 10,097,911</u>

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

10) Net Assets with Donor Restrictions

The components of net assets with donor restrictions as of June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Purpose restrictions		
Capital campaign	\$ 249,109	\$ 528,441
Wellness Center	60,874	259,830
Other purposes	<u>507,065</u>	<u>80,255</u>
Total purpose restrictions	817,048	868,526
Time restriction	<u>403,707</u>	<u>457,058</u>
Total net assets with donor restrictions	<u>\$ 1,220,755</u>	<u>\$ 1,325,584</u>

See independent auditor's report.

N Street Village, Inc. & Subsidiaries

Notes to Consolidated Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

11) Net Assets Released from Restrictions

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

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions		
Patricia Handy Place for Women	\$ 2,332,749	\$ 2,326,389
Other purposes	551,395	69,381
Recovery Housing	509,848	348,453
Erna's House	374,914	331,279
Capital campaign	279,332	1,210,713
Wellness Center	238,706	46,670
Phyllis Wheatley YWCA	169,676	105,546
Miriam's House	144,223	158,107
Helping Hand	98,344	64,881
Education and Employment Center	66,000	7,500
Permanent supportive housing	61,964	50,872
Luther Place Night Shelter	-	47,842
Bethany Women's Center	5,700	14,460
	<u>4,832,851</u>	<u>4,782,093</u>
Total release of purpose restrictions	4,832,851	4,782,093
Satisfaction of time restriction	<u>-</u>	<u>-</u>
	<u>\$ 4,832,851</u>	<u>\$ 4,782,093</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.

See independent auditor's report.

N Street Village, Inc. & Subsidiaries

Notes to Consolidated Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

13) Pension Plan

NSV has a 403(b) retirement plan that covers employees meeting certain eligibility requirements. During the years ended June 30, 2020 and 2019, NSV provided matching funds of \$32,175 and \$31,825, respectively, to participants in the plan.

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

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, 2020 and 2019, management fees totaling \$16,206 and \$16,145, 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, 2020 and 2019.

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, 2020 and 2019, management fees totaling \$92,340 and \$82,997, 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, 2020 and 2019.

See independent auditor's report.

N Street Village, Inc. & Subsidiaries

Notes to Consolidated Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

16) Commitments and Contingencies (Continued)

Property Management Agreements (Continued)

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, 2020 and 2019, management fees totaling \$18,991 and \$20,049, 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, 2020 and 2019.

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, 2020 and 2019, asset management fees of \$5,192 and \$5,115, respectively, were incurred and paid.

Purchase Option and Right of First Refusal

NSV Residential LLC’s Operating Agreement provides NSV 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 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:

- Operating Deficit Guaranty – The obligation to provide funds to cover any Operating Deficit after Breakeven Operations and continuing for three years, with expiration on July 31, 2020, 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, 2020 and 2019, no advances have been made under this guarantee.

See independent auditor’s report.

N Street Village, Inc. & Subsidiaries

Notes to Consolidated Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

17) Guarantees (Continued)

- 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, 2020 and 2019, no advances have been made under this guarantee.

18) Business Risk Factor

The Organization could potentially be affected by natural disasters, public health crisis, such as pandemics and epidemics, or other events outside of their control, which could cause their business and operating results to suffer.

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 auditor’s report date, the date the consolidated financial statements were available to be issued. Management has determined that no events require disclosure in the consolidated financial statements.

See independent auditor’s report.

