



**Office of the Washington State Auditor
Pat McCarthy**

November 17, 2022

Board of Directors
Community Roots Housing
Seattle, Washington

**Contracted CPA Firm's Audit Report on Financial Statements and
Federal Single Audit**

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the financial statements and compliance with federal grant requirements of the Community Roots Housing (Authority) for the fiscal years ended December 31, 2021 and 2020. The Authority contracted with the CPA firm for this audit and requested that we accept it in lieu of performing our own audit.

Based on this review, we have accepted this report in lieu of the audit required by RCW 43.09.260. The Office of the Washington State Auditor did not audit the accompanying financial statements or the Authority's compliance with federal grant agreements and, accordingly, we do not express an opinion on those financial statements or on compliance.

This report is being published on the Office of the Washington State Auditor website as a matter of public record.

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy". The signature is fluid and cursive.

Pat McCarthy, State Auditor
Olympia, WA

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COMMUNITY ROOTS
HOUSING

Financial Statements and Single Audit Reports

For the Years Ended December 31, 2021 and 2020

Table of Contents

	Page
Independent Auditor's Report	1 - 3
Management's Discussion and Analysis	4 - 10
Financial Statements:	
Balance Sheets	11 - 12
Statements of Revenues, Expenses and Changes in Net Position	13
Statements of Cash Flows	14 - 15
Notes to Financial Statements	16 - 39
Supplementary Information:	
Schedule of Departmental Operations	40
Schedule of Property Operations	41 - 43
Schedule of Expenditures of Federal Awards and Related Notes	44 - 45
Single Audit Reports:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	46 - 47
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	48 - 50
Schedule of Findings and Questioned Costs	51 - 52
Management's Corrective Action Plan	

Independent Auditor's Report

To the Board of Directors
Community Roots Housing
Seattle, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Community Roots Housing (CRH), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise CRH's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of CRH, as of December 31, 2021 and 2020, and the respective changes in its financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits 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 CRH and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CRH's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.



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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 CRH'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CRH'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.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise CRH's basic financial statements. The schedules of departmental operations and property operations are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the financial statements. The schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of departmental operations and property operations are fairly stated, in all material respects, in relation to the basic 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 May 25, 2022 on our consideration of CRH'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 CRH'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 CRH's internal control over financial reporting and compliance.

Clark Nuber P.S.

Certified Public Accountants
May 25, 2022

COMMUNITY ROOTS HOUSING

Management's Discussion and Analysis For the Year Ended December 31, 2021

As management of Community Roots Housing (CRH), we offer readers of the CRH financial statements this narrative overview and analysis of the financial activities of CRH for the years ended December 31, 2021 and 2020, with comparative financial information for 2019.

Financial Highlights for 2021

- Assets exceeding liabilities (net position) at the close of 2021 totaled \$48,146,083.
- Unrestricted cash and cash equivalents on December 31, 2021 totaled \$6,994,332.
- CRH properties experienced higher than usual vacancy rates across the portfolio (blended and discrete component units) averaging 5.9 percent in 2021, compared to 4.3 percent in 2020. This is driven by longer unit turn times due to labor and material supply shortages.
- In late 2020 to early 2021, CRH closed on refinancing for a project to rehabilitate 106 units of affordable housing in three existing CRH properties (Boylston Howell, John Carney, and Bremer). The property assets and debt were transferred to new LLC entities for each site, and construction commenced in the first quarter of 2021. Construction was completed in December 2021 for Boylston Howell, and continued into 2022 for John Carney and Bremer.
- In early 2021, CRH completed lease up activities for Bonanza, a project to rehabilitate three existing CRH properties (Ponderosa, El Nor, and Eighteenth Avenue) within one scattered site tax credit project. The project converted to permanent financing in June 2021.
- During 2021, CRH closed on permanent financing for Station House, under the entity Capitol Hill Transit Oriented Development.
- During 2021, CRH closed on construction financing and began construction on 156 units of affordable housing for Yesler Family, a project in partnership with Seattle Chinatown International District Preservation and Development Authority, under the entity Big Village LLLP.
- During 2021, CRH closed on construction financing on 126 units of middle-income affordable housing for Heartwood, under the entity Heartwood QOZB LLC. Land for the site was purchased from Helen V Apartments in 2021.
- During 2021, CRH closed on construction financing and began construction on 118 units of affordable housing for Pride Place (aka Eldridge), under the entity Broadway LGBTQ Senior LLLP.
- During 2021, CRH closed on construction financing on 126 units of affordable housing for Africatown Plaza, a project in partnership with Africatown Community Land Trust, under the entity Africatown Plaza LLLP.
- In early 2021, the CHDA Lake City LLLP property was sold to Chief Seattle Club.
- In late 2021, Squire Park Plaza was sold to Low Income Housing Institute, and a proportionate share of proceeds was received by CHH Squire Park LLC.

COMMUNITY ROOTS HOUSING

Management's Discussion and Analysis For the Year Ended December 31, 2021

Financial Highlights for 2021 (Continued)

- During 2021, the tax credit investor of Silvan Apartments LLC transferred their 99.99% ownership interest to CH Development Association. The entity is consolidated into the blended financial operations as of and for the year ended December 31, 2021.

Overview of the Financial Statements

CRH's financial statements consist of three parts - management's discussion and analysis (this section), financial statements prepared in accordance with Governmental Accounting Standards Board (GASB) standards and supplemental schedules.

CRH's financial statements provide information about CRH's overall financial position and results of operations. The financial statements report information about CRH as a whole using accounting methods similar to those used by private sector companies. These statements, which are presented on the accrual basis, consist of the Balance Sheet, Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The Balance Sheet includes all of CRH's assets and liabilities. All current year revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position regardless of when cash is received or paid.

The financial statements include the activities of CRH and 37 related entities that are required to be combined with CRH. These entities are four nonprofits, Elizabeth James Senior Housing, Central City Affordable Housing, CH Development Association, and Twelfth Avenue Arts Association and the following limited partnerships, limited liability limited partnership and limited liability companies: Larned Apartments Limited Partnership, Byron/Wetmore Limited Partnership, Villa Apartments Limited Partnership, Gilman Court Limited Partnership, 1214 Boylston Avenue Limited Partnership, Fleming Apartments Limited Partnership, Harrison Family Housing Limited Partnership, Oleta Apartments Limited Partnership, Helen V Apartments LLC, Pantages Apartments LLC, Silvan Apartments LLC, CH Real Estate Management Services LLC, Holiday Affordable LLC, CHH Squire Park LLC, Union James Affordable Housing LLC, CH TOD Manager LLC, SOPI Village Manager LLC, CHDA Lake City LLLP, CHDA Lake City GP LLC, CRH Heartwood LLC, CRH Heartwood Manager LLC, Boylston Howell Apartments LLC, John Carney Apartments LLC, Bremer Apartments LLC, Imperial Jazz GP LLC, CRH Yesler LLC, Broadway LGBTQ Senior GP LLC, YC South Annex GP LLC, YC South Annex LLLP, Bonanza 1 GP LLC, Africatown Plaza GP LLC, Union 24th Manager LLC, and 12th Avenue Arts Associates LLC.

Although legally separate, the nonprofits were formed to meet the mission of CRH. Since CRH board members comprise all or a majority of the nonprofit boards' members, they are considered instrumentalities of CRH and are included in CRH's financial statements. CRH is the general partner and CH Development Association (CHDA) has replaced the investor limited partners in the eight limited partnerships. CRH is also the managing member and CHDA has replaced the investor member of Helen V Apartments LLC, Pantages Apartments LLC, and most recently the Silvan Apartments LLC in 2021. CRH is the sole member of CH Real Estate Management Services LLC, Holiday Affordable LLC, CHH Squire Park LLC, Union James Affordable Housing LLC, and CH TOD Manager LLC, and has a majority interest in SOPI Village Manager LLC. CHDA is the sole member of CHDA Lake City GP LLC, CRH Heartwood LLC, Boylston Howell Apartments LLC, John Carney Apartments LLC, Bremer Apartments LLC, Imperial Jazz GP LLC, Broadway LGBTQ Senior GP LLC, and YC South Annex GP LLC, and has a majority interest in Bonanza 1 GP LLC, Africatown Plaza GP LLC, and Union 24th manager LLC. Twelfth Avenue Arts Association is the sole member of 12th Avenue Arts Associates LLC. CRH Heartwood LLC has a 90% interest in Heartwood Manager LLC, of which CRH is manager. CHDA Lake City GP LLC is the general partner with 0.01% interest in CHDA Lake City LLLP, and CRH is the initial limited partner with 99.99% interest. YC South Annex GP LLC is the general partner with 0.01% interest in YC South Annex LLLP, and CRH is the initial limited partner with 99.99% interest. In 2021, CRH withdrew as initial limited partner of Africatown Plaza LLLP, and transferred its 49.9995% ownership to a new investor member.

COMMUNITY ROOTS HOUSING

Management's Discussion and Analysis For the Year Ended December 31, 2021

Overview of the Financial Statements (Continued)

The financial statements also include as "Discrete Component Units" 9 legally separate tax credit partnerships and limited liability companies for which CRH or CHDA is financially accountable as the sole general partner or managing member, and 5 for which CRH or CHDA is financially accountable as majority owner of the general partner or managing member and where CRH is also the manager. Additionally, the Community Roots Housing Foundation is included as a discrete component unit. Financial information for these affiliates is aggregated and reported in a separate column from the CRH financial information. Audited financial statements are available for most discrete component units and may be requested from CRH.

