

**ONE ROOF COMMUNITY HOUSING**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**WITH SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2012**



ONE ROOF COMMUNITY HOUSING  
CONSOLIDATED FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION

For the Year Ended December 31, 2012  
(With Comparative Totals for 2011)

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Consolidated Financial Statements:	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities and Changes in Net Assets	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7
Supplementary Information:	
Consolidating Statement of Financial Position	23
Consolidating Statement of Activities and Changes in Net Assets	24
Statements of Functional Expenses by Entity	25
Comparative Statements of Financial Position – Common Ground	26
Comparative Statements of Activities and Changes in Net Assets – Common Ground	27
Statement of Financial Position – Permanently Restricted Funds	28
Statement of Activities and Changes in Net Assets – Permanently Restricted Funds	29



MAHONEY  
ULBRICH  
CHRISTIANSEN  
RUSS P.A.  
CERTIFIED PUBLIC ACCOUNTANTS

30 EAST PLATO BOULEVARD SAINT PAUL, MN 55107-1809  
TELEPHONE 651.227.6695 FACSIMILE 651.227.9796

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
One Roof Community Housing  
Duluth, Minnesota

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of One Roof Community Housing (a nonprofit organization) and its subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2012, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to 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 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the 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 financial statements.

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

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of One Roof Community Housing and its subsidiaries as of December 31, 2012, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited One Roof Community Housing's 2011 consolidated financial statements, and our report dated July 2, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying information shown on pages 23 through 29 is presented for purposes of additional analysis of the financial statements rather than to present the financial position, activities and changes in net assets, and functional expenses of the individual entities, and it is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to 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 consolidated financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2013 on our consideration of One Roof Community Housing's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering One Roof Community Housing's internal control over financial reporting and compliance.

*Maloney Ulbrich  
Christiansen Russ P.A.*

Saint Paul, Minnesota  
June 24, 2013

ONE ROOF COMMUNITY HOUSING

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2012  
(With Comparative Totals for 2011)

	2012	2011
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash	\$ 568,197	\$ 719,777
Cash restricted for programs	149,587	110,793
Accounts receivable, net	253,266	71,057
Grants and contributions receivable	139,035	28,530
Loans receivable, current portion	32,400	-
Loans receivable - other	186,000	50,000
Prepaid expenses	23,869	29,908
Properties under development and for sale	1,416,276	1,879,122
Office building held for sale	107,843	-
Total current assets	2,876,473	2,889,187
Cash restricted for loan programs	578,860	-
Cash restricted for other programs	519,841	273,335
Loans receivable - net, less current portion	1,094,456	-
Loans receivable - other, less current portion	60,000	-
Equipment, net	53,657	72,034
Land held in trust	3,201,425	2,936,025
Total assets	\$ 8,384,712	\$ 6,170,581
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Current maturities of long-term debt	\$ 204,000	\$ 1,095,738
Accounts payable	123,554	171,894
Accrued payroll and related taxes	159,867	117,300
Accrued interest	6,159	1,631
Deferred revenue	770,454	670,095
Committed loans	87,956	-
Borrower escrows	14,830	-
Total current liabilities	1,366,820	2,056,658
Loans payable - operating	550,000	550,000
Long-term debt, less current maturities	1,727,238	370,576
Total liabilities	3,644,058	2,977,234
<b>Net assets:</b>		
Unrestricted	(261,562)	147,061
Board designated - operating reserve	100,000	100,000
Board designated - land held in trust	3,201,425	2,936,025
Total unrestricted	3,039,863	3,183,086
Temporarily restricted	69,983	10,261
Permanently restricted	1,630,808	-
Total net assets	4,740,654	3,193,347
Total liabilities and net assets	\$ 8,384,712	\$ 6,170,581

See accompanying notes to consolidated financial statements.

ONE ROOF COMMUNITY HOUSING

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2012  
(With Comparative Totals for 2011)

	2012			Total	2011
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>Revenues and support:</b>					
Contributions	\$ 153,463	\$ -	\$ 5,000	\$ 158,463	\$ 270,365
Contributions - noncash	3,940	-	-	3,940	-
Special events	32,427	-	-	32,427	21,141
Government grants and contracts	1,862,589	-	205,000	2,067,589	3,760,400
Sales of homes	1,614,800	-	-	1,614,800	2,777,248
Less cost of homes sold	(2,647,505)	-	-	(2,647,505)	(5,510,494)
Resale fees	12,549	-	-	12,549	29,966
Real estate sales commissions	114,259	-	-	114,259	110,874
Land lease revenues	68,311	-	-	68,311	62,300
Construction revenues	-	-	-	-	22,489
Interest income	488	-	-	488	438
Interest income - loans	46,313	-	-	46,313	2,854
Loan fees	73,419	-	-	73,419	-
Other revenues	31,835	-	-	31,835	17,141
Net assets released from restriction	252,041	(241,607)	(10,434)	-	-
<b>Total revenues and support</b>	<b>1,618,929</b>	<b>(241,607)</b>	<b>199,566</b>	<b>1,576,888</b>	<b>1,564,722</b>
<b>Expenses:</b>					
Community land trust	450,582	-	-	450,582	521,901
Education, counseling and homeowner services	194,495	-	-	194,495	-
Lending services	132,795	-	-	132,795	-
Neighborhood revitalization	102,991	-	-	102,991	-
Multi-family development	36,816	-	-	36,816	-
DEEP	-	-	-	-	684,270
<b>Total program services</b>	<b>917,679</b>	<b>-</b>	<b>-</b>	<b>917,679</b>	<b>1,206,171</b>
Management and general	339,321	-	-	339,321	275,695
Fundraising	84,188	-	-	84,188	71,712
<b>Total expenses</b>	<b>1,341,188</b>	<b>-</b>	<b>-</b>	<b>1,341,188</b>	<b>1,553,578</b>
<b>Change in net assets before land cost capitalization</b>	<b>277,741</b>	<b>(241,607)</b>	<b>199,566</b>	<b>235,700</b>	<b>11,144</b>
Land cost capitalization	258,100	-	-	258,100	284,200
Merger contribution	(679,064)	301,329	1,431,242	1,053,507	-
<b>Change in net assets</b>	<b>(143,223)</b>	<b>59,722</b>	<b>1,630,808</b>	<b>1,547,307</b>	<b>295,344</b>
Net assets, beginning of year	3,183,086	10,261	-	3,193,347	2,898,003
<b>Net assets, end of year</b>	<b>\$ 3,039,863</b>	<b>\$ 69,983</b>	<b>\$ 1,630,808</b>	<b>\$ 4,740,654</b>	<b>\$ 3,193,347</b>

See accompanying notes to consolidated financial statements.

