



ONE ROOF COMMUNITY HOUSING

**CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED
DECEMBER 31, 2021**



ONE ROOF COMMUNITY HOUSING

CONSOLIDATED FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of One Roof Community Housing (a nonprofit organization) and its subsidiaries (One Roof), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of One Roof, as of December 31, 2021, 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.

Basis for Opinion

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. Our responsibility under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of One Roof and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about One Roof's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

(Continued)

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 One Roof’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about One Roof’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Information Included in the Organization’s Annual Report

Management is responsible for the other information included in One Roof’s 2021 Annual Report. The other information comprises of a letter from the Executive Director, summaries of achievements by program, 2021 financial summary and report from the Treasurer, and acknowledgement of individual donors but does not include the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance on it.

(Continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated.

Report on Summarized Comparative Information

We have previously audited One Roof Community Housing's 2020 consolidated financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated June 17, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information shown on pages 33 to 42 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual entities, and it is not a required part of the consolidated financial statements. The FHA lenders with Title 1 authority schedules on page 43, is presented for purposes of additional analysis and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary 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 9, 2022, 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 9, 2022

ONE ROOF COMMUNITY HOUSING

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2021
(With Comparative Totals for 2020)

	2021	2020
ASSETS		
Current assets:		
Cash	\$ 1,492,020	\$ 1,348,121
Cash designated for programs	1,657,008	1,168,149
Accounts receivable, net	473,651	165,867
Contributions and grants receivable	987,347	1,796,806
Interest receivable	30,501	13,625
Loans receivable, current portion	975,176	166,800
Prepaid expenses	37,820	20,249
Properties under development, net	2,804,545	2,096,210
Total current assets	8,458,068	6,775,827
Cash restricted for loan programs	1,643,973	1,025,048
Cash reserve accounts	111,657	226,619
Contributions and grants receivable, less current portion	50,000	-
Loans receivable - net, less current portion	3,706,334	3,471,584
Leasehold improvements and equipment, net	64,233	74,083
Multifamily rental property, net	13,740,170	6,534,089
Land held in trust	5,064,038	4,848,638
Tax credit fees, net	65,459	70,636
Total assets	\$ 32,903,932	\$ 23,026,524

(Continued)

ONE ROOF COMMUNITY HOUSING

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2021
(With Comparative Totals for 2020)

	2021	2020
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current maturities of long-term debt	\$ 3,003,192	\$ 1,331,254
Accounts payable	280,833	324,258
Accounts payable - construction	615,088	797,625
Accrued payroll and related taxes	425,385	263,072
Accrued interest	20,517	1,305
Refundable advances	1,728,131	1,112,965
Committed loans	342,086	613,383
Borrower escrows	11,391	3,712
Other current liabilities	92,011	56,665
Total current liabilities	6,518,634	4,504,239
Tenant security deposits	45,230	19,000
Refundable advances, less current portion	671,715	675,519
Long-term debt, less current maturities, net	12,423,298	5,402,462
Total liabilities	19,658,877	10,601,220
Net assets:		
Without donor restrictions		
Controlling interest:		
Undesignated	3,605,506	3,178,054
Board designated - operating reserve	759,625	508,768
Board designated - land held in trust	5,064,038	4,848,638
Total controlling interest	9,429,169	8,535,460
Noncontrolling interest	1,331,687	1,719,400
Total without donor restrictions	10,760,856	10,254,860
With donor restrictions	2,484,199	2,170,444
Total net assets	13,245,055	12,425,304
Total liabilities and net assets	\$ 32,903,932	\$ 23,026,524

See accompanying notes to consolidated financial statements.

ONE ROOF COMMUNITY HOUSING

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

	2021			2020
	Without donor restrictions	With donor restrictions	Total	
Revenues and support:				
Contributions - development	\$ 315,000	\$ -	\$ 315,000	\$ 265,000
Government grants and contracts - development	959,250	-	959,250	1,747,871
Sales of homes	1,499,000	-	1,499,000	3,502,551
Less cost of homes sold	(2,411,869)	-	(2,411,869)	(4,884,468)
Gain on sale of homes	361,381	-	361,381	630,954
Construction revenues	213,405	-	213,405	117,365
Less construction services expense	(161,931)	-	(161,931)	(87,128)
Construction revenues, net	51,474	-	51,474	30,237
Contributions - operating	175,776	111,852	287,628	140,204
Contributions - noncash	8,804	-	8,804	6,500
Special events	23,100	-	23,100	34,400
Government grants and contracts - operating	1,545,946	-	1,545,946	1,522,374
Real estate sales commissions	116,558	-	116,558	156,310
Land lease revenues	124,330	-	124,330	120,942
Multi-family rental revenue	326,665	-	326,665	295,950
Interest income - loans	154,744	-	154,744	126,353
Interest income - deferred loan accretion	118,184	-	118,184	45,201
Interest income - other	1,196	-	1,196	1,874
Loan fees	45,116	-	45,116	109,862
Other revenues	42,488	-	42,488	37,154
Net assets released from restriction	10,625	(10,625)	-	-
Total revenues and support	<u>3,106,387</u>	<u>101,227</u>	<u>3,207,614</u>	<u>3,258,315</u>
Expenses:				
Community land trust	557,223	-	557,223	475,313
Homebuyer education and counseling	195,614	-	195,614	166,628
Lending services	854,759	-	854,759	1,158,854
Multi-family services	1,182,120	-	1,182,120	710,902
Tenant-landlord connection	152,434	-	152,434	146,922
Total program services, less cost of homes sold	2,942,150	-	2,942,150	2,658,619
Management and general	525,329	-	525,329	485,491
Fundraising	74,495	-	74,495	80,590
Total expenses	<u>3,541,974</u>	<u>-</u>	<u>3,541,974</u>	<u>3,224,700</u>
Operating income (loss)	<u>\$ (435,587)</u>	<u>\$ 101,227</u>	<u>\$ (334,360)</u>	<u>\$ 33,615</u>

See accompanying notes to consolidated financial statements.

ONE ROOF COMMUNITY HOUSING

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

	2021			2020
	Without donor restrictions	With donor restrictions	Total	
Land cost capitalized	\$ 215,400	\$ -	\$ 215,400	\$ 313,600
Grants for loan program	-	212,528	212,528	14,831
Government grants for multi-family property	393,463	-	393,463	-
Contributions for multi-family property in development	-	-	-	1,325,000
PPP loan forgiveness	370,398	-	370,398	332,485
Partnership capital contributions, net	-	-	-	1,749,400
Syndication costs	(20,032)	-	(20,032)	(25,000)
Organizational and start up costs	(17,646)	-	(17,646)	(5,000)
	<u>505,996</u>	<u>313,755</u>	<u>819,751</u>	<u>3,738,931</u>
Change in net assets - consolidated				
Portion attributable to noncontrolling interests	(387,713)	-	(387,713)	1,719,400
Portion attributable to controlling interests	<u>\$ 893,709</u>	<u>\$ 313,755</u>	<u>\$ 1,207,464</u>	<u>\$ 2,019,531</u>
Changes in net assets:				
Controlling interest:				
Beginning balance	\$ 8,535,460	\$ 2,170,444	\$ 10,705,904	\$ 8,686,373
Change in net assets	893,709	313,755	1,207,464	2,019,531
Ending balance	<u>9,429,169</u>	<u>2,484,199</u>	<u>11,913,368</u>	<u>10,705,904</u>
Noncontrolling interests:				
Beginning balance	1,719,400	-	1,719,400	-
Change in net assets	(387,713)	-	(387,713)	1,719,400
Ending balance	<u>1,331,687</u>	<u>-</u>	<u>1,331,687</u>	<u>1,719,400</u>
Total net assets, end of year	<u>\$ 10,760,856</u>	<u>\$ 2,484,199</u>	<u>\$ 13,245,055</u>	<u>\$ 12,425,304</u>

See accompanying notes to consolidated financial statements.

