



NEW ENGLAND CENTER
AND HOME FOR VETERANS

EDUCATION | SUPPORT | EMPLOYMENT | HOUSING

VIETNAM VETERANS WORKSHOP, INC. AND AFFILIATES

**COMBINING FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

**VIETNAM VETERANS WORKSHOP, INC. AND AFFILIATES
D/B/A NEW ENGLAND CENTER AND HOME FOR VETERANS**

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June 30, 2018 and 2017

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Independent Auditor's Report

To the Board of Directors of
Vietnam Veterans Workshop, Inc. and Affiliates
d/b/a New England Center and Home for Veterans:

Report on the Combining Financial Statements

We have audited the accompanying combining financial statements of Vietnam Veterans Workshop, Inc. d/b/a New England Center and Home for Veterans (a Massachusetts corporation, not for profit) and Affiliates (collectively, the Organization), which comprise the combining statements of financial position as of June 30, 2018 and 2017, and the related combining statements of activities, changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the combining financial statements.

Management's Responsibility for the Combining Financial Statements

Management is responsible for the preparation and fair presentation of these combining 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 the combining 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 combining financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combining financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combining financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combining 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 combining 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 combining 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 combining financial statements referred to on page one present fairly, in all material respects, the combining financial position of Vietnam Veterans Workshop, Inc. d/b/a New England Center and Home for Veterans and Affiliates as of June 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Alexander, Brown, Fenning & Co., P.C.

Boston, Massachusetts
October 18, 2018

VIETNAM VETERANS WORKSHOP, INC. AND AFFILIATES
D/B/A NEW ENGLAND CENTER AND HOME FOR VETERANS

Combining Statement of Financial Position
June 30, 2018

(With Summarized Comparative Totals as of June 30, 2017)

Assets	2018						2017	
	New England Center and Home for Veterans and Subsidiary				Court Street Veterans Housing, LLC	Eliminations	Total	Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total				
Current Assets:								
Cash and cash equivalents	\$ 164,229	\$ 289,073	\$ -	\$ 453,302	\$ 138,237	\$ -	\$ 591,539	\$ 1,151,987
Certificate of deposit	221,672	-	-	221,672	-	-	221,672	220,935
Grants and contracts receivable	548,784	-	-	548,784	-	-	548,784	444,418
Current portion of restricted cash	-	-	-	-	78,213	-	78,213	69,982
Due from affiliate	3,270,672	-	-	3,270,672	2,108,272	(5,378,944)	-	-
Current portion of prepaid land lease	-	-	-	-	49,484	(49,484)	-	-
Prepaid expenses and other	93,470	-	-	93,470	17,444	-	110,914	75,440
Total current assets	<u>4,298,827</u>	<u>289,073</u>	<u>-</u>	<u>4,587,900</u>	<u>2,391,650</u>	<u>(5,428,428)</u>	<u>1,551,122</u>	<u>1,962,762</u>
Other Assets:								
Restricted cash, net of current portion	-	-	250,000	250,000	534,051	-	784,051	250,000
Notes and interest receivable - affiliate	21,040,238	-	-	21,040,238	-	(21,040,238)	-	-
Prepaid land lease, net of current portion	-	-	-	-	4,700,954	(4,700,954)	-	-
Total other assets	<u>21,040,238</u>	<u>-</u>	<u>250,000</u>	<u>21,290,238</u>	<u>5,235,005</u>	<u>(25,741,192)</u>	<u>784,051</u>	<u>250,000</u>
Property and Equipment, net	<u>2,933,965</u>	<u>-</u>	<u>-</u>	<u>2,933,965</u>	<u>39,707,366</u>	<u>667,265</u>	<u>43,308,596</u>	<u>41,811,566</u>
Total assets	<u>\$ 28,273,030</u>	<u>\$ 289,073</u>	<u>\$ 250,000</u>	<u>\$ 28,812,103</u>	<u>\$ 47,334,021</u>	<u>\$ (30,502,355)</u>	<u>\$ 45,643,769</u>	<u>\$ 44,024,328</u>
Liabilities and Net Assets								
Current Liabilities:								
Accounts payable and accrued expenses	\$ 1,122,054	\$ -	\$ -	\$ 1,122,054	\$ 101,392	\$ -	\$ 1,223,446	\$ 1,128,444
Current portion of due to affiliate	2,108,272	-	-	2,108,272	3,270,672	(5,378,944)	-	-
Current portion of deferred land lease	49,484	-	-	49,484	-	(49,484)	-	-
Deferred revenue	67,085	-	-	67,085	-	-	67,085	9,813
Total current liabilities	<u>3,346,895</u>	<u>-</u>	<u>-</u>	<u>3,346,895</u>	<u>3,372,064</u>	<u>(5,428,428)</u>	<u>1,290,531</u>	<u>1,138,257</u>
Long-Term Liabilities:								
Long-term portion of accounts payable and accrued expenses	-	-	-	-	701,484	-	701,484	1,626,471
Due to affiliate, net of current portion	-	-	-	-	800,000	(800,000)	-	-
Deferred land lease, net of current portion	4,700,954	-	-	4,700,954	-	(4,700,954)	-	-
Notes and interest payable - affiliate	-	-	-	-	21,040,238	(21,040,238)	-	-
Notes payable, net of unamortized debt issuance costs	500,000	-	-	500,000	9,250,936	-	9,750,936	22,155,467
Total long-term liabilities	<u>5,200,954</u>	<u>-</u>	<u>-</u>	<u>5,200,954</u>	<u>31,792,658</u>	<u>(26,541,192)</u>	<u>10,452,420</u>	<u>23,781,938</u>
Total liabilities	<u>8,547,849</u>	<u>-</u>	<u>-</u>	<u>8,547,849</u>	<u>35,164,722</u>	<u>(31,969,620)</u>	<u>11,742,951</u>	<u>24,920,195</u>
Net Assets:								
Unrestricted:								
Operating	520,969	-	-	520,969	470,102	-	991,071	1,238,209
Board designated	480,447	-	-	480,447	-	-	480,447	479,212
Property and equipment	18,723,765	-	-	18,723,765	11,699,197	(10,702,344)	19,720,618	17,811,572
Total unrestricted	<u>19,725,181</u>	<u>-</u>	<u>-</u>	<u>19,725,181</u>	<u>12,169,299</u>	<u>(10,702,344)</u>	<u>21,192,136</u>	<u>19,528,993</u>
Temporarily restricted	-	289,073	-	289,073	-	-	289,073	607,084
Permanently restricted	-	-	250,000	250,000	-	-	250,000	250,000
Total net assets attributable of NECHV and Affiliates	<u>19,725,181</u>	<u>289,073</u>	<u>250,000</u>	<u>20,264,254</u>	<u>12,169,299</u>	<u>(10,702,344)</u>	<u>21,731,209</u>	<u>20,386,077</u>
Non-controlling interest	-	-	-	-	-	12,169,609	12,169,609	(1,281,944)
Total net assets	<u>19,725,181</u>	<u>289,073</u>	<u>250,000</u>	<u>20,264,254</u>	<u>12,169,299</u>	<u>1,467,265</u>	<u>33,900,818</u>	<u>19,104,133</u>
Total liabilities and net assets	<u>\$ 28,273,030</u>	<u>\$ 289,073</u>	<u>\$ 250,000</u>	<u>\$ 28,812,103</u>	<u>\$ 47,334,021</u>	<u>\$ (30,502,355)</u>	<u>\$ 45,643,769</u>	<u>\$ 44,024,328</u>

The accompanying notes are an integral part of these combining statements.

