

ONE ROOF COMMUNITY HOUSING

**CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED
DECEMBER 31, 2017**

ONE ROOF COMMUNITY HOUSING

CONSOLIDATED FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

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Mahoney Ulbrich Christiansen Russ P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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

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, 2017, and the related consolidated statements of activities, 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

(Continued)

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, 2017, 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 2016 consolidated financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated June 13, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 28 through 36 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and functional expenses of the individual entities, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Mahoney Ulbrich
Christiansen Russ P.A.*

June 27, 2018

ONE ROOF COMMUNITY HOUSING

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2017
(With Comparative Totals for 2016)

	2017	2016
ASSETS		
Current assets:		
Cash	\$ 599,557	\$ 1,011,206
Cash designated for programs	939,282	681,621
Accounts and grants receivable, net	388,995	347,926
Contributions receivable	38,804	64,847
Interest receivable	15,228	-
Loans receivable, current portion	166,500	75,400
Prepaid expenses	43,647	30,659
Properties under development	3,630,539	2,646,926
Total current assets	5,822,552	4,858,585
Cash restricted for loan programs	892,431	408,702
Loans receivable - net, less current portion	2,078,968	1,419,538
Leasehold improvements and equipment, net	68,267	87,560
Multifamily rental property, net	561,651	589,194
Land held in trust	3,930,325	3,841,825
Total assets	\$ 13,354,194	\$ 11,205,404
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current maturities of long-term debt	\$ 1,810,091	\$ 929,808
Accounts payable	240,661	333,252
Accrued payroll and related taxes	216,569	233,468
Accrued interest	45,797	3,842
Billings in excess of costs and estimated earnings	19,294	-
Provision for loss on construction contract	79,700	-
Deferred revenue	495,293	895,304
Committed loans	392,691	117,640
Borrower escrows	8,401	2,158
Other current liabilities	23,107	45,212
Total current liabilities	3,331,604	2,560,684
Long-term debt, less current maturities	4,005,428	2,479,119
Total liabilities	7,337,032	5,039,803
Net assets:		
Unrestricted	886,924	575,588
Board designated - operating reserve	295,000	345,000
Board designated - land held in trust	3,930,325	3,841,825
Total unrestricted	5,112,249	4,762,413
Temporarily restricted	41,180	74,847
Permanently restricted	1,717,195	2,133,928
Less discount on deferred loans	(853,462)	(805,587)
Net permanently restricted	863,733	1,328,341
Total net assets	6,017,162	6,165,601
Total liabilities and net assets	\$ 13,354,194	\$ 11,205,404

See accompanying notes to consolidated financial statements.

ONE ROOF COMMUNITY HOUSING

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

	2017			Total	2016
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Revenues and support:					
Contributions - development	\$ 176,067	\$ -	\$ -	\$ 176,067	\$ 186,315
Government grants and contracts - development	978,589	-	-	978,589	925,200
Sales of homes	1,861,050	-	-	1,861,050	1,317,155
Less cost of homes sold	<u>(2,875,444)</u>	<u>-</u>	<u>-</u>	<u>(2,875,444)</u>	<u>(2,240,212)</u>
Development fees - single family, net	140,262	-	-	140,262	188,458
Development fees - multi-family	407,687	-	-	407,687	298,063
Construction revenues	493,728	-	-	493,728	265,301
Less provision for loss on construction contracts	(79,700)	-	-	(79,700)	-
Less construction services expense	<u>(544,601)</u>	<u>-</u>	<u>-</u>	<u>(544,601)</u>	<u>(230,610)</u>
Construction revenues, net	(130,573)	-	-	(130,573)	34,691
Contributions - operating	113,851	41,180	-	155,031	177,904
Contributions - noncash	30	-	-	30	19,299
Membership dues	-	-	-	-	-
Special events	26,060	-	-	26,060	45,218
Government grants and contracts - operating	606,852	-	-	606,852	518,192
Resale fees	16,229	-	-	16,229	26,462
Real estate sales commissions	63,938	-	-	63,938	73,166
Land lease revenues	98,970	-	-	98,970	95,587
Multi-family rental revenue	134,075	-	-	134,075	80,535
Interest income - loans	85,653	-	-	85,653	42,810
Interest income - deferred loan accretion	-	-	48,671	48,671	87,284
Interest income - other	772	-	-	772	812
Loan fees	68,248	-	-	68,248	98,991
Other revenues	41,357	-	-	41,357	29,674
Net assets released from restriction	<u>697,314</u>	<u>(74,847)</u>	<u>(622,467)</u>	<u>-</u>	<u>-</u>
Total revenues and support	<u>2,370,725</u>	<u>(33,667)</u>	<u>(573,796)</u>	<u>1,763,262</u>	<u>1,817,146</u>
Expenses:					
Community land trust	402,426	-	-	402,426	376,893
Education, counseling and homeowner services	144,189	-	-	144,189	157,798
Lending services	525,330	-	-	525,330	351,356
Multi-family development	471,537	-	-	471,537	416,327
Tenant-landlord connection	<u>164,183</u>	<u>-</u>	<u>-</u>	<u>164,183</u>	<u>153,718</u>
Total program services, less cost of homes sold	1,707,665	-	-	1,707,665	1,456,092
Management and general	377,825	-	-	377,825	313,853
Fundraising	<u>94,871</u>	<u>-</u>	<u>-</u>	<u>94,871</u>	<u>104,217</u>
Total expenses	<u>2,180,361</u>	<u>-</u>	<u>-</u>	<u>2,180,361</u>	<u>1,874,162</u>
Operating income (loss)	190,364	(33,667)	(573,796)	(417,099)	(57,016)
Land cost capitalized	88,500	-	-	88,500	96,650
Grants for loan program	-	-	109,188	109,188	70,000
Loan program funds returned to government agency	(9,026)	-	-	(9,026)	(33,244)
Contributed properties	79,998	-	-	79,998	80,000
Government grant - Gateway development	200,000	-	-	200,000	-
Project costs for the Gateway development	<u>(200,000)</u>	<u>-</u>	<u>-</u>	<u>(200,000)</u>	<u>-</u>
Change in net assets	349,836	(33,667)	(464,608)	(148,439)	156,390
Net assets, beginning of year	<u>4,762,413</u>	<u>74,847</u>	<u>1,328,341</u>	<u>6,165,601</u>	<u>6,009,211</u>
Net assets, end of year	<u>\$ 5,112,249</u>	<u>\$ 41,180</u>	<u>\$ 863,733</u>	<u>\$ 6,017,162</u>	<u>\$ 6,165,601</u>

See accompanying notes to consolidated financial statements.

