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DISTRICT ALLIANCE FOR SAFE HOUSING

**DISTRICT ALLIANCE FOR SAFE HOUSING, INC.
AND SUBSIDIARY**

**Consolidated Financial Statements and
Supplementary Information**

For the Years Ended September 30, 2019 and 2018



**and
Report Thereon**



DISTRICT ALLIANCE FOR SAFE HOUSING, INC. AND SUBSIDIARY

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For the Years Ended September 30, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
District Alliance for Safe Housing, Inc.
and Subsidiary

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of District Alliance for Safe Housing, Inc. and Subsidiary (collectively referred to as the Organization), which comprise the consolidated statement of financial position as of September 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 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 of 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 auditors' 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Continued

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating information is presented for purposes of additional analysis, and is 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. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Marcum LLP

Washington, DC
December 1, 2020

DISTRICT ALLIANCE FOR SAFE HOUSING, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

September 30, 2019 and 2018

	2019	2018
ASSETS		
Current assets		
Cash	\$ 2,536,965	\$ 133,980
Grants and contributions receivable	449,039	187,829
Prepaid expenses and deposits	29,309	49,940
Total Current Assets	3,015,313	371,749
Property and equipment, net	8,603,644	8,697,508
TOTAL ASSETS	\$ 11,618,957	\$ 9,069,257
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$ 366,055	\$ 339,877
Accrued interest payable	193,601	173,877
Line of credit	295,000	250,000
Notes payable, current portion	674,123	620,765
Capital lease payable, current portion	-	8,652
Total Current Liabilities	1,528,779	1,393,171
Deferred rent	5,035	3,368
Notes payable, net of current portion	7,319,926	7,537,831
TOTAL LIABILITIES	8,853,740	8,934,370
Net Assets		
Without donor restrictions	184,223	104,358
With donor restrictions	2,580,994	30,529
TOTAL NET ASSETS	2,765,217	134,887
TOTAL LIABILITIES AND NET ASSETS	\$ 11,618,957	\$ 9,069,257

The accompanying notes are an integral part of these consolidated financial statements.

DISTRICT ALLIANCE FOR SAFE HOUSING, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES
For the Years Ended September 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Grants and contributions	\$ 3,864,060	\$ 2,580,994	\$ 6,445,054	\$ 3,226,329	\$ 80,000	\$ 3,306,329
Donated goods and services	896,513	-	896,513	252,946	-	252,946
Special events	11,652	-	11,652	40,428	-	40,428
Other income	109,496	-	109,496	3,654	-	3,654
Net assets released from restrictions:						
Satisfaction of purpose restrictions	30,529	(30,529)	-	112,623	(112,623)	-
TOTAL REVENUE AND SUPPORT	4,912,250	2,550,465	7,462,715	3,635,980	(32,623)	3,603,357
EXPENSES						
Housing programs	3,326,616	-	3,326,616	3,421,297	-	3,421,297
General and administration	1,217,147	-	1,217,147	649,476	-	649,476
Fundraising	288,622	-	288,622	212,160	-	212,160
TOTAL EXPENSES	4,832,385	-	4,832,385	4,282,933	-	4,282,933
CHANGE IN NET ASSETS	79,865	2,550,465	2,630,330	(646,953)	(32,623)	(679,576)
NET ASSETS, BEGINNING OF YEAR	104,358	30,529	134,887	751,311	63,152	814,463
NET ASSETS, END OF YEAR	\$ 184,223	\$ 2,580,994	\$ 2,765,217	\$ 104,358	\$ 30,529	\$ 134,887

The accompanying notes are an integral part of these consolidated financial statements.

