

**DUDLEY STREET NEIGHBORHOOD INITIATIVE, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

*with*

**INDEPENDENT AUDITORS' REPORT**

**YEARS ENDED JUNE 30, 2019 AND 2018**

Smith  Sullivan  
& Brown PC  
CERTIFIED PUBLIC ACCOUNTANTS

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**DUDLEY STREET NEIGHBORHOOD INITIATIVE, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2019 AND 2018**



**Mission Statement**

*The Dudley Street Neighborhood Initiative's (DSNI) mission is to empower Dudley residents to organize, plan for, create and control a vibrant, diverse and high quality neighborhood in collaboration with community partners.*

DUDLEY STREET NEIGHBORHOOD INITIATIVE, INC.  
REPORT ON CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2019 AND 2018

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Dudley Street Neighborhood Initiative, Inc.  
Roxbury, Massachusetts

We have audited the accompanying consolidated financial statements of Dudley Street Neighborhood Initiative, Inc. and its subsidiary, Dudley Neighbors Incorporated (Massachusetts nonprofit organizations) (collectively the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Dudley Street Neighborhood Initiative, Inc. and its subsidiary as of June 30, 2019 and 2018 and the changes in their consolidated net assets and their consolidated cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Directors  
Dudley Street Neighborhood Initiative, Inc.  
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### Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements on pages 24 - 31 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

*Smith, Sullivan & Brown, PC*

Westborough, Massachusetts  
January 15, 2020

DUDLEY STREET NEIGHBORHOOD INITIATIVE, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS OF JUNE 30, 2019 AND 2018

**ASSETS**

	<u>2019</u>	<u>2018</u>
<b><u>CURRENT ASSETS:</u></b>		
Cash	\$ 654,033	\$ 252,861
Cash Restricted for Collateral	25,000	25,000
Grants and Contributions Receivable	200,000	416,400
Accounts Receivable, Program Services, Net	3,075	24,564
Rent Receivable, Net	116,188	100,159
Prepaid Expenses	9,880	11,426
Total Current Assets	<u>1,008,176</u>	<u>830,410</u>
<b><u>NET PROPERTY AND EQUIPMENT</u></b>	<u>14,422,428</u>	<u>14,391,456</u>
<b><u>OTHER ASSETS:</u></b>		
Deferred Interest and Rents (Note 5)	-	451,404
Deferred Lease Fee (Note 5)	-	80,000
Loan Receivable (Note 6)	67,000	67,000
Interest Receivable (Note 6)	383,638	350,702
Total Other Assets	<u>450,638</u>	<u>949,106</u>
<b><u>TOTAL ASSETS</u></b>	<u>\$ 15,881,242</u>	<u>\$ 16,170,972</u>

**LIABILITIES AND NET ASSETS**

<b><u>CURRENT LIABILITIES:</u></b>		
Note Payable, Line-of-Credit	\$ -	\$ 50,000
Loan Payable	4,511	4,263
Capital Lease Obligation	8,624	9,300
Accounts Payable and Accrued Expenses	91,000	228,431
Accrued Payroll and Related Costs	38,036	22,852
Deferred Rent	21,663	17,858
Total Current Liabilities	<u>163,834</u>	<u>332,704</u>
<b><u>LONG-TERM LIABILITIES:</u></b>		
Capital Lease Obligation, Net of Current Portion	16,540	24,217
Loan Payable, Net of Current Portion	350,905	355,395
Mortgage Note Payable	1,124,548	1,046,351
Total Long-Term Liabilities	<u>1,491,993</u>	<u>1,425,963</u>
<b><u>TOTAL LIABILITIES</u></b>	<u>1,655,827</u>	<u>1,758,667</u>
<b><u>NET ASSETS:</u></b>		
Net Assets Without Donor Restrictions	13,869,308	13,969,865
Net Assets With Donor Restrictions	356,107	442,440
Total Net Assets	<u>14,225,415</u>	<u>14,412,305</u>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<u>\$ 15,881,242</u>	<u>\$ 16,170,972</u>

DUDLEY STREET NEIGHBORHOOD INITIATIVE, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>WITHOUT DONOR</u> <u>RESTRICTIONS</u>	<u>WITH DONOR</u> <u>RESTRICTIONS</u>	<u>CONSOLIDATED</u> <u>TOTAL</u>
<b><u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u></b>			
<i>Program Services:</i>			
Rental Income and Real Estate Tax Reimbursement	\$ 256,921	\$ -	\$ 256,921
Program Service Revenue	17,417	-	17,417
<i>Support and Revenues:</i>			
Gifts, Grants and Contributions	241,976	809,108	1,051,084
Donated Services	68,976	-	68,976
<i>Other Revenues:</i>			
Interest Income	35,458	-	35,458
Miscellaneous Income	47,937	-	47,937
Total Support and Revenues	<u>668,685</u>	<u>809,108</u>	<u>1,477,793</u>
<i>Reclassification of Net Assets:</i>			
Net Assets Released from Restrictions	<u>895,441</u>	<u>(895,441)</u>	<u>-</u>
<b><u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u></b>	<b><u>1,564,126</u></b>	<b><u>(86,333)</u></b>	<b><u>1,477,793</u></b>
<b><u>FUNCTIONAL EXPENSES:</u></b>			
Program Services	1,229,311	-	1,229,311
Administrative	341,926	-	341,926
Fund Raising	93,446	-	93,446
<b><u>TOTAL FUNCTIONAL EXPENSES</u></b>	<b><u>1,664,683</u></b>	<b><u>-</u></b>	<b><u>1,664,683</u></b>
<b><u>CHANGE IN NET ASSETS</u></b>	<b><u>(100,557)</u></b>	<b><u>(86,333)</u></b>	<b><u>(186,890)</u></b>
<b><u>NET ASSETS - BEGINNING OF YEAR</u></b>	<b><u>13,969,865</u></b>	<b><u>442,440</u></b>	<b><u>14,412,305</u></b>
<b><u>NET ASSETS - END OF YEAR</u></b>	<b><u>\$ 13,869,308</u></b>	<b><u>\$ 356,107</u></b>	<b><u>\$ 14,225,415</u></b>

DUDLEY STREET NEIGHBORHOOD INITIATIVE, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

	<u>WITHOUT DONOR</u> <u>RESTRICTIONS</u>	<u>WITH DONOR</u> <u>RESTRICTIONS</u>	<u>CONSOLIDATED</u> <u>TOTAL</u>
<b><u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u></b>			
<i>Program Services:</i>			
U.S. Department of Education, Boston Promise Grant	\$ 361,987	\$ -	\$ 361,987
Rental Income and Real Estate Tax Reimbursement	404,623	-	404,623
Program Service Revenue	57,952	-	57,952
<i>Support and Revenues:</i>			
Gifts, Grants and Contributions	382,011	431,998	814,009
Donated Services	122,270	-	122,270
<i>Other Revenues:</i>			
Interest Income	30,632	-	30,632
Miscellaneous Income	1,030	-	1,030
Total Support and Revenues	1,360,505	431,998	1,792,503
<i>Reclassification of Net Assets:</i>			
Net Assets Released from Restrictions	1,158,683	(1,158,683)	-
<b><u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u></b>	<b><u>2,519,188</u></b>	<b><u>(726,685)</u></b>	<b><u>1,792,503</u></b>
<b><u>FUNCTIONAL EXPENSES AND LOSSES:</u></b>			
<i>Functional Expenses:</i>			
Program Services	1,810,202	-	1,810,202
Administrative	431,686	-	431,686
Fund Raising	179,089	-	179,089
Total Functional Expenses	2,420,977	-	2,420,977
<i>Losses:</i>			
Return of Fiscally Sponsored Funds (Note 10)	125,000	-	125,000
Loss on Abandonment of Leasehold Improvements (Note 4)	24,709	-	24,709
Loss on Brook Veterans Settlement (Note 5)	123,113	-	123,113
<b><u>TOTAL FUNCTIONAL EXPENSES AND LOSSES</u></b>	<b><u>2,693,799</u></b>	<b><u>-</u></b>	<b><u>2,693,799</u></b>
<b><u>CHANGE IN NET ASSETS</u></b>	<b><u>(174,611)</u></b>	<b><u>(726,685)</u></b>	<b><u>(901,296)</u></b>
<b><u>NET ASSETS - BEGINNING OF YEAR</u></b>	<b><u>14,144,476</u></b>	<b><u>1,169,125</u></b>	<b><u>15,313,601</u></b>
<b><u>NET ASSETS - END OF YEAR</u></b>	<b><u>\$ 13,969,865</u></b>	<b><u>\$ 442,440</u></b>	<b><u>\$ 14,412,305</u></b>

DUDLEY STREET NEIGHBORHOOD INITIATIVE, INC.

