

**ONE ROOF COMMUNITY HOUSING**

**CONSOLIDATED FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED  
DECEMBER 31, 2019**

# ONE ROOF COMMUNITY HOUSING

## CONSOLIDATED FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

For the Year Ended December 31, 2019  
(With Comparative Totals for 2018)

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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, 2019, 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 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 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, 2019, 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.

**Adoption of New Accounting Standards**

As discussed in Note 2 to the consolidated financial statements, in 2019, One Roof Community Housing adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with* and ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Accordingly, adjustments were made to assets, liabilities and net assets as previously reported. Our opinion is not modified with respect to those matters.

**Other Matters****Report on Summarized Comparative Information**

We have previously audited One Roof Community Housing's 2018 consolidated financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated June 18, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, 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 30 through 40 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2020, 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 solely 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 the effectiveness of One Roof Community Housing's 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.

June 11, 2020

*Mahoney Ulbrich  
Christiansen Russ P.A.*

# ONE ROOF COMMUNITY HOUSING

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2019  
(With Comparative Totals for 2018)

	2019	2018
<b>ASSETS</b>		
Current assets:		
Cash	\$ 803,722	\$ 642,832
Cash designated for programs	1,258,205	812,931
Accounts and grants receivable, net	524,560	166,840
Contributions receivable	50,000	13,057
Interest receivable	16,223	14,380
Loans receivable, current portion	185,800	276,000
Prepaid expenses	27,468	43,081
Properties under development, net	3,484,027	7,196,268
Total current assets	6,350,005	9,165,389
Cash restricted for loan programs	1,302,800	1,324,590
Cash reserve accounts	24,412	-
Loans receivable - net, less current portion	3,114,553	3,094,713
Leasehold improvements and equipment, net	69,083	62,090
Multifamily rental property, net	4,140,955	1,312,593
Land held in trust	4,535,038	4,172,925
Total assets	\$ 19,536,846	\$ 19,132,300
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Current maturities of long-term debt	\$ 2,702,181	\$ 3,626,397
Accounts payable	492,255	827,391
Accrued payroll and related taxes	220,046	237,886
Accrued interest	33,129	36,533
Refundable advances	1,406,516	2,422,136
Committed loans	578,301	833,086
Borrower escrows	3,945	5,708
Other current liabilities	47,568	21,821
Total current liabilities	5,483,941	8,010,958
Tenant security deposits	17,174	-
Refundable advances, less current portion	638,065	599,050
Long-term debt, less current maturities, net	4,711,293	4,125,243
Total liabilities	10,850,473	12,735,251
Net assets:		
Without donor restrictions		
Undesignated	1,921,626	365,375
Board designated - operating reserve	481,526	475,392
Board designated - land held in trust	4,535,038	4,172,925
Total without donor restrictions	6,938,190	5,013,692
With donor restrictions	1,751,450	1,389,956
Less discount on deferred loans	(3,267)	(6,599)
Total net assets with donor restrictions	1,748,183	1,383,357
Total net assets	8,686,373	6,397,049
Total liabilities and net assets	\$ 19,536,846	\$ 19,132,300

See accompanying notes to consolidated financial statements.

# ONE ROOF COMMUNITY HOUSING

## CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019  
(With Comparative Totals for 2018)

	2019			2018
	Without donor restrictions	With donor restrictions	Total	
<b>Revenues and support:</b>				
Contributions - development	\$ 86,750	\$ -	\$ 86,750	\$ 52,978
Government grants and contracts - development	1,544,491	-	1,544,491	862,304
Sales of homes	3,641,100	-	3,641,100	2,022,908
Less cost of homes sold	(4,818,833)	-	(4,818,833)	(2,443,116)
Gain on sale of homes	453,508	-	453,508	495,074
Development fees - multi-family	-	-	-	32,742
Construction revenues	299,705	-	299,705	381,416
Less construction services expense	(204,624)	-	(204,624)	(445,202)
Construction revenues, net	95,081	-	95,081	(63,786)
Contributions - operating	356,249	209,200	565,449	131,054
Contributions - noncash	19,514	-	19,514	12,364
Special events	24,150	-	24,150	28,415
Government grants and contracts - operating	738,912	-	738,912	759,375
Real estate sales commissions	120,393	-	120,393	135,407
Land lease revenues	112,850	-	112,850	105,357
Multi-family rental revenue	246,621	-	246,621	121,337
Interest income - loans	121,409	-	121,409	105,339
Interest income - deferred loan accretion	65,876	3,332	69,208	163,205
Interest income - other	2,886	-	2,886	1,984
Loan fees	99,082	-	99,082	139,827
Other revenues	54,647	-	54,647	42,660
Net assets released from restriction	10,527	(10,527)	-	-
<b>Total revenues and support</b>	<b>2,521,705</b>	<b>202,005</b>	<b>2,723,710</b>	<b>2,210,354</b>
<b>Expenses:</b>				
Community land trust	494,446	-	494,446	633,577
Homebuyer education and counseling	144,509	-	144,509	128,199
Lending services	460,123	-	460,123	536,275
Multi-family development	523,262	-	523,262	402,718
Tenant-landlord connection	121,123	-	121,123	101,843
<b>Total program services, less cost of homes sold</b>	<b>1,743,463</b>	<b>-</b>	<b>1,743,463</b>	<b>1,802,612</b>
Management and general	483,949	-	483,949	638,811
Fundraising	47,784	-	47,784	106,389
<b>Total expenses</b>	<b>2,275,196</b>	<b>-</b>	<b>2,275,196</b>	<b>2,547,812</b>
Operating income (loss)	246,509	202,005	448,514	(337,458)
Land cost capitalized	362,113	-	362,113	242,600
Grants for loan program	-	162,821	162,821	557,167
Government grants for multi-family property in development	1,218,976	-	1,218,976	75,000
Contributions for multi-family property in development	70,000	-	70,000	-
Contributed properties	26,900	-	26,900	60,200
Change in net assets	1,924,498	364,826	2,289,324	597,509
Net assets, beginning of year	5,013,692	1,383,357	6,397,049	5,799,540
Net assets, end of year	<u>\$ 6,938,190</u>	<u>\$ 1,748,183</u>	<u>\$ 8,686,373</u>	<u>\$ 6,397,049</u>

See accompanying notes to consolidated financial statements.

**ONE ROOF COMMUNITY HOUSING**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2019  
(With Comparative Totals for 2018)

