

**MARSHALL HEIGHTS COMMUNITY DEVELOPMENT ORGANIZATION, INC.
AND SUBSIDIARY**

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED SEPTEMBER 30, 2017
(with comparative totals for 2016)**

***F.S. Taylor & Associates, P.C.
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F. S. TAYLOR & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Marshall Heights Community Development Organization, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Marshall Heights Community Development Organization, Inc. ("MHCDO"), which comprise the consolidated statement of financial position as of September 30, 2017, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 of 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe 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 in the first paragraph present fairly, in all material respects, the financial position of MHCDO and subsidiary as of September 30, 2017, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative information

We have previously audited the MHCDO's 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 29, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 15 -16 is presented for purposes of additional analysis of the consolidated financial statements 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 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

J. S. Taylor & Associates, P.C.

August 13, 2018

MARSHALL HEIGHTS COMMUNITY DEVELOPMENT ORGANIZATION, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 383,780	\$ 48,200
Accounts receivable (Note 11)	629,780	-
Contracts and grants receivable (Note 3)	17,016	14,396
Other current assets	5,688	5,688
Total current assets	<u>1,036,264</u>	<u>68,284</u>
Property and equipment, net (Note 4)	1,689,011	1,787,909
Other assets:		
Investments (Note 6)	100	603,873
Assets held for development (Note 5)	394,360	394,360
Other assets	8,875	7,184
Total other assets	<u>403,335</u>	<u>1,005,417</u>
Total assets	<u><u>\$ 3,128,610</u></u>	<u><u>\$ 2,861,610</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 318,934	\$ 317,699
Real estate taxes payable (Note 5)	394,360	394,360
Notes payable, current portion (Note 7)	30,689	400,521
Advances from affiliates (Note 8)	-	5,707
Other payable (Note 9)	162,000	162,000
Other current liabilities	14,893	14,893
Total current liabilities	<u>920,876</u>	<u>1,295,180</u>
Long term debt, net of current portion:		
Notes payable (Note 7)	<u>923,515</u>	<u>551,819</u>
Total long-term debt liabilities	<u>923,515</u>	<u>551,819</u>
Total liabilities	<u>1,844,391</u>	<u>1,846,999</u>
Net assets:		
Unrestricted	<u>1,284,219</u>	<u>1,014,611</u>
Total net assets	<u>1,284,219</u>	<u>1,014,611</u>
Total liabilities and net assets	<u><u>\$ 3,128,610</u></u>	<u><u>\$ 2,861,610</u></u>

SEE NOTES TO THE FINANCIAL STATEMENTS.

MARSHALL HEIGHTS COMMUNITY DEVELOPMENT ORGANIZATION, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>SUPPORT AND REVENUE</u>		
Support:		
Contracts and grants - other	\$ 123,436	\$ 61,667
Other income	147,763	12,174
Total support	<u>271,199</u>	<u>73,841</u>
Revenue:		
Rental income	737,366	711,734
Service revenue	41,903	48,773
Gain/(loss) on investment (Note 11)	292,522	(279,548)
Other income	1,447	33,367
Total revenue	<u>1,073,238</u>	<u>514,326</u>
Total support and revenue	<u>1,344,437</u>	<u>588,167</u>
 <u>EXPENSES</u>		
Program services:		
Transitional housing	416,244	232,041
Internal rental program	153,611	
Other programs	341,126	145,199
	<u>910,981</u>	<u>377,240</u>
Supporting services:		
General and administrative	163,848	550,545
Total expenses	<u>1,074,829</u>	<u>927,785</u>
 Increase (decrease) in net assets	269,608	(339,618)
 Net assets, beginning of year	<u>1,014,611</u>	<u>1,354,229</u>
 Net assets, end of year	<u><u>\$ 1,284,219</u></u>	<u><u>1,014,611</u></u>

SEE NOTES TO THE FINANCIAL STATEMENTS.