N Street Village, Inc. & Subsidiaries

Consolidating Statements of Financial Position
As of June 30, 2020

	N Street Village, Inc.	NSV Residential LLC	Miriam's House LLC	Eliminations	Total
Current assets					
Cash and cash equivalents	\$ 3,639,114	\$ 175,971	\$ 101,446	\$ -	\$ 3,916,531
Cash and cash equivalents - NSV internal reserves	2,765,507	-	-	-	2,765,507
Grants receivable	663,216	-	-	-	663,216
Pledges receivable	288,500	-	-	-	288,500
Tenant and other receivables	1,036,000	46,872	23,157	(1,032,690)	73,339
Prepaid expenses	80,681	936	252	-	81,869
Investments	3,263,423	-	-	-	3,263,423
Total current assets	<u>11,736,441</u>	<u>223,779</u>	<u>124,855</u>	<u>(1,032,690)</u>	<u>11,052,385</u>
Noncurrent assets					
Reserves and escrows	107,224	815,210	192,521	-	1,114,955
Tenant security deposits	-	31,547	-	-	31,547
Property and equipment, net of accumulated depreciation of \$6,271,384	7,486,935	14,192,016	3,687,371	(389,600)	24,976,722
Tax credit fees, net of accumulated amortization of \$12,864	-	32,536	-	-	32,536
Trust receivable	403,705	-	-	-	403,705
Notes receivable from subsidiaries	5,524,184	-	-	(5,524,184)	-
Due from affiliate	2,753,970	5,971	-	(2,759,941)	-
Total noncurrent assets	<u>16,276,018</u>	<u>15,077,280</u>	<u>3,879,892</u>	<u>(8,673,725)</u>	<u>26,559,465</u>
Total assets	<u>\$ 28,012,459</u>	<u>\$ 15,301,059</u>	<u>\$ 4,004,747</u>	<u>\$ (9,706,415)</u>	<u>\$ 37,611,850</u>

See independent auditor's report.

N Street Village, Inc. & Subsidiaries

Consolidating Statements of Financial Position (Continued)

As of June 30, 2020

	N Street Village, Inc.	NSV Residential LLC	Miriam's House LLC	Eliminations	Total
Current liabilities					
Accounts payable and accrued expenses	\$ 225,020	\$ 1,265,521	\$ 65,932	\$ (1,070,276)	\$ 486,197
Accrued salary and related expenses	350,167	13,943	1,572	-	365,682
Mortgages and notes payable, current portion	-	77,837	11,010	-	88,847
Tenant security deposits and prepaid rent	40,480	55,275	29,019	-	124,774
Total current liabilities	<u>615,667</u>	<u>1,412,576</u>	<u>107,533</u>	<u>(1,070,276)</u>	<u>1,065,500</u>
Noncurrent liabilities					
Mortgages and notes payable, net of current portion and unamortized financing fees of \$201,974	3,036,440	6,021,860	748,790	-	9,807,090
Notes payable to subsidiaries	-	5,235,492	256,047	(5,491,539)	-
Due to affiliate	-	-	2,755,000	(2,755,000)	-
Total noncurrent liabilities	<u>3,036,440</u>	<u>11,257,352</u>	<u>3,759,837</u>	<u>(8,246,539)</u>	<u>9,807,090</u>
Total liabilities	<u>3,652,107</u>	<u>12,669,928</u>	<u>3,867,370</u>	<u>(9,316,815)</u>	<u>10,872,590</u>
Net assets					
Net assets without donor restrictions					
Net assets without donor restrictions - controlling	17,953,990	(221)	137,377	(389,600)	17,701,546
Net assets without donor restrictions - board designated	5,185,607	-	-	-	5,185,607
Net assets without donor restrictions - noncontrolling	-	2,631,352	-	-	2,631,352
Total net assets without donor restrictions	<u>23,139,597</u>	<u>2,631,131</u>	<u>137,377</u>	<u>(389,600)</u>	<u>25,518,505</u>
Net assets with donor restrictions	<u>1,220,755</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,220,755</u>
Total net assets	<u>24,360,352</u>	<u>2,631,131</u>	<u>137,377</u>	<u>(389,600)</u>	<u>26,739,260</u>
Total liabilities and net assets	<u>\$ 28,012,459</u>	<u>\$ 15,301,059</u>	<u>\$ 4,004,747</u>	<u>\$ (9,706,415)</u>	<u>\$ 37,611,850</u>

See independent auditor's report.

