

COMMONBOND COMMUNITIES

**CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED DECEMBER 31, 2019

COMMONBOND COMMUNITIES

CONSOLIDATED FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

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

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Consolidated Financial Statements:	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	5
Consolidated Statement of Changes in Net Assets	6
Consolidated Statement of Functional Expenses	7
Consolidated Statement of Cash Flows	8
Notes to Consolidated Financial Statements	10
Supplementary Information:	
Consolidating Statement of Financial Position	41
Consolidating Statement of Activities	43
Consolidating Statements of Changes in Net Assets	44
NeighborWorks Schedule of Financial Position and Statement of Activities	45



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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, 2019, 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, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standards

As discussed in Note 2 to the consolidated financial statements CommonBond Communities and affiliates adopted Accounting Standards Update 2018-08: *Not-for-Profit Entities (Topic 958) Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to those matters.

Other Matters

Report on Summarized Comparative Information

We have previously audited CommonBond Communities and affiliates' 2018 consolidated financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated May 23, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it was derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information shown on pages 41 to 44 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 45 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 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2020 on our consideration of CommonBond Communities and affiliates' internal control over financial reporting and on our tests of their 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 CommonBond Communities and affiliates' 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.

*Mahoney Ulbrich
Christiansen Russ P.A.*

June 2, 2020

COMMONBOND COMMUNITIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019
(With Comparative Totals for 2018)

	2019	2018
ASSETS		
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 7,579,641	\$ 6,294,560
Restricted Cash	18,697,206	17,038,029
Certificates of Deposit	5,783,848	5,640,526
Accounts Receivable, Net	3,638,655	3,162,533
Contributions Receivable	726,490	402,625
Prepaid Expenses	771,480	689,070
Total Current Assets	37,197,320	33,227,343
PROPERTY AND EQUIPMENT:		
Property and Equipment, Net	542,214,914	498,088,113
OTHER ASSETS:		
Notes Receivable - Long-Term	420,000	420,000
Other Receivables	234,357	348,606
Restricted Cash for Long-Term Purposes	5,046,411	7,047,266
Restricted Escrows and Reserves	59,873,833	31,139,233
Deferred Charges, Net	935,384	978,241
Investments in Partnerships and LLCs	27,232	27,232
Investment - HPIEx	177,632	177,632
Investments Held for Deferred Compensation Obligation	-	91,405
Investments Held for Endowment:		
Restricted by Donors	7,543,292	7,542,986
Accumulated Earnings	3,477,608	1,849,742
Board Designated	713,698	713,698
Total Other Assets	78,449,447	50,336,041
Total Assets	\$ 657,861,681	\$ 581,651,497

(Continued)

COMMONBOND COMMUNITIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019
(With Comparative Totals for 2018)

	<u>2019</u>	<u>2018</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current Portion of Long-Term Debt	\$ 4,650,347	\$ 3,318,039
Line of Credit	-	125,000
Construction Costs Payable	7,353,326	641,982
Accounts Payable	4,124,590	3,103,217
Accrued Expenses	11,727,908	11,106,002
Accrued Interest	1,428,420	1,319,470
Total Current Liabilities	<u>29,284,591</u>	<u>19,613,710</u>
LONG-TERM LIABILITIES:		
Long-Term Debt, net	311,326,328	285,120,539
Construction Notes Payable	37,561,725	11,880,110
Deferred Revenue	5,425,000	-
Accrued Interest	8,613,910	7,389,460
Interest Rate Swaps	285,142	247,423
Deferred Compensation Obligation	-	91,405
Due to Partners	550,699	546,268
Other Liabilities	253,878	330,185
Total Long-Term Liabilities	<u>364,016,682</u>	<u>305,605,390</u>
Total Liabilities	<u>393,301,273</u>	<u>325,219,100</u>
NET ASSETS:		
Without Donor Restrictions:		
Undesignated:		
Operating Fund	29,997,759	25,693,241
Housing Communities - Controlling Interests	(5,060,363)	114,263
Housing Communities - Noncontrolling Interests	127,540,051	120,254,503
Board Designated	3,723,986	2,679,162
Total Without Donor Restrictions	<u>156,201,433</u>	<u>148,741,169</u>
With Donor Restrictions	<u>108,358,975</u>	<u>107,691,228</u>
Total Net Assets	<u>264,560,408</u>	<u>256,432,397</u>
Total Liabilities and Net Assets	<u>\$ 657,861,681</u>	<u>\$ 581,651,497</u>

See Accompanying Notes to Consolidated Financial Statements.

COMMONBOND COMMUNITIES

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2019
(With Comparative Totals for 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	
REVENUES FROM OPERATIONS:				
Contributions	\$ 3,135,667	\$ 1,377,798	\$ 4,513,465	\$ 4,121,735
In-Kind Contributions	1,473,346	-	1,473,346	1,439,631
Released from Restrictions	2,784,655	(2,784,655)	-	-
Total Contributions	7,393,668	(1,406,857)	5,986,811	5,561,366
Government Grants - Operating	657,519	-	657,519	442,475
Government Grants - Construction	1,353,499	-	1,353,499	610,000
Total Government Grants	2,011,018	-	2,011,018	1,052,475
Fees for Services:				
Property Management	1,526,125	-	1,526,125	1,070,864
Housing Development	10,699	-	10,699	1,335
Advantage Services	237,340	-	237,340	209,859
Other	136,579	-	136,579	148,197
Total Fees for Services	1,910,743	-	1,910,743	1,430,255
Housing Communities Rental and Related Revenue	62,776,993	-	62,776,993	59,518,172
Investment Income	480,728	-	480,728	385,258
Miscellaneous	272,454	-	272,454	292,005
Total Housing and Other Revenue	63,530,175	-	63,530,175	60,195,435
Total Revenues from Operations	74,845,604	(1,406,857)	73,438,747	68,239,531
EXPENSES FROM OPERATIONS:				
Program Services:				
Property Operations and Management:				
Housing Communities	73,095,945	-	73,095,945	70,789,036
Third Party Contracts	1,499,216	-	1,499,216	1,141,659
Housing Development	3,083,206	-	3,083,206	1,694,141
Advantage Services	6,414,064	-	6,414,064	6,285,248
Asset Management	377,581	-	377,581	368,903
Community Engagement	305,982	-	305,982	37,322
Total Program Services	84,775,994	-	84,775,994	80,316,309
Supporting Services:				
General and Administrative	1,944,320	-	1,944,320	1,628,295
Fund Development	1,850,468	-	1,850,468	1,837,531
Total Supporting Services	3,794,788	-	3,794,788	3,465,826
Total Expenses from Operations	88,570,782	-	88,570,782	83,782,135
CHANGE IN NET ASSETS BEFORE OTHER INCOME AND EXPENSE	<u>(13,725,178)</u>	<u>(1,406,857)</u>	<u>(15,132,035)</u>	<u>(15,542,604)</u>
OTHER INCOME AND (EXPENSE):				
Gain (Loss) on Disposal of Property and Equipment	(216,752)	-	(216,752)	(604,315)
Residual Receipts Recapture	(19,210)	-	(19,210)	(14,642)
Endowment Investment Return, Net	-	2,074,604	2,074,604	(752,767)
Gains (Losses) on Investments, Net	(20,704)	-	(20,704)	73,846
Total Other Income and (Expense)	(256,666)	2,074,604	1,817,938	(1,297,878)
CHANGE IN NET ASSETS	<u>(13,981,844)</u>	<u>667,747</u>	<u>(13,314,097)</u>	<u>(16,840,482)</u>
Noncontrolling Interests in activities of Housing Communities	14,156,560	-	14,156,560	15,657,128
CHANGE IN NET ASSETS AFTER NONCONTROLLING INTERESTS	<u>\$ 174,716</u>	<u>\$ 667,747</u>	<u>\$ 842,463</u>	<u>\$ (1,183,354)</u>

See Accompanying Notes to Consolidated Financial Statements.

COMMONBOND COMMUNITIES

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2019
(With Comparative Totals for 2018)

	Without Donor Restrictions			With Donor Restrictions	Total
	Controlling Interests	Noncontrolling Interests	Total		
Balance, December 31, 2017	\$ 26,690,787	\$ 129,040,236	\$ 155,731,023	\$ 110,670,461	\$ 266,401,484
Change in Net Assets	1,795,879	(15,657,128)	(13,861,249)	(2,979,233)	(16,840,482)
Other Housing Activity:					
Capital Contributions	-	6,987,872	6,987,872	-	6,987,872
Cash Distributions	-	(100,002)	(100,002)	-	(100,002)
Syndication Costs and Other	-	(16,475)	(16,475)	-	(16,475)
Balance, December 31, 2018	28,486,666	120,254,503	148,741,169	107,691,228	256,432,397
Change in Net Assets	174,716	(14,156,560)	(13,981,844)	667,747	(13,314,097)
Other Housing Activity:					
Capital Contributions	-	21,729,802	21,729,802	-	21,729,802
Cash Distributions	-	(88,317)	(88,317)	-	(88,317)
Syndication Costs and Other	-	(199,377)	(199,377)	-	(199,377)
Balance, December 31, 2019	<u>\$ 28,661,382</u>	<u>\$ 127,540,051</u>	<u>\$ 156,201,433</u>	<u>\$ 108,358,975</u>	<u>\$ 264,560,408</u>

See Accompanying Notes to Consolidated Financial Statements.

