

SLAVIC VILLAGE DEVELOPMENT
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

SLAVIC VILLAGE DEVELOPMENT

JUNE 30, 2017 AND 2016

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October 5, 2017

To the Board of Directors
Slavic Village Development
Cleveland, Ohio

Independent Auditors' Report

We have audited the accompanying financial statements of Slavic Village Development (a not-for-profit corporation), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstance, 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 financial statement presentation.

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 financial statements referred to above present fairly, in all material respects, the financial position of Slavic Village Development as of June 30, 2017 and 2016 and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Koester, DiSalvo and Fried

SLAVIC VILLAGE DEVELOPMENT
STATEMENTS OF FINANCIAL POSITION

	ASSETS	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Current Assets		
Cash and cash equivalents (Note 3)	\$ 104,388	\$ 189,460
Receivables (Note 4)	280,980	309,550
Prepaid expenses	679	210
Total Current Assets	<u>386,047</u>	<u>499,220</u>
Net Property and Equipment (Note 5)	385,720	390,113
Other Assets		
Notes and interest receivable (Note 6)	1,178,740	1,606,734
Due from affiliate (Note 7)	165,405	165,918
Investment in LLC (Note 8)	(55,520)	(30,726)
Real estate for sale (Note 9)	589,891	649,602
Deposits	500	500
Total Other Assets	<u>1,879,016</u>	<u>2,392,028</u>
 TOTAL ASSETS	 <u>\$ 2,648,832</u>	 <u>\$ 3,281,361</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 15,025	\$ 42,031
Huntington Line of credit	150,000	220,000
Current portion long term debt	214,119	272,818
Credit Card	2,442	-
Accrued expenses	5,769	14,472
Total Current Liabilities	<u>387,355</u>	<u>549,321</u>
Long-Term Liabilities		
Notes payable (Note 11)	908,374	1,017,305
Security deposit	2,050	2,050
Less current portion long term debt	<u>(214,119)</u>	<u>(272,818)</u>
Total Long-Term Liabilities	<u>696,305</u>	<u>746,537</u>
Total Liabilities	1,083,660	1,295,858
Net Assets		
Unrestricted	1,426,305	1,859,994
Temporarily restricted	<u>138,867</u>	<u>125,509</u>
Total Net Assets	<u>1,565,172</u>	<u>1,985,503</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 2,648,832</u>	 <u>\$ 3,281,361</u>

The Accompanying Notes are an Integral Part of These Financial Statements

SLAVIC VILLAGE DEVELOPMENT
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support			
Grants (Note 16)	\$ -	\$ 1,434,329	\$ 1,434,329
Contributions	144,952	-	144,952
Cleveland Neighborhood Partnership program	-	150,000	150,000
Management fees	99,307	-	99,307
Contract fees	108,259	-	108,259
Development fees	30,000	-	30,000
Miscellaneous	626	-	626
Fundraising-general	63,360	-	63,360
Interest income	132	-	132
Rental income	82,506	-	82,506
Gain on sale of asset	160,050	-	160,050
(Loss) on investments	(24,794)	-	(24,794)
Released	<u>1,570,971</u>	<u>(1,570,971)</u>	<u>-</u>
 Total Revenue and Support	 2,235,369	 13,358	 2,248,727
Expenses			
Commercial development	696,428	-	696,428
Housing production	294,475	-	294,475
Real estate	111,782	-	111,782
Consumer services	351,079	-	351,079
Special projects	390,559	-	390,559
Property management	226,665	-	226,665
Community organizing	214,968	-	214,968
Code enforcement	<u>108,566</u>	<u>-</u>	<u>108,566</u>
Total Program	2,394,522	-	2,394,522
 Management and general expenses	 215,651	 -	 215,651
Fundraising expenses	<u>58,885</u>	<u>-</u>	<u>58,885</u>
 Total Expenses	 <u>2,669,058</u>	 <u>-</u>	 <u>2,669,058</u>
 Decrease in Net Assets	 (433,689)	 13,358	 (420,331)
 Net Assets at Beginning of Year	 <u>1,859,994</u>	 <u>125,509</u>	 <u>1,985,503</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 1,426,305</u>	 <u>\$ 138,867</u>	 <u>\$ 1,565,172</u>

