



NEW ENGLAND CENTER  
AND HOME FOR VETERANS

EDUCATION | SUPPORT | EMPLOYMENT | HOUSING

**VIETNAM VETERANS WORKSHOP, INC. AND AFFILIATES**

**COMBINING FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018**

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

Contents  
June 30, 2019 and 2018

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## Independent Auditor's Report

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

### **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, 2019 and 2018, 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, 2019 and 2018, 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  
December 5, 2019

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

Combining Statement of Financial Position  
June 30, 2019  
(With Summarized Comparative Totals as of June 30, 2018)

Assets	2019					2018	
	New England Center and Home for Veterans and Subsidiary			Court Street Veterans Housing, LLC	Eliminations	Total	Total
	Without Donor Restrictions	With Donor Restrictions	Total				
<b>Current Assets:</b>							
Cash and cash equivalents	\$ 534,783	\$ 126,834	\$ 661,617	\$ 16,466	\$ -	\$ 678,083	\$ 813,211
Grants and contracts receivable	645,489	-	645,489	6,019	-	651,508	548,786
Current portion of restricted cash	-	-	-	91,767	-	91,767	78,213
Current portion of due from affiliate	2,902,655	-	2,902,655	2,799,618	(5,702,273)	-	-
Current portion of prepaid land lease	-	-	-	49,484	(49,484)	-	-
Prepaid expenses and other	100,279	-	100,279	26,415	-	126,694	110,914
Total current assets	<u>4,183,206</u>	<u>126,834</u>	<u>4,310,040</u>	<u>2,989,769</u>	<u>(5,751,757)</u>	<u>1,548,052</u>	<u>1,551,124</u>
<b>Other Assets:</b>							
Restricted cash, net of current portion	-	250,000	250,000	535,924	-	785,924	784,051
Notes and interest receivable - affiliate	21,350,086	-	21,350,086	-	(21,350,086)	-	-
Due from affiliate, net of current portion	289,000	-	289,000	-	(289,000)	-	-
Prepaid land lease, net of current portion	-	-	-	4,651,470	(4,651,470)	-	-
Total other assets	<u>21,639,086</u>	<u>250,000</u>	<u>21,889,086</u>	<u>5,187,394</u>	<u>(26,290,556)</u>	<u>785,924</u>	<u>784,051</u>
Property and Equipment, net	<u>2,910,917</u>	<u>-</u>	<u>2,910,917</u>	<u>38,605,401</u>	<u>650,156</u>	<u>42,166,474</u>	<u>43,308,596</u>
Total assets	<u>\$ 28,733,209</u>	<u>\$ 376,834</u>	<u>\$ 29,110,043</u>	<u>\$ 46,782,564</u>	<u>\$ (31,392,157)</u>	<u>\$ 44,500,450</u>	<u>\$ 45,643,771</u>
<b>Liabilities and Net Assets</b>							
<b>Current Liabilities:</b>							
Current portion of accounts payable and accrued expenses	\$ 1,142,450	\$ -	\$ 1,142,450	\$ 112,382	\$ -	\$ 1,254,832	\$ 1,223,446
Current portion of due to affiliate	2,799,618	-	2,799,618	2,902,655	(5,702,273)	-	-
Current portion of deferred land lease	49,484	-	49,484	-	(49,484)	-	-
Deferred revenue	85,044	-	85,044	-	-	85,044	67,085
Total current liabilities	<u>4,076,596</u>	<u>-</u>	<u>4,076,596</u>	<u>3,015,037</u>	<u>(5,751,757)</u>	<u>1,339,876</u>	<u>1,290,531</u>
<b>Long-Term Liabilities:</b>							
Long-term portion of accounts payable and accrued expenses	-	-	-	-	-	-	701,486
Due to affiliate, net of current portion	-	-	-	1,089,000	(1,089,000)	-	-
Deferred land lease, net of current portion	4,651,470	-	4,651,470	-	(4,651,470)	-	-
Notes and interest payable - affiliate	-	-	-	21,350,086	(21,350,086)	-	-
Notes payable, net of unamortized debt issuance costs	500,000	-	500,000	7,775,019	-	8,275,019	9,750,936
Total long-term liabilities	<u>5,151,470</u>	<u>-</u>	<u>5,151,470</u>	<u>30,214,105</u>	<u>(27,090,556)</u>	<u>8,275,019</u>	<u>10,452,422</u>
Total liabilities	<u>9,228,066</u>	<u>-</u>	<u>9,228,066</u>	<u>33,229,142</u>	<u>(32,842,313)</u>	<u>9,614,895</u>	<u>11,742,953</u>
<b>Net Assets:</b>							
Without donor restrictions	19,505,143	-	19,505,143	13,553,422	(12,103,657)	20,954,908	21,192,136
With donor restrictions	-	376,834	376,834	-	-	376,834	539,073
Total net assets attributable to NECHV and Affiliates	<u>19,505,143</u>	<u>376,834</u>	<u>19,881,977</u>	<u>13,553,422</u>	<u>(12,103,657)</u>	<u>21,331,742</u>	<u>21,731,209</u>
Non-controlling interest	-	-	-	-	13,553,813	13,553,813	12,169,609
Total net assets	<u>19,505,143</u>	<u>376,834</u>	<u>19,881,977</u>	<u>13,553,422</u>	<u>1,450,156</u>	<u>34,885,555</u>	<u>33,900,818</u>
Total liabilities and net assets	<u>\$ 28,733,209</u>	<u>\$ 376,834</u>	<u>\$ 29,110,043</u>	<u>\$ 46,782,564</u>	<u>\$ (31,392,157)</u>	<u>\$ 44,500,450</u>	<u>\$ 45,643,771</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, 2018