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019				2018			
	<u>PROGRAM</u>	<u>ADMINI-</u>	<u>FUND</u>	<u>CONSOLIDATED</u>	<u>PROGRAM</u>	<u>ADMINI-</u>	<u>FUND</u>	<u>CONSOLIDATED</u>
	<u>SERVICES</u>	<u>STRATIVE</u>	<u>RAISING</u>	<u>FUNCTIONAL</u>	<u>SERVICES</u>	<u>STRATIVE</u>	<u>RAISING</u>	<u>FUNCTIONAL</u>
				<u>EXPENSES</u>				<u>EXPENSES</u>
Salaries and Wages	\$ 356,934	\$ 44,492	\$ 53,877	\$ 455,303	\$ 597,532	\$ 94,082	\$ 132,663	\$ 824,277
Payroll Taxes	41,270	4,998	6,259	52,527	65,684	9,992	14,414	90,090
Fringe Benefits	63,214	7,853	9,246	80,313	86,083	12,846	18,844	117,773
Grants/Subawards	293,000	7,103	-	300,103	446,349	-	-	446,349
Consultants/Professional Fees	93,551	216,556	17,325	327,432	170,313	225,770	-	396,083
Property Management	40,844	-	-	40,844	42,422	-	-	42,422
Program/Project Costs	14,607	1,859	2,527	18,993	23,030	6,957	2,757	32,744
Special Events and Projects	994	168	238	1,400	27,673	633	237	28,543
Real Estate Taxes	171,509	-	-	171,509	220,845	-	-	220,845
Occupancy	58,420	2,211	2,579	63,210	45,426	15,857	6,562	67,845
Utilities	-	-	-	-	6,936	-	-	6,936
Insurance	23,930	1,443	223	25,596	19,480	3,193	238	22,911
Repairs and Maintenance	-	-	-	-	1,040	385	159	1,584
Depreciation Expense	36,659	565	660	37,884	31,551	3,685	1,525	36,761
Office Supplies and Expenses	26,958	2,789	394	30,141	17,590	5,036	1,648	24,274
Printing and Postage	3,521	420	118	4,059	2,044	279	42	2,365
Staff Travel	3,397	378	-	3,775	5,934	659	-	6,593
Dues, Fees and Subscriptions	-	8,808	-	8,808	-	18,095	-	18,095
Interest Expense	-	25,918	-	25,918	-	11,895	-	11,895
Bad Debt Expense	-	1,760	-	1,760	-	650	-	650
Miscellaneous Expense	503	14,605	-	15,108	270	21,672	-	21,942
<b>Total Functional Expenses</b>	<b><u>\$ 1,229,311</u></b>	<b><u>\$ 341,926</u></b>	<b><u>\$ 93,446</u></b>	<b><u>\$ 1,664,683</u></b>	<b><u>\$ 1,810,202</u></b>	<b><u>\$ 431,686</u></b>	<b><u>\$ 179,089</u></b>	<b><u>\$ 2,420,977</u></b>

DUDLEY STREET NEIGHBORHOOD INITIATIVE, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Change in Net Assets	\$ (186,890)	\$ (901,296)
<i>Adjustments to Reconcile the Above to Net Cash Provided (Used) by Operating Activities:</i>		
Loss on Abandonment of Leasehold Improvements	-	24,709
Loss on Brook Veterans Settlement	-	123,113
Depreciation Expense	37,884	36,761
Bad Debt Expense	1,760	650
<i>(Increase) Decrease in Current Assets:</i>		
Grants and Contributions Receivable	216,400	108,600
Accounts Receivable, Program Services, Net	21,489	96,219
Rent Receivable, Net	(16,029)	26,030
Prepaid Expenses	1,546	(9,340)
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable and Accrued Expenses	(137,431)	(58,768)
Subgrants Payable	-	(136,507)
Accrued Payroll and Related Costs	15,184	(40,213)
Deferred Revenue and Rent	83,805	3,511
<i>(Increase) Decrease in Other Assets:</i>		
Grants and Contributions Receivable	-	400,000
Deferred Interest and Rents	451,404	(3,202)
Interest Receivable	(32,936)	(30,243)
Net Adjustment	<u>643,076</u>	<u>541,320</u>
<b><u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u></b>	<b><u>456,186</u></b>	<b><u>(359,976)</u></b>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES:</u></b>		
Proceeds from Mortgage Note Payable	9,341	32,565
Proceeds from Loan Payable	-	260,000
Payments on Line-of-Credit	(50,000)	-
Principal Payments on Loans Payable	(4,242)	(685)
Principal Payments on Capital Lease Obligations	(10,113)	(3,310)
Net Cash Flows From Financing Activities	<u>(55,014)</u>	<u>288,570</u>
<b><u>NET INCREASE (DECREASE) IN CASH BALANCES</u></b>	<b><u>401,172</u></b>	<b><u>(71,406)</u></b>
<b><u>CASH BALANCES - BEGINNING OF YEAR</u></b>	<b><u>277,861</u></b>	<b><u>349,267</u></b>
<b><u>CASH BALANCES - END OF YEAR</u></b>	<b><u>\$ 679,033</u></b>	<b><u>\$ 277,861</u></b>
<i><u>Supplemental Disclosures:</u></i>		
Interest Paid	<u>\$ 25,918</u>	<u>\$ 11,895</u>
<i><u>Cash Balances:</u></i>		
Cash	\$ 654,033	\$ 252,861
Cash Restricted for Collateral	<u>25,000</u>	<u>25,000</u>
Total	<u>\$ 679,033</u>	<u>\$ 277,861</u>

DUDLEY STREET NEIGHBORHOOD INITIATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

NOTE 1      ORGANIZATION AND PURPOSE

**Dudley Street Neighborhood Initiative, Inc.:**

Dudley Street Neighborhood Initiative (“DSNI”) is a thirty-five-year-old resident-led, non profit planning and organizing group in the Roxbury/North Dorchester area of Boston. DSNI’s mission is to empower Dudley residents to organize, plan for, create, and control a vibrant, diverse and high-quality neighborhood in collaboration with community partners. DSNI’s approach to neighborhood revitalization is comprehensive and focuses on four strategic areas - Development without Displacement, Resident Empowerment, Neighborhood Development and Youth Voice. In partnership with nonprofit organizations, businesses, and religious institutions serving the neighborhood, DSNI works to implement resident-led revitalization plans. DSNI qualifies as a public charity under Section 509(a)(1) of the Internal Revenue Code. Dudley Street Neighborhood Initiative, Inc. has been classified as an organization which is not a private foundation under Section 509(a); accordingly, contributions made to DSNI qualify for the maximum charitable deduction for federal income tax purposes.

**Dudley Neighbors Incorporated:**

Dudley Neighbors Incorporated (“DNI”), located in Roxbury, Massachusetts, is a community land trust and nonprofit urban revitalization corporation organized under the Commonwealth of Massachusetts General Laws Chapter 121A. DNI was organized to ensure that the residents of the Dudley neighborhood will always own the land in the Dudley Triangle, a 30-acre section of Roxbury and North Dorchester, Massachusetts, to eliminate blight and carry on community revitalization activity under a regulatory agreement with the Boston Planning and Development Agency (formerly the Boston Redevelopment Authority). The regulatory agreement regulates DNI’s operations and grants it eminent domain authority to acquire privately owned vacant land in the Dudley Triangle.

DNI was organized by DSNI to carry out the housing development component of DSNI’s Comprehensive Master Plan guide by revitalizing the Dudley Street Neighborhood. DSNI has a controlling interest in DNI through its power to appoint six out of nine voting members to the Board of Directors and DSNI has the ability to require that some of the voting members come from its board. Typically, two or three of DNI’s voting board members also serve on the Board of Directors of DSNI.

The following is a list of the DNI Subsidiaries:

*Dudley Neighbors Two, Inc. (“DNI 2”):*

DNI 2, a Massachusetts nonprofit corporation, was organized in 2006 to hold title to a parcel of real estate named Dudley Village North located in Roxbury, Massachusetts, which was previously owned by DNI. DNI is the sole member of DNI 2. Funding for DNI 2’s activity is provided by ground rents and property tax recoveries.

*Dudley Neighbors Three, Inc. (“DNI 3”):*

DNI 3, a Massachusetts nonprofit corporation, was organized in 2006 to hold title to a parcel of real estate named Dudley Village South, located in Roxbury, Massachusetts, which was previously owned by DNI. DNI is the sole member of DNI 3. Funding for DNI 3’s activity is provided by ground rents and property tax recoveries.

DUDLEY STREET NEIGHBORHOOD INITIATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

*(Continued)*

NOTE 1 *(Continued)*

*DNI 4, Inc.:*

DNI 4 Inc., a Massachusetts nonprofit corporation, was organized to perform the functions of, and to carry out the purposes of, Dudley Street Neighborhood Initiative, Inc., and its affiliated entities. DNI 4, Inc. owns properties that are held for farming and gardening purposes. DNI is the sole member of DNI 4, Inc.

*DNI 5, Inc.:*

DNI 5, Inc., a Massachusetts nonprofit corporation, was organized in 2013 to perform the functions of, and to carry out the purposes of, Dudley Street Neighborhood Initiative, Inc., and its affiliated entities. DNI 5, Inc. owns properties that are held for commercial use. DNI is the sole member of DNI 5, Inc.

*DNI North Avenue LLC:*

DNI North Avenue LLC, a single member LLC, was created to hold title to land under a single family home. DNI is the sole member of DNI North Avenue LLC.

Dudley Neighbors Incorporated was the sole corporate member of the following disregarded LLC's under Section 301.7701-3(b)(1)(ii) of the United States Treasury Regulation and applicable Massachusetts law:

- DNI Woodward Park Homes LLC
- DNI Woodward Park Homes II South LLC
- DNI Woodward Park Homes II North LLC
- DNI Woodsville Julian Homes LLC
- DNI Winthrop Estates LLC

The above-mentioned entities had been dissolved by the Secretary of the Commonwealth of Massachusetts on April 19, 2011. On June 30, 2016, each of the above entities granted certain parcels of real estate property that were previously owned by DNI to Dudley Neighbors Holding LLC for a \$10 consideration.