DISTRICT ALLIANCE FOR SAFE HOUSING, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended September 30, 2019 and 2018

	2019			2018				
	<u>Housing Programs</u>	<u>General and Administration</u>	<u>Fundraising</u>	<u>Total Expenses</u>	<u>Housing Programs</u>	<u>General and Administration</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and benefits	\$ 1,598,352	\$ 47,037	\$ 164,824	\$ 1,810,213	\$ 1,565,087	\$ 167,204	\$ 152,019	\$ 1,884,310
Donated goods and services	-	817,320	79,192	896,512	11,211	230,678	11,057	252,946
Consultants and professional services	190,070	253,830	35,500	479,400	236,089	115,259	35,544	386,892
Repairs and maintenance	296,126	9,788	-	305,914	264,873	-	-	264,873
Depreciation expense	288,947	7,467	-	296,414	287,060	13,505	-	300,565
Scattered site rent allowances	247,165	-	-	247,165	252,663	-	-	252,663
Bank fees and interest	192,195	31,851	1,972	226,018	214,222	14,063	3,237	231,522
Utilities	114,119	-	-	114,119	89,389	-	-	89,389
Resident assistance	107,016	-	-	107,016	166,549	-	-	166,549
Occupancy	97,817	-	-	97,817	89,871	8,007	-	97,878
Office expense	37,978	14,093	6,030	58,101	99,457	24,243	3,368	127,068
Property tax	52,435	-	-	52,435	56,637	-	-	56,637
Staff travel	46,953	998	1,022	48,973	42,654	-	-	42,654
Computer and technology support	16,710	28,379	17	45,106	28,699	25,431	-	54,130
Liability insurance	37,133	6,384	-	43,517	16,836	32,355	-	49,191
Bad debts	3,600	-	-	3,600	-	18,731	-	18,731
Special event expenses	-	-	65	65	-	-	6,935	6,935
TOTAL EXPENSES	\$ 3,326,616	\$ 1,217,147	\$ 288,622	4,832,385	\$ 3,421,297	\$ 649,476	\$ 212,160	\$ 4,282,933

The accompanying notes are an integral part of these consolidated financial statements.

DISTRICT ALLIANCE FOR SAFE HOUSING, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2019 and 2018

	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,630,330	\$ (679,576)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	296,414	300,565
Gain from forgiveness of loan	(81,292)	(81,292)
Changes in assets and liabilities:		
Grants and contributions receivable	(261,210)	136,950
Prepaid expenses and deposits	20,631	6,335
Accounts payable and accrued expenses	(92,717)	(20,197)
Accrued interest payable	19,724	16,114
Deferred revenue	-	(7,586)
Deferred rent	1,667	3,368
	<u>2,533,547</u>	<u>(325,319)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(83,655)	(4,836)
	<u>(83,655)</u>	<u>(4,836)</u>
NET CASH USED IN INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash restricted for financing activities	-	369,321
Principal payments on notes payable	(83,255)	(119,605)
Borrowings under line of credit	45,000	200,000
Principal payments on capital lease obligation	(8,652)	(7,578)
	<u>(46,907)</u>	<u>442,138</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
NET INCREASE IN CASH	2,402,985	111,983
CASH, BEGINNING OF YEAR	<u>133,980</u>	<u>21,997</u>
CASH, END OF YEAR	<u>\$ 2,536,965</u>	<u>\$ 133,980</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during year for interest	<u>\$ 194,955</u>	<u>\$ 206,814</u>
Noncash investing and financing activities:		
Gain from forgiveness of loan	<u>\$ 81,292</u>	<u>\$ 81,292</u>
Property and equipment included in accounts payable and accrued expenses	<u>\$ 118,895</u>	<u>\$ -</u>

The accompanying notes are an integral part of these consolidated financial statements.

DISTRICT ALLIANCE FOR SAFE HOUSING, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Years Ended September 30, 2019 and 2018

1. Organization and Summary of Significant Accounting Policies

Organizations

District Alliance for Safe Housing, Inc. (DASH) is a not-for-profit organization whose mission is to be an innovator in providing access to safe housing and services to survivors of domestic violence and sexual assault and their families as they rebuild their lives on their own terms. DASH was incorporated in October 2006 under the laws of the District of Columbia. These activities are funded primarily by grants and contributions.