Overview of the CRH Blended Entity Financial Position and Operations

	December 31,	2021	2020	2019
Assets:				
Current assets	\$	16,405,506	\$ 12,542,630	\$ 11,998,010
Noncurrent assets-				
Capital assets, net		91,394,293	86,182,156	53,752,964
Other		35,309,622	28,191,001	38,554,466
Total Assets		\$ 143,109,421	\$ 126,915,787	\$ 104,305,440
Liabilities:				
Current liabilities	\$	10,275,322	\$ 15,349,456	\$ 6,099,726
Noncurrent liabilities		84,688,016	67,925,580	59,030,734
Total Liabilities		\$ 94,963,338	\$ 83,275,036	\$ 65,130,460
Net Position:				
Invested in capital assets, net of related debt	\$	6,626,056	\$ 9,769,348	\$ (4,062,676)
Restricted		11,160,492	7,838,988	6,139,343
Unrestricted		30,359,535	26,032,415	37,098,313
Total Net Position		\$ 48,146,083	\$ 43,640,751	\$ 39,174,980

The financial assets of CRH consist primarily of capital assets, its land, buildings and building improvements. This is consistent with CRH's mission to build vibrant and engaged communities through affordable housing and community development efforts in Seattle. Capital assets are shown net of depreciation. Other assets include cash reserves for repairs and replacements and debt service as required by our lenders.

The liabilities are predominantly long-term debt that has been used to purchase, develop, and rehabilitate our apartment buildings. Many of these loans, provided by governmental entities, have below market interest rates and do not require annual debt service. See Note 5 for a more complete discussion.

COMMUNITY ROOTS HOUSING

Management's Discussion and Analysis For the Year Ended December 31, 2021

Overview of the CRH Blended Entity Financial Position and Operations (Continued)

The difference between total assets and total liabilities, net position, is one indicator of financial health. Net position increased in 2021 by \$4,505,332 and increased in 2020 by \$4,465,771. In 2021 the gain on sale of Helen V land of \$2,225,765 and a construction grant receivable balance of \$2,478,158 for the Bremer construction project contributed to the increase in net position. While operations were impacted in 2020 due to the start of the COVID-19 pandemic, an increase of \$2,645,392 in contributions and grants from the community contributed to the increase in net position. In 2020 the second put agreement was exercised as part of the New Market Tax Credit exit for the 12th Avenue Arts cultural and civic center, resulting in a gain of \$1,832,505.

The results of operations for CRH are presented below:

	For the Year Ended December 31,	2021	2020	2019
Operating revenues-				
Tenant revenues	\$	12,418,753	\$ 12,175,296	\$ 12,174,133
Fees for services		1,069,683	1,052,333	1,149,470
Project development fees		3,491,086	2,969,052	4,218,378
Other		95,722	442,552	75,535
Nonoperating revenues-				
Contributions and grants		8,031,941	6,732,114	3,857,827
Gain on New Markets Tax Credit transaction			1,832,505	1,774,424
Interest income		359,737	382,228	455,224
Gain on sale of assets		2,661,478	171,021	12,886,239
Total Revenues		28,128,400	25,757,101	36,591,230
Operating expenses-				
Salaries, benefits and payroll taxes		8,020,148	7,439,919	6,868,545
Operating and maintenance		1,943,528	2,018,871	2,305,419
Other operating expenses		5,101,602	4,004,227	4,978,236
Depreciation and amortization		3,142,328	3,079,355	2,348,886
Nonoperating expenses-				
Grants to component units		1,642,529	1,988,516	44,313
Grants to other organizations		1,928,174		
Interest expense		1,312,912	1,328,279	1,178,877
Total Expenses		23,091,221	19,859,167	17,724,276
Change in component units		(531,847)	(1,432,163)	
Change in Net Position	\$	4,505,332	\$ 4,465,771	\$ 18,866,954

COMMUNITY ROOTS HOUSING

Management's Discussion and Analysis For the Year Ended December 31, 2021

Overview of the CRH Blended Entity Financial Position and Operations (Continued)

Results of Operations - Operating revenues are generated principally from rental income as well as property management and other fees paid by the discrete component units. Tenant revenues increased 2.0 percent in 2021 primarily due to the addition of Silvan Apartments to the blended consolidation, adding 32 rentable units. Rental rate increases were limited to subsidized units, with no increases passed to tenants. Tenant revenues were flat in 2020 due primarily to COVID-19 impact, which resulted in an eviction moratorium and limited rental rate increases. Vacancy loss was 7.3, 5.3, and 5.3 percent for 2021, 2020, and 2019 respectively. CRH continues to work on improving unit turnaround times, including restructuring the leasing process and investing in new technology.

CRH earns development fees for its management role in the development of new properties. During 2021, CRH earned development fees of \$3,491,086 for the development of Yesler Family, Pride Place, Heartwood, and Africatown Plaza projects. During 2020 CRH earned development fees of \$2,969,052 primarily for the development of Bonanza and Station House. During 2019 CRH earned development fees of \$4,218,378 primarily for the development of Bonanza and Station House.

Salaries, benefits and payroll tax expense, increased by 7.8 percent in 2021, 8.3 percent in 2020, and 4.0 percent in 2019. Salary and payroll taxes increased from additional hiring, annual pay increases, base pay market adjustments, and the addition of properties being classified as blended. From April 2020 through June 2021, stipend adjustments were provided for positions with greater exposure to COVID-19. Health care costs per individual decreased by 2.9 percent in 2021, increased by 3.0 percent in 2020, and increased by 5.7 percent in 2019.

Operating and maintenance expenses decreased 3.7 percent in 2021, due to continued impact of the COVID-19 pandemic. Unit turns for vacancies took longer to have their repair and replacement needs addressed, as there were material shortages and our maintenance team was short-staffed. Operating and maintenance expenses decreased 12.4 percent in 2020, largely from the impact of the initial stages of the COVID-19 pandemic, including the start of an eviction moratorium and social distancing protocols that limited unit inspections. Operating and maintenance expenses increased 35.1 percent in 2019. Much of that increase was attributable to 3 properties where there was substantial deferred maintenance which we were able to address in 2019. There was also increased turnover expense as vacancy rose from 2018 to 2019. Some variability is to be expected as building components wear out, long-term tenants move out and our portfolio ages.

Interest expense, primarily from the long-term financing of the properties, continues to be a significant expense. Typically, each property acquired has both amortizing and nonamortizing debt from commercial and governmental sources, respectively. A portion of the interest expense, under the terms of the financing, is deferred and will eventually be forgiven so long as the properties are managed in compliance with the loan agreements. Interest expense decreased in 2021 by 1.2%, as conventional mortgages paid down principal during the year, partially offset by interest from the Silvan Apartments added to the blended presentation. Interest expense increased in 2020 by 12.7 percent, driven by properties in predevelopment. Interest expense decreased in 2019 by 4.3 percent due to the sale of the Bonanza properties.

In 2021, CRH recognized a \$2,225,765 gain on sale of the parking lot land from Helen V for development of the Heartwood project. There was also a gain from the disposition of \$379,505 for Squire Park Plaza and \$56,208 for CHDA Lake City. In 2020, CRH recognized a gain of \$171,021 for the sale of 410 Apartments, and a gain of \$2,282,061 provided by a New Market Tax Credit transaction. In 2019 there was a gain of \$12,886,239 for the sale of the Bonanza properties and a gain of \$1,774,424 provided by a New Market Tax Credit transaction.

COMMUNITY ROOTS HOUSING

Management's Discussion and Analysis For the Year Ended December 31, 2021

Overview of the CRH Blended Entity Financial Position and Operations (Continued)

In 2021, CRH received \$8,031,941 in contributions and grants representing 32 percent of total revenue, excluding gains. This included \$3,400,333 from the Federal Emergency Management Agency passed through the City of Seattle Office of Emergency Management for the Bremer construction project, which increased revenue without offsetting expenses. Additionally, CRH received \$869,551 from the Community Roots Housing Foundation, \$1,567,260 from the City of Seattle Office of Housing, and \$1,725,850 from the Rise Together Capital Campaign.

In 2020, CRH received \$6,732,114 in contributions and grants representing 28 percent of total revenue, excluding gains. This included \$2,032,007 from Community Roots Housing Foundation, \$1,709,897 from the City of Seattle and \$1,064,717 from the Rise Together capital campaign.

In 2019 CRH received \$3,857,827 in contributions and grants representing 18 percent of total revenue, excluding gains. This included \$1,829,432 from the Community Roots Housing Foundation's Rise Together capital campaign and \$246,258 in grants for capital improvements at Joe Black Apartments and Elizabeth James Senior Housing. These grants increase revenues without an offsetting expense. Excluding these grants, CRH received \$1,282,137, which included awards from the Community Roots Housing Foundation, Enterprise Community Partners, Local Initiatives Support Corporation and continued support from the City Office of Economic Development.

Supplemental Schedule - The supplemental Schedule of Departmental Operations provides additional insight into the financial operations of CRH. CRH budgets and manages financial performance based on its lines of business including its buildings (Property Operations) and organizational and off-site activities (Administration and Management).

Property Operations, which includes all building-based revenues and expenses, shows revenues exceeded expenditures plus debt service and scheduled reserve deposits by \$1,665,114. In addition to the operating expenditures, CRH spent an additional \$61,059 on repair and maintenance funded from the building reserves.

Economic Factors Affecting CRH's Future

Significant economic factors affecting CRH are as follows:

- CRH faces risks from the ongoing effects and uncertainty resulting from the COVID-19 pandemic. Risks include loss of tenant rents, both residential and commercial, due to decreased economic activity and high unemployment.
- Availability of credit and tax credit equity affects our ability to develop new projects and recapitalize existing projects. Both are affected in an economic downturn.
- CRH faces risk from political and governmental decisions beyond its control such as changes to the Internal Revenue Code affecting the Low-Income Housing Tax Credits, changes to federal and local rental subsidy programs or changes in state and local priorities for capital subsidies to develop new properties. Federal, state, and local restrictions on tenant evictions may reduce rent collections.
- CRH operates and develops affordable housing in and adjacent to Seattle and is subject to the ups and downs of the local real estate market conditions.