Dudley Neighbors Holding LLC ("DNH") is a Massachusetts corporation organized on December 23, 2015 as a disregarded entity under Section 301.7701-3(b)(1)(ii) of the United States Treasury Regulation and applicable Massachusetts law. DNH was organized to acquire, develop, construct, rehabilitate, improve, maintain, finance, manage, operate, lease, sell, convey, assign mortgages and otherwise deal with real estate, whether directly or indirectly, through one or more business trusts, partnerships, limited liability companies or other entities, and to carry on any related or unrelated lawful business, trade, purpose or activity. DNI is the sole corporate member of DNH.

DUDLEY STREET NEIGHBORHOOD INITIATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

(Continued)

NOTE 2     PROGRAM SERVICES

**Dudley Street Neighborhood Initiative:**

Dudley Street Neighborhood Initiative's strategic focus areas consist of the following:

- *Development Without Displacement* - Includes all aspects of land use, physical development, affordable housing, and commercial and economic development.
- *Resident Empowerment* - Includes providing meaningful leadership opportunities for residents that build civic engagement and inform community processes and comprehensive planning.
- *Youth Voice* – Includes engaging young people in the comprehensive planning process through various training and leadership activities.
- *Neighborhood Development* – Includes opportunities for residents to build their assets and gain wealth as well as creative placemaking activities that celebrate and preserve the communities culture and build healthy systems.

Each program depends on organizing to allow residents to participate in decision making, attract investments that facilitate development without displacement, and improve the quality of life for everyone involved.

**Dudley Neighbors Incorporated:**

Dudley Neighbors Inc. is the community land trust established by DSNI thirty years ago to carry out the economic development plans of the neighborhood, which includes development without displacement, affordable housing, and community economic development. DNI's economic development and housing activities are based on DSNI's vision and implemented by the DSNI Sustainable Economic Development team. DNI partners with nonprofit and private developers to build affordable housing, commercial spaces and other uses determined through community planning processes and serves as the steward of the land. The land trust now owns more than 30 acres of land in the Dudley neighborhood, with 227 units of affordable housing, community farms, a greenhouse, playgrounds and commercial spaces.

To achieve its mission, DNI operates a community development program that primarily acquires vacant land, leases it to private and non-profit developers for the purpose of building affordable housing in accordance with the Comprehensive Master Plan. Upon sale of the housing and improvement, DNI enters into a 99-year ground lease with the homeowner or project owner in the case of a cooperative development.

DNI's operations are funded through minimal lease fees from leaseholders, contributions from the general public and grants from foundations that support the work.

DUDLEY STREET NEIGHBORHOOD INITIATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

*(Continued)*

NOTE 2 *(Continued)*

To-date, DNI has the following developments on its properties:

- Winthrop Estates - 36-unit homeownership development
- Stafford Heights Coops - 41-unit low-income housing cooperative development
- Brook Ave Coop - 36-unit housing cooperative development
- Woodward Park Homes - 31-unit homeownership development
- Woodville Julian Homes - 11-unit homeownership development
- Dudley Village North and South - 50 rental units and 8,000 square feet mix use development
- Brookford Dalin Dean Homes - 10-unit homeownership development
- 492 Dudley Street - commercial building
- 568-572 Columbia Road - commercial building
- 33 North Ave - single family home
- 31-33 Woodville Street - 2-unit family home

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies which affect significant elements of the Organization's consolidated financial statements are described below to enhance the usefulness of the consolidated financial statements to the reader. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates; however, adherence to generally accepted accounting principles has, in management's opinion, resulted in reliable and consistent financial reporting by the Organization.

**Basis of Accounting:**

The Organization's policy is to maintain its books and prepare its consolidated financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when a liability has been incurred.

**Principles of Consolidation:**

The accompanying consolidated financial statements incorporate the accounts of DSNI, DNI and subsidiaries (collectively the "Organization"). All material inter-affiliated accounts and transactions are eliminated in the consolidated financial statements.

DUDLEY STREET NEIGHBORHOOD INITIATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

(Continued)

NOTE 3 (Continued)

**Financial Statement Presentation:**

As required by the *FASB Accounting Standards Codification*<sup>TM</sup>, the Organizations report information regarding their combined financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. These classifications are related to the existence or absence of donor-imposed restrictions as follows:

*Net Assets Without Donor Restrictions* - consists of assets, public support and program revenues which are available and used for operations and programs. Net assets without donor restrictions represents the portion of net assets of the organization that are not restricted by donor-imposed stipulations. Contributions are considered available for use unless specifically restricted by the donor. In addition, net assets within this classification may include funds which represent resources designated by the Board of Directors for specific purposes.

*Net Assets With Donor Restrictions* - includes funds with donor-imposed restrictions which permit the organizations to expend the assets as specified and is satisfied either by the passage of time or by actions of the organizations. Resources of this nature originate from gifts, grants or bequests and may include investment income earned on restricted funds. These net assets may also include resources which have a donor-imposed restriction which stipulates that a portion of the assets are to be maintained in perpetuity, but permits the organization to expend part or all of the income derived from the donated assets.

**Receivables:**

*Grants and Contributions Receivable* reflects the balance due on pledges and gift commitments that are intended to support programs, events and general operations, including time restricted gifts. The portion of grants and contributions receivable which is scheduled for payment in the coming fiscal year is classified as current, while commitments that exceed one year are classified as non-current. As of June 30, 2019 and 2018, all grants and contributions receivable are classified as current in the accompanying Consolidated Statements of Financial Position. Promises to give with payment dates that extend beyond one year are discounted to their present value when such amounts are considered material. Management periodically reviews specific grants, commitments and agreements to determine if any balances are uncollectible. Management considers these commitments to be fully collectible and therefore, has not established a reserve for uncollectible amounts. If balances become uncollectible, a reserve will be recorded at that time. For the year presented, the Organization did not report any losses on unpaid pledge and gift commitments.

*Accounts Receivable, Program Services* represents amounts which are primarily due from government funded program service contracts and subcontracts and are presented net of allowance for uncollectible amounts. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance. Management has established an allowance for doubtful accounts in the amount of \$2,125 as of and for the year ended June 30, 2018. No allowance was deemed necessary by management as of and for the year ended June 30, 2019.

DUDLEY STREET NEIGHBORHOOD INITIATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

*(Continued)*

NOTE 3     *(Continued)*

*Rent Receivable* represents amounts due from tenants of the various ground tenant leases and are presented net of an allowance for uncollectible amounts. Management provides for probable uncollectible amounts for tenant rents through a provision for bad debt expense and an adjustment to a valuation allowance. Balances that remain outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management has established an allowance for doubtful accounts in the amount of \$97,527 and \$92,212 as of June 30, 2019 and 2018, respectively.

**Property, Equipment, and Depreciation:**

Land and land improvements, buildings and improvements, leasehold improvements, and furniture and equipment purchases are capitalized at cost, if purchased, or if donated, at fair value on the date of receipt. Expenditures for maintenance, repairs, and renewals are charged to expense as incurred, whereas major betterments are capitalized as additions to property and equipment. Depreciation of property and equipment is computed using the straight-line method and is charged against support and revenues over the estimated useful lives of the assets, as expressed in terms of years. DSNI has a capitalization policy of \$1,000, while DNI utilizes a capitalization threshold of \$500.

The Organization reviews their investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of the property. There were no impairment losses recognized in the years presented.

**Revenue Recognition:**

*Government Funded Program Service Agreements - DSNI*

Dudley Street Neighborhood Initiative is the recipient of various federal and local government funded service contracts. These contracts are administered on a cost reimbursement basis; accordingly, the funding sources are billed as eligible costs are incurred, and program service revenues along with the related receivables, are recorded in the period during which the costs were incurred and the services were delivered. These service contracts and federal awards are subject to an annual renewal process and future funding is not guaranteed.

*Rental Income and Real Estate Tax Reimbursement - DNI*

Rental Income is derived from land and office space leases and is recognized as earned in accordance with the underlying lease. Advance receipts of rental income are deferred and classified as liabilities until earned. Real Estate Taxes are paid to the City of Boston by DNI and charged back to tenants pursuant to the terms of the underlying ground leases.

DUDLEY STREET NEIGHBORHOOD INITIATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

*(Continued)*

NOTE 3     *(Continued)*

**Contributions, Gifts and Grants:**

As required by the *FASB Accounting Standards Codification*<sup>TM</sup>, contributions are required to be recorded as receivables and revenues and the Organization is required to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions may include gifts of cash, collection items, or promises to give. Occasionally, Dudley Street Neighborhood Initiative receives donations of stocks, which are recorded as contribution revenue when received.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met.

Contributions of assets other than cash are reported at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved, when such amounts are considered material. Multi-year commitments are recorded during the year of the initial pledge. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions depending on the nature of the restriction until the restriction expires, at which time these amounts are reclassified to net assets without donor restrictions.