DASH Properties, LLC (LLC) was formed as a wholly-owned subsidiary of DASH in April 2007 to own and manage the housing related to DASH's mission.

Principles of Consolidation

The consolidated financial statements include the accounts of DASH and LLC (hereafter collectively referred to as the Organization). Intercompany balances and transactions have been eliminated in consolidation.

Receivables

The Organization uses the allowance method to record potentially uncollectible receivables. Management determines the allowance for doubtful receivables by specifically identifying troubled receivables. Receivables are written off when deemed uncollectible, and recoveries of receivables previously written off are recorded when received.

Property and Equipment and Related Depreciation and Amortization

Acquisitions of property and equipment with a cost greater than \$1,000 are capitalized. Office furniture and equipment are depreciated on a straight-line basis over five years. The building is depreciated on a straight-line basis over 40 years, and additional improvements to the building are depreciated on a straight-line basis over the shorter of the estimated life of the improvements or the remaining life of the building. Donated property and equipment are capitalized at fair value at the date of receipt and depreciated over the estimated life of the asset. Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance costs are expensed when incurred. Upon the retirement or disposal of assets, the cost and accumulated depreciation or amortization is eliminated from the respective accounts and the resulting gain or loss, if any, is included in revenue and support or expenses in the accompanying consolidated statements of activities. The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. There were no impairment losses recognized for the years ended September 30, 2019 and 2018.

DISTRICT ALLIANCE FOR SAFE HOUSING, INC. AND SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2019 and 2018**

1. Organization and Summary of Significant Accounting Policies (continued)

Classification of Net Assets

The Organization's net assets are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for any purpose in performing the primary objectives of the Organization at the discretion of the Organization's management and the Board of Directors.
- Net assets with donor restrictions represent funds that are specifically restricted by donors for use in various programs and/or for a specific period of time. These donor restrictions can be temporary in nature in that they will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. As of September 30, 2019 and 2018, the Organization had no net assets with donor restrictions that are required to be maintained in perpetuity.

Revenue Recognition

The Organization reports gifts of cash and other assets as having donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose of a restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Donor-restricted grants and contributions whose restrictions are satisfied in the same reporting period in which the grants and contributions are made are recorded as revenue and support without donor restrictions.

The Organization has cost-reimbursable grants from federal and District of Columbia government agencies. Revenue from these cooperative grants is recognized as costs are incurred on the basis of direct costs plus allowable indirect costs. Revenue recognized on grants and contracts for which payments have not been received is included in grants and contributions receivable in the accompanying consolidated statements of financial position.

Donated Services

Donated services are recognized if the services create or enhance nonfinancial assets; or require specialized skills, are performed by people with those skills and would otherwise have to be purchased by the Organization.

Loan Financing Costs

Loan financing costs incurred in connection with the notes payable are being amortized using the straight-line method over the life of the loan, which approximates the effective interest method. Loan financing costs are reported as a direct deduction from the face amount of the note, and the related amortization is reported as interest expense.

DISTRICT ALLIANCE FOR SAFE HOUSING, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2019 and 2018

1. Organization and Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statements of functional expenses. Expenses directly attributed to a specific functional area of the Organization are reported as expenses of those functional areas, while shared costs that benefit multiple functional areas, such as salaries and benefits and depreciation expense, have been allocated among the various functional areas based on estimates determined by management to be equitable. Salary expenses are allocated based on time and effort tracked by time sheets. Depreciation expenses are allocated by the square footage used by the related department.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return for nonprofit organizations. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

2. Grants and Contributions Receivable

Grants and contributions receivable consisted of the following as of September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
District of Columbia grants	\$ 263,728	\$ 144,532
Other grants and contributions	121,005	25,582
Federal grants	<u>64,306</u>	<u>17,715</u>
Total Grants and Contributions Receivable	<u>\$ 449,039</u>	<u>\$ 187,829</u>

As of September 30, 2019 and 2018, grants and contributions receivable were scheduled to be paid within one year and were considered to be fully collectible.

