



## **COMMONBOND COMMUNITIES**

**CONSOLIDATED FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION**

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



## COMMONBOND COMMUNITIES

### CONSOLIDATED FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

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

#### 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	43
Consolidating Statement of Activities	45
Consolidating Statement of Changes in Net Assets	46
NeighborWorks Schedule of Financial Position and Statement of Activities	47



## 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, 2021, and the related consolidated statements of activities, changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to 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, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

### 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.

(Continued)

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

## **Report on Summarized Comparative Information**

We have previously audited CommonBond Communities and affiliates' 2020 consolidated financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated May 28, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

(Continued)

## Report on 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 43 to 46 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 47 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.

*Mahoney Ulbrich  
Christiansen Russ P.A.*

May 26, 2022

**COMMONBOND COMMUNITIES**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021  
(With Comparative Totals for 2020)

	2021	2020
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and Cash Equivalents	\$ 19,918,772	\$ 15,530,720
Restricted Cash	20,452,805	17,884,690
Certificates of Deposit	-	2,506,225
Accounts Receivable, Net	8,858,184	8,220,966
Contributions Receivable, Net	780,488	1,755,031
Prepaid Expenses	890,532	848,549
Total Current Assets	50,900,781	46,746,181
 <b>PROPERTY AND EQUIPMENT:</b>		
Property and Equipment, Net	653,523,522	614,404,435
 <b>OTHER ASSETS:</b>		
Contributions Receivable - Long-Term	120,000	-
Notes Receivable - Long-Term	420,000	420,000
Other Receivables	-	118,166
Restricted Cash for Long-Term Purposes	6,455,545	3,261,694
Restricted Escrows and Reserves	63,102,083	64,936,233
Deferred Charges, Net	1,546,998	1,398,368
Investments in Partnerships and LLCs	27,232	27,232
Investment - HPIEx	177,632	177,632
Investments Held for Endowment:		
Restricted by Donors	7,553,740	7,543,566
Accumulated Earnings	5,950,154	5,022,151
Board Designated	713,698	713,698
Total Other Assets	86,067,082	83,618,740
Total Assets	\$ 790,491,385	\$ 744,769,356

See Accompanying Notes to Consolidated Financial Statements.

**COMMONBOND COMMUNITIES**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021  
(With Comparative Totals for 2020)

	2021	2020
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Current Portion of Long-Term Debt	\$ 18,725,388	\$ 20,072,185
Line of Credit	500,000	500,000
Construction Costs Payable	7,811,115	5,671,001
Accounts Payable	5,111,127	4,294,279
Accrued Expenses and Other Liabilities	14,398,124	13,091,914
Accrued Interest	1,734,289	1,822,503
Total Current Liabilities	48,280,043	45,451,882
<b>LONG-TERM LIABILITIES:</b>		
Long-Term Debt, net	366,071,749	322,662,081
Construction Notes Payable	58,495,564	72,565,766
Deferred Revenue	6,061,069	10,059,892
Accrued Interest	11,220,758	9,920,952
Interest Rate Swaps	196,112	277,280
Due to Partners	454,044	449,044
Accrued Expenses and Other Liabilities	252,464	716,184
Total Long-Term Liabilities	442,751,760	416,651,199
Total Liabilities	491,031,803	462,103,081
<b>NET ASSETS:</b>		
Without Donor Restrictions:		
Undesignated:		
Operating Fund	43,146,459	33,133,036
Housing Communities - Controlling Interests	(11,723,347)	(8,551,685)
Housing Communities - Noncontrolling Interests	155,440,281	143,599,624
Board Designated	3,460,408	3,701,990
Total Without Donor Restrictions	190,323,801	171,882,965
With Donor Restrictions	109,135,781	110,783,310
Total Net Assets	299,459,582	282,666,275
Total Liabilities and Net Assets	\$ 790,491,385	\$ 744,769,356

See Accompanying Notes to Consolidated Financial Statements.

**COMMONBOND COMMUNITIES**

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2021  
(With Comparative Totals for 2020)

	2021		Total	2020
	Without Donor Restrictions	With Donor Restrictions		
<b>REVENUES FROM OPERATIONS:</b>				
Contributions	\$ 4,506,485	\$ 1,461,160	\$ 5,967,645	\$ 7,181,715
In-Kind Contributions	132,691	-	132,691	1,029,353
Released from Restrictions	4,506,333	(4,506,333)	-	-
Total Contributions	<u>9,145,509</u>	<u>(3,045,173)</u>	<u>6,100,336</u>	<u>8,211,068</u>
Government Grants - Operating	589,772	-	589,772	592,639
Government Grants - Construction	877,020	-	877,020	1,081,913
Total Government Grants	<u>1,466,792</u>	<u>-</u>	<u>1,466,792</u>	<u>1,674,552</u>
Fees for Services:				
Property Management	293,735	-	293,735	999,323
Housing Development	-	-	-	892
Advantage Services	300,635	-	300,635	256,599
Other	80,631	-	80,631	145,853
Total Fees for Services	<u>675,001</u>	<u>-</u>	<u>675,001</u>	<u>1,402,667</u>
Housing Communities Rental and Related Revenue	74,227,155	-	74,227,155	67,983,207
Investment Income	105,438	-	105,438	251,147
Miscellaneous	254,974	-	254,974	145,420
Total Housing and Other Revenue	<u>74,587,567</u>	<u>-</u>	<u>74,587,567</u>	<u>68,379,774</u>
Total Revenues from Operations	<u>85,874,869</u>	<u>(3,045,173)</u>	<u>82,829,696</u>	<u>79,668,061</u>
<b>EXPENSES FROM OPERATIONS:</b>				
Program Services:				
Property Operations and Management:				
Housing Communities	91,720,033	-	91,720,033	80,152,626
Third Party Contracts	728,742	-	728,742	1,668,722
Housing Development	3,503,667	-	3,503,667	3,257,558
Advantage Services	6,426,074	-	6,426,074	6,439,211
Asset Management	452,676	-	452,676	404,477
Community Engagement	336,880	-	336,880	291,334
Total Program Services	<u>103,168,072</u>	<u>-</u>	<u>103,168,072</u>	<u>92,213,928</u>
Supporting Services:				
General and Administrative	2,558,407	-	2,558,407	1,972,856
Fund Development	1,646,276	-	1,646,276	1,451,396
Total Supporting Services	<u>4,204,683</u>	<u>-</u>	<u>4,204,683</u>	<u>3,424,252</u>
Total Expenses from Operations	<u>107,372,755</u>	<u>-</u>	<u>107,372,755</u>	<u>95,638,180</u>
<b>CHANGE IN NET ASSETS BEFORE OTHER INCOME AND EXPENSE</b>	<u>(21,497,886)</u>	<u>(3,045,173)</u>	<u>(24,543,059)</u>	<u>(15,970,119)</u>
<b>OTHER INCOME AND (EXPENSE):</b>				
Principal and Accrued Interest Forgiven	4,291,851	-	4,291,851	-
Gain (Loss) on Disposal of Property and Equipment	(81,767)	-	(81,767)	(384,972)
Residual Receipts Recapture	-	-	-	(1,865)
Endowment Investment Return, Net	-	1,397,644	1,397,644	2,007,139
Gains (Losses) on Investments, Net	302,066	-	302,066	16,336
Total Other Income and (Expense)	<u>4,512,150</u>	<u>1,397,644</u>	<u>5,909,794</u>	<u>1,636,638</u>
<b>CHANGE IN NET ASSETS</b>	<u>(16,985,736)</u>	<u>(1,647,529)</u>	<u>(18,633,265)</u>	<u>(14,333,481)</u>
Noncontrolling Interests in activities of Housing Communities	23,585,915	-	23,585,915	16,379,775
<b>CHANGE IN NET ASSETS AFTER NONCONTROLLING INTERESTS</b>	<u>\$ 6,600,179</u>	<u>\$ (1,647,529)</u>	<u>\$ 4,952,650</u>	<u>\$ 2,046,294</u>

See Accompanying Notes to Consolidated Financial Statements.