COMMONBOND COMMUNITIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2019
(With Comparative Totals for 2018)

2019

	PROGRAM SERVICES									SUPPORTING SERVICES				2018
	Property Operations and Management		Housing Development	Advantage Services	Asset Management	Community Engagement	Housing Communities	Eliminations	Total	General and Administrative	Fund Development	Eliminations	Total	
	Housing Communities	Third Party Contracts												
Salaries, Taxes and Fringes:														
Salaries	\$ 2,286,387	\$ 1,050,347	\$ 1,242,309	\$ 3,609,417	\$ 261,470	\$ 206,682	\$ 7,255,935	\$ -	\$ 15,912,547	\$ 834,676	\$ 989,161	\$ -	\$ 17,736,384	\$ 16,819,303
Payroll Taxes and Fringes	469,612	214,723	259,607	759,822	53,867	43,382	1,772,977	-	3,573,990	171,765	208,529	-	3,954,284	3,821,906
Total Salaries, Taxes and Fringes	<u>2,755,999</u>	<u>1,265,070</u>	<u>1,501,916</u>	<u>4,369,239</u>	<u>315,337</u>	<u>250,064</u>	<u>9,028,912</u>	<u>-</u>	<u>19,486,537</u>	<u>1,006,441</u>	<u>1,197,690</u>	<u>-</u>	<u>21,690,668</u>	<u>20,641,209</u>
Consulting Services	63,173	29,785	185,574	204,924	9,966	1,194	-	-	494,616	447,844	149,203	-	1,091,663	567,186
Office Supplies and Printing	166,735	77,585	67,517	179,224	18,527	10,047	-	-	519,635	92,615	47,117	-	659,367	551,325
Telephone	37,975	17,894	11,335	25,973	4,121	1,412	-	-	98,710	12,456	6,754	-	117,920	107,491
Occupancy	204,561	90,148	62,118	151,435	21,284	8,060	-	(537,606)	-	63,839	38,571	(102,410)	-	-
Travel	97,141	46,704	57,849	165,374	11,066	9,985	-	-	388,119	37,236	45,490	-	470,845	415,245
Education and Training	30,077	13,301	18,411	56,205	3,518	3,150	-	-	124,662	11,373	14,784	-	150,819	129,353
In-Kind Expense	-	-	950,000	503,313	-	-	-	-	1,453,313	20,033	-	-	1,473,346	609,631
Program Contracts and Supplies	-	-	90,837	160,156	-	-	-	-	250,993	-	-	-	250,993	203,058
Bad Debt (Recoveries)	211,469	-	265,432	-	-	-	548,507	(369,028)	656,380	-	10,140	-	666,520	599,536
Special Event Expense	-	-	-	-	-	-	-	-	-	-	225,667	-	225,667	235,434
Miscellaneous	14,457	8,383	21,806	191,419	1,472	3,120	-	(148,358)	92,299	7,378	13,176	-	112,853	127,110
Repairs and Maintenance	91,671	39,140	54,631	163,129	9,876	9,510	12,931,951	(685,609)	12,614,299	32,505	43,972	-	12,690,776	11,826,936
Administrative Expense	-	-	-	-	-	-	8,595,245	(5,202,988)	3,392,257	-	-	-	3,392,257	3,276,662
Advantage Service Fees	-	-	-	-	-	-	1,812,637	(1,720,237)	92,400	-	-	-	92,400	59,066
Utilities Expense	-	-	-	-	-	-	6,028,932	-	6,028,932	-	-	-	6,028,932	5,963,279
Insurance Expense	-	-	-	-	-	-	1,852,008	-	1,852,008	61,426	-	-	1,913,434	2,156,189
Real Estate Taxes	-	-	-	-	-	-	6,509,832	-	6,509,832	-	-	-	6,509,832	5,945,138
Depreciation and Amortization	-	-	-	-	-	-	21,773,104	(1,895,997)	19,877,107	199,023	-	-	20,076,130	19,772,365
Interest and Other Finance Charges	34,804	1,354	175,217	302,708	3,698	17,500	12,703,572	(2,394,958)	10,843,895	15,990	96,475	-	10,956,360	10,595,922
	3,708,062	1,589,364	3,462,643	6,473,099	398,865	314,042	81,784,700	(12,954,781)	84,775,994	2,008,159	1,889,039	(102,410)	88,570,782	83,782,135
Housing Communities by Function	79,881,197	-	90,866	1,812,637	-	-	(81,784,700)	-	-	-	-	-	-	-
Eliminations by Function	(10,493,314)	(90,148)	(470,303)	(1,871,672)	(21,284)	(8,060)	-	12,954,781	-	(63,839)	(38,571)	102,410	-	-
	<u>\$ 73,095,945</u>	<u>\$ 1,499,216</u>	<u>\$ 3,083,206</u>	<u>\$ 6,414,064</u>	<u>\$ 377,581</u>	<u>\$ 305,982</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,775,994</u>	<u>\$ 1,944,320</u>	<u>\$ 1,850,468</u>	<u>\$ -</u>	<u>\$ 88,570,782</u>	<u>\$ 83,782,135</u>

See Accompanying Notes to Consolidated Financial Statements.

COMMONBOND COMMUNITIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019
(With Comparative Totals for 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (13,314,097)	\$ (16,840,482)
Adjustments to Reconcile Change in Net Assets to Net Cash From Operating Activities:		
Depreciation	19,910,907	19,594,321
Amortization	685,113	609,651
Grants Used for Construction	(1,353,499)	(610,000)
(Gains) Losses on Investments	(1,792,724)	903,972
Reinvested Income on Investments and Endowment	(387,482)	(341,808)
Donated Property and Equipment	-	(830,000)
Loss on Disposal of Property	216,752	604,315
Contributions Restricted for Long-term Purposes	(5,808)	(21,770)
Contributions Restricted for Housing Opportunity Fund	(70,965)	(157,142)
Changes in Operating Assets and Liabilities:		
Accounts and Notes Receivable	(482,048)	(681,518)
Contributions Receivable	(323,865)	(203,380)
Prepaid Expenses	(82,410)	(64,509)
Accounts Payable and Accrued Expenses	1,551,874	(583,648)
Accrued Interest	1,333,400	(300,035)
Other Liabilities	(76,307)	24,724
Net Cash From Operating Activities	5,808,841	1,102,691
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(55,402,615)	(19,619,025)
Proceeds from Sale of Property and Equipment	120,175	120,175
Proceeds from Sale of Investments Held for Endowment	537,836	429,515
Purchase of Investments Held in Restricted Reserves	(21,470,844)	-
Proceeds from Sale of Investments Held in Restricted Reserves	-	6,056,411
Net Cash From Investing Activities	(76,215,448)	(13,012,924)

(Continued)

COMMONBOND COMMUNITIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019
(With Comparative Totals for 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Long-Term Debt, Construction Notes and Deferred Revenue	\$ 78,258,133	\$ 11,520,468
Payments on Long-Term Debt and Construction Notes	(19,840,023)	(11,821,762)
Contributions Restricted for Endowment	5,808	21,770
Contributions Restricted for Housing Opportunity Fund	70,965	157,142
Grants Received for Construction	1,353,499	610,000
Payment on Line of Credit	(125,000)	(125,000)
Change in Due to Partners	4,431	5,000
Payment of Deferred Charges and Finance Fees	(2,556,155)	(170,798)
Capital Contributions - Housing Communities	21,729,802	6,987,872
Distributions - Housing Communities	(88,317)	(100,002)
Syndication Costs - Housing Communities	(199,377)	(16,475)
Net Cash From Financing Activities	<u>78,613,766</u>	<u>7,068,215</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	8,207,159	(4,842,018)
Cash, Cash Equivalents and Restricted Cash - Beginning of Year	<u>61,519,088</u>	<u>66,361,106</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	<u>\$ 69,726,247</u>	<u>\$ 61,519,088</u>
RECONCILIATION TO THE STATEMENT OF FINANCIAL POSITION:		
Cash and Cash Equivalents	\$ 7,579,641	\$ 6,294,560
Restricted Cash	18,697,206	17,038,029
Restricted Cash for Long-Term Purposes	5,046,411	7,047,266
Restricted Escrows and Reserves	59,873,833	31,139,233
Less Investments Held in Restricted Reserves	(21,470,844)	-
Total Cash, Cash Equivalents and Restricted Cash	<u>\$ 69,726,247</u>	<u>\$ 61,519,088</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest Paid	\$ 8,974,754	\$ 10,434,166
Noncash Investing and Financing Activities:		
Additions to Property and Equipment Included in Liabilities	7,353,326	641,982
Assumption of Long-Term Debt	2,140,501	-

See Accompanying Notes to Consolidated Financial Statements.

COMMONBOND COMMUNITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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 the construction or rehabilitation of rental units and also 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 manages approximately 150 properties with approximately 7,700 affordable rental apartment and townhome units.

The Organization controls 110 affordable housing communities with over 7,000 rental apartments and townhomes through its general partner and managing member interests, and affiliated 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 support 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; education and advancement; health and wellness; and community building and engagement.

The Organization is supported primarily through contributions, government grants and rental and related revenues.

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 net assets with donor restrictions 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 functional 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, 2018, from which the summarized information was derived.

(Continued)

COMMONBOND COMMUNITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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 interentity accounts and transactions have been eliminated.

The primary subsidiaries and affiliated organizations are:

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 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 Housing Communities.

CommonBond Endowment Corporation is a nonprofit corporation organized to hold and manage the investments held for endowment to benefit the Advantage Services program. The directors of CommonBond Endowment Corporation are appointed by the CommonBond Communities Board of Directors.

CommonBond Housing Opportunity Fund LLC is a limited liability company organized to promote and foster decent, safe affordable housing by providing financial support to unsubsidized Housing Communities designated for low to moderate income persons and families. CommonBond Communities is the sole member of the company.

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 Wisconsin, LLC is a limited liability company organized to assist CommonBond Communities in providing housing and related community facilities in Wisconsin. CommonBond Communities is the sole member of the company.