ONE ROOF COMMUNITY HOUSING

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

	2017										2016
	Community land trust	Education, counseling and homeowner services	Lending services	Multi-family development	Tenant-landlord connection	Total program services	Construction services	Management and general	Fundraising	Total	
Salaries	\$ 217,822	\$ 90,772	\$ 229,358	\$ 204,579	\$ 114,424	\$ 856,955	\$ 365,359	\$ 245,412	\$ 48,318	\$ 1,516,044	\$ 1,411,270
Payroll taxes	17,434	7,441	18,958	17,386	9,169	70,388	47,532	19,619	3,559	141,098	128,197
Employee benefits	29,198	15,324	34,659	30,180	17,591	126,952	61,473	36,685	7,214	232,324	230,593
	264,454	113,537	282,975	252,145	141,184	1,054,295	474,364	301,716	59,091	1,889,466	1,770,060
Professional fees	8,999	2,658	16,996	5,662	2,931	37,246	-	18,181	6,592	62,019	74,180
Office supplies	1,232	580	2,175	1,198	1,083	6,268	3,256	2,674	345	12,543	12,637
Postage	2,124	882	2,283	1,858	2,438	9,585	-	5,587	3,090	18,262	26,439
Occupancy and utilities	5,295	2,683	7,801	5,540	3,125	24,444	8,757	7,215	1,334	41,750	32,572
Telephone and IT	13,090	5,895	23,694	12,147	6,825	61,651	2,866	9,102	2,983	76,602	63,928
Depreciation	3,637	1,843	4,823	31,348	2,147	43,798	4,868	3,954	917	53,537	46,505
Travel and training	5,071	4,623	2,864	3,541	541	16,640	5,181	8,150	863	30,834	40,013
Bad debt expense	-	-	-	-	-	-	-	-	-	-	4,000
Property acquisition	555,500	-	-	-	-	555,500	-	-	-	555,500	947,745
Construction costs	2,047,495	-	-	-	-	2,047,495	965,425	-	-	3,012,920	1,741,252
Other development costs	241,493	-	-	-	-	241,493	-	-	-	241,493	222,706
Funds returned to government agency	-	-	9,026	-	-	9,026	-	-	-	9,026	33,244
Homeowner support	30,151	6,172	3,258	103	-	39,684	-	-	-	39,684	33,967
Insurance	3,185	772	3,550	7,323	899	15,729	19,106	8,346	384	43,565	35,655
Interest / bank fees	16,118	101	57,992	4,925	-	79,136	-	7,860	299	87,295	30,093
Marketing	4,245	3,587	7,512	1,507	1,944	18,795	291	2,435	11,051	32,572	42,538
Membership	7,089	243	1,847	500	281	9,960	-	268	166	10,394	11,649
Board	665	337	800	696	393	2,891	1,089	835	166	4,981	7,458
Multifamily project operating expenses	-	-	-	142,314	-	142,314	-	-	-	142,314	104,764
Allowance for Gateway loan	-	-	-	200,000	-	200,000	-	-	-	200,000	-
Discount on new deferred loans	-	-	96,546	-	-	96,546	-	-	-	96,546	26,285
Event expenses	145	74	175	152	86	632	-	125	6,458	7,215	25,683
Other	36,926	202	10,039	578	306	48,051	11,152	1,377	1,132	61,712	59,660
Total expenses	3,246,914	144,189	534,356	671,537	164,183	4,761,179	1,496,355	377,825	94,871	6,730,230	5,393,033
Reclassify Common Ground expenses related to One Roof projects	872,054	-	-	-	-	872,054	(872,054)	-	-	-	-
Eliminate construction costs paid to Common Ground by One Roof	(929,598)	-	-	-	-	(929,598)	-	-	-	(929,598)	(1,111,455)
Expenses netted against revenues or reported as nonoperating:											
Cost of homes sold	(2,875,444)	-	-	-	-	(2,875,444)	-	-	-	(2,875,444)	(2,240,212)
Construction services expense	-	-	-	-	-	-	(624,301)	-	-	(624,301)	(230,610)
Land cost capitalization	88,500	-	-	-	-	88,500	-	-	-	88,500	96,650
Project costs for the Gateway development	-	-	-	(200,000)	-	(200,000)	-	-	-	(200,000)	-
Loan program funds returned to government agency	-	-	(9,026)	-	-	(9,026)	-	-	-	(9,026)	(33,244)
Expenses reported in expense section of the statement of activities	\$ 402,426	\$ 144,189	\$ 525,330	\$ 471,537	\$ 164,183	\$ 1,707,665	\$ -	\$ 377,825	\$ 94,871	\$ 2,180,361	\$ 1,874,162
% of expense (after reclassification and elimination of Common Ground expenses) Note 2:											
2017	55%	2%	9%	12%	3%	81%	11%	6%	2%	100%	
2016	60%	4%	8%	10%	4%	86%	5%	7%	2%	100%	

See accompanying notes to consolidated financial statements.

ONE ROOF COMMUNITY HOUSING

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

Increase (Decrease) in Cash

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ (148,439)	\$ 156,390
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	53,537	46,505
Loss on sale of equipment	7,123	-
Grants for loan program	(109,188)	(70,000)
Contributed properties	(79,998)	(80,000)
Changes in discount on deferred loans receivable	47,875	(60,999)
Funds returned to government agency for loan program	9,026	33,244
Bad debt expense	-	4,000
Allowance for Gateway loan	200,000	-
Changes in operating assets and liabilities:		
Receivables	(30,254)	162,831
Prepaid expenses	(12,988)	(3,847)
Properties under development and for sale	(749,525)	(903,881)
Land held in trust	(88,500)	(96,650)
Accounts payable	(92,591)	198,351
Accrued expenses	25,056	(3,003)
Deferred revenue	(446,011)	547,547
Borrower escrows	6,243	(11,663)
Other liabilities	76,889	(37,425)
Net cash from operating activities	(1,331,745)	(118,600)
Cash flows from investing activities:		
Decrease (increase) in cash restricted for loan programs	(483,729)	85,633
Issuance of loans receivable	(954,280)	(435,180)
Collection of loans receivable	230,926	220,386
Multi-family properties under development	(154,090)	-
Purchase of multi-family property	-	(490,000)
Purchase of leasehold improvements and equipment	(13,824)	(16,540)
Net cash from investing activities	(1,374,997)	(635,701)
Cash flows from financing activities:		
Grants for loan program	109,188	70,000
Grants for multi-family properties under development	46,000	-
Change in operating line of credit, net	-	(75,000)
Funds returned to government agency for loan program	(9,026)	(33,244)
Proceeds from issuance of debt	3,156,266	2,230,565
Repayment of debt	(749,674)	(697,125)
Net cash from financing activities	2,552,754	1,495,196
Net increase (decrease) in cash	(153,988)	740,895
Cash, beginning of year	1,692,827	951,932
Cash, end of year	\$ 1,538,839	\$ 1,692,827
Reconciliation of cash to statement of financial position:		
Cash	\$ 599,557	\$ 1,011,206
Cash designated for programs	939,282	681,621
	\$ 1,538,839	\$ 1,692,827
Cash paid for interest expense	\$ 75,789	\$ 62,733
Noncash investing activities:		
Contributed properties	\$ 79,998	\$ 80,000

See accompanying notes to consolidated financial statements.

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

1. ORGANIZATION

One Roof Community Housing and subsidiaries (One Roof) is a nonprofit, membership and community based organization serving Duluth, MN and the surrounding communities whose mission statement is “*enriching lives and communities, one home at a time*”. One Roof makes home a better place by helping lower income people find and fix their homes, and by providing housing development services to the community. This work results in better places for lower income people in the community to live and stronger neighborhoods.

One Roof employs the following lines of business as it works to make a home a better place:

Community Land Trust (CLT) Program: One Roof develops CLT homes for purchase by low-to-moderate income households to ensure affordable homeownership opportunities will exist in our community for future generations. Due to resale restrictions in One Roof’s Land Lease, whenever CLT homes are sold in the future, they will be affordable to and available exclusively for low-to-moderate income households, ensuring a supply of permanently-affordable homes in One Roof communities. The Resale Formula also provides for a percentage share in the appreciation of the property (25%) for the homeowner. Thus, CLT buyers will be able to build equity and receive a share in the appreciation of their homes when sold, AND the homes will be affordable to the next low-to-moderate income buyer.