2019

	Community land trust	Homebuyer education and counseling	Lending services	Multi-family housing development	Tenant-landlord connection	Total program services	Construction services	Management and general	Fundraising	Total	2018
Salaries	\$ 185,406	\$ 84,351	\$ 218,275	\$ 143,459	\$ 74,582	\$ 706,073	\$ 314,550	\$ 307,866	\$ 19,736	\$ 1,348,225	\$ 1,551,067
Payroll taxes	16,895	7,686	19,890	13,073	6,796	64,340	48,501	26,052	2,026	140,919	135,200
Employee benefits and other	30,715	13,974	36,160	23,766	12,355	116,970	71,442	44,219	3,268	235,899	263,474
	233,016	106,011	274,325	180,298	93,733	887,383	434,493	378,137	25,030	1,725,043	1,949,741
Professional fees	11,533	3,956	28,427	6,907	3,497	54,320	-	18,392	926	73,638	38,789
Office supplies	2,058	936	2,422	1,592	828	7,836	5,108	4,152	219	17,315	12,806
Postage	2,829	1,287	3,331	2,189	1,138	10,774	-	2,516	303	13,593	21,269
Occupancy and utilities	8,029	3,653	5,664	6,212	3,230	26,788	10,219	11,785	854	49,646	52,733
Telephone and IT	15,100	6,870	17,777	11,684	6,074	57,505	2,705	14,659	1,609	76,478	82,615
Depreciation	10,871	4,946	-	80,786	4,373	100,976	5,961	12,378	1,157	120,472	53,854
Travel and training	7,580	1,740	4,986	6,438	1,494	22,238	5,677	3,691	397	32,003	39,625
Bad debt expense	-	-	17,612	-	-	17,612	-	-	-	17,612	36,882
Property acquisition	1,275,951	-	-	-	-	1,275,951	-	-	-	1,275,951	230,800
Construction costs	3,114,305	-	-	-	-	3,114,305	844,535	-	-	3,958,840	4,320,575
Other development costs	316,615	-	-	-	-	316,615	-	-	-	316,615	348,629
Homeowner support	14,649	7,469	1,003	-	-	23,121	-	-	37	23,158	50,074
Insurance	5,008	2,278	5,896	8,819	2,015	24,016	17,773	12,532	532	54,853	48,808
Interest / bank fees	33,367	110	84,685	34,893	97	153,152	-	15,269	318	168,739	102,344
Marketing	6,755	3,073	7,953	5,042	2,717	25,540	882	6,008	904	33,334	28,538
Membership	2,384	1,085	2,807	1,845	959	9,080	-	2,120	253	11,453	11,772
Board	1,725	785	2,031	1,335	694	6,570	619	1,534	183	8,906	6,643
Multifamily project operating expenses	-	-	-	174,695	-	174,695	-	-	-	174,695	116,787
Allowance for property under development - for sale	-	-	-	-	-	-	-	-	-	-	244,500
Discount on new deferred loans	-	-	-	-	-	-	-	-	-	-	121,972
Event expenses	-	-	-	-	-	-	-	-	14,984	14,984	18,269
Other	139,542	310	1,204	527	274	141,857	9,838	776	78	152,549	86,328
<b>Total expenses</b>	<b>5,201,317</b>	<b>144,509</b>	<b>460,123</b>	<b>523,262</b>	<b>121,123</b>	<b>6,450,334</b>	<b>1,337,810</b>	<b>483,949</b>	<b>47,784</b>	<b>8,319,877</b>	<b>8,024,353</b>
Reclassify Common Ground expenses related to One Roof projects	1,133,186	-	-	-	-	1,133,186	(1,133,186)	-	-	-	-
Eliminate construction costs paid to Common Ground by One Roof	(1,383,337)	-	-	-	-	(1,383,337)	-	-	-	(1,383,337)	(2,830,823)
Expenses netted against revenues or reported as nonoperating:											
Cost of homes sold	(4,818,833)	-	-	-	-	(4,818,833)	-	-	-	(4,818,833)	(2,443,116)
Construction services expense	-	-	-	-	-	-	(204,624)	-	-	(204,624)	(445,202)
Land cost capitalization	362,113	-	-	-	-	362,113	-	-	-	362,113	242,600
<b>Expenses reported in expense section of the statement of activities</b>	<b>\$ 494,446</b>	<b>\$ 144,509</b>	<b>\$ 460,123</b>	<b>\$ 523,262</b>	<b>\$ 121,123</b>	<b>\$ 1,743,463</b>	<b>\$ -</b>	<b>\$ 483,949</b>	<b>\$ 47,784</b>	<b>\$ 2,275,196</b>	<b>\$ 2,547,812</b>
% of expense (after reclassification and elimination of Common Ground expenses) Note 2:											
2019	71%	2%	6%	8%	2%	88%	3%	7%	1%	100%	
2018	55%	2%	10%	8%	2%	77%	9%	12%	2%	100%	

See accompanying notes to consolidated financial statements.

# ONE ROOF COMMUNITY HOUSING

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2019  
(With Comparative Totals for 2018)

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 2,289,324	\$ 597,509
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	120,472	53,854
Loss on sale of equipment	(4,808)	-
Change in reserve for housing development losses	(172,117)	244,500
Grants for loan program	(162,821)	(557,167)
Contributed properties	(26,900)	(60,200)
Changes in discount on deferred loans receivable	(69,208)	(41,233)
Bad debt expense	17,612	36,882
Changes in operating assets and liabilities:		
Receivables	(396,506)	248,750
Prepaid expenses	15,613	566
Properties under development and for sale	1,423,004	(992,634)
Land held in trust	(362,113)	(242,600)
Accounts payable	(40,613)	58,049
Accrued expenses	(21,244)	12,053
Refundable advances	(633,900)	896,938
Borrower escrows	(1,763)	(2,693)
Other liabilities	25,747	(100,280)
Tenant security deposits	17,174	-
Net cash from operating activities	2,016,953	152,294
Cash flows from investing activities:		
Issuance of loans receivable	(877,814)	(851,005)
Collection of loans receivable	724,254	434,365
Proceeds on sale of equipment	5,350	-
Multi-family properties under development	(734,548)	(3,007,197)
Purchase of leasehold improvements and equipment	(28,090)	(20,136)
Net cash from investing activities	(910,848)	(3,443,973)
Cash flows from financing activities:		
Grants for loan program	162,821	557,167
Grants for multi-family properties under development	(321,974)	1,147,474
Proceeds from issuance of debt	3,352,280	3,541,168
Repayment of debt	(3,690,446)	(1,605,047)
Net cash from financing activities	(497,319)	3,640,762
Net increase in cash	608,786	349,083
Cash, cash equivalents, and restricted cash, beginning of year	2,780,353	2,431,270
Cash, cash equivalents, and restricted cash, end of year	\$ 3,389,139	\$ 2,780,353
Reconciliation of cash, cash equivalents, and restricted cash to statement of financial position:		
Cash	\$ 803,722	\$ 642,832
Cash designated for programs	1,258,205	812,931
Cash restricted for loan programs	1,302,800	1,324,590
Cash reserve accounts	24,412	-
Total cash, cash equivalents, and restricted cash	\$ 3,389,139	\$ 2,780,353
Cash paid for interest expense	\$ 237,174	\$ 215,533
Noncash investing activities:		
Multi-family property development costs in payables	\$ 234,158	\$ 528,681
Contributed properties	\$ 26,900	\$ 60,200

See accompanying notes to consolidated financial statements.

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019  
(With Comparative Totals for 2018)

### 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:** Development and stewardship of permanently affordable CLT homes for purchase by low-to-moderate income households to ensure affordable homeownership opportunities will exist in our community for future generations. Current focus is on acquisition-rehabilitation and sale of properties in Duluth, Proctor, and Cloquet. We also have a small number of new construction homes in Duluth. 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 16 times per year.

**Single Family Home Lending:** Home ownership preservation through 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 purchase assistance loans for income qualified buyers who have attended Homebuyer Education classes and are purchasing within 30 miles of Duluth. And, on behalf of the city of Superior, Wisconsin, One Roof provides deferred loans to income eligible households in that community as well.

**Multifamily Housing Development Services:** One Roof develops affordable rental housing opportunities for lower income household in our community to prevent homelessness. The most recent project was the construction of four 4-plexes in Lutsen, MN. One Roof continues to work on additional new multi-family projects. Decker Dwellings, located in Duluth Heights, received funding in 2019 and construction of 42 apartment units is slated to start in late summer 2020.

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019  
(With Comparative Totals for 2018)

### 1. ORGANIZATION (Continued)

An additional project, Brewery Creek Apartments, is in the predevelopment phase and funding application will be submitted in 2020.

**Tenant-Landlord Connection (TLC) Program:** This line of business 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 government grants, contributions, sales of homes, earned fees for single family and multifamily developments, loan origination fees and interest income, and construction revenues.

### 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 (no activity in 2019 or 2018); One Roof Community Lending (Neighborhood Housing Services of Duluth, Inc. (NHS)); Common Ground Deconstruction Service & Reuse Center, LLC (Common Ground); Brewery Creek LLLP; and West End Quad Pod, LLC (WEQP). 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. Brewery Creek LLLP is a planned tax credit deal with One Roof as the General Partner and Limited Partner as of December 31, 2019. West End Quad Pod, LLC is a 16 unit modular home development which completed construction in July 2019.

**Accounting Standards Adopted** - In 2019, One Roof adopted ASU 2018-08 Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. Accordingly, the accounting change has been applied using the modified prospective basis to the year ended December 31, 2019, and years going forward and had no impact on net assets previously reported. The ASU clarifies and improves guidance for contributions received and contributions made, and provides guidance to organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities.

