



NEW ENGLAND CENTER
AND HOME FOR VETERANS

EDUCATION | SUPPORT | EMPLOYMENT | HOUSING

VIETNAM VETERANS WORKSHOP, INC. AND AFFILIATES

**COMBINING FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

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

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June 30, 2017 and 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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.

Emphasis of a Matter

During fiscal year 2017, the Organization adopted Accounting Standards Update No. 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, which modifies the classification of debt issuance costs on the combining statement of financial position. Our opinion is not modified with respect to this matter.

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

Boston, Massachusetts
October 30, 2017

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

Combining Statement of Financial Position
June 30, 2017
(With Summarized Comparative Totals as of June 30, 2016)

Assets	2017						2016	
	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	\$ 367,266	\$ 604,192	\$ -	\$ 971,458	\$ 164,498	\$ -	\$ 1,135,956	\$ 636,921
Certificate of deposit	220,935	-	-	220,935	-	-	220,935	221,052
Grants and contracts receivable	444,418	-	-	444,418	-	-	444,418	465,933
Current portion of pledges receivable	-	-	-	-	-	-	-	103,364
Current portion of restricted cash	-	-	-	-	69,982	-	69,982	22,488
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)	-	-
Short-term investments	13,139	2,892	-	16,031	-	-	16,031	66,784
Prepaid expenses and other	59,214	-	-	59,214	16,226	-	75,440	94,510
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>	<u>1,611,052</u>
Other Assets:								
Pledges receivable, net of current portion	-	-	-	-	-	-	-	20,000
Restricted cash, net of current portion	-	-	250,000	250,000	-	-	250,000	750,000
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>	<u>770,000</u>
Property and Equipment, net	<u>2,605,039</u>	<u>-</u>	<u>-</u>	<u>2,605,039</u>	<u>38,522,153</u>	<u>684,374</u>	<u>41,811,566</u>	<u>31,176,208</u>
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>	<u>\$ 33,557,260</u>
Liabilities and Net Assets								
Current Liabilities:								
Accounts payable and accrued expenses	\$ 1,039,554	\$ -	\$ -	\$ 1,039,554	\$ 86,954	\$ -	\$ 1,126,508	\$ 1,093,894
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	35,780
Total current liabilities	<u>2,447,167</u>	<u>-</u>	<u>-</u>	<u>2,447,167</u>	<u>2,686,652</u>	<u>(3,997,498)</u>	<u>1,136,321</u>	<u>1,129,674</u>
Long-Term Liabilities:								
Long-term portion of accounts payable	-	-	-	-	1,628,407	-	1,628,407	3,939,267
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	14,738,648
Total long-term liabilities	<u>5,250,438</u>	<u>-</u>	<u>-</u>	<u>5,250,438</u>	<u>43,516,534</u>	<u>(24,983,098)</u>	<u>23,783,874</u>	<u>18,677,915</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>	<u>19,807,589</u>
Net Assets:								
Unrestricted:								
Operating	1,537,951	-	-	1,537,951	412,370	-	1,950,321	51,668
Board designated	479,212	-	-	479,212	-	-	479,212	306,167
Property and equipment	16,027,601	-	-	16,027,601	(1,694,459)	2,766,318	17,099,460	12,845,492
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>	<u>13,203,327</u>
Temporarily restricted	-	607,084	-	607,084	-	-	607,084	466,645
Permanently restricted	-	-	250,000	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>	<u>13,919,972</u>
Non-controlling interest	-	-	-	-	-	(1,281,944)	(1,281,944)	(170,301)
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>	<u>13,749,671</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>	<u>\$ 33,557,260</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 Financial Position
June 30, 2016