Homebuyer Education and Counseling: Homestretch classes and pre/post purchase counseling and education to ensure that lower income homeowners are prepared to be successful in their homeownership endeavors. Homestretch classes are offered 14 times per year.

Lending Services:

Single Family Home Lending: One Roof provides a variety of below market rate home renovation lending products to revitalize our community’s aging housing stock and ensure the success of our lower income homeowners. One Roof also provides down payment and closing cost assistance loans for lower income buyers who have attended Homebuyer Education classes and are purchasing in Duluth.

Multifamily Housing Rehabilitation Lending: One Roof provides access to lending products to revitalize our community’s aging housing stock and provide quality, affordable rental housing for lower income households.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

1. ORGANIZATION (Continued)

Multifamily Housing Development Services: One Roof provides turn-key housing development services for affordable rental housing owners, managers and service providers to provide affordable rental housing opportunities and prevent homelessness of lower income households in the One Roof community.

Tenant-Landlord Connection (TLC) Program: One Roof provides education, information, and problem solving assistance as a way to improve tenant-landlord relations and decrease the amount of housing evictions in our community. The mission of TLC is to ensure that stable rental housing exists by educating existing and potential landlords and tenants regarding their respective rights and responsibilities and by mediating disputes between landlords and tenants.

The primary sources of revenue and support are contributions, government grants, earned fees for single family and multifamily developments, loan origination fees and loan interest income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The consolidated financial statements include One Roof Community Housing and its wholly owned subsidiaries: One Roof Community Realty, LLC; One Roof Community Lending (Neighborhood Housing Services of Duluth, Inc. (NHS)); and Common Ground Deconstruction Service & Reuse Center, LLC (Common Ground). Significant inter-entity accounts and transactions have been eliminated.

One Roof Community Realty, LLC was formed to sell houses developed by One Roof Community Housing. One Roof Community Lending conducts down payment and renovation loan services. Common Ground is the general contractor for One Roof's houses and also provides construction services to third parties.

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.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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.

In its statement of activities, One Roof includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Nonoperating support, revenues, gains and losses includes amounts for which there are no corresponding expenses such as grants for loan programs and contributed properties. Nonoperating activities also include revenue and expenses relating to multifamily development activity.

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 estimated total costs on uncompleted contracts, provision for losses on construction contracts, allowance for loan losses, discount on deferred loans, and functional expense allocations.

Cash and 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.

Cash designated for programs consists of \$899,862 related to the CLT program, \$5,845 related to the Multifamily Housing program and \$33,575 related to other programs at December 31, 2017, and \$648,364 related to the CLT program, \$7,401 related to the Multifamily Housing program and \$25,856 related to other programs at December 31, 2016.

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. At December 31, 2017 and 2016, deposits exceeded the insured limit by \$1,116,000 and \$1,678,000.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

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 and multi-family project developer fees.

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 \$10,000 at December 31, 2017 and 2016. 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 30 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 reflect the present value of expected cash flows. The discount is based upon an interest rate comparable to the annual treasury long term rate in the year loans are originated (5% - 5.22%) and the initial term of the loan (20 to 30 years). The discount is calculated using the weighted average term of the outstanding loans which is 22.5 years in 2017 and 23.5 years in 2016. The loans are due upon the earlier of sale of the property or the maturity date of the note (20 to 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 reflect the present value of expected cash flows using an interest rate of 5% and an estimated 30 year term.

In addition to amortizing, deferred, and due on sale 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 amortizing loans is calculated using the simple interest method on the principal amount outstanding. Starting in 2017, interest is recorded when earned.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

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 - 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 included in cost of homes sold, and 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. One Roof records an allowance when costs are not expected to be recovered from combined proceeds of sales and subsidies. No allowance was recorded in 2017 or 2016.

Multifamily Rental Property, Leasehold Improvements and Equipment - Multifamily rental property, leasehold improvements and equipment are recorded at cost or fair value on the date of contribution. Multifamily rental property, leasehold improvements and equipment are depreciated using the straight line method over the following periods.

Land improvements	15 years
Buildings	20 years
Leasehold improvements	5 years
Equipment	3-7 years

The cost of maintenance and repairs is expensed as incurred and significant renewals and betterments are capitalized.

In the absence of explicit donor restrictions regarding how long the donated or acquired assets must be used, One Roof reports expiration of donor restrictions when the donated or acquired assets are placed in service.

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. Home owners pay a monthly fee for use of the land which is recorded as land lease revenues when paid.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in LLCs - One Roof has 50% interests in Hillside Development Duluth, LLC and Gateway Redeveloper, LLC (the LLCs). The LLCs are the managing general partners of Hillside Apartments Duluth, LLLP and Gateway Properties, LLLP (Note 5). One Roof is not the controlling general partner. Since these investments are intended to be short term and One Roof does not have significant influence over the entities, the LLC and general partnership interests are recorded at the lower of cost or fair value (\$0 as of December 31, 2017 and 2016).

Impairment - Management assesses long-lived assets for impairment when conditions warrant. No impairment was recognized in 2017 or 2016.

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.

Conditional promises are recorded as deferred revenue when received before the conditions are met.

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 2017 or 2016.

Contributed Materials - Contributed materials are recorded as contributions, when received, at their fair value. Contributed real estate valued at \$79,998 and special event materials and supplies of \$30 were recognized in 2017. Contributed real estate valued at \$80,000, special event materials and supplies of \$15,999, room rental of \$700, and advertising of \$2,600 were recognized in 2016.

Government Grants - Government grants received for property acquisition and renovation are recorded as deferred revenue until the time of sale or the date placed in service from multi-family properties. At the time of sale or the date placed in service the funds are recorded as grant revenue.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

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. Grants for 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. Repayments to the funder are reported as "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.

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.

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.

Construction Revenues - Revenues from fixed price construction contracts are recognized on the percentage of completion method, measured on the basis of direct incurred costs to estimated total costs for each contract. This cost to cost method is used because management considers it to be the best available measure of progress on these contracts.

Estimated costs to complete long-term contracts may be adjusted as more current information becomes available, and any adjustment could be significant.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Construction services expense includes all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs, and depreciation costs. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability, including those arising from contract penalty provisions, and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined. The asset, "costs and estimated earnings in excess of billings", represents revenues on uncompleted contracts recognized in excess of amounts billed. The liability, "billings in excess of costs and estimated earnings", represents billings on uncompleted contracts in excess of revenues recognized.

Inter-entity construction revenues and profits are eliminated.

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.

Forgivable Loans - Forgivable loans payable 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.

The allocation percentages on the schedule of functional expense are calculated based on total expenses less the lines which reclassify Common Ground expenses related to One Roof project and eliminate construction costs paid to Common Ground by One Roof and other inter-entity expenses.

Income Taxes - One Roof Community Housing 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 there was no unrelated business income in 2017 or 2016. The Organization believes that it has appropriate support for any tax positions taken, and accordingly, does not have any uncertain tax positions that are material to the financial statements.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

One Roof Community Lending is classified as a 501(c)(3) tax-exempt organization, and is subject to income taxes only on net unrelated business income. The activity of One Roof Community Lending is included in the One Roof Community Housing income tax return.

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, 2016.

Reclassifications - Reclassifications were made to the 2016 financial statements to be consistent with the current year financial statements. These reclassifications did not affect net assets or the change in net assets.

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable as of December 31, 2017 are due in 2018.