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019  
(With Comparative Totals for 2018)

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

In response to adopting this standard One Roof recorded a prior period adjustment to move restricted net assets to refundable advances and adjust the related discount and allowance calculations accordingly. The financial statements for 2018 have been restated to apply the new method retrospectively. For the year ended December 31, 2018, the effect of adopting the new accounting principle is as follows:

	Before Restatement	Adjustment	Restated
Loans receivable – net, less current portion	\$ 2,757,390	\$ 337,323	\$ 3,094,713
Other assets	16,037,587	-	16,037,587
Total assets	\$ 18,794,977	\$ 337,323	\$ 19,132,300
Refundable advances, less current portion	\$ -	\$ 599,050	\$ 599,050
Other liabilities	12,136,201	-	12,136,201
Total liabilities	\$ 12,136,201	\$ 599,050	\$ 12,735,251
Net assets:			
Without donor restrictions	\$ 5,051,288	\$ (37,596)	\$ 5,013,692
With donor restrictions	1,973,632	(583,676)	1,389,956
Less discount on deferred loans	(366,144)	359,545	(6,599)
Total net assets	\$ 6,658,776	\$ (261,727)	\$ 6,397,049
Total liabilities and net assets	\$ 18,794,977	\$ 337,323	\$ 19,132,300
Interest income – deferred loan accretion	\$ 53,526	\$ 109,679	\$ 163,205
Program services expense	(1,766,397)	(36,215)	(1,802,612)
Grants for loan program	713,001	(155,834)	557,167
Loan program funds returned to government agency	(38,265)	38,265	-
Change in net assets	\$ 641,614	\$ (44,105)	\$ 597,509

The cumulative effect as of December 31, 2017 decreased net assets by \$217,621.

Also in 2019, One Roof adopted ASU 2014-09 *Revenue from Contracts with Customers*. This ASU did not have an effect on One Roof's consolidated financial statements.

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019  
(With Comparative Totals for 2018)

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

**Financial Statement Presentation** - Revenues and support are classified based on the presence or absence of donor restrictions and are reported in the following net asset categories:

- Net assets without donor restrictions are not subject to donor-imposed restrictions and are available for programs and supporting services at the discretion of management and the board of directors.
- Net assets with donor restrictions are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the One Roof or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

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 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.

Cash designated for programs consists of \$1,211,475 related to the CLT program, \$4,796 related to the Multifamily Housing program and \$41,935 related to other programs at December 31, 2019, and \$652,059 related to the CLT program, \$111,142 related to the Multifamily Housing program and \$58,417 related to other programs at December 31, 2018.

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019  
(With Comparative Totals for 2018)

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

**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, 2019 and 2018, deposits exceeded the insured limit by approximately \$1,813,020 and \$1,225,000.

**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 \$8,187 and \$10,000 at December 31, 2019 and 2018. 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 7%. 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 and are recorded at the loan amount net of a discount to reflect the present value of expected cash flows.

The discount is based on an interest rate comparable to the annual treasury long term rate in the year loans are originated (5%) and the initial loan term (20 to 30 years). The discount is calculated using the weighted average term of the outstanding loans which is 20.9 years in 2019 and 22.8 years in 2018. 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, 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.

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019  
(With Comparative Totals for 2018)

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

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

**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. 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.

**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. An allowance of \$244,500 was recorded in 2018.

**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	20-27.5 years
Leasehold improvements	5 years
Equipment	3-7 years

One Roof reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying amount of such property may not be recoverable. No impairment loss was recognized during 2019 or 2018.

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019  
(With Comparative Totals for 2018)

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

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

**Finance Fees** - Finance fees are deferred and amortized over the term of the related debt using the straight-line method. Unamortized finance fees related to funded debt are reported on the statement of financial positions as a deduction from the face amount of the related debt. Amortization is included with interest expense on the statement of operations.

**Contributions and Government Grants** - Individual contributions, foundation and corporate grants, and government grants are recognized when the donor makes an unconditional promise to give. Contributions are recorded when received as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. Contributions restricted by the donor are reported as net assets with donor restrictions and then released to net assets without donor restrictions 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 net assets without donor restrictions if the restriction expires in the same reporting period in which the support is recognized.

Government grants received for property acquisition and renovation are contributions conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. As most grants include a requirement that the home be sold to eligible individuals, amounts received are recorded as refundable advances until the time of sale for single family homes, when they are recorded as grant revenue. Grants for multi-family properties are recognized as revenue when the project is placed in service.

Government grants for operating programs are contributions and are either expense-reimbursement grants or general operating grants. Expense reimbursement grants are 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 refundable advances.

Government grants for loan programs are contributions recorded when received. Grants for revolving loan funds are considered net assets with donor restrictions held in perpetuity. Interest and fees received from loan programs are used to defray administration expenses.

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019  
(With Comparative Totals for 2018)

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

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

**Contributed Property, Materials and Services** - Donated property and materials are recorded as a contribution at estimated fair market value in the period received. Donated services are recorded as contributions at their estimated fair value only if the services create or enhance a nonfinancial asset or if the services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed real estate valued at \$26,900; special event supplies of \$2,300, materials related to construction of WEQP and room rental of \$298 were recognized in 2019. Contributed real estate valued at \$60,200 and special event materials and supplies of \$10,565, and room rental of \$1,799 were recognized in 2018. Contributed services of \$8,915 related to the CLT program were recognized in 2019. No contributed services were recognized in 2018.

**Real Estate Revenues and Costs** - Sales of homes are recorded at the time of sale closing, 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. Gain on sale of homes consists solely of sales of homes proceeds and is calculated by adding all revenue sources related to the home acquisition and rehabilitation less the costs of homes sold.

Developer fees from multi-family developments are recognized as revenue when earned, typically using the percentage completion method.

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

**Construction Revenues from Contracts with Customers** – Common Ground is a construction contractor operating in Duluth, Minnesota and the surrounding area. The contracts are fixed-price contracts and typically are for projects lasting less than one year. The contract revenues are recognized over time as the contracts contain a single performance obligation. Progress toward completion of the contract is measured by the percentage of costs incurred to date to estimated total costs for each contract. Management believes total cost to be the best available measure of progress on contracts.

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

Payments on contracts are typically due over time based upon progress and final billings.

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019  
(With Comparative Totals for 2018)

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

Construction costs include 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.

**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.

**Functional Expenses** - The majority of expenses can be directly identified with the program or supporting services to which they relate and are charged accordingly. Salaries are allocated based on management's estimates of how each person spends their time. In the absence of specific identification, other expenses are allocated based on the salary allocation.

The percentages of expenses listed on the schedule of functional expense are calculated based on total expenses less amounts to reclassify Common Ground expenses related to One Roof projects 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 2019 or 2018.

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.

Common Ground Deconstruction Service & Reuse Center, LLC, One Roof Community Realty, LLC and West End Quad Pod, 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.

Brewery Creek LLLP is not a taxpaying entity. All tax effects of the partnership are passed through to the partners to be reported on their separate income tax returns.

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.

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019  
(With Comparative Totals for 2018)

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

**Prior Year Summarized Information** - The financial statements include certain prior year summarized information in total but neither by net asset class nor by functionalized expenses. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with One Roof's financial statements for the year ended December 31, 2018.

### 3. AVAILABILITY AND LIQUIDITY

During the year, financial monitoring is performed separately for One Roof (consisting of One Roof Community Housing, One Roof Lending and One Roof Realty) and Common Ground. One Roof and Common Ground's management teams each monitor liquidity required to meet operating needs and other commitments by monitoring their cash accounts and preparing and reviewing rolling 12-week cash flow projections in 2018 and 16-week cash flow projections in 2019, and quarterly monitoring the various debt and grant covenants. Common Ground's management also regularly reviews job budgets and timelines as part of this process and One Roof's management presents a 6-month cash flow projection in 2018 and 16-week cash flow projections in 2019 to the board for review on a monthly basis. As part of One Roof and Common Ground's liquidity management, they have an unwritten policy to structure financial assets to be available as general expenditures, liabilities, and other obligations come due. In addition, One Roof and Common Ground operate with balanced budgets and anticipate collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

One Roof's goal is generally to maintain financial assets to meet 3 months of operating expenses in the board designated operating reserve. The board has currently estimated this need to be approximately \$507,000. As part of its liquidity plan, excess cash is invested in savings accounts.