(Continued)

COMMONBOND COMMUNITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CommonBond Acquisition, LLC and CB Kohl Acquisition, LLC are limited liability companies organized to acquire and hold real property interests which will be used to develop or renovate Housing Communities. CommonBond Communities is the sole member of the companies.

CBC Development, LLC is a limited liability company organized to develop or renovate Housing Communities. CommonBond Communities is the sole member of the company.

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

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 primarily by investor limited partners and members. The interests of the noncontrolling 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 noncontrolling limited and general partners and members when those losses exceed the equity of the noncontrolling limited and general partners and members.

(Continued)

COMMONBOND COMMUNITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

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 measured at fair value are categorized based on the inputs to the valuation techniques as follows:

- Level 1 – Inputs that utilize quoted prices (unadjusted) for identical assets or liabilities in active markets 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, which are typically based on an organization's own assumptions, as there is little, if any, related market activity.

Cash Equivalents – The Organization generally 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.

Restricted Cash – Corporate restricted cash (\$780,221 and \$784,908 as of December 31, 2019 and 2018) and restricted cash for long-term purposes (\$5,046,411 and \$7,047,266 as of December 31, 2019 and 2018) represent amounts received but not yet spent that are subject to donor and lender imposed restrictions.

(Continued)

COMMONBOND COMMUNITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Housing Communities' restricted cash consists of tenant security deposits, tax and insurance escrows, and operating cash restricted by organizational documents, mortgage agreements and government agencies (\$17,916,985 and \$16,253,121 as of December 31, 2019 and 2018).

Security deposits plus interest of \$2,280,306 and \$2,165,046 as of December 31, 2019 and 2018 are reported as a liability and included as part of the accrued expenses balance.

Restricted Escrows and 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, financing operating deficits, and paying debt service.

Certain restricted reserves are invested in U.S. Treasury notes. At December 31, 2019 and 2018, there were \$21,470,844 and \$- of these invested reserves, respectively. These reserves will be used to facilitate the construction of new Housing Communities.

Investments – Investments in negotiable certificates of deposits, 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 3.6% equity interest in the Housing Partnership Insurance Exchange (HPIEx), an organization formed to reduce and stabilize property and liability insurance premiums for its subscribers. The investment in 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.

Certain Housing Communities are required to deposit excess cash flow, as defined by the U.S. Department of Housing and Urban Development (HUD), to a residual receipts reserve. HUD recaptures excess residual receipts reserves held by Section 202 and 811 Housing Communities if the residual receipts reserves exceed \$250 per unit. The 2019 and 2018 consolidated statement of activities includes Residual Receipts Recapture of \$19,210 and \$14,642.

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.

(Continued)

COMMONBOND COMMUNITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable – Receivables consist of amounts due from tenants under the corresponding leases and amounts due from housing regulatory agencies under approved subsidy contracts. Receivables also include installments receivable for the sale of an easement. No collateral is required for receivables. Accounts receivable are reported net of an allowance for uncollectable balances of \$39,786. Accounts receivable are written off as a charge to the allowance when, in management’s estimation, it is probable that the receivable is not collectable.

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. At December 31, 2019 and 2018, an allowance for uncollectable promises to give of \$20,130 and \$9,990 has been recorded. Contributions receivable are written off when, in management’s estimation, it is probable that the receivable is not collectable.

Predevelopment Costs – Predevelopment costs incurred by the Organization for properties it is considering for development as well as costs associated with properties in the initial stages of development and are recorded at cost. Predevelopment costs include, environmental studies, appraisals, purchase options, interest, architect and engineering, and legal and accounting costs. These costs are expected to be recovered through debt and equity proceeds when financing for the development is secured, at which time the costs are reclassified to property and other accounts. Predevelopment costs are charged to operations when management determines the project is no longer feasible. Predevelopment Costs are included in Property and Equipment.

Property and Equipment – Property and equipment are recorded at acquisition cost. Donated property and equipment are recorded at the fair market value as of the date of contribution. Costs to develop a property incurred for interest, finance fees, real estate taxes and insurance are capitalized only during periods in which activities necessary to prepare the property for its intended use are in progress. After development is completed, 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 of Property and Equipment are as follows:

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

When donated assets are received with donor restrictions, the Organization reports expiration of the restrictions when the donated or acquired assets are placed in service.

(Continued)

COMMONBOND COMMUNITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Charges – Deferred charges primarily represent tax credit fees incurred by the Housing Communities. These costs are amortized on a straight-line basis over the compliance period or recapture periods of the corresponding tax credits (5-15 years) and are recorded net of accumulated amortization of \$1,110,804 and \$1,013,663 at December 31, 2019 and 2018.

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, 2019 and 2018, management believes that the carrying amounts of its long-lived assets have not been impaired.

Debt Issuance Costs – Debt issuance costs are amortized over the term of the related debt using the straight-line method and are reported as deductions from the face amount of the related debt. Amortization is reported as interest expense.

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.

Contributions – Contributions are recognized when the donor makes an unconditional promise to give to the Organization. Contributions are recorded when received as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions are reported as net assets with donor restrictions and then reclassified 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 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, 2019
(With Comparative Totals for 2018)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- Unrestricted awards received without donor restrictions that are used to further the Organization's mission, including non-capitalizable expenses.
- Restricted until first use awards received with donor restrictions for eligible capital projects.
- Restricted until donor release awards which the donor requires to be held in perpetuity for capital projects. Although the initial grant amount must be held in perpetuity, proceeds on capital projects, or interest earned, over and above the corpus may be transferred to net assets without donor restrictions for furthering the Organization's mission.

Government Grants and Contracts – Government grants and contract funds are accounted for as contributions. Government grants and contracts are considered conditional based upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Revenue is recognized when eligible expenditures, as defined in each grant or contract, are incurred. Funds received but not yet earned are recorded as deferred revenue. 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 have been received from the Department of Housing and Urban Development (HUD) under the Section 202 and 811 programs. These advances are subject to several requirements, including that the related property be used as affordable housing for 40 to 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 net assets with donor restrictions not subject to appropriation or expenditure, and are released from restriction upon expiration of the grant requirements (Note 12).

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 net assets with donor restrictions subject to the passage of time if compliance is maintained when received and released from restriction on a straight-line basis over the 15-year compliance period (Note 12).

Prior to the Organization's adoption of ASU 2018-08 in 2019, forgivable loans were 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 were recognized as net assets with donor restrictions not subject to appropriation or expenditure, and are released from restriction when those conditions have been met (Note 12).

(Continued)

COMMONBOND COMMUNITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Following the Organization's adoption of ASU 2018-08 in 2019, forgivable loans are recorded as deferred revenue in the period received if the loan agreement specifies the lender will forgive the loan under a defined set of conditions. Revenue is recognized when these conditions have been met (Note 10).

Special Events – Special events held during 2019 and 2018 generated revenue of \$739,473 and \$940,464 which is included in contributions.

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. Property management fees from affiliated Housing Communities are eliminated in the consolidated financial statements.

Functional Expenses – Expenses to provide various program and supporting activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of CommonBond Communities are reported as expenses of those functional areas. Indirect costs that benefit multiple functional areas have been allocated among the various functional areas based on estimates of employee time and effort.

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 except for commercial rent income. Management believes CommonBond Communities did not have any uncertain tax positions for 2019 and 2018.

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).

(Continued)

COMMONBOND COMMUNITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CommonBond Office, LLC; CommonBond Housing Opportunity Fund LLC; CommonBond Wisconsin, LLC; CommonBond Acquisition, LLC and CB Kohl Acquisition, 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, CBC Development, LLC and two Housing Communities are subject to federal and state corporate income taxes.

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 statements of activities and functional expenses. For 2019 and 2018, there were no such interest or penalties recorded in the accompanying financial statements.

Accounting Standards Adopted – In 2019, the Organization adopted Accounting Standards Update (ASU) 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The adoption of ASU 2018-08 has been applied using the modified prospective method to the financial statement for the year ended December 31, 2019 and the years going forward. Accordingly, there was no impact on net assets as previously reported. The presentation and disclosures of contributions have been enhanced in accordance with the standard.

The Organization adopted ASU 2014-09 *Revenue from Contracts with Customers*, however this standard did not have a significant effect on the Organization's financial statements.

3. AVAILABILITY AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other commitments. CommonBond Communities has various sources of liquidity including cash and cash equivalents, restricted cash, certificates of deposit, restricted reserves, accounts, contributions, and notes receivable, and endowments.

(Continued)

COMMONBOND COMMUNITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

3. AVAILABILITY AND LIQUIDITY (Continued)

For purposes of analyzing resources available to meet general expenditures within one year of the statement of financial position date:

- The Organization considers all expenditures related to the ongoing activities of its program services, as well as the conduct of services undertaken to support those activities, to be general expenditures.
- Resources held by Housing Communities are generally limited to use for general expenditures within the individual entities of the Housing Communities, and are not available for general expenditures of the corporate entities.
- Resources designated or restricted for acquisition, development, and other capital improvements of Housing Communities are excluded from this analysis.
- The investments held for endowment are excluded from this analysis; however, the Board designated endowment and the accumulated earnings on the donor restricted endowment could be made available as directed by the Board of Directors, if necessary.
- The Organization has available lines of credit totaling \$3,000,000 and \$3,125,000 at December 31, 2019 and 2018 as discussed in Note 21 which are excluded from this analysis, but could be drawn upon for unanticipated liquidity needs.