4. LOANS RECEIVABLE

Loans receivable by portfolio consist of the following:

	2017	2016
Amortizing mortgages	\$ 1,889,074	\$ 1,148,092
Deferred loans	1,134,018	1,074,245
Due on sale loans	117,878	120,228
Total loans receivable	3,140,970	2,342,565
Less discount on deferred and due on sale loans	(853,462)	(805,587)
Less allowance for loan losses	(42,040)	(42,040)
Total loans receivable, net	2,245,468	1,494,938
Less current portion	(166,500)	(75,400)
Noncurrent portion	\$ 2,078,968	\$ 1,419,538

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

4. LOANS RECEIVABLE (Continued)

The entire allowance for loan losses and all write offs are related to the amortizing mortgages. Activity in the allowance for loan losses was as follows:

	2017	2016
Beginning balance	\$ 42,040	\$ 42,040
Loans charged off	-	(4,000)
Provision for losses	-	4,000
	\$ 42,040	\$ 42,040
Ending balance	\$ 42,040	\$ 42,040

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

	2017				2016
	Amortizing mortgages	Deferred loans	Due on sale loans	Total	
Current	\$ 1,798,559	\$ -	\$ -	\$ 1,798,559	\$ 1,068,865
31 - 60 days	50,819	-	-	50,819	71,753
61 - 90 days	2,607	-	-	2,607	7,474
Over 90 days	37,089	-	-	37,089	-
Due on maturity	-	1,134,018	117,878	1,251,896	1,194,473
Total	\$ 1,889,074	\$ 1,134,018	\$ 117,878	\$ 3,140,970	\$ 2,342,565

Other information as of December 31, 2017:

- Management has evaluated loans individually and has determined that there are no impaired loans.
- One Roof does not have a policy for placing loans on non-accrual status.
- There were no significant changes in accounting policies used to measure the allowance for loan losses.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

5. LOANS RECEIVABLE - OTHER

One Roof has made a commitment to loan \$819,457 to Hillside Apartments Duluth, LLLP payable in December 2045 with interest at 3%. At December 31, 2017 and 2016, \$733,356 has been advanced. The loan is funded by contributions and grants from the Federal Home Loan Bank, NeighborWorks America, Minnesota Power, and the Local Initiatives Support Corporation (LISC).

At December 31, 2017, One Roof has a \$200,000 loan receivable from Gateway Properties, LLLP payable in November 2046 with interest at 6%. The loan is funded by a grant from the City of Duluth using Community Development Brock Grant (CDBG) funds.

An allowance has been recorded for the full amount of the loans due to the likelihood that the loans will not be collected. Interest, due at maturity, will be recorded as revenue when received.

6. PROPERTIES UNDER DEVELOPMENT

Properties under development consist of the following:

	2017	2016
Houses under development and for sale –		
9 in 2017 and 7 in 2016	\$ 979,512	\$ 587,808
Grand Marais - 11 in 2017 and 11 in 2016	1,048,798	234,118
Jay Street - 4 in 2017 and 9 in 2016	1,339,231	1,771,479
Multi-family development:		
Brewery Creek	10,417	-
Decker Road	129,243	-
Lutsen Apartments	47,441	10,062
Other	15,018	14,257
Vacant lots held for development –		
3 in 2017 and 4 in 2016	60,879	29,202
	<u>\$ 3,630,539</u>	<u>\$ 2,646,926</u>

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

7. LEASEHOLD IMPROVEMENTS AND EQUIPMENT

Leasehold improvements and equipment consists of the following:

	2017	2016
Equipment	\$ 217,835	\$ 213,303
Leasehold improvements	32,261	32,261
Less accumulated depreciation	(181,829)	(158,004)
	<u>\$ 68,267</u>	<u>\$ 87,560</u>

8. MULTIFAMILY RENTAL PROPERTY

Multifamily rental property consists of the following:

	2017	2016
Building – SOL House	\$ 105,312	\$ 105,312
Building – Brewery Creek	416,100	416,100
Land – Brewery Creek	73,900	73,900
Land improvements	13,992	13,992
Equipment	2,694	2,694
Less accumulated depreciation	(50,347)	(22,804)
	<u>\$ 561,651</u>	<u>\$ 589,194</u>

SOL House is leased to Life House for a five year term beginning June 2015. Minimum future lease payments for SOL House consist of \$24,000 annually in 2018 and 2019 and \$9,000 in 2020. The land for Sol House is included in land held in trust.

Brewery Creek Apartments are leased to residential tenants under one year leases while management works on redeveloping the property and surrounding properties.

9. 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 292 lots at December 31, 2017 and 289 at December 31, 2016.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

10. **DEBT**

Debt consists of the following:

	2017	2016
Greater Minnesota Housing Fund	\$ 930,297	\$ 400,000
MHFA CRV Funds	560,000	427,875
Local Initiatives Support Corporation (LISC)	233,356	118,000
City of Duluth HIF	218,242	218,242
Duluth HRA	46,258	14,258
U.S. Bancorp CDC	250,000	250,000
Wells Fargo CDC	50,000	100,000
North Shore Bank	525,449	319,732
National Bank of Commerce	374,905	386,872
Propel Nonprofits	107,033	134,690
MMCDC	1,720,515	1,039,258
Members Cooperative Credit Union	91,362	-
NeighborWorks Capital LOC	708,102	-
	5,815,519	3,408,927
Less current maturities	(1,810,091)	(929,808)
	\$ 4,005,428	\$ 2,479,119

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

- GMHF - ELLP loan – \$1,400,000 commitment for working capital and investment/project capital. Advances bear interest at 5%. Interest payments are due quarterly until May 10, 2020, when all outstanding principal and interest is due. One Roof has an option to extend the note for an additional two year term. The outstanding balance was \$930,297 at December 31, 2017. Secured by two Jay Street properties, and may change from time to time.
- \$550,000 commitment for working capital and investment/project capital. Advances bear interest at 4%. The balance was repaid by the new GMHF - ELLP loan. The outstanding balance was \$400,000 at December 31, 2016.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

10. DEBT (Continued)

MHFA CRV funds - \$560,000 note payable to the Minnesota Housing Finance Agency (MHFA) under the Community Revitalization Fund Program (CRV) due in December 2018.

- \$230,000 is for construction financing with interest at 2%, unsecured. The outstanding balance was \$230,000 at December 31, 2017 and 2016. Due in December 2018.
- \$330,000 is for a MHFA pilot program that provides low-interest interim loans to acquire, demolish, rehabilitate or construct homes for owner-occupants per the loan modification. The outstanding balance was \$330,000 and \$197,875 at December 31, 2017 and 2016. Due in December 2018.

LISC - One Roof has recoverable grants and project investments (forgivable loans) without interest, as summarized below:

- \$20,000 recoverable grant for the 115 East 7th Street property due on sale of the property or July 1, 2018. Secured by the property. The outstanding balance was \$20,000 at December 31, 2017 and 2016.
- \$98,000 project investment for Brewery Creek due on the close of the construction financing or July 31, 2019. Secured by the property. The outstanding balance was \$98,000 at December 31, 2017 and 2016.
- \$45,000 project investment for Brewery Creek due on the close of the construction financing or June 30, 2019. Secured by the property. There were no advances at December 31, 2017.
- \$46,500 project investment for the Bergman Building redevelopment due on the close of the construction financing or August 31, 2019. The outstanding balance was \$46,500 at December 31, 2017.
- \$50,000 project investment for Decker Road development due on the close of the construction financing or June 30, 2019. Secured by the property. The outstanding balance was \$39,856 at December 31, 2017.
- \$50,000 project investment for developing a new Community Land Trust workforce home (Kolstad project) due on the close of the construction financing or October 31, 2019. Secured by the property. The outstanding balance was \$29,000 at December 31, 2017.

