



RONDO
Community Land Trust

Consolidated Financial Statements

December 31, 2023

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Independent Auditor's Report

Board of Directors
Rondo Community Land Trust
St. Paul, MN

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Rondo Community Land Trust and related entities (the Organization), which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 the Organization's ability to continue as a going concern for 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such 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 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2024 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

BerganKDV, LTD.

Waterloo, Iowa
September 13, 2024

Rondo Community Land Trust
Consolidated Statement of Financial Position
As of December 31, 2023

Assets

Current assets

| | |
|---------------------------|--------------|
| Cash and cash equivalents | \$ 5,848,006 |
| Grants receivable | 550,624 |
| Other receivables | 20,580 |
| Prepaid expenses | 18,210 |
| Total current assets | 6,437,420 |

| | |
|---|---------------|
| Loans receivable, net | 6,044 |
| Investment in partnership | 152,049 |
| Goodwill, net | 267,507 |
| Right-of-use assets - finance leases, net | 838,376 |
| Property and equipment, net | 7,156,639 |
| Total assets | \$ 14,858,035 |

Liabilities and Net Assets

Current liabilities

| | |
|--|-----------|
| Current portion of finance lease liabilities | \$ 32,234 |
| Current portion of long-term debt | 376,316 |
| Accounts payable | 199,116 |
| Accrued expenses | 81,843 |
| Other current liabilities | 10,227 |
| Total current liabilities | 699,736 |

Long-term liabilities

| | |
|-----------------------------|-----------|
| Finance lease liabilities | 806,365 |
| Long-term debt | 352,443 |
| Forgivable loans, net | 680,826 |
| Total long-term liabilities | 1,839,634 |

| | |
|-------------------|-----------|
| Total liabilities | 2,539,370 |
|-------------------|-----------|

Net assets

| | |
|----------------------------|------------|
| Without donor restrictions | 9,726,145 |
| With donor restrictions | 2,592,520 |
| Total net assets | 12,318,665 |

| | |
|----------------------------------|---------------|
| Total liabilities and net assets | \$ 14,858,035 |
|----------------------------------|---------------|

**Rondo Community Land Trust
Consolidated Statement of Activities
Year Ended December 31, 2023**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--------------------------------------|-------------------------------|----------------------------|----------------------|
| Support and Other Revenue | | | |
| Contributions | \$ 5,448,462 | \$ 1,279,082 | \$ 6,727,544 |
| Government grants | - | 2,308,800 | 2,308,800 |
| Special events | 17,035 | - | 17,035 |
| In-kind contributions | 510,100 | 3,000 | 513,100 |
| Investment return, net | 50,427 | 1,808 | 52,235 |
| Rent income | 116,512 | 92,881 | 209,393 |
| Other income | 58,676 | - | 58,676 |
| Net assets released from restriction | 3,518,951 | (3,518,951) | - |
| Total support and other revenue | <u>9,720,163</u> | <u>166,620</u> | <u>9,886,783</u> |
| Expenses | | | |
| Program | 2,511,423 | - | 2,511,423 |
| Management and general | 142,878 | - | 142,878 |
| Fundraising | 70,303 | - | 70,303 |
| Total expenses | <u>2,724,604</u> | <u>-</u> | <u>2,724,604</u> |
| Change in net assets | 6,995,559 | 166,620 | 7,162,179 |
| Net assets, beginning of year | <u>2,730,586</u> | <u>2,425,900</u> | <u>5,156,486</u> |
| Net assets, end of year | <u>\$ 9,726,145</u> | <u>\$ 2,592,520</u> | <u>\$ 12,318,665</u> |

