

**RONDO COMMUNITY LAND TRUST
AND SUBSIDIARY**

REPORT ON AUDIT

**DECEMBER 31, 2021
(with comparative totals
for 2020)**



LETHERT, SKWIRA, SCHULTZ & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS ♦ BUSINESS CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Rondo Community Land Trust and Subsidiary
Saint Paul, Minnesota**

Opinion

We have audited the accompanying consolidated financial statements of **Rondo Community Land Trust and Subsidiary** (a nonprofit organization) and subsidiaries, which comprise the consolidated statements of financial position as of **December 31, 2021** and 2020, and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **Rondo Community Land Trust and Subsidiary** as of **December 31, 2021** and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 **Rondo Community Land Trust and Subsidiary** and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 **Rondo Community Land Trust and Subsidiary's** ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

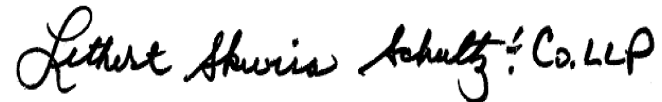
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures 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 **Rondo Community Land Trust and Subsidiary's** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Rondo Community Land Trust and Subsidiary's** ability to continue as a going concern for a reasonable period of time.

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

Summarized Comparative Information

We have previously audited **Rondo Community Land Trust and Subsidiary's** 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our reported dated November 18, 2022. 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.

February 22, 2023

A handwritten signature in black ink that reads "Lethert Skwira Schultz & Co. LLP". The signature is written in a cursive, flowing style.

LETHERT, SKWIRA, SCHULTZ & CO. LLP

RONDO COMMUNITY LAND TRUST AND SUBSIDIARY

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RONDO COMMUNITY LAND TRUST AND SUBSIDIARY

Consolidated Statement of Financial Position

December 31, 2021

(with comparative totals for 2020)

	2021		2020	
<u>Assets</u>	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>2021</u>	<u>Total</u>
Cash	\$ 415,269	\$ 49,638	\$ 464,907	\$ 546,097
Cash - escrow deposits	-	195,236	195,236	9,681
Total Cash	415,269	244,874	660,143	555,778
Accounts receivable	1,964	-	1,964	2,972
Prepayments	3,842	-	3,842	5,390
Project Costs	80,539	-	80,539	-
Total Current Assets	501,614	244,874	746,488	564,140
<u>Property and Equipment</u>				
Land (Note 8)	100,000	1,395,774	1,495,774	1,495,774
Building	2,316,170	243,854	2,560,024	2,341,711
Leasehold improvements	70,000	-	70,000	70,000
Equipment	11,646	-	11,646	11,646
Total	2,497,816	1,639,628	4,137,444	3,919,131
Less: Accumulated depreciation	192,217	48,570	240,787	161,569
Total Property and Equipment	2,305,599	1,591,058	3,896,657	3,757,562
<u>Other Assets</u>				
Loans receivable (Note 5)	21,085	-	21,085	21,085
Notes receivable	31,845	-	31,845	31,720
Investment in partnership (Notes 7 and 11)	152,064	-	152,064	152,078
Intangible assets	32,193	-	32,193	34,831
Total Other Assets	237,187	-	237,187	239,714
Total Assets	\$ 3,044,400	\$ 1,835,932	\$ 4,880,332	\$ 4,561,416
<u>Liabilities and Net Assets</u>				
<u>Current Liabilities</u>				
Current maturities of long-term debt	\$ 76,102	\$ -	\$ 76,102	\$ 5,982
Accounts payable	52,274	-	52,274	36,921
Accrued expenses	65,168	-	65,168	65,130
Other current liabilities	1,553	-	1,553	1,209
Deferred revenue	921,668	-	921,668	950,080
Total Current Liabilities	1,116,765	-	1,116,765	1,059,322
<u>Long-Term Debt (Note 6)</u>				
Long-term debt	230,324	-	230,324	236,279
Less: Current maturities	76,102	-	76,102	5,982
Total Long-Term Debt	154,222	-	154,222	230,297
Net Assets	1,773,413	1,835,932	3,609,345	3,271,797
Total Liabilities and Net Assets	\$ 3,044,400	\$ 1,835,932	\$ 4,880,332	\$ 4,561,416

The accompanying notes are an integral part of this financial statement.

