

ONE ROOF COMMUNITY HOUSING

**CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED
DECEMBER 31, 2020**

ONE ROOF COMMUNITY HOUSING

CONSOLIDATED FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Consolidated Financial Statements:	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7
Supplementary Information:	
Consolidating Statement of Financial Position	31
Consolidating Statement of Activities	32
Statements of Functional Expenses by Entity	33
Comparative Statements of Financial Position – Common Ground	34
Comparative Statements of Activities – Common Ground	35
Comparative Statements of Financial Position – NHS	36
Comparative Statements of Activities – NHS	37
Statement of Financial Position – WEQP	38
Statement of Activities – WEQP	39
Statement of Financial Position – Neighborworks Funds with Donor Restrictions	40
Statement of Activities – Neighborworks Funds with Donor Restrictions	41



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, 2020, 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, 2020, 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 2019 consolidated financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated June 11, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, 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 31 through 41 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 17, 2021, 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.

*Mahoney Ulbrich
Christiansen Russ P.A.*

June 17, 2021

ONE ROOF COMMUNITY HOUSING

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2020
(With Comparative Totals for 2019)

	2020	2019
ASSETS		
Current assets:		
Cash	\$ 1,348,121	\$ 803,722
Cash designated for programs	1,168,149	1,258,205
Accounts receivable, net	165,867	146,663
Contributions and grants receivable	1,796,806	427,897
Interest receivable	13,625	16,223
Loans receivable, current portion	166,800	185,800
Prepaid expenses	20,249	27,468
Properties under development, net	2,096,210	3,484,027
Total current assets	6,775,827	6,350,005
Cash restricted for loan programs	1,025,048	1,302,800
Cash reserve accounts	226,619	24,412
Loans receivable - net, less current portion	3,471,584	3,114,553
Leasehold improvements and equipment, net	74,083	69,083
Multifamily rental property, net	6,534,089	4,140,955
Land held in trust	4,848,638	4,535,038
Tax credit fees, net	70,636	-
Total assets	\$ 23,026,524	\$ 19,536,846
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current maturities of long-term debt	\$ 1,331,254	\$ 2,702,181
Accounts payable	324,258	492,255
Accounts payable - construction	797,625	-
Accrued payroll and related taxes	263,072	220,046
Accrued interest	1,305	33,129
Refundable advances	1,112,965	1,406,516
Committed loans	613,383	578,301
Borrower escrows	3,712	3,945
Other current liabilities	56,665	47,568
Total current liabilities	4,504,239	5,483,941
Tenant security deposits	19,000	17,174
Refundable advances, less current portion	675,519	638,065
Long-term debt, less current maturities, net	5,402,462	4,711,293
Total liabilities	10,601,220	10,850,473
Net assets:		
Without donor restrictions		
Controlling interest:		
Undesignated	3,178,054	1,921,626
Board designated - operating reserve	508,768	481,526
Board designated - land held in trust	4,848,638	4,535,038
Total controlling interest	8,535,460	6,938,190
Noncontrolling interest	1,719,400	-
Total without donor restrictions	10,254,860	6,938,190
With donor restrictions	2,170,444	1,751,450
Less discount on deferred loans	-	(3,267)
Total net assets with donor restrictions	2,170,444	1,748,183
Total net assets	12,425,304	8,686,373
Total liabilities and net assets	\$ 23,026,524	\$ 19,536,846

See accompanying notes to consolidated financial statements.

ONE ROOF COMMUNITY HOUSING

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

	2020			2019
	Without donor restrictions	With donor restrictions	Total	
Revenues and support:				
Contributions - development	\$ 265,000	\$ -	\$ 265,000	\$ 86,750
Government grants and contracts - development	1,747,871	-	1,747,871	1,544,491
Sales of homes	3,502,551	-	3,502,551	3,641,100
Less cost of homes sold	(4,884,468)	-	(4,884,468)	(4,818,870)
Gain on sale of homes	630,954	-	630,954	453,471
Construction revenues	117,365	-	117,365	299,705
Less construction services expense	(87,128)	-	(87,128)	(204,624)
Construction revenues, net	30,237	-	30,237	95,081
Contributions - operating	129,579	10,625	140,204	565,449
Contributions - noncash	6,500	-	6,500	19,514
Special events	34,400	-	34,400	24,150
Government grants and contracts - operating	1,522,374	-	1,522,374	738,912
Real estate sales commissions	156,310	-	156,310	120,393
Land lease revenues	120,942	-	120,942	112,850
Multi-family rental revenue	295,950	-	295,950	246,621
Interest income - loans	126,353	-	126,353	121,613
Interest income - deferred loan accretion	41,934	3,267	45,201	69,208
Interest income - other	1,874	-	1,874	2,886
Loan fees	109,862	-	109,862	99,082
Other revenues	37,154	-	37,154	54,443
Net assets released from restriction	109,200	(109,200)	-	-
Total revenues and support	3,353,623	(95,308)	3,258,315	2,723,673
Expenses:				
Community land trust	475,313	-	475,313	494,409
Homebuyer education and counseling	166,628	-	166,628	144,509
Lending services	1,158,854	-	1,158,854	460,123
Multi-family development	710,902	-	710,902	523,262
Tenant-landlord connection	146,922	-	146,922	121,123
Total program services, less cost of homes sold	2,658,619	-	2,658,619	1,743,426
Management and general	485,491	-	485,491	483,949
Fundraising	80,590	-	80,590	47,784
Total expenses	3,224,700	-	3,224,700	2,275,159
Operating income (loss)	128,923	(95,308)	33,615	448,514
Land cost capitalized	313,600	-	313,600	362,113
Grants for loan program	-	14,831	14,831	162,821
Government grants for multi-family property in development	-	-	-	1,218,976
Contributions for multi-family property in development	-	1,325,000	1,325,000	70,000
PPP loan forgiveness	332,485	-	332,485	-
Contributed properties	-	-	-	26,900
Partnership capital contributions, net	1,749,400	-	1,749,400	-
Syndication costs	(25,000)	-	(25,000)	-
Organizational and start up costs	(5,000)	-	(5,000)	-
Net assets released from restriction	822,262	(822,262)	-	-
Change in net assets - consolidated	3,316,670	422,261	3,738,931	2,289,324
Portion attributable to noncontrolling interests	1,719,400	-	1,719,400	-
Portion attributable to controlling interests	\$ 1,597,270	\$ 422,261	\$ 2,019,531	\$ 2,289,324
Changes in net assets:				
Controlling interest:				
Beginning balance	\$ 6,938,190	\$ 1,748,183	\$ 8,686,373	\$ 6,397,049
Change in net assets	1,597,270	422,261	2,019,531	2,289,324
Ending balance	8,535,460	2,170,444	10,705,904	8,686,373
Noncontrolling interests:				
Beginning balance	-	-	-	-
Change in net assets	1,719,400	-	1,719,400	-
Ending balance	1,719,400	-	1,719,400	-
Total net assets, end of year	\$ 10,254,860	\$ 2,170,444	\$ 12,425,304	\$ 8,686,373

See accompanying notes to consolidated financial statements.