COMMUNITY ROOTS HOUSING

Management's Discussion and Analysis For the Year Ended December 31, 2021

Overview of the CRH Blended Entity Financial Position and Operations (Continued)

- CRH faces increased competition for scarce resources such as bond cap, state and local funds and corporate and foundation donations.
- Local employment trends affect resident incomes and therefore the demand for housing and the rental rates CRH can realize.
- Inflation may cause overall operating expenses to increase faster than it is desirable or allowable to raise rents for existing unit occupants which may generate higher turnover or vacancy. Certain operating expenses such as insurance or utilities may increase due to external events outside of the control of CRH.
- Construction costs have continued to increase, which could impact future developer fee revenue.

Contacting CRH's Financial Management

The financial report is designed to provide a general overview of CRH's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Chief Executive Officer, Community Roots Housing, 1620 12th Avenue, Suite 205, Seattle, WA 98122.

COMMUNITY ROOTS HOUSING

Balance Sheets - Assets December 31, 2021 and 2020

	2021		2020	
	CRH	Discrete Component Units	CRH	Discrete Component Units
Current Assets:				
Cash and cash equivalents	\$ 6,994,332	\$ 13,143,345	\$ 5,443,877	\$ 3,572,222
Accounts receivable, net	9,057,126	868,967	6,552,804	299,698
Current portion of pledges receivable, net		187,111		1,434,480
Prepaid expenses and other current assets	354,048	733,447	545,949	230,549
Total Current Assets	16,405,506	14,932,870	12,542,630	5,536,949
Restricted cash and cash equivalents	11,160,492	7,296,289	7,199,668	6,372,888
Net pledges receivable, less current portion		40,610		1,500
Deferred rent receivable	336,281		312,389	
Long-term deferred developer fees	5,629,251		3,710,429	
Notes and interest receivable	16,770,594		16,437,189	
Land, buildings and equipment, net	91,394,293	184,873,953	86,182,156	162,087,071
Investment in limited partnerships and LLCs	1,413,004		531,326	
Capitalized costs, net		392,546		299,822
Total Assets	\$ 143,109,421	\$ 207,536,268	\$ 126,915,787	\$ 174,298,230

See accompanying notes.

COMMUNITY ROOTS HOUSING

Balance Sheets - Liabilities and Net Position December 31, 2021 and 2020

	2021		2020	
	CRH	Discrete Component Units	CRH	Discrete Component Units
Current Liabilities:				
Accounts payable and accrued liabilities	\$ 1,502,637	\$ 2,277,444	\$ 1,491,846	\$ 1,268,158
Construction payables	3,457,123	7,285,705	101,035	5,669,726
Deferred income	191,669	85,882	163,089	96,989
Current portion of accrued interest payable	401,492	43,046	362,947	82,143
Current portion of notes payable	4,722,401	4,062,677	13,230,539	40,440,550
Total Current Liabilities	10,275,322	13,754,754	15,349,456	47,557,566
Security deposits	499,582	235,388	524,075	249,078
Long-term deferred developer fees		4,257,606		3,710,429
Notes payable, net of current portion	80,045,836	130,457,467	63,182,269	101,418,908
Accrued interest payable	4,142,598	5,188,937	4,219,236	4,659,105
Total Liabilities	94,963,338	153,894,152	83,275,036	157,595,086
Net Position:				
Restricted for building improvements	5,035,179	1,867,960	3,662,744	3,041,078
Restricted for other purposes	6,125,313	6,330,974	4,176,244	5,285,314
Total restricted	11,160,492	8,198,934	7,838,988	8,326,392
Invested in capital assets, net of related debt	6,626,056	43,068,104	9,769,348	10,847,458
Unrestricted	30,359,535	2,375,078	26,032,415	(2,470,706)
Total Net Position	48,146,083	53,642,116	43,640,751	16,703,144
Total Liabilities and Net Position	\$ 143,109,421	\$ 207,536,268	\$ 126,915,787	\$ 174,298,230

See accompanying notes.

COMMUNITY ROOTS HOUSING

Statements of Revenues, Expenses and Changes in Net Position For the Years Ended December 31, 2021 and 2020

	2021		2020	
	CRH	Discrete Component Units	CRH	Discrete Component Units
Operating Revenues:				
Gross rent potential	\$ 13,239,458	\$ 7,963,392	\$ 12,635,296	\$ 7,538,176
Vacancy loss	(968,455)	(434,752)	(668,375)	(476,139)
Laundry, parking and other tenant income	147,750	225,835	208,375	210,333
Fees for services	1,069,683		1,052,333	
Project development and other fees	3,491,086		2,969,052	
Other operating revenue	95,722	(11,176)	442,552	(11,630)
Total Operating Revenues	17,075,244	7,743,299	16,639,233	7,260,740
Operating Expenses:				
Salaries, benefits and payroll taxes	8,020,148	1,030,465	7,439,919	970,113
Utilities	1,700,090	675,849	1,555,005	562,093
Professional fees	1,016,328	307,973	616,250	290,186
Administrative	1,005,615	966,574	608,163	1,013,540
Taxes and insurance	877,831	585,155	770,145	460,168
Operating and maintenance	1,943,528	935,478	2,018,871	981,536
Bad debt expense	243,485	120,415	189,616	71,107
Grants to CRH and affiliates		758,639		4,476,669
Grants to other organizations		1,982,867		
Other	258,253	86,439	265,048	307,865
Depreciation and amortization	3,142,328	5,137,155	3,079,355	4,618,405
Total Operating Expenses	18,207,606	12,587,009	16,542,372	13,751,682
Operating Income (Loss)	(1,132,362)	(4,843,710)	96,861	(6,490,942)
Nonoperating Revenues (Expenses):				
Contributions and grants	8,031,941	2,114,711	6,732,114	6,078,532
Grants to component units	(1,642,529)		(1,988,516)	
Grants to other organizations	(1,928,174)			
In-kind revenue		517,522		540,113
Gain on New Markets Tax Credit transaction			1,832,505	
Interest income	359,737	3,688	382,228	8,068
Gain on disposition of assets	2,661,478		171,021	
In-kind expense		(517,522)		(540,113)
Interest expense	(1,312,912)	(2,727,436)	(1,328,279)	(2,344,442)
Total Nonoperating Revenues (Expenses)	6,169,541	(609,037)	5,801,073	3,742,158
Change in Net Position Before Capital Contributions and Other Changes	5,037,179	(5,452,747)	5,897,934	(2,748,784)
Capital Contributions and Other Changes:				
Change in component units	(531,847)	531,847	(1,432,163)	1,374,433
Syndication costs		(102,932)		(88,520)
Capital distributions				(500,000)
Capital contributions		41,962,804		472,589
Total Capital Contributions and Other Changes	(531,847)	42,391,719	(1,432,163)	1,258,502
Change in Net Position	4,505,332	36,938,972	4,465,771	(1,490,282)
Beginning of year	43,640,751	16,703,144	39,174,980	18,193,426
End of Year	\$ 48,146,083	\$ 53,642,116	\$ 43,640,751	\$ 16,703,144

See accompanying notes.

COMMUNITY ROOTS HOUSING

Statements of Cash Flows For the Years Ended December 31, 2021 and 2020

	2021		2020	
	CRH	Discrete Component Units	CRH	Discrete Component Units
Cash Flows From Operating Activities:				
Receipts from tenants	\$ 11,387,929	\$ 7,031,707	\$ 13,423,134	\$ 7,172,074
Receipts for developer fees	4,121,857		767,339	
Payment of grants		(2,741,506)		(4,476,669)
Payments to employees and for payroll taxes and benefits	(7,966,822)	(1,030,465)	(7,419,060)	(970,113)
Payments to suppliers	(6,550,453)	(3,152,906)	(6,680,519)	(4,007,912)
Net Cash Provided by (Used in) Operating Activities	992,511	106,830	90,894	(2,282,620)
Cash Flows From Noncapital Financing Activities:				
Receipts from contributions and grants	5,255,110	3,322,970	6,728,194	4,997,320
Payment of grants	(2,746,553)		(1,988,516)	
Net Cash Provided by Noncapital Financing Activities	2,508,557	3,322,970	4,739,678	4,997,320
Cash Flows From Capital and Related Financing Activities:				
Acquisition of land, building and equipment	(14,146,483)	(23,092,620)	(12,171,276)	(19,046,253)
Proceeds from sale of land, building and equipment	7,764,757			
Proceeds from notes payable	21,188,462	22,186,148	14,143,602	20,067,025
Principal payments on notes payable	(10,578,274)	(31,164,538)	(4,250,912)	(448,684)
Interest paid on notes payable	(1,522,509)	(1,857,833)	(1,347,133)	(1,328,287)
Payment of financing costs	(49,508)	(371,907)		(791,880)
Payment of syndication costs		(102,932)		(88,520)
Capital contributions		41,962,804		472,589
Net Cash Provided by (Used in) Capital and Related Financing Activities	2,656,445	7,559,122	(3,625,719)	(1,164,010)
Cash Flows From Investing Activities:				
Net change in restricted cash and cash equivalents	(3,682,251)	(1,201,974)	180,835	(48,422)
Cash transfer due to change in component units	219,513	(219,513)	120,442	(120,442)
Investment in limited partnership	(1,170,652)			
Advances of notes receivable	(271,976)		(276,025)	
Interest receipts	298,308	3,688	347,353	8,068
Net Cash (Used in) Provided by Investing Activities	(4,607,058)	(1,417,799)	372,605	(160,796)
Net Change in Cash and Cash Equivalents	1,550,455	9,571,123	1,577,458	1,389,894
Cash and cash equivalents, beginning of year	5,443,877	3,572,222	3,866,419	2,182,328
Cash and Cash Equivalents, End of Year	\$ 6,994,332	\$ 13,143,345	\$ 5,443,877	\$ 3,572,222

See accompanying notes.

