

CITY OF LAKES COMMUNITY LAND TRUST

**CONSOLIDATED FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED
DECEMBER 31, 2017**

CITY OF LAKES COMMUNITY LAND TRUST

CONSOLIDATED FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

For the Year Ended December 31, 2017

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Mahoney Ulbrich Christiansen Russ P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
City of Lakes Community Land Trust
Minneapolis, Minnesota

We have audited the accompanying consolidated financial statements of the City of Lakes Community Land Trust (a nonprofit organization) and its subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

(Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the City of Lakes Community Land Trust and its subsidiaries as of December 31, 2017, 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.

Report on Summarized Comparative Information

We have previously audited the City of Lakes Community Land Trust's 2016 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated June 29, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Consolidating Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information shown on pages 27 and 28 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual entities, and it is not a required part of the consolidated financial statements. 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 consolidating 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 consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

July 6, 2018

*Mahoney Ulbrich
Christiansen Russ P.A.*

CITY OF LAKES COMMUNITY LAND TRUST

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2017
(With Comparative Totals for 2016)

	2017	2016
ASSETS		
Current assets:		
Cash	\$ 657,786	\$ 631,264
Cash restricted for loan programs	997,894	1,052,593
Escrowed funds and client advances	15,734	3,920
Accounts and grants receivable	329,805	409,994
Contributions receivable	14,436	85,025
Loans receivable, net, current portion	95,000	851,688
Prepaid expenses	67,855	15,681
Property held for sale	529,090	224,570
Total current assets	<u>2,707,600</u>	<u>3,274,735</u>
Other assets:		
Loans receivable, net, long-term portion	1,825,774	1,689,135
Cash restricted for loan programs	1,668,983	1,563,475
Rental property, net	278,137	296,188
Office property and equipment, net	251,387	269,517
Land held in trust	7,040,339	6,406,035
Total assets	<u>\$ 13,772,220</u>	<u>\$ 13,499,085</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current maturities of notes payable	\$ 255,404	\$ 123,009
Accounts payable	121,184	90,057
Construction payable	63,606	97,186
Accrued payroll and related	23,428	18,511
Recoverable program funds	997,894	1,884,155
Recoverable grant	40,000	40,000
Refundable advances	534,954	400,724
Total current liabilities	<u>2,036,470</u>	<u>2,653,642</u>
Long-term liabilities:		
Notes payable	281,245	406,831
Forgivable loans - affordable housing	4,279,788	3,935,057
Total liabilities	<u>6,597,503</u>	<u>6,995,530</u>
Net assets:		
Investment in land held in trust	2,760,551	2,470,978
Board designated - operating reserve	69,720	57,720
Board designated - office building reserve	39,697	27,697
Undesignated	591,337	647,144
Total unrestricted net assets	<u>3,461,305</u>	<u>3,203,539</u>
Temporarily restricted net assets	415,791	499,842
Permanently restricted net assets	3,297,621	2,800,174
Total net assets	<u>7,174,717</u>	<u>6,503,555</u>
Total liabilities and net assets	<u>\$ 13,772,220</u>	<u>\$ 13,499,085</u>

See accompanying notes to consolidated financial statements.

CITY OF LAKES COMMUNITY LAND TRUST

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

	2017			Total	2016
	Unrestricted	Temporarily restricted	Permanently restricted		
Support and revenue:					
Support:					
Contributions	\$ 193,608	\$ 99,900	\$ -	\$ 293,508	\$ 411,223
Contributed materials and services	8,123	-	-	8,123	472
Total support	201,731	99,900	-	301,631	411,695
Government grants - rehabilitation	358,502	-	-	358,502	395,445
Sale of property:					
Sales	445,000	-	-	445,000	821,100
Affordability gap subsidy	27,078	-	-	27,078	88,495
Construction subsidy	15,119	-	-	15,119	115,308
Loans forgiven	53,017	-	-	53,017	344,913
Cost of property sold	(515,752)	-	-	(515,752)	(1,324,462)
Marketing / developer fees	35,615	-	-	35,615	31,267
Loan interest	81,975	-	-	81,975	89,083
Recovery of deferred loans and grants	35,400	-	-	35,400	70,227
Service and origination fees	7,092	-	-	7,092	6,164
Land lease revenues	48,183	-	-	48,183	41,657
Building rents	50,700	-	-	50,700	46,100
Memberships	15,897	-	-	15,897	21,211
Commissions	40,638	-	-	40,638	17,227
Miscellaneous income	36,585	-	-	36,585	6,804
Interest income	5,905	-	-	5,905	3,330
Net assets released from restrictions	194,754	(183,951)	(10,803)	-	-
Total support and revenue	1,137,439	(84,051)	(10,803)	1,042,585	1,185,564
Expenses:					
Land trust	845,160	-	-	845,160	844,936
Lending	140,228	-	-	140,228	184,848
Realty	33,517	-	-	33,517	14,390
Total program services	1,018,905	-	-	1,018,905	1,044,174
Management and general	81,241	-	-	81,241	76,107
Fundraising	4,960	-	-	4,960	5,700
Total expenses	1,105,106	-	-	1,105,106	1,125,981
Change in net assets before property acquisition transactions and other adjustments	32,333	(84,051)	(10,803)	(62,521)	59,583
Property acquisition transactions:					
Contributed land	89,457	-	-	89,457	22,000
Government acquisition grants	527,163	-	-	527,163	614,966
Homeownership acquisition subsidies	(391,187)	-	-	(391,187)	(396,218)
Change in net assets before adjustments to loan loss reserve and recoverable program funds	257,766	(84,051)	(10,803)	162,912	300,331
Adjustment to loan loss reserve	-	-	126,605	126,605	-
Adjustment of recoverable program funds	-	-	381,645	381,645	-
Change in net assets	257,766	(84,051)	497,447	671,162	300,331
Net assets, beginning of year	3,203,539	499,842	2,800,174	6,503,555	6,203,224
Net assets, end of year	\$ 3,461,305	\$ 415,791	\$ 3,297,621	\$ 7,174,717	\$ 6,503,555

See accompanying notes to consolidated financial statements.