RONDO COMMUNITY LAND TRUST AND SUBSIDIARY
 Consolidated Statement of Activities and Changes in Net Assets
 Year Ended **December 31, 2021**
 (with comparative totals for 2020)

	2021			2020
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Total
<u>Support and Revenue</u>				
Nonprofit Development Fee	\$ 7,270	\$ -	\$ 7,270	\$ 112,112
Contributions	410,340	258,344	668,684	423,386
Rental income	127,228	-	127,228	148,504
Interest	727	-	727	347
Other income	3,056	-	3,056	23,900
Net Assets Released from Restrictions	<u>80,512</u>	<u>(80,512)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	629,133	177,832	806,965	708,249
<u>Expenses</u>				
<u>Program Services</u>				
Program expenses	368,904	-	368,904	293,160
<u>Supporting Services</u>				
Management and general	88,861	-	88,861	89,305
Fundraising	<u>11,652</u>	<u>-</u>	<u>11,652</u>	<u>14,647</u>
Total Supporting Services	<u>100,513</u>	<u>-</u>	<u>100,513</u>	<u>103,952</u>
Total Expenses	<u>469,417</u>	<u>-</u>	<u>469,417</u>	<u>397,112</u>
Increase in Net Assets	159,716	177,832	337,548	311,137
Net Assets, Beginning of Year	<u>1,613,697</u>	<u>1,658,100</u>	<u>3,271,797</u>	<u>2,960,660</u>
Net Assets, End of Year	\$ <u>1,773,413</u>	\$ <u>1,835,932</u>	\$ <u>3,609,345</u>	\$ <u>3,271,797</u>

The accompanying notes are an integral part of this financial statement.

RONDO COMMUNITY LAND TRUST AND SUBSIDIARY
Consolidated Statement of Functional Expenses
December 31, 2021
(with comparative totals for 2020)

	2021			2020		
	SUPPORTING SERVICES					
	<u>Program Expenses</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total All Funds</u>	<u>Total All Funds</u>
Personnel Costs						
Salaries	\$ 148,289	\$ 14,996	\$ 3,332	\$ 18,328	\$ 166,617	\$ 129,396
Employee benefits	39,237	3,968	882	4,850	44,087	24,659
Payroll taxes	11,468	1,159	258	1,417	12,885	10,003
Total Salaries and Related Benefits	198,994	20,123	4,472	24,595	223,589	164,058
Rehabilitation project expenses	-	-	-	-	-	101
Donated materials	1,925	687	138	825	2,750	3,805
Professional services	-	38,712	2,038	40,750	40,750	20,782
Office supplies	634	227	45	272	906	1,447
Telephone	1,162	415	83	498	1,660	1,388
Postage	66	23	5	28	94	19
Occupancy costs	47,094	16,819	3,364	20,183	67,277	88,862
Repairs and maintenance	4,242	1,131	283	1,414	5,656	7,713
Printing	-	-	-	-	-	105
Travel	398	142	28	170	568	17
Conferences, conventions, and meetings	10	3	1	4	14	1
Interest	3,776	1,348	270	1,618	5,394	5,605
Advertising	1,357	5,291	136	5,427	6,784	5,274
Bad debts	16,223	-	-	-	16,223	-
Computer services	220	78	16	94	314	79
Contract services	370	133	26	159	529	1,209
Dues, memberships, and subscriptions	298	106	21	127	425	234
Insurance	5,753	2,055	411	2,466	8,219	6,374
Licenses and fees	53	18	4	22	75	517
Management fees	181	18	4	22	203	4,094
Miscellaneous	4,292	1,532	307	1,839	6,131	2,936
Total Expenses Before Depreciation	287,048	88,861	11,652	100,513	387,561	314,620
Depreciation	81,856	-	-	-	81,856	82,492
Total Expenses	\$ 368,904	\$ 88,861	\$ 11,652	\$ 100,513	\$ 469,417	\$ 397,112

The accompanying notes are an integral part of this financial statement.