N Street Village, Inc. & Subsidiaries

Consolidating Statements of Activities
For the Year Ended June 30, 2020

	N Street Village, Inc.	NSV Residential LLC	Miriam's House LLC	Eliminations	Consolidated
Revenue and support					
Grants and contributions	\$ 4,351,896	\$ -	\$ -	\$ -	\$ 4,351,896
Rental and service fee income	377,694	1,545,216	268,241	-	2,191,151
Government contracts and grants	3,916,581	-	-	-	3,916,581
Special events revenue, net of benefit to attendees of \$386,681	1,378,470	-	-	-	1,378,470
In-kind contributions	215,769	-	-	-	215,769
Other revenue	294,388	-	-	(210,000)	84,388
Total revenue and support	<u>10,534,798</u>	<u>1,545,216</u>	<u>268,241</u>	<u>(210,000)</u>	<u>12,138,255</u>
Expenses					
Program services	7,552,097	2,085,890	347,500	(474,453)	9,511,034
Management and general	1,062,246	-	-	-	1,062,246
Fundraising	1,052,923	-	-	-	1,052,923
Total expenses	<u>9,667,266</u>	<u>2,085,890</u>	<u>347,500</u>	<u>(474,453)</u>	<u>11,626,203</u>
Change in net assets before non-operational activities and noncontrolling interest in net assets of a subsidiary	<u>867,532</u>	<u>(540,674)</u>	<u>(79,259)</u>	<u>264,453</u>	<u>512,052</u>
Non-operational activity					
Change in value of trust	(53,353)	-	-	-	(53,353)
Investment and interest income	301,302	5,803	-	(253,749)	53,356
Realized gain (loss) on investments	41,197	-	-	-	41,197
Unrealized gain (loss) on investments	144,662	-	-	-	144,662
Total non-operational activity	<u>433,808</u>	<u>5,803</u>	<u>-</u>	<u>(253,749)</u>	<u>185,862</u>
Change in net assets	<u>1,301,340</u>	<u>(534,871)</u>	<u>(79,259)</u>	<u>10,704</u>	<u>697,914</u>
Less: change in net assets - noncontrolling	<u>-</u>	<u>534,818</u>	<u>-</u>	<u>-</u>	<u>534,818</u>
Change in net assets - controlling and board designated	<u>\$ 1,301,340</u>	<u>\$ (53)</u>	<u>\$ (79,259)</u>	<u>\$ 10,704</u>	<u>\$ 1,232,732</u>

See independent auditor's report.

N Street Village, Inc. & Subsidiaries

Consolidating Statements of Financial Position
As of June 30, 2019

	N Street Village, Inc.	NSV Residential LLC	Miriam's House LLC	Eliminations	Total
Current assets					
Cash and cash equivalents	\$ 1,839,869	\$ 250,764	\$ 92,499	\$ -	\$ 2,183,132
Cash and cash equivalents - NSV internal reserves	2,634,138	-	-	-	2,634,138
Grants receivable	304,673	-	-	-	304,673
Pledges receivable	492,084	-	-	-	492,084
Tenant and other receivables	790,990	43,882	25,218	(786,622)	73,468
Prepaid expenses	143,040	3,469	252	-	146,761
Investments	3,075,528	-	-	-	3,075,528
Total current assets	<u>9,280,322</u>	<u>298,115</u>	<u>117,969</u>	<u>(786,622)</u>	<u>8,909,784</u>
Noncurrent assets					
Reserves and escrows	99,782	802,024	164,205	-	1,066,011
Tenant security deposits	-	31,547	-	-	31,547
Property and equipment, net of accumulated depreciation of \$5,260,292	7,987,593	14,597,364	3,780,887	(400,303)	25,965,541
Tax credit fees, net of accumulated amortization of \$9,837	-	35,563	-	-	35,563
Trust receivable	457,058	-	-	-	457,058
Notes receivable from subsidiaries	5,516,503	-	-	(5,516,503)	-
Due from subsidiaries	2,953,970	-	-	(2,953,970)	-
Total noncurrent assets	<u>17,014,906</u>	<u>15,466,498</u>	<u>3,945,092</u>	<u>(8,870,776)</u>	<u>27,555,720</u>
Total assets	<u>\$ 26,295,228</u>	<u>\$ 15,764,613</u>	<u>\$ 4,063,061</u>	<u>\$ (9,657,398)</u>	<u>\$ 36,465,504</u>

See independent auditor's report.

N Street Village, Inc. & Subsidiaries

Consolidating Statements of Financial Position (Continued)