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	\$ 241,351	\$ 372,132	\$ -	\$ 613,483	\$ 23,438	\$ -	\$ 636,921
Certificate of deposit	221,052	-	-	221,052	-	-	221,052
Grants and contracts receivable	465,933	-	-	465,933	-	-	465,933
Current portion of pledges receivable	11,364	92,000	-	103,364	-	-	103,364
Current portion of restricted cash	-	-	-	-	22,488	-	22,488
Current portion of due from affiliate	798,002	-	-	798,002	703,640	(1,501,642)	-
Current portion of prepaid land lease	-	-	-	-	49,484	(49,484)	-
Short-term investments	64,271	2,513	-	66,784	-	-	66,784
Prepaid expenses and other	80,398	-	-	80,398	14,112	-	94,510
Total current assets	<u>1,882,371</u>	<u>466,645</u>	<u>-</u>	<u>2,349,016</u>	<u>813,162</u>	<u>(1,551,126)</u>	<u>1,611,052</u>
Other Assets:							
Pledges receivable, net of current portion and allowance for doubtful accounts of \$15,000	20,000	-	-	20,000	-	-	20,000
Restricted cash, net of current portion	500,000	-	250,000	750,000	-	-	750,000
Notes and interest receivable - affiliate	18,336,136	-	-	18,336,136	-	(18,336,136)	-
Due from affiliate, net of current portion	301,158	-	-	301,158	-	(301,158)	-
Prepaid land lease, net of current portion	-	-	-	-	4,799,922	(4,799,922)	-
Total other assets	<u>19,157,294</u>	<u>-</u>	<u>250,000</u>	<u>19,407,294</u>	<u>4,799,922</u>	<u>(23,437,216)</u>	<u>770,000</u>
Property and Equipment, net	<u>2,425,578</u>	<u>-</u>	<u>-</u>	<u>2,425,578</u>	<u>28,021,125</u>	<u>729,505</u>	<u>31,176,208</u>
Total assets	<u>\$ 23,465,243</u>	<u>\$ 466,645</u>	<u>\$ 250,000</u>	<u>\$ 24,181,888</u>	<u>\$ 33,634,209</u>	<u>\$ (24,258,837)</u>	<u>\$ 33,557,260</u>
Liabilities and Net Assets							
Current Liabilities:							
Accounts payable and accrued expenses	\$ 1,071,950	\$ -	\$ -	\$ 1,071,950	\$ 21,944	\$ -	\$ 1,093,894
Current portion of due to affiliate	703,640	-	-	703,640	798,002	(1,501,642)	-
Current portion of deferred land lease	49,484	-	-	49,484	-	(49,484)	-
Deferred revenue	31,621	-	-	31,621	4,159	-	35,780
Total current liabilities	<u>1,856,695</u>	<u>-</u>	<u>-</u>	<u>1,856,695</u>	<u>824,105</u>	<u>(1,551,126)</u>	<u>1,129,674</u>
Long-Term Liabilities:							
Long-term portion of accounts payable	-	-	-	-	3,939,267	-	3,939,267
Due to affiliate, net of current portion	-	-	-	-	301,158	(301,158)	-
Deferred land lease, net of current portion	4,799,922	-	-	4,799,922	-	(4,799,922)	-
Notes and interest payable - affiliate	-	-	-	-	18,336,136	(18,336,136)	-
Notes payable, net of unamortized debt issuance costs	4,334,770	-	-	4,334,770	10,403,878	-	14,738,648
Total long-term liabilities	<u>9,134,692</u>	<u>-</u>	<u>-</u>	<u>9,134,692</u>	<u>32,980,439</u>	<u>(23,437,216)</u>	<u>18,677,915</u>
Total liabilities	<u>10,991,387</u>	<u>-</u>	<u>-</u>	<u>10,991,387</u>	<u>33,804,544</u>	<u>(24,988,342)</u>	<u>19,807,589</u>
Net Assets:							
Unrestricted:							
Operating	90,151	-	-	90,151	(38,483)	-	51,668
Board designated	306,167	-	-	306,167	-	-	306,167
Property and equipment	12,077,538	-	-	12,077,538	(131,852)	899,806	12,845,492
Total unrestricted	<u>12,473,856</u>	<u>-</u>	<u>-</u>	<u>12,473,856</u>	<u>(170,335)</u>	<u>899,806</u>	<u>13,203,327</u>
Temporarily restricted	-	466,645	-	466,645	-	-	466,645
Permanently restricted	-	-	250,000	250,000	-	-	250,000
Total net assets attributable of NECHV and Affiliates	<u>12,473,856</u>	<u>466,645</u>	<u>250,000</u>	<u>13,190,501</u>	<u>(170,335)</u>	<u>899,806</u>	<u>13,919,972</u>
Non-controlling interest	-	-	-	-	-	(170,301)	(170,301)
Total net assets	<u>12,473,856</u>	<u>466,645</u>	<u>250,000</u>	<u>13,190,501</u>	<u>(170,335)</u>	<u>729,505</u>	<u>13,749,671</u>
Total liabilities and net assets	<u>\$ 23,465,243</u>	<u>\$ 466,645</u>	<u>\$ 250,000</u>	<u>\$ 24,181,888</u>	<u>\$ 33,634,209</u>	<u>\$ (24,258,837)</u>	<u>\$ 33,557,260</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 Activities
For the Year Ended June 30, 2017

(With Summarized Comparative Totals for the Year Ended June 30, 2016)

	2017						2016		
	New England Center and Home for Veterans and Subsidiary			Court Street Veterans Housing, LLC			Eliminations	Total	Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total					
Operating Revenue:									
Grants and contracts	\$ 6,544,338	\$ -	\$ -	\$ 6,544,338	\$ -	\$ -	\$ 6,544,338	\$ 6,612,608	
Contributions and special events	2,607,011	333,155	-	2,940,166	-	-	2,940,166	2,707,980	
Developer fee and overhead	1,000,000	-	-	1,000,000	-	800,000	1,800,000	-	
Rental income	-	-	-	-	1,549,251	(652,175)	897,076	609,713	
Contributed goods and services	283,062	-	-	283,062	-	-	283,062	356,265	
Other income	619,951	379	-	620,330	7,841	(509,303)	118,868	88,079	
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>	<u>10,374,645</u>	
Operating Expenses:									
Program services:									
Transitional housing services	2,087,417	-	-	2,087,417	-	(130,435)	1,956,982	2,080,671	
Clinical support services	3,976,969	-	-	3,976,969	-	(280,435)	3,696,534	3,923,463	
Veterans training school	208,662	-	-	208,662	-	(19,565)	189,097	273,014	
Rental	-	-	-	-	2,422,072	(464,172)	1,957,900	1,305,470	
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>	<u>7,582,618</u>	
Supporting services:									
Finance and administration	1,972,717	-	-	1,972,717	-	(110,870)	1,861,847	1,688,688	
Fundraising and development	1,532,770	-	-	1,532,770	-	(110,870)	1,421,900	1,500,437	
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>	<u>3,189,125</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>	<u>10,771,743</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>	<u>(397,098)</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	50,000	
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>	<u>50,000</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>	<u>(347,098)</u>	
Non-Controlling Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,111,643)</u>	<u>-</u>	<u>(1,111,643)</u>	<u>(402,445)</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>	<u>\$ 55,347</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, 2016