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.
- \$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, 2017
(With Comparative Totals for 2016)

10. DEBT (Continued)

Duluth HRA - One Roof has notes payable to the Duluth Housing and Redevelopment Authority (HRA). These loans are summarized below:

- \$26,228 note payable to the Duluth HRA with no interest. Proceeds are to be used for predevelopment expenses for the Harbor Highlands predevelopment project. The outstanding balance was \$14,258 at December 31, 2017 and 2016. The project was abandoned in 2016. The City forgave this note in 2018.
- \$32,000 note payable to the Duluth HRA with no interest. Proceeds are to be used for the acquisition of 2833 Snowy Owl predevelopment project. The outstanding balance was \$32,000 at December 31, 2017. Payment is due the earlier of July 21, 2047, the date the property is sold, or the date the debt for the property is refinanced.

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 had an initial maturity date in October 2016, but was extended an additional two years to October 2018. Quarterly principal payments of \$12,500 plus interest are due through October 2018. Unsecured. The note was repaid in January 2018.

North Shore Bank – One Roof has notes payable to North Shore Bank. These loans are summarized below:

- \$450,000 commitment to provide financing through July 31, 2018. Individual loans provided under this commitment have a 9 month term and bear interest at the prime rate plus 1%, not to be less than 5%. The loans are secured by the related property. Interest only payments are required until the principal is due at the maturity for the individual loans. 6 and 2 individual loans were outstanding at December 31, 2017 and 2016, respectively. The outstanding balance was \$350,615 and \$207,924 at December 31, 2017 and 2016.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

10. DEBT (Continued)

- 2 mortgages payable for acquisition and rehabilitation of the SOL House. The outstanding balance was \$99,834 and \$111,808 at December 31, 2017 and 2016.
 - \$108,000 note payable with interest at 4.5%. Monthly principal and interest payments of \$1,123 are due through May 27, 2020. Secured by the SOL House property.
 - \$27,000 note payable with interest at 4.75%. Monthly principal and interest payments of \$284 are due through May 27, 2020. Secured by the SOL House property and guaranteed by Northland Foundation.
- Mortgage of \$75,000 for the acquisition of the Decker Road property with interest at 4%. Monthly interest is due through August 10, 2019, when the total outstanding principal and interest are due. The outstanding balance was \$75,000 at December 31, 2017.

National Bank of Commerce - \$392,000 mortgage payable to National Bank of Commerce for acquisition of Brewery Creek Apartments with interest at 5%. Monthly principal and interest payments of \$2,607 are due through June 5, 2021. Secured by the Brewery Creek property.

Propel Nonprofits - \$150,000 note payable to Propel Nonprofits, formerly known as Nonprofits Assistance Fund, with interest at 5.5%. Monthly principal and interest payments of \$2,866 are due through May 31, 2021. These monthly payments are made by Common Ground, but flow through One Roof to the lender. Unsecured.

MMCDC - \$2,000,000 commitment to provide financing of up to \$1,100,000 for new home construction, or acquisition and rehabilitation, and a revolving loan fund, and \$900,000 for home improvement loans.

Individual loans provided for new home construction, or acquisition and rehabilitation, and a revolving loan fund bear interest at 3%. Principal and accrued interest are due either 3 years after the date of the note or upon sale of the home, whichever occurs first. The loans are secured by the related property. Five individual loans totaling \$820,582 and \$939,325 are outstanding at December 31, 2017 and 2016.

Individual loans provided for home improvement loans have a term of 15 years and bear interest at 3%. Principal and accrued interest are due at maturity of the individual loans. The loans are secured by the related loans made by One Roof. Individual loans of \$899,933 and \$99,933 are outstanding at December 31, 2017 and 2016.

Members Cooperative Credit Union - \$100,000 revolving line of credit with interest at 4%. Monthly interest payments are due through July 26, 2027, when the principal and remaining unpaid interest are due in full.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

10. DEBT (Continued)

NeighborWorks Capital LOC - \$2,000,000 revolving line of credit to be used to fund the housing development of up to 7 homes at any one time with interest at 5.5% maturing December 1, 2019. Secured by the related development properties and any rents or profits made on the properties.

Northland Foundation LOC - \$75,000 revolving line of credit with North Shore Bank with interest at 4.75% maturing March 30, 2018. Maturity was extended to June 30, 2018, in March 2018 with an amended interest rate of 5.5%. Guaranteed by Northland Foundation. There were no advances at December 31, 2017 and 2016.

Republic Bank LOC - \$500,000 unsecured revolving line of credit to be used to make loans to individuals unable to obtain traditional financing. Interest will be at a variable rate based on the Prime rate less 1.0% as long as the balance in the cash account held at Republic Bank is more than 50% of the outstanding balance. If the cash account is less than 50% of the outstanding balance, interest will be at a variable rate based on the prime rate plus 1.5%. The line of credit matures November 5, 2018. There were no advances at December 31, 2017.

Members Cooperative Credit Union LOC - \$29,000 unsecured revolving line of credit to Common Ground with interest at a variable rate based on the prime rate plus 3.0% matured July 9, 2017. The line of credit was extended to November 9, 2019 with the interest rate changing to a variable rate based on the prime rate plus 3.5% with a 4% floor and 10% ceiling. There were no advances at December 31, 2017.

Future maturities of debt are as follows:

2018	\$ 1,810,091
2019	1,874,586
2020	540,653
2021	348,652
2022	-
Thereafter	<u>1,241,537</u>
	<u>\$ 5,815,519</u>

Interest expense was \$114,103 in 2017 and \$81,400 in 2016, of which \$94,732 and \$49,537 was included in the cost of homes sold.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

11. LEASE COMMITMENTS

One Roof leases office space and office equipment under operating lease agreements. The office lease term expires December 31, 2019. Rent expense was \$19,000 in 2017 and \$10,568 in 2016. Future minimum lease payments are:

2018	\$	27,347
2019		28,103
2020		2,148
2021		179
		179
	\$	57,777

12. NET ASSETS

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

		2017		2016
Lending consultant or new employee	\$	25,000	\$	10,000
Time restricted contributions receivable		13,804		64,847
Other		2,376		-
		41,180		74,847
	\$	41,180	\$	74,847

Permanently restricted net assets consist of the following primarily restricted for loans:

		2017		2016
NeighborWorks America (NW) fund	\$	1,246,088	\$	1,762,983
CDBG funds		466,107		365,945
Homeowner relief loan fund		5,000		5,000
		1,717,195		2,133,928
	\$	1,717,195	\$	2,133,928

The permanently restricted loan funds are offset by a discount on deferred loans of \$853,462 and \$805,587 at December 31, 2017 and 2016, respectively.

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. Permanently restricted net assets would be returned to government agencies and funders if the programs were to terminate operations.

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, 2017
(With Comparative Totals for 2016)

13. 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 \$74,417 in 2017 and \$76,923 in 2016.

14. COSTS AND ESTIMATED EARNINGS ON UNCOMPLETED CONTRACTS

The following is a summary of contracts in progress at December 31:

	2017	2016
Costs incurred on uncompleted contracts	\$ 390,293	\$ -
Estimated earnings (loss) recognized	(76,675)	-
	313,618	-
Less: billings to date	(332,912)	-
Billings in excess of costs and estimated earnings	<u>\$ (19,294)</u>	<u>\$ -</u>

Common Ground Construction expects an estimated loss of \$155,000 on a single private job in progress at December 31, 2017. The total bid for this private job was \$638,000, and the estimated total cost of the project is \$793,000. A provision for future losses on this contract of \$79,700 has been reported. Several factors contributed to this loss, beginning with a bid that was not robust enough to match the scope of work, inexperienced project management, inconsistencies within the project drawings, staff turnover, difficulty finding subcontractors due to non-traditional architectural details, and weather adversity throughout the course of the project. Significant changes have been made and new policies have been implemented to prevent a similar situation from recurring in the future.