At December 31, 2019 and 2018, resources available for general expenditure within one year of the statement of financial position date are as follows:

	2019	2018
Current Assets	\$ 37,197,320	\$ 33,227,343
Less Prepaid Expenses	(771,480)	(689,070)
Resources available for general expenditures	\$ 36,425,840	\$ 32,538,273
Available for Corporate	\$ 15,834,781	\$ 14,573,678
Available for Housing Communities	20,591,059	17,964,595
	\$ 36,425,840	\$ 32,538,273

(Continued)

COMMONBOND COMMUNITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

3. AVAILABILITY AND LIQUIDITY (Continued)

As part of the Organization's liquidity management plan, various cash and invested funds are classified into tiers which are maintained in accounts that appropriately match availability with liquidity of the assets as follows:

	Tier	2019	2018
Cash and Cash Equivalents:			
Corporate Operating Cash	I	\$ 6,233,934	\$ 4,962,994
Corporate Central Reserve	II	1,345,707	1,331,566
Restricted Cash:			
Corporate Donor Restricted	I	780,221	784,908
Housing Communities Operating Cash	I, II	12,453,867	10,980,926
Housing Communities Escrows	II	5,463,118	5,272,195
Certificates of Deposit:			
Corporate Operating Reserves	IV	5,783,848	5,640,526
Restricted Cash for Long-Term Purposes:			
Corporate Donor Restricted	I	60,000	127,000
Housing Opportunity Fund	I	1,225,322	1,209,244
Corporate Predevelopment Costs	I	3,761,089	5,711,022
Restricted Escrows and Reserves:			
Housing Communities Reserves and Escrows	III	59,873,833	31,139,233
Investments Held for Endowments:			
Board Designated Endowment	V	713,698	713,698
Advantage Services Endowment	V	11,020,900	9,392,728

Corporate Operating Cash - Cash to fund daily operations of corporate entities.

Corporate Central Reserve - Revolving loan fund designated by the Board of Directors for repair and maintenance expenses related to Housing Communities when other funds are not available.

Corporate Donor Restricted - Cash restricted by donors for specific purposes.

Housing Communities Operating Cash - Cash to fund daily operations of Housing Communities.

Housing Communities Escrows - Funds held by Housing Communities for refunds of tenant security deposits and to pay annual real estate taxes, property insurance and mortgage insurance when due.

Corporate Operating Reserves - Funds held by corporate entities for operations, but not anticipated to be used within one year of the statement of financial position date.

(Continued)

COMMONBOND COMMUNITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

3. AVAILABILITY AND LIQUIDITY (Continued)

Housing Opportunity Fund - Revolving pool of funds held by CommonBond Housing Opportunity Fund LLC that is restricted by lenders/investors and donors for the investment in affordable, unsubsidized Housing Communities.

Corporate Predevelopment Costs - Cash restricted by lenders (\$202,399 in 2019 and \$5,077,124 in 2018), Capital Magnet Funds (\$1,894,109 in 2019), or designated by the Board of Directors (\$1,664,581 in 2019 and \$633,898 in 2018) to be used for costs related to the acquisition and development of Housing Communities, before permanent funding is received.

Housing Communities Reserves and Escrows - Reserves and escrows for unexpected expenses, capital improvements, and operating deficits as required by partnership/operating agreements and debt agreements.

Board Designated Endowment - Board designated funds to support future operating needs of the Organization.

Advantage Services Endowment - Long-term restricted support from donors including earnings of \$3,477,608 in 2019 and \$1,849,742 in 2018 above the original gift amounts which is available for appropriation.

The different tiers of cash and investments have anticipated time frames for spending. This timeframe is aligned with the underlying investment strategy so that funds are liquid when required. In addition to liquidity, the Organization also considers security of the funds and ensures security of funds to the extent possible.

The various tiers of cash and investments maintained by the Organization are as follows:

Tier	Investment Strategy	Security	Liquidity Maintained
I	Checking Accounts	Generally FDIC insured	Daily
II	Money Market & Savings	FDIC insured & insured cash sweep accounts	Daily, with certain restrictions on number of withdrawals
III	Savings/Bankers Acceptances	FDIC and SIPC insured	No longer than 90 days
IV	Laddered Certificates of Deposit	FDIC insured	About 20% of balance matures every 90 days
V	70/30 portfolio of equities and fixed income investments	SIPC insured	Mutual funds have daily liquidity

(Continued)

COMMONBOND COMMUNITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

4. PROMISES TO GIVE

Contributions receivable are unconditional promises to give and are all due in 2019. Contributions receivable are for:

	2019	2018
General operations and other	\$ 215,490	\$ 402,625
Housing Communities	265,000	-
Advantage Services	246,000	-
	<u>726,490</u>	<u>402,625</u>
Contributions receivable (net)	<u>\$ 726,490</u>	<u>\$ 402,625</u>

At December 31, 2019 and 2018, 86% and 87% of the Organization's contributions receivable were due from three donors.

Contributions receivable due from related parties totaled \$23,750 and \$13,025 at December 31, 2019 and 2018. Related parties include members of the Executive Committee, Directors, General Counsel, members of the Finance Committee, and select staff.

The Organization has conditional promises to give totaling \$1,495,106, which consists of government grants with remaining commitments that are conditional upon incurring eligible expenditures or performing certain services. Conditional promises to give are recognized in the financial statements when the conditions have been met. The conditions are expected to be met in 2020.

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2019	2018
Land and land improvements	\$ 67,784,482	\$ 54,334,084
Buildings and improvements	595,325,058	574,282,848
Furniture and equipment	25,489,867	19,285,579
Construction in progress	25,476,058	2,929,884
Predevelopment costs	1,603,435	1,396,415
	<u>715,678,900</u>	<u>652,228,810</u>
Accumulated depreciation	<u>(173,463,986)</u>	<u>(154,140,697)</u>
Net property and equipment	<u>\$ 542,214,914</u>	<u>\$ 498,088,113</u>

Construction in progress primarily consists of 8 new Housing Communities that are under construction. Construction contracts on these projects total \$80,755,324 and are expected to be completed during 2020 and 2021. Predevelopment costs consist of 17 properties that management is considering for development and are in the initial stages of development at December 31, 2019.

(Continued)

COMMONBOND COMMUNITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

6. INVESTMENTS HELD FOR ENDOWMENT

Investments held for endowment consist of the following:

	<u>2019</u>	<u>2018</u>
Mutual funds:		
Fixed income funds	\$ 3,163,627	\$ 3,381,552
US equity funds	4,493,010	3,423,524
International equity funds	4,055,490	3,282,380
Catholic Community Foundation (70% equity funds, 30% fixed income funds)	<u>22,471</u>	<u>18,970</u>
Total investments	<u>\$ 11,734,598</u>	<u>\$ 10,106,426</u>

Net investment return consisted of the following:

	<u>2019</u>	<u>2018</u>
Gains (losses), net	\$ 1,835,935	\$ (977,818)
Investment income	260,687	246,455
Fees	<u>(22,018)</u>	<u>(21,404)</u>
Net investment return	<u>\$ 2,074,604</u>	<u>\$ (752,767)</u>

7. LONG-TERM DEBT

Corporate long-term debt consists of the following:

	<u>2019</u>	<u>2018</u>
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
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, 2023. 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%. The note was repaid in 2019.	-	1,500,000

(Continued)

COMMONBOND COMMUNITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

7. LONG-TERM DEBT (Continued)

	2019	2018
EQ2 note payable to Ameriprise Bank in the original amount of \$2,000,000. Interest is payable quarterly at a rate of 3.75%. The note was repaid in 2019.	\$ -	\$ 2,000,000
Three notes payable to Ameriprise Bank in the original amounts totaling \$3,500,000. Interest is payable quarterly at rates between 2.50 – 3.00%. Principal is due at maturity on November 1 of the following years: (\$1,000,000 in 2024; \$1,000,000 in 2025; \$1,500,000 in 2026). The notes are unsecured.	3,500,000	-
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	1,000,000
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 were due in monthly payments of \$438 through September 2019.	-	4,342
Note payable to Enterprise Community Loan Fund, Inc. in the original amount of \$2,367,123 with interest at 5%. Principal and interest are due in bi-annual payments based on a 35.5-year amortization period through July 31, 2023 when the remaining principal and interest are due.	2,288,875	2,316,274
Note payable to Enterprise Community Loan Fund, Inc. in the original amount of \$3,238,200 with interest at 6%. Interest only is due in bi-annual payments through July 31, 2023, when the principal and remaining interest are due. As of December 31, 2018, only \$2,277,367 has been advanced on this loan.	2,277,367	2,277,367

(Continued)

COMMONBOND COMMUNITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

7. LONG-TERM DEBT (Continued)

	2019	2018
<p>Note payable to Pohlad Family Foundation in the original amount of \$1,375,000 with interest at 3%. Principal and interest are due in annual payments solely from surplus cash of a Housing Community through July 28, 2023.</p>	\$ 1,375,000	\$ 1,375,000
<p>Notes payable to the City of Madison in the original amounts totaling \$1,490,000, of which \$1,332,000 has been drawn on the notes. The notes were used to finance a Housing Community in Madison, Wisconsin. \$750,000 bears interest at 2.74% and is payable annually from cash flow from the Housing Community with final maturity at April 1, 2036. \$740,000 may bear interest up to 12% compounded annually based on a calculation of the appraised value 6 months prior to maturity (30 years from project completion). Secured by a collateral assignment of a mortgage on the Housing Community.</p>	1,332,000	-
<p>Note payable to Washington County Community Development Agency in the original amount of \$500,000 without interest. The note was used to finance a Housing Community in Forest Lake, Minnesota. Principal is due at maturity, or the sale or refinance of the Housing Community if earlier. Secured by a collateral assignment of a mortgage on the Housing Community.</p>	500,000	-
<p>Notes payable to Local Initiatives Support Corporation (LISC) without interest. The notes are used to cover predevelopment costs for Housing Communities and are due on demand.</p>	90,000	90,000
<p>Notes payable to various accredited investors provided under the Housing Opportunity Fund (Note 8).</p>	2,025,000	2,025,000
<p>Note payable to the HRK Foundation for the Housing Opportunity Fund in the original amount of \$300,000 with interest at 1%. Interest only payments are due monthly. Principal and unpaid interest are due December 31, 2022.</p>	300,000	300,000