COMMUNITY ROOTS HOUSING

Statements of Cash Flows (Continued) For the Years Ended December 31, 2021 and 2020

	2021		2020	
	CRH	Discrete Component Units	CRH	Discrete Component Units
Reconciliation of Operating (Loss) Income to Net Cash Provided (Used) by Operating Activities:				
Operating (loss) income	\$ (1,132,362)	\$ (4,843,710)	\$ 96,861	\$ (6,490,942)
Adjustments to reconcile operating (loss) income to net cash provided (used) by operating activities-				
Depreciation and amortization	3,142,328	5,137,155	3,079,355	4,618,405
Partnership income	8,224		1,645	
Changes in assets and liabilities:				
Receivables	(1,303,931)	(572,841)	(2,650,563)	(167,381)
Prepaid expenses and other current assets	171,740	(506,629)	292,123	(232,996)
Accounts payable and accrued liabilities	108,886	911,191	(747,923)	(159,528)
Security deposits and deferred income	(2,374)	(18,336)	19,396	149,822
Net Cash Provided by (Used in) Operating Activities	\$ 992,511	\$ 106,830	\$ 90,894	\$ (2,282,620)
Schedule of Noncash Financing and Investing Activities:				
Noncash balance sheet net adjustments relating to change in component units, increase (decrease) to balance-				
Accounts receivables, net	\$ 3,572	\$ (3,572)	\$ 766,083	\$ (766,083)
Prepaid expenses and other current assets	\$ 3,731	\$ (3,731)	\$ 69,623	\$ (69,623)
Restricted cash and cash equivalents	\$ 278,573	\$ (278,573)	\$ 476,487	\$ (476,487)
Land, buildings and equipment, net	\$ (2,762,617)	\$ 2,762,617	\$ 23,740,428	\$ (23,740,428)
Investment in limited partnerships and LLCs	\$ -	\$ -	\$ (57,730)	\$ -
Accounts payable and accrued liabilities	\$ (98,095)	\$ 98,095	\$ 90,178	\$ (90,178)
Security deposits	\$ 6,461	\$ (6,461)	\$ 25,515	\$ (25,515)
Notes and interest receivable	\$ -	\$ -	\$ (85,958)	\$ -
Accrued interest	\$ 258,060	\$ (258,060)	\$ 489,297	\$ (506,862)
Notes payable	\$ (1,891,807)	\$ 1,891,807	\$ 25,856,548	\$ (25,924,941)
Noncash forgiveness of New Markets Tax Credits inter-entity activity-				
Notes receivable	\$ -	\$ -	\$ 14,570,752	\$ -
Notes payable	\$ -	\$ -	\$ 17,764,714	\$ -
Long-term deferred income	\$ -	\$ -	\$ 412,134	\$ -

See accompanying notes.

COMMUNITY ROOTS HOUSING

Notes to Financial Statements For the Years Ended December 31, 2021 and 2020

Note 1 - Nature of Operations and Summary of Significant Accounting Policies

Organization - Community Roots Housing (CRH) is a public corporation chartered in 1975 under Washington State and municipal law as a public development authority. CRH has broad powers to assist residents and property owners in preserving and improving housing in Seattle and to undertake activities in support of those goals.

These financial statements include the accounts of CRH and CRH's blended component units. The blended component units include CH Development Association, Elizabeth James Senior Housing, Central City Affordable Housing, Twelfth Avenue Arts Association, and several wholly-owned or majority-owned limited partnerships and LLCs. CRH and its blended component units include 35 apartment projects and 926 units. Blended component units, although legally separate entities, are, in substance, part of CRH's operations. Twelfth Avenue Arts Development LLC (Twelfth Avenue Arts Development) was created in 2012 to act as the leveraged lender in a New Markets Tax Credit project as further described in Note 2. CH Real Estate Management Services LLC, a manager-managed limited liability company was established to manage properties as a for-profit organization, CRH is the sole member of the LLC. CH Development Association was the sole member of Twelfth Avenue Arts Development and, therefore, Twelfth Avenue Arts Development was considered a blended component unit. In addition, Twelfth Avenue Arts Development was the sole member of the Twelfth Avenue Arts Master Tenant LLC (Master Tenant) and, therefore, the Master Tenant was considered a blended component unit. Both Twelfth Avenue Arts Development and Master Tenant were dissolved in 2020.

Discrete Component Units - CRH serves as the general partner or managing member in several limited partnerships and LLCs (see Note 6). These limited partnerships and LLCs have investor limited partners or members who own majority interests in the entities. As general partner or managing member, CRH is financially accountable for and oversees the day-to-day operation of these properties. Each limited partnership and LLC is audited separately. Copies of the separately audited financial statements may be obtained by contacting CRH. The limited partnerships and LLCs include 15 apartment projects and 592 units as well as four projects currently under construction.

Community Roots Housing Foundation (the Foundation) is incorporated in the State of Washington as a nonprofit corporation. The Foundation has received a tax-exempt determination letter from the Internal Revenue Service. The Foundation operates with the intent to act primarily as a fundraising organization to supplement the resources that are available to CRH in support of its mission. The Foundation Board is independent of the CRH Board. Although CRH does not control the timing or amount of receipts from the Foundation, it is anticipated that most of the funds raised will be directed to activities of CRH by either the Foundation or its donors. Because of these restrictions, the Foundation is considered a discrete component unit of CRH.

12th Avenue Arts Associates LLC (12th Ave Arts Associates) was formed in 2012 to construct and own the commercial and parking components of the 12th Avenue Arts project (Note 2) with construction being completed and the project placed into operation during 2014. 12th Ave Arts Associates' sole member is the Twelfth Avenue Arts Association (the Association). The Association was formed in 2012 as a nonprofit corporation in the State of Washington. The Association was formed with the exclusive purpose of supporting the mission. Effective in 2020, CRH is the sole member of the Association and so starting in 2020 the Association and 12th Ave Arts Associates are reported as blended component units.

During 2021, all remaining ownership interests in Silvan Apartments LLC (Silvan) were transferred to CRH. As a result, Silvan changed from being reported as a discrete component unit in fiscal year 2020 to a blended component unit in fiscal year 2021.

COMMUNITY ROOTS HOUSING

Notes to Financial Statements For the Years Ended December 31, 2021 and 2020

Note 1 - Continued

During 2021, limited partners were admitted to Africatown Plaza LLLP (Africatown Plaza) and Broadway LGBTQ Senior LLLP (Pride Place), and members were admitted to Heartwood QOZB LLC (Heartwood). As a result, Africatown Plaza, Pride Place, and Heartwood changed from being reported with blended component units in fiscal year 2020 to discrete component units in fiscal year 2021.

During 2020, all remaining ownership interests in Pantages Apartments LLC (Pantages) were transferred to CRH. As a result, Pantages changed from being reported as a discrete component unit in fiscal year 2019 to a blended component unit in fiscal year 2020.

Basis of Accounting - The financial statements of CRH have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) applied to governmental units. These financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Contributions and grants are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Cash and Cash Equivalents - CRH considers all highly liquid temporary investments purchased with a maturity of three months or less at the acquisition date to be cash equivalents.

CRH's deposits and certificates of deposit are entirely covered by the federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool (the collateral pool) administered by the Washington Public Deposit Protection Commission. The FDIC insures the first \$250,000 of CRH's deposits at each financial institution with remaining balances insured by the collateral pool. As of December 31, 2021 and 2020, the carrying amount of CRH's demand deposits was \$14,317,712 and \$8,899,208, respectively, and was not materially different from the bank balances.

At December 31, 2021 and 2020, CRH had \$3,837,122 and \$3,744,465, respectively, in the Washington State's Local Government Investment Pool (LGIP). The LGIP is managed and operated by the Office of the State Treasurer (OST). The State Finance Committee is the administrator of the statute that created the pool and adopts appropriate rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually. The LGIP portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by GASB for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. The amounts invested in the pool are measured at the net asset value per share of the pool shares held by CRH.

Certain cash balances are restricted for building improvements and other specific uses in accordance with debt and regulatory agreements and donor imposed restrictions. At December 31, 2021 and 2020, the restricted cash balances were held in deposits with the LGIP and other separate accounts as required by the agreements and donor imposed restrictions.

CRH has a Board Designated Operating Reserve for the purpose of strengthening CRH's liquidity and financial position. The intent is to make annual deposits from operating surplus. The Board Designated Operating Reserve is held in the LGIP. The balance at December 31, 2021 and 2020, of \$1,285,909 and \$1,284,564, respectively, is included in cash and cash equivalents.

COMMUNITY ROOTS HOUSING

Notes to Financial Statements For the Years Ended December 31, 2021 and 2020

Note 1 - Continued

Accounts Receivable - Accounts receivable consist primarily of rents due from tenants, grants due from grantors and amounts due from the limited partnerships and LLCs as described in Note 6. Annually, tenant receivables are analyzed and the allowance for doubtful accounts is adjusted. Other receivable allowances are established for uncertain collectibles.

Notes Receivable and Notes Payable - Many of the notes carry below market interest rates and/or contain provisions for deferral or forgiveness of interest or principal. Such notes and related interest amounts are recorded in the financial statements according to the terms of the notes. No adjustment to market rates has been made due to the compliance requirements that must be met for forgiveness or deferral to occur. Forgiveness of debt and related accrued interest for notes payable will be recorded as income in accordance with terms of the various loan agreements.

Deferred Developer Fees - Deferred developer fees earned and receivable by CRH or payable by discrete component units of CRH are included in accounts receivable and construction payables, respectively, on the balance sheets to the extent that management believes they will be paid within one year of the balance sheet dates. Deferred developer fees that management has determined will be paid later than one year from year end are classified as long-term deferred developer fees receivable or payable on the balance sheets.

Land, Buildings and Equipment - CRH capitalizes assets with a cost greater than \$5,000 and an estimated useful life of one or more years. Land, buildings and equipment are recorded at cost or estimated fair value at the date of donation. Depreciation of buildings and equipment is recorded on a straight-line basis over their estimated useful lives of 5 to 40 years.

CRH reviews land, building and equipment for possible impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the future cash flows expected to result from the use of the asset and its eventual disposition. If these cash flows are less than the carrying amount of the asset, an impairment loss is recognized to write down the asset to its estimated fair value. No impairment losses were recognized in 2021 or 2020.