ONE ROOF COMMUNITY HOUSING

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

	2020										
	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	2019
Salaries	\$ 232,232	\$ 102,657	\$ 258,396	\$ 186,810	\$ 98,558	\$ 878,653	\$ 268,229	\$ 333,791	\$ 50,773	\$ 1,531,446	\$ 1,348,225
Payroll taxes	16,508	7,132	18,529	12,230	6,100	60,499	57,459	24,733	3,736	146,427	140,919
Employee benefits and other	33,227	17,440	56,278	44,291	17,218	168,454	51,524	48,349	5,370	273,697	235,899
	281,967	127,229	333,203	243,331	121,876	1,107,606	377,212	406,873	59,879	1,951,570	1,725,043
Professional fees	10,703	3,604	22,897	6,021	3,430	46,655	-	11,430	1,708	59,793	73,638
Office supplies	2,500	1,306	3,581	1,489	665	9,541	4,093	4,851	325	18,810	17,315
Postage	1,974	719	1,824	1,257	659	6,433	-	1,140	3,814	11,387	13,593
Occupancy and utilities	7,741	2,999	7,714	5,446	2,853	26,753	8,750	10,210	1,420	47,133	49,646
Telephone and IT	24,540	13,288	24,367	15,152	7,487	84,834	2,971	16,685	3,724	108,214	76,478
Depreciation	9,614	4,526	2,813	116,407	4,365	137,725	5,470	10,456	2,176	155,827	120,472
Travel and training	5,490	1,174	3,361	4,043	1,071	15,139	4,366	5,243	484	25,232	32,003
Bad debt expense	-	-	28,234	-	-	28,234	-	-	-	28,234	17,612
Property acquisition	1,445,629	-	-	-	-	1,445,629	-	-	-	1,445,629	1,275,951
Construction costs	2,967,937	-	-	-	-	2,967,937	558,304	-	-	3,526,241	3,958,840
Other development costs	477,299	-	-	-	-	477,299	-	-	-	477,299	316,652
Homeowner support	32,495	6,151	3,199	-	-	41,845	-	25	-	41,870	61,207
Insurance	6,077	1,097	7,582	13,755	1,043	29,554	12,971	9,236	518	52,279	54,853
Interest / bank fees	32,114	149	56,057	76,292	137	164,749	-	3,871	684	169,304	168,739
Marketing	5,750	1,529	6,706	1,239	1,967	17,191	1,008	819	1,016	20,034	33,334
Membership	11,301	506	3,231	1,068	482	16,588	-	1,337	240	18,165	11,453
Board	1,195	463	1,191	841	441	4,131	502	749	2,828	8,210	8,906
Multifamily project operating expenses	-	-	-	223,615	-	223,615	-	-	-	223,615	174,695
Financial assistance	-	-	640,796	-	-	640,796	-	-	-	640,796	-
Discount on new deferred loans	-	-	10,468	-	-	10,468	-	-	-	10,468	-
Event expenses	-	-	-	-	-	-	-	-	1,550	1,550	14,984
Other	41,852	1,888	1,630	946	446	46,762	14,363	2,566	224	63,915	114,463
Total expenses	5,366,178	166,628	1,158,854	710,902	146,922	7,549,484	990,010	485,491	80,590	9,105,575	8,319,877
Reclassify Common Ground expenses related to One Roof projects	902,882	-	-	-	-	902,882	(902,882)	-	-	-	-
Eliminate construction costs paid to Common Ground by One Roof	(1,222,879)	-	-	-	-	(1,222,879)	-	-	-	(1,222,879)	(1,383,337)
Expenses netted against revenues or reported as nonoperating:											
Cost of homes sold	(4,884,468)	-	-	-	-	(4,884,468)	-	-	-	(4,884,468)	(4,818,870)
Construction services expense	-	-	-	-	-	-	(87,128)	-	-	(87,128)	(204,624)
Land cost capitalization	313,600	-	-	-	-	313,600	-	-	-	313,600	362,113
Expenses reported in expense section of the statement of activities	\$ 475,313	\$ 166,628	\$ 1,158,854	\$ 710,902	\$ 146,922	\$ 2,658,619	\$ -	\$ 485,491	\$ 80,590	\$ 3,224,700	\$ 2,275,159
% of expense (after reclassification and elimination of Common Ground expenses) Note 2:											
2020	64%	2%	14%	9%	2%	91%	1%	7%	1%	100%	
2019	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, 2020
(With Comparative Totals for 2019)

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 3,738,931	\$ 2,289,324
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	155,827	120,472
Loss on sale of equipment	-	(4,808)
Change in reserve for housing development losses	(72,383)	(172,117)
Partnership capital contributions, net	(1,749,400)	-
Syndication costs	25,000	-
Grants for loan program	(14,831)	(162,821)
Contributed properties	-	(26,900)
Changes in discount on deferred loans receivable	(34,733)	(69,208)
Bad debt expense	28,234	17,612
Changes in operating assets and liabilities:		
Receivables	(1,385,515)	(396,506)
Prepaid expenses	7,219	15,613
Properties under development and for sale	1,022,071	1,423,004
Land held in trust	(313,600)	(362,113)
Accounts payable	(24,344)	(40,613)
Accrued expenses	11,202	(21,244)
Refundable advances	(262,847)	(633,900)
Borrower escrows	(233)	(1,763)
Other liabilities	9,097	25,747
Tenant security deposits	1,826	17,174
Net cash from operating activities	1,141,521	2,016,953
Cash flows from investing activities:		
Issuance of loans receivable	(879,967)	(877,814)
Collection of loans receivable	583,517	724,254
Proceeds on sale of equipment	-	5,350
Multi-family properties under development	(1,436,675)	(734,548)
Purchase of leasehold improvements and equipment	(25,185)	(28,090)
Net cash from investing activities	(1,758,310)	(910,848)
Cash flows from financing activities:		
Grants for loan program	14,831	162,821
Grants for multi-family properties under development	6,750	(321,974)
Proceeds from issuance of debt	3,665,247	3,352,280
Partnership capital contributions, net	1,749,400	-
Syndication costs	(25,000)	-
Payment of tax credit fees	(70,636)	-
Repayment of debt	(4,345,005)	(3,690,446)
Net cash from financing activities	995,587	(497,319)
Net increase in cash	378,798	608,786
Cash, cash equivalents, and restricted cash, beginning of year	3,389,139	2,780,353
Cash, cash equivalents, and restricted cash, end of year	\$ 3,767,937	\$ 3,389,139
Reconciliation of cash, cash equivalents, and restricted cash to statement of financial position:		
Cash	\$ 1,348,121	\$ 803,722
Cash designated for programs	1,168,149	1,258,205
Cash restricted for loan programs	1,025,048	1,302,800
Cash reserve accounts	226,619	24,412
Total cash, cash equivalents, and restricted cash	\$ 3,767,937	\$ 3,389,139
Cash paid for interest expense	\$ 292,129	\$ 237,174
Noncash investing activities:		
Multi-family property development costs in payables	\$ 888,146	\$ 234,174
Contributed properties	\$ -	\$ 26,900

See accompanying notes to consolidated financial statements.