	New England Center and Home for Veterans and Subsidiary			Total	Court Street	Eliminations	Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		Veterans Housing, LLC		
Operating Revenue:							
Grants and contracts	\$ 6,612,608	\$ -	\$ -	\$ 6,612,608	\$ -	\$ -	\$ 6,612,608
Contributions and special events	2,592,980	115,000	-	2,707,980	-	-	2,707,980
Rental income	-	-	-	-	1,334,833	(725,120)	609,713
Contributed goods and services	356,265	-	-	356,265	-	-	356,265
Other income	580,922	3,279	-	584,201	5,877	(501,999)	88,079
Net assets released from purpose restrictions	166,043	(166,043)	-	-	-	-	-
Total operating revenue	<u>10,308,818</u>	<u>(47,764)</u>	<u>-</u>	<u>10,261,054</u>	<u>1,340,710</u>	<u>(1,227,119)</u>	<u>10,374,645</u>
Operating Expenses:							
Program services:							
Transitional housing services	2,225,695	-	-	2,225,695	-	(145,024)	2,080,671
Clinical support services	4,235,265	-	-	4,235,265	-	(311,802)	3,923,463
Veterans training school	294,768	-	-	294,768	-	(21,754)	273,014
Rental	-	-	-	-	1,683,195	(377,725)	1,305,470
Total program services	<u>6,755,728</u>	<u>-</u>	<u>-</u>	<u>6,755,728</u>	<u>1,683,195</u>	<u>(856,305)</u>	<u>7,582,618</u>
Supporting services:							
Finance and administration	1,811,958	-	-	1,811,958	-	(123,270)	1,688,688
Fundraising and development	1,623,707	-	-	1,623,707	-	(123,270)	1,500,437
Total supporting services	<u>3,435,665</u>	<u>-</u>	<u>-</u>	<u>3,435,665</u>	<u>-</u>	<u>(246,540)</u>	<u>3,189,125</u>
Total operating expenses	<u>10,191,393</u>	<u>-</u>	<u>-</u>	<u>10,191,393</u>	<u>1,683,195</u>	<u>(1,102,845)</u>	<u>10,771,743</u>
Changes in net assets from operations	<u>117,425</u>	<u>(47,764)</u>	<u>-</u>	<u>69,661</u>	<u>(342,485)</u>	<u>(124,274)</u>	<u>(397,098)</u>
Non-Operating Revenues (Expenses):							
Capital grants	-	50,000	-	50,000	-	-	50,000
Capital grants released from restrictions	345,604	(345,604)	-	-	-	-	-
Total non-operating revenues (expenses)	<u>345,604</u>	<u>(295,604)</u>	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
Changes in net assets	463,029	(343,368)	-	119,661	(342,485)	(124,274)	(347,098)
Non-Controlling Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(402,445)</u>	<u>-</u>	<u>(402,445)</u>
Changes in net assets attributable to NECHV and affiliates	<u>\$ 463,029</u>	<u>\$ (343,368)</u>	<u>\$ -</u>	<u>\$ 119,661</u>	<u>\$ 59,960</u>	<u>\$ (124,274)</u>	<u>\$ 55,347</u>

**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, 2017 and 2016

	<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>					
Net Assets, June 30, 2015	\$ 12,010,827	\$ 810,013	\$ 250,000	\$ 13,070,840	\$ 232,150	\$ 621,635	\$ 232,144	\$ 14,156,769
Syndication costs	-	-	-	-	(60,000)	-	-	(60,000)
Changes in net assets	<u>463,029</u>	<u>(343,368)</u>	<u>-</u>	<u>119,661</u>	<u>(342,485)</u>	<u>278,171</u>	<u>(402,445)</u>	<u>(347,098)</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	<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>\$ (1,281,944)</u>	<u>\$ 19,104,133</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, 2017 and 2016