One Roof has a \$150,000 line of credit available to meet cash flow needs for operating. Common Ground has a \$35,000 line of credit available to meet cash flow needs for Common Ground's operations. Other lines of credit are specifically available to fund housing development or to make loans to clients and are not generally available to be used to fund operating costs.

For purposes of analyzing resources available to meet general expenditures within one year of the statement of financial position date One Roof and Common Ground consider all expenditures related to the ongoing activities of program services, as well as the conduct of services undertaken to support those activities, to be general expenditures.

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019  
(With Comparative Totals for 2018)

### 3. AVAILABILITY AND LIQUIDITY (Continued)

One Roof does not consider expenditures related to predevelopment costs for multifamily projects, construction costs for properties under development, or expenditure for loans to be general expenditures. One Roof excludes funds restricted by outside donors and designated internally by the board and management for these purposes from resources available for general expenditures. Liquid resources for these purposes are tracked in separate cash accounts designated or restricted for these purposes. Funds already expended for the developments but not yet recorded as revenue are tracked in refundable advances accounts until the home is sold or the multifamily development is placed in service.

One Roof considers the board designated operating reserve as available to meet general expenditures as the funds are designated to help fund future cash flow needs for operations and the board would release these funds for use as needed.

At December 31, resources available for general expenditures within one year of the statement of financial position date are as follows:

	2019	2018
Financial assets at year end:		
Cash	\$ 803,722	\$ 642,832
Cash designated for programs	1,259,031	812,931
Accounts and grants receivable, net	507,968	166,840
Contributions receivable	50,000	13,057
Interest receivable	16,223	14,380
Total financial assets	<u>2,636,944</u>	<u>1,650,040</u>
Less amounts not available to be used within a year:		
Cash designated/restricted for CLT homes	1,211,475	789,213
Grants receivable for loans	4,144	39,306
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,421,325</u>	<u>\$ 821,521</u>

One Roof is supported by restricted contributions and government grants. Because a donor's restriction requires resources to be used in a particular manner or in a future period, One Roof must maintain sufficient resources to meet those responsibilities to its donors and grantors. Thus, financial assets may not be available for general expenditure within one year. A significant portion of restricted contributions are to be used for a revolving loan fund. These restrictions are met by the loan receivables and cash restricted for loan programs which are excluded from the calculation above.

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019  
(With Comparative Totals for 2018)

### 4. CONTRIBUTIONS RECEIVABLE

Contributions receivable as of December 31, 2019 are due in 2020.

### 5. LOANS RECEIVABLE

Loans receivable by portfolio consist of the following:

	2019	2018
Amortizing mortgages	\$ 2,513,723	\$ 2,659,893
Deferred loans	746,619	812,555
Due on sale loans	4,784	4,784
Non-amortizing non-recourse loans	592,059	519,282
Total loans receivable	3,857,185	3,996,514
Less discount on deferred and due on sale loans	(494,536)	(563,744)
Less allowance for loan losses	(62,296)	(62,057)
Total loans receivable, net	3,300,353	3,370,713
Less current portion	(185,800)	(276,000)
Noncurrent portion	\$ 3,114,553	\$ 3,094,713

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:

	2019	2018
Beginning balance	\$ 62,057	\$ 25,175
Loans charged off	(17,373)	(1,491)
Provision for losses	17,612	38,373
Ending balance	\$ 62,296	\$ 62,057

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019  
(With Comparative Totals for 2018)

### 5. LOANS RECEIVABLE (Continued)

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

	2019			2018
	Amortizing mortgages	Other loans	Total	
Current	\$ 2,302,417	\$ -	\$ 2,302,417	\$ 2,512,659
31 - 60 days	100,655	-	100,655	91,285
61 - 90 days	52,044	-	52,044	19,742
Over 90 days	58,607	-	58,607	36,207
Due on maturity	-	1,343,462	1,343,462	1,336,621
Total	\$ 2,513,723	\$ 1,343,462	\$ 3,857,185	\$ 3,996,514

Other loans consists of the deferred loans, due on sale loans and non-amortizing non-recourse loans.

Management has evaluated loans individually and has determined that there are no impaired loans as of December 31, 2019.

One Roof was awarded several government grants to make loans to low income individual under which all principal payments on the loans are to be repaid to the respective grantors. The grantors will forgive repayment of grant funds for loans deemed uncollectable by One Roof. Therefore, these grants are recorded as long-term refundable advances in the financial statements. Since One Roof has no liability in these loans, and the loans are offset dollar for dollar against the grant advances, One Roof does not record discounts or an allowance for loan loss on these loans receivable.

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019  
(With Comparative Totals for 2018)

### 6. PROPERTIES UNDER DEVELOPMENT AND REFUNDABLE ADVANCES

Properties under development consist of the following:

	2019	2018
Houses under development and for sale –		
17 in 2019 and 19 in 2018, net reserve for losses of \$72,383 in 2019 and \$152,000 in 2018	\$ 1,757,034	\$ 2,383,674
Grand Marais - 3 in 2019 and 7 in 2018	863,715	1,391,900
Jay Street - 0 in 2019 and 2 in 2018, net reserve for losses of \$92,500 in 2018	-	705,477
Multi-family development:		
Brewery Creek	105,298	79,550
Decker Road	438,129	163,410
Lutsen Apartments	-	2,409,138
Grand Marais and other	262,951	938
Vacant lots held for development –		
2 in 2019 and 3 in 2018	56,900	62,181
	\$ 3,484,027	\$ 7,196,268

Refundable advances mostly consists of government grants received for property acquisition and renovation of properties under development. At the time of sale or the date placed in service the funds are recorded as grant revenue. Current refundable advances are for the following:

	2019	2018
Houses under development and for sale –		
Individual homes	\$ 253,000	\$ 573,550
Grand Marais	268,879	611,231
Jay Street	-	80,948
Multi-family development:		
Brewery Creek	825,500	825,500
Lutsen Apartments	-	321,974
Unspent loan funds	16,112	8,933
Home ownership classes	34,525	-
Prepaid rent	8,500	-
	\$ 1,406,516	\$ 2,422,136

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019  
(With Comparative Totals for 2018)

### 7. LEASEHOLD IMPROVEMENTS AND EQUIPMENT

Leasehold improvements and equipment consists of the following:

	2019	2018
Equipment	\$ 184,389	\$ 164,493
Leasehold improvements	32,261	32,261
Less accumulated depreciation	(147,567)	(134,664)
	\$ 69,083	\$ 62,090

### 8. MULTIFAMILY RENTAL PROPERTY

Multifamily rental property consists of the following:

	2019	2018
Building – SOL House	\$ 105,312	\$ 105,312
Building – Brewery Creek	416,100	416,100
Land – Brewery Creek LLLP	778,483	778,483
Land – Brewery Creek	73,900	73,900
Building - WEQP	2,445,494	-
Land and improvements - WEQP	343,024	-
Land improvements	13,992	13,992
Equipment	88,133	2,694
Construction in progress - Brewery Creek LLLP	54,322	-
Less accumulated depreciation	(177,805)	(77,888)
	\$ 4,140,955	\$ 1,312,593

SOL House is leased to Life House for a five year term beginning June 2015. Minimum future lease payments for SOL House consist of \$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.

Brewery Creek LLLP is a planned tax credit deal with One Roof as the General Partner. As of December 31, 2019, the project has not closed with permanent financing or the syndicator and One Roof is the sole member. The land for the project was purchased under the LLLP.

WEQP units are leased to residential tenants under one year leases. WEQP capitalized interest costs of \$53,181 and finance fees of \$11,450 in 2019.

