

**COMMONBOND COMMUNITIES**

**CONSOLIDATED FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

## COMMONBOND COMMUNITIES

### CONSOLIDATED FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

For the Year Ended December 31, 2015  
(With Comparative Totals for 2014)

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
CommonBond Communities  
Saint Paul, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of CommonBond Communities (a nonprofit organization) and affiliates, which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of activities, changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

(Continued)

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CommonBond Communities and affiliates as of December 31, 2015, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Report on Summarized Comparative Information*

We have previously audited CommonBond Communities and affiliates' 2014 consolidated financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated May 14, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information shown on pages 33 through 36 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual entities, and it is not a required part of the consolidated financial statements. The supplementary information on page 37 is presented for purposes of additional analysis and is also not a required part of the consolidated financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2016 on our consideration of CommonBond Communities and affiliates' 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 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 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 CommonBond Communities and affiliates' internal control over financial reporting and compliance.



Saint Paul, Minnesota  
May 5, 2016

**COMMONBOND COMMUNITIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2015**  
**(With Comparative Totals for 2014)**

	2015	2014
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and Cash Equivalents	\$ 14,770,362	\$ 11,836,856
Temporarily Restricted Cash	12,762,499	8,770,180
Investments Held by Operating Fund	-	1,360,431
Accounts Receivable, Net	2,086,596	1,887,081
Accrued Developer Fee Receivable	6,800	-
Contributions Receivable	429,034	692,129
Prepaid Expenses	330,084	1,647,982
Total Current Assets	30,385,375	26,194,659
 <b>PROPERTY AND EQUIPMENT:</b>		
Property and Equipment, Net	375,293,380	369,178,013
 <b>OTHER ASSETS:</b>		
Contributions Receivable - Long-Term	9,967	200,671
Notes Receivable - Long-Term	420,000	420,000
Restricted Reserves	37,143,879	29,262,451
Deferred Charges, Net	5,605,636	5,619,770
Investments in Partnerships and LLCs	12,684	12,684
Investment - HPIEx	177,632	177,632
Investments Held for Deferred Compensation Obligation	74,697	74,390
Investments Held for Endowment:		
Restricted by Donors	7,162,482	5,682,302
Accumulated Earnings	1,704,447	1,764,878
Total Other Assets	52,311,424	43,214,778
Total Assets	\$ 457,990,179	\$ 438,587,450

See Accompanying Notes to Consolidated Financial Statements.

**COMMONBOND COMMUNITIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2015**  
**(With Comparative Totals for 2014)**

	2015	2014
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Current Portion of Long-Term Debt	\$ 3,163,405	\$ 4,024,668
Current Construction Notes	5,888,814	3,882,376
Lines of Credit	250,000	250,000
Construction Payable	4,137,982	3,574,297
Accounts Payable	2,416,252	1,801,237
Accrued Expenses	7,054,098	7,036,060
Accrued Interest	983,850	927,336
Total Current Liabilities	23,894,401	21,495,974
<b>LONG-TERM LIABILITIES:</b>		
Long-Term Debt, net	191,551,180	188,637,905
Long-Term Construction Notes	6,150,161	4,999,040
Accrued Interest	8,304,447	7,719,348
Interest Rate Swaps	472,585	494,480
Deferred Compensation Obligation	74,697	74,390
Due to Partners	543,393	538,393
Other Liabilities	296,966	313,400
Deferred Grants	-	33,579
Total Long-Term Liabilities	207,393,429	202,810,535
Total Liabilities	231,287,830	224,306,509
<b>NET ASSETS:</b>		
Unrestricted:		
Undesignated Operating Fund	24,037,407	21,332,177
Undesignated Housing Communities	(6,959,351)	(14,008,018)
Non-Controlling Interests	99,328,795	99,310,388
Total Unrestricted Net Assets	116,406,851	106,634,547
Temporarily Restricted	101,878,121	101,028,746
Permanently Restricted	8,417,377	6,617,648
Total Net Assets	226,702,349	214,280,941
Total Liabilities and Net Assets	\$ 457,990,179	\$ 438,587,450

See Accompanying Notes to Consolidated Financial Statements.

**COMMONBOND COMMUNITIES**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
**(With Comparative Totals for 2014)**

	2015			Total	2014
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>REVENUES FROM OPERATIONS:</b>					
Contributions	\$ 1,043,360	\$ 1,539,491	\$ 582,223	\$ 3,165,074	\$ 6,290,230
In-Kind Contributions	168,064	-	-	168,064	207,626
Released from Restrictions	2,274,079	(2,274,079)	-	-	-
Capital Campaign Transfer	-	(1,217,506)	1,217,506	-	-
Total Contributions	<u>3,485,503</u>	<u>(1,952,094)</u>	<u>1,799,729</u>	<u>3,333,138</u>	<u>6,497,856</u>
Government Grants - Operating	533,021	-	-	533,021	471,370
Government Grants - Construction	3,574,033	2,861,901	-	6,435,934	23,394,683
Total Government Grants	<u>4,107,054</u>	<u>2,861,901</u>	<u>-</u>	<u>6,968,955</u>	<u>23,866,053</u>
Fees for Services:					
Property Management	321,979	-	-	321,979	387,921
Housing Development	20,796	-	-	20,796	-
Advantage Services	251,088	-	-	251,088	191,759
Other	199,355	-	-	199,355	191,053
Total Fees for Services	<u>793,218</u>	<u>-</u>	<u>-</u>	<u>793,218</u>	<u>770,733</u>
Housing Rental Income	48,157,196	-	-	48,157,196	47,789,944
Investment Income	211,773	166,306	-	378,079	398,251
Miscellaneous	975,869	-	-	975,869	970,277
Total Housing Rental Income	<u>49,344,838</u>	<u>166,306</u>	<u>-</u>	<u>49,511,144</u>	<u>49,158,472</u>
Total Revenues from Operations	<u>57,730,613</u>	<u>1,076,113</u>	<u>1,799,729</u>	<u>60,606,455</u>	<u>80,293,114</u>
<b>EXPENSES FROM OPERATIONS:</b>					
Program Services:					
Property Management	54,787,991	-	-	54,787,991	56,006,893
Housing Development	1,945,626	-	-	1,945,626	1,974,284
Advantage Services	4,474,172	-	-	4,474,172	4,188,147
Asset Management	583,322	-	-	583,322	698,188
Community Engagement	68,280	-	-	68,280	18,509
Total Program Services	<u>61,859,391</u>	<u>-</u>	<u>-</u>	<u>61,859,391</u>	<u>62,886,021</u>
Supporting Services:					
General and Administrative	968,147	-	-	968,147	822,395
Fund Development	1,570,682	-	-	1,570,682	1,331,405
Total Supporting Services	<u>2,538,829</u>	<u>-</u>	<u>-</u>	<u>2,538,829</u>	<u>2,153,800</u>
Total Expenses from Operations	<u>64,398,220</u>	<u>-</u>	<u>-</u>	<u>64,398,220</u>	<u>65,039,821</u>
<b>CHANGE IN NET ASSETS BEFORE OTHER INCOME AND EXPENSE</b>	<u>(6,667,607)</u>	<u>1,076,113</u>	<u>1,799,729</u>	<u>(3,791,765)</u>	<u>15,253,293</u>
<b>OTHER INCOME AND (EXPENSE):</b>					
Write-Off of Finance Fees	(38,296)	-	-	(38,296)	-
Principal and Accrued Interest Forgiven	400,000	-	-	400,000	1,466,631
Gain on Sale of Housing Community	-	-	-	-	1,686,960
Loss on Disposal of Property and Equipment	(961,797)	-	-	(961,797)	(373,905)
Residual Receipts Recapture	(551,878)	-	-	(551,878)	-
Gains (Losses) on Investments, Net	17,632	(226,738)	-	(209,106)	99,611
Total Other Income and (Expense)	<u>(1,134,339)</u>	<u>(226,738)</u>	<u>-</u>	<u>(1,361,077)</u>	<u>2,879,297</u>
<b>CHANGE IN NET ASSETS</b>	<u>(7,801,946)</u>	<u>849,375</u>	<u>1,799,729</u>	<u>(5,152,842)</u>	<u>18,132,590</u>
Non-Controlling Interests in Losses	8,107,166	-	-	8,107,166	7,620,896
<b>CHANGE IN NET ASSETS AFTER NON-CONTROLLING INTERESTS</b>	<u>\$ 305,220</u>	<u>\$ 849,375</u>	<u>\$ 1,799,729</u>	<u>\$ 2,954,324</u>	<u>\$ 25,753,486</u>

See Accompanying Notes to Consolidated Financial Statements.

**COMMONBOND COMMUNITIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
**(With Comparative Totals for 2014)**

	Unrestricted			Temporarily Restricted	Permanently Restricted	Totals
	Controlling Interests	Non-controlling Interests	Total			
<b>Balance, December 31, 2013</b>	\$ 2,854,771	\$ 83,581,493	\$ 86,436,264	\$ 80,691,366	\$ 5,670,930	\$ 172,798,560
Change in Net Assets	4,469,388	(7,620,896)	(3,151,508)	20,337,380	946,718	18,132,590
Other Housing Activity:						
Capital Contributions	-	23,614,763	23,614,763	-	-	23,614,763
Cash Distributions	-	(6,893)	(6,893)	-	-	(6,893)
Syndication Costs and Other	-	(258,079)	(258,079)	-	-	(258,079)
<b>Balance, December 31, 2014</b>	7,324,159	99,310,388	106,634,547	101,028,746	6,617,648	214,280,941
Change in Net Assets	305,220	(8,107,166)	(7,801,946)	849,375	1,799,729	(5,152,842)
Assignment of Noncontrolling Interest to Controlling Interest	9,448,677	(9,448,677)	-	-	-	-
Other Housing Activity:						
Capital Contributions	-	17,748,405	17,748,405	-	-	17,748,405
Cash Distributions	-	(15,837)	(15,837)	-	-	(15,837)
Syndication Costs and Other	-	(158,318)	(158,318)	-	-	(158,318)
<b>Balance, December 31, 2015</b>	<u>\$ 17,078,056</u>	<u>\$ 99,328,795</u>	<u>\$ 116,406,851</u>	<u>\$ 101,878,121</u>	<u>\$ 8,417,377</u>	<u>\$ 226,702,349</u>

See Accompanying Notes to Consolidated Financial Statements.



