



**ONE ROOF COMMUNITY HOUSING**

**CONSOLIDATED FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED  
DECEMBER 31, 2022**



# ONE ROOF COMMUNITY HOUSING

## CONSOLIDATED FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

For the Year Ended December 31, 2022  
(With Comparative Totals for 2021)

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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, 2022, and the related consolidated statements of activities, 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, 2022, 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 consolidated 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 consolidated 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 2022 Annual Report. The other information comprises of a letter from the Executive Director, summaries of achievements by program, 2022 financial summary and report from the Treasurer, summaries of future single- and multi-family developments, and acknowledgement of individual donors but does not include the consolidated financial statements and our auditor’s report thereon. Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated 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 2021 consolidated financial statements and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated June 9, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited consolidated 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 34 to 43 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 44, 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 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 14, 2023, on our consideration of One Roof Community Housing's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of One Roof Community Housing's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering One Roof Community Housing's internal control over financial reporting and compliance.

June 14, 2023

*Mahoney Ulbrich*  
*Christiansen & Russ, PA*

# ONE ROOF COMMUNITY HOUSING

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2022  
(With Comparative Totals for 2021)

	2022	2021
<b>ASSETS</b>		
Current assets:		
Cash	\$ 1,846,152	\$ 1,492,020
Cash designated for programs	2,248,421	1,657,008
Accounts receivable, net	405,972	473,651
Contributions and grants receivable	419,460	987,347
Interest receivable	54,066	30,501
Loans receivable, current portion	1,054,380	975,176
Prepaid expenses	80,395	37,820
Properties under development, net	2,617,931	2,804,545
Total current assets	8,726,777	8,458,068
Cash restricted for loan programs	835,678	1,643,973
Cash reserve accounts	169,706	111,657
Contributions and grants receivable, less current portion	25,000	50,000
Loans receivable - net, less current portion	3,911,222	3,706,334
Leasehold improvements and equipment, net	83,275	64,233
Multifamily rental property, net	12,945,313	13,740,170
Land held in trust	5,247,138	5,064,038
Tax credit fees, net	60,783	65,459
Total assets	\$ 32,004,892	\$ 32,903,932

(Continued)

# ONE ROOF COMMUNITY HOUSING

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2022  
(With Comparative Totals for 2021)

	2022	2021
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Current maturities of long-term debt	\$ 2,054,472	\$ 3,003,192
Accounts payable	277,819	280,833
Accounts payable - construction	757,926	615,088
Accrued payroll and related taxes	359,626	425,385
Accrued interest	6,681	20,517
Refundable advances	1,302,052	1,728,131
Committed loans	228,356	342,086
Borrower escrows	8,817	11,391
Other current liabilities	157,579	92,011
Total current liabilities	5,153,328	6,518,634
Tenant security deposits	49,971	45,230
Refundable advances, less current portion	633,646	671,715
Long-term debt, less current maturities, net	6,110,312	12,423,298
Total liabilities	11,947,257	19,658,877
Net assets:		
Without donor restrictions		
Controlling interest:		
Undesignated	3,583,231	3,605,506
Board designated - operating reserve	1,014,097	759,625
Board designated - land held in trust	5,247,138	5,064,038
Total controlling interest	9,844,466	9,429,169
Noncontrolling interest	7,338,224	1,331,687
Total without donor restrictions	17,182,690	10,760,856
With donor restrictions	2,874,945	2,484,199
Total net assets	20,057,635	13,245,055
Total liabilities and net assets	\$ 32,004,892	\$ 32,903,932

See accompanying notes to consolidated financial statements.

## ONE ROOF COMMUNITY HOUSING

### CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2022  
(With Comparative Totals for 2021)

	2022			2021
	Without donor restrictions	With donor restrictions	Total	
Revenues and support:				
Contributions - development	\$ 80,000	\$ -	\$ 80,000	\$ 315,000
Government grants and contracts - development	1,482,470	-	1,482,470	959,250
Sales of homes	2,409,700	-	2,409,700	1,499,000
Less cost of homes sold	(3,453,582)	-	(3,453,582)	(2,411,869)
Gain on sale of homes	518,588	-	518,588	361,381
Construction revenues	127,510	-	127,510	213,405
Less construction services expense	(101,208)	-	(101,208)	(161,931)
Construction revenues, net	26,302	-	26,302	51,474
Contributions - operating	567,695	17,665	585,360	287,628
Contributions - noncash	1,940	-	1,940	8,804
Special events	24,855	-	24,855	23,100
Government grants and contracts - operating	1,033,973	-	1,033,973	1,545,946
Real estate sales commissions	119,002	-	119,002	116,558
Land lease revenues	127,810	-	127,810	124,330
Multi-family rental revenue	604,074	-	604,074	326,665
Interest income - loans	178,898	-	178,898	154,744
Interest income - deferred loan accretion	21,398	-	21,398	118,184
Interest income - other	6,266	-	6,266	1,196
Loan fees	29,932	-	29,932	45,116
Other revenues	120,943	-	120,943	42,488
Net assets released from restriction	61,852	(61,852)	-	-
Total revenues and support	<u>3,443,528</u>	<u>(44,187)</u>	<u>3,399,341</u>	<u>3,207,614</u>
Expenses:				
Community land trust	475,618	-	475,618	557,223
Homebuyer education and counseling	225,601	-	225,601	195,614
Lending services	651,659	-	651,659	854,759
Multi-family services	1,812,501	-	1,812,501	1,182,120
Tenant-landlord connection	154,252	-	154,252	152,434
Total program services, less cost of homes sold	3,319,631	-	3,319,631	2,942,150
Management and general	648,485	-	648,485	525,329
Fundraising	100,984	-	100,984	74,495
Total expenses	<u>4,069,100</u>	<u>-</u>	<u>4,069,100</u>	<u>3,541,974</u>
Operating loss	<u>\$ (625,572)</u>	<u>\$ (44,187)</u>	<u>\$ (669,759)</u>	<u>\$ (334,360)</u>

(Continued)

## ONE ROOF COMMUNITY HOUSING

### CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2022  
(With Comparative Totals for 2021)

	2022			2021
	Without donor restrictions	With donor restrictions	Total	
Land cost capitalized	\$ 183,100	\$ -	\$ 183,100	\$ 215,400
Grants for loan program	-	434,933	434,933	212,528
Government grants for multi-family property	-	-	-	393,463
PPP loan forgiveness	-	-	-	370,398
Partnership capital contributions, net	6,744,400	-	6,744,400	-
Gain on sale of multifamily property	119,906	-	119,906	-
Syndication costs	-	-	-	(20,032)
Organizational and start up costs	-	-	-	(17,646)
	<u>6,421,834</u>	<u>390,746</u>	<u>6,812,580</u>	<u>819,751</u>
Change in net assets - consolidated				
Portion attributable to noncontrolling interests	6,006,537	-	6,006,537	(387,713)
Portion attributable to controlling interests	<u>\$ 415,297</u>	<u>\$ 390,746</u>	<u>\$ 806,043</u>	<u>\$ 1,207,464</u>
Changes in net assets:				
Controlling interest:				
Beginning balance	\$ 9,429,169	\$ 2,484,199	\$ 11,913,368	\$ 10,705,904
Change in net assets	415,297	390,746	806,043	1,207,464
Ending balance	<u>9,844,466</u>	<u>2,874,945</u>	<u>12,719,411</u>	<u>11,913,368</u>
Noncontrolling interests:				
Beginning balance	1,331,687	-	1,331,687	1,719,400
Change in net assets	6,006,537	-	6,006,537	(387,713)
Ending balance	<u>7,338,224</u>	<u>-</u>	<u>7,338,224</u>	<u>1,331,687</u>
Total net assets, end of year	<u>\$ 17,182,690</u>	<u>\$ 2,874,945</u>	<u>\$ 20,057,635</u>	<u>\$ 13,245,055</u>

See accompanying notes to consolidated financial statements.