The Accompanying Notes are an Integral Part of These Financial Statements

SLAVIC VILLAGE DEVELOPMENT
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support			
Grants (Note 16)	\$ -	\$ 1,036,300	\$ 1,036,300
Contributions	98,360	43,741	142,101
Cleveland Neighborhood Partnership	-	159,750	159,750
Management fees	87,807	-	87,807
Contract fees	154,108	-	154,108
Rental	78,633	-	78,633
Development fees	9,000	-	9,000
Miscellaneous	100	-	100
Fundraising-general	71,763	-	71,763
Interest income	54,722	-	54,722
(Loss) on investments	(20,189)	-	(20,189)
Gain on sale	27,392	-	27,392
Released	<u>1,313,010</u>	<u>(1,313,010)</u>	<u>-</u>
 Total Revenue and Support	 1,874,706	 (73,219)	 1,801,487
Expenses			
Commercial development	192,864	-	192,864
Housing production	238,261	-	238,261
Real estate	156,853	-	156,853
Consumer services	82,532	-	82,532
Special projects	381,762	-	381,762
Property management	226,290	-	226,290
Community organizing	215,158	-	215,158
Code enforcement	99,903	-	99,903
Total program	<u>1,593,623</u>	<u>-</u>	<u>1,593,623</u>
 Management and general expenses	 192,789	 -	 192,789
Fundraising expenses	<u>98,493</u>	<u>-</u>	<u>98,493</u>
 Total Expenses	 <u>1,884,905</u>	 <u>-</u>	 <u>1,884,905</u>
 Increase (Decrease) in Net Assets	 (10,199)	 (73,219)	 (83,418)
 Net Assets at Beginning of Year	 <u>1,870,193</u>	 <u>198,728</u>	 <u>2,068,921</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 1,859,994</u>	 <u>\$ 125,509</u>	 <u>\$ 1,985,503</u>

The Accompanying Notes are an Integral Part of These Financial Statements

SLAVIC VILLAGE DEVELOPMENT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

Expenses	Program			Total
	<u>Services</u>	<u>Management</u>	<u>Fundraising</u>	
Salaries	\$ 674,088	\$ 93,239	\$ 21,514	\$ 788,841
Contractor services	302,078	42,415	2,151	346,644
Fringe benefits	201,138	39,853	3,445	244,436
Bad debts (Note 19)	522,878	-	-	522,878
Landscaping	88,906	-	-	88,906
Down payment assistance	334,018	-	-	334,018
Program support	15,400	-	-	15,400
Maintenance and repairs	4,716	6,293	-	11,009
Utilities	26,349	2,973	1,612	30,934
Insurance	12,837	8,845	517	22,199
Interest	21,911	9,289	707	31,907
Supplies	76,683	117	10,110	86,910
Miscellaneous	-	426	-	426
Snow removal	2,695	-	-	2,695
Real estate taxes	26,812	-	-	26,812
Depreciation	13,977	2,005	1,002	16,984
Computer support	6,444	957	479	7,880
Meeting expense	13,020	1,000	7,398	21,418
Equipment rental	1,056	176	88	1,320
Postage	745	516	290	1,551
Audit	3,620	603	302	4,525
Office supplies	2,397	337	169	2,903
Cleaning	4,992	832	416	6,240
Legal fees	1,890	-	-	1,890
Mileage and parking	1,006	25	-	1,031
Dues and subscriptions	4,293	3,571	1,656	9,520
Licenses, permits & bonds	3,597	350	40	3,987
Bank service charges	643	786	92	1,521
Mat rental	472	79	39	590
Security	925	315	345	1,585
Training and seminars	2,841	305	-	3,146
Marketing and publicity	1,417	-	5,110	6,527
Rubbish removal	10,344	176	169	10,689
Exterminating	782	55	28	865
Credit reports	1,525	-	-	1,525
Payroll fees	677	113	56	846
Space rental	7,350	-	1,150	8,500
Total Expenses	\$ 2,394,522	\$ 215,651	\$ 58,885	\$ 2,669,058