**Donated Goods and Services:**

The Organization maintains a policy to record certain in-kind transactions as required by the *FASB Accounting Standards Codification*<sup>TM</sup>. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received and are recognized as revenue on the Consolidated Statement of Activities and are reported as expenses on the Consolidated Statements of Functional Expenses, or capitalized assets on the Consolidated Statements of Financial Position. During the years ended June 30, 2019 and 2018, DNI received \$68,976 and \$122,270, respectively, in pro-bono legal services in support of its community development program and general corporate matters.

**Functional Expenses:**

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated using the Organization's time and space usage allocation formula. In the accompanying Consolidated Statements of Functional Expenses, expenses allocated by time consisted of *Salaries and Wages, Payroll Taxes and Fringe Benefits*. *Occupancy, Depreciation Expense, and Office Supplies and Expenses* are all allocated based upon space usage. Supporting services are those related to managing the Dudley Street Neighborhood Initiative general operations and its programs on a day-to-day basis. Supporting services have been sub-classified below:

*Administrative* - includes all activities related to the Organization's internal management and accounting for program services.

DUDLEY STREET NEIGHBORHOOD INITIATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

(Continued)

NOTE 3 (Continued)

*Fund Raising* - includes all activities related to maintaining contributor information, writing grant proposals, distribution of materials and other similar projects related to the procurement of funds for the Organization's programs.

**Tax Position:**

The Organization currently evaluates all tax positions, and makes a determination regarding the likelihood of those positions being upheld under review. The primary tax positions made by the Organization and its corporate subsidiaries are the existence of Unrelated Business Income Tax and the Organization's tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and the fact that changes may result from closing of statute of limitations on tax returns, new legislation, and clarification of existing legislation through government pronouncements, the courts, and through the examination process.

DNI North Avenue LLC, a single member LLC, is treated as a disregarded entity for income tax purposes. Income or loss is reported directly on DSNI's information filings.

For the years presented, the Organization has not recognized any tax benefits or loss contingencies for uncertain tax positions based on these evaluations.

**Recent Accounting Guidance:**

*Recently Implemented Standards*

In August 2016, the Financial Accounting Standards Board ("FASB") issued ASC Update No. 2016-14, (Topic 958) *Presentation of Financial Statements of Not-for-Profit Entities*, with the goal of improving not-for-profit financial statements to provide more useful information to donors, grantors, creditors, and other financial statement users. This ASU modified the current guidance over several criteria, of which the following affected the Organization's financial statements:

- The Organization's net assets are segregated into two categories, "with donor restrictions" and "without donor restrictions" as opposed to the previous requirement of three classes of net assets.
- The Organization provided qualitative and quantitative information relating to management of liquidity and the availability of financial assets to meet cash needs for general expenditures within one year of the Statement of Financial Position date.
- The Organization provided a more in depth explanation of the methods used to allocate costs among program and supporting functions.

In accordance with this ASU, the Organization has applied retrospective application. The ASU provides organizations with the option of presenting one year of liquidity and the availability of financial assets in the year of implementation; therefore, the Organization is not presenting a liquidity and availability disclosure for the year ended June 30, 2018.

DUDLEY STREET NEIGHBORHOOD INITIATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

*(Continued)*

NOTE 3     *(Continued)*

*Recently Issued Standards*

In May 2014, the FASB issued ASC Update No. 2014-09, (Topic 606) *Revenue from Contracts with Customers*. This ASU is a comprehensive new revenue recognition model that requires an organization to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. This updated guidance impacts not-for-profit entities that have revenue transactions other than contributions. In August 2015, the FASB deferred the effective date of ASC Update No. 2014-09 by one year when it issued ASC Update No. 2015-14, (Topic 606) *Revenue from Contracts with Customers*. This standard is effective for this Organization in financial statements issued for fiscal years beginning July 1, 2019.

In June 2018, the FASB issued ASC Update No. 2018-08, (Topic 958) *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The ASU also provides additional guidance to help determine whether a contribution is conditional or unconditional. This standard is effective for this Organization in financial statements issued for fiscal years beginning July 1, 2019.

NOTE 4     PROPERTY AND EQUIPMENT

*Property and Equipment* consists of land and land improvements, lease improvements, buildings and associated improvements, furnishings, and equipment. The following is a summary of property and equipment as of June 30, 2019:

<u>Asset Category</u>	<u>Est. Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
<u>DNI:</u>				
Land	-	\$13,907,885	\$ -	\$13,907,885
Land Improvements	10	520,912	492,349	28,563
Building and Improvements	15 - 20	635,272	173,527	461,745
Furniture and Equipment	7	<u>2,511</u>	<u>2,511</u>	<u>-</u>
Total DNI		15,066,580	668,387	14,398,193
<u>DSNI:</u>				
Furniture, Fixtures, Equipment	3 - 5	<u>144,337</u>	<u>120,102</u>	<u>24,235</u>
Consolidated Total		<u>\$15,210,917</u>	<u>\$788,489</u>	<u>\$14,422,428</u>

DUDLEY STREET NEIGHBORHOOD INITIATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

(Continued)

NOTE 4 (Continued)

The following is a summary of property and equipment as of June 30, 2018:

<u>Asset Category</u>	<u>Est. Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
<u>DNI:</u>				
Land	-	\$13,907,885	\$ -	\$13,907,885
Land Improvements	10	520,912	479,072	41,840
Building and Improvements	15 - 20	566,416	158,348	408,068
Furniture and Equipment	7	<u>2,511</u>	<u>2,511</u>	<u>-</u>
Total DNI		14,997,724	639,931	14,357,793
<u>DSNI:</u>				
Furniture, Fixtures, Equipment	3 - 5	<u>162,985</u>	<u>129,322</u>	<u>33,663</u>
Consolidated Total		<u>\$15,160,709</u>	<u>\$769,253</u>	<u>\$14,391,456</u>

During FY 2019, DSNI disposed of fully depreciated equipment with an original cost of \$18,648. During FY 2018, simultaneous with their relocation, DSNI disposed of leasehold improvements and fixtures with an original cost of \$80,453. Accumulated depreciation on those assets at the date of disposal was \$55,744; accordingly, DSNI recognized \$24,709 as *Loss on Abandonment of Leasehold Improvements* in the accompanying Consolidated Statement of Activities for the year ended June 30, 2018.

**Property Acquisition:**

In April 2017, DNI 5, Inc. acquired the property located at 568-572 Columbia Road, Dorchester, Massachusetts for \$1,000,000. The purchase was funded by an Acquisition Opportunities Program from the City of Boston in the amount of \$1,400,000 that is structured as a non-interest bearing loan. DNI expects to draw down on the remaining loan proceeds to fund necessary renovations and carrying costs (such as utilities) of the building.

As a condition of purchasing the building, DNI 5, Inc. agreed to assume an existing facility lease as the lessor. The existing facility lease expired in November 2017.

The property purchased is in current use and therefore, the Organization has included this asset as *Property and Equipment* in the accompanying Consolidated Statements of Financial Position.

DNI is currently working with the City of Boston and community partners to plan the future of this property in coordination with a revitalization plan for Upham's Corner.

NOTE 5 DEFERRED LEASE FEE AND RENTS

DNI is party to a ground lease with Brook Veterans Limited Partnership ("Brook Veterans") that required an initial acquisition fee payment of \$80,000, which is categorized as *Deferred Lease Fee* on the Consolidated Statement of Financial Position as of June 30, 2018. The lease agreement allowed for the deferment of payment until May 25, 2015. Until that time, interest on the unpaid balance accrued at the rate of 7% per annum, compounded annually. After the deferral period, interest and late fees are charged pursuant to the lease agreement.

DUDLEY STREET NEIGHBORHOOD INITIATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

(Continued)

NOTE 5 (Continued)

In addition, pursuant to the terms of the ground lease, Brook Veterans is required to pay annual real estate taxes assessed to DNI and monthly rents of \$1,542 beginning in May 1999, adjusted annually by the greater of 5% or the percentage change in the Consumer Price Index. A minimum annual rent payment of \$4,200, adjusted annually, as previously described, is required under the lease. The balance of the annual payments can be deferred and is payable annually from Brook Veterans' net cash flow as defined in its Partnership Agreement. All deferred amounts are due on the earlier of the 16<sup>th</sup> anniversary of the date of the lease or the date on which Brook Veterans is no longer controlled by either of the entities controlling it at the time the lease was executed (May 25, 2015).

DNI accepted a lump sum settlement in the amount of \$531,404 on December 31, 2018 in satisfaction of this obligation. In anticipation of this settlement, the Organization recorded an impairment loss of \$123,113 in the accompanying Consolidated Statement of Activities for the year ended June 30, 2018.

NOTE 6 LOAN RECEIVABLE

The Organization has a formal loan agreement with Stafford Heights Limited Partnership for a cooperative housing development built on land owned by DNI. The loan accrues interest at 7.88% per annum, compounded annually, and matures on December 31, 2022. All payments of principal and deferred interest are due at maturity. *Loan Receivable* represents the remaining \$67,000 of a \$367,000 mortgage note. Interest income accrued during FY 2019 and 2018 was \$32,936 and \$30,529, respectively. Cumulative accrued interest as of June 30, 2019 and 2018 was \$383,638 and \$350,702, respectively.