**VIETNAM VETERANS WORKSHOP, INC. AND AFFILIATES
D/B/A NEW ENGLAND CENTER AND HOME FOR VETERANS**

Combining Statement of Financial Position
June 30, 2017

Assets	New England Center and Home for Veterans and Subsidiary				Court Street Veterans Housing, LLC	Eliminations	Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total			
Current Assets:							
Cash and cash equivalents	\$ 380,405	\$ 607,084	\$ -	\$ 987,489	\$ 164,498	\$ -	\$ 1,151,987
Certificate of deposit	220,935	-	-	220,935	-	-	220,935
Grants and contracts receivable	444,418	-	-	444,418	-	-	444,418
Current portion of restricted cash	-	-	-	-	69,982	-	69,982
Current portion of due from affiliate	2,599,698	-	-	2,599,698	1,348,316	(3,948,014)	-
Current portion of prepaid land lease	-	-	-	-	49,484	(49,484)	-
Prepaid expenses and other	59,214	-	-	59,214	16,226	-	75,440
Total current assets	<u>3,704,670</u>	<u>607,084</u>	<u>-</u>	<u>4,311,754</u>	<u>1,648,506</u>	<u>(3,997,498)</u>	<u>1,962,762</u>
Other Assets:							
Restricted cash, net of current portion	-	-	250,000	250,000	-	-	250,000
Notes and interest receivable - affiliate	18,722,484	-	-	18,722,484	-	(18,722,484)	-
Due from affiliate, net of current portion	710,176	-	-	710,176	-	(710,176)	-
Prepaid land lease, net of current portion	-	-	-	-	4,750,438	(4,750,438)	-
Total other assets	<u>19,432,660</u>	<u>-</u>	<u>250,000</u>	<u>19,682,660</u>	<u>4,750,438</u>	<u>(24,183,098)</u>	<u>250,000</u>
Property and Equipment, net	2,605,039	-	-	2,605,039	38,522,153	684,374	41,811,566
Total assets	<u>\$ 25,742,369</u>	<u>\$ 607,084</u>	<u>\$ 250,000</u>	<u>\$ 26,599,453</u>	<u>\$ 44,921,097</u>	<u>\$ (27,496,222)</u>	<u>\$ 44,024,328</u>
Liabilities and Net Assets							
Current Liabilities:							
Accounts payable and accrued expenses	\$ 1,039,554	\$ -	\$ -	\$ 1,039,554	\$ 88,890	\$ -	\$ 1,128,444
Current portion of due to affiliate	1,348,316	-	-	1,348,316	2,599,698	(3,948,014)	-
Current portion of deferred land lease	49,484	-	-	49,484	-	(49,484)	-
Deferred revenue	9,813	-	-	9,813	-	-	9,813
Total current liabilities	<u>2,447,167</u>	<u>-</u>	<u>-</u>	<u>2,447,167</u>	<u>2,688,588</u>	<u>(3,997,498)</u>	<u>1,138,257</u>
Long-Term Liabilities:							
Long-term portion of accounts payable and accrued expenses	-	-	-	-	1,626,471	-	1,626,471
Due to affiliate, net of current portion	-	-	-	-	1,510,176	(1,510,176)	-
Deferred land lease, net of current portion	4,750,438	-	-	4,750,438	-	(4,750,438)	-
Notes and interest payable - affiliate	-	-	-	-	18,722,484	(18,722,484)	-
Notes payable, net of unamortized debt issuance costs	500,000	-	-	500,000	21,655,467	-	22,155,467
Total long-term liabilities	<u>5,250,438</u>	<u>-</u>	<u>-</u>	<u>5,250,438</u>	<u>43,514,598</u>	<u>(24,983,098)</u>	<u>23,781,938</u>
Total liabilities	<u>7,697,605</u>	<u>-</u>	<u>-</u>	<u>7,697,605</u>	<u>46,203,186</u>	<u>(28,980,596)</u>	<u>24,920,195</u>
Net Assets:							
Unrestricted:							
Operating	827,775	-	-	827,775	410,434	-	1,238,209
Board designated	479,212	-	-	479,212	-	-	479,212
Property and equipment	16,737,777	-	-	16,737,777	(1,692,523)	2,766,318	17,811,572
Total unrestricted	<u>18,044,764</u>	<u>-</u>	<u>-</u>	<u>18,044,764</u>	<u>(1,282,089)</u>	<u>2,766,318</u>	<u>19,528,993</u>
Temporarily restricted	-	607,084	-	607,084	-	-	607,084
Permanently restricted	-	-	250,000	250,000	-	-	250,000
Total net assets attributable of NECHV and Affiliates	<u>18,044,764</u>	<u>607,084</u>	<u>250,000</u>	<u>18,901,848</u>	<u>(1,282,089)</u>	<u>2,766,318</u>	<u>20,386,077</u>
Non-controlling interest	-	-	-	-	-	(1,281,944)	(1,281,944)
Total net assets	<u>18,044,764</u>	<u>607,084</u>	<u>250,000</u>	<u>18,901,848</u>	<u>(1,282,089)</u>	<u>1,484,374</u>	<u>19,104,133</u>
Total liabilities and net assets	<u>\$ 25,742,369</u>	<u>\$ 607,084</u>	<u>\$ 250,000</u>	<u>\$ 26,599,453</u>	<u>\$ 44,921,097</u>	<u>\$ (27,496,222)</u>	<u>\$ 44,024,328</u>

The accompanying notes are an integral part of these combining statements.

**VIETNAM VETERANS WORKSHOP, INC. AND AFFILIATES
D/B/A NEW ENGLAND CENTER AND HOME FOR VETERANS**

Combining Statement of Activities

For the Year Ended June 30, 2018

(With Summarized Comparative Totals for the Year Ended June 30, 2017)

	2018				2017			
	New England Center and Home for Veterans and Subsidiary			Total	Court Street Veterans Housing, LLC		Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted		Eliminations	Total		
Operating Revenue:								
Grants and contracts	\$ 6,639,190	\$ -	\$ -	\$ 6,639,190	\$ -	\$ -	\$ 6,639,190	\$ 6,544,338
Contributions and special events	2,439,703	519,454	-	2,959,157	-	-	2,959,157	2,940,166
Rental income	-	-	-	-	1,974,822	(759,956)	1,214,866	897,076
Other income	669,632	381	-	670,013	9,032	(492,946)	186,099	118,868
Contributed goods and services	9,932	-	-	9,932	-	-	9,932	283,062
Developer fee and overhead	-	-	-	-	-	-	-	1,800,000
Net assets released from purpose restrictions	292,055	(292,055)	-	-	-	-	-	-
Total operating revenue	10,050,512	227,780	-	10,278,292	1,983,854	(1,252,902)	11,009,244	12,583,510
Operating Expenses:								
Program services:								
Transitional housing services	2,302,931	-	-	2,302,931	-	(167,190)	2,135,741	1,956,982
Clinical support services	3,941,717	-	-	3,941,717	-	(319,182)	3,622,535	3,696,534
Veterans training school	174,515	-	-	174,515	-	(15,199)	159,316	189,097
Rental	-	-	-	-	3,631,223	(475,837)	3,155,386	1,957,900
Total program services	6,419,163	-	-	6,419,163	3,631,223	(977,408)	9,072,978	7,800,513
Supporting services:								
Finance and administration	1,966,763	-	-	1,966,763	-	(136,792)	1,829,971	1,861,847
Fundraising and development	1,480,309	-	-	1,480,309	-	(121,593)	1,358,716	1,421,900
Total supporting services	3,447,072	-	-	3,447,072	-	(258,385)	3,188,687	3,283,747
Total operating expenses	9,866,235	-	-	9,866,235	3,631,223	(1,235,793)	12,261,665	11,084,260
Changes in net assets from operations	184,277	227,780	-	412,057	(1,647,369)	(17,109)	(1,252,421)	1,499,250
Non-Operating Revenues (Expenses):								
Sale of tax credits	799,149	-	-	799,149	-	-	799,149	3,571,986
Capital grants	-	151,200	-	151,200	-	-	151,200	530,000
Capital grants released from restrictions	696,991	(696,991)	-	-	-	-	-	-
Non-capitalized development costs	-	-	-	-	-	-	-	(246,774)
Total non-operating revenues (expenses)	1,496,140	(545,791)	-	950,349	-	-	950,349	3,855,212
Changes in net assets	1,680,417	(318,011)	-	1,362,406	(1,647,369)	(17,109)	(302,072)	5,354,462
Non-Controlling Interest	-	-	-	-	(1,647,204)	-	(1,647,204)	(1,111,643)
Changes in net assets attributable to NECHV and Affiliates	\$ 1,680,417	\$ (318,011)	\$ -	\$ 1,362,406	\$ (165)	\$ (17,109)	\$ 1,345,132	\$ 6,466,105

The accompanying notes are an integral part of these combining statements.

**VIETNAM VETERANS WORKSHOP, INC. AND AFFILIATES
D/B/A NEW ENGLAND CENTER AND HOME FOR VETERANS**

Combining Statement of Activities
For the Year Ended June 30, 2017

	New England Center and Home for Veterans and Subsidiary			Total	Court Street Veterans Housing, LLC	Eliminations	Total
	Unrestricted	Temporarily Restricted	Permanently Restricted				
Operating Revenue:							
Grants and contracts	\$ 6,544,338	\$ -	\$ -	\$ 6,544,338	\$ -	\$ -	\$ 6,544,338
Contributions and special events	2,607,011	333,155	-	2,940,166	-	-	2,940,166
Rental income	-	-	-	-	1,549,251	(652,175)	897,076
Other income	619,951	379	-	620,330	7,841	(509,303)	118,868
Contributed goods and services	283,062	-	-	283,062	-	-	283,062
Developer fee and overhead	1,000,000	-	-	1,000,000	-	800,000	1,800,000
Net assets released from purpose restrictions	328,155	(328,155)	-	-	-	-	-
Total operating revenue	<u>11,382,517</u>	<u>5,379</u>	<u>-</u>	<u>11,387,896</u>	<u>1,557,092</u>	<u>(361,478)</u>	<u>12,583,510</u>
Operating Expenses:							
Program services:							
Transitional housing services	2,087,417	-	-	2,087,417	-	(130,435)	1,956,982
Clinical support services	3,976,969	-	-	3,976,969	-	(280,435)	3,696,534
Veterans training school	208,662	-	-	208,662	-	(19,565)	189,097
Rental	-	-	-	-	2,422,072	(464,172)	1,957,900
Total program services	<u>6,273,048</u>	<u>-</u>	<u>-</u>	<u>6,273,048</u>	<u>2,422,072</u>	<u>(894,607)</u>	<u>7,800,513</u>
Supporting services:							
Finance and administration	1,972,717	-	-	1,972,717	-	(110,870)	1,861,847
Fundraising and development	1,532,770	-	-	1,532,770	-	(110,870)	1,421,900
Total supporting services	<u>3,505,487</u>	<u>-</u>	<u>-</u>	<u>3,505,487</u>	<u>-</u>	<u>(221,740)</u>	<u>3,283,747</u>
Total operating expenses	<u>9,778,535</u>	<u>-</u>	<u>-</u>	<u>9,778,535</u>	<u>2,422,072</u>	<u>(1,116,347)</u>	<u>11,084,260</u>
Changes in net assets from operations	<u>1,603,982</u>	<u>5,379</u>	<u>-</u>	<u>1,609,361</u>	<u>(864,980)</u>	<u>754,869</u>	<u>1,499,250</u>
Non-Operating Revenues (Expenses):							
Sale of tax credits	3,571,986	-	-	3,571,986	-	-	3,571,986
Capital grants	-	530,000	-	530,000	-	-	530,000
Capital grants released from restrictions	394,940	(394,940)	-	-	-	-	-
Non-capitalized development costs	-	-	-	-	(246,774)	-	(246,774)
Total non-operating revenues (expenses)	<u>3,966,926</u>	<u>135,060</u>	<u>-</u>	<u>4,101,986</u>	<u>(246,774)</u>	<u>-</u>	<u>3,855,212</u>
Changes in net assets	<u>5,570,908</u>	<u>140,439</u>	<u>-</u>	<u>5,711,347</u>	<u>(1,111,754)</u>	<u>754,869</u>	<u>5,354,462</u>
Non-Controlling Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,111,643)</u>	<u>-</u>	<u>(1,111,643)</u>
Changes in net assets attributable to NECHV and Affiliates	<u>\$ 5,570,908</u>	<u>\$ 140,439</u>	<u>\$ -</u>	<u>\$ 5,711,347</u>	<u>\$ (111)</u>	<u>\$ 754,869</u>	<u>\$ 6,466,105</u>