The Accompanying Notes are an Integral Part of These Financial Statements

SLAVIC VILLAGE DEVELOPMENT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Program Services</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>
Expenses				
Salaries	\$ 599,240	\$ 101,347	\$ 37,481	\$ 738,068
Contractor services	381,180	15,269	14,530	410,979
Fringe benefits	184,294	35,704	5,641	225,639
Landscaping	73,782	-	-	73,782
Down payment assistance	54,200	-	-	54,200
Program support	43,741	-	-	43,741
Maintenance and repairs	9,398	10,245	-	19,643
Utilities	33,681	2,715	1,357	37,753
Insurance	24,688	5,551	1,492	31,731
Interest	21,861	7,600	724	30,185
Supplies	59,600	190	15,805	75,595
Miscellaneous	-	-	-	-
Snow removal	1,825	175	-	2,000
Real estate taxes	18,525	-	-	18,525
Depreciation	11,927	1,987	994	14,908
Computer support	4,406	720	360	5,486
Meeting expense	16,150	-	8,242	24,392
Equipment rental	1,056	176	253	1,485
Postage	1,096	391	2,363	3,850
Audit	6,150	1,025	512	7,687
Office supplies	3,420	570	327	4,317
Cleaning	5,022	832	416	6,270
Legal fees	2,863	-	-	2,863
Mileage and parking	1,075	111	10	1,196
Dues and subscriptions	5,595	3,379	1,495	10,469
Licenses, permits & bonds	2,505	350	215	3,070
Bank service charges	9	1,494	535	2,038
Mat rental	473	79	39	591
Security	1,135	240	650	2,025
Training and seminars	775	233	25	1,033
Marketing and publicity	795	1,630	3,989	6,414
Rubbish removal	11,834	402	201	12,437
Exterminating	725	74	37	836
Credit reports	1,892	-	-	1,892
Travel and hotel	655	-	-	655
Space rental	8,050	300	800	9,150
	<u>8,050</u>	<u>300</u>	<u>800</u>	<u>9,150</u>
Total Expenses	<u>\$ 1,593,623</u>	<u>\$ 192,789</u>	<u>\$ 98,493</u>	<u>\$ 1,884,905</u>

The Accompanying Notes are an Integral Part of These Financial Statements

SLAVIC VILLAGE DEVELOPMENT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Cash Flows From Operating Activities		
Net Income (Loss)	\$ (420,331)	\$ (83,418)
Adjustments to reconcile Net Income (Loss) to net cash provided by (used in) operating activities		
Depreciation and Amortization	16,984	14,908
(Gain) on Investments	24,794	20,189
Losses (Gains) on sales of Real estate	-	(27,392)
Increase (Decrease) in Operating Assets:		
Accounts receivable	40,570	86,951
Prepays	(469)	3,847
(Decrease) Increase in Operating Liabilities:		
Accounts payable	(27,006)	15,182
Accrued expenses	(8,703)	8,332
Credit cards	2,442	-
Total Adjustments	<u>48,612</u>	<u>122,017</u>
Net Cash (Used in) Provided By Operating Activities	(371,719)	38,599
Cash Flows From Investing Activities		
Interest receivable	427,994	(54,599)
Due from affiliates	(11,486)	19,627
Purchase of fixed assets	(10,640)	-
Real estate held for resale	59,710	21,844
Proceeds from sale of investments	-	(1,000)
Net Cash Provided By (Used In) Investing Activities	465,578	(14,128)
Cash Flows From Financing Activities		
Credit line (repayment) draws	(70,000)	50,000
Principal payments on long-term debt	<u>(108,931)</u>	<u>(11,521)</u>
Net Cash (Used In) Provided By Financing Activities	<u>(178,931)</u>	<u>38,479</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(85,072)	62,950
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>189,460</u>	<u>126,510</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 104,388</u>	<u>\$ 189,460</u>
Supplemental information		
Amount of interest paid on all indebtedness	<u>\$ 31,907</u>	<u>\$ 30,185</u>