ONE ROOF COMMUNITY HOUSING

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

	2021					
	Community land trust	Homebuyer education and counseling	Lending services	Multi- family housing services	Tenant- landlord connection	Total program services
Salaries	\$ 254,990	\$ 121,176	\$ 330,488	\$ 206,078	\$ 101,440	\$ 1,014,172
Payroll taxes	17,955	8,619	23,813	13,405	5,924	69,716
Employee benefits and other	37,657	19,418	62,890	36,323	19,430	175,718
	<u>310,602</u>	<u>149,213</u>	<u>417,191</u>	<u>255,806</u>	<u>126,794</u>	<u>1,259,606</u>
Professional fees	29,361	11,735	50,617	18,905	5,354	115,972
Office supplies	1,113	380	2,240	908	256	4,897
Postage	1,776	787	9,274	1,688	676	14,201
Telephone and IT	20,479	11,857	29,707	16,236	6,937	85,216
Travel and training	6,040	1,491	5,346	5,147	1,027	19,051
Bad debt expense	-	-	31,242	-	-	31,242
Property acquisition	1,243,500	-	-	-	-	1,243,500
Construction costs	878,856	-	-	-	-	878,856
Other development costs	243,045	-	-	-	-	243,045
Homeowner support	94,447	4,354	2,151	-	-	100,952
Bank fees	1,125	-	592	28	-	1,745
Marketing	4,658	3,165	50,888	3,867	1,565	64,143
Membership	12,214	491	2,517	1,022	445	16,689
Board	796	396	938	795	340	3,265
Financial assistance	-	-	153,224	-	-	153,224
Discount on new deferred loans	-	-	-	-	-	-
Event expenses	206	103	1,383	206	88	1,986
Occupancy and utilities	7,829	3,899	9,234	7,806	3,377	32,145
Depreciation	10,841	5,620	-	8,760	3,989	29,210
Insurance	5,606	1,211	7,628	2,429	1,039	17,913
Interest expense	19,402	142	77,820	2,545	122	100,031
Other	30,728	770	2,767	1,361	425	36,051
Multifamily project operating expenses:						
Office expense	-	-	-	63,127	-	63,127
Management fees	-	-	-	19,602	-	19,602
Repairs and maintenance	-	-	-	88,049	-	88,049
Utilities	-	-	-	95,829	-	95,829
Real estate taxes	-	-	-	32,738	-	32,738
Insurance	-	-	-	16,238	-	16,238
Interest expense	-	-	-	156,572	-	156,572
Other fees	-	-	-	85,533	-	85,533
Depreciation and amortization	-	-	-	296,923	-	296,923
Total expenses	<u>2,922,624</u>	<u>195,614</u>	<u>854,759</u>	<u>1,182,120</u>	<u>152,434</u>	<u>5,307,551</u>
Reclassify Common Ground expenses related to One Roof projects	758,202	-	-	-	-	758,202
Eliminate construction costs paid to Common Ground by One Roof	(927,134)	-	-	-	-	(927,134)
Expenses netted against revenues or reported as nonoperating:						
Cost of homes sold	(2,411,869)	-	-	-	-	(2,411,869)
Construction services expense	-	-	-	-	-	-
Land cost capitalization	<u>215,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>215,400</u>
Expenses reported in expense section of the statement of activities	<u>\$ 557,223</u>	<u>\$ 195,614</u>	<u>\$ 854,759</u>	<u>\$ 1,182,120</u>	<u>\$ 152,434</u>	<u>\$ 2,942,150</u>
% of expense (after reclassification and elimination of Common Ground expenses) Note 2:						
2021	47%	3%	14%	20%	3%	87%
2020	64%	2%	14%	9%	2%	91%

See accompanying notes to consolidated financial statements.

ONE ROOF COMMUNITY HOUSING

CICONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

	2021					
	Program services	Construction services	Management and general	Fundraising	Total	2020
Salaries	\$ 1,014,172	\$ 292,462	\$ 365,801	\$ 46,794	\$ 1,719,229	\$ 1,531,446
Payroll taxes	69,716	68,388	29,692	3,650	171,446	146,427
Employee benefits and other	175,718	49,984	41,905	2,947	270,554	273,697
	<u>1,259,606</u>	<u>410,834</u>	<u>437,398</u>	<u>53,391</u>	<u>2,161,229</u>	<u>1,951,570</u>
Professional fees	115,972	-	20,257	2,330	138,559	59,793
Office supplies	4,897	4,291	3,128	132	12,448	18,810
Postage	14,201	-	1,352	3,513	19,066	11,387
Telephone and IT	85,216	2,874	15,427	3,237	106,754	108,214
Travel and training	19,051	4,941	4,554	417	28,963	25,232
Bad debt expense	31,242	-	-	-	31,242	28,234
Property acquisition	1,243,500	-	-	-	1,243,500	1,445,629
Construction costs	878,856	455,236	-	-	1,334,092	3,526,241
Other development costs	243,045	-	-	-	243,045	477,299
Homeowner support	100,952	-	25	-	100,977	41,870
Bank fees	1,745	-	245	697	2,687	1,661
Marketing	64,143	2,392	2,948	2,559	72,042	20,034
Membership	16,689	-	1,188	159	18,036	18,165
Board	3,265	403	644	2,894	7,206	8,210
Financial assistance	153,224	-	-	-	153,224	640,796
Discount on new deferred loans	-	-	-	-	-	10,468
Event expenses	1,986	-	167	1,233	3,386	1,550
Occupancy and utilities	32,145	8,961	10,785	1,274	53,165	47,133
Depreciation	29,210	5,162	11,909	2,055	48,336	47,413
Insurance	17,913	14,464	9,193	394	41,964	46,345
Interest expense	100,031	-	992	47	101,070	95,578
Other	36,051	10,575	5,117	163	51,906	63,915
Multifamily project operating expenses:						
Office expense	63,127	-	-	-	63,127	26,834
Management fees	19,602	-	-	-	19,602	15,010
Repairs and maintenance	88,049	-	-	-	88,049	34,922
Utilities	95,829	-	-	-	95,829	103,242
Real estate taxes	32,738	-	-	-	32,738	26,292
Insurance	16,238	-	-	-	16,238	5,934
Interest expense	156,572	-	-	-	156,572	89,380
Other fees	85,533	-	-	-	85,533	-
Depreciation and amortization	296,923	-	-	-	296,923	108,414
Total expenses	5,307,551	920,133	525,329	74,495	6,827,508	9,105,575
Reclassify Common Ground expenses related to One Roof projects	758,202	(758,202)	-	-	-	-
Eliminate construction costs paid to Common Ground by One Roof	(927,134)	-	-	-	(927,134)	(1,222,879)
Expenses netted against revenues or reported as nonoperating:						
Cost of homes sold	(2,411,869)	-	-	-	(2,411,869)	(4,884,468)
Construction services expense	-	(161,931)	-	-	(161,931)	(87,128)
Land cost capitalization	215,400	-	-	-	215,400	313,600
Expenses reported in expense section of the statement of activities	<u>\$ 2,942,150</u>	<u>\$ -</u>	<u>\$ 525,329</u>	<u>\$ 74,495</u>	<u>\$ 3,541,974</u>	<u>\$ 3,224,700</u>
% of expense (after reclassification and elimination of Common Ground expenses) Note 2:						
2021	87%	3%	9%	1%	100%	
2020	91%	1%	7%	1%	100%	

See accompanying notes to consolidated financial statements.

