

**RONDO COMMUNITY LAND TRUST
AND SUBSIDIARY**

REPORT ON AUDIT

**DECEMBER 31, 2022
(with comparative totals
for 2021)**



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 subsidiary, which comprise the consolidated statement of financial position as of **December 31, 2022**, and the related consolidated statement of activities and change in net assets, functional expenses, and cash flows for the year 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, 2022**, 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 **Rondo Community Land Trust and Subsidiary** 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 **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:

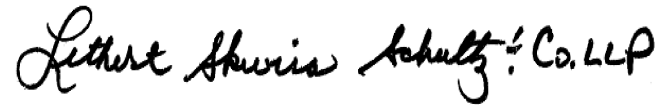
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures 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.

Report on Summarized Comparative Information

We have previously audited **Rondo Community Land Trust and Subsidiary's** 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our reported dated February 22, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

October 18, 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, 2022

(with comparative totals for 2021)

	2022			2021
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Total
Assets				
Current Assets				
Cash	\$ 495,723	\$ 124,985	\$ 620,708	\$ 464,907
Cash - escrow deposits	-	177,493	177,493	195,236
Total Cash	495,723	302,478	798,201	660,143
Accounts receivable, net of allowance for doubtful accounts, 2022, \$50,715 and 2021, \$29,585	3,311	-	3,311	1,964
Grants receivable	39,500	318,500	358,000	-
Prepayments	92,986	-	92,986	3,842
Project Costs	69,789	-	69,789	80,539
Total Current Assets	701,309	620,978	1,322,287	746,488
Property and equipment, net of depreciation (Note 4)	2,987,897	1,804,922	4,792,819	3,896,657
Other Assets				
Loans receivable (Note 6)	21,085	-	21,085	21,085
Notes receivable	-	-	-	31,845
Investment in partnership (Notes 8 and 13)	152,049	-	152,049	152,064
Intangible assets (Note 5)	29,555	-	29,555	32,193
Total Other Assets	202,689	-	202,689	237,187
Total Assets	\$ 3,891,895	\$ 2,425,900	\$ 6,317,795	\$ 4,880,332
Liabilities and Net Assets				
Current Liabilities				
Current maturities of long-term debt	\$ 31,225	\$ -	\$ 31,225	\$ 76,102
Accounts payable	49,423	-	49,423	52,274
Accrued expenses	34,373	-	34,373	65,168
Other current liabilities	1,565	-	1,565	1,553
Deferred revenue	921,668	-	921,668	921,668
Total Current Liabilities	1,038,254	-	1,038,254	1,116,765
Long-Term Debt (Note 7)				
Long-term debt	154,280	-	154,280	230,324
Less: Current maturities	31,225	-	31,225	76,102
Total Long-Term Debt	123,055	-	123,055	154,222
Net Assets	2,730,586	2,425,900	5,156,486	3,609,345
Total Liabilities and Net Assets	\$ 3,891,895	\$ 2,425,900	\$ 6,317,795	\$ 4,880,332

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, 2022**
(with comparative totals for 2021)

	2022			2021
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Total
<u>Support and Revenue</u>				
Nonprofit Development Fee	\$ 14,969	\$ -	\$ 14,969	\$ 7,271
Contributions	1,558,551	367,068	1,925,619	668,683
Rental income	72,643	-	72,643	127,228
In-kind contributions	725,400	222,900	948,300	-
Interest	825	-	825	727
Other income (expense)	(600)	-	(600)	3,056
Total Support and Revenue	2,371,788	589,968	2,961,756	806,965
<u>Expenses</u>				
<u>Program Services</u>				
Program expenses	1,200,472	-	1,200,472	368,904
<u>Supporting Services</u>				
Management and general	192,768	-	192,768	88,861
Fundraising	21,375	-	21,375	11,652
Total Supporting Services	214,143	-	214,143	100,513
Total Expenses	1,414,615	-	1,414,615	469,417
Increase in Net Assets	957,173	589,968	1,547,141	337,548
Net Assets, Beginning of Year	1,773,413	1,835,932	3,609,345	3,271,797
Net Assets, End of Year	\$ 2,730,586	\$ 2,425,900	\$ 5,156,486	\$ 3,609,345

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

RONDO COMMUNITY LAND TRUST AND SUBSIDIARY
Consolidated Statement of Functional Expenses
December 31, 2022
(with comparative totals for 2021)