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019  
(With Comparative Totals for 2018)

### 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 313 lots at December 31, 2019 and 300 at December 31, 2018.

### 10. DEBT

Debt consists of the following:

	2019	2018
Greater Minnesota Housing Fund	\$ 1,161,147	\$ 736,027
MHFA CRV Funds	1,310,000	1,060,000
Local Initiatives Support Corporation (LISC)	273,942	227,442
City of Duluth HIF	218,242	218,242
Duluth HRA	32,000	32,000
U.S. Bancorp CDC	250,000	250,000
North Shore Bank	649,294	582,907
National Bank of Commerce	360,545	377,100
Propel Nonprofits	46,905	77,794
MMCDC	1,166,334	1,948,989
Cook County/Grand Marais Joint EDA	1,616,969	1,126,898
Members Cooperative Credit Union	91,362	91,362
NeighborWorks Capital LOC	-	362,879
North Shore Bank LOC	-	50,000
National Bank of Commerce LOC	417,483	575,000
National Bank of Commerce LOC	-	35,000
	7,594,223	7,751,640
Less unamortized finance fees	(180,749)	-
Less current maturities	(2,702,181)	(3,626,397)
	\$ 4,711,293	\$ 4,125,243

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019  
(With Comparative Totals for 2018)

### 10. DEBT (Continued)

**Greater Minnesota Housing Fund (GMHF)** - \$1,400,000 commitment for working capital and investment/project capital. Advances bear interest at 5%. Interest payments were due quarterly until May 10, 2020, when all outstanding principal and interest is due. In 2020, One Roof exercised their option to extend the note for an additional two-year term to May 10, 2022. The outstanding balance was \$1,161,147 and \$736,028 at December 31, 2019 and 2018. Generally unsecured unless specific properties are funded.

**MHFA CRV funds** - Notes payable to the Minnesota Housing Finance Agency (MHFA) under the Community Revitalization Fund Program (CRV) due between March 2020 and June 2021.

- \$230,000 is for construction financing with interest at 2%, unsecured. The outstanding balance was \$230,000 at December 31, 2019 and 2018. Due in March 2020.
- \$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 at December 31, 2019 and 2018. Due in March 2020.
- \$350,000 is for the development of new homes with interest at 4%. The outstanding balance was \$350,000 at December 31, 2019 and 2018. Due in May 2020.
- \$150,000 is for the development of new homes with interest at 4%. The outstanding balance was \$150,000 at December 31, 2019 and 2018. Due in June 2020.
- \$250,000 is for the development of new homes with interest at 4.75%. The outstanding balance was \$250,000 at December 31, 2019. Due in June 2021.

**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 31, 2020. Secured by the property. The outstanding balance was \$20,000 at December 31, 2019 and 2018.
- \$98,000 project investment for Brewery Creek due July 31, 2021. Secured by the property. The outstanding balance was \$98,000 at December 31, 2019 and 2018.
- \$45,000 project investment for Brewery Creek due on the close of the construction financing or November 30, 2021. Secured by the property. There outstanding balance was \$30,442 at December 31, 2019 and 2018.
- \$96,500 project investment for Decker Road development due January 31, 2021. Secured by the property. The outstanding balance was \$96,500 and \$50,000 at December 31, 2019 and 2018.
- \$50,000 project investment for developing a new Community Land Trust workforce home (Kolstad project) due on the close of the construction financing or April 30, 2020. Secured by the property. The outstanding balance was \$29,000 at December 31, 2019 and 2018.

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019  
(With Comparative Totals for 2018)

### 10. 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.
- \$63,242 used for an exterior loan fund program due May 10, 2036.

**Duluth HRA** - \$32,000 note payable to the Duluth Housing and Redevelopment Authority (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, 2019 and 2018. 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 of August 2017 but may be extended for up to 5 additional one year periods. Unsecured.

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

- \$750,000 commitment to provide financing through August 31, 2020. 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. 9 and 6 individual loans were outstanding at December 31, 2019 and 2018, respectively. The outstanding balance was \$500,123 and \$420,609 at December 31, 2019 and 2018.
- 2 mortgages payable for acquisition and rehabilitation of the SOL House. The outstanding balances totaled \$74,171 and \$87,298 at December 31, 2019 and 2018.
  - \$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, 2020, when the total outstanding principal and interest are due. The outstanding balance was \$75,000 at December 31, 2019 and 2018.

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019  
(With Comparative Totals for 2018)

### 10. DEBT (Continued)

**National Bank of Commerce** – One Roof has notes payable to National Bank of Commerce. These loans are summarized below:

- \$392,000 mortgage payable 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. The outstanding balance was \$349,110 and \$362,334 at December 31, 2019 and 2018.
- \$17,416 note payable for purchase of a vehicle with interest at 3.79%. Monthly principal and interest payments of \$320 are due through February 5, 2023. The outstanding balance was \$11,435 and \$14,766 at December 31, 2019 and 2018.

**Propel Nonprofits** - \$150,000 note payable to Propel Nonprofits with interest at 6.5%. 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** – One Roof has notes payable to the Midwest Minnesota Community Development Corporation (MMCDC). These loans are summarized below:

- \$2,000,000 commitment to provide financing for new home construction, acquisition and rehabilitation, and a revolving loan fund for home improvement loans.

Individual loans provided for new home construction, acquisition and rehabilitation, and the 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. One and five individual loans totaling \$121,738 and \$856,632 are outstanding at December 31, 2019 and 2018.

Individual loans provided for home improvement loans have a term of 15 years and bear interest at 3%. Principal and accrued interest are due as documented in each individual loan. Interest only payments are due for the first 18 months of each agreement. Monthly principal and interest payments are then due until the maturity date of the individual loan.

The loans are secured by the related loans receivable made by One Roof to borrowers. Individual loans of \$943,615 and \$1,092,357 are outstanding at December 31, 2019 and 2018.

- \$500,000 commitment to provide financing for a revolving loan fund with interest at 4%. Interest only payments are due through June 30, 2021. Monthly principal and interest payments are due through December 1, 2034. The loans are secured by One Roof's assets. No funds were advanced as of December 31, 2019.

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019  
(With Comparative Totals for 2018)

### 10. DEBT (Continued)

**Cook County/Grand Marais Joint Economic Development Authority** - \$1,620,000 bond payable to Cook County/Grand Marais Joint Economic Development Authority for the Lutsen Apartments project. Interest payments at 3.38% due beginning February 1, 2019. Principal payments are due beginning February 1, 2022 through maturity at February 1, 2039.

The bonds require WEQP to fund and maintain a Debt Service Reserve of \$10,000 commencing on the Completion Date August 1, 2019 through the final payment of the Promissory Note.

**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.

**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% matured December 1, 2019 and all balances were paid.

**Ordean Foundation LOC** - \$150,000 revolving line of credit with North Shore Bank with interest at 6% maturing June 30, 2020. Guaranteed by Ordean Foundation.

**Nat'l Bank of Commerce LOC** - \$1,000,000 unsecured revolving line of credit with interest at a variable rate based on the prime rate less 1.0%. The line of credit matures November 5, 2020.

**National Bank of Commerce LOC** - \$35,000 unsecured revolving line of credit to Common Ground with interest at a variable rate based on the prime rate with August 5, 2020.

Future maturities of debt are as follows:

2020	\$	2,702,181
2021		939,796
2022		1,284,058
2023		126,991
2024		134,919
Thereafter		2,406,278
		<hr/>
	\$	<u>7,594,223</u>

Interest was \$331,604 in 2019 and \$167,587 in 2018, of which \$56,351 and \$89,244 was included in properties under development in 2019 and 2018, and \$53,181 was capitalized to WEQP. \$121,642 and \$145,071 of interest from both 2019 and previous years was included in the cost of homes sold in 2019 and 2018.

