



## **COMMONBOND COMMUNITIES**

**CONSOLIDATED FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED DECEMBER 31, 2023**



## COMMONBOND COMMUNITIES

### CONSOLIDATED FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

#### TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Consolidated Financial Statements:	
Consolidated Statement of Financial Position	4
Consolidated Statement of Activities	6
Consolidated Statement of Changes in Net Assets	7
Consolidated Statement of Functional Expenses	8
Consolidated Statement of Cash Flows	9
Notes to Consolidated Financial Statements	11
Supplementary Information:	
Consolidating Statement of Financial Position	45
Consolidating Statement of Activities	47
Consolidating Statement of Changes in Net Assets	48
NeighborWorks Schedule of Financial Position and Statement of Activities	49



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
CommonBond Communities  
Saint Paul, Minnesota

### Opinion

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, 2023, and the related consolidated statements of activities, changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CommonBond Communities and affiliates, as of December 31, 2023, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CommonBond Communities and affiliates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Prior Period Restatement

As discussed in Note 25 to the financial statements, management analyzed the original funds included in the endowment and determined certain contributions to the endowment were designated to the endowment by the board during a capital campaign, and were included in restricted by donor endowment funds by error. Accordingly, amounts reported in the endowment and in net assets with donor restrictions and board designated have been corrected and restated in the 2022 financial statements now presented. The correction did not have an effect on total net assets.

(Continued)

## **Responsibilities of Management for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CommonBond Communities and affiliates' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CommonBond Communities and affiliates' ability to continue as a going concern for a reasonable period of time.

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

(Continued)

## **Report on Summarized Comparative Information**

We have previously audited CommonBond Communities and affiliates' 2022 consolidated financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated May 18, 2023. In our opinion, the restated summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been 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 45 to 48 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 49 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 May 30, 2024, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*Mahoney Ulbrich*  
*Christiansen & Russ, PA*

May 30, 2024

**COMMONBOND COMMUNITIES**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2023

(With Comparative Totals for 2022)

	2023	2022
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and Cash Equivalents	\$ 12,606,666	\$ 11,596,032
Restricted Cash	17,606,854	22,520,165
Accounts Receivable, Net	8,243,991	14,399,745
Contributions Receivable, Net	1,645,068	630,606
Prepaid Expenses	1,282,405	1,082,644
Total Current Assets	41,384,984	50,229,192
 <b>PROPERTY AND EQUIPMENT:</b>		
Property and Equipment, Net	700,862,093	662,871,359
 <b>OTHER ASSETS:</b>		
Contributions Receivable - Long-Term	2,455,080	1,075,834
Notes Receivable - Long-Term	420,000	420,000
Restricted Cash for Long-Term Purposes	6,514,160	7,691,656
Restricted Escrows and Reserves	64,933,582	79,607,359
Deferred Charges, Net	1,748,351	1,644,872
Right of Use Asset	217,022	-
Investments in Partnerships and LLCs	27,232	27,232
Investment - HPIEx	177,632	177,632
Investments Held for Endowment:		
Restricted by Donors	3,171,207	3,157,207
Accumulated Earnings	4,570,694	3,192,600
Board Designated	5,110,231	5,110,231
Total Other Assets	89,345,191	102,104,623
Total Assets	\$ 831,592,268	\$ 815,205,174

See Accompanying Notes to Consolidated Financial Statements.

**COMMONBOND COMMUNITIES**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2023  
(With Comparative Totals for 2022)

	<u>2023</u>	<u>2022</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Current Portion of Long-Term Debt	\$ 21,243,223	\$ 20,103,461
Line of Credit	500,000	500,000
Construction Costs Payable	7,207,362	9,122,303
Accounts Payable	11,636,597	7,024,915
Accrued Expenses and Other Liabilities	13,755,295	14,475,816
Accrued Interest	2,438,912	2,179,614
Total Current Liabilities	<u>56,781,389</u>	<u>53,406,109</u>
<b>LONG-TERM LIABILITIES:</b>		
Long-Term Debt, Net	391,220,818	367,560,987
Construction Notes Payable	70,337,765	73,832,445
Deferred Revenue	8,132,917	6,171,056
Accrued Interest	6,145,372	9,144,062
Interest Rate Swaps	2,675	17,053
Due to Partners	-	424,044
Accrued Expenses and Other Liabilities	169,549	402,515
Total Long-Term Liabilities	<u>476,009,096</u>	<u>457,552,162</u>
Total Liabilities	<u>532,790,485</u>	<u>510,958,271</u>
<b>NET ASSETS:</b>		
Without Donor Restrictions:		
Undesignated:		
Operating Fund	56,955,755	48,695,613
Housing Communities - Controlling Interests	(30,178,716)	(16,762,077)
Housing Communities - Noncontrolling Interests	160,178,694	162,655,054
Board Designated	6,501,427	7,700,387
Total Without Donor Restrictions	<u>193,457,160</u>	<u>202,288,977</u>
With Donor Restrictions	<u>105,344,623</u>	<u>101,957,926</u>
Total Net Assets	<u>298,801,783</u>	<u>304,246,903</u>
Total Liabilities and Net Assets	<u>\$ 831,592,268</u>	<u>\$ 815,205,174</u>

See Accompanying Notes to Consolidated Financial Statements.

**COMMONBOND COMMUNITIES**

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2023  
(With Comparative Totals for 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>REVENUES FROM OPERATIONS:</b>				
Contributions	\$ 8,500,472	\$ 4,316,869	\$ 12,817,341	\$ 5,871,964
In-Kind Contributions	68,178	-	68,178	66,828
Released from Restrictions	2,708,266	(2,708,266)	-	-
Total Contributions	11,276,916	1,608,603	12,885,519	5,938,792
Government Grants - Operating	858,434	-	858,434	1,106,068
Government Grants - Construction	893,497	-	893,497	2,431,889
Total Government Grants	1,751,931	-	1,751,931	3,537,957
Fees for Services:				
Property Management	36,782	-	36,782	136,120
Advantage Services	374,807	-	374,807	233,119
Other	78,719	-	78,719	96,793
Total Fees for Services	490,308	-	490,308	466,032
Housing Communities Rental and Related Revenue, Net	76,887,997	-	76,887,997	75,568,095
Investment Income	817,655	-	817,655	565,707
Miscellaneous	162,377	-	162,377	288,350
Total Housing and Other Revenue	77,868,029	-	77,868,029	76,422,152
Total Revenues from Operations	91,387,184	1,608,603	92,995,787	86,364,933
<b>EXPENSES FROM OPERATIONS:</b>				
Program Services:				
Property Operations and Management	115,671,679	-	115,671,679	102,500,268
Housing Development	1,124,300	-	1,124,300	2,266,195
Advantage Services	6,731,680	-	6,731,680	6,092,408
Asset Management	224,451	-	224,451	585,255
Community Engagement	28,608	-	28,608	258,609
Total Program Services	123,780,718	-	123,780,718	111,702,735
Supporting Services:				
General and Administrative	3,209,879	-	3,209,879	3,629,495
Fund Development	990,099	-	990,099	1,713,770
Total Supporting Services	4,199,978	-	4,199,978	5,343,265
Total Expenses from Operations	127,980,696	-	127,980,696	117,046,000
<b>CHANGE IN NET ASSETS BEFORE OTHER INCOME AND EXPENSE</b>	<b>(36,593,512)</b>	<b>1,608,603</b>	<b>(34,984,909)</b>	<b>(30,681,067)</b>
<b>OTHER INCOME AND (EXPENSE):</b>				
Principal and Accrued Interest Forgiven	424,044	-	424,044	2,495,650
COVID Relief Program - Employee Retention Credit	-	-	-	7,146,745
Legal Settlement	-	-	-	(1,700,000)
Loss on Disposal of Property and Equipment, Net	(780,393)	-	(780,393)	(2,261,927)
Residual Receipts Recapture	(64,610)	-	(64,610)	(19,612)
Endowment Investment Return, Net	-	1,778,094	1,778,094	(2,285,993)
Gains on Investments, Net	14,070	-	14,070	59,807
Total Other Income and (Expense)	(406,889)	1,778,094	1,371,205	3,434,670
<b>CHANGE IN NET ASSETS</b>	<b>(37,000,401)</b>	<b>3,386,697</b>	<b>(33,613,704)</b>	<b>(27,246,397)</b>
Noncontrolling Interests in activities of Housing Communities	35,203,667	-	35,203,667	24,818,945
<b>CHANGE IN NET ASSETS AFTER NONCONTROLLING INTERESTS</b>	<b>\$ (1,796,734)</b>	<b>\$ 3,386,697</b>	<b>\$ 1,589,963</b>	<b>\$ (2,427,452)</b>

See Accompanying Notes to Consolidated Financial Statements.



