

**FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

**JUBILEE HOUSING, INC.
(A NON-PROFIT ORGANIZATION)**

December 31, 2019 and 2018

CONTENTS

	Page
Report of Independent Certified Public Accountants	1
Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities –	
For the Year Ended December 31, 2019	5
For the Year Ended December 31, 2018	6
Consolidated Statements of Functional Expenses -	
For the Year Ended December 31, 2019	7
For the Year Ended December 31, 2018	8
Consolidated Statements of Cash Flows	9
Notes to Consolidated Financial Statements	11

Independent Auditor's Report

May 15, 2020

To the Board of Directors of
Jubilee Housing, Inc. (A Non-Profit Organization)
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Jubilee Housing, Inc.(a non-profit organization) which comprise the consolidated statements of financial position as of December 31, 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 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 the 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audits 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 presentation and fair presentation of the 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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Jubilee Housing, Inc. as of December 31, 2019 and 2018 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 36 to 46 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures including comparing and reconciling such information directly in the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Janner & Jrist, PC

Warren, RI

Jubilee Housing, Inc.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31,

	2019	2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents - unrestricted	\$ 2,365,331	\$ 3,276,064
Cash and cash equivalents - restricted	2,795,499	1,376,720
Grant receivable and promises to give	1,266,942	914,280
Management fees & payroll reimbursements rec	127,883	41,975
Accounts receivable, less allowance for bad debts	-	1,826
Prepaid expenses	230,710	99,368
Total current assets	<u>6,786,365</u>	<u>5,710,233</u>
PROPERTY AND EQUIPMENT:		
Buildings and improvements	12,421,652	10,693,686
Development in progress	8,407,299	5,060,460
Furniture, equipment and vehicles	398,055	371,464
Total property and equipment	21,227,006	16,125,610
Less: accumulated depreciation	<u>1,005,669</u>	<u>776,557</u>
Sub-total	20,221,337	15,349,053
Land	19,079,494	10,457,460
Property and equipment, net	<u>39,300,831</u>	<u>25,806,513</u>
OTHER ASSETS:		
Grant receivable and promises to give, net of current	119,061	336,768
Loan receivable - related party	8,290,788	7,583,749
Notes receivable - Jubilee Housing LP (related party)	2,494,152	2,494,152
Notes receivable - Jubilee Housing LP II (related party)	5,081,000	5,081,000
Deferred development fees	3,169,751	3,442,739
Deferred loan costs	79,640	137,128
Investments	5,609,856	5,109,856
Deposits	393	393
Total other assets	<u>24,844,641</u>	<u>24,185,785</u>
TOTAL	<u><u>\$ 70,931,837</u></u>	<u><u>\$ 55,702,531</u></u>

The accompanying notes are an integral part of these statements.

Jubilee Housing, Inc.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)
December 31,

	2019	2018
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Notes payable	\$ 871,581	\$ 925,081
Mortgage payable - current	6,986,622	67,918
Line of credit (operating)	533,839	328,000
Accounts payable and accrued expenses	1,151,879	853,024
Tenant security deposits	20,331	42,308
Deferred revenue	398,386	213,457
Total current liabilities	9,962,638	2,429,788
LONG-TERM LIABILITIES:		
Mortgages payable, less current portion	35,571,152	28,409,653
Accrued interest expense	233,108	200,523
Deferred development fee income	3,712,870	3,617,870
Total long-term liabilities	39,517,130	32,228,046
Total liabilities	49,479,768	34,657,834
NET ASSETS:		
Without Donor Restrictions		
Operating	19,978,336	20,309,447
Board designated reserve	400,000	549,000
	20,378,336	20,858,447
With Donor Restrictions	1,073,733	186,250
Total net assets	21,452,069	21,044,697
TOTAL	\$ 70,931,837	\$ 55,702,531

The accompanying notes are an integral part of these statements.

Jubilee Housing, Inc.
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

	Without Restrictions	With Restrictions	Total
SUPPORT & REVENUE:			
Contributions and grants	\$ 3,197,115	\$ 1,000,000	\$ 4,197,115
Partner fee income	28,726	-	28,726
Program related income	3,890	-	3,890
CDE revenues	75,000	-	75,000
Developer fee income	552,000	-	552,000
Rental income	212,865	-	212,865
Payroll reimbursements	547,996	-	547,996
Management fee income	188,794	-	188,794
Interest income	575,926	-	575,926
Other income	10,729	-	10,729
Net assets released from restrictions	<u>112,517</u>	<u>(112,517)</u>	<u>-</u>
Total support and reclassifications	<u>5,505,558</u>	<u>887,483</u>	<u>6,393,041</u>
EXPENSES:			
Program services:			
Housing	1,592,552	-	1,592,552
Resident services	3,160,355	-	3,160,355
Supporting services			
Management and general	660,495	-	660,495
Fundraising	<u>572,267</u>	<u>-</u>	<u>572,267</u>
Net expenses	<u>5,985,669</u>	<u>-</u>	<u>5,985,669</u>
Change in net assets	(480,111)	887,483	407,372
Net assets, January 1, 2019	<u>20,858,447</u>	<u>186,250</u>	<u>21,044,697</u>
Net assets, December 31, 2019	<u>\$ 20,378,336</u>	<u>\$ 1,073,733</u>	<u>\$ 21,452,069</u>

The accompanying notes are an integral part of these statements.

Jubilee Housing, Inc.
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018

	Without Restrictions	With Restrictions	Total
SUPPORT & REVENUE:			
Contributions and grants	\$ 2,697,183	\$ 308,622	\$ 3,005,805
Partner fee income	37,068	-	37,068
CDE revenues	150,000	-	150,000
Program related income	3,910	-	3,910
Developer fee income	701,722	-	701,722
Rental income	23,919	-	23,919
Payroll reimbursements	502,671	-	502,671
Interest income	506,904	-	506,904
Management fee income	210,145	-	210,145
Other income	36,890	-	36,890
Net assets released from restrictions	208,374	(208,374)	-
	<u>5,078,786</u>	<u>100,248</u>	<u>5,179,034</u>
EXPENSES:			
Program services:			
Housing	1,074,912	-	1,074,912
Resident services	2,554,089	-	2,554,089
Supporting services			
Management and general	572,930	-	572,930
Fundraising	422,126	-	422,126
	<u>4,624,057</u>	<u>-</u>	<u>4,624,057</u>
Net expenses	<u>4,624,057</u>	<u>-</u>	<u>4,624,057</u>
Change in net assets	454,729	100,248	554,977
Net assets, January 1, 2018	<u>20,403,718</u>	<u>86,002</u>	<u>20,489,720</u>
Net assets, December 31, 2018	<u>\$ 20,858,447</u>	<u>\$ 186,250</u>	<u>\$ 21,044,697</u>

The accompanying notes are an integral part of these statements.