The Accompanying Notes are an Integral Part of These Financial Statements

SLAVIC VILLAGE DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1- Description of Organization

- A. Slavic Village Development (SVD) (the organization) is a non-profit organization primarily funded through grants and contracts with non-profit housing agencies and the City of Cleveland, Ohio. Its primary activities are the construction, rehabilitation, weatherization and management of residential homes and multifamily units in the Slavic Village and Broadway Avenue area of Cleveland, Ohio. The organization is authorized to make low or no interest loans, funded by the City of Cleveland, to qualified individuals for the purpose of rehabilitation and weatherization of homes.

In addition, SVD works to create jobs and employment opportunities, alleviate physical and economic deterioration, stimulate economic revitalization, improve safety and promote the general welfare of residents and businesses located in the Slavic Village and Broadway Avenue neighborhood.

- B. SVD was founded in 1980, and is tax-exempt under Internal Revenue Service Code Section 501(c)(3).

NOTE 2- Summary of Significant Accounting Policies

- A. General Methods- The accompanying financial statements have been prepared as prescribed in the American Institute of Certified Public Accountants' Guide for Not-For-Profit Organizations.
- B. Accrual Basis- The organization records transactions on an accrual basis. Revenue (if any) is recognized when earned, support is recognized when receivable, and expenses are recognized when incurred.
- C. Standards of the Financial Accounting Standards Board (FASB)- SVD complies with FASB ASC 958-605-25, which affects the timing of revenue recognition with regard to temporarily restricted net assets.

SVD also complies with FASB ASC 958-205, which establishes standards for general purpose external financial statements of not-for-profit organizations.

This statement requires classification of an organization's net assets and its support and revenue, expenses and distributions based on the existence or absence of donor-imposed restrictions into three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

See Auditors' Report

SLAVIC VILLAGE DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2- Summary of Significant Accounting Policies (Continued)

- D. Use of Estimates- 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 at the date of financial statements and the amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.
- E. Depreciation - Property and equipment are depreciated using the straight-line method over estimated useful lives. (See Note 5- Property and Equipment)
- F. Allocation of Expenses- Expenses are generally charged to the specific programs for which they are incurred. In some cases, however, common expenses are incurred which support the work performed under program services as well as supporting services. Such expenses are allocated among the various program services and support services based on the relationship of functionalized payroll costs to total payroll costs.
- G. Contributions and Grants- Nonrestricted contributions, if any, are recorded as support when received or receivable. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Grants with donor restrictions are recorded as temporarily restricted grants when awarded. Some grants awarded to SVD require the fulfillment of certain specific conditions. Failure to fulfill these conditions could result in either the return of funds to the grantor or the refusal by the grantor to release additional funds pursuant to the grant. These grants are recorded as refundable advances unless the likelihood of not meeting the conditions is remote (in which case they are recorded as contributions).
- H. Advertising Costs- SVD expenses advertising costs when incurred .
- I. SVD complies with FASB ASC 740- Accounting for Uncertainty in Income Taxes. FASB ASC 740 details how companies should recognize, measure, present and disclose uncertain tax positions that have been or are expected to be taken. As such, the financial statements would reflect expected future tax consequences of uncertain tax positions presuming the taxing authorities' full knowledge of the position and all relevant facts, if they existed. Management believes that there are no uncertain tax positions. The organization's tax years that remain subject to examination by the Internal Revenue Service are 2014, and forward .
- J. Unadopted FASB statements- Various FASB statements have been issued, where compliance is encouraged but not required until after years ending June 30, 2017. Management is unaware of any issued and unadopted FASB statements that would have a material effect on the financial statements.

See Auditors' Report

SLAVIC VILLAGE DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 2- Summary of Significant Accounting Policies (Continued)

- K. Investments Measured at Fair Value (if any)- Initial valuation- Pursuant to FASB ASC 958-320 and FASB ASC 958-325, SVD initially measures investments at acquisition cost (including brokerage cost and transaction fees) if they are purchased. If they are received as a donation they are recorded at estimated fair value.

