

MARSHALL HEIGHTS COMMUNITY DEVELOPMENT ORGANIZATION, INC.
(Parent – Entity Only)

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(with comparative totals for 2013)

F.S. Taylor & Associates, P.C.
Certified Public Accountants
1420 N Street, N.W., Suite 100
Washington, D.C. 20005
(202) 898-0008

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F. S. TAYLOR & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

1420 N Street, N.W., Suite 100 / Washington, D.C. 20005 / 202/898-0008 Fax 202/898-0208

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying parent-entity only financial statements of the Marshall Heights Community Development Organization, Inc. ("MHCDO"), which comprise the statement of financial position as of September 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 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 financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

As discussed in Note 2 to the parent-entity only financial statements, MHCDO's interest in and control of its subsidiaries, East River Park, Inc., MHCDO Mayfair Mansions, Inc., MHCDO Mayfair Mansions Condo, Inc. and Greentree Corporation have not been consolidated in these financial statements. In our opinion, accounting principles generally accepted in the United States of America (GAAP) require that all majority-owned subsidiaries and the controlled affiliate be accounted for as consolidated subsidiaries. Financial information for the subsidiaries and affiliate was not available as of September 30, 2014, and therefore the financial impact on the financial statements of MHCDO (the parent) was not ascertainable and could not be presented in accordance with GAAP.

Qualified Opinion

In our opinion, except for the effects of not consolidating all majority-owned subsidiaries and the controlled affiliate, the basic financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of MHCDO as of September 30, 2014, and the 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.

Other Matters

Report on Summarized Comparative Information

We have previously audited the MHCDO's 2013 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 4, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2013, for MHCDO (parent-entity only), is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming an opinion on the parent-entity only financial statements as a whole. The supplemental statement of functional expenses on page 6 is presented for purposes of additional analysis of the parent-entity only financial statements and is not a required part of the parent-entity only 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 parent-entity only financial statements. The information has been subjected to the auditing procedures applied in the audit of the parent-entity only financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the parent-entity only financial statements or to the parent-entity only 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 parent-entity only financial statements as a whole.

October 16, 2015

MARSHALL HEIGHTS COMMUNITY DEVELOPMENT ORGANIZATION, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2014 AND 2013

	2014	2013
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 64,205	\$ 122,915
Contracts and grants receivable (Note 3)	20,945	28,394
Other current assets	2,940	2,940
Total current assets	<u>88,090</u>	<u>154,249</u>
 Property and equipment, net (Note 4)	 1,618,769	 1,724,614
 Other assets:		
Investments (Note 5)	608,481	577,790
Assets held for development (Note 6)	419,640	419,640
Note receivable from affiliate (Note 7)	275,000	275,000
Investments in subsidiaries (Note 8)	1,800	1,800
Other assets	1,375	1,375
Total other assets	<u>1,306,296</u>	<u>1,275,605</u>
 Total assets	 <u>\$ 3,013,155</u>	 <u>\$ 3,154,468</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 648,655	\$ 629,632
Real estate taxes payable (Note 6)	419,640	
Line of credit (Note 11)	162,000	162,000
Notes payable, current portion (Note 10)	294,542	365,791
Recoverable grant, current portion (Note 9)	-	50,000
Advances from affiliates (Note 7)	105,651	46,685
Other current liabilities	14,053	10,297
Refundable advances	-	8,196
Total current liabilities	<u>1,644,541</u>	<u>1,272,601</u>
 Non-current liabilities:		
Notes payable, non-current portion (Note 10)	318,506	367,569
Total non-current liabilities	<u>318,506</u>	<u>367,569</u>
 Total liabilities	 <u>1,963,047</u>	 <u>1,640,170</u>
 Net assets:		
Unrestricted	1,050,108	1,514,298
Total net assets	<u>1,050,108</u>	<u>1,514,298</u>
 Total liabilities and net assets	 <u>\$ 3,013,155</u>	 <u>\$ 3,154,468</u>

SEE NOTES TO THE FINANCIAL STATEMENTS.