ONE ROOF COMMUNITY HOUSING

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 819,751	\$ 3,738,931
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation and amortization	345,259	155,827
Change in reserve for housing development losses	-	(72,383)
Partnership capital contributions, net	-	(1,749,400)
Syndication costs	20,032	25,000
Grants for loan program	(212,528)	(14,831)
Changes in discount on deferred loans receivable	(118,184)	(34,733)
Bad debt expense	31,242	28,234
Loss on impairment	66,653	-
Changes in operating assets and liabilities:		
Receivables	434,799	(1,385,515)
Prepaid expenses	(17,571)	7,219
Properties under development and for sale	(708,335)	1,022,071
Land held in trust	(215,400)	(313,600)
Accounts payable	47,096	(24,344)
Accrued expenses	181,525	11,202
Refundable advances	611,362	(262,847)
Borrower escrows	7,679	(233)
Other liabilities	35,346	9,097
Tenant security deposits	26,230	1,826
Net cash from operating activities	<u>1,354,956</u>	<u>1,141,521</u>
Cash flows from investing activities:		
Issuance of loans receivable	(1,974,807)	(879,967)
Collection of loans receivable	747,326	583,517
Purchase of multi-family property	(7,864,544)	(1,436,675)
Purchase of leasehold improvements and equipment	(11,480)	(25,185)
Net cash from investing activities	<u>(9,103,505)</u>	<u>(1,758,310)</u>
Cash flows from financing activities:		
Grants for loan program	212,528	14,831
Grants for multi-family properties under development	-	6,750
Proceeds from issuance of debt	10,573,202	3,665,247
Partnership capital contributions, net	-	1,749,400
Syndication costs	(20,032)	(25,000)
Payment of finance fees	(129,847)	
Payment of tax credit fees	-	(70,636)
Repayment of debt	(1,750,581)	(4,345,005)
Net cash from financing activities	<u>8,885,270</u>	<u>995,587</u>
Net increase in cash	1,136,721	378,798
Cash, cash equivalents, and restricted cash, beginning of year	<u>3,767,937</u>	<u>3,389,139</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 4,904,658</u>	<u>\$ 3,767,937</u>
Reconciliation of cash, cash equivalents, and restricted cash to statement of financial position:		
Cash	\$ 1,492,020	\$ 1,348,121
Cash designated for programs	1,657,008	1,168,149
Cash restricted for loan programs	1,643,973	1,025,048
Cash reserve accounts	111,657	226,619
Total cash, cash equivalents, and restricted cash	<u>\$ 4,904,658</u>	<u>\$ 3,767,937</u>
Cash paid for interest expense	<u>\$ 295,194</u>	<u>\$ 295,729</u>
Noncash investing activities:		
Multi-family property development costs in payables	<u>\$ 14,186</u>	<u>\$ 888,146</u>

See accompanying notes to consolidated financial statements.

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

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.

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.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

1. ORGANIZATION (Continued)

Multifamily Housing 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, which began construction of 42 apartment units in September of 2020 and was completed in September of 2021. 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 2022 and open in 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.

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, 2021, One Roof consolidated three 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.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A summary of the entities consolidated by One Roof follows:

Entity	Purpose
One Roof Community Realty, LLC (no activity in 2021 or 2020);	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.
West End Quad Pod, LLC (WEQP)	16 unit modular home development.
Brewery Creek LLLP*	Planned tax credit deal with One Roof as the General Partner and Limited Partner as of December 31, 2021.
Decker Dwellings LLLP*	42 apartment units new construction affordable workforce housing which was completed in September of 2021.
Decker Dwellings II LLLP*	Planned tax credit deal with One Roof as the General Partner and Limited Partner as of December 31, 2021. The entity has no assets, liabilities, or activities as of December 31, 2021.

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, 2021
(With Comparative Totals for 2020)

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 depreciation lives for fixed assets, 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 \$1,544,567 related to the CLT program, \$7,730 related to the Multifamily Housing program and \$104,711 related to other programs at December 31, 2021, and \$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.

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. One Roof has not experienced any losses as a result of these deposits. At December 31, 2021 and 2020, deposits exceeded the insured limit by approximately \$3,140,438 and \$2,285,361.

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.

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, 2021 and 2020.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 8%. 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 (4.5%) and the initial loan term (20 to 30 years). The discount is calculated using the weighted average term of the outstanding loans which is 19.7 years in 2021 and 20.8 years in 2020. 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 4.5% 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.

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.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2021 or 2020.

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	20-30 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. An impairment loss of \$66,653 was recognized during 2021 (Note 8). No impairment loss was recognized during 2020.

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

Land Held in Trust – Land has been acquired through purchase, bargain purchase or donation. Land purchased at market value is recorded at cost. Land acquired by bargain purchase or donation is recorded at fair market value on the date received. CLT homeowners pay a monthly fee for use of the land which is recorded as land lease revenues when paid.

Tax Credit Fees – Housing tax credit fees are amortized over 10 years using the straight-line method. Amortization of the housing tax credit fees began 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.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 \$1,206 and \$1,000 were recognized in 2021 and 2020. Contributed services of \$7,598 and \$5,500 related to the CLT and Lending programs were recognized in 2021 and 2020.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$1,951 in 2021 and \$298 in 2020. Federal unrelated business income totaled \$2,039 in 2021 and \$0 in 2020.

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, Decker Dwellings LLLP, and Decker Dwellings II LLLP are not taxpaying entities. All tax effects of the partnerships 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.

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, 2020.

Reclassifications – Certain reclassifications have been made to the December 31, 2020 financial statements in order for them to conform to the December 31, 2021 presentation. These reclassifications had no effect on change in net assets or net assets.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

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 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 cash flow projections to the finance committee 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 5 months of operating expenses in the board designated operating reserve. The board has currently estimated this need to be approximately \$816,000. 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.

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.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

3. AVAILABILITY AND LIQUIDITY (Continued)

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

	2021	2020
Financial assets at year end:		
Cash	\$ 1,492,020	\$ 1,348,121
Cash designated for programs	1,657,008	1,168,149
Accounts receivable, net	473,651	165,867
Contributions and grants receivable	1,037,347	1,796,806
Interest receivable	30,501	13,625
Total financial assets	<u>4,690,527</u>	<u>4,492,568</u>
Less amounts not available to be used within a year:		
Cash designated/restricted for CLT homes	1,544,567	1,098,125
Contributions receivable for multifamily development	462,500	925,000
Long-term contributions receivable	50,000	-
Receivables for loans in process	<u>49,199</u>	<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,584,261</u>	<u>\$ 2,469,443</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.

4. CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable as of December 31, 2021 are due as follows: \$987,347 in 2022, \$25,000 in 2023, and \$25,000 in 2024.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

5. LOANS RECEIVABLE

Loans receivable by portfolio consist of the following:

	2021	2020
Amortizing mortgages	\$ 3,309,059	\$ 2,825,227
Deferred loans	1,185,979	720,655
Due on sale loans	4,784	4,784
Non-amortizing non-recourse loans	621,724	621,724
Total loans receivable	5,121,546	4,172,390
Less discount on deferred and due on sale loans	(341,619)	(459,803)
Less allowance for loan losses	(98,417)	(74,203)
Total loans receivable, net	4,681,510	3,638,384
Less current portion	(986,908)	(166,800)
Noncurrent portion	\$ 3,694,602	\$ 3,471,584

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:

	2021	2020
Beginning balance	\$ 74,203	\$ 62,296
Loans charged off	(8,224)	(4,268)
Provision for losses	32,438	16,175
Ending balance	\$ 98,417	\$ 74,203

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

	2021			2020
	Amortizing mortgages	Other loans	Total	
Current	\$ 3,015,433	\$ 557,908	\$ 3,573,341	\$ 2,701,768
31 - 60 days	97,690	-	97,690	38,828
61 - 90 days	122,971	-	122,971	16,244
Over 90 days	72,965	-	72,965	68,387
Due on maturity	-	1,254,579	1,254,579	1,347,163
Total	\$ 3,309,059	\$ 1,812,487	\$ 5,121,546	\$ 4,172,390

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

5. LOANS RECEIVABLE (Continued)

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, 2021.

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.

6. PROPERTIES UNDER DEVELOPMENT AND REFUNDABLE ADVANCES

Properties under development consist of the following:

	2021	2020
Houses under development and for sale - 16 in 2021 and 10 in 2020	\$ 2,301,833	\$ 1,697,062
Multi-family development:		
Brewery Creek	115,168	88,848
Grand Marais	286,812	275,623
Other Multi-family projects	65,510	-
Vacant lots held for development - 2 in 2021 and 2 in 2020	35,222	34,677
	<u>\$ 2,804,545</u>	<u>\$ 2,096,210</u>

Current refundable advances mostly consists of government grants received for property acquisition, renovation of properties under development, and to make loans. At the time of sale, the date placed in service, or the date a loan is made, the funds are recorded as grant revenue. Current refundable advances are for the following:

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

6. PROPERTIES UNDER DEVELOPMENT AND REFUNDABLE ADVANCES (Continued)

	2021	2020
Houses under development and for sale –		
Individual homes	\$ 169,000	\$ 38,000
Grand Marais	1,970	1,970
Multi-family development:		
Brewery Creek	825,500	832,250
Unspent loan funds	675,803	192,531
Home ownership classes	32,833	37,464
Credit builder program	7,500	-
Prepaid rent	15,525	10,750
	\$ 1,728,131	\$ 1,112,965

7. LEASEHOLD IMPROVEMENTS AND EQUIPMENT

Leasehold improvements and equipment consists of the following:

	2021	2020
Equipment	\$ 183,470	\$ 171,989
Leasehold improvements	27,161	27,161
Less accumulated depreciation	(146,398)	(125,067)
	\$ 64,233	\$ 74,083

8. MULTIFAMILY RENTAL PROPERTY

Multifamily rental property consists of the following:

	2021	2020
Buildings	\$ 10,996,193	\$ 3,745,389
Land	445,887	397,699
Land improvements	980,406	123,217
Equipment	1,341,068	88,133
Construction in progress	600,902	2,493,098
Less accumulated depreciation	(624,286)	(313,447)
	\$ 13,740,170	\$ 6,534,089

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

8. MULTIFAMILY RENTAL PROPERTY (Continued)

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 in 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, 2021, 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.

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 June 30, 2022.

Brewery Creek Apartments sustained fire damage in 2021. The estimated cost to repair the damage is \$75,068. Insurance proceeds of \$61,654 were awarded, and are included in accounts receivable at December 31, 2021. The net amount includes the \$5,000 deductible, which is included in repairs and maintenance in the statement of functional expenses, and \$8,414 of non-recoverable depreciation. Additionally, an impairment of \$66,653 was recorded in 2021.

WEQP units are leased to residential tenants under one year leases.

Decker Dwellings LLLP was completed and the property placed in service in September 2021. Decker Dwellings capitalized interest costs of \$61,063 and finance fees of \$38,471 in 2021. Decker Dwellings units are leased to residential tenants under one year leases.

Decker Dwellings is eligible for a sales tax refund as a result of One Roof's tax-exempt status. Receivables totaling \$220,617 relate to sales tax paid on materials and supplies used or consumed in, and equipment incorporated into, the property and Decker Dwellings during construction at December 31, 2021.

At December 30, 2021, capital contributions from a for-profit investor totaling \$6,997,600 have been committed for the Decker Dwellings property but have not been collected. The contributions are subject to adjustment depending on certain conditions being met, primarily related to the amount and timing of housing tax credits Decker Dwellings can obtain. The capital contributions will be recorded when received.

One Roof has the option to purchase the Decker Dwellings property between January 1, 2036 and December 31, 2036 at a price determined in accordance with the partnership agreement.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

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 334 lots at December 31, 2021 and 326 lots at December 31, 2020.

10. DEBT

Debt consists of the following:

	2021	2020
Greater Minnesota Housing Fund	\$ 1,019,734	\$ 1,191,224
MHFA CRV Funds	700,000	700,000
MHFA EDHC Loan	1,947,000	390,985
Local Initiatives Support Corporation (LISC)	128,442	128,442
City of Duluth HIF	218,242	218,242
North Shore Bank	6,999,836	513,038
National Bank of Commerce	326,357	343,225
Propel Nonprofits	-	14,277
MMCDC	2,405,829	1,476,966
Cook County/Grand Marais Joint EDA	1,535,719	1,576,969
Members Cooperative Credit Union	52,362	91,362
National Bank of Commerce LOC	330,409	259,921
	15,663,930	6,904,651
Less unamortized finance fees	(237,440)	(170,935)
Less current maturities	(3,003,192)	(1,331,254)
	\$ 12,423,298	\$ 5,402,462

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. Generally unsecured unless specific properties are funded.

MHFA CRV funds - Note payable to the Minnesota Housing Finance Agency (MHFA) under the Community Revitalization Fund Program (CRV) with interest at 4.75% due on May 1, 2022.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

10. DEBT (Continued)

MHFA EDHC – Non-interest bearing note payable to MHFA under the Economic Development and Housing Challenge (EDHC) program of \$1,947,000 to provide financing for the Decker Dwellings project. Payments will be made from TIF proceeds with an assignment of all TIF proceeds being designated to MFHA for the repayment of the loan. Remaining principal is due on October 6, 2050. Secured by a mortgage on the Decker Dwellings project.

LISC - Recoverable grants and project investments (forgivable loans) due to the Local Initiative Support Corporation (LISC) without interest.

- \$98,000 project investment for Brewery Creek due July 31, 2022. Secured by the property. The outstanding balance was \$98,000 at December 31, 2021 and 2020.
- \$45,000 project investment for Brewery Creek due on the close of the construction financing or December 31, 2022. Secured by the property. The outstanding balance was \$30,442 at December 31, 2021 and 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.