**COMMONBOND COMMUNITIES**

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2023  
(With Comparative Totals for 2022)

	Without Donor Restrictions			With Donor Restrictions	Total
	Controlling Interests	Noncontrolling Interests	Total		
<b>Balance, December 31, 2021</b>	\$ 39,280,053	\$ 155,440,281	\$ 194,720,334	\$ 104,739,248	\$ 299,459,582
Change in Net Assets	353,870	(24,818,945)	(24,465,075)	(2,781,322)	(27,246,397)
Other Housing Activity:					
Capital Contributions	-	32,313,302	32,313,302	-	32,313,302
Cash Distributions	-	(117,259)	(117,259)	-	(117,259)
Syndication Costs and Other	-	(162,325)	(162,325)	-	(162,325)
<b>Balance, December 31, 2022</b>	39,633,923	162,655,054	202,288,977	101,957,926	304,246,903
Change in Net Assets	(1,796,734)	(35,203,667)	(37,000,401)	3,386,697	(33,613,704)
Assignment of Noncontrolling Interests to Controlling Interest	(4,558,723)	4,558,723	-	-	-
Other Housing Activity:					
Capital Contributions	-	28,682,076	28,682,076	-	28,682,076
Cash Distributions	-	(395,649)	(395,649)	-	(395,649)
Syndication Costs and Other	-	(117,843)	(117,843)	-	(117,843)
<b>Balance, December 31, 2023</b>	<u>\$ 33,278,466</u>	<u>\$ 160,178,694</u>	<u>\$ 193,457,160</u>	<u>\$ 105,344,623</u>	<u>\$ 298,801,783</u>

See Accompanying Notes to Consolidated Financial Statements.

COMMONBOND COMMUNITIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2023  
(With Comparative Totals for 2022)

	2023											2022	
	PROGRAM SERVICES							SUPPORTING SERVICES					
	Property Operations & Management	Housing Development	Advantage Services	Asset Management	Community Engagement	Housing Communities	Eliminations	Total	General and Administrative	Fund Development	Eliminations		Total
Salaries, Taxes and Fringes:													
Salaries	\$ 7,383,560	\$ 533,011	\$ 4,351,540	\$ 147,835	\$ 19,320	\$ 6,774,261	\$ -	\$ 19,209,527	\$ 745,823	\$ 350,844	\$ -	\$ 20,306,194	\$ 20,774,224
Payroll Taxes and Fringes	1,484,070	107,486	853,311	28,952	3,775	1,379,192	-	3,856,786	146,416	68,560	-	4,071,762	4,407,796
Total Salaries, Taxes and Fringes	8,867,630	640,497	5,204,851	176,787	23,095	8,153,453	-	23,066,313	892,239	419,404	-	24,377,956	25,182,020
Consulting Services	162,884	81,760	214,022	12,457	101	-	-	471,224	1,634,008	229,871	-	2,335,103	2,380,719
Office Supplies and Printing	977,421	72,738	244,393	7,756	1,178	-	-	1,303,486	66,880	17,147	-	1,387,513	1,397,607
Telephone	67,104	5,196	34,851	1,171	231	-	-	108,553	6,215	2,983	-	117,751	172,088
Occupancy	304,614	19,623	186,475	6,383	850	-	(517,945)	-	506,270	15,298	(521,568)	-	102
Travel	136,349	9,909	82,478	2,804	397	-	-	231,937	14,197	6,757	-	252,891	266,016
Education and Training	41,002	3,028	20,017	673	86	-	-	64,806	3,738	1,568	-	70,112	175,292
In-Kind Expense	-	-	37,778	-	-	-	-	37,778	30,400	-	-	68,178	66,828
Program Contracts and Supplies	1,210	104,830	98,700	-	-	-	-	204,740	-	-	-	204,740	178,784
Rental Assistance	-	-	-	-	-	-	-	-	-	-	-	-	386,034
Development Cost Expense	-	19,066,611	-	-	-	-	(18,979,199)	87,412	-	-	-	87,412	184,949
Bad Debt (Recoveries)	8,856,601	-	-	-	-	-	(8,856,601)	-	-	35,757	-	35,757	89,164
Special Event Expense	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	29,989	6,733	78,050	2,616	472	-	(3,525)	114,335	12,207	210,436	-	336,978	301,890
Repairs and Maintenance	282,205	20,072	241,639	8,328	1,392	28,412,465	(203,876)	28,762,225	41,541	21,101	-	28,824,867	19,885,776
Administrative Expense	-	-	-	-	-	10,751,641	(5,990,049)	4,761,592	-	-	-	4,761,592	5,469,728
Advantage Service Fees	-	-	-	-	-	2,395,044	(2,251,337)	143,707	-	-	-	143,707	158,556
Utilities Expense	-	-	-	-	-	9,828,457	158,606	9,987,063	-	-	-	9,987,063	8,750,428
Insurance Expense	-	-	-	-	-	3,915,482	50,909	3,966,391	92,954	-	-	4,059,345	3,542,005
Real Estate Taxes	-	-	-	-	-	7,410,712	-	7,410,712	-	-	-	7,410,712	7,443,833
Depreciation and Amortization	-	-	-	-	-	31,180,136	(2,794,265)	28,385,871	360,265	-	-	28,746,136	27,136,473
Interest and Other Finance Charges	98,129	111,582	334,719	11,859	1,656	17,598,773	(3,484,144)	14,672,574	55,235	45,075	-	14,772,884	13,877,708
	19,825,138	20,142,579	6,777,973	230,834	29,458	119,646,163	(42,871,426)	123,780,719	3,716,149	1,005,397	(521,568)	127,980,697	117,046,000
Housing Communities by Function	117,161,505	89,614	2,395,044	-	-	(119,646,163)	-	-	-	-	-	-	-
Eliminations by Function	(21,314,963)	(19,107,893)	(2,441,337)	(6,383)	(850)	-	42,871,426	-	(506,270)	(15,298)	521,568	-	-
	\$ 115,671,680	\$ 1,124,300	\$ 6,731,680	\$ 224,451	\$ 28,608	\$ -	\$ -	\$ 123,780,719	\$ 3,209,879	\$ 990,099	\$ -	\$ 127,980,697	\$ 117,046,000

See Accompanying Notes to Consolidated Financial Statements.

**COMMONBOND COMMUNITIES**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2023  
(With Comparative Totals for 2022)

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ (33,613,704)	\$ (27,246,397)
Adjustments to Reconcile Change in Net Assets to		
Net Cash From Operating Activities:		
Depreciation and Amortization	28,746,136	27,136,473
Amortization of Finance Fees	952,904	927,359
Reduction of Right of Use Asset	32,005	-
Grants Used for Construction	(893,497)	(2,431,889)
(Gains) Losses on Investments	(1,496,254)	2,359,015
Reinvested Income on Investments and Endowment	(296,218)	(694,618)
Loss on Disposal of Property	1,054,549	2,261,927
Principal and Accrued Interest Forgiven	(424,044)	(2,495,650)
Contributions Restricted for Long-term Purposes	-	(7,000)
Bad debts	2,809,993	2,787,920
Changes in Operating Assets and Liabilities:		
Accounts Receivable	3,345,761	(8,449,656)
Contributions Receivable	(2,393,708)	(805,952)
Prepaid Expenses	(199,761)	(192,112)
Accounts Payable and Accrued Expenses	3,642,134	1,991,480
Accrued Interest	(2,739,392)	864,279
Other Liabilities	(232,966)	150,051
Net Cash From Operating Activities	(1,706,062)	(3,844,770)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Property and Equipment	(69,732,279)	(46,251,838)
Proceeds from Sale of Property and Equipment	274,156	120,175
Purchase of Investments Held for Endowment	(14,000)	-
Proceeds from Sale of Investments Held for Endowment	400,000	469,992
Proceeds from Sale of Investments Held in Restricted Reserves	-	21,446,849
Purchase of Investments Held in Restricted Reserves	-	(20,576,000)
Proceeds from Sale of Housing Community	-	9,000,000
Net Cash From Investing Activities	(69,072,123)	(35,790,822)

See Accompanying Notes to Consolidated Financial Statements.

**COMMONBOND COMMUNITIES**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2023  
(With Comparative Totals for 2022)

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from Long-Term Debt, Construction Notes and Deferred Revenue	\$ 59,565,628	\$ 74,871,835
Payments on Long-Term Debt and Construction Notes	(35,354,606)	(55,613,408)
Contributions Restricted for Endowment	-	7,000
Grants Received for Construction	893,497	2,431,889
Change in Due to Partners	-	(30,000)
Payment of Deferred Charges and Finance Fees	(2,248,868)	(2,152,692)
Capital Contributions - Housing Communities	28,682,076	32,313,302
Distributions - Housing Communities	(395,649)	(117,259)
Syndication Costs - Housing Communities	<u>(117,843)</u>	<u>(162,325)</u>
Net Cash From Financing Activities	<u>51,024,235</u>	<u>51,548,342</u>
<b>NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b>(19,753,950)</b>	<b>11,912,750</b>
Cash, Cash Equivalents and Restricted Cash - Beginning of Year	<u>100,839,212</u>	<u>88,926,462</u>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR</b>	<b><u>\$ 81,085,262</u></b>	<b><u>\$ 100,839,212</u></b>
<b>RECONCILIATION TO THE STATEMENT OF FINANCIAL POSITION:</b>		
Cash and Cash Equivalents	\$ 12,606,666	\$ 11,596,032
Restricted Cash	17,606,854	22,520,165
Restricted Cash for Long-Term Purposes	6,514,160	7,691,656
Restricted Escrows and Reserves	64,933,582	79,607,359
Less Investments Held in Restricted Reserves	<u>(20,576,000)</u>	<u>(20,576,000)</u>
Total Cash, Cash Equivalents and Restricted Cash	<u>\$ 81,085,262</u>	<u>\$ 100,839,212</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Interest Paid	\$ 16,425,603	\$ 11,740,330
Noncash Investing and Financing Activities:		
Additions to Property and Equipment Included in Liabilities	7,207,362	9,122,303
Loan Principal and Accrued Interest Forgiven	424,044	2,495,650
Right of use asset acquired through lease obligation	249,027	-

See Accompanying Notes to Consolidated Financial Statements.