The accompanying notes are an integral part of these combining statements.

**VIETNAM VETERANS WORKSHOP, INC. AND AFFILIATES
D/B/A NEW ENGLAND CENTER AND HOME FOR VETERANS**

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

	<u>New England Center and Home for Veterans and Subsidiary</u>				<u>Court Street Veterans Housing, LLC</u>	<u>Eliminations</u>	<u>Non- Controlling Interest</u>	<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>				
Net Assets, June 30, 2016	\$ 12,473,856	\$ 466,645	\$ 250,000	\$ 13,190,501	\$ (170,335)	\$ 899,806	\$ (170,301)	\$ 13,749,671
Changes in net assets	<u>5,570,908</u>	<u>140,439</u>	<u>-</u>	<u>5,711,347</u>	<u>(1,111,754)</u>	<u>1,866,512</u>	<u>(1,111,643)</u>	<u>5,354,462</u>
Net Assets, June 30, 2017	18,044,764	607,084	250,000	18,901,848	(1,282,089)	2,766,318	(1,281,944)	19,104,133
Capital contributions	-	-	-	-	15,098,757	(15,098,757)	15,098,757	15,098,757
Changes in net assets	<u>1,680,417</u>	<u>(318,011)</u>	<u>-</u>	<u>1,362,406</u>	<u>(1,647,369)</u>	<u>1,630,095</u>	<u>(1,647,204)</u>	<u>(302,072)</u>
Net Assets, June 30, 2018	<u>\$ 19,725,181</u>	<u>\$ 289,073</u>	<u>\$ 250,000</u>	<u>\$ 20,264,254</u>	<u>\$ 12,169,299</u>	<u>\$ (10,702,344)</u>	<u>\$ 12,169,609</u>	<u>\$ 33,900,818</u>

The accompanying notes are an integral part of these combining statements.

VIETNAM VETERANS WORKSHOP, INC. AND AFFILIATES
D/B/A NEW ENGLAND CENTER AND HOME FOR VETERANS

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

	2018				2017			
	New England Center and Home for Veterans	Court Street Veterans Housing, LLC	Eliminations	Total	New England Center and Home for Veterans	Court Street Veterans Housing, LLC	Eliminations	Total
Cash Flows from Operating Activities:								
Changes in net assets	\$ 1,362,406	\$ (1,647,369)	\$ (17,109)	\$ (302,072)	\$ 5,711,347	\$ (1,111,754)	\$ 754,869	\$ 5,354,462
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:								
Depreciation	38,043	1,047,549	17,109	1,102,701	29,347	594,810	-	624,157
Sale of tax credits	(799,149)	-	-	(799,149)	(3,571,986)	-	-	(3,571,986)
Amortization of prepaid land lease	(49,484)	49,484	-	-	(49,484)	49,484	-	-
Amortization of debt issuance costs	-	3,938	-	3,938	-	1,969	-	1,969
Non-capitalized development costs	-	-	-	-	-	246,774	-	246,774
Capital grants	(151,200)	-	-	(151,200)	(530,000)	-	-	(530,000)
Deferred interest	(305,735)	305,735	-	-	(293,377)	293,377	-	-
Changes in operating assets and liabilities:								
Grants and contracts receivable	(104,366)	-	-	(104,366)	21,515	-	-	21,515
Prepaid expenses and other	(34,256)	(1,218)	-	(35,474)	21,184	(2,114)	-	19,070
Accounts payable and accrued expenses	82,500	4,271	-	86,771	(32,396)	65,010	-	32,614
Deferred revenue	57,272	-	-	57,272	(21,808)	(4,159)	-	(25,967)
Due (to) from affiliate	88,982	(88,982)	-	-	(1,564,068)	155,050	1,409,018	-
Net cash provided by (used in) operating activities	185,013	(326,592)	-	(141,579)	(279,726)	288,447	2,163,887	2,172,608
Cash Flows from Investing Activities:								
Purchase of (interest earned on) certificate of deposit	(737)	-	-	(737)	117	-	-	117
Withdrawal from (deposits to) restricted deposits	-	(534,051)	-	(534,051)	500,000	(47,494)	-	452,506
Purchase of property and equipment	(366,969)	(3,157,749)	-	(3,524,718)	(208,808)	(13,608,341)	-	(13,817,149)
Notes and interest receivable - affiliate	(1,301,843)	-	1,301,843	-	(94,941)	-	94,941	-
Net cash provided by (used in) investing activities	(1,669,549)	(3,691,800)	1,301,843	(4,059,506)	196,368	(13,655,835)	94,941	(13,364,526)
Cash Flows from Financing Activities:								
Payments of notes payable	-	(15,487,256)	-	(15,487,256)	(3,834,770)	-	-	(3,834,770)
Proceeds from notes payable	-	3,078,787	-	3,078,787	-	11,249,620	-	11,249,620
Sale of tax credits	799,149	-	-	799,149	3,571,986	-	-	3,571,986
Due to affiliates	-	-	-	-	-	2,163,887	(2,163,887)	-
Capital grants	151,200	-	-	151,200	653,364	-	-	653,364
Capital contributions	-	15,098,757	-	15,098,757	-	-	-	-
Notes and interest payable - affiliate	-	1,301,843	(1,301,843)	-	-	94,941	(94,941)	-
Net cash provided by financing activities	950,349	3,992,131	(1,301,843)	3,640,637	390,580	13,508,448	(2,258,828)	11,640,200
Net Change in Cash and Cash Equivalents	(534,187)	(26,261)	-	(560,448)	307,222	141,060	-	448,282
Cash and Cash Equivalents:								
Beginning of year	987,489	164,498	-	1,151,987	680,267	23,438	-	703,705
End of year	\$ 453,302	\$ 138,237	\$ -	\$ 591,539	\$ 987,489	\$ 164,498	\$ -	\$ 1,151,987
Supplemental Disclosure of Cash Flow Information:								
Cash paid for interest	\$ 11,013	\$ 778,140	\$ -	\$ 789,153	\$ 55,726	\$ 922,792	\$ -	\$ 978,518
Non-cash transactions:								
Property and equipment funded through accounts payable	\$ -	\$ 701,484	\$ -	\$ 701,484	\$ -	\$ 1,626,471	\$ -	\$ 1,626,471
Property and equipment funded through due to/from affiliate	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,800,000	\$ -	\$ 1,800,000

The accompanying notes are an integral part of these combining statements.

**VIETNAM VETERANS WORKSHOP, INC. AND AFFILIATES
D/B/A NEW ENGLAND CENTER AND HOME FOR VETERANS**

Combining Statement of Functional Expenses
For the Year Ended June 30, 2018
(With Summarized Comparative Totals for the Year Ended June 30, 2017)