MARSHALL HEIGHTS COMMUNITY DEVELOPMENT ORGANIZATION, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Increase (decrease) in net assets	\$ 269,608	(339,618)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Investment (income)/loss	603,773	279,548
Amortization and depreciation	121,988	120,689
Decrease in operating assets:		
Grants receivable	(2,620)	(1,043)
Accounts receivable	(629,780)	
Other assets	(1,691)	3,305
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	1,235	(13,616)
Real estate taxes payable	-	(25,280)
Advances from affiliates	(5,707)	(6,056)
Net cash (used in)provided by operating activities	<u>356,806</u>	<u>17,929</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Aquisition (disposition) of furniture, equipment and other assets - net	<u>(23,090)</u>	<u>30,780</u>
Net cash provided by investing activities	(23,090)	30,780
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Payment/proceeds on notes payable	<u>1,864</u>	<u>(19,208)</u>
Net cash (used in) financing activities	<u>1,864</u>	<u>(19,208)</u>
Net increase in cash and cash equivalents	335,580	29,501
Cash and cash equivalents, beginning of year	<u>48,200</u>	<u>18,699</u>
Cash and cash equivalents, end of year	<u><u>\$ 383,780</u></u>	<u><u>48,200</u></u>
<u>SUPPLEMENTAL CASH FLOW INFORMATION</u>		
Interest paid	<u><u>\$ 63,027</u></u>	<u><u>\$ 51,156</u></u>

SEE NOTES TO THE FINANCIAL STATEMENTS.

MARSHALL HEIGHTS COMMUNITY DEVELOPMENT ORGANIZATION, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017 (with comparative totals for 2016)

	MARSHALL HEIGHTS COMMUNITY DEVELOPMENT ORGANIZATION								
	Program Services				Supporting Services		Subsidiary	2017	2016
	Transitional Housing	Internal Rental Program	Other Programs	Total	General and Administration	MHCDO Total	Greentree Corporation	Consolidated Total	Consolidated Total
Salaries	\$ 97,105	\$ 21,709	\$ 78,979	\$ 197,793	\$ 59,038	\$ 256,831	\$ -	\$ 256,831	\$ 271,408
Payroll taxes and fringe benefits	21,191	3,256	7,988	32,435	19,637	52,072		52,072	41,823
Advertisement/marketing			2,090	2,090		2,090		2,090	-
Bank charges				-	1,716	1,716	538	2,254	2,520
Bonus				-	950	950		950	-
Consulting/outside services	15,569	10,380	6,000	31,949	19,949	51,898	375	52,273	63,354
Postage and courier services				-	273	273		273	280
Depreciation expense	59,210	38,347		97,557	9,586	107,143	14,845	121,988	120,689
Equipment expense				-	10,455	10,455	2,410	12,865	-
Event costs			4,180	4,180		4,180	268	4,448	1,097
Insurance	9,500	6,500		16,000	4,731	20,731		20,731	20,359
Interest expense		16,355		16,355	4,089	20,444	48,894	69,338	51,156
License, filing, loan/grant and other fees				-	3,027	3,027	75	3,102	30,957
Material and supplies			3,030	3,030	3,425	6,455		6,455	6,517
Meeting cost				-	1,559	1,559		1,559	591
Payroll processing fee				-	5,414	5,414		5,414	4,707
Settlement and closing costs				-		-	11,825	11,825	15,070
Project expenses	213,669			213,669		213,669		213,669	232,042
Space costs		20,404		20,404	5,000	25,404		25,404	14,785
Stipend			390	390		390		390	-
Telephone/fax		6,168		6,168	5,700	11,868		11,868	10,466
Travel			1,646	1,646		1,646		1,646	1,720
Utilities		21,200		21,200	5,511	26,711		26,711	23,497
Contributions				-		-	147,742	147,742	
Vehicle maintenance, repair and registration				-	250	250	1,370	1,620	4,250
Miscellaneous expenses		9,292	1,738	11,030	3,538	14,568	6,743	21,311	10,497
Total expenses	\$ 416,244	\$ 153,611	\$ 106,041	\$ 675,896	\$ 163,848	\$ 839,744	\$ 235,085	\$ 1,074,829	\$ 927,785

SEE NOTES TO THE FINANCIAL STATEMENTS.

**MARSHALL HEIGHTS COMMUNITY DEVELOPMENT ORGANIZATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 – ORGANIZATION

Marshall Heights Community Development Organization

Marshall Heights Community Development Organization, Inc. (MHCDO), a non-profit community based organization, was formed in 1978 to promote housing, business and human development within the Ward 7 community of the District of Columbia.

Greentree Corporation

These consolidated financial statements include MHCDO and Greentree Corporation (Greentree). Greentree Corporation (Greentree) was a non-profit organization incorporated in Washington, DC in 1996 and is seeking the re-instatement of its non-profit status. Greentree is organized exclusively for charitable and educational purposes which conducts and supports activities of MHCDO. Greentree's primary activity is leasing its property located at 3732 Minnesota Avenue, NE, Washington, DC.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - MHCDO prepares its financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses are recorded when incurred.