# COMMONBOND COMMUNITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

### 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 112 properties with approximately 6,800 affordable rental apartment and townhome units.

The Organization controls 117 affordable housing communities with approximately 7,130 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 virtually and 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 a variety of 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

**Accounting Standard Adopted** - Effective January 1, 2023, the Corporation adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Measurement of Credit Losses on Financial Instruments (Topic 326)*. ASU 2016-13 requires entities to utilize an "expected losses" model for estimating most credit losses. The adoption did not result in a significant change in amounts reported in the statement of activities and there was no cumulative-effect adjustment to net assets at the time of adoption.

**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.

(Continued)

## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

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

**Prior Year Summarized Information** – The financial statements include certain prior year summarized information, as restated (Note 25), 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, 2022, from which the summarized information was derived.

**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 inter-entity 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.

(Continued)

## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

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

**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.

**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, 2023  
(With Comparative Totals for 2022)

#### 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 (\$1,184,089 and \$433,396 as of December 31, 2023 and 2022) and restricted cash for long-term purposes (\$6,514,160 and \$7,691,656 as of December 31, 2023 and 2022) represent amounts received but not yet spent that are subject to donor, lender and board imposed restrictions.

(Continued)



## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

#### 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 (\$16,422,765 and \$22,086,769 as of December 31, 2023 and 2022).

Security deposits plus interest of \$2,699,401 and \$2,609,922 as of December 31, 2023 and 2022 are reported as a liability and included as part of the accrued expenses and other liabilities 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, 2023 and 2022, there were \$20,576,000 of these invested reserves. These reserves are being used to facilitate the financing 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 3.44% 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 received.

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. Residual Receipts Recapture is included in the consolidated statement of activities.

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

**Accounts Receivable** – Receivables consist of amounts due from tenants under the corresponding leases and amounts due from housing regulatory agencies under approved subsidy contracts. Receivables also include an installments receivable for the sale of an easement. No collateral is required for receivables.

(Continued)

**COMMONBOND COMMUNITIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

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

Accounts receivable are reported net of an allowance for uncollectable balances of \$1,875,707 and \$1,751,795 at December 31, 2023 and 2022. Management periodically assesses the collectability of accounts receivable and establishes allowances for accounts deemed to be uncollectible based on historical experience, relevant economic conditions, and the financial stability of its Housing Communities residents. Bad debt expense of \$2,774,236 in 2023 and \$2,698,756 in 2022 related to rent receivable is reported as a reduction of rental revenue.

**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, 2023 and 2022, an allowance for uncollectable promises to give of \$48,804 and \$13,047 has been recorded. Contributions receivable are written off when, in management’s estimation, it is probable that the receivable is not collectable.

**Predevelopment Costs** – 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. Predevelopment costs include, environmental studies, appraisals, purchase options, interest, architect and engineering, and legal and accounting costs and are recorded at cost. 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 included in Property and Equipment. Predevelopment costs are charged to operations when management determines the project is no longer feasible. Predevelopment costs charged to operations were \$87,412 in 2023 and \$184,949 in 2022.

**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 \$5,000 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, 2023  
(With Comparative Totals for 2022)

#### 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 \$1,737,218 and \$1,560,551 at December 31, 2023 and 2022.

**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, 2023 and 2022, 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, 2023  
(With Comparative Totals for 2022)

#### 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 were received if the loan agreement specified 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, 2023  
(With Comparative Totals for 2022)

#### 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 2023 and 2022 generated revenue of \$886,328 and \$748,926 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 as work is completed during the different phases of the project. Developer fees are eliminated in the consolidated financial statements.

**Property Management, Advantage Services, and Related Fees** – Property management, Advantage Services and related fees are recorded over time as work is completed in accordance with the terms of the agreements. Property management and Advantage Service 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 2023 and 2022.

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, 2023  
(With Comparative Totals for 2022)

#### 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.

CBC Development, LLC, 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 2023 and 2022, there were no such interest or penalties recorded in the accompanying 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.

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 \$4,500,000 at December 31, 2023 and 2022, as discussed in Note 21 which are excluded from this analysis, but could be drawn upon for unanticipated liquidity needs.

(Continued)

## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

#### 3. AVAILABILITY AND LIQUIDITY (Continued)

At December 31, 2023 and 2022, resources available for general expenditure within one year of the statement of financial position date are as follows:

	2023	2022
Current Assets	\$ 41,384,984	\$ 50,229,192
Less Prepaid Expenses	(1,282,405)	(1,082,644)
Resources available for general expenditures	\$ 40,102,579	\$ 49,146,548
Available for Corporate	\$ 16,013,136	\$ 20,093,128
Available for Housing Communities	24,089,443	29,053,420
	\$ 40,102,579	\$ 49,146,548

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

	Tier	2023	2022
<b>Cash and Cash Equivalents:</b>			
Corporate Operating Cash	I	\$ 7,548,373	\$ 4,345,112
Corporate Central Reserve	II	30,854	1,378,987
Corporate Operating Reserves	II	5,027,439	5,871,933
<b>Restricted Cash:</b>			
Corporate Donor Restricted	I	1,184,089	433,396
Housing Communities Operating Cash	I, II	9,130,558	15,193,689
Housing Communities Escrows	II	7,292,207	6,893,080
<b>Restricted Cash for Long-Term Purposes:</b>			
Corporate Donor Restricted	I	359,509	602,000
Housing Opportunity Fund	I	1,116,666	1,087,400
Corporate Predevelopment Costs	I	5,037,985	6,002,256
<b>Restricted Escrows and Reserves:</b>			
Housing Communities Reserves and Escrows	III	64,933,582	79,607,359
<b>Investments Held for Endowments:</b>			
Board Designated Endowment	IV	5,110,231	5,110,231
Endowment and accumulated earnings	IV	7,741,901	6,349,807

(Continued)

## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

#### 3. AVAILABILITY AND LIQUIDITY (Continued)

*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 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.

*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.

*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 (\$4,254,157 in 2023 and \$4,929,742 in 2022), Capital Magnet Funds (\$783,828 in 2023 and \$1,072,514 in 2022), or designated by the Board of Directors to be used for costs related to the acquisition and development of Housing Communities, before permanent funding is received. There was no board designated cash for corporate predevelopment costs at December 31, 2023 or 2022.

*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 \$4,570,694 in 2023 and \$3,192,600 in 2022 above the original gift amounts which is available for appropriation.

(Continued)



## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

#### 3. AVAILABILITY AND LIQUIDITY (Continued)

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 and US Treasury Notes	FDIC and SIPC insured	No longer than 90 days
IV	50/10/40 portfolio of equities, fixed income and treasury money market investments	SIPC insured	Mutual funds have daily liquidity

#### 4. PROMISES TO GIVE

Contributions receivable are unconditional promises to give and are due as follows:

	2023	2022
Amount receivable within one year	\$ 1,693,872	\$ 643,653
Amount receivable in 1-5 years	2,758,676	1,075,834
	4,452,548	1,719,487
Less allowance	(48,804)	(13,047)
Less discount	(303,596)	-
Contributions receivable (net)	4,100,148	1,706,440
Less current portion	(1,645,068)	(630,606)
	\$ 2,455,080	\$ 1,075,834
Contributions receivable (net), noncurrent	<u>\$ 2,455,080</u>	<u>\$ 1,075,834</u>

(Continued)

**COMMONBOND COMMUNITIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

**4. PROMISES TO GIVE (Continued)**

Contributions receivable are for:

	2023	2022
General operations and other	\$ 4,050,148	\$ 1,636,440
Housing Communities	50,000	-
Advantage Services	-	70,000
Contributions receivable (net)	\$ 4,100,148	\$ 1,706,440

At December 31, 2023 75% of the Organization’s contributions receivable were due from seventeen donors and at December 31, 2022, 90% of the Organization’s contributions receivable were due from nine donors.

Contributions receivable due from related parties totaled \$1,183,703 and \$1,220,900 at December 31, 2023 and 2022. Related parties include members of the Executive Committee, Directors, members of the Finance Committee, and select staff.

The Organization has conditional promises to give totaling \$14,481,131 and \$1,221,282 at December 31, 2023 and 2022, 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 2024.

The Organization entered into a grant agreement with the Minnesota Housing Finance Agency on December 13, 2023 under the Stable Housing Organization Relief Program (SHORP) in the amount of \$11,342,694, which is included in conditional promises to give. The SHORP funds must be fully expended by January 31, 2025.