Assets	New England Center and Home for Veterans and Subsidiary			Court Street Veterans Housing, LLC	Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Total			
<b>Current Assets:</b>						
Cash and cash equivalents	\$ 385,901	\$ 289,073	\$ 674,974	\$ 138,237	\$ -	\$ 813,211
Grants and contracts receivable	548,786	-	548,786	-	-	548,786
Current portion of restricted cash	-	-	-	78,213	-	78,213
Current portion of due from affiliate	2,920,672	-	2,920,672	2,108,272	(5,028,944)	-
Current portion of prepaid land lease	-	-	-	49,484	(49,484)	-
Prepaid expenses and other	93,470	-	93,470	17,444	-	110,914
Total current assets	<u>3,948,829</u>	<u>289,073</u>	<u>4,237,902</u>	<u>2,391,650</u>	<u>(5,078,428)</u>	<u>1,551,124</u>
<b>Other Assets:</b>						
Restricted cash, net of current portion	-	250,000	250,000	534,051	-	784,051
Notes and interest receivable - affiliate	21,040,236	-	21,040,236	-	(21,040,236)	-
Due from affiliate, net of current portion	350,000	-	350,000	-	(350,000)	-
Prepaid land lease, net of current portion	-	-	-	4,700,954	(4,700,954)	-
Total other assets	<u>21,390,236</u>	<u>250,000</u>	<u>21,640,236</u>	<u>5,235,005</u>	<u>(26,091,190)</u>	<u>784,051</u>
Property and Equipment, net	<u>2,933,965</u>	<u>-</u>	<u>2,933,965</u>	<u>39,707,366</u>	<u>667,265</u>	<u>43,308,596</u>
Total assets	<u>\$ 28,273,030</u>	<u>\$ 539,073</u>	<u>\$ 28,812,103</u>	<u>\$ 47,334,021</u>	<u>\$ (30,502,353)</u>	<u>\$ 45,643,771</u>
<b>Liabilities and Net Assets</b>						
<b>Current Liabilities:</b>						
Current portion of accounts payable and accrued expenses	\$ 1,122,054	\$ -	\$ 1,122,054	\$ 101,392	\$ -	\$ 1,223,446
Current portion of due to affiliate	2,108,272	-	2,108,272	2,920,672	(5,028,944)	-
Current portion of deferred land lease	49,484	-	49,484	-	(49,484)	-
Deferred revenue	67,085	-	67,085	-	-	67,085
Total current liabilities	<u>3,346,895</u>	<u>-</u>	<u>3,346,895</u>	<u>3,022,064</u>	<u>(5,078,428)</u>	<u>1,290,531</u>
<b>Long-Term Liabilities:</b>						
Long-term portion of accounts payable and accrued expenses	-	-	-	701,486	-	701,486
Due to affiliate, net of current portion	-	-	-	1,150,000	(1,150,000)	-
Deferred land lease, net of current portion	4,700,954	-	4,700,954	-	(4,700,954)	-
Notes and interest payable - affiliate	-	-	-	21,040,236	(21,040,236)	-
Notes payable, net of unamortized debt issuance costs	500,000	-	500,000	9,250,936	-	9,750,936
Total long-term liabilities	<u>5,200,954</u>	<u>-</u>	<u>5,200,954</u>	<u>32,142,658</u>	<u>(26,891,190)</u>	<u>10,452,422</u>
Total liabilities	<u>8,547,849</u>	<u>-</u>	<u>8,547,849</u>	<u>35,164,722</u>	<u>(31,969,618)</u>	<u>11,742,953</u>
<b>Net Assets:</b>						
Without donor restrictions	19,725,181	-	19,725,181	12,169,299	(10,702,344)	21,192,136
With donor restrictions	-	539,073	539,073	-	-	539,073
Total net assets attributable to NECHV and Affiliates	<u>19,725,181</u>	<u>539,073</u>	<u>20,264,254</u>	<u>12,169,299</u>	<u>(10,702,344)</u>	<u>21,731,209</u>
Non-controlling interest	-	-	-	-	12,169,609	12,169,609
Total net assets	<u>19,725,181</u>	<u>539,073</u>	<u>20,264,254</u>	<u>12,169,299</u>	<u>1,467,265</u>	<u>33,900,818</u>
Total liabilities and net assets	<u>\$ 28,273,030</u>	<u>\$ 539,073</u>	<u>\$ 28,812,103</u>	<u>\$ 47,334,021</u>	<u>\$ (30,502,353)</u>	<u>\$ 45,643,771</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, 2019

(With Summarized Comparative Totals for the Year Ended June 30, 2018)

	2019					2018	
	New England Center and Home for Veterans and Subsidiary			Court Street Veterans Housing, LLC	Eliminations	Total	Total
	Without Donor Restrictions	With Donor Restrictions	Total				
<b>Operating Revenue:</b>							
Grants and contracts	\$ 6,152,706	\$ -	\$ 6,152,706	\$ -	\$ -	\$ 6,152,706	\$ 6,639,190
Contributions and special events	2,266,959	358,824	2,625,783	-	-	2,625,783	2,959,157
Rental income	-	-	-	1,918,918	(691,347)	1,227,571	1,214,866
Interest and other income	599,158	380	599,538	8,795	(504,604)	103,729	196,031
Net assets released from purpose restrictions	521,443	(521,443)	-	-	-	-	-
Total operating revenue	<u>9,540,266</u>	<u>(162,239)</u>	<u>9,378,027</u>	<u>1,927,713</u>	<u>(1,195,951)</u>	<u>10,109,789</u>	<u>11,009,244</u>
<b>Operating Expenses:</b>							
Program services:							
Transitional housing services	2,691,702	-	2,691,702	-	(186,664)	2,505,038	2,135,741
Transitional human services support	2,155,408	-	2,155,408	-	(235,058)	1,920,350	3,622,535
Community based stabilization services	1,402,091	-	1,402,091	-	(13,827)	1,388,264	159,316
Rental	-	-	-	2,738,301	(487,495)	2,250,806	3,155,386
Total program services	<u>6,249,201</u>	<u>-</u>	<u>6,249,201</u>	<u>2,738,301</u>	<u>(923,044)</u>	<u>8,064,458</u>	<u>9,072,978</u>
Supporting services:							
Finance and administration	1,972,117	-	1,972,117	-	(145,183)	1,826,934	1,829,971
Fundraising and development	1,538,986	-	1,538,986	-	(110,615)	1,428,371	1,358,716
Total supporting services	<u>3,511,103</u>	<u>-</u>	<u>3,511,103</u>	<u>-</u>	<u>(255,798)</u>	<u>3,255,305</u>	<u>3,188,687</u>
Total operating expenses	<u>9,760,304</u>	<u>-</u>	<u>9,760,304</u>	<u>2,738,301</u>	<u>(1,178,842)</u>	<u>11,319,763</u>	<u>12,261,665</u>
Changes in net assets from operations	<u>(220,038)</u>	<u>(162,239)</u>	<u>(382,277)</u>	<u>(810,588)</u>	<u>(17,109)</u>	<u>(1,209,974)</u>	<u>(1,252,421)</u>
<b>Non-Operating Revenues:</b>							
Sale of tax credits	-	-	-	-	-	-	799,149
Capital grants	-	-	-	-	-	-	151,200
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>950,349</u>
Changes in net assets	<u>(220,038)</u>	<u>(162,239)</u>	<u>(382,277)</u>	<u>(810,588)</u>	<u>(17,109)</u>	<u>(1,209,974)</u>	<u>(302,072)</u>
<b>Non-Controlling Interest</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(810,507)</u>	<u>-</u>	<u>(810,507)</u>	<u>(1,647,204)</u>
Changes in net assets attributable to NECHV and Affiliates	<u>\$ (220,038)</u>	<u>\$ (162,239)</u>	<u>\$ (382,277)</u>	<u>\$ (81)</u>	<u>\$ (17,109)</u>	<u>\$ (399,467)</u>	<u>\$ 1,345,132</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