**COMMONBOND COMMUNITIES**

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2021  
(With Comparative Totals for 2020)

	Without Donor Restrictions			With Donor Restrictions	Total
	Controlling Interests	Noncontrolling Interests	Total		
<b>Balance, December 31, 2019</b>	\$ 28,661,382	\$ 127,540,051	\$ 156,201,433	\$ 108,358,975	\$ 264,560,408
Change in Net Assets	(378,041)	(16,379,775)	(16,757,816)	2,424,335	(14,333,481)
Other Housing Activity:					
Capital Contributions	-	32,965,133	32,965,133	-	32,965,133
Cash Distributions	-	(212,209)	(212,209)	-	(212,209)
Syndication Costs and Other	-	(313,576)	(313,576)	-	(313,576)
<b>Balance, December 31, 2020</b>	28,283,341	143,599,624	171,882,965	110,783,310	282,666,275
Change in Net Assets	6,600,179	(23,585,915)	(16,985,736)	(1,647,529)	(18,633,265)
Other Housing Activity:					
Capital Contributions	-	35,811,216	35,811,216	-	35,811,216
Cash Distributions	-	(105,583)	(105,583)	-	(105,583)
Syndication Costs and Other	-	(279,061)	(279,061)	-	(279,061)
<b>Balance, December 31, 2021</b>	<u>\$ 34,883,520</u>	<u>\$ 155,440,281</u>	<u>\$ 190,323,801</u>	<u>\$ 109,135,781</u>	<u>\$ 299,459,582</u>

See Accompanying Notes to Consolidated Financial Statements.

COMMONBOND COMMUNITIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2021  
(With Comparative Totals for 2020)

2021

	PROGRAM SERVICES									SUPPORTING SERVICES				2020
	Property Operations and Management		Housing Development	Advantage Services	Asset Management	Community Engagement	Housing Communities	Eliminations	Total	General and Administrative	Fund Development	Eliminations	Total	
	Housing Communities	Third Party Contracts												
Salaries, Taxes and Fringes:														
Salaries	\$ 3,355,761	\$ 530,278	\$ 1,284,928	\$ 3,954,812	\$ 320,611	\$ 232,459	\$ 7,860,373	\$ -	\$ 17,539,222	\$ 993,025	\$ 1,012,623	\$ -	\$ 19,544,870	\$ 18,757,748
Payroll Taxes and Fringes	656,102	103,807	262,377	812,447	62,837	47,887	1,805,733	-	3,751,190	195,792	208,059	-	4,155,041	3,969,558
Total Salaries, Taxes and Fringes	<u>4,011,863</u>	<u>634,085</u>	<u>1,547,305</u>	<u>4,767,259</u>	<u>383,448</u>	<u>280,346</u>	<u>9,666,106</u>	<u>-</u>	<u>21,290,412</u>	<u>1,188,817</u>	<u>1,220,682</u>	<u>-</u>	<u>23,699,911</u>	<u>22,727,306</u>
Consulting Services	71,811	11,176	329,135	331,683	18,214	1,745	-	-	763,764	829,618	68,327	-	1,661,709	1,167,452
Office Supplies and Printing	328,536	51,595	83,833	239,212	30,805	13,593	-	-	747,574	127,835	61,211	-	936,620	1,110,886
Telephone	53,371	8,453	22,103	68,767	5,123	4,062	-	-	161,879	16,039	17,612	-	195,530	223,115
Occupancy	152,697	19,754	47,847	147,320	11,948	8,661	-	(388,227)	-	181,963	37,717	(219,680)	-	-
Travel	24,966	3,987	13,127	41,969	2,434	2,509	-	-	88,992	7,913	10,757	-	107,662	136,979
Education and Training	21,452	3,424	8,287	25,454	2,049	1,503	-	-	62,169	6,372	6,535	-	75,076	44,765
In-Kind Expense	-	-	-	102,291	-	-	-	-	102,291	30,400	-	-	132,691	1,029,353
Program Contracts and Supplies	8,976	-	111,816	140,288	100	-	-	-	261,180	360	-	-	261,540	202,964
Rental Assistance	570,957	-	-	-	-	-	-	-	570,957	-	-	-	570,957	-
Predevelopment Cost Expense	-	-	419,338	-	-	-	-	-	351,397	-	-	-	351,397	631,006
Bad Debt (Recoveries)	1,101,122	-	556,856	-	-	-	1,136,759	(1,655,413)	1,139,324	-	8,002	-	1,147,326	1,127,892
Special Event Expense	-	-	-	-	-	-	-	-	-	-	5,208	-	5,208	-
Miscellaneous	17,264	2,649	30,834	136,950	1,730	5,389	-	(44,300)	150,516	7,708	117,121	-	275,345	193,642
Repairs and Maintenance	64,629	10,392	44,750	146,586	6,420	8,856	15,782,545	(982,552)	15,081,626	21,984	37,593	-	15,141,203	12,805,308
Administrative Expense	-	-	-	-	-	-	11,238,485	(5,780,277)	5,458,208	-	-	-	5,458,208	4,051,124
Advantage Service Fees	-	-	-	-	-	-	1,956,075	(1,790,704)	165,371	-	-	-	165,371	120,757
Utilities Expense	-	-	-	-	-	-	7,810,596	-	7,810,596	-	-	-	7,810,596	6,895,428
Insurance Expense	-	-	-	-	-	-	2,866,708	-	2,866,708	44,760	-	-	2,911,468	2,185,042
Real Estate Taxes	-	-	-	-	-	-	7,429,868	-	7,429,868	-	-	-	7,429,868	6,914,891
Depreciation and Amortization	-	-	-	-	-	-	27,507,732	(2,296,672)	25,211,060	260,704	-	-	25,471,764	21,919,629
Interest and Other Finance Charges	21,673	2,981	187,558	304,544	2,353	18,877	16,014,035	(3,097,841)	13,454,180	15,897	93,228	-	13,563,305	12,150,641
	<u>6,449,317</u>	<u>748,496</u>	<u>3,402,789</u>	<u>6,452,323</u>	<u>464,624</u>	<u>345,541</u>	<u>101,408,909</u>	<u>(16,103,927)</u>	<u>103,168,072</u>	<u>2,740,370</u>	<u>1,683,993</u>	<u>(219,680)</u>	<u>107,372,755</u>	<u>95,638,180</u>
Housing Communities by Function	99,127,925	-	324,909	1,956,075	-	-	(101,408,909)	-	-	-	-	-	-	-
Eliminations by Function	(13,857,209)	(19,754)	(224,031)	(1,982,324)	(11,948)	(8,661)	-	16,103,927	-	(181,963)	(37,717)	219,680	-	-
	<u>\$ 91,720,033</u>	<u>\$ 728,742</u>	<u>\$ 3,503,667</u>	<u>\$ 6,426,074</u>	<u>\$ 452,676</u>	<u>\$ 336,880</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$103,168,072</u>	<u>\$ 2,558,407</u>	<u>\$ 1,646,276</u>	<u>\$ -</u>	<u>\$107,372,755</u>	<u>\$ 95,638,180</u>

See Accompanying Notes to Consolidated Financial Statements.

**COMMONBOND COMMUNITIES**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021  
(With Comparative Totals for 2020)

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ (18,633,265)	\$ (14,333,481)
Adjustments to Reconcile Change in Net Assets to Net Cash From Operating Activities:		
Depreciation	25,307,027	21,752,132
Amortization	1,003,099	1,009,347
Grants Used for Construction	(877,020)	(1,081,913)
(Gains) Losses on Investments	(1,239,219)	(1,613,717)
Reinvested Income on Investments and Endowment	(461,058)	(482,028)
Loss on Disposal of Property	81,767	384,972
Principal and Accrued Interest Forgiven	(4,291,871)	(300,000)
Contributions Restricted for Long-term Purposes	(7,000)	(5,654)
Contributions Restricted for Housing Opportunity Fund	-	(302,860)
Changes in Operating Assets and Liabilities:		
Accounts and Notes Receivable	(639,227)	(4,586,295)
Contributions Receivable	854,543	(1,028,541)
Prepaid Expenses	(41,983)	(77,069)
Accounts Payable and Accrued Expenses	2,123,058	1,533,695
Accrued Interest	1,211,592	1,701,125
Other Liabilities	(463,720)	462,306
Net Cash From Operating Activities	<u>3,926,723</u>	<u>3,032,019</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Property and Equipment	(62,367,767)	(91,911,245)
Proceeds from Sale of Property and Equipment	120,175	120,175
Purchase of Investments Held for Endowment	(10,175)	-
Proceeds from Sale of Investments Held for Endowment	469,992	462,902
Proceeds from Sale of Certificates of Deposit	2,496,728	3,357,787
Purchase of Investments Held in Restricted Reserves	410,719	287,994
Net Cash From Investing Activities	<u>(58,880,328)</u>	<u>(87,682,387)</u>

See Accompanying Notes to Consolidated Financial Statements.