RONDO COMMUNITY LAND TRUST AND SUBSIDIARY
Consolidated Statement of Cash Flows
Year Ended **December 31, 2021**

<u>Cash Flows From Operating Activities</u>	<u>2021</u>	<u>2020</u>
Increase in net assets	\$ 337,548	\$ 311,137
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	79,218	79,853
Amortization	2,638	2,638
Deferred Income	(28,412)	-
Increase (decrease) in cash flows from:		
Accounts receivable	883	(1,846)
Prepayments	1,548	(3,571)
Accounts payable	15,353	36,921
Accrued expenses	38	65,130
Other current liabilities	344	9
Net Cash Provided by Operating Activities	409,158	490,271
<u>Cash Flows From Investing Activities</u>		
Purchase of property	(218,313)	(5,768)
Investment in partnership	14	-
Project costs	(80,539)	-
Purchase of interest in SMV	-	(234,317)
Net Cash Used by Investing Activities	(298,838)	(240,085)
<u>Cash Flows Used by Financing Activities</u>		
Payments of long-term debt	(5,955)	(3,831)
Net Increase in Cash	104,365	246,355
Cash, Beginning of Year	555,778	309,423
Cash, End of Year	\$ 660,143	\$ 555,778

Supplemental Disclosures of Cash Flows Information

During the years ended **December 31, 2021** and 2020, the Organization made interest payments of **\$5,394** and \$5,382, respectively.

The accompanying notes are an integral part of this financial statement.

RONDO COMMUNITY LAND TRUST AND SUBSIDIARY

Notes to Consolidated Financial Statements
December 31, 2021 and 2020

NOTE 1 NATURE OF BUSINESS

Rondo Community Land Trust and Subsidiary (The Organization) was incorporated in 1993 under the Minnesota Nonprofit Act to provide permanently affordable housing for low and moderate income and multi-generational households by exploring various development methods, remaining flexible in its revitalization approaches and working within priorities set by the community. The Organization creatively meets housing needs while preserving the economic and cultural diversity of the community. Programs of the Organization include:

Property Development and Home Ownership Program - The property development and home ownership program is aimed at first-time, low-income homebuyers. The program includes establishment of home ownership opportunities, training, and workshops.

Community Land Trust (CLT) - A community land trust achieves permanent, long-term housing affordability through the use of a ground lease. Community land trust homebuyers purchase only the house, entering into a 99 year ground lease with the Organization for exclusive use of the land. The Organization's ground leases state that when a community land trust homeowner decides to sell the home, the house is sold to another qualified low to moderate income household for the original purchase price plus 25% of any appreciation in the home's value. This program is available to families living in Ramsey County that are at or below 80% of HUD median income guidelines. By limiting market appreciation, permanent affordability is ensured and initial subsidies invested in making the home affordable are spread across generations of low to moderate income homebuyers. Most importantly, this affordable housing option gives households that could otherwise only afford to rent the opportunity to take advantage of all of the benefits of homeownership including stability, security, tax benefits, and the opportunity to earn equity and appreciation in real estate that is not available through renting.

Long-Term Affordability - The Organization provides affordable housing by purchasing and rehabilitating properties, and then reselling these single-family homes to income-qualified families and individuals at below market sales price. The goal is to provide housing for low-income households at or below 80% HUD area median income. In order to accomplish this, Rondo CLT writes down the cost of the project below the market value to ensure it is affordable for the first household and future generations. The cost of the writedown below the market value is an expense built into the initial project costs.

To ensure affordability for future generations, the Organizations's ground lease includes a 25% limited appreciation formula that is used upon resale of the home. This formula allows the home to remain affordable for the next generation of homebuyers, while allowing the original buyer to gain equity. The initial investment in affordable housing is recycled again and again.