(Continued)

COMMONBOND COMMUNITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

7. LONG-TERM DEBT (Continued)

	2019	2018
Note payable to the F.R. Bigelow Donor Advised Fund of The Saint Paul Foundation for the Housing Opportunity Fund in the original amount of \$1,000,000 with interest at 1.50%. Principal and unpaid interest are due December 31, 2027.	\$ 1,000,000	\$ -
	18,608,242	15,807,983
Less unamortized debt issuance costs	(60,636)	(77,756)
	\$ 18,547,606	\$ 15,730,227
Housing Communities Long-term debt consists of:		
Amortizing loans	\$ 175,542,333	\$ 156,931,626
Non-amortizing loans	128,934,336	120,893,306
	304,476,669	277,824,932
Less unamortized debt issuance costs	(7,047,600)	(5,116,581)
	\$ 297,429,069	\$ 272,708,351
Total Housing Communities Long-Term Debt, Net	\$ 297,429,069	\$ 272,708,351
Total Long-Term Debt, Net	\$ 315,976,675	\$ 288,438,578
Less current maturities	(4,650,347)	(3,318,039)
	\$ 311,326,328	\$ 285,120,539

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 7.01%.
- **Non-amortizing Loans** - due upon maturity and have interest rates ranging from 0% to 6.61% and mature at various dates through 2060.

Most of these loans are secured by mortgages on the properties owned by the Housing Communities.

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, 2019
(With Comparative Totals for 2018)

7. LONG-TERM DEBT (Continued)

The following schedule of maturities of long-term debt reflects management's plans to exercise the available options to extend the maturity dates:

	Corporate	Consolidated Housing Communities	Total
2020	\$ 1,168,489	\$ 3,481,858	\$ 4,650,347
2021	780,268	11,471,572	12,251,840
2022	631,822	14,019,822	14,651,644
2023	9,250,663	6,178,987	15,429,650
2024	1,000,000	4,915,551	5,915,551
Thereafter	5,777,000	264,408,879	270,185,879
	<u>\$ 18,608,242</u>	<u>\$ 304,476,669</u>	<u>\$ 323,084,911</u>

8. HOUSING OPPORTUNITY FUND

In response to the increased demand for affordable, unsubsidized multi-family residential rental properties, CommonBond Communities has created the Housing Opportunity Fund which is offering to issue up to \$20,000,000 in unsecured promissory notes to accredited investors. The proceeds from these notes will be used to make loans to or be invested in affordable, unsubsidized Housing Communities. These notes are for terms of 3 to 15 years with interest rates ranging from a fixed 0.5% to 4.0% depending on the term. Interest on the notes is due quarterly unless waived by the investor. As of December 31, 2019 and 2018, the Housing Opportunity Fund has issued \$2,025,000 and \$2,025,000 of promissory notes to accredited investors (Note 7).

9. CONSTRUCTION NOTES PAYABLE

Construction notes provide temporary financing for the construction of Housing Communities. The notes have interest rates ranging from a fixed rate of 2.4% to variable rates based on the monthly LIBOR rate plus basis points (4.17% at December 31, 2019 and 4.86% at December 31, 2018). The notes are secured by a pledge of capital contributions and are guaranteed by CommonBond Communities.

The construction notes payable mature in 2021 (\$16,611,725) and 2022 (\$20,950,000). Construction notes payable are presented as long-term liabilities regardless of maturities because upon completion of construction, the loans are expected to be repaid with capital contributions and proceeds from permanent financing (\$16,611,725), or restricted reserves (\$20,950,000). Current assets will not be used.

(Continued)

COMMONBOND COMMUNITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

10. DEFERRED REVENUE

Deferred Revenue consists of:

	2019	2018
Funds received from the Community Development Financial Institutions Fund Capital Magnet Fund to finance or support Affordable Housing. The funds must be committed within 2 years and are subject to recapture March 2024 if certain conditions are not met.	\$ 4,000,000	\$ -
Two promissory notes payable to IFF under the Federal Home Loan Bank's Affordable Housing Program totaling \$1,425,000 without interest. The notes are for two new construction Housing Communities and will be forgiven if the affordability requirements are maintained for 15 years following the date of construction completion.	1,425,000	-
	\$ 5,425,000	\$ -

11. 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 \$1,921,500 and \$1,957,800 at December 31, 2019 and 2018.

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 \$285,142 and \$247,423 at December 31, 2019 and 2018. The change in value of the interest rate swaps of \$37,719 in 2019 and \$79,753 in 2018 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 the settlement amount.

(Continued)

COMMONBOND COMMUNITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are as follows:

	2019	2018
Expendable for specified purposes:		
Advantage Services	\$ 790,061	\$ 474,348
Community Housing Opportunity Fund (CHOF)	280,107	309,142
Housing Communities	325,000	191,951
Other Specified Purposes	11,160	20,610
Subject to the Passage of Time	440,489	627,624
Not subject to appropriation or expenditure:		
Financing for development of Housing Communities:		
HUD capital advances	73,221,802	73,221,802
Forgivable loans	16,428,642	16,503,637
Section 1602 grants	5,350,612	6,256,526
NeighborWorks America Restricted Until Donor Release	485,002	692,860
Endowments subject to the Organization's spending policy and appropriations:		
Advantage Services Endowments (Note 17):		
General Advantage Services Endowment	6,826,956	6,821,956
Paul Fate Youth Endowment	270,855	270,855
Veterans Housing Endowment	320,025	320,025
Lauren Kesson Youth Endowment	130,350	130,150
Advantage Services Endowment earnings	3,477,914	1,849,742
Total net assets with donor restrictions	<u>\$ 108,358,975</u>	<u>\$ 107,691,228</u>

Net assets released from restrictions are as follows:

	2019	2018
Advantage Services	\$ 259,027	\$ 435,174
Community Housing Opportunity Fund (CHOF)	100,000	-
Housing Communities	191,951	284,000
Other	12,810	67,862
Passage of specified time	585,055	386,144
Advantage Services Endowment earnings	447,040	446,908
Forgivable loans	75,000	499,500
Section 1602 grants	905,914	905,914
NeighborWorks America Restricted Until Donor Release	207,858	296,940
	<u>\$ 2,784,655</u>	<u>\$ 3,322,442</u>

(Continued)

COMMONBOND COMMUNITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

12. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

At December 31, 2019, net assets with donor restrictions consist of \$780,221 of restricted cash; \$726,490 of contributions receivable; \$340,107 of restricted cash for long-term purposes; \$11,026,100 investments held for endowment; and \$95,486,057 of Housing Communities' assets.

At December 31, 2018, net assets with donor restrictions consist of \$784,908 of restricted cash; \$402,625 of contributions receivable; \$436,142 of restricted cash for long-term purposes; \$9,392,728 investments held for endowment; and \$96,674,825 of Housing Communities' assets.

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. During 2019 and 2018, NeighborWorks approved the release of \$207,858 and \$296,940 of capital awards previously reported as required to be held in perpetuity.

13. BOARD DESIGNATED NET ASSETS WITHOUT DONOR RESTRICTIONS

Board designated net assets consist of:

	2019	2018
Corporate Central Reserve	\$ 1,345,707	\$ 1,331,566
Corporate Predevelopment Costs	1,664,581	633,898
Board Designated Endowment	713,698	713,698
Board Designated Net Assets	<u>\$ 3,723,986</u>	<u>\$ 2,679,162</u>

14. DONATED SERVICES, RENT AND MATERIALS

CommonBond Communities receives 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 integral to the accomplishment of the Organization's mission.

CommonBond Communities also acquired one Housing Community during 2018 at a cost below the appraised values. The differences between the acquisition costs and the appraised values are reported as donations.

(Continued)

COMMONBOND COMMUNITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

14. DONATED SERVICES, RENT AND MATERIALS (Continued)

CommonBond Communities was donated the rights to an expiring Section 8 Housing Assistance Payments Contract for 36 units as a donation during 2019. The Contract was subsequently assigned to a Housing Community and renewed for 20 years.

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. During 2018, Community Action Partnership of Ramsey and Washington Counties began providing half-day center-based preschool programming services valued at \$420,000 to 40 children, ages 3 to 5, at a Housing Community.

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

	2019	2018
Services which met the criteria for recording as contributions	\$ 450,709	\$ 561,526
Materials and furniture	72,637	48,105
Property and equipment	-	830,000
Section 8 Contract	950,000	-
Donated services, material and property and equipment recorded as contributions	1,473,346	1,439,631
Services not recorded (unaudited)	231,093	281,347
Total donated services, rent, and materials	<u>\$ 1,704,439</u>	<u>\$ 1,720,978</u>

15. INCOME TAXES

CommonBond Housing and its wholly owned subsidiary, CommonBond Investment Corporation; CBC Development, LLC; 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, differences in depreciation lives and methods, deductibility of pass-through losses from investments held in Housing Communities, 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, 2019.

(Continued)

COMMONBOND COMMUNITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

15. INCOME TAXES (Continued)

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

	2019	2018
Deferred tax assets	\$ 4,786,000	\$ 4,200,000
Deferred tax liabilities	(2,813,000)	(2,293,000)
Net deferred tax asset	1,973,000	1,907,000
Less valuation allowance	(1,973,000)	(1,907,000)
Total deferred tax asset	<u>\$ -</u>	<u>\$ -</u>
 Change in valuation allowance	 <u>\$ 66,000</u>	 <u>\$ 191,000</u>

At December 31, 2019 and 2018, the Organization has approximately \$14,085,000 and \$12,200,000 of federal unused operating loss carryovers available that may be applied against future taxable income. These carryovers have varying expiration dates ranging from 2027 to 2038. The Organization also has available at December 31, 2019 and 2018, \$13,100,000 and \$11,200,000 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 2027 to 2038.