North Shore Bank - Notes payable to North Shore Bank as summarized below:

- \$750,000 commitment to provide financing through August 12, 2021. This commitment was increased to \$1.5M in April 2022 through April 2023. The commitment will be review for extension annually. 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. 5 and 4 individual loans were outstanding at December 31, 2021 and 2020, respectively. The outstanding balance was \$665,400 and \$449,651 at December 31, 2021 and 2020.
- 2 mortgages payable for acquisition and rehabilitation of the SOL House. The outstanding balances totaled \$63,387 at December 31, 2020. Both mortgages were repaid in 2021.
 - \$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.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

10. DEBT (Continued)

- Loan payable to provide construction financing for the Decker Dwellings project in the amount of \$6,500,000 dated October 6, 2020, with interest 4%. Interest only payments are due monthly through April 6, 2023 (the maturity date). Secured by a mortgage on the Decker Dwellings project and guaranteed by One Roof. The loan is expected to be repaid from Investor Limited Partner capital contributions. The outstanding balance was \$6,334,436 at December 31, 2021.

National Bank of Commerce - Notes payable to National Bank of Commerce as 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 July 5, 2022. Secured by the Brewery Creek property. The outstanding balance was \$321,981 and \$335,250 at December 31, 2021 and 2020.
- \$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 \$4,376 and \$7,973 at December 31, 2021 and 2020.

Propel Nonprofits - \$150,000 note payable to Propel Nonprofits with interest at 6.5%. Monthly principal and interest payments of \$2,866 were due through May 31, 2021 when the loan was repaid in full. The outstanding balance was \$14,277 at December 31, 2020.

MMCDC - Notes payable to the Midwest Minnesota Community Development Corporation (MMCDC) as 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 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 \$1,923,623 and \$977,688 are outstanding at December 31, 2021 and 2020.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

10. DEBT (Continued)

- \$500,000 commitment to provide financing for a revolving loan fund with interest at 4%. Interest only payments were 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. \$482,206 and \$499,278 was outstanding at December 31, 2021 and 2020.

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. No balance was outstanding at December 31, 2021 and 2020.

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, 2023.

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, 2023. No balance was outstanding at December 31, 2021 and 2020.

Paycheck Protection Program Loans - 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), as summarized below:

- A total of \$330,400 was received in April 2020. By December 31, 2020, the entire loan principal of \$330,400 was forgiven along with \$2,085 of accrued interest.
- A total of \$368,524 was received in April 2021. By December 31, 2021, the entire loan principal of \$368,524 was forgiven along with \$1,874 of accrued interest.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

10. **DEBT (Continued)**

Future maturities of debt are as follows:

2022	\$	3,003,192
2023		6,877,573
2024		223,550
2025		237,678
2026		248,232
Thereafter		5,073,705
	\$	15,663,930

Interest was \$265,498 in 2021 and \$287,359 in 2020, of which \$65,807 and \$56,375 was included in properties under development in 2021 and 2020. \$69,627 and \$137,650 of interest from both 2021 and previous years was included in the cost of homes sold in 2021 and 2020.

11. **NET ASSETS**

Net assets with donor restrictions are as follows:

	2021	2020
Restricted for Loans in perpetuity		
CDFI funds	\$ 947,347	\$ 734,819
Expendable for specified purposes		
Brewery Creek project capital	1,425,000	1,425,000
Housing development	100,000	-
Other	11,852	10,625
	\$ 2,484,199	\$ 2,170,444

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.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

11. **NET ASSETS (Continued)**

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 \$89,157 in 2021 and \$80,225 in 2020.

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 received 88% (36%, 29%, 13%, 10%) of government grants from four agencies during 2021 and 65% (33%, 22%, 10%) of government grants from three agencies during 2020.

One Roof received 55% (39%, 16%) of contributions from two contributors during 2021 and 88% (75%, 13%) of contributions from two contributors during 2020.

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, 2021, and One Roof is still contingently responsible for \$68,418 of the loans.

(Continued)

ONE ROOF COMMUNITY HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

13. COMMITMENTS, CONTINGENCIES AND CONCENTRATIONS (Continued)

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 2021 or 2020.

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 of the following at December 31, 2021:

Home rehabilitation	\$ 1,734,850
Lending	771,990
Homebuyer education	239,880
MHFA CERA program	110,629
Capacity building	95,018
Other	29,954
	<hr/>
	\$ 2,982,321

At December 31, 2021, \$859,803 of the unearned conditional contributions from cost reimbursable grants is included in refundable advances.

A nationwide public health emergency began developing in 2020. 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. One Roof adjusted their operations in response to these measures and recognized no significant negative impact to operations. The future potential impact of these issues is unknown and therefore no estimate can be made at this time.

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 9, 2022, 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, 2021

	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	\$ 995,434	\$ 137,428	\$ 244,805	\$ 44,637	\$ -	\$ 1,422,304	\$ -	\$ 69,716	\$ -	\$ 1,492,020
Cash designated for programs	1,664,829	-	-	-	(7,821)	1,657,008	-	-	-	1,657,008
Accounts receivable, net	945,214	53,605	32,486	5,472	-	1,036,777	-	234,498	(797,624)	473,651
Contributions and grants receivable, current portion	889,491	66,669	31,187	-	-	987,347	-	-	-	987,347
Due from other division, current portion	856,982	11,732	65,577	-	(142,952)	791,339	-	-	(791,339)	-
Interest receivable	10,717	30,562	-	-	(61)	41,218	-	-	(10,717)	30,501
Loans receivable, current portion	-	975,176	-	-	-	975,176	-	-	-	975,176
Prepaid expenses and other	31,665	380	5,630	745	-	38,420	-	15,012	(15,612)	37,820
Properties under development, net	2,913,851	-	-	-	(109,306)	2,804,545	-	-	-	2,804,545
Total current assets	8,308,183	1,275,552	379,685	50,854	(260,140)	9,754,134	-	319,226	(1,615,292)	8,458,068
Cash restricted for loan programs	-	1,643,973	-	-	-	1,643,973	-	-	-	1,643,973
Cash reserve accounts	-	-	-	38,638	-	38,638	-	73,019	-	111,657
Investment in subsidiaries	233,698	-	-	-	(233,598)	100	-	-	(100)	-
Contributions and grants receivable, less current portion	50,000	-	-	-	-	50,000	-	-	-	50,000
Due from other division, less current portion	393,463	214,948	-	-	(214,948)	393,463	-	-	(393,463)	-
Loans receivable - net, less current portion	-	3,706,334	-	-	-	3,706,334	-	-	-	3,706,334
Leasehold improvements and equipment, net	50,171	-	14,062	-	-	64,233	-	-	-	64,233
Multifamily rental property, net	385,681	-	-	2,584,754	-	2,970,435	1,392,241	10,430,661	(1,053,167)	13,740,170
Land held in trust	5,064,038	-	-	-	-	5,064,038	-	-	-	5,064,038
Tax credit fees, net	-	-	-	-	-	-	-	65,459	-	65,459
Total assets	<u>\$ 14,485,234</u>	<u>\$ 6,840,807</u>	<u>\$ 393,747</u>	<u>\$ 2,674,246</u>	<u>\$ (708,686)</u>	<u>\$ 23,685,348</u>	<u>\$ 1,392,241</u>	<u>\$ 10,888,365</u>	<u>\$ (3,062,022)</u>	<u>\$ 32,903,932</u>

See independent auditor's report.