Jubilee Housing, Inc.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

	Program Services			Supporting Services			Functional Expenses
	Housing	Resident Services	Total Program Services	Mgmt & General	Fund-Raising	Total Support	
Salaries & labor	\$ 687,501	\$ 1,183,893	\$ 1,871,394	\$ 377,267	\$ 317,134	\$ 694,401	\$ 2,565,795
Contract labor	1,910	2,635	4,545	289	247	536	5,081
Payroll taxes	60,638	100,491	161,129	34,368	25,747	60,115	221,244
Fringe benefits	161,693	197,170	358,863	74,065	45,777	119,842	478,705
Total payroll and related expenses	911,742	1,484,189	2,395,931	485,989	388,905	874,894	3,270,825
Professional fees	267,982	151,375	419,357	109,387	40,013	149,400	568,757
Grant expense		500,000	500,000	-	-	-	500,000
Interest	234,824	228,227	463,051	-	22,909	22,909	485,960
Program services and events	31,770	290,668	322,438	3,917	10,629	14,546	336,984
Rent and parking	39,736	132,529	172,265	12,231	43,186	55,417	227,682
Depreciation and amortization	6,985	115,113	122,098	24,769	-	24,769	146,867
Software leasing and IT support	22,839	67,939	90,778	7,868	16,932	24,800	115,578
Utilities and telephone	39,700	53,214	92,914	2,671	1,837	4,508	97,422
Taxes and insurance	9,613	39,905	49,518	3,014	2,148	5,162	54,680
Supplies	8,825	28,368	37,193	3,518	2,312	5,830	43,023
Bank fees and financial charges	3,528	5,353	8,881	1,565	29,227	30,792	39,673
Printing	2,692	13,990	16,682	1,480	8,441	9,921	26,603
Repairs and maintenance	4,480	15,308	19,788	214	-	214	20,002
Advertising and marketing	2,783	11,271	14,054	1,194	3,844	5,038	19,092
Staff development	120	13,009	13,129	350	79	429	13,558
Travel and transportation	791	5,705	6,496	445	396	841	7,337
Mailing costs	1,533	1,716	3,249	481	819	1,300	4,549
Miscellaneous expenses	2,609	2,476	5,085	1,402	590	1,992	7,077
Totals	\$ 1,592,552	\$ 3,160,355	\$ 4,752,907	\$ 660,495	\$ 572,267	\$ 1,232,762	\$ 5,985,669

The accompanying notes are an integral part of these statements.

Jubilee Housing, Inc.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	Program Services			Supporting Services			Functional Expenses
	Housing	Resident Services	Total Program Services	Mgmt & General	Fund-Raising	Total Support	
Salaries & labor	\$ 611,284	\$ 985,321	\$ 1,596,605	\$ 292,181	\$ 228,602	\$ 520,783	\$ 2,117,388
Contract labor	2,855	14,449	17,304	1,274	1,024	2,298	19,602
Payroll taxes	55,232	92,148	147,380	24,985	21,294	46,279	193,659
Fringe benefits	134,894	152,810	287,704	60,945	26,490	87,435	375,139
Total payroll and related expenses	804,265	1,244,728	2,048,993	379,385	277,410	656,795	2,705,788
Professional fees	120,915	428,299	549,214	53,479	46,483	99,962	649,176
Program services and events	17,666	316,496	334,162	4,808	26,963	31,771	365,933
Interest	24,191	120,405	144,596	2,173	1,746	3,919	148,515
Depreciation and amortization	8,989	125,595	134,584	6,042	2,685	8,727	143,311
Rent and parking	27,473	75,562	103,035	10,122	23,472	33,594	136,629
Software leasing and IT support	22,276	61,819	84,095	10,719	17,233	27,952	112,047
Supplies	8,352	20,849	29,201	26,532	4,683	31,215	60,416
Utilities and telephone	10,160	43,811	53,971	2,252	2,511	4,763	58,734
Taxes and licenses	3,303	17,296	20,599	9,865	1,083	10,948	31,547
Repairs and maintenance	2,000	19,495	21,495	365	293	658	22,153
Staff development	2,018	12,888	14,906	799	1,395	2,194	17,100
Printing	1,472	5,914	7,386	766	6,668	7,434	14,820
Bank fees and financial charges	2,533	5,197	7,730	1,081	4,749	5,830	13,560
Travel and transportation	1,327	9,480	10,807	986	685	1,671	12,478
Mailing costs	1,388	1,872	3,260	443	418	861	4,121
Miscellaneous expense	16,584	44,383	60,967	63,113	3,649	66,762	127,729
Totals	<u>\$ 1,074,912</u>	<u>\$ 2,554,089</u>	<u>\$ 3,629,001</u>	<u>\$ 572,930</u>	<u>\$ 422,126</u>	<u>\$ 995,056</u>	<u>\$ 4,624,057</u>

The accompanying notes are an integral part of these statements.

Jubilee Housing, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31,

	2019	2018
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	<u>\$ 805,400</u>	<u>\$ 2,284,290</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(13,723,430)	(16,902,426)
Increase in investments	(500,000)	(1,099,737)
Decrease (increase) in deferred development fees	272,988	(1,293,120)
Net advances in notes and receivables from related party	<u>(674,454)</u>	<u>(2,048,520)</u>
Net cash used by investing activities	<u>(14,624,896)</u>	<u>(21,343,803)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in deferred development fee income	95,000	2,169,973
Net borrowings (repayments) on notes, loans, and mortgages payable	<u>14,232,542</u>	<u>16,671,798</u>
Net cash provided by financing activities	<u>14,327,542</u>	<u>18,841,771</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	508,046	(217,742)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>4,652,784</u>	<u>4,870,526</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>\$ 5,160,830</u>	<u>\$ 4,652,784</u>
Interest paid during the year	<u>\$ 462,018</u>	<u>\$ 365,930</u>

The accompanying notes are an integral part of these statements.

Jubilee Housing, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
For the Years Ended December 31,

	2019	2018
(Decrease) Increase in net assets	\$ 407,372	\$ 554,977
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	286,600	141,570
Decrease (increase) in operating assets:		
Management fees & payroll receivable	(85,908)	13,885
Grants receivable and promises to give	(134,955)	1,182,145
Accounts receivable	1,826	1,988
Prepaid expenses	(131,342)	(87,229)
Deposits	-	(110)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	298,855	416,050
Tenant security deposits	(21,977)	12,565
Deferred income	184,929	48,449
	<u>184,929</u>	<u>48,449</u>
Net cash provided by operating activities	<u>\$ 805,400</u>	<u>\$ 2,284,290</u>

The accompanying notes are an integral part of these statements.

Jubilee Housing, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Activities

Jubilee Housing, Inc. (the Organization) was incorporated on October 25, 1973 in the District of Columbia. The Organization’s mission is to build diverse, compassionate communities that create opportunities for everyone to thrive. Jubilee Housing envisions a city and a world where access to basic resources and opportunities are available to all people and where people live out these opportunities in the context of supportive community. The Organization pursues its mission by developing and operating affordable housing communities and by providing a variety of programs and services for residents. The Organization is supported principally by earned income from real estate development and management, as well as contributions from foundation and governmental grants, corporations and individuals.

The Organization provides affordable housing through various financing programs and structures and is the managing/controlling entity for several Limited Partnerships that own properties that was not part of the consolidated financial statements for the Organization. Beginning in 2018 those partnerships were consolidated with the financial statements for the organization and shown in the supplemental section of the financials, under “combination of controlled entities.”

The Organization is expanding its affordable housing portfolio to meet more of the need for affordable housing in the District. It will engage in a variety of financing and rehabilitation activities for the new projects.

The Organization acts as “developer” in partnership with other professional partners. In addition to these activities, the Organization will continue to serve as managing agent and provider of social services for the resident community.

The Organization is actively increasing the breadth and depth of programs and services that it offers the community in co-equal commitment to the housing programs.

Jubilee Housing, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Basis of Accounting

The Organization recognizes income on the accrual method of accounting in accordance with the accounting principles generally accepted in the United States of America.

3. Principles of Consolidation

The consolidated financial statements include the accounts of Jubilee Housing, Inc., and its wholly owned subsidiaries, Fulton-Fuller, Inc., Maycroft, LLC, Jubilee Kalorama LLC, Jubilee Euclid LLC, Jubilee KEB, LLC, Jubilee Ontario II, LLC, and Justice Housing CMF SPE, LLC after elimination of all significant inter-company balances and transactions. The supplemental pages of the financial statements – “combination of controlled entities” - include financials for Jubilee Housing Limited Partnership, Jubilee Housing Limited Partnership II, Jubilee Ontario Apartments LP, Jubilee Maycroft Apartments LP, Justice Housing Partners LP, and Jubilee Manna CDE.

4. Basis of Presentation

The financial statements are presented in accordance with FASB Accounting Standard Codification (FASB ASC) released ASU2016-14 Not-for-Profit Entities (Topic 958). Under ASU 2016-14, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions include all assets received with donor designated restrictions whether they are perpetual in nature, or purpose or time restricted.