15. 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 grants used for property acquisition and renovation 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.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

15. COMMITMENTS, CONTINGENCIES AND CONCENTRATIONS (Continued)

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 95% (40%, 27%, 29%) of government grants from three agencies during 2017 and 79% (38%, 23%, 18%) of government grants from three agencies during 2016.

One Roof received 42% (29%, 13%) of contributions from two contributors during 2017 and 52% (22%, 12%, 18%) of contributions from three contributors during 2016.

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 through 2030. 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.

In 2012, One Roof sold loans with an outstanding balance of \$191,435 at the time of 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, 2017, and One Roof is still responsible for \$133,998 of the loans. \$5,744 was released from the 10% hold back in 2017 when a position of the loans met the 36 month requirement.

One Roof is responsible for warranty work for construction services. Warranty periods are typically 10 years for structural items, 2 years for mechanical items, and 1 year for workmanship items. Warranty costs have not been significant in the past and management does not expect warranty cost to be significant. No provision for possible warranty costs has been recorded in 2017 or 2016. A warranty project is expected related to the garage slabs for the Jay Street project. As of December 31, 2017, the solution for this problem has not been determined. Accordingly, no estimated liability has been recorded. One Roof expects insurance to cover a portion of these costs.

16. TRANSACTIONS WITH AFFILIATES

One Roof and Center City Housing Corp. (Center City), an unrelated Minnesota nonprofit corporation, are members of the managing general partners (the LLCs) of Hillside Apartments Duluth, LLLP (Hillside) and Gateway Properties, LLLP (Gateway).

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

16. **TRANSACTIONS WITH AFFILIATES (Continued)**

One Roof has made loans to Hillside and Gateway as described in Note 5.

One Roof has a development fee agreement with Gateway and Center City which states that One Roof will receive 50% of the developer fee of \$1,412,000 for services performed in the development of the apartments. One Roof recorded development fee revenue of \$407,687 in 2017 and \$298,063 in 2016. At December 31, 2017 and 2016, \$194,750 and \$37,528 of this development fee is recorded in accounts receivable.

One Roof has, along with Center City, provided guarantees to Hillside and Gateway's investors as to the tax credits and other benefits to be derived from the properties and guaranteed the funding of operating deficits incurred prior to expiration of fifteen years from the date of construction completion and other obligations set by the Partnership Agreements. Management expects no significant impact from these guarantees. Accordingly, no guaranty liability has been recorded.

One Roof has the right to withdraw from the LLCs after lien free construction completion of the projects. 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.

One Roof withdrew from Hillside on January 1, 2018.

17. **SUBSEQUENT EVENTS**

In January 2018, Common Ground obtained a \$35,000 unsecured line of credit with variable interest at the prime rate plus 1% maturing February 5, 2019.

In April 2018, One Roof acquired additional land for the Brewery Creek development project for \$762,000. The purchase was funded by 2018 contributions from three sources.

Management has evaluated subsequent events through June 27, 2018, the date on which the financial statements were made available for issue, and identified no further significant events or transactions to disclose.

SUPPLEMENTARY INFORMATION

ONE ROOF COMMUNITY HOUSING

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2017

	One Roof	One Roof Lending	Common Ground	Eliminations	Total
ASSETS					
Current assets:					
Cash	\$ 512,571	\$ 21,592	\$ 65,394	\$ -	\$ 599,557
Cash designated for programs	942,012	-	-	(2,730)	939,282
Accounts and grants receivable, net	324,220	26,462	38,313	-	388,995
Contributions receivable	38,804	-	-	-	38,804
Due from other division	213,118	820,582	46,738	(1,080,438)	-
Interest receivable	3,748	42,653	-	(31,173)	15,228
Loans receivable, current portion	-	166,500	-	-	166,500
Prepaid expenses	38,324	-	5,323	-	43,647
Properties under development	3,807,801	-	-	(177,262)	3,630,539
Total current assets	5,880,598	1,077,789	155,768	(1,291,603)	5,822,552
Cash restricted for loan programs	-	892,431	-	-	892,431
Investment in Common Ground	98,780	-	-	(98,780)	-
Loans receivable - net, less current portion	-	2,078,968	-	-	2,078,968
Leasehold improvements and equipment, net	57,725	-	10,542	-	68,267
Multifamily rental property, net	561,651	-	-	-	561,651
Land held in trust	3,930,325	-	-	-	3,930,325
Total assets	\$ 10,529,079	\$ 4,049,188	\$ 166,310	\$ (1,390,383)	\$ 13,354,194
LIABILITIES AND NET ASSETS					
Current liabilities:					
Current maturities of long-term debt	\$ 1,510,091	\$ 300,000	\$ -	\$ -	\$ 1,810,091
Accounts payable	130,049	9,655	131,182	(30,225)	240,661
Accrued payroll and related taxes	184,531	-	32,038	-	216,569
Accrued interest	45,591	27,631	-	(27,425)	45,797
Billings in excess of costs and estimated earnings	-	-	25,479	(6,185)	19,294
Provision for loss on construction contract	-	-	79,700	-	79,700
Deferred revenue	495,293	-	-	-	495,293
Committed loans	-	392,691	-	-	392,691
Borrower escrows	-	8,401	-	-	8,401
Other current liabilities	-	23,107	-	-	23,107
Due to other division	869,664	31,056	155,585	(1,056,305)	-
Total current liabilities	3,235,219	792,541	423,984	(1,120,140)	3,331,604
Long-term debt, less current maturities	2,130,309	1,875,119	-	-	4,005,428
Total liabilities	5,365,528	2,667,660	423,984	(1,120,140)	7,337,032
Net assets:					
Unrestricted	728,038	686,803	(257,674)	(270,243)	886,924
Board designated - operating reserve	295,000	-	-	-	295,000
Board designated - land held in trust	3,930,325	-	-	-	3,930,325
Total unrestricted	4,953,363	686,803	(257,674)	(270,243)	5,112,249
Temporarily restricted	16,180	25,000	-	-	41,180
Permanently restricted	194,008	1,523,187	-	-	1,717,195
Less discount on deferred loans	-	(853,462)	-	-	(853,462)
Net permanently restricted	194,008	669,725	-	-	863,733
Total net assets	5,163,551	1,381,528	(257,674)	(270,243)	6,017,162
Total liabilities and net assets	\$ 10,529,079	\$ 4,049,188	\$ 166,310	\$ (1,390,383)	\$ 13,354,194

See independent auditor's report.