**ONE ROOF COMMUNITY HOUSING**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2022  
(With Comparative Totals for 2021)

	2022					
	Community land trust	Homebuyer education & counseling	Lending services	Multi-family housing services	Tenant-landlord connection	Total program services
Salaries	\$ 235,571	\$ 154,284	\$ 323,787	\$ 217,579	\$ 101,262	\$ 1,032,483
Payroll taxes	16,271	10,974	26,215	13,516	5,256	72,232
Employee benefits and other	35,040	14,795	65,751	41,604	20,771	177,961
	<u>286,882</u>	<u>180,053</u>	<u>415,753</u>	<u>272,699</u>	<u>127,289</u>	<u>1,282,676</u>
Professional fees	20,658	7,918	37,172	22,892	5,996	94,636
Office supplies	879	706	2,534	919	364	5,402
Postage	1,583	757	1,860	1,372	574	6,146
Telephone and IT	20,083	13,038	37,883	17,906	8,315	97,225
Travel and training	16,735	4,409	6,874	7,687	1,624	37,329
Bad debt expense	-	-	39,762	-	-	39,762
Property acquisition	1,802,580	-	-	-	-	1,802,580
Construction costs	1,423,069	-	-	-	-	1,423,069
Other development costs	376,892	-	-	9,226	-	386,118
Homeowner support	63,706	5,398	2,780	-	-	71,884
Bank fees	798	95	379	30	-	1,302
Marketing	3,804	2,883	5,252	2,109	2,600	16,648
Membership	12,965	462	3,189	837	350	17,803
Board	1,171	667	1,600	1,209	505	5,152
Financial assistance	-	-	-	-	-	-
Event expenses	-	-	-	-	-	-
Occupancy and utilities	7,800	4,446	10,662	8,055	3,368	34,331
Depreciation	5,559	3,157	-	5,606	2,288	16,610
Insurance	7,974	1,231	5,985	2,230	932	18,352
Interest expense	13,003	-	78,745	-	-	91,748
Other	4,879	381	1,229	113	47	6,649
Multifamily project operating expenses:						
Office expense	-	-	-	100,803	-	100,803
Management fees	-	-	-	45,236	-	45,236
Repairs and maintenance	-	-	-	145,277	-	145,277
Utilities	-	-	-	58,597	-	58,597
Real estate taxes	-	-	-	75,106	-	75,106
Insurance	-	-	-	32,813	-	32,813
Interest expense	-	-	-	328,605	-	328,605
Other fees	-	-	-	7,465	-	7,465
Depreciation and amortization	-	-	-	665,709	-	665,709
Total expenses	<u>4,071,020</u>	<u>225,601</u>	<u>651,659</u>	<u>1,812,501</u>	<u>154,252</u>	<u>6,915,033</u>
Reclassify Common Ground expenses related to One Roof projects	984,715	-	-	-	-	984,715
Eliminate construction costs paid to Common Ground by One Roof	(1,309,635)	-	-	-	-	(1,309,635)
Expenses netted against revenues or reported as nonoperating:						
Cost of homes sold	(3,453,582)	-	-	-	-	(3,453,582)
Construction services expense	-	-	-	-	-	-
Land cost capitalization	183,100	-	-	-	-	183,100
Expenses reported in expense section of the statement of activities	<u>\$ 475,618</u>	<u>\$ 225,601</u>	<u>\$ 651,659</u>	<u>\$ 1,812,501</u>	<u>\$ 154,252</u>	<u>\$ 3,319,631</u>
% of expense (after reclassification and elimination of Common Ground expenses) Note 2:						
2022	50%	3%	9%	24%	2%	88%
2021	47%	3%	14%	20%	3%	87%

(Continued)

**ONE ROOF COMMUNITY HOUSING**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2022  
(With Comparative Totals for 2021)

	2022					2021
	Program services	Construction services	Management and general	Fundraising	Total	
Salaries	\$ 1,032,483	\$ 280,683	\$ 436,178	\$ 66,191	\$ 1,815,535	\$ 1,719,229
Payroll taxes	72,232	59,309	42,119	5,013	178,673	171,446
Employee benefits and other	177,961	48,858	64,876	5,894	297,589	270,554
	<u>1,282,676</u>	<u>388,850</u>	<u>543,173</u>	<u>77,098</u>	<u>2,291,797</u>	<u>2,161,229</u>
Professional fees	94,636	-	26,692	3,590	124,918	138,559
Office supplies	5,402	3,857	3,242	159	12,660	12,448
Postage	6,146	-	1,614	3,917	11,677	19,066
Telephone and IT	97,225	2,644	22,189	5,377	127,435	106,754
Travel and training	37,329	8,539	10,227	1,082	57,177	28,963
Bad debt expense	39,762	-	-	-	39,762	31,242
Property acquisition	1,802,580	-	-	-	1,802,580	1,243,500
Construction costs	1,423,069	637,632	-	-	2,060,701	1,334,092
Other development costs	386,118	-	-	-	386,118	243,045
Homeowner support	71,884	-	26	-	71,910	100,977
Bank fees	1,302	-	210	935	2,447	2,687
Marketing	16,648	2,255	2,771	1,097	22,771	72,042
Membership	17,803	-	1,488	282	19,573	18,036
Board	5,152	249	1,375	1,804	8,580	7,206
Financial assistance	-	-	-	-	-	153,224
Event expenses	-	-	-	1,525	1,525	3,386
Occupancy and utilities	34,331	8,069	13,562	2,017	57,979	53,165
Depreciation	16,610	6,502	10,204	1,518	34,834	48,336
Insurance	18,352	14,716	10,563	557	44,188	41,964
Interest expense	91,748	-	26	-	91,774	101,070
Other	6,649	12,610	1,123	26	20,408	51,906
Multifamily project operating expenses:						
Office expense	100,803	-	-	-	100,803	63,127
Management fees	45,236	-	-	-	45,236	19,602
Repairs and maintenance	145,277	-	-	-	145,277	88,049
Utilities	58,597	-	-	-	58,597	95,829
Real estate taxes	75,106	-	-	-	75,106	32,738
Insurance	32,813	-	-	-	32,813	16,238
Interest expense	328,605	-	-	-	328,605	156,572
Other fees	7,465	-	-	-	7,465	85,533
Depreciation and amortization	665,709	-	-	-	665,709	296,923
Total expenses	6,915,033	1,085,923	648,485	100,984	8,750,425	6,827,508
Reclassify Common Ground expenses related to One Roof projects	984,715	(984,715)	-	-	-	-
Eliminate construction costs paid to Common Ground by One Roof	(1,309,635)	-	-	-	(1,309,635)	(927,134)
Expenses netted against revenues or reported as nonoperating:						
Cost of homes sold	(3,453,582)	-	-	-	(3,453,582)	(2,411,869)
Construction services expense	-	(101,208)	-	-	(101,208)	(161,931)
Land cost capitalization	183,100	-	-	-	183,100	215,400
Expenses reported in expense section of the statement of activities	<u>\$ 3,319,631</u>	<u>\$ -</u>	<u>\$ 648,485</u>	<u>\$ 100,984</u>	<u>\$ 4,069,100</u>	<u>\$ 3,541,974</u>
% of expense (after reclassification and elimination of Common Ground expenses) Note 2:						
2022	88%	1%	10%	1%	100%	
2021	87%	3%	9%	1%	100%	

See accompanying notes to consolidated financial statements.