5. Income Taxes

The Organization is a not-for-profit organization that is generally exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. In addition, the Organization has been classified as an organization that is not a private foundation under Section 590(a) (1). Income that is not related to exempt purposes, less applicable deductions, is subject to Federal and state corporate income taxes. The Organization did not have any unrelated business income for the years ended December 31, 2019 and 2018.

Jubilee Housing, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated for financial statement purposes using the straight-line method based on the property's estimated life. Additions and improvements that add materially to productive capacity or extend the life of an asset are capitalized. Normal repairs and maintenance are charged against income. When facilities are retired or sold, their cost and accumulated depreciation are removed from the accounts and related gains or losses are included in income. In case of trade items, any remaining book value increases the basis of the new acquisitions.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donation asset to a specific purpose. The estimated lives used in determining depreciation are:

Building and building improvements	5 – 40 yrs.
Furniture and equipment	5 – 10 yrs.
Vehicles	5 yrs.

7. Contributed Services and Equipment

The value of non-cash contributed services was recorded as unrestricted gifts-in-kind contributions at their estimated fair value at the date of donation. The Organization's policy is to not imply time restrictions on gifts of long-lived assets. During the years ended December 31, 2019 and 2018, the Organization received non-cash donations consisting of legal and professional services in the amounts of \$340,487 and \$344,527, respectively.

8. Cash and Cash Equivalents

For purposes of the statements of financial position and cash flows, the Organization considers all unrestricted highly liquid investments, with an initial maturity of three months or less, to be cash.

Jubilee Housing, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

9. **Liquidity**

The Organization maintains a liquid cash balance through its checking account in an amount necessary to meet its anticipated expenditures for the next 30 days. The Organization reconciles the balance of financial assets subject to donor restrictions monthly, based on restricted amounts used and received. Any restricted cash is separately identified and monitored as part of the Organization's monthly financial reporting process.

The Organization's financial assets available within one year to meet cash needs for general expenditures through December 31, 2020 are as follows:

Financial Assets:

Cash	\$ 5,160,830
Grants Receivable and Promises to Give	1,386,003
Mgmt. Fees and Payroll Reimb. Receivables	<u>127,883</u>
Total Financial Assets	6,674,716

Less amounts not available within one year -1,132,233

Financial Assets available to meet cash needs for
general expenditures within one year \$ 5,542,483

10. **Restricted and Unrestricted Revenue**

Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in with donor restrictions net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), with donor restrictions net assets are reclassified to without restrictions net assets and reported in the statement of activities as net assets released from restrictions.

Jubilee Housing, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

11. Promises to Give

Unconditional promises to give are recognized as revenue or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

12. Revenue Recognition

All public support and revenue are considered to be available for unrestricted use unless specifically restricted by grant or donor.

13. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

14. Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

15. Accounts Receivable

Management has elected to record bad debts using the direct write-off method. Accounting principles generally accepted in the United States of America require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results which would have been obtained had the allowance method been followed.

Jubilee Housing, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

16 Subsequent Events

Management has evaluated subsequent events through July 10, 2020, the date which the financial statements were available to be issued. There were no subsequent events that would have materially affected the financial statement other than note AA.

17. Uncertain Tax Provisions

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740 requires a two-step approach for determining the amount, if any, of a tax benefit that should be recognized in the Organization's financial statement.

The first step is recognition: The Organization determines whether it is more likely than not that a tax position will be sustained upon examination. The second step is measurement that a tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit in the financial statements. If such positions result in uncertainties, then the unrecognized tax liability is estimated based on a cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. With the adoption of these new rules, the Organization assessed its tax positions in accordance with the guidance. The Organization has determined that the only tax position affected by ASC 740 is its tax status as a DC non-profit corporation. That position is highly certain. Therefore, these new rules had no impact on the Organization's financial statements.

NOTE B – CONCENTRATION OF RISK

Cash

The Organization maintains cash balances at three financial institutions located in the Washington, D.C. metropolitan area. Accounts held at these financial institutions are insured, in amounts up to \$250,000 by the Federal Deposit Insurance Corporation. The aggregate of all uninsured balances at December 31, 2019 was \$2,691,101. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant risk of loss on cash and cash equivalents.

Jubilee Housing, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE B – CONCENTRATION OF RISK (continued)

Marketable Securities

The Organization maintains an investment account with one brokerage firm. The Security Investor Protection Corporation insures balances up to \$500,000 (with a limit of \$250,000 for cash). The brokerage firm maintains additional insurance to cover any significant credit risk on cash and cash equivalents. The Organization has not experienced any losses in this account and believes that it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE C – NOTES RECEIVABLE

1- JUBILEE HOUSING L. P.

On September 29, 2005, as part of the sale of the properties to Jubilee Housing Limited Partnership, the Organization entered into a seller take back note receivable in the amount of \$2,092,152. Additionally, at settlement, the Organization loaned the Partnership an additional \$400,000. This note bears interest at the rate of 4.52%, interest due annually, secured by the underlying property and is due in 15 years when the property can be reacquired by the Organization at its option at the fair market value of the property at the date of sale. The interest due annually may only be paid to the Organization if there is available cash flow as calculated by the Partnership.

2- JUBILEE HOUSING L. P. II

On November 20, 2009, as part of the sale of the properties to Jubilee Housing Limited Partnership II, the Organization entered into a seller take back note receivable in the amount of \$3,560,000. This note bears interest at the rate of 4.01%, interest due annually, secured by the underlying property and is due in 40 years when the property can be reacquired by the Organization at its option at the fair market value of the property at the date of sale. The interest due annually may only be paid to the Organization if there is available cash flow as calculated by the Partnership.

On November 20, 2009, the Organization entered into additional loan agreements with Jubilee Housing Limited Partnership II in the amount of \$1,550,000 to rehabilitate the project. These notes are non-interest bearing, secured by a subordinated deed of trust on the property and are due on November 24, 2049. As of December 31, 2019 and 2018, the amounts due to the Organization were \$1,521,000.

3- JUBILEE ONTARIO APARTMENTS, LP

As part of the sale (as described in Note Q) of Ontario Apartments to Jubilee Ontario Apartments LP, the organization entered into a seller take back note receivable in the amount of \$450,000.

Jubilee Housing, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE D- DEFERRED DEVELOPMENT FEES

1 - Jubilee Housing Limited Partnership (JHLP)

As a condition of the sale of the properties during 2005 to Jubilee Housing Limited Partnership, the Organization entered into a development services agreement that entitles the Organization to earn a total development fee of \$2,191,209 over the life of the project. The non-deferred portion of the fee is earned when various project milestones and conditions are met as defined in the partnership agreement and the deferred portion is earned over several years depending on cash flow of the project. During 2005, the Organization earned \$438,242 in development fees. The development agreement was amended and restated on November 6, 2009. As of December 31, 2019 and 2018, \$1,470,118 and \$1,450,145 has been paid, respectively. Per the development agreement \$100,000 was paid at stabilization and 100% qualified occupancy and funding of required reserves.

As of December 31, 2019 and 2018, the deferred development fee receivable was \$-0- and \$19,973, respectively.

2 - Jubilee Housing Limited Partnership II (JHLP II)

On October 13, 2005, the Organization entered into a Development Agreement with JHLP II. The development agreement was amended on November 20, 2009. The amended agreement provides for a developer fee in the amount of \$2,420,935, to be paid from capital contributions upon satisfaction of certain milestones as defined in the agreement or surplus cash. The outstanding development fee payable is non-interest bearing. Any remaining unpaid development fee at the thirteenth anniversary of the completion of construction, as defined, shall be paid by a capital contribution from the general partner. As of December 31, 2019 and 2018, the deferred development fee was \$386,725 and \$641,725, respectively.