ONE ROOF COMMUNITY HOUSING

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2012  
(With Comparative Totals for 2011)

	2012							Total	2011		
	Community land trust	Construction services	Education, counseling and homeowner services	Lending services	Neighborhood revitalization	Multi-family development	Total Program services			Management and general	Fundraising
Salaries	\$ 261,596	\$ 367,415	\$ 90,761	\$ 14,024	\$ 48,375	\$ 22,685	\$ 804,856	\$ 180,454	\$ 39,596	\$ 1,024,906	\$ 1,035,231
Payroll taxes	21,247	77,629	7,131	985	3,950	1,901	112,843	19,963	3,123	135,929	134,420
Employee benefits	35,517	27,640	13,309	-	8,484	3,493	88,443	18,237	2,911	109,591	111,937
	318,360	472,684	111,201	15,009	60,809	28,079	1,006,142	218,654	45,630	1,270,426	1,281,588
Professional fees	20,272	-	17,843	11,572	4,153	1,537	55,377	25,126	1,281	81,784	20,229
Office supplies	9,060	5,279	3,434	-	2,311	890	20,974	5,423	3,907	30,304	31,469
Postage	2,087	-	1,654	35	490	197	4,463	3,176	7,460	15,099	3,506
Occupancy and utilities	9,385	6,214	3,517	-	2,242	923	22,281	10,417	769	33,467	40,303
Equipment expense	8,473	3,524	8,407	770	2,019	831	24,024	3,245	1,664	28,933	58,321
Telephone	4,551	3,892	2,841	-	1,087	448	12,819	1,912	373	15,104	25,516
Depreciation	6,094	28,979	2,283	-	1,456	599	39,411	6,559	499	46,469	34,107
Travel and training	12,150	3,930	9,145	1,613	4,934	1,111	32,883	5,725	1,339	39,947	41,775
Bad debt expense	-	-	-	-	-	-	-	-	-	-	11,622
Property acquisition	951,604	-	-	-	-	-	951,604	-	-	951,604	1,232,487
Construction costs	103,880	549,889	-	-	-	-	653,769	-	-	653,769	3,199,265
Other development costs	319,849	-	-	-	-	-	319,849	-	-	319,849	640,323
Funds returned to government agency	-	-	-	12,255	-	-	12,255	-	-	12,255	-
Homeowner forgivable grants	-	-	-	52,902	-	-	52,902	-	-	52,902	-
Homeowner support	-	-	13,257	11,908	-	-	25,165	-	-	25,165	13,105
Insurance	12,007	19,517	3,280	8,083	2,091	861	45,839	4,797	717	51,353	52,600
Interest / bank fees	3,416	-	1,509	13,634	838	336	19,733	18,678	354	38,765	14,900
Marketing	8,423	81	12,134	5,014	1,177	274	27,103	1,559	3,844	32,506	12,906
Membership	8,038	-	2,995	-	1,195	482	12,710	2,684	451	15,845	9,416
Board	1,194	-	447	-	285	117	2,043	714	98	2,855	3,808
Special event expenses	-	-	-	-	-	-	-	-	13,368	13,368	6,894
ECO3 asset transfer	-	-	-	-	-	-	-	-	-	-	40,834
Other	2,037	-	548	-	17,904	131	20,620	30,652	2,434	53,706	4,898
Total expenses	1,800,880	1,093,989	194,495	132,795	102,991	36,816	3,361,966	339,321	84,188	3,785,475	6,779,872
Reclassification	1,093,989	(1,093,989)	-	-	-	-	(2,702,387)	-	-	(2,702,387)	(5,510,494)
Cost of homes sold	(2,702,387)	-	-	-	-	-	258,100	-	-	258,100	284,200
Land cost capitalization	338,100	-	-	-	-	-	-	-	-	-	-
	\$ 430,582	\$ -	\$ 194,495	\$ 132,795	\$ 102,991	\$ 36,816	\$ 917,679	\$ 339,321	\$ 84,188	\$ 1,341,188	\$ 1,553,578

See accompanying notes to consolidated financial statements.

ONE ROOF COMMUNITY HOUSING

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2012  
(With Comparative Totals for 2011)

Increase (Decrease) in Cash

	2012	2011
Cash flows from operating activities:		
Change in net assets	\$ 1,547,307	\$ 295,344
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	46,469	34,107
Merger contribution	(1,053,507)	-
Land held in trust	(265,400)	(284,200)
Amortization of discount on deferred loans receivable	(2,787)	-
ECO3 asset transfer	-	40,834
Changes in operating assets and liabilities:		
Receivables	(66,667)	216,485
Prepaid expenses	10,106	(9,971)
Inventory	-	21,291
Properties under development and for sale	462,846	2,674,540
Accounts payable	(52,227)	(268,556)
Accrued expenses	44,747	(390)
Deferred revenue	(207,716)	(1,975,521)
Borrower escrows	13,596	-
Net cash from operating activities	<u>476,767</u>	<u>743,963</u>
Cash flows from investing activities:		
Increase in cash restricted for programs	38,164	-
Issuance of loans receivable	(210,783)	-
Proceeds from collection of loans receivable	115,875	-
Proceeds from sale of loans receivable	172,291	-
Issuance of other loans	(196,000)	(50,000)
Purchase of equipment	(15,142)	(10,537)
Proceeds from sale of equipment	-	1,527
Cash received from merger	376,818	-
Net cash from investing activities	<u>281,223</u>	<u>(59,010)</u>
Cash flows from financing activities:		
Proceeds from issuance of loans payable	-	635,000
Repayment of loans payable	-	(182,500)
Proceeds from issuance of long-term debt	1,982	134,019
Repayment of long-term debt	(626,252)	(811,641)
Net cash from financing activities	<u>(624,270)</u>	<u>(225,122)</u>
Net increase (decrease) in cash	133,720	459,831
Cash, beginning of year	<u>1,103,905</u>	<u>644,074</u>
Cash, end of year	<u>\$ 1,237,625</u>	<u>\$ 1,103,905</u>
Reconciliation of cash to statement of financial position:		
Cash	\$ 568,197	\$ 719,777
Cash restricted for programs - current	149,587	110,793
Cash restricted for other programs - non-current	519,841	273,335
	<u>\$ 1,237,625</u>	<u>\$ 1,103,905</u>
Cash paid for interest expense	<u>\$ 62,172</u>	<u>\$ 80,192</u>
Noncash transaction:		
Assets less liabilities assumed during merger	<u>\$ 1,053,507</u>	<u>\$ -</u>

See accompanying notes to consolidated financial statements.