(Continued)

## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

#### 5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2023	2022
Land and land improvements	\$ 89,734,099	\$ 85,912,583
Buildings and improvements	831,260,912	759,963,938
Furniture and equipment	35,721,903	29,523,788
Construction in progress	5,564,337	22,477,590
Predevelopment costs	1,313,217	1,439,175
	963,594,468	899,317,074
Accumulated depreciation	(262,732,375)	(236,445,715)
Net property and equipment	\$ 700,862,093	\$ 662,871,359

Construction in progress primarily consists of one new Housing Community and four new Housing Communities that were under construction at December 31, 2023 and 2022, respectively. Construction contracts on these projects total approximately \$20,040,000 and \$64,040,000 at December 31, 2023 and 2022. Construction is expected to be complete in 2024. As of December 31, 2023 and 2022, approximately \$9,405,000 and \$15,486,000 of the construction contracts have been completed. Predevelopment costs consist of eight properties that management is considering for development and are in the initial stages of development at December 31, 2023.

During 2022, the Organization sold a Housing Community with a net book value of \$11,061,317 for \$9,000,000. The net loss of \$2,061,317 is included on the statement of activity as a loss on disposal of property and equipment. As a part of the sale of the Housing Community, a lender agreed to forgive \$2,495,650 of deferred interest.

#### 6. INVESTMENTS HELD FOR ENDOWMENT

Investments held for endowment consist of the following:

	2023	2022
Mutual funds:		
Fixed income funds	\$ 1,703,260	\$ 2,527,915
US equity funds	3,197,139	4,679,589
International equity funds	2,914,430	4,226,970
Treasury money market funds	5,008,746	-
Catholic Community Foundation (70% equity funds, 30% fixed income funds)	28,557	25,564
Total investments	\$ 12,852,132	\$ 11,460,038

(Continued)

## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

#### 6. INVESTMENTS HELD FOR ENDOWMENT (Continued)

Net investment return consisted of the following:

	2023	2022
Gains (losses), net	\$ 1,512,356	\$ (2,508,049)
Investment income	296,218	250,512
Fees	(30,480)	(28,456)
Net investment return	\$ 1,778,094	\$ (2,285,993)

#### 7. LONG-TERM DEBT

Corporate long-term debt consists of the following:

	2023	2022
Unsecured 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, 2026 subject to three one year extensions through April 28, 2029.	\$ 1,000,000	\$ 1,000,000
Patient Capital 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 quarterly in equal installments beginning January 1, 2026 through maturity on December 10, 2027. The note is unsecured.	1,500,000	1,500,000
Three unsecured 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: \$2,000,000 in 2025; \$1,500,000 in 2026.	3,500,000	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 September 25, 2025. 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

(Continued)

**COMMONBOND COMMUNITIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

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

	2023	2022
<p>Note payable to Enterprise Community Loan Fund, Inc. in the original amount of \$2,367,123 with interest at 5%. Principal and interest were due in bi-annual payments based on a 35.5-year amortization period through July 31, 2023. The note was amended at 6.25% interest with principal and interest payments based on a 25-year amortization period through November 30, 2024, when the remaining principal and interest are due.</p>	2,164,840	2,198,296
<p>Note payable to Enterprise Community Loan Fund, Inc. in the original amount of \$3,238,200 with interest at 6%. Interest only was due in bi-annual payments through July 31, 2023. The note was amended at 6.25% interest with bi-annual interest payments through November 30, 2024, when the principal and remaining interest are due. As of December 31, 2023, \$2,277,367 has been advanced on this loan.</p>	2,277,367	2,277,367
<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, 2024.</p>	1,375,000	1,375,000
<p>Note payable to the Opus Foundation in the original amount of \$500,000. Interest is payable quarterly at a rate of 1%. Principal is due at maturity on March 31, 2025. The note is unsecured.</p>	500,000	500,000
<p>Note payable to the Glen Senior Housing Communities Inc. in the original amount of \$250,000. Interest is payable quarterly at a rate of 1%. Principal is due at maturity on September 1, 2025. The note is unsecured.</p>	250,000	250,000

(Continued)

**COMMONBOND COMMUNITIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

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

	2023	2022
<p>Notes payable to the City of Madison in the original amounts totaling \$1,480,000. The notes were used to finance a Housing Community in Madison, Wisconsin. \$740,000 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). Management has determined payment of interest is unlikely based on internal projections, and accordingly has not recorded any interest on this loan. Secured by a collateral assignment of a mortgage on the Housing Community.</p>	1,480,000	1,480,000
<p>Note payable to the Black Hills Area Community Foundation in the original amount of \$550,000. Interest is payable quarterly at a rate of 2%. The loan is to be used towards affordable housing acquisition and predevelopment costs in the Rapid City, South Dakota area. Up to \$150,000 of this loan may be forgiven if certain conditions are met. Any remaining principal is due at maturity on August 1, 2027. Secured by a collateral assignment of a mortgage on the Housing Community.</p>	550,000	550,000
<p>Notes payable to Washington County Community Development Agency in the original amounts of \$500,000 and \$450,000 without interest. The notes were used to finance two Housing Communities in Forest Lake, Minnesota. Principal is due February 15, 2049 and August 30, 2051, respectively, or upon the sale or refinance of the Housing Communities if earlier. Secured by collateral assignments of mortgages on the Housing Communities.</p>	950,000	950,000

(Continued)

**COMMONBOND COMMUNITIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

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

	2023	2022
Unsecured note payable to Vista Lutheran Church in the amount of \$150,000 without interest. The note was used to finance the acquisition of a Housing Community in St. Louis Park, Minnesota. The note was repaid in October 2023.	\$ -	\$ 150,000
Notes payable to various accredited investors provided under the Housing Opportunity Fund (Note 8).	1,875,000	2,025,000
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	1,000,000
	19,842,207	20,175,663
Less unamortized debt issuance costs	-	(9,275)
	\$ 19,842,207	\$ 20,166,388
Housing Communities Long-term debt consists of:		
Amortizing loans	\$ 230,123,117	\$ 211,001,418
Non-amortizing loans	171,039,902	165,376,288
	401,163,019	376,377,706
Less unamortized debt issuance costs	(8,541,185)	(8,879,646)
	\$ 392,621,834	\$ 367,498,060
Total Long-Term Debt, Net	\$ 412,464,041	\$ 387,664,448
Less current maturities	(21,243,223)	(20,103,461)
	\$ 391,220,818	\$ 367,560,987

(Continued)

## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

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

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%.
- **Non-amortizing Loans** - due upon maturity and have interest rates ranging from 0% to 5.5% and mature at various dates through 2063.

These loans are primarily 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.

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
2024	\$ 8,117,207	\$ 13,126,016	\$ 21,243,223
2025	2,750,000	10,456,301	13,206,301
2026	2,500,000	5,956,547	8,456,547
2027	3,350,000	11,226,911	14,576,911
2028	250,000	7,878,089	8,128,089
Thereafter	2,875,000	352,519,155	355,394,155
	<u>\$ 19,842,207</u>	<u>\$ 401,163,019</u>	<u>\$ 421,005,226</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, 2023 and 2022, the Housing Opportunity Fund has issued \$1,875,000 and \$2,025,000 of promissory notes to accredited investors (Note 7).

(Continued)



**COMMONBOND COMMUNITIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

**9. CONSTRUCTION NOTES PAYABLE**

Construction notes provide temporary financing for the construction of Housing Communities. The notes have interest rates ranging from a fixed rates between 2.93% and 4.8% to variable rates plus basis points (4.75% to 9% at December 31, 2023). The notes are secured by pledges of capital contributions and are guaranteed by CommonBond Communities.

The construction notes payable mature in 2024 (\$41,251,370), 2025 (\$8,509,795), and 2026 (\$20,576,600). 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 loan and noncontrolling equity financing (\$49,761,765), or restricted reserves (\$20,576,000). Current assets will not be used.

**10. DEFERRED REVENUE**

Deferred Revenue consists of:

	2023	2022
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	\$ 4,000,000
Funds received from the Margaret A Cargill Foundation to support housing stability and eviction prevention. The funds must be spent by December 31, 2025. Any unspent funds may be required to be returned.	2,000,000	-
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	1,425,000

(Continued)

**COMMONBOND COMMUNITIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

**10. DEFERRED REVENUE (Continued)**

	2023	2022
Promissory note payable to the City of Milwaukee under the Federal Home Loan Bank’s Affordable Housing Program totaling \$247,128 without interest. The note is for the acquisition and rehabilitation of a Housing Community and will be forgiven if the affordability requirements are maintained for 15 years beginning in 2021.	247,128	247,128
Funds received from the City of Annandale, Minnesota to finance improvements to a Housing Community. The funds must be repaid if certain conditions aren’t met through March 10, 2028, after which no repayment is required.	98,748	123,437
Funds received from Dane County Wisconsin, to finance a Housing Community located in Madison Wisconsin. The funds must be repaid if certain conditions aren’t met through September 1, 2050, after which no repayment is required.	362,041	375,491
	\$ 8,132,197	\$ 6,171,056

**11. INTEREST RATE SWAPS**

Two of the Housing Communities have debt with interest rates that fluctuate based on the SOFR 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 SOFR for fixed rate payments. The notional amount of the interest rate swaps was \$1,749,000 and \$1,817,000 at December 31, 2023 and 2022.