3 - Jubilee Ontario Apartments, LP (JOA)

On March 27, 2015, the Organization entered into a Development Agreement with JOA. JOA agreed to pay \$732,571 to Jubilee Housing for developer fee. As of December 31, 2019 and 2018 the Organization was due \$631,041.

4 - Jubilee Maycroft Apartments LP (JMA)

On April 4, 2019, the Organization entered into an Amended and Restated Agreement of Limited Partnership with JMA. JMA agreed to pay \$3,495,616 to the Organization for developer fee, in installments defined in the Partnership Agreement, and subject to available cash. The rental achievement date was April 10, 2020.

Jubilee Housing, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE E – PLEDGES RECEIVABLE AND UNCONDITIONAL PROMISES TO GIVE

As of December 31, 2019 and 2018, respectively, pledges receivable and unconditional promises to give are comprised of the following items:

	<u>2019</u>	<u>2018</u>
Individuals and Organizations	\$1,026,235	\$642,320
Less: Allowance for uncollectible promises	<u>5,629</u>	<u>5,629</u>
Net unconditional promises to give	<u>\$1,020,606</u>	<u>\$636,691</u>
Receivables due in less than one year	\$ 901,545	\$ 299,923
Receivables due in one to two years	15,533	224,250
Receivables due in two to three years	10,534	10,000
Receivables due in three to four years	10,000	10,000
Receivables due in more than four years	<u>82,994</u>	<u>92,518</u>
Net unconditional promises to give	<u>\$1,020,606</u>	<u>\$ 636,691</u>

NOTE F – INVESTMENTS

1 - Jubilee Housing Limited Partnership

On March 23, 2003, the Organization formed a limited partnership with a 99.99% limited and .01% general partnership ownership of Jubilee Housing Limited Partnership. On the date of the sale of the four properties, the Organization withdrew from its limited partnership interests. As of December 31, 2019 and 2018, the Organization invested into the partnership \$3,971,125.

2 - Jubilee Housing Limited Partnership II

On August 17, 2004, the Organization formed a limited partnership with a 99.99% limited and .01% general partnership of Jubilee Housing Limited Partnership II. On the date of the sale of the two properties as described in Note D, the Organization withdrew from its limited partnership interests. As of December 31, 2019 and 2018, the Organization invested into the partnership \$38,732.

Jubilee Housing, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE F – INVESTMENTS (continued)

3 - Jubilee Maycroft, LLC

During 2013, the Organization established Jubilee Maycroft LLC, a wholly owned special purpose entity to participate in the redevelopment of the property. On June 14, 2017, Jubilee Maycroft LLC sold 60 residential condominiums in the Maycroft property to Jubilee Maycroft Apartments LP to facilitate syndication of Low-Income Tax Credits for rehabilitation of the residential portion of the project. Jubilee Housing, Inc. retained ownership of commercial condominiums.

4 - Jubilee Ontario Apartments, LP

On August 15, 2014, the Organization formed a limited partnership with a 99.99% limited and .01% general partner interest in Jubilee Ontario Apartments LP. On March 27, 2015, the Organization withdrew its limited partnership interest in order to admit the investor limited partner. As of December 31, 2019, and 2018 the Organization invested \$524,734.

NOTE G – INVESTMENT IN FULTON-FULLER, INC.

During 1984, the Organization purchased 100% of the outstanding common stock of Fulton-Fuller, Inc., a D.C. (for profit) corporation. The corporation's operations have been consolidated within Jubilee Housing, Inc.'s operations in the accompanying statements.

NOTE H – NOTES PAYABLE

The Organization has initiated a loan program to obtain zero or low-interest unsecured loans from individuals and organizations to finance the operations and/or rehabilitation of its buildings. These loans are mostly demand notes or notes payable after a short period of notice. Therefore, these loans are classified as current on the statement of financial position. The notes bear interest at the rates of 0% through 6%. At times, the lender subsequently cancels this debt and the Organization will reclassify this loan as contribution revenue.

The Organization is potentially subject to concentration of credit risk since these loans are demand loans and may be callable at any time by the lenders. The total notes payable balance as of December 31, 2019 and 2018 were \$871,581 and \$925,081 respectively.

Jubilee Housing, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE I – MORTGAGES & NOTES PAYABLE

As of December 31, 2019 and 2018, mortgages payable are secured by buildings and consist of the following:

	<u>2019</u>	<u>2018</u>
1 - Mortgage payable, entered October 29, 2018 to acquire the property at 1460 Euclid Street, NW, Washington, DC. This mortgage is secured by the property, bears interest at 5.61% interest, interest only payable monthly and is due on October 29, 2020 unless extension option is exercised to October 29, 2021	\$ 4,500,000	\$ 4,500,000
2 - Mortgage payable, entered October 29, 2018 to acquire the property at 1460 Euclid Street, NW, Washington, DC. This mortgage is secured by the property, bears interest at 5.0% interest, interest only payable monthly and is due on October 29, 2020	1,700,000	1,700,000
3 - Mortgage payable, entered August 24, 2018 to acquire the property at 1724 Kalorama Road, NW, Washington, DC. This mortgage is secured by the property, bears interest at 5.35% interest, interest only payable monthly and is due on August 24, 2020 unless extension option is exercised to August 24, 2021	5,975,000	5,975,000
4 - Mortgage payable, entered August 24, 2018 to acquire the property at 1724 Kalorama Road, NW, Washington, DC. This mortgage is secured by the property, bears interest at 6.0% interest, interest only payable monthly and is due on August 24, 2020	<u>2,062,500</u>	<u>2,062,500</u>
Sub-total	<u>\$ 14,237,500</u>	<u>\$ 14,237,500</u>

Jubilee Housing, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE I – MORTGAGES & NOTES PAYABLE (continued)

	<u>2019</u>	<u>2018</u>
5 - Mortgage payable, entered September 27, 2012, to develop the properties at 2720 Ontario Road, NW and 2448 18 th Street, NW, Washington, DC. This mortgage is secured by the property, bears interest at 1% interest, deferred until September 27, 2014, repayable from 25% available cash flow and is due on September 27, 2036	\$ 325,957	\$ 325,957
6 - Mortgage payable, entered on August 6, 2010, to purchase the property at 2720 Ontario Rd, NW, Washington, DC. This mortgage is secured by the property, bears interest at the rate of 5.5% per annum, and payable on three payments of \$14,446 each on November 6, 2010, February 6, 2011 and May 6, 2011 and beginning on June 6, 2011, monthly payments of \$4,840 due on August 6, 2030	467,899	496,751
7 - Mortgage payable, entered on December 13, 2012, to renovate the property at 2448 18 th St, NW, and 2720 Ontario Road, NW, Washington, DC. This mortgage is secured by the properties, maximum to be borrowed of \$2,922,451, interest at the rate of 1% per annum deferred until December 13, 2014 and payable annually beginning December 13, 2015 as defined of 50% of available cash flow. The funds advanced as of December 31, 2016 and 2015 was \$2,932,506.	<u>2,932,506</u>	<u>2,932,506</u>
Subtotal	<u>\$17,963,862</u>	<u>\$ 17,992,714</u>

Jubilee Housing, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE I – MORTGAGES & NOTES PAYABLE (continued)

	<u>2019</u>	<u>2018</u>
<p>8 - Mortgage payable, entered on December 13, 2012, to renovate the property at 2448 18th St, NW, and 2720 Ontario Road, NW, Washington, DC. This mortgage is up to \$750,000, secured by the properties, interest only for two years, followed by monthly payments of principal and interest based on a 25-year amortization. The mortgage is due on December 13, 2022 with interest calculated at 30-day LIBOR plus 3% with a floor of 4.5%.</p>	\$ 596,654	\$ 626,661
<p>9 -Mortgage payable, consists of three notes, dated June 15, 2017 to renovate and develop the property at 1474 Columbia Road, NW, Washington, DC. The total balance of the three notes is \$6,790,000 as of December 31, 2018 and 2017 and is secured by the property. The first note in the balance of \$2,969,419 is due on June 15, 2024. The second and third notes, \$1,715,081 and \$2,105,500 respectively are due on June 15, 2047. Commencing on July 15, 2024 for notes 2 and 3, the monthly payments will include principal and interest based on a schedule of payments as stipulated on the mortgage agreement with the final payment due on June 15, 2047</p>	<u>6,790,000</u>	<u>6,790,000</u>
<p>Sub-total</p>	<u>\$25,350,516</u>	<u>\$25,409,375</u>