MARSHALL HEIGHTS COMMUNITY DEVELOPMENT ORGANIZATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>SUPPORT AND REVENUE</u>		
Support:		
Contracts and grants - federal	\$ -	\$ 93,750
Contracts and grants - other	75,000	1,669,480
Other income	1,791	
Total support	<u>76,791</u>	<u>1,763,230</u>
Revenue:		
Rental income	610,230	602,218
Service revenue	45,246	48,505
Management fees	-	8,488
Contributions and gifts - other	-	3,378
Forgiveness of debt	50,000	126,931
Gain on sale of assets	-	528,589
Other income	100,488	96,573
Total revenue	<u>805,964</u>	<u>1,414,682</u>
Total support and revenue	<u>882,755</u>	<u>3,177,912</u>
 <u>EXPENSES</u>		
Program services:		
Adult literacy	-	10,449
Workforce development		-
Transitional housing	424,645	581,168
Other programs	92,090	75,000
	<u>516,735</u>	<u>666,617</u>
Supporting services:		
General and administrative	830,210	633,401
Total expenses	<u>1,346,945</u>	<u>1,300,018</u>
 Increase (decrease) in net assets	(464,190)	1,877,894
 Net assets, beginning of year	<u>1,514,298</u>	<u>(363,596)</u>
 Adjustments to net assets		<u>-</u>
 Net assets, end of year	<u><u>\$ 1,050,108</u></u>	<u><u>\$ 1,514,298</u></u>

SEE NOTES TO THE FINANCIAL STATEMENTS.

MARSHALL HEIGHTS COMMUNITY DEVELOPMENT ORGANIZATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Increase (decrease) in net assets	\$ (464,190)	\$ 1,877,894
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Investment (income)/loss	(30,691)	53,208
Amortization and depreciation	105,844	105,844
Bad debt expense		46,716
Loan forgiveness income	(50,000)	(126,931)
Gain on sale of assets	-	(528,589)
Decrease in operating assets:		
Note receivable	-	14,446
Grants receivable	7,449	41,624
Other current assets	-	363
Other assets	-	3,642
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	19,023	(82,769)
Real estate taxes payable	419,640	
Advances from affiliates	58,966	(18,894)
Other current liabilities	3,756	(12,675)
Refundable advances	(8,196)	(34,464)
Net cash provided by (used in) operating activities	<u>61,601</u>	<u>1,339,415</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from sale of properties	-	397,115
Sale of properties		354,011
Disposition of asset held for development	-	158,825
Net cash provided by investing activities	<u>-</u>	<u>909,951</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Payment on lines of credit	-	(295,617)
Payment/proceeds on notes payable	(120,312)	(243,628)
Recoverable grant extinguishment	-	(1,635,016)
Net cash (used in) provided by investing activities	<u>(120,312)</u>	<u>(2,174,261)</u>
Net increase (decrease) in cash and cash equivalents	(58,711)	75,105
Cash and cash equivalents, beginning of year	122,915	47,810
Cash and cash equivalents, end of year	<u>\$ 64,204</u>	<u>\$ 122,915</u>
<u>SUPPLEMENTAL CASH FLOW INFORMATION</u>		
Interest paid	<u>\$ -</u>	<u>\$ 61,786</u>

SEE NOTES TO THE FINANCIAL STATEMENTS.

MARSHALL HEIGHTS COMMUNITY DEVELOPMENT ORGANIZATION, INC.
SUPPLEMENTAL STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2014 (with comparative totals for 2013)

	2014					
	Program services			Supporting Services		
	Transitional Housing	Other Programs	Total Program Services	General and Administration	2014 Total	2013 Total
Personnel expense:						
Salaries	\$ 158,162	\$ 41,608	\$ 199,770	\$ 100,807	\$ 300,577	\$ 269,097
Fringe benefits	20,549	8,322	28,870	19,514	48,385	54,339
Total personnel expense	178,711	49,930	228,641	120,321	348,961	323,436
Advertisement/marketing				25	25	
Bank charges	799		799	1,479	2,278	2,800
Conferences and seminars			-		-	210
Consulting/outside services		19,941	19,941	61,642	81,583	139,732
Contributions/gifts, stipends and vehicle expenses			-		-	9,227
Postage and courier services			-	108	108	109
Depreciation expense			-	105,844	105,844	105,844
Equipment expense			-	18,763	18,763	25,835
Event costs		1,800	1,800	730	2,530	23,178
Insurance		4,643	4,643	12,332	16,975	35,041
Interest expense			-		-	61,786
License, filing, loan/grant and other fees		324	324	1,665	1,989	151
Material and supplies		5,068	5,068	2,162	7,230	6,738
Meeting cost			-	850	850	-
Miscellaneous expense			-	83	83	9,717
Payroll processing fee	2,000		2,000	2,027	4,027	4,207
Settlement and closing costs			-		-	94,131
Project expenses	243,136		243,136		243,136	251,267
Space costs			-	19,953	19,953	33,645
Stipends			-	1,592	1,592	3,609
Subscription and dues			-		-	864
Real estate taxes (Note 6)			-	419,640	419,640	33,369
Telephone/fax		3,312	3,312	32,787	36,099	37,195
Travel			-		-	1,267
Utilities		422	422	27,827	28,248	49,944
Vehicle maintenance and repair				380	380	-
Bad debt expense		6,650	6,650		6,650	46,716
Total expenses	\$ 424,645	\$ 92,090	\$ 516,735	\$ 830,210	\$ 1,346,945	\$ 1,300,018