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

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 providing a broad range of services and products in 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 typically offered 16 times per year and include presentations by local industry professionals including loan officers, realtors, home inspectors, closing agents, and home insurance professionals. One Roof also works privately and confidentially with home buying clients to provide one-on-one counseling to help individuals and families achieve and maintain homeownership. These services are made available in person or virtually.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

1. ORGANIZATION (Continued)

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. Additionally, as our community and economy changes, One Roof pivots to participate in federal or state programs aimed at providing financial assistance to members of our community. In 2020, One Roof participated in the Federal COVID Housing Assistance Program (CHAP).

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 is the construction of Decker Dwellings, located in Duluth Heights, received, which began construction of 42 apartment units in September of 2020. One Roof continues to work on additional new multi-family projects. Most recently, Brewery Creek LLLP was awarded funding in December 2020 and will provide 52 units of affordable rental housing, including 26 units for people experiencing homelessness. Brewery Creek is expected to begin construction in late 2021 and open in late 2022/early 2023.

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, and the limited partnerships and LLCs over which the One Roof Community Housing has control (collectively One Roof). Significant inter-entity accounts and transactions have been eliminated.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Under generally accepted accounting principles, there is a presumption that a nonprofit general partner of a limited partnership or similar entity has control over that partnership, regardless of the percentage of ownership. For the year ended December 31, 2020, One Roof consolidated two limited partnerships in which it is the general partner.

The interests of the noncontrolling limited and general partners and members have been included in net assets without donor restrictions and the change in net assets.

A summary of the entities consolidated by One Roof follows:

Entity	Purpose
One Roof Community Realty, LLC (no activity in 2020 or 2019);	Formed to sell houses developed by One Roof Community Housing.
One Roof Community Lending (Neighborhood Housing Services of Duluth, Inc. (NHS))	Conducts down payment and renovation loan services.
Common Ground Deconstruction Service & Reuse Center, LLC (Common Ground)	The general contractor for many of One Roof's houses and also provides construction services to third parties.
Brewery Creek LLLP	Planned tax credit deal with One Roof as the General Partner and Limited Partner as of December 31, 2020.
West End Quad Pod, LLC (WEQP)	16 unit modular home development which completed construction in July 2019.
Decker Dwellings LLLP	42 apartment units new construction affordable workforce housing which began construction in September 2020.

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.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, and capital activity from noncontrolling interests.

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 \$1,098,125 related to the CLT program, \$351 related to the Multifamily Housing program and \$69,673 related to other programs at December 31, 2020, and \$1,211,474 related to the CLT program, \$4,796 related to the Multifamily Housing program and \$41,935 related to other programs at December 31, 2019.

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, 2020 and 2019, deposits exceeded the insured limit by approximately \$2,285,361 and \$1,813,020.

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.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

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

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 at December 31, 2020 and 2019. 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 7.75%. 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 20.8 years in 2020 and 20.9 years in 2019. 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.

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

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

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. 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. No allowance was considered necessary in 2020. An allowance of \$72,383 was recorded in 2019.

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 2020 or 2019.

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.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Tax Credit Fees - Housing tax credit fees are amortized over 10 years using the straight-line method. Amortization of the housing tax credit fees is expected to begin in 2021.

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, 2020
(With Comparative Totals for 2019)

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. Contributions of materials and supplies of \$1,000 were recognized in 2020. Contributed real estate valued at \$26,900, special event supplies of \$2,300, materials and supplies of \$8,000, and room rental of \$299 were recognized in 2019. Contributed services of \$5,500 and \$8,915 related to the CLT program were recognized in 2020 and 2019.

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, 2020
(With Comparative Totals for 2019)

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. For Minnesota, income taxes for such unrelated business income totaled \$298 in 2020 and \$1,784 in 2019. Management believes there was no federal unrelated business income in 2020 or 2019.

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 and Decker Dwelling LLLP are 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, 2020
(With Comparative Totals for 2019)

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, 2019.

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 16-week cash flow projections, 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 16-week cash flow projections 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, 2020
(With Comparative Totals for 2019)

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:

	2020	2019
Financial assets at year end:		
Cash	\$ 1,348,121	\$ 803,722
Cash designated for programs	1,168,149	1,258,205
Accounts receivable, net	165,867	146,663
Contributions and grants receivable	1,796,806	427,897
Interest receivable	13,625	16,223
Total financial assets	4,492,568	2,652,710
Less amounts not available to be used within a year:		
Cash designated/restricted for CLT homes	1,098,125	1,211,475
Contributions receivable for multifamily development	925,000	-
Grants receivable for loans	-	4,144
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,469,443</u>	<u>\$ 1,437,091</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, 2020
(With Comparative Totals for 2019)

4. CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable as of December 31, 2020 are due as follows: \$1,334,306 in 2021 and \$462,500 in 2022.

5. LOANS RECEIVABLE

Loans receivable by portfolio consist of the following:

	2020	2019
Amortizing mortgages	\$ 2,825,227	\$ 2,513,723
Deferred loans	720,655	746,619
Due on sale loans	4,784	4,784
Non-amortizing non-recourse loans	621,724	592,059
Total loans receivable	4,172,390	3,857,185
Less discount on deferred and due on sale loans	(459,803)	(494,536)
Less allowance for loan losses	(74,203)	(62,296)
Total loans receivable, net	3,638,384	3,300,353
Less current portion	(166,800)	(185,800)
Noncurrent portion	\$ 3,471,584	\$ 3,114,553

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:

	2020	2019
Beginning balance	\$ 62,296	\$ 62,057
Loans charged off	(4,268)	(17,373)
Provision for losses	16,175	17,612
Ending balance	\$ 74,203	\$ 62,296

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

5. LOANS RECEIVABLE (Continued)

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

	2020			2019
	Amortizing mortgages	Other loans	Total	
Current	\$ 2,701,768	\$ -	\$ 2,701,768	\$ 2,302,417
31 - 60 days	38,828	-	38,828	100,655
61 - 90 days	16,244	-	16,244	52,044
Over 90 days	68,387	-	68,387	58,607
Due on maturity	-	1,347,163	1,347,163	1,343,462
Total	<u>\$ 2,825,227</u>	<u>\$ 1,347,163</u>	<u>\$ 4,172,390</u>	<u>\$ 3,857,185</u>

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, 2020.