NOTE 7 DEBT

**Local Enterprise Assistance Fund:**

Dudley Street Neighborhood Initiative, Inc. had a line-of-credit with Local Enterprise Assistance Fund, Inc. ("LEAF") with a borrowing limit of \$100,000, all of which was outstanding as of April 30, 2018. The line-of-credit was subject to a fixed interest rate of 6% per annum. In May 2018, DSNI entered into a formal term loan agreement in the amount of \$360,000 with LEAF. The term loan refinanced the existing line-of-credit, provided additional funds in the amount of \$260,000 and is structured as a ten-year note with monthly payments of principal and interest based on a thirty-year amortization schedule. The interest is fixed at 6.25% per year, with monthly payments of principal and interest totaling \$2,217 and requires DSNI to maintain a debt service coverage ratio of 1:1. A property owned by DNI located at 492 Dudley Street in Dorchester, Massachusetts serves as collateral for the loan. Interest expense in connection with these loans amounted to \$22,359 and \$8,405 for the years ended June 30, 2019 and 2018, respectively.

DUDLEY STREET NEIGHBORHOOD INITIATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

*(Continued)*

NOTE 7     *(Continued)*

The principal portion of the above debt scheduled for payment in FY 2020 is \$4,511 and the remaining non-current maturities for the subsequent five-year period is scheduled below:

<u>Fiscal Year Ending</u>	<u>Amount</u>
June 30, 2021	\$ 4,803
June 30, 2022	5,112
June 30, 2023	5,441
June 30, 2024	5,791
June 30, 2025	6,164
Thereafter*	<u>323,594</u>
Total	<u>\$350,905</u>

\*Includes a balloon payment of \$303,256

**Citizens Bank:**

DSNI established a line-of-credit with Citizens Bank with a borrowing limit of \$50,000. The line-of-credit is subject to fluctuating interest rates, which was 5.404% and 5.102% as of June 30, 2019 and 2018, respectively. DSNI is required to maintain cash reserves of \$25,000 in a restricted savings deposit account as collateral on the debt. As of June 30, 2018, the outstanding balance on the line was \$50,000. There was no outstanding balance as of June 30, 2019. Interest costs of \$2,615 and \$2,282 were incurred by DSNI during FY 2019 and FY 2018, respectively. On June 28, 2019, DSNI instructed Citizens Bank to close the line-of-credit, which will also release the cash reserves held in a restricted account.

**City of Boston:**

As further disclosed in Note 4, DNI 5, Inc. acquired a property in Dorchester, Massachusetts with a plan to renovate the building. On April 19, 2017, DNI 5, Inc. entered into a mortgage loan agreement with the City of Boston through its Public Facility Commission with a maximum borrowing limit of \$1,429,100. This non-interest bearing loan matures on April 19, 2027. The loan was obtained to fund all costs and expenses for the acquisition of and rehabilitation work on the Upham Corner Building (568-572 Columbia Road, Dorchester, Massachusetts). DNI has guaranteed this loan. As of June 30, 2019 and 2018, the outstanding balances were \$1,124,548 and \$1,046,351, respectively, and are recorded as *Mortgage Note Payable* in the accompanying Consolidated Statements of Financial Position. DNI intends to sell the building as part of a community revitalization project and will repay the debt upon the sale. DNI intends to retain ownership of the land, consistent with its primary charitable mission.

DUDLEY STREET NEIGHBORHOOD INITIATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

*(Continued)*

NOTE 8    NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2019 and 2018, net assets with donor restrictions are restricted for the following projects and purposes:

<u>Nature of Restriction</u>	<u>2019</u>	<u>2018</u>
Advancing Health Equity Through Housing Development Without Displacement	\$191,324	\$ -
Fair Chance for Family Success Initiative	83,447	-
Executive Search	67,670	-
Arts and Culture	8,666	-
Capacity Building and Strategic Planning	-	400,000
Land Trust	-	20,000
Community Engagement	-	10,000
Economic Opportunities for Artists	5,000	7,890
Summer Programs	-	3,300
Total	<u>\$356,107</u>	<u>\$442,440</u>

For the years presented, net assets were released from restriction for the following projects and purposes:

<u>Nature of Restriction</u>	<u>2019</u>	<u>2018</u>
Arts and Culture	\$411,000	\$ 401,000
Advancing Health Equity Through Housing Development without Displacement	208,676	-
Fair Chances for Family Success Initiative	113,553	145,000
No Child Goes Homeless Initiative	48,638	190,000
Capacity Building and Strategic Planning	5,000	70,000
Community Engagement	35,000	180,000
Economic Opportunities for Artists	12,690	30,558
Executive Search	3,300	75,000
Financial Education	26,334	-
Land Trust	20,000	-
Summer Programs	10,000	-
Youth Program	1,250	3,000
Dudley Grows Project	-	25,000
Scholar Grants	-	30,000
Total	<u>\$895,441</u>	<u>\$1,158,683</u>

NOTE 9    CONDITIONAL GRANTS

In December 2016, DSNI was awarded a multi-year conditional grant commitment totaling \$290,000 from The Boston Foundation. The grant is restricted for the Fair Chances for Family Success Initiative. Other than the initial installment of \$130,000 that was received in FY 2017, the remaining installments are strictly conditional upon program accomplishments, benchmarks and progress reports. The term of the grant commitment is through December 2018. DSNI has received payments totaling \$290,000 and \$230,000 as of June 30, 2019 and 2018, respectively.

DUDLEY STREET NEIGHBORHOOD INITIATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

(Continued)

NOTE 9 (Continued)

As of June 30, 2018, the conditional component of the grant totaling \$60,000 had not been recorded and was recognized as donor-restricted support when the conditions were met in FY 2019.

NOTE 10 RETURN OF FISCALLY SPONSORED FUNDS

DSNI was engaged by The Boston Foundation (“TBF”) for a joint public art installation project in FY 2015 as part of an arts initiative called Fairmount Cultural Corridor. The funds for the project totaled \$190,000 and were remitted to DSNI who agreed to act as the fiscal agent. Despite the best efforts of DSNI and TBF, the local artist selected for the project did not complete the fabrication and installation part of the commission. As a result, TBF and DSNI agreed that the funds should be returned to TBF in FY 2018 for reprogramming. TBF re-designated the funds and allowed \$65,000 to be retained for the summer festival series sponsored by DSNI and partners. The remaining \$125,000 was transferred back to TBF for a future public art installation project and is recorded as a loss on the Consolidated Statement of Activities for the year ended June 30, 2018.

NOTE 11 PROPERTY TAXES

DNI, DNI 2, and DNI 3 are parties to Chapter 121A agreements with the Commonwealth of Massachusetts, which exempts real property from local taxation and subjects them to an alternative tax. This alternative tax payment is due annually by March 15<sup>th</sup>. Taxes are charged as additional rent to property owners that lease land to cover the related property tax. Real estate taxes are calculated using estimated fair cash values which may vary from the final valuations.

NOTE 12 LEASE COMMITMENTS

**Operating Lease:**

DSNI occupied approximately 5,200 square feet of program and office space pursuant to a five-year lease that commenced on August 1, 2015. Rent was payable in monthly installments of \$6,148. Effective January 1, 2018, the Organization signed a new, five-year lease for office space located at 550 Dudley Street. The new lease replaces the previously existing lease at 504 Dudley Street, which was due to expire June 30, 2021. DSNI and the former landlord agreed mutually to end the lease, and therefore, no lease cancellation penalty was incurred. Under the new lease agreement, rent is payable in monthly installments of \$4,961 starting May 1, 2018. Actual rent expense is recognized on a straight-line basis, where the difference between the rent expense recognized and the amount paid is reported as *Deferred Rent* in the accompanying Consolidated Statements of Financial Position. A security deposit of \$1,000 was paid by DSNI. In February 2019, DSNI reduced the amount of space it was leasing and now shares office space with Boston Plan for Excellence, a long-term partner of the Organization, reducing its monthly rent to \$3,030. The aggregate rent expense recognized for the years ended June 30, 2019 and 2018 was \$48,360 and \$51,487, respectively.

DUDLEY STREET NEIGHBORHOOD INITIATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

*(Continued)*

NOTE 12 *(Continued)*

As of June 30, 2019, the future minimum lease obligation arising from this commitment is scheduled below:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2020	\$ 36,360
June 30, 2021	36,360
June 30, 2022	36,360
June 30, 2023	<u>18,180</u>
Total	<u>\$127,260</u>

**Capital Lease:**

DSNI leases copier equipment under a capital lease which expires on April 1, 2022.

The future minimum lease obligation arising from this commitment is scheduled below:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2020	\$ 9,300
June 30, 2021	9,300
June 30, 2022	<u>7,750</u>
Total Minimum Lease Payments	26,350
Less: Amount Representing Interest	<u>(1,186)</u>
Present Value of Minimum Lease Payments	<u>\$25,164</u>

NOTE 13 CONCENTRATIONS

**Receivables:**

As of June 30, 2019, the balance due on one grant commitment accounts for 97% of total *Grants and Contributions Receivable*.

As of June 30, 2018, the balance due on two grant commitments accounts for 96% of total *Grants and Contributions Receivable*.

DUDLEY STREET NEIGHBORHOOD INITIATIVE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

*(Continued)*

NOTE 14 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Organization's financial assets as of June 30, 2019, reduced by amounts which are not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year of the Combined Statement of Financial Position date or when restricted by donors for purposes more limited than general expenditures.