16. FAIR VALUE MEASUREMENTS

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

	Fair Value	Fair Value Measurement Inputs (see Note 2):	
		Level 1	Level 2
December 31, 2019			
Assets:			
Investments in securities:			
Certificates of deposit	\$ 5,783,848	\$ -	\$ 5,783,848
US Treasury Notes (Restricted Reserves)	21,470,844	21,470,844	-
Mutual funds	11,712,127	11,712,127	-
		<u>\$ 33,182,973</u>	<u>\$ 5,783,848</u>
Investments measured at net asset value:			
Catholic Community Foundation (70% equity funds, 30% fixed income funds)	22,471		
	<u>\$ 38,989,290</u>		
Liabilities:			
Interest rate swap agreements	\$ 285,142		\$ 285,142

(Continued)

COMMONBOND COMMUNITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

16. FAIR VALUE MEASUREMENTS (Continued)

	Fair Value	Fair Value Measurement Inputs (see Note 2):	
December 31, 2018		Level 1	Level 2
Assets:			
Investments in securities:			
Certificates of deposit	\$ 5,640,526	\$ -	\$ 5,640,526
Mutual funds	10,087,457	10,087,457	-
		\$ 10,087,457	\$ 5,640,526
Investments measured at net asset value:			
Pooled equity funds	91,405		
Catholic Community Foundation (70% equity funds, 30% fixed income funds)	18,969		
	\$ 15,838,357		
Liabilities:			
Interest rate swap agreements	\$ 247,423		\$ 247,423

The fair values of negotiable certificates of deposit are provided by the investment broker based on a market value pricing model. The model uses interest rates currently being offered for deposits of similar remaining maturities as the primary input. The certificates of deposit held at December 31, 2019 have a face value of \$5,485,000 with approximately 20% maturing every 90 days, and have interest rates ranging from 1.5% to 2.8%. The certificates of deposit held at December 31, 2018 have a face value of \$5,300,000 with approximately 20% maturing every 90 days, and have interest rates ranging from 1.5% to 3%.

Investments measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented on the statement of financial position.

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 2018.

(Continued)

COMMONBOND COMMUNITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

17. ENDOWMENTS

The Organization has donor restricted endowment funds established for the purpose of providing income to support Advantage Services. In 2017, the Board of Directors established a board designated endowment for the purpose of providing income to support future operating needs of the Organization. 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 net assets with donor restrictions (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, (d) Capital Campaign gifts designated as Greatest Need by the donors and re-designated by the Board of Directors, and (e) earnings on the donor-restricted endowment until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Organization uses an endowment spending formula to determine the maximum amount to spend from the endowment each year. Spending for a given year will equal 50% of the spending from the previous year, adjusted for inflation, plus 50% of the anticipated real rate of return applied to the endowment's current market level at December 31. New gifts are excluded from this calculation in the calendar year they are received.

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

(Continued)

COMMONBOND COMMUNITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

17. ENDOWMENTS (Continued)

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

	Without Donor Restrictions	With Donor Restrictions	Total Endowments
December 31, 2017	\$ -	\$ 10,559,004	\$ 10,559,004
Board designations	713,698	-	713,698
Contributions	-	21,475	21,475
Greatest Need designations	-	11,924	11,924
Net investment return	-	(752,767)	(752,767)
Earnings released	-	(446,908)	(446,908)
	713,698	9,392,728	10,106,426
December 31, 2018	713,698	9,392,728	10,106,426
Contributions	-	5,808	5,808
Net investment return	-	2,074,604	2,074,604
Earnings released	-	(447,040)	(447,040)
	713,698	11,026,100	11,739,798
December 31, 2019	\$ 713,698	\$ 11,026,100	\$ 11,739,798

Endowment net assets consist of:

	2019	2018
Accounts receivable	\$ 5,200	\$ -
Investments held for Advantage Services endowment	11,020,900	9,392,728
Investments held for Board designated endowment	713,698	713,698
	\$ 11,739,798	\$ 10,106,426

(Continued)

COMMONBOND COMMUNITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

18. 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 2020 and 2034.

Rent revenue received under these commercial leases was \$319,243 in 2019 and \$280,126 in 2018.

Approximate future minimum lease payments are as follows:

2020	\$	171,000
2021		169,000
2022		157,000
2023		78,000
2024		40,000
Thereafter		<u>303,000</u>
	\$	<u>918,000</u>

19. 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 makes matching contributions equal to 100% of the first 1% of compensation contributed and 50% of the next 5% of compensation contributed.

The Organization’s matching retirement plan contributions were \$525,394 in 2019 and \$468,775 in 2018.

20. DEFERRED COMPENSATION OBLIGATION

The Organization had a deferred compensation agreement with a former key employee. The agreement allowed for employee deferrals and also for employer contributions at the discretion of the Board of Directors. No contributions were made during 2019 or 2018. As of December 31, 2018, investments for the deferred compensation obligation consisted of pooled equity funds. During 2019, the deferred compensation was fully paid out to the employee.

COMMONBOND COMMUNITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

21. LINES OF CREDIT

The Organization had a line of credit with Enterprise Community Partners, Inc. in the amount of \$125,000, at an interest rate of 3%. A balance of \$125,000 was outstanding under the line of credit at December 31, 2018. The line of credit expired December 15, 2019, the balance was repaid in 2019 and not renewed.

The Organization has a line of credit with Synchrony Bank in the amount of \$2,000,000. Interest is payable quarterly at a rate of 1.50% over the 90-day LIBOR. Each draw on the line of credit is due within 18 months of receipt. The line of credit expires December 14, 2021, unless renewed, and is secured by the accounts, equipment, and other assets of CommonBond Communities. Advances are designated for predevelopment costs. No amounts were advanced on the line of credit.

The Organization has a line of credit with Old National Bank in the amount of \$1,000,000. Interest is payable monthly at a rate of 2% over LIBOR. Each draw on the line of credit is due when the line of credit expires on December 1, 2020, unless renewed. The line of credit is secured by the accounts of CommonBond Communities. Advances may be used for general expenditures. No amounts were advanced on the line of credit.

22. 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 to develop and construct the Housing Communities. 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 return of capital contributed by the investors if tax credits are not delivered.

(Continued)

COMMONBOND COMMUNITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

22. COMMITMENTS, CONTINGENCIES AND CONCENTRATIONS (Continued)

Commitments – As of December 31, 2019, the Organization has several outstanding construction contracts with various general contractors related to housing developments. The contracts totaled approximately \$83,675,000, of which \$20,591,000 was incurred prior to December 31, 2019.

Off Balance Sheet Risks – As part of its real estate development work, CommonBond Communities provides letters of credit to housing agencies, investors and financial institutions to ensure its performance. CommonBond Communities has received a commitment from a financial institution to issue letters of credit up to \$4,000,000. At December 31, 2019, letters of credit of approximately \$1,330,000 have been issued. No amounts have been drawn on the letters of credit at December 31, 2019. The letters of credit expire at various dates through February 2021.

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

Legal Actions – During the course of operations, the Organization is a party to various legal actions. As of December 31, 2019, the Organization does not anticipate that any current legal actions will have a material effect on its financial position or changes in net assets.

Concentrations – The Housing Communities' primary assets are multifamily rental properties concentrated in the geographical areas of Minneapolis/Saint Paul, Minnesota; Milwaukee/Madison, Wisconsin; and Des Moines, Iowa.

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), Wisconsin Housing and Economic Development Authority (WHEDA), Iowa Finance Authority (IFA) 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, WHEDA IFA 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.

(Continued)

COMMONBOND COMMUNITIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

23. RELATED PARTY TRANSACTIONS

Various members on the Board of Directors are in positions of influence at donor organizations.

The President and CEO has made a loan of \$25,000 and a member of the Board of Directors has made a loan of \$50,000 to the Housing Opportunity Fund. The terms of the loans are equivalent to the terms offered to the general public.

24. SUBSEQUENT EVENTS

In 2020, the Organization acquired two parcels of land and one housing development totaling approximately \$8.7 million. In addition, the Organization has entered into purchase agreements for three parcels of land and one housing development totaling approximately \$9.8 million. The acquisitions are for future Housing Communities and are expected to be permanently financed primarily with long-term debt and limited partner capital contributions.

A nationwide public health emergency has developed in 2020. Many states have enacted measures to combat the global pandemic resulting from a novel strain of coronavirus known as COVID-19. Measures have included regulatory restrictions on citizen and business activities as well as recommendations for further voluntary curtailment of activities. There has been no immediate impact on the Organization's operations. The future potential impact of these issues is uncertain, however possible effects may include, but are not limited to, loss of rent from Housing Communities' tenants, and a decline in the market value of assets held by the Organization including property and equipment and endowment investments.

The Organization applied for and received a \$4,232,500 Paycheck Protection Program loan from the Small Business Administration under a program developed by the Federal government in response to COVID-19. The loan has a term of two years and interest at 1%. The loan may be forgiven if certain conditions are met including that 75% of the loan be used for payroll within 8 weeks of disbursement. Any portion of the loan not forgiven will be amortized and paid monthly over the remaining term of the loan.