SEE NOTES TO THE FINANCIAL STATEMENTS.

MARSHALL HEIGHTS COMMUNITY DEVELOPMENT ORGANIZATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 – 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Parent- entity only presentation - These financial statements were prepared on a parent-entity only basis for the use of the Board of Directors and management of MHCDO. For purposes of this presentation, MHCDO's interest in the control of its for-profit subsidiaries, East River Park, Inc., MHCDO Mayfair Mansions, Inc. and MHCDO Mayfair Mansions Condo, Inc., as well as the assets and liabilities of its non-profit affiliate Greentree Corporation, are not being presented in accordance with accounting principles generally accepted in the United States of America (GAAP).

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 (formerly Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Non-Profit Organizations), 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, 2014, 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 FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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 FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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, 2014 for potential recognition or disclosure in the financial statements. These events and transactions were evaluated through October 16, 2015, the date that the financial statements were available to be issued.

MARSHALL HEIGHTS COMMUNITY DEVELOPMENT ORGANIZATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 3 – CONTRACTS/GRANTS RECEIVABLE AND REFUNDABLE ADVANCES

Contracts and grants receivable deemed to be fully collectible by management, and refundable advances at September 30, 2014 and 2013 were as follows:

	2014		2013	
	Contracts and Grants Receivable	Refundable Advances	Contracts and Grants Receivable	Refundable Advances
United Planning Organization - CSBG	\$ -	\$ -	\$ 28,394	\$ -
District of Columbia Department of Housing and Community Development - Lead Safety	20,945			8,196
Total	<u>\$ 20,945</u>	<u>\$ -</u>	<u>\$ 28,394</u>	<u>\$ 8,196</u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at September 30, 2014 and 2013:

	2014	2013
Land - 3939 Benning Road	\$ 505,740	\$ 505,740
Land - SRO Transitional Housing	89,635	89,635
Building - 3939 Benning Road	1,273,515	1,273,515
Building - SRO Transitional Housing	1,627,361	1,627,361
Furniture and equipment	582,444	582,444
Equipment under capital lease obligation	183,000	183,000
Vehicle	54,801	54,801
Total	<u>4,316,496</u>	<u>4,316,496</u>
Less: Accumulated depreciation	<u>(2,697,727)</u>	<u>(2,591,883)</u>
Property and equipment, net	<u>\$ 1,618,769</u>	<u>\$ 1,724,613</u>

Depreciation expense was \$105,844 for the years ended September 30, 2014 and 2013.

MARSHALL HEIGHTS COMMUNITY DEVELOPMENT ORGANIZATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 5 – INVESTMENTS

At September 30, 2014 and 2013, MHCDO had the following investments in for-profit entities:

	<u>2014</u>	<u>2013</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. MHCDO accounts for this investment under the equity method of accounting. During the years ended September 30, 2014 and 2013, MHCDO reported GDLP losses of (\$850) and (\$1,334), respectively, for the partnership.	\$ 607,481	\$ 578,581
MHCDO is a member in 2525 Minnesota Avenue Limited Liability Company, which was formed on September 20, 2000. MHCDO had a 33% ownership interest in 2525 Minnesota Avenue, LLC. At September 30, 2014, MHCDO has determined that the value of the investment is \$-0-	-	(1,791)
4th Street Vistas, LLC was formed January 16, 2007 in Delaware for the purpose of developing 98 affordable units known as 4th Street Vistas. MHCDO has 1% ownership interest. MHCDO has recorded a non-interest bearing promissory note of \$275,000 from 4th Street Vistas, LLC which is included in the financial statements. MHCDO also has recourse debt of \$275,000 from 4th Street Vistas, LLC reported on the partnership return.	1,000 <u>\$ 608,481</u>	1,000 <u>\$ 577,790</u>

MARSHALL HEIGHTS COMMUNITY DEVELOPMENT ORGANIZATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 6 – ASSETS HELD FOR DEVELOPMENT

Assets Held for Development at September 30, 2014 and 2013 was \$419,640, and included certain project costs such as predevelopment activities, land and land development.