	New England Center and Home for Veterans and Subsidiary			Court Street Veterans Housing, LLC	Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Total			
<b>Operating Revenue:</b>						
Grants and contracts	\$ 6,639,190	\$ -	\$ 6,639,190	\$ -	\$ -	\$ 6,639,190
Contributions and special events	2,439,703	519,454	2,959,157	-	-	2,959,157
Rental income	-	-	-	1,974,822	(759,956)	1,214,866
Interest and other income	679,564	381	679,945	9,032	(492,946)	196,031
Net assets released from purpose restrictions	292,055	(292,055)	-	-	-	-
Total operating revenue	<u>10,050,512</u>	<u>227,780</u>	<u>10,278,292</u>	<u>1,983,854</u>	<u>(1,252,902)</u>	<u>11,009,244</u>
<b>Operating Expenses:</b>						
Program services:						
Transitional housing services	2,302,931	-	2,302,931	-	(167,190)	2,135,741
Transitional human services support	3,941,717	-	3,941,717	-	(319,182)	3,622,535
Community based stabilization services	174,515	-	174,515	-	(15,199)	159,316
Rental	-	-	-	3,631,223	(475,837)	3,155,386
Total program services	<u>6,419,163</u>	<u>-</u>	<u>6,419,163</u>	<u>3,631,223</u>	<u>(977,408)</u>	<u>9,072,978</u>
Supporting services:						
Finance and administration	1,966,763	-	1,966,763	-	(136,792)	1,829,971
Fundraising and development	1,480,309	-	1,480,309	-	(121,593)	1,358,716
Total supporting services	<u>3,447,072</u>	<u>-</u>	<u>3,447,072</u>	<u>-</u>	<u>(258,385)</u>	<u>3,188,687</u>
Total operating expenses	<u>9,866,235</u>	<u>-</u>	<u>9,866,235</u>	<u>3,631,223</u>	<u>(1,235,793)</u>	<u>12,261,665</u>
Changes in net assets from operations	<u>184,277</u>	<u>227,780</u>	<u>412,057</u>	<u>(1,647,369)</u>	<u>(17,109)</u>	<u>(1,252,421)</u>
<b>Non-Operating Revenues:</b>						
Sale of tax credits	799,149	-	799,149	-	-	799,149
Capital grants	-	151,200	151,200	-	-	151,200
Capital grants released from restrictions	696,991	(696,991)	-	-	-	-
Total non-operating revenues	<u>1,496,140</u>	<u>(545,791)</u>	<u>950,349</u>	<u>-</u>	<u>-</u>	<u>950,349</u>
Changes in net assets	<u>1,680,417</u>	<u>(318,011)</u>	<u>1,362,406</u>	<u>(1,647,369)</u>	<u>(17,109)</u>	<u>(302,072)</u>
<b>Non-Controlling Interest</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,647,204)</u>	<u>-</u>	<u>(1,647,204)</u>
Changes in net assets attributable to NECHV and Affiliates	<u>\$ 1,680,417</u>	<u>\$ (318,011)</u>	<u>\$ 1,362,406</u>	<u>\$ (165)</u>	<u>\$ (17,109)</u>	<u>\$ 1,345,132</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, 2019 and 2018

	New England Center and Home for Veterans and Subsidiary			Court Street Veterans Housing, LLC	Eliminations	Non- Controlling Interest	Total
	Without Donor Restrictions	With Donor Restrictions	Total				
<b>Net Assets, June 30, 2017</b>	\$ 18,044,764	\$ 857,084	\$ 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>1,362,406</u>	<u>(1,647,369)</u>	<u>1,630,095</u>	<u>(1,647,204)</u>	<u>(302,072)</u>
<b>Net Assets, June 30, 2018</b>	19,725,181	539,073	20,264,254	12,169,299	(10,702,344)	12,169,609	33,900,818
Capital contributions	-	-	-	2,194,711	(2,194,711)	2,194,711	2,194,711
Changes in net assets	<u>(220,038)</u>	<u>(162,239)</u>	<u>(382,277)</u>	<u>(810,588)</u>	<u>793,398</u>	<u>(810,507)</u>	<u>(1,209,974)</u>
<b>Net Assets, June 30, 2019</b>	<u>\$ 19,505,143</u>	<u>\$ 376,834</u>	<u>\$ 19,881,977</u>	<u>\$ 13,553,422</u>	<u>\$ (12,103,657)</u>	<u>\$ 13,553,813</u>	<u>\$ 34,885,555</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, 2019 and 2018