RONDO COMMUNITY LAND TRUST AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
AND USE OF ACCOUNTING ESTIMATES****Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of **Rondo Community Land Trust** and its subsidiary: Rondo Development on Selby LLC. Significant intercompany transactions and balances have been eliminated in consolidation.

Financial Statement Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting.

The Organization follows "Financial Statements of Not-for-Profit Organizations" which establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories according to externally (donor) imposed restrictions. A description of the two net asset categories follows.

Net assets without donor restrictions have no donor imposed restrictions, or the donor imposed restrictions have expired. Unrestricted net assets may be designated for specific purposes by the Board of Directors.

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

Accounting Estimates

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

Promises to Give

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Promises to give represent amounts committed by donors that have not yet been received by the Organization. The Organization uses the allowance method to determine uncollectible promises to give.

RONDO COMMUNITY LAND TRUST AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2021 and 2020**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
AND USE OF ACCOUNTING ESTIMATES (CONTINUED)****Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all cash and other highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

The Organization maintains, as required by grant agreements, a separate bank account for funding provided by the Family Housing Fund (FHF) and the City of St. Paul. At **December 31, 2021** and 2020, an account balance of **\$194,226** and \$8,671, respectively, was included in cash - escrow deposits.

The Organization maintains, as required by the State of Minnesota, a separate bank account for acting as a limited broker. Escrow deposits made by home purchasers are required to be held in the account and interest earned must be remitted to the State of Minnesota. At **December 31, 2021** and 2020, an account balance of **\$1,010** and \$1,010, respectively, was included in cash - escrow deposits.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, ranging from 3 to 39 years.

Contributions

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire in the year in which the contributions are recognized. All other contributions are recorded as without donor restriction or with donor restriction depending on the existence and/or nature of any donor restrictions. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Revenue Recognition

The Organization receives donations, grants, contributions, and several sources of income deemed to be miscellaneous in nature. These sources of income are not considered exchange transactions as the parties that contributed the funds did not receive commensurate value in return for their contributions. These sources of income are therefore not within the scope of ASC Topic 606 and are therefore accounted for as contributions.

RONDO COMMUNITY LAND TRUST AND SUBSIDIARY
Notes to Consolidated Financial Statements
December 31, 2021 and 2020

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
AND USE OF ACCOUNTING ESTIMATES (CONTINUED)**

Revenue Recognition (Continued)

All forms of income mentioned above are considered unrestricted to their use unless they are specifically restricted by the donor. The Organization leases multifamily residential apartment units under operating leases generally due on a monthly basis with terms of approximately one year or less, which are recorded as operating leases. Rental lease revenues are recognized in accordance with Accounting Standards Codification, or ASC, Topic 840 Leases, using a method that represents a straight-line basis over a term of the lease. The Organization also generates income through monthly lease fees from their leaseholders. These fees are for monthly support and documentation services. Revenue is recognized for lease fees at a point in time, following the transfer of service to the customer. All sales are considered to have a single performance obligation.

The Organization leases commercial real estate under operating leases, generally due on a monthly basis with terms ranging upwards of 10 years. Rental lease revenues are recognized in accordance with Accounting Standards Codification, or ASC, Topic 840 Leases, using a method that represents a straight-line basis over the term of the lease. In situations where a lease incentive, such as tenant allowance, is provided, the incentive is recognized as a reduction of lease revenue on a straight-line basis over the reasonably assured lease term.

Forgiveable Loan Contributions

The Organization recognizes and records forgiveable loans as a contribution or grant in the period they are received if the loan agreement specifies the lender will forgive the loan under a defined set of conditions, and violation of the conditions which will lead to forgiveness is considered a remote possibility. These contributions or grants are recognized as increases in net assets with donor restriction when received and released from restriction when those conditions have been met.

Income Taxes

The Organization was granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. The Organization is not classified as a private foundation. Accordingly, no provision for income taxes has been provided for in these financial statements.

