

ONE ROOF COMMUNITY HOUSING
CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED
DECEMBER 31, 2013

ONE ROOF COMMUNITY HOUSING
CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended December 31, 2013
(With Comparative Totals for 2012)

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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, 2013, 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.

(Continued)

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, 2013, 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.

Other Matters

Report on Summarized Comparative Information

We have previously audited One Roof Community Housing's 2012 consolidated financial statements, and our report dated June 24, 2013, 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, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was 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 audit 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 May 28, 2014 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
Christianus, LLC P.A.*

Saint Paul, Minnesota
May 28, 2014

ONE ROOF COMMUNITY HOUSING

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2013
(With Comparative Totals for 2012)

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets:		
Cash	\$ 239,632	\$ 618,197
Cash designated for programs	920,084	619,428
Accounts receivable, net	238,744	253,266
Grants and contributions receivable	85,010	139,035
Loans receivable, current portion	30,900	32,400
Loans receivable - other, net	-	186,000
Prepaid expenses	29,542	23,869
Properties under development and for sale	1,081,537	1,416,276
Office building held for sale	-	107,843
Total current assets	<u>2,625,449</u>	<u>3,396,314</u>
Cash restricted for loan programs	408,094	578,860
Loans receivable - net, less current portion	1,191,524	1,094,456
Loans receivable - other, less current portion	-	60,000
Equipment, net	48,180	53,657
Land held in trust	<u>3,391,425</u>	<u>3,201,425</u>
Total assets	<u>\$ 7,664,672</u>	<u>\$ 8,384,712</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Current maturities of long-term debt	\$ 792,909	\$ 204,000
Accounts payable	112,369	123,554
Accrued payroll and related taxes	178,914	159,867
Accrued interest	5,500	6,159
Deferred revenue	528,021	770,454
Committed loans	17,000	87,956
Borrower escrows	2,392	14,830
Total current liabilities	<u>1,637,105</u>	<u>1,366,820</u>
Loans payable - operating	550,000	550,000
Long-term debt, less current maturities	<u>568,242</u>	<u>1,727,238</u>
Total liabilities	<u>2,755,347</u>	<u>3,644,058</u>
Net assets:		
Unrestricted	(355,814)	(261,562)
Board designated - operating reserve	185,000	100,000
Board designated - land held in trust	<u>3,391,425</u>	<u>3,201,425</u>
Total unrestricted	<u>3,220,611</u>	<u>3,039,863</u>
Temporarily restricted	-	69,983
Permanently restricted	<u>1,688,714</u>	<u>1,630,808</u>
Total net assets	<u>4,909,325</u>	<u>4,740,654</u>
Total liabilities and net assets	<u>\$ 7,664,672</u>	<u>\$ 8,384,712</u>

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, 2013
(With Comparative Totals for 2012)

	2013			Total	2012
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Revenues and support:					
Contributions	\$ 271,044	\$ -	\$ -	\$ 271,044	\$ 158,463
Contributions - noncash	4,621	-	-	4,621	3,940
Special events	40,015	-	-	40,015	32,427
Government grants and contracts	1,601,824	-	-	1,601,824	1,862,589
Sales of homes	1,507,800	-	-	1,507,800	1,614,800
Less cost of homes sold	(2,499,559)	-	-	(2,499,559)	(2,647,505)
Resale fees	12,210	-	-	12,210	12,549
Real estate sales commissions	97,175	-	-	97,175	114,259
Development fees - multi-family	50,000	-	-	50,000	-
Land lease revenues	72,700	-	-	72,700	68,311
Construction revenues	86,666	-	-	86,666	-
Interest income	338	-	-	338	488
Interest income - loans	47,100	-	-	47,100	46,313
Loan fees	121,070	-	-	121,070	73,419
Other revenues	33,219	-	-	33,219	31,835
Net assets released from restriction	122,077	(69,983)	(52,094)	-	-
Total revenues and support	1,568,300	(69,983)	(52,094)	1,446,223	1,371,888
Expenses:					
Community land trust	453,641	-	-	453,641	450,582
Education, counseling and homeowner services	139,056	-	-	139,056	194,495
Lending services	238,015	-	-	238,015	132,795
Neighborhood revitalization	72,592	-	-	72,592	102,991
Multi-family development	123,336	-	-	123,336	36,816
Total program services	1,026,640	-	-	1,026,640	917,679
Management and general	401,487	-	-	401,487	339,321
Fundraising	100,832	-	-	100,832	84,188
Total expenses	1,528,959	-	-	1,528,959	1,341,188
Operating income (loss)	39,341	(69,983)	(52,094)	(82,736)	30,700
Contributions for loan program	-	-	65,000	65,000	205,000
Land cost capitalization	190,000	-	-	190,000	258,100
Contributed properties	136,000	-	-	136,000	-
Forgiveness of debt on NIS office sale	73,474	-	-	73,474	-
Loss on sale of NIS office	(18,817)	-	-	(18,817)	-
Contributions for the Hillside development	333,000	-	45,000	378,000	-
Project cost for the Hillside development	(572,250)	-	-	(572,250)	-
Merger contribution	-	-	-	-	1,053,507
Change in net assets	180,748	(69,983)	57,906	168,671	1,547,307
Net assets, beginning of year	3,039,863	69,983	1,630,808	4,740,654	3,193,347
Net assets, end of year	<u>\$ 3,220,611</u>	<u>\$ -</u>	<u>\$ 1,688,714</u>	<u>\$ 4,909,325</u>	<u>\$ 4,740,654</u>