**COMMONBOND COMMUNITIES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
**(With Comparative Totals for 2014)**

	2015												2014
	PROGRAM SERVICES							SUPPORTING SERVICES					
	Property Management	Housing Development	Advantage Services	Asset Management	Community Engagement	Housing Communities	Eliminations	Total	General and Administrative	Fund Development	Eliminations	Total	
Salaries, Taxes and Fringes:													
Salaries	\$ 2,588,031	\$ 1,122,635	\$ 2,865,123	\$ 372,561	\$ 48,264	\$ 6,136,313	\$ -	\$ 13,132,927	\$ 412,146	\$ 849,060	\$ -	\$ 14,394,133	\$14,214,786
Payroll Taxes and Fringes	492,340	214,063	558,594	71,019	9,354	1,586,578	-	2,931,948	79,258	165,646	-	3,176,852	3,244,902
Total Salaries, Taxes and Fringes	<u>3,080,371</u>	<u>1,336,698</u>	<u>3,423,717</u>	<u>443,580</u>	<u>57,618</u>	<u>7,722,891</u>	<u>-</u>	<u>16,064,875</u>	<u>491,404</u>	<u>1,014,706</u>	<u>-</u>	<u>17,570,985</u>	<u>17,459,688</u>
Consulting Services	58,689	26,958	173,731	70,671	1,044	-	-	331,093	137,508	67,217	-	535,818	778,372
Office Supplies and Printing	221,783	92,934	157,003	30,982	3,010	-	-	505,712	90,230	36,654	-	632,596	463,346
Telephone	40,016	16,517	21,401	5,517	455	-	-	83,906	5,031	6,156	-	95,093	78,540
Occupancy	-	-	-	-	-	-	-	-	491,167	-	(491,167)	-	105,958
Travel	86,874	37,130	81,040	12,346	1,427	-	-	218,817	12,898	20,855	-	252,570	286,426
Education and Training	42,559	18,101	37,295	6,022	669	-	-	104,646	6,174	10,972	-	121,792	107,752
In-Kind Expense	-	-	-	-	-	-	-	-	-	111,664	-	111,664	106,348
Program Expense	-	-	110,086	-	-	-	-	110,086	-	3,060	-	113,146	118,909
Bad Debt (Recoveries)	50,020	740,578	-	-	-	-	(771,249)	19,349	-	2,254	-	21,603	639,601
Fundraising Expense	-	-	-	-	-	-	-	-	-	204,075	-	204,075	192,072
Miscellaneous	8,991	36,364	23,555	1,442	339	-	-	70,691	2,892	16,516	-	90,099	135,114
Operating and Maintenance	97,395	27,365	94,775	9,044	1,487	14,450,000	(4,093,538)	10,586,528	12,934	28,309	-	10,627,771	10,918,895
Utilities	-	-	-	-	-	4,748,052	-	4,748,052	-	-	-	4,748,052	5,249,907
Insurance	-	-	-	-	-	1,855,198	-	1,855,198	24,648	-	-	1,879,846	1,808,358
Real Estate Taxes	-	-	-	-	-	4,403,085	-	4,403,085	-	-	-	4,403,085	4,038,224
Depreciation and Amortization	-	-	-	-	-	16,541,238	(1,511,595)	15,029,643	169,437	-	-	15,199,080	14,243,870
Interest and Other Finance Charges	18,706	15,411	219,709	4,805	2,883	11,161,147	(3,694,951)	7,727,710	14,991	66,724	(18,480)	7,790,945	8,308,441
	<u>3,705,404</u>	<u>2,348,056</u>	<u>4,342,312</u>	<u>584,409</u>	<u>68,932</u>	<u>60,881,611</u>	<u>(10,071,333)</u>	<u>61,859,391</u>	<u>1,459,314</u>	<u>1,589,162</u>	<u>(509,647)</u>	<u>64,398,220</u>	<u>65,039,821</u>
Housing Communities by Function	59,503,133	16,207	1,362,271	-	-	(60,881,611)	-	-	-	-	-	-	-
Eliminations by Function	(8,420,546)	(418,637)	(1,230,411)	(1,087)	(652)	-	10,071,333	-	(491,167)	(18,480)	509,647	-	-
	<u>\$ 54,787,991</u>	<u>\$ 1,945,626</u>	<u>\$ 4,474,172</u>	<u>\$ 583,322</u>	<u>\$ 68,280</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,859,391</u>	<u>\$ 968,147</u>	<u>\$ 1,570,682</u>	<u>\$ -</u>	<u>\$ 64,398,220</u>	<u>\$65,039,821</u>

See Accompanying Notes to Consolidated Financial Statements.

**COMMONBOND COMMUNITIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
**(With Comparative Totals for 2014)**

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ (5,152,842)	\$ 18,132,590
Adjustments to Reconcile Change in Net Assets to Net Cash From Operating Activities:		
Depreciation	14,525,874	13,545,925
Amortization	673,206	697,945
Grants Used for Construction	(6,925,934)	(23,394,683)
Gains (Losses) on Investments	209,106	(99,611)
Reinvested Income on Investments and Endowment	(194,791)	(226,178)
Donated land	(56,400)	-
Gain on Sale of Housing Community	-	(1,686,960)
Loss on Disposal of Property	961,797	373,905
Write-off of Finance Fees	38,296	-
Principal and Accrued Interest Forgiven	(400,000)	(1,466,631)
Permanently Restricted Contributions	(752,674)	(581,069)
Contributions Restricted for Capital Campaign	(136,918)	(321,997)
Changes in Operating Assets and Liabilities:		
Accounts and Notes Receivable	(206,315)	204,357
Contributions Receivable	453,799	(44,688)
Interest Receivable	-	5,835
Prepaid Expenses	1,317,898	(1,258,753)
Accounts Payable and Accrued Expenses	633,360	235,250
Accrued Interest	641,613	617,581
Other Liabilities and Deferred Grants	(50,013)	201,342
Net Cash From Operating Activities	5,579,062	4,934,160
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Property and Equipment	(20,982,953)	(44,827,723)
Purchase of Investments Held for Endowment	(1,474,181)	(436,254)
Proceeds from Sale of Investments	1,378,346	2,163,506
Proceeds from Sale of Housing Community	-	5,737,653
Change in Restricted Reserves and Investments	(7,881,428)	12,922,486
Net Cash From Investing Activities	(28,960,216)	(24,440,332)

See Accompanying Notes to Consolidated Financial Statements.

**COMMONBOND COMMUNITIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
**(With Comparative Totals for 2014)**

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from Long-Term Debt and Construction Notes	\$ 19,032,405	\$ 13,757,231
Payments on Long-Term Debt and Construction Notes	(13,422,834)	(35,467,574)
NeighborWorks Amercia Capital Grants	490,000	350,000
Contributions Restricted for Endowment	262,674	420,640
Contributions Restricted for Capital Campaign	136,918	321,997
Grants Received for Construction	6,925,934	23,671,620
Net Change in Lines of Credit	-	246,319
Change in Due to Partners	5,000	(60,000)
Payment of Deferred Charges	(697,368)	(834,369)
Capital Contributions - Housing Communities	17,748,405	23,614,763
Distributions - Housing Communities	(15,837)	(6,893)
Syndication Costs - Housing Communities	(158,318)	(258,079)
Net Cash From Financing Activities	<u>30,306,979</u>	<u>25,755,655</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	6,925,825	6,249,483
Cash and Cash Equivalents - Beginning of Year	<u>20,607,036</u>	<u>14,357,553</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 27,532,861</u>	<u>\$ 20,607,036</u>
<b>RECONCILIATION TO THE STATEMENT OF FINANCIAL POSITION:</b>		
Cash and Cash Equivalents	\$ 14,770,362	\$ 11,836,856
Temporarily Restricted Cash	12,762,499	8,770,180
Total Cash and Cash Equivalents	<u>\$ 27,532,861</u>	<u>20,607,036</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Interest Paid	<u>\$ 6,684,771</u>	<u>\$ 7,140,903</u>
Noncash Investing and Financing Activities:		
Additions to Property and Equipment Included in Liabilities	<u>\$ 4,137,982</u>	<u>\$ 3,574,297</u>

See Accompanying Notes to Consolidated Financial Statements.

## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015  
(With Comparative Totals for 2014)

#### 1. DESCRIPTION OF THE ORGANIZATION

CommonBond Communities (the Organization) is a nonprofit corporation whose mission is to build stable homes, strong futures, and vibrant communities.

The Organization develops, owns, and manages affordable housing. The Organization acquires parcels of real estate and administers construction or rehabilitation of rental units and provides for asset management, property management, and other services and support to individuals, families, the neighborhood, and the community in order to achieve its mission. The Organization owns or manages approximately 5,550 affordable rental apartments and townhomes.