ONE ROOF COMMUNITY HOUSING

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2021

	One Roof	One Roof Lending	Common Ground	West End Quad Pod	Eliminations	Total	Brewery Creek LLLP	Decker Dwellings LLLP	Eliminations	Total
LIABILITIES AND NET ASSETS										
Current liabilities:										
Current maturities of long-term debt	\$ 2,835,556	\$ 117,646	\$ 3,740	\$ 46,250	\$ -	\$ 3,003,192	\$ -	\$ -	\$ -	\$ 3,003,192
Accounts payable	187,896	1,785	62,286	5,644	(36,253)	221,358	-	75,087	(15,612)	280,833
Accounts payable - construction	-	-	-	-	-	-	600,902	14,186	-	615,088
Accrued payroll and related taxes	343,595	33,233	48,557	-	-	425,385	-	-	-	425,385
Accrued interest	-	1,514	-	-	-	1,514	-	19,003	-	20,517
Accrued developer fee	-	-	-	-	-	-	-	797,624	(797,624)	-
Refundable advances	1,036,803	675,803	-	15,525	-	1,728,131	-	-	-	1,728,131
Committed loans	-	342,086	-	-	-	342,086	-	-	-	342,086
Borrower escrows	-	11,391	-	-	-	11,391	-	-	-	11,391
Other current liabilities	-	55,264	22,861	-	-	78,125	-	13,886	-	92,011
Due to other division, current portion	85,130	19,345	10,106	-	(114,581)	-	791,339	-	(791,339)	-
Total current liabilities	4,488,980	1,258,067	147,550	67,419	(150,834)	5,811,182	1,392,241	919,786	(1,604,575)	6,518,634
Tenant security deposits	-	-	-	17,697	-	17,697	-	27,533	-	45,230
Accrued interest - deferred loans	-	-	-	-	-	-	-	10,717	(10,717)	-
Refundable advances, less current portion	-	671,715	-	-	-	671,715	-	-	-	671,715
Due to other division, less current portion	214,948	-	-	-	(214,948)	-	-	393,463	(393,463)	-
Long-term debt, net, less current maturities	485,410	2,403,787	636	1,328,349	-	4,218,182	-	8,205,116	-	12,423,298
Total liabilities	5,189,338	4,333,569	148,186	1,413,465	(365,782)	10,718,776	1,392,241	9,556,615	(2,008,755)	19,658,877
Net assets:										
Without donor restrictions:										
Controlling interest:										
Undesignated	1,935,381	1,559,891	245,561	1,260,781	(342,904)	4,658,710	-	63	(1,053,267)	3,605,506
Board designated - operating reserve	759,625	-	-	-	-	759,625	-	-	-	759,625
Board designated - land held in trust	5,064,038	-	-	-	-	5,064,038	-	-	-	5,064,038
Total controlling interest	7,759,044	1,559,891	245,561	1,260,781	(342,904)	10,482,373	-	63	(1,053,267)	9,429,169
Noncontrolling interest	-	-	-	-	-	-	-	1,331,687	-	1,331,687
Total without donor restrictions	7,759,044	1,559,891	245,561	1,260,781	(342,904)	10,482,373	-	1,331,750	(1,053,267)	10,760,856
With donor restrictions	1,536,852	947,347	-	-	-	2,484,199	-	-	-	2,484,199
Total net assets	9,295,896	2,507,238	245,561	1,260,781	(342,904)	12,966,572	-	1,331,750	(1,053,267)	13,245,055
Total liabilities and net assets	\$ 14,485,234	\$ 6,840,807	\$ 393,747	\$ 2,674,246	\$ (708,686)	\$ 23,685,348	\$ 1,392,241	\$ 10,888,365	\$ (3,062,022)	\$ 32,903,932

See independent auditor's report.

ONE ROOF COMMUNITY HOUSING

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2021

	One Roof	One Roof Lending	Common Ground	West End Quad Pod	Eliminations	Total	Brewery Creek LLLP	Decker Dwellings LLLP	Eliminations	Total
Revenues and support:										
Contributions - development	\$ 315,000	\$ -	\$ -	\$ -	\$ -	\$ 315,000	\$ -	\$ -	\$ -	\$ 315,000
Government grants and contracts - development	959,250	-	-	-	-	959,250	-	-	-	959,250
Sales of homes	1,499,000	-	-	-	-	1,499,000	-	-	-	1,499,000
Less cost of homes sold	(2,580,801)	-	-	-	168,932	(2,411,869)	-	-	-	(2,411,869)
Gain on sale of homes	192,449	-	-	-	168,932	361,381	-	-	-	361,381
Development fees - multi-family	634,499	-	-	-	-	634,499	-	-	(634,499)	-
Construction revenues	-	-	1,143,729	-	(930,324)	213,405	-	-	-	213,405
Less construction services expense	-	-	(920,133)	-	758,202	(161,931)	-	-	-	(161,931)
Construction revenues, net	-	-	223,596	-	(172,122)	51,474	-	-	-	51,474
Contributions - operating	282,115	5,513	-	-	-	287,628	-	-	-	287,628
Contributions - noncash	7,345	1,459	-	-	-	8,804	-	-	-	8,804
Special events	23,100	-	-	-	-	23,100	-	-	-	23,100
Government grants and contracts - operating	857,918	632,028	56,000	-	-	1,545,946	-	-	-	1,545,946
Real estate sales commissions	116,558	-	-	-	-	116,558	-	-	-	116,558
Land lease revenues	124,330	-	-	-	-	124,330	-	-	-	124,330
Multi-family rental revenue	51,197	-	-	201,140	-	252,337	-	74,328	-	326,665
Interest income - loans	11,680	159,155	-	-	(5,374)	165,461	-	-	(10,717)	154,744
Interest income - deferred loan accretion	-	118,184	-	-	-	118,184	-	-	-	118,184
Interest income - other	1,011	101	-	56	-	1,168	-	28	-	1,196
Loan fees	-	45,116	-	-	-	45,116	-	-	-	45,116
Other revenues	26,947	677	9,235	3,439	(10,360)	29,938	-	12,550	-	42,488
Total revenues and support	2,329,149	962,233	288,831	204,635	(18,924)	3,765,924	-	86,906	(645,216)	3,207,614
Expenses:										
Program services	1,408,265	857,917	-	264,698	(3,158)	2,527,722	-	436,978	(22,550)	2,942,150
Management and general	315,612	-	210,681	-	(964)	525,329	-	-	-	525,329
Fundraising	74,495	-	-	-	-	74,495	-	-	-	74,495
Total program services, less cost of homes sold	1,798,372	857,917	210,681	264,698	(4,122)	3,127,546	-	436,978	(22,550)	3,541,974
Operating income	530,777	104,316	78,150	(60,063)	(14,802)	638,378	-	(350,072)	(622,666)	(334,360)
Land cost capitalized	215,400	-	-	-	-	215,400	-	-	-	215,400
Grants for loan program	-	212,528	-	-	-	212,528	-	-	-	212,528
Government grants for multi-family property	393,463	-	-	-	-	393,463	-	-	-	393,463
PPP loan forgiveness	219,838	66,521	84,039	-	-	370,398	-	-	-	370,398
Syndication costs	-	-	-	-	-	-	-	(20,032)	-	(20,032)
Organizational and start up costs	-	-	-	-	-	-	-	(17,646)	-	(17,646)
Change in net assets	1,359,478	383,365	162,189	(60,063)	(14,802)	1,830,167	-	(387,750)	(622,666)	819,751
Net assets, beginning 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
Net assets, end of year	\$ 9,295,896	\$ 2,507,238	\$ 245,561	\$ 1,260,781	\$ (342,904)	\$ 12,966,572	\$ -	\$ 1,331,750	\$ (1,053,267)	\$ 13,245,055

See independent auditor's report.