Rondo Community Land Trust
Consolidated Statement of Functional Expenses
Year Ended December 31, 2023

| | Program Expenses | Management and General | Fundraising | Total Expenses |
|--|---------------------|---------------------------|-------------|-------------------|
| Salaries and wages | \$ 427,083 | \$ 50,245 | \$ 25,123 | \$ 502,451 |
| Employee benefits | 37,099 | 4,365 | 2,182 | 43,646 |
| Payroll taxes | 32,024 | 3,768 | 1,884 | 37,676 |
| Total salaries and related expenses | 496,206 | 58,378 | 29,189 | 583,773 |
| Rehabilitation project expenses | 201,157 | - | - | 201,157 |
| Housing grants | 966,466 | - | - | 966,466 |
| Professional fees | 286,358 | 33,354 | 16,678 | 336,390 |
| Occupancy | 134,847 | 15,864 | 7,933 | 158,644 |
| Rental maintenance and taxes | 123,534 | - | - | 123,534 |
| Office expense | 36,803 | 4,330 | 2,165 | 43,298 |
| Advertising | 34,223 | 4,026 | 2,013 | 40,262 |
| Insurance | 24,530 | 2,886 | 1,443 | 28,859 |
| Special events | - | - | 97,171 | 97,171 |
| Interest | 15,298 | 1,800 | 900 | 17,998 |
| Miscellaneous | 47,971 | 5,295 | 2,638 | 55,904 |
| Amortization | 8,073 | 950 | 475 | 9,498 |
| Depreciation | 135,957 | 15,995 | 7,997 | 159,949 |
| Total expenses by function | 2,511,423 | 142,878 | 168,602 | 2,822,903 |
| Less expenses included with revenues on the statement of activities | | | | |
| Cost of direct benefit to donors | - | - | (98,299) | (98,299) |
| Total expenses included in the expense section on the statement of activities | \$ 2,511,423 | \$ 142,878 | \$ 70,303 | \$ 2,724,604 |

See notes to consolidated financial statements.

**Rondo Community Land Trust
Consolidated Statement of Cash Flows
Year Ended December 31, 2023**

Cash Flows - Operating Activities

| | |
|---|------------------|
| Change in net assets | \$ 7,162,179 |
| Adjustments to reconcile change in net assets to net cash flows - operating activities | |
| Depreciation | 159,949 |
| Amortization - goodwill | 6,859 |
| Amortization - debt issuance costs | 2,639 |
| Amortization ROU assets - finance leases | 26,984 |
| Gain on sale of property and equipment | (4,738) |
| Receipt of donated property | (510,100) |
| Proceeds from government grants restricted for long-term purposes | (1,373,800) |
| Loan forgiveness | (28,332) |
| Changes in operating assets and liabilities | |
| Receivables | (194,852) |
| Prepaid expenses | 74,777 |
| Accounts payable | 164,993 |
| Accrued expenses | 30,605 |
| Other current liabilities | 10,227 |
| Net cash flows - operating activities | <u>5,527,390</u> |

Cash Flows - Investing Activities

| | |
|--|--------------------|
| Purchase of Golden Thyme Coffee and Cafe | (200,000) |
| Purchases of property and equipment | (1,686,683) |
| Proceeds from the sale of property and equipment | 235,377 |
| Net cash flows - investing activities | <u>(1,651,306)</u> |

Cash Flows - Financing Activities

| | |
|---|------------------|
| Proceeds from long-term debt | 3,796 |
| Payments on finance lease liabilities | (26,761) |
| Payments on long-term debt | (177,115) |
| Proceeds from government grants restricted for long-term purposes | 1,373,800 |
| Net cash flows - financing activities | <u>1,173,720</u> |

Net change in cash and cash equivalents 5,049,804

Cash and Cash Equivalents

| | |
|-------------------|---------------------|
| Beginning of year | <u>798,202</u> |
| End of year | <u>\$ 5,848,006</u> |

**Rondo Community Land Trust
Statement of Cash Flows
Year Ended December 31, 2023**

Supplemental Disclosure of Cash Flow Information

| | |
|--|-----------------|
| Cash paid during the year for interest | <u>\$ 5,743</u> |
|--|-----------------|

Supplemental Schedule of Noncash Investing and Financing Activities

| | |
|---|-------------------|
| Financing of Golden Thyme Coffee and Café purchase | <u>\$ 200,000</u> |
| Financing of property and equipment | <u>\$ 362,204</u> |
| ROU assets obtained in exchange for finance lease liabilities | <u>\$ 865,360</u> |

Rondo Community Land Trust Notes to Consolidated Financial Statements

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization and Principles of Consolidation

Rondo Community Land Trust 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.

Rondo Development on Selby, LLC and Golden Thyme Holdings, LLC, are limited liability companies with Rondo Community Land Trust as the sole member.