**ONE ROOF COMMUNITY HOUSING**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2022  
(With Comparative Totals for 2021)

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 6,812,580	\$ 819,751
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation and amortization of tax credit fees	700,543	345,259
Interest expense - amortization of finance fees	59,474	24,871
Gain on sale of multifamily property	(119,906)	-
Partnership capital contributions, net	(6,744,400)	-
Syndication costs	-	20,032
Grants for loan program	(434,933)	(212,528)
Changes in discount on deferred loans receivable	(21,398)	(118,184)
Bad debt expense	39,762	31,242
Loss on impairment	-	66,653
Changes in operating assets and liabilities:		
Receivables	548,867	434,799
Prepaid expenses	(42,575)	(17,571)
Properties under development and for sale	186,614	(708,335)
Land held in trust	(183,100)	(215,400)
Accounts payable	(3,014)	47,096
Accrued expenses	(79,595)	181,525
Refundable advances	(464,148)	611,362
Borrower escrows	(2,574)	7,679
Other liabilities	65,568	35,346
Tenant security deposits	4,741	26,230
Net cash from operating activities	<u>322,506</u>	<u>1,379,827</u>
Cash flows from investing activities:		
Issuance of loans receivable	(1,057,613)	(1,974,807)
Collection of loans receivable	641,427	747,326
Purchase of multi-family property	(36,725)	(7,864,544)
Proceeds from sale of multi-family property	419,000	-
Sales tax rebate for multi-family property	88,134	-
Purchase of leasehold improvements and equipment	(39,583)	(11,480)
Net cash from investing activities	<u>14,640</u>	<u>(9,103,505)</u>
Cash flows from financing activities:		
Grants for loan program	434,933	212,528
Proceeds from issuance of debt	3,584,673	10,573,202
Partnership capital contributions, net	6,744,400	-
Syndication costs	-	(20,032)
Payment of finance fees	-	(129,847)
Repayment of debt	(10,905,853)	(1,775,452)
Net cash from financing activities	<u>(141,847)</u>	<u>8,860,399</u>
Net increase in cash	195,299	1,136,721
Cash, cash equivalents, and restricted cash, beginning of year	<u>4,904,658</u>	<u>3,767,937</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 5,099,957</u>	<u>\$ 4,904,658</u>
Reconciliation of cash, cash equivalents, and restricted cash to statement of financial position:		
Cash	\$ 1,846,152	\$ 1,492,020
Cash designated for programs	2,248,421	1,657,008
Cash restricted for loan programs	835,678	1,643,973
Cash reserve accounts	169,706	111,657
Total cash, cash equivalents, and restricted cash	<u>\$ 5,099,957</u>	<u>\$ 4,904,658</u>
Cash paid for interest expense	<u>\$ 438,329</u>	<u>\$ 295,194</u>
Noncash investing activities:		
Multi-family property development costs in payables	<u>\$ -</u>	<u>\$ 14,186</u>

See accompanying notes to consolidated financial statements.

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2022  
(With Comparative Totals for 2021)

### 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, Cloquet, Two Harbors, and Grand Marais. One Roof also has 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.

**Lending:** Home ownership preservation through a variety of below market rate home renovation lending products to revitalize the 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 the community and economy changes, One Roof pivots to participate in federal or state programs aimed at providing financial assistance to members of the community.

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2022  
(With Comparative Totals for 2021)

### 1. ORGANIZATION (Continued)

One Roof offers credit builder and credit repair loans that help people working toward homeownership repair credit, grow credit, and/or settle old collection accounts by providing a 0% interest rate loan paid back over a 12-to-36-month term. Participants may be eligible to receive a grant to put toward buying a home upon successfully paying off the loan. Another way in which One Roof serves our community is to make loans to multi-family developments or rental properties as capital allows and opportunities arise.

**Multifamily Housing Services:** One Roof develops affordable rental housing opportunities for lower income households in our community. 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 2023 and open in 2024.

**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 the 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

**Accounting Standard Adopted** - In 2022, One Roof adopted Accounting Standard Update (ASU) 2016-02, *Leases (Topic 842)* using the modified retrospective approach using January 1, 2022 as the date of initial adoption. This ASU requires lessees to record most leases on their statement of financial position as a right-of-use asset and related lease liability but recognize related expenses in a manner similar to existing accounting. One Roof elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed One Roof to carry forward the historical lease classification. One Roof has also elected not to record leases with an initial term of 12 months or less on the statement of financial position. All leases in affect during 2022 had an initial term of 12 months or less and had expired by December 31, 2022. As a result, no right-of-use asset or related lease liability has been recorded on the statement of financial position at December 31, 2022.

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2022  
(With Comparative Totals for 2021)

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

**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, 2022, 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.

A summary of the entities consolidated by One Roof follows:

<b>Entity</b>	<b>Purpose</b>
One Roof Community Realty, LLC (no activity in 2022 or 2021);	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, 2022.
Decker Dwellings LLLP*	42 apartment units new construction affordable workforce housing of 2021.
Decker Dwellings II LLLP*	Planned tax credit deal with One Roof as the General Partner and Limited Partner as of December 31, 2022. ^
Brae View LLLP *	Planned tax credit deal with One Roof as the General Partner and Limited Partner as of December 31, 2022. ^
Plover Place, LLC	Planned 24 unit affordable housing development to house the homeless. ^

(^) These entities have no assets, liabilities, or activities as of December 31, 2022.

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2022  
(With Comparative Totals for 2021)

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

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

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

In its statement of activities, One Roof includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Nonoperating support, revenues, gains, and losses includes amounts for which there are no corresponding expenses such as grants for loan programs and contributed properties. Nonoperating activities also include revenue and expenses relating to multifamily development activity, 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 \$2,097,550 related to the CLT program, \$13,839 related to the Multifamily Housing program and \$137,032 related to other programs at December 31, 2022, and \$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.

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2022  
(With Comparative Totals for 2021)

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

**Concentrations** - One Roof places its cash with several financial institutions. At times the amount on deposit exceeds the insured limit of the institutions and exposes One Roof to a credit risk. One Roof has not experienced any losses as a result of these deposits. At December 31, 2022 and 2021, deposits exceeded the insured limit by approximately \$3,507,158 and \$3,140,438.

**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, 2022 and 2021.

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 1 to 30 years. The loan pool consists of \$223,773 unsecured loans and \$5,173,097 loans 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 prime 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 19.2 years in 2022 and 19.7 years in 2021. 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.

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2022  
(With Comparative Totals for 2021)

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

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

**Allowance for Loan Losses** - The allowance for loan losses is established to offset potential or expected losses on loans. The allowance for loan losses is maintained at a level that, in management's judgment, is adequate to absorb credit losses inherent in the loan portfolio. The amount of the allowance is based on management's evaluation of the collectability of the loan portfolio, based on the nature of the portfolio, credit concentrations, trends in historical loss experience, specific impaired loans, economic conditions, and other risks inherent in the portfolio. Allowances for impaired loans are generally determined based on collateral values. The allowance is increased by a provision for loan losses, which is charged to expense, and reduced by charge-offs, net of recoveries. Loans are written off as a charge to the allowance when, in management's estimation, it is probable that the receivable is worthless. One Roof does not have a policy for placing loans on non-accrual status. There were no significant changes in accounting policies used to measure the allowance for loan losses.

**Properties Under Development** - Development costs represent costs incurred for housing development projects. Costs consist primarily of acquisition (including land), construction, and other costs incurred to date. The land cost is included in cost of homes sold and transferred to Land Held in Trust at the time the property is sold. Holding costs incurred after development is substantially complete are charged to expense. One Roof records an allowance when costs are not expected to be recovered from combined proceeds of sales and subsidies. No allowance was considered necessary in 2022 or 2021.

**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. No impairment loss was recognized during 2022. An impairment loss of \$66,653 was recognized during 2021 (Note 8).

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2022  
(With Comparative Totals for 2021)

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

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

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

**Tax Credit Fees** - Housing tax credit fees are amortized over 10 years using the straight-line method.

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

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

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

Government grants for operating programs are contributions and are either expense-reimbursement grants or general operating grants. Expense reimbursement grants are recorded as expenses are incurred and billed to the grantor. General operating grant revenue is recorded when the grant is received or earned, depending on conditions specified in the grant. Funds received but not yet earned are recorded as refundable advances.