CITY OF LAKES COMMUNITY LAND TRUST

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

	2017							2016
	Land Trust	Program			Management and general	Fundraising	Total	
		Lending	Realty	Total				
Salaries	\$ 225,098	\$ 69,372	\$ -	\$ 294,470	\$ 22,405	\$ 3,201	\$ 320,076	\$ 307,660
Payroll taxes	15,865	4,986	-	20,851	1,841	227	22,919	22,199
Employee benefits	37,198	13,725	-	50,923	3,897	557	55,377	49,853
Total salaries and benefits	278,161	88,083	-	366,244	28,143	3,985	398,372	379,712
Professional fees	24,434	9,858	29,484	63,776	46,972	245	110,993	113,594
Partner fees	30,000	-	-	30,000	-	-	30,000	30,000
Office expenses	5,396	5,852	108	11,356	652	70	12,078	13,986
Postage and printing	5,002	1,401	89	6,492	450	64	7,006	10,793
Occupancy	21,719	2,833	-	24,552	1,184	175	25,911	26,398
Insurance	4,475	2,676	678	7,829	874	53	8,756	8,460
Travel	6,608	232	-	6,840	71	10	6,921	2,602
Equipment rental and maintenance	6,357	2,051	752	9,160	642	92	9,894	10,629
Dues and subscriptions	6,892	666	1,758	9,316	136	19	9,471	10,424
Programs and events	8,901	1,897	648	11,446	431	6	11,883	6,904
Deferred loans provided	-	-	-	-	-	-	-	11,000
Loan processing expenses	-	2,981	-	2,981	-	-	2,981	366
Bad debt	1,252	-	-	1,252	-	-	1,252	1,350
Recoverable program funds	-	-	-	-	-	-	-	50,084
Depreciation	31,527	5,001	-	36,528	1,344	192	38,064	40,378
Interest	15,558	1,759	-	17,317	342	49	17,708	23,669
Rehabilitation project costs	398,878	14,938	-	413,816	-	-	413,816	385,632
	845,160	140,228	33,517	1,018,905	81,241	4,960	1,105,106	1,125,981
Cost of property sold	515,752	-	-	515,752	-	-	515,752	1,324,462
Homeownership acquisition subsidies	391,187	-	-	391,187	-	-	391,187	396,218
	<u>\$ 1,752,099</u>	<u>\$ 140,228</u>	<u>\$ 33,517</u>	<u>\$ 1,925,844</u>	<u>\$ 81,241</u>	<u>\$ 4,960</u>	<u>\$ 2,012,045</u>	<u>\$ 2,846,661</u>

See accompanying notes to consolidated financial statements.

CITY OF LAKES COMMUNITY LAND TRUST

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2017

(With Comparative Totals for 2016)

Increase (Decrease) in Cash

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 671,162	\$ 300,331
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation expense	38,064	40,378
Contributed land	(89,457)	(22,000)
Grants for land acquisition	(200,116)	(134,400)
Notes payable forgiven	(53,017)	(344,913)
Adjustment of recoverable program funds	(381,645)	-
Provision for loan losses (recoveries)	(126,605)	-
Changes in operating assets and liabilities:		
Accounts and grants receivable	80,189	(92,215)
Contributions receivable	70,589	(35,025)
Prepaid expenses	(52,174)	(2,602)
Property held for sale	(304,520)	804,956
Collections of loans receivable	280,308	533,147
Accounts payable	31,127	52,053
Recoverable program funds	(50,084)	68,155
Construction payable	(33,580)	(54,302)
Fiscal agency payable	-	(2,234)
Accrued expenses and refundable advances	139,147	78,235
Net cash from operating activities	19,388	1,189,564
Cash flows from investing activities:		
Construction cash change, net	-	39,262
Cash restricted for loan fund, net	(50,809)	(673,025)
Purchase of office property and equipment	(1,883)	(7,359)
Purchase of land	(360,694)	(390,100)
Net cash from investing activities	(413,386)	(1,031,222)
Cash flows from financing activities:		
Grants received for land acquisition	200,116	134,400
Payments on lines of credit, net	-	(278,729)
Proceeds from notes payable	159,957	497,803
Payments on notes payable	(100,131)	(494,697)
Proceeds from forgivable loans	160,578	255,700
Net cash from financing activities	420,520	114,477
Net increase (decrease) in cash	26,522	272,819
Cash, beginning of year	631,264	358,445
Cash, end of year	\$ 657,786	\$ 631,264
Supplemental cash flow disclosures:		
Cash paid for interest expense	\$ 17,708	\$ 23,669
Noncash investing and financing activities:		
Notes payable forgiven	53,017	344,913
Land in trust acquired by transfer of forgivable loan	184,153	-
Contributed land	89,457	22,000
Loans transferred, net	454,533	-

See accompanying notes to consolidated financial statements.

CITY OF LAKES COMMUNITY LAND TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

1. ORGANIZATION

The City of Lakes Community Land Trust (the Land Trust) was formed in 2002 to provide and foster perpetually affordable home ownership opportunities for low and moderate income individuals and families in Minneapolis, Minnesota.

The Land Trust works with not-for-profit and for-profit housing developers on new construction and/or rehabilitation of housing in Minneapolis. The affordability subsidy that often accompanies affordable home ownership development is preserved by the community land trust model where the Land Trust will own title to the land underlying the house and the homeowner will mortgage title to the physical housing structure. The Land Trust receives government grants which are used to subsidize the cost of homeownership by decreasing the homebuyer's purchase price (acquisition subsidies).

The Land Trust leases the land back to the homeowner for \$16 to \$20 per month. When the homeowner sells the house, the homeowner receives the invested equity plus a percentage of any increase in property value. The increase in value rolls back into the affordability of the house allowing it to be sold to an income qualified low- to moderate-income household approved by the Land Trust.