Jubilee Housing, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE I – MORTGAGES & NOTES PAYABLE (continued)

	<u>2019</u>	<u>2018</u>
10 - Mortgage payable, from a related party, entered October 29, 2018 to acquire the property at 1460 Euclid Street, NW, Washington, DC. This mortgage is secured by the property, bears interest at 2.5% interest, interest only payable June 30 and December 31 semi-annually and is due on December 31, 2020	\$ 1,305,000	\$ 1,305,000
11 - Mortgage payable, from a related party, entered August 24, 2018 to acquire the property at 1724 Kalorama Road, NW, Washington, DC. This mortgage is secured by the property, bears interest at 2.5% interest, interest only payable June 30 and December 31 semi-annually and is due on December 31, 2020	1,850,000	1,750,000
12 - Capital lease, entered May 19, 2015 to lease telephone equipment at three locations. The lease is secured by the property, non-cancelable, payable at \$543 per month due on May 19, 2020	5,947	13,196
13 – Mortgage payable, to acquire the properties at 1721-1725 Kalorama Road, N.W., Washington DC. This mortgage is secured by the property, bears interest at 2.5% interest, interest only payable June 30 and December 31 semi-annually and is due on December 31, 2022. Note is held with Jubilee KEB, LLC, guaranteed by Jubilee Housing, Inc.	<u>476,643</u>	<u>-0-</u>
Sub-total	<u>\$28,988,106</u>	<u>\$28,477,571</u>

Jubilee Housing, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE I – MORTGAGES & NOTES PAYABLE (continued)

	<u>2019</u>	<u>2018</u>
14 – Mortgage payable, to acquire 2326-2338 Ontario Road N.W., Washington D.C. This mortgage is secured by the property, bears interest at 2.5% interest, interest only payable June 30 and December 31 semi-annually and is due on December 31, 2022. Note is held with Jubilee Ontario II, LLC, guaranteed by Jubilee Housing, Inc.	\$ 1,563,257	\$ -0-
15 - Mortgage payable, entered on December 6, 2019 to renovate and develop the properties at 1721-1725 Kalorama Road, N.W., Washington DC. This mortgage is secured by the property, bears interest at 4.36%, monthly interest only payments and is due on December 6, 2022	1,526,000	-0-
16 - Mortgage payable, entered on August 22, 2019 to renovate and develop the property 2326-2338 Ontario Road, N.W., Washington, D.C. This mortgage is secured by the property, bears interest at 3.45%, monthly interest only payments and is due on August 22, 2022	6,000,000	-0-
17 - Mortgage payable, entered on December 6, 2019 to renovate and develop the properties at 1721-1725 Kalorama Road, N.W., Washington DC. This mortgage is secured by the property, bears interest at 6.0%, monthly interest only payments and is due on December 6, 2022	1,090,000	-0-
18 - Mortgage payable, entered on August 22, 2019 to renovate and develop the property 2326-2338 Ontario Road, N.W., Washington, D.C. This mortgage is secured by the property, bears interest at 6.0%, monthly interest only payments and is due on August 22, 2022	<u>2,690,411</u>	<u>-0-</u>
Sub-total	<u>\$41,857,774</u>	<u>\$28,477,571</u>

Jubilee Housing, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE I – MORTGAGES & NOTES PAYABLE (continued)

	<u>2019</u>	<u>2018</u>
19 – Mortgage payable, entered on July 19, 2019 to develop 1460 Euclid Street N.W., Washington D.C. This mortgage is secured by the property, bears interest at 3.0%, payable when note is due on July 19, 2021	\$ 100,000	\$ -0-
20 – Mortgage payable, entered on July 10, 2019 to develop 1724 Kalorama Road, N.W., Washington D.C. This mortgage is secured by the property, bears interest at 3.0%, payable when note is due on July 10, 2021	100,000	-0-
21 – Recoverable grant entered on July 31, 2019, that is unsecured, bears no interest and is due on July 31, 2024	<u>500,000</u>	<u>-0-</u>
Total	\$42,557,774	\$28,477,571
Less: current portion	<u>6,986,622</u>	<u>67,918</u>
Long-term portion	<u>\$ 35,571,152</u>	<u>\$28,409,653</u>

Future maturities of long-term debt are as follows:

December 31,	2020	\$ 6,986,622
	2021	11,216,689
	2022	12,929,095
	2023	545,760
	2024 and thereafter	<u>10,879,608</u>
Total		<u>\$42,557,774</u>

NOTE J– LINE OF CREDIT

In August 2015, the Organization entered into a line of credit with United Bank. This line was modified in March 2019 to extend the maturity date to December 31, 2020, with the maximum amount allowable on the line of \$825,000. Interest on any outstanding balance is paid monthly using a variable interest rate based on the LIBOR Rate plus 3.00%. The balance of the line as of December 31, 2019 was \$533,839.

Jubilee Housing, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE K – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at the end of the year represent grants that were received and with time or purpose restrictions by the grantor. As these funds are spent, the donor restrictions expire and the net assets with donor restrictions are reclassified to net assets without donor restrictions on the statement of activities.

Temporarily restricted net assets, by fund, as of December 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Time or purpose restrictions:		
Operating grant	\$ -0-	\$ 20,000
Platform of Hope	75,000	150,000
Re-Entry	400,000	-0-
Jubilee KEB LLC	249,366	-0-
Jubilee Ontario II, LLC	349,366	-0-
Jubilee to College	<u>-0-</u>	<u>16,250</u>
 Total	 <u>\$ 1,073,733</u>	 <u>\$ 186,250</u>

NOTE L – RETIREMENT PLAN

The Organization maintains a SIMPLE IRA retirement plan, under Section 403(b) of the Internal Revenue Code, for the benefit of its employees. All full-time employees are eligible to participate and after one year of service the Organization matches employee contributions up to 3% of each employee's compensation. The Organization's contributions to the plan for the years ended December 31, 2019 and 2018 were \$36,563 and \$26,180, respectively.

Jubilee Housing, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE M – COMMITMENTS

The agreement with Festival Center for office space was extended to April 30, 2020 at \$9,970.16 per month.

The future minimum rental commitments under operating leases as of December 31, 2019 are as follows:

For the year ending December 31, 2020	\$ 39,881
---------------------------------------	-----------

The Organization continues to pay \$9,970 per month beyond April 2020.

NOTE N - RELATED PARTY TRANSACTIONS

1 - Property Management Fee

a - The Organization entered into an agreement with Jubilee Housing Limited Partnership in connection with the management of the rental operations of the partnership. The property management fee is 7% of actual rent collections. In addition, the Organization will receive an additional \$500 per month for provision of social services for the resident community. For the years ended December 31, 2019 and 2018, \$99,007 and \$103,644 was earned and \$8,714 and \$16,517 was due, respectively.

b- The Organization entered into an agreement with Jubilee Housing Limited Partnership II in connection with the management of the rental operations of the partnership. The property management fee is 5.3% of gross rent collections. For the years ended December 31, 2019 and 2018, \$49,069 and \$54,224 was earned and paid.

c - The Organization also earns a management fee in connection with management of the Jubilee Ontario Apartments Limited Partnership, equal to 6% of actual rents collected. For the years ended December 31, 2019 and 2018, \$29,416 and \$31,390 was earned and \$3,165 and \$2,734 was due, respectively.

d -The Organization earns a management fee in connection with management of the Jubilee Maycroft Apartments Limited Partnership, equal to 5% of actual rents collected. For the year ended December 31, 2019, \$11,302 was earned and \$1,633 was due.