	2018							2017				
	New England Center and Home for Veterans and Subsidiary											
	Programs				Supporting Services			Total NECHV	Court Street Veterans Housing, LLC	Eliminations	Total	Total
Transitional Housing Services	Clinical Support Services	Veterans Training School	Total Programs	Finance and Administration	Fundraising and Development	Total Supporting Services						
Expenses:												
Salaries and related:												
Salaries	\$ 1,023,543	\$ 1,692,046	\$ 79,806	\$ 2,795,395	\$ 1,130,483	\$ 621,655	\$ 1,752,138	\$ 4,547,533	\$ 392,524	\$ -	\$ 4,940,057	\$ 4,801,444
Fringe benefits and payroll taxes	257,510	371,625	38,769	667,904	98,216	130,199	228,415	896,319	54,917	-	951,236	1,083,930
Contract labor	-	42,512	-	42,512	64,459	10,362	74,821	117,333	-	-	117,333	182,785
Total salaries and related	<u>1,281,053</u>	<u>2,106,183</u>	<u>118,575</u>	<u>3,505,811</u>	<u>1,293,158</u>	<u>762,216</u>	<u>2,055,374</u>	<u>5,561,185</u>	<u>447,441</u>	<u>-</u>	<u>6,008,626</u>	<u>6,068,159</u>
Occupancy:												
Depreciation	-	-	-	-	-	-	-	-	1,097,033	(32,375)	1,064,658	594,810
Interest	-	-	-	-	-	-	-	-	1,087,811	(305,734)	782,077	-
Repairs and maintenance	147,962	350	-	148,312	129,341	-	129,341	277,653	208,458	-	486,111	333,619
Utilities	197,484	8,520	-	206,004	768	-	768	206,772	208,722	-	415,494	306,721
Property taxes	-	-	-	-	-	-	-	-	221,707	-	221,707	149,471
Building supplies and other expenses	12,051	-	-	12,051	3,884	-	3,884	15,935	-	-	15,935	15,054
Rent	167,190	319,182	15,199	501,571	136,792	121,593	258,385	759,956	-	(759,956)	-	-
Total occupancy	<u>524,687</u>	<u>328,052</u>	<u>15,199</u>	<u>867,938</u>	<u>270,785</u>	<u>121,593</u>	<u>392,378</u>	<u>1,260,316</u>	<u>2,823,731</u>	<u>(1,098,065)</u>	<u>2,985,982</u>	<u>1,399,675</u>
Other:												
Rapid rehousing and stabilization	-	1,043,291	-	1,043,291	-	-	-	1,043,291	-	-	1,043,291	1,069,874
Food and kitchen	386,747	-	-	386,747	-	-	-	386,747	-	-	386,747	371,893
Special events	-	-	-	-	-	351,541	351,541	351,541	-	-	351,541	296,109
Consulting and management services	28,044	71,304	302	99,650	17,790	87,010	104,800	204,450	142,833	(137,728)	209,555	308,413
Insurance	-	3,312	-	3,312	82,099	-	82,099	85,411	84,049	-	169,460	115,873
Rental assistance expense	-	156,902	-	156,902	-	-	-	156,902	-	-	156,902	164,013
Professional services	2,791	5,329	254	8,374	60,364	8,296	68,660	77,034	59,076	-	136,110	485,865
Equipment rental and maintenance	1,825	13,260	-	15,085	63,307	51,121	114,428	129,513	-	-	129,513	69,525
Miscellaneous	11,572	17,843	1,066	30,481	26,609	2,097	28,706	59,187	67,662	-	126,849	128,213
Office supplies and expense	15,486	57,195	2,423	75,104	32,528	13,530	46,058	121,162	3,051	-	124,213	107,234
Vehicle and related	17,274	49,765	10,659	77,698	-	-	-	77,698	-	-	77,698	83,336
Transportation and local travel	9,046	47,807	7,283	64,136	10,785	2,525	13,310	77,446	-	-	77,446	59,384
Bank charges and fees	-	-	-	-	27,567	37,917	65,484	65,484	311	-	65,795	61,518
Education and seminars	745	3,813	15,550	20,108	21,287	168	21,455	41,563	482	-	42,045	34,527
Dues and subscriptions	829	99	-	928	25,254	10,246	35,500	36,428	2,358	-	38,786	21,270
Depreciation	8,370	15,979	761	25,110	6,846	6,087	12,933	38,043	-	-	38,043	29,347
Telephone and internet	7,768	14,831	706	23,305	6,356	5,650	12,006	35,311	-	-	35,311	78,894
Printing and postage	112	245	102	459	1,963	17,543	19,506	19,965	229	-	20,194	35,747
Meals and entertainment	302	1,882	1,415	3,599	10,665	1,007	11,672	15,271	-	-	15,271	9,755
Interest	2,424	4,625	220	7,269	1,982	1,762	3,744	11,013	-	-	11,013	55,726
Advertising and promotional	-	-	-	-	7,418	-	7,418	7,418	-	-	7,418	7,400
Laundry	3,856	-	-	3,856	-	-	-	3,856	-	-	3,856	5,921
Bad debt	-	-	-	-	-	-	-	-	-	-	-	16,589
Total other	<u>497,191</u>	<u>1,507,482</u>	<u>40,741</u>	<u>2,045,414</u>	<u>402,820</u>	<u>596,500</u>	<u>999,320</u>	<u>3,044,734</u>	<u>360,051</u>	<u>(137,728)</u>	<u>3,267,057</u>	<u>3,616,426</u>
Total expenses	<u>\$ 2,302,931</u>	<u>\$ 3,941,717</u>	<u>\$ 174,515</u>	<u>\$ 6,419,163</u>	<u>\$ 1,966,763</u>	<u>\$ 1,480,309</u>	<u>\$ 3,447,072</u>	<u>\$ 9,866,235</u>	<u>\$ 3,631,223</u>	<u>\$ (1,235,793)</u>	<u>\$ 12,261,665</u>	<u>\$ 11,084,260</u>

The accompanying notes are an integral part of these combining statements.

**VIETNAM VETERANS WORKSHOP, INC. AND AFFILIATES
D/B/A NEW ENGLAND CENTER AND HOME FOR VETERANS**

Combining Statement of Functional Expenses
For the Year Ended June 30, 2017

	New England Center and Home for Veterans and Subsidiary										
	Programs				Supporting Services			Total NECHV	Court Street Veterans Housing, LLC	Eliminations	Total
	Transitional Housing Services	Clinical Support Services	Veterans Training School	Total Programs	Finance and Administration	Fundraising and Development	Total Supporting Services				
Expenses:											
Salaries and related:											
Salaries	\$ 864,598	\$ 1,664,977	\$ 106,615	\$ 2,636,190	\$ 982,778	\$ 650,963	\$ 1,633,741	\$ 4,269,931	\$ 531,513	\$ -	\$ 4,801,444
Fringe benefits and payroll taxes	285,235	386,195	62,252	733,682	75,066	159,880	234,946	968,628	115,302	-	1,083,930
Contract labor	37,287	36,040	300	73,627	107,520	1,638	109,158	182,785	-	-	182,785
Total salaries and related	1,187,120	2,087,212	169,167	3,443,499	1,165,364	812,481	1,977,845	5,421,344	646,815	-	6,068,159
Occupancy:											
Depreciation	-	-	-	-	-	-	-	-	644,294	(49,484)	594,810
Interest	-	-	-	-	-	-	-	-	293,377	(293,377)	-
Repairs and maintenance	121,704	-	-	121,704	45,607	-	45,607	167,311	166,308	-	333,619
Utilities	98,801	6,464	-	105,265	-	-	-	105,265	201,456	-	306,721
Property taxes	-	-	-	-	-	-	-	-	149,471	-	149,471
Building supplies and other expenses	13,091	-	-	13,091	1,963	-	1,963	15,054	-	-	15,054
Rent	130,435	280,435	19,565	430,435	110,870	110,870	221,740	652,175	-	(652,175)	-
Total occupancy	364,031	286,899	19,565	670,495	158,440	110,870	269,310	939,805	1,454,906	(995,036)	1,399,675
Other:											
Rapid rehousing and stabilization	-	1,069,874	-	1,069,874	-	-	-	1,069,874	-	-	1,069,874
Food and kitchen	371,893	-	-	371,893	-	-	-	371,893	-	-	371,893
Special events	-	-	-	-	-	296,109	296,109	296,109	-	-	296,109
Consulting and management services	48,593	66,819	787	116,199	38,879	153,335	192,214	308,413	121,311	(121,311)	308,413
Insurance	-	1,104	-	1,104	80,454	-	80,454	81,558	34,315	-	115,873
Rental assistance expense	-	164,013	-	164,013	-	-	-	164,013	-	-	164,013
Professional services	12,304	26,451	1,846	40,601	317,701	10,458	328,159	368,760	117,105	-	485,865
Equipment rental and maintenance	1,789	18,044	-	19,833	19,385	30,307	49,692	69,525	-	-	69,525
Miscellaneous	12,188	25,245	2,361	39,794	48,147	2,386	50,533	90,327	37,886	-	128,213
Office supplies and expense	20,893	34,825	2,649	58,367	26,816	14,950	41,766	100,133	7,101	-	107,234
Vehicle and related	25,078	58,258	-	83,336	-	-	-	83,336	-	-	83,336
Transportation and local travel	1,490	34,732	5,843	42,065	13,855	3,464	17,319	59,384	-	-	59,384
Bank charges and fees	-	-	-	-	29,228	31,938	61,166	61,166	352	-	61,518
Education and seminars	1,670	29,883	-	31,553	1,967	475	2,442	33,995	532	-	34,527
Dues and subscriptions	1,244	350	-	1,594	14,606	3,321	17,927	19,521	1,749	-	21,270
Depreciation	5,871	12,623	881	19,375	4,982	4,990	9,972	29,347	-	-	29,347
Telephone and internet	15,779	33,924	2,367	52,070	13,412	13,412	26,824	78,894	-	-	78,894
Printing and postage	376	314	66	756	1,313	33,678	34,991	35,747	-	-	35,747
Meals and entertainment	31	2,187	1,458	3,676	5,206	873	6,079	9,755	-	-	9,755
Interest	11,146	23,962	1,672	36,780	9,473	9,473	18,946	55,726	-	-	55,726
Advertising and promotional	-	250	-	250	6,900	250	7,150	7,400	-	-	7,400
Laundry	5,921	-	-	5,921	-	-	-	5,921	-	-	5,921
Bad debt	-	-	-	-	16,589	-	16,589	16,589	-	-	16,589
Total other	536,266	1,602,858	19,930	2,159,054	648,913	609,419	1,258,332	3,417,386	320,351	(121,311)	3,616,426
Total expenses	\$ 2,087,417	\$ 3,976,969	\$ 208,662	\$ 6,273,048	\$ 1,972,717	\$ 1,532,770	\$ 3,505,487	\$ 9,778,535	\$ 2,422,072	\$ (1,116,347)	\$ 11,084,260

The accompanying notes are an integral part of these combining statements.