Other activities include homebuyer education and outreach, homeowner post-purchase support and ongoing education, developing partnership opportunities with housing developers, housing rehabilitation, and general community outreach on the Community Land Trust model.

NHS - On July 1, 2015, the Land Trust became the sole member of Neighborhood Housing Services of Minneapolis (NHS), and the Board of Directors of the Land Trust became the Board of NHS.

Activities of NHS include providing home improvement loans, home improvement grants (deferred loans), community development, and technical assistance to area residents. NHS provides counseling to delinquent borrowers and will occasionally modify loan agreements to allow homeowners to stay in their homes.

Management is assessing the loan portfolio and funding sources. No new loans were issued during 2017 or 2016.

(Continued)

CITY OF LAKES COMMUNITY LAND TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

1. ORGANIZATION (Continued)

CLCR - The Land Trust incorporated City of Lakes Community Realty LLC, a Minnesota limited liability nonprofit company (CLCR) in April 2016. The Land Trust is the sole member of CLCR. CLCR was formed to facilitate Land Trust resales, purchases and sell residential real estate on behalf of the Land Trust, and represent real estate transactions of partner organizations providing affordable home ownership. The activities are supported primarily from commissions on real estate sales.

The Land Trust's activities are supported primarily by contributions, government grants, interest income, and fees for services. Government programs include the Community Development Block Grant and the Neighborhood Reinvestment Program (NRP) programs through the City of Minneapolis. Should NHS terminate operations, government funded assets would be returned to the respective government agency.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The consolidated financial statements include Land Trust (parent organization), NHS and CLCLR (subsidiary organizations). All significant inter-entity accounts and transactions have been eliminated.

Financial Statement Presentation - The accompanying consolidated financial statements have been prepared using the accrual basis of accounting.

The consolidated statement of activities presents operating activities separate from land trust property acquisition, reduction of the loan loss reserve, and adjustment of the recoverable program funds due to the City. Operating activities include revenues and expenses to operate the land trust, lending, and housing rehabilitation activities. Land trust property acquisition activities include acquisition of land and the related grants. Management believes that this presentation assists users of the financial statements with understanding the activities.

Net assets, revenues and support are classified based on the presence or absence of donor-imposed restrictions.

(Continued)

CITY OF LAKES COMMUNITY LAND TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accordingly, net assets are classified and reported as follows:

- Unrestricted net assets are not restricted by donors or the donor-imposed restrictions have expired. Unrestricted net assets are available for programs and supporting services at the discretion of management and the board of directors. The investment in land held in trust, net of the related forgivable loans, makes up a significant portion of unrestricted net assets.
- Temporarily restricted net assets are contributions restricted by donors for specific purposes or time periods. When donor-imposed time restrictions expire, or a donor-imposed purpose restriction is fulfilled, the temporarily restricted net assets are reclassified to unrestricted net assets. This reclassification is reported on the consolidated statement of activities. Contributions with donor-imposed restrictions that expire in the same fiscal year the contribution is recognized are reported as unrestricted net assets.
- Permanently restricted net assets arise from contributions that the donor has stipulated must be maintained in perpetuity. Permanently restricted resources consist of revolving loan funds and foreclosed properties held for sale, which includes support and revenues designated to provide loans and grants, and to purchase and develop properties. A significant portion of these assets would be returned to government agencies if NHS were to terminate operations or upon the funder's request. See Note 16.

Comparative Total Column - The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the financial statements for the year ended December 31, 2016, from which the summarized information was derived.

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

(Continued)

CITY OF LAKES COMMUNITY LAND TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

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

The most significant estimates used in preparation of the financial statements that are particularly susceptible to material change are the determination of the allowance for losses on loans receivable, recoverable program funds, and the allocation of expenses by function.

Cash and Cash Equivalents - The Land Trust and its subsidiaries consider all highly liquid temporary investments with an original maturity of three months or less to be cash equivalents.

Cash restricted for loan programs is presented separately from operating cash and are not considered cash equivalents for the statement of cash flows.

Credit Risk - The Land Trust and its subsidiaries maintain bank accounts at various financial institutions. Although at times the amount on deposit may exceed the federally insured limit, the Land Trust and its subsidiaries have not experienced any losses. At December 31, 2017, cash balances exceeded federally insured limits by approximately \$144,000. At December 31, 2016, cash balances did not exceed federally insured limits.

Accounts, Grants and Contributions Receivable - Accounts, grants and contributions receivable are stated at the amount management expects to collect. Management reviews balances periodically and establishes an allowance for doubtful accounts based on expected collections. Receivables are written off as a charge to the allowance when, in management's estimation, it is probable that the receivable is worthless. No allowance was considered necessary at December 31, 2017 and 2016.

Loans Receivable and Allowance for Loan Losses - Loans, other than deferred loans, are considered a part of NHS's operations and are stated at the amount of unpaid principal, reduced by an allowance for loan losses. Loans receivable and committed undisbursed loan proceeds (payable) are recognized at the time a loan is closed. As NHS makes loan disbursements, committed loans are reduced.

Interest on loans is calculated by using the simple interest method on the principal amount outstanding. Interest rates range from 0% to 8%. Interest is recorded when received.

(Continued)

CITY OF LAKES COMMUNITY LAND TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

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

The allowance for loan losses is a non-cash reserve established to offset potential or expected losses on loans. The allowance for loan losses is established through a provision charged to expenses. Loans are charged against the allowance for loan losses when management believes that the collectability of the principal is unlikely after considering collateral value.

The allowance for loan losses is maintained at a level that, in management's judgment, is adequate to absorb credit losses inherent in the loan portfolio. The amount of the allowance is based on management's evaluation of the collectability of the loan portfolio, based on the nature of the portfolio, credit concentrations, trends in historical loss experience, economic conditions, and other risks inherent in the portfolio.