Continued

DISTRICT ALLIANCE FOR SAFE HOUSING, INC. AND SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2019 and 2018**

3. Property and Equipment

The Organization's property and equipment consisted of the following as of September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land	\$ 1,299,499	\$ 1,299,499
Building and building improvements	9,402,329	9,397,655
Office furniture and equipment	462,717	425,241
Work-in-progress	<u>160,400</u>	<u>-</u>
Total Property and Equipment	11,324,945	11,122,395
Less: Accumulated Depreciation and Amortization	<u>(2,721,301)</u>	<u>(2,424,887)</u>
Property and Equipment, Net	<u>\$ 8,603,644</u>	<u>\$ 8,697,508</u>

Depreciation and amortization expense for the years ended September 30, 2019 and 2018 was \$296,414 and \$300,565, respectively.

4. Notes Payable

The Organization's notes payable which were used for the acquisition and renovation of its housing building consisted of the following as of September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
D.C. Department of Housing and Community Development (DHCD) financing in the amount of \$5,251,674, consisting of (1) a \$3,251,674 noninterest-bearing note that self-amortizes commencing on February 1, 2010, with no payments due and annual debt forgiveness of \$81,292 as long as the Organization remains compliant with the loan agreement and there is no uncured default; and (2) a \$2,000,000 note that bears interest at 1% per annum, payable upon maturity, with monthly principal payments of \$5,057 commencing in February 2011, subject to the Organization's available cash flow, as defined in the loan agreement (no payments had been made through September 30, 2019). DHCD financing is secured by the Organization's property and equipment.	\$ 4,465,851	\$ 4,547,143

DISTRICT ALLIANCE FOR SAFE HOUSING, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2019 and 2018

4. Notes Payable (continued)

	2019	2018
<p>\$4,125,000 note payable, with interest at 6% per annum, and monthly principal and interest payments of \$26,795 commencing in October 2012 and continuing through September 2017, when the balloon payment was due. In November 2017, the note payable was modified and extended through September 2027, with an interest rate of 4.75% per annum (until September 2022, when the rate adjusts to the five-year London Interbank Offered Rate swap rate, plus 3%, with a floor of 4.75%). The note payable is secured by a first priority lien on the Organization's property and equipment, the assignment of rents.</p>	\$ 3,536,667	\$ 3,620,513
<p>\$26,297 note payable, with interest at 2% per annum, and monthly principal and interest payments of \$252 through December 2020.</p>	<u>3,723</u>	<u>6,884</u>
Total Notes Payable	8,006,241	8,174,540
Less: Current Portion	(674,123)	(620,765)
Less: Unamortized Debt Issuance Costs	<u>(12,192)</u>	<u>(15,944)</u>
Notes Payable, Net	<u>\$ 7,319,926</u>	<u>\$ 7,537,831</u>

The outstanding loan agreements contain certain covenants, events of default and other customary provisions. The Organization was in compliance with all financial covenants and customary provisions.

Future minimum principal payments or forgiveness on these promissory notes are as follows:

For the Year Ending September 30,		
2020		\$ 674,123
2021		218,822
2022		223,267
2023		234,535
2024		232,128
Thereafter		<u>6,423,366</u>
Total Future Minimum Principal Payments		<u>\$ 8,006,241</u>

Total interest expense was \$214,679 and \$207,880 for the years ended September 30, 2019 and 2018, respectively, and is included as part of bank fees and interest in the consolidated statements of functional expenses.