ONE ROOF COMMUNITY HOUSING

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2017

	One Roof	One Roof Lending	Common Ground	Eliminations	Total
Revenues and support:					
Contributions - development	\$ 176,067	\$ -	\$ -	\$ -	\$ 176,067
Government grants and contracts - development	978,589	-	-	-	978,589
Sales of homes	1,861,050	-	-	-	1,861,050
Less cost of homes sold	<u>(2,932,988)</u>	<u>-</u>	<u>-</u>	<u>57,544</u>	<u>(2,875,444)</u>
Development fees - single family, net	82,718	-	-	57,544	140,262
Development fees - multi-family	407,687	-	-	-	407,687
Construction revenues	-	-	1,503,558	(1,009,830)	493,728
Less provision for loss on construction contracts	-	-	(79,700)	-	(79,700)
Less construction services expense	<u>-</u>	<u>-</u>	<u>(1,416,655)</u>	<u>872,054</u>	<u>(544,601)</u>
Construction revenues, net	-	-	7,203	(137,776)	(130,573)
Contributions - operating	130,031	25,000	30,000	(30,000)	155,031
Contributions - noncash	30	-	-	-	30
Special events	26,060	-	-	-	26,060
Government grants and contracts - operating	312,166	294,686	-	-	606,852
Resale fees	16,229	-	-	-	16,229
Real estate sales commissions	63,938	-	-	-	63,938
Land lease revenues	98,970	-	-	-	98,970
Multi-family rental revenue	134,075	-	-	-	134,075
Interest income - loans	6,846	118,732	-	(39,925)	85,653
Interest income - deferred loan accretion	-	48,671	-	-	48,671
Interest income - other	661	111	-	-	772
Loan fees	-	68,248	-	-	68,248
Other revenues	46,249	-	5,414	(10,306)	41,357
Total revenues and support	<u>1,325,660</u>	<u>555,448</u>	<u>42,617</u>	<u>(160,463)</u>	<u>1,763,262</u>
Expenses:					
Program services	1,182,335	525,330	-	-	1,707,665
Management and general	211,220	-	203,443	(36,838)	377,825
Fundraising	94,871	-	-	-	94,871
Total program services, less cost of homes sold	<u>1,488,426</u>	<u>525,330</u>	<u>203,443</u>	<u>(36,838)</u>	<u>2,180,361</u>
Operating income (loss)	<u>(162,766)</u>	<u>30,118</u>	<u>(160,826)</u>	<u>(123,625)</u>	<u>(417,099)</u>
Land cost capitalized	88,500	-	-	-	88,500
Grants for loan program	-	109,188	-	-	109,188
Loan program funds returned to government agency	-	(9,026)	-	-	(9,026)
Contributed properties	79,998	-	-	-	79,998
Transfer	24,009	(24,009)	-	-	-
Government grant - Gateway development	200,000	-	-	-	200,000
Project costs for the Gateway development	<u>(200,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(200,000)</u>
Change in net assets	<u>29,741</u>	<u>106,271</u>	<u>(160,826)</u>	<u>(123,625)</u>	<u>(148,439)</u>
Net assets, beginning of year	<u>5,133,810</u>	<u>1,275,257</u>	<u>(96,848)</u>	<u>(146,618)</u>	<u>6,165,601</u>
Net assets, end of year	<u>\$ 5,163,551</u>	<u>\$ 1,381,528</u>	<u>\$ (257,674)</u>	<u>\$ (270,243)</u>	<u>\$ 6,017,162</u>

See independent auditor's report.

ONE ROOF COMMUNITY HOUSING

STATEMENTS OF FUNCTIONAL EXPENSES BY ENTITY

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

	One Roof and One Roof Lending					Common Ground			
	2017					2017			
	Program services	Management and general	Fundraising	Total expenses	2016	Program services	Management and general	Total expenses	2016
Salaries	\$ 856,955	\$ 105,450	\$ 48,318	\$ 1,010,723	\$ 922,772	\$ 365,359	\$ 139,962	\$ 505,321	\$ 499,498
Payroll taxes	70,388	8,999	3,559	82,946	68,313	47,532	10,620	58,152	59,884
Employee benefits	126,952	21,245	7,214	155,411	138,461	61,473	15,440	76,913	92,132
Total salary	1,054,295	135,694	59,091	1,249,080	1,129,546	474,364	166,022	640,386	651,514
Professional fees	37,246	5,291	6,592	49,129	66,805	-	12,890	12,890	7,375
Office supplies	6,268	1,408	345	8,021	8,257	3,256	1,266	4,522	4,380
Postage	9,585	5,587	3,090	18,262	26,439	-	-	-	-
Occupancy and utilities	24,444	3,809	1,334	29,587	20,804	8,757	3,406	12,163	11,768
Telephone and IT	61,651	7,987	2,983	72,621	60,198	2,866	1,115	3,981	3,730
Depreciation	43,798	2,061	917	46,776	41,115	4,868	1,893	6,761	5,390
Travel and training	16,640	5,567	863	23,070	33,642	5,181	2,583	7,764	6,371
Bad debt expense	-	-	-	-	4,000	-	-	-	-
Property acquisition	555,500	-	-	555,500	947,745	-	-	-	-
Construction costs	2,047,495	-	-	2,047,495	1,070,004	-	-	-	-
Other development costs	241,493	-	-	241,493	222,706	-	-	-	-
Direct materials	-	-	-	-	-	320,939	-	320,939	213,796
Subcontractor costs	-	-	-	-	-	504,774	-	504,774	410,671
Other construction costs	-	-	-	-	-	60,012	-	60,012	46,781
Provision for loss	-	-	-	-	-	79,700	-	79,700	-
Funds returned to government agency	9,026	-	-	9,026	33,244	-	-	-	-
Homeowner support	39,684	-	-	39,684	33,967	-	-	-	-
Insurance	15,729	916	384	17,029	14,740	19,106	7,430	26,536	20,915
Interest / bank fees	79,136	7,860	299	87,295	33,443	-	6,838	6,838	8,513
Marketing	18,795	2,435	11,051	32,281	42,269	291	-	291	269
Membership	9,960	268	166	10,394	11,649	-	-	-	-
Board	2,891	835	166	3,892	6,082	1,089	-	1,089	1,376
Multifamily project operating expenses	142,314	-	-	142,314	104,764	-	-	-	-
Allowance for Gateway loan	200,000	-	-	200,000	-	-	-	-	-
Discount on new deferred loans	96,546	-	-	96,546	26,285	-	-	-	-
Event expenses	632	125	6,458	7,215	25,683	-	-	-	-
Other	48,051	31,377	1,132	80,560	50,926	11,152	-	11,152	8,734
Total expenses	4,761,179	211,220	94,871	5,067,270	4,014,313	1,496,355	203,443	1,699,798	1,401,583
Expenses netted against revenues or reported as nonoperating:									
Cost of homes sold	(2,932,988)	-	-	(2,932,988)	(2,337,105)	-	-	-	-
Construction services expense	-	-	-	-	-	(624,301)	-	(624,301)	(230,610)
Land cost capitalization	88,500	-	-	88,500	96,650	-	-	-	-
Project costs for the Gateway development	(200,000)	-	-	(200,000)	-	-	-	-	-
Loan program funds returned to government agency	(9,026)	-	-	(9,026)	(33,244)	-	-	-	-
Total	\$ 1,707,665	\$ 211,220	\$ 94,871	\$ 2,013,756	\$ 1,740,614	\$ 872,054	\$ 203,443	\$ 1,075,497	\$ 1,170,973

See independent auditor's report.

ONE ROOF COMMUNITY HOUSING

COMPARATIVE STATEMENTS OF FINANCIAL POSITION - COMMON GROUND

December 31, 2017 and 2016

	2017	2016
ASSETS		
Current assets:		
Cash	\$ 65,394	\$ 225,795
Accounts receivable, net	38,313	136
Due from One Roof	46,738	189,086
Prepaid expenses	5,323	5,323
Total current assets	155,768	420,340
Equipment, net	10,542	19,084
Total assets	\$ 166,310	\$ 439,424
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 131,182	\$ 86,334
Accrued payroll and related taxes	32,038	30,551
Billings in excess of costs and estimated earnings	25,479	36,674
Provision for loss on construction contract	79,700	-
Due to One Roof	155,585	382,713
Total current liabilities	423,984	536,272
Unrestricted net assets	(257,674)	(96,848)
Total liabilities and net assets	\$ 166,310	\$ 439,424

See independent auditor's report.