The Organization follows a "more likely than not" criterion for recognizing the tax benefit of uncertain tax positions; it established measurement criteria for tax benefits and it established certain new disclosure requirements. The Organization has identified no such exposures. The current tax years open are 2018 through 2021. During the upcoming 12 months, the Organization expects no material changes to occur related to Accounting for Uncertainty in Income Taxes.

The Organization recognizes interest and penalties accrued related to unrecognized tax benefits in interest and penalties. The amount of interest and penalties expensed totaled \$0 as of and for the years ended **December 31, 2021** and 2020, respectively.

RONDO COMMUNITY LAND TRUST AND SUBSIDIARY
Notes to Consolidated Financial Statements
December 31, 2021 and 2020

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
AND USE OF ACCOUNTING ESTIMATES (CONTINUED)**

Functional Expense Allocation

Expenses are charged to program services based on direct expenditures incurred. Certain costs relating to salary, employee benefits, payroll taxes, and occupancy have been allocated for administrative expenses using the indirect method, based on percentage of time spent by management and employees on program activities, determined by management.

**NOTE 3 CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH
DEPOSITED IN EXCESS OF INSURED LIMITS**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and temporary cash investments. The Organization maintains its cash balances at two financial institutions. Accounts at one of these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Account at the other institution may be privately insured.

At **December 31, 2021** and 2020, amounts in excess of insured limits were approximately **\$102,000** and \$18,000, respectively.

NOTE 4 INTANGIBLE ASSETS

At **December 31, 2021** and 2020, intangible assets consist of the following:

	2021			2020		
	Cost	Accumulated Amortization	Net Value	Cost	Accumulated Amortization	Net Value
Forgivable Contribution fees	<u>\$ 42,211</u>	<u>\$ 10,018</u>	<u>\$ 32,193</u>	<u>\$ 42,211</u>	<u>\$ 7,380</u>	<u>\$ 34,831</u>

Amortization of intangible assets for the years ended **December 31, 2021** and 2020 was **\$2,638** for both years.

NOTE 5 LOANS RECEIVABLE

The Organization occasionally provides one-time loans to their leaseholders for up to two mortgage payments in time of need. The loan agreements specify repayment terms and are secured by the owner's property. At **December 31, 2021** and 2020, the total of these loans, net of allowance for doubtful accounts of \$6,000, amounted to **\$21,085** for both years.

No interest is charged on the receivables per management policy.

RONDO COMMUNITY LAND TRUST AND SUBSIDIARY
Notes to Consolidated Financial Statements
December 31, 2021 and 2020

NOTE 6 LONG-TERM DEBT

Long-term debt consists of the following:

	2021	2020
Loan payable to City of Saint Paul bearing interest of 2% with monthly installments of \$644 beginning in April 2019, matures March, 2034.	\$ 85,324	\$ 91,279
Loan payable to Otto Bremer Trust bearing interest at 2.50% with a balloon payment due December, 2022.	<u> 145,000</u>	<u> 145,000</u>
Total	<u> 230,324</u>	<u> 236,279</u>
Less: Current maturities	<u> 76,102</u>	<u> 5,982</u>
Net Long-Term Debt	<u> \$ 154,222</u>	<u> \$ 230,297</u>

The aggregate annual maturities of long-term debt at **December 31, 2021**, are as follows:

Year Ended December 31,	Amount
2022	\$ 76,102
2023	31,258
2024	56,385
2025	6,514
2026	6,645
After 2026	<u> 53,420</u>
	<u> \$ 230,324</u>

During the year ended December 31, 2020, the City of Saint Paul paused the payment of debt due to Covid. These loans restarted the same year.

Subsequent to year end the note with Otto Bremer Trust was refinanced. \$70,000 was given as a contribution. The remaining \$75,000 is due over 3 payments of 25,000 plus interest on December 1, 2023, June 1, 2024, and December 1, 2024. The \$70,000 is in current maturities and will be recognized as a contribution in 2022. The current maturities schedule has been modified to reflect this change in maturities. Originally the \$145,000 note was set to come due in 2022.