**COMMONBOND COMMUNITIES**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021  
(With Comparative Totals for 2020)

<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from Long-Term Debt, Construction Notes and Deferred Revenue	\$ 83,243,090	\$ 92,843,148
Payments on Long-Term Debt and Construction Notes	(54,013,125)	(30,240,303)
Contributions Restricted for Endowment	7,000	5,654
Contributions Restricted for Housing Opportunity Fund	-	302,860
Grants Received for Construction	877,020	1,081,913
Proceeds from (Payment on) Line of Credit	-	500,000
Change in Due to Partners	5,000	(101,655)
Payment of Deferred Charges and Finance Fees	(2,095,977)	(1,476,357)
Capital Contributions - Housing Communities	35,811,216	32,965,133
Distributions - Housing Communities	(105,583)	(212,209)
Syndication Costs - Housing Communities	(279,061)	(313,576)
Net Cash From Financing Activities	<u>63,449,580</u>	<u>95,354,608</u>
<b>NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	8,495,975	10,704,240
Cash, Cash Equivalents and Restricted Cash - Beginning of Year	<u>80,430,487</u>	<u>69,726,247</u>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR</b>	<u>\$ 88,926,462</u>	<u>\$ 80,430,487</u>
<b>RECONCILIATION TO THE STATEMENT OF FINANCIAL POSITION:</b>		
Cash and Cash Equivalents	\$ 19,918,772	\$ 15,530,720
Restricted Cash	20,452,805	17,884,690
Restricted Cash for Long-Term Purposes	6,455,545	3,261,694
Restricted Escrows and Reserves	63,102,083	64,936,233
Less Investments Held in Restricted Reserves	(21,002,743)	(21,182,850)
Total Cash, Cash Equivalents and Restricted Cash	<u>\$ 88,926,462</u>	<u>\$ 80,430,487</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Interest Paid	\$ 11,149,469	\$ 9,481,076
Noncash Investing and Financing Activities:		
Additions to Property and Equipment Included in Liabilities	7,811,115	5,671,001
PPP Loan Principal and Accrued Interest Forgiven	4,291,871	-
Assumption of Long-Term Debt	-	4,097,705
Long-Term Debt Forgiven and Recorded as a Contribution	-	300,000

See Accompanying Notes to Consolidated Financial Statements.

# COMMONBOND COMMUNITIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

### 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 124 properties with approximately 7,050 affordable rental apartment and townhome units.

The Organization controls 113 affordable housing communities with approximately 6,900 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

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

**Prior Year Summarized Information** – The financial statements include certain prior year summarized information in total but not by net asset class or by functional expenses. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

(Continued)

## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

**Use of Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

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

(Continued)

## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

(Continued)

## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

#### 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 (\$619,203 and \$1,484,174 as of December 31, 2021 and 2020) and restricted cash for long-term purposes (\$6,455,545 and \$3,261,694 as of December 31, 2021 and 2020) 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, 2021  
(With Comparative Totals for 2020)

#### 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 (\$19,833,602 and \$16,400,516 as of December 31, 2021 and 2020).

Security deposits plus interest of \$2,569,437 and \$2,421,457 as of December 31, 2021 and 2020 are reported as a liability and included as part of the accrued expenses balance.

**Restricted Escrows and Reserves** – In accordance with the terms of the Housing Communities' long-term debt, limited partnership, and limited liability company operating agreements, the communities are required to maintain escrow and reserve accounts primarily for future use in property refurbishments, financing operating deficits, and paying debt service.

Certain restricted reserves are invested in U.S. Treasury notes. At December 31, 2021 and 2020, there were \$21,002,743 and \$21,182,850 of these invested reserves, respectively. These reserves will be used to facilitate the construction of new Housing Communities.

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

The Organization has a 3.6% equity interest in the Housing Partnership Insurance Exchange (HPIEx), an organization formed to reduce and stabilize property and liability insurance premiums for its subscribers. The investment in HPIEx is recorded on a cost basis as the Organization is not able to influence the operating or financial policies of HPIEx. Under that method, the Organization records income only to the extent of distributions.

Certain Housing Communities are required to deposit excess cash flow, as defined by the U.S. Department of Housing and Urban Development (HUD), to a residual receipts reserve. HUD recaptures excess residual receipts reserves held by Section 202 and 811 Housing Communities if the residual receipts reserves exceed \$250 per unit. The 2021 and 2020 consolidated statement of activities includes Residual Receipts Recapture of \$0 and \$1,865.

**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.

(Continued)

**COMMONBOND COMMUNITIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

**Accounts Receivable** – Receivables consist of amounts due from tenants under the corresponding leases and amounts due from housing regulatory agencies under approved subsidy contracts. Receivables also include an installments receivable for the sale of an easement. No collateral is required for receivables. Accounts receivable are reported net of an allowance for uncollectable balances of \$419,546 and \$105,024 at December 31, 2021 and 2020. Accounts receivable are written off as a charge to the allowance when, in management’s estimation, it is probable that the receivable is not collectable.

**Contributions Receivable** – Promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. At December 31, 2021 and 2020, an allowance for uncollectable promises to give of \$21,255 and \$13,253 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 \$351,397 in 2021 and \$631,006 in 2020.

**Property and Equipment** – Property and equipment are recorded at acquisition cost. Donated property and equipment are recorded at the fair market value as of the date of contribution. Costs to develop a property incurred for interest, finance fees, real estate taxes and insurance are capitalized only during periods in which activities necessary to prepare the property for its intended use are in progress. After development is completed, capital expenditures of \$1,000 or more are capitalized. The costs of ordinary repairs and maintenance are expensed when incurred. Depreciation is computed using straight-line and accelerated methods.

The estimated useful lives of Property and Equipment are as follows:

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

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

(Continued)

## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

#### 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 \$1,383,966 and \$1,271,457 at December 31, 2021 and 2020.

**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, 2021 and 2020, 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.

The Organization met the Small Business Administration's (SBA) Payroll Protection Program (PPP) loan forgiveness criteria and, therefore, the PPP loan was forgiven in 2021. As a result, the Organization accounted for the PPP loan (Note 10) as a conditional contribution that was recognized as revenue in 2021 when the PPP loan was forgiven, and all conditions had been met.

(Continued)

## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

**Government Grants and Contracts** – Government grants and contract funds are accounted for as contributions. Government grants and contracts are considered conditional based upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Revenue is recognized when eligible expenditures, as defined in each grant or contract, are incurred. Funds received but not yet earned are recorded as deferred revenue. Expenditures under government grants and contracts are subject to review by the granting authority. If, as a result of such a review, expenditures are determined to be unallowable, the disallowance will be recorded at the time the assessment for refund is made.

Capital advances have been received from the Department of Housing and Urban Development (HUD) under the Section 202 and 811 programs. These advances are subject to several requirements, including that the related property be used as affordable housing for 40 to 55 years. Based on the history of the Organization, management believes violation of the agreements and repayment of these grants are not likely. These grants are reported as net assets with donor restrictions not subject to appropriation or expenditure, and are released from restriction upon expiration of the grant requirements (Note 12).

Revenue from Section 1602 grants from state housing agencies is deferred and recognized as revenue using the straight-line method over 30 years on the Housing Community financial statements. For the consolidated financial statements, these grants are recognized as net assets with donor restrictions subject to the passage of time if compliance is maintained when received and released from restriction on a straight-line basis over the 15-year compliance period (Note 12).

Prior to the Organization's adoption of ASU 2018-08 in 2019, forgivable loans were recognized as a contribution or grant in the period they are received if the loan agreement specifies the lender will forgive the loan under a defined set of conditions, and violation of the conditions which will lead to forgiveness is considered a remote possibility. These contributions or grants were recognized as net assets with donor restrictions not subject to appropriation or expenditure, and are released from restriction when those conditions have been met (Note 12).

(Continued)

## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

#### 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 2021 and 2020 generated revenue of \$886,524 and \$729,117 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 2021 and 2020.

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, 2021  
(With Comparative Totals for 2020)

#### 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 2021 and 2020, 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 \$2,500,000 at December 31, 2021 and 2020 as discussed in Note 20 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, 2021  
(With Comparative Totals for 2020)

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

At December 31, 2021 and 2020, resources available for general expenditure within one year of the statement of financial position date are as follows:

	2021	2020
Current Assets	\$ 50,900,781	\$ 46,746,181
Less Prepaid Expenses	(890,532)	(848,549)
Resources available for general expenditures	\$ 50,010,249	\$ 45,897,632
Available for Corporate	\$ 21,999,901	\$ 22,252,773
Available for Housing Communities	28,010,348	23,644,859
	\$ 50,010,249	\$ 45,897,632

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	2021	2020
<b>Cash and Cash Equivalents:</b>			
Corporate Operating Cash	I	\$ 12,685,624	\$ 10,816,038
Corporate Central Reserve	II	1,368,256	1,357,785
Corporate Operating Reserves	II	5,864,892	3,356,897
<b>Restricted Cash:</b>			
Corporate Donor Restricted	I	619,203	1,484,174
Housing Communities Operating Cash	I, II	13,533,542	10,479,313
Housing Communities Escrows	II	6,300,060	5,921,203
<b>Certificates of Deposit:</b>			
Corporate Operating Reserves	IV	-	2,506,225
<b>Restricted Cash for Long-Term Purposes:</b>			
Corporate Donor Restricted	I	340,000	290,000
Housing Opportunity Fund	I	1,080,714	1,077,585
Corporate Predevelopment Costs	I	5,034,831	1,894,109
<b>Restricted Escrows and Reserves:</b>			
Housing Communities Reserves and Escrows	III	63,102,083	64,936,233
<b>Investments Held for Endowments:</b>			
Board Designated Endowment	V	713,698	713,698
Advantage Services Endowment	V	13,503,894	12,565,717

(Continued)



## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

#### 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 Donor Restricted* - Cash restricted by donors for specific purposes.