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 \$2,675 and \$17,053 at December 31, 2023 and 2022. The change in value of the interest rate swaps of \$14,378 in 2023 and \$179,059 in 2022 is included in gains 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, 2023  
(With Comparative Totals for 2022)

**12. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are as follows:

	2023	2022
<b>Expendable for specified purposes:</b>		
Advantage Services	\$ 1,038,364	\$ 468,245
Community Housing Opportunity Fund (CHOF)	582,967	582,967
Housing Communities	359,509	602,000
Other Specified Purposes	145,726	21,152
<b>Subject to the Passage of Time</b>	4,100,147	1,636,439
<b>Not subject to appropriation or expenditure:</b>		
Financing for development of Housing Communities:		
HUD capital advances	73,221,802	73,221,802
Forgivable loans	16,427,252	16,428,645
Section 1602 grants	1,726,955	2,632,869
<b>Endowments subject to the Organization's spending policy and appropriations:</b>		
Advantage Services Endowments (Note 17):		
General Advantage Services Endowment	2,435,977	2,435,977
Paul Fate Youth Endowment	270,855	270,855
Veterans Housing Endowment	320,025	320,025
Lauren Kesson Youth Endowment	144,350	144,350
Advantage Services Endowment earnings	4,570,694	3,192,600
<b>Total net assets with donor restrictions</b>	<b>\$ 105,344,623</b>	<b>\$ 101,957,926</b>

Net assets released from restrictions are as follows:

	2023	2022
Advantage Services	\$ 210,397	\$ 297,190
Housing Communities	585,000	250,000
Passage of specified time	553,700	680,487
Advantage Services Endowment earnings	400,000	469,992
Section 1602 grants	905,914	905,914
Other	53,255	5,008
	<b>\$ 2,708,266</b>	<b>\$ 2,608,591</b>

At December 31, 2023, net assets with donor restrictions consist of \$1,184,089 of restricted cash; \$4,100,148 of contributions receivable; \$942,476 of restricted cash for long-term purposes; \$7,741,901 investments held for endowment; and \$91,376,009 of Housing Communities' assets.

(Continued)

**COMMONBOND COMMUNITIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

**12. NET ASSETS WITH DONOR RESTRICTIONS (Continued)**

At December 31, 2022, net assets with donor restrictions consist of \$433,396 of restricted cash; \$1,706,440 of contributions receivable; \$1,184,967 of restricted cash for long-term purposes; \$6,349,807 investments held for endowment; and \$92,283,316 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.

**13. BOARD DESIGNATED NET ASSETS WITHOUT DONOR RESTRICTIONS**

Board designated net assets consist of:

	2023	2022
Corporate Central Reserve	\$ 30,854	\$ 1,378,987
Corporate Predevelopment Costs	1,360,342	1,211,169
Board Designated Endowment	5,110,231	5,110,231
Board Designated Net Assets	<u>\$ 6,501,427</u>	<u>\$ 7,700,387</u>

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

CommonBond Communities receives 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.

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.

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

	2023	2022
Materials and furniture	\$ 68,178	\$ 66,828
Total donated services, rent, and materials	<u>\$ 68,178</u>	<u>\$ 66,828</u>

(Continued)

## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

#### 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, 2023 and 2022.

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

	<u>2023</u>	<u>2022</u>
Deferred tax assets	\$ 14,175,000	\$ 9,351,000
Deferred tax liabilities	(4,890,000)	(4,773,000)
Net deferred tax asset	9,285,000	4,578,000
Less valuation allowance	(9,285,000)	(4,578,000)
Total deferred tax asset	<u>\$ -</u>	<u>\$ -</u>
Change in valuation allowance	<u>\$ 4,707,000</u>	<u>\$ 1,331,000</u>

At December 31, 2023 and 2022, the Organization has approximately \$33,800,000 and \$25,900,000 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 2043. The Organization also has available at December 31, 2023 and 2022, \$34,830,000 and \$23,940,000 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 2024 to 2043.

(Continued)

**COMMONBOND COMMUNITIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

**16. FAIR VALUE MEASUREMENTS**

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

	<u>Fair Value</u>	<u>Fair Value Measurement Inputs (see Note 2):</u>	
		<u>Level 1</u>	<u>Level 2</u>
<b>December 31, 2023</b>			
Assets:			
Investments in securities:			
US Treasury Notes (Restricted Reserves)	\$ 20,576,000	\$ 20,576,000	\$ -
US Treasury money market	5,008,746	5,008,746	
Mutual funds	7,814,829	7,814,829	-
		<u>\$ 33,399,575</u>	<u>\$ -</u>
Investments measured at net asset value:			
Catholic Community Foundation (70% equity funds, 30% fixed income funds)	28,557		
	<u>\$ 33,428,132</u>		
Liabilities:			
Interest rate swap agreements	<u>\$ 2,675</u>		<u>\$ 2,675</u>
		<u>Fair Value Measurement Inputs (see Note 2):</u>	
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
<b>December 31, 2022</b>			
Assets:			
Investments in securities:			
US Treasury Notes (Restricted Reserves)	\$ 20,576,000	\$ 20,576,000	\$ -
Mutual funds	11,434,474	11,434,474	-
		<u>\$ 32,010,474</u>	<u>\$ -</u>
Investments measured at net asset value:			
Catholic Community Foundation (70% equity funds, 30% fixed income funds)	25,564		
	<u>\$ 32,036,038</u>		
Liabilities:			
Interest rate swap agreements	<u>\$ 17,053</u>		<u>\$ 17,053</u>

(Continued)

## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

#### 16. FAIR VALUE MEASUREMENTS (Continued)

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 2022.

#### 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, 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, 2023  
(With Comparative Totals for 2022)

**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, 2021 as restated	\$ 5,110,231	9,114,361	\$ 14,224,592
Contributions	-	5,431	5,431
Net investment return	-	(2,285,993)	(2,285,993)
Earnings released	-	(469,992)	(469,992)
December 31, 2022 as restated	5,110,231	6,363,807	11,474,038
Net investment return	-	1,778,094	1,778,094
Earnings released	-	(400,000)	(400,000)
December 31, 2023	<u>\$ 5,110,231</u>	<u>\$ 7,741,901</u>	<u>\$ 12,852,132</u>

Endowment net assets consist of:

	2023	2022
Accounts receivable	\$ -	\$ 14,000
Investments held for Advantage Services endowment	7,741,901	6,349,807
Investments held for Board designated endowment	5,110,231	5,110,231
	<u>\$ 12,852,132</u>	<u>\$ 11,474,038</u>

**18. COMMERCIAL LEASES**

CommonBond Communities and affiliates lease commercial space to tenants under month to month and long-term operating leases. The long-term leases expire between 2025 and 2033. Rent revenue received under these commercial leases was \$231,986 in 2023 and \$326,496 in 2022. Approximate future minimum lease payments are as follows:

2024	\$ 346,000
2025	337,000
2026	321,000
2027	330,000
2028	338,000
Thereafter	1,085,000
	<u>\$ 2,757,000</u>

(Continued)



**COMMONBOND COMMUNITIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

**19. RIGHT OF USE ASSET AND LEASE OBLIGATION**

CommonBond Wisconsin, LLC entered into a 5-year lease commencing February 1, 2023, under which it leases office space for the Organization’s Wisconsin operations. Under the lease agreement, CommonBond Wisconsin, LLC is required to make monthly payments of \$4,390 commencing May 1, 2023 and increasing 2.5% on March 1, 2024 and annually thereafter.

The lease is considered an operating lease. As such, the Organization recognizes a right of use asset and a lease obligation on the balance sheet. The lease obligation is included in accrued expenses.

The lease liability is measured at the present value of the lease payments, using a discount rate of 3.50%, which represents the Organization’s estimate of the risk-free rate of return at the inception of the lease. The Organization has calculated the present value to be \$249,027 at the inception of the lease. This amount has been capitalized and recorded as a right-of-use asset on the Partnership’s balance sheet. Lease expense is recognized on a straight-line basis over the lease term.

The future lease payments under lease for each of the next five years are as follows:

2024	\$	53,790
2025		55,146
2026		56,535
2027		57,956
2028		9,699
Total lease payments		<u>233,126</u>
Less present value discount		<u>(16,104)</u>
Lease obligation	\$	<u>217,022</u>

Management believes that the terms of the lease agreement are reflective of current market conditions and do not expose the Organization to significant risks beyond those inherent in leasing property for its operations.

**20. 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 \$567,226 in 2023 and \$538,904 in 2022.

(Continued)

## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

#### 21. LINES OF CREDIT

The Organization has a line of credit with Synchrony Bank in the amount of \$2,000,000. Interest is payable quarterly at a variable rate equal to the Bloomberg Short-Term Yield Index plus 1.50% adjusted quarterly. The line of credit expires February 11, 2025 (maturity date), unless renewed, and is secured by the accounts, equipment, and other assets of CommonBond Communities. Each advance under the line of credit must be repaid the earlier of 24 months from the advance or the maturity date. The Organization has advanced \$500,000 on this line of credit, which was designated for predevelopment costs as of December 31, 2023 and 2022. The advance must be repaid by February 11, 2024.