The Organization controls approximately 100 affordable housing communities through its general partner and managing member interests, and nonprofit corporations. These communities are collectively referred to as the Housing Communities.

Advantage Services are provided to residents on-site and are a critical component of the Organization's integrated Housing and Services model focused on supporting residents of all ages for long-term stability and independence. Advantage Services supports residents' efforts to achieve their goals while connecting them to the community through tailored on site programs and services provided by CommonBond staff and partnerships with other organizations. Programs and services provided include: Stability and Independence services; Education and Advances services, Health and Wellness programs; and providing community building and engagement opportunities for residents.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation** – The consolidated financial statements generally reflect the same classifications that appear in the individual financial statements of each affiliated entity, except for the unamortized portions of the Section 1602 deferred grants which are reported as temporarily restricted net assets in the consolidated financial statements.

**Prior Year Summarized Information** – The financial statements include certain prior year summarized information in total but not by net asset class or 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 the Organization's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

(Continued)

## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015  
(With Comparative Totals for 2014)

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

**Use of Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles 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.

**Consolidation Method** – The consolidated financial statements include the accounts of CommonBond Communities, its wholly owned subsidiaries, and all affiliated organizations, limited partnerships, limited liability companies, and nonprofit organizations over which CommonBond Communities exercises control. All material intercompany accounts and transactions have been eliminated.

The primary subsidiaries and affiliated organizations are:

**CommonBond Endowment Corporation** is a nonprofit corporation organized to solicit grants and contributions to benefit the Advantage Services program. The directors of CommonBond Endowment Corporation are appointed by the CommonBond Communities Board of Directors.

**CommonBond Housing** is organized as a corporation which provides property management and maintenance services to housing communities located in Minnesota, Wisconsin and Iowa. The directors of CommonBond Housing are appointed by the CommonBond Communities Board of Directors.

**CommonBond Office, LLC** is a limited liability company organized to own and operate the Organization's corporate office building. CommonBond Communities is the sole member of the company.

**CommonBond Acquisition, LLC** is a limited liability company organized to acquire property interests for the purpose of developing or renovating Housing Communities. CommonBond Communities is the sole member of the company.

CommonBond Housing's wholly owned subsidiary, **CommonBond Investment Corporation**, owns general partner and managing member interests in limited partnerships and limited liability companies that own and operate the Housing Communities.

**Housing Communities** consist of affiliated limited partnerships, limited liability companies and nonprofit organizations that own and operate affordable rental apartments and townhomes.

(Continued)

## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015  
(With Comparative Totals for 2014)

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

**Accounting for Limited Partnerships and Limited Liability Companies** – Under generally accepted accounting principles, there is a presumption that a general partner or managing member in a limited partnership or limited liability company has control over that partnership or limited liability company, regardless of the percentage of ownership. Therefore the Organization has consolidated these entities. The partnership and member interests generally range from .01% to 1.0% with the remainder of the partnership and limited liability company equity held by investor limited partners and members. The interests of the non-controlling limited and general partners and members have been included in net assets and the change in net assets.

The Organization records its investments in limited partnerships and limited liability companies using the equity method of accounting. The initial investment is increased by additional investments and income and decreased by distributions and losses. The investment is not reduced below zero unless future capital contributions and advances will be made in an amount sufficient to absorb the losses or unless there are outstanding receivables. Investments in limited partnerships and limited liability companies over which the Organization has control are eliminated in the consolidating financial statements because such entities are consolidated.

In accordance with the consolidation topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification, the Organization continues to allocate losses to non-controlling limited and general partners and members when those losses exceed the equity of the non-controlling limited and general partners and members.

**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:

***Unrestricted net assets*** - Unrestricted net assets represent the portion of net assets that are not subject to donor restrictions. Designated amounts represent those revenues which the Board has set aside for a particular purpose.

***Temporarily restricted net assets*** - Temporarily restricted net assets arise from contributions that are restricted by donors for specific purposes or time periods.

***Permanently restricted net assets*** - Permanently restricted net assets arise from contributions that the donor has stipulated must be maintained permanently and that allow, in certain cases, only the income earned to be expended.

**Cash Equivalents** – The Organization considers highly liquid instruments purchased with a maturity of three months or less and any certificates of deposit that do not contain material early withdrawal penalties to be cash equivalents.

(Continued)

## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015  
(With Comparative Totals for 2014)

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

Generally, for purposes of the statement of cash flows, cash equivalents exclude escrows and reserves which are restricted as to use by organizing or debt agreements.

**Temporarily Restricted Cash** – Corporate temporarily restricted cash represents amounts received but not yet spent that are subject to donor or lender imposed restrictions (\$950,374 as of December 31, 2015). Housing Communities' temporarily restricted cash consists of tenant security deposits, and operating cash restricted by organizational documents and mortgage agreements and government agencies (\$11,812,125 as of December 31, 2015).

Security deposits plus interest are reported as a liability and included as part of the accrued expenses balance.

**Investments** – Investments in publicly traded mutual funds, debt and other securities are reported at fair value in the consolidated statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying consolidated statement of activities.

The Organization has a 3.2% equity interest in HPIEx, an organization formed to reduce and stabilize property and liability insurance premiums for its subscribers. The investment in the Housing Partnership Insurance Exchange (HPIEx) is recorded on a cost basis as the Organization is not able to influence the operating or financial policies of HPIEx. Under that method, the Organization records income only to the extent of distributions.

**Restricted Reserves** – In accordance with the terms of the Housing Communities' long-term debt, limited partnership, and limited liability company operating agreements, the communities are required to maintain escrow and reserve accounts primarily for future use in property refurbishments, operating reserves, debt service, and payment of real estate taxes and insurance. Restricted reserves include \$175,000 of permanently restricted cash at December 31, 2015.

During 2015, HUD communicated its intent to recapture excess residual receipts reserves held by Section 202 and 811 Housing Communities. As a result, an expense of \$551,878 has been recorded and is presented on the consolidated statement of activities as Residual Receipts Recapture.

**Financial Instruments** – The carrying amounts for cash and cash equivalents, temporarily restricted cash, receivables, restricted reserves, accounts payable, accrued liabilities, and the lines of credit approximate fair value because of the short maturity of these instruments. Investments other than in Partnerships, LLCs, and HPIEx are recorded at their estimated fair value based generally on quoted market prices or values provided by external investment managers. Interest rate swaps included in other long-term liabilities are carried at fair value. The fair value of long-term debt approximates the carrying value since the stated rates are similar to rates currently available to the Organization for debt with similar terms and remaining maturities.

(Continued)

## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015  
(With Comparative Totals for 2014)

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

**Fair Value Measurements** – The Organization uses a three-level fair value hierarchy to categorize assets and liabilities that are measured at fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

- Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.
- Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.
- Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an organization's own assumptions, as there is little, if any, related market activity.

**Notes Receivable** – Notes receivable primarily arise from the sale of controlled Housing Communities to a new controlled Housing Community. All significant notes receivable are eliminated in the consolidated financial statements.

**Accounts Receivable** – Receivables consist of amounts due from tenants under the corresponding leases and amounts due from housing regulatory agencies under approved contracts. Receivables also include working capital advances to properties in the development stage. Interest accrues on working capital advances during the construction phase. No collateral is required for receivables. Accounts receivable are written off after 180 days as a charge to the allowance when, in management's estimation, it is probable that the receivable is uncollectable.

**Contributions Receivable** – Promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using a discount rate applicable to the year in which the pledge is received, .61% for 2015 and .22% for 2014. Amortization of the discount is included in contributions revenue. At December 31, 2015, an \$11,506 allowance for uncollectable promises to give has been recorded. Contributions receivable are written off when, in management's estimation, it is probable that the receivable is worthless.

(Continued)



**COMMONBOND COMMUNITIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015  
(With Comparative Totals for 2014)

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

**Property and Equipment** – Property and equipment are recorded at acquisition cost. Donated property and equipment are recorded at estimated fair market value as of the date of contribution. Capital expenditures of \$1,000 or more are capitalized. The costs of ordinary repairs and maintenance are expensed when incurred. Depreciation is computed using straight-line and accelerated methods. The estimated useful lives are as follows:

Land improvements	5-40 years
Buildings	5-45 years
Furniture and equipment	3-15 years

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

**Deferred Charges** – Deferred charges represent debt issuance costs and tax credit fees primarily of the Housing Communities. These costs are amortized on a straight-line basis over the life of the related asset (10-40 years) and are recorded net of accumulated amortization of \$2,966,425 and \$2,751,964 at December 31, 2015 and 2014, respectively.

**Long-Lived Assets** – The Organization evaluates its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. In these circumstances, the Organization evaluates the recoverability of long-lived assets by measuring the carrying amount of the assets against the estimated undiscounted future cash flows associated with such assets. When evaluations indicate that the future undiscounted cash flows of the long-lived assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair values. At December 31, 2015 and 2014, management believes that the carrying amounts of its long-lived assets have not been impaired.

**Contributions** – Contributions are recognized when the donor makes an unconditional promise to give to the Organization. Contributions are recorded when received as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions are reported as temporarily restricted support and then reclassified to unrestricted net assets upon expiration of the time restriction or when purpose restrictions have been met. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

Conditional promises to give are recognized as revenue when the conditions are substantially met.

(Continued)

## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015  
(With Comparative Totals for 2014)

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

Awards received from NeighborWorks are treated as contributions. Such awards include:

- Expendable awards represent unrestricted or temporarily restricted support provided to CommonBond Communities' program activities.
- Capital awards are permanently restricted for capital projects. The initial grant amount is permanently restricted although proceeds on capital projects, or interest earned, over and above the corpus may be transferred to unrestricted net assets for furthering the CommonBond Communities' mission.