	<u>2022</u>			<u>2021</u>		
	<u>SUPPORTING SERVICES</u>					
	<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>
<u>Personnel Costs</u>						
Salaries	\$ 231,069	\$ 23,366	\$ 5,193	\$ 28,559	\$ 259,628	\$ 166,617
Employee benefits	38,873	3,931	874	4,805	43,678	44,087
Payroll taxes	17,831	1,803	401	2,204	20,035	12,885
Total Salaries and Related Benefits	287,773	29,100	6,468	35,568	323,341	223,589
Rehabilitation project expenses	1,245	-	-	-	1,245	-
Donated materials	4,420	-	-	-	4,420	2,750
Professional services	-	87,251	4,592	91,843	91,843	40,750
Office supplies	16,407	5,860	1,172	7,032	23,439	906
Telephone	5,339	1,907	381	2,288	7,627	1,660
Postage	284	101	20	121	405	94
Occupancy costs	77,696	27,748	5,550	33,298	110,994	67,277
Repairs and maintenance	13,409	3,576	894	4,470	17,879	5,656
Travel	132	48	9	57	189	568
Conferences, conventions, and meetings	394	141	28	169	563	14
Interest	3,714	1,326	265	1,591	5,305	5,394
Advertising	7,575	29,543	758	30,301	37,876	6,784
Bad debts	21,130	-	-	-	21,130	16,223
Computer services	155	55	11	66	221	314
Contract services	363	130	26	156	519	529
Dues, memberships, and subscriptions	3,991	1,425	285	1,710	5,701	425
Insurance	6,136	2,191	438	2,629	8,765	8,219
Licenses and fees	404	144	29	173	577	75
Management fees	2,003	202	45	247	2,250	203
Miscellaneous	5,655	2,020	404	2,424	8,079	6,131
Housings grants	655,413	-	-	-	655,413	-
Total Expenses Before Depreciation	1,113,638	192,768	21,375	214,143	1,327,781	387,561
Depreciation	86,834	-	-	-	86,834	81,856
Total Expenses	\$ 1,200,472	\$ 192,768	\$ 21,375	\$ 214,143	\$ 1,414,615	\$ 469,417

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, 2022**

<u>Cash Flows From Operating Activities</u>	<u>2022</u>	<u>2021</u>
Increase in net assets	\$ 1,547,141	\$ 337,548
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	84,196	79,218
Amortization	2,638	2,638
Deferred Income	-	(28,412)
Forgiveness of debt	(70,000)	-
Inkind contributions	(948,300)	-
Writeoff of note receivables	29,372	-
Increase (decrease) in cash flows from:		
Accounts receivable	1,126	883
Grants receivable	(358,000)	-
Prepayments	(89,144)	1,548
Accounts payable	(2,851)	15,353
Accrued expenses	(30,795)	38
Other current liabilities	12	344
Net Cash Provided by Operating Activities	165,395	409,158
<u>Cash Flows From Investing Activities</u>		
Purchase of property	(32,058)	(218,313)
Investment in partnership	15	14
Project costs	10,750	(80,539)
Net Cash Used by Investing Activities	(21,293)	(298,838)
<u>Cash Flows Used by Financing Activities</u>		
Payments of long-term debt	(6,044)	(5,955)
Net Increase in Cash	138,058	104,365
Cash, Beginning of Year	660,143	555,778
Cash, End of Year	\$ <u>798,201</u>	\$ <u>660,143</u>

Supplemental Disclosures of Cash Flows Information

During the years ended **December 31, 2022** and 2021, the Organization made interest payments of **\$5,305** and \$5,394, 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, 2022 and 2021

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, 2022 and 2021

**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 Company have been prepared on the accrual basis of accounting.

The Company 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, 2022 and 2021

**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 Company 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, 2022** and 2021, an account balance of **\$176,482** and \$194,226, 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, 2022** and 2021, an account balance of **\$1,011** 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.

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 842 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.

RONDO COMMUNITY LAND TRUST AND SUBSIDIARY
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

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

Revenue Recognition (Continued)

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

The Company 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 2019 through 2022. 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, 2022** and 2021, respectively.

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.

RONDO COMMUNITY LAND TRUST AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

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

Leases

In 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02 *Leases* (Topic 842). The Organization adopted this standard as of January 1, 2022 using the effective date approach resulting in no change to income or retained earnings. The Organization is a lessee in two short term operating leases for office space. The Organization determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Organization recognizes a lease liability and a right of use (ROU) asset at the commencement date of the lease for all leases over a year. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. There are no variable payments in relation to this lease. The office space lease calls for the Organization to pay its proportionate share of operating expenses of which management accounts for as a separate non-lease component. The discount rate is the implicit rate if it is readily determinable or otherwise the Organization uses its incremental borrowing rate. The ROU assets on long term lease are subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term. At year end there were no long term leases resulting in an ROU asset or liability.

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

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and temporary cash investments. The Company 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, 2022** and 2021, amounts in excess of insured limits were approximately **\$447,000** and \$102,000, respectively.

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Land	\$ 1,718,674	\$ 1,495,774
Buildings	3,305,249	2,560,024
Leasehold improvements	82,232	70,000
Equipment	<u>11,646</u>	<u>11,646</u>
Total	5,117,801	4,137,444
Less: Accumulated depreciation	<u>324,982</u>	<u>240,787</u>
Total Property and Equipment	\$ <u>4,792,819</u>	\$ <u>3,896,657</u>

Depreciation and amortization expense was **\$84,196** and \$79,218 for the years ended **December 31, 2022** and 2021, respectively.