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2022  
(With Comparative Totals for 2021)

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

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, determined by management referencing local market inputs and the type of goods donated, 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. One Roof utilizes donated goods and services in its programs and operations or according to any donor restrictions. There were no contributions of materials and supplies in 2022. Contributions of materials and supplies of \$1,206 were recognized in 2021. Contributed services of \$1,940 and \$7,598 related to the CLT and Lending programs were recognized in 2022 and 2021.

**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.

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2022  
(With Comparative Totals for 2021)

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

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.

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 \$0 in 2022 and \$1,951 in 2021. Federal unrelated business income taxes totaled \$155 in 2022 and \$2,039 in 2021.

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.

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2022  
(With Comparative Totals for 2021)

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

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, 2021.

### 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 \$960,000. As part of its liquidity plan, excess cash is invested in savings accounts.

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

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

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2022  
(With Comparative Totals for 2021)

### 3. AVAILABILITY AND LIQUIDITY (Continued)

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

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

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

	2022	2021
Financial assets at year end:		
Cash	\$ 1,846,152	\$ 1,492,020
Cash designated for programs	2,238,416	1,657,008
Accounts receivable, net	405,972	473,651
Contributions and grants receivable	444,460	1,037,347
Interest receivable	54,066	30,501
Total financial assets	<u>4,989,066</u>	<u>4,690,527</u>
Less amounts not available to be used within a year:		
Cash designated/restricted for CLT homes	2,097,550	1,544,567
Contributions receivable for multifamily development	-	462,500
Long-term contributions receivable	25,000	50,000
Receivables for loans in process	132,785	49,199
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,733,731</u>	<u>\$ 2,584,261</u>

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

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2022  
(With Comparative Totals for 2021)

### 4. CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable as of December 31, 2022 are due as follows: \$419,460 in 2023 and \$25,000 in 2024.

### 5. LOANS RECEIVABLE

Loans receivable by portfolio consist of the following:

	2022	2021
Amortizing mortgages	\$ 3,315,781	\$ 3,309,059
Deferred loans	1,453,926	1,185,979
Due on sale loans	4,784	4,784
Non-amortizing non-recourse loans	622,379	621,724
	<hr/>	<hr/>
Total loans receivable	5,396,870	5,121,546
Less discount on deferred and due on sale loans	(320,221)	(341,619)
Less allowance for loan losses	(111,047)	(98,417)
	<hr/>	<hr/>
Total loans receivable, net	4,965,602	4,681,510
Less current portion	(1,054,380)	(975,176)
	<hr/>	<hr/>
Noncurrent portion	\$ 3,911,222	\$ 3,706,334

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:

	2022	2021
Beginning balance	\$ 98,417	\$ 74,203
Loans charged off	(24,382)	(8,224)
Provision for losses	37,012	32,438
	<hr/>	<hr/>
Ending balance	\$ 111,047	\$ 98,417

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2022  
(With Comparative Totals for 2021)

### 5. LOANS RECEIVABLE (Continued)

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

	2022			2021
	Amortizing mortgages	Other loans	Total	
Current	\$ 3,129,203	\$ 764,908	\$ 3,894,111	\$ 3,573,341
31 - 60 days	17,247	-	17,247	97,690
61 - 90 days	67,796	-	67,796	122,971
Over 90 days	101,535	-	101,535	72,965
Due on maturity	-	1,316,181	1,316,181	1,254,579
Total	\$ 3,315,781	\$ 2,081,089	\$ 5,396,870	\$ 5,121,546

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, 2022.

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

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2022  
(With Comparative Totals for 2021)

### 6. PROPERTIES UNDER DEVELOPMENT AND REFUNDABLE ADVANCES

Properties under development consist of the following:

	2022	2021
Houses under development and for sale - 15 in 2022 and 16 in 2021	\$ 1,930,654	\$ 2,301,833
Multi-family development:		
Brewery Creek	139,509	115,168
Grand Marais	296,013	286,812
Other multi-family projects	224,827	65,510
Vacant lots held for development - 1 in 2022 and 2 in 2021	28,228	35,222
	\$ 2,619,231	\$ 2,804,545

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:

	2022	2021
Houses under development and for sale –		
Individual homes	\$ 340,000	\$ 169,000
Grand Marais	-	1,970
Multi-family development:		
Brewery Creek	825,500	825,500
Unspent loan funds	40,870	675,803
Home ownership classes	57,077	32,833
Credit builder program	15,000	7,500
Land acquisition	10,000	-
Prepaid rent	13,605	15,525
	\$ 1,302,052	\$ 1,728,131

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2022  
(With Comparative Totals for 2021)

### 7. LEASEHOLD IMPROVEMENTS AND EQUIPMENT

Leasehold improvements and equipment consists of the following:

	<u>2022</u>	<u>2021</u>
Equipment	\$ 223,057	\$ 183,470
Leasehold improvements	27,161	27,161
Less accumulated depreciation	<u>(166,943)</u>	<u>(146,398)</u>
	<u>\$ 83,275</u>	<u>\$ 64,233</u>

### 8. MULTIFAMILY RENTAL PROPERTY

Multifamily rental property consists of the following:

	<u>2022</u>	<u>2021</u>
Buildings	\$ 10,655,702	\$ 10,996,193
Land	371,987	445,887
Land improvements	980,406	980,406
Equipment	1,363,062	1,341,068
Construction in progress	757,926	600,902
Less accumulated depreciation	<u>(1,183,770)</u>	<u>(624,286)</u>
	<u>\$ 12,945,313</u>	<u>\$ 13,740,170</u>

SOL House is leased to Life House under a five year term beginning June 2015. In December 2020, the lease was renewed through June 2023. Minimum future lease payments for SOL House consist of \$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. 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 were leased to residential tenants under one year leases. This project was sold in June 2022. Total sales proceeds were \$419,000 which resulted in a gain on sale of \$119,906.

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2022  
(With Comparative Totals for 2021)

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

Brewery Creek Apartments sustained fire damage in 2021. The estimated cost to repair the damage was \$75,068. Insurance proceeds of \$61,654 were awarded, and were included in accounts receivable at December 31, 2021. The net amount includes the \$5,000 deductible, which was 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.

As a result of One Roof's tax-exempt status, Decker Dwellings is eligible for a sales tax refund in the amount of \$220,617 related to sales tax paid on materials and supplies used or consumed in, and equipment incorporated into, the property and Decker Dwellings during construction. \$88,134 of the expected refund was received in 2022 and \$132,483 remains in accounts receivable at December 31, 2022.

At December 30, 2022, capital contributions from a for-profit investor totaling \$253,200 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.

### 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 343 lots at December 31, 2022 and 334 lots at December 31, 2021.

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2022  
(With Comparative Totals for 2021)

### 10. DEBT

Debt consists of the following:

	2022	2021
Greater Minnesota Housing Fund	\$ -	\$ 1,019,734
MHFA CRV Funds	950,000	700,000
MHFA EDHC Loan	1,947,000	1,947,000
Local Initiatives Support Corporation (LISC)	30,442	128,442
City of Duluth HIF	218,242	218,242
City of Duluth HTF	84,278	-
North Shore Bank	720,400	6,999,836
National Bank of Commerce	-	326,357
MMCDC	2,299,020	2,405,829
Cook County/Grand Marais Joint EDA	1,489,469	1,535,719
Members Cooperative Credit Union	52,362	52,362
National Bank of Commerce LOC	551,538	330,409
	8,342,751	15,663,930
Less unamortized finance fees	(177,967)	(237,440)
Less current maturities	(2,054,472)	(3,003,192)
	\$ 6,110,312	\$ 12,423,298

**Greater Minnesota Housing Fund (GMHF)** - \$1,400,000 commitment for working capital and investment/project capital. Advances bear interest at 5%. Interest payments were due quarterly until May 10, 2022, when all outstanding principal and interest was due. Generally unsecured unless specific properties are funded. The loan was repaid in 2022.