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2012  
(With Comparative Totals for 2011)

### 1. ORGANIZATION

One Roof Community Housing (One Roof) is a nonprofit, membership and community based organization whose mission is to strengthen the foundation of our communities by providing housing services and building and sustaining affordable homes and healthy neighborhoods.

One Roof was created from the combination of Northern Communities Land Trust (NCLT) and Neighborhood Housing Services of Duluth (NHS), both nonprofit organizations. The combination was effective January 1, 2012. The 2012 financial statements present the combined activities of both organizations. The 2011 financial statements present the activities of only NCLT.

Part of One Roof's mission is met through the creation of a permanently affordable stock of homes for purchase by individuals and families so that more people have the opportunity to own a home. Under the land trust model, One Roof maintains title to the land underlying the home and the homeowner mortgages the physical housing structure. One Roof leases the land to the homeowner at a nominal fee. When the homeowner sells the home, the homeowner receives the invested equity plus a percentage of any increase in property value. The balance of any increase in value rolls back into the affordability of that home allowing it to be sold to another low to moderate income household.

One Roof constructs and rehabilitates homes for low to moderate income home buyers. One Roof is able to sell the homes for less than the fair market value due to grant funding from government agencies and other sources. The grants, called affordability gap grants, bridge the gap between the price a homebuyer can afford and the actual cost of the home.

After merging with NHS, One Roof's mission has expanded to include homebuyer education, down-payment and closing cost assistance, below market-rate housing renovation loans for both owner-occupied and multi-family rental housing, post-purchase services and neighborhood revitalization activities.

The primary sources of revenue and support are contributions, government grants, sales of homes and earned fees.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Principles of Consolidation** - The consolidated financial statements include One Roof and its wholly owned subsidiaries: Common Ground Deconstruction Service and Reuse Center (Common Ground), and One Roof Community Realty, LLC (collectively One Roof). Significant inter-company accounts and transactions have been eliminated.

Common Ground is the general contractor for One Roof's houses. One Roof Community Realty, LLC was formed to sell houses One Roof develops.

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2012  
(With Comparative Totals for 2011)

### 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Duluth Veterans Housing, LLC was formed by NCLT to develop a 16 unit transitional / supportive housing property. The property was sold during March 2011 upon completion as originally intended.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The most sensitive estimates affecting the financial statements are the carrying value of properties under development and for sale, the allowance for loan losses, functional expense allocations and the values of assets and liabilities acquired in the merger.

**Financial Statement Presentation** - The accompanying financial statements have been prepared using the accrual basis of accounting.

Net assets, revenues and support are classified based on the presence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Unrestricted net assets are not restricted by donors or the donor-imposed restrictions have expired. Unrestricted net assets are available for programs and supporting services at the discretion of management and the board of directors.
- Temporarily restricted net assets arise from contributions that are restricted by donors for specific purposes or time periods.
- Permanently restricted net assets consist primarily of government sponsored loan programs that the donor has stipulated must be maintained in perpetuity. These programs include support and revenues designated to provide loans and grants, and to purchase and develop affordable housing. A significant portion of these assets would be returned to government agencies if the programs were to terminate.

**Concentrations** - One Roof places its cash with several financial institutions. At times the amount on deposit exceeds the insured limit of the institutions and exposes One Roof to a credit risk. Management reviews the credit worthiness of financial institutions on a regular basis. One Roof has not experienced any losses as a result of these deposits.

**Cash Equivalents** - Cash equivalents consist of financial instruments with a maturity of less than three months at the time of purchase. For purposes of the statement of cash flows, cash equivalents do not include cash restricted for loan programs.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2012  
(With Comparative Totals for 2011)

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Accounts and Contributions Receivable** - Accounts and contributions receivable are stated at the amount management expects to collect. Accounts receivable primarily consist of amounts due from government agencies for loan programs.

Management reviews outstanding balances periodically and establishes an allowance based on expected collections. Receivables are written off as a charge to the allowance when, in management's estimation, it is probable that the receivable is worthless. The allowance for doubtful accounts receivable was \$29,308 at December 31, 2012 and \$30,000 at December 31, 2011. Management determined that no allowance was needed for contributions receivable since collection is expected.

**Loans Receivable and Related Discount** - Amortizing loans are stated at the amount of unpaid principal, reduced by an allowance for loan losses. Loans receivable and committed loans (undisbursed loan funds) are recognized at the time a loan is closed. As loan funds are disbursed, committed loans are reduced. Interest rates range from 0% to 6.5%. Terms range from 10 to 50 years. The loans are secured by real estate mortgages.

Deferred loans are made to homeowners to assist with home acquisition or improvements. These loans are noninterest bearing. These loans are recorded at the loan amount, except loans acquired in the 2012 merger with NHS which have been recorded net of a discount to the present value of expected cash flows using an interest rate of 5% to reflect the fair value of the loans as of the merger date. The loans are due upon the earlier of sale of the property or 30 years from the origination date. The loans are secured by real estate mortgages.

Due on sale loans are noninterest bearing and due upon sale of the property. This program has ended and no additional loans will be issued. These loans were acquired in the 2012 merger with NHS and have been recorded net of a discount to present value of expected cash flows using an interest rate of 5% to reflect the fair value of the loans as of the merger date.

In addition to amortizing and deferred loans, One Roof issues loans (homeowner forgivable grants) that will be forgiven if the homebuyer remains the owner and resides in the property for the term of the contract. These loans are expensed when closed since repayment is unlikely. Recoveries of these forgivable loans are recorded as revenue when received.

Interest on loans is calculated using the simple interest method on the principal amount outstanding. Interest is recorded when received.

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2012  
(With Comparative Totals for 2011)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Allowance for Loan Losses** - The allowance for loan losses is established to offset potential or expected losses on loans. The allowance for loan losses is maintained at a level that, in management's judgment, is adequate to absorb credit losses inherent in the loan portfolio. The amount of the allowance is based on management's evaluation of the collectability of the loan portfolio, based on the nature of the portfolio, credit concentrations, trends in historical loss experience, specific impaired loans, economic conditions and other risks inherent in the portfolio. Allowances for impaired loans are generally determined based on collateral values. The allowance is increased by a provision for loan losses, which is charged to expense, and reduced by charge-offs, net of recoveries. Loans are written off as a charge to the allowance when, in management's estimation, it is probable that the receivable is worthless.

**Properties Under Development and For Sale** - Development costs represent costs incurred for housing development projects. Costs consist primarily of acquisition (including land), construction and other costs incurred to date. The land cost is transferred to Land Held in Trust at the time the property is sold. Holding costs incurred after development is substantially complete are charged to expense.