Management has evaluated subsequent events through June 2, 2020, 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 STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019
(With Comparative Totals for 2018)

	2019								
	CommonBond Communities	CommonBond Housing	CommonBond Others	Corporate Intercompany Eliminations	Corporate Subtotal	Consolidated Housing Communities	Eliminations	Total	2018
ASSETS									
CURRENT ASSETS:									
Cash and Cash Equivalents	\$ 6,062,341	\$ 1,452,001	\$ 65,299	\$ -	\$ 7,579,641	\$ -	\$ -	\$ 7,579,641	\$ 6,294,560
Restricted Cash	780,221	-	-	-	780,221	17,916,985	-	18,697,206	17,038,029
Certificates of Deposit	5,783,848	-	-	-	5,783,848	-	-	5,783,848	5,640,526
Accounts Receivable, Net	507,067	1,991,061	120,175	-	2,618,303	2,674,074	(1,653,722)	3,638,655	3,162,533
Accrued Developer Fee Receivable	2,867,715	-	99,500	-	2,967,215	-	(2,967,215)	-	-
Contributions Receivable	726,490	-	-	-	726,490	-	-	726,490	402,625
Notes Receivable	23,626	-	-	-	23,626	290,743	(314,369)	-	-
Prepaid Expenses	145,944	60,602	12,034	-	218,580	552,900	-	771,480	689,070
Total Current Assets	<u>16,897,252</u>	<u>3,503,664</u>	<u>297,008</u>	<u>-</u>	<u>20,697,924</u>	<u>21,434,702</u>	<u>(4,935,306)</u>	<u>37,197,320</u>	<u>33,227,343</u>
PROPERTY AND EQUIPMENT:									
Property and Equipment, Net	<u>3,077,184</u>	<u>84,401</u>	<u>3,705,796</u>	<u>-</u>	<u>6,867,381</u>	<u>590,817,478</u>	<u>(55,469,945)</u>	<u>542,214,914</u>	<u>498,088,113</u>
OTHER ASSETS:									
Notes Receivable - Long-Term	36,026,279	-	43,544	-	36,069,823	621,019	(36,270,842)	420,000	420,000
Interest Receivable	550,357	-	-	-	550,357	154,139	(704,496)	-	-
Other Receivables	-	-	234,357	-	234,357	-	-	234,357	348,606
Restricted Cash for Long-Term Purposes	3,821,089	-	1,225,322	-	5,046,411	-	-	5,046,411	7,047,266
Restricted Escrows and Reserves	-	-	90,364	-	90,364	59,783,469	-	59,873,833	31,139,233
Deferred Charges, Net	-	-	-	-	-	935,384	-	935,384	978,241
Investments in Partnerships and LLC's	18,309,578	393,000	3,296,409	(1,008,162)	20,990,825	3,009,928	(23,973,521)	27,232	27,232
Investment - HPIEx	-	177,632	-	-	177,632	-	-	177,632	177,632
Investments Held for Deferred Compensation Obligation	-	-	-	-	-	-	-	-	91,405
Investments Held for Endowment:									
Restricted by Donors	-	-	7,543,292	-	7,543,292	-	-	7,543,292	7,542,986
Accumulated Earnings	-	-	3,477,608	-	3,477,608	-	-	3,477,608	1,849,742
Board Designated	-	-	713,698	-	713,698	-	-	713,698	713,698
Intercompany Balances	12,862,756	(11,398,824)	(1,463,932)	-	-	-	-	-	-
Total Other Assets	<u>71,570,059</u>	<u>(10,828,192)</u>	<u>15,160,662</u>	<u>(1,008,162)</u>	<u>74,894,367</u>	<u>64,503,939</u>	<u>(60,948,859)</u>	<u>78,449,447</u>	<u>50,336,041</u>
Total Assets	<u>\$ 91,544,495</u>	<u>\$ (7,240,127)</u>	<u>\$ 19,163,466</u>	<u>\$ (1,008,162)</u>	<u>\$ 102,459,672</u>	<u>\$ 676,756,119</u>	<u>\$ (121,354,110)</u>	<u>\$ 657,861,681</u>	<u>\$ 581,651,497</u>

(Continued)

COMMONBOND COMMUNITIES
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019
(With Comparative Totals for 2018)

	2019								
	CommonBond Communities	CommonBond Housing	CommonBond Others	Corporate Intercompany Eliminations	Corporate Subtotal	Consolidated Housing Communities	Eliminations	Total	2018
LIABILITIES AND NET ASSETS									
CURRENT LIABILITIES:									
Current Portion of Long-Term Debt	\$ 1,118,489	\$ -	\$ 50,000	\$ -	\$ 1,168,489	\$ 3,796,228	\$ (314,370)	\$ 4,650,347	\$ 3,318,039
Lines of Credit	-	-	-	-	-	-	-	-	125,000
Construction Payable	-	-	-	-	-	9,398,778	(2,045,452)	7,353,326	641,982
Accounts Payable	293,578	282,629	27,509	-	603,716	9,765,131	(6,244,257)	4,124,590	3,103,217
Accrued Expenses	718,300	690,066	38,619	-	1,446,985	14,376,845	(4,095,922)	11,727,908	11,106,002
Accrued Interest	244,066	-	7,500	-	251,566	2,564,753	(1,387,899)	1,428,420	1,319,470
Total Current Liabilities	<u>2,374,433</u>	<u>972,695</u>	<u>123,628</u>	<u>-</u>	<u>3,470,756</u>	<u>39,901,735</u>	<u>(14,087,900)</u>	<u>29,284,591</u>	<u>19,613,710</u>
LONG-TERM LIABILITIES:									
Long-Term Debt, net	14,104,117	-	4,934,941	(1,659,941)	17,379,117	380,030,291	(86,083,080)	311,326,328	285,120,539
Construction Notes Payable, net	-	-	-	-	-	37,561,725	-	37,561,725	11,880,110
Deferred Revenue	5,425,000	-	-	-	5,425,000	9,444,644	(9,444,644)	5,425,000	-
Accrued Interest	-	-	598,015	(598,015)	-	19,710,018	(11,096,108)	8,613,910	7,389,460
Interest Rate Swaps	-	-	-	-	-	285,142	-	285,142	247,423
Deferred Compensation Obligation	-	-	-	-	-	-	-	-	91,405
Due to Partners	-	-	-	-	-	931,421	(380,722)	550,699	546,268
Other Liabilities	-	-	-	-	-	6,072,661	(5,818,783)	253,878	330,185
Total Long-Term Liabilities	<u>19,529,117</u>	<u>-</u>	<u>5,532,956</u>	<u>(2,257,956)</u>	<u>22,804,117</u>	<u>454,035,902</u>	<u>(112,823,337)</u>	<u>364,016,682</u>	<u>305,605,390</u>
Total Liabilities	<u>21,903,550</u>	<u>972,695</u>	<u>5,656,584</u>	<u>(2,257,956)</u>	<u>26,274,873</u>	<u>493,937,637</u>	<u>(126,911,237)</u>	<u>393,301,273</u>	<u>325,219,100</u>
NET ASSETS:									
Without Donor Restrictions:									
Operating Fund	50,589,189	(8,212,822)	1,486,977	1,249,794	45,113,138	-	(15,115,379)	29,997,759	25,693,241
Housing Communities - Controlling interests	-	-	-	-	-	(5,060,363)	-	(5,060,363)	114,263
Housing Communities - Noncontrolling Interests	-	-	-	-	-	127,574,761	(34,710)	127,540,051	120,254,503
Board Designated	3,010,288	-	713,698	-	3,723,986	-	-	3,723,986	2,679,162
Total Net Assets Without Donor Restrictions	<u>53,599,477</u>	<u>(8,212,822)</u>	<u>2,200,675</u>	<u>1,249,794</u>	<u>48,837,124</u>	<u>122,514,398</u>	<u>(15,150,089)</u>	<u>156,201,433</u>	<u>148,741,169</u>
With Donor Restrictions	16,041,468	-	11,306,207	-	27,347,675	60,304,084	20,707,216	108,358,975	107,691,228
Total Net Assets	<u>69,640,945</u>	<u>(8,212,822)</u>	<u>13,506,882</u>	<u>1,249,794</u>	<u>76,184,799</u>	<u>182,818,482</u>	<u>5,557,127</u>	<u>264,560,408</u>	<u>256,432,397</u>
Total Liabilities and Net Assets	<u>\$ 91,544,495</u>	<u>\$ (7,240,127)</u>	<u>\$ 19,163,466</u>	<u>\$ (1,008,162)</u>	<u>\$ 102,459,672</u>	<u>\$ 676,756,119</u>	<u>\$ (121,354,110)</u>	<u>\$ 657,861,681</u>	<u>\$ 581,651,497</u>

See Independent Auditor's Report.