Jubilee Housing, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE N – RELATED PARTY TRANSACTIONS (continued)

2 - Partnership Administration Fee

a - Jubilee Housing Limited Partnership

The Organization entered into a Partnership Administration Fee Agreement with Jubilee Housing Limited Partnership in connection with the administration of the project. Beginning in 2006, the partnership shall pay to the Organization an annual cumulative Partnership Administration fee in the amount of \$26,000. The fee shall increase at the rate of 3% per year and be payable from the net cash flow, as defined. For the years ended December 31, 2019 and 2018, \$38,181 and \$37,068 of the fee was earned and \$444,226 and \$406,046 remains as a receivable, respectively.

b - Jubilee Housing Limited Partnership II

The Organization entered into a Partnership Administration Fee Agreement with Jubilee Housing Limited Partnership II in connection with the administration of the project. Beginning in 2011, the partnership will pay to the Organization an annual non-cumulative Partnership Administration fee in the amount of \$10,500. The fee shall increase at the rate of 3% per year and be payable from the net cash flow, as defined. For the years ended December 31, 2019 and 2018, no partnership administration fee was earned by the Organization, due to lack of available cash flow.

3 - Due from Jubilee Housing Limited Partnership

The Organization advanced funds to Jubilee Housing Limited Partnership. These advances are not secured, do not bear interest and are payable on demand. The amounts due from Jubilee Housing Limited Partnership as of December 31, 2019 and 2018 are as follows:

	2019	2018
Construction advances	\$1,203,910	\$ 1,420,765
Development advances	54,000	54,000
Operating advances	198,833	198,833
Payroll reimbursements	<u>22,724</u>	<u>22,724</u>
	<u>\$ 1,479,467</u>	<u>\$ 1,696,322</u>

Jubilee Housing, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE N – RELATED PARTY TRANSACTIONS (continued)

4 - Subordinated Debts from Justice Housing Partners LP

The Organization formed Jubilee Kalorama LLC to acquire 1724 Kalorama Rd. N.W., Washington DC 20009 on August 24, 2018. Financing for the purchase includes a subordinated debt of \$1,750,000 from Justice Housing Partners LP, (JHP) a limited partnership managed by Justice Housing Managers, LLC, with Jubilee Housing as sole member. This debt is detailed in Note I.11.

The Organization formed Jubilee Euclid LLC to acquire 1460 Euclid Street, N.W Washington DC 20009. Financing for this purchase includes a subordinated debt of \$1,305,000 from JHP. This debt is detailed in Note I.10.

The organization formed Jubilee Ontario II LLC to acquire 2326-2338 Ontario Road, N.W. Washington DC 20009. Financing for this purchase includes a subordinated debt of \$1,563,357 from Justice Housing Partners LP. This debt is detailed in Note I.14.

The organization formed Jubilee KEB LLC to acquire 1721-1725 Kalorama Road, N.W. Washington DC 20009. Financing for this purchase includes a subordinated debt of \$476,643 from Justice Housing Partners LP. This debt is detailed in Note I.13.

NOTE O– RECLASSIFICATIONS

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 financial statement presentation.

NOTE P – MAYCROFT

In January 2011, the Organization acquired the Maycroft Apartments located at 1474 Columbia Road NW., Washington DC. The Maycroft has been renovated substantially by the Organization in a project that included the preservation of 64 affordable housing units, with affordability ranging from below 30% AMI to workforce residents' earnings as much as 60% AMI. In addition to housing, the renovated property -includes ~14,000 square foot of commercial space a portion of which is leased to Martha's Table as well as the Organization's programs. Martha's Table (MT)'s lease begins on April 9, 2019 and ends on April 8, 2029, at a monthly rent of \$14,872 with 2% annual increase on the anniversary date of the lease.

Jubilee Housing, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE Q – ONTARIO APARTMENTS SALE

On March 27, 2015 Jubilee Housing sold Ontario Court, a 27-unit project, to Jubilee Ontario Apartments LP, a District of Columbia Limited Partnership formed on August 15, 2014. The contract sale price was \$6,580,948, with an assumption by Jubilee Ontario LLC of a DHCD loan of \$3,428,019, and a United Bank loan of \$250,000. This project contains approximately 4,200 square feet of commercial space that is leased by Jubilee Jumpstart Inc. Jubilee Jumpstart Inc. (JJI)'s original lease ended on June 30, 2019, with JJI exercising the first of 2 five (5) years renewal options. The first renewal lease will end June 30, 2024. The current monthly rent is \$8,551 with 3% annual increase on the anniversary date of the lease.

NOTE R– JHI RE-ENTRY

The Organization operates a supportive housing initiative that serves homeless men and women as they return to community from time in jail. Residents reside in high-quality supportive housing with a blend of services to help them reach healthy independence. Residents pay 30 percent of their income for rent, with the remainder being funded by the Organization.

The Organization welcomed the initiative's first residents in early 2012, with program staff and operating costs funded by a blend of private and public sources. The \$4.3 million construction phase, consisting of the renovation of two group homes, was completed in January 2014. One house opened in September 2013, and the other in January 2014.

NOTE S – JUBILEE MANNA CDE, LLC WON AN AWARD OF NEW MARKET TAX CREDIT

Jubilee Manna Community Development Enterprise (CDE) is an equal interest joint venture between Jubilee Housing Inc. and Manna Inc. The CDE was launched with funding support from the Agnes and Eugene Meyer Foundation, and the U.S. Department of Treasury awarded Jubilee Manna CDE \$15 million in New Market Tax Credit (NMTC) in June 2015. Jubilee Housing serves as the controlling entity for the CDE. The fund finances multiple affordable housing projects during the seven years period starting in June 2015. Jubilee Manna CDE has invested \$6 million in a credit pool facility for affordable homeownership projects sponsored by DC Habitat for Humanity. In June 2018 it has invested another \$2 million for additional affordable homeownership developed by Manna, Inc. in the District of Columbia.

Jubilee Manna CDE has also invested \$7 million of NMTC in the development of 14,000SF of commercial "program spaces" in the Maycroft development, completed in early 2019.

Jubilee Housing, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE S – JUBILEE MANNA CDE, LLC WON AN AWARD OF NEW MARKET TAX CREDIT (continued)

On July 13, 2016, Jubilee Manna CDE, LLC completed its first NMTC Qualified Equity Investment (QEI) of \$6 million. On October 13, 2016, The CDE completed its second QEI of \$7 million.

NOTE T - JUSTICE HOUSING PARTNERS LP

Justice HousingSM Partners, L.P., (JHP) a Delaware limited partnership was formed on March 13, 2018), with operations beginning in August 2018. JHP is being established to provide subordinated debt to the Organization or certain affiliates thereof to facilitate the acquisition, renovation and refurbishment of affordable multi-family housing in select areas of Washington, D.C. JHP lends money on a non-recourse basis to special purpose vehicles owned by Jubilee Housing (each, an “*SPV*”) that will acquire and renovate/refurbish quality-family residential buildings (“*Properties*”) primarily located in the Adams Morgan, Columbia Heights, and Mount Pleasant neighborhoods of Washington, DC. Through such loans JHP helps the Organization preserve those properties as *Justice Housing*. Justice Housing, which targets people with the least financial resources and offers an array of resident services and opportunities onsite and nearby, will be located in resource-rich neighborhoods with access to transportation, retail, health care, education and jobs.

With the subordinated debt from JHP, the Organization was able to acquire four properties:

1. 1724 Kalorama Road, N.W., Washington DC 20009
2. 1460 Euclid Street, N.W., Washington DC 20009.
3. 2326-2338 Ontario Road, NW., Washington DC 20009
4. 1721-1725 Kalorama Road, Washington, DC 20009

At December 31, 2019, the Organization’s investment as limited partners in JHP was \$1,100,000 and a general partner investment of \$500,000.