Financing Costs - Certain blended and discrete component units are not-for-profit or commercial entities that follow U.S. GAAP established by the Financial Accounting Standards Board (FASB). For those entities, financing costs are recorded as a deduction to the related debt liability on the balance sheets. Financing costs are amortized over the term of the applicable debt using the straight-line method. U.S. GAAP requires that the effective yield method be used to amortize financing costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method. Amortization of financing costs are included as a component of interest expense on the statements of revenues, expenses and changes in net position.

Investment in Limited Partnerships and LLCs - CRH is a partner or member in several limited partnerships and limited liability companies. CRH records its investment in these partnerships and limited liability companies using the equity method of accounting as CRH usually is the general partner or managing member and possesses significant influence in the operating and financial policies of the investees.

Revenue Recognition - Gross rent potential reflects gross rental revenue at full occupancy. CRH deducts vacancy loss from gross rent potential to reflect actual occupancy. Rental revenue is recognized monthly as earned. Development fee revenue is recognized over the development period using the percentage-of-completion method.

COMMUNITY ROOTS HOUSING

Notes to Financial Statements For the Years Ended December 31, 2021 and 2020

Note 1 - Continued

Operating Revenues and Expenses - Operating revenues include fees and charges from the ongoing operations of providing and developing affordable housing. Operating revenues also include operating subsidies and grants provided by the US Department of Housing and Urban Development (HUD). The use of this classification is based on guidance from HUD, one of the users of the financial statements. Operating expenses are those expenses that are directly incurred while in the operation of providing housing. This presentation results in an operating income that is higher than a nonoperating revenue presentation by the amount of the subsidies and/or grants. Overall, it does not affect the presentation of the change in net assets in the statements of revenues, expenses and changes in net position, or the presentation of cash and cash equivalents in the statements of cash flows. All other revenues and expenses are considered nonoperating.

Restricted Net Position - Net position has been reported as restricted for building improvements and other purposes due to constraints that are either externally imposed by creditors, grantors, contributors or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. CRH's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Net position restricted for other purposes reported on the balance sheets also includes a total of \$639,320 at December 31, 2020, that is the noncontrolling owner's interest in the Africatown Plaza entities that were included as blended component units in 2020. During the year ended December 31, 2021, Africatown Plaza became a discrete component unit of CRH.

Federal Income Tax - CRH has been notified by the Internal Revenue Service that it is exempt from federal income taxes as an entity described in Section 115 of the Internal Revenue Code. CH Development Association, Elizabeth James Senior Housing, the Foundation, the Twelfth Avenue Arts Association and Central City Affordable Housing have been notified by the Internal Revenue Service that they are exempt from federal income taxes as entities described in Section 501(c)(3) of the Internal Revenue Code.

CRH's wholly-owned limited partnerships and LLCs that are reported as blended component units have no provision or benefit for income taxes included in these financial statements since taxable income or loss passes through to, and is reportable by, each partner or member individually, or if they are taxable entities then federal income tax is insignificant.

Concentrations of Credit Risk - All of CRH's properties are located in Seattle, Washington except for one property included immediately outside of the Seattle city limits. As such, CRH's operations are directly linked to the economic conditions in the Seattle area.

Use of 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. These affect the reported amounts of assets, liabilities, revenues and expenses as well as the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

Reclassifications - Certain amounts in the 2020 financial statements have been reclassified to conform to the 2021 presentation. The reclassifications had no impact on total assets, liabilities, or change in net position for 2020.

Subsequent Events - CRH has evaluated subsequent events through May 25, 2022, the date on which the financial statements were available to be issued.

COMMUNITY ROOTS HOUSING

Notes to Financial Statements For the Years Ended December 31, 2021 and 2020

Note 2 - Notes and Interest Receivable

Notes and interest receivable consisted of the following amounts due from affiliated limited partnerships and LLCs (Note 6) and other unrelated third parties as of December 31:

	<u>2021</u>	<u>2020</u>
<u>Broadway & Pine LLC</u>		
Note receivable, interest at 5%, annual payments from available cash flow starting June 2007 through maturity on June 1, 2057.	\$ 180,000	\$ 180,000
<u>Bonanza 1 LLLP</u>		
Note receivable, compounding interest at 2.5%, annual payments from available cash flow through maturity on August 1, 2069.	8,284,064	8,284,064
Note receivable, compounding interest at 1.0%, annual payments from available cash flow through maturity on August 1, 2069.	6,323,302	6,051,326
<u>Holiday Apartments LP</u>		
Note receivable, interest at 3%, annual payments from available cash flow through maturity on December 1, 2061.	345,486	345,486
<u>Jefferson & 12th LLC</u>		
Note receivable, interest at 5%, annual payments from available cash flow starting 2013 through maturity on May 1, 2063.	706,150	706,150
<u>SOPi Village LLC</u>		
Note receivable, interest at 4%, annual payments from available cash flow starting in 2011 through maturity on December 31, 2061.	140,000	140,000
<u>Woodland Park Avenue LLC</u>		
Note receivable, interest at 0%, annual payments from available cash flow starting in 2009 through maturity on August 31, 2058.	140,000	140,000
Total principal	16,119,002	15,847,026
Accrued interest on the above notes	651,592	590,163
Total Principal and Interest	\$ 16,770,594	\$ 16,437,189

New Markets Tax Credit Loans - In December 2012, CRH entered into a New Markets Tax Credit (NMTC) transaction to partially finance the construction of the 12th Avenue Arts cultural and civic center. The NMTC Program was designed to stimulate investment and economic growth in low-income communities by offering federal tax credit for Qualified Equity Investments (QEI) made through investment vehicles known as Community Development Entities (CDE). CDEs use capital derived from tax credits to make loans to projects in low-income areas.

COMMUNITY ROOTS HOUSING

Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

Note 2 - Continued

As a part of the transaction, Twelfth Avenue Arts Development, LLC, a blended component unit of CRH, made two loans to two QEI's totaling \$12.80 million, which in turn, lent a total of \$17.95 million to two CDEs, which in turn was lent to 12th Avenue Arts Associates LLC. 12th Avenue Arts Associations LLC was a discrete component unit during 2019 and a blended component unit starting in 2020.

To earn the tax credit the QEI must remain invested in the CDE for a seven-year period that ended in December 2019. CRH and the NMTC investors had entered into put/call option agreements to take place at the end of the seven-year period. Under the agreements, the NMTC investors can exercise put options to sell all interest in the QEIs for \$1,000 each to CRH. If the NMTC investors do not exercise the put option within 90 days of the end of the seven-year period, CRH can exercise call options to purchase the interest of the QEIs at an appraised fair market value.

During December 2019, the NMTC investors liquidated the CDEs and distributed the loans receivable from 12th Avenue Arts Associates LLC to the QEIs. The NMTC investors then exercised the put option for one of the QEIs and sold the QEI to CRH. As a result of the transaction, CRH added two notes receivable totaling \$6.64 million to CRH's assets, removed the prior note receivable of \$4.87 million due from the QEI, and recorded a gain of \$1.77 million.

In March 2020, the NMTC investors exercised the put option for the second QEI and sold the QEI to CRH. As a result of the transaction, CRH added the two notes receivable totaling \$11.12 million to CRH's assets and removed the prior note receivable of \$7.93 million due from the QEI. CRH then took the necessary steps to forgive all of the notes receivable due from 12th Avenue Arts Associates LLC. This resulted in a net gain recognized during 2020 as summarized below:

Gain from acquisition of QEI	\$ 3,190,850
Forgiveness of notes receivable	(17,764,714)
Forgiveness of notes payable	17,764,714
Write-off of straight-line lease receivable from lease modification	(449,556)
Write-off of unamortized debt issuance costs	<u>(908,789)</u>
Gain on New Markets Tax Credit Transaction	<u>\$ 1,832,505</u>

Netted with the gain related to the NMTC transaction is a loss associated with the write-off of deferred rent receivable of \$449,556. This write-off is a result of the modification to the lease with the City of Seattle made as part of the NMTC transaction (Note 4).

There was no NMTC activity during the year ended December 31, 2021.

COMMUNITY ROOTS HOUSING

Notes to Financial Statements For the Years Ended December 31, 2021 and 2020

Note 3 - Land, Buildings and Equipment

Land, buildings and equipment activity consisted of the following:

	January 1, 2020	Increases	Decreases	Change in Component Units	Net Transfers	December 31, 2020
Nondepreciable assets-						
Land	\$ 18,739,965	\$ 5,893,465	\$ (60,000)	\$ 1,925,690	\$ -	\$ 26,499,120
Pre-development costs	2,525,420	5,577,447			(924,918)	7,177,949
Depreciable assets-						
Buildings and facilities	73,761,354	357,585	(338,042)	27,692,649	924,918	102,398,464
Equipment and vehicles	3,230,927	72,857	(1,443)	689,043		3,991,384
Less accumulated depreciation	(44,504,702)	(3,047,557)	234,452	(6,566,954)		(53,884,761)
	<u>\$ 53,752,964</u>	<u>\$ 8,853,797</u>	<u>\$ (165,033)</u>	<u>\$ 23,740,428</u>	<u>\$ -</u>	<u>\$ 86,182,156</u>
	January 1, 2021	Increases	Decreases	Change in Component Units	Net Transfers	December 31, 2021
Nondepreciable assets-						
Land	\$ 26,499,120	\$ 12,232	\$ (2,484,771)	\$ (3,409,339)	\$ -	\$ 20,617,242
Pre-development costs	7,177,949	17,232,650	(507,012)	(4,658,059)	(132,307)	19,113,221
Depreciable assets-						
Buildings and facilities	102,398,464	273,592	(82,831)	2,987,316	354,972	105,931,513
Equipment and vehicles	3,991,384	6,638	(109,844)	44,840	(222,665)	3,710,353
Less accumulated depreciation	(53,884,761)	(3,139,285)	126,419	(1,080,409)		(57,978,036)
	<u>\$ 86,182,156</u>	<u>\$ 14,385,827</u>	<u>\$ (3,058,039)</u>	<u>\$ (6,115,651)</u>	<u>\$ -</u>	<u>\$ 91,394,293</u>

During 2021, the investor member units in Silvan Apartments LLC were transferred to CRH, changing the LLC to a blended component unit. Additionally, during 2021, Africatown Plaza LLLP, Broadway LGBTQ Senior LLLP, and Heartwood QOZB LLC changed from being reported with blended component units in 2020 to being reported as discrete component units in 2021. These transfers resulted in a net decrease of \$6,115,651 to land, buildings and equipment.