RONDO COMMUNITY LAND TRUST AND SUBSIDIARY
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

NOTE 5 INTANGIBLE ASSETS

At **December 31, 2022** and 2021, intangible assets consist of the following:

	2022			2021		
	Cost	Accumulated Amortization	Net Value	Cost	Accumulated Amortization	Net Value
Forgivable Contribution fees	<u>\$ 42,211</u>	<u>\$ 12,656</u>	<u>\$ 29,555</u>	<u>\$ 42,211</u>	<u>\$ 10,018</u>	<u>\$ 32,193</u>

Amortization of intangible assets for the years ended **December 31, 2022** and 2021 was **\$2,638** for both years.

NOTE 6 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, 2022** and 2021, 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.

NOTE 7 LONG-TERM DEBT

Long-term debt consists of the following:

	2022	2021
Loan payable to City of Saint Paul bearing interest of 2% with monthly installments of \$644 beginning in April 2019, matures March, 2034.	\$ 79,280	\$ 85,324
Loan payable to Otto Bremer Trust bearing interest at 2.50% with a balloon payment due December, 2022.	-	145,000
Note payable to Otto Bremer Trust bearing interest at 2.50% with biannual installments of \$25,000, matures December, 2024.	<u>75,000</u>	<u>-</u>
Total	154,280	230,324
Less: Current maturities	<u>31,225</u>	<u>76,102</u>
Net Long-Term Debt	<u>\$ 123,055</u>	<u>\$ 154,222</u>

RONDO COMMUNITY LAND TRUST AND SUBSIDIARY
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

NOTE 7 LONG-TERM DEBT (CONTINUED)

The aggregate annual maturities of long-term debt at **December 31, 2022**, are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2023	\$ 31,225
2024	56,351
2025	6,479
2026	6,610
2027	6,743
After 2027	<u>46,872</u>
	<u><u>\$ 154,280</u></u>

NOTE 8 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, 2022** and 2021:

Investment Balance, January 1, 2021	\$ 152,078
Net loss for the year	<u>(14)</u>
Investment Balance, December 31, 2021	152,064
Other comprehensive gain	<u>(15)</u>
Investment Balance, December 31, 2022	<u><u>\$ 152,049</u></u>

NOTE 9 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, 2022**, 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, 2022**, 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.

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NOTE 10 LEASESLessee

The Organization rents various office spaces under a short term lease that's month to month or 6 months. Rent expense charged under these leases for the years ended **December 31, 2022** and 2021, was **\$46,300** and \$5,250, respectively.

Lessor

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, 2022**,

<u>Year Ended December 31,</u>	<u>Amount</u>
2023	\$ 56,642
2024	34,237
2025	3,600
2026	-
	<u>\$ 94,479</u>

NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following:

	<u>2022</u>	<u>2021</u>
Prepetual in Nature		
Land	\$ 1,562,527	\$ 1,339,627
Subject to expenditure for specified purpose and time:		
Time	393,750	-
Other	50,790	50,648
Forgivable loan	242,395	251,431
Shoreview project	176,438	194,226
Total Net Assets with Donor Restriction	<u>\$ 2,425,900</u>	<u>\$ 1,835,932</u>

NOTE 12 IN-KIND DONATIONS

For the years ended **December 31, 2022** and 2021, non-cash contributions consisted of the following:

	<u>2022</u>	<u>2021</u>
Non-Cash Contributions:		
Building	\$ 725,400	\$ -
Land	222,900	-
Total	<u>\$ 948,300</u>	<u>\$ -</u>

The Organization received one building for affordable commercial business leasing and several underlying lots for land leases.

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NOTE 13 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, 2022** and 2021, there was no activity in Rondo Development, LLC.

NOTE 14 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 Company continues to evaluate the risk of COVID-19 and its impact on the Company's revenues. The virus presents certain risks and uncertainties on the Company's future operations, but the specific impact is not readily determinable as of the date of the financial statements.

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NOTE 15 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

	<u>2022</u>	<u>2021</u>
Cash	\$ 798,201	\$ 660,143
Accounts receivable	1,596	1,221
Grants Receivable	<u>358,000</u>	<u>-</u>
	<u>1,157,797</u>	<u>661,364</u>
Less:		
Amounts unavailable to management for general expenditure:		
Cash	302,478	195,236
Grants Receivable	<u>318,500</u>	<u>-</u>
Total amounts available to management for general expenditure within one year	<u><u>\$ 495,723</u></u>	<u><u>\$ 464,907</u></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.

NOTE 16 RECLASSIFICATIONS

Certain amounts reported for 2021 have been reclassified to conform with **2022** presentation. The reclassifications have no effect on previously reported net assets and changes in net assets for the year then ended December 31, 2021.

NOTE 17 SUBSEQUENT EVENTS

The Company has evaluated subsequent events through **October 18, 2023**, the date the financial statements were available to be issued, subsequent to year-end. The Organization purchased one of the tenants for \$400,000 with an additional loan taken on.