Deferred Loans - Deferred loans are made to homeowners / buyers to assist in acquisition or home improvements and are forgivable in five to ten years. A deferred loan will be forgiven if the homeowner remains the owner and resides in the property for the term of the contract. Deferred loans are expensed when closed since repayment is unlikely. Recoveries of deferred loans are recorded as revenue when received.

Loan Fees - Loan origination fees are recognized as income upon closing of the loan because incremental direct costs incurred on each loan exceed the fees charged.

Property Held for Sale - To preserve its investment in land trust properties, the Land Trust will at times purchase a land trust property that is in the process of being foreclosed. The Land Trust will also purchase properties from the City of Minneapolis to rehabilitate and sell to qualified homeowners / buyers. These properties are recorded at the lower of cost or estimated resale value and offered for sale.

NHS acquires properties by foreclosure of customer loans in default. The properties are then rehabilitated and sold to buyers who meet NHS's criteria. The properties acquired through foreclosure are recorded at the lower of the loan balance or fair value of the property at the time of foreclosure.

If the property is being rehabilitated, all architectural costs, construction costs, and other development costs are capitalized. No interest was incurred and capitalized in 2017 and 2016.

All costs related to the upkeep of the properties are expensed as holding costs.

(Continued)

CITY OF LAKES COMMUNITY LAND TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Rental Property - Rental property consists of a fourplex. The rental property is carried at cost. Depreciation is computed using the straight-line method over the estimated useful life beginning when the property is placed in service. The cost of maintenance and repairs is charged to income as incurred; significant renewals or betterments are capitalized. Accumulated depreciation totaled \$46,631 and \$28,580 as of December 31, 2017 and 2016. Lease terms are either one year or month to month.

Office Property and Equipment - Office property and equipment is carried at cost. The Land Trust capitalizes all items in excess of \$1,500 that provide a future benefit. Depreciation is computed using the straight-line method over the estimated useful life. The cost of maintenance and repairs is charged to income as incurred; significant renewals or betterments are capitalized.

Contributions of cash that must be used for office property and equipment are reported as temporarily restricted. The Land Trust reports the expiration of donor restrictions when the acquired assets are placed in service.

Land Held in Trust -

- House / townhouse lots have been acquired through purchase, bargain purchase or donation. The lots acquired by purchase are recorded at the lower of cost or appraised value. The lots acquired by bargain purchase or donation are recorded at appraised value at the date received. The Land Trust has a warranty deed on these lots.
- Condominium units are subject to unit use deed restrictions. Condominium units are recorded at the amount of the affordability gap financing (financing required to make the unit affordable for the buyer).
- The Land Trust works with one other nonprofit developer to preserve affordability of their properties.

Fiscal Agency Payable - The Land Trust periodically acts as an agent for donors and grantors. It accepts assets from donors and agrees to use those amounts to benefit a specified beneficiary. These transactions are not included in the statement of activities since the Land Trust has no discretion in determining how the funds are used. Such agency amounts collected are recorded as liabilities until released to the beneficiary.

(Continued)

CITY OF LAKES COMMUNITY LAND TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Forgivable Loans - Some government grants are in the form of forgivable loans. These grants are recorded as liabilities until the earlier of expiration of the term or repayment. See Note 11.

Government Grants and Contracts - Except for revolving loan funds discussed below, government grants are generally considered exchange transactions and are recorded as revenue when earned. Revenue is earned when eligible expenditures are incurred. Funds received but not yet earned are recorded as refundable advances.

Government grants from the Minnesota Housing Finance Agency for acquisition/rehabilitation of properties are in the form of deferred loans. These deferred loans are recognized as revenue when the property is sold because management expects to comply with the terms of the agreement.

Grants and Contracts Designated for Revolving Loan Funds - When loans are funded by new government grants, a grant receivable and revenue are recorded when the loan has been approved and committed. Revenue does not match with a related expense when grant and contract revenues are used to create loans which are not deferred.

A specified percentage of principal and interest received on loan payments from NHS's loan portfolio represents administration program income. This income is used to defray administrative expenses related to loan origination and servicing. NHS also receives funds from grantor agencies designated for administration costs.

Revolving loan funds are considered permanently restricted net assets.

Contributions - Individual contributions and foundation grants are recognized when the donor makes an unconditional commitment to give to the Land Trust. Contributions that are restricted by the donor are reported as increases in temporarily restricted net assets and transferred to unrestricted net assets when restrictions expire or the condition is met. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

Donated Materials and Services - Donated materials are recorded as contributions at their estimated fair market value in the period received. The Land Trust received \$5,308 and \$472 of donated rehabilitation materials in 2017 and 2016, respectively.

(Continued)

CITY OF LAKES COMMUNITY LAND TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

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

Unpaid volunteers have made significant contributions of their time to the Land Trust's programs. The fair value of this contributed time is reflected in the financial statements only if the services create or enhance nonfinancial assets or require specialized skills and would typically need to be purchased if not provided by donation. The Land Trust received \$2,815 and \$- of contributed services in 2017 and 2016, respectively.

Marketing / Developer Fees - Marketing / developer fees represent fees recorded at the time of acquisition and sale of properties.

Functional Expenses - The majority of expenses can be directly identified with the program or supporting services to which they relate and are charged accordingly. Other expenses have been allocated among program and supporting services based on management's estimates of how staff spend their time.

Income Taxes - The Land Trust and its subsidiaries are classified as tax-exempt organizations under Minnesota Statute 290.05 and Section 501(c)(3) of the Internal Revenue Code, are exempt from private foundation status under Section 509(a)(1) of the Internal Revenue Code, and are subject to income taxes only on net unrelated business income.

Income from operation of the rental property is subject to unrelated business income taxes because the building is debt financed. No income taxes were paid in 2017 or 2016. Management believes the Land Trust and its subsidiaries do not have any uncertain tax positions.

3. **RECEIVABLES**

Substantially all accounts and grants receivable are due from government agencies for property acquisition and rehabilitation.

Contributions receivable are due in 2018.