	2017				2016			
	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	\$ 5,711,347	\$ (1,111,754)	\$ 754,869	\$ 5,354,462	\$ 119,661	\$ (342,485)	\$ (124,274)	\$ (347,098)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:								
Depreciation	29,347	594,810	-	624,157	26,433	202,696	-	229,129
Sale of tax credits	(3,571,986)	-	-	(3,571,986)	-	-	-	-
Amortization of prepaid land lease	(49,484)	49,484	-	-	(49,484)	49,484	-	-
Amortization of debt issuance costs	-	1,969	-	1,969	-	-	-	-
Non-capitalized development costs	-	246,774	-	246,774	-	-	-	-
Capital grants	(530,000)	-	-	(530,000)	(50,000)	-	-	(50,000)
Deferred interest	(291,407)	291,407	-	-	(291,408)	291,408	-	-
Changes in operating assets and liabilities:								
Grants and contracts receivable	21,515	-	-	21,515	155,742	-	-	155,742
Prepaid expenses and other	21,184	(2,114)	-	19,070	(14,243)	315	-	(13,928)
Accounts payable and accrued expenses	(32,396)	65,010	-	32,614	(365,675)	39,751	-	(325,924)
Deferred revenue	(21,808)	(4,159)	-	(25,967)	7,296	4,159	-	11,455
Due (to) from affiliate	(1,566,038)	157,020	1,409,018	-	106,135	(106,135)	-	-
Net cash provided by (used in) operating activities	(279,726)	288,447	2,163,887	2,172,608	(355,543)	139,193	(124,274)	(340,624)
Cash Flows from Investing Activities:								
Certificate of deposit	117	-	-	117	(4,149)	-	-	(4,149)
(Purchase of) sale of short-term investments	50,753	-	-	50,753	(20,928)	-	-	(20,928)
Withdrawal from (deposits to) restricted deposits	500,000	(47,494)	-	452,506	-	(6,483)	-	(6,483)
Purchase of property and equipment	(208,808)	(11,444,454)	(2,163,887)	(13,817,149)	-	(13,822,106)	124,274	(13,697,832)
Notes and interest receivable - affiliate	(94,941)	-	94,941	-	(4,680,374)	-	4,680,374	-
Net cash provided by (used in) investing activities	247,121	(11,491,948)	(2,068,946)	(13,313,773)	(4,705,451)	(13,828,589)	4,804,648	(13,729,392)
Cash Flows from Financing Activities:								
Payments of notes payable	(3,834,770)	-	-	(3,834,770)	-	-	-	-
Proceeds from notes payable	-	11,249,620	-	11,249,620	4,334,770	9,022,022	-	13,356,792
Sale of tax credits	3,571,986	-	-	3,571,986	-	-	-	-
Capital grants	653,364	-	-	653,364	750,059	-	-	750,059
Syndication costs	-	-	-	-	-	(60,000)	-	(60,000)
Notes and interest payable - affiliate	-	94,941	(94,941)	-	-	4,680,374	(4,680,374)	-
Net cash provided by financing activities	390,580	11,344,561	(94,941)	11,640,200	5,084,829	13,642,396	(4,680,374)	14,046,851
Net Change in Cash and Cash Equivalents	357,975	141,060	-	499,035	23,835	(47,000)	-	(23,165)
Cash and Cash Equivalents:								
Beginning of year	613,483	23,438	-	636,921	589,648	70,438	-	660,086
End of year	\$ 971,458	\$ 164,498	\$ -	\$ 1,135,956	\$ 613,483	\$ 23,438	\$ -	\$ 636,921
Supplemental Disclosure of Cash Flow Information:								
Cash paid for interest	\$ 55,726	\$ -	\$ -	\$ 55,726	\$ 127,973	\$ -	\$ -	\$ 127,973
Non-cash transactions:								
Property and equipment funded through accounts payable	\$ -	\$ 1,628,407	\$ -	\$ 1,628,407	\$ -	\$ 3,939,267	\$ -	\$ 3,939,267
Property and equipment funded through due to/from affiliate	\$ -	\$ 3,010,176	\$ -	\$ 3,010,176	\$ -	\$ 801,158	\$ -	\$ 801,158
Capitalized interest included in property and equipment	\$ -	\$ 45,131	\$ -	\$ 45,131	\$ -	\$ 124,274	\$ -	\$ 124,274

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
(With Summarized Comparative Totals for the Year Ended June 30, 2016)

	2017										2016	
	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	\$ 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	\$ 5,019,779
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	1,334,110
Contract labor	37,287	36,040	300	73,627	107,520	1,638	109,158	182,785	-	-	182,785	134,407
Total salaries and related	<u>1,187,120</u>	<u>2,087,212</u>	<u>169,167</u>	<u>3,443,499</u>	<u>1,165,364</u>	<u>812,481</u>	<u>1,977,845</u>	<u>5,421,344</u>	<u>646,815</u>	<u>-</u>	<u>6,068,159</u>	<u>6,488,296</u>
Occupancy:												
Depreciation	-	-	-	-	-	-	-	-	644,294	(49,484)	594,810	202,696
Repairs and maintenance	121,704	-	-	121,704	45,607	-	45,607	167,311	166,308	-	333,619	170,509
Utilities	98,801	6,464	-	105,265	-	-	-	105,265	201,456	-	306,721	355,247
Property taxes	-	-	-	-	-	-	-	-	149,471	-	149,471	122,000
Building supplies and other expenses	13,091	-	-	13,091	1,963	-	1,963	15,054	-	-	15,054	21,731
Rent	130,435	280,435	19,565	430,435	110,870	110,870	221,740	652,175	-	(652,175)	-	-
Interest	-	-	-	-	-	-	-	-	293,377	(293,377)	-	-
Total occupancy	<u>364,031</u>	<u>286,899</u>	<u>19,565</u>	<u>670,495</u>	<u>158,440</u>	<u>110,870</u>	<u>269,310</u>	<u>939,805</u>	<u>1,454,906</u>	<u>(995,036)</u>	<u>1,399,675</u>	<u>872,183</u>
Other:												
Rapid rehousing and stabilization	-	1,069,874	-	1,069,874	-	-	-	1,069,874	-	-	1,069,874	1,096,904
Professional services	12,304	26,451	1,846	40,601	317,701	10,458	328,159	368,760	117,105	-	485,865	363,271
Food and kitchen	371,893	-	-	371,893	-	-	-	371,893	-	-	371,893	451,632
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	181,473
Special events	-	-	-	-	-	296,109	296,109	296,109	-	-	296,109	357,810
Rental assistance expense	-	164,013	-	164,013	-	-	-	164,013	-	-	164,013	58,002
Miscellaneous	12,188	25,245	2,361	39,794	48,147	2,386	50,533	90,327	37,886	-	128,213	128,277
Insurance	-	1,104	-	1,104	80,454	-	80,454	81,558	34,315	-	115,873	66,999
Office supplies and expense	20,893	34,825	2,649	58,367	26,816	14,950	41,766	100,133	7,101	-	107,234	72,892
Vehicle and related	25,078	58,258	-	83,336	-	-	-	83,336	-	-	83,336	76,343
Telephone and internet	15,779	33,924	2,367	52,070	13,412	13,412	26,824	78,894	-	-	78,894	88,544
Equipment rental and maintenance	1,789	18,044	-	19,833	19,385	30,307	49,692	69,525	-	-	69,525	37,225
Bank charges and fees	-	-	-	-	29,228	31,938	61,166	61,166	352	-	61,518	68,194
Transportation and local travel	1,490	34,732	5,843	42,065	13,855	3,464	17,319	59,384	-	-	59,384	62,314
Interest	11,146	23,962	1,672	36,780	9,473	9,473	18,946	55,726	-	-	55,726	127,973
Printing and postage	376	314	66	756	1,313	33,678	34,991	35,747	-	-	35,747	30,394
Education and seminars	1,670	29,883	-	31,553	1,967	475	2,442	33,995	532	-	34,527	23,516
Depreciation	5,871	12,623	881	19,375	4,982	4,990	9,972	29,347	-	-	29,347	26,433
Dues and subscriptions	1,244	350	-	1,594	14,606	3,321	17,927	19,521	1,749	-	21,270	9,858
Bad debt	-	-	-	-	16,589	-	16,589	16,589	-	-	16,589	-
Meals and entertainment	31	2,187	1,458	3,676	5,206	873	6,079	9,755	-	-	9,755	13,381
Advertising and promotional	-	250	-	250	6,900	250	7,150	7,400	-	-	7,400	13,298
Laundry	5,921	-	-	5,921	-	-	-	5,921	-	-	5,921	56,531
Total other	<u>536,266</u>	<u>1,602,858</u>	<u>19,930</u>	<u>2,159,054</u>	<u>648,913</u>	<u>609,419</u>	<u>1,258,332</u>	<u>3,417,386</u>	<u>320,351</u>	<u>(121,311)</u>	<u>3,616,426</u>	<u>3,411,264</u>
Total expenses	<u>\$ 2,087,417</u>	<u>\$ 3,976,969</u>	<u>\$ 208,662</u>	<u>\$ 6,273,048</u>	<u>\$ 1,972,717</u>	<u>\$ 1,532,770</u>	<u>\$ 3,505,487</u>	<u>\$ 9,778,535</u>	<u>\$ 2,422,072</u>	<u>\$ (1,116,347)</u>	<u>\$ 11,084,260</u>	<u>\$ 10,771,743</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, 2016