**MHFA CRV funds** - Notes payable to the Minnesota Housing Finance Agency (MHFA) under the Community Revitalization Fund Program (CRV).

- \$350,000 is for the development of new homes with interest at 3%. The outstanding balance was \$350,000 at December 31, 2022. The note is due June 1, 2023.
- \$500,000 is for the development of new homes with interest at 3.75%. The outstanding balance was \$500,000 at December 31, 2022. The note is due June 1, 2024.
- \$250,000 is for the development of new homes with interest at 3%. The outstanding balance was \$100,000 at December 31, 2022. The note is due April 1, 2024.
- \$700,000 is for the development of new homes with interest at 4.75%. The outstanding balance was \$700,000 at December 31, 2021. The note was repaid in full in 2022.

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2022  
(With Comparative Totals for 2021)

### 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. The loan was repaid in full in 2022.
- \$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, 2022 and 2021.

**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.

**City of Duluth HTF** - Note payable to the City of Duluth under the Housing Trust Fund (HTF) program of \$225,000 to provide construction financing for one house due October 27, 2023, with interest at 2%. The outstanding balance was \$84,278 at December 31, 2023.

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

- \$1,500,000 commitment to provide financing through April 2023. This commitment was extended in April 2023 through July 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. 6 and 5 individual loans were outstanding at December 31, 2022 and 2021, respectively. The outstanding balance was \$720,400 and \$665,400 at December 31, 2022 and 2021.

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2022  
(With Comparative Totals for 2021)

### 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 were due monthly through April 6, 2023 (the maturity date). Secured by a mortgage on the Decker Dwellings project and guaranteed by One Roof. The outstanding balance was \$6,334,436 at December 31, 2021. The loan was repaid using Investor Limited Partner capital contributions in 2022.

**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 were due through July 5, 2022. Secured by the Brewery Creek property. The outstanding balance was \$321,981 at December 31, 2021. The loan was repaid when the project was sold in 2022.
- \$17,416 note payable for purchase of a vehicle with interest at 3.79%. Monthly principal and interest payments of \$320 were due through February 5, 2023. The outstanding balance was \$4,376 at December 31, 2021. The loan was repaid in 2022.

**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 3.00%. 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 \$1,842,772 and \$1,923,623 are outstanding at December 31, 2022 and 2021.

- \$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. \$456,165 and \$482,206 was outstanding at December 31, 2022 and 2021.

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2022  
(With Comparative Totals for 2021)

### 10. DEBT (Continued)

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

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

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

**North Shore Bank LOC** - \$150,000 revolving line of credit with North Shore Bank with variable interest at prime (4.75% at December 31, 2022) maturing June 30, 2023. No balance was outstanding at December 31, 2022 and 2021.

**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. In April 2023, the line of credit was increased to \$2,000,000, the maturity date extended to April 5, 2024, and the interest rate changed to prime with a floor of 3.25%.

**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, 2022 and 2021.

**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). 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.

Future maturities of debt are as follows:

2023	\$ 2,054,472
2024	730,683
2025	245,023
2026	255,802
2027	266,767
Thereafter	4,790,004
	<hr/>
	\$ 8,342,751
	<hr/>

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2022  
(With Comparative Totals for 2021)

### 10. DEBT (Continued)

Interest was \$257,422 in 2022 and \$265,498 in 2021, of which \$60,329 and \$65,807 was capitalized to properties under development in 2022 and 2021. \$103,038 and \$69,627 of interest from both 2022 and previous years was included in the cost of homes sold in 2022 and 2021.

### 11. NET ASSETS

Net assets with donor restrictions are as follows:

	<u>2022</u>	<u>2021</u>
<b>Restricted for Loans in perpetuity</b>		
CDFI funds	\$ 1,382,280	\$ 947,347
<b>Expendable for specified purposes</b>		
Brewery Creek project capital	1,425,000	1,425,000
Housing development	50,000	100,000
Other	<u>17,665</u>	<u>11,852</u>
	<u>\$ 2,874,945</u>	<u>\$ 2,484,199</u>

Net assets restricted for loans may be released as loans are determined to be uncollectible at the discretion of the funder, amounts are returned to the funder, or the funder releases the funds for operating purposes. Net assets restricted for loans would be returned to government agencies and funders if the programs were to terminate operations.

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

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

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

### 12. RETIREMENT PLAN

One Roof has a 401(k) retirement savings plan. The Plan covers all eligible employees and contains an employer match of 2% of employee compensation contributed and a discretionary profit sharing amount at the discretion of the Board of Directors. Contributions to the plan were \$100,752 in 2022 and \$89,157 in 2021.

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2022  
(With Comparative Totals for 2021)

### 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 94% (30%, 30%, 22%, 12%) of government grants from four agencies during 2022 and 88% (36%, 29%, 13%, 10%) of government grants from four agencies during 2021.

One Roof received 56% (33%, 12%, 11%) of contributions from three contributors during 2022 and 55% (39%, 16%) of contributions from two contributors during 2021.

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, 2022, and One Roof is still contingently responsible for \$22,325 of the loans.

One Roof is responsible for warranty work for construction services. Warranty periods are typically 10 years for structural items, 2 years for mechanical items, and 1 year for workmanship items. Warranty costs have not been significant in the past and management does not expect warranty cost to be significant. No provision for possible warranty costs has been recorded in 2022 or 2021.

(Continued)

# ONE ROOF COMMUNITY HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2022  
(With Comparative Totals for 2021)

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

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, 2022:

Home rehabilitation	\$ 3,763,133
Lending	116,350
Homebuyer education	118,281
Credit builder program	50,847
Capacity building	10,304
Other	15,410
	<hr/>
	\$ 4,074,325

At December 31, 2022, \$480,148 of the unearned conditional contributions from cost reimbursable grants is included in refundable advances.

One Roof also has a \$225,000 contribution conditional upon fully expending the first advance made under the award by the end of the first period.

### 14. SUBSEQUENT EVENTS

In March 2023, One Roof closed on Brewery Creek LLLP. The total budgeted costs of the project are \$21,420,000 which are expected to be funded from \$9,055,859 of capital contributions and \$11,879,000 of debt. Additionally, the Partnership Agreement was amended. Two new limited partners were admitted into the Partnership, and One Roof withdrew as the original limited partner.

Management has evaluated subsequent events through June 14, 2023, 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, 2022