The accompanying consolidated financial statements include the accounts of Rondo Community Land Trust, Rondo Development on Selby, LLC and Golden Thyme Holdings, LLC (collectively known as the Organization). All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Description of Programs

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. 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 write down below the market value is an expense built into the initial project costs.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Rondo Community Land Trust
Notes to Consolidated Financial Statements

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. The Organization maintains its cash balances with a limited number of financial institutions which, at times, are in excess of the FDIC insurance limit.

Cash Equivalents

Cash equivalents include highly liquid investments, with original maturities of three months or less, that are recorded at cost plus accrued interest, which approximates fair value.

Grants Receivable

Grants receivable represent unconditional amounts committed by donors that have not yet been received. The Organization considers all grants receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary.

Investment in Partnership

The Organization has a .005% interest in CHDO Rondo Limited Partnership. The Organization recognizes its interest in CHDO Rondo Limited Partnership as an asset and annually adjusts that interest for its share of the change in CHDO Rondo Limited Partnership's equity.

Goodwill

Goodwill represents the excess of the cost of an acquired entity over the fair values assigned to the tangible assets acquired, the identifiable intangible assets that are required to be valued and reported, and the liabilities assumed. Goodwill is being amortized on a straight-line basis over a ten-year period. In addition, goodwill is reviewed for impairment when a triggering event occurs.

Leases

The Organization recognizes a right-of-use (ROU) asset and lease liability for each operating and finance lease with a term greater than 12 months at the time of lease inception. The Organization does not record a ROU asset or lease liability for leases with an initial term of 12 months or less but continues to record rent expense on a straight-line basis over the lease term. Options to extend or terminate at the sole discretion of the Organization are included in the determination of the lease term when they are reasonably certain to be exercised. The lease liability represents the present value of future lease payments over the lease term. The Organization has elected the practical expedients (1) to discount the lease liability using the risk-free rate for all classes of assets, (2) to use hindsight for assessing the lease term and impairment of the ROU asset, and (3) to not separate lease and non-lease components for all classes of assets.

Property and Equipment

Property and equipment are carried at cost, or fair value if donated, with depreciation computed primarily under the straight-line method over the economic useful lives of the assets. Leasehold improvements are amortized over the shorter of the asset's useful life or the lease term. All property and equipment in excess of \$2,500 and a useful life of greater than three years is considered for capitalization.

Property purchased with certain grant funds must continue to be used in the program for which it was purchased. The funding sources maintain a reversionary interest in the property therefore they are entitled to a portion of the proceeds from the sale.

Rondo Community Land Trust
Notes to Consolidated Financial Statements

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Lived Assets

The Organization records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. There were no impairment losses for the year ended December 31, 2023.

Net Assets

Net assets, support, and other revenues are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor or grantor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor or grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reporting in the consolidated statement of activities as net assets released from restrictions.

Revenue Recognition

The Organization recognizes contributions, measured at fair value on the date received, when cash, securities, or other assets, an unconditional promise to give, or notification of an unconditional beneficial interest is received. Conditional promises to give which contain a measurable performance or other barrier and a right of return, are not recognized until the conditions upon which they depend have been substantially met. As of December 31, 2023, the Organization did not have any conditional promises to give.

The Organization leases commercial real estate under operating leases, generally due monthly, with terms ranging upwards of 10 years. Rental lease revenues are recognized on 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.

Rondo Community Land Trust
Notes to Consolidated Financial Statements

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Assets and Services

Donated assets and services are valued at the estimated fair value that the Organization might incur under normal operating activities. Property and equipment was valued using independent appraisals. These assets and services, which are received without donor restriction, are used to support the programs of the Organization. The value of donated assets and services included in contributions and corresponding assets or expenses in the accompanying consolidated financial statements for the year ended December 31, 2023, are as follows:

| | | |
|------------------------|----|---------|
| Property and equipment | \$ | 510,100 |
| Silent auction items | | 3,000 |
| | | 3,000 |
| In-kind contributions | \$ | 513,100 |

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. The consolidated financial statements report certain categories of expense that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Substantially all expenses are allocated on the basis of estimates of time and effort.

Subsequent Events

Management has evaluated subsequent events through September 13, 2024, the date which the financial statements were available to be issued.