	2019				2018			
	New England Center and Home for Veterans and Subsidiary	Court Street Veterans Housing, LLC	Eliminations	Total	New England Center and Home for Veterans and Subsidiary	Court Street Veterans Housing, LLC	Eliminations	Total
<b>Cash Flows from Operating Activities:</b>								
Changes in net assets	\$ (382,277)	\$ (810,588)	\$ (17,109)	\$ (1,209,974)	\$ 1,362,406	\$ (1,647,369)	\$ (17,109)	\$ (302,072)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:								
Depreciation	38,361	1,139,039	17,109	1,194,509	38,043	1,047,549	17,109	1,102,701
Sale of tax credits	-	-	-	-	(799,149)	-	-	(799,149)
Amortization of prepaid land lease	(49,484)	49,484	-	-	(49,484)	49,484	-	-
Amortization of debt issuance costs	-	3,938	-	3,938	-	3,938	-	3,938
Capital grants	-	-	-	-	(151,200)	-	-	(151,200)
Deferred interest	(314,750)	314,750	-	-	(305,735)	305,735	-	-
Changes in operating assets and liabilities:								
Grants and contracts receivable	(96,703)	(6,019)	-	(102,722)	(104,366)	-	-	(104,366)
Prepaid expenses and other	(6,809)	(8,971)	-	(15,780)	(34,256)	(1,218)	-	(35,474)
Accounts payable and accrued expenses	20,396	(2,564)	-	17,832	82,500	4,271	-	86,771
Deferred revenue	17,959	-	-	17,959	57,272	-	-	57,272
Due (to) from affiliate	709,363	(709,363)	-	-	88,982	(88,982)	-	-
Net cash provided by (used in) operating activities	(63,944)	(30,294)	-	(94,238)	185,013	(326,592)	-	(141,579)
<b>Cash Flows from Investing Activities:</b>								
Redemption of certificate of deposit	-	-	-	-	(737)	-	-	(737)
Due from affiliates	61,000	-	(61,000)	-	-	-	-	-
Deposits to restricted cash	-	(1,873)	-	(1,873)	-	(534,051)	-	(534,051)
Purchase of property and equipment	(15,313)	(738,560)	-	(753,873)	(366,969)	(3,157,749)	-	(3,524,718)
Notes and interest receivable - affiliate	4,900	-	(4,900)	-	(1,301,843)	-	1,301,843	-
Net cash provided by (used in) investing activities	50,587	(740,433)	(65,900)	(755,746)	(1,669,549)	(3,691,800)	1,301,843	(4,059,506)
<b>Cash Flows from Financing Activities:</b>								
Payments of notes payable	-	(1,669,274)	-	(1,669,274)	-	(15,487,256)	-	(15,487,256)
Proceeds from notes payable	-	189,419	-	189,419	-	3,078,787	-	3,078,787
Sale of tax credits	-	-	-	-	799,149	-	-	799,149
Due to affiliates	-	(61,000)	61,000	-	-	-	-	-
Capital grants	-	-	-	-	151,200	-	-	151,200
Capital contributions	-	2,194,711	-	2,194,711	-	15,098,757	-	15,098,757
Notes and interest payable - affiliate	-	(4,900)	4,900	-	-	1,301,843	(1,301,843)	-
Net cash provided by financing activities	-	648,956	65,900	714,856	950,349	3,992,131	(1,301,843)	3,640,637
<b>Net Change in Cash and Cash Equivalents</b>	(13,357)	(121,771)	-	(135,128)	(534,187)	(26,261)	-	(560,448)
<b>Cash and Cash Equivalents:</b>								
Beginning of year	674,974	138,237	-	813,211	1,209,161	164,498	-	1,373,659
End of year	\$ 661,617	\$ 16,466	\$ -	\$ 678,083	\$ 674,974	\$ 138,237	\$ -	\$ 813,211
<b>Supplemental Disclosure of Cash Flow Information:</b>								
Cash paid for interest	\$ 16,577	\$ 5,217	\$ -	\$ 21,794	\$ 11,013	\$ 778,140	\$ -	\$ 789,153
Non-cash transactions:								
Property and equipment funded through accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 701,486	\$ -	\$ 701,486

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, 2019  
(With Summarized Comparative Totals for the Year Ended June 30, 2018)