See accompanying notes to consolidated financial statements.

ONE ROOF COMMUNITY HOUSING

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2013
(With Comparative Totals for 2012)

	2013							Total	2012		
	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	\$ 202,053	\$ 379,950	\$ 74,120	\$ 99,966	\$ 39,517	\$ 83,780	\$ 879,386	\$ 199,965	\$ 44,091	\$ 1,123,442	\$ 1,024,906
Payroll taxes	15,514	56,749	5,407	7,113	5,995	6,075	96,853	22,371	3,187	122,411	135,929
Employee benefits	31,748	38,865	11,873	14,420	8,220	10,884	116,010	26,346	4,561	146,917	109,591
	249,315	475,564	91,400	121,499	53,732	100,739	1,092,249	248,682	51,839	1,392,770	1,270,426
Professional fees	19,802	-	4,993	14,125	3,839	3,578	46,337	16,709	4,228	67,274	81,784
Office supplies	5,300	4,064	2,033	3,073	1,279	1,925	17,674	4,360	4,056	26,090	30,304
Postage	2,506	-	1,095	1,302	1,023	1,015	6,941	1,509	7,099	15,549	15,099
Occupancy and utilities	6,273	7,135	2,528	3,040	1,668	2,370	23,014	12,392	955	36,359	33,467
Equipment expense	7,897	4,783	3,084	6,983	2,213	2,926	27,886	924	1,182	29,992	28,933
Telephonic	2,847	3,085	992	1,395	771	1,008	10,098	2,552	444	13,094	15,104
Depreciation	4,223	11,669	1,839	2,218	1,139	1,763	22,851	5,393	686	28,930	46,469
Travel and training	8,960	2,483	6,604	3,967	2,754	3,727	28,495	7,536	1,455	37,486	39,947
Property acquisition	925,646	-	-	-	-	-	925,646	-	-	925,646	951,604
Construction costs	236,306	535,396	-	-	-	-	761,702	8,042	-	769,744	653,769
Other development costs	235,379	-	-	-	-	-	235,379	-	-	235,379	319,849
Funds retained in government agency	-	-	-	7,394	886	-	8,280	-	-	10,780	12,255
Homeowner forgivable grants	-	-	-	-	-	-	-	-	-	-	52,902
Homeowner support	21,564	-	9,249	14,322	-	-	45,635	-	-	45,635	23,165
Insurance	6,442	29,345	1,667	5,334	1,033	1,599	45,420	2,451	622	48,483	51,353
Interest / bank fees	190	-	182	13,107	24	82	13,585	28,634	558	42,777	38,765
Marketing	7,279	768	10,807	1,237	1,148	976	22,215	1,566	1,712	25,493	32,506
Membership	6,005	-	1,552	1,650	755	1,037	10,999	2,017	420	13,436	15,845
Board	98	-	43	51	26	123	341	333	17	691	2,855
Discount on new deferred loans	-	-	-	36,730	-	-	36,730	-	-	36,730	-
Special event expenses	1,877	-	336	405	208	322	3,148	1,412	19,391	23,951	13,368
Other	454	-	152	183	94	146	1,029	54,475	6,170	61,674	53,706
Total expenses	1,738,363	1,074,292	139,056	238,015	72,592	123,336	3,385,654	401,487	100,832	3,887,973	3,785,475
Reclassification	1,074,292	(1,074,292)	-	-	-	-	(2,549,014)	-	-	(2,549,014)	(2,702,387)
Cost of homes sold	(2,549,014)	-	-	-	-	-	190,000	-	-	190,000	238,100
Land cost capitalization	190,000	-	-	-	-	-	-	-	-	-	-
	\$ 453,641	\$ -	\$ 139,056	\$ 238,015	\$ 72,592	\$ 123,336	\$ 1,026,640	\$ 401,487	\$ 100,832	\$ 1,528,959	\$ 1,341,188