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

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

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

*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 (\$1,764,022 in 2021 and \$0 in 2020), Capital Magnet Funds (\$3,006,477 in 2021 and \$1,894,109 in 2020), or designated by the Board of Directors (\$264,332 in 2021 and \$0 in 2020) to be used for costs related to the acquisition and development of Housing Communities, before permanent funding is received.

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

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

*Advantage Services Endowment* - Long-term restricted support from donors including earnings of \$5,950,154 in 2021 and \$5,022,151 in 2020 above the original gift amounts which is available for appropriation.

(Continued)



## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

#### 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	FDIC and SIPC insured	No longer than 90 days
IV	Laddered Certificates of Deposit	FDIC insured	About 20% of balance matures every 90 days
V	70/30 portfolio of equities and fixed income investments	SIPC insured	Mutual funds have daily liquidity

#### 4. PROMISES TO GIVE

Contributions receivable are unconditional promises to give and are due in 2022 and 2023. Contributions receivable are for:

	2021	2020
General operations and other	\$ 800,488	\$ 1,275,781
COVID-19 Relief	-	433,250
Advantage Services	100,000	46,000
Contributions receivable (net)	<u>\$ 900,488</u>	<u>\$ 1,755,031</u>

At December 31, 2021 85% of the Organization's contributions receivable were due from seven donors and at December 31, 2020, 76% of the Organization's contributions receivable were due from three donors.

(Continued)

## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

Contributions receivable due from related parties totaled \$235,500 and \$231,510 at December 31, 2021 and 2020. Related parties include members of the Executive Committee, Directors, General Counsel, members of the Finance Committee, and select staff.

The Organization has conditional promises to give totaling \$416,962 and \$674,733 at December 31, 2021 and 2020, 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 2022.

#### 5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2021	2020
Land and land improvements	\$ 83,068,842	\$ 79,378,732
Buildings and improvements	747,050,154	674,568,211
Furniture and equipment	28,162,925	24,645,289
Construction in progress	11,120,751	27,230,469
Predevelopment costs	2,778,926	3,180,895
	<u>872,181,598</u>	<u>809,003,596</u>
Accumulated depreciation	<u>(218,658,076)</u>	<u>(194,599,161)</u>
Net property and equipment	<u>\$ 653,523,522</u>	<u>\$ 614,404,435</u>

Construction in progress primarily consists of three new Housing Communities that are under construction. Construction contracts on these projects total approximately \$31,260,000 and are expected to be completed during 2022. As of December 31, 2021, approximately \$10,818,800 of the construction contracts have been completed. Predevelopment costs consist of nine properties that management is considering for development and are in the initial stages of development at December 31, 2021.

(Continued)

## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

#### 6. INVESTMENTS HELD FOR ENDOWMENT

Investments held for endowment consist of the following:

	2021	2020
Mutual funds:		
Fixed income funds	\$ 3,196,207	\$ 3,250,367
US equity funds	6,015,616	5,172,225
International equity funds	4,977,049	4,832,161
Catholic Community Foundation (70% equity funds, 30% fixed income funds)	28,720	24,662
Total investments	\$ 14,217,592	\$ 13,279,415

Net investment return consisted of the following:

	2021	2020
Gains, net	\$ 1,167,548	\$ 1,811,427
Investment income	256,279	218,233
Fees	(26,183)	(22,521)
Net investment return	\$ 1,397,644	\$ 2,007,139

#### 7. LONG-TERM DEBT

Corporate long-term debt consists of the following:

	2021	2020
Note payable to US Bank in the original amount of \$1,000,000. Interest is payable quarterly at a rate of 4.0%. Principal is due at maturity on April 28, 2023. The note is unsecured.	\$ 1,000,000	\$ 1,000,000
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 April 1, 2022 through maturity on December 30, 2023. The note is unsecured.	1,500,000	1,500,000
Three notes payable to Ameriprise Bank in the original amounts totaling \$3,500,000. Interest is payable quarterly at rates between 2.50 – 3.00%. Principal is due at maturity on November 1 of the following years: (\$1,000,000 in 2024; \$1,000,000 in 2025; \$1,500,000 in 2026). The notes are unsecured.	3,500,000	3,500,000

(Continued)

## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

	2021	2020
<p>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.</p>	\$ 1,000,000	\$ 1,000,000
<p>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.</p>	420,000	420,000
<p>Note payable to Enterprise Community Loan Fund, Inc. in the original amount of \$2,367,123 with interest at 5%. Principal and interest are due in bi-annual payments based on a 35.5-year amortization period through July 31, 2023 when the remaining principal and interest are due.</p>	2,230,118	2,260,386
<p>Note payable to Enterprise Community Loan Fund, Inc. in the original amount of \$3,238,200 with interest at 6%. Interest only is due in bi-annual payments through July 31, 2023, when the principal and remaining interest are due. As of December 31, 2021, \$2,277,367 has been advanced on this loan.</p>	2,277,367	2,277,367
<p>Note payable to Pohlada Family Foundation in the original amount of \$1,375,000 with interest at 3%. Principal and interest are due in annual payments solely from surplus cash of a Housing Community through July 28, 2023.</p>	1,375,000	1,375,000
<p>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, 2021  
(With Comparative Totals for 2020)

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

	2021	2020
<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	-
<p>Notes payable to Local Initiatives Support Corporation (LISC) without interest. The notes are used to cover predevelopment costs for Housing Communities and are due on demand.</p>	40,000	90,000
<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 refinancing of the Housing Communities if earlier. Secured by collateral assignments of mortgages on the Housing Communities.</p>	950,000	500,000

(Continued)

## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

	2021	2020
Notes payable to various accredited investors provided under the Housing Opportunity Fund (Note 8).	\$ 2,025,000	\$ 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
	20,097,485	19,177,753
Less unamortized debt issuance costs	(26,395)	(43,515)
Total Corporate Long-Term Debt, Net	\$ 20,071,090	\$ 19,134,238
Housing Communities Long-term debt consists of:		
Amortizing loans	\$ 211,080,732	\$ 176,373,800
Non-amortizing loans	161,757,765	154,377,310
	372,838,497	330,751,110
Less unamortized debt issuance costs	(8,112,450)	(7,151,082)
Total Housing Communities Long-Term Debt, Net	\$ 364,726,047	\$ 323,600,028
Total Long-Term Debt, Net	\$ 384,797,137	\$ 342,734,266
Less current maturities	(18,725,388)	(20,072,185)
Total Long-Term Debt, Net of Current Maturities	\$ 366,071,749	\$ 322,662,081

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

- **Amortizing Loans** - require monthly payments of principal and interest, and have interest rates ranging from 0% to 7.01%.
- **Non-amortizing Loans** - due upon maturity and have interest rates ranging from 0% to 6.61% and mature at various dates through 2060.

These loans are primarily secured by mortgages on the properties owned by the Housing Communities.

(Continued)

## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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
2022	\$ 371,822	\$ 18,353,566	\$ 18,725,388
2023	9,300,663	15,186,218	24,486,881
2024	1,750,000	5,388,462	7,138,462
2025	2,750,000	6,341,723	9,091,723
2026	1,500,000	4,979,227	6,479,227
Thereafter	4,425,000	322,589,301	327,014,301
	<u>\$ 20,097,485</u>	<u>\$ 372,838,497</u>	<u>\$ 392,935,982</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, 2021 and 2020, the Housing Opportunity Fund has issued \$2,025,000 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, 2021  
(With Comparative Totals for 2020)

**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 1.35% and 3.19% to variable rates based on the monthly LIBOR rate plus basis points (2.5% at December 31, 2021 and 2.46% at December 31, 2020). The notes are secured by pledges of capital contributions and are guaranteed by CommonBond Communities.

The construction notes payable mature in 2022 (\$30,599,743) and 2023 (\$27,895,821). 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 (\$37,576,821), or restricted reserves (\$20,918,743). Current assets will not be used.