Basis of presentation – In accordance with FASB ASC 958, MHCDO is required to report information regarding its financial position and activities according to three classes of net assets based upon the existence of donor imposed restrictions. A description of the three net asset categories follows:

- **Permanently Restricted** – the portion of the net assets resulting from contributions and other inflows of assets which use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled and removed by actions of MHCDO pursuant to those stipulations.
- **Temporarily Restricted** – the portion of the net assets resulting from contributions or other inflows of assets which use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of MHCDO pursuant to those stipulations.
- **Unrestricted** – the portion of net assets that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

At September 30, 2017, MHCDO does not have temporarily or permanently restricted net assets.

Income taxes - MHCDO is exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code (Code). It is also exempt from state income taxes in the District of Columbia. MHCDO has adopted the accounting for uncertainty in income taxes as required by *Income Taxes (Topic 74)* of the FASB Accounting Standards Codification. MHCDO has analyzed its position, and has concluded that no liability for unrecognized tax benefits should be recorded related to any uncertain tax provision.

MARSHALL HEIGHTS COMMUNITY DEVELOPMENT ORGANIZATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Cash and cash equivalents – For the purpose of presentation in MHCDO's statement of cash flows, cash equivalents are short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash and (b) so near to maturity that they represent insignificant risk of changes in value due to changing interest rates, typically with original maturities of less than 90 days.

Financial instruments - Management MHCDO believes the carrying amount of its financial instruments approximates fair value.

Property and equipment – Purchased property and equipment are stated at cost. Donated property and equipment are stated at fair market value at the time of donation. MHCDO used the straight-line method of depreciation over the estimated useful lives of the assets ranging from five years for furniture and equipment to thirty years for real property. Assets which cost in excess of \$250 are capitalized.

Assets held for development – MHCDO has real properties that are held for development and are stated at cost, which is not in excess of net realizable value. Cost includes land, land development, and certain costs incurred during the pre-construction and construction period.

Contributions - Contributions are recorded when awarded or pledged and classified as unrestricted or temporarily restricted support depending on the existence and/or nature of any donor restrictions. Temporarily restricted contributions whose restrictions are fulfilled in the same period are recorded as unrestricted support in the statement of activities. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contracts and grants – Contracts and grants receivable at fiscal year-end represents amounts earned but not received from the funding source; refundable advances represent amounts of the grant or contract received but not yet earned. For exchange transactions, revenue for grants and cost-reimbursable contracts with federal, state and local governments is recorded when the related costs are incurred. Revenue for fixed-rate contracts is recognized based on the number of units serviced at the negotiated rate per unit.

Investments – Investments in companies in which MHCDO has less than 20% interest are carried at cost. Investments in companies in which the MHCDO has 20% to 50% interest are accounted for using the equity method of accounting; investments are carried at cost, adjusted for MHCDO's proportionate share of their undistributed earnings or losses. Dividends received from those companies are included in investment income. Dividends received in excess of MHCDO's proportionate share of accumulated earnings are applied as a reduction of the cost of the investment.

MARSHALL HEIGHTS COMMUNITY DEVELOPMENT ORGANIZATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Bad debt expense – Accounts receivable are recorded at the amount management expects to collect on balances outstanding at year end. Management closely monitors balances and writes off, as of year-end, any balances that are considered to be uncollectible. MHCDO uses the direct write-off method of accounting for uncollectible accounts receivable. The difference between MHCDO using the direct write-off method and MHCDO having used the allowance for doubtful accounts is immaterial.

Donated services and facilities - MHCDO receives substantial amounts of services contributed by the Board and others as well as contributed materials used toward the fulfillment of program objectives which have not been recorded in these financial statements.

Functional allocation of expenses - The costs of providing services to the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among programs and supporting services benefited.

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

Subsequent events - In preparing these financial statements, management of MHCDO evaluated events and transactions that occurred after September 30, 2017, for potential recognition or disclosure in the financial statements. These events and transactions were evaluated through August 13, 2018, the date that the financial statements were available to be issued.

Reclassification – Certain amounts from the prior year have been reclassified to conform to the current year financial statement presentation.

NOTE 3 – CONTRACTS/GRANTS RECEIVABLE

At September 30, 2017 and 2016, MHCDO has not received grant revenue of \$17,016 and \$14,396 from the District of Columbia Department of Housing and Community Development.