ONE ROOF COMMUNITY HOUSING

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2013
(With Comparative Totals for 2012)

Increase (Decrease) in Cash

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ 168,671	\$ 1,547,307
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	28,930	46,469
Merger contribution	-	(1,053,507)
Contributions for loan program	(65,000)	(205,000)
Land held in trust	(190,000)	(265,400)
Contributed properties	(136,000)	-
Discount on new deferred loans	36,730	-
Amortization of discount on deferred loans receivable	(5,696)	(2,787)
Forgiveness of debt on NHS office sale	(73,474)	-
Loss on sale of NHIS office	18,817	-
Changes in operating assets and liabilities:		
Receivables	68,547	(66,667)
Prepaid expenses	(5,673)	10,106
Properties under development and for sale	470,739	462,846
Accounts payable	(11,185)	(52,227)
Accrued expenses	18,388	44,747
Deferred revenue	(242,433)	(207,716)
Borrower escrows	(12,438)	13,596
Net cash from operating activities	<u>68,923</u>	<u>271,767</u>
Cash flows from investing activities:		
Decrease in cash restricted for loan programs	170,766	38,164
Issuance of loans receivable	(281,733)	(210,783)
Proceeds from collection of loans receivable	330,175	115,875
Proceeds from sale of loans receivable	-	172,291
Issuance of other loans	-	(196,000)
Proceeds on sale of NHIS office	85,736	-
Purchase of equipment	(20,163)	(15,142)
Cash received from merger	-	376,818
Net cash from investing activities	<u>284,781</u>	<u>281,223</u>
Cash flows from financing activities:		
Proceeds from contributions for loan program	65,000	205,000
Proceeds from issuance of long-term debt	44,400	1,982
Repayment of long-term debt	(541,013)	(626,252)
Net cash from financing activities	<u>(431,613)</u>	<u>(419,270)</u>
Net increase (decrease) in cash	(77,909)	133,720
Cash, beginning of year	<u>1,237,625</u>	<u>1,103,905</u>
Cash, end of year	<u>\$ 1,159,716</u>	<u>\$ 1,237,625</u>
Reconciliation of cash to statement of financial position:		
Cash	\$ 239,632	\$ 618,197
Cash designated for programs	920,084	619,428
	<u>\$ 1,159,716</u>	<u>\$ 1,237,625</u>
Cash paid for interest expense	<u>\$ 63,215</u>	<u>\$ 62,172</u>
Noncash transaction:		
Assets less liabilities assumed during merger	\$ -	\$ 1,053,507
Contributed properties	<u>\$ 136,000</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, 2013
(With Comparative Totals for 2012)

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. During 2013, the NHS organization was renamed One Roof Community Lending and was assigned the related lending assets and liabilities.

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: One Roof Community Realty, LLC; NHS dba One Roof Community Lending (collectively One Roof); and Common Ground Deconstruction Service and Reuse Center (Common Ground). 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. One Roof Community Lending conducts down payment and renovation loan services for One Roof.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2013
(With Comparative Totals for 2012)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, discount on deferred loans, 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, 2013
(With Comparative Totals for 2012)

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

Accounts, Grants and Contributions Receivable -- Accounts, grants and contributions receivable are stated at the amount management expects to collect. Accounts and grants 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, 2013 and 2012. Management determined that no allowance was needed for grants and 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 net of a discount to the present value of expected cash flows using an interest rate of 5% and a 24 year term to reflect the fair value of the loans as of December 31, 2013 and 2012. 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 have been recorded net of a discount to present value of expected cash flows using an interest rate of 5% and a 24 year term to reflect the fair value of the loans as of December 31, 2013 and 2012.

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, 2013
(With Comparative Totals for 2012)

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. The allowance for loan losses was \$58,909 and \$105,675 at December 31, 2013 and 2012, respectively.

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 was recorded at its fair value as of January 1, 2012, less expected costs to sell. The building was sold in November 2013.

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 partner 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, 2013 and 2012).

Impairment - Management assesses long-lived assets for impairment when conditions warrant. No impairment was recognized in 2013 or 2012.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2013
(With Comparative Totals for 2012)

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 from home sales are recognized as revenue when the house is sold. Developer fees from multi-family developments are recognized as revenue when earned.

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 2013 or 2012.

Contributed Materials - Contributed materials are recorded as contributions, when received, at their fair value. Contributed real estate valued at \$136,000 and construction materials of \$4,621 were recognized in 2013. Contributed construction materials valued at \$3,940 were recognized in 2012.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2013
(With Comparative Totals for 2012)

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

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 is recognized.

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.