During 2021, the CHDA Lake City LLLP property was sold to a subsidiary of the Chief Seattle Club for a purchase price of \$2,587,000. The property had a net book value of \$2,555,943. Chief Seattle Club is considered a related party to CRH under U.S. GAAP because an officer of CRH's board of directors is a member of executive management of Chief Seattle Club.

During 2020, the investor member units in Pantages Apartments LLC were transferred to CRH, changing the LLC to a blended component unit. Additionally, during 2020, Twelfth Avenue Arts Association and 12th Avenue Arts Associates LLC became blended component units. These transfers resulted in a net increase of \$23,740,428 to land, buildings and equipment.

COMMUNITY ROOTS HOUSING

Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

Note 4 - Leases

Operating Leases - CRH or an affiliate, as lessee, leases administrative office space, commercial space, garage space and housing space.

CRH, as lessee, has entered into a master commercial lease with Jefferson & 12th LLC for the ground-level commercial premises with annual lease payments of \$100 for a period of 20 years through September 2032.

12th Avenue Arts Associates LLC had signed master lease agreements with Twelfth Avenue Arts Master Tenant LLC (Master Tenant) to lease commercial and garage units to Master Tenant. Master Tenant was an entity controlled by CRH. Master Tenant subleased the commercial unit to tenants, subleased the garage unit to The City of Seattle and leased office space to CRH. On March 1, 2020, Master Tenant was dissolved, and the master leases were amended accordingly. The lease of the commercial condo was terminated, and 12th Avenue Arts Associates LLC assumed all of the underlying leases with the commercial tenants. The garage unit is now leased directly by 12th Avenue Arts Associates LLC to the City of Seattle. The terms of the garage unit lease were also amended to adjust monthly rent from \$6,083 monthly for the life of the lease, to monthly rent of \$5,000 beginning on March 1, 2020, increasing by 3% annually on January 1.

CRH, as lessor, leases apartments under noncancelable terms of less than one year. Additionally, CRH leases commercial and parking space to other entities. Substantially all property is leased to a variety of lessees under short- and long-term lease agreements.

Minimum future lease revenue under the leases is as follows:

For the Year Ending December 31,

2022	\$	987,201
2023		944,123
2024		634,388
2025		384,746
2026		282,141
Thereafter		<u>87,428</u>
	<u>\$</u>	<u>3,320,027</u>

During the year ended December 31, 2020, a lease to the City of Seattle was amended to adjust monthly rent from \$16,667, to monthly rent of \$5,000 beginning in March of 2020. The lease modification resulted in a write-off of deferred rent receivable totaling \$449,556. The lease was modified as a result of the NMTC transactions and the loss on the write-off of deferred rent is netted against the NMTC transaction gain (Note 2).

COMMUNITY ROOTS HOUSING

Notes to Financial Statements For the Years Ended December 31, 2021 and 2020

Note 5 - Notes Payable and Accrued Interest

Notes payable are generally direct borrowings debt or direct placements debt, nonrecourse, and secured by the respective properties and bear simple interest rates unless otherwise noted:

	<u>2021</u>	<u>2020</u>
Permanent conventional loans, bearing compound interest from 4.09% to 8.63% generally with principal and interest due monthly, to be repaid in full at various dates through 2036.	\$ 18,990,469	\$ 19,804,289
City of Seattle loans, bearing interest from 1% to 3%. Interest is generally deferred until maturity and in some instances may be forgiven if certain conditions are met over the term of the loan. The loans are to be repaid in full at various dates through 2076. Certain loans may be forgiven in their entirety if conditions are met through the extended maturity date.	43,493,585	27,219,021
City of Seattle land acquisition loan, bearing interest at 3% annually. Loan is held by an entity that changed from a blended component unit to a discrete component unit of Community Roots Housing during 2021.		4,500,000
Construction loans with a commercial bank to renovate real property, bearing interest of 3.52%. Repayment starts after the conversion dates until the maturity dates, 120-months after conversion.	1,986,862	
State of Washington loans and recoverable grants, bearing interest from 0% to 2% generally payable annually, to be repaid in full at various dates through 2051. In some instances annual payments are deferred to the second half of the loan term. Recoverable grants may be forgiven in their entirety if conditions are met through the extended maturity date.	16,358,669	16,358,669
Equity equivalent investment loan, interest only at 2.5% payable quarterly. Loan was paid in full in 2021.		350,000
Equity equivalent investment loan, interest only at 2.0% payable quarterly, to be repaid in full October 2022.	300,000	300,000

COMMUNITY ROOTS HOUSING

Notes to Financial Statements For the Years Ended December 31, 2021 and 2020

Note 5 - Continued

	<u>2021</u>	<u>2020</u>
Predevelopment line of credit with private foundation; maximum \$1.5 million available, interest at 3% payable quarterly. Principal to be paid in full upon maturity in September 2024.	1,490,000	690,000
Capacity building loan with private organization, bearing interest at 5.5%. Interest payments due monthly. Quarterly principal payments beginning October 2024. Maturity in July 2025.	1,250,000	1,250,000
Predevelopment loan, bearing interest at 5.5%. Principal and interest was paid in full upon maturity in 2021 in conjunction with closing on permanent financing.		2,000,000
Bridge Loan for acquisition of Lake City land, bearing interest at 6.25%. Interest only payments due monthly. Loan was paid in full in 2021.		1,971,900
Predevelopment line of credit with one lender; maximum of \$2,000,000 available, interest at 5.75%. Principal to be paid in full upon original maturity date in July 2021. Extended through July 2022 at 6% interest.	718,979	1,780,464
Northern Investors Company Insurance financing loan, bearing 7.05% payable annually, to be repaid in full January 1, 2022.	36,822	29,953
Revolving line of credit with a commercial bank with a maximum of \$500,000 available and a variable interest rate calculated annually, currently 5%, payable in full in December 2022.	<u>500,000</u>	<u>500,000</u>
Total principal	85,125,386	76,754,296
Less current portion of notes payable	(4,722,401)	(13,230,539)
Less unamortized financing costs	<u>(357,149)</u>	<u>(341,488)</u>
Noncurrent Portion	<u>\$ 80,045,836</u>	<u>\$ 63,182,269</u>

COMMUNITY ROOTS HOUSING

Notes to Financial Statements For the Years Ended December 31, 2021 and 2020

Note 5 - Continued

Debt service requirements to maturity on these notes are as follows:

For the Year Ending December 31,	Principal	Interest
2022	\$ 4,722,401	\$ 1,099,180
2023	2,255,093	1,077,909
2024	4,239,166	983,629
2025	2,600,179	831,289
2026	1,404,649	757,393
2027 - 2031	19,769,310	2,355,137
2032 - 2036	9,893,871	749,516
2037 - 2041	8,345,271	397,848
2042 - 2046	3,282,061	249,756
2047 - 2051	2,588,478	41,251
2052 - 2056	7,452,523	2,544
Thereafter	18,572,384	
	<u>\$ 85,125,386</u>	<u>\$ 8,545,452</u>

Accrued interest payable on the above notes payable totaled \$4,544,090 and \$4,582,183 at December 31, 2021 and 2020, respectively and is presented separately from the above total for notes payable on the balance sheets. Interest expense on the above notes payable aggregated \$1,312,912 and \$1,328,279 for fiscal years 2021 and 2020, respectively and included the deferred interest on certain nonamortizing loans.

Substantially all notes payable are secured by deeds of trust on the related buildings. The notes payable to the City of Seattle and the State of Washington require rental of the apartment units to low or moderate income tenants at stipulated base rents with certain allowable increases, compliance with certain federal regulations as to discrimination and establishment of certain reserves for repairs and maintenance.

COMMUNITY ROOTS HOUSING

Notes to Financial Statements For the Years Ended December 31, 2021 and 2020

Note 5 - Continued

Long-term liability activity consisted of the following during 2021:

	Notes Payable	Accrued Interest Payable
Beginning balance, December 31, 2020	\$ 76,412,808	\$ 4,582,183
Increases-		
CRH	21,188,462	
Accrual, net of forgiven interest		1,261,658
Transfers from changes in reporting unit-		
Silvian	2,611,424	258,060
Africatown Plaza	(4,500,000)	
Decreases-		
Payments	(10,578,282)	(1,557,811)
Forgiveness	(367,921)	
Payment of financing costs	(49,508)	
Amortization of financing costs	51,254	
Ending Balance, December 31, 2021	<u>\$ 84,768,237</u>	<u>\$ 4,544,090</u>

COMMUNITY ROOTS HOUSING

Notes to Financial Statements For the Years Ended December 31, 2021 and 2020

Note 5 - Continued

Long-term liability activity consisted of the following during 2020:

	Notes Payable	Accrued Interest Payable
Beginning balance, December 31, 2019	\$ 57,815,640	\$ 4,078,652
Increases-		
CRH	14,143,602	
Accrual, net of forgiven interest		1,282,395
Transfers from changes in reporting unit-		
Pantages	5,212,115	474,397
Twelfth Avenue Arts Association	20,644,433	14,900
Decreases-		
Payments	(4,517,081)	(1,268,161)
Forgiveness of New Markets Tax Credits loans, net of unamortized loan fees	(16,855,925)	
Payment of financing costs	(75,860)	
Amortization of financing costs	45,884	
Ending Balance, December 31, 2020	<u>\$ 76,412,808</u>	<u>\$ 4,582,183</u>