(Continued)

CITY OF LAKES COMMUNITY LAND TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

4. **LOANS RECEIVABLE**

Loans receivable represent fixed rate home acquisition and improvement loans made to residents in Minneapolis. Most loans/collateral would likely fail to meet commercial credit standards. Repayment terms range from six months to 30 years. NHS will occasionally modify loan agreements to allow homeowners to stay in their homes. The loans are collateralized by the related property.

Specified contracts have been closed out and terminated. As a result, loans with a principal balance of \$621,907 and an allowance of \$167,374 were returned to the City of Minneapolis in 2017. See Note 16.

Loans receivable by portfolio as follows:

	2017	2016
First mortgage loans	\$ 728,795	\$ 1,095,291
Contracts for deed	812,861	829,215
Home improvement loans	657,100	1,214,553
Due on sale loans	110,018	110,018
Total loans receivable	2,308,774	3,249,077
Less allowance for loan losses	(388,000)	(708,254)
Total loans receivable, net	\$ 1,920,774	\$ 2,540,823

Current and long-term loans receivable are as follows:

	2017	2016
Current portion	\$ 95,000	\$ 851,688
Long-term portion	1,825,774	1,689,135
	\$ 1,920,774	\$ 2,540,823

(Continued)

CITY OF LAKES COMMUNITY LAND TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

4. LOANS RECEIVABLE (Continued)

Activity in the allowance for loan losses was as follows:

	<u>2017</u>	<u>2016</u>
Beginning balance	\$ 708,254	\$ 708,254
Loans charged off	(26,275)	-
Adjustment for loans returned to City	(167,374)	-
Change in the provision for losses	<u>(126,605)</u>	<u>-</u>
Ending balance	<u>\$ 388,000</u>	<u>\$ 708,254</u>

A summary of the loans receivable aging by portfolio at December 31, 2017 follows:

	<u>First mortgage loans</u>	<u>Contracts for deed</u>	<u>Home improvement loans</u>	<u>Due on sale loans</u>	<u>Total</u>
Current	\$ 161,133	\$ 133,690	\$ 297,618	\$ -	\$ 592,441
0 - 90 days	209,491	282,600	99,722	-	591,813
Over 90 days	358,171	396,571	259,760	-	1,014,502
Due on sale	<u>-</u>	<u>-</u>	<u>-</u>	110,018	110,018
Total	<u>\$728,795</u>	<u>\$ 812,861</u>	<u>\$ 657,100</u>	<u>\$ 110,018</u>	<u>\$ 2,308,774</u>

A summary of the loans receivable aging by portfolio at December 31, 2016 follows:

	<u>First mortgage loans</u>	<u>Contracts for deed</u>	<u>Home improvement loans</u>	<u>Due on sale loans</u>	<u>Total</u>
Current	\$ 563,835	\$ 321,747	\$ 812,092	\$ -	\$ 1,697,674
0 - 90 days	59,155	109,167	175,963	-	344,285
Over 90 days	472,301	398,301	226,498	-	1,097,100
Due on sale	<u>-</u>	<u>-</u>	<u>-</u>	110,018	110,018
Total	<u>\$1,095,291</u>	<u>\$ 829,215</u>	<u>\$ 1,214,553</u>	<u>\$ 110,018</u>	<u>\$ 3,249,077</u>

(Continued)

CITY OF LAKES COMMUNITY LAND TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

4. LOANS RECEIVABLE (Continued)

A summary of the allowance for loan losses by portfolio at December 31, 2017 follows:

	First mortgage loans	Contracts for deed	Home improvement loans	Due on sale loans	Total
Beginning balance	\$ 434,251	\$ 68,212	\$ 203,791	\$ 2,000	\$ 708,254
Charged off Loans	-	-	(26,275)	-	(26,275)
Loans returned to City	(76,992)	-	(90,382)	-	(167,374)
Provision for losses	(233,259)	69,788	20,866	16,000	(126,605)
Ending balance	<u>\$ 124,000</u>	<u>\$ 138,000</u>	<u>\$ 108,000</u>	<u>\$ 18,000</u>	<u>\$ 388,000</u>

A summary of the allowance for loan losses by portfolio at December 31, 2016 follows:

	First mortgage loans	Contracts for deed	Home improvement loans	Due on sale loans	Total
Beginning balance	\$ 434,251	\$ 68,212	\$ 203,791	\$ 2,000	\$ 708,254
Charged off	-	-	-	-	-
Provision for losses	-	-	-	-	-
Ending balance	<u>\$ 434,251</u>	<u>\$ 68,212</u>	<u>\$ 203,791</u>	<u>\$ 2,000</u>	<u>\$ 708,254</u>

(Continued)

CITY OF LAKES COMMUNITY LAND TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

4. **LOANS RECEIVABLE (Continued)**

NHS establishes an allowance for each portfolio as follows:

	Allowance %
First mortgage loans	17
Contracts for deed	17
Home improvement loans	17
Due on sale loans	17

NHS has based the above allowance percentages on prior collection history and the current value of properties.

Other information as of December 31, 2017:

- Individual loans are reviewed for impairment
- There are no loans on non-accrual status
- Management reviewed loan loss histories in 2017 and adjusted the allowance for each portfolio to 17% of the gross balance outstanding. For the year ended December 31, 2016, the allowance ranged from 15-22% for all loans except due on sale loans, which were at 0-2%.
- Management has identified two contracts for deed and two home improvement loans totaling approximately \$305,000 which are impaired. Approximately 20% (\$54,000) of the allowance relates to these loans.

NHS services loans with a balance of \$408,495 as of December 31, 2017. These loans are held by other organizations and are not included in the financial statements of NHS.