NHS dba One Roof Community Lending files separate tax returns. One Roof Community Lending is also classified as a 501(c)(3) tax-exempt organization, 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.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2013
(With Comparative Totals for 2012)

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

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. Management believes the entities did not have any unrelated business income or uncertain tax positions in 2013 or 2012.

Reclassifications – Reclassifications were made to the 2012 financial statements to be consistent with the current year financial statements. These reclassifications did not affect net assets or the change in net assets.

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, 2012.

3. **CONTRIBUTIONS RECEIVABLE**

Contributions receivable as of December 31, 2013, are due in 2014.

4. **LOANS RECEIVABLE**

Loans receivable by portfolio consist of the following:

	2013	2012
Amortizing mortgages	\$ 766,402	\$ 723,642
Deferred loans	1,222,350	1,184,415
Due on sale loans	156,983	157,843
Total loans receivable	2,145,735	2,065,900
Less discount on deferred and due on sale loans	(864,402)	(833,369)
Less allowance for loan losses	(58,909)	(105,675)
Total loans receivable, net	1,222,424	1,126,856
Less current portion	(30,900)	(32,400)
Noncurrent portion	\$ 1,191,524	\$ 1,094,456

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2013
(With Comparative Totals for 2012)

4. **LOANS RECEIVABLE (Continued)**

Activity in the allowance for loan losses was as follows:

	<u>2013</u>	<u>2012</u>
Beginning balance	\$ 105,675	\$ -
From merger	-	105,675
Loans charged off	(46,766)	-
Provision for losses	-	-
Recoveries	-	-
Ending balance	<u>\$ 58,909</u>	<u>\$ 105,675</u>

A summary of the loans receivable aging by portfolio at December 31, 2013 follows:

	<u>Amortizing mortgages</u>	<u>Deferred loans</u>	<u>Due on sale loans</u>	<u>Total</u>
Current	\$ 651,827	\$ -	\$ -	\$ 651,827
31 - 60 days	40,617	-	-	40,617
61 - 90 days	13,626	-	-	13,626
Over 90 days	60,332	-	-	60,332
Due on maturity	-	1,222,350	156,983	1,379,333
Total	<u>\$ 766,402</u>	<u>\$1,222,350</u>	<u>\$ 156,983</u>	<u>\$2,145,735</u>

A summary of the allowance for loan losses by portfolio at December 31, 2013 follows:

	<u>Amortizing mortgages</u>	<u>Deferred loans</u>	<u>Due on sale loans</u>	<u>Total</u>
Beginning balance	\$ 105,675	\$ -	\$ -	\$ 105,675
Loans charged off	(46,766)	-	-	(46,766)
Ending balance	<u>\$ 58,909</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,909</u>

Other information as of December 31, 2013:

- 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 significant changes in accounting policies during the period.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2013
(With Comparative Totals for 2012)

5. **LOANS RECEIVABLE - OTHER**

Loans receivable – other consist of the following:

	<u>2013</u>	<u>2012</u>
Ecolibrium3	\$ -	\$ 50,000
Hillside Apartments Duluth, LLLP – predevelopment	-	196,000
Hillside Apartments Duluth, LLLP – permanent loan	<u>428,000</u>	<u>-</u>
	428,000	246,000
Less allowance	<u>(428,000)</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 246,000</u>

The Ecolibrium3 loan was due September 30, 2013 with interest at 6%. The loan was repaid in 2013.

The Hillside Apartments Duluth, LLLP (the LLLP) - predevelopment loans were 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. One Roof is a member of the LLC managing general partner of the LLLP (Note 2). The loans were repaid in 2013.

The Hillside Apartments Duluth, LLLP - the permanent loan commitment for \$819,457 is payable in December 2045 with interest at 3%. At December 31, 2013, \$428,000 has been advanced. The loan is funded by contributions and grants from the Federal Home Loan Bank, NeighborWorks America, Minnesota Power and LISC. An allowance has been recorded for the amount of the loan due to the likelihood that the loan will not be collected. The allowance is recorded in project costs on Page 4. Interest, due at maturity, will be recorded as revenue when received.

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

Properties under development and for sale consist of the following:

	<u>2013</u>	<u>2012</u>
Houses under development and for sale – 12 in 2013 and 14 in 2012	\$ 1,022,845	\$ 1,358,886
Vacant lots held for development – 5 in 2013 and 5 in 2012	<u>58,692</u>	<u>57,390</u>
	<u>\$ 1,081,537</u>	<u>\$ 1,416,276</u>

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2013
(With Comparative Totals for 2012)

7. **EQUIPMENT**

Equipment consists of the following:

	2013	2012
Equipment	\$ 169,175	\$ 149,011
Less accumulated depreciation	(120,995)	(95,354)
	\$ 48,180	\$ 53,657

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 257 lots at December 31, 2013 and 239 at December 31, 2012.