**Office Building Held for Sale** - The office building formerly used by NHS is recorded at its fair value as of January 1, 2012, less expected costs to sell. The building is currently for sale.

**Equipment** - Equipment is recorded at cost or fair value on the date of contribution. Equipment is depreciated using the straight line method over the estimated useful lives of 3 to 7 years. Leasehold improvements were depreciated using the straight line method over 3 to 5 year periods. Leasehold improvements were written off during 2012, at the time of the office relocation. The cost of maintenance and repairs is expensed as incurred and significant renewals and betterments are capitalized.

**Land Held in Trust** - Land has been acquired through purchase, bargain purchase or donation. Land purchased at market value is recorded at cost. Land acquired by bargain purchase or donation is recorded at fair market value on the date received.

**Investment in LLC** - One Roof has a 50% interest in Hillside Development Duluth, LLC (the LLC). The LLC is the managing general partnership of Hillside Apartments Duluth, LLLP (Note 5). One Roof is not the controlling general partner. The general partnership interest is recorded at cost (\$0 as of December 31, 2012).

**Impairment** - Management assesses long-lived assets for impairment when conditions warrant. No impairment was recognized in 2012 or 2011.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2012  
(With Comparative Totals for 2011)

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Real Estate Revenues** - Revenue is recognized in the period the service is performed.

Sales of real estate are recorded at the time of closing of the sale, when title to and possession of the property are transferred to the buyer. Cost of sales is based on direct costs. Closing costs and sales commissions are specifically identified with the house sold.

Construction revenues are recorded using the percentage of completion method, based on the costs incurred to date as compared to estimated total costs. Billings in excess of costs represents amounts billed in excess of costs incurred. Costs in excess of billings represent costs incurred and not yet billed. Intercompany construction revenues and profits are eliminated.

Developer fees are recognized as revenue when the house is sold.

One Roof Community Realty provides real estate brokerage services. Revenues are recorded at the time of closing of the sale.

**Loan Fees** - Loan origination fees are recognized as revenue upon closing of the loan because incremental direct costs incurred on each loan exceed the fees charged.

**Contributions** - Contributions are recognized when the donor makes an unconditional promise to give. Contributions are recorded when received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions are reported as temporarily restricted support and then reclassified to unrestricted net assets upon expiration of the time restriction or when purpose restrictions have been met. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

**Contributed Services** - Contributed services are recorded as contributions, at their fair value, when the service creates or enhances a non-financial asset or the service requires specialized skills that would need to be purchased if not provided by donation. No contributed services were recognized in 2012 or 2011.

**Contributed Materials** - Contributed materials are recorded as contributions, when received, at their fair value. Contributed construction materials valued at \$3,940 were recognized in 2012. No contributed materials were recognized in 2011.

**Government Grants** - Government grants received for property acquisition and renovation are recorded as deferred revenue until the time of sale. At the time of sale the funds are recorded as grant revenue.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2012  
(With Comparative Totals for 2011)

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Government grants for operating programs are either expense reimbursement grants or general operating grants. For expense reimbursement grants, revenue is recorded as expenses are incurred and billed to the grantor. General operating grant revenue is recorded when the grant is received or earned, depending on conditions specified in the grant. Funds received but not yet earned are recorded as deferred revenue.

Government grants for loan programs are recorded when received. Revolving loan funds are considered permanently restricted net assets. Interest and fees received from loan programs are used to defray administration expenses.

Principal repayments are returned to the loan program or the funder (funds returned to government agency).

Recoverable grants are repayable under certain conditions. Accordingly, these grants are reported as debt until the conditions are met and they are forgiven.

**Forgivable Loans** - Forgivable loans are recorded as long-term debt and recorded as revenue when the conditions are met. Forgivable loan agreements state the lender will forgive the loan on a specified date upon compliance with the terms of the agreement.

**Functional Expenses** - The majority of expenses can be directly identified with the program or supporting services to which they relate and are charged accordingly. Other expenses have been allocated based on staff time spent in each category. The time allocations are based on management's estimates.

**Income Taxes** - One Roof is classified as a tax-exempt organization under Minnesota Statute 290.05 and Section 501(c)(3) of the Internal Revenue Code, is exempt from private foundation status under Section 509(a)(1) of the Internal Revenue Code, and is subject to income taxes only on net unrelated business income. Management believes One Roof did not have any unrelated business income or uncertain tax positions in 2012 or 2011.

Common Ground Deconstruction Service and Reuse Center and One Roof Community Realty, LLC are single member LLC's. The LLC's (limited liability companies) are not taxable entities and are included on the income tax return of One Roof.

One Roof is not currently under examination by any taxing jurisdiction. Federal and state tax authorities generally have the right to examine the current and previous three years of income tax returns.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2012  
(With Comparative Totals for 2011)

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Prior Year Summarized Information** - The financial statements include certain prior year summarized information in total but neither by net asset class nor by functionalized expenses. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with One Roof's financial statements for the year ended December 31, 2011, from which the summarized information was derived.

**Reclassifications** - Certain reclassifications have been made to the prior year financial statements to be consistent with the current year classifications. The reclassifications did not impact net assets or the change in net assets.

The primary reclassification was to present the statement of financial position using a classified format (presenting current and noncurrent assets and liabilities). The statement of financial position had not previously been presented using a classified format.

3. **CONTRIBUTIONS RECEIVABLE**

Contributions receivable as of December 31, 2012, are due in 2013.

4. **LOANS RECEIVABLE**

Loans receivable by portfolio consist of the following:

Amortizing mortgages	\$ 723,642
Deferred loans	1,184,415
Due on sale loans	<u>157,843</u>
Total loans receivable	2,065,900
Less discount on deferred and due on sale loans	(833,369)
Less allowance for loan losses	<u>(105,675)</u>
Total loans receivable, net	1,126,856
Less current portion	<u>(32,400)</u>
Noncurrent portion	<u><u>\$ 1,094,456</u></u>

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2012  
(With Comparative Totals for 2011)

4. **LOANS RECEIVABLE (Continued)**

Activity in the allowance for loan losses was as follows:

Allowance at time of merger	\$ 105,675
Loans charged off	-
Provision for losses	-
Recoveries	-
	<hr/>
Ending balance	<u>\$ 105,675</u>

A summary of the loans receivable aging by portfolio at December 31, 2012 follows:

	<u>Amortizing mortgages</u>	<u>Deferred loans</u>	<u>Due on sale loans</u>	<u>Total</u>
Current	\$ 594,103	\$ -	\$ -	\$ 594,103
31 - 60 days	19,576	-	-	19,576
61 - 90 days	29,408	-	-	29,408
Over 90 days	80,555	-	-	80,555
Due on sale	<hr/> -	<hr/> 1,184,415	<hr/> 157,843	<hr/> 1,342,258
Total	<u>\$ 723,642</u>	<u>\$1,184,415</u>	<u>\$ 157,843</u>	<u>\$2,065,900</u>

A summary of the allowance for loan losses by portfolio at December 31, 2012 follows:

	<u>Amortizing mortgages</u>	<u>Deferred loans</u>	<u>Due on sale loans</u>	<u>Total</u>
Allowance at time of merger	\$ 105,675	\$ -	\$ -	\$ 105,675
Loans charged off	-	-	-	-
Provision for losses	<hr/> -	<hr/> -	<hr/> -	<hr/> -
Ending balance	<u>\$ 105,675</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105,675</u>

Other information as of December 31, 2012:

- Management has evaluated loans individually and has determined that there are no impaired loans
- There are no loans on non-accrual status
- There were no changes in accounting policies during the period. There was one loan sale in 2012 (Note 14).

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2012  
(With Comparative Totals for 2011)

**5. LOAN RECEIVABLE - OTHER**

Loans receivable – other consist of the following:

	2012	2011
Ecolibrium3	\$ 50,000	\$ 50,000
Hillside Apartments Duluth, LLLP	196,000	-
	\$ 246,000	\$ 50,000

The Ecolibrium3 loan is due September 30, 2013 with interest at 6%. Ecolibrium3 is a nonprofit organization that previously was a part of NCLT. The loan is secured by the assets of Ecolibrium3.

The Hillside Apartments Duluth, LLLP (the LLLP) loans are due in 2014 with interest at 0 to 4%. The LLLP is a limited partnership formed to own and operate an affordable housing property in Duluth. The LLLP is in the predevelopment stage and expects to close on the purchase of the property, financing and investor capital during 2013. One Roof expects collect \$136,000 in 2013 and \$60,000 in later years. One Roof is a member of the LLC managing general partner of the LLLP (Note 2).

**6. PROPERTIES UNDER DEVELOPMENT AND FOR SALE**

Properties under development and for sale consist of the following:

	2012	2011
Houses under development and for sale -- 14 in 2012 and 17 in 2011	\$ 1,358,886	\$ 1,824,523
Vacant lots held for development -- 5 in 2012 and 5 in 2011	57,390	54,599
	\$ 1,416,276	\$ 1,879,122

**7. EQUIPMENT**

Equipment consists of the following:

	2012	2011
Equipment	\$ 149,011	\$ 208,415
Leasehold improvements	-	20,659
Less accumulated depreciation	(95,354)	(157,040)
	\$ 53,657	\$ 72,034

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2012  
(With Comparative Totals for 2011)

8. **LAND HELD IN TRUST**

One Roof maintains title to the land underlying the land trust homes. The homeowner mortgages the physical housing structure. One Roof leases the land to the homeowner for a monthly fee for a 99 year period.

It is One Roof's intention to retain the land in perpetuity. A two-thirds vote from One Roof's board is required to sell land when there is a land trust home on it.

One Roof owns 239 lots at December 31, 2012 and 221 at December 31, 2011.

9. **DEBT**

Debt consists of the following:

	2012	2011
Greater Minnesota Housing Fund	\$1,224,996	\$1,279,006
MHFA CRV Funds	460,000	460,000
LISC recoverable grants	108,000	107,400
City of Duluth HIF	338,242	155,000
Neighborhood Housing Services of Duluth	-	14,908
U.S. Bancorp CDC	250,000	-
Wells Fargo CDC	100,000	-
	\$2,481,238	\$2,016,314

Debt is presented on the statement of financial position as follows:

Current maturities of long-term debt	\$ 204,000	\$1,095,738
Loans payable – operating	550,000	550,000
Long-term debt, less current maturities	1,727,238	370,576
	\$2,481,238	\$2,016,314

**Greater Minnesota Housing Fund (GMHF)** - One Roof has funding commitments from the GMHF. These commitments are summarized below:

- \$1,000,000 commitment for single-family foreclosure program financing expiring August 9, 2014. Advances bear interest at 2% and are due upon the sale of the related properties. Secured by the properties. The outstanding balance was \$578,996 at December 31, 2012 and \$634,388 at December 31, 2011.

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2012  
(With Comparative Totals for 2011)

### 9. DEBT (Continued)

- \$700,000 commitment for working capital and investment/project capital. Advances bear interest at 4%. \$70,000 is due May 23, 2016, \$140,000 is due May 23, 2017, the balance is due May 23, 2018. Unsecured. The commitment requires One Roof to comply with certain covenants. The outstanding balance was \$550,000 at December 31, 2012 and 2011.
- \$100,000 commitment for the acquisition of properties for the Hillside Apartments project. Advances bear interest at 5% and are due in May 2013. Secured by the properties. The outstanding balance was \$96,000 at December 31, 2012 and \$94,618 at December 31, 2011.

**MHFA CRV funds** - \$620,000 (\$460,000 at December 31, 2011) note payable to the Minnesota Housing Finance Agency (MHFA) under the Community Revitalization Fund Program (CRV). The loan repayment date is in July 2014.

- \$230,000 is for construction financing with interest at 2%, unsecured.
- \$230,000 is for construction loans without interest, unsecured.
- \$160,000 is for affordability gap financing without interest and secured by the real estate. Upon loan closing these loans will be assigned to MHFA.

**LISC recoverable grants** - One Roof has recoverable grants without interest, as summarized below:

- \$20,000 recoverable grant for the 115 East 7th Street property due on sale of the property or February 28, 2013. Secured by the property. The outstanding balance was \$20,000 at December 31, 2012 and December 31, 2011.
- \$48,000 recoverable grant for the 52nd Avenue East and Lester Street property due on sale of the property or September 1, 2013. Secured by the property. The outstanding balance was \$48,000 at December 31, 2012 and December 31, 2011.
- \$40,000 recoverable grant for the Hillside Apartments project (Note 5) due on sale of the property or April 30, 2013. Secured by the properties. The outstanding balance was \$40,000 at December 31, 2012 and \$39,400 at December 31, 2011.

**City of Duluth HIF** - Mortgages payable to the City of Duluth under the Housing Investment Fund (HIF) program without interest. The mortgages are secured by the related properties.

- \$105,000 used for new home construction due on December 16, 2036. The mortgage may be forgiven if the conditions are met.
- \$50,000 used for new home construction due December 16, 2035.
- \$120,000 mortgage payable due November 2, 2036. Secured by the office building held for sale.
- \$63,242 used for an exterior loan fund program due May 10, 2036.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2012  
(With Comparative Totals for 2011)

9. **DEBT (Continued)**

**Neighborhood Housing Services of Duluth** - Note payable in monthly installments of \$102, including interest at 6.5%, through November 1, 2037. Repaid at the time of the merger between NCLT and NHS.