Escrowed funds and client advances at December 31, follows:

	2017	2016
Advances for real estate taxes and insurance	\$ 15,734	\$ 21,011
Borrower deposits for taxes and insurance	-	(17,091)
Total	\$ 15,734	\$ 3,920

(Continued)

CITY OF LAKES COMMUNITY LAND TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

5. PROPERTY HELD FOR SALE

The Land Trust has been awarded funding from the City of Minneapolis and Hennepin County to purchase and rehabilitate single family properties in the City of Minneapolis which must be sold to qualified buyers. During 2017, two properties were developed and sold to qualified buyers and eight houses were in the process of rehabilitation as of December 31, 2017. During 2016, five properties were developed and sold to qualified buyers and five houses were in the process of rehabilitation as of December 31, 2016.

During 2017, NHS acquired one property with a carrying amount of \$28,581 via foreclosure. NHS and the Land Trust are working to redevelop and market the property.

6. OFFICE PROPERTY AND EQUIPMENT

Office property and equipment consists of the following:

	<u>2017</u>	<u>2016</u>	<u>Estimated useful life - years</u>
Land and land improvements	\$ 26,760	\$ 26,760	10
Office building and improvements	328,833	326,250	5 - 20
Equipment	<u>11,441</u>	<u>14,055</u>	3 - 5
	367,034	367,065	
Less accumulated depreciation	<u>(115,647)</u>	<u>(97,548)</u>	
	<u>\$ 251,387</u>	<u>\$ 269,517</u>	

7. LAND HELD IN TRUST

Land held in trust consists of the following:

	<u>2017</u>	<u>2016</u>
House / townhouse lots (196 - 2017 and 167 - 2016)	\$ 5,586,253	\$ 4,951,949
Condominium units (24 - 2017 and 24 - 2016)	1,454,086	1,454,086
Warranty deed homes (33 - 2017 and 33 - 2016)	<u>-</u>	<u>-</u>
	<u>\$ 7,040,339</u>	<u>\$ 6,406,035</u>

(Continued)

CITY OF LAKES COMMUNITY LAND TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

7. LAND HELD IN TRUST (Continued)

The Land Trust has first right of refusal to purchase a property within 55 days of notice to sell from the homeowner. If the Land Trust does not purchase the property, the homeowner may sell the property and assign the land lease to an income qualified buyer. If the homeowner does not sell the property within one year, the Land Trust is appointed attorney in fact and will assist in locating a buyer.

8. LINES OF CREDIT

The Land Trust has two bank lines of credit aggregating \$230,000. The interest rate is 1% above the prime rate with a floor of 4.50%. The lines of credit are for program purposes and mature on August 29, 2018. The lines of credit are secured by all assets of the Land Trust.

The Land Trust has an unsecured line of credit with John Larsen Foundation for up to \$100,000 with interest at 3.5%. The line of credit is for program purposes and matures on April 15, 2018. The line of credit is unsecured.

The Land Trust has a master line of credit aggregating \$750,000 with the Twin Cities Community Land Bank for acquisition, demolition, holding costs and rehabilitation of housing properties. The interest rate varies property by property. Each property loan must be repaid upon sale, but no later than 12 months following the acquisition date. The master line of credit will mature on January 5, 2020. Advances are secured by a mortgage on each property.

There were no outstanding advances on the lines of credit at December 31, 2017 and 2016.

9. RECOVERABLE GRANT

The Land Trust has a \$40,000 recoverable grant repayable to the Local Initiatives Support Corporation (LISC) without interest. The grant was used to support the Land Trust in fostering stewardship of perpetually affordable homeownership. Repayment of all or a portion of the grant will not be required in certain circumstances.

(Continued)

CITY OF LAKES COMMUNITY LAND TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

10. NOTES PAYABLE

	2017	2016
Office building:		
Propel Nonprofits - CPED	\$ 31,205	\$ 38,779
Propel Nonprofits	38,977	47,649
John Larsen Foundation	100,000	100,000
Rental property:		
Bremer Bank	236,467	244,791
Houses:		
City of Minneapolis - HOW	130,000	98,621
	536,649	529,840
Less current maturities	(255,404)	(123,009)
	\$ 281,245	\$ 406,831

Propel Nonprofits - CPED - The Land Trust received a \$75,000 loan for its office building. These funds were provided by the City of Minneapolis Community Planning and Economic Development's (CPED) Commercial Corridors Small Business Revolving Loan Fund Program. The loan bears interest at 2.0%. Monthly principal and interest payments of \$690 are due through November 16, 2021 when any unpaid principal and interest are due. The loan is secured by a mortgage on the office property and a security interest in substantially all the assets of the Land Trust.

Propel Nonprofits - The Land Trust received an \$85,000 loan for its office building. The loan bears interest at 5.50%. Monthly principal and interest payments of \$923 are due through November 16, 2021, when any unpaid principal and interest are due. The loan is secured by a mortgage on the office property and a security interest in substantially all the assets of the Land Trust.

John Larsen Foundation - The Land Trust received a \$100,000 loan for its office building. The loan requires monthly payments of interest at 2.5%. The principal and remaining interest are due on April 15, 2019. The loan is unsecured.

(Continued)

CITY OF LAKES COMMUNITY LAND TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

10. **NOTES PAYABLE (Continued)**

Bremer Bank - The Land Trust entered into a financing agreement with Bremer Bank, National Association in the amount of \$250,000 to refinance a previous mortgage. The loan bears interest at 4.43%. Monthly principal and interest payments of \$1,581 are due beginning May 27, 2016, through April 27, 2021, at which time all remaining principal and interest are due. The Land Trust is required to maintain a debt service coverage ratio of not less than to 1.05 to 1.0 as of the end of each fiscal year. The loan is secured by a mortgage and revenues from the rental property.

City of Minneapolis - HOW - The Land Trust entered into a housing acquisition/rehabilitation loan agreement, without interest, to purchase, rehabilitate, and sell foreclosed houses as affordable housing to qualified households. The principal amount is due upon the sale of the houses. \$53,017 and \$344,913 of total City loans were forgiven in 2017 and 2016, respectively.