<u>Description</u>	<u>Amount</u>
Financial Assets:	
Cash	\$ 654,033
Cash Restricted for Collateral	25,000
Grants and Contributions Receivable	200,000
Accounts Receivable, Program Services	3,075
Rent Receivable	116,188
Loan Receivable	67,000
Interest Receivable	<u>383,638</u>
Total Financial Assets	1,448,934
Less: Amounts Not Available to be Used	
Within One Year:	
Loan Receivable	(67,000)
Interest Receivable	<u>(383,638)</u>
Financial Assets Available to Meet General	
Expenditures Within One Year	<u>\$ 998,296</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

For purposes of analyzing resources available to meet general expenditures over a twelve-month period, the Organization considers all expenditures related to its ongoing activities of operating programs as well as the conduct of services undertaken to support those activities to be general expenditures.

NOTE 15 SUBSEQUENT EVENTS

Management is required to consider events subsequent to the financial statement date for potential adjustment to or disclosure in the financial statements. Therefore, Management has evaluated subsequent events through January 15, 2020, the date which the financial statements were available for issue, and noted no events which met the disclosure criteria.

DUDLEY STREET NEIGHBORHOOD INITIATIVE, INC.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2019

	<u>DSNI</u>	<u>DNI</u>	<u>ELIMIN- ATIONS</u>	<u>CONSOLIDATED TOTAL</u>
<b><u>ASSETS</u></b>				
<b><u>CURRENT ASSETS:</u></b>				
Cash	\$ 194,871	\$ 459,162	\$ -	\$ 654,033
Cash Restricted for Collateral	25,000	-	-	25,000
Grants and Contributions Receivable	200,000	-	-	200,000
Accounts Receivable, Program Services, Net	3,075	-	-	3,075
Rent Receivable, Net	-	116,188	-	116,188
Prepaid Expenses	2,888	6,992	-	9,880
Total Current Assets	<u>425,834</u>	<u>582,342</u>	<u>-</u>	<u>1,008,176</u>
 <b><u>NET PROPERTY AND EQUIPMENT</u></b>	<u>24,235</u>	<u>14,398,193</u>	<u>-</u>	<u>14,422,428</u>
 <b><u>OTHER ASSETS:</u></b>				
Loan Receivable	-	67,000	-	67,000
Interest Receivable	-	383,638	-	383,638
Due from DNI	52,520	-	(52,520)	-
Total Other Assets	<u>52,520</u>	<u>450,638</u>	<u>(52,520)</u>	<u>450,638</u>
 <b><u>TOTAL ASSETS</u></b>	<u>\$ 502,589</u>	<u>\$ 15,431,173</u>	<u>\$ (52,520)</u>	<u>\$ 15,881,242</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b><u>CURRENT LIABILITIES:</u></b>				
Loan Payable	\$ 4,511	\$ -	\$ -	\$ 4,511
Capital Lease Obligation	8,624	-	-	8,624
Accounts Payable and Accrued Expenses	71,540	19,460	-	91,000
Accrued Payroll and Related Costs	27,992	10,044	-	38,036
Due to DSNI	-	52,520	(52,520)	-
Deferred Rent	13,886	7,777	-	21,663
Total Current Liabilities	<u>126,553</u>	<u>89,801</u>	<u>(52,520)</u>	<u>163,834</u>
 <b><u>LONG-TERM LIABILITIES:</u></b>				
Capital Lease Obligation, Net of Current Portion	16,540	-	-	16,540
Loan Payable, Net of Current Portion	350,905	-	-	350,905
Mortgage Note Payable	-	1,124,548	-	1,124,548
Total Long-Term Liabilities	<u>367,445</u>	<u>1,124,548</u>	<u>-</u>	<u>1,491,993</u>
 <b><u>TOTAL LIABILITIES</u></b>	<u>493,998</u>	<u>1,214,349</u>	<u>(52,520)</u>	<u>1,655,827</u>
 <b><u>NET ASSETS:</u></b>				
Net Assets Without Donor Restrictions (Deficit)	(347,516)	14,216,824	-	13,869,308
Net Assets With Donor Restrictions	356,107	-	-	356,107
Total Net Assets (Deficit)	<u>8,591</u>	<u>14,216,824</u>	<u>-</u>	<u>14,225,415</u>
 <b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<u>\$ 502,589</u>	<u>\$ 15,431,173</u>	<u>\$ (52,520)</u>	<u>\$ 15,881,242</u>

DUDLEY STREET NEIGHBORHOOD INITIATIVE, INC.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2018

	<u>DSNI</u>	<u>DNI</u>	<u>ELIMIN- ATIONS</u>	<u>CONSOLIDATED TOTAL</u>
<b><u>ASSETS</u></b>				
<b><u>CURRENT ASSETS:</u></b>				
Cash	\$ 89,886	\$ 162,975	\$ -	\$ 252,861
Cash Restricted for Collateral	25,000	-	-	25,000
Grants and Contributions Receivable	416,400	-	-	416,400
Accounts Receivable, Program Services, Net	24,564	-	-	24,564
Rent Receivable, Net	-	100,159	-	100,159
Prepaid Expenses	2,445	8,981	-	11,426
Total Current Assets	<u>558,295</u>	<u>272,115</u>	<u>-</u>	<u>830,410</u>
<b><u>NET PROPERTY AND EQUIPMENT</u></b>	<u>33,663</u>	<u>14,357,793</u>	<u>-</u>	<u>14,391,456</u>
<b><u>OTHER ASSETS:</u></b>				
Deferred Interest and Rents	-	451,404	-	451,404
Deferred Lease Fee	-	80,000	-	80,000
Loan Receivable	-	67,000	-	67,000
Interest Receivable	-	350,702	-	350,702
Due from DNI	2,194	-	(2,194)	-
Total Other Assets	<u>2,194</u>	<u>949,106</u>	<u>(2,194)</u>	<u>949,106</u>
<b><u>TOTAL ASSETS</u></b>	<u>\$ 594,152</u>	<u>\$ 15,579,014</u>	<u>\$ (2,194)</u>	<u>\$ 16,170,972</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b><u>CURRENT LIABILITIES:</u></b>				
Note Payable, Line-of-Credit	\$ 50,000	\$ -	\$ -	\$ 50,000
Loan Payable	4,263	-	-	4,263
Capital Lease Obligation	9,300	-	-	9,300
Accounts Payable and Accrued Expenses	193,267	35,164	-	228,431
Accrued Payroll and Related Costs	22,852	-	-	22,852
Due to DSNI	-	2,194	(2,194)	-
Deferred Rent	17,858	-	-	17,858
Total Current Liabilities	<u>297,540</u>	<u>37,358</u>	<u>(2,194)</u>	<u>332,704</u>
<b><u>LONG-TERM LIABILITIES:</u></b>				
Capital Lease Obligation, Net of Current Portion	24,217	-	-	24,217
Loan Payable, Net of Current Portion	355,395	-	-	355,395
Mortgage Note Payable	-	1,046,351	-	1,046,351
Total Long-Term Liabilities	<u>379,612</u>	<u>1,046,351</u>	<u>-</u>	<u>1,425,963</u>
<b><u>TOTAL LIABILITIES</u></b>	<u>677,152</u>	<u>1,083,709</u>	<u>(2,194)</u>	<u>1,758,667</u>
<b><u>NET ASSETS:</u></b>				
Net Assets Without Donor Restrictions (Deficit)	(515,440)	14,485,305	-	13,969,865
Net Assets With Donor Restrictions	432,440	10,000	-	442,440
Total Net Assets (Deficit)	<u>(83,000)</u>	<u>14,495,305</u>	<u>-</u>	<u>14,412,305</u>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<u>\$ 594,152</u>	<u>\$ 15,579,014</u>	<u>\$ (2,194)</u>	<u>\$ 16,170,972</u>

DUDLEY STREET NEIGHBORHOOD INITIATIVE, INC.

CONSOLIDATING STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019

	DSNI			DNI			ELIMIN- ATIONS	CONSOLIDATED ACTIVITIES
	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>SUBTOTAL</u>	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>SUBTOTAL</u>		
<b><u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u></b>								
<i>Program Services:</i>								
Rental Income and Real Estate Tax Reimbursement	\$ -	\$ -	\$ -	\$ 256,921	\$ -	\$ 256,921	\$ -	\$ 256,921
Program Service Revenue	17,417	-	17,417	-	-	-	-	17,417
<i>Support and Revenues:</i>								
Gifts, Grants and Contributions	238,549	809,108	1,047,657	53,427	-	53,427	(50,000)	1,051,084
Donated Services	-	-	-	68,976	-	68,976	-	68,976
<i>Other Revenues:</i>								
Interest Income	303	-	303	35,155	-	35,155	-	35,458
Miscellaneous Income	46,314	-	46,314	1,623	-	1,623	-	47,937
<i>Reclassification of Net Assets:</i>								
Net Assets Released from Restrictions	<u>885,441</u>	<u>(885,441)</u>	<u>-</u>	<u>10,000</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u></b>	<b><u>1,188,024</u></b>	<b><u>(76,333)</u></b>	<b><u>1,111,691</u></b>	<b><u>426,102</u></b>	<b><u>(10,000)</u></b>	<b><u>416,102</u></b>	<b><u>(50,000)</u></b>	<b><u>1,477,793</u></b>
<b><u>FUNCTIONAL EXPENSES:</u></b>								
Program Services	687,968	-	687,968	541,343	-	541,343	-	1,229,311
Administrative	238,686	-	238,686	153,240	-	153,240	(50,000)	341,926
Fund Raising	<u>93,446</u>	<u>-</u>	<u>93,446</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,446</u>
<b><u>TOTAL FUNCTIONAL EXPENSES</u></b>	<b><u>1,020,100</u></b>	<b><u>-</u></b>	<b><u>1,020,100</u></b>	<b><u>694,583</u></b>	<b><u>-</u></b>	<b><u>694,583</u></b>	<b><u>(50,000)</u></b>	<b><u>1,664,683</u></b>
<b><u>CHANGE IN NET ASSETS</u></b>	<b><u>167,924</u></b>	<b><u>(76,333)</u></b>	<b><u>91,591</u></b>	<b><u>(268,481)</u></b>	<b><u>(10,000)</u></b>	<b><u>(278,481)</u></b>	<b><u>-</u></b>	<b><u>(186,890)</u></b>
<b><u>NET ASSETS - BEGINNING OF YEAR</u></b>	<b><u>(515,440)</u></b>	<b><u>432,440</u></b>	<b><u>(83,000)</u></b>	<b><u>14,485,305</u></b>	<b><u>10,000</u></b>	<b><u>14,495,305</u></b>	<b><u>-</u></b>	<b><u>14,412,305</u></b>
<b><u>NET ASSETS - END OF YEAR</u></b>	<b><u>\$ (347,516)</u></b>	<b><u>\$ 356,107</u></b>	<b><u>\$ 8,591</u></b>	<b><u>\$ 14,216,824</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 14,216,824</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 14,225,415</u></b>