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019  
(With Comparative Totals for 2018)

### 11. NET ASSETS

Net assets with donor restrictions are as follows:

	<u>2019</u>	<u>2018</u>
<b>Restricted for Loans in perpetuity</b>		
NeighborWorks America (NW) fund	\$ 822,262	\$ 822,262
CDFI funds	719,988	557,167
Homeowner relief loan fund	-	5,000
<b>Subject to the Passage of Time</b>	104,200	5,527
<b>Expendable for specified purposes</b>		
Brewery Creek project capital	100,000	-
Other	5,000	-
	<u>\$ 1,751,450</u>	<u>\$ 1,389,956</u>

The net assets with donor restrictions are offset by a discount on deferred loans of \$3,267 and \$6,599 at December 31, 2019 and 2018, respectively.

Net assets restricted for loans 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. Net assets restricted for loans would be returned to government agencies and funders if the programs were to terminate operations.

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

The land held in trust balance, matches the value of the land held in trust asset.

The operating reserve is established at a balance approved by the board on an annual basis and is available to help fund future cash flow needs upon approval of the board.

### 12. RETIREMENT PLAN

One Roof has a 401(k) retirement savings plan. The Plan covers all eligible employees and contains an employer match of 2% of employee compensation contributed and a discretionary profit sharing amount at the discretion of the Board of Directors. Contributions to the plan were \$74,847 in 2019 and \$79,897 in 2018.

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019  
(With Comparative Totals for 2018)

### 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 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.

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 73% (21%, 16%, 18%, 18%) of government grants from four agencies during 2019 and 80% (23%, 13%, 16%, 28%) of government grants from three agencies during 2018.

One Roof received 52% (10%, 13%, 16%, 13%) of contributions from four contributors during 2019 and 29% (16%, 13%) of contributions from two contributors during 2018.

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, 2019, and One Roof is still contingently responsible for \$133,998 of the loans.

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 2019 or 2018.

One Roof has several government grants that contain donor conditions (primarily that funds be expended for eligible costs before they are earned). Since these grants represent conditional promises to give, they are not recorded as revenue until the donor conditions are met. One Roof has unearned conditional contributions from cost-reimbursable grants for home rehabilitation of \$2,778,442 and for homebuyer education of \$138,100 as of December 31, 2019, of which \$551,404 is recorded in refundable advances.

One Roof was awarded \$1.2M of low-income housing tax credits for the Decker Road project in 2019.

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019  
(With Comparative Totals for 2018)

### 14. **SUBSEQUENT EVENTS**

A nationwide public health emergency is developing in 2020. Many states have enacted measures to combat the global pandemic resulting from a novel strain of coronavirus known as COVID-19. Measures have included regulatory restrictions on citizen and business activities as well as recommendations for further voluntary curtailment of activities. There has been no immediate impact on the Organization's operations. The future potential impact of these issues is unknown and therefore no estimate can be made at this time. The Organization applied for and received \$330,400 in Paycheck Protection Program funding from a program developed by the Federal government in response to COVID-19.

Management has evaluated subsequent events through June 11, 2020, 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, 2019

	One Roof	One Roof Lending	Common Ground	Brewery Creek LLLP	West End Quad Pod	Eliminations	Total
<b>ASSETS</b>							
Current assets:							
Cash	\$ 569,188	\$ 96,808	\$ 83,031	\$ -	\$ 54,695	\$ -	\$ 803,722
Cash designated for programs	1,269,606	-	-	-	-	(11,401)	1,258,205
Accounts and grants receivable, net	403,346	64,540	46,646	-	10,028	-	524,560
Contributions receivable	50,000	-	-	-	-	-	50,000
Due from other division	1,059,815	159,355	57,332	-	-	(1,276,502)	-
Interest receivable	292	21,351	-	-	-	(5,420)	16,223
Loans receivable, current portion	-	185,800	-	-	-	-	185,800
Prepaid expenses and other	21,659	486	5,323	-	-	-	27,468
Properties under development, net	3,632,303	-	-	-	-	(148,276)	3,484,027
Total current assets	<u>7,006,209</u>	<u>528,340</u>	<u>192,332</u>	<u>-</u>	<u>64,723</u>	<u>(1,441,599)</u>	<u>6,350,005</u>
Cash restricted for loan programs	-	1,302,800	-	-	-	-	1,302,800
Cash reserve accounts	-	-	-	-	24,412	-	24,412
Investment in subsidiaries	226,098	-	-	-	-	(226,098)	-
Loans receivable - net, less current portion	-	3,114,553	-	-	-	-	3,114,553
Leasehold improvements and equipment, net	41,100	-	27,983	-	-	-	69,083
Multifamily rental property, net	506,568	-	-	832,805	2,801,582	-	4,140,955
Land held in trust	4,535,038	-	-	-	-	-	4,535,038
Total assets	<u>\$ 12,315,013</u>	<u>\$ 4,945,693</u>	<u>\$ 220,315</u>	<u>\$ 832,805</u>	<u>\$ 2,890,717</u>	<u>\$ (1,667,697)</u>	<u>\$ 19,536,846</u>
<b>LIABILITIES AND NET ASSETS</b>							
Current liabilities:							
Current maturities of long-term debt	\$ 2,222,558	\$ 437,375	\$ 3,476	\$ -	\$ 38,772	\$ -	\$ 2,702,181
Accounts payable	357,886	13,365	64,142	54,322	32,123	(29,583)	492,255
Accrued payroll and related taxes	200,824	7,568	11,654	-	-	-	220,046
Accrued interest	6,885	5,074	-	-	26,590	(5,420)	33,129
Refundable advances	1,381,904	16,112	-	-	8,500	-	1,406,516
Committed loans	-	578,301	-	-	-	-	578,301
Borrower escrows	-	3,945	-	-	-	-	3,945
Other current liabilities	-	46,318	1,250	-	-	-	47,568
Due to other division	228,088	50,000	202,089	778,483	-	(1,258,660)	-
Total current liabilities	<u>4,398,145</u>	<u>1,158,058</u>	<u>282,611</u>	<u>832,805</u>	<u>105,985</u>	<u>(1,293,663)</u>	<u>5,483,941</u>
Tenant security deposits	-	-	-	-	17,174	-	17,174
Refundable advances, less current portion	-	638,065	-	-	-	-	638,065
Long-term debt, net, less current maturities	2,172,324	1,133,563	7,958	-	1,397,448	-	4,711,293
Total liabilities	<u>6,570,469</u>	<u>2,929,686</u>	<u>290,569</u>	<u>832,805</u>	<u>1,520,607</u>	<u>(1,293,663)</u>	<u>10,850,473</u>
Net assets:							
Without donor restrictions:							
Undesignated	379,772	616,032	(70,254)	-	1,370,110	(374,034)	1,921,626
Board designated - operating reserve	481,526	-	-	-	-	-	481,526
Board designated - land held in trust	4,535,038	-	-	-	-	-	4,535,038
Total without donor restrictions	<u>5,396,336</u>	<u>616,032</u>	<u>(70,254)</u>	<u>-</u>	<u>1,370,110</u>	<u>(374,034)</u>	<u>6,938,190</u>
With donor restrictions	348,208	1,403,242	-	-	-	-	1,751,450
Less discount on deferred loans	-	(3,267)	-	-	-	-	(3,267)
Total net assets with donor restrictions	<u>348,208</u>	<u>1,399,975</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,748,183</u>
Total net assets	<u>5,744,544</u>	<u>2,016,007</u>	<u>(70,254)</u>	<u>-</u>	<u>1,370,110</u>	<u>(374,034)</u>	<u>8,686,373</u>
Total liabilities and net assets	<u>\$ 12,315,013</u>	<u>\$ 4,945,693</u>	<u>\$ 220,315</u>	<u>\$ 832,805</u>	<u>\$ 2,890,717</u>	<u>\$ (1,667,697)</u>	<u>\$ 19,536,846</u>

See independent auditor's report.