9. **DEBT**

Debt consists of the following:

	2013	2012
Greater Minnesota Housing Fund	\$ 814,909	\$1,224,996
MHFA CRV Funds	460,000	460,000
LISC recoverable grants	68,000	108,000
City of Duluth HIF	218,242	338,242
U.S. Bancorp CDC	250,000	250,000
Wells Fargo CDC	100,000	100,000
	\$1,911,151	\$2,481,238

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

Current maturities of long-term debt	\$ 792,909	\$ 204,000
Loans payable -- operating	550,000	550,000
Long-term debt, less current maturities	568,242	1,727,238
	\$1,911,151	\$2,481,238

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2013
(With Comparative Totals for 2012)

9. DEBT (Continued)

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

- Originally a \$1,000,000 commitment with advances bearing interest at 2%, modified in 2013 to a \$750,000 commitment with advances bearing interest at 4%. The commitment is for single-family foreclosure program financing expiring August 9, 2014. Advances and related interest are due upon the sale of the related properties. Secured by the properties. The outstanding balance was \$264,909 at December 31, 2013 and \$578,996 at December 31, 2012.
- \$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, 2013 and 2012.
- \$100,000 commitment for the acquisition of properties for the Hillside Apartments project. Advances bore interest at 5% and were paid in November 2013. The outstanding balance was \$96,000 at December 31, 2012.

MHFA CRV funds - \$620,000 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, 2014. Secured by the property. The outstanding balance was \$20,000 at December 31, 2013 and 2012.
- \$48,000 recoverable grant for the 52nd Avenue East and Lester Street property due on sale of the property or September 1, 2014. Secured by the property. The outstanding balance was \$48,000 at December 31, 2013 and 2012.
- \$40,000 recoverable grant for the Hillside Apartments project (Note 5) was paid in November 2013 at the Hillside Apartments closing. The outstanding balance was \$40,000 at December 31, 2012.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2013
(With Comparative Totals for 2012)

9. **DEBT (Continued)**

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. \$73,474 was forgiven and the remainder of the mortgage was paid in November 2013 when the office building was sold.
- \$63,242 used for an exterior loan fund program due May 10, 2036.

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, 2013 and 2012.

Future maturities of debt are as follows:

2014	\$ 792,909
2015	-
2016	170,000
2017	390,000
2018	340,000
Thereafter	<u>218,242</u>
	<u>\$ 1,911,151</u>

Interest expense was \$66,114 in 2013 and \$60,666 in 2012, of which \$24,654 and \$21,901 was included in the cost of homes sold.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2013
(With Comparative Totals for 2012)

10. **LEASE COMMITMENTS**

One Roof leases office space, office equipment and an automobile under operating lease agreements. Rent expense was \$32,891 in 2013 and \$30,561 in 2012. Future minimum lease payments are as follows:

2014		\$ 14,345
2015		<u>13,449</u>
		<u>\$ 27,794</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:

	2013	2012
Temporarily restricted net assets:		
Program operations	\$ -	\$ 69,983
	\$ -	\$ 69,983
Permanently restricted net assets:		
NeighborWorks America (NW) fund	\$1,234,976	\$1,169,676
CDBG fund	448,738	456,132
Homeowner relief loan fund	5,000	5,000
	\$1,688,714	\$ 1,630,808

Permanently restricted net assets consist of revolving loan funds. The CDBG fund is being liquidated. As loan 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, 2013
(With Comparative Totals for 2012)

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 \$44,760 in 2013 and \$39,464 in 2012.

13. **COMMITMENTS, CONTINGENCIES AND CONCENTRATIONS**

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 85% of government grants from four agencies during 2013.

One Roof received 61% of contributions from two contributors during 2013.

One Roof received a \$300,000 grant from the Federal Home Loan Bank for the Hillside Apartments Duluth, LLLP property. This grant was used to fund a portion of the loan between One Roof and the LLLP (Note 5). The grant requires the property to be maintained as affordable housing for a period of 15 years. If an event of default occurs, the full amount of the grant must be repaid. Management believes there will be no event of default, therefore the grant has been recorded in unrestricted net assets.

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. No loans have been repurchased as of December 31, 2013.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2013
(With Comparative Totals for 2012)

13. **COMMITMENTS, CONTINGENCIES AND CONCENTRATIONS (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 recorded in 2013 or 2012.