	2019							2018				
	New England Center and Home for Veterans and Subsidiary							Court Street Veterans Housing, LLC	Eliminations	Total	Total	
	Program Services			Supporting Services								
Transitional Housing Services	Human Services Support	Community Based Stabilization Services	Total Program Services	Finance and Administration	Fundraising and Development	Total Supporting Services	Total NECHV					
<b>Expenses:</b>												
Salaries and related:												
Salaries	\$ 1,103,884	\$ 1,263,661	\$ 696,712	\$ 3,064,257	\$ 1,051,675	\$ 606,626	\$ 1,658,301	\$ 4,722,558	\$ 247,023	\$ -	\$ 4,969,581	\$ 4,940,057
Fringe benefits and payroll taxes	275,679	380,586	107,037	763,302	177,121	153,128	330,249	1,093,551	31,263	-	1,124,814	951,236
Contract labor	22,471	-	-	22,471	90,403	9,008	99,411	121,882	-	-	121,882	117,333
Total salaries and related	1,402,034	1,644,247	803,749	3,850,030	1,319,199	768,762	2,087,961	5,937,991	278,286	-	6,216,277	6,008,626
Occupancy:												
Depreciation	-	-	-	-	-	-	-	-	1,188,523	(32,375)	1,156,148	1,064,658
Repairs and maintenance	346,959	254	-	347,213	-	-	-	347,213	225,801	-	573,014	486,111
Utilities	207,682	1,339	15,349	224,370	-	-	-	224,370	217,897	-	442,267	415,494
Property taxes	-	-	-	-	-	-	-	-	180,792	-	180,792	221,707
Building supplies and other	22,229	-	-	22,229	655	-	655	22,884	-	-	22,884	15,935
Interest	-	-	-	-	-	-	-	-	323,905	(314,750)	9,155	782,077
Rent	186,664	235,058	13,827	435,549	145,183	110,615	255,798	691,347	-	(691,347)	-	-
Total occupancy	763,534	236,651	29,176	1,029,361	145,838	110,615	256,453	1,285,814	2,136,918	(1,038,472)	2,384,260	2,985,982
Other:												
Food and kitchen	395,154	-	-	395,154	-	32,302	32,302	427,456	-	-	427,456	386,747
Rapid rehousing and stabilization	-	36,024	367,334	403,358	-	-	-	403,358	-	-	403,358	1,043,291
Special events	-	-	-	-	-	385,661	385,661	385,661	-	-	385,661	351,541
Consulting and management services	32,588	81,916	114	114,618	55,263	97,385	152,648	267,266	145,575	(140,370)	272,471	209,555
Insurance	-	3,312	-	3,312	84,731	-	84,731	88,043	86,232	-	174,275	169,460
Rental assistance	-	30,662	135,763	166,425	-	-	-	166,425	-	-	166,425	156,902
Equipment rental and maintenance	3,420	-	7,655	11,075	87,520	42,961	130,481	141,556	-	-	141,556	129,513
Miscellaneous	7,486	14,480	111	22,077	65,730	4,065	69,795	91,872	39,274	-	131,146	126,849
Professional services	3,507	4,417	260	8,184	56,649	8,478	65,127	73,311	46,190	-	119,501	136,110
Office supplies and other	12,343	16,278	3,786	32,407	38,320	14,403	52,723	85,130	155	-	85,285	124,213
Vehicle and related	39,465	10,650	20,015	70,130	-	-	-	70,130	-	-	70,130	77,698
Transportation and local travel	11	32,065	29,266	61,342	3,830	3,872	7,702	69,044	-	-	69,044	77,446
Bank charges and fees	-	-	-	-	19,145	39,643	58,788	58,788	365	-	59,153	65,795
Dues and subscriptions	3,333	60	96	3,489	40,807	6,497	47,304	50,793	3,016	-	53,809	38,786
Education and seminars	2,692	13,993	457	17,142	23,047	2,060	25,107	42,249	-	-	42,249	42,045
Equipment depreciation	10,358	13,043	767	24,168	8,055	6,138	14,193	38,361	-	-	38,361	38,043
Telephone and internet	6,329	7,970	469	14,768	4,922	3,750	8,672	23,440	-	-	23,440	35,311
Interest	4,476	5,636	332	10,444	3,481	2,652	6,133	16,577	-	-	16,577	11,013
Meals and entertainment	305	3,599	-	3,904	6,325	1,053	7,378	11,282	-	-	11,282	15,271
Printing and postage	106	405	597	1,108	1,096	8,689	9,785	10,893	193	-	11,086	20,194
Advertising and promotional	-	-	2,144	2,144	8,159	-	8,159	10,303	-	-	10,303	7,418
Laundry	4,561	-	-	4,561	-	-	-	4,561	2,097	-	6,658	3,856
Total other	526,134	274,510	569,166	1,369,810	507,080	659,609	1,166,689	2,536,499	323,097	(140,370)	2,719,226	3,267,057
Total expenses	\$ 2,691,702	\$ 2,155,408	\$ 1,402,091	\$ 6,249,201	\$ 1,972,117	\$ 1,538,986	\$ 3,511,103	\$ 9,760,304	\$ 2,738,301	\$ (1,178,842)	\$ 11,319,763	\$ 12,261,665

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

	New England Center and Home for Veterans and Subsidiary										
	Program Services				Supporting Services			Total NECHV	Court Street Veterans Housing, LLC	Eliminations	Total
	Transitional Housing Services	Transitional Human Services Support	Community Based Stabilization Services	Total Program Services	Finance and Administration	Fundraising and Development	Total Supporting Services				
<b>Expenses:</b>											
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
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
Contract labor	-	42,512	-	42,512	64,459	10,362	74,821	117,333	-	-	117,333
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>
Occupancy:											
Depreciation	-	-	-	-	-	-	-	-	1,097,033	(32,375)	1,064,658
Repairs and maintenance	147,962	350	-	148,312	129,341	-	129,341	277,653	208,458	-	486,111
Utilities	197,484	8,520	-	206,004	768	-	768	206,772	208,722	-	415,494
Property taxes	-	-	-	-	-	-	-	-	221,707	-	221,707
Building supplies and other	12,051	-	-	12,051	3,884	-	3,884	15,935	-	-	15,935
Interest	-	-	-	-	-	-	-	-	1,087,811	(305,734)	782,077
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>
Other:											
Food and kitchen	386,747	-	-	386,747	-	-	-	386,747	-	-	386,747
Rapid rehousing and stabilization	-	1,043,291	-	1,043,291	-	-	-	1,043,291	-	-	1,043,291
Special events	-	-	-	-	-	351,541	351,541	351,541	-	-	351,541
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
Insurance	-	3,312	-	3,312	82,099	-	82,099	85,411	84,049	-	169,460
Rental assistance	-	156,902	-	156,902	-	-	-	156,902	-	-	156,902
Equipment rental and maintenance	1,825	13,260	-	15,085	63,307	51,121	114,428	129,513	-	-	129,513
Miscellaneous	11,572	17,843	1,066	30,481	26,609	2,097	28,706	59,187	67,662	-	126,849
Professional services	2,791	5,329	254	8,374	60,364	8,296	68,660	77,034	59,076	-	136,110
Office supplies and other	15,486	57,195	2,423	75,104	32,528	13,530	46,058	121,162	3,051	-	124,213
Vehicle and related	17,274	49,765	10,659	77,698	-	-	-	77,698	-	-	77,698
Transportation and local travel	9,046	47,807	7,283	64,136	10,785	2,525	13,310	77,446	-	-	77,446
Bank charges and fees	-	-	-	-	27,567	37,917	65,484	65,484	311	-	65,795
Dues and subscriptions	829	99	-	928	25,254	10,246	35,500	36,428	2,358	-	38,786
Education and seminars	745	3,813	15,550	20,108	21,287	168	21,455	41,563	482	-	42,045
Equipment depreciation	8,370	15,979	761	25,110	6,846	6,087	12,933	38,043	-	-	38,043
Telephone and internet	7,768	14,831	706	23,305	6,356	5,650	12,006	35,311	-	-	35,311
Interest	2,424	4,625	220	7,269	1,982	1,762	3,744	11,013	-	-	11,013
Meals and entertainment	302	1,882	1,415	3,599	10,665	1,007	11,672	15,271	-	-	15,271
Printing and postage	112	245	102	459	1,963	17,543	19,506	19,965	229	-	20,194
Advertising and promotional	-	-	-	-	7,418	-	7,418	7,418	-	-	7,418
Laundry	3,856	-	-	3,856	-	-	-	3,856	-	-	3,856
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>
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>