Continued

DISTRICT ALLIANCE FOR SAFE HOUSING, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2019 and 2018

5. Line of Credit

The Organization has a \$300,000 line of credit agreement to support working capital requirements that has an interest rate of Wall Street Journal (WSJ) prime rate, plus 1%, floating daily, with a floor of 4.75%. The line of credit is secured by the Organization's real estate property. Interest rate was 6.25% as of September 30, 2019 and 2018. Interest expense was approximately \$22,000 and \$11,000 for the years ended September 30, 2019 and 2018, respectively. The Organization had an outstanding balance on this line of credit of \$295,000 and \$250,000 as of September 30, 2019 and 2018, respectively. In June 2020, the line of credit was increased to \$750,000, with interest rate ranging from WSJ prime rate minus 0.75% to WSJ minus 0.25% depending on the Organization's ongoing deposit balances with the financial institution.

6. Commitments, Risks and Contingencies

Operating Lease

The Organization leases office space under a noncancelable 64-month operating lease which expires in December 2022. The lease agreement contains a fixed escalation clause for increases in the annual minimum rent. The fixed escalations are not considered significant to the consolidated financial statements, and rent expense under this lease is therefore recognized based on actual payments made each year.

As of September 30, 2019, the future minimum lease payments were as follows:

<u>For the Year Ending</u> <u>September 30,</u>	
2020	\$ 60,221
2021	61,726
2022	63,270
2023	<u>16,180</u>
Total	<u>\$ 201,397</u>

Revenue Concentration Risk

The Organization is primarily supported by federal and District of Columbia government agencies (approximately 76% and 80% of total revenue, excluding donated services and a one-time donation of \$2,500,000 from a single donor), for the years ended September 30, 2019 and 2018, respectively) and is subject to availability of funds from these sources. As of September 30, 2019 and 2018, receivables related to federal and District of Columbia grants totaled \$328,035 and \$162,247, representing 73% and 86% of total grants and contributions receivable, respectively.

DISTRICT ALLIANCE FOR SAFE HOUSING, INC. AND SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2019 and 2018**

6. Commitments, Risks and Contingencies (continued)

Concentration of Credit Risk

The Organization maintains its cash with certain commercial financial institutions, which aggregate balance, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of September 30, 2019, the Organization exceeded the maximum limit insured by the FDIC by approximately \$2,120,000. As of September 30, 2018, the Organization's cash was fully insured. The Organization monitors the creditworthiness of these institutions and has not experienced any credit losses on its cash.

Compliance Audit

The Organization has received federal and District of Columbia grants that are subject to review, audit and adjustment by the federal and District of Columbia granting agencies for qualified expenses charged to the grants. Such audits could lead to requests for reimbursement to the federal and District of Columbia granting agencies for any expenditures or claims disallowed under the terms of the agreements. The amount of expenditures which may be disallowed by the federal and District of Columbia granting agencies cannot be determined at this time although the Organization expects such amounts, if any, to be insignificant.

Contingencies

During the year ended September 30, 2018, the Organization discovered that current or former employees of the Organization had committed alleged fraudulent activities. The Organization commenced an internal investigation during the year ended September 30, 2018, which is ongoing, and has taken appropriate action in regards to employment decisions and the evaluation of its internal control policies and procedures. These activities include the engagement of several experts that assisted with the identification of key risk areas as well as mitigation steps. Management believes that most of the allegedly fraudulent activities, currently estimated at approximately \$460,000, occurred prior to the year ended September 30, 2018, and may have involved the misappropriation of funds related to its District of Columbia awards. The Organization self-reported this allegation of fraud to its federal and District of Columbia cognizant agencies. At the present time, the amount of any potential loss stemming from the reimbursement of District of Columbia awards associated with the alleged fraudulent activity is not estimable, and accordingly, the Organization has not accrued a liability on its consolidated financial statements as of September 30, 2019 and 2018.