**VIETNAM VETERANS WORKSHOP, INC. AND AFFILIATES
D/B/A NEW ENGLAND CENTER AND HOME FOR VETERANS**

Notes to Combining Financial Statements
June 30, 2018 and 2017

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS AND NONPROFIT STATUS

Vietnam Veterans Workshop, Inc. d/b/a New England Center and Home for Veterans (NECHV) (formerly, d/b/a New England Center for Homeless Veterans) is a not-for-profit organization, chartered in the Commonwealth of Massachusetts, dedicated to serving challenged Veterans of all eras in the community. It has been one of the nation's leading providers of supportive services to Veterans since 1989. NECHV provides Veterans with the tools and support for economic self-sufficiency and enables them to achieve sustainable and dignified independent living. NECHV offers Veterans a comprehensive range of services in a one-stop center.

More than 1,500 Veterans are assisted each year through supportive housing, education, clinical support, employment, vocational training, housing search, and case managed care. NECHV operates 24 hours a day, seven days a week, and served approximately 70,000 meals in fiscal years 2018 and 2017. It supports more than three quarters of all military Veterans in the City of Boston who find themselves facing the condition of homelessness. NECHV offers ninety-seven subsidized permanent apartments and 183 transitional and emergency housing beds. It also features a separate twenty-bed female Veterans' dormitory.

The NECHV staff of approximately 100 dedicated human service professionals possesses the expertise, credentialing and experience necessary to make a real difference in every Veteran's life. The staff employs a range of care models to enable the best outcome, and addresses each Veteran's challenges and needs. Its Critical Time Intervention Model moves Veterans from homelessness, to permanent housing, to housing retention, and utilizes client centered practices, trauma informed care, and motivational interviewing techniques. They work towards stabilization, permanent housing attainment, and independent living skills. NECHV also specializes in employment training, job placement, and retention services through its on-site Veterans Training School.

NECHV continues to provide critical support services to Veterans in-need. To meet the evolving needs of Veterans in the community, and to ensure that a resource for Veterans exists in the downtown Boston area; NECHV completed a \$35 million facility upgrade and transformation which created thirty-seven new efficiency apartments, 183 brand new transitional living accommodations, and a complete redesign and reconfiguration of the 134,800 square foot building. Its final result is a facility that is sustainable and adaptable and that can meet the changing needs of Veterans for decades to come. The thirty-seven new efficiency apartments were completed and occupied by December 31, 2016.

NECHV is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). NECHV is also exempt from state income taxes. Donors may deduct contributions made to NECHV within the IRC requirements.

Court Street Veterans Housing, LLC (CSVH LLC) is a limited liability company organized under the laws of the Commonwealth of Massachusetts on September 9, 2014. CSVH LLC was formed to enter into a ground lease agreement with NECHV for a parcel of land and a building (the Property) located at 17 Court Street in Boston, Massachusetts (see Notes 2 and 3) and rehabilitate, maintain and operate the Property. CSVH LLC developed the Property into 134,800 square feet of program and office space for NECHV and ninety-seven residential units. Boston Capital Multifamily Tax Credit Fund II, A Limited Partnership (Boston Capital), holds a 99.99% interest in the capital, income, losses, and cash flow of CSVH LLC.

**VIETNAM VETERANS WORKSHOP, INC. AND AFFILIATES
D/B/A NEW ENGLAND CENTER AND HOME FOR VETERANS**

Notes to Combining Financial Statements
June 30, 2018 and 2017

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

OPERATIONS AND NONPROFIT STATUS (Continued)

Court Street Veterans Housing Manager, Inc. (the Managing Member) is a Massachusetts corporation organized on September 9, 2014, to manage the activities of CSVH LLC. The Managing Member holds a 0.01% interest in the capital, income, losses, tax credits, and cash flow of CSVH LLC. NECHV holds a 79% interest in the capital, income, losses, tax credits, and cash flow of the Managing Member.

BCCC, Inc. (the Special Member) is a Massachusetts corporation formed by Boston Capital to replace the Managing Member in the event of a default. The Special Member has a 0% ownership interest in the capital, profits, losses, tax credits, and cash flow of CSVH LLC.

SIGNIFICANT ACCOUNTING POLICIES

NECHV, CSVH LLC, and the Managing Member prepare their combining financial statements in accordance with accounting standards generally accepted in the United States (U.S. GAAP) and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Principles of Combination

The combining financial statements include the accounts of NECHV, CSVH LLC, and the Managing Member. NECHV has significant control over the operations of CSVH LLC. Additionally, NECHV, CSVH LLC and the Managing Member are under common control. Based on these relationships, CSVH LLC and the Managing Member are combined with NECHV. The activity of the Managing Member is included with NECHV in the accompanying combining financial statements. All material intercompany balances and transactions have been eliminated in the accompanying combining financial statements. NECHV, CSVH LLC, and the Managing Member are collectively referred to as the Organization in these combining financial statements.

Fair Value Measurements

The Organization follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Organization would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Organization uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Organization. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

**VIETNAM VETERANS WORKSHOP, INC. AND AFFILIATES
D/B/A NEW ENGLAND CENTER AND HOME FOR VETERANS**

Notes to Combining Financial Statements
June 30, 2018 and 2017

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2: Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3: Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using Level 1 inputs.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less at the date of acquisition to be cash and cash equivalents, unless it is management's intent to invest long-term. Cash and cash equivalents consist of checking and money market accounts as of June 30, 2018 and 2017.

Certificate of Deposit

The Organization has a certificate of deposit with a bank that matures in December 2018 and is reflected as a current asset in the accompanying combining statements of financial position.

Property and Equipment and Depreciation

Purchased property and equipment are stated at cost or, if donated, at fair value at the date of donation. The Organization capitalizes property and equipment with values greater than \$2,500 and an economic life of greater than three years. Renewals and betterments are capitalized, while repairs and maintenance are expensed as they are incurred.

Depreciation is computed using the straight-line method over the following estimated useful lives of the individual assets:

Building and improvements	25 - 40 years
Vehicles	3 - 10 years
Furniture, fixtures and equipment	3 - 7 years

Land is not depreciated.

Depreciation expense for property and equipment was \$1,102,701 and \$624,157 for the years ended June 30, 2018 and 2017, respectively. The Organization accounts for the carrying value of its long-lived assets in accordance with the requirements of ASC Topic, *Accounting for the Impairment or Disposal of Long-Lived Assets*. The carrying value is evaluated annually for impairment and no impairment loss was recognized in fiscal years 2018 and 2017.

**VIETNAM VETERANS WORKSHOP, INC. AND AFFILIATES
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Notes to Combining Financial Statements
June 30, 2018 and 2017

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Depreciation (Continued)

Construction in progress consisted of costs related to the rehabilitation of the Property (see Note 6). These costs are capitalized as incurred and include construction, soft costs, overhead, interest, and others. Construction in progress is included in property and equipment in the accompanying combining statements of financial position.

Debt Issuance Costs

Debt issuance costs are amortized over the period the related obligation is outstanding using the straight-line method, which approximates the effective interest method.

Net Assets

Unrestricted Net Assets

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by the Organization.

The Organization has grouped its unrestricted net assets into the following categories:

Operating net assets represent net assets which are available for operations and bear no external restrictions.

Board designated net assets represent funds set aside by the Organization's Board of Directors. Use of these funds and its income can only be made with the approval of the Board of Directors.

Property and equipment net assets represent that portion of resources, net of related liabilities, invested in long-term productive property and equipment and non-controlling interest.

Temporarily Restricted Net Assets

Temporarily restricted net assets represent amounts received or committed by donors with time or purpose restrictions that have not yet been met.

Temporarily restricted net assets were available for the following purposes at June 30:

	<u>2018</u>	<u>2017</u>
Leave No One Behind Gala	\$ 187,980	\$ 40,000
Other restricted program support	97,820	18,401
Net appreciation on permanently restricted endowment (see Note 7)	3,273	2,892
Capital campaign	<u>-</u>	<u>545,791</u>
Total	<u>\$ 289,073</u>	<u>\$ 607,084</u>

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Notes to Combining Financial Statements
June 30, 2018 and 2017

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Permanently Restricted Net Assets

Permanently restricted net assets represent the original historic cost of a donor gift to the endowment (see Note 7). Earnings from this gift may be used for operations, but the principal may not be spent. In accordance with Massachusetts law, all earnings, including interest and dividends, and appreciation of a donor-restricted endowment are temporarily restricted until appropriated by the Board of Directors, and are released to unrestricted net assets based on the Organization's investment spending policy.

Non-Controlling Interest

Non-controlling interest represents Boston Capital's 99.99% interest in CSVH LLC (see page 10).

Revenue Recognition

Grants, contracts and contributions are recorded as revenue when received or committed. The Organization reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor stipulated time restriction ends or purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combining statements of activities as net assets released from restrictions. All other support and revenue are recognized as earned.

Rental income is recognized in the period the related facilities are occupied by tenants. Developer fee and overhead income are recognized as earned and based on the developer fee agreement. Special events revenues are recognized in the period in which the events occur. Interest and other income are recognized as earned.