ONE ROOF COMMUNITY HOUSING

STATEMENTS OF FUNCTIONAL EXPENSES BY ENTITY

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

	One Roof and One Roof Lending					Common Ground				Multi-Family Projects*	
	2021					2021				2021	
	Program services	Management and general	Fundraising	Total expenses	2020	Program services	Management and general	Total expenses	2020	Program services	2020
Salaries	\$ 1,014,172	\$ 219,720	\$ 46,794	\$ 1,280,686	\$ 1,107,355	\$ 292,462	\$ 146,081	\$ 438,543	\$ 424,091	\$ -	\$ -
Payroll taxes	69,716	17,195	3,650	90,561	77,519	68,388	12,497	80,885	68,908	-	-
Employee benefits and other	175,718	21,616	2,947	200,281	196,699	49,984	20,289	70,273	76,998	-	-
Total salary	1,259,606	258,531	53,391	1,571,528	1,381,573	410,834	178,867	589,701	569,997	-	-
Professional fees	115,972	11,871	2,330	130,173	53,443	-	8,386	8,386	6,350	-	-
Office supplies	4,897	984	132	6,013	12,339	4,291	2,144	6,435	6,471	-	-
Postage	14,201	1,352	3,513	19,066	11,387	-	-	-	-	-	-
Telephone and IT	85,216	13,991	3,237	102,444	103,517	2,874	1,436	4,310	4,697	-	-
Travel and training	19,051	4,504	417	23,972	20,616	4,941	50	4,991	4,616	-	-
Bad debt expense	31,242	-	-	31,242	28,234	-	-	-	-	-	-
Property acquisition	1,243,500	-	-	1,243,500	1,445,629	-	-	-	-	-	-
Construction costs	878,856	-	-	878,856	2,967,937	-	-	-	-	-	-
Other development costs	243,045	-	-	243,045	477,299	-	-	-	-	-	-
Direct materials	-	-	-	-	-	161,597	-	161,597	210,658	-	-
Subcontractor costs	-	-	-	-	-	269,840	-	269,840	319,151	-	-
Other construction costs	-	-	-	-	-	23,799	-	23,799	28,361	-	-
Homeowner support	100,952	25	-	100,977	41,870	-	-	-	-	-	-
Bank fees	1,745	245	697	2,687	1,661	-	-	-	-	-	-
Marketing	64,143	2,948	2,559	69,650	19,026	2,392	-	2,392	1,008	-	-
Membership	16,689	1,188	159	18,036	18,165	-	-	-	-	-	-
Board	3,265	644	2,894	6,803	7,708	403	-	403	502	-	-
Financial assistance	153,224	-	-	153,224	640,796	-	-	-	-	-	-
Discount on new deferred loans	-	-	-	-	10,468	-	-	-	-	-	-
Event expenses	1,986	167	1,233	3,386	1,550	-	-	-	-	-	-
Occupancy and utilities	32,145	6,309	1,274	39,728	33,299	8,961	4,476	13,437	13,834	-	-
Depreciation	29,210	9,331	2,055	40,596	38,764	5,162	2,578	7,740	8,649	-	-
Insurance	17,913	1,969	394	20,276	25,837	14,464	7,224	21,688	20,508	-	-
Interest expense	100,031	426	47	100,504	94,801	-	1,530	1,530	3,600	-	-
Other	39,209	1,127	163	40,499	47,768	10,575	3,990	14,565	16,147	-	-
Multifamily project operating expenses:											
Office expense	35,604	-	-	35,604	19,338	-	-	-	-	27,523	7,496
Management fees	2,735	-	-	2,735	5,961	-	-	-	-	16,867	9,049
Repairs and maintenance	40,329	-	-	40,329	19,952	-	-	-	-	47,720	14,970
Utilities	64,499	-	-	64,499	84,090	-	-	-	-	31,330	19,152
Real estate taxes	15,562	-	-	15,562	16,020	-	-	-	-	17,176	10,272
Insurance	-	-	-	-	-	-	-	-	-	16,238	5,934
Interest expense	16,756	-	-	16,756	17,315	-	-	-	-	150,533	72,065
Other fees	-	-	-	-	-	-	-	-	-	85,533	-
Depreciation and amortization	-	-	-	-	-	-	-	-	-	308,756	108,414
Total expenses	4,631,583	315,612	74,495	5,021,690	7,646,363	920,133	210,681	1,130,814	1,214,549	701,676	247,352
Expenses netted against revenues or reported as nonoperating:											
Cost of homes sold	(2,580,801)	-	-	(2,580,801)	(5,204,465)	-	-	-	-	-	-
Construction services expense	-	-	-	-	-	(161,931)	-	(161,931)	(87,128)	-	-
Land cost capitalization	215,400	-	-	215,400	313,600	-	-	-	-	-	-
\$ 2,266,182	\$ 315,612	\$ 74,495	\$ 2,656,289	\$ 2,755,498	\$ 758,202	\$ 210,681	\$ 968,883	\$ 1,127,421	\$ 701,676	\$ 247,352	

* Multi-Family Projects consists of West End Quad Pods, Decker Dwellings LLLP, and Brewery Creek LLLP

See independent auditor's report.

ONE ROOF COMMUNITY HOUSING

COMPARATIVE STATEMENTS OF FINANCIAL POSITION - COMMON GROUND

December 31, 2021 and 2020

	2021	2020
ASSETS		
Current assets:		
Cash	\$ 244,805	\$ 182,721
Accounts receivable, net	32,486	44,841
Contributions and grants receivable	31,187	-
Due from One Roof	65,577	43,448
Prepaid expenses	5,630	5,323
Total current assets	379,685	276,333
Equipment, net	14,062	21,802
Total assets	\$ 393,747	\$ 298,135
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 62,286	\$ 101,190
Accrued payroll and related taxes	48,557	27,410
Deferred grant revenue	10,000	-
Current maturities	3,740	3,599
Other current liabilities	12,861	3,280
Due to One Roof	10,106	74,910
Total current liabilities	147,550	210,389
Long-term debt, less current maturities	636	4,374
Total liabilities	148,186	214,763
Net assets without donor restrictions	245,561	83,372
Total liabilities and net assets	\$ 393,747	\$ 298,135

See independent auditor's report.

ONE ROOF COMMUNITY HOUSING

COMPARATIVE STATEMENTS OF ACTIVITIES - COMMON GROUND

For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenues and support:		
Construction revenues	\$ 1,143,729	\$ 1,266,427
Government grants	56,000	-
PPP loan forgiveness	84,039	84,202
Other revenues	9,235	17,680
	<u>1,293,003</u>	<u>1,368,309</u>
Expenses:		
Construction services	920,133	990,010
Management and general	210,681	224,673
	<u>1,130,814</u>	<u>1,214,683</u>
Change in net assets	162,189	153,626
Net assets, beginning of year	<u>83,372</u>	<u>(70,254)</u>
Net assets, end of year	<u>\$ 245,561</u>	<u>\$ 83,372</u>

See independent auditor's report.