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 the 30-day Secured Overnight Financing Rate average published by the Federal Reserve Bank of New York. The line of credit expires December 1, 2024, unless renewed, and is secured by the accounts, equipment, and other assets of CommonBond Communities. No amounts have been advanced on the line of credit.

The Organization has a line of credit with Old National Bank in the amount of \$2,000,000. Interest is payable monthly at a rate of 6.85%. The line of credit expires September 26, 2032, unless renewed, and is secured by a mortgage on the Organization's corporate office building and an assignment of rents and leases on the Organization's corporate office building. No amounts have been advanced on the line of credit.

#### 22. COVID RELIEF PROGRAMS

Federal, state and local governments created programs to provide funding to help offset the economic effects of the COVID-19 pandemic. The Organization was a recipient of several of these programs including the following:

**Social Security Tax Deferral** - The Organization elected to defer deposits totaling \$842,368 of its share of Social Security Tax. The deferred deposits are recorded as accrued expenses and other liabilities on the statement of financial position. The remaining deferral balance of \$99,168 at December 31, 2022 was due and paid by April 25, 2023.

**Employee Retention Credit (ERC)** - As an eligible employer, the Organization claimed ERC for payroll taxes paid on qualified wages in the first, second and third quarters of 2021. The Organization recognized total revenue of \$7,146,745 in 2022 for the ERC claimed, all of which is included in accounts receivable at December 31, 2022. The ERC was received in 2023.

(Continued)

## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

#### 23. 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.

**Commitments** - As of December 31, 2023, the Organization has several outstanding construction contracts with various general contractors related to housing developments. The contracts totaled approximately \$20 million, of which \$9.4 million was incurred prior to December 31, 2023.

During 2023, the Organization entered into a contract with a third party to provide maintenance related services to a majority of the Housing Communities. The contract includes approximately \$10 million of routine maintenance services annually. Non-routine maintenance activities are billed based on time and materials as approved by management of the Organization. The maintenance contract expires on April 30, 2023, unless renewed.

**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, 2023 and 2022, letters of credit of approximately \$2,361,232 and \$3,125,222 have been issued. The letters of credit expire at various dates through December 2024.

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

(Continued)

## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

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

**Legal Actions** - During the course of operations, the Organization is a party to various legal actions which are covered under the Organization's insurance policy. As a result, management of the Organization does not anticipate that any of these legal actions will have a material effect on its financial position or changes in net assets.

CommonBond Communities and CommonBond Housing were defendants in a class action lawsuit, filed by employees alleging willful nonpayment of wages earned during on-call time. Management of the Organization settled the claim through mediation with the plaintiffs in 2023. The settlement requires an initial lump sum payment of \$1,000,000 followed by \$700,000 to be paid in quarterly payments beginning in 2023 and ending by December 30, 2024. The settlement is not covered by insurance and the entire settlement amount of \$1,700,000 was recorded in accrued expenses and other liabilities at December 31, 2022. \$400,000 is recorded in accrued expenses and other liabilities at December 31, 2023.

**Housing Communities Operations** - Certain Housing Communities have operating deficits and are not able to meet their financial obligations without the financial support of the Organization's fundraising activities. Management evaluates the Housing Communities portfolio and explores all options to sustain operations in accordance with its mission. These options may include improving management and operations, refinancing debt and working with the Organization's strategic partners to increase funding for its portfolio, and the potential sale of Housing Communities.

**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, 2023  
(With Comparative Totals for 2022)

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

**COVID-19 Pandemic** - A nationwide public health emergency began developing in 2020. Many states enacted measures to combat the global pandemic resulting from a novel strain of coronavirus known as COVID-19. Even as the pandemic's direct impact has diminished, ongoing uncertainties exist associated with the pandemic including rent collection efforts, labor shortages and turnover, supply chain disruption, and inflation. The continuation of these circumstances could have a prolonged negative impact on the Organization's financial statements; however, the future effects of these issues are unknown.

#### 24. 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 to the Housing Opportunity Fund. The terms of the loans are equivalent to the terms offered to the general public.

#### 25. PRIOR PERIOD RESTATEMENT

During 2023, management of the Organization reviewed its historic contributions made to the Endowment for donor restrictions. Management discovered that \$4,396,533 of the contributions previously reported as donor restricted were actually designated to the endowment by the Board of Directors. The majority of these donations were from a previous capital campaign in which designation to an endowment was not specified in the capital campaign, but instead was designated by the Board of Directors to the endowment as a greatest need of the Organization. Accordingly, amounts reported in the endowment and in net assets with donor restrictions and board designations have been corrected and restated in the 2022 financial statements now presented. The correction did not have an effect on total net assets.

The effects of the restatement follow:

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
Investments Held for Endowment:			
Restricted by Donors	\$ 7,553,740	\$ (4,396,533)	\$ 3,157,207
Board Designated	713,698	4,396,533	5,110,231
Net Assets:			
Board Designated	\$ 3,303,854	\$ 4,396,533	\$ 7,700,387
With Donor Restrictions	106,354,459	(4,396,533)	101,957,926

(Continued)

## **COMMONBOND COMMUNITIES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the Year Ended December 31, 2023  
(With Comparative Totals for 2022)

#### **26. SUBSEQUENT EVENTS**

The Organization manages its Housing Communities portfolio for the greatest good of the Organization and its mission to build stable homes, strong futures and vibrant communities. Subsequent to December 31, 2023, a number of property dispositions have been undertaken. These dispositions are in various stages, with several transactions expected to close in 2024.

Management has evaluated subsequent events through May 30, 2024, the date on which the financial statements were available for issue, and identified no further significant events or transactions to disclose.

## **SUPPLEMENTARY INFORMATION**

**COMMONBOND COMMUNITIES**  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2023  
(With Comparative Totals for 2022)

	2023								
	CommonBond Communities	CommonBond Housing	CommonBond Others	Corporate Intercompany Eliminations	Corporate Subtotal	Consolidated Housing Communities	Eliminations	Total	2022
<b>ASSETS</b>									
<b>CURRENT ASSETS:</b>									
Cash and Cash Equivalents	\$ 11,668,673	\$ 891,222	\$ 46,771	\$ -	\$ 12,606,666	\$ -	\$ -	\$ 12,606,666	\$ 11,596,032
Restricted Cash	1,184,089	-	-	-	1,184,089	16,422,765	-	17,606,854	22,520,165
Accounts Receivable, Net	1,622,556	3,080,231	9,292	-	4,712,079	7,666,678	(4,134,766)	8,243,991	14,399,745
Accrued Developer Fee Receivable	3,480,176	-	29,965	-	3,510,141	-	(3,510,141)	-	-
Contributions Receivable	1,645,068	-	-	-	1,645,068	-	-	1,645,068	630,606
Notes Receivable	68,811	-	-	-	68,811	536,543	(605,354)	-	-
Prepaid Expenses	128,525	316,562	1,417	-	446,504	835,901	-	1,282,405	1,082,644
Total Current Assets	<u>19,797,898</u>	<u>4,288,015</u>	<u>87,445</u>	<u>-</u>	<u>24,173,358</u>	<u>25,461,887</u>	<u>(8,250,261)</u>	<u>41,384,984</u>	<u>50,229,192</u>
<b>PROPERTY AND EQUIPMENT:</b>									
Property and Equipment, Net	<u>3,784,505</u>	<u>80,690</u>	<u>4,272,509</u>	<u>-</u>	<u>8,137,704</u>	<u>767,698,633</u>	<u>(74,974,244)</u>	<u>700,862,093</u>	<u>662,871,359</u>
<b>OTHER ASSETS:</b>									
Contributions Receivable - Long-Term	2,455,080	-	-	-	2,455,080	-	-	2,455,080	1,075,834
Notes Receivable - Long-Term	25,339,447	-	43,544	-	25,382,991	375,219	(25,338,210)	420,000	420,000
Interest Receivable	550,158	-	-	-	550,158	244,276	(794,434)	-	-
Restricted Cash for Long-Term Purposes	5,397,494	-	1,116,666	-	6,514,160	-	-	6,514,160	7,691,656
Restricted Escrows and Reserves	-	-	147,176	-	147,176	64,786,406	-	64,933,582	79,607,359
Deferred Charges, Net	-	-	-	-	-	1,748,351	-	1,748,351	1,644,872
Right of Use Asset	-	-	217,022	-	217,022	-	-	217,022	-
Investments in Partnerships and LLC's	19,961,629	393,000	3,422,224	(1,008,163)	22,768,690	2,962,257	(25,703,715)	27,232	27,232
Investment - HPIEx	-	177,632	-	-	177,632	-	-	177,632	177,632
Investments Held for Endowment:									
Restricted by Donors	-	-	3,171,207	-	3,171,207	-	-	3,171,207	3,157,207
Accumulated Earnings	-	-	4,570,694	-	4,570,694	-	-	4,570,694	3,192,600
Board Designated	-	-	5,110,231	-	5,110,231	-	-	5,110,231	5,110,231
Intercompany Balances	31,214,501	(30,782,929)	(431,572)	-	-	-	-	-	-
Total Other Assets	<u>84,918,309</u>	<u>(30,212,297)</u>	<u>17,367,192</u>	<u>(1,008,163)</u>	<u>71,065,041</u>	<u>70,116,509</u>	<u>(51,836,359)</u>	<u>89,345,191</u>	<u>102,104,623</u>
Total Assets	<u>\$ 108,500,712</u>	<u>\$ (25,843,592)</u>	<u>\$ 21,727,146</u>	<u>\$ (1,008,163)</u>	<u>\$ 103,376,103</u>	<u>\$ 863,277,029</u>	<u>\$ (135,060,864)</u>	<u>\$ 831,592,268</u>	<u>\$ 815,205,174</u>

See Independent Auditor's Report.