	One Roof	One Roof Lending	Common Ground	West End Quad Pod	Eliminations	Total	Brewery Creek LLLP	Decker Dwellings LLLP	Eliminations	Total
<b>ASSETS</b>										
Current assets:										
Cash	\$ 1,208,218	\$ 269,111	\$ 313,864	\$ 34,962	\$ -	\$ 1,826,155	\$ -	\$ 19,997	\$ -	\$ 1,846,152
Cash designated for programs	2,253,861	-	-	-	(5,440)	2,248,421	-	-	-	2,248,421
Accounts receivable, net	81,948	115,572	23,748	3,117	-	224,385	-	181,587	-	405,972
Contributions and grants receivable, current portion	384,482	34,978	-	-	-	419,460	-	-	-	419,460
Due from other division, current portion	1,277,446	22,928	86,863	-	(168,301)	1,218,936	-	-	(1,218,936)	-
Interest receivable	26,455	54,066	-	-	-	80,521	-	-	(26,455)	54,066
Loans receivable, current portion	-	1,054,380	-	-	-	1,054,380	-	-	-	1,054,380
Prepaid expenses and other	69,231	14,438	8,915	769	-	93,353	-	16,345	(29,303)	80,395
Properties under development, net	2,751,952	-	-	-	(134,021)	2,617,931	-	-	-	2,617,931
Total current assets	8,053,593	1,565,473	433,390	38,848	(307,762)	9,783,542	-	217,929	(1,274,694)	8,726,777
Cash restricted for loan programs	-	835,678	-	-	-	835,678	-	-	-	835,678
Cash reserve accounts	-	-	-	58,633	-	58,633	-	111,073	-	169,706
Investment in subsidiaries	233,698	-	-	-	(233,598)	100	-	-	(100)	-
Contributions and grants receivable, less current portion	25,000	-	-	-	-	25,000	-	-	-	25,000
Due from other division, less current portion	413,463	192,914	-	-	(212,914)	393,463	-	-	(393,463)	-
Loans receivable - net, less current portion	-	3,911,222	-	-	-	3,911,222	-	-	-	3,911,222
Leasehold improvements and equipment, net	39,674	-	43,601	-	-	83,275	-	-	-	83,275
Multifamily rental property, net	72,298	-	-	2,492,844	-	2,565,142	1,549,806	9,848,032	(1,017,667)	12,945,313
Land held in trust	5,247,138	-	-	-	-	5,247,138	-	-	-	5,247,138
Tax credit fees, net	-	-	-	-	-	-	-	60,783	-	60,783
Total assets	\$ 14,084,864	\$ 6,505,287	\$ 476,991	\$ 2,590,325	\$ (754,274)	\$ 22,903,193	\$ 1,549,806	\$ 10,237,817	\$ (2,685,924)	\$ 32,004,892

(Continued)

**ONE ROOF COMMUNITY HOUSING**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2022

	One Roof	One Roof Lending	Common Ground	West End Quad Pod	Eliminations	Total	Brewery Creek LLLP	Decker Dwellings LLLP	Eliminations	Total
<b>LIABILITIES AND NET ASSETS</b>										
Current liabilities:										
Current maturities of long-term debt	\$ 1,836,658	\$ 166,564	\$ -	\$ 51,250	\$ -	\$ 2,054,472	\$ -	\$ -	\$ -	\$ 2,054,472
Accounts payable	211,197	7,715	55,335	7,571	(23,058)	258,760	-	48,362	(29,303)	277,819
Accounts payable - construction	-	-	-	-	-	-	757,926	-	-	757,926
Accrued payroll and related taxes	277,522	36,246	45,858	-	-	359,626	-	-	-	359,626
Accrued interest	175	6,506	-	-	-	6,681	-	-	-	6,681
Accrued developer fee	-	-	-	-	-	-	-	427,056	(427,056)	-
Refundable advances	1,247,577	40,870	-	13,605	-	1,302,052	-	-	-	1,302,052
Committed loans	-	228,356	-	-	-	228,356	-	-	-	228,356
Borrower escrows	-	8,817	-	-	-	8,817	-	-	-	8,817
Other current liabilities	-	97,083	6,429	-	-	103,512	-	54,067	-	157,579
Due to other division, current portion	115,232	35,451	-	-	(150,683)	-	791,880	-	(791,880)	-
Total current liabilities	3,688,361	627,608	107,622	72,426	(173,741)	4,322,276	1,549,806	529,485	(1,248,239)	5,153,328
Tenant security deposits	-	-	-	20,108	-	20,108	-	29,863	-	49,971
Accrued interest - deferred loans	-	-	-	-	-	-	-	26,455	(26,455)	-
Refundable advances, less current portion	-	633,646	-	-	-	633,646	-	-	-	633,646
Due to other division, less current portion	192,914	-	-	20,000	(212,914)	-	-	393,463	(393,463)	-
Long-term debt, net, less current maturities	655,000	2,248,060	-	1,286,914	-	4,189,974	-	1,920,338	-	6,110,312
Total liabilities	4,536,275	3,509,314	107,622	1,399,448	(386,655)	9,166,004	1,549,806	2,899,604	(1,668,157)	11,947,257
Net assets:										
Without donor restrictions:										
Controlling interest:										
Undesignated	1,794,689	1,613,693	369,369	1,190,877	(367,619)	4,601,009	-	(11)	(1,017,767)	3,583,231
Board designated - operating reserve	1,014,097	-	-	-	-	1,014,097	-	-	-	1,014,097
Board designated - land held in trust	5,247,138	-	-	-	-	5,247,138	-	-	-	5,247,138
Total controlling interest	8,055,924	1,613,693	369,369	1,190,877	(367,619)	10,862,244	-	(11)	(1,017,767)	9,844,466
Noncontrolling interest	-	-	-	-	-	-	-	7,338,224	-	7,338,224
Total without donor restrictions	8,055,924	1,613,693	369,369	1,190,877	(367,619)	10,862,244	-	7,338,213	(1,017,767)	17,182,690
With donor restrictions	1,492,665	1,382,280	-	-	-	2,874,945	-	-	-	2,874,945
Total net assets	9,548,589	2,995,973	369,369	1,190,877	(367,619)	13,737,189	-	7,338,213	(1,017,767)	20,057,635
Total liabilities and net assets	\$ 14,084,864	\$ 6,505,287	\$ 476,991	\$ 2,590,325	\$ (754,274)	\$ 22,903,193	\$ 1,549,806	\$ 10,237,817	\$ (2,685,924)	\$ 32,004,892

See independent auditor's report.

**ONE ROOF COMMUNITY HOUSING**

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2022

	One Roof	One Roof Lending	Common Ground	West End Quad Pod	Eliminations	Total	Brewery Creek LLLP	Decker Dwellings LLLP	Eliminations	Total
<b>Revenues and support:</b>										
Contributions - development	\$ 80,000	\$ -	\$ -	\$ -	\$ -	\$ 80,000	\$ -	\$ -	\$ -	\$ 80,000
Government grants and contracts - development	1,482,470	-	-	-	-	1,482,470	-	-	-	1,482,470
Sales of homes	2,409,700	-	-	-	-	2,409,700	-	-	-	2,409,700
Less cost of homes sold	(3,778,502)	-	-	-	324,920	(3,453,582)	-	-	-	(3,453,582)
Gain on sale of homes	193,668	-	-	-	324,920	518,588	-	-	-	518,588
Construction revenues	-	-	1,438,007	-	(1,310,497)	127,510	-	-	-	127,510
Less construction services expense	-	-	(1,085,923)	-	984,715	(101,208)	-	-	-	(101,208)
Construction revenues, net	-	-	352,084	-	(325,782)	26,302	-	-	-	26,302
Contributions - operating	573,560	1,800	10,000	-	-	585,360	-	-	-	585,360
Contributions - noncash	1,940	-	-	-	-	1,940	-	-	-	1,940
Special events	24,855	-	-	-	-	24,855	-	-	-	24,855
Government grants and contracts - operating	570,158	463,815	-	-	-	1,033,973	-	-	-	1,033,973
Real estate sales commissions	119,002	-	-	-	-	119,002	-	-	-	119,002
Land lease revenues	127,810	-	-	-	-	127,810	-	-	-	127,810
Multi-family rental revenue	25,200	-	-	209,865	-	235,065	-	369,009	-	604,074
Interest income - loans	16,062	187,045	-	-	(8,470)	194,637	-	-	(15,739)	178,898
Interest income - deferred loan accretion	-	21,398	-	-	-	21,398	-	-	-	21,398
Interest income - other	4,701	79	-	80	-	4,860	-	1,406	-	6,266
Loan fees	-	29,932	-	-	-	29,932	-	-	-	29,932
Other revenues	66,191	3,935	11,678	4,732	(43,249)	43,287	-	77,656	-	120,943
Total revenues and support	1,723,147	708,004	373,762	214,677	(52,581)	2,967,009	-	448,071	(15,739)	3,399,341
<b>Expenses:</b>										
Program services	1,248,622	654,202	-	284,581	(2,543)	2,184,862	-	1,186,008	(51,239)	3,319,631
Management and general	423,854	-	249,954	-	(25,323)	648,485	-	-	-	648,485
Fundraising	100,984	-	-	-	-	100,984	-	-	-	100,984
Total program services, less cost of homes sold	1,773,460	654,202	249,954	284,581	(27,866)	2,934,331	-	1,186,008	(51,239)	4,069,100
Operating income (loss)	(50,313)	53,802	123,808	(69,904)	(24,715)	32,678	-	(737,937)	35,500	(669,759)
Land cost capitalized	183,100	-	-	-	-	183,100	-	-	-	183,100
Grants for loan program	-	434,933	-	-	-	434,933	-	-	-	434,933
Partnership capital contributions, net	-	-	-	-	-	-	-	6,744,400	-	6,744,400
Gain on sale of multifamily property	119,906	-	-	-	-	119,906	-	-	-	119,906
Change in net assets	252,693	488,735	123,808	(69,904)	(24,715)	770,617	-	6,006,463	35,500	6,812,580
Net assets, beginning 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
Net assets, end of year	\$ 9,548,589	\$ 2,995,973	\$ 369,369	\$ 1,190,877	\$ (367,619)	\$ 13,737,189	\$ -	\$ 7,338,213	\$ (1,017,767)	\$ 20,057,635