MARSHALL HEIGHTS COMMUNITY DEVELOPMENT ORGANIZATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at September 30:

<u>MHCDO</u>	<u>2017</u>	<u>2016</u>
Land - 3939 Benning Road	\$ 505,740	\$ 505,740
Land - SRO Transitional Housing	89,635	89,635
Building - 3939 Benning Road	1,361,348	1,361,348
Building - SRO Transitional Housing	1,534,029	1,534,029
Furniture and equipment	620,456	542,565
Equipment under capital lease obligation	183,000	183,000
Total	4,294,208	4,216,317
Less: Accumulated depreciation	(2,887,046)	(2,725,102)
MHCDO property and equipment, net	1,407,162	1,491,215
<u>Greentree Corporation</u>		
Land and building:		
3732 Minnesota Ave NE	511,135	511,135
Less: accumulated depreciation	(229,286)	(214,441)
Greentree Corporation property, net	281,849	296,694
Total property and equipment, net	\$ 1,689,011	\$ 1,787,909

Depreciation expense as of September 30, 2017 and 2016 was \$121,988 and \$120,689, respectively.

NOTE 5 – ASSETS HELD FOR DEVELOPMENT

Assets held for development at September 30, 2017 and 2016 for Hilltop Terrace was \$394,360 and included certain project costs such as predevelopment activities, land and land development.

At September 30, 2017, these properties were subject to liens for unpaid property taxes, interest and penalties. MHCDO has recorded a real estate taxes payable of \$394,360. On May 30, 2018, MHCDO and the District of Columbia Department of Housing and Community Development, ("DHCD") entered into an agreement on a settlement to liquidate the liability. DHCD has agreed to accept \$451,643 as full payment of the taxes due, 30% of any interest accrued and waive any penalties, if MHCDO pays all installments on time and the final payment by August 15, 2019.

MARSHALL HEIGHTS COMMUNITY DEVELOPMENT ORGANIZATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 6 – INVESTMENTS

At September 30, 2017 and 2016, MHCDO had the following investments in for-profit entities:

	<u>2017</u>	<u>2016</u>
On June 29, 1995, through a joint venture with a commercial real estate developer, MHCDO established Greenway Development Limited Partnership (GDLP). MHCDO has a 50% ownership interest in GDLP. GDLP was formed to provide working capital to redevelop an apartment complex into home ownership and rental units. Through a recoverable grant of \$1,500,000 from the Cafritz Foundation, the investment of \$1,500,000 was recorded at cost. On May 31, 2017, the partnership asset was sold and the partnership was terminated as of September 30, 2017 MHCDO ownership interest in GDLP is 0%. MHCDO reported a GDLP gain on investment of \$290,031 for the sale of the asset.	\$ -	\$ 603,773
MHCDO Mayfair Mansion, Inc. (MMMI) was formed in May 2006 and is a wholly-owned subsidiary of MHCDO. MMMI owns 35% of Mayfiar Mansions Rental GP LLC. Mayfair Mansions Rental GP LLC is a .01% co-general partner in Mayfair Mansions Limited Partnership (MMLP) and supervises the property management of MMLP. MMLP was formed in the District of Columbia on April 26, 2006, with the purpose of acquiring and owning Mayfair Mansions Apartments, a multi-family rental property located at 3819 Jay Street, NE, Washington, DC. Mayfair Mansions, a 409 unit complex, was purchased in 2006 by a joint ownership entity consisting of CPDC and MHCDO. The redevelopment of the property began in October 2007. The residents initiated the process when organized as the Mayfair Mansions 2005 Tenant Association, Inc., they exercised their rights under DC law to purchase the property. The Association selected CPDC and MHCDO to acquire and rehabilitate the property and to maintain it as affordable housing.	100	100
	<u>\$ 100</u>	<u>\$ 603,873</u>

MARSHALL HEIGHTS COMMUNITY DEVELOPMENT ORGANIZATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 7 – NOTES PAYABLE

At September 30, 2017 and 2016, notes payable were as follows:

	<u>2017</u>	<u>2016</u>
On August 11, 2015, MHCDO has secured a note of \$275,000 with United Bank which was used to liquidate a first deed of trust note with Citibank CDC and a line of credit of \$100,000 which is used as working capital. The note is collateralized by a first deed of trust on 3939 Benning Road NE (the office building). The note will bear interest until the 7th anniversary date at a fixed rate of 5 1/2%. The note will bear interest after the 7th anniversary until maturity at a fixed annual rate equal to the three year interest rate of FHLBA prevailing plus 3%. The note is amortized over 25 years and repaid using that amortization. The balance on the note payable at September 30, 2017 is \$264,445.	\$ 264,465	\$ 264,443
MHCDO has a secured, 1% note payable to the Enterprise Foundation in the original amount of \$500,000. The loan, collateralized by the property located at 4425 Nannie Helen Burroughs Avenue N.E., Washington, DC, is non-recourse to the borrower. The note, dated February 4, 1995, is due February 14, 2022. Monthly installments of interest and principal in the amount of \$1,884 were made towards the loan up to February 2002 and only monthly principal payments of \$1,167 are required thereafter. A replacement reserve required by the agreement has not been funded for fiscal year ended September 30, 2017.	299,034	313,034
Greentree had a secured, 7% note payable to the Hospitality Community Federal Credit Union in the original amount of \$450,000. The loan is collateralized by the by the property located at 3732 Minnesota Avenue N.E., Washington, DC. The note, dated October 2, 2008, was due October 2, 2013. On June 1, 2011, Hospitality Community Federal Credit Union merged into Transit Employees Federal Credit Union ("TEFCU") and became the owner of the note and the beneficiary under the deed of trust. As of March 5, 2016, the parties acknowledge and agree that the balance due is \$400,205 and is due December 5, 2016. The monthly installments of interest and principal in the amount of \$2,994 is due each month beginning on March 5, 2016. This loan was refinanced with TEFCU on February 10, 2017, for \$393,000 and is due February 10, 2047. The monthly installments of interest, principal and escrow in the amount of \$3,738 is due each month beginning March 10, 2017.	390,705	374,863
Total notes payable	954,204	\$ 952,340
Less current portion	(30,689)	(400,521)
Note payable, net of current portion	<u>\$ 923,515</u>	<u>\$ 551,819</u>

MARSHALL HEIGHTS COMMUNITY DEVELOPMENT ORGANIZATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 7 – NOTES PAYABLE (CONTINUED)

Principal maturities of notes payable were as follows as of September 30:

2018	\$	30,589
2019		31,786
2020		32,928
2021		30,471
2022		29,569
After 2022		798,861
	\$	<u>954,204</u>

NOTE 8 – RELATED PARTY TRANSACTIONS

- During the year ended September 30, 1998, MHCDO received land located at 3939 Benning Road, N.E., Washington, DC, donated by ERP, Inc. The fair market value of the land donation was recorded at \$505,740. The land was used to develop MHCDO headquarters.
- The board of directors of Greentree Corporation has adopted a resolution to forgive the loan in the amount of \$147,742 made to MHCDO effective September 30, 2017. At September 30, 2017 and 2016, MHCDO owed \$-0- and \$123,142, respectively, to Greentree Corporation.

NOTE 9 – OTHER PAYABLE

At September 30, 2017, MHCDO has recorded a payable balance of \$162,000. In FY 2007, MHCDO received an unsecured loan of \$262,000 from the Unitarian Universalist and Affordable Housing Corporation (UUAHC). The loan bears interest at 8% with quarterly payment of interest only and was due on December 31, 2009. At September 30, 2017 and 2016, the outstanding balance of \$162,000 remains outstanding. No interest has been accrued; management has been unable to locate UUAHC.

NOTE 10 – GAIN/LOSS ON INVESTMENT

- On March 31, 2017, the assets of Greenway Development LP were sold. As of September 30, 2017 MHCDO's ownership interest in Greenway Development LP is 0%. MHCDO recorded a gain on the disposition of the investment of \$291,031. As of September 30, 2017, MHCDO is to receive \$629,780 as the balance due from the sale of the Greenway Development LP's investment which was recorded during 2018. MHCDO has subsequently received the majority of money.

MARSHALL HEIGHTS COMMUNITY DEVELOPMENT ORGANIZATION, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 11 – GAIN/LOSS ON INVESTMENT(CONTINUED)

- MHCDO had recorded a non-interest bearing promissory note from 4th Street Vistas, LLC of \$275,000. The note was due the earlier of December 31, 2009 or the date of certain financing of the Fourth Street Vistas project. MHCDO had a 1% ownership interest in 4th Street Vistas, LLC which was recorded at \$1,000. As of September 30, 2016, the receivable was deemed uncollectible by management and was written-off. 4th Street Vista LLC was dissolved at December 31, 2016. A loss on investment of \$276,000 was reported for the year ended September 30, 2016.
- MHCDO determined that its investment of \$1,600 in East River Park, Inc. to be worthless and was written-off in 2016.
- During 2016, MHCDO recorded a loss on investment of \$1,948 on Greenway Development LP's K-1.