COMMONBOND COMMUNITIES
CONSOLIDATING STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
(With Comparative Totals for 2018)

	2019								
	CommonBond Communities	CommonBond Housing	CommonBond Others	Corporate Intercompany Eliminations	Corporate Subtotal	Consolidated Housing Communities	Eliminations	Total	2018
REVENUES FROM OPERATIONS:									
Contributions	\$ 4,508,465	\$ -	\$ 153,358	(148,358)	\$ 4,513,465	\$ -	\$ -	\$ 4,513,465	\$ 4,121,735
In-Kind Contributions	1,473,346	-	-	-	1,473,346	-	-	1,473,346	1,439,631
Total Contributions	5,981,811	-	153,358	(148,358)	5,986,811	-	-	5,986,811	5,561,366
Government Grants - Operating	493,419	-	-	-	493,419	458,471	(294,371)	657,519	442,475
Government Grants - Construction	1,025,000	-	-	-	1,025,000	781,457	(452,958)	1,353,499	610,000
Total Government Grants	1,518,419	-	-	-	1,518,419	1,239,928	(747,329)	2,011,018	1,052,475
Fees for Services:									
Property Management	-	6,045,540	-	-	6,045,540	-	(4,519,415)	1,526,125	1,070,864
Housing Development	4,994,755	-	-	-	4,994,755	-	(4,984,056)	10,699	1,335
Advantage Services	1,663,206	-	-	-	1,663,206	-	(1,425,866)	237,340	209,859
Other	182,865	115,561	89,991	-	388,417	2,845	(254,683)	136,579	148,197
Total Fees for Services	6,840,826	6,161,101	89,991	-	13,091,918	2,845	(11,184,020)	1,910,743	1,430,255
Housing Communities Rental and Related Revenue	30,864	-	-	-	30,864	62,891,325	(145,196)	62,776,993	59,518,172
Interest and Dividends	776,671	1,090	16,676	-	794,437	258,975	(572,684)	480,728	385,258
Other Receipts and Recoveries from Housing Communities	405,920	-	-	-	405,920	-	(405,920)	-	-
Miscellaneous	310,201	167,884	761,501	(629,865)	609,721	-	(337,267)	272,454	292,005
Total Housing and Other Revenue	1,523,656	168,974	778,177	(629,865)	1,840,942	63,150,300	(1,461,067)	63,530,175	60,195,435
Total Revenues from Operations	15,864,712	6,330,075	1,021,526	(778,223)	22,438,090	64,393,073	(13,392,416)	73,438,747	68,239,531
EXPENSES FROM OPERATIONS:									
Program Services:									
Property Operations and Management:									
Housing Communities	291,279	3,283,606	133,177	(194,410)	3,513,652	79,881,197	(10,298,904)	73,095,945	70,789,036
Third Party Contracts	22,931	1,469,085	97,348	(90,148)	1,499,216	-	-	1,499,216	1,141,659
Housing Development	2,831,209	435,078	196,356	(302,777)	3,159,866	90,866	(167,526)	3,083,206	1,694,141
Advantage Services	6,173,221	110,120	189,758	(151,435)	6,321,664	1,812,637	(1,720,237)	6,414,064	6,285,248
Asset Management	62,620	324,180	12,065	(21,284)	377,581	-	-	377,581	368,903
Community Engagement	296,341	(1,849)	19,550	(8,060)	305,982	-	-	305,982	37,322
Total Program Services	9,677,601	5,620,220	648,254	(768,114)	15,177,961	81,784,700	(12,186,667)	84,775,994	80,316,309
Supporting Services:									
General and Administrative	585,948	1,184,846	237,365	(63,839)	1,944,320	-	-	1,944,320	1,628,295
Fund Development	1,744,476	10,684	133,879	(38,571)	1,850,468	-	-	1,850,468	1,837,531
Total Supporting Services	2,330,424	1,195,530	371,244	(102,410)	3,794,788	-	-	3,794,788	3,465,826
Total Expenses from Operations	12,008,025	6,815,750	1,019,498	(870,524)	18,972,749	81,784,700	(12,186,667)	88,570,782	83,782,135
CHANGE IN NET ASSETS BEFORE OTHER INCOME AND EXPENSE	3,856,687	(485,675)	2,028	92,301	3,465,341	(17,391,627)	(1,205,749)	(15,132,035)	(15,542,604)
OTHER INCOME AND (EXPENSE):									
Gain (Loss) on Disposal of Property and Equipment	-	-	-	-	-	(216,752)	-	(216,752)	(604,315)
Residual Receipts Recapture	-	-	-	-	-	(19,210)	-	(19,210)	(14,642)
Endowment Investment Return, Net	-	-	2,074,604	-	2,074,604	-	-	2,074,604	(752,767)
Gains (Losses) on Investments, Net	17,015	-	-	-	17,015	(37,719)	-	(20,704)	73,846
Gains (Losses) from Partnerships	(120,935)	-	(272)	-	(121,207)	(21,911)	143,118	-	-
Total Other Income and (Expense)	(103,920)	-	2,074,332	-	1,970,412	(295,592)	143,118	1,817,938	(1,297,878)
CHANGE IN NET ASSETS	3,752,767	(485,675)	2,076,360	92,301	5,435,753	(17,687,219)	(1,062,631)	(13,314,097)	(16,840,482)
Noncontrolling Interests in Losses	-	-	-	-	-	14,156,560	-	14,156,560	15,657,128
CHANGE IN NET ASSETS AFTER NONCONTROLLING INTERESTS	\$ 3,752,767	\$ (485,675)	\$ 2,076,360	\$ 92,301	\$ 5,435,753	\$ (3,530,659)	\$ (1,062,631)	\$ 842,463	\$ (1,183,354)

See Independent Auditor's Report.

COMMONBOND COMMUNITIES
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	CommonBond Communities	CommonBond Housing	CommonBond Others	Corporate Intercompany Eliminations	Corporate Subtotal	Consolidated Housing Communities	Eliminations	Total
Balance, December 31, 2017	\$ 59,570,257	\$ (6,202,736)	\$ 12,887,621	\$ 1,069,204	\$ 67,324,346	\$ 190,701,328	\$ 8,375,810	\$ 266,401,484
Change in Net Assets	3,665,717	(1,524,411)	(575,077)	88,289	1,654,518	(17,343,166)	(1,151,834)	(16,840,482)
Transfer of Capital Campaign Funds	(11,926)	-	11,926	-	-	-	-	-
Endowment Appropriation for Advantage Services	446,908	-	(446,908)	-	-	-	-	-
Other Housing Activity:								
Capital Contributions	-	-	-	-	-	8,681,326	(1,693,454)	6,987,872
Cash Distributions	-	-	-	-	-	(1,315,453)	1,215,451	(100,002)
Syndication Costs and Other	-	-	-	-	-	(16,475)	-	(16,475)
Balance, December 31, 2018	\$ 63,670,956	\$ (7,727,147)	\$ 11,877,562	\$ 1,157,493	\$ 68,978,864	\$ 180,707,560	\$ 6,745,973	\$ 256,432,397
Change in Net Assets	3,752,767	(485,675)	2,076,360	92,301	5,435,753	(17,687,219)	(1,062,631)	(13,314,097)
Endowment Appropriation for Advantage Services	447,040	-	(447,040)	-	-	-	-	-
Other Transfers of Net Assets	1,770,182	-	-	-	1,770,182	(1,770,182)	-	-
Other Housing Activity:								
Capital Contributions	-	-	-	-	-	21,956,009	(226,207)	21,729,802
Cash Distributions	-	-	-	-	-	(188,309)	99,992	(88,317)
Syndication Costs and Other	-	-	-	-	-	(199,377)	-	(199,377)
Balance, December 31, 2019	<u>\$ 69,640,945</u>	<u>\$ (8,212,822)</u>	<u>\$ 13,506,882</u>	<u>\$ 1,249,794</u>	<u>\$ 76,184,799</u>	<u>\$ 182,818,482</u>	<u>\$ 5,557,127</u>	<u>\$ 264,560,408</u>
Reconciliation of 2019 Net Assets:								
Noncontrolling Interests:								
Beginning of Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 120,289,213	\$ (34,710)	\$ 120,254,503
Interest in Limited Partnership Losses	-	-	-	-	-	(14,156,560)	-	(14,156,560)
Capital Contributions	-	-	-	-	-	21,729,802	-	21,729,802
Cash Distribution	-	-	-	-	-	(88,317)	-	(88,317)
Syndication Costs	-	-	-	-	-	(199,377)	-	(199,377)
End of Year	-	-	-	-	-	127,574,761	(34,710)	127,540,051
Controlling Interests:								
Beginning of Year	63,670,956	(7,727,147)	11,877,562	1,157,493	68,978,864	60,418,347	6,780,683	136,177,894
Change in Net Assets	3,752,767	(485,675)	2,076,360	92,301	5,435,753	(3,530,659)	(1,062,631)	842,463
Endowment appropriation for Advantage Services	447,040	-	(447,040)	-	-	-	-	-
Other Transfers of Net Assets	1,770,182	-	-	-	1,770,182	(1,770,182)	-	-
Capital Contributions	-	-	-	-	-	226,207	(226,207)	-
Cash Distributions	-	-	-	-	-	(99,992)	99,992	-
End of Year	69,640,945	(8,212,822)	13,506,882	1,249,794	76,184,799	55,243,721	5,591,837	137,020,357
	<u>\$ 69,640,945</u>	<u>\$ (8,212,822)</u>	<u>\$ 13,506,882</u>	<u>\$ 1,249,794</u>	<u>\$ 76,184,799</u>	<u>\$ 182,818,482</u>	<u>\$ 5,557,127</u>	<u>\$ 264,560,408</u>

See Independent Auditor's Report.

COMMONBOND COMMUNITIES

**SCHEDULE OF FINANCIAL POSITION
NEIGHBORWORKS RESTRICTED FUNDS**

DECEMBER 31, 2019

ASSETS

Housing Communities:	
Bishop's Creek Family Housing, LLC (Milwaukee, WI)	\$ 259,808
CB Community Plaza Development, LLC (St. Paul, MN)	<u>225,194</u>
Total assets	<u><u>\$ 485,002</u></u>

LIABILITIES AND NET ASSETS

Net assets:	
With donor restrictions	\$ 485,002
Total net assets	<u>485,002</u>
Total liabilities and net assets	<u><u>\$ 485,002</u></u>

**STATEMENT OF ACTIVITIES
NEIGHBORWORKS RESTRICTED FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 2019

Net assets with donor restrictions – beginning of year	<u>\$ 692,860</u>
Additions:	
Capital grants	-
Releases	<u>(207,858)</u>
Change in net assets	<u>(207,858)</u>
Net assets with donor restrictions – end of year	<u><u>\$ 485,002</u></u>

See Independent Auditor's Report.