	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	\$ 824,899	\$ 1,921,116	\$ 187,160	\$ 2,933,175	\$ 905,325	\$ 678,110	\$ 1,583,435	\$ 4,516,610	\$ 503,169	\$ -	\$ 5,019,779
Fringe benefits and payroll taxes	317,583	488,270	56,240	862,093	171,510	188,207	359,717	1,221,810	112,300	-	1,334,110
Contract labor	10,140	50,830	-	60,970	73,437	-	73,437	134,407	-	-	134,407
Total salaries and related	1,152,622	2,460,216	243,400	3,856,238	1,150,272	866,317	2,016,589	5,872,827	615,469	-	6,488,296
Occupancy:											
Depreciation	-	-	-	-	-	-	-	-	252,180	(49,484)	202,696
Repairs and maintenance	52,499	-	-	52,499	-	-	-	52,499	118,010	-	170,509
Utilities	231,878	17	-	231,895	-	-	-	231,895	123,352	-	355,247
Property taxes	-	-	-	-	-	-	-	-	122,000	-	122,000
Building supplies and other expenses	21,731	-	-	21,731	-	-	-	21,731	-	-	21,731
Rent	145,024	311,802	21,754	478,580	123,270	123,270	246,540	725,120	-	(725,120)	-
Interest	-	-	-	-	-	-	-	-	291,408	(291,408)	-
Total occupancy	451,132	311,819	21,754	784,705	123,270	123,270	246,540	1,031,245	906,950	(1,066,012)	872,183
Other:											
Rapid rehousing and stabilization	-	1,096,904	-	1,096,904	-	-	-	1,096,904	-	-	1,096,904
Professional services	9,698	20,627	1,433	31,758	285,814	8,124	293,938	325,696	37,575	-	363,271
Food and kitchen	451,632	-	-	451,632	-	-	-	451,632	-	-	451,632
Consulting and management services	22,201	25,300	650	48,151	17,316	116,006	133,322	181,473	36,833	(36,833)	181,473
Special events	-	-	-	-	-	357,810	357,810	357,810	-	-	357,810
Rental assistance expense	-	58,002	-	58,002	-	-	-	58,002	-	-	58,002
Miscellaneous	22,247	21,010	929	44,186	62,376	2,532	64,908	109,094	19,183	-	128,277
Insurance	-	3,107	-	3,107	39,385	-	39,385	42,492	24,507	-	66,999
Office supplies and expense	10,037	24,650	2,885	37,572	14,243	7,442	21,685	59,257	13,635	-	72,892
Vehicle and related	22,937	45,787	7,619	76,343	-	-	-	76,343	-	-	76,343
Telephone and internet	17,709	38,073	2,656	58,438	15,053	15,053	30,106	88,544	-	-	88,544
Equipment rental and maintenance	-	3,996	-	3,996	3,206	30,023	33,229	37,225	-	-	37,225
Bank charges and fees	-	-	-	-	33,402	34,620	68,022	68,022	172	-	68,194
Transportation and local travel	221	40,496	8,370	49,087	9,022	4,205	13,227	62,314	-	-	62,314
Interest	25,596	55,028	3,839	84,463	21,755	21,755	43,510	127,973	-	-	127,973
Printing and postage	576	1,649	132	2,357	4,217	23,730	27,947	30,304	90	-	30,394
Education and seminars	2,719	7,105	-	9,824	7,889	4,178	12,067	21,891	1,625	-	23,516
Depreciation	5,286	11,366	793	17,445	4,495	4,493	8,988	26,433	-	-	26,433
Dues and subscriptions	1,353	75	-	1,428	4,612	3,464	8,076	9,504	354	-	9,858
Meals and entertainment	-	3,853	308	4,161	8,790	430	9,220	13,381	-	-	13,381
Advertising and promotional	-	6,202	-	6,202	6,841	255	7,096	13,298	-	-	13,298
Laundry	29,729	-	-	29,729	-	-	-	29,729	26,802	-	56,531
Total other	621,941	1,463,230	29,614	2,114,785	538,416	634,120	1,172,536	3,287,321	160,776	(36,833)	3,411,264
Total expenses	\$ 2,225,695	\$ 4,235,265	\$ 294,768	\$ 6,755,728	\$ 1,811,958	\$ 1,623,707	\$ 3,435,665	\$ 10,191,393	\$ 1,683,195	\$ (1,102,845)	\$ 10,771,743