The assets held for development at September 30, 2014 and 2013, are listed as follows:

Hilltop Terrace	\$ 394,360
4405 Sheriff Road, NE	25,280
Total	<u>\$ 419,640</u>

At September 30, 2014, these properties were subject to liens for unpaid property taxes and real estate taxes payable of \$419,640. During FY2015, the properties were auctioned and sold through District of Columbia tax sales. MHCDO has six months to redeem those properties and liquidate the debts before foreclosure proceedings are finalized.

NOTE 7 – RELATED PARTY TRANSACTIONS

Note receivable from affiliate

MHCDO has recorded a non-interest bearing promissory note from 4th Street Vistas, LLC at September 30, 2014 and 2013 for \$275,000. The note is due the earlier of December 31, 2009 or the date of certain financing of the Fourth Street Vistas project. MHCDO has a 1% ownership interest in 4th Street Vistas, LLC. As of September 30, 2014, the note had not yet been paid. In addition, MHCDO has a recourse loan of \$275,000 reported on the partnership tax return.

Other

- 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 \$560,732. The land was used to develop MHCDO headquarters.
- At September 30, 2014 and 2013, MHCDO owed \$100,651 and \$41,685, respectively, to Greentree Corporation and \$5,000 to EPR, Inc.

MARSHALL HEIGHTS COMMUNITY DEVELOPMENT ORGANIZATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 8 – INVESTMENTS IN SUBSIDIARIES

MHCDO Mayfair Mansion, Inc. (MMMI) was formed May 2006 and is a wholly-owned subsidiary of MHDCO. MMMI owns 35% of Mayfair 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.

100	100
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MHCDO Mayfair Mansions Condo, Inc. (MMMCI) was formed in May 2006 and is a wholly-owned subsidiary of MHCDO. MMMCI owns 35% of Mayfair Mansions Condo, LLC (MMCondo) and is the managing member. MMCondo was established for developing 160 units of Mayfair Mansion Apartments as affordable condominiums.

<u>100</u>	<u>100</u>
<u>\$ 1,800</u>	<u>\$ 1,800</u>

NOTE 9 – RECOVERABLE GRANTS

NOTE 10 – NOTES PAYABLE

	<u>2014</u>	<u>2013</u>
\$	275,342	\$ 356,342

337,706	377,018
613,048	733,360
(294,542)	(365,791)
<u>\$ 318,506</u>	<u>\$ 367,569</u>

MARSHALL HEIGHTS COMMUNITY DEVELOPMENT ORGANIZATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 10– NOTES PAYABLE (CONTINUED)

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

2015	\$	294,542
2016		14,004
2017		14,004
2018		14,004
After 2018		276,494
	\$	<u>613,048</u>

NOTE 11 – LINE OF CREDIT

At September 30, 2014 and 2013, MHCDO has a line of credit balance of \$162,000. In FY 2007, MHCDO received an unsecured loan of \$262,000 from the Unitarian Universalist and Affordable Housing Corp. This loan bears interest at 8% with quarterly payment of interest only and was due on December 31, 2009. As of the year ended September 30, 2014 and 2013, the outstanding balance of \$162,000 was still unpaid. No interest has been accrued. Management has been unable to locate.

NOTE 12 – PENSION PLAN

MHCDO maintains an IRC 403(b) tax Deferred Annuity Plan (the Plan) for its employees. Employees are eligible to participate on the first entry date or following the completion of 90 days of service. Employees may contribute up to the percentage of annual limits of IRC Sections 403(b), 402(g) and 415. Contributions are invested in individual flexible premium deferred annuity contracts issued by an insurance company. No contributions were made to the Plan during the years ended September 30, 2014 and 2013 by MHCDO.

NOTE 13 – SUBSEQUENT EVENTS

As discussed in Note 6, during FY 2015 certain properties included in Assets Held For Development at September 30, 2014 were auctioned and sold through District of Columbia tax sales for unpaid real estate taxes. MHCDO has six months to redeem those properties and liquidate the debts before foreclosure proceedings are finalized.