As of June 30, 2019

	N Street Village, Inc.	NSV Residential LLC	Miriam's House LLC	Eliminations	Total
Current liabilities					
Accounts payable and accrued expenses	\$ 164,452	\$ 943,147	\$ 50,729	\$ (816,526)	\$ 341,802
Accrued salary and related expense	334,244	8,310	1,090	-	343,644
Current portion of mortgages and notes payable	365,169	74,790	10,370	-	450,329
Tenant security deposits and prepaid rent	53,351	51,198	14,807	-	119,356
Total current liabilities	<u>917,216</u>	<u>1,077,445</u>	<u>76,996</u>	<u>(816,526)</u>	<u>1,255,131</u>
Noncurrent liabilities					
Mortgages and notes payable, net of current portion and unamortized financing fees of \$209,818	2,319,000	6,091,645	758,382	-	9,169,027
Notes payable to subsidiaries	-	5,235,492	256,047	(5,491,539)	-
Due to subsidiaries	-	194,029	2,755,000	(2,949,029)	-
Total noncurrent liabilities	<u>2,319,000</u>	<u>11,521,166</u>	<u>3,769,429</u>	<u>(8,440,568)</u>	<u>9,169,027</u>
Total liabilities	<u>3,236,216</u>	<u>12,598,611</u>	<u>3,846,425</u>	<u>(9,257,094)</u>	<u>10,424,158</u>
Net assets					
Net assets without donor restrictions					
Net assets without donor restrictions - controlling	21,365,963	(168)	216,636	(400,304)	21,182,127
Net assets without donor restrictions - board designated	367,465	-	-	-	367,465
Net assets without donor restrictions - noncontrolling	-	3,166,170	-	-	3,166,170
Total net assets without donor restrictions	<u>21,733,428</u>	<u>3,166,002</u>	<u>216,636</u>	<u>(400,304)</u>	<u>24,715,762</u>
Net assets with donor restrictions	<u>1,325,584</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,325,584</u>
Total net assets	<u>23,059,012</u>	<u>3,166,002</u>	<u>216,636</u>	<u>(400,304)</u>	<u>26,041,346</u>
Total liabilities and net assets	<u>\$ 26,295,228</u>	<u>\$ 15,764,613</u>	<u>\$ 4,063,061</u>	<u>\$ (9,657,398)</u>	<u>\$ 36,465,504</u>

See independent auditor's report.

N Street Village, Inc. & Subsidiaries

Consolidating Statements of Activities
For the Year Ended June 30, 2019

	N Street Village, Inc.	NSV Residential LLC	Miriam's House LLC	Eliminations	Consolidated
Revenue and support					
Grants and contributions	\$ 2,334,883	\$ -	\$ -	\$ -	\$ 2,334,883
Rental and service fee income	373,787	1,411,751	278,928	-	2,064,466
Government contracts and grants	3,306,788	-	-	-	3,306,788
Special events revenue, net of benefit to attendees of \$458,268	1,473,667	-	-	-	1,473,667
In-kind contributions	313,829	-	-	-	313,829
Developer fee revenue	605,589	-	-	(370,315)	235,274
Other revenue	237,341	-	-	(210,000)	27,341
Total revenue and support	<u>8,645,884</u>	<u>1,411,751</u>	<u>278,928</u>	<u>(580,315)</u>	<u>9,756,248</u>
Expenses					
Program services	7,220,103	1,985,034	329,367	(490,389)	9,044,115
Management and general	907,574	-	-	-	907,574
Fundraising	1,045,027	-	-	-	1,045,027
Total expenses	<u>9,172,704</u>	<u>1,985,034</u>	<u>329,367</u>	<u>(490,389)</u>	<u>10,996,716</u>
Change in net assets before non-operational activities and noncontrolling interest in net assets of a subsidiary	<u>(526,820)</u>	<u>(573,283)</u>	<u>(50,439)</u>	<u>(89,926)</u>	<u>(1,240,468)</u>
Non-operational activity					
Change in value of trust	4,425	-	-	-	4,425
Investment and interest income	280,266	2,511	-	(253,749)	29,028
Realized gain on investments	38,958	-	-	-	38,958
Unrealized gain (loss) on investments	131,890	-	-	-	131,890
Total non-operational activity	<u>455,539</u>	<u>2,511</u>	<u>-</u>	<u>(253,749)</u>	<u>204,301</u>
Change in net assets	<u>(71,281)</u>	<u>(570,772)</u>	<u>(50,439)</u>	<u>(343,675)</u>	<u>(1,036,167)</u>
Less: change in net assets - noncontrolling	<u>-</u>	<u>570,715</u>	<u>-</u>	<u>-</u>	<u>570,715</u>
Change in net assets - controlling and board designated	<u>\$ (71,281)</u>	<u>\$ (57)</u>	<u>\$ (50,439)</u>	<u>\$ (343,675)</u>	<u>\$ (465,452)</u>

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