DUDLEY STREET NEIGHBORHOOD INITIATIVE, INC.

CONSOLIDATING STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

	<u>DSNI</u>			<u>DNI</u>			<u>ELIMIN-</u> <u>ATIONS</u>	<u>CONSOLIDATED</u> <u>ACTIVITIES</u>
	<u>WITHOUT</u> <u>DONOR</u> <u>RESTRICTIONS</u>	<u>WITH</u> <u>DONOR</u> <u>RESTRICTIONS</u>	<u>SUBTOTAL</u>	<u>WITHOUT</u> <u>DONOR</u> <u>RESTRICTIONS</u>	<u>WITH</u> <u>DONOR</u> <u>RESTRICTIONS</u>	<u>SUBTOTAL</u>		
<b><u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u></b>								
<i>Program Services:</i>								
U.S. Department of Education, Boston Promise Grant	\$ 361,987	\$ -	\$ 361,987	\$ -	\$ -	\$ -	\$ -	\$ 361,987
Rental Income and Real Estate Tax Reimbursement	-	-	-	404,623	-	404,623	-	404,623
Program Service Revenue	57,952	-	57,952	-	-	-	-	57,952
<i>Support and Revenues:</i>								
Gifts, Grants and Contributions	324,411	421,998	746,409	57,600	10,000	67,600	-	814,009
Donated Services	-	-	-	122,270	-	122,270	-	122,270
<i>Other Revenues:</i>								
Interest Income	103	-	103	30,529	-	30,529	-	30,632
Miscellaneous Income	530	-	530	500	-	500	-	1,030
<i>Reclassification of Net Assets:</i>								
Net Assets Released from Restrictions	1,158,683	(1,158,683)	-	-	-	-	-	-
<b><u>TOTAL SUPPORT, REVENUES</u></b>	<b><u>1,903,666</u></b>	<b><u>(736,685)</u></b>	<b><u>1,166,981</u></b>	<b><u>615,522</u></b>	<b><u>10,000</u></b>	<b><u>625,522</u></b>	<b><u>-</u></b>	<b><u>1,792,503</u></b>
<b><u>AND RECLASSIFICATIONS</u></b>								
<b><u>FUNCTIONAL EXPENSES AND LOSSES:</u></b>								
<i>Functional Expenses:</i>								
Program Services	1,225,440	-	1,225,440	584,762	-	584,762	-	1,810,202
Administrative	365,803	-	365,803	65,883	-	65,883	-	431,686
Fund Raising	179,089	-	179,089	-	-	-	-	179,089
Total Functional Expenses	1,770,332	-	1,770,332	650,645	-	650,645	-	2,420,977
<i>Losses:</i>								
Return of Fiscally Sponsored Funds	125,000	-	125,000	-	-	-	-	125,000
Loss on Abandonment of Leasehold Improvements	24,709	-	24,709	-	-	-	-	24,709
Loss on Brook Veterans Settlement	-	-	-	123,113	-	123,113	-	123,113
<b><u>TOTAL FUNCTIONAL EXPENSES AND LOSSES</u></b>	<b><u>1,920,041</u></b>	<b><u>-</u></b>	<b><u>1,920,041</u></b>	<b><u>773,758</u></b>	<b><u>-</u></b>	<b><u>773,758</u></b>	<b><u>-</u></b>	<b><u>2,693,799</u></b>
<b><u>CHANGE IN NET ASSETS</u></b>	<b><u>(16,375)</u></b>	<b><u>(736,685)</u></b>	<b><u>(753,060)</u></b>	<b><u>(158,236)</u></b>	<b><u>10,000</u></b>	<b><u>(148,236)</u></b>	<b><u>-</u></b>	<b><u>(901,296)</u></b>
<b><u>NET ASSETS - BEGINNING OF YEAR</u></b>	<b><u>(499,065)</u></b>	<b><u>1,169,125</u></b>	<b><u>670,060</u></b>	<b><u>14,643,541</u></b>	<b><u>-</u></b>	<b><u>14,643,541</u></b>	<b><u>-</u></b>	<b><u>15,313,601</u></b>
<b><u>NET ASSETS - END OF YEAR</u></b>	<b><u>\$ (515,440)</u></b>	<b><u>\$ 432,440</u></b>	<b><u>\$ (83,000)</u></b>	<b><u>\$ 14,485,305</u></b>	<b><u>\$ 10,000</u></b>	<b><u>\$ 14,495,305</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 14,412,305</u></b>

DUDLEY STREET NEIGHBORHOOD INITIATIVE, INC.

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>DSNI</u>				<u>DNI</u>			<u>ELIMIN- ATIONS</u>	<u>CONSOLIDATED FUNCTIONAL EXPENSES</u>
	<u>PROGRAM SERVICES</u>	<u>ADMINI- STRATIVE</u>	<u>FUND RAISING</u>	<u>SUBTOTAL</u>	<u>PROGRAM SERVICES</u>	<u>ADMINI- STRATIVE</u>	<u>SUBTOTAL</u>		
Salaries and Wages	\$ 239,358	\$ 31,428	\$ 53,877	\$ 324,663	\$ 117,576	\$ 13,064	\$ 130,640	\$ -	\$ 455,303
Payroll Taxes	29,144	3,651	6,259	39,054	12,126	1,347	13,473	-	52,527
Fringe Benefits	41,076	5,393	9,246	55,715	22,138	2,460	24,598	-	80,313
Grants/Subawards	293,000	-	-	293,000	-	57,103	57,103	(50,000)	300,103
Consultants/Professional Fees	21,360	152,624	17,325	191,309	72,191	63,932	136,123	-	327,432
Property Management	-	-	-	-	40,844	-	40,844	-	40,844
Program/Project Costs	14,607	1,859	2,527	18,993	-	-	-	-	18,993
Special Events and Projects	994	168	238	1,400	-	-	-	-	1,400
Real Estate Taxes	-	-	-	-	171,509	-	171,509	-	171,509
Occupancy	32,057	2,211	2,579	36,847	26,363	-	26,363	-	63,210
Insurance	2,777	1,443	223	4,443	21,153	-	21,153	-	25,596
Depreciation Expense	8,203	565	660	9,428	28,456	-	28,456	-	37,884
Office Supplies and Expenses	4,901	338	394	5,633	22,057	2,451	24,508	-	30,141
Printing and Postage	491	83	118	692	3,030	337	3,367	-	4,059
Staff Travel	-	-	-	-	3,397	378	3,775	-	3,775
Dues, Fees and Subscriptions	-	5,671	-	5,671	-	3,137	3,137	-	8,808
Interest Expense	-	25,918	-	25,918	-	-	-	-	25,918
Bad Debt Expense	-	1,760	-	1,760	-	-	-	-	1,760
Miscellaneous Expense	-	5,574	-	5,574	503	9,031	9,534	-	15,108
<b>Total Functional Expenses</b>	<b>\$ 687,968</b>	<b>\$ 238,686</b>	<b>\$ 93,446</b>	<b>\$ 1,020,100</b>	<b>\$ 541,343</b>	<b>\$ 153,240</b>	<b>\$ 694,583</b>	<b>\$ (50,000)</b>	<b>\$ 1,664,683</b>

DUDLEY STREET NEIGHBORHOOD INITIATIVE, INC.