Jubilee Housing, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE U- PLATFORM OF HOPE

Platform of Hope, formed by Strategic Alliance Partners – Capital Area Asset Builders, Jubilee Housing Jubilee Jumpstart, For Love of Children, Mary’s Center and Sitar Arts Center – is a collaborative approach to address the gentrification of resource-rich communities; redress the structural and racial barriers that prevent low-income adults from building wealth and well-being; and connect the varied health and learning needs of children from low-income families from prenatal to early-childhood and through to college graduation. Platform of Hope operates as a program, with the Organization as its fiscal sponsor under a Fiscal Sponsorship Agreement executed in 2018.

NOTE V – CAPITAL MAGNET FUND AWARD

In 2018 the organization made an application for funding from the Capital Magnet Fund, a program of the Community Development Institutions Fund in the US Treasury. In February of 2019, the organization was awarded a grant in the amount of \$750,000 to capitalize an affordable housing fund that would support development of deeply affordable housing. Funds are to be deployed in justice housing projects that are being purchased and developed by the organization per the terms of the Capital Magnet Fund Assistance Agreement (CMF Award # 181CM050545).

On October 22, 2019, the organization loaned \$250,000 to Jubilee Maycroft Apartments, LP to assist with construction completion on the project. The terms of loan were as follows- 3% interest annually, accrued on January 1 of each year.

NOTE W – JUSTICE HOUSING CMF, SPE LLC

On August 16, 2019, the organization established Justice Housing CMF, SPE LLC, to serve as an Affordable Housing Fund to assist the organization with purchase and redevelopment of deeply affordable housing, under the terms of the Capital Magnet Fund Assistance Agreement. The fund was capitalized with \$500,000 of CMF grant funds on November 21, 2019. On July 1, 2019 a loan was made to Jubilee Ontario II LLC for the parcels known as 2326-2338 Ontario Rd NW, Washington, DC and on December 5, 2019 a loan of \$250,000 was made to Jubilee KEB, LLC for 1721-1725 Kalorama Rd NW, Washington, DC.

Jubilee Housing, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE X – COMBINATION OF CONTROLLED ENTITIES FINANCIAL STATEMENTS

Low Income Housing Tax Credit (LIHTC) subsidizes the acquisition, construction, and rehabilitation of affordable rental housing for low- and moderate-income tenants. Management points out that LIHTC Limited Partnerships (LPs) generate a lot of paper loss, from depreciation and accrued but unpaid interest. However, these LIHTC LPs are cash-flow positive.

By including the results of these LPs in the Combination of Controlled Entities financial statements, the Organization's operating results are significantly lower. For 2019 and 2018, the Consolidated Statements of Activities showed a change in net assets of (\$174,830) and \$584,713; whereas for 2019 and 2018, the Statement of Activities – Combination of Controlled Entities showed a change in net assets of (\$3,422,640) and (\$489,148), respectively.

NOTE Y – TREE OF LIFE, INC.

On August 15, 2019, Tree of Life, Inc. was formed as a workforce development and staffing company to serve low-income residents of Jubilee Housing and other partner organizations. With an initial investment of \$10,000 each, Jubilee Housing, Jubilee Jobs, and Recovery Café are each 30% owners of the company, while Rich Peterson is a 10% owner. Jubilee Housing serves as the managing member.

NOTE Z – MAYCROFT LITIGATION

The Organization is engaged in litigation with Hamel Builders, Inc. (the Contractor) on the Maycroft project over disputes relating to delays to construction completion and added costs associated with the delays. The dispute involves two elements of the project, the residential component where the Organization is the developer and sole member of the general partner for Jubilee Maycroft Apartments, LP (the Partnership); and as developer and owner for the commercial component of the project (Jubilee).

Over the course of construction of the Property, Jubilee and the Partnership asserted that the Contractor did not provide project schedules in a timely manner, accelerate its work on demand, execute a plan to minimize potential schedule impacts, and provide Jubilee and the Partnership with timely notice of the claims. Jubilee and the Partnership asserted that the Contractor failed to manage and execute construction of the Property that resulted in substantial delays to the Property. Jubilee asserted its rights pursuant to the commercial construction contract and withheld approximately \$191,531 of in liquidated damages for delay from construction payments. The Partnership asserted its right pursuant to the residential contract and withheld approximately \$678,365 in liquidated damages for delay from construction payments.

Jubilee Housing, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE Z – MAYCROFT LITIGATION (continued)

The Contractor asserted that the Partnership owes the Contractor approximately \$1,202,322 in construction payments and has asserted that it is entitled to approximately \$1.8 million for a change in the wage rate scale ordered by the District of Columbia. For the \$1.8 million, the Partnership disputes the amount but has agreed that the Contractor is entitled to a change order and has authorized only approximately \$1.5 million for the change. On December 5, 2019, the Contractor filed a complaint against Jubilee and the Partnership in the Superior Court of the District of Columbia (the “Court”). The Contractor asserted mechanics’ lien, breach of contract, violation of prompt payment act and unjust enrichment against the Partnership. On May 15, 2020, Jubilee and the Partnership filed its answer and counterclaim seeking damages in excess of \$482,000 and \$2,000,000 respectively.

At this time, legal counsel for Jubilee is unable to state whether an unfavorable outcome is either probable or remote, nor able to estimate the amount or range of potential loss in the event of an unfavorable outcome. No adjustment has been made to the financial statements as a result of the pending litigation.

NOTE AA – SUBSEQUENT EVENT

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of multiple businesses as well as public schools. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Organization expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

The Organization received as part of the Cares Act, a forgivable loan in the amount of \$750,200 in April 2020, that the Organization believes will be 100% forgiven by the end of the upcoming fiscal year.

Jubilee Housing, Inc.
STATEMENTS OF FINANCIAL POSITION - RE-ENTRY
December 31,

	2019	2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents - unrestricted	\$ 301,496	\$ 207,831
Accounts receivable - other	401	68
Grants receivable	145,000	145,000
Total current assets	446,897	352,899
PROPERTY AND EQUIPMENT:		
Furniture and equipment	52,336	52,336
Less: accumulated depreciation	30,683	25,449
Property and equipment, net	21,653	26,887
TOTAL	\$ 468,550	\$ 379,786
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 187,063	\$ 125,309
Accrued expenses	5,549	10,142
Due to Jubilee Housing, Inc.	2,111,799	1,448,546
Deferred income	122,229	102,771
Total current liabilities	2,426,640	1,686,768
NET ASSETS:		
Without Donor Restrictions	(1,958,090)	(1,306,982)
With Donor Restrictions	-	-
	(1,958,090)	(1,306,982)
TOTAL	\$ 468,550	\$ 379,786

Jubilee Housing, Inc.
STATEMENTS OF ACTIVITIES - RE-ENTRY
For the Years Ended December 31,

	2019	2018
SUPPORT & REVENUE:		
Contributions and grants	\$ 189,862	\$ 162,203
Residential rental income	<u>4,165</u>	<u>2,670</u>
	194,027	164,873
 EXPENSES:		
Program services:	<u>839,901</u>	<u>737,082</u>
Change in net assets before depreciation	(645,874)	(572,209)
Depreciation	<u>5,234</u>	<u>9,267</u>
Change in net assets	(651,108)	(581,476)
Net assets, beginning of year	<u>(1,306,982)</u>	<u>(725,506)</u>
Net assets, end of year	<u>\$ (1,958,090)</u>	<u>\$ (1,306,982)</u>

Jubilee Housing, Inc.
STATEMENTS OF FINANCIAL POSITION - MAYCROFT NMTC
December 31,