**Government Grants and Contracts** – Government grants and contract funds are generally considered exchange transactions and are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are incurred. Funds received but not yet earned are recorded as deferred grants. Expenditures under government grants and contracts are subject to review by the granting authority. If, as a result of such a review, expenditures are determined to be unallowable, the disallowance will be recorded at the time the assessment for refund is made.

Capital advances are received from the Department of Housing and Urban Development (HUD) under the Section 202 and 811 programs. These grants are subject to a number of requirements, including that the related property be used as affordable housing for 40-55 years. Based on the history of the Organization, management believes violation of the agreements and repayment of these grants are not likely. These grants are reported as temporarily restricted net assets and released to unrestricted net assets upon expiration of the grant requirements.

Forgivable loans are recognized as a contribution or grant in the period they are received if the loan agreement specifies the lender will forgive the loan under a defined set of conditions, and violation of the conditions which will lead to forgiveness is considered a remote possibility. These contributions or grants are recognized as temporarily restricted revenue when received and released from restriction when those conditions have been met.

Revenue from Section 1602 grants from state housing agencies is deferred and recognized as revenue using the straight-line method over 30 years on the Housing Community financial statements. For the consolidated financial statements, these grants are recognized as temporarily restricted revenue when received and released from restriction on a straight-line basis over the 15 year compliance period.

**Special Events** – Revenue from special events during 2015 consists of \$752,093 of contributions and \$183,981 of miscellaneous income.

(Continued)

## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015  
(With Comparative Totals for 2014)

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

**Recognition of Housing Rental Income** – Leases with tenants of all Housing Communities are classified as operating leases and generally have terms of one year or less. Housing rental income consists of rent and rental subsidies which are recognized monthly as provided for by the underlying agreements.

**Developer Fees** – Developer fees are recognized under the percentage of completion method during the different phases of the project. Developer fees are eliminated in the consolidated financial statements.

**Property Management and Related Fees** – Property management and related fees are recorded in accordance with the terms of the agreements.

**Donated Services, Facilities and Materials** – Donated services are recorded in the consolidated statement of activities at estimated market value if the services create or enhance non-financial assets or require specialized skills which would have been purchased if not provided through donation. Donated materials are valued and recorded at their estimated market value at the date of receipt. Donated office space is valued and recorded at estimated rental value.

**Functional Expenses** – Expenses have been recorded in program services, general and administrative and fund development categories based on specific identification. In the absence of specific identification, expenses have been allocated primarily based on estimated staff time spent in each category.

**Income Taxes** – CommonBond Communities and affiliated nonprofit organizations are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and applicable Minnesota Statutes, except to the extent they have taxable income from activities that are not related to their exempt purposes. Unrelated business income is taxed at the corporate income tax rate. Management believes CommonBond Communities and its affiliated nonprofit organizations did not have any unrelated business income or uncertain tax positions for 2015.

CommonBond Endowment Corporation is exempt from income taxes under Section 501(c)(3) of the IRC and is classified as a supporting organization as described by IRC 509(a)(3).

CommonBond Acquisition, LLC and CommonBond Office, LLC are not taxable entities. Income or losses are passed through to CommonBond Communities, their sole member.

Net income of CommonBond Housing, its subsidiary CommonBond Investment Corporation, and two Housing Communities are subject to federal and state corporate income taxes.

(Continued)

## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015  
(With Comparative Totals for 2014)

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

The limited partnerships and limited liability companies are not taxable entities. Income or losses are passed through to the partners or members.

Any interest or penalties associated with tax positions are reported as such within the general and administrative expenses category on the Statement of Activities. For 2015, there were no such interest or penalties recorded in the accompanying financial statements.

#### 3. CONTRIBUTIONS RECEIVABLE

Contributions receivable are due as follows:

	2015	2014
Amount receivable within one year	\$ 440,540	\$ 882,571
Amount receivable in 1-5 years	10,000	30,333
	<u>450,540</u>	<u>912,904</u>
Less allowance	(11,506)	(20,014)
Less amount representing discount	(33)	(90)
Contributions receivable (net)	<u>439,001</u>	<u>892,800</u>
Less current portion	<u>(429,034)</u>	<u>(692,129)</u>
Contributions receivable (net), noncurrent	<u>\$ 9,967</u>	<u>\$ 200,671</u>

Contributions receivable are for:

	2015	2014
General operations and other	\$ 315,166	\$ 461,596
Capital Campaign restrictions	98,940	235,858
Endowment	<u>24,895</u>	<u>195,346</u>
Contributions receivable, net	<u>\$ 439,001</u>	<u>\$ 892,800</u>

At December 31, 2015, 52% of the Organization's contributions receivable were due from three contributors. At December 31, 2014, 55% of the Organization's contributions receivable were due from three contributors.

Contributions receivable due from related parties totaled \$102,392 and \$32,100 at December 31, 2015 and 2014. Related parties include members of the Executive Committee, Directors, General Counsel, members of the Finance Committee, and select staff.

(Continued)

## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015  
(With Comparative Totals for 2014)

#### 4. INVESTMENTS HELD BY THE OPERATING FUND

Investments held by the Operating Fund consist of the following:

	<u>2015</u>	<u>2014</u>
Money market fund	\$ -	\$ 2,388
Fixed income bonds and notes	-	1,358,043
Total investments	<u>\$ -</u>	<u>\$ 1,360,431</u>

Net investment return consisted of the following for 2015 and 2014:

Gains (losses), net	\$ (4,263)	\$ (55,428)
Investment income	23,795	85,629
Fees	<u>(1,642)</u>	<u>(9,383)</u>
Net investment return	<u>\$ 17,890</u>	<u>\$ 20,818</u>

#### 5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2015</u>	<u>2014</u>
Land and land improvements	\$ 41,784,102	\$ 40,055,995
Buildings	434,105,976	418,227,949
Furniture and equipment	18,360,714	17,540,170
Construction in progress	<u>5,563,932</u>	<u>7,261,762</u>
	499,814,724	483,085,876
Accumulated depreciation	<u>(124,521,344)</u>	<u>(113,907,863)</u>
Net property and equipment	<u>\$ 375,293,380</u>	<u>\$ 369,178,013</u>

(Continued)

## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015  
(With Comparative Totals for 2014)

#### 6. INVESTMENTS HELD FOR ENDOWMENT

Investments held for endowment consist of the following:

	2015	2014
Mutual funds:		
Small growth fund	\$ 303,413	\$ 239,463
Intermediate-term bond funds	2,878,783	2,263,115
Short-term bond fund	710,861	561,036
Domestic large blend fund	1,840,072	1,567,215
Mid-cap blend fund	291,556	236,568
Foreign large blend fund	1,589,731	1,149,056
Large growth fund	630,046	551,480
Large value fund	606,180	544,827
Catholic Community Foundation (70% equity funds, 30% fixed income funds)	16,287	17,042
Cash	-	317,378
Total investments	\$ 8,866,929	\$ 7,447,180

Net investment return consisted of the following for 2015 and 2014:

Gains (losses), net	\$ (226,738)	\$ 248,634
Investment income	195,477	165,135
Fees	(29,171)	(15,204)
Net investment return	\$ (60,432)	\$ 398,565

#### 7. LONG-TERM DEBT

Long-term debt consists of the following:

	2015	2014
Note payable to US Bank in the original amount of \$1,000,000. Interest is payable quarterly at a rate of 4.0%. Principal is due at maturity on April 28, 2023. The note is unsecured.	\$ 1,000,000	\$ 1,000,000
Note payable to MacArthur Foundation in the original amount of \$1,500,000. Interest is payable quarterly at a rate of 2.0%. Principal is due in two principal installments of \$750,000 on April 1, 2017 and 2018. The note is unsecured.	1,500,000	1,500,000

(Continued)

**COMMONBOND COMMUNITIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015  
(With Comparative Totals for 2014)

**7. LONG-TERM DEBT (Continued)**

	2015	2014
EQ2 note payable to Wells Fargo in the amount of \$1,500,000. Interest is payable quarterly at a rate of 2.0%. Principal is due at maturity on December 30, 2017 with an option to extend the maturity date to December 30, 2019. The note is unsecured.	\$ 1,500,000	\$ 1,500,000
EQ2 note payable to Ameriprise Bank in the original amount of \$1,500,000. Interest is payable quarterly at a rate of 3.75%. Principal is due at maturity on March 22, 2017. The note is unsecured.	1,500,000	1,500,000
EQ2 note payable to Ameriprise Bank in the original amount of \$2,000,000. Interest is payable quarterly at a rate of 3.75%. Principal is due at maturity on December 16, 2018. The note is unsecured.	2,000,000	2,000,000
Note payable to Otto Bremer Trust in the original amount of \$1,000,000. Interest is payable annually at a rate of 2%. Principal is due at maturity on December 21, 2020. The note is unsecured.	1,000,000	-
Note payable to Bremer Bank in the original amount of \$800,000 with interest at 4.20%. Principal and interest are due in monthly payments of \$11,030 through November 27, 2019. The note is secured by deposit accounts and all other assets of CommonBond Communities.	476,742	586,244
Note payable to Housing Partnership Fund in the original amount of \$420,000 with interest at 4.20%. Interest is due annually on April 1. Principal and unpaid interest are due January 31, 2042.	420,000	420,000
Note payable to Region 6 Housing Trust Fund, Inc. in the original amount of \$25,000 with interest at 2%. Principal and interest are due in monthly payments of \$438 through September 2019.	19,388	25,000

(Continued)

## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015  
(With Comparative Totals for 2014)

#### 7. LONG-TERM DEBT (Continued)

	2015	2014
Note payable to Local Initiatives Support Corporation (LISC) in the original amount of \$50,000 with no interest. Note is to cover predevelopment costs for the Seward Towers development. Principal is due at the earlier of closing of the project or July 1, 2016.	50,000	-
Note payable to Local Initiatives Support Corporation (LISC) in the original amount of \$50,000 with no interest. Note is to cover predevelopment costs for CommonBond's Garfield and Dover development. Principal is due at the earlier of closing of the Garfield and Dover project or June 30, 2016.	50,000	-
	9,516,130	8,531,244
Housing Communities Long-Term Debt:		
Amortizing Loans	120,171,903	122,571,469
Non-amortizing Loans	65,026,552	61,559,860
Totals	194,714,585	192,662,573
Less Current Maturities	(3,163,405)	(4,024,668)
Total Long-Term Debt, Net of Current Maturities	\$ 191,551,180	\$ 188,637,905

The Housing Communities long-term debt is held by various financial institutions and regulatory agencies and consists of:

- **Amortizing Loans** - require monthly payments of principal and interest, and have interest rates ranging from 0% to 8.75%.
- **Non-amortizing Loans** - due upon maturity and have interest rates ranging from 0% to 6.61% and mature at various dates through 2055.