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, 2017 and 2016

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 more than 100,000 meals in fiscal years 2017 and 2016. 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 more than 180 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 is completing a \$35 million facility upgrade and transformation that is creating thirty-seven new efficiency apartments, 180 brand new transitional living accommodations, and a complete redesign and reconfiguration of the 130,000 square foot building. Its final result will be 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 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, 2017 and 2016

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. The Special Member committed a capital contribution of \$10, which has not been paid as of June 30, 2017.

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.

Accounting Principle Adoption

During fiscal year 2017, the Organization adopted the FASB's Accounting Standards Update (ASU) 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, which requires that debt issuance costs related to notes payable be presented in the combining statements of financial position as a direct reduction from the carrying balance of notes payable. Previously, the Organization reflected unamortized debt issuance costs as property and equipment in the accompanying 2016 combining statement of financial position, and has retroactively reclassified 2016 amounts in accordance with this ASU. The reclassification reduced total assets and notes payable at June 30, 2016, by \$118,144.

In addition, amortization of debt issuance costs is required to be included with interest expense in the accompanying combining statements of functional expenses. There is no impact on the fiscal year 2016 presentation, as the Organization began amortizing debt issuance costs when Phase I of the Property was placed into service during fiscal year 2017 (see Note 8).

The adoption of this ASU did not impact the Organization's combining net assets, changes in net assets, or cash flows for the year ended June 30, 2017 or 2016.

**VIETNAM VETERANS WORKSHOP, INC. AND AFFILIATES
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Notes to Combining Financial Statements
June 30, 2017 and 2016

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. The only assets held by the Organization that are carried at fair value are investments. Short-term investments are considered Level 1 in the fair value hierarchy.

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, 2017 and 2016.

Certificate of Deposit

The Agency has a certificate of deposit with a bank that matures in December 2017 and is reflected as a current asset in the accompanying statements of financial position.

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$624,157 and \$229,129 for the years ended June 30, 2017 and 2016, 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 2017 and 2016.

Construction in progress consists of costs related to the rehabilitation of the Property (see Note 8). 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.

Unamortized Debt Issuance Costs

Unamortized 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.

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

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>2017</u>	<u>2016</u>
Capital campaign	\$ 545,791	\$ 410,731
Leave No One Behind Gala	40,000	35,000
Other restricted program support	18,401	18,401
Net appreciation on permanently restricted endowment (see Note 9)	<u>2,892</u>	<u>2,513</u>
Total	<u>\$ 607,084</u>	<u>\$ 466,645</u>

Permanently Restricted Net Assets

Permanently restricted net assets represent the original historic cost of a donor gift to the endowment (see Note 9). 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.

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2017 and 2016.

Pledges Receivable and Reserve for Uncollectible Pledges

Pledges consist of written or verbal commitments from donors (see Note 7). Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give expected to be collected in future years are recorded at the present value of estimated future cash flows. Conditional pledges are recorded as revenue once the conditions have been met. There is no discount recorded on long-term pledges receivable as management has determined its overall impact to be immaterial to the financial statements at June 30, 2017 and 2016.

Contributed Goods and Services

During the years ended June 30, 2017 and 2016, 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>2017</u>	<u>2016</u>
Legal services	\$ 269,947	\$ 272,554
Food	<u>13,115</u>	<u>83,711</u>
	<u>\$ 283,062</u>	<u>\$ 356,265</u>

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.

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2017 and 2016.

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 taxes 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 30, 2017, which is the date the combining financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the combining financial statements.

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 will be completed in two phases. The first phase of the rehabilitation of the Property was completed in December 2016.

CSVH LLC has been awarded 2015 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 11) and Boston Capital have specific rights and recourse to CSVH LLC should the Property cease to qualify for the tax credits.

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2. PERMANENT SUPPORTIVE HOUSING AND ASSISTANCE PROGRAM (Continued)

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. The second phase rehabilitation of the Property is expecting to generate additional qualified rehabilitation expenditures of approximately \$4,300,000, which will yield approximately \$860,000 of Federal HRTC in 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 \$3,908,000 of State HRTC, which was claimed upon final certification of the Property. CSVH LLC transferred the State HRTC to NECHV under a transfer and purchase agreement dated April 30, 2015. During fiscal year 2017, NECHV sold the State HRTC to an unrelated third party for \$3,571,986 and used the proceeds to pay off the Life Initiative Note (see Note 11). Subsequent to year end, NECHV received another allocation of State HRTC, which they expect to sell in fiscal year 2018.