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, 2019 and 2018

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**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 2019 and 2018. 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 leases a facility, which provides thirty-seven new efficiency apartments and 183 brand new transitional living accommodations, from Court Street Veterans Housing, LLC (see below). This facility is sustainable and adaptable and can meet the changing needs of Veterans for decades to come.

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.

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.

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

Notes to Combining Financial Statements  
June 30, 2019 and 2018

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

**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).

**Recently Adopted Accounting Pronouncement**

In fiscal year 2019, NECHV adopted FASB's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. NECHV has adjusted the presentation of these combining financial statements accordingly. The adoption of this ASU did not impact NECHV's net asset classes, results of operations, or cash flows for the year ended June 30, 2019. This ASU has been applied retrospectively to all periods presented. This ASU provides an option to omit the disclosures about liquidity and availability of resources for the fiscal year 2018 combining financial statements.

**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 (Subsidiary) 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, 2019 and 2018

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**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, 2019 and 2018. At June 30, 2018, cash and cash equivalents also included a certificate of deposit.

**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 \$1,194,509 and \$1,102,701 for the years ended June 30, 2019 and 2018, respectively. The Organization accounts for the carrying value of its long-lived assets in accordance with the requirements of ASC Topic, *Property, Plant and Equipment*. The carrying value is evaluated annually for impairment and no impairment loss was recognized in fiscal years 2019 and 2018.

**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.

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

Notes to Combining Financial Statements  
June 30, 2019 and 2018

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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Net Assets**

***Net Assets Without Donor Restrictions***

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the Organization. The Organization has grouped its net assets without donor restrictions into the following categories:

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

**Board designated** represent funds totaling \$480,447 at June 30, 2019 and 2018, set aside by the Organization's Board of Directors. Use of these funds and its income, if any, can only be made with the approval of the Board of Directors.

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

***Net Assets With Donor Restrictions***

Net assets with donor restrictions represent amounts received or committed by donors with time or purpose restrictions that have not yet been met. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources will be maintained in perpetuity. These donations are recorded as net assets with donor restrictions until they are expended for their designated purpose or the time restrictions have lapsed, or both.

Net assets with donor restrictions were restricted for the following purposes at June 30:

	<u>2019</u>	<u>2018</u>
Donor restricted endowment funds held in perpetuity	\$ 250,000	\$ 250,000
Leave No One Behind Gala	114,215	187,980
Other restricted program support	8,966	97,820
Appreciation on donor restricted endowment funds held in perpetuity (see Note 6)	<u>3,653</u>	<u>3,273</u>
Total	<u>\$ 376,834</u>	<u>\$ 539,073</u>

Additionally, net assets with donor restrictions represent the original historic cost of a donor gift to the endowment (see Note 6). 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 restricted until appropriated by the Board of Directors, and are released to net assets without donor restrictions based on the Organization's spending policy.

***Non-Controlling Interest***

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



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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenue Recognition**

Grants, contracts and contributions are recorded as revenue when received or committed. The Organization reports gifts of cash and other assets as support with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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. 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, 2019 and 2018.

**Contributed Goods and Services**

During the years ended June 30, 2019 and 2018, 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 consisted of legal services of \$14,192 and \$9,932 for the years ended June 30, 2019 and 2018, respectively, which are included in interest and other income in the accompanying combining statements of activities.

**Advertising**

The Organization expenses all advertising costs as incurred.

**Expense Allocation**

The costs of providing program and other activities have been summarized on a functional basis in the combining statements of activities. The combining statements of functional expenses present the natural classification detail of expenses by function, including supporting services. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include utilities, which are allocated on a square footage basis; building supplies and other expenses, which are allocated based upon an estimate of usage; and salaries, payroll taxes and employee benefits, contract labor, repairs and maintenance, and all other expenses, which are allocated on the basis of estimates of time and effort.

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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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, 2019 and 2018.

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. At June 30, 2018, non-operating revenue included sale of tax credit and capital grant.

**Subsequent Events**

Subsequent events have been evaluated through December 5, 2019, 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**

CSVH LLC was 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 8) 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, and 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. The rehabilitation of the Property generated in total approximately \$31,636,000 of qualified rehabilitation expenditures, which yielded approximately \$6,327,000 of Federal HRTCs which were claimed on CSVH LLC's tax returns for the year the rehabilitation was completed.

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. As of June 30, 2018, NECHV had sold all of the State HRTC to an unrelated party, including the last portion for \$799,149 during 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 (the Compliance Period), reduced by 20% on each anniversary of the original placed in service date. The Compliance Period ends in December 2022.

**3. RELATED PARTY TRANSACTIONS**

**Board Member**

A member of NECHV's Board of Directors owns a temporary staffing company. Fees of \$25,590 and \$33,408 were incurred under the contract for the years ended June 30, 2019 and 2018, respectively.

**Capital Contributions**

Boston Multifamily Tax Credit Fund II, a Limited Partnership (Boston Capital) holds a 99.99% interest in the capital, tax credits, income, losses and cash flow of CSVH LLC. As of June 30, 2019, Boston Capital made capital contributions totaling \$17,463,105.

**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 (see below), \$1,121,849 was cash, and \$1,500,000 was assumption of existing debt 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, 2019 and 2018, 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.