Property and equipment of the Housing Communities are pledged as collateral for most of these loans.

During 2015, \$400,000 of Housing Communities principal was forgiven by a lender. During 2014, \$1,466,631 of Housing Communities accrued interest was forgiven by a lender.

The Organization is subject to debt covenants under the terms of various debt agreements. These covenants require, among other things, that the Organization maintain certain levels of debt to equity and current ratios.

(Continued)



## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015  
(With Comparative Totals for 2014)

#### 7. LONG-TERM DEBT (Continued)

The annual scheduled maturities of long-term debt are as follows:

	Corporate	Consolidated Housing Communities	Total
2016	\$ 219,155	\$ 2,944,250	\$ 3,163,405
2017	2,374,255	2,760,302	5,134,557
2018	2,879,535	2,869,797	5,749,332
2019	1,623,185	3,021,486	4,644,671
2020	1,000,000	9,192,791	10,192,791
Thereafter	1,420,000	164,409,829	165,829,829
	<u>\$ 9,516,130</u>	<u>\$ 185,198,455</u>	<u>\$ 194,714,585</u>

#### 8. CONSTRUCTION NOTES

Construction notes are temporary financing for the construction of Housing Communities that have interest rates ranging from a fixed rate of 1.625% to variable rates based on the monthly LIBO rate plus basis points (3.32% at December 31, 2015). Upon completion of construction, the loans are expected to be repaid with capital contributions, government grants, and restricted reserves in the amounts of \$5,888,814 in 2016; and \$6,150,161 in 2017. The notes are guaranteed by CommonBond Communities.

#### 9. LINES OF CREDIT

The Organization has a line of credit with Enterprise Community Partners, Inc. in the amount of \$250,000, at an interest rate of 3%. The line of credit expires July 31, 2017, unless renewed, and is secured by the accounts, equipment and other assets of CommonBond Communities. A balance of \$250,000 was outstanding under the line of credit at December 31, 2015 and 2014.

The Organization has a line of credit with Western Bank in the amount of \$1,000,000, at an interest rate of 3.25%. The line of credit expires July 15, 2016, unless renewed, and is secured by the accounts, equipment and other assets of CommonBond Communities. No amounts were advanced on the line of credit.

The Organization has a line of credit with GE Money Bank in the amount of \$2,000,000. Interest is payable quarterly at a rate of 4.25%. Each draw on the line of credit is due within 18 months of receipt. The line of credit expires December 31, 2018, unless renewed, and is secured by the accounts, equipment and other assets of CommonBond Communities. No amounts were advanced on the line of credit.

(Continued)

## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015  
(With Comparative Totals for 2014)

#### 10. INTEREST RATE SWAPS

Two of the Housing Communities have debt with interest rates that fluctuate based on the LIBOR rate. The Organization has entered into interest rate swap agreements on these notes payable to reduce the impact of changes in interest rates by exchanging variable payments at LIBOR for fixed rate payments. The notional amount of the interest rate swaps was \$2,054,000 and \$2,183,000 at December 31, 2015 and 2014.

The swaps are reported as liabilities at fair value. The fair value of the swap derivatives is based on the present value of expected cash flows based on the market observable interest rate yield curve commensurate with the term of the swaps (Level 2 inputs). The swaps are carried at \$472,585 and \$494,480 at December 31, 2015 and 2014. The change in value of the interest rate swaps of \$21,895 in 2015 and \$(108,304) in 2014 is included in gains (losses) on investments in the statement of activities.

No termination fees or penalties are due if the swaps are maintained through the maturity dates. Early termination triggers the payment of a termination amount.

#### 11. TEMPORARILY RESTRICTED NET ASSETS

The following is a summary of temporarily restricted net assets activity for 2015:

	December 31, 2014	Additions/ (Reductions)	Released/ Transferred	December 31, 2015
Other	\$ 865,889	\$ 1,539,491	\$ (1,368,165)	\$ 1,037,215
Capital Campaign	1,544,771	-	(1,217,506)	327,265
Advantage Services				
Endowment earnings	1,764,878	(60,431)	-	1,704,447
Housing Communities:				
Forgivable loans	13,915,657	2,697,468	-	16,613,125
Section 1602 grants	9,880,183	-	(905,914)	8,974,269
HUD capital advances	73,057,368	164,432	-	73,221,800
	\$ 101,028,746	\$ 4,340,960	\$ (3,491,585)	\$ 101,878,121

In 2015, the Organization transferred \$1,217,506 of capital campaign contributions to the endowment.

Temporarily restricted net assets consist of \$950,374 temporarily restricted cash; \$414,106 contributions and grants receivable; \$1,704,447 investments held for endowment; and \$98,809,194 of Housing Communities' assets.

(Continued)

**COMMONBOND COMMUNITIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015  
(With Comparative Totals for 2014)

**12. PERMANENTLY RESTRICTED NET ASSETS**

The following is a summary of permanently restricted net assets:

	<u>2015</u>	<u>2014</u>
Advantage Services Endowments (Note 16):		
General Advantage Services Endowment	\$ 6,514,398	\$ 5,296,844
Paul Fate Youth Endowment	270,804	260,804
Veterans Housing Endowment	320,025	320,000
Lauren Kesson Youth Endowment	82,150	-
NeighborWorks America Capital Grants	<u>1,230,000</u>	<u>740,000</u>
	<u>\$ 8,417,377</u>	<u>\$ 6,617,648</u>

CommonBond Communities is a member organization of NeighborWorks America (NeighborWorks). NeighborWorks is a public, congressionally chartered nonprofit organization that receives funding through annual congressional appropriations. It is not a federal agency, but a recipient of federal funds that was organized for the purpose of receiving federal funds and making sub-grants to NeighborWorks member organizations. As a member organization, CommonBond Communities must comply with the terms of the Investment and Grant Agreement including financial reporting and will be eligible for additional grants to support operations and development of affordable housing.

**13. DONATED SERVICES, RENT AND MATERIALS**

For 2015 and 2014, CommonBond Communities received significant donated services and materials. Many of the donated services were provided to the residents of Housing Communities serviced by the Organization and are considered to be integral to the accomplishment of the Organization’s mission.

Certain donated services met the established criteria for recording their value in the consolidated financial statements, whereas other services were not recorded in the financial statements.

(Continued)

**COMMONBOND COMMUNITIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015  
(With Comparative Totals for 2014)

**13. DONATED SERVICES, RENT AND MATERIALS (Continued)**

The estimated value of donated services and materials was as follows:

	<u>2015</u>	<u>2014</u>
Services which met the criteria for recording as contributions	\$ 40,100	\$ 19,139
Rent	-	92,400
Land	56,400	-
Materials and furniture	<u>71,564</u>	<u>96,087</u>
Donated services and materials recorded as contributions	168,064	207,626
Services not recorded (unaudited)	<u>439,817</u>	<u>304,589</u>
Total donated services, rent, and materials	<u>\$ 607,881</u>	<u>\$ 512,215</u>

**14. INCOME TAXES**

CommonBond Housing and its wholly owned subsidiary, CommonBond Investment Corporation, and two Housing Communities are subject to federal and state corporate income taxes. These entities utilize an asset and liability approach to financial accounting and reporting for income taxes. Deferred tax assets and liabilities are computed annually for differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. The provision for income taxes is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

The items giving rise to deferred income taxes consist principally of allowances for doubtful accounts, deductibility of pass-through losses from investments held in Housing Communities which are not recorded for book purposes, and net operating loss carry-forwards. Due to the uncertainty of future taxable income, the Organization has fully reserved against its net deferred tax assets at December 31, 2015 and 2014.

(Continued)

**COMMONBOND COMMUNITIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015  
(With Comparative Totals for 2014)

**14. INCOME TAXES (Continued)**

The net deferred tax asset in the accompanying consolidated statement of financial position includes the following amounts:

	<u>2015</u>	<u>2014</u>
Deferred tax assets	\$ 3,660,000	\$ 3,150,000
Deferred tax liabilities	<u>(1,575,000)</u>	<u>(1,300,000)</u>
Net deferred tax asset	2,085,000	1,850,000
Less valuation allowance	<u>(2,085,000)</u>	<u>(1,850,000)</u>
Total deferred tax asset	<u>\$ -</u>	<u>\$ -</u>
Change in valuation allowance	<u>\$ 235,000</u>	<u>\$ 620,000</u>

At December 31, 2015, the Organization has approximately \$6,700,000 of federal unused operating loss carryovers available that may be applied against future taxable income. These carryovers have varying expiration dates ranging from 2029 to 2035. The Organization also has available at December 31, 2015, \$6,700,000 of state unused operating loss carryovers that may be applied against future taxable income from Minnesota, Wisconsin and Iowa. These carryovers have varying expiration dates ranging from 2016 to 2035.