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, 2020
(With Comparative Totals for 2019)

6. PROPERTIES UNDER DEVELOPMENT AND REFUNDABLE ADVANCES

Properties under development consist of the following:

	2020	2019
Houses under development and for sale – 10 in 2020 and 17 in 2019, net reserve for losses of \$72,383 in 2019	\$ 1,697,062	\$ 1,757,034
Grand Marais - 0 in 2020 and 3 in 2019	-	863,715
Multi-family development:		
Brewery Creek	88,848	105,298
Decker Dwellings	-	438,129
Grand Marais	275,623	262,951
Vacant lots held for development – 2 in 2020 and 2 in 2019	34,677	56,900
	\$ 2,096,210	\$ 3,484,027

Current 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:

	2020	2019
Houses under development and for sale –		
Individual homes	\$ 38,000	\$ 253,000
Grand Marais	1,970	268,879
Multi-family development:		
Brewery Creek	832,250	825,500
Unspent loan funds	192,531	16,112
Home ownership classes	37,464	34,525
Prepaid rent	10,750	8,500
	\$ 1,112,965	\$ 1,406,516

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

7. LEASEHOLD IMPROVEMENTS AND EQUIPMENT

Leasehold improvements and equipment consists of the following:

	<u>2020</u>	<u>2019</u>
Equipment	\$ 171,989	\$ 184,389
Leasehold improvements	27,161	32,261
Less accumulated depreciation	<u>(125,067)</u>	<u>(147,567)</u>
	<u>\$ 74,083</u>	<u>\$ 69,083</u>

8. MULTIFAMILY RENTAL PROPERTY

Multifamily rental property consists of the following:

	<u>2020</u>	<u>2019</u>
Building	\$ 3,745,389	\$ 3,745,389
Land	397,699	307,699
Land improvements	123,217	123,217
Equipment	88,133	88,133
Construction in progress	2,493,098	54,322
Less accumulated depreciation	<u>(313,447)</u>	<u>(177,805)</u>
	<u>\$ 6,534,089</u>	<u>\$ 4,140,955</u>

SOL House is leased to Life House under a five year term beginning June 2015. In December 2020, the lease was renewed through June 2023. Minimum future lease payments for SOL House consist of \$25,200 annually in 2021 and 2022, and \$12,600 in 2023. The land for Sol House is included in land held in trust.

Brewery Creek LLLP is a planned tax credit deal with One Roof as the General Partner. The project is expected to cost approximately \$18M and has already received commitments for \$16M of funding from MN Housing, and other agencies. As of December 31, 2020, 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.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

8. **MULTIFAMILY RENTAL PROPERTY (Continued)**

Brewery Creek Apartments are leased to residential tenants under one year leases. This project has been listed for sale and One Roof has a signed purchase agreement for \$450,000 which expires September 1, 2021.

WEQP units are leased to residential tenants under one year leases. WEQP capitalized interest costs of \$88,441 and finance fees of \$15,540 in 2019.

Decker Dwelling LLLP is a planned tax credit deal with One Roof as the General Partner. As of September 2020, the project began construction which is expected to be completed by late 2021. The Partnership entered into a construction contract for \$8,487,399. At December 31, 2020, \$1,725,174 of this contract has been completed.

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 326 lots at December 31, 2020 and 313 at December 31, 2019.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

10. DEBT

Debt consists of the following:

	2020	2019
Greater Minnesota Housing Fund	\$ 1,191,224	\$ 1,161,147
MHFA CRV Funds	700,000	1,310,000
MHFA EDHC Loan	390,985	-
Local Initiatives Support Corporation (LISC)	128,442	273,942
City of Duluth HIF	218,242	218,242
Duluth HRA	-	32,000
U.S. Bancorp CDC	-	250,000
North Shore Bank	513,038	649,294
National Bank of Commerce	343,225	360,545
Propel Nonprofits	14,277	46,905
MMCDC	1,476,966	1,166,334
Cook County/Grand Marais Joint EDA	1,576,969	1,616,969
Members Cooperative Credit Union	91,362	91,362
National Bank of Commerce LOC	259,921	417,483
	6,904,651	7,594,223
Less unamortized finance fees	(170,935)	(180,749)
Less current maturities	(1,331,254)	(2,702,181)
	\$ 5,402,462	\$ 4,711,293

Greater Minnesota Housing Fund (GMHF) - \$1,400,000 commitment for working capital and investment/project capital. Advances bear interest at 5%. Interest payments are due quarterly until May 10, 2022, when all outstanding principal and interest is due. The outstanding balance was \$1,191,224 and \$1,161,147 at December 31, 2020 and 2019. 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 May 2022.

- \$230,000 is for construction financing with interest at 2%, unsecured. The outstanding balance was \$230,000 at December 31, 2019. The note was repaid in full in 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. The note was repaid in full in 2020.
- \$350,000 is for the development of new homes with interest at 4%. The outstanding balance was \$350,000 at December 31, 2019. The note was repaid in full in 2020.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

10. DEBT (Continued)

- \$150,000 is for the development of new homes with interest at 4%. The outstanding balance was \$150,000 at December 31, 2019. The note was repaid in full in 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, with the maturity date on June 1, 2021. The outstanding balance was repaid in 2020.
- \$400,000 is for the development of new homes with interest at 4.75%, with the maturity date on June 1, 2021. The loan was taken out in March of 2020 and repaid in full in December 2020.
- \$700,000 is for the development of new homes with interest at 4.75%. The outstanding balance was \$700,000 at December 31, 2020. The note is due on May 1, 2022.

MHFA EDHC – Loan of \$1,947,000 to provide financing for the Decker Dwellings project and bears no interest with a term of 30 years. Payments will be made from TIF proceeds with an assignment of all TIF proceeds being designated to the Minnesota Housing Finance Authority for the repayment of the loan. The outstanding balance was \$390,985 at December 31, 2020.

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. The loan was repaid in full on September 30, 2020.
- \$98,000 project investment for Brewery Creek due July 31, 2021. Secured by the property. The outstanding balance was \$98,000 at December 31, 2020 and 2019.
- \$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, 2020 and 2019.
- \$96,500 project investment for Decker Dwellings development due January 31, 2021. Secured by the property. The outstanding balance was \$96,500 at December 31, 2019. The outstanding balance on the loan was repaid in full on October 30, 2020.
- \$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. The outstanding balance was repaid in full on February 25, 2020.

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, 2020
(With Comparative Totals for 2019)

10. DEBT (Continued)

Duluth HRA - \$32,000 note payable to the Duluth Housing and Redevelopment Authority (HRA) with no interest. Proceeds were to be used for the acquisition of 2833 Snowy Owl predevelopment project. The outstanding balance was \$32,000 at December 31, 2019. The outstanding balance of the note was repaid in full in 2020.

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 were to be used for loan funding. The outstanding balance of the note was repaid in full in 2020.