**U.S. Bancorp CDC** - \$250,000 note payable to U.S. Bancorp Community Development Corporation (CDC) under the EQ2 program with interest at 4%. Proceeds are to be used for loan funding. The note has an initial maturity date in August 2017, but may be extended for up to 5 additional one year periods. Unsecured.

**Wells Fargo CDC** - \$100,000 note payable to Wells Fargo Community Development Corporation (CDC) under the EQ2 program with interest at 2%. Proceeds are to be used for loan funding. The note has an initial maturity date in October 2016, but may be extended an additional two years. Unsecured.

**Northland Foundation line of credit (serviced by North Shore Bank of Commerce)** - \$75,000 unsecured revolving line of credit with interest at 4.75% maturing in March 30, 2014. There were no advances at December 31, 2012 and 2011.

Future maturities of debt are as follows:

2013	\$ 204,000
2014	1,038,996
2015	-
2016	170,000
2017	390,000
Thereafter	678,242
	<hr/>
	\$ 2,481,238
	<hr/>

Interest expense was \$60,666 in 2012 and \$80,192 in 2011, of which \$21,901 and \$65,292 was included in the cost of homes sold.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2012  
(With Comparative Totals for 2011)

10. LEASE COMMITMENTS

One Roof leases office space, office equipment and an automobile under operating lease agreements. One Roof moved to new office space in April 2012. Rent expense was \$30,561 in 2012 and \$44,303 in 2011. Future minimum lease payments are as follows:

2013	\$ 15,458
2014	14,345
2015	13,449
	<u>\$ 43,252</u>

11. NET ASSETS

Temporarily restricted net assets result from restrictions on contributions received from donors. The restrictions expire when the stated purpose has been met. Restricted net assets consist of the following:

	<u>2012</u>	<u>2011</u>
Temporarily restricted net assets:		
Program operations	<u>\$ 69,983</u>	<u>\$ 10,261</u>
Permanently restricted net assets:		
NeighborWorks America (NW) fund	\$1,169,676	\$ -
CDBG fund	456,132	-
Homeowner relief loan fund	<u>5,000</u>	<u>-</u>
	<u>\$1,630,808</u>	<u>\$ -</u>

Permanently restricted net assets consist of revolving loan funds. The CDBG fund is being liquidated. As principal is collected the funds are being returned to the funder (the City of Duluth). Permanently restricted net assets would be returned to government agencies and funders if the programs were to terminate operations.

Permanently restricted net assets may be released as loans are determined to be uncollectible, amounts are returned to the funder, or the funder releases the funds for operating purposes.

The Board has designated a portion of net assets for an operating reserve and for land held in trust.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2012  
(With Comparative Totals for 2011)

12. **RETIREMENT PLAN**

One Roof has a 401(k) retirement savings plan. The Plan covers all eligible employees. The employer contribution is at the discretion of the Board of Directors. Contributions to the plan were \$39,464 in 2012 and \$26,311 in 2011.

13. **DEEP PROGRAM**

Common Ground served as the program administrator for the Duluth Energy Efficiency Program (DEEP) through September 30, 2011.

NCLT spun-off the DEEP program into a new nonprofit organization, Ecolibrium3 on September 30, 2011. Contracts, receivables, payables and related equipment were transferred to Ecolibrium3.

14. **COMMITMENTS AND CONTINGENCIES**

Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed grant costs may constitute a liability. The amount, if any, of costs which may be disallowed by the grantor agencies will be recognized in the year determined.

The HOME funds grants state that upon construction/rehabilitation of each home, One Roof will execute a mortgage lien in favor of the City of Duluth. The liens will be in force for 10 years after completion of the home. Failure to comply with grant requirements could result in mandatory repayment of grant funds.

One Roof has insurance of \$250,000 for employee dishonesty. Additionally, One Roof has \$1,000,000 of directors and officer liability insurance, plus \$1,000,000 of employment practices liability insurance coverage.

One Roof received 33%, 25%, 16% and 15% of government grants from four government agencies during 2012.

During 2012, One Roof sold loans with an outstanding balance of \$191,435. No gain or loss was recognized on the loan sale. If one of the loans becomes 90 days delinquent, One Roof must repurchase the loan or substitute another loan in its place. Once a loan has 36 consecutive months of on-time payments, One Roof has no responsibility to replace the loan. Additionally, the buyer held back 10% of the sale proceeds to be used as security for any losses.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2012  
(With Comparative Totals for 2011)

14. **COMMITMENTS AND CONTINGENCIES (Continued)**

One Roof is responsible for warranty work related to rehabilitation work performed on the properties that have been sold. Warranty periods are typically 10 years for structural items, 2 years for mechanical items and 1 year for workmanship items. Management feels that warranty costs have not been significant in the past and does not expect warranty cost to be significant. No provision for possible warranty costs has been made in the financial statements for 2012 and 2011.

15. **MERGER WITH NEIGHBORHOOD HOUSING SERVICES OF DULUTH**

Northern Communities Land Trust (NCLT) and Neighborhood Housing Services of Duluth (NHS) merged on January 1, 2012. The combined organization is named One Roof Community Housing.

The organizations came together in an effort to better serve the housing needs of the low-to-moderate income community by providing a “one-stop-shop” to meet these needs. Services provided by One Roof include sales of rehabilitated land trust homes, homebuyer education/counseling, lending for down-payment assistance/closing cost assistance/home improvement projects, and neighborhood revitalization. Eight members from the Board of NHS were appointed to the Board of One Roof. The assets and liabilities of NHS were acquired by One Roof. No consideration was paid. There was no contingent consideration.

The assets and liabilities of NHS are summarized below at the fair value as of January 1, 2012:

Cash	\$ 376,818
Cash restricted for loan programs	617,024
Grants and accounts receivable	226,047
Prepaid expenses	17,592
Loans receivable – amortizing	774,605
Loans receivable – deferred loans	1,281,026
Discount on deferred loans receivable	(836,156)
Building held for sale	111,794
Equipment	9,000
Total assets	2,577,750
Accounts payable and accrued expenses	19,761
Committed loans and borrower deposits	107,213
Deferred revenue	308,075
Long-term debt	1,089,194
Total liabilities	1,524,243
Merger contribution	\$1,053,507

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2012  
(With Comparative Totals for 2011)

15. **MERGER WITH NEIGHBORHOOD HOUSING SERVICES OF DULUTH (Continued)**

The assets acquired exceeded the liabilities assumed in the merger. This excess is reported on the statement of activities as a merger contribution.