Subsequent valuation- SVD complies with FASB ASC 958-320, which requires investments in equity securities with readily determined fair value and all investments in debt securities to be measured at fair value in the statement of financial position. With regard to other investments, such as real estate, SVD values the investment at lower of cost or management's estimate of fair value.

Valuation hierarchy- FASB ASC 820-10-50 Fair Value Measurements and Disclosures requires categorization of applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). For SVD the financial assets and liabilities reported at fair value are based upon quoted prices for identical assets or liabilities in an active market (Level 1), except for the investment in LLC (See Note 8).

- L. Impairment of long-lived assets- As required by the Property, Plant and Equipment topic of FASB ASC, the organization reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recovered. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. There was no impairment during fiscal years ended June 30, 2017 or 2016.
- M. Donated services and materials:
Governments, agencies, volunteers, businesses and others contribute services toward the fulfillment of projects initiated by SVD. No amounts have been reflected in the statements for donated services in as much as no objective basis is available to measure the value of such services. Donated materials have also not been recorded in the financial statements, except for capitalized equipment.

NOTE 3- Cash and Cash Equivalents

The organization maintains cash balances at several financial institutions located in Cleveland, Ohio. Cash in these accounts may, at times, exceed the Federal Deposit Insurance Corporation limit. The organization has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk related to cash.

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SLAVIC VILLAGE DEVELOPMENT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017 AND 2016

NOTE 3-Cash and Cash Equivalents (continued)

SVD considers all short-term, highly liquid investments to be cash equivalents. These investments are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. There are no restrictions on the bank accounts.

NOTE 4- Receivables

Based upon a review of specific accounts, SVD considers all receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required.

NOTE 5- Property and Equipment

Property and equipment are stated at cost if purchased or at the fair market value on the date of donation, if contributed. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets as follows:

<u>Category</u>	<u>Estimated Useful Life</u>	
Building and improvements:	40 years	
Furniture and equipment:	5 years	
	<u>2017</u>	<u>2016</u>
Land:	\$ 4,350	\$ 4,350
Buildings and improvements:	601,337	601,337
Furniture and equipment:	<u>46,388</u>	<u>35,748</u>
	652,075	641,435
Less accumulated depreciation:	<u>268,306</u>	<u>251,322</u>
	<u>\$ 383,769</u>	<u>\$ 390,113</u>

Costs of maintenance and repairs are charged to expenses. Costs of renewals and betterments, where significant in amount, are capitalized.

See Auditors' Report

SLAVIC VILLAGE DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 6 – Notes Receivable

	<u>2017</u>	<u>2016</u>
Harvard Elderly Limited Partnership: 1% \$100,000 note due in December 2017 with interest compounding annually. Unpaid interest is due at maturity. The note is secured by a real estate mortgage.	\$ 100,000	\$ 100,000
Unpaid accrued interest. (See Note 19-Bad Debt Expense)	-	15,337
5.24% \$225,000 note due in December 2017 with interest compounding annually. Unpaid interest is due at maturity. The note is secured by a real estate mortgage.	225,000	225,000
Unpaid accrued interest. (See Note 19-Bad Debt Expense)	<u>-</u>	<u>320,918</u>
Total due from Harvard Elderly Limited Partnership	325,000	661,255
Atlas Savings L.P.:		
6% \$300,000 note due in October 2018 with interest accruing and compounding semi-annually until cash flow permits payments. Commencing in 2005, an annual payment equal to 1% of the outstanding balance is due. The note is secured by a real estate mortgage. Unpaid principal and interest are due at maturity.	300,000	300,000
Unpaid accrued interest.	218,740	218,740
6% \$120,000 unsecured note due in September 2033 with interest accruing and compounded semi-annually. On April 30 of each year, Atlas must pay 50% of the project's cash flow for the most recently ended year to the extent that cash flow exceeds \$10,000. Unpaid principal and interest are due at maturity or upon sale of the project, whichever is first.	120,000	120,000
Unpaid accrued interest. (See Note 19-Bad Debt Expense)	-	79,800
0.5% \$215,000 unsecured note due in December 2033 with interest accruing and compounding annually. Interest payments are due each December provided cash flow is available. Unpaid principal and interest are due at maturity.	215,000	215,000
Unpaid accrued interest. (See Note 19-Bad Debt Expense)	<u>-</u>	<u>11,939</u>
Total due from Atlas Savings L.P.:	<u>\$ 853,740</u>	<u>\$ 945,479</u>
Total Notes Receivable:	<u>\$ 1,178,740</u>	<u>\$ 1,606,734</u>