Maturities of the notes payable are as follows:

2018	\$	255,404	
2019		26,467	
2020		27,551	
2021		227,227	
		227,227	
	\$	536,649	

11. **FORGIVABLE LOANS**

Forgivable loans consist of the following:

	2017	2016
Hennepin County HRA	\$ 3,121,653	\$ 2,776,922
City of Minneapolis	1,158,135	1,158,135
	\$ 4,279,788	\$ 3,935,057

(Continued)

CITY OF LAKES COMMUNITY LAND TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

11. **FORGIVABLE LOANS (Continued)**

The Land trust has entered into forgivable loan agreements with the Hennepin County Housing and Redevelopment Authority and the City of Minneapolis. The funds are used to acquire and/or rehabilitate affordable homeownership units which provide homeownership opportunities for eligible low and very low-income households in Minneapolis. The loans will be forgiven if the units are occupied by qualified owners as defined in the agreement for a period of 30 years (beginning in 2005). If the units are not occupied by qualified owners, the loans must be repaid.

The Hennepin County HRA loans are interest free and the City of Minneapolis loans have interest rates of either 0% or 2%. It is management’s intention to maintain compliance for the term of these agreements and accordingly, interest has not been recorded.

12. **NET ASSETS**

Temporarily restricted - Temporarily restricted net assets are for the following:

	2017	2016
General operating – time restricted	\$ 67,500	\$ 70,000
Land held in trust acquisitions	27,574	100,000
Commercial land trust research	-	37,500
Urban Land Conservancy Trip	-	4,024
Deferred loans to homeowners	320,717	288,318
	\$ 415,791	\$ 499,842

Permanently restricted - Permanently restricted resources consist of NHS revolving loan funds and properties held for sale, which includes support and revenues designated to provide loans and grants. A significant portion of these assets would be returned to government agencies if NHS were to terminate operations or upon the funder’s request.

(Continued)

CITY OF LAKES COMMUNITY LAND TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

12. NET ASSETS (Continued)

Permanently restricted net assets may be released when loans are determined to be uncollectable; deferred loans are issued; program income is used for general administrative expenses at an approved rate; authorization is obtained from the resource provider; funds are returned to a funding source; and development costs are not recoverable.

Permanently restricted net asset releases follow:

	<u>2017</u>	<u>2016</u>
Recoverable program funds (grant for 2719 Lyndale property returned to funding source)	\$ -	\$ (50,084)
Other	<u>(10,803)</u>	<u>300</u>
	<u>\$ (10,803)</u>	<u>\$ (49,784)</u>

13. RETIREMENT PLAN

The Land Trust offers a Simplified Employee Pension (SEP) plan to all employees. The plan provides employees with a tax-deferred opportunity through payroll deduction to accumulate savings for retirement. The Land Trust will contribute an amount equal to 3% of an employee's yearly salary to this plan. Contributions to this plan were \$9,460 in 2017 and \$8,556 in 2016.

(Continued)

CITY OF LAKES COMMUNITY LAND TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

14. LEASES

The Land Trust leases a copier and a phone system under operating leases. Rent expense was \$7,561 and \$7,980 in 2017 and 2016, respectively.

Future minimum lease payments are as follows:

2018	\$	7,549
2019		7,116
2020		3,490
2021		900
2022		375
		<hr/>
	\$	<u>19,430</u>

15. CONCENTRATIONS

During 2017, two organizations individually provided 36% and 22% of contributions support. During 2016, two organizations individually provided 33% and 27% of contributions support.

Minnesota Housing Finance Agency and the City of Minneapolis provided substantially all government grant revenues during 2017 and 2016.

A large portion of assets consist of loans, land, property held for sale, and air rights located in Minneapolis, Minnesota.

16. RECOVERABLE PROGRAM FUNDS

During 2015, the City of Minneapolis (the City) informed NHS that specified contracts would be closed out and terminated, requiring the return of cash and loans receivable. At December 31, 2016, an estimated liability of \$1,884,155 was recorded for the estimated total recoverable program funds. This liability was assumed in 2015 when the Land Trust acquired NHS.

(Continued)

CITY OF LAKES COMMUNITY LAND TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

16. RECOVERABLE PROGRAM FUNDS (Continued)

During 2017, \$50,084 of cash and \$621,907 of loans receivable were returned. The allowance for loan losses related to the transferred loans was \$167,374. In addition, NHS and the City reached an agreement for NHS to return an additional \$997,894 of cash and to retain \$214,271 of the City's loan portfolio. \$997,894 was returned to the City in April 2018. NHS recorded adjustments totaling \$381,645 in 2017 for the difference between the net book value of the amounts returned and the initial accrual for estimated recoverable program funds.

17. COMMITMENTS AND CONTINGENCIES

The Land Trust has provided a guaranty to the Hennepin County Housing and Redevelopment Authority for \$180,000 of loans for development of low-income housing units through 2035. These loans are made to the project developer (not the Land Trust) and secured by the property. The Land Trust has not recorded the guaranty obligation on the financial statements because management believes it is unlikely that the Land Trust will incur any costs.

Some governmental grants require the funds to be used to acquire or rehabilitate affordable housing. These funds are repayable if not used for the intended purpose during the term of the compliance period (generally up to 30 years).

Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed grant costs may constitute a liability. The amount, if any, of costs which may be disallowed by the grantor agencies will be recognized in the year determined.

18. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 6, 2018, the date on which the financial statements were available for issue, and identified no further significant events or transactions to disclose.