**COMMONBOND COMMUNITIES**  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2023  
(With Comparative Totals for 2022)

	2023							2022	
	CommonBond Communities	CommonBond Housing	CommonBond Others	Corporate Intercompany Eliminations	Corporate Subtotal	Consolidated Housing Communities	Eliminations		Total
<b>LIABILITIES AND NET ASSETS</b>									
<b>CURRENT LIABILITIES:</b>									
Current Portion of Long-Term Debt	\$ 6,817,207	\$ -	\$ 1,300,000	\$ -	\$ 8,117,207	\$ 13,731,372	\$ (605,356)	\$ 21,243,223	\$ 20,103,461
Lines of Credit	500,000	-	-	-	500,000	-	-	500,000	500,000
Construction Payable	-	-	-	-	-	9,772,796	(2,565,434)	7,207,362	9,122,303
Accounts Payable	546,185	2,657,217	174,752	-	3,378,154	31,553,347	(23,294,904)	11,636,597	7,024,915
Accrued Expenses	479,896	1,045,957	56,975	-	1,582,828	22,040,915	(9,868,448)	13,755,295	14,475,816
Accrued Interest	238,118	-	3,750	-	241,868	5,515,226	(3,318,182)	2,438,912	2,179,614
Total Current Liabilities	<u>8,581,406</u>	<u>3,703,174</u>	<u>1,535,477</u>	<u>-</u>	<u>13,820,057</u>	<u>82,613,656</u>	<u>(39,652,324)</u>	<u>56,781,389</u>	<u>53,406,109</u>
<b>LONG-TERM LIABILITIES:</b>									
Long-Term Debt, net	10,150,000	-	3,234,941	(1,659,941)	11,725,000	472,040,808	(92,544,990)	391,220,818	367,560,987
Construction Notes Payable, net	-	-	-	-	-	70,337,765	-	70,337,765	73,832,445
Deferred Revenue	7,672,128	-	-	-	7,672,128	8,093,605	(7,632,816)	8,132,917	6,171,056
Accrued Interest	-	-	1,008,270	(1,008,270)	-	25,028,196	(18,882,824)	6,145,372	9,144,062
Interest Rate Swaps	-	-	-	-	-	2,675	-	2,675	17,053
Due to Partners	-	-	-	-	-	921,990	(921,990)	-	424,044
Accrued Expenses and Other Liabilities	-	-	169,913	-	169,913	13,549,547	(13,549,911)	169,549	402,515
Total Long-Term Liabilities	<u>17,822,128</u>	<u>-</u>	<u>4,413,124</u>	<u>(2,668,211)</u>	<u>19,567,041</u>	<u>589,974,586</u>	<u>(133,532,531)</u>	<u>476,009,096</u>	<u>457,552,162</u>
Total Liabilities	<u>26,403,534</u>	<u>3,703,174</u>	<u>5,948,601</u>	<u>(2,668,211)</u>	<u>33,387,098</u>	<u>672,588,242</u>	<u>(173,184,855)</u>	<u>532,790,485</u>	<u>510,958,271</u>
<b>NET ASSETS:</b>									
Without Donor Restrictions:									
Operating Fund	61,073,881	(29,546,766)	2,343,446	1,660,048	35,530,609	-	21,425,146	56,955,755	48,695,613
Housing Communities - Controlling interests	-	-	-	-	-	(30,178,716)	-	(30,178,716)	(16,762,077)
Housing Communities - Noncontrolling Interests	-	-	-	-	-	160,563,404	(384,710)	160,178,694	162,655,054
Board Designated	1,391,196	-	5,110,231	-	6,501,427	-	-	6,501,427	7,700,387
Total Net Assets Without Donor Restrictions	<u>62,465,077</u>	<u>(29,546,766)</u>	<u>7,453,677</u>	<u>1,660,048</u>	<u>42,032,036</u>	<u>130,384,688</u>	<u>21,040,436</u>	<u>193,457,160</u>	<u>202,288,977</u>
With Donor Restrictions	19,632,101	-	8,324,868	-	27,956,969	60,304,099	17,083,555	105,344,623	101,957,926
Total Net Assets	<u>82,097,178</u>	<u>(29,546,766)</u>	<u>15,778,545</u>	<u>1,660,048</u>	<u>69,989,005</u>	<u>190,688,787</u>	<u>38,123,991</u>	<u>298,801,783</u>	<u>304,246,903</u>
Total Liabilities and Net Assets	<u>\$ 108,500,712</u>	<u>\$ (25,843,592)</u>	<u>\$ 21,727,146</u>	<u>\$ (1,008,163)</u>	<u>\$ 103,376,103</u>	<u>\$ 863,277,029</u>	<u>\$ (135,060,864)</u>	<u>\$ 831,592,268</u>	<u>\$ 815,205,174</u>

See Independent Auditor's Report.

**COMMONBOND COMMUNITIES**  
CONSOLIDATING STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(With Comparative Totals for 2022)

	2023								2022
	CommonBond Communities	CommonBond Housing	CommonBond Others	Corporate Intercompany Eliminations	Corporate Subtotal	Consolidated Housing Communities	Eliminations	Total	
<b>REVENUES FROM OPERATIONS:</b>									
Contributions	\$ 12,817,341	\$ -	\$ 3,525	\$ (3,525)	\$ 12,817,341	\$ -	\$ -	\$ 12,817,341	\$ 5,871,964
In-Kind Contributions	68,178	-	-	-	68,178	-	-	68,178	66,828
Total Contributions	12,885,519	-	3,525	(3,525)	12,885,519	-	-	12,885,519	5,938,792
Government Grants - Operating	915,906	-	-	-	915,906	278,670	(336,142)	858,434	1,106,068
Government Grants - Construction	754,700	-	-	-	754,700	591,754	(452,957)	893,497	2,431,889
Total Government Grants	1,670,606	-	-	-	1,670,606	870,424	(789,099)	1,751,931	3,537,957
Fees for Services:									
Property Management	-	5,197,478	-	-	5,197,478	-	(5,160,696)	36,782	136,120
Housing Development	4,783,424	-	-	-	4,783,424	-	(4,783,424)	-	-
Advantage Services	2,309,002	-	-	-	2,309,002	-	(1,934,195)	374,807	233,119
Other	105,235	-	46,890	-	152,125	-	(73,406)	78,719	96,793
Total Fees for Services	7,197,661	5,197,478	46,890	-	12,442,029	-	(11,951,721)	490,308	466,032
Housing Communities Rental and Related Revenue, Net	39,255	-	-	-	39,255	77,263,816	(415,074)	76,887,997	75,568,095
Interest and Dividends	1,059,564	189,333	29,680	-	1,278,577	183,001	(643,923)	817,655	565,707
Other Receipts and Recoveries from Housing Communities	158,067	-	-	-	158,067	-	(158,067)	-	-
Miscellaneous	429,250	98,644	1,131,697	(1,011,762)	647,829	-	(485,452)	162,377	288,350
Total Housing and Other Revenue	1,686,136	287,977	1,161,377	(1,011,762)	2,123,728	77,446,817	(1,702,516)	77,868,029	76,422,152
Total Revenues from Operations	23,439,922	5,485,455	1,211,792	(1,015,287)	29,121,882	78,317,241	(14,443,336)	92,995,787	86,364,933
<b>EXPENSES FROM OPERATIONS:</b>									
Program Services:									
Property Operations and Management:	6,167,980	13,373,665	283,492	(276,864)	19,548,273	117,161,505	(21,038,099)	115,671,679	102,500,268
Housing Development	19,282,891	648,106	211,582	(128,694)	20,013,885	89,614	(18,979,199)	1,124,300	2,266,195
Advantage Services	5,972,610	617,351	188,012	(190,000)	6,587,973	2,395,044	(2,251,337)	6,731,680	6,092,408
Asset Management	196,467	27,984	6,383	(6,383)	224,451	-	-	224,451	585,255
Community Engagement	27,231	609	1,618	(850)	28,608	-	-	28,608	258,609
Total Program Services	31,647,179	14,667,715	691,087	(602,791)	46,403,190	119,646,163	(42,268,635)	123,780,718	111,702,735
Supporting Services:									
General and Administrative	1,256,989	1,925,235	533,925	(506,270)	3,209,879	-	-	3,209,879	3,629,495
Fund Development	955,377	17,417	32,603	(15,298)	990,099	-	-	990,099	1,713,770
Total Supporting Services	2,212,366	1,942,652	566,528	(521,568)	4,199,978	-	-	4,199,978	5,343,265
Total Expenses from Operations	33,859,545	16,610,367	1,257,615	(1,124,359)	50,603,168	119,646,163	(42,268,635)	127,980,696	117,046,000
<b>CHANGE IN NET ASSETS BEFORE OTHER INCOME AND EXPENSE</b>	(10,419,623)	(11,124,912)	(45,823)	109,072	(21,481,286)	(41,328,922)	27,825,299	(34,984,909)	(30,681,067)
<b>OTHER INCOME AND (EXPENSE):</b>									
Principal and Accrued Interest Forgiven	-	-	-	-	-	-	424,044	424,044	2,495,650
COVID Relief Programs	-	-	-	-	-	-	-	-	7,146,745
Employee Retention Credit	-	-	-	-	-	-	-	-	(1,700,000)
Legal Settlement	-	-	-	-	-	-	-	-	(2,261,927)
Loss on Disposal of Property and Equipment, Net	(782,451)	-	274,156	-	(508,295)	(312,098)	40,000	(780,393)	(19,612)
Residual Receipts Recapture	-	-	-	-	-	(64,610)	-	(64,610)	(2,285,993)
Endowment Investment Return, Net	-	-	1,778,094	-	1,778,094	-	-	1,778,094	59,807
Gains on Investments, Net	(308)	-	-	-	(308)	14,378	-	14,070	-
Gains (Losses) from Partnerships	(1,701,244)	-	(483)	-	(1,701,727)	(16,542)	1,718,269	-	-
Total Other Income and (Expense)	(2,484,003)	-	2,051,767	-	(432,236)	(378,727)	2,182,313	1,371,205	3,434,670
<b>CHANGE IN NET ASSETS</b>	(12,903,626)	(11,124,912)	2,005,944	109,072	(21,913,522)	(41,707,794)	30,007,612	(33,613,704)	(27,246,397)
Noncontrolling Interests in Losses	-	-	-	-	-	35,203,667	-	35,203,667	24,818,945
<b>CHANGE IN NET ASSETS AFTER NONCONTROLLING INTERESTS</b>	\$ (12,903,626)	\$ (11,124,912)	\$ 2,005,944	\$ 109,072	\$ (21,913,522)	\$ (6,504,127)	\$ 30,007,612	\$ 1,589,963	\$ (2,427,452)