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2018

	<u>DSNI</u>				<u>DNI</u>			<u>ELIMIN-</u> <u>ATIONS</u>	<u>CONSOLIDATED</u> <u>FUNCTIONAL</u> <u>EXPENSES</u>
	<u>PROGRAM</u> <u>SERVICES</u>	<u>ADMINI-</u> <u>STRATIVE</u>	<u>FUND</u> <u>RAISING</u>	<u>SUBTOTAL</u>	<u>PROGRAM</u> <u>SERVICES</u>	<u>ADMINI-</u> <u>STRATIVE</u>	<u>SUBTOTAL</u>		
Salaries and Wages	\$ 497,019	\$ 82,914	\$ 132,663	\$ 712,596	\$ 100,513	\$ 11,168	\$ 111,681	\$ -	\$ 824,277
Payroll Taxes	56,837	9,009	14,414	80,260	8,847	983	9,830	-	90,090
Fringe Benefits	76,458	11,777	18,844	107,079	9,625	1,069	10,694	-	117,773
Grants/Subawards	446,349	-	-	446,349	-	-	-	-	446,349
Consultants/Professional Fees	47,718	178,650	-	226,368	122,595	47,120	169,715	-	396,083
Property Management	-	-	-	-	42,422	-	42,422	-	42,422
Program/Project Costs	23,030	6,957	2,757	32,744	-	-	-	-	32,744
Special Events and Projects	27,673	633	237	28,543	-	-	-	-	28,543
Real Estate Taxes	-	-	-	-	220,845	-	220,845	-	220,845
Occupancy	32,261	15,857	6,562	54,680	13,165	-	13,165	-	67,845
Utilities	-	-	-	-	6,936	-	6,936	-	6,936
Insurance	1,171	3,193	238	4,602	18,309	-	18,309	-	22,911
Repairs and Maintenance	783	385	159	1,327	257	-	257	-	1,584
Depreciation Expense	7,496	3,685	1,525	12,706	24,055	-	24,055	-	36,761
Office Supplies and Expenses	8,100	3,982	1,648	13,730	9,490	1,054	10,544	-	24,274
Printing and Postage	545	112	42	699	1,499	167	1,666	-	2,365
Staff Travel	-	-	-	-	5,934	659	6,593	-	6,593
Dues, Fees and Subscriptions	-	15,619	-	15,619	-	2,476	2,476	-	18,095
Interest Expense	-	11,895	-	11,895	-	-	-	-	11,895
Bad Debt Expense	-	650	-	650	-	-	-	-	650
Miscellaneous Expense	-	20,485	-	20,485	270	1,187	1,457	-	21,942
<b>Total Functional Expenses</b>	<b>\$ 1,225,440</b>	<b>\$ 365,803</b>	<b>\$ 179,089</b>	<b>\$ 1,770,332</b>	<b>\$ 584,762</b>	<b>\$ 65,883</b>	<b>\$ 650,645</b>	<b>\$ -</b>	<b>\$ 2,420,977</b>

DUDLEY STREET NEIGHBORHOOD INITIATIVE, INC.

CONSOLIDATING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>DSNI</u>	<u>DNI</u>	<u>ELIMIN- ATIONS</u>	<u>CONSOLIDATED TOTAL</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>				
Change in Net Assets	\$ 91,591	\$ (278,481)	\$ -	\$ (186,890)
<i>Adjustments to Reconcile the Above to Net Cash Used by Operating Activities:</i>				
Depreciation Expense	9,428	28,456	-	37,884
Bad Debt Expense	1,760	-	-	1,760
<i>(Increase) Decrease in Current Assets:</i>				
Grants and Contributions Receivable	216,400	-	-	216,400
Accounts Receivable, Program Services, Net	21,489	-	-	21,489
Rent Receivable, Net	-	(16,029)	-	(16,029)
Prepaid Expenses	(443)	1,989	-	1,546
<i>Increase (Decrease) in Current Liabilities:</i>				
Accounts Payable and Accrued Expenses	(121,727)	(15,704)	-	(137,431)
Subgrants Payable	-	-	-	-
Accrued Payroll and Related Costs	5,140	10,044	-	15,184
Due to DSNI	-	50,326	(50,326)	-
Deferred Revenue and Rent	(3,972)	87,777	-	83,805
<i>(Increase) Decrease in Other Assets:</i>				
Grants and Contributions Receivable	-	-	-	-
Deferred Interest and Rents	-	451,404	-	451,404
Interest Receivable	-	(32,936)	-	(32,936)
Due from DNI	(50,326)	-	50,326	-
Net Adjustment	<u>77,749</u>	<u>565,327</u>	<u>-</u>	<u>643,076</u>
<b><u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u></b>	<b><u>169,340</u></b>	<b><u>286,846</u></b>	<b><u>-</u></b>	<b><u>456,186</u></b>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES:</u></b>				
Proceeds from Mortgage Note Payable	-	9,341	-	9,341
Proceeds from Loan Payable	-	-	-	-
Payments on Line-of-Credit	(50,000)	-	-	(50,000)
Principal Payments on Loans Payable	(4,242)	-	-	(4,242)
Principal Payments on Capital Lease Obligation	(10,113)	-	-	(10,113)
Net Cash Flows From Financing Activities	<u>(64,355)</u>	<u>9,341</u>	<u>-</u>	<u>(55,014)</u>
<b><u>NET INCREASE IN CASH BALANCES</u></b>	<b><u>104,985</u></b>	<b><u>296,187</u></b>	<b><u>-</u></b>	<b><u>401,172</u></b>
<b><u>CASH BALANCES - BEGINNING OF YEAR</u></b>	<b><u>114,886</u></b>	<b><u>162,975</u></b>	<b><u>-</u></b>	<b><u>277,861</u></b>
<b><u>CASH BALANCES - END OF YEAR</u></b>	<b><u>\$ 219,871</u></b>	<b><u>\$ 459,162</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 679,033</u></b>
<i>Supplemental Disclosures :</i>				
Interest Paid	<u>\$ 25,918</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,918</u>
<i>Cash Balances :</i>				
Cash	\$ 194,871	\$ 459,162	\$ -	\$ 654,033
Cash Restricted for Collateral	25,000	-	-	25,000
Total	<u>\$ 219,871</u>	<u>\$ 459,162</u>	<u>\$ -</u>	<u>\$ 679,033</u>

DUDLEY STREET NEIGHBORHOOD INITIATIVE, INC.

CONSOLIDATING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2018

	<u>DSNI</u>	<u>DNI</u>	<u>ELIMIN-</u> <u>ATIONS</u>	<u>CONSOLIDATED</u> <u>TOTAL</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>				
Change in Net Assets	\$ (753,060)	\$ (148,236)	\$ -	\$ (901,296)
<i>Adjustments to Reconcile the Above to Net Cash Used by Operating Activities:</i>				
Loss on Abandonment of Leasehold Improvements	24,709	-	-	24,709
Loss on Brook Veterans Settlement	-	123,113	-	123,113
Depreciation Expense	12,706	24,055	-	36,761
Bad Debt Expense	650	-	-	650
<i>(Increase) Decrease in Current Assets:</i>				
Grants and Contributions Receivable	108,600	-	-	108,600
Accounts Receivable, Program Services, Net	96,219	-	-	96,219
Rent Receivable, Net	-	26,030	-	26,030
Prepaid Expenses	(359)	(8,981)	-	(9,340)
<i>Increase (Decrease) in Current Liabilities:</i>				
Accounts Payable and Accrued Expenses	(83,676)	24,908	-	(58,768)
Subgrants Payable	(136,507)	-	-	(136,507)
Accrued Payroll and Related Costs	(40,213)	-	-	(40,213)
Due to DSNI	-	(21,015)	21,015	-
Deferred Revenue and Rent	17,858	(14,347)	-	3,511
<i>(Increase) Decrease in Other Assets:</i>				
Grants and Contributions Receivable	400,000	-	-	400,000
Deferred Interest and Rents	-	(3,202)	-	(3,202)
Interest Receivable	-	(30,243)	-	(30,243)
Due from DNI	21,015	-	(21,015)	-
Net Adjustment	<u>421,002</u>	<u>120,318</u>	<u>-</u>	<u>541,320</u>
<b><u>NET CASH USED BY OPERATING ACTIVITIES</u></b>	<b><u>(332,058)</u></b>	<b><u>(27,918)</u></b>	<b><u>-</u></b>	<b><u>(359,976)</u></b>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES:</u></b>				
Proceeds from Mortgage Note Payable	-	32,565	-	32,565
Proceeds from Loan Payable	260,000	-	-	260,000
Principal Payments on Loans Payable	(685)	-	-	(685)
Principal Payments on Capital Lease Obligation	(3,310)	-	-	(3,310)
Net Cash Flows From Financing Activities	<u>256,005</u>	<u>32,565</u>	<u>-</u>	<u>288,570</u>
<b><u>NET INCREASE (DECREASE) IN CASH BALANCES</u></b>	<b><u>(76,053)</u></b>	<b><u>4,647</u></b>	<b><u>-</u></b>	<b><u>(71,406)</u></b>
<b><u>CASH BALANCES - BEGINNING OF YEAR</u></b>	<b><u>190,939</u></b>	<b><u>158,328</u></b>	<b><u>-</u></b>	<b><u>349,267</u></b>
<b><u>CASH BALANCES - END OF YEAR</u></b>	<b><u>\$ 114,886</u></b>	<b><u>\$ 162,975</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 277,861</u></b>
<i>Supplemental Disclosures :</i>				
Interest Paid	<u>\$ 11,895</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,895</u>
<i>Cash Balances :</i>				
Cash	\$ 89,886	\$ 162,975	\$ -	\$ 252,861
Cash Restricted for Collateral	25,000	-	-	25,000
Total	<u>\$ 114,886</u>	<u>\$ 162,975</u>	<u>\$ -</u>	<u>\$ 277,861</u>