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 12, 2021. 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. 4 and 9 individual loans were outstanding at December 31, 2020 and 2019, respectively. The outstanding balance was \$449,651 and \$500,123 at December 31, 2020 and 2019.
- 2 mortgages payable for acquisition and rehabilitation of the SOL House. The outstanding balances totaled \$63,387 and \$74,171 at December 31, 2020 and 2019.
 - \$108,000 note payable with interest at 4.5%. Monthly principal and interest payments of \$1,123 are due through June 27, 2025. 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 June 27, 2025. Secured by the SOL House property and guaranteed by Northland Foundation.
- Mortgage of \$75,000 for the acquisition of the Decker Dwellings property with interest at 4%. Monthly interest is due through August 10, 2020, when the total outstanding principal and interest was due. The outstanding balance was \$75,000 at December 31, 2019. The outstanding balance of the mortgage was repaid in full in 2020.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

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 \$335,250 and \$349,110 at December 31, 2020 and 2019.
- \$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 \$7,973 and \$11,434 at December 31, 2020 and 2019.

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. The outstanding balance was \$14,277 and \$46,905 at December 31, 2020 and 2019. 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 individual loan totaling \$121,738 was outstanding at 2019.

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 \$977,688 and \$943,615 are outstanding at December 31, 2020 and 2019.

- \$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. \$499,278 is outstanding at December 31, 2020.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

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.

Ordean Foundation LOC - \$150,000 revolving line of credit with North Shore Bank with interest at 6% maturing June 30, 2022. Guaranteed by Ordean Foundation.

National 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, 2021.

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 plus 1.0%. The line of credit matures November 5, 2021.

Paycheck Protection Program Loan - One Roof and Common Ground received loans from the Small Business Association (SBA) through North Shore Bank of Commerce under the Paycheck Protection Program (PPP) in April 2020 for a total of \$330,400. By December 30, 2020, the entire loan principal of \$330,400 was forgiven along with \$2,085 of accrued interest.

Future maturities of debt are as follows:

2021	\$ 1,331,254
2022	2,058,459
2023	172,950
2024	182,470
2025	187,419
Thereafter	<u>2,972,099</u>
	<u>\$ 6,904,651</u>

Interest was \$287,359 in 2020 and \$331,604 in 2019, of which \$56,375 and \$56,351 was included in properties under development in 2020 and 2019, and \$88,441 was capitalized to WEQP in 2019. \$137,650 and \$121,642 of interest from both 2020 and previous years was included in the cost of homes sold in 2020 and 2019.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

11. NET ASSETS

Net assets with donor restrictions are as follows:

	<u>2020</u>	<u>2019</u>
Restricted for Loans in perpetuity		
NeighborWorks America (NW) fund	\$ -	\$ 822,262
CDFI funds	734,819	719,988
Subject to the Passage of Time	-	104,200
Expendable for specified purposes		
Brewery Creek project capital	1,425,000	100,000
Other	10,625	5,000
	<u>\$ 2,170,444</u>	<u>\$ 1,751,450</u>

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

Net assets restricted for loans may be released as loans are determined to be uncollectible at the discretion of the funder, 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 \$80,225 in 2020 and \$74,847 in 2019.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

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 65% (33%, 22%, 10%) of government grants from three agencies during 2020 and 73% (21%, 16%, 18%, 18%) of government grants from four agencies during 2019.

One Roof received 88% (75%, 13%) of contributions from two contributors during 2020 and 52% (10%, 13%, 16%, 13%) of contributions from four contributors during 2019.

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, 2020, and One Roof is still contingently responsible for \$68,418 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 2020 or 2019.

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 \$1,735,781, for lending of \$542,531, and for homebuyer education of \$78,839 as of December 31, 2020, of which \$230,531 is recorded in refundable advances.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

13. **COMMITMENTS, CONTINGENCIES AND CONCENTRATIONS (Continued)**

A nationwide public health emergency developed in 2020 and is having a broad and negative impact on markets around the world. Many states 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. During 2020, One Roof had to shift its homebuyer classes to an online format and ultimately served more people. There was also a decrease in the number of new loans written, but payments on existing loans stayed strong with no increase in the amount of loans written off or considered uncollectable. Common Ground had less private work and mainly focused on One Roof jobs which has allowed the CLT program to remain strong. One Roof also administered the COVID Housing Assistance Program (CHAP) for St. Louis County. Through CHAP, which One Roof administered from September 2020 through January 2021, One Roof distributed almost \$800,000 in payments on behalf of tenants and homeowners to landlords, mortgage companies, and utilities companies, serving approximately 350 clients. In addition, One Roof received several new and increased funding sources due to the pandemic, including Paycheck Protection Program funding and Coronavirus Relief Funds (CRF) established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act").

14. **SUBSEQUENT EVENTS**

One Roof and Common Ground were each awarded a PPP loan in April 2021 from the second round of funding totaling \$368,524.

Management has evaluated subsequent events through June 17, 2021, 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, 2020