Note 6 - Investments in Limited Partnerships and LLCs

CRH is the sole general partner and owns a 0.01 percent interest in one limited partnership and is the managing member and owns a 0.01 percent interest in four LLCs. CRH owns a 51 percent interest in, and is the managing member of SOPI Village Manager LLC, who is the managing member, and 0.01 percent owner of SOPI Village LLC. CRH is the sole member of CH TOD Management LLC and Holiday Affordable LLC, which have a 0.01% management member interest in CH TOD LLC and a general partner interest in Holiday Apartments LP, respectively. CHDA is the majority member of Bonanza 1 GP LLC, Union 24th Manager LLC, and Africatown Plaza GP LLC, which have a 0.01% general partner or managing member interest in Bonanza 1 LLLP, Union and 24th Associates LLC, and Africatown Plaza LLLP, respectively. CHDA is the sole member of CRH Heartwood LLC, which has a 90% management member interest in Heartwood Manager LLC, which has an 8% membership interest in Heartwood QOZB LLC. CHDA is the sole member of Imperial Jazz GP LLC, which has a 0.006% general partner interest in Imperial Jazz LLLP. CHDA is the sole member of Broadway LGBTQ Senior GP LLC, which has a 0.01% general partner interest in Broadway LGBTQ Senior LLLP. CRH is also the sole member of CHH Squire Park LLC which is a 9.65% owner in Squire Park Holdings LLC. Squire Park Holdings LLC owns and operates a 60-unit apartment community located in Seattle, Washington. During the year ended December 31, 2021, Squire Park Holdings LLC sold the property held by the LLC and CRH recorded a receivable balance at December 31, 2021 representing CRH's allocation of the distribution of earnings from the sale. CHDA is the sole member of CRH Yesler LLC, which is co-general partner and holds a 0.0049% ownership interest in Big Village LLLP. Big Village LLLP is the tax credit ownership entity of Yesler Family Housing a 158-unit affordable housing project in Seattle, Washington.

COMMUNITY ROOTS HOUSING

Notes to Financial Statements For the Years Ended December 31, 2021 and 2020

Note 6 - Continued

The remaining ownership interests in these entities are owned by unrelated third parties. CRH records its investment in these partnerships and limited liability companies using the equity method of accounting as it is the general partner or managing member, or owns a significant ownership interest, and possesses significant influence in the operating and financial policies of the investees.

During 2021 and 2020, CRH earned property management fees of \$682,521 and \$668,438 respectively, and limited partnership and LLC management fees of \$141,754 and \$172,095 respectively, from these entities. Additionally, CRH earned development and other fees totaling \$3,491,086 and \$2,969,052 in 2021 and 2020, respectively, from these entities.

The following is a summary of selected financial information as of and for the year ended December 31, 2021, from the limited partnerships and LLCs described above and also represents condensed financial information for the aggregated discretely presented component units:

	December 31, 2021		
	Assets	Liabilities	Equity
Affordable Apartments Associates LLC	\$ 6,866,296	\$ 5,973,710	\$ 892,586
Africatown Plaza LLLP	10,731,080	8,247,774	2,483,306
Bonanza 1 LLLP	42,485,450	29,297,663	13,187,787
Broadway LGBTQ Senior LLLP	13,062,045	10,070,082	2,991,963
Broadway & Pine Apartments LLC	6,137,154	5,272,775	864,379
Capitol Hill Housing Foundation	1,111,434	8,168	1,103,266
CH TOD LLC	32,812,902	25,082,084	7,730,818
Heartwood QOZB LLC	17,878,373	1,619,317	16,259,056
Holiday Apartments Limited Partnership	5,452,129	5,555,345	(103,216)
Imperial Jazz LLLP	4,729,248	4,578,446	150,802
Jefferson & 12th LLC	9,428,828	8,918,174	510,654
SOPi Village LLC	6,650,925	6,015,975	634,950
Twelfth Avenue Arts Housing LLLP	17,908,525	16,725,326	1,183,199
Union and 24th Associates LLC	29,183,496	22,362,988	6,820,508
Woodland Park Avenue LLC	3,098,383	4,166,325	(1,067,942)
Discretely Presented Component Units	\$ 207,536,268	\$ 153,894,152	\$ 53,642,116
CRH Yesler LLC	\$ 25,892,863	\$ 22,490,311	\$ 3,402,552
Squire Park Holdings LLC	\$ 7,208,413	\$ 16,094	\$ 7,192,319

COMMUNITY ROOTS HOUSING

Notes to Financial Statements For the Years Ended December 31, 2021 and 2020

Note 6 - Continued

	Year Ended December 31, 2021	
	Total Revenues	Net Income (Loss)
Affordable Apartment Associates LLC	\$ 476,935	\$ 35,690
Africatown Plaza LLLP	600,000	471
Bonanza 1 LLLP	1,563,138	(1,122,436)
Broadway LGBTQ Senior LLLP	8	8
Broadway & Pine Apartments LLC	504,353	(338,260)
Capitol Hill Housing Foundation	2,009,016	(911,342)
CH TOD LLC	1,467,408	(762,613)
Heartwood QOZB LLC		
Holiday Apartments Limited Partnership	322,177	(119,329)
Imperial Jazz LLLP		
Jefferson & 12th LLC	556,276	(316,310)
SOPi Village LLC	314,865	(335,046)
Twelfth Avenue Arts Housing LLLP	1,101,669	(530,420)
Union and 24th Associates LLC	1,253,254	(849,935)
Woodland Park Avenue LLC	210,121	(203,225)
Discretely Presented Component Units	\$ 10,379,220	\$ (5,452,747)
CRH Yesler LLC	\$ 3,209	\$ 3,209
Squire Park Holdings LLC	\$ 1,165,301	\$ 4,397,999

COMMUNITY ROOTS HOUSING

Notes to Financial Statements For the Years Ended December 31, 2021 and 2020

Note 6 - Continued

The following is a summary of selected financial information as of and for the year ended December 31, 2020, from the limited partnerships and LLCs described above and represents condensed financial information for the aggregated discretely presented component units:

	December 31, 2020		
	Assets	Liabilities	Equity
Affordable Apartments Associates LLC	\$ 6,845,176	\$ 5,988,280	\$ 856,896
Bonanza 1 LLLP	44,390,776	43,623,923	766,853
Broadway & Pine Apartments LLC	6,452,512	5,249,873	1,202,639
Capitol Hill Housing Foundation	2,144,615	130,007	2,014,608
CH TOD LLC	33,244,174	32,619,535	624,639
Holiday Apartments Limited Partnership	5,540,458	5,524,345	16,113
Imperial Jazz LLLP	3,946,863	3,814,661	132,202
Jefferson & 12th LLC	9,613,169	8,786,205	826,964
Silvian Apartments LLC	3,718,417	2,945,528	772,889
SOPV Village LLC	6,866,337	5,896,341	969,996
Twelfth Avenue Arts Housing LLLP	18,477,437	16,763,818	1,713,619
Union and 24th Associates LLC	29,816,722	22,146,279	7,670,443
Woodland Park Avenue LLC	3,241,574	4,106,291	(864,717)
Discretely Presented Component Units	\$ 174,298,230	\$ 157,595,086	\$ 16,703,144
CRH Yesler LLC	\$ 2,731,798	\$ 2,731,798	\$ -
Squire Park Holdings LLC	\$ 10,788,062	\$ 7,878,741	\$ 2,909,321

COMMUNITY ROOTS HOUSING

Notes to Financial Statements For the Years Ended December 31, 2021 and 2020

Note 6 - Continued

	Year Ended December 31, 2020	
	Total Revenues	Net Income (Loss)
Affordable Apartment Associates LLC	\$ 471,023	\$ 3,452
Bonanza 1 LLLP	1,360,587	(490,831)
Broadway & Pine Apartments LLC	504,291	(305,664)
Capitol Hill Housing Foundation	6,567,643	1,331,702
CH TOD LLC	662,335	(1,143,592)
Holiday Apartments Limited Partnership	346,770	(115,898)
Jefferson & 12th LLC	556,001	(275,266)
Silvian Apartments LLC	491,354	44,314
SOPH Village LLC	297,983	(343,786)
Twelfth Avenue Arts Housing LLLP	1,116,511	(508,280)
Union and 24th Associates LLC	1,292,295	(763,458)
Woodland Park Avenue LLC	220,660	(181,477)
Discretely Presented Component Units	<u>\$ 13,887,453</u>	<u>\$ (2,748,784)</u>
CRH Yesler LLC	\$ -	\$ -
Squire Park Holdings LLC	\$ 1,169,665	\$ 75,587

In addition to the notes receivable described in Note 2, CRH has recorded accounts and developer fees receivable from the limited partnerships and LLCs described above with a net balance of \$9,203,320 and \$9,125,848 at December 31, 2021 and 2020, respectively. The receivable balance at December 31, 2021 and 2020 is included in accounts receivable and long-term deferred developer fees receivable in the balance sheets.

CRH as the general partner or managing member has the option to purchase partnership property and right of first refusal at any time during the last 12 months of the initial 15-year low-income housing tax credit compliance period for each of the housing limited partnerships and LLCs.

As a general partner or managing member, as applicable, of the above partnerships and LLCs, CRH, directly or through CHDA, is liable for recourse liabilities. The limited partnership and LLC agreements provide for various obligations of the general partner or managing member, including an obligation to provide funds for any development and operating deficits. At December 31, 2021 and 2020, CRH had \$25,740,857 and \$48,303,030 of outstanding guarantees, respectively, and no advances under guarantees for either year.

COMMUNITY ROOTS HOUSING

Notes to Financial Statements For the Years Ended December 31, 2021 and 2020

Note 7 - Blended Component Units

The following condensed combining information is presented as of and for the years ended December 31, 2021 and 2020 for blended components as summarized in a single column titled CRH in the basic financial statements. Certain blended component units were reclassified during years ended December 31, 2021, causing a change the net position at the beginning of 2021 from December 31, 2020 by unit type, but not in total net position.