**ONE ROOF COMMUNITY HOUSING**

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019

	One Roof	One Roof Lending	Common Ground	West End Quad Pod	Eliminations	Total
<b>Revenues and support:</b>						
Contributions - development	\$ 86,750	\$ -	\$ -	\$ -	\$ -	\$ 86,750
Government grants and contracts - development	1,544,491	-	-	-	-	1,544,491
Sales of homes	3,641,100	-	-	-	-	3,641,100
Less cost of homes sold	<u>(5,068,984)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250,151</u>	<u>(4,818,833)</u>
Gain on sale of homes	203,357	-	-	-	250,151	453,508
Construction revenues	-	-	1,637,235	-	(1,337,530)	299,705
Less construction services expense	<u>-</u>	<u>-</u>	<u>(1,337,810)</u>	<u>-</u>	<u>1,133,186</u>	<u>(204,624)</u>
Construction revenues, net	-	-	299,425	-	(204,344)	95,081
Contributions - operating	565,449	-	-	-	-	565,449
Contributions - noncash	19,514	-	-	-	-	19,514
Special events	24,150	-	-	-	-	24,150
Government grants and contracts - operating	593,606	145,306	-	-	-	738,912
Real estate sales commissions	120,393	-	-	-	-	120,393
Land lease revenues	112,850	-	-	-	-	112,850
Multi-family rental revenue	121,669	-	-	124,952	-	246,621
Interest income - loans	3,797	165,321	-	-	(47,709)	121,409
Interest income - deferred loan accretion	-	69,208	-	-	-	69,208
Interest income - other	2,523	291	-	72	-	2,886
Loan fees	-	99,082	-	-	-	99,082
Other revenues	<u>60,801</u>	<u>3,751</u>	<u>11,441</u>	<u>1,823</u>	<u>(23,169)</u>	<u>54,647</u>
Total revenues and support	<u>1,828,109</u>	<u>482,959</u>	<u>310,866</u>	<u>126,847</u>	<u>(25,071)</u>	<u>2,723,710</u>
<b>Expenses:</b>						
Program services	1,134,174	460,123	-	149,166	-	1,743,463
Management and general	255,292	30,384	203,204	-	(4,931)	483,949
Fundraising	47,784	-	-	-	-	47,784
Total program services, less cost of homes sold	<u>1,437,250</u>	<u>490,507</u>	<u>203,204</u>	<u>149,166</u>	<u>(4,931)</u>	<u>2,275,196</u>
Operating income (loss)	390,859	(7,548)	107,662	(22,319)	(20,140)	448,514
Land cost capitalized	362,113	-	-	-	-	362,113
Grants for loan program	-	162,821	-	-	-	162,821
Government grants for multi-family property in development	-	-	-	1,218,976	-	1,218,976
Contributions for multi-family property in development	-	-	-	70,000	-	70,000
Contributed properties	26,900	-	-	-	-	26,900
Contribution from member	<u>-</u>	<u>-</u>	<u>23,865</u>	<u>103,453</u>	<u>(127,318)</u>	<u>-</u>
Change in net assets	779,872	155,273	131,527	1,370,110	(147,458)	2,289,324
Net assets, beginning of year	<u>4,964,672</u>	<u>1,860,734</u>	<u>(201,781)</u>	<u>-</u>	<u>(226,576)</u>	<u>6,397,049</u>
Net assets, end of year	<u>\$ 5,744,544</u>	<u>\$ 2,016,007</u>	<u>\$ (70,254)</u>	<u>\$ 1,370,110</u>	<u>\$ (374,034)</u>	<u>\$ 8,686,373</u>

See independent auditor's report.

**ONE ROOF COMMUNITY HOUSING**

STATEMENTS OF FUNCTIONAL EXPENSES BY ENTITY

For the Year Ended December 31, 2019  
(With Comparative Totals for 2018)

	One Roof and One Roof Lending					Common Ground			
	2019					2019			
	Program services	Management and general	Fundraising	Total expenses	2018	Program services	Management and general	Total expenses	2018
Salaries	\$ 706,073	\$ 164,898	\$ 19,736	\$ 890,707	\$ 1,029,942	\$ 314,550	\$ 142,968	\$ 457,518	\$ 521,125
Payroll taxes	64,340	15,026	2,026	81,392	74,869	48,501	11,026	59,527	60,331
Employee benefits and other	116,970	27,317	3,268	147,555	172,161	71,442	16,902	88,344	91,313
<b>Total salary</b>	<b>887,383</b>	<b>207,241</b>	<b>25,030</b>	<b>1,119,654</b>	<b>1,276,972</b>	<b>434,493</b>	<b>170,896</b>	<b>605,389</b>	<b>672,769</b>
Professional fees	54,320	11,717	926	66,963	31,143	-	6,675	6,675	7,646
Office supplies	7,836	1,830	219	9,885	7,229	5,108	2,322	7,430	5,577
Postage	10,774	2,516	303	13,593	21,269	-	-	-	-
Occupancy and utilities	26,788	7,140	854	34,782	38,518	10,219	4,645	14,864	14,215
Telephone and IT	57,505	13,430	1,609	72,544	79,223	2,705	1,229	3,934	3,392
Depreciation	28,601	9,668	1,157	39,426	44,118	5,961	2,710	8,671	9,736
Travel and training	22,238	3,446	397	26,081	27,841	5,677	245	5,922	11,784
Bad debt expense	17,612	-	-	17,612	36,882	-	-	-	-
Property acquisition	1,275,951	-	-	1,275,951	230,800	-	-	-	-
Construction costs	3,114,305	-	-	3,114,305	2,038,807	-	-	-	-
Other development costs	316,615	-	-	316,615	348,629	-	-	-	-
Direct materials	-	-	-	-	-	150,370	-	150,370	252,070
Subcontractor costs	-	-	-	-	-	639,670	-	639,670	1,962,238
Other construction costs	-	-	-	-	-	54,495	-	54,495	67,460
Homeowner support	23,121	-	37	23,158	50,074	-	-	-	-
Insurance	19,072	4,454	532	24,058	21,020	17,773	8,078	25,851	27,788
Interest / bank fees	122,472	13,796	318	136,586	100,193	-	6,404	6,404	7,769
Marketing	25,540	6,008	904	32,452	28,156	882	-	882	382
Membership	9,080	2,120	253	11,453	11,772	-	-	-	-
Board	6,570	1,534	183	8,287	5,649	619	-	619	994
Multifamily project operating expenses	133,528	-	-	133,528	116,787	-	-	-	-
Allowance for property under development	-	-	-	-	244,500	-	-	-	-
Discount on new deferred loans	-	-	-	-	121,972	-	-	-	-
Event expenses	-	-	14,984	14,984	18,269	-	-	-	-
Other	141,857	776	78	142,711	70,021	9,838	-	9,838	16,307
<b>Total expenses</b>	<b>6,301,168</b>	<b>285,676</b>	<b>47,784</b>	<b>6,634,628</b>	<b>4,969,844</b>	<b>1,337,810</b>	<b>203,204</b>	<b>1,541,014</b>	<b>3,060,127</b>
Expenses netted against revenues or reported as nonoperating:									
Cost of homes sold	(5,068,984)	-	-	(5,068,984)	(2,860,836)	-	-	-	-
Construction services expense	-	-	-	-	-	(204,624)	-	(204,624)	(445,202)
Land cost capitalization	362,113	-	-	362,113	242,600	-	-	-	-
<b>\$</b>	<b>1,594,297</b>	<b>\$ 285,676</b>	<b>\$ 47,784</b>	<b>\$ 1,927,757</b>	<b>\$ 2,351,608</b>	<b>\$ 1,133,186</b>	<b>\$ 203,204</b>	<b>\$ 1,336,390</b>	<b>\$ 2,614,925</b>

See independent auditor's report.

# ONE ROOF COMMUNITY HOUSING

## COMPARATIVE STATEMENTS OF FINANCIAL POSITION - COMMON GROUND

December 31, 2019 and 2018

	2019	2018
<b>ASSETS</b>		
Current assets:		
Cash	\$ 83,031	\$ 61,055
Accounts receivable, net	46,646	150
Due from One Roof	57,930	553,211
Prepaid expenses	5,323	5,323
Total current assets	192,930	619,739
Equipment, net	27,983	20,942
Total assets	\$ 220,913	\$ 640,681
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 64,142	\$ 550,319
Accrued payroll and related taxes	11,654	45,178
Current maturities	3,476	38,350
Other current liabilities	1,250	15,084
Due to One Roof	202,089	182,115
Total current liabilities	282,611	831,046
Long-term debt, less current maturities	7,958	11,416
Total liabilities	290,569	842,462
Net assets without donor restrictions	(70,254)	(201,781)
Total liabilities and net assets	\$ 220,315	\$ 640,681

See independent auditor's report.