RONDO COMMUNITY LAND TRUST AND SUBSIDIARY
Notes to Consolidated Financial Statements
December 31, 2021 and 2020

NOTE 7 INVESTMENT IN PARTNERSHIP

The Organization owns a .005% interest in CHDO Rondo Limited Partnership. The schedule below is an analysis of the investment in this partnership for the years ended **December 31, 2021** and 2020:

Investment Balance, January 1, 2020	\$ 152,092
Net loss for the year	<u>(14)</u>
Investment Balance, December 31, 2020	152,078
Net loss for the year	<u>(14)</u>
Investment Balance,	
December 31, 2021	<u>\$ 152,064</u>

NOTE 8 FORGIVABLE LOAN AND CONTINGENT CONTRIBUTIONS

The Organization received a contribution from Ramsey County on July 11, 2016, in the form of a building and land, subject to a forgivable loan of \$300,000, bearing interest of 0% and forgivable after 18 years. During the year ending December 31, 2016, the Organization treated this as a temporarily restricted contribution due to the remote likelihood of violating the conditions of the loan. At **December 31, 2021**, the Organization still believes there is a remote likelihood of violating the conditions of the loan.

The Organization received a loan/contribution from the City of Saint Paul on January 1, 2020, in the form of a forgivable loan of \$525,000 and the HRA of Saint Paul of \$425,000, bearing interest of 0% and forgivable over 3 years contingent on 15 full time equivalent jobs being created. During the year ending December 31, 2020, the Organization treated this as a contingent contribution due to the more than remote likelihood of violating the conditions of the loan. At **December 31, 2021**, the Organization still believes there is more than a remote likelihood of violating the conditions of the loan. Forgiveness is being recognized in contributions as the cognizant agency gives acknowledgement that conditions have been met and forgiveness has been granted.

NOTE 9 LEASES

The Organization leases commercial space under various terms to its tenants. Lease terms vary between 30 days and 5 years. The aggregate future minimum rentals at **December 31, 2021**,

<u>Year Ended December 31,</u>	<u>Amount</u>
2022	\$ 56,642
2023	51,506
2024	35,970
2025	<u>3,600</u>
	<u>\$ 147,718</u>

RONDO COMMUNITY LAND TRUST AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following:

	<u>2021</u>	<u>2020</u>
Prepetual in Nature		
Land	\$ 1,339,627	\$ 1,339,627
Subject to expenditure for specified purpose and time:		
Other	50,648	58,006
Forgivable loan	251,431	260,467
Shoreview project	194,226	-
Total Net Assets with Donor Restriction	<u>\$ 1,835,932</u>	<u>\$ 1,658,100</u>

NOTE 11 RELATED PARTY TRANSACTIONS

HUD provides "HOME" funds, under Title II of the Cranston-Gonzales National Affordable Housing Act, to the Organization through the City of St. Paul and Ramsey County. These funds are either Community Housing Development Organizations (CHDO) or non-CHDO funds and are used to assist low-income homebuyers in the purchase and rehabilitation of properties in the Rondo neighborhood.

During the year ended December 31, 2012, the rules for qualification for CHDO funds changed. Previously, the Organization was able to assist the buyer in the purchase and rehabilitation of a property, without ever having any ownership interest in the property. HUD now requires the Organization to purchase the property, rehabilitate it, and then sell it to the buyer in order to qualify for CHDO funds. On May 16, 2012, in order to limit the liability of the Organization in these transactions, the Organization set-up a limited liability company, Rondo Development, LLC, to hold these properties during the purchase, rehabilitation, and sale process. For the years ended **December 31, 2021** and 2020, there was no activity in Rondo Development, LLC.