14. **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 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 receivables, net	1,219,475
Building held for sale	111,794
Equipment	9,000
Total assets	<u>2,577,750</u>
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	<u>1,524,243</u>
Merger contribution	<u>\$1,053,507</u>

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

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2013
(With Comparative Totals for 2012)

15. TRANSACTIONS WITH AFFILIATES

One Roof and Center City Housing Corp. (Center City), an unrelated Minnesota nonprofit corporation, are members of the managing general partner (the LLC) of Hillside Apartments Duluth, L.L.P. (the LLLP).

One Roof has made loans to the LLLP as described in Note 5.

One Roof has a development fee agreement with the LLLP and Center City which states that One Roof will receive 50% of the developer fee. The developer fee of up to \$1,362,500 is for services performed in the development of the apartments. \$50,000 of this developer fee was earned and recorded in 2013.

One Roof made a \$144,250 payment at closing for the land purchase of the LLLP which One Roof expensed in 2013.

One Roof has, along with Center City, provided guarantees to the LLLP's investors as to the tax credits and other benefits to be derived from the property and guaranteed the funding of operating deficits incurred prior to expiration of fifteen years from the date of achievement of Underwritten Operations and other obligations set by the Partnership Agreement. Management expects no significant impact from these guarantees.

One Roof has the right to withdraw from the LLC after lien free construction completion of the project. At that time, One Roof may transfer its membership interest, and assign its mortgage loans and obligations under the guarantees noted above to Center City.

16. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 28, 2014, 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, 2013

	One Roof	Common Ground	Eliminations	Total
ASSETS				
Current assets:				
Cash	\$ 192,421	\$ 47,211	\$ -	\$ 239,632
Cash designated for programs	920,084	-	-	920,084
Accounts receivable, net	233,934	4,810	-	238,744
Grants and contributions receivable	85,010	-	-	85,010
Due from other division	273,713	80,876	(354,589)	-
Loans receivable, current portion	30,900	-	-	30,900
Prepaid expenses	25,489	4,053	-	29,542
Properties under development and for sale	1,131,504	-	(49,967)	1,081,537
Total current assets	<u>2,893,055</u>	<u>136,950</u>	<u>(404,556)</u>	<u>2,625,449</u>
Cash restricted for loan programs	408,094	-	-	408,094
Loans receivable - net, less current portion	1,191,524	-	-	1,191,524
Equipment, net	25,049	23,131	-	48,180
Land held in trust	3,391,425	-	-	3,391,425
Total assets	<u>\$ 7,909,147</u>	<u>\$ 160,081</u>	<u>\$ (404,556)</u>	<u>\$ 7,664,672</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Current maturities of long-term debt	\$ 792,909	\$ -	\$ -	\$ 792,909
Accounts payable	46,741	65,628	-	112,369
Accrued payroll and related taxes	149,222	29,692	-	178,914
Accrued interest	5,500	-	-	5,500
Billings in excess of costs	-	22,400	(22,400)	-
Deferred revenue	528,021	-	-	528,021
Committed loans	17,000	-	-	17,000
Borrower escrows	2,392	-	-	2,392
Due to other division	80,876	273,713	(354,589)	-
Total current liabilities	<u>1,622,661</u>	<u>391,433</u>	<u>(376,989)</u>	<u>1,637,105</u>
Loans payable - operating	550,000	-	-	550,000
Long-term debt, less current maturities	568,242	-	-	568,242
Total liabilities	<u>2,740,903</u>	<u>391,433</u>	<u>(376,989)</u>	<u>2,755,347</u>
Net assets:				
Unrestricted	(96,895)	(231,352)	(27,567)	(355,814)
Board designated - operating reserve	185,000	-	-	185,000
Board designated - land held in trust	3,391,425	-	-	3,391,425
Total unrestricted	<u>3,479,530</u>	<u>(231,352)</u>	<u>(27,567)</u>	<u>3,220,611</u>
Permanently restricted	1,688,714	-	-	1,688,714
Total net assets	<u>5,168,244</u>	<u>(231,352)</u>	<u>(27,567)</u>	<u>4,909,325</u>
Total liabilities and net assets	<u>\$ 7,909,147</u>	<u>\$ 160,081</u>	<u>\$ (404,556)</u>	<u>\$ 7,664,672</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, 2013