See Auditors' Report

SLAVIC VILLAGE DEVELOPMENT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 7- Due from affiliate

In addition to the unsecured notes receivable above, Atlas Savings L.P. owes SVD for maintenance and management fees in the amount of \$165,405 and \$165,918 for fiscal years ended June 30, 2017 and 2016, respectively.

Note 8- Investment in LLC:

In March 2013, SVD invested \$25,000 in Slavic Village Recovery, LLC, resulting in SVD's having a 25% membership interest in the LLC. The purpose and business of the limited liability company is to acquire, rehabilitate, raze, sell and lease, as applicable, vacant and available properties within a designated project area in the Slavic Village neighborhood in Cleveland, Ohio. The investment is accounted for under the equity method of accounting.

NOTE 9- Real Estate for sale

Investments in real estate are stated at cost plus the amounts of any additional expenditure . The real estate is purchased for the purpose of maintaining control over vacant lots or preventing further blight on the premises. The lots will eventually be sold and developed into new housing in the community.

Note 10- Short-term borrowings:

Short-term borrowings represent advances against an available \$250,000 line of credit with Huntington Bank, at the bank's prime rate, (5.25% as of June 30, 2017) secured by property at 5620 Broadway Avenue, renewable annually.

Note 11- Notes payable:

	<u>2017</u>	<u>2016</u>
Mortgage note payable to City of Cleveland, 1% interest payable annually for years 2005 through 2021 and a balloon payment in year 2021. Note is secured by the note receivable from Atlas Savings, L.P.	\$ 300,000	\$ 300,000
Mortgage note payable to Village Capital Corp. (VCC) in monthly payments of \$1,299, including interest at 5%, through April 2017 based on a 25-year amortization, secured by SVD's office building and assignment of leases and rents.	209,311	214,285

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Note 11- Notes payable (continue) :

Mortgage note payable to Ohio Housing Finance Agency, due September 2033, interest at 2% is accrued annually and payable September 2033. Note is secured by the note receivable from Atlas Savings, L.P.	120,000		120,000
Mortgage note payable to Third Federal Savings & Loan in monthly installments of \$800, including interest at 5%, through December 2032 based on a 30- year amortization, secured by 5620 Broadway Ave. real estate.	99,238		103,751
Mortgage note payable to PNC Bank in monthly installments of \$614, including interest at 4.75%, through April 2018 based on a 25-year amortization, secured by real	-		99,444
Mortgage note payable to City of Cleveland, non-interest bearing, to finance acquisition and demolition of a commercial building at 7655 Broadway Avenue, due in 2025.	95,000		95,000
Notes payable to City of Cleveland in monthly payments totaling of \$494, including interest at 6%, due in 2018-2019, secured by 5620 Broadway Ave. real estate. Balance includes \$26,325 accrued interest. No payments have been made as of June 30, 2017.		84,825	84,825
	<u>\$ 908,374</u>		<u>\$1,017,305</u>

Future minimum obligations on notes payable are as follows:

June 30:

2018		\$ 214,119
2019		4,990
2020		5,245
2021		5,514
2022		5,796
Thereafter		<u>672,710</u>
		<u>\$ 908,374</u>

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NOTE 12- Income Taxes

SVD is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal income taxes has been reported in the financial statements.