Grants and Contracts Receivable and Allowance for Doubtful Accounts

The Organization carries its grants and contracts receivable at net realizable value. The Organization evaluates its receivables and establishes an allowance for doubtful accounts based on collections experience and current credit conditions. No allowance was deemed necessary at June 30, 2018 and 2017.

Contributed Goods and Services

During the years ended June 30, 2018 and 2017, the Organization received donated goods and services from various individuals or organizations for use in its programs. The value of these goods and services is reflected in the accompanying combining statements of activities based upon a value assigned by the donor or a reasonable estimate as determined by management.

Contributed goods and services are as follows for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Legal services	\$ 9,932	\$ 269,947
Food	<u>-</u>	<u>13,115</u>
	<u>\$ 9,932</u>	<u>\$ 283,062</u>

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Notes to Combining Financial Statements
June 30, 2018 and 2017

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

The Organization expenses all advertising costs as incurred.

Expense Allocation

Expenses related directly to a program are distributed to that program, while other expenses are allocated to programs based upon management's estimate of the percentage attributable to each function.

Use of Estimates

The preparation of combining financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the combining financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Organization accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the combining financial statements regarding a tax position taken or expected to be taken in a tax return. The Organization has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the combining financial statements at June 30, 2018 and 2017.

As described on page 10, NECHV is exempt from income taxes under Section 501(c)(3) of the IRC. The Managing Member is a for-profit corporate subsidiary. CSVH LLC is treated as a partnership for income tax purposes. Income of CSVH LLC, as well as losses, deductions and credits, are taxed to the members on their respective tax returns; accordingly, no income tax provision has been included in the accompanying combining financial statements.

Combining Statements of Activities

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenue and expenses in the accompanying combining statements of activities. Peripheral or incidental transactions are reported as non-operating revenues (expenses).

Subsequent Events

Subsequent events have been evaluated through October 18, 2018, which is the date the combining financial statements were available to be issued. Except as described in Notes 2, 8 and 9, there were no events that met the criteria for recognition or disclosure in the combining financial statements.

**VIETNAM VETERANS WORKSHOP, INC. AND AFFILIATES
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Notes to Combining Financial Statements
June 30, 2018 and 2017

2. PERMANENT SUPPORTIVE HOUSING AND ASSISTANCE PROGRAM

On April 30, 2015, CSVH LLC closed on financing for the Property. The total project value was approximately \$43.4 million and was funded by proceeds from sales of tax credits, capital contributions (see page 17), and debt from various lenders including NECHV (see Note 3). The project was completed in two phases, which were completed in December 2016 and December 2017, respectively.

CSVH LLC has been awarded 2016 low-income housing tax credits (LIHTC) under IRC Section 42 (the Code). As a condition of receiving these tax credits, the Property operated by CSVH LLC must be used in the manner prescribed by the Code and by the LIHTC Regulatory Agreement with the Commonwealth of Massachusetts, Department of Housing and Community Development (DHCD) for a minimum of fifteen years ending on April 30, 2030 (compliance period). In addition, CSVH LLC must lease no less than twenty-four of the ninety-seven units to individuals whose income is 30% or less than the area median gross income during the compliance period. CSVH LLC has been allocated a maximum of approximately \$1,000,000 of 2015 LIHTC, which are claimed on an annual basis. CSVH LLC began claiming the tax credits on its tax return for the year ended December 31, 2016. The holder of substantially all mortgage notes (see Note 9) and Boston Capital have specific rights and recourse to CSVH LLC should the Property cease to qualify for the tax credits.

The Property qualifies for Federal Historic Rehabilitation Tax Credits (Federal HRTC) under IRC Section 47, as amended in 1986. As a condition of receiving the Federal HRTC, the Organization must rehabilitate the Property which consists of a certified historic structure located in the National Park Service's National Register. The Federal HRTC are calculated at 20% of qualified rehabilitation expenditures. The Property is being rehabilitated in two phases for purposes of the Federal HRTC. The first phase rehabilitation of the Property generated approximately \$26,300,000 of qualified rehabilitation expenditures, which yielded approximately \$5,260,000 of Federal HRTC in 2016 which was claimed on CSVH LLC's tax return for the year ended December 31, 2016. The second phase rehabilitation of the Property generated additional qualified rehabilitation expenditures of approximately \$5,336,000, which yielded approximately \$1,067,000 of Federal HRTC in 2017, which was claimed on CSVH LLC's tax return for the year ended December 31, 2017.

The Property also qualifies for Massachusetts Historic Rehabilitation Tax Credits (State HRTC) authorized by the Commonwealth of Massachusetts (the Commonwealth) for the preservation of historic places in the Commonwealth as determined by the Massachusetts Historical Commission. These credits are allocated on a fixed-dollar amount based on a percentage not to exceed 20% of the expected qualified rehabilitation expenditures. CSVH LLC received an allocation of \$4,700,000 of State HRTC, which was claimed upon final certification of the Property. CSVH LLC allocated the State HRTC to the Managing Member and the Managing Member donated its interest in the State HRTC to NECHV under a State Historic Tax Credit Charitable Donation Agreement dated April 30, 2015. During fiscal year 2017, NECHV sold approximately \$3,840,000 State HRTC to an unrelated third party for \$3,571,986 and used the proceeds to pay off the Life Initiative Note (see Note 9). In fiscal year 2018, NECHV sold the remaining \$859,300 State HRTC for \$799,149 to an unrelated third party.

Recapture of the Federal and State historic tax credits would occur if the Property is sold or taken out of service within five years of being placed in service, reduced by 20% on each anniversary of the original placed in service date.

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Notes to Combining Financial Statements
June 30, 2018 and 2017

2. PERMANENT SUPPORTIVE HOUSING AND ASSISTANCE PROGRAM (Continued)

Capital Contributions/Commitments

Boston Capital has committed to make total capital contributions of \$16,963,677 to CSVH LLC, payable in three installments as outlined in the operating agreement. As of June 30, 2018, Boston Capital has contributed \$15,268,394, of which \$15,098,757 was received during fiscal year 2018. The final installment of \$1,695,283 and an upward adjustment of the capital contribution of \$499,428 were received subsequent to year-end. The Managing Member committed \$100, which has not been paid as of June 30, 2018.

Related Party Transactions

In connection with the rehabilitation of the Property, NECHV entered into lease, management, developer fee, and promissory note agreements with CSVH LLC and the Managing Member (see Note 3).

3. RELATED PARTY TRANSACTIONS

Ground Lease/Acquisition

On April 30, 2015, CSVH LLC entered into a ninety-nine year ground lease agreement (the Ground Lease) with NECHV for the Property (see Note 1). At the inception of the Ground Lease, CSVH LLC provided \$12,500,000 to NECHV, of which \$9,878,151 was in the form of a purchase money note, \$1,121,849 was cash, and \$1,500,000 was assumption of existing debt (see Note 1) related to the Property.

In accordance with ASC 840, *Lease Involving Both Land and Buildings*, the lease of the land and the building are treated as separate units because the land is valued at greater than 25% of the total value of the leased property. Accordingly, the \$12,500,000 transaction price was allocated \$4,898,890 to land and \$7,601,110 to the building based on the relative appraised values. Under ASC 840, the lease of land is reported as an operating lease. Therefore, the amount allocated to land is shown separately as prepaid land lease in the accompanying combining statements of financial position. The prepaid land lease is amortized on a straight-line basis over the term of the Ground Lease. Amortization expense was \$49,484 for the years ended June 30, 2018 and 2017, and is included in depreciation expense and eliminated in the accompanying combining statements of functional expenses. The lease of the building qualifies as a capital lease and, accordingly, the portion allocated to the building is included in property and equipment in the accompanying combining statements of financial position.

Notes and Interest Receivable/Payable - Affiliate

In connection with the Ground Lease and rehabilitation of the Property, NECHV provided financing to CSVH LLC and entered into five promissory note agreements (collectively, the Notes) with CSVH LLC. The Notes and related deferred interest are eliminated in the accompanying combining financial statements.

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Notes to Combining Financial Statements
June 30, 2018 and 2017

3. RELATED PARTY TRANSACTIONS (Continued)

Notes and Interest Receivable/Payable - Affiliate (Continued)

The Notes are as follows at June 30, 2018 and 2017:

- A promissory note in the amount of \$9,878,151 (Seller Note), with a maturity date of April 30, 2055. The note bears interest at 2.95% per annum, compounded annually. The principal sum advanced, together with all interest accrued, shall be payable solely from the cash flow of CSVH LLC, with payments beginning on April 30, 2016. This note funded part of the Ground Lease payments (see page 17). There were no payments made during fiscal year 2018 based on 2017 cash flow. There are no payments due in 2019 based on 2018 cash flow. This note is secured by a shared third mortgage on the Property. Deferred interest expense on this note was \$305,734, and \$293,377 for the years ended June 30, 2018 and 2017, respectively.
- A non-interest bearing promissory note in the maximum amount of \$4,966,586 (Capital Campaign Note), with a maturity date of April 30, 2055. During fiscal year 2018, the note was amended to include the Capital Campaign Bridge Note (see below), plus additional funds contributed by NECHV, bringing the maximum amount to \$5,454,747. This note is secured by a shared third mortgage on the Property.
- A non-interest bearing promissory note in the amount of \$2,604,000 (State HTC Note), with a maturity date of April 30, 2055. During fiscal year 2018, the note was amended to increase the maximum amount to \$4,371,000. This note is secured by a shared third mortgage on the Property.
- A non-interest bearing promissory note in the amount of \$1,304,000 (Capital Campaign Bridge Note), with a maturity date of April 20, 2020. This note was secured by the operating reserve and the proceeds from the sale of the State HRTC (see Note 2). During fiscal year 2018, this note was amended and rolled into the Capital Campaign Note.
- A non-interest bearing promissory note in the amount of \$500,000 (FHLB Note), with a maturity date of one day after the expiration of fifteen years of operation from the date of completion or the issuance of the certificate of occupancy for the Property. This note is secured by a shared third mortgage on the Property.