**15. FAIR VALUE MEASUREMENTS**

Fair values of assets and liabilities measured on a recurring basis are as follows:

		<u>Fair Value Measurement Inputs (see Note 2):</u>	
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
<b>December 31, 2015</b>			
<b>Assets:</b>			
Investments in securities:			
Pooled Equity Funds	\$ 74,697	\$ -	\$ 74,697
Mutual Funds	8,850,642	8,850,642	-
Catholic Community Foundation (70% Equity Funds, 30% Fixed Income Funds)	16,287	-	16,287
	<u>\$ 8,941,626</u>	<u>\$ 8,850,642</u>	<u>\$ 90,984</u>
<b>Liabilities:</b>			
Interest Rate Swap Agreements	<u>\$ 472,585</u>		<u>\$ 472,585</u>

(Continued)

**COMMONBOND COMMUNITIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015  
(With Comparative Totals for 2014)

**15. FAIR VALUE MEASUREMENTS (Continued)**

		Fair Value Measurement Inputs (see Note 2):	
<b>December 31, 2014</b>	Fair Value	Level 1	Level 2
<b>Assets:</b>			
Investments in securities:			
Pooled Equity Funds	\$ 74,390	\$ -	\$ 74,390
Money Market Fund	2,388	2,388	-
Fixed Income Bonds and Notes	1,358,043	-	1,358,043
Mutual Funds	7,112,760	7,112,760	-
Catholic Community Foundation (70% Equity Funds, 30% Fixed Income Funds)	17,042	-	17,042
	<u>\$ 8,564,623</u>	<u>\$ 7,115,148</u>	<u>\$ 1,449,475</u>
<b>Liabilities:</b>			
Interest Rate Swap Agreements	\$ 494,480		\$ 494,480
	<u>\$ 494,480</u>		<u>\$ 494,480</u>

The Organization had no assets or liabilities measured with level 3 inputs. The Organization did not change its methodology for measuring the fair values of assets and liabilities measured on a recurring basis from 2014.

**16. ENDOWMENT**

The Organization has donor restricted endowment funds established for the purpose of providing income to support Advantage Services. Net assets of the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors of the Organization has interpreted the State's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, CommonBond Communities classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund and (d) Capital Campaign gifts designated as Greatest Need by the donors and re-designated by the Board of Directors.

(Continued)

**COMMONBOND COMMUNITIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015  
(With Comparative Totals for 2014)

**16. ENDOWMENT (Continued)**

The remaining portion of the donor-restricted endowment funds that are not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Organization's endowment investment policy is focused on preservation of capital and all amounts are invested in a mix of fixed income and equity funds.

The following is a summary of endowment funds by net asset class:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment</u>
December 31, 2013	\$ -	\$ 1,366,313	\$ 5,280,930	\$ 6,647,243
Contributions	-	-	581,069	581,069
Greatest Need designations	-	-	15,649	15,649
Investment fees	-	(15,204)	-	(15,204)
Interest and dividends	-	165,135	-	165,135
Net appreciation (realized and unrealized)	-	248,634	-	248,634
	<hr/>	<hr/>	<hr/>	<hr/>
December 31, 2014	-	1,764,878	5,877,648	7,642,526
Contributions	-	-	92,223	92,223
Greatest Need designations	-	-	1,217,506	1,217,506
Investment fees	-	(29,171)	-	(29,171)
Interest and dividends	-	195,477	-	195,477
Net depreciation (realized and unrealized)	-	(226,737)	-	(226,737)
	<hr/>	<hr/>	<hr/>	<hr/>
December 31, 2015	<u>\$ -</u>	<u>\$ 1,704,447</u>	<u>\$ 7,187,377</u>	<u>\$ 8,891,824</u>

Endowment net assets consist of:

	<u>2015</u>	<u>2014</u>
Contributions receivable, net	\$ 24,895	\$ 195,346
Investments held for endowment	8,866,929	7,447,180
	<hr/>	<hr/>
	<u>\$ 8,891,824</u>	<u>\$ 7,642,526</u>

(Continued)

**COMMONBOND COMMUNITIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended December 31, 2015  
(With Comparative Totals for 2014)

**17. COMMERCIAL LEASES**

CommonBond Communities and affiliates lease commercial space to tenants under month to month and long-term leases. The long-term leases expire between 2019 and 2023.

Rent revenue received under these commercial leases was \$117,459 and \$62,996 in 2015 and 2014, respectively.

Future minimum lease payments are as follows:

2016	\$	160,717
2017		175,411
2018		168,310
2019		145,725
2020		132,162
Thereafter		<u>184,899</u>
	\$	<u>967,224</u>

**18. RETIREMENT PLAN**

The Organization has a defined contribution retirement 401(k) plan under which eligible employees may elect to have pre-tax payroll deferrals of up to 100% of qualified compensation contributed to the plan. The Organization can make a discretionary matching contribution of up to 3.5%.

The Organization's matching retirement plan contributions were \$400,440 in 2015 and \$410,650 in 2014.

**19. DEFERRED COMPENSATION OBLIGATION**

The Organization has a deferred compensation agreement with a key employee. The agreement allows for employee deferrals and also for employer contributions at the discretion of the Board of Directors. No additional contributions are allowed. No contributions were made during 2015 and 2014. As of December 31, 2015 and 2014, investments for the deferred compensation obligation consist of pooled equity funds.

(Continued)



## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015  
(With Comparative Totals for 2014)

#### 20. COMMITMENTS, CONTINGENCIES AND CONCENTRATIONS

**Government Sponsored Housing Programs** – The Organization participates in federal and state housing programs. These housing programs require the properties to be maintained as affordable housing and place operating restrictions on the properties for periods of 15 to 55 years.

The Organization's participation in these programs is contingent on its ability to maintain compliance with applicable requirements during the compliance periods. Failure to maintain compliance with these programs could result in refunding amounts to the government or recapture of previously taken tax credits plus interest, which would require paying refunds to investors.

The Organization has received project development funding from government agencies subject to contingent repayment terms. These grants and forgivable loans were used for construction of properties. If the Organization is not in compliance during the term of these agreements (2 - 40 years), they are repayable. It is management's intention to maintain compliance for the terms of these agreements.

The Organization participates in the IRC Section 42 housing tax credit program. As part of the program the Organization makes guarantees to the investor limited partners and members. These guarantees include completion of construction, funding of operating deficits, and the amount of tax credits and return of capital contributed by the investors.

**Commitments** – As of December 31, 2015, the Organization has outstanding construction contracts with companies related to several housing developments. The contracts totaled approximately \$71,150,000 of which \$19,800,000 was incurred prior to December 31, 2015.

As of December 31, 2015, the Organization had purchase commitments related to three housing projects. The commitments totaled \$5,048,100.

**Off Balance Sheet Risks** – As part of its real estate development work, CommonBond Communities issues letters of credit to housing agencies, investors and financial institutions to ensure its performance. At December 31, 2015, letters of credit of approximately \$1,174,000 have been issued. No amounts have been drawn on the letters of credit at December 31, 2015. The letters of credit expire at various dates through December 2016.

As general partner, the Organization may be contingently liable for certain recourse debts of the partnerships in the case of default.

**Legal Actions** – In the course of operations, the Organization is a party to various legal actions. As of December 31, 2015, the Organization does not anticipate that any current legal actions will have a material effect on its financial position or changes in net assets.

(Continued)

## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015  
(With Comparative Totals for 2014)

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

**Concentrations** – The Housing Communities’ primary assets are apartment properties concentrated in the Minneapolis/Saint Paul, Minnesota multi-family and commercial real estate market.

The properties operate in heavily regulated environments. The operations of the properties are subject to the administrative directives, rules, and regulations of federal, state, and local regulatory agencies, including, but not limited to the Minnesota Housing Finance Agency (MHFA) and the U.S. Department of Housing and Urban Development (HUD). Such administrative directives, rules, and regulations are subject to change by an act of Congress or an administrative change mandated by MHFA or HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

**Concentrations – Credit Risks** – The Organization places its cash with several financial institutions which are insured by the Federal Deposit Insurance Corporation. Although the amount on deposit in these accounts exceeds the federally insured limit, the Organization has never experienced any losses. It is the Organization’s policy to monitor the financial strength of the banks that hold its deposits on an ongoing basis. Management believes it is not exposed to any significant credit risk on such accounts.

#### 21. SUBSEQUENT EVENTS

On January 14, 2016, the Organization closed on a tax credit syndication and financing to renovate 640 residential units for \$100 million (\$40 million of which was for acquisition costs). The acquisition and renovations will be financed through: \$65 million of long-term debt, \$31 million investor contributions, \$3 million of restricted reserves, and \$1 million from operations.

In April 2016 the Organization signed a purchase agreement for a building with 112 residential apartments for approximately \$16.3 million. The acquisition of the building will be financed primarily with long-term debt.

Management has evaluated subsequent events through May 5, 2016, the date on which the financial statements were available for issue, and identified no further significant events or transactions to disclose.