	One Roof	One Roof Lending	Common Ground	West End Quad Pod	Eliminations	Total	Brewery Creek LLLP	Decker Dwellings LLLP	Eliminations	Total
ASSETS										
Current assets:										
Cash	\$ 1,036,539	\$ 108,141	\$ 182,721	\$ 20,720	\$ -	\$ 1,348,121	\$ -	\$ -	\$ -	\$ 1,348,121
Cash designated for programs	1,180,788	-	-	-	(12,639)	1,168,149	-	-	-	1,168,149
Accounts receivable, net	265,073	5,939	44,841	13,139	-	328,992	-	-	(163,125)	165,867
Contributions and grants receivable	1,254,916	541,890	-	-	-	1,796,806	-	-	-	1,796,806
Due from other division	889,525	-	43,448	-	(154,491)	778,482	-	-	(778,482)	-
Interest receivable	-	13,785	-	-	(160)	13,625	-	-	-	13,625
Loans receivable, current portion	-	166,800	-	-	-	166,800	-	-	-	166,800
Prepaid expenses and other	14,441	485	5,323	-	-	20,249	-	-	-	20,249
Properties under development, net	2,190,714	-	-	-	(94,504)	2,096,210	-	-	-	2,096,210
Total current assets	6,831,996	837,040	276,333	33,859	(261,794)	7,717,434	-	-	(941,607)	6,775,827
Cash restricted for loan programs	-	1,025,048	-	-	-	1,025,048	-	-	-	1,025,048
Cash reserve accounts	112,821	-	-	33,698	-	146,519	-	80,100	-	226,619
Investment in subsidiaries	233,698	-	-	-	(233,598)	100	-	-	(100)	-
Loans receivable - net, less current portion	-	3,471,584	-	-	-	3,471,584	-	-	-	3,471,584
Leasehold improvements and equipment, net	52,281	-	21,802	-	-	74,083	-	-	-	74,083
Multifamily rental property, net	479,340	-	-	2,693,168	-	3,172,508	869,003	2,923,079	(430,501)	6,534,089
Land held in trust	4,848,638	-	-	-	-	4,848,638	-	-	-	4,848,638
Tax credit fees, net	-	-	-	-	-	-	-	70,636	-	70,636
Total assets	\$ 12,558,774	\$ 5,333,672	\$ 298,135	\$ 2,760,725	\$ (495,392)	\$ 20,455,914	\$ 869,003	\$ 3,073,815	\$ (1,372,208)	\$ 23,026,524
LIABILITIES AND NET ASSETS										
Current liabilities:										
Current maturities of long-term debt	\$ 1,200,553	\$ 85,852	\$ 3,599	\$ 41,250	\$ -	\$ 1,331,254	\$ -	\$ -	\$ -	\$ 1,331,254
Accounts payable	139,753	17,603	101,190	4,096	(28,905)	233,737	90,521	-	-	324,258
Accounts payable - construction	-	-	-	-	-	-	-	797,625	-	797,625
Accrued payroll and related taxes	218,922	16,740	27,410	-	-	263,072	-	-	-	263,072
Accrued interest	757	548	-	-	-	1,305	-	-	-	1,305
Accrued developer fee	-	-	-	-	-	-	-	163,125	(163,125)	-
Refundable advances	909,684	192,531	-	10,750	-	1,112,965	-	-	-	1,112,965
Committed loans	-	613,383	-	-	-	613,383	-	-	-	613,383
Borrower escrows	-	3,712	-	-	-	3,712	-	-	-	3,712
Other current liabilities	-	50,805	3,280	-	-	54,085	-	2,580	-	56,665
Due to other division	56,087	7,388	74,910	-	(138,385)	-	778,482	-	(778,482)	-
Total current liabilities	2,525,756	988,562	210,389	56,096	(167,290)	3,613,513	869,003	963,330	(941,607)	4,504,239
Tenant security deposits	-	-	-	19,000	-	19,000	-	-	-	19,000
Refundable advances, less current portion	-	675,519	-	-	-	675,519	-	-	-	675,519
Long-term debt, net, less current maturities	2,096,600	1,545,718	4,374	1,364,785	-	5,011,477	-	390,985	-	5,402,462
Total liabilities	4,622,356	3,209,799	214,763	1,439,881	(167,290)	9,319,509	869,003	1,354,315	(941,607)	10,601,220
Net assets:										
Without donor restrictions:										
Controlling interest:										
Undesignated	1,143,387	1,389,054	83,372	1,320,844	(328,102)	3,608,555	-	100	(430,601)	3,178,054
Board designated - operating reserve	508,768	-	-	-	-	508,768	-	-	-	508,768
Board designated - land held in trust	4,848,638	-	-	-	-	4,848,638	-	-	-	4,848,638
Total controlling interest	6,500,793	1,389,054	83,372	1,320,844	(328,102)	8,965,961	-	100	(430,601)	8,535,460
Noncontrolling interest	-	-	-	-	-	-	-	1,719,400	-	1,719,400
Total without donor restrictions	6,500,793	1,389,054	83,372	1,320,844	(328,102)	8,965,961	-	1,719,500	(430,601)	10,254,860
With donor restrictions	1,435,625	734,819	-	-	-	2,170,444	-	-	-	2,170,444
Less discount on deferred loans	-	-	-	-	-	-	-	-	-	-
Total net assets with donor restrictions	1,435,625	734,819	-	-	-	2,170,444	-	-	-	2,170,444
Total net assets	7,936,418	2,123,873	83,372	1,320,844	(328,102)	11,136,405	-	1,719,500	(430,601)	12,425,304
Total liabilities and net assets	\$ 12,558,774	\$ 5,333,672	\$ 298,135	\$ 2,760,725	\$ (495,392)	\$ 20,455,914	\$ 869,003	\$ 3,073,815	\$ (1,372,208)	\$ 23,026,524

See independent auditor's report.

ONE ROOF COMMUNITY HOUSING

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2020

	One Roof	One Roof Lending	Common Ground	West End Quad Pod	Eliminations	Total	Decker Dwellings LLLP	Eliminations	Total
Revenues and support:									
Contributions - development	\$ 265,000	\$ -	\$ -	\$ -	\$ -	\$ 265,000	\$ -	\$ -	\$ 265,000
Government grants and contracts - development	1,747,871	-	-	-	-	1,747,871	-	-	1,747,871
Sales of homes	3,502,551	-	-	-	-	3,502,551	-	-	3,502,551
Less cost of homes sold	(5,204,465)	-	-	-	319,997	(4,884,468)	-	-	(4,884,468)
Gain on sale of homes	310,957	-	-	-	319,997	630,954	-	-	630,954
Development fees - multi-family	430,501	-	-	-	-	430,501	-	(430,501)	-
Construction revenues	-	-	1,266,427	-	(1,149,062)	117,365	-	-	117,365
Less construction services expense	-	-	(990,010)	-	902,882	(87,128)	-	-	(87,128)
Construction revenues, net	-	-	276,417	-	(246,180)	30,237	-	-	30,237
Contributions - operating	133,079	7,125	-	-	-	140,204	-	-	140,204
Contributions - noncash	6,500	-	-	-	-	6,500	-	-	6,500
Special events	34,400	-	-	-	-	34,400	-	-	34,400
Government grants and contracts - operating	621,935	900,439	-	-	-	1,522,374	-	-	1,522,374
Real estate sales commissions	156,310	-	-	-	-	156,310	-	-	156,310
Land lease revenues	120,942	-	-	-	-	120,942	-	-	120,942
Multi-family rental revenue	109,464	-	-	186,486	-	295,950	-	-	295,950
Interest income - loans	3,034	128,512	-	-	(5,193)	126,353	-	-	126,353
Interest income - deferred loan accretion	-	45,201	-	-	-	45,201	-	-	45,201
Interest income - other	1,665	139	-	70	-	1,874	-	-	1,874
Loan fees	-	109,862	-	-	-	109,862	-	-	109,862
Other revenues	30,847	2,612	17,680	4,030	(18,015)	37,154	-	-	37,154
Total revenues and support	1,959,634	1,193,890	294,097	190,586	50,609	3,688,816	-	(430,501)	3,258,315
Expenses:									
Program services	1,252,413	1,158,854	-	247,352	-	2,658,619	-	-	2,658,619
Management and general	263,641	-	224,673	-	(2,823)	485,491	-	-	485,491
Fundraising	80,590	-	-	-	-	80,590	-	-	80,590
Total program services, less cost of homes sold	1,596,644	1,158,854	224,673	247,352	(2,823)	3,224,700	-	-	3,224,700
Operating income	362,990	35,036	69,424	(56,766)	53,432	464,116	-	(430,501)	33,615
Land cost capitalized	313,600	-	-	-	-	313,600	-	-	313,600
Grants for loan program	-	14,831	-	-	-	14,831	-	-	14,831
Contributions for multi-family property in development	1,325,000	-	-	-	-	1,325,000	-	-	1,325,000
PPP loan forgiveness	190,284	57,999	84,202	-	-	332,485	-	-	332,485
Contribution from member	-	-	-	7,500	(7,500)	-	-	-	-
Partnership capital contributions, net	-	-	-	-	-	-	1,749,500	(100)	1,749,400
Syndication costs	-	-	-	-	-	-	(25,000)	-	(25,000)
Organizational and start up costs	-	-	-	-	-	-	(5,000)	-	(5,000)
Change in net assets	2,191,874	107,866	153,626	(49,266)	45,932	2,450,032	1,719,500	(430,601)	3,738,931
Net assets, beginning of year	5,744,544	2,016,007	(70,254)	1,370,110	(374,034)	8,686,373	-	-	8,686,373
Net assets, end of year	\$ 7,936,418	\$ 2,123,873	\$ 83,372	\$ 1,320,844	\$ (328,102)	\$ 11,136,405	\$ 1,719,500	\$ (430,601)	\$ 12,425,304

See independent auditor's report.