**10. DEFERRED REVENUE**

Deferred Revenue consists of:

	2021	2020
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
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
Note payable to Sunrise Banks, N.A. under the Small Business Administration’s (SBA) Payroll Protection Program (PPP) which was developed by the Federal government in response to a global pandemic during 2020. The loan was forgiven in 2021 after certain conditions were met including 60% of the note be used for payroll within 24 weeks of disbursements.	-	4,232,500

(Continued)



**COMMONBOND COMMUNITIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

**10. DEFERRED REVENUE (Continued)**

	<u>2021</u>	<u>2020</u>
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	-
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.	<u>388,941</u>	<u>402,392</u>
	<u>\$ 6,061,069</u>	<u>\$ 10,059,892</u>

**11. INTEREST RATE SWAPS**

Two of the Housing Communities have debt with interest rates that fluctuate based on the LIBOR rate. The Organization has entered into interest rate swap agreements on these notes payable to reduce the impact of changes in interest rates by exchanging variable payments at LIBOR for fixed rate payments. The notional amount of the interest rate swaps was \$1,842,000 and \$1,883,000 at December 31, 2021 and 2020.

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 \$196,112 and \$277,280 at December 31, 2021 and 2020. The change in value of the interest rate swaps of \$81,168 in 2021 and \$7,862 in 2020 is included in gains (losses) on investments in the statement of activities.

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

(Continued)

**COMMONBOND COMMUNITIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

**12. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are as follows:

	2021	2020
<b>Expendable for specified purposes:</b>		
Advantage Services	\$ 588,543	\$ 508,968
COVID-19 Relief	100,000	1,443,297
Community Housing Opportunity Fund (CHOF)	582,967	582,967
Housing Communities	340,000	290,000
Other Specified Purposes	23,660	11,160
<b>Subject to the Passage of Time</b>	800,488	1,275,780
<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	16,428,645	16,428,648
Section 1602 grants	3,538,783	4,444,697
<b>Endowments subject to the Organization's spending policy and appropriations:</b>		
Advantage Services Endowments (Note 17):		
General Advantage Services Endowment	6,832,281	6,832,031
Paul Fate Youth Endowment	270,855	270,855
Veterans Housing Endowment	320,025	320,025
Lauren Kesson Youth Endowment	137,350	130,350
Advantage Services Endowment earnings	5,950,382	5,022,730
<b>Total net assets with donor restrictions</b>	<b>\$ 109,135,781</b>	<b>\$ 110,783,310</b>

(Continued)

## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

Net assets released from restrictions are as follows:

	2021	2020
Advantage Services	\$ 1,819,646	\$ 424,888
Housing Communities	35,000	50,000
Passage of specified time	1,275,781	440,489
Advantage Services Endowment earnings	469,992	462,902
Section 1602 grants	905,914	905,914
NeighborWorks America Restricted Until Donor Release	-	485,002
	<u>\$ 4,506,333</u>	<u>\$ 2,769,195</u>

At December 31, 2021, net assets with donor restrictions consist of \$619,203 of restricted cash; \$900,488 of contributions receivable; \$922,967 of restricted cash for long-term purposes; \$13,503,893 investments held for endowment; and \$93,189,230 of Housing Communities' assets.

At December 31, 2020, net assets with donor restrictions consist of \$1,484,174 of restricted cash; \$1,755,031 of contributions receivable; \$872,967 of restricted cash for long-term purposes; \$12,575,991 investments held for endowment; and \$94,095,147 of Housing Communities' assets.

CommonBond Communities is a member organization of NeighborWorks America (NeighborWorks). NeighborWorks is a public, congressionally chartered nonprofit organization that receives funding through annual congressional appropriations. It is not a federal agency, but a recipient of federal funds that was organized for the purpose of receiving federal funds and making sub-grants to NeighborWorks member organizations. As a member organization, CommonBond Communities must comply with the terms of the Investment and Grant Agreement including financial reporting and will be eligible for additional grants to support operations and development of affordable housing. During 2020, NeighborWorks approved the release of the final \$485,002 of capital awards previously reported as required to be held in perpetuity.

(Continued)

**COMMONBOND COMMUNITIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

Board designated net assets consist of:

	2021	2020
Corporate Central Reserve	\$ 1,368,256	\$ 1,357,785
Corporate Predevelopment Costs	1,378,454	1,630,507
Board Designated Endowment	713,698	713,698
Board Designated Net Assets	\$ 3,460,408	\$ 3,701,990

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

CommonBond Communities receives significant donated services and materials. Many of the donated services were provided to the residents of Housing Communities serviced by the Organization and are considered integral to the accomplishment of the Organization’s mission.

CommonBond Communities was donated the rights to an expiring Section 8 Housing Assistance Payments Contract for 36 units as a donation during 2019 and for 16 units as a donation during 2020. The Contract was subsequently assigned to a Housing Community and renewed for 20 years.

Certain donated services met the established criteria for recording their value in the consolidated financial statements, whereas other services were not recorded in the financial statements. The Community Action Partnership of Ramsey and Washington Counties provide half-day center-based preschool programming services children, ages 3 to 5, at a Housing Community.

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

	2021	2020
Services which met the criteria for recording as contributions	\$ 25,130	\$ 104,882
Materials and furniture	107,561	144,471
Section 8 Contract	-	780,000
Donated services, material and property and equipment recorded as contributions	132,691	1,029,353
Services not recorded (unaudited)	162,307	188,768
Total donated services, rent, and materials	\$ 294,998	\$ 1,218,121

(Continued)

## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

#### 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, 2021 and 2020.

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

	<u>2021</u>	<u>2020</u>
Deferred tax assets	\$ 8,052,000	\$ 6,449,000
Deferred tax liabilities	(4,805,000)	(3,781,000)
Net deferred tax asset	3,247,000	2,668,000
Less valuation allowance	(3,247,000)	(2,668,000)
Total deferred tax asset	<u>\$ -</u>	<u>\$ -</u>
Change in valuation allowance	<u>\$ 579,000</u>	<u>\$ 695,000</u>

At December 31, 2021 and 2020, the Organization has approximately \$22,617,000 and \$18,635,000 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 2041. The Organization also has available at December 31, 2021 and 2020, \$22,715,000 and \$17,442,000 of state unused operating loss carryovers that may be applied against future taxable income from Minnesota, Wisconsin and Iowa. These carryovers have varying expiration dates ranging from 2027 to 2041.

(Continued)

**COMMONBOND COMMUNITIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

**16. FAIR VALUE MEASUREMENTS**

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

	Fair Value	Fair Value Measurement Inputs (see Note 2):	
		Level 1	Level 2
<b>December 31, 2021</b>			
Assets:			
Investments in securities:			
US Treasury Notes (Restricted Reserves)	21,002,743	21,002,743	-
Mutual funds	14,188,872	14,188,872	-
		<u>\$ 35,191,615</u>	<u>\$ -</u>
Investments measured at net asset value:			
Catholic Community Foundation (70% equity funds, 30% fixed income funds)	28,720		
	<u>\$ 35,220,335</u>		
Liabilities:			
Interest rate swap agreements	<u>\$ 196,112</u>		<u>\$ 196,112</u>
	Fair Value	Fair Value Measurement Inputs (see Note 2):	
		Level 1	Level 2
<b>December 31, 2020</b>			
Assets:			
Investments in securities:			
Investments in securities:	\$ 2,506,225	\$ -	\$ 2,506,225
Certificates of deposit	21,182,850	21,182,850	-
US Treasury Notes (Restricted Reserves)	13,254,753	13,254,753	-
		<u>\$ 34,437,603</u>	<u>\$ 2,506,225</u>
Investments measured at net asset value:			
Pooled equity funds			
Catholic Community Foundation (70% equity funds, 30% fixed income funds)	24,662		
	<u>\$ 36,968,490</u>		
Liabilities:			
Interest rate swap agreements	<u>\$ 277,280</u>		<u>\$ 277,280</u>

(Continued)

## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

The fair values of negotiable certificates of deposit are provided by the investment broker based on a market value pricing model. The model uses interest rates currently being offered for deposits of similar remaining maturities as the primary input. The certificates of deposit were not renewed in 2021. The certificates of deposit held at December 31, 2020 had a face value of \$2,485,000 with approximately 20% maturing every 90 days, and had interest rates ranging from 0.1% to 1.7%.

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 2020.

#### 17. ENDOWMENTS

The Organization has donor restricted endowment funds established for the purpose of providing income to support Advantage Services. In 2017, the Board of Directors established a board designated endowment for the purpose of providing income to support future operating needs of the Organization. Net assets of the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the State's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, CommonBond Communities classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, (d) Capital Campaign gifts designated as Greatest Need by the donors and re-designated by the Board of Directors, and (e) earnings on the donor-restricted endowment until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

(Continued)

**COMMONBOND COMMUNITIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

**17. ENDOWMENTS (Continued)**

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.