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**3. RELATED PARTY TRANSACTIONS (Continued)**

**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, 2019 and 2018:

- A promissory note in the amount of \$9,878,151 (Seller Note), with a maturity date of April 30, 2055. This note funded part of the Ground Lease payments (see above). 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. There were no payments due or made during fiscal years 2019 and 2018. There are no payments due in 2020 based on 2019 cash flow. This note is secured by a shared third mortgage on the Property. Deferred interest expense on this note was \$314,750 and \$305,734 for the years ended June 30, 2019 and 2018, respectively.
- A non-interest bearing promissory note in the maximum amount of \$5,454,747 (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 of \$1,304,000, plus additional funds contributed by NECHV. This note is secured by a shared third mortgage on the Property.
- A non-interest bearing promissory note in the amount of \$4,371,000 (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 \$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, 2019</u>		<u>June 30, 2018</u>	
	<u>Principal Balance</u>	<u>Accrued Interest</u>	<u>Principal Balance</u>	<u>Accrued Interest</u>
Seller Note	\$ 9,878,151	\$ 1,251,867	\$ 9,878,151	\$ 937,117
Capital Campaign Note	5,349,068	-	5,353,968	-
State HTC Note	4,371,000	-	4,371,000	-
FHLB Note	500,000	-	500,000	-
	<u>\$ 20,098,219</u>	<u>\$ 1,251,867</u>	<u>\$ 20,103,119</u>	<u>\$ 937,117</u>

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**3. RELATED PARTY TRANSACTIONS (Continued)**

**Due to/from Affiliate**

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

	<u>2019</u>	<u>2018</u>
Current portion:		
Rent	\$ 2,799,619	\$ 2,108,272
Operations advances	2,493,987	2,652,375
Property management and other fees	<u>408,667</u>	<u>268,297</u>
Total current portion	<u>\$ 5,702,273</u>	<u>\$ 5,028,944</u>
Long-term portion:		
Developer fee and overhead	\$ 1,089,000	\$ 1,150,000
Less - valuation allowance	<u>800,000</u>	<u>800,000</u>
Total long-term portion	<u>\$ 289,000</u>	<u>\$ 350,000</u>

**Developer Fee and Overhead**

NECHV, as the developer, was 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. As of June 30, 2019, the full developer fee and overhead have been earned. Developer fee of \$1,089,000 is 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 \$74,063 and \$73,350 under this agreement for the years ended June 30, 2019 and 2018, respectively. As of June 30, 2019 and 2018, \$215,485 and \$141,422, respectively, were payable to NECHV and included in due from (to) affiliates in the accompanying combining statements of financial position.

**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. Asset management fees incurred for the years ended June 30, 2019 and 2018, were \$5,202 and \$5,105, respectively. Asset management fees payable as of June 30, 2018, was \$10,105, and is included in accounts payable in the accompanying combining statement of financial position. There was no asset management fee payable as of June 30, 2019. 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.

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**3. RELATED PARTY TRANSACTIONS (Continued)**

**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 2019 or 2018.

**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 13). NECHV earned \$66,307 and \$64,375 during fiscal years 2019 and 2018, respectively. As of June 30, 2019 and 2018, \$193,182 and \$126,875, 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 \$691,347 and \$759,956 for the years ended June 30, 2019 and 2018, respectively. Rental income outstanding was \$2,799,618 and \$2,108,272 as of June 30, 2019 and 2018, respectively (see page 18). CSVH LLC is responsible for all maintenance, repair and operation costs under the agreement.

**4. RESTRICTED CASH**

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

	<u>2019</u>	<u>2018</u>
<b>NECHV:</b>		
Donor restricted endowment (see Note 6)	\$ 250,000	\$ 250,000
<b>CSVH LLC:</b>		
Operating reserve	\$ 485,719	\$ 484,022
Tenant security deposits	91,767	78,213
Replacement reserve	<u>50,205</u>	<u>50,029</u>
Total restricted deposits	627,691	612,264
Less - current portion	<u>91,767</u>	<u>78,213</u>
Non-current portion	<u>\$ 535,924</u>	<u>\$ 534,051</u>

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**4. RESTRICTED CASH (Continued)**

**Tenant Security Deposits**

The tenant security 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, 2019 and 2018, the interest rate was approximately 0.35%.

**Replacement Reserve**

CSVH LLC is required to maintain a replacement reserve 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. During fiscal year 2019, CSVH LLC funded the replacement reserve with an initial deposit of \$50,000.

**Operating Reserve**

CSVH LLC is required to maintain an operating reserve. CSVH LLC made an initial deposit of \$483,617 (the minimum balance) into a segregated, interest bearing account during fiscal year 2018, which is held by the Special Member 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 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.

**5. PROPERTY AND EQUIPMENT**

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

	<u>2019</u>	<u>2018</u>
Land	\$ 2,524,069	\$ 2,524,069
Building and improvements	41,898,631	41,844,797
Furniture, fixtures and equipment	1,760,653	1,762,100
Vehicles	<u>117,956</u>	<u>117,956</u>
	46,301,309	46,248,922
Less - accumulated depreciation	<u>4,134,835</u>	<u>2,940,326</u>
	<u>\$ 42,166,474</u>	<u>\$ 43,308,596</u>

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**6. ENDOWMENT FUNDS**

Endowment funds consist of a \$250,000 donation which was established to function as a donor restricted endowment to provide the Organization with income to be used for the Veterans Training School. Use of the income from the donor restricted endowment fund 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 donor restricted endowment at June 30, 2019 and 2018, 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.

A reconciliation of endowment activity is as follows:

Endowment net assets, June 30, 2017	\$ 252,892
Interest	<u>381</u>
Endowment net assets, June 30, 2018	253,273
Interest	<u>380</u>
Endowment net assets, June 30, 2019	<u>\$ 253,653</u>

**7. 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) (2.37% and 1.98% at June 30, 2019 and 2018, respectively), plus 3.25%. 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, 2019 and 2018. 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, 2019 and 2018.