See Independent Auditor's Report.

**COMMONBOND COMMUNITIES**  
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	CommonBond Communities	CommonBond Housing	CommonBond Others	Corporate Intercompany Eliminations	Corporate Subtotal	Consolidated Housing Communities	Eliminations	Total
<b>Balance, December 31, 2021</b>	\$ 86,017,125	\$ (13,853,330)	\$ 16,594,691	\$ 1,446,364	\$ 90,204,850	\$ 204,055,740	\$ 5,198,992	\$ 299,459,582
Change in Net Assets	4,392,421	(4,568,524)	(1,952,098)	104,612	(2,023,589)	(30,386,936)	5,164,128	(27,246,397)
Transfer of Capital Campaign Funds	-	-	-	-	-	-	-	-
Endowment Appropriation for Advantage Services	469,992	-	(469,992)	-	-	-	-	-
Other Transfers of Net Assets	-	-	-	-	-	-	-	-
Other Housing Activity:								
Capital Contributions	-	-	-	-	-	32,993,388	(680,086)	32,313,302
Cash Distributions	-	-	-	-	-	(268,084)	150,825	(117,259)
Syndication Costs and Other	-	-	-	-	-	(162,325)	-	(162,325)
<b>Balance, December 31, 2022</b>	\$ 90,879,538	\$ (18,421,854)	\$ 14,172,601	\$ 1,550,976	\$ 88,181,261	\$ 206,231,783	\$ 9,833,859	\$ 304,246,903
Change in Net Assets	(12,903,626)	(11,124,912)	2,005,944	109,072	(21,913,522)	(41,707,794)	30,007,612	(33,613,704)
Endowment Appropriation for Advantage Services	400,000	-	(400,000)	-	-	-	-	-
Other Transfers of Net Assets	3,721,266	-	-	-	3,721,266	(3,721,266)	-	-
Other Housing Activity:								
Capital Contributions	-	-	-	-	-	30,119,852	(1,437,776)	28,682,076
Cash Distributions	-	-	-	-	-	(115,945)	(279,704)	(395,649)
Syndication Costs and Other	-	-	-	-	-	(117,843)	-	(117,843)
<b>Balance, December 31, 2023</b>	<u>\$ 82,097,178</u>	<u>\$ (29,546,766)</u>	<u>\$ 15,778,545</u>	<u>\$ 1,660,048</u>	<u>\$ 69,989,005</u>	<u>\$ 190,688,787</u>	<u>\$ 38,123,991</u>	<u>\$ 298,801,783</u>
Reconciliation of 2023 Net Assets:								
Noncontrolling Interests:								
Beginning of Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 162,689,764	\$ (34,710)	\$ 162,655,054
Interest in Limited Partnership Losses	-	-	-	-	-	(35,203,667)	-	(35,203,667)
Capital Contributions	-	-	-	-	-	28,682,076	-	28,682,076
Cash Distribution	-	-	-	-	-	(45,649)	(350,000)	(395,649)
Syndication Costs	-	-	-	-	-	(117,843)	-	(117,843)
Assigned Interests	-	-	-	-	-	4,558,723	-	4,558,723
End of Year	-	-	-	-	-	160,563,404	(384,710)	160,178,694
Controlling Interests:								
Beginning of Year	90,879,538	(18,421,854)	14,172,601	1,550,976	88,181,261	43,542,019	9,868,569	141,591,849
Change in Net Assets	(12,903,626)	(11,124,912)	2,005,944	109,072	(21,913,522)	(6,504,127)	30,007,612	1,589,963
Endowment appropriation for Advantage Services	400,000	-	(400,000)	-	-	-	-	-
Other Transfers of Net Assets	3,721,266	-	-	-	3,721,266	(3,721,266)	-	-
Capital Contributions	-	-	-	-	-	1,437,776	(1,437,776)	-
Cash Distributions	-	-	-	-	-	(70,296)	70,296	-
Assigned Interests	-	-	-	-	-	(4,558,723)	-	(4,558,723)
End of Year	<u>82,097,178</u>	<u>(29,546,766)</u>	<u>15,778,545</u>	<u>1,660,048</u>	<u>69,989,005</u>	<u>30,125,383</u>	<u>38,508,701</u>	<u>138,623,089</u>
	<u>\$ 82,097,178</u>	<u>\$ (29,546,766)</u>	<u>\$ 15,778,545</u>	<u>\$ 1,660,048</u>	<u>\$ 69,989,005</u>	<u>\$ 190,688,787</u>	<u>\$ 38,123,991</u>	<u>\$ 298,801,783</u>

See Independent Auditor's Report.

**COMMONBOND COMMUNITIES**

SCHEDULE OF FINANCIAL POSITION  
NEIGHBORWORKS AMERICA FUNDS

DECEMBER 31, 2023

	Without Donor Restriction	With Donor Restrictions		Total
		Temporarily Restricted	Restricted in Perpetuity	
	<u>ASSETS</u>			
Current assets:				
Cash	\$ 3,942	\$ 136,526	\$ -	\$ 140,468
Total Assets	<u>\$ 3,942</u>	<u>\$ 136,526</u>	<u>\$ -</u>	<u>\$ 140,468</u>
	<u>NET ASSETS</u>			
Net assets:				
Total net assets	<u>\$ 3,942</u>	<u>\$ 136,526</u>	<u>\$ -</u>	<u>\$ 140,468</u>

STATEMENT OF ACTIVITIES  
NEIGHBORWORKS AMERICA FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2023

	Without Donor Restriction	With Donor Restrictions		Total
		Temporarily Restricted	Restricted in Perpetuity	
Grants:				
Round 1 Expendable Grants	\$ 182,000	\$ -	\$ -	\$ 182,000
Round 1 Capital Grants	360,000	-	-	360,000
Portfolio Strengthening Grant - Asset Management	-	160,000	-	160,000
Travel/Training	-	5,750	-	5,750
Other Unrestricted Grants	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
Total Grants	547,000	165,750	-	712,750
Expenditures:				
Capital Expenditures	\$ 360,000	\$ -	\$ -	\$ 360,000
General and Administrative Expenses	182,000	-	-	182,000
Portfolio Strengthening - Asset Management	-	36,821	-	36,821
Other	<u>10,279</u>	<u>3,255</u>	<u>-</u>	<u>13,534</u>
Total Expenditures	<u>552,279</u>	<u>40,076</u>	<u>-</u>	<u>592,355</u>
Change in Net Assets	(5,279)	125,674	-	120,395
Net Assets - Beginning of Year	<u>9,221</u>	<u>10,852</u>	<u>-</u>	<u>20,073</u>
Net Assets - End of Year	<u>\$ 3,942</u>	<u>\$ 136,526</u>	<u>\$ -</u>	<u>\$ 140,468</u>

See Independent Auditor's Report.