ONE ROOF COMMUNITY HOUSING

COMPARATIVE STATEMENTS OF ACTIVITIES -
COMMON GROUND

For the Years Ended December 31, 2017 and 2016

	2017	2016
Revenues and support:		
Contributions - operating	\$ 30,000	\$ -
Construction revenues	1,503,558	1,341,741
Other revenues	5,414	13,415
	1,538,972	1,355,156
Expenses:		
Construction services	1,496,355	1,245,172
Management and general	203,443	156,411
	1,699,798	1,401,583
Change in net assets	(160,826)	(46,427)
Net assets, beginning of year	(96,848)	(50,421)
Net assets, end of year	\$ (257,674)	\$ (96,848)

See independent auditor's report.

ONE ROOF COMMUNITY HOUSING

COMPARATIVE STATEMENTS OF FINANCIAL POSITION - NEIGHBORHOOD HOUSING SERVICES OF DULUTH, INC. DBA ONE ROOF COMMUNITY LENDING

December 31, 2017
(With Comparative Totals for 2016)

	2017	2016
ASSETS		
Current assets:		
Cash	\$ 21,592	\$ 885
Accounts receivable	26,462	14,907
Interest receivable	42,653	3,841
Loans receivable, current portion	166,500	75,400
Other current assets	-	38,955
Total current assets	257,207	133,988
Cash restricted for loan programs	892,431	408,702
Loans receivable - net, less current portion	2,899,550	2,358,863
Total assets	\$ 4,049,188	\$ 2,901,553
LIABILITIES AND NET ASSETS		
Liabilities:		
Current maturities of long-term debt	\$ 300,000	\$ 300,000
Accounts payable	9,655	-
Accrued payroll and related taxes	-	4,945
Accrued interest	27,631	3,841
Committed loans	392,691	117,640
Borrower escrows	8,401	2,158
Other current liabilities	23,107	45,212
Due to other division	31,056	-
Total current liabilities	792,541	473,796
Long-term debt, less current maturities	1,875,119	1,152,500
Total liabilities	2,667,660	1,626,296
Net assets:		
Unrestricted	686,803	(58,084)
Temporarily restricted	25,000	10,000
Permanently restricted	1,523,187	2,128,928
Less discount on deferred loans	(853,462)	(805,587)
Net permanently restricted	669,725	1,323,341
Total net assets	1,381,528	1,275,257
Total liabilities and net assets	\$ 4,049,188	\$ 2,901,553

See independent auditor's report.

ONE ROOF COMMUNITY HOUSING

COMPARATIVE STATEMENTS OF ACTIVITIES -
NEIGHBORHOOD HOUSING SERVICES OF DULUTH, INC.
DBA ONE ROOF COMMUNITY LENDING

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

	2017			Total	2016
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Revenues and support:					
Contributions - operating	\$ -	\$ 25,000	\$ -	\$ 25,000	\$ 9,712
Government grants and contracts - operating	294,686	-	-	294,686	82,881
Interest income - loans	118,732	-	-	118,732	46,652
Interest income - deferred loan accretion	-	-	48,671	48,671	87,284
Interest income - other	111	-	-	111	-
Loan fees	68,248	-	-	68,248	98,991
Other revenues	-	-	-	-	83
Net assets released from restriction	632,467	(10,000)	(622,467)	-	-
Total revenues and support	1,114,244	15,000	(573,796)	555,448	325,603
Expenses:					
Salaries, payroll taxes and benefits	282,976	-	-	282,976	228,866
Office and occupancy	40,950	-	-	40,950	31,232
Professional and consulting fees	16,996	-	-	16,996	16,129
Interest and bank fees	57,992	-	-	57,992	15,851
Advertising and marketing	7,512	-	-	7,512	12,474
Depreciation	-	-	-	-	5,058
Bad debt expense	-	-	-	-	4,000
Discount on new deferred loans	96,546	-	-	96,546	26,285
Other expenses	22,358	-	-	22,358	11,643
Total expenses	525,330	-	-	525,330	351,538
Operating income (loss)	588,914	15,000	(573,796)	30,118	(25,935)
Grants for loan program	-	-	109,188	109,188	70,000
Loan program funds returned to government agency	(9,026)	-	-	(9,026)	(33,244)
Transfer to One Roof	164,999	-	(189,008)	(24,009)	-
Change in net assets	744,887	15,000	(653,616)	106,271	10,821
Net assets, beginning of year	(58,084)	10,000	1,323,341	1,275,257	1,264,436
Net assets, end of year	\$ 686,803	\$ 25,000	\$ 669,725	\$ 1,381,528	\$ 1,275,257

See independent auditor's report.

ONE ROOF COMMUNITY HOUSING

STATEMENTS OF FINANCIAL POSITION - PERMANENTLY RESTRICTED FUNDS

December 31, 2017

	NW Fund	CDBG Fund	Homeowner Relief Loan Fund	Total
ASSETS				
Current assets:				
Cash designated for programs	\$ 122,008	\$ -	\$ -	\$ 122,008
Loans receivable, current portion	40,000	3,000	-	43,000
Cash restricted for loan programs	25,998	64,624	3,105	93,727
Loans receivable, less current portion	460,448	234,268	1,895	696,611
Allowance for loan losses	(5,128)	(16,865)	-	(21,993)
Other assets	17,000	-	-	17,000
Total assets	\$ 660,326	\$ 285,027	\$ 5,000	\$ 950,353
LIABILITIES AND NET ASSETS				
Current liabilities:				
Committed loans	\$ -	\$ 61,617	\$ -	\$ 61,617
Borrower escrows and other liabilities	9,954	15,049	-	25,003
Total liabilities	9,954	76,666	-	86,620
Net assets -				
Permanently restricted	1,246,088	466,107	5,000	1,717,195
Less: discount on deferred loans	(595,716)	(257,746)	-	(853,462)
Total net assets	650,372	208,361	5,000	863,733
Total liabilities and net assets	\$ 660,326	\$ 285,027	\$ 5,000	\$ 950,353

See independent auditor's report.

ONE ROOF COMMUNITY HOUSING

STATEMENTS OF ACTIVITIES - PERMANENTLY RESTRICTED FUNDS

For the Year Ended December 31, 2017

	NW Fund	CDBG Fund	Homeowner Relief Loan Fund	Total
Support:				
Grants for loan program	\$ -	\$ 109,188	\$ -	\$ 109,188
Revenue:				
Interest income - deferred loan accretion	48,367	304	-	48,671
Total revenue and support	48,367	109,492	-	157,859
Expenses:				
Grant funds returned	-	9,026	-	9,026
Discount on new deferred loans	22,294	74,252	-	96,546
Reallocate discount on deferred loans	(183,798)	183,798	-	-
Total expenses	(161,504)	267,076	-	105,572
Change in net assets before transfers to operations	209,871	(157,584)	-	52,287
Approved transfers to operations:				
CFRAH CLT homes	(100,000)	-	-	(100,000)
Lending capital	(416,895)	-	-	(416,895)
Change in net assets	(307,024)	(157,584)	-	(464,608)
Net assets:				
Beginning of year	957,396	365,945	5,000	1,328,341
End of year	\$ 650,372	\$ 208,361	\$ 5,000	\$ 863,733

See independent auditor's report.