MARSHALL HEIGHTS COMMUNITY DEVELOPMENT ORGANIZATION, INC.
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2017

	2017					
	Marshall Heights Community Development Organization	Greentree	Eliminating Entries	Total	2016	Total
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 336,939	\$ 46,841	\$ -	\$ 383,780	\$ 48,200	
Account receivable (Note 11)	629,780			629,780	-	
Contracts and grants receivable (Note 3)	17,016			17,016	14,396	
Other current assets	5,688			5,688	5,688	
Total current assets	989,423	46,841	-	1,036,264	68,284	
Property and equipment, net (Note 4)	1,407,162	281,849		1,689,011	1,787,909	
Other assets:						
Investments (Note 6)	100			100	603,873	
Assets held for development (Note 5)	394,360			394,360	394,360	
Other assets	8,875			8,875	7,184	
Total other assets	403,335	-	-	403,335	1,005,417	
Total assets	<u>\$ 2,799,920</u>	<u>\$ 328,690</u>	<u>\$ -</u>	<u>\$ 3,128,610</u>	<u>\$ 2,861,610</u>	
LIABILITIES AND NET ASSETS						
Current liabilities:						
Accounts payable and accrued expenses	\$ 318,934	\$ -	\$ -	\$ 318,934	\$ 317,699	
Real estate taxes payable (Note 6)	394,360			394,360	394,360	
Notes payable, current portion (Note 7)	26,531	4,158		30,689	400,521	
Advances from affiliates (Note 8)				-	5,707	
Other payable (Note 9)	162,000			162,000	162,000	
Other current liabilities	14,893			14,893	14,893	
Total current liabilities	916,718	4,158	-	920,876	1,295,180	
Long term debt, net of current portion:						
Notes payable (Note 8)	536,968	386,547	-	923,515	551,819	
Total long-term debt liabilities	536,968	386,547	-	923,515	551,819	
Total liabilities	1,453,686	390,705	-	1,844,391	1,846,999	
Net assets:						
Unrestricted	1,346,234	(62,015)	-	1,284,219	1,014,611	
Total net assets	1,346,234	(62,015)	-	1,284,219	1,014,611	
Total liabilities and net assets	<u>\$ 2,799,920</u>	<u>\$ 328,690</u>	<u>\$ -</u>	<u>\$ 3,128,610</u>	<u>\$ 2,861,610</u>	

SEE NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS.

MARSHALL HEIGHTS COMMUNITY DEVELOPMENT ORGANIZATION, INC.
CONSOLIDATING STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017 (with comparative totals for 2016)

	2017				2016
	Marshall Heights Community Development Organization	Greentree	Eliminating Entries	Consolidated Total	Total
<u>SUPPORT AND REVENUE</u>					
Support:					
Contracts and grants - other	\$ 123,436	\$ -	\$ -	\$ 123,436	\$ 61,667
Other income	147,742	21		147,763	12,174
Total support	271,178	21		271,199	73,841
Revenue:					
Rental income	634,007	103,359		737,366	711,734
Service revenue	41,903			41,903	48,773
Gain/(Loss) on investments (Note11)	292,522			292,522	(279,548)
Other income	1,447			1,447	33,367
Total revenue	969,879	103,359	-	1,073,238	514,326
Total support and revenue	1,241,057	103,380	-	1,344,437	588,167
<u>EXPENSES</u>					
Program services:					
Transitional housing	416,244			416,244	232,042
Internal rental program	153,611			153,611	-
Other programs	106,041	235,085		341,126	145,199
	675,896	235,085	-	910,981	377,241
Supporting services:					
General and administrative	163,848			163,848	550,544
Total expenses	839,744	235,085	-	1,074,829	927,785
Increase (decrease) in net assets	401,313	(131,705)		269,608	(339,618)
Net assets, beginning of year	944,921	69,690	-	1,014,611	1,354,229
Net assets, end of year	\$ 1,346,234	\$ (62,015)	\$ -	\$ 1,284,219	\$ 1,014,611

SEE NOTES TO THE CONSOLIDATING FINANCIAL STATEMENTS.