See independent auditor's report.

**ONE ROOF COMMUNITY HOUSING**

STATEMENTS OF FUNCTIONAL EXPENSES BY ENTITY

For the Year Ended December 31, 2022  
(With Comparative Totals for 2021)

	One Roof and One Roof Lending					Common Ground				Multi-Family Projects*	
	2022					2022				2022	
	Program services	Management and general	Fundraising	Total expenses	2021	Program services	Management and general	Total expenses	2021	Program services	2021
Salaries	\$ 1,032,483	\$ 283,069	\$ 66,191	\$ 1,381,743	\$ 1,280,686	\$ 280,683	\$ 153,109	\$ 433,792	\$ 438,543	\$ -	\$ -
Payroll taxes	72,232	30,657	5,013	107,902	90,561	59,309	11,462	70,771	80,885	-	-
Employee benefits and other	177,961	36,129	5,894	219,984	200,281	48,858	28,747	77,605	70,273	-	-
<b>Total salary</b>	<b>1,282,676</b>	<b>349,855</b>	<b>77,098</b>	<b>1,709,629</b>	<b>1,571,528</b>	<b>388,850</b>	<b>193,318</b>	<b>582,168</b>	<b>589,701</b>	<b>-</b>	<b>-</b>
Professional fees	94,636	16,458	3,590	114,684	130,173	-	10,234	10,234	8,386	-	-
Office supplies	5,402	1,138	159	6,699	6,013	3,857	2,104	5,961	6,435	-	-
Postage	6,146	1,614	3,917	11,677	19,066	-	-	-	-	-	-
Telephone and IT	97,225	20,747	5,377	123,349	102,444	2,644	1,442	4,086	4,310	-	-
Travel and training	37,329	8,953	1,082	47,364	23,972	8,539	1,274	9,813	4,991	-	-
Bad debt expense	39,762	-	-	39,762	31,242	-	-	-	-	-	-
Property acquisition	1,802,580	-	-	1,802,580	1,243,500	-	-	-	-	-	-
Construction costs	1,423,069	-	-	1,423,069	878,856	-	-	-	-	-	-
Other development costs	386,118	-	(1,318)	384,800	243,045	-	-	-	-	-	-
Direct materials	-	-	-	-	-	193,512	-	193,512	161,597	-	-
Subcontractor costs	-	-	-	-	-	417,863	-	417,863	269,840	-	-
Other construction costs	-	-	-	-	-	26,257	-	26,257	23,799	-	-
Homeowner support	71,884	26	-	71,910	100,977	-	-	-	-	-	-
Bank fees	1,302	210	935	2,447	2,687	-	-	-	-	-	-
Marketing	16,648	2,771	1,097	20,516	69,650	2,255	-	2,255	2,392	-	-
Membership	17,803	1,488	282	19,573	18,036	-	-	-	-	-	-
Board	5,152	1,375	1,804	8,331	6,803	249	-	249	403	-	-
Financial assistance	-	-	-	-	153,224	-	-	-	-	-	-
Event expenses	-	-	1,525	1,525	3,386	-	-	-	-	-	-
Occupancy and utilities	34,331	9,161	2,017	45,509	39,728	8,069	4,401	12,470	13,437	-	-
Depreciation	16,610	6,657	1,518	24,785	40,596	6,502	3,547	10,049	7,740	-	-
Insurance	18,352	2,536	557	21,445	20,276	14,716	8,027	22,743	21,688	-	-
Interest expense	91,748	-	-	91,748	100,504	-	349	349	1,530	-	-
Other	9,192	865	26	10,083	40,499	12,610	25,258	37,868	14,565	-	-
<b>Multifamily project operating expenses:</b>											
Office expense	12,424	-	-	12,424	35,604	-	-	-	-	88,379	27,523
Management fees	-	-	-	-	2,735	-	-	-	-	45,236	16,867
Repairs and maintenance	2,200	-	-	2,200	40,329	-	-	-	-	143,077	47,720
Utilities	270	-	-	270	64,499	-	-	-	-	58,327	31,330
Real estate taxes	14,028	-	-	14,028	15,562	-	-	-	-	61,078	17,176
Insurance	-	-	-	-	-	-	-	-	-	32,813	16,238
Interest expense	11,339	-	-	11,339	16,756	-	-	-	-	333,005	150,533
Other fees	-	-	-	-	-	-	-	-	-	7,465	85,533
Depreciation and amortization	-	-	-	-	-	-	-	-	-	701,209	308,756
<b>Total expenses</b>	<b>5,498,226</b>	<b>423,854</b>	<b>99,666</b>	<b>6,021,746</b>	<b>5,021,690</b>	<b>1,085,923</b>	<b>249,954</b>	<b>1,335,877</b>	<b>1,130,814</b>	<b>1,470,589</b>	<b>701,676</b>
<b>Expenses netted against revenues or reported as nonoperating:</b>											
Cost of homes sold	(3,778,502)	-	-	(3,778,502)	(2,580,801)	-	-	-	-	-	-
Construction services expense	-	-	-	-	-	(101,208)	-	(101,208)	(161,931)	-	-
Land cost capitalization	183,100	-	-	183,100	215,400	-	-	-	-	-	-
	<u>\$ 1,902,824</u>	<u>\$ 423,854</u>	<u>\$ 99,666</u>	<u>\$ 2,426,344</u>	<u>\$ 2,656,289</u>	<u>\$ 984,715</u>	<u>\$ 249,954</u>	<u>\$ 1,234,669</u>	<u>\$ 968,883</u>	<u>\$ 1,470,589</u>	<u>\$ 701,676</u>

\* 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

## STATEMENTS OF FINANCIAL POSITION - COMMON GROUND

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 313,864	\$ 244,805
Accounts receivable, net	23,748	32,486
Contributions and grants receivable	-	31,187
Due from One Roof	86,863	65,577
Prepaid expenses	8,915	5,630
Total current assets	<u>433,390</u>	<u>379,685</u>
Equipment, net	<u>43,601</u>	<u>14,062</u>
Total assets	<u><u>\$ 476,991</u></u>	<u><u>\$ 393,747</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 55,335	\$ 62,286
Accrued payroll and related taxes	45,858	48,557
Deferred grant revenue	-	10,000
Current maturities	-	3,740
Other current liabilities	6,429	12,861
Due to One Roof	-	10,106
Total current liabilities	<u>107,622</u>	<u>147,550</u>
Long-term debt, less current maturities	<u>-</u>	<u>636</u>
Total liabilities	<u>107,622</u>	<u>148,186</u>
Net assets without donor restrictions	<u>369,369</u>	<u>245,561</u>
Total liabilities and net assets	<u><u>\$ 476,991</u></u>	<u><u>\$ 393,747</u></u>

See independent auditor's report.