The Rondo Community Land Trust (Rondo CLT) created the Rondo Development on Selby LLC - a subsidiary Limited Liability Corporation for the Selby Milton Victoria (SMV) Commercial Land Trust and Senior Housing Project on Selby Avenue. Rondo CLT, along with its partner Community Housing Development Corporation (CHDC), developed two mixed-use commercial/residential buildings. These buildings provide long-term affordable commercial space for small, local, and minority owned businesses along with affordable senior housing. The buildings are located at 852 Selby and 940 Selby in St. Paul. There are a total of 34 units of low-income senior housing. The thirty-four units of affordable senior housing will be built on the top two floors of these buildings, and were financed by a combination of deferred loans and low income housing tax credits. The units are affordable to those at 30% to 60% of the area median income. The affordability will be secured with restrictive covenants. There is 9,300 square feet of commercial space. There are five commercial spaces and two live work units. The housing portion of this project is owned by the CHDC Rondo Limited Partnership. Rondo Development on Selby LLC is a Co-General Partner in this limited partnership. The commercial portion is fully owned by Rondo Subsidiary as of January 1, 2020.

RONDO COMMUNITY LAND TRUST AND SUBSIDIARY

Notes to Consolidated Financial Statements

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NOTE 12 RISKS AND UNCERTAINTIES

The Organization depends upon contributions and grants for a significant portion of its revenue. In the current year, the Organization received more than 10% of total contributions from one contributor. The ability of the Organization's contributors and grantors to continue giving amounts comparable to those of prior years is dependent upon future economic conditions and continued deductibility for income tax purposes of contributions and grants to the Organization. Management believes the Organization currently has the resources to continue its programs.

The Organization provides affordable housing by purchasing and rehabilitating properties, and then reselling these single family homes to income-qualified families and individuals at below market sales price. In most cases, the sale price is less than the cost of the project. The difference is covered by grant funds. Leaseholders also agree to limit the appreciation realized at the time of future sale. These two strategies help to ensure that properties within the land trust remain affordable in the long term while also allowing for current owners to build wealth as part of home ownership. The actual sale price and the amount of grant funds attributed to the project are unknown until the sale has been completed, and are not reasonably estimable. Accordingly, no accrual has been made.

The Organization continues to evaluate the risk of COVID-19 and its impact on the Organization's revenues. The virus presents certain risks and uncertainties on the Organization's future operations, but the specific impact is not readily determinable as of the date of the financial statements.

NOTE 13 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's financial assets available within one year of the Statement of Financial Position date for general expenditure are as follows:

	<u>2021</u>	<u>2020</u>
Cash	\$ 660,143	\$ 555,778
Accounts receivable	<u>1,221</u>	<u>2,972</u>
	661,364	558,750
Less:		
Amounts unavailable to management for general expenditure:		
Cash	<u>195,236</u>	<u>9,681</u>
Total amounts available to management for general expenditure within one year	<u>\$ 464,907</u>	<u>\$ 546,097</u>

Management feels that it has the ability to cover the annual necessary expenses for the upcoming year based on secured and projected funding. The Organization plans to develop a new five year plan, which will shape future project development and funding.

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NOTE 14 GOVERNMENT ASSISTANCE

During the year ended December 31, 2020, the Organization applied for and received a Payroll Protection Program (PPP) loan in the amount of \$23,900. Congress authorized the forgiveness of PPP loans as long as certain criteria were met. The Organization elected to treat the loan as a government grant, which allowed the recognition of the PPP loan proceeds into income when the criteria for forgiveness was met. The Organization met the criteria for forgiveness during the year ended December 31, 2020 and recorded debt forgiveness of \$23,900 in other income on the Statements of Activities.

NOTE 15 SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through **February 22, 2023**, the date the financial statements were available to be issued. Four additional properties were purchased and the Organization's management went through transition since year-end.

NOTE 16 NEW ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board has issued an accounting standard that will result in significant changes to financial reporting and disclosures related to both operating and capital leases. The new lease standard is intended to increase transparency and comparability among companies that lease buildings, equipment, and other assets by recognizing the assets and liabilities that arise from these lease transactions on the statement of financial position. The provisions of this statement are effective for the Organization's financial statements for the year ending December 31, 2022.