16. **SUBSEQUENT EVENTS**

Management has evaluated subsequent events through June 24, 2013, the date on which the financial statements were made available for issue, and identified no significant events or transactions to disclose.

**SUPPLEMENTARY INFORMATION**

ONE ROOF COMMUNITY HOUSING

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2012

	One Roof	Common Ground	Eliminations	Total
<b>ASSETS</b>				
Current assets:				
Cash	\$ 471,008	\$ 97,189	\$ -	\$ 568,197
Cash restricted for programs	149,587	-	-	149,587
Accounts receivable, net	253,230	36	-	253,266
Grants and contributions receivable	139,035	-	-	139,035
Due from other division	165,548	106,599	(272,147)	-
Loans receivable, current portion	32,400	-	-	32,400
Loan receivable - other, current portion	186,000	-	-	186,000
Prepaid expenses	16,412	7,457	-	23,869
Properties under development and for sale	1,545,731	-	(129,455)	1,416,276
Office building held for sale	107,843	-	-	107,843
Total current assets	3,066,794	211,281	(401,602)	2,876,473
Cash restricted for loan programs	578,860	-	-	578,860
Cash restricted for other programs	519,841	-	-	519,841
Loans receivable - net, less current portion	1,094,456	-	-	1,094,456
Loans receivable - other, less current portion	60,000	-	-	60,000
Equipment, net	22,495	31,162	-	53,657
Land held in trust	3,201,425	-	-	3,201,425
Total assets	<u>\$ 8,543,871</u>	<u>\$ 242,443</u>	<u>\$ (401,602)</u>	<u>\$ 8,384,712</u>
<b>LIABILITIES AND NET ASSETS</b>				
Current liabilities:				
Current maturities of long-term debt	\$ 204,000	\$ -	\$ -	\$ 204,000
Accounts payable	44,109	71,461	7,984	123,554
Accrued payroll and related taxes	134,147	25,720	-	159,867
Accrued interest	6,159	-	-	6,159
Billings in excess of costs	-	80,000	(80,000)	-
Deferred revenue	770,454	-	-	770,454
Committed loans	87,956	-	-	87,956
Borrower escrows	14,830	-	-	14,830
Due to other division	106,599	173,532	(280,131)	-
Total current liabilities	1,368,254	350,713	(352,147)	1,366,820
Loans payable - operating	550,000	-	-	550,000
Long-term debt, less current maturities	1,727,238	-	-	1,727,238
Total liabilities	<u>3,645,492</u>	<u>350,713</u>	<u>(352,147)</u>	<u>3,644,058</u>
Net assets:				
Unrestricted	(103,837)	(108,270)	(49,455)	(261,562)
Board designated - operating reserve	100,000	-	-	100,000
Board designated - land held in trust	3,201,425	-	-	3,201,425
Total unrestricted	3,197,588	(108,270)	(49,455)	3,039,863
Temporarily restricted	69,983	-	-	69,983
Permanently restricted	1,630,808	-	-	1,630,808
Total net assets	<u>4,898,379</u>	<u>(108,270)</u>	<u>(49,455)</u>	<u>4,740,654</u>
Total liabilities and net assets	<u>\$ 8,543,871</u>	<u>\$ 242,443</u>	<u>\$ (401,602)</u>	<u>\$ 8,384,712</u>

See independent auditor's report.

ONE ROOF COMMUNITY HOUSING

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2012

	One Roof	Common Ground	Eliminations	Total
<b>Revenues and support:</b>				
Contributions	\$ 158,463	\$ -	\$ -	\$ 158,463
Contributions - noncash	3,940	-	-	3,940
Special events	32,427	-	-	32,427
Government grants and contracts	2,067,589	-	-	2,067,589
Sales of homes	1,614,800	-	-	1,614,800
Less cost of homes sold	(2,702,387)	-	54,882	(2,647,505)
Resale fees	12,549	-	-	12,549
Real estate sales commissions	114,259	-	-	114,259
Land lease revenues	68,311	-	-	68,311
Construction revenues	-	1,117,565	(1,117,565)	-
Interest income	488	-	-	488
Interest income - loans	61,251	-	(14,938)	46,313
Loan fees	73,419	-	-	73,419
Other revenues	9,337	22,498	-	31,835
Total revenues and support	<u>1,514,446</u>	<u>1,140,063</u>	<u>(1,077,621)</u>	<u>1,576,888</u>
<b>Expenses:</b>				
Program services	891,800	1,093,989	(1,068,110)	917,679
Management and general	266,084	88,175	(14,938)	339,321
Fundraising	84,188	-	-	84,188
Total expenses	<u>1,242,072</u>	<u>1,182,164</u>	<u>(1,083,048)</u>	<u>1,341,188</u>
Change in net assets before land cost capitalization	272,374	(42,101)	5,427	235,700
Land cost capitalization	258,100	-	-	258,100
Merger contribution	1,053,507	-	-	1,053,507
Change in net assets	1,583,981	(42,101)	5,427	1,547,307
Net assets, beginning of year	<u>3,314,398</u>	<u>(66,169)</u>	<u>(54,882)</u>	<u>3,193,347</u>
Net assets, end of year	<u>\$ 4,898,379</u>	<u>\$ (108,270)</u>	<u>\$ (49,455)</u>	<u>\$ 4,740,654</u>

See independent auditor's report.

ONE ROOF COMMUNITY HOUSING

STATEMENTS OF FUNCTIONAL EXPENSES BY ENTITY

For the Year Ended December 31, 2012  
(With Comparative Totals for 2011)