	2019	2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents - unrestricted	\$ 117,752	\$ 1,089,471
Cash and cash equivalents - restricted	175,068	221,486
Accounts receivable	<u>63,963</u>	<u>49,046</u>
Total current assets	<u>356,783</u>	<u>1,360,003</u>
PROPERTY AND EQUIPMENT:		
Land and building	1,800,000	1,800,000
Development in progress	<u>5,081,564</u>	<u>4,066,982</u>
Property and equipment, net	<u>6,881,564</u>	<u>5,866,982</u>
TOTAL	<u>\$ 7,238,347</u>	<u>\$ 7,226,985</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 106,638	\$ 8,575
Due to Jubilee Housing, Inc.	408,930	400,266
Security deposit payable	<u>29,743</u>	<u>29,743</u>
Total current liabilities	545,311	438,584
LONG TERM LIABILITIES		
Mortgage payable	<u>6,790,000</u>	<u>6,790,000</u>
Total liabilities	7,335,311	7,228,584
NET ASSETS:		
Without Donor Restrictions	(96,964)	(1,599)
With Donor Restrictions	<u>-</u>	<u>-</u>
	<u>(96,964)</u>	<u>(1,599)</u>
TOTAL	<u>\$ 7,238,347</u>	<u>\$ 7,226,985</u>

Jubilee Housing, Inc.
STATEMENTS OF ACTIVITIES - MAYCROFT NMTC
For the Years Ended December 31,

	2019	2018
SUPPORT & REVENUE:		
Rental income	\$ 155,425	\$ -
Interest income	114	128
	<u>155,539</u>	<u>128</u>
EXPENSES:		
Program services:	<u>250,904</u>	<u>835</u>
Change in net assets before depreciation	(95,365)	(707)
Depreciation	<u>-</u>	<u>-</u>
Change in net assets	(95,365)	(707)
Net assets, beginning of year	<u>(1,599)</u>	<u>(892)</u>
Net assets, end of year	<u>\$ (96,964)</u>	<u>\$ (1,599)</u>

Jubilee Housing, Inc.
STATEMENTS OF FINANCIAL POSITION - PLATFORM OF HOPE
December 31,

	2019	2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents - unrestricted	\$ 86,798	\$ 54,134
Accounts receivable	26,256	585
Grants receivable	75,000	150,000
TOTAL	\$ 188,054	\$ 204,719
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 69,522	\$ 60,965
Due to Jubilee Housing, Inc.	9,665	14,176
Total current liabilities	79,187	75,141
 NET ASSETS:		
Without Donor Restrictions	33,867	(20,422)
With Donor Restrictions	75,000	150,000
	108,867	129,578
TOTAL	\$ 188,054	\$ 204,719

Jubilee Housing, Inc.
STATEMENTS OF ACTIVITIES - PLATFORM OF HOPE
For the Years Ended December 31,

	2019	2018
SUPPORT & REVENUE:		
Grants and contributions	\$ 339,095	\$ 362,085
Other income	-	60,056
	339,095	422,141
EXPENSES:		
Program services:	359,806	282,503
Change in net assets	(20,711)	139,638
Net assets, beginning of year	129,578	(10,060)
Net assets, end of year	\$ 108,867	\$ 129,578

Jubilee Housing, Inc.
STATEMENT OF FINANCIAL POSITION
JUSTICE HOUSING CMF SPE LLC
December 31,

2019

ASSETS

CURRENT ASSETS:

Accrued interest receivable	\$	1,438
Loan Receivable		500,000

TOTAL

\$ 501,438

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$	-
------------------	----	---

NET ASSETS:

Without Donor Restrictions		501,438
With Donor Restrictions		-
		501,438

TOTAL

\$ 501,438

Jubilee Housing, Inc.
STATEMENT OF ACTIVITIES - JUSTICE HOUSING CMF SPE LLC
JUSTICE HOUSING CMF SPE LLC
from the date of Inception, August 16, 2019 to December 31, 2019

SUPPORT & REVENUE:

Grants and contributions	\$	500,000
Interest income		1,438
		501,438

EXPENSES:

Program services:		-
-------------------	--	---

Change in net assets		501,438
----------------------	--	---------

Net assets, beginning of year		-
-------------------------------	--	---

Net assets, end of year	\$	501,438
-------------------------	----	---------

Jubilee Housing, Inc.
STATEMENTS OF FINANCIAL POSITION - COMBINATION OF
ALL CONTROLLED ENTITIES

December 31,

	2019	2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents - unrestricted	\$ 4,366,051	\$ 4,299,951
Cash and cash equivalents - restricted	3,263,993	1,376,720
Grant receivable and promises to give	1,266,942	914,280
Accounts receivable, less allowance for bad debts	463,266	108,125
Prepaid expenses	318,910	159,906
Total current assets	<u>9,679,162</u>	<u>6,858,982</u>
PROPERTY AND EQUIPMENT:		
Buildings and improvements	95,175,167	70,679,863
Development in progress	3,544,373	17,290,700
Furniture, equipment and vehicles	398,055	371,464
Total property and equipment	99,117,595	88,342,027
Less: accumulated depreciation	<u>14,637,482</u>	<u>12,014,400</u>
Sub-total	84,480,113	76,327,627
Land	<u>28,224,441</u>	<u>18,194,673</u>
Property and equipment, net	<u>112,704,554</u>	<u>94,522,300</u>
OTHER ASSETS:		
Grant receivable and promises to give, net of current	119,061	336,768
Loan Receivable	4,684,500	4,684,500
Deferred loan costs	157,337	137,128
Tax credit monitoring fees	33,332	39,999
Investments	1,974,966	1,557,516
Deposits	<u>2,065,145</u>	<u>1,788,455</u>
Total other assets	<u>9,034,341</u>	<u>8,544,366</u>
TOTAL	<u>\$ 131,418,057</u>	<u>\$ 109,925,648</u>

Jubilee Housing, Inc.
STATEMENTS OF FINANCIAL POSITION - COMBINATION OF
ALL CONTROLLED ENTITIES (continued)
December 31,

	2019	2018
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Notes payable	\$ 871,581	\$ 925,081
Mortgage payable - current	3,941,260	172,151
Line of credit (operating)	533,839	328,000
Accounts payable and accrued expenses	5,459,731	1,539,422
Tenant security deposits	139,008	141,924
Prepaid rents income	71,468	74,187
Deferred revenue	398,386	213,457
Total current liabilities	11,415,273	3,394,222
LONG-TERM LIABILITIES:		
Mortgages payable, less current portion	81,175,638	73,032,891
Total liabilities	92,590,911	76,427,113
MINORITY INTERESTS		
	17,969,987	12,560,941
NET ASSETS:		
Without Donor Restrictions	19,783,426	20,751,344
With Donor Restrictions	1,073,733	186,250
Total net assets	20,857,159	20,937,594
TOTAL	\$ 131,418,057	\$ 109,925,648

The accompanying notes are an integral part of these statements.

Jubilee Housing, Inc.
STATEMENTS OF ACTIVITIES - COMBINATION OF
CONTROLLED ENTITIES
For the Years Ended December 31,

	2019	2018
SUPPORT & REVENUE:		
Contributions and grants	\$ 4,197,115	\$ 3,005,805
Program related income	3,890	3,910
CDE revenues and fees	105,000	190,000
Developer fee income	552,000	701,722
Rental income	3,939,484	3,154,988
Interest income	487,183	316,381
Other income	<u>10,729</u>	<u>66,626</u>
Total support and reclassifications	<u>9,295,401</u>	<u>7,439,432</u>
EXPENSES:		
Program services:		
Housing	7,676,071	4,436,457
Resident services	3,160,355	2,554,089
Supporting services		
Management and general	660,495	572,930
Fundraising	<u>572,267</u>	<u>422,126</u>
Net expenses	<u>12,069,188</u>	<u>7,985,602</u>
Change in net assets	<u>\$ (2,773,787)</u>	<u>\$ (546,170)</u>