NOTE 13- Restrictions on Net Assets

Net assets were temporarily restricted as of June 30, 2017 and 2016 from the following grants:

	<u>2017</u>	<u>2016</u>
Charter One	\$ 2,478	\$ 27,254
Makers' District	2,050	2,050
CNPP	46,956	21,782
McGregor Foundation	14,504	4,350
Neighborhood Connections	12,219	8,362
Center of Community Solutions	5,941	6,995
Ohio History Connection	3,600	3,600
Third Federal Foundation	20,637	17,833
Wells Fargo Foundation	<u>30,482</u>	<u>33,283</u>
Total	<u>\$ 138,867</u>	<u>\$125,509</u>

As of June 30, 2017, all temporarily restricted net assets are restricted by expenditure. During the year \$1,570,971 of temporarily restricted net assets were released by expenditure and \$0 were released by time. The ending balance of temporarily restricted net assets comprises of \$138,867 in cash and \$0 in receivables.

As of June 30, 2016, all temporarily restricted net assets are restricted by expenditure. During the year \$1,313,010 temporarily restricted net assets were released by expenditure and \$0 were released by time. The ending balance of temporarily restricted net assets comprise s of \$125,509 in cash and \$0 in receivables.

Note 14- Retirement plan:

Employees of SVD are covered by a 403(b) retirement savings plan. SVD matches 50% of the first 4% of an eligible employee's salary deferral contributions. In addition, at the discretion of the board of directors, the organization may make an additional contribution at year-end.

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NOTE 15- Contingent Liabilities

It is the policy of the organization to make sick days available as they accrue. The allowed number of sick days is based on an allowance each year which can accumulate to a maximum amount and will be carried forward. Since there is no requirement that employee compensated absences will be paid by the organization unless sickness occurs, no liability is reported as of June 30, 2017 and 2016.

Vacation time is earned and accrued commencing July 1, of each year and is based on service time of the employee and also considers whether the employee is full or part time. Vacation pay not used as of the end of the year is not normally carried forward to the next year. Consequently no liability exists as of June 30, 2017.

Note 16- Grants:

	<u>2017</u>	<u>2016</u>
City of Cleveland		
Community Development Block Grant	\$ 575,500	\$ 563,945
Other	4,604	91,930
Third Federal Foundation	535,601	149,020
Callahan Foundation	20,000	-
Cleveland Neighborhood Progress	45,295	-
Cuyahoga County Land Reutilization Corp	15,000	10,000
The Cleveland Foundation	69,700	73,650
Enterprise Community Partners	68,333	46,666
Ohio Capital Impact Corp	5,000	30,000
Wells Fargo Foundation	-	5,000
McGregor Foundation	30,200	20,000
Dominion Foundation	-	12,500
Ratner Family Foundations	15,000	-
The Good Community	10,000	-
Neighborhood Connections	29,896	26,589
PNC Foundation	2,200	5,000
U S Bank Foundation	5,000	-
United Black Fund	3,000	-
Sisters of Saint Joseph	-	2,000
	<u>\$ 1,434,329</u>	<u>\$1,036,300</u>

NOTE 17- Subsequent Events

SVD has evaluated subsequent events through December 18, 2017; which is the date the financial statements were available to be issued.

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Note 18- Related Party Transactions

A board member's corporation provides computer assistance to the organization. The amount of paid during fiscal year ended 2017 and 2016 was \$18,300 and \$7,823, respectively.

SLV has a 10% interest in Slavic Village Recovery, LLC. Included in the receivables is a receivable from Slavic Village Recovery LLC of \$12,000 and \$94,884 for fiscal years ended June 30, 2017 and 2016, respectively.

Note 19- Bad Debt Expense

Management has evaluated the collectible of various trade receivables and accrued interests on it various projects. Accordingly, the following receivables have been recorded as bad debt expense:

Slavic Village Recovery -Project development fees:	\$ 94,884
Atlas Savings L.P.- Accrued interest on loans:	91,739
Harvard Elderly Limited Partnership- Accrued interest on loans:	<u>336,255</u>
Total bad debt expense:	<u>\$ 522,878</u>

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