## **SUPPLEMENTARY INFORMATION**

**COMMONBOND COMMUNITIES**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2015**  
**(With Comparative Totals for 2014)**

	2015							2014	
	CommonBond Communities	CommonBond Housing	CommonBond Others	Corporate Intercompany Eliminations	Corporate Subtotal	Consolidated Housing Communities	Eliminations		Total
<b>ASSETS</b>									
<b>CURRENT ASSETS:</b>									
Cash and Cash Equivalents	\$ 14,271,441	\$ 477,968	\$ 20,953	\$ -	\$ 14,770,362	\$ -	\$ -	\$ 14,770,362	\$ 11,836,856
Temporarily Restricted Cash	950,374	-	-	-	950,374	11,812,125	-	12,762,499	8,770,180
Investments Held by Operating Fund	-	-	-	-	-	-	-	-	1,360,431
Accounts Receivable	1,587,331	556,206	-	-	2,143,537	1,215,643	(1,272,584)	2,086,596	1,887,081
Accrued Developer Fee Receivable	2,825,081	-	99,500	-	2,924,581	-	(2,917,781)	6,800	-
Contributions Receivable	414,106	-	14,928	-	429,034	-	-	429,034	692,129
Notes Receivable	15,021	-	-	-	15,021	85,220	(100,241)	-	-
Prepaid Expenses	10,557	24,305	10,923	-	45,785	284,299	-	330,084	1,647,982
Total Current Assets	<u>20,073,911</u>	<u>1,058,479</u>	<u>146,304</u>	<u>-</u>	<u>21,278,694</u>	<u>13,397,287</u>	<u>(4,290,606)</u>	<u>30,385,375</u>	<u>26,194,659</u>
<b>PROPERTY AND EQUIPMENT:</b>									
Property and Equipment, Net	788,089	90,665	3,546,120	-	4,424,874	416,194,014	(45,325,508)	375,293,380	369,178,013
<b>OTHER ASSETS:</b>									
Contributions Receivable - Long-Term	-	-	9,967	-	9,967	-	-	9,967	200,671
Notes Receivable - Long-Term	20,723,145	-	-	-	20,723,145	826,542	(21,129,687)	420,000	420,000
Interest Receivable	588,498	-	-	-	588,498	31,423	(619,921)	-	-
Restricted Reserves	175,000	-	75,082	-	250,082	36,893,797	-	37,143,879	29,262,451
Deferred Charges, Net	2,190	-	-	-	2,190	5,603,446	-	5,605,636	5,619,770
Investments in Partnerships and LLC's	8,486,131	393,000	1,583,459	(1,007,963)	9,454,627	2,999,418	(12,441,361)	12,684	12,684
Investment - HPIEx	-	177,632	-	-	177,632	-	-	177,632	177,632
Investments Held for Deferred Compensation Obligation	-	74,697	-	-	74,697	-	-	74,697	74,390
Investments Held for Endowment:									
Restricted by Donors	-	-	7,162,482	-	7,162,482	-	-	7,162,482	5,682,302
Accumulated Earnings	-	-	1,704,447	-	1,704,447	-	-	1,704,447	1,764,878
Intercompany Balances	8,338,800	(5,081,222)	(3,257,578)	-	-	-	-	-	-
Total Other Assets	<u>38,313,764</u>	<u>(4,435,893)</u>	<u>7,277,859</u>	<u>(1,007,963)</u>	<u>40,147,767</u>	<u>46,354,626</u>	<u>(34,190,969)</u>	<u>52,311,424</u>	<u>43,214,778</u>
Total Assets	<u>\$ 59,175,764</u>	<u>\$ (3,286,749)</u>	<u>\$ 10,970,283</u>	<u>\$ (1,007,963)</u>	<u>\$ 65,851,335</u>	<u>\$ 475,945,927</u>	<u>\$ (83,807,083)</u>	<u>\$ 457,990,179</u>	<u>\$ 438,587,450</u>

See Independent Auditor's Report.

**COMMONBOND COMMUNITIES**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2015**  
**(With Comparative Totals for 2014)**

	2015								2014
	CommonBond Communities	CommonBond Housing	CommonBond Others	Corporate Intercompany Eliminations	Corporate Subtotal	Consolidated Housing Communities	Eliminations	Total	
<b>LIABILITIES AND NET ASSETS</b>									
<b>CURRENT LIABILITIES:</b>									
Current Portion of Long-Term Debt	\$ 219,155	\$ -	\$ -	\$ -	\$ 219,155	\$ 3,094,491	\$ (150,241)	\$ 3,163,405	\$ 4,024,668
Current Construction Notes	-	-	-	-	-	5,888,814	-	5,888,814	3,882,376
Lines of Credit	250,000	-	-	-	250,000	-	-	250,000	250,000
Construction Payable	-	-	-	-	-	4,366,357	(228,375)	4,137,982	3,574,297
Accounts Payable	155,275	227,819	30,216	-	413,310	7,394,255	(5,391,313)	2,416,252	1,801,237
Accrued Expenses	371,907	442,688	13,117	-	827,712	12,253,142	(6,026,756)	7,054,098	7,036,060
Accrued Interest	52,689	-	-	-	52,689	1,414,887	(483,726)	983,850	927,336
Total Current Liabilities	<u>1,049,026</u>	<u>670,507</u>	<u>43,333</u>	<u>-</u>	<u>1,762,866</u>	<u>34,411,946</u>	<u>(12,280,411)</u>	<u>23,894,401</u>	<u>21,495,974</u>
<b>LONG-TERM LIABILITIES:</b>									
Long-Term Debt	9,296,975	-	1,659,941	(1,659,941)	9,296,975	253,394,851	(71,140,646)	191,551,180	188,637,905
Long-Term Construction Notes	-	-	-	-	-	6,150,161	-	6,150,161	4,999,040
Accrued Interest	-	-	251,407	(251,407)	-	14,530,579	(6,226,132)	8,304,447	7,719,348
Interest Rate Swaps	-	-	-	-	-	472,585	-	472,585	494,480
Deferred Compensation Obligation	-	74,697	-	-	74,697	-	-	74,697	74,390
Due to Partners	-	-	-	-	-	543,393	-	543,393	538,393
Other Liabilities	-	-	-	-	-	2,957,712	(2,660,746)	296,966	313,400
Deferred Grants	-	-	-	-	-	11,256,476	(11,256,476)	-	33,579
Total Long-Term Liabilities	<u>9,296,975</u>	<u>74,697</u>	<u>1,911,348</u>	<u>(1,911,348)</u>	<u>9,371,672</u>	<u>289,305,757</u>	<u>(91,284,000)</u>	<u>207,393,429</u>	<u>202,810,535</u>
Total Liabilities	<u>10,346,001</u>	<u>745,204</u>	<u>1,954,681</u>	<u>(1,911,348)</u>	<u>11,134,538</u>	<u>323,717,703</u>	<u>(103,564,411)</u>	<u>231,287,830</u>	<u>224,306,509</u>
<b>NET ASSETS:</b>									
Unrestricted:									
Undesignated Operating Fund	31,746,028	(4,031,953)	123,778	903,385	28,741,238	-	(4,703,831)	24,037,407	21,332,177
Undesignated Housing Communities	-	-	-	-	-	(6,959,351)	-	(6,959,351)	(14,008,018)
Non-Controlling Interests	-	-	-	-	-	99,363,505	(34,710)	99,328,795	99,310,388
Total Unrestricted Net Assets	<u>31,746,028</u>	<u>(4,031,953)</u>	<u>123,778</u>	<u>903,385</u>	<u>28,741,238</u>	<u>92,404,154</u>	<u>(4,738,541)</u>	<u>116,406,851</u>	<u>106,634,547</u>
Temporarily Restricted	15,853,735	-	1,704,447	-	17,558,182	59,824,070	24,495,869	101,878,121	101,028,746
Permanently Restricted	1,230,000	-	7,187,377	-	8,417,377	-	-	8,417,377	6,617,648
Total Net Assets	<u>48,829,763</u>	<u>(4,031,953)</u>	<u>9,015,602</u>	<u>903,385</u>	<u>54,716,797</u>	<u>152,228,224</u>	<u>19,757,328</u>	<u>226,702,349</u>	<u>214,280,941</u>
Total Liabilities and Net Assets	<u>\$ 59,175,764</u>	<u>\$ (3,286,749)</u>	<u>\$ 10,970,283</u>	<u>\$ (1,007,963)</u>	<u>\$ 65,851,335</u>	<u>\$ 475,945,927</u>	<u>\$ (83,807,083)</u>	<u>\$ 457,990,179</u>	<u>\$ 438,587,450</u>

See Independent Auditor's Report.