ONE ROOF COMMUNITY HOUSING

STATEMENTS OF FUNCTIONAL EXPENSES BY ENTITY

For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

	One Roof and One Roof Lending					Common Ground			
	2020					2020			
	Program services	Management and general	Fundraising	Total expenses	2019	Program services	Management and general	Total expenses	2019
Salaries	\$ 878,653	\$ 177,929	\$ 50,773	\$ 1,107,355	\$ 890,707	\$ 268,229	\$ 155,862	\$ 424,091	\$ 457,518
Payroll taxes	60,499	13,284	3,736	77,519	81,392	57,459	11,449	68,908	59,527
Employee benefits and other	168,454	22,875	5,370	196,699	147,555	51,524	25,474	76,998	88,344
Total salary	1,107,606	214,088	59,879	1,381,573	1,119,654	377,212	192,785	569,997	605,389
Professional fees	46,655	5,080	1,708	53,443	66,963	-	6,350	6,350	6,675
Office supplies	9,541	2,473	325	12,339	9,885	4,093	2,378	6,471	7,430
Postage	6,433	1,140	3,814	11,387	13,593	-	-	-	-
Occupancy and utilities	26,753	5,126	1,420	33,299	34,782	8,750	5,084	13,834	14,864
Telephone and IT	84,834	14,959	3,724	103,517	72,544	2,971	1,726	4,697	3,934
Depreciation	29,311	7,277	2,176	38,764	39,426	5,470	3,179	8,649	8,671
Travel and training	15,139	4,993	484	20,616	26,081	4,366	250	4,616	5,922
Bad debt expense	28,234	-	-	28,234	17,612	-	-	-	-
Property acquisition	1,445,629	-	-	1,445,629	1,275,951	-	-	-	-
Construction costs	2,967,937	-	-	2,967,937	3,114,305	-	-	-	-
Other development costs	477,299	-	-	477,299	316,652	-	-	-	-
Direct materials	-	-	-	-	-	210,658	-	210,658	150,370
Subcontractor costs	-	-	-	-	-	319,151	-	319,151	639,670
Other construction costs	-	-	-	-	-	28,495	-	28,495	54,495
Homeowner support	41,845	25	-	41,870	61,207	-	-	-	-
Insurance	23,620	1,699	518	25,837	24,058	12,971	7,537	20,508	25,851
Interest / bank fees	92,684	3,094	684	96,462	136,586	-	3,600	3,600	6,404
Marketing	17,191	819	1,016	19,026	32,452	1,008	-	1,008	882
Membership	16,588	1,337	240	18,165	11,453	-	-	-	-
Board	4,131	749	2,828	7,708	8,287	502	-	502	619
Multifamily project operating expenses	162,676	-	-	162,676	133,528	-	-	-	-
Financial assistance	640,796	-	-	640,796	-	-	-	-	-
Discount on new deferred loans	10,468	-	-	10,468	-	-	-	-	-
Event expenses	-	-	1,550	1,550	14,984	-	-	-	-
Other	46,762	782	224	47,768	104,625	14,363	1,784	16,147	9,838
Total expenses	7,302,132	263,641	80,590	7,646,363	6,634,628	990,010	224,673	1,214,683	1,541,014
Expenses netted against revenues or reported as nonoperating:									
Cost of homes sold	(5,204,465)	-	-	(5,204,465)	(5,069,021)	-	-	-	-
Construction services expense	-	-	-	-	-	(87,128)	-	(87,128)	(204,624)
Land cost capitalization	313,600	-	-	313,600	362,113	-	-	-	-
Loan program funds returned to government agency	-	-	-	-	-	-	-	-	-
Total	\$ 2,411,267	\$ 263,641	\$ 80,590	\$ 2,755,498	\$ 1,927,720	\$ 902,882	\$ 224,673	\$ 1,127,555	\$ 1,336,390

See independent auditor's report.

ONE ROOF COMMUNITY HOUSING

COMPARATIVE STATEMENTS OF FINANCIAL POSITION - COMMON GROUND

December 31, 2020 and 2019

	2020	2019
ASSETS		
Current assets:		
Cash	\$ 182,721	\$ 83,031
Accounts receivable, net	44,841	46,646
Due from One Roof	43,448	57,332
Prepaid expenses	5,323	5,323
Total current assets	276,333	192,332
Equipment, net	21,802	27,983
Total assets	\$ 298,135	\$ 220,315
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 101,190	\$ 64,142
Accrued payroll and related taxes	27,410	11,654
Current maturities	3,599	3,476
Other current liabilities	3,280	1,250
Due to One Roof	74,910	202,089
Total current liabilities	210,389	282,611
Long-term debt, less current maturities	4,374	7,958
Total liabilities	214,763	290,569
Net assets without donor restrictions	83,372	(70,254)
Total liabilities and net assets	\$ 298,135	\$ 220,315

See independent auditor's report.

ONE ROOF COMMUNITY HOUSING

COMPARATIVE STATEMENTS OF ACTIVITIES - COMMON GROUND

For the Years Ended December 31, 2020 and 2019

	2020	2019
Revenues and support:		
Construction revenues	\$ 1,266,427	\$ 1,637,235
PPP loan forgiveness	84,202	-
Other revenues	17,680	11,441
Total revenues and support	1,368,309	1,648,676
Expenses:		
Construction services	990,010	1,337,810
Management and general	224,673	203,204
Total expenses	1,214,683	1,541,014
Change in net assets	153,626	107,662
Net assets, beginning of year	(70,254)	(201,781)
Transfer	-	23,865
Net assets, end of year	\$ 83,372	\$ (70,254)

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, 2020
(With Comparative Totals for 2019)