# ONE ROOF COMMUNITY HOUSING

## STATEMENTS OF ACTIVITIES - COMMON GROUND

For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenues and support:		
Contributions - operating	\$ 10,000	\$ -
Construction revenues	1,438,007	1,143,729
Government grants	-	56,000
PPP loan forgiveness	-	84,039
Other revenues	<u>11,678</u>	<u>9,235</u>
Total revenues and support	<u>1,459,685</u>	<u>1,293,003</u>
Expenses:		
Construction services	1,085,923	920,133
Management and general	<u>249,954</u>	<u>210,681</u>
Total expenses	<u>1,335,877</u>	<u>1,130,814</u>
Change in net assets	123,808	162,189
Net assets, beginning of year	<u>245,561</u>	<u>83,372</u>
Net assets, end of year	<u><u>\$ 369,369</u></u>	<u><u>\$ 245,561</u></u>

See independent auditor's report.

# ONE ROOF COMMUNITY HOUSING

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

December 31, 2022

	2022	2021
<b>ASSETS</b>		
Current assets:		
Cash	\$ 269,111	\$ 137,428
Accounts receivable	115,572	53,605
Contributions and grants receivable	34,978	66,669
Interest receivable	54,066	30,562
Due from other division, current portion	22,928	11,732
Loans receivable, current portion	1,054,380	975,176
Prepaid expenses and other current assets	14,438	380
Total current assets	1,565,473	1,275,552
Cash restricted for loan programs	835,678	1,643,973
Due from other division, less current portion	192,914	214,948
Loans receivable - net, less current portion	3,911,222	3,706,334
Total assets	\$ 6,505,287	\$ 6,840,807
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Current maturities of long-term debt	\$ 166,564	\$ 117,646
Accounts payable	7,715	1,785
Accrued interest	6,506	1,514
Refundable advances	40,870	675,803
Committed loans	228,356	342,086
Borrower escrows	8,817	11,391
Other current liabilities	168,780	107,842
Total current liabilities	627,608	1,258,067
Refundable advances, less current portion	633,646	671,715
Long-term debt, less current maturities	2,248,060	2,403,787
Total liabilities	3,509,314	4,333,569
Net assets:		
Without donor restrictions	1,613,693	1,559,891
With donor restrictions	1,382,280	947,347
Total net assets	2,995,973	2,507,238
Total liabilities and net assets	\$ 6,505,287	\$ 6,840,807

See independent auditor's report.

## ONE ROOF COMMUNITY HOUSING

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

For the Year Ended December 31, 2022  
(With Comparative Totals for 2021)

	2022			2021
	Without donor restrictions	With donor restrictions	Total	
Revenues and support:				
Contributions - operating	\$ 1,800	\$ -	\$ 1,800	\$ 5,513
Contributions - noncash	-	-	-	1,459
Government grants and contracts - operating	463,815	-	463,815	632,028
Interest income - loans	187,045	-	187,045	159,155
Interest income - deferred loan accretion	21,398	-	21,398	118,184
Interest income - other	79	-	79	101
Loan fees	29,932	-	29,932	45,116
Other revenues	3,935	-	3,935	677
Total revenues and support	<u>708,004</u>	<u>-</u>	<u>708,004</u>	<u>962,233</u>
Expenses:				
Salaries, payroll taxes and benefits	415,753	-	415,753	417,191
Financial assistance	-	-	-	153,224
Office and occupancy	52,939	-	52,939	50,455
Professional and consulting fees	37,172	-	37,172	50,617
Interest and bank fees	79,124	-	79,124	78,412
Advertising and marketing	5,252	-	5,252	50,888
Bad debt expense	39,762	-	39,762	31,242
Other expenses	24,200	-	24,200	25,888
Total expenses	<u>654,202</u>	<u>-</u>	<u>654,202</u>	<u>857,917</u>
Operating income	53,802	-	53,802	104,316
Grants for loan program	-	434,933	434,933	212,528
PPP loan forgiveness	-	-	-	66,521
Change in net assets	53,802	434,933	488,735	383,365
Net assets, beginning of year	<u>1,559,891</u>	<u>947,347</u>	<u>2,507,238</u>	<u>2,123,873</u>
Net assets, end of year	<u>\$ 1,613,693</u>	<u>\$ 1,382,280</u>	<u>\$ 2,995,973</u>	<u>\$ 2,507,238</u>

See independent auditor's report.

# ONE ROOF COMMUNITY HOUSING

## STATEMENTS OF FINANCIAL POSITION - WEST END QUAD POD

December 31, 2022 and 2021

	2022	2021
<b>ASSETS</b>		
Current assets:		
Cash	\$ 34,962	\$ 44,637
Tenant receivables	3,117	5,472
Prepaid expenses	769	745
Total current assets	38,848	50,854
Security deposits	18,850	18,887
Debt service reserve	10,035	10,025
Operating reserve	29,748	9,726
Total deposits and funded reserves	58,633	38,638
Property and equipment	2,891,508	2,873,957
Accumulated depreciation	(398,664)	(289,203)
Net property and equipment	2,492,844	2,584,754
Total assets	\$ 2,590,325	\$ 2,674,246
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Current maturities	\$ 51,250	\$ 46,250
Accounts payable	7,571	5,644
Due to One Roof	20,000	-
Prepaid rents	13,605	15,525
Total current liabilities	92,426	67,419
Tenant security deposits	20,108	17,697
Long-term debt, less current maturities, net	1,286,914	1,328,349
Total liabilities	1,399,448	1,413,465
Net assets without donor restrictions	1,190,877	1,260,781
Total liabilities and net assets	\$ 2,590,325	\$ 2,674,246

See independent auditor's report.

# ONE ROOF COMMUNITY HOUSING

## STATEMENTS OF ACTIVITIES - WEST END QUAD POD

For the Years Ended December 31, 2022 and 2021

	2022	2021
Revenues and support:		
Apartment rent:		
Rent revenue	\$ 210,765	\$ 205,150
Less vacancies and allowances	(900)	(4,010)
Net rental revenue	209,865	201,140
Tenant charges	4,732	3,439
Interest income	80	56
	214,677	204,635
Expenses:		
Administrative	17,327	16,912
Utilities	22,402	18,475
Maintenance and operating	42,637	27,495
Real estate taxes	16,078	16,056
Insurance	6,126	5,402
	104,570	84,340
Operating income	110,107	120,295
Interest expense - finance fees amortization	(9,815)	(9,815)
Interest expense	(60,737)	(62,129)
Income before depreciation	39,555	48,351
Depreciation	(109,459)	(108,414)
Change in net assets without restrictions	(69,904)	(60,063)
Net assets without restrictions, beginning of year	1,260,781	1,320,844
Net assets without restrictions, end of year	\$ 1,190,877	\$ 1,260,781

See independent auditor's report.

**ONE ROOF COMMUNITY HOUSING**

FHA LENDERS WITH TITLE I AUTHORITY SCHEDULES

December 31, 2022

ADJUSTED NET WORTH COMPUTATION

Net assets (net worth) per balance sheet	<u>13,737,189</u>	(a)
Less unacceptable assets	<u>(5,756,287)</u>	(b)
Adjusted net worth for HUD purposes [(c) = (a) - (b)]	<u>7,980,902</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>6,980,902</u>	(e)

LIQUID NET ASSETS COMPUTATION

Cash	1,826,155
Cash restricted for loan programs	324,630
Less: restricted cash	<u>(92)</u>
	<u>2,150,693</u>
Less minimum liquid net assets required	<u>200,000</u>
Liquid net assets above or below minimum required	<u>1,950,693</u>

See independent auditor's report.