On May 28, 2024, the Organization purchased a property for \$954,180, of which \$300,000 was financed and the remaining paid in cash. The property is held by 736 Selby LLC, a limited liability company with Rondo Community Land Trust being the sole member.

NOTE 2 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following as of December 31, 2023:

| | | |
|---|----|-----------|
| Cash and cash equivalents | \$ | 5,848,006 |
| Grants receivable | | 550,624 |
| Other receivables | | 20,580 |
| Total financial assets available | | 6,419,210 |
| Less donor-imposed restrictions on financial assets | | 796,634 |
| Financial assets available within one year | \$ | 5,622,576 |

As part of the liquidity management plan, the Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Rondo Community Land Trust
Notes to Consolidated Financial Statements

NOTE 3 - GOODWILL

The changes in carrying amounts of goodwill for the year ended December 31, 2023 were as follows:

| | |
|--|--------------------------|
| Purchase of Golden Thyme Coffee Shop, Inc. | \$ 274,366 |
| Amortization | <u>(6,859)</u> |
| Balance, December 31, 2023 | <u><u>\$ 267,507</u></u> |

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2023:

| | |
|-------------------------------|----------------------------|
| Land | \$ 2,370,374 |
| Buildings | 4,920,074 |
| Leasehold improvements | 66,664 |
| Furniture and equipment | 136,121 |
| Construction in progress | <u>144,789</u> |
| Total cost | 7,638,022 |
| Less accumulated depreciation | <u>481,383</u> |
| Property and equipment, net | <u><u>\$ 7,156,639</u></u> |

NOTE 5 - LEASES

The Organization has a finance lease agreement for a building with a remaining lease term of two years. Payments under the lease agreement are fixed and include a purchase option which is intended to be exercised.

Future minimum lease payments under this agreement are as follows as of December 31, 2023:

| <u>Year Ending December 31</u> | |
|------------------------------------|--------------------------|
| 2024 | \$ 66,000 |
| 2025 | <u>842,000</u> |
| Total lease payments | 908,000 |
| Less amounts representing interest | <u>69,401</u> |
| Total minimum payments required | <u><u>\$ 838,599</u></u> |

Lease costs for the year ended December 31, 2023, were as follows:

| | |
|----------------------------------|-------------------------|
| Finance lease cost, amortization | \$ 26,984 |
| Finance lease cost, interest | <u>33,237</u> |
| Total minimum payments required | <u><u>\$ 60,221</u></u> |

As of December 31, 2023, the finance lease had a weighted-average remaining lease term of 24 months, and the weighted-average discount rate was 4.18%.

Rondo Community Land Trust
Notes to Consolidated Financial Statements

NOTE 6 - LONG-TERM DEBT

| | |
|---|------------|
| Seller financed interest-free loan, payable in semi-annual installments of \$50,000, beginning April 15, 2024, with final payment due September 2025. | \$ 200,000 |
| 0% Housing and Redevelopment Authority of the City of Saint Paul loan, payable on May 1, 2035. The loan is secured by various assets of the Organization. | 212,510 |
| 2.00% City of Saint Paul loan, payable in monthly installments of \$643, including interest, through March 2034. The loan is secured by land parcels. | 73,166 |
| 2.5% unsecured Otto Brember Trust loan, payable in principal installments of \$25,000 in June and December 2024, plus interest. | 50,000 |
| 7.5% unsecured Land Bank Twin Cities, Inc. loan, payable in full when the loan matures in September 2024. | 220,000 |
| | 755,676 |
| Less current portion | 376,316 |
| Less unamortized debt issuance costs | 26,917 |
| | \$ 352,443 |

Maturities of long-term debt are as follows:

| Year Ending December 31 | |
|-------------------------|------------|
| 2024 | \$ 376,316 |
| 2025 | 106,478 |
| 2026 | 6,609 |
| 2027 | 6,742 |
| 2028 | 6,878 |
| Thereafter | 252,653 |
| | \$ 755,676 |