ONE ROOF COMMUNITY HOUSING

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

December 31, 2021
(With Comparative Totals for 2020)

	2021	2020
ASSETS		
Current assets:		
Cash	\$ 137,428	\$ 108,141
Accounts receivable	53,605	5,939
Contributions and grants receivable	66,669	541,890
Interest receivable	30,562	13,785
Due from other division, current portion	11,732	-
Loans receivable, current portion	975,176	166,800
Prepaid expenses and other current assets	380	485
Total current assets	1,275,552	837,040
Cash restricted for loan programs	1,643,973	1,025,048
Due from other division, less current portion	214,948	-
Loans receivable - net, less current portion	3,706,334	3,471,584
Total assets	\$ 6,840,807	\$ 5,333,672
LIABILITIES AND NET ASSETS		
Liabilities:		
Current maturities of long-term debt	\$ 117,646	\$ 85,852
Accounts payable	1,785	17,603
Accrued interest	1,514	548
Refundable advances	675,803	192,531
Committed loans	342,086	613,383
Borrower escrows	11,391	3,712
Other current liabilities	107,842	74,933
Total current liabilities	1,258,067	988,562
Refundable advances, less current portion	671,715	675,519
Long-term debt, less current maturities	2,403,787	1,545,718
Total liabilities	4,333,569	3,209,799
Net assets:		
Without donor restrictions	1,559,891	1,389,054
With donor restrictions	947,347	734,819
Total net assets	2,507,238	2,123,873
Total liabilities and net assets	\$ 6,840,807	\$ 5,333,672

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, 2021
(With Comparative Totals for 2020)

	2021			2020
	Without donor restrictions	With donor restrictions	Total	
Revenues and support:				
Contributions - operating	\$ 5,513	\$ -	\$ 5,513	\$ 7,125
Contributions - noncash	1,459	-	1,459	-
Government grants and contracts - operating	632,028	-	632,028	900,439
Interest income - loans	159,155	-	159,155	128,512
Interest income - deferred loan accretion	118,184	-	118,184	45,201
Interest income - other	101	-	101	139
Loan fees	45,116	-	45,116	109,862
Other revenues	677	-	677	2,612
Total revenues and support	<u>962,233</u>	<u>-</u>	<u>962,233</u>	<u>1,193,890</u>
Expenses:				
Salaries, payroll taxes and benefits	417,191	-	417,191	333,203
Financial assistance	153,224	-	153,224	640,796
Office and occupancy	50,455	-	50,455	40,299
Professional and consulting fees	50,617	-	50,617	22,897
Interest and bank fees	78,412	-	78,412	56,057
Advertising and marketing	50,888	-	50,888	6,706
Bad debt expense	31,242	-	31,242	28,234
Discount on new deferred loans	-	-	-	10,468
Other expenses	25,888	-	25,888	20,194
Total expenses	<u>857,917</u>	<u>-</u>	<u>857,917</u>	<u>1,158,854</u>
Operating income	104,316	-	104,316	35,036
Grants for loan program	-	212,528	212,528	14,831
PPP loan forgiveness	66,521	-	66,521	57,999
Change in net assets	170,837	212,528	383,365	107,866
Net assets, beginning of year	<u>1,389,054</u>	<u>734,819</u>	<u>2,123,873</u>	<u>2,016,007</u>
Net assets, end of year	<u>\$ 1,559,891</u>	<u>\$ 947,347</u>	<u>\$ 2,507,238</u>	<u>\$ 2,123,873</u>

See independent auditor's report.

ONE ROOF COMMUNITY HOUSING

STATEMENT OF FINANCIAL POSITION - WEST END QUAD POD

December 31, 2021 and 2020

	2021	2020
ASSETS		
Current assets:		
Cash	\$ 44,637	\$ 20,720
Tenant receivables	5,472	13,139
Prepaid expenses	745	-
Total current assets	50,854	33,859
Security deposits	18,887	13,967
Debt service reserve	10,025	10,015
Operating reserve	9,726	9,716
Total deposits and funded reserves	38,638	33,698
Property and equipment	2,873,957	2,873,957
Accumulated depreciation	(289,203)	(180,789)
Net property and equipment	2,584,754	2,693,168
Total assets	\$ 2,674,246	\$ 2,760,725
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current maturities	\$ 46,250	\$ 41,250
Accounts payable	5,644	4,096
Prepaid rents	15,525	10,750
Total current liabilities	67,419	56,096
Tenant security deposits	17,697	19,000
Long-term debt, less current maturities, net	1,328,349	1,364,785
Total liabilities	1,413,465	1,439,881
Net assets without donor restrictions	1,260,781	1,320,844
Total liabilities and net assets	\$ 2,674,246	\$ 2,760,725

See independent auditor's report.

ONE ROOF COMMUNITY HOUSING

STATEMENT OF ACTIVITIES - WEST END QUAD POD

For the Years Ended December 31, 2021 and 2020

	2021	2020
Revenues and support:		
Apartment rent:		
Rent revenue	\$ 205,150	\$ 205,158
Less vacancies and allowances	(4,010)	(18,672)
Net rental revenue	201,140	186,486
Tenant charges	3,439	4,030
Interest income	56	70
	204,635	190,586
Total revenues and support		
Expenses:		
Administrative	16,912	16,545
Utilities	18,475	19,152
Maintenance and operating	27,495	14,970
Real estate taxes	16,056	10,272
Insurance	5,402	5,934
	84,340	66,873
Total expenses		
Operating income	120,295	123,713
Interest expense - finance fees amortization	(9,815)	(9,814)
Interest expense	(62,129)	(62,251)
	48,351	51,648
Income before depreciation		
Depreciation	(108,414)	(108,414)
	(60,063)	(56,766)
Change in net assets without restrictions		
Net assets without restrictions, beginning of year	1,320,844	1,370,110
Member contribution	-	7,500
	\$ 1,260,781	\$ 1,320,844
Net assets without restrictions, end of year		

See independent auditor's report.

ONE ROOF COMMUNITY HOUSING

FHA LENDERS WITH TITLE I AUTHORITY SCHEDULES

December 31, 2021

ADJUSTED NET WORTH COMPUTATION

Net assets (net worth) per balance sheet	<u>12,966,572</u>	(a)
Less unacceptable assets	<u>(5,502,863)</u>	(b)
Adjusted net worth for HUD purposes [(c) = (a) - (b)]	<u>7,463,709</u>	(c)
Less minimum net worth required	<u>1,000,000</u>	(d)
Adjusted net worth above or below minimum net worth required [(e) = (c) - (d)]	<u>6,463,709</u>	(e)

LIQUID NET ASSETS COMPUTATION

Cash	1,422,304
Cash restricted for loan programs	255,003
Less: restricted cash	<u>(29,640)</u>
	<u>1,647,667</u>
Less minimum liquid net assets required	<u>200,000</u>
Liquid net assets above or below minimum required	<u>1,447,667</u>

See independent auditor's report.