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

	Without Donor Restrictions	With Donor Restrictions	Total Endowments
December 31, 2019	\$ 713,698	11,026,100	\$ 11,739,798
Contributions	-	5,654	5,654
Net investment return	-	2,007,139	2,007,139
Earnings released	-	(462,902)	(462,902)
December 31, 2020	713,698	12,575,991	13,289,689
Contributions	-	7,251	7,251
Net investment return	-	1,397,644	1,397,644
Earnings released	-	(469,992)	(469,992)
December 31, 2021	<u>\$ 713,698</u>	<u>\$ 13,510,894</u>	<u>\$ 14,224,592</u>

Endowment net assets consist of:

	2021	2020
Accounts receivable	\$ 7,000	\$ 10,274
Investments held for Advantage Services endowment	13,503,894	12,565,717
Investments held for Board designated endowment	713,698	713,698
	<u>\$ 14,224,592</u>	<u>\$ 13,289,689</u>

(Continued)



**COMMONBOND COMMUNITIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

**18. COMMERCIAL LEASES**

CommonBond Communities and affiliates lease commercial space to tenants under month to month and long-term leases. The long-term leases expire between 2022 and 2031.

Rent revenue received under these commercial leases was \$189,514 in 2021 and \$267,138 in 2020.

Approximate future minimum lease payments are as follows:

2022	\$	193,000
2023		114,000
2024		76,000
2025		80,000
2026		78,000
Thereafter		<u>373,000</u>
	\$	<u>914,000</u>

**19. RETIREMENT PLAN**

The Organization has a defined contribution retirement 401(k) plan under which eligible employees may elect to have pre-tax payroll deferrals of up to 100% of qualified compensation contributed to the plan. The Organization makes matching contributions equal to 100% of the first 1% of compensation contributed and 50% of the next 5% of compensation contributed.

The Organization’s matching retirement plan contributions were \$525,754 in 2021 and \$511,474 in 2020.

**20. 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 December 14, 2023, unless renewed, and is secured by the accounts, equipment, and other assets of CommonBond Communities. Advances are designated for predevelopment costs. \$500,000 was advanced on this line of credit at December 31, 2021 and 2020.

The Organization has a line of credit with Old National Bank in the amount of \$1,000,000. Interest is payable monthly at a rate of 2% over LIBOR. Each draw on the line of credit is due when the line of credit expires on December 1, 2022, unless renewed. The line of credit is secured by the accounts of CommonBond Communities. Advances may be used for general expenditures. No amounts were advanced on the line of credit.

(Continued)

## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

#### 21. 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, 2021, the Organization has several outstanding construction contracts with various general contractors related to housing developments. The contracts totaled approximately \$45.5 million, of which \$24.1 million was incurred prior to December 31, 2021. The Organization has a purchase agreement for one parcel of land totaling approximately \$350,000.

**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, 2021 and 2020, letters of credit of approximately \$2,297,000 and \$1,489,000 have been issued. The letters of credit expire at various dates through November 2022.

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

**Legal Actions** – During the course of operations, the Organization is a party to various legal actions 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.

(Continued)

## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

CommonBond Communities and CommonBond Housing are defendants in a class action lawsuit, filed by employees alleging willful nonpayment of wages earned during on-call time, which seeks damages totaling approximately \$4 million. Management of the Organization denies the claim and is vigorously defending against the lawsuit and believe they have strong arguments to support its case, based on advice from legal counsel. As a result, management is unable to provide an estimate of any potential loss. However, if a settlement is reached with the plaintiffs or if the case goes to trial, the amount of the ultimate loss to CommonBond Communities and CommonBond Housing, if any, may equal the entire amount of damages sought by the plaintiff, which would not be covered under the Organization's insurance policy.

**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.

**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. Measures have included regulatory restrictions on citizen and business activities as well as recommendations for further voluntary curtailment of activities. The future potential impact of these issues is uncertain, however possible effects may include, but are not limited to, loss of rent from Housing Communities' tenants, and a decline in the market value of assets held by the Organization including property and equipment and endowment investments.

(Continued)

## COMMONBOND COMMUNITIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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 PPP loan program (Note 10). In addition, 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. Part of the deferral was repaid by December 31, 2021, with the remaining balance of \$489,200 due December 31, 2022.

In response to COVID-19, the Organization raised \$208,150 in 2021 and \$2,380,744 in 2020 to provide support for those persons most affected by the pandemic including providing rental assistance to tenants of the Housing Communities.

#### 22. 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.

#### 23. SUBSEQUENT EVENTS

In 2022, CommonBond Communities has entered into a purchase agreement to sell a Housing Community for \$9 million. In conjunction with the sale, a lender has agreed to release its mortgage on the property and forgive any balance of principal and accrued interest not paid with sale proceeds estimated at \$2.1 million.

Management has evaluated subsequent events through May 26, 2022, 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, 2021  
(With Comparative Totals for 2020)

	2021								
	CommonBond Communities	CommonBond Housing	CommonBond Others	Corporate Intercompany Eliminations	Corporate Subtotal	Consolidated Housing Communities	Eliminations	Total	2020
<b>ASSETS</b>									
<b>CURRENT ASSETS:</b>									
Cash and Cash Equivalents	\$ 19,173,933	\$ 611,814	\$ 133,025	\$ -	\$ 19,918,772	\$ -	\$ -	\$ 19,918,772	\$ 15,530,720
Restricted Cash	619,203	-	-	-	619,203	19,833,602	-	20,452,805	17,884,690
Certificates of Deposit	-	-	-	-	-	-	-	-	2,506,225
Accounts Receivable, Net	1,474,624	2,486,901	120,175	-	4,081,700	8,176,746	(3,400,262)	8,858,184	8,220,966
Accrued Developer Fee Receivable	3,140,079	-	29,965	-	3,170,044	-	(3,170,044)	-	-
Contributions Receivable	780,488	-	-	-	780,488	-	-	780,488	1,755,031
Notes Receivable	135,969	-	-	-	135,969	350,908	(486,877)	-	-
Prepaid Expenses	194,583	158,883	2,595	-	356,061	534,471	-	890,532	848,549
Total Current Assets	<u>25,518,879</u>	<u>3,257,598</u>	<u>285,760</u>	<u>-</u>	<u>29,062,237</u>	<u>28,895,727</u>	<u>(7,057,183)</u>	<u>50,900,781</u>	<u>46,746,181</u>
<b>PROPERTY AND EQUIPMENT:</b>									
Property and Equipment, Net	<u>5,331,732</u>	<u>218,078</u>	<u>3,499,553</u>	<u>-</u>	<u>9,049,363</u>	<u>713,887,437</u>	<u>(69,413,278)</u>	<u>653,523,522</u>	<u>614,404,435</u>
<b>OTHER ASSETS:</b>									
Contributions Receivable - Long-Term	120,000	-	-	-	120,000	-	-	120,000	-
Notes Receivable - Long-Term	36,128,451	-	43,544	-	36,171,995	560,854	(36,312,849)	420,000	420,000
Interest Receivable	549,356	-	-	-	549,356	203,778	(753,134)	-	-
Other Receivables	-	-	-	-	-	-	-	-	118,166
Restricted Cash for Long-Term Purposes	5,374,831	-	1,080,714	-	6,455,545	-	-	6,455,545	3,261,694
Restricted Escrows and Reserves	-	-	98,881	-	98,881	63,003,202	-	63,102,083	64,936,233
Deferred Charges, Net	-	-	-	-	-	1,546,998	-	1,546,998	1,398,368
Investments in Partnerships and LLC's	20,714,715	393,000	3,372,305	(1,008,163)	23,471,857	2,980,724	(26,425,349)	27,232	27,232
Investment - HPIEx	-	177,632	-	-	177,632	-	-	177,632	177,632
Investments Held for Endowment:									
Restricted by Donors	-	-	7,553,740	-	7,553,740	-	-	7,553,740	7,543,566
Accumulated Earnings	-	-	5,950,154	-	5,950,154	-	-	5,950,154	5,022,151
Board Designated	-	-	713,698	-	713,698	-	-	713,698	713,698
Intercompany Balances	16,607,744	(16,146,134)	(461,610)	-	-	-	-	-	-
Total Other Assets	<u>79,495,097</u>	<u>(15,575,502)</u>	<u>18,351,426</u>	<u>(1,008,163)</u>	<u>81,262,858</u>	<u>68,295,556</u>	<u>(63,491,332)</u>	<u>86,067,082</u>	<u>83,618,740</u>
Total Assets	<u>\$ 110,345,708</u>	<u>\$ (12,099,826)</u>	<u>\$ 22,136,739</u>	<u>\$ (1,008,163)</u>	<u>\$ 119,374,458</u>	<u>\$ 811,078,720</u>	<u>\$ (139,961,793)</u>	<u>\$ 790,491,385</u>	<u>\$ 744,769,356</u>

See Independent Auditor's Report.