	2020	2019
ASSETS		
Current assets:		
Cash	\$ 108,141	\$ 96,808
Accounts receivable	5,939	8,646
Contributions and grants receivable	541,890	55,894
Interest receivable	13,785	21,351
Loans receivable, current portion	166,800	185,800
Other current assets	-	37,618
Prepaid expenses	485	486
Total current assets	837,040	406,603
Cash restricted for loan programs	1,025,048	1,302,800
Loans receivable - net, less current portion	3,471,584	3,236,290
Total assets	\$ 5,333,672	\$ 4,945,693
LIABILITIES AND NET ASSETS		
Liabilities:		
Current maturities of long-term debt	\$ 85,852	\$ 437,375
Accounts payable	17,603	13,365
Accrued interest	548	5,074
Refundable advances	192,531	16,112
Committed loans	613,383	578,301
Borrower escrows	3,712	3,945
Other current liabilities	74,933	103,886
Total current liabilities	988,562	1,158,058
Refundable advances, less current portion	675,519	638,065
Long-term debt, less current maturities	1,545,718	1,133,563
Total liabilities	3,209,799	2,929,686
Net assets:		
Without donor restrictions	1,389,054	616,032
With donor restrictions	734,819	1,403,242
Less discount on deferred loans	-	(3,267)
Net with donor restrictions	734,819	1,399,975
Total net assets	2,123,873	2,016,007
Total liabilities and net assets	\$ 5,333,672	\$ 4,945,693

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, 2020
(With Comparative Totals for 2019)

	2020			2019
	Without donor restrictions	With donor restrictions	Total	
Revenues and support:				
Contributions - operating	\$ 7,125	\$ -	\$ 7,125	\$ -
Government grants and contracts - operating	900,439	-	900,439	145,306
Interest income - loans	128,512	-	128,512	165,321
Interest income - deferred loan accretion	41,934	3,267	45,201	69,208
Interest income - other	139	-	139	291
Loan fees	109,862	-	109,862	99,082
Other revenues	2,612	-	2,612	3,751
Net assets released from restriction	683,254	(683,254)	-	-
Total revenues and support	<u>1,873,877</u>	<u>(679,987)</u>	<u>1,193,890</u>	<u>482,959</u>
Expenses:				
Salaries, payroll taxes and benefits	333,203	-	333,203	291,430
Financial assistance	640,796	-	640,796	-
Office and occupancy	40,299	-	40,299	41,737
Professional and consulting fees	22,897	-	22,897	27,479
Interest and bank fees	56,057	-	56,057	84,857
Advertising and marketing	6,706	-	6,706	8,750
Bad debt expense	28,234	-	28,234	17,612
Discount on new deferred loans	10,468	-	10,468	-
Other expenses	20,194	-	20,194	18,642
Total expenses	<u>1,158,854</u>	<u>-</u>	<u>1,158,854</u>	<u>490,507</u>
Operating income (loss)	715,023	(679,987)	35,036	(7,548)
Grants for loan program	-	14,831	14,831	162,821
PPP loan forgiveness	57,999	-	57,999	-
Change in net assets	773,022	(665,156)	107,866	155,273
Net assets, beginning of year	<u>616,032</u>	<u>1,399,975</u>	<u>2,016,007</u>	<u>1,860,734</u>
Net assets, end of year	<u>\$ 1,389,054</u>	<u>\$ 734,819</u>	<u>\$ 2,123,873</u>	<u>\$ 2,016,007</u>

See independent auditor's report.

ONE ROOF COMMUNITY HOUSING

STATEMENT OF FINANCIAL POSITION - WEST END QUAD POD

December 31, 2020 and 2019

	2020	2019
ASSETS		
Current assets:		
Cash	\$ 20,720	\$ 54,695
Tenant receivables	13,139	10,028
Total current assets	33,859	64,723
Security deposits	13,967	14,396
Debt service reserve	10,015	10,001
Operating reserve	9,716	15
Total deposits and funded reserves	33,698	24,412
Property and equipment	2,873,957	2,873,957
Accumulated depreciation	(180,789)	(72,375)
Net property and equipment	2,693,168	2,801,582
Total assets	\$ 2,760,725	\$ 2,890,717
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current maturities	\$ 41,250	\$ 38,772
Accounts payable	4,096	32,123
Accrued interest	-	26,590
Prepaid rents	10,750	8,500
Total current liabilities	56,096	105,985
Tenant security deposits	19,000	17,174
Long-term debt, less current maturities, net	1,364,785	1,397,448
Total liabilities	1,439,881	1,520,607
Net assets without donor restrictions	1,320,844	1,370,110
Total liabilities and net assets	\$ 2,760,725	\$ 2,890,717

See independent auditor's report.

ONE ROOF COMMUNITY HOUSING

STATEMENT OF ACTIVITIES - WEST END QUAD POD

For the Years Ended December 31, 2020 and 2019

	2020	2019
Revenues and support:		
Apartment rent:		
Rent revenue	\$ 205,158	\$ 188,093
Less vacancies and allowances	(18,672)	(63,141)
Net rental revenue	186,486	124,952
Tenant charges	4,030	1,823
Interest income	70	72
	190,586	126,847
Total revenues and support		
Expenses:		
Administrative	16,545	12,080
Utilities	19,152	14,869
Maintenance and operating	14,970	13,478
Real estate taxes	10,272	740
Insurance	5,934	4,944
	66,873	46,111
Total expenses		
Operating income	123,713	80,736
Grants - construction	-	1,218,976
Donated project reserves	-	70,000
Interest expense - finance fees amortization	(9,814)	(4,090)
Interest expense	(62,251)	(26,590)
	51,648	1,339,032
Income before depreciation		
Depreciation	(108,414)	(72,375)
	(56,766)	1,266,657
Change in net assets without restrictions		
Net assets without restrictions, beginning of year	1,370,110	-
Member contribution	7,500	103,453
	\$ 1,320,844	\$ 1,370,110
Net assets without restrictions, end of year		

See independent auditor's report.

ONE ROOF COMMUNITY HOUSING

STATEMENT OF FINANCIAL POSITION - NEIGHBORWORKS FUNDS WITH DONOR RESTRICTIONS

December 31, 2020

ASSETS

Current assets:		
Cash designated for programs	\$	-
Loans receivable, current portion		-
Total current assets		<u>-</u>
Cash restricted for loan programs		-
Loans receivable, less current portion		-
Allowance for loan losses		-
Other assets		-
		<u>-</u>
Total assets	\$	<u><u>-</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Borrower escrows and other liabilities	\$	-
Total liabilities		<u>-</u>
Net assets -		
With donor restrictions		-
Less discount on deferred loans		-
Total net assets		<u>-</u>
		<u>-</u>
Total liabilities and net assets	\$	<u><u>-</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, 2020

Revenue:	
Interest income - deferred loan accretion	<u>\$ 3,267</u>
Total revenue and support	<u>3,267</u>
Change in net assets before transfers to operations	3,267
Approved transfers to operations:	
CFRAH CLT homes	(139,008)
Release from funder	<u>(683,254)</u>
Change in net assets	(818,995)
Net assets:	
Beginning of year	<u>818,995</u>
End of year	<u><u>\$ -</u></u>

See independent auditor's report.