**COMMONBOND COMMUNITIES**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
**(With Comparative Totals for 2014)**

	2015								2014
	CommonBond Communities	CommonBond Housing	CommonBond Others	Corporate Intercompany Eliminations	Corporate Subtotal	Consolidated Housing Communities	Eliminations	Total	
<b>REVENUES FROM OPERATIONS:</b>									
Contributions	\$ 3,072,057	\$ -	\$ 92,223	\$ -	\$ 3,164,280	\$ 794	\$ -	\$ 3,165,074	\$ 6,290,230
In-Kind Contributions	168,064	-	-	-	168,064	-	-	168,064	207,626
Total Contributions	3,240,121	-	92,223	-	3,332,344	794	-	3,333,138	6,497,856
Government Grants - Operating	447,866	-	-	-	447,866	85,155	-	533,021	471,370
Government Grants - Construction	6,237,705	-	-	-	6,237,705	799,135	(600,906)	6,435,934	23,394,683
Total Government Grants	6,685,571	-	-	-	6,685,571	884,290	(600,906)	6,968,955	23,866,053
Fees for Services:									
Property Management	-	4,081,399	-	-	4,081,399	-	(3,759,420)	321,979	387,921
Housing Development	3,657,554	-	-	-	3,657,554	-	(3,636,758)	20,796	-
Advantage Services	1,431,787	-	-	-	1,431,787	-	(1,180,699)	251,088	191,759
Other	87,023	296,858	108,788	-	492,669	967	(294,281)	199,355	191,053
Total Fees for Services	5,176,364	4,378,257	108,788	-	9,663,409	967	(8,871,158)	793,218	770,733
Housing Rental Income	14,373	-	-	-	14,373	48,291,343	(148,520)	48,157,196	47,789,944
Interest and Dividends	963,638	640	195,614	-	1,159,892	131,419	(913,232)	378,079	398,251
Miscellaneous	665,782	110,585	652,322	(491,167)	937,522	1,203,329	(1,164,982)	975,869	970,277
Total Housing Rental Income	1,643,793	111,225	847,936	(491,167)	2,111,787	49,626,091	(2,226,734)	49,511,144	49,158,472
Total Revenues from Operations	16,745,849	4,489,482	1,048,947	(491,167)	21,793,111	50,512,142	(11,698,798)	60,606,455	80,293,114
<b>EXPENSES FROM OPERATIONS:</b>									
Program Services:									
Property Management	338,236	3,240,954	126,214	(4,232)	3,701,172	59,503,133	(8,416,314)	54,787,991	56,006,893
Housing Development	1,021,144	1,269,739	57,173	(104,343)	2,243,713	16,207	(314,294)	1,945,626	1,974,284
Advantage Services	3,758,433	375,218	208,661	(49,712)	4,292,600	1,362,271	(1,180,699)	4,474,172	4,188,147
Asset Management	77,520	488,013	18,876	(1,087)	583,322	-	-	583,322	698,188
Community Engagement	46,512	19,184	3,236	(652)	68,280	-	-	68,280	18,509
Total Program Services	5,241,845	5,393,108	414,160	(160,026)	10,889,087	60,881,611	(9,911,307)	61,859,391	62,886,021
Supporting Services:									
General and Administrative	961,312	328,364	169,638	(491,167)	968,147	-	-	968,147	822,395
Fund Development	1,441,006	85,764	62,392	(18,480)	1,570,682	-	-	1,570,682	1,331,405
Total Supporting Services	2,402,318	414,128	232,030	(509,647)	2,538,829	-	-	2,538,829	2,153,800
Total Expenses from Operations	7,644,163	5,807,236	646,190	(669,673)	13,427,916	60,881,611	(9,911,307)	64,398,220	65,039,821
<b>CHANGE IN NET ASSETS BEFORE OTHER INCOME AND EXPENSE</b>	9,101,686	(1,317,754)	402,757	178,506	8,365,195	(10,369,469)	(1,787,491)	(3,791,765)	15,253,293
<b>OTHER INCOME AND (EXPENSE):</b>									
Write-Off of Finance Fees	-	-	-	-	-	(38,296)	-	(38,296)	-
Principal and Accrued Interest Forgiven	-	-	-	-	-	400,000	-	400,000	1,466,631
Gain on Sale of Housing Community	-	-	-	-	-	-	-	-	1,686,960
Loss on Disposal of Property and Equipment	-	-	-	-	-	(4,531,462)	3,569,665	(961,797)	(373,905)
Residual Receipts Recapture	-	-	-	-	-	(551,878)	-	(551,878)	-
Gains (Losses) on Investments, Net	(4,263)	-	(226,738)	-	(231,001)	21,895	-	(209,106)	99,611
Gains (Losses) from Partnerships	130,685	-	(222,508)	-	(91,823)	(21,830)	113,653	-	-
Total Other Income and (Expense)	126,422	-	(449,246)	-	(322,824)	(4,721,571)	3,683,318	(1,361,077)	2,879,297
<b>CHANGE IN NET ASSETS</b>	9,228,108	(1,317,754)	(46,489)	178,506	8,042,371	(15,091,040)	1,895,827	(5,152,842)	18,132,590
Non-Controlling Interests in Losses	-	-	-	-	-	8,107,166	-	8,107,166	7,620,896
<b>CHANGE IN NET ASSETS AFTER NON-CONTROLLING INTERESTS</b>	\$ 9,228,108	\$ (1,317,754)	\$ (46,489)	\$ 178,506	\$ 8,042,371	\$ (6,983,874)	\$ 1,895,827	\$ 2,954,324	\$ 25,753,486

See Independent Auditor's Report.

**COMMONBOND COMMUNITIES**  
**CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	CommonBond Communities	CommonBond Housing	CommonBond Others	Corporate Intercompany Eliminations	Corporate Subtotal	Consolidated Housing Communities	Eliminations	Total
<b>Balance, December 31, 2013</b>	\$ 33,818,904	\$ (1,356,499)	\$ 6,829,642	\$ (1,007,963)	\$ 38,284,084	\$ 127,033,322	\$ 7,481,154	\$ 172,798,560
Change in Net Assets	7,000,257	(1,357,700)	1,014,943	1,732,842	8,390,342	(7,730,842)	17,473,090	18,132,590
Other Housing Activity:								
Capital Contributions	-	-	-	-	-	26,183,184	(2,568,421)	23,614,763
Cash Distributions	-	-	-	-	-	(66,435)	59,542	(6,893)
Syndication Costs and Other	-	-	-	-	-	(258,079)	-	(258,079)
<b>Balance, December 31, 2014</b>	40,819,161	(2,714,199)	7,844,585	724,879	46,674,426	145,161,150	22,445,365	214,280,941
Change in Net Assets	9,228,108	(1,317,754)	(46,489)	178,506	8,042,371	(15,091,040)	1,895,827	(5,152,842)
Transfer of Capital Campaign Funds	(1,217,506)	-	1,217,506	-	-	-	-	-
Other Housing Activity:								
Capital Contributions	-	-	-	-	-	22,705,870	(4,957,465)	17,748,405
Cash Distributions	-	-	-	-	-	(389,438)	373,601	(15,837)
Syndication Costs and Other	-	-	-	-	-	(158,318)	-	(158,318)
<b>Balance, December 31, 2015</b>	<u>\$ 48,829,763</u>	<u>\$ (4,031,953)</u>	<u>\$ 9,015,602</u>	<u>\$ 903,385</u>	<u>\$ 54,716,797</u>	<u>\$ 152,228,224</u>	<u>\$ 19,757,328</u>	<u>\$ 226,702,349</u>
Reconciliation of 2015 Net Assets:								
Non-controlling Interests:								
Beginning of Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 99,345,098	\$ (34,710)	\$ 99,310,388
Interest in Limited Partnership Losses	-	-	-	-	-	(8,107,166)	-	(8,107,166)
Capital Contributions	-	-	-	-	-	17,748,405	-	17,748,405
Cash Distribution	-	-	-	-	-	(15,837)	-	(15,837)
Syndication Costs	-	-	-	-	-	(158,318)	-	(158,318)
Transfer	-	-	-	-	-	(9,448,677)	-	(9,448,677)
End of Year	-	-	-	-	-	99,363,505	(34,710)	99,328,795
Controlling Interests:								
Beginning of Year	40,819,161	(2,714,199)	7,844,585	724,879	46,674,426	45,816,052	22,480,075	114,970,553
Change in Net Assets	9,228,108	(1,317,754)	(46,489)	178,506	8,042,371	(6,983,874)	1,895,827	2,954,324
Transfer	(1,217,506)	-	1,217,506	-	-	9,448,677	-	9,448,677
Capital Contributions	-	-	-	-	-	4,957,465	(4,957,465)	-
Cash Distributions	-	-	-	-	-	(373,601)	373,601	-
End of Year	48,829,763	(4,031,953)	9,015,602	903,385	54,716,797	52,864,719	19,792,038	127,373,554
	<u>\$ 48,829,763</u>	<u>\$ (4,031,953)</u>	<u>\$ 9,015,602</u>	<u>\$ 903,385</u>	<u>\$ 54,716,797</u>	<u>\$ 152,228,224</u>	<u>\$ 19,757,328</u>	<u>\$ 226,702,349</u>

See Independent Auditor's Report.

**COMMONBOND COMMUNITIES  
SCHEDULE OF FINANCIAL POSITION  
NEIGHBORWORKS RESTRICTED FUNDS  
DECEMBER 31, 2015**

ASSETS	
Cash	\$ 175,000
Housing Communities:	
CB Florist Gardens, LLC (Milwaukee, WI)	314,096
Brewery Point Apartments, LLC (Milwaukee, WI)	420,000
Linden Place Limited Partnership (Minneapolis, MN)	5,904
CBC Falls Meadowridge (Little Falls, MN)	15,000
Bloomsbursy Village LLLP (Des Moines, IA)	<u>300,000</u>
Total assets	<u><u>\$ 1,230,000</u></u>
LIABILITIES AND NET ASSETS	
Net assets:	
Permanently restricted	<u>\$ 1,230,000</u>
Total liabilities and net assets	<u><u>\$ 1,230,000</u></u>

**STATEMENT OF ACTIVITIES  
NEIGHBORWORKS RESTRICTED FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

Net assets – beginning balance	<u>\$ 740,000</u>
Additions:	
Capital grants	<u>490,000</u>
Total additions	490,000
Releases	<u>-</u>
Change in net assets	<u>490,000</u>
Net assets – ending balance	<u><u>\$ 1,230,000</u></u>

See Independent Auditor's Report.