**COMMONBOND COMMUNITIES**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2021**  
(With Comparative Totals for 2020)

	2021								
	CommonBond Communities	CommonBond Housing	CommonBond Others	Corporate Intercompany Eliminations	Corporate Subtotal	Consolidated Housing Communities	Eliminations	Total	2020
<b>LIABILITIES AND NET ASSETS</b>									
<b>CURRENT LIABILITIES:</b>									
Current Portion of Long-Term Debt	\$ 71,822	\$ -	\$ 300,000	\$ -	\$ 371,822	\$ 18,898,237	\$ (544,671)	\$ 18,725,388	\$ 20,072,185
Lines of Credit	500,000	-	-	-	500,000	-	-	500,000	500,000
Construction Payable	-	-	-	-	-	13,012,336	(5,201,221)	7,811,115	5,671,001
Accounts Payable	133,763	816,497	36,373	-	986,633	14,130,128	(10,005,634)	5,111,127	4,294,279
Accrued Expenses	816,605	937,007	14,898	-	1,768,510	17,779,969	(5,150,355)	14,398,124	13,091,914
Accrued Interest	159,997	-	11,250	-	171,247	3,814,537	(2,251,495)	1,734,289	1,822,503
Total Current Liabilities	<u>1,682,187</u>	<u>1,753,504</u>	<u>362,521</u>	<u>-</u>	<u>3,798,212</u>	<u>67,635,207</u>	<u>(23,153,376)</u>	<u>48,280,043</u>	<u>45,451,882</u>
<b>LONG-TERM LIABILITIES:</b>									
Long-Term Debt, net	16,974,268	-	4,384,941	(1,659,941)	19,699,268	431,659,858	(85,287,377)	366,071,749	322,662,081
Construction Notes Payable, net	-	-	-	-	-	58,495,564	-	58,495,564	72,565,766
Deferred Revenue	5,672,128	-	-	-	5,672,128	8,927,671	(8,538,730)	6,061,069	10,059,892
Accrued Interest	-	-	794,586	(794,586)	-	25,824,211	(14,603,453)	11,220,758	9,920,952
Interest Rate Swaps	-	-	-	-	-	196,112	-	196,112	277,280
Due to Partners	-	-	-	-	-	941,990	(487,946)	454,044	449,044
Accrued Expenses and Other Liabilities	-	-	-	-	-	13,342,367	(13,089,903)	252,464	716,184
Total Long-Term Liabilities	<u>22,646,396</u>	<u>-</u>	<u>5,179,527</u>	<u>(2,454,527)</u>	<u>25,371,396</u>	<u>539,387,773</u>	<u>(122,007,409)</u>	<u>442,751,760</u>	<u>416,651,199</u>
Total Liabilities	<u>24,328,583</u>	<u>1,753,504</u>	<u>5,542,048</u>	<u>(2,454,527)</u>	<u>29,169,608</u>	<u>607,022,980</u>	<u>(145,160,785)</u>	<u>491,031,803</u>	<u>462,103,081</u>
<b>NET ASSETS:</b>									
Without Donor Restrictions:									
Operating Fund	67,427,974	(13,853,330)	1,787,132	1,446,364	56,808,140	-	(13,661,681)	43,146,459	33,133,036
Housing Communities - Controlling interests	-	-	-	-	-	(11,723,347)	-	(11,723,347)	(8,551,685)
Housing Communities - Noncontrolling Interests	-	-	-	-	-	155,474,991	(34,710)	155,440,281	143,599,624
Board Designated	2,746,710	-	713,698	-	3,460,408	-	-	3,460,408	3,701,990
Total Net Assets Without Donor Restrictions	<u>70,174,684</u>	<u>(13,853,330)</u>	<u>2,500,830</u>	<u>1,446,364</u>	<u>60,268,548</u>	<u>143,751,644</u>	<u>(13,696,391)</u>	<u>190,323,801</u>	<u>171,882,965</u>
With Donor Restrictions	15,842,441	-	14,093,861	-	29,936,302	60,304,096	18,895,383	109,135,781	110,783,310
Total Net Assets	<u>86,017,125</u>	<u>(13,853,330)</u>	<u>16,594,691</u>	<u>1,446,364</u>	<u>90,204,850</u>	<u>204,055,740</u>	<u>5,198,992</u>	<u>299,459,582</u>	<u>282,666,275</u>
Total Liabilities and Net Assets	<u>\$ 110,345,708</u>	<u>\$ (12,099,826)</u>	<u>\$ 22,136,739</u>	<u>\$ (1,008,163)</u>	<u>\$ 119,374,458</u>	<u>\$ 811,078,720</u>	<u>\$ (139,961,793)</u>	<u>\$ 790,491,385</u>	<u>\$ 744,769,356</u>

See Independent Auditor's Report.

**COMMONBOND COMMUNITIES**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
(With Comparative Totals for 2020)

	2021								2020
	CommonBond Communities	CommonBond Housing	CommonBond Others	Corporate Intercompany Eliminations	Corporate Subtotal	Consolidated Housing Communities	Eliminations	Total	
<b>REVENUES FROM OPERATIONS:</b>									
Contributions	\$ 5,960,647	\$ -	\$ 51,298	(44,300)	\$ 5,967,645	\$ -	\$ -	\$ 5,967,645	\$ 7,181,715
In-Kind Contributions	132,691	-	-	-	132,691	-	-	132,691	1,029,353
Total Contributions	6,093,338	-	51,298	(44,300)	6,100,336	-	-	6,100,336	8,211,068
Government Grants - Operating	550,911	-	-	-	550,911	278,670	(239,809)	589,772	592,639
Government Grants - Construction	863,569	-	-	-	863,569	466,408	(452,957)	877,020	1,081,913
Total Government Grants	1,414,480	-	-	-	1,414,480	745,078	(692,766)	1,466,792	1,674,552
Fees for Services:									
Property Management	-	5,265,605	-	-	5,265,605	-	(4,971,870)	293,735	999,323
Housing Development	3,920,502	-	-	-	3,920,502	-	(3,920,502)	-	892
Advantage Services	2,202,670	-	-	-	2,202,670	-	(1,902,035)	300,635	256,599
Other	153,954	-	183,036	-	336,990	1,906	(258,265)	80,631	145,853
Total Fees for Services	6,277,126	5,265,605	183,036	-	11,725,767	1,906	(11,052,672)	675,001	1,402,667
Housing Communities Rental and Related Revenue	36,000	-	-	-	36,000	74,407,373	(216,218)	74,227,155	67,983,207
Interest and Dividends	924,177	199	3,383	-	927,759	72,315	(894,636)	105,438	251,147
Other Receipts and Recoveries from Housing Communities	405,017	-	-	-	405,017	-	(405,017)	-	-
Miscellaneous	765,423	112,360	699,511	(580,325)	996,969	-	(741,995)	254,974	145,420
Total Housing and Other Revenue	2,130,617	112,559	702,894	(580,325)	2,365,745	74,479,688	(2,257,866)	74,587,567	68,379,774
Total Revenues from Operations	15,915,561	5,378,164	937,228	(624,625)	21,606,328	75,226,672	(14,003,304)	82,829,696	79,668,061
<b>EXPENSES FROM OPERATIONS:</b>									
Program Services:									
Property Operations and Management:									
Housing Communities	1,281,111	5,040,202	128,004	(125,116)	6,324,201	99,127,925	(13,732,093)	91,720,033	80,152,626
Third Party Contracts	121,603	606,845	20,048	(19,754)	728,742	-	-	728,742	1,668,722
Housing Development	2,960,072	289,017	153,700	(148,183)	3,254,606	324,909	(75,848)	3,503,667	3,257,558
Advantage Services	6,006,960	297,443	147,920	(191,620)	6,260,703	1,956,075	(1,790,704)	6,426,074	6,439,211
Asset Management	82,243	370,391	11,990	(11,948)	452,676	-	-	452,676	404,477
Community Engagement	331,331	5,474	8,736	(8,661)	336,880	-	-	336,880	291,334
Total Program Services	10,783,320	6,609,372	470,398	(505,282)	17,357,808	101,408,909	(15,598,645)	103,168,072	92,213,928
Supporting Services:									
General and Administrative	627,475	1,918,780	194,115	(181,963)	2,558,407	-	-	2,558,407	1,972,856
Fund Development	1,535,650	83,210	65,133	(37,717)	1,646,276	-	-	1,646,276	1,451,396
Total Supporting Services	2,163,125	2,001,990	259,248	(219,680)	4,204,683	-	-	4,204,683	3,424,252
Total Expenses from Operations	12,946,445	8,611,362	729,646	(724,962)	21,562,491	101,408,909	(15,598,645)	107,372,755	95,638,180
<b>CHANGE IN NET ASSETS BEFORE OTHER INCOME AND EXPENSE</b>	2,969,116	(3,233,198)	207,582	100,337	43,837	(26,182,237)	1,595,341	(24,543,059)	(15,970,119)
<b>OTHER INCOME AND (EXPENSE):</b>									
Principal and Accrued Interest Forgiven	4,291,871	-	-	-	4,291,871	27,224	(27,244)	4,291,851	-
Gain (Loss) on Disposal of Property and Equipment	-	-	-	-	-	(81,767)	-	(81,767)	(384,972)
Residual Receipts Recapture	-	-	-	-	-	-	-	-	(1,865)
Endowment Investment Return, Net	-	-	1,397,644	-	1,397,644	-	-	1,397,644	2,007,139
Gains (Losses) on Investments, Net	(9,714)	-	-	-	(9,714)	311,780	-	302,066	16,336
Gains (Losses) from Partnerships	(119,597)	-	(353)	-	(119,950)	(13,786)	133,736	-	-
Total Other Income and (Expense)	4,162,560	-	1,397,291	-	5,559,851	243,451	106,492	5,909,794	1,636,638
<b>CHANGE IN NET ASSETS</b>	7,131,676	(3,233,198)	1,604,873	100,337	5,603,688	(25,938,786)	1,701,833	(18,633,265)	(14,333,481)
Noncontrolling Interests in Losses	-	-	-	-	-	23,585,915	-	23,585,915	16,379,775
<b>CHANGE IN NET ASSETS AFTER NONCONTROLLING INTERESTS</b>	\$ 7,131,676	\$ (3,233,198)	\$ 1,604,873	\$ 100,337	\$ 5,603,688	\$ (2,352,871)	\$ 1,701,833	\$ 4,952,650	\$ 2,046,294