DISTRICT ALLIANCE FOR SAFE HOUSING, INC. AND SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2019 and 2018**

7. Net Assets With Donor Restrictions

As of September 30, 2019 and 2018, net assets with donor restrictions were composed of the following:

	<u>2019</u>	<u>2018</u>
Housing programs:		
Capital campaign	\$ 1,700,000	\$ -
Survivor resilience fund	445,994	-
Empowerment program	435,000	25,720
Information technology and infrastructure upgrade	<u>-</u>	<u>4,809</u>
Total Net Assets With Donor Restrictions	<u>\$ 2,580,994</u>	<u>\$ 30,529</u>

8. Availability of Resources and Liquidity

The Organization regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds. The Organization's financial assets available within one year of the consolidated statement of financial position date for general expenditures at September 30, 2019 were as follows:

Cash	\$ 2,536,965
Grants and contributions receivable	<u>449,039</u>
Total Financial Assets	2,986,004
Less:	
Amounts unavailable for general expenditures within one year due to donor's restriction	<u>(2,580,994)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 405,010</u>

The Organization has various sources of liquidity at its disposal, including cash and receivables, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of the Organization throughout the year. This is done through monitoring and reviewing the Organization's cash flow needs on a weekly basis. As a result, management is aware of the cyclical nature of the Organization's cash flow related to the Organization's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. To help manage unanticipated liquidity needs, the Organization has a committed line of credit of \$300,000, of which \$5,000 was unused and available to draw upon as of September 30, 2019. In June 2020, the line of credit was increased to \$750,000 (see Note 5).

DISTRICT ALLIANCE FOR SAFE HOUSING, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2019 and 2018

9. Donated Goods and Services

During the years ended September 30, 2019 and 2018, the Organization received in-kind services that consisted of marketing, advertising and consulting services (related to the Organization's strategic planning initiative), coaching and training and legal services, totaling \$869,492 and \$219,738, respectively. The Organization also received miscellaneous donated goods for its various events totaling \$27,021 and \$33,208 for the years ended September 30, 2019 and 2018, respectively.

10. Income Taxes

DASH is a not-for-profit organization as defined by Internal Revenue Code (IRC) Section 501(c)(3) and is exempt from the payment of taxes on income other than net unrelated business income. DASH has been designated by the Internal Revenue Service (IRS) as a "publicly supported" organization under Section 509(a) of the IRC. LLC is a limited liability company whose operating results flow through to DASH, which is its only member. LLC is a disregarded entity for income tax purposes. For the years ended September 30, 2019 and 2018, no provision for income taxes was made, as the Organization had no significant net unrelated business income.

The Organization follows the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB Accounting Standards Codification Topic 740, *Income Taxes*. The Organization performed an evaluation of uncertainty in income taxes for the years ended September 30, 2019 and 2018, and determined that there were no matters that would require recognition in the consolidated financial statements or that may have any effect on its tax-exempt status. As of September 30, 2019, the statute of limitations remained open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Organization files tax returns; however, there are currently no audits for any tax periods in progress or pending. It is the Organization's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in interest or income tax expense. As of September 30, 2019 and 2018, the Organization had no accruals for interest and/or penalties.

11. Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 1, 2020, the date the consolidated financial statements were available to be issued.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic that continues to spread throughout the United States international communities. The Organization is monitoring the outbreak of COVID-19 and the related business and travel restrictions and changes to behavior intended to reduce its spread, in addition to the impact on its employees. Due to the rapid development and fluidity of this

DISTRICT ALLIANCE FOR SAFE HOUSING, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended September 30, 2019 and 2018

11. Subsequent Events (continued)

situation, the magnitude and duration of the pandemic and its impact on the Organization's operations and liquidity is uncertain as of the date of this report. While there could ultimately be a material impact on operations and liquidity of the Organization, at the time of issuance, the impact could not be determined.

In April 2020, the Organization received Small Business Administration loan proceeds in the amount of \$186,250 from a financial institution. The loan will mature in April 2022 with a fixed interest rate at 1% per annum. The payments of principal and interest are deferred during the first six months of the loan. Commencing in November 2020, the loan will be paid in a monthly installment through the maturity. The loan amount may be eligible for forgiveness pursuant to the Paycheck Protection Program.