The principal balances and accrued interest on the above notes consist of the following at June 30:

<u>Note Payable</u>	<u>June 30, 2018</u>		<u>June 30, 2017</u>	
	<u>Principal Balance</u>	<u>Accrued Interest</u>	<u>Principal Balance</u>	<u>Accrued Interest</u>
Seller Note	\$ 9,878,151	\$ 937,118	\$ 9,878,151	\$ 631,383
Capital Campaign Note	5,353,969	-	3,878,180	-
State HTC Note	4,371,000	-	2,604,000	-
Capital Campaign Bridge Note	-	-	1,230,770	-
FHLB Note	500,000	-	500,000	-
	<u>\$ 20,103,120</u>	<u>\$ 937,118</u>	<u>\$ 18,091,101</u>	<u>\$ 631,383</u>

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Notes to Combining Financial Statements
June 30, 2018 and 2017

3. RELATED PARTY TRANSACTIONS (Continued)

Due to/from Affiliate

Due from affiliate is comprised of the following at June 30:

	<u>2018</u>	<u>2017</u>
Current portion:		
Developer fee and overhead	\$ 1,500,000	\$ 1,500,000
Rent	2,108,272	1,348,316
Operations advances	1,502,375	969,126
Property management and other fees	<u>268,297</u>	<u>130,572</u>
Total current portion	<u>\$ 5,378,944</u>	<u>\$ 3,948,014</u>
Long-term portion:		
Developer fee and overhead	\$ 800,000	\$ 800,000
Construction advances	<u>-</u>	<u>710,176</u>
	800,000	1,510,176
Less - valuation allowance	<u>800,000</u>	<u>800,000</u>
Total long-term portion	<u>\$ -</u>	<u>\$ 710,176</u>

Developer Fee and Overhead

NECHV, as the developer, is entitled to a developer fee for overseeing the development of the Property under a development service agreement. The maximum fee under this agreement is \$2,300,000, which is comprised of a developer fee of \$1,150,000 and overhead of \$1,150,000. During fiscal year 2017, NECHV earned the remaining \$650,000 and \$1,150,000 of developer fee and overhead, respectively. As of June 30, 2018, the full developer fee and overhead have been earned and are outstanding. Developer fee and overhead of \$1,500,000 is expected to be paid out of development sources of funds for the Property. The remaining \$800,000 will be deferred and will bear no interest, and is expected to be paid from cash flow as specified in the development services agreement or in full on or before the tenth anniversary of the completion date of the Property (the anniversary date). If not paid by the anniversary date, the Managing Member will make an additional capital contribution sufficient to enable CSVH LLC to repay the deferred developer fee.

Property Management Agreement

On April 1, 2015, CSVH LLC entered into a property management agreement with NECHV commencing on April 30, 2015, and will continue until cancelled by either party with thirty days written notice. CSVH LLC shall pay NECHV 6% of the gross income collected, as defined in the agreement. NECHV earned \$73,350 and \$53,811 under this agreement for the years ended June 30, 2018 and 2017, respectively. As of June 30, 2018 and 2017, \$141,422 and \$68,072, respectively, were payable to NECHV and included in due from (to) affiliates in the accompanying combining statements of financial position.

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Notes to Combining Financial Statements
June 30, 2018 and 2017

3. RELATED PARTY TRANSACTIONS (Continued)

Asset Management Fee

CSVH LLC has an agreement with Boston Capital to provide certain asset management services to CSVH LLC. The Investor Member receives a cumulative asset management fee of \$5,000 per annum commencing in fiscal year 2017. Asset management fees incurred for the years ended June 30, 2018 and 2017, were \$5,105 and \$5,000, respectively. Asset management fees payable as of June 30, 2018 and 2017, were \$10,105 and \$5,000, respectively, and are included in long-term portion of accounts payable in the accompanying combining statements of financial position. The fee increases annually by the Consumer Price Index. Payment is subject to cash flow. To the extent that cash flow is insufficient to make the annual payment, the Managing Member shall advance the shortfall to CSVH LLC as a subordinated loan.

Company Management Fee

CSVH LLC has an agreement with the Managing Member to manage the day-to-day business and affairs of CSVH LLC. The Managing Member receives a non-cumulative company management fee of \$5,000 per annum commencing in fiscal year 2017, subject to cash flow. To the extent that cash flow is insufficient to make the annual payment, the management fee will not accrue for payment. No fees were accrued in fiscal year 2018 or 2017.

Supportive Services Agreement

CSVH LLC entered into a supportive services agreement with NECHV, appointing NECHV as the exclusive agent for the management and delivery of supportive services for the tenants at the Property. CSVH LLC pays NECHV \$62,500 annually, increasing by 3% per year, as a fee for the services, provided that \$47,000 of such fee, increasing by 3% per year, shall be payable only to the extent of available cash flow (see Note 14). NECHV earned \$64,375 and \$62,500 during fiscal years 2018 and 2017, respectively. As of June 30, 2018 and 2017, \$126,875 and \$62,500, respectively, are payable and included in due from (to) affiliates in the accompanying combining statements of financial position.

Sublease Agreement

On April 30, 2015, NECHV entered into a sublease agreement (the Sublease) with CSVH LLC, whereby NECHV is leasing back 48.8% of the Property through April 30, 2033. The sublease requires annual payments of \$603,120 over the eighteen-year period plus their pro-rated share of certain building operating costs including housekeeping and utilities. Rental income earned under the Sublease was \$759,956 and \$652,175 for the years ended June 30, 2018 and 2017, respectively. Rental income outstanding was \$2,108,272 and \$1,348,316 as of June 30, 2018 and 2017, respectively (see page 19). CSVH LLC is responsible for all maintenance, repair and operation costs under the agreement.

4. CERTIFICATE OF DEPOSIT

NECHV has a six-month certificate of deposit (CD) that matured on June 23, 2018, and accrued interest at 0.3% per annum. The fair value of the CD, which approximates the cost basis, was \$221,672 and \$220,935 as of June 30, 2018 and 2017, respectively. This CD was renewed for another six months, maturing on December 31, 2018.

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Notes to Combining Financial Statements
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5. RESTRICTED CASH

The balance of restricted deposits includes the following as of June 30:

	<u>2018</u>	<u>2017</u>
NECHV:		
Permanent endowment (see Note 7)	\$ 250,000	\$ 250,000
CSVH LLC:		
Operating reserve	484,022	-
Tenant security deposit	78,213	69,982
Replacement reserve	<u>50,029</u>	<u>-</u>
Total restricted deposits	862,264	319,982
Less - current portion	<u>78,213</u>	<u>69,982</u>
Non-current portion	<u>\$ 784,051</u>	<u>\$ 250,000</u>

Tenant Deposits

The tenant deposits consist of security deposits collected upon move-in. Interest is paid annually to the tenants based on the current interest rate of the bank where the Organization holds the tenant security deposits. At June 30, 2018 and 2017, the interest rate was approximately 0.10%.

Replacement Reserve

CSVH LLC is required to establish and maintain reasonable reserves to provide for working capital needs, improvements, replacements, and any other contingencies of CSVH LLC. CSVH LLC is required to make an initial deposit of \$50,000 on or before the completion date of the Property, and thereafter, an annual deposit of \$33,950 from cash flow into the replacement reserve. To the extent that cash flow is insufficient to make the annual deposit, the Managing Member shall fund the shortfall from its own funds as a subordinated loan. CSVH LLC funded the replacement reserve during fiscal year 2018.

Operating Reserve

CSVH LLC is required to fund and maintain an operating reserve upon completion of the rehabilitation of the Property. CSVH LLC is required to make an initial deposit of \$483,617 (the minimum balance) into a segregated, interest bearing account, which will be held by the Special Member or its designee to secure the Managing Member's obligation to fund operating deficits. The funds will be released by the Special Member to pay operating expenses only after achievement of certain conditions as specified in the Operating Agreement. The Managing Member is required to redeposit funds in the operating reserve from cash flow in order to maintain the minimum balance. The operating reserve will be closed by the Special Member upon the end of the LIHTC compliance period and any remaining funds will be distributed as cash flow in accordance with the Operating Agreement. CSVH LLC funded the operating reserve during fiscal year 2018.

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Notes to Combining Financial Statements
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6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Land	\$ 2,524,069	\$ 2,388,997
Building and improvements	41,827,687	34,816,038
Furniture, fixtures and equipment	1,762,100	1,687,110
Vehicles	<u>117,956</u>	<u>117,956</u>
	46,231,812	39,010,101
Less - accumulated depreciation	<u>2,923,216</u>	<u>1,833,673</u>
	43,308,596	37,176,428
Construction in progress	<u>-</u>	<u>4,635,138</u>
	<u>\$ 43,308,596</u>	<u>\$ 41,811,566</u>

Construction in process representing costs incurred on Phase II of the rehabilitation of the Property, were completed and placed into service during fiscal year 2018.