SUPPLEMENTARY CONSOLIDATING INFORMATION

CITY OF LAKES COMMUNITY LAND TRUST

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2017

	<u>City of Lakes Community Land Trust</u>	<u>Neighborhood Housing Services</u>	<u>City of Lakes Community Realty</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS					
Current assets:					
Cash	\$ 87,185	\$ 557,033	\$ 13,568	\$ -	\$ 657,786
Cash restricted for loan programs	-	997,894	-	-	997,894
Escrowed funds and client advances	-	15,734	-	-	15,734
Accounts and grants receivable	337,217	1,321	-	(8,733)	329,805
Contributions receivable	14,436	-	-	-	14,436
Loans receivable, net, current portion	-	95,000	-	-	95,000
Prepaid expenses	64,152	2,800	903	-	67,855
Properties held for sale	500,509	28,581	-	-	529,090
Total current assets	<u>1,003,499</u>	<u>1,698,363</u>	<u>14,471</u>	<u>(8,733)</u>	<u>2,707,600</u>
Other assets:					
Loans receivable, net, long-term portion	-	1,825,774	-	-	1,825,774
Cash restricted for loan programs	-	1,668,983	-	-	1,668,983
Investment in LLC	100	-	-	(100)	-
Rental property, net	278,137	-	-	-	278,137
Office property and equipment, net	251,387	-	-	-	251,387
Land held in trust	7,040,339	-	-	-	7,040,339
Total assets	<u>\$ 8,573,462</u>	<u>\$ 5,193,120</u>	<u>\$ 14,471</u>	<u>\$ (8,833)</u>	<u>\$ 13,772,220</u>
LIABILITIES AND NET ASSETS					
Current liabilities:					
Current maturities of notes payable	\$ 255,404	\$ -	\$ -	\$ -	\$ 255,404
Accounts payable	101,675	26,242	2,000	(8,733)	121,184
Construction payable	63,606	-	-	-	63,606
Accrued payroll and related	23,428	-	-	-	23,428
Recoverable program funds	-	997,894	-	-	997,894
Recoverable grant	40,000	-	-	-	40,000
Refundable advances	534,954	-	-	-	534,954
Total current liabilities	<u>1,019,067</u>	<u>1,024,136</u>	<u>2,000</u>	<u>(8,733)</u>	<u>2,036,470</u>
Long-term liabilities:					
Notes payable	281,245	-	-	-	281,245
Forgivable loans - affordable housing	4,279,788	-	-	-	4,279,788
Total liabilities	<u>5,580,100</u>	<u>1,024,136</u>	<u>2,000</u>	<u>(8,733)</u>	<u>6,597,503</u>
Net assets:					
Investment in land held in trust	2,760,551	-	-	-	2,760,551
Board designated - operating reserve	69,720	-	-	-	69,720
Board designated - office building reserve	39,697	-	-	-	39,697
Undesignated	28,320	550,646	12,471	(100)	591,337
Total unrestricted net assets	<u>2,898,288</u>	<u>550,646</u>	<u>12,471</u>	<u>(100)</u>	<u>3,461,305</u>
Temporarily restricted net assets	95,074	320,717	-	-	415,791
Permanently restricted net assets	-	3,297,621	-	-	3,297,621
Total net assets	<u>2,993,362</u>	<u>4,168,984</u>	<u>12,471</u>	<u>(100)</u>	<u>7,174,717</u>
Total liabilities and net assets	<u>\$ 8,573,462</u>	<u>\$ 5,193,120</u>	<u>\$ 14,471</u>	<u>\$ (8,833)</u>	<u>\$ 13,772,220</u>

See independent auditor's report.

CITY OF LAKES COMMUNITY LAND TRUST

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2017

	City of Lakes Community Land Trust	Neighborhood Housing Services	City of Lakes Community Realty	Eliminations	Total
Support and revenue:					
Support:					
Contributions	\$ 293,508	\$ -	\$ -	\$ -	\$ 293,508
Contributed materials and services	8,123	-	-	-	8,123
Total support	<u>301,631</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>301,631</u>
Revenue:					
Government grants - rehabilitation	358,502	-	-	-	358,502
Sales of property:					
Sales	445,000	-	-	-	445,000
Affordability gap subsidy	27,078	-	-	-	27,078
Construction subsidy	15,119	-	-	-	15,119
Loans forgiven	53,017	-	-	-	53,017
Cost of property sold	(515,752)	-	-	-	(515,752)
Marketing / developer fees	35,615	-	-	-	35,615
Loan interest	-	81,975	-	-	81,975
Recovery of deferred loans and grants	-	35,400	-	-	35,400
Service and origination fees	-	7,092	-	-	7,092
Land lease revenues	48,183	-	-	-	48,183
Building rents	50,700	-	-	-	50,700
Memberships	15,897	-	-	-	15,897
Commissions	-	-	40,638	-	40,638
Miscellaneous income	14,218	30,724	1,463	(9,820)	36,585
Interest income	160	5,745	-	-	5,905
Total support and revenue	<u>849,368</u>	<u>160,936</u>	<u>42,101</u>	<u>(9,820)</u>	<u>1,042,585</u>
Expenses:					
Program services	845,160	140,228	33,517	-	1,018,905
Management and general	81,241	9,820	-	(9,820)	81,241
Fundraising	4,960	-	-	-	4,960
Total expenses	<u>931,361</u>	<u>150,048</u>	<u>33,517</u>	<u>(9,820)</u>	<u>1,105,106</u>
Change in net assets before property acquisition transactions and other adjustments	(81,993)	10,888	8,584	-	(62,521)
Property acquisition transactions:					
Contributed land	89,457	-	-	-	89,457
Government acquisition grants	527,163	-	-	-	527,163
Homeownership acquisition subsidies	(391,187)	-	-	-	(391,187)
Change in net assets before adjustments to loan loss reserve and recoverable program funds	143,440	10,888	8,584	-	162,912
Adjustment to loan loss reserve	-	126,605	-	-	126,605
Adjustment of recoverable program funds	-	381,645	-	-	381,645
Change in net assets	143,440	519,138	8,584	-	671,162
Net assets, beginning of year	<u>2,849,922</u>	<u>3,649,846</u>	<u>3,887</u>	<u>(100)</u>	<u>6,503,555</u>
Net assets, end of year	<u>\$ 2,993,362</u>	<u>\$ 4,168,984</u>	<u>\$ 12,471</u>	<u>\$ (100)</u>	<u>\$ 7,174,717</u>

See independent auditor's report.