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.

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. No contributions were made during fiscal year 2017 or 2016. As of June 30, 2017 and 2016, Boston Capital has made the first installment. The second installment of \$15,945,856 will be contributed upon completion of the Property, and the final installment of \$848,184 will be contributed upon full occupancy. The Managing Member committed \$100, which has not been paid as of June 30, 2017.

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.

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3. RELATED PARTY TRANSACTIONS (Continued)

Ground Lease/Acquisition (Continued)

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 each of the years ended June 30, 2017 and 2016, and is included in depreciation expense and eliminated in the accompanying 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.

The Notes are as follows at June 30, 2017 and 2016:

- 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 2017 based on 2016 cash flow. There are no payments due in 2018 based on 2017 cash flow. This note is secured by a shared third mortgage on the Property. Deferred interest expense on this note was \$291,407 for the years ended June 30, 2017 and 2016.
- 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. This note is secured by a shared third mortgage on the Property.
- A promissory note in the amount of \$2,604,000 (State HTC Note), with a maturity date of April 30, 2055. The note bears interest at 4.5% per annum, compounded annually. NECHV funded this note using proceeds of the Life Initiative note (see Note 11). This note is secured by a shared third mortgage on the Property. Capitalized interest on this note was \$30,072 and \$78,120 for the years ended June 30, 2017 and 2016, respectively, and is included in property and equipment.
- A promissory note in the amount of \$1,304,000 (Capital Campaign Bridge Note), bearing interest at 4.5% per annum. Beginning on June 1, 2015, payments of interest only are due on the outstanding balance until the earlier of the final payment of the pledges receivable or April 20, 2020, the maturity date. This note is secured by the operating reserve, certain pledges receivable, and the proceeds from the sale of the State HRTC (see Note 2). Capitalized interest on this note was \$15,059 and \$46,154 for the years ended June 30, 2017 and 2016, respectively, and is included in property and equipment.

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3. RELATED PARTY TRANSACTIONS (Continued)

Notes and Interest Receivable/Payable – Affiliate (Continued)

- 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, 2017</u>		<u>June 30, 2016</u>	
	<u>Principal Balance</u>	<u>Accrued Interest</u>	<u>Principal Balance</u>	<u>Accrued Interest</u>
Seller Note	\$ 9,878,151	\$ 631,383	\$ 9,878,151	\$ 339,976
Capital Campaign Note	3,878,180	-	3,783,239	-
State HTC Note	2,604,000	-	2,604,000	-
Capital Campaign Bridge Note	1,230,770	-	1,230,770	-
FHLB Note	500,000	-	500,000	-
	<u>\$ 18,091,101</u>	<u>\$ 631,383</u>	<u>\$ 17,996,160</u>	<u>\$ 339,976</u>

Due to/from Affiliate

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

	<u>2017</u>	<u>2016</u>
Current portion:		
Developer fee and overhead	\$ 1,500,000	\$ 500,000
Rent	1,348,316	703,640
Operations advances	969,126	283,742
Property management and other fees	130,572	14,260
Total current portion	<u>\$ 3,948,014</u>	<u>\$ 1,501,642</u>
Long-term portion:		
Developer fee and overhead	\$ 800,000	\$ -
Construction advances	710,176	301,158
	1,510,176	301,158
Less - valuation allowance	800,000	-
Total long-term portion	<u>\$ 710,176</u>	<u>\$ 301,158</u>

Other

Also included in current portion of due from affiliate are various unsecured operations advances made by NECHV (see above).

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3. RELATED PARTY TRANSACTIONS (Continued)

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 \$650,000 and \$1,150,000 of developer fee and overhead, respectively. No developer fee or overhead was earned during fiscal year 2016. Of the developer fee, \$2,300,000 and \$500,000 were outstanding and are eliminated in the accompanying combining statements of financial position as of June 30, 2017 and 2016, respectively. 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. Approximately \$53,800 and \$36,800 were earned by NECHV under this agreement for the years ended June 30, 2017 and 2016, respectively.

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. 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.

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 16). NECHV earned \$62,500 during fiscal year 2017. No amount was earned during fiscal year 2016. As of June 30, 2017, the amount is payable and included in due from (to) affiliates in the accompanying combined statement of financial position.

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Notes to Combining Financial Statements
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3. RELATED PARTY TRANSACTIONS (Continued)

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 \$652,175 and \$725,120 for the years ended June 30, 2017 and 2016, respectively. Rental income outstanding was \$1,348,316 and \$703,640 as of June 30, 2017 and 2016, 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, 2017, and accrued interest at 0.3% per annum. The fair value of the CD, which approximates the cost basis, was \$220,935 and \$221,052 as of June 30, 2017 and 2016, respectively. This CD was renewed for another six months, maturing on December 23, 2017.

5. RESTRICTED CASH

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

	<u>2017</u>	<u>2016</u>
NECHV:		
Permanent endowment (see Note 9)	\$ 250,000	\$ 250,000
Collateral reserve	<u>-</u>	<u>500,000</u>
Sub-total NECHV	250,000	750,000
CSVH LLC:		
Tenant security deposit	<u>69,982</u>	<u>22,488</u>
Total restricted deposits	319,982	772,488
Less - current portion	<u>69,982</u>	<u>22,488</u>
Non-current portion	<u>\$ 250,000</u>	<u>\$ 750,000</u>

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, 2017 and 2016, the interest rate was approximately 0.10%. The collateral reserve served as collateral for a certain note payable which was paid in full during fiscal year 2017, at which time the reserve was transferred to operating cash (see Note 1).