7. ENDOWMENT FUNDS

Endowment funds consist of a \$250,000 donation which was established to function as a permanent endowment to provide the Organization with income to be used for the Veterans Training School. Use of the income from the permanent endowment income can only be made with the approval of the Board of Directors, as well as in accordance with the spending policy. The entire balance of the permanent endowment at June 30, 2018 and 2017, is invested in a money market account.

The Organization follows the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA). Subject to the intent of a donor, the Organization may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. The assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the Board of Directors of the Organization. The Organization currently does not have a spending policy and is in the process of implementing one.

A reconciliation of endowment activity is as follows:

	<u>Donor Restricted</u>		
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment</u>
Endowment net assets, June 30, 2016	\$ 2,513	\$ 250,000	\$ 252,513
Interest	<u>379</u>	<u>-</u>	<u>379</u>
Endowment net assets, June 30, 2017	2,892	250,000	252,892
Interest	<u>381</u>	<u>-</u>	<u>381</u>
Endowment net assets, June 30, 2018	<u>\$ 3,273</u>	<u>\$ 250,000</u>	<u>\$ 253,273</u>

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Notes to Combining Financial Statements
June 30, 2018 and 2017

8. LINE OF CREDIT

NECHV has a \$1,000,000 line of credit agreement with a bank. Borrowings under the agreement are due on demand and interest is payable monthly at the London Interbank Offered Rate (LIBOR) Advantage Rate (1.98% and 1.17% at June 30, 2018 and 2017, respectively), plus 250 basis points. The line of credit is secured by all business assets of NECHV. There was no outstanding balance on this line of credit as of June 30, 2018 and 2017. This line of credit is renewable annually in October. NECHV is required to comply with certain covenants as described in the line of credit agreement. NECHV was in compliance with these covenants as of June 30, 2018 and 2017.

Subsequent to year-end, the line of credit agreement was amended to increase the maximum borrowing to \$2,000,000, subject to certain limitations, and to extend the maturity date to October 31, 2019.

9. NOTES PAYABLE

Notes payable consist of the following at June 30:

CSVH LLC	<u>2018</u>	<u>2017</u>
Non-interest bearing note payable to Community Economic Development Assistance Corporation (CEDAC), with maximum borrowings up to \$2,250,000. No payments of principal are due before the maturity date of October 30, 2046. This note is secured by a shared second mortgage on the Property.	\$ 2,250,000	\$ 1,800,000
Non-interest bearing note payable to the Commonwealth, acting by and through the Department of Housing and Community Development (DHCD) under the Affordable Housing Trust Fund, up to \$2,233,318. No payments of principal are due before the maturity date of October 30, 2046. This note is secured by a shared second mortgage on the Property.	2,233,318	2,233,318
Construction note payable to Citibank, N.A. up to \$20,000,000 (Citibank Loan), bearing interest at the LIBOR (1.98% and 1.17% at June 30, 2018 and 2017, respectively), plus 2.25% per annum. Interest only is payable monthly in arrears through the maturity date of May 1, 2017, at which time the entire principal balance and accrued and unpaid interest were due and payable in full. CSVH LLC exercised the option to extend the maturity date of the note to November 1, 2017. During fiscal year 2018, this note was extended to August 1, 2018. Subsequent to year-end, this note was repaid from capital contributions from Boston Capital. As such, this note is shown as long-term in the accompanying combining statements of financial position. This note is secured by a first mortgage on the Property. Interest expense was \$778,139 for the year ended June 30, 2018. Interest incurred and capitalized was \$425,524 for the year ended June 30, 2017.	1,669,275	14,527,744

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Notes to Combining Financial Statements
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9. NOTES PAYABLE (Continued)

CSVH LLC (Continued)	<u>2018</u>	<u>2017</u>
Non-interest bearing note payable to the City of Boston, acting by and through its Public Facilities Department (PFD). No payments of principal are due before the maturity date of October 30, 2046. This note is secured by a shared second mortgage on the Property. This note was assumed by CSVH LLC as part of the acquisition of the Property from NECHV (see Note 3).	1,000,000	1,000,000
Non-interest bearing note payable to the City of Boston, acting by and through its Neighborhood Housing Trust Program, by the Department of Neighborhood Development, up to \$1,000,000. No payments of principal are due before the maturity date of October 30, 2046. This note is secured by a shared second mortgage on the Property.	900,000	900,000
Non-interest bearing note payable to Massachusetts Housing Partnership Fund (MHP), acting by and through DHCD under the Housing Stabilization and Investment Trust Fund (HSF), up to \$1,000,000. No payments of principal are due before the maturity date of October 30, 2066. This note is secured by a shared second mortgage on the Property.	810,580	810,580
Non-interest bearing note payable to CEDAC. No payments of principal are due before the maturity date of October 30, 2046. This note is secured by a shared second mortgage on the Property. This note was assumed by CSVH LLC as part of the acquisition of the Property from NECHV (see Note 3).	500,000	500,000
	<u>9,363,173</u>	<u>21,771,642</u>
Less - unamortized debt issuance costs	<u>112,237</u>	<u>116,175</u>
Total CSVH LLC	9,250,936	21,655,467
NECHV		
Non-interest bearing note payable to the Federal Home Loan Bank in the amount of \$500,000, with a maturity date of one day after the expiration of fifteen years of operation from the date of completion of the Property or the issuance of the certificate of occupancy for the Property. This note is secured by a shared third mortgage on the Property.	<u>500,000</u>	<u>500,000</u>
Total notes payable	<u>\$ 9,750,936</u>	<u>\$ 22,155,467</u>

Except for the Citibank Loan, which is due in full in fiscal year 2019, payments are only due for the above notes based on cash flow from operations (see Note 14). There are no fixed and determinable payments of principal for the above notes over the next five years. There was no payment due in 2018 or 2017 based on 2017 and 2016 cash flow (see Note 14).

**VIETNAM VETERANS WORKSHOP, INC. AND AFFILIATES
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Notes to Combining Financial Statements
June 30, 2018 and 2017

9. NOTES PAYABLE (Continued)

The Organization is required to comply with certain covenants as described in the note payable agreements. The Organization was in compliance with these covenants as of June 30, 2018 and 2017.

10. DEBT ISSUANCE COSTS

Debt issuance costs are capitalized and amortized on the straight-line basis over the term of the debt. Debt issuance costs associated with the notes payable (see Note 9) will be amortized over thirty years. Non-cash interest expense was \$3,938 and \$1,969 for the years ended June 30, 2018 and 2017, respectively. Debt issuance costs consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Debt issuance costs	\$ 118,144	\$ 118,144
Accumulated amortization	<u>(5,907)</u>	<u>(1,969)</u>
Debt issuance costs, net	<u>\$ 112,237</u>	<u>\$ 116,175</u>

Non-cash interest expense is expected to be approximately \$3,900 for the next five years.

11. RETIREMENT PLAN

NECHV sponsors a defined contribution retirement plan under Section 403(b) of the IRC. All regular full-time employees are eligible to participate in the plan. Under the provisions of the plan, annual contributions to the plan are at the discretion of NECHV's management. NECHV did not make any discretionary contributions to the plan for the years ended June 30, 2018 and 2017.

12. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances in two banks in Massachusetts. The Federal Deposit Insurance Corporation (FDIC) insures balances at each bank up to certain amounts. At certain times during the year, cash balances exceeded the insured amounts. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

13. CONTINGENCIES

The Organization, from time-to-time, is the defendant in lawsuits. It is management's opinion that the Organization will prevail in these lawsuits. Accordingly, no amounts have been reflected in the accompanying combining financial statements for any potential liability resulting from these lawsuits.

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Notes to Combining Financial Statements
June 30, 2018 and 2017

14. PROFIT AND LOSS ALLOCATIONS AND DISTRIBUTIONS – CSVH LLC

Profit and Loss Allocations

All profits, losses and credits are allocated 99.99% to Boston Capital and .01% to the Managing Member.

Distributions

Subject to any requisite approvals and terms of the CEDAC note payable (see Note 9), net cash flow will be distributed within seventy-five days after year-end, as defined in the operating agreement, and is distributable as follows. No amounts are due in 2018 or 2017 based on 2017 and 2016 cash flows, respectively.

- 1) Payment in full to Boston Capital of any amounts due.
- 2) Payment of the supportive services fee (see Note 3).
- 3) Payment of the asset management fee (see Note 3).
- 4) To replenish the operating reserve to the minimum balance (see Note 5).
- 5) Payment of any unpaid portion of the deferred developer fee (see Note 3).
- 6) Repayment of any subordinated loans.
- 7) Payment of the company management fee (see Note 3).
- 8) Payment of the Seller Loan (see Note 3).
- 9) Any remaining balance is distributed 99.99% to Boston Capital and 0.01% to the Managing Member.

Cash from a sale or refinancing shall be distributed as follows:

- 1) Payment in full to Boston Capital of any amounts due.
- 2) Payment of any accrued and unpaid asset management fees.
- 3) Payment of any remaining unpaid debts and liabilities owed to members, excluding subordinated loans.
- 4) Payment of any subordinated loans.
- 5) The balance, if any, 99.989% to Boston Capital, .001% to the Special Member, and .01% to the Managing Member.

There were no funds available to be distributed from 2018 and 2017 cash flows.

15. RECLASSIFICATION

Certain amounts in the fiscal year 2017 financial statements have been reclassified to conform with the fiscal year 2018 presentation.