The Organization has incubated and operated the National Alliance for Safe Housing program (the NASH Program) within the Organization for several years. In January 2019, the NASH Program incorporated as an independent 501(c)(3) organization known as National Alliance for Safe Housing, Inc. (NASH), but continued to operate within the Organization until September 2020, when the Organization signed an asset transfer agreement to transfer, contribute, and assign to NASH certain assets and resources associated with the NASH Program as defined in the agreement. In addition, NASH assumed and agreed to pay all debts, obligations, or liabilities arising out of, resulting from, or related to the transferred assets. Furthermore, the Organization is to deliver to NASH a jointly reconciled financial statements setting forth income and expenses as of September 30, 2020, including all outstanding, unplanned accrued or incurred expenses related to the Organization's operation of the NASH Program not sufficiently covered by the NASH Programs' federal grant or other revenue, prior to the closing of the asset transfer agreement, and NASH is to reimburse the Organization for those expenses as reflected on the reconciled financial statements. In conjunction with the asset transfer agreement, the Organization signed an agreement with NASH in August 2020, to subaward the remaining balance on a three-year Department of Justice Office of Violence against Women (OVW) grant to NASH.

Other than the change in interest rate and increase in the line of credit discussed in Note 5, and the items described above, there were no subsequent events that require recognition or disclosure in these consolidated financial statements.

SUPPLEMENTARY INFORMATION

DISTRICT ALLIANCE FOR SAFE HOUSING, INC. AND SUBSIDIARY

CONSOLIDATING SCHEDULES OF FINANCIAL POSITION

September 30, 2019 and 2018

	2019				2018			
	DASH	LLC	Elimination	Total	DASH	LLC	Elimination	Total
ASSETS								
Current assets								
Cash	\$ 2,363,075	\$ 173,890	\$ -	\$ 2,536,965	\$ 76,450	\$ 57,530	\$ -	\$ 133,980
Grants and contributions receivable	448,836	203	-	449,039	187,829	-	-	187,829
Due from affiliate	-	307,128	(307,128)	-	-	303,377	(303,377)	-
Prepaid expenses and deposits	29,309	-	-	29,309	49,940	-	-	49,940
Restricted cash	-	-	-	-	-	-	-	-
Total Current Assets	2,841,220	481,221	(307,128)	3,015,313	314,219	360,907	(303,377)	371,749
Investment in LLC	693,793	-	(693,793)	-	585,186	-	(585,186)	-
Property and equipment, net	55,377	8,548,267	-	8,603,644	80,129	8,617,379	-	8,697,508
TOTAL ASSETS	\$ 3,590,390	\$ 9,029,488	\$ (1,000,921)	\$ 11,618,957	\$ 979,534	\$ 8,978,286	\$ (888,563)	\$ 9,069,257
LIABILITIES AND NET ASSETS								
Liabilities								
Current liabilities								
Accounts payable and accrued expenses	\$ 214,287	\$ 151,768	\$ -	\$ 366,055	\$ 272,366	\$ 67,511	\$ -	\$ 339,877
Accrued interest payable	-	193,601	-	193,601	-	173,877	-	173,877
Due to affiliate	307,128	-	(307,128)	-	303,377	-	(303,377)	-
Line of credit	295,000	-	-	295,000	250,000	-	-	250,000
Notes payable, current portion	3,221	670,902	-	674,123	2,859	617,906	-	620,765
Capital lease payable, current portion	-	-	-	-	8,652	-	-	8,652
Total Current Liabilities	819,636	1,016,271	(307,128)	1,528,779	837,254	859,294	(303,377)	1,393,171
Deferred rent	5,035	-	-	5,035	3,368	-	-	3,368
Notes payable, net of current portion	502	7,319,424	-	7,319,926	4,025	7,533,806	-	7,537,831
TOTAL LIABILITIES	825,173	8,335,695	(307,128)	8,853,740	844,647	8,393,100	(303,377)	8,934,370
Net Assets								
Without donor restrictions	184,223	-	-	184,223	104,358	-	-	104,358
With donor restrictions	2,580,994	-	-	2,580,994	30,529	-	-	30,529
Member's equity	-	693,793	(693,793)	-	-	585,186	(585,186)	-
TOTAL NET ASSETS	2,765,217	693,793	(693,793)	2,765,217	134,887	585,186	(585,186)	134,887
TOTAL LIABILITIES AND NET ASSETS	\$ 3,590,390	\$ 9,029,488	\$ (1,000,921)	\$ 11,618,957	\$ 979,534	\$ 8,978,286	\$ (888,563)	\$ 9,069,257