See Independent Auditor's Report.



**COMMONBOND COMMUNITIES**  
CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	CommonBond Communities	CommonBond Housing	CommonBond Others	Corporate Intercompany Eliminations	Corporate Subtotal	Consolidated Housing Communities	Eliminations	Total
<b>Balance, December 31, 2019</b>	\$ 69,640,945	\$ (8,212,822)	\$ 13,506,882	\$ 1,249,794	\$ 76,184,799	\$ 182,818,482	\$ 5,557,127	\$ 264,560,408
Change in Net Assets	4,424,492	(2,407,310)	2,415,830	96,233	4,529,245	(19,547,677)	684,951	(14,333,481)
Endowment Appropriation for Advantage Services	462,902	-	(462,902)	-	-	-	-	-
Other Transfers of Net Assets	610,000	-	-	-	610,000	(610,000)	-	-
Other Housing Activity:								
Capital Contributions	-	-	-	-	-	33,992,903	(1,027,770)	32,965,133
Cash Distributions	-	-	-	-	-	(953,389)	741,180	(212,209)
Syndication Costs and Other	-	-	-	-	-	(313,576)	-	(313,576)
<b>Balance, December 31, 2020</b>	\$ 75,138,339	\$ (10,620,132)	\$ 15,459,810	\$ 1,346,027	\$ 81,324,044	\$ 195,386,743	\$ 5,955,488	\$ 282,666,275
Change in Net Assets	7,131,676	(3,233,198)	1,604,873	100,337	5,603,688	(25,938,786)	1,701,833	(18,633,265)
Endowment Appropriation for Advantage Services	469,992	-	(469,992)	-	-	-	-	-
Other Transfers of Net Assets	3,277,118	-	-	-	3,277,118	(1,377,118)	(1,900,000)	-
Other Housing Activity:								
Capital Contributions	-	-	-	-	-	36,491,655	(680,439)	35,811,216
Cash Distributions	-	-	-	-	-	(227,693)	122,110	(105,583)
Syndication Costs and Other	-	-	-	-	-	(279,061)	-	(279,061)
<b>Balance, December 31, 2021</b>	<u>\$ 86,017,125</u>	<u>\$ (13,853,330)</u>	<u>\$ 16,594,691</u>	<u>\$ 1,446,364</u>	<u>\$ 90,204,850</u>	<u>\$ 204,055,740</u>	<u>\$ 5,198,992</u>	<u>\$ 299,459,582</u>
Reconciliation of 2021 Net Assets:								
Noncontrolling Interests:								
Beginning of Year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 143,634,334	\$ (34,710)	\$ 143,599,624
Interest in Limited Partnership Losses	-	-	-	-	-	(23,585,915)	-	(23,585,915)
Capital Contributions	-	-	-	-	-	35,811,216	-	35,811,216
Cash Distribution	-	-	-	-	-	(105,583)	-	(105,583)
Syndication Costs	-	-	-	-	-	(279,061)	-	(279,061)
End of Year	-	-	-	-	-	155,474,991	(34,710)	155,440,281
Controlling Interests:								
Beginning of Year	75,138,339	(10,620,132)	15,459,810	1,346,027	81,324,044	51,752,409	5,990,198	139,066,651
Change in Net Assets	7,131,676	(3,233,198)	1,604,873	100,337	5,603,688	(2,352,871)	1,701,833	4,952,650
Endowment appropriation for Advantage Services	469,992	-	(469,992)	-	-	-	-	-
Other Transfers of Net Assets	3,277,118	-	-	-	3,277,118	(1,377,118)	(1,900,000)	-
Capital Contributions	-	-	-	-	-	680,439	(680,439)	-
Cash Distributions	-	-	-	-	-	(122,110)	122,110	-
End of Year	86,017,125	(13,853,330)	16,594,691	1,446,364	90,204,850	48,580,749	5,233,702	144,019,301
	<u>\$ 86,017,125</u>	<u>\$ (13,853,330)</u>	<u>\$ 16,594,691</u>	<u>\$ 1,446,364</u>	<u>\$ 90,204,850</u>	<u>\$ 204,055,740</u>	<u>\$ 5,198,992</u>	<u>\$ 299,459,582</u>

See Independent Auditor's Report.

**COMMONBOND COMMUNITIES**

SCHEDULE OF FINANCIAL POSITION  
NEIGHBORWORKS AMERICA FUNDS

DECEMBER 31, 2021

	Without Donor Restriction	With Donor Restrictions		Total
		Temporarily Restricted	Restricted in Perpetuity	
	<u>ASSETS</u>			
Current assets:				
Cash	\$ 19,454	\$ 11,160	\$ -	\$ 30,614
Total Assets	<u>\$ 19,454</u>	<u>\$ 11,160</u>	<u>\$ -</u>	<u>\$ 30,614</u>
	<u>NET ASSETS</u>			
Net assets:				
With Donor Restrictions	\$ 19,454	\$ 11,160	\$ -	\$ 30,614
Total net assets	<u>\$ 19,454</u>	<u>\$ 11,160</u>	<u>\$ -</u>	<u>\$ 30,614</u>

STATEMENT OF ACTIVITIES  
NEIGHBORWORKS AMERICA FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor Restriction	With Donor Restrictions		Total
		Temporarily Restricted	Restricted in Perpetuity	
Grants:				
Round 1 Expendable Grants	\$ 172,500	\$ -	\$ -	\$ 172,500
Round 1 Capital Grants	375,000	-	-	375,000
Pandemic Recovery Initiatives Grant	20,000	-	-	20,000
Travel and Training Grant	12,500	-	-	12,500
Health Equity Learning Grant	10,000	-	-	10,000
Other Unrestricted Grants	13,000	-	-	13,000
Total Grants	603,000	-	-	603,000
Expenditures:				
Capital Expenditures	\$ 375,000	\$ -	\$ -	\$ 375,000
General and Administrative Expenses	172,500	-	-	172,500
Asset Management	5,000	-	-	5,000
Pandemic Recovery Initiatives	20,000	-	-	20,000
Other	14,406	-	-	14,406
Total Expenditures	<u>586,906</u>	<u>-</u>	<u>-</u>	<u>586,906</u>
Change in Net Assets	16,094	-	-	16,094
Net Assets - Beginning of Year	<u>3,360</u>	<u>11,160</u>	<u>-</u>	<u>14,520</u>
Net Assets - End of Year	<u>\$ 19,454</u>	<u>\$ 11,160</u>	<u>\$ -</u>	<u>\$ 30,614</u>

See Independent Auditor's Report.