Rondo Community Land Trust
Notes to Consolidated Financial Statements

NOTE 7 - FORGIVABLE LOANS

The Housing and Redevelopment Authority of the City of Saint Paul, Minnesota has provided the following loans to the Organization:

| | |
|--|--------------------------|
| Forgivable loan maturing December 31, 2029. If the Organization fully complies with the obligations of the grant, the lien against the property will be released. | \$ 525,000 |
| 0% interest loan with \$14,166 forgiven annually if the Organization complies with the obligations of the grant. The total remaining on the note as of December 31, 2023 was \$368,336, with \$212,510 due May 1, 2035 and included in long-term debt. | <u>155,826</u> |
| Forgivable loans, net | <u><u>\$ 680,826</u></u> |

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2023:

| | |
|--|----------------------------|
| Land | \$ 1,806,327 |
| County specific | 50,000 |
| Shoreview project | 178,011 |
| Rehab project | 19,878 |
| Escrow and security deposits | 73,037 |
| Tax purposes | 10,000 |
| Project | <u>46,875</u> |
| Total purpose restricted net assets | 2,184,128 |
| Time restricted | <u>652,192</u> |
| Total net assets with donor restrictions | <u><u>\$ 2,836,320</u></u> |

NOTE 9 - CONTINGENT LIABILITIES

Financial awards from federal and state governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. In the opinion of the Organization, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 10 - RETIREMENT PLAN

The Organization sponsors a SIMPLE IRA retirement plan covering substantially all of its employees. Participants in the plan may contribute a percentage of their compensation, but not in excess of the maximum allowed under the Internal Revenue Code. For the year ended December 31, 2023, the Organization contributed \$12,404 to this plan.

Rondo Community Land Trust
Notes to Consolidated Financial Statements

NOTE 11 - BUSINESS COMBINATION

On September 30, 2023, the Organization purchased the operations of the Golden Thyme Coffee and Cafe. The purchase is expected to further the Organization's mission of building community wealth and affordable developments in the city. The asset purchase agreement called for a purchase price of \$400,000, of which \$200,000 was paid in cash and \$200,000 is being financed by the seller (see Note 5). The purchase price has been allocated to identifiable assets and liabilities acquired based on the estimated fair value at the acquisition date determined by the Organization's management, using information available and an independent appraisal of

| | |
|----------------------|--------------------------|
| Equipment purchased | \$ 125,634 |
| Goodwill | <u>274,366</u> |
| Total purchase price | <u><u>\$ 400,000</u></u> |

SUPPLEMENTARY INFORMATION

**Rondo Community Land Trust
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2023**

| Federal Grantor/Pass-Through Grantor/ Program Title/Cluster | Assistance Listing Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|---|---------------------------------|--|-------------------------|
| U.S. Department of Housing and Urban Development Passed through City of Saint Paul, Minnesota CDBG-Entitlement Cluster | 14.218 | N/A | \$ 1,373,800 |

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Organization under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.

NOTE 3 - INDIRECT COST RATE

The Organization has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.



**Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

Board of Directors
Rondo Community Land Trust
Saint Paul, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of The Rondo Community Land Trust, Inc. and related entities (the Organization), which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 13, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BerganKDV, LTD.

Waterloo, Iowa
September 13, 2024



Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Directors
Rondo Community Land Trust
Saint Paul, Minnesota

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited The Rondo Community Land Trust (the Organization) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended December 31, 2023. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of the major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BerganKDV, LTD.

Waterloo, Iowa
September 13, 2024

**Rondo Community Land Trust
Schedule of Findings and Questioned Costs
Year Ended December 31, 2023**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Consolidated Financial Statements

| | |
|--|---------------|
| Type of auditor's report issued | Unmodified |
| Internal control over financial reporting | |
| • Material weakness(es) identified? | No |
| • Significant deficiency(ies) identified? | None reported |
| Noncompliance material to consolidated financial statements noted? | No |

Federal Awards

| | |
|--|---------------|
| Internal control over major programs | |
| • Material weakness(es) identified? | No |
| • Significant deficiency(ies) identified? | None reported |
| Type of auditor's report issued on compliance for major programs | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |

Identification of Major Programs

| | |
|---|-----------------------------------|
| Assistance Listing Numbers and Names of Federal Programs or Clusters | 14.218 - CDBG-Entitlement Cluster |
| Dollar threshold used to distinguish between type A and type B programs | \$750,000 |
| Auditee qualified as a low-risk auditee? | No |

SECTION II - FINDINGS RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS

None for the current year.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None for the current year.