	One Roof			Committee Ground		
	2012		2011	2012		2011
	Program services	Management and general	Fundraising	Program services	Management and general	Total expenses
Salaries	\$ 437,441	\$ 139,630	\$ 39,596	\$ 400,808	\$ 40,824	\$ 408,239
Payroll taxes	35,214	11,338	3,123	41,159	8,625	86,254
Employee benefits	60,803	15,166	2,911	53,295	3,071	30,711
Total salary	533,458	166,134	45,630	499,262	52,520	535,204
Professional fees	55,377	15,462	1,281	13,565	9,664	9,664
Office supplies	15,695	4,836	3,907	19,116	587	5,866
Postage	4,463	3,176	7,460	3,506	-	-
Occupancy and utilities	16,067	9,726	769	16,246	691	6,905
Equipment expense	20,500	3,245	1,664	19,375	-	3,524
Telephone	8,927	1,480	373	10,780	432	4,324
Depreciation	10,432	3,339	499	7,708	3,220	32,199
Travel and training	28,953	5,725	1,339	24,056	-	3,930
Bad debt expense	-	-	-	-	-	-
Property acquisition	951,604	-	-	1,232,487	-	-
Construction costs	1,171,990	-	-	3,543,825	-	-
Other development costs	319,849	-	-	640,323	-	-
Direct materials	-	-	-	-	253,465	233,465
Subcontractor costs	-	-	-	-	246,426	246,426
Other construction costs	-	-	-	-	49,998	49,998
Funds returned to government agency	12,255	-	-	-	-	-
Homeowner forgivable grants	52,902	-	-	-	-	-
Homeowner support	25,165	-	-	13,105	-	-
Insurance	26,322	4,797	717	19,194	19,517	19,517
Interest / bank fees	19,733	17,172	354	3,393	16,444	16,444
Marketing	27,022	1,559	3,844	12,745	81	81
Membership	12,710	2,684	451	9,416	-	-
Board	2,043	714	98	3,808	-	-
Special event expenses	-	-	13,368	6,894	-	-
ECO3 asset transfer	-	-	-	-	-	-
Other	20,620	26,035	2,434	1,663	4,617	4,617
Total expenses	3,356,087	2,66,084	84,188	6,096,593	88,175	1,182,164
Cost of homes sold	(2,702,387)	-	-	(5,700,835)	-	-
Land cost capitalization	258,100	-	-	284,200	-	-
	\$ 891,800	\$ 2,66,084	\$ 84,188	\$ 1,242,072	\$ 88,175	\$ 1,182,164
				\$ 679,958		\$ 2,368,972

See independent auditor's report.

ONE ROOF COMMUNITY HOUSING

COMPARATIVE STATEMENTS OF FINANCIAL POSITION -  
COMMON GROUND

December 31, 2012 and 2011

	2012	2011
<b>ASSETS</b>		
Current assets:		
Cash	\$ 97,189	\$ 80,334
Accounts receivable, net	36	6,770
Due from One Roof	106,599	79,681
Prepaid expenses	7,457	5,391
Total current assets	<u>211,281</u>	<u>172,176</u>
Equipment, net	<u>31,162</u>	<u>56,249</u>
Total assets	<u>\$ 242,443</u>	<u>\$ 228,425</u>

<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 71,461	\$ 97,472
Accrued payroll and related taxes	25,720	24,237
Billings in excess of costs	80,000	11,000
Due to One Roof	173,532	161,885
Total current liabilities	<u>350,713</u>	<u>294,594</u>
Unrestricted net assets	<u>(108,270)</u>	<u>(66,169)</u>
Total liabilities and net assets	<u>\$ 242,443</u>	<u>\$ 228,425</u>

See independent auditor's report.

ONE ROOF COMMUNITY HOUSING

COMPARATIVE STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS -  
COMMON GROUND

For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Revenues and support:		
Government grants and contracts	\$ -	\$ 723,691
Construction revenues	1,117,565	1,572,723
Other revenues	<u>22,498</u>	<u>149</u>
Total revenues and support	<u>1,140,063</u>	<u>2,296,563</u>
Expenses:		
Program services	1,093,989	2,249,570
Management and general	<u>88,175</u>	<u>119,402</u>
Total expenses	<u>1,182,164</u>	<u>2,368,972</u>
Change in net assets	(42,101)	(72,409)
Net assets, beginning of year	<u>(66,169)</u>	<u>6,240</u>
Net assets, end of year	<u><u>\$ (108,270)</u></u>	<u><u>\$ (66,169)</u></u>

See independent auditor's report.

ONE ROOF COMMUNITY HOUSING

STATEMENT OF FINANCIAL POSITION -  
PERMANENTLY RESTRICTED FUNDS

December 31, 2012

	NW Fund	CDBG Fund	Homeowner Relief Loan Fund	Total
<b>ASSETS</b>				
Current assets:				
Loans receivable, current portion	\$ 8,400	\$ 6,000	\$ -	\$ 14,400
	-	-	-	-
Total current assets	8,400	6,000	-	14,400
Cash restricted for loan programs	177,103	708	5,000	182,811
Loans receivable, less current portion	1,156,997	462,987	-	1,619,984
Allowance for loan losses	(35,000)	-	-	(35,000)
Investment in building	95,000	-	-	95,000
Less accumulated amortization - building investment	(58,152)	-	-	(58,152)
	<u>1,344,348</u>	<u>469,695</u>	<u>5,000</u>	<u>1,819,043</u>
Total assets	\$ 1,344,348	\$ 469,695	\$ 5,000	\$ 1,819,043
<b>LIABILITIES AND NET ASSETS</b>				
Current liabilities:				
Committed loans	\$ 12,965	\$ -	\$ -	\$ 12,965
Borrower escrows and other liabilities	-	13,563	-	13,563
Capital conversion payable	161,707	-	-	161,707
Total liabilities	<u>174,672</u>	<u>13,563</u>	<u>-</u>	<u>188,235</u>
Net assets:				
Permanently restricted	<u>1,169,676</u>	<u>456,132</u>	<u>5,000</u>	<u>1,630,808</u>
Total net assets	<u>1,169,676</u>	<u>456,132</u>	<u>5,000</u>	<u>1,630,808</u>
	<u>\$ 1,344,348</u>	<u>\$ 469,695</u>	<u>\$ 5,000</u>	<u>\$ 1,819,043</u>
Total liabilities and net assets	\$ 1,344,348	\$ 469,695	\$ 5,000	\$ 1,819,043

See independent auditor's report.

ONE ROOF COMMUNITY HOUSING

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS -  
PERMANENTLY RESTRICTED FUNDS

For the Year Ended December 31, 2012

	NW Fund	CDBG Fund	Homeowner Relief Loan Fund	Total
Support:				
Support:				
NW capital grant	\$ 205,000	\$ -	\$ -	\$ 205,000
Contributions	-	-	5,000	5,000
Total support	<u>205,000</u>	<u>-</u>	<u>5,000</u>	<u>210,000</u>
Expenses:				
Grants funds returned	-	6,979	-	6,979
Amortization of building investment	3,455	-	-	3,455
Total expenses	<u>3,455</u>	<u>6,979</u>	<u>-</u>	<u>10,434</u>
Change in net assets	201,545	(6,979)	5,000	199,566
Net assets:				
Merger contribution	<u>968,131</u>	<u>463,111</u>	<u>-</u>	<u>1,431,242</u>
End of year	<u>\$ 1,169,676</u>	<u>\$ 456,132</u>	<u>\$ 5,000</u>	<u>\$ 1,630,808</u>

See independent auditor's report.