During fiscal year 2019, 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 January 31, 2020.



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**8. NOTES PAYABLE**

Notes payable consist of the following at June 30:

<b>CSVH LLC</b>	<b>2019</b>	<b>2018</b>
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
Non-interest bearing note payable to Community Economic Development Assistance Corporation (CEDAC), with 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.	2,000,000	2,000,000
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) and Housing Innovation Fund (HIF). 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.	1,250,000	1,060,580
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. Subsequent to year-end, NECHV received the remaining \$100,000.	900,000	900,000
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

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**8. NOTES PAYABLE (Continued)**

<b>CSVH LLC (Continued)</b>	<u><b>2019</b></u>	<u><b>2018</b></u>
Construction note payable to Citibank, N.A. up to \$20,000,000 (Citibank Loan), bearing interest at the LIBOR (2.37% and 1.98% at June 30, 2019 and 2018, respectively), plus 2.25% per annum. Interest only was payable monthly in arrears through the extended maturity date of August 1, 2018. During fiscal year 2019, this note was repaid from capital contributions from Boston Capital, as expected. As such, this note is shown as long-term in the accompanying combining statement of financial position at June 30, 2018. This note was secured by a first mortgage on the Property. Interest expense was \$5,217 and \$778,139 for the years ended June 30, 2019 and 2018, respectively.	-	<u>1,669,275</u>
	<u>7,883,318</u>	<u>9,363,173</u>
Less - unamortized debt issuance costs (see Note 9)	<u>108,299</u>	<u>112,237</u>
Total CSVH LLC	7,775,019	9,250,936
 <b>NECHV</b>		
Non-interest bearing note payable to the Federal Home Loan Bank (FHLB) 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>\$ 8,275,019</u>	<u>\$ 9,750,936</u>

Except for the Citibank Loan, which was paid in full in fiscal year 2019, payments are only due for the above notes based on cash flow from operations (see Note 13). There are no fixed and determinable payments of principal for the above notes over the next five years. There are no payments due in 2020 based on 2019 cash flow. There were no payments due in 2019 based on 2018 cash flow (see Note 13).

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, 2019 and 2018.

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**9. 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 8) will be amortized over thirty years. Non-cash interest expense was \$3,938 for the years ended June 30, 2019 and 2018. Debt issuance costs consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Debt issuance costs	\$ 118,144	\$ 118,144
Accumulated amortization	<u>(9,845)</u>	<u>(5,907)</u>
Debt issuance costs, net	<u>\$ 108,299</u>	<u>\$ 112,237</u>

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

**10. 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, 2019 and 2018.

**11. 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.

**12. 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.

**13. 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.

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

**Distributions**

Subject to any requisite approvals and terms of the CEDAC note payable (see Note 8), net cash flow will be distributed within seventy-five days after calendar year-end, as defined in the operating agreement, and is distributable as follows.

- 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 4).
- 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.

There were no funds available to be distributed based on 2019 and 2018 cash flows.

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.

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**14. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES**

Financial assets available for general operating use, that is, without donor or other restrictions limiting their use (see Note 1), within one year of the combining statement of financial position date, comprise the following at June 30, 2019:

	<u>Operating</u>	<u>Court Street Veterans Housing</u>
Cash	\$ 534,783	\$ 16,466
Current portion of restricted cash	-	91,767
Grants and contracts receivable	<u>645,489</u>	<u>6,019</u>
	1,180,272	114,252
Less - restricted cash	<u>-</u>	<u>(91,767)</u>
	<u>\$ 1,180,272</u>	<u>\$ 22,485</u>

As a part of NECHV's cash management policy, a monthly *Net Surplus from Operations* budget is created to determine the cash flow needs for that month and the coming year. NECHV operates at a cash flow surplus for the year due to two primary factors. The first of which is an annual grant from the Commonwealth for approximately \$2,600,000 to support the transitional services to Veterans. These funds are spent ratably throughout the year and are reimbursed as costs are incurred. The second factor is the seasonality of fundraising, as roughly two-thirds of all fundraising dollars, which totaled \$2,625,783 for the year ended June 30, 2019, are received between October and January of each year. In addition, NECHV has a \$2,000,000 line of credit (see Note 7) to draw upon to cover any cash flow needs throughout the year.

The Organization regularly monitors the availability of resources required to meet the operating needs of CSVH LLC. For purposes of analyzing resources available to meet general obligations over a twelve-month period, the Organization considers all expenditures related to the ongoing activities of operating CSVH LLC to be general obligations, including the payment of debt service, if any, and contribution to reserves. The cash balance of CSVH LLC is not available to supplement NECHV's operations.

In addition to the financial assets available to CSVH LLC to meet general obligations of the next twelve months, the Organization regularly conducts budget-to-actual variance analysis in order to identify liquidity concerns. In the event CSVH LLC has an identified liquidity concern, the Organization will work to correct the issue. Corrective measures include the possibility of NECHV providing CSVH LLC with an operating deficit advance. Amounts included in restricted deposits are used to fund certain operating costs as they become due, such as real estate taxes and insurance.

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**15. FUNDING**

The Organization receives a significant portion of its operating revenue (approximately 26% and 23% in fiscal years 2019 and 2018, respectively) from the Massachusetts Department of Veteran Services (DVS) under cost reimbursable contracts. These reimbursements are subject to audit by DVS. In the opinion of management, the results of such audits, if any, will not have a material effect on the combining financial position of the Organization as of June 30, 2019 and 2018, or on the changes in its net assets for the years then ended.

Approximately 40% and 39% of the Organization's grants and contracts receivable at June 30, 2019 and 2018, respectively, are due from DVS.

The Organization also receives funding from various other governmental agencies to assist with program expenses and operating costs. These grants and contracts have been expended in accordance with the respective terms contained in the agreements and are subject to possible final audit determination by certain governmental agencies. In the opinion of management, the results of such audits, if any, will not have a material effect on the combining financial statements.

**16. RECLASSIFICATION**

Certain amounts in the fiscal year 2018 combining financial statements have been reclassified to conform with the fiscal year 2019 presentation.