6. SHORT-TERM INVESTMENTS

Investments are presented in the accompanying combining statements of financial position at fair value based on Level 1 inputs. Investments consist of stock donated to the Organization which is generally sold upon receipt and, therefore, is presented as current assets in the accompanying combining financial statements.

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7. PLEDGES RECEIVABLE

There were no pledges receivable as of June 30, 2017. Pledges receivable were due as follows as of June 30, 2016:

<u>Fiscal Year</u>		
2017		\$ 103,364
2018		<u>35,000</u>
		138,364
	Less - allowance for doubtful accounts	15,000
	Less - current portion	<u>103,364</u>
	Long-term pledges receivable, net	<u>\$ 20,000</u>

8. PROPERTY AND EQUIPMENT

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

	<u>2017</u>	<u>2016</u>
Land	\$ 2,388,997	\$ 2,388,997
Building and improvements	34,816,038	8,340,420
Furniture, fixtures and equipment	1,687,110	927,945
Vehicles	<u>117,956</u>	<u>115,456</u>
	39,010,101	11,772,818
Less - accumulated depreciation	<u>1,833,673</u>	<u>1,209,516</u>
	37,176,428	10,563,302
Construction in progress	<u>4,635,138</u>	<u>20,612,906</u>
	<u>\$ 41,811,566</u>	<u>\$ 31,176,208</u>

During fiscal year 2017, Phase I of the rehabilitation of the Property was complete (see Note 2). Accordingly, \$27,033,561 of construction in process was placed in service. Construction in process at June 30, 2017, consists of costs incurred on Phase II of the rehabilitation which is expected to be completed in fiscal year 2018. Construction in process at June 30, 2016, consisted of costs incurred on Phase I of the rehabilitation which were placed into service during fiscal year 2017.

9. 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, 2017 and 2016, 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. All endowment funds are held in cash as of June 30, 2017 and 2016.

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Notes to Combining Financial Statements
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9. ENDOWMENT FUNDS (Continued)

A reconciliation of endowment activity is as follows:

	<u>Donor Restricted</u>		<u>Total Endowment</u>
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Endowment net assets, June 30, 2015	\$ 2,135	\$ 250,000	\$ 252,135
Interest	<u>378</u>	<u>-</u>	<u>378</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	<u>\$ 2,892</u>	<u>\$ 250,000</u>	<u>\$ 252,892</u>

10. 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 (1.17% and 0.45% at June 30, 2017 and 2016, 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, 2017 and 2016. 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, 2017 and 2016.

11. NOTES PAYABLE

Notes payable consist of the following at June 30:

CSVH LLC	<u>2017</u>	<u>2016</u>
Construction note payable to Citibank, N.A. up to \$20,000,000 (Citibank Loan), bearing interest at the LIBOR (1.17% and 0.45% at June 30, 2017 and 2016, 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. This note will be 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.	\$ 14,527,744	\$ 9,022,022

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11. NOTES PAYABLE (Continued)

CSVH LLC (Continued)	<u>2017</u>	<u>2016</u>
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	-
Non-interest bearing note payable to Community Economic Development Assistance Corporation (CEDAC), maximum borrowings up to \$2,000,000. 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.	1,800,000	-
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	-
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	-
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).	<u>500,000</u>	<u>500,000</u>
	21,771,642	10,522,022
Less - unamortized debt issuance costs	<u>116,175</u>	<u>118,144</u>
Total CSVH LLC	<u>21,655,467</u>	<u>10,403,878</u>

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11. NOTES PAYABLE (Continued)

NECHV	<u>2017</u>	<u>2016</u>
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.	500,000	500,000
4.5% note payable to Life Initiative up to \$3,908,000. Beginning on June 1, 2015, payments of interest only were due on the outstanding balance until the earlier of the final payment of the pledges receivable (see Note 7) or April 20, 2020, the maturity date. This note was secured by the collateral reserve (see Note 5), certain pledges receivable, and the proceeds from the sale of the State HRTC. In 2017, NECHV used proceeds from the sale of State HRTC to pay off this note (see Note 2).	<u>-</u>	<u>3,834,770</u>
Total NECHV	<u>500,000</u>	<u>4,334,770</u>
Total notes payable	<u>\$ 22,155,467</u>	<u>\$ 14,738,648</u>

Except for the Citibank Loan, which is due in full in fiscal year 2018, payments are only due for the above notes based on cash flow from operations (see Note 16). There are no fixed and determinable payments of principal for the above notes over the next five years. There is no payment due in 2018 or 2017 based on 2017 and 2016 cash flow (see Note 16).

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, 2017 and 2016.

12. 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 11) will be amortized over thirty years. Non-cash interest expense was \$1,969 for the year ended June 30, 2017. There was no non-cash interest expense for the year ended June 30, 2016. Debt issuance costs consisted of the following at June 30:

	<u>2017</u>	<u>2016</u>
Debt issuance costs	\$ 118,144	\$ 118,144
Accumulated amortization	<u>(1,969)</u>	<u>-</u>
Debt issuance costs, net	<u>\$ 116,175</u>	<u>\$ 118,144</u>

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Notes to Combining Financial Statements
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13. 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, 2017 and 2016.

14. 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.

15. 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.

16. 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 11), 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.

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16. PROFIT AND LOSS ALLOCATIONS AND DISTRIBUTIONS – CSVH LLC (Continued)

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.