See independent auditors' report on supplementary information.

DISTRICT ALLIANCE FOR SAFE HOUSING, INC. AND SUBSIDIARY

CONSOLIDATING SCHEDULES OF ACTIVITIES

For the Years Ended September 30, 2019 and 2018

	2019						2018					
	DASH			LLC			DASH			LLC		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Elimination	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Elimination	Total
REVENUE AND SUPPORT												
Grants and contributions	\$ 3,782,768	\$ 2,580,994	\$ 6,363,762	\$ 81,292	\$ -	\$ 6,445,054	\$ 3,145,037	\$ 80,000	\$ 3,225,037	\$ 81,292	\$ -	\$ 3,306,329
Donated goods and services	896,513	-	896,513	-	-	896,513	252,946	-	252,946	-	-	252,946
Special events	11,652	-	11,652	-	-	11,652	40,428	-	40,428	-	-	40,428
Interest and other income	41,134	-	41,134	228,760	(160,398)	109,496	341	-	341	3,313	-	3,654
Facility operation support	-	-	-	794,100	(794,100)	-	-	-	-	753,300	(753,300)	-
Share in net losses of a subsidiary	108,607	-	108,607	-	(108,607)	-	(125,564)	-	(125,564)	-	125,564	-
Net assets released from restrictions:												
Satisfaction of purpose restrictions	30,529	(30,529)	-	-	-	-	112,623	(112,623)	-	-	-	-
TOTAL REVENUE AND SUPPORT	4,871,203	2,550,465	7,421,668	1,104,152	(1,063,105)	7,462,715	3,425,811	(32,623)	3,393,188	837,905	(627,736)	3,603,357
EXPENSES												
Housing programs	3,285,569	-	3,285,569	965,545	(924,498)	3,326,616	3,231,090	-	3,231,090	930,489	(740,282)	3,421,297
General and administration	1,217,147	-	1,217,147	30,000	(30,000)	1,217,147	629,514	-	629,514	32,980	(13,018)	649,476
Fundraising	288,622	-	288,622	-	-	288,622	212,160	-	212,160	-	-	212,160
TOTAL EXPENSES	4,791,338	-	4,791,338	995,545	(954,498)	4,832,385	4,072,764	-	4,072,764	963,469	(753,300)	4,282,933
CHANGE IN NET ASSETS	79,865	2,550,465	2,630,330	108,607	(108,607)	2,630,330	(646,953)	(32,623)	(679,576)	(125,564)	125,564	(679,576)
NET ASSETS, BEGINNING OF YEAR	104,358	30,529	134,887	585,186	(585,186)	134,887	751,311	63,152	814,463	710,750	(710,750)	814,463
NET ASSETS, END OF YEAR	\$ 184,223	\$ 2,580,994	\$ 2,765,217	\$ 693,793	\$ (693,793)	\$ 2,765,217	\$ 104,358	\$ 30,529	\$ 134,887	\$ 585,186	\$ (585,186)	\$ 134,887

See independent auditors' report on supplementary information.