	One Roof	Common Ground	Eliminations	Total
Revenues and support:				
Contributions	\$ 271,044	\$ -	\$ -	\$ 271,044
Contributions - noncash	4,621	-	-	4,621
Special events	40,015	-	-	40,015
Government grants and contracts	1,601,824	-	-	1,601,824
Sales of homes	1,507,800	-	-	1,507,800
Less cost of homes sold	(2,549,014)	-	49,455	(2,499,559)
Resale fees	12,210	-	-	12,210
Real estate sales commissions	97,175	-	-	97,175
Development fees - multi-family	50,000	-	-	50,000
Land lease revenues	72,700	-	-	72,700
Construction revenues	-	1,077,874	(991,208)	86,666
Interest income	338	-	-	338
Interest income - loans	54,663	-	(7,563)	47,100
Loan fees	121,070	-	-	121,070
Other revenues	29,673	3,546	-	33,219
Total revenues and support	1,314,119	1,081,420	(949,316)	1,446,223
Expenses:				
Program services	915,989	1,074,292	(963,641)	1,026,640
Management and general	278,840	130,210	(7,563)	401,487
Fundraising	100,832	-	-	100,832
Total expenses	1,295,661	1,204,502	(971,204)	1,528,959
Operating income (loss)	18,458	(123,082)	21,888	(82,736)
Contribution for loan program	65,000	-	-	65,000
Land cost capitalization	190,000	-	-	190,000
Contributed properties	136,000	-	-	136,000
Forgiveness of debt on NHS office sale	73,474	-	-	73,474
Loss on sale of NHS office	(18,817)	-	-	(18,817)
Contributions for the Hillside development	378,000	-	-	378,000
Project cost for the Hillside development	(572,250)	-	-	(572,250)
Change in net assets	269,865	(123,082)	21,888	168,671
Net assets, beginning of year	4,898,379	(108,270)	(49,455)	4,740,654
Net assets, end of year	<u>\$ 5,168,244</u>	<u>\$ (231,352)</u>	<u>\$ (27,567)</u>	<u>\$ 4,909,325</u>

See independent auditor's report.

ONE ROOF COMMUNITY HOUSING

STATEMENTS OF FUNCTIONAL EXPENSES BY ENTITY

For the Year Ended December 31, 2013
(With Comparative Totals for 2012)

	2013			2012			Common Ground		
	Program services	Management and general	Total expenses	Fundraising	Total expenses	2012	Program services	Management and general	Total expenses
Salaries	\$ 499,436	\$ 118,419	\$ 661,946	\$ 44,091	\$ 616,667	\$ 408,239	\$ 379,950	\$ 81,546	\$ 461,496
Payroll taxes	40,104	10,191	53,482	3,187	49,675	86,254	56,749	12,180	68,929
Employee benefits	77,145	18,005	99,711	4,361	78,880	30,711	38,865	8,341	47,206
Total salary	616,685	146,615	815,139	51,839	745,222	525,204	475,564	102,067	577,631
Professional fees	46,337	9,709	60,274	4,228	72,120	9,664	-	7,000	7,000
Office supplies	13,610	3,488	21,154	4,056	24,438	5,866	4,064	872	4,936
Postage	6,941	1,509	15,549	7,099	15,098	-	-	-	-
Occupancy and utilities	15,879	10,861	27,693	953	26,562	6,903	7,135	1,531	8,666
Equipment expense	23,303	924	25,209	1,182	25,409	3,524	4,783	-	4,783
Telephone	7,013	1,890	9,347	444	10,780	4,324	3,085	662	3,747
Depreciation	11,182	2,889	14,757	686	14,270	32,199	11,669	2,504	14,173
Travel and training	26,012	7,556	35,003	1,455	36,017	3,930	2,483	-	2,483
Property acquisition	925,646	-	925,646	-	951,604	-	-	-	-
Construction costs	1,189,947	-	1,189,947	-	1,171,980	-	-	-	-
Other development costs	235,379	8,042	243,421	-	319,849	-	-	-	-
Direct materials	-	-	-	-	-	-	245,460	-	245,460
Subcontractor costs	-	-	-	-	-	-	223,974	-	223,974
Other construction costs	-	-	-	-	-	-	65,962	-	65,962
Funds returned to government agency	8,280	2,500	10,780	-	12,255	-	-	-	-
Homeowner forgivable grants	-	-	-	-	52,902	-	-	-	-
Homeowner support	45,635	-	45,635	-	25,165	-	-	-	-
insurance	16,075	2,451	19,148	622	31,836	19,517	29,345	-	29,345
Interest / bank fees	13,585	28,643	42,786	558	37,259	16,444	-	7,554	7,554
Marketing	21,447	1,566	24,725	1,712	32,427	81	768	-	768
Memberships	10,999	2,017	13,436	420	15,845	-	-	-	-
Board	341	333	691	17	2,855	-	-	-	-
Discount on new deferred loans	36,730	-	36,730	-	-	-	-	-	-
Special event expenses	3,148	1,412	23,951	19,391	13,368	-	-	-	-
Other	1,029	46,455	53,654	6,170	49,089	4,617	-	8,020	8,020
Total expenses	3,275,003	278,840	3,654,675	100,832	3,686,360	1,182,164	1,074,292	130,210	1,204,502
Cost of homes sold	(2,549,014)	-	(2,549,014)	-	(2,702,387)	-	-	-	-
Land cost capitalization	190,000	-	190,000	-	258,100	-	-	-	-
	\$ 915,989	\$ 278,840	\$ 1,225,661	\$ 100,832	\$ 1,242,073	\$ 1,182,164	\$ 1,074,292	\$ 130,210	\$ 1,204,502

See independent auditor's report.