# ONE ROOF COMMUNITY HOUSING

## COMPARATIVE STATEMENTS OF ACTIVITIES - COMMON GROUND

For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Revenues and support:		
Construction revenues	\$ 1,637,235	\$ 3,112,882
Other revenues	11,441	3,138
	<u>1,648,676</u>	<u>3,116,020</u>
Total revenues and support		
Expenses:		
Construction services	1,337,810	2,858,305
Management and general	203,204	201,822
	<u>1,541,014</u>	<u>3,060,127</u>
Total expenses		
Change in net assets	107,662	55,893
Net assets, beginning of year	(201,781)	(257,674)
Transfer	23,865	-
Net assets, end of year	<u>\$ (70,254)</u>	<u>\$ (201,781)</u>

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, 2019  
(With Comparative Totals for 2018)

	2019	2018
<b>ASSETS</b>		
Current assets:		
Cash	\$ 96,808	\$ 33,226
Accounts receivable	64,540	44,302
Interest receivable	21,351	53,292
Loans receivable, current portion	185,800	276,000
Other current assets	37,618	1,453,625
Prepaid expenses	486	1,240
Total current assets	406,603	1,861,685
Cash restricted for loan programs	1,302,800	1,324,590
Loans receivable - net, less current portion	3,236,290	3,094,713
 Total assets	 \$ 4,945,693	 \$ 6,280,988
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Current maturities of long-term debt	\$ 437,375	\$ 1,598,737
Accounts payable	13,365	1,614
Accrued interest	5,074	36,533
Refundable advances	16,112	8,933
Committed loans	578,301	833,086
Borrower escrows	3,945	5,708
Other current liabilities	103,886	6,737
Total current liabilities	1,158,058	2,491,348
Refundable advances, less current portion	638,065	599,050
Long-term debt, less current maturities	1,133,563	1,329,856
Total liabilities	2,929,686	4,420,254
Net assets:		
Without donor restrictions	616,032	626,912
With donor restrictions	1,403,242	1,240,421
Less discount on deferred loans	(3,267)	(6,599)
Net with donor restrictions	1,399,975	1,233,822
Total net assets	2,016,007	1,860,734
 Total liabilities and net assets	 \$ 4,945,693	 \$ 6,280,988

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, 2019  
(With Comparative Totals for 2018)

	2019			2018
	Without donor restrictions	With donor restrictions	Total	
Revenues and support:				
Contributions - operating	\$ -	\$ -	\$ -	\$ 11,284
Government grants and contracts - operating	145,306	-	145,306	300,475
Interest income - loans	165,321	-	165,321	133,223
Interest income - deferred loan accretion	65,876	3,332	69,208	163,205
Interest income - other	291	-	291	250
Loan fees	99,082	-	99,082	139,827
Other revenues	3,751	-	3,751	3,665
Total revenues and support	<u>479,627</u>	<u>3,332</u>	<u>482,959</u>	<u>751,929</u>
Expenses:				
Salaries, payroll taxes and benefits	291,430	-	291,430	282,295
Office and occupancy	41,737	-	41,737	45,428
Professional and consulting fees	27,479	-	27,479	7,724
Interest and bank fees	84,857	-	84,857	72,201
Advertising and marketing	8,750	-	8,750	12,393
Bad debt expense	17,612	-	17,612	36,882
Discount on new deferred loans	-	-	-	121,972
Other expenses	18,642	-	18,642	33,373
Total expenses	<u>490,507</u>	<u>-</u>	<u>490,507</u>	<u>612,268</u>
Operating income (loss)	(10,880)	3,332	(7,548)	139,661
Grants for loan program	-	162,821	162,821	557,167
Change in net assets	(10,880)	166,153	155,273	696,828
Net assets, beginning of year	<u>626,912</u>	<u>1,233,822</u>	<u>1,860,734</u>	<u>1,163,906</u>
Net assets, end of year	<u>\$ 616,032</u>	<u>\$ 1,399,975</u>	<u>\$ 2,016,007</u>	<u>\$ 1,860,734</u>

See independent auditor's report.

# ONE ROOF COMMUNITY HOUSING

## STATEMENT OF FINANCIAL POSITION - WEST END QUAD POD

December 31, 2019

### ASSETS

Current assets:		
Cash	\$	54,695
Tenant receivables		10,028
Total current assets		<u>64,723</u>
Security deposits		14,396
Debt service reserve		10,001
Operating reserve		15
Total deposits and funded reserves		<u>24,412</u>
Property and equipment		2,873,957
Accumulated depreciation		(72,375)
Net property and equipment		<u>2,801,582</u>
Total assets	\$	<u><u>2,890,717</u></u>

### LIABILITIES AND NET ASSETS

Current liabilities:		
Current maturities	\$	38,772
Accounts payable		32,123
Accrued interest		26,590
Prepaid rents		8,500
Total current liabilities		<u>105,985</u>
Tenant security deposits		17,174
Long-term debt, less current maturities, net		1,397,448
Total liabilities		<u>1,520,607</u>
Net assets without donor restrictions		<u>1,370,110</u>
Total liabilities and net assets	\$	<u><u>2,890,717</u></u>

See independent auditor's report.

# ONE ROOF COMMUNITY HOUSING

## STATEMENT OF ACTIVITIES - WEST END QUAD POD

For the Year Ended December 31, 2019

Revenues and support:	
Apartment rent:	
Rent revenue	\$ 188,093
Less vacancies and allowances	(63,141)
Net rental revenue	<u>124,952</u>
Tenant charges	1,823
Interest income	<u>72</u>
Total revenues and support	<u>126,847</u>
Expenses:	
Administrative	12,080
Utilities	14,869
Maintenance and operating	13,478
Real estate taxes	740
Insurance	<u>4,944</u>
Total expenses	<u>46,111</u>
Operating income	80,736
Grants - construction	1,218,976
Donated project reserves	70,000
Interest expense - finance fees amortization	(4,090)
Interest expense	<u>(26,590)</u>
Income before depreciation	1,339,032
Depreciation	<u>(72,375)</u>
Change in net assets without restrictions	1,266,657
Net assets without restrictions, beginning of year	-
Member contribution	<u>103,453</u>
Net assets without restrictions, end of year	<u><u>\$ 1,370,110</u></u>

See independent auditor's report.

# ONE ROOF COMMUNITY HOUSING

## STATEMENT OF FINANCIAL POSITION - NEIGHBORWORKS FUNDS WITH DONOR RESTRICTIONS

December 31, 2019

### ASSETS

Current assets:	
Cash designated for programs	\$ 72,008
Loans receivable, current portion	<u>43,000</u>
Total current assets	115,008
Cash restricted for loan programs	200,878
Loans receivable, less current portion	530,522
Allowance for loan losses	(5,128)
Other assets	<u>17,000</u>
Total assets	<u><u>\$ 858,280</u></u>

### LIABILITIES AND NET ASSETS

Current liabilities:	
Borrower escrows and other liabilities	\$ <u>39,285</u>
Total liabilities	<u>39,285</u>
Net assets -	
With donor restrictions	822,262
Less discount on deferred loans	<u>(3,267)</u>
Total net assets	<u>818,995</u>
Total liabilities and net assets	<u><u>\$ 858,280</u></u>

See independent auditor's report.

# ONE ROOF COMMUNITY HOUSING

## STATEMENT OF ACTIVITIES - NEIGHBORWORKS FUNDS WITH DONOR RESTRICTIONS

For the Year Ended December 31, 2019

Revenue:	
Interest income - deferred loan accretion	<u>\$ 3,332</u>
Total revenue and support	<u>3,332</u>
Change in net assets	3,332
Net assets:	
Beginning of year	<u>815,663</u>
End of year	<u><u>\$ 818,995</u></u>

See independent auditor's report.