ONE ROOF COMMUNITY HOUSING

COMPARATIVE STATEMENTS OF FINANCIAL POSITION -
COMMON GROUND

December 31, 2013 and 2012

	2013	2012
ASSETS		
Current assets:		
Cash	\$ 47,211	\$ 97,189
Accounts receivable, net	4,810	36
Due from One Roof	80,876	106,599
Prepaid expenses	4,053	7,457
Total current assets	<u>136,950</u>	<u>211,281</u>
Equipment, net	<u>23,131</u>	<u>31,162</u>
Total assets	<u>\$ 160,081</u>	<u>\$ 242,443</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 65,628	\$ 71,461
Accrued payroll and related taxes	29,692	25,720
Billings in excess of costs	22,400	80,000
Due to One Roof	273,713	173,532
Total current liabilities	<u>391,433</u>	<u>350,713</u>
Unrestricted net assets	<u>(231,352)</u>	<u>(108,270)</u>
Total liabilities and net assets	<u>\$ 160,081</u>	<u>\$ 242,443</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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Revenues and support:		
Construction revenues	\$ 1,077,874	\$ 1,117,565
Other revenues	3,546	22,498
	<u>1,081,420</u>	<u>1,140,063</u>
Expenses:		
Program services	1,074,292	1,093,989
Management and general	130,210	88,175
	<u>1,204,502</u>	<u>1,182,164</u>
Change in net assets	(123,082)	(42,101)
Net assets, beginning of year	<u>(108,270)</u>	<u>(66,169)</u>
Net assets, end of year	<u>\$ (231,352)</u>	<u>\$ (108,270)</u>

See independent auditor's report.

ONE ROOF COMMUNITY HOUSING

STATEMENT OF FINANCIAL POSITION -
PERMANENTLY RESTRICTED FUNDS

December 31, 2013

	NW Fund	CDBG Fund	Homeowner Relief Loan Fund	Total
ASSETS				
Current assets:				
Loans receivable, current portion	\$ 8,700	\$ 5,700	\$ -	\$ 14,400
Total current assets	<u>8,700</u>	<u>5,700</u>	<u>-</u>	<u>14,400</u>
Cash restricted for loan programs	114,290	1,857	2,761	118,908
Loans receivable, less current portion	1,323,194	454,822	2,239	1,780,255
Allowance for loan losses	<u>(35,000)</u>	<u>-</u>	<u>-</u>	<u>(35,000)</u>
 Total assets	 <u>\$ 1,411,184</u>	 <u>\$ 462,379</u>	 <u>\$ 5,000</u>	 <u>\$ 1,878,563</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Borrower escrows and other liabilities	\$ 14,501	\$ 13,641	\$ -	\$ 28,142
Capital conversion payable	<u>161,707</u>	<u>-</u>	<u>-</u>	<u>161,707</u>
Total liabilities	<u>176,208</u>	<u>13,641</u>	<u>-</u>	<u>189,849</u>
Net assets -				
Permanently restricted	<u>1,234,976</u>	<u>448,738</u>	<u>5,000</u>	<u>1,688,714</u>
 Total liabilities and net assets	 <u>\$ 1,411,184</u>	 <u>\$ 462,379</u>	 <u>\$ 5,000</u>	 <u>\$ 1,878,563</u>

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, 2013

	NW Fund	CDBG Fund	Homcowner Relief Loan Fund	Total
Support:				
NW capital grant	\$ 110,000	\$ -	\$ -	\$ 110,000
Expenses:				
Grant funds returned	-	7,394	-	7,394
Approved transfers to operations	5,872	-	-	5,872
Other	38,828	-	-	38,828
Total expenses	<u>44,700</u>	<u>7,394</u>	<u>-</u>	<u>52,094</u>
Change in net assets	65,300	(7,394)	-	57,906
Net assets:				
Beginning of year	<u>1,169,676</u>	<u>456,132</u>	<u>5,000</u>	<u>1,630,808</u>
End of year	<u>\$ 1,234,976</u>	<u>\$ 448,738</u>	<u>\$ 5,000</u>	<u>\$ 1,688,714</u>

See independent auditor's report.