Condensed combining information for the 2021 balance sheet is presented below:

	CRH	Housing Blended Component Units	Non-Housing Blended Component Units	Eliminations in Blending	Total
Assets:					
Current assets	\$ 12,680,858	\$ 5,506,465	\$ 899,616	\$ (2,681,433)	\$ 16,405,506
Noncurrent assets-					
Capital assets, net	13,735,210	52,035,127	25,623,956		91,394,293
Other	29,456,828	7,199,925	544,197	(1,891,328)	35,309,622
Total Assets	\$ 55,872,896	\$ 64,741,517	\$ 27,067,769	\$ (4,572,761)	\$ 143,109,421
Liabilities:					
Current liabilities	\$ 2,788,466	\$ 9,389,622	\$ 778,667	\$ (2,681,433)	\$ 10,275,322
Noncurrent liabilities	23,740,490	53,066,674	9,772,180	(1,891,328)	84,688,016
Total Liabilities	\$ 26,528,956	\$ 62,456,296	\$ 10,550,847	\$ (4,572,761)	\$ 94,963,338
Net Position:					
Invested in capital assets, net of related debt	\$ (9,174,465)	\$ 7,356	\$ 15,793,165	\$ -	\$ 6,626,056
Restricted	3,731,326	7,129,974	299,192		11,160,492
Unrestricted	34,787,079	(4,852,109)	424,565		30,359,535
Total Net Position	\$ 29,343,940	\$ 2,285,221	\$ 16,516,922	\$ -	\$ 48,146,083

COMMUNITY ROOTS HOUSING

Notes to Financial Statements For the Years Ended December 31, 2021 and 2020

Note 7 - Continued

Condensed combining information for the 2021 statement of revenues, expenses and changes in net position is presented below:

	CRH	Housing Blended Component Units	Non-Housing Blended Component Units	Eliminations in Blending	Total
Operating Revenues:					
Tenant revenues	\$ 3,560,091	\$ 8,226,370	\$ 1,043,485	\$ (411,193)	\$ 12,418,753
Fees for services	1,987,295			(917,612)	1,069,683
Project development fees	3,491,086				3,491,086
Other	58,134	36,817	771		95,722
Total Operating Revenues	9,096,606	8,263,187	1,044,256	(1,328,805)	17,075,244
Operating expenses	10,770,473	5,218,806	404,804	(1,328,805)	15,065,278
Depreciation and amortization	717,626	1,852,842	571,860		3,142,328
Total Operating Expenses	11,488,099	7,071,648	976,664	(1,328,805)	18,207,606
Operating Income	(2,391,493)	1,191,539	67,592		(1,132,362)
Nonoperating revenues (expenses)-					
Contributions and grants	4,204,632	3,427,309	400,000		8,031,941
Grant to component unit	(2,242,529)	600,000			(1,642,529)
Grants to other organizations	(1,900,000)		(28,174)		(1,928,174)
Interest income	352,844	6,892	1		359,737
Gain on disposition of assets	379,505	2,281,973			2,661,478
Interest expense	(293,753)	(867,833)	(151,326)		(1,312,912)
Change in Net Position Before Capital Contributions and Other Changes	(1,890,794)	6,639,880	288,093		5,037,179
Capital Contributions and Other Changes:					
Change in component units		772,889	(1,304,736)		(531,847)
Total Capital Contributions and Other Changes		772,889	(1,304,736)		(531,847)
Change in Net Position	(1,890,794)	7,412,769	(1,016,643)		4,505,332
Net Position:					
Beginning of year	31,234,734	(5,127,548)	17,533,565		43,640,751
End of Year	\$ 29,343,940	\$ 2,285,221	\$ 16,516,922	\$ -	\$ 48,146,083

COMMUNITY ROOTS HOUSING

Notes to Financial Statements For the Years Ended December 31, 2021 and 2020

Note 7 - Continued

Condensed combining information for the 2021 statement of cash flows is presented below:

	CRH	Housing Blended Component Units	Non-Housing Blended Component Units	Eliminations in Blending	Total
Net cash provided (used) by operating activities	\$ (1,612,847)	\$ 1,751,364	\$ 853,994	\$ -	\$ 992,511
Net cash provided by noncapital financing activities	987,580	1,549,151	(28,174)		2,508,557
Net cash (used) provided by capital and related financing activities	2,770,684	(895,093)	780,854		2,656,445
Net cash provided (used) by investing activities	(1,223,271)	(3,433,186)	49,399		(4,607,058)
Net change in cash and cash equivalents	922,146	(1,027,764)	1,656,073		1,550,455
Cash and cash equivalents, beginning of year	3,504,662	1,396,036	543,179		5,443,877
Cash and Cash Equivalents, End of Year	\$ 4,426,808	\$ 368,272	\$ 2,199,252	\$ -	\$ 6,994,332

Condensed combining information for the 2020 balance sheet is presented below:

	CRH	Housing Blended Component Units	Non-Housing Blended Component Units	Eliminations in Blending	Total
Assets:					
Current assets	\$ 15,744,431	\$ 1,874,786	\$ 790,378	\$ (2,156,536)	\$ 16,253,059
Noncurrent assets-					
Capital assets, net	33,328,070	33,486,080	20,244,860		87,059,010
Other	23,643,148	3,276,120	535,320	(3,850,870)	23,603,718
Total Assets	\$ 72,715,649	\$ 38,636,986	\$ 21,570,558	\$ (6,007,406)	\$ 126,915,787
Liabilities:					
Current liabilities	\$ 9,362,733	\$ 8,107,511	\$ 229,314	\$ (2,350,102)	\$ 15,349,456
Noncurrent liabilities	34,058,068	33,198,297	4,326,519	(3,657,304)	67,925,580
Total Liabilities	\$ 43,420,801	\$ 41,305,808	\$ 4,555,833	\$ (6,007,406)	\$ 83,275,036
Net Position:					
Invested in capital assets, net of related debt	\$ (4,835,572)	\$ (392,482)	\$ 15,874,256	\$ -	\$ 10,646,202
Restricted	2,807,564	3,860,265	294,305		6,962,134
Unrestricted	31,322,856	(6,136,605)	846,164		26,032,415
Total Net Position	\$ 29,294,848	\$ (2,668,822)	\$ 17,014,725	\$ -	\$ 43,640,751

COMMUNITY ROOTS HOUSING

Notes to Financial Statements For the Years Ended December 31, 2021 and 2020

Note 7 - Continued

Condensed combining information for the 2020 statement of revenues, expenses and changes in net position is presented below:

	CRH	Housing Blended Component Units	Non-Housing Blended Component Units	Eliminations in Blending	Total
Operating Revenues:					
Tenant revenues	\$ 4,905,003	\$ 6,723,700	\$ 940,099	\$ (393,506)	\$ 12,175,296
Fees for services	1,817,066			(764,733)	1,052,333
Project development fees	2,969,052				2,969,052
Other	438,532	2,461	1,559		442,552
Total Operating Revenues	10,129,653	6,726,161	941,658	(1,158,239)	16,639,233
Operating expenses	9,525,386	4,641,724	454,146	(1,158,239)	13,463,017
Depreciation and amortization	903,735	1,639,191	536,429		3,079,355
Total Operating Expenses	10,429,121	6,280,915	990,575	(1,158,239)	16,542,372
Operating Income (Loss)	(299,468)	445,246	(48,917)		96,861
Nonoperating revenues (expenses)-					
Contributions and grants	4,332,509	1,399,443	1,000,162		6,732,114
Grant to component unit	(1,539,621)		(448,895)		(1,988,516)
Gain on New Markets Tax Credit transaction	(14,573,864)		16,406,369		1,832,505
Interest income	380,109	2,116	3		382,228
Gain on disposition of assets	171,050		(29)		171,021
Interest expense	(370,037)	(819,339)	(138,903)		(1,328,279)
Change in Net Position Before Capital Contributions and Other Changes	(11,899,322)	1,027,466	16,769,790		5,897,934
Capital Contributions and Other Changes:					
Change in component units	(57,730)	686,904	(2,061,337)		(1,432,163)
Total Capital Contributions and Other Changes	(57,730)	686,904	(2,061,337)		(1,432,163)
Change in Net Position	(11,957,052)	1,714,370	14,708,453		4,465,771
Net Position:					
Beginning of year	41,251,900	(4,383,192)	2,306,272		39,174,980
End of Year	\$ 29,294,848	\$ (2,668,822)	\$ 17,014,725	\$ -	\$ 43,640,751

COMMUNITY ROOTS HOUSING

Notes to Financial Statements For the Years Ended December 31, 2021 and 2020

Note 7 - Continued

Condensed combining information for the 2020 statement of cash flows is presented below:

	CRH	Housing Blended Component Units	Non-Housing Blended Component Units	Eliminations in Blending	Total
Net cash provided (used)					
by operating activities	\$ (3,459,341)	\$ 2,991,519	\$ 558,716	\$ -	\$ 90,894
Net cash provided by noncapital financing activities	2,788,968	1,399,443	551,267		4,739,678
Net cash provided (used) by capital and related financing activities	954,206	(3,665,473)	(914,452)		(3,625,719)
Net cash provided (used) by investing activities	<u>467,678</u>	<u>(229,262)</u>	<u>134,189</u>		<u>372,605</u>
Net change in cash and cash equivalents	751,511	496,227	329,720		1,577,458
Cash and cash equivalents, beginning of year	<u>2,753,151</u>	<u>899,809</u>	<u>213,459</u>		<u>3,866,419</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,504,662</u>	<u>\$ 1,396,036</u>	<u>\$ 543,179</u>	<u>\$ -</u>	<u>\$ 5,443,877</u>

Note 8 - Employee Benefits

CRH contributes to a Simplified Employee Pension (SEP) plan, a defined contribution benefit plan, on behalf of all eligible employees. CRH's contribution is discretionary. Contributions for 2021 and 2020 were 2 percent of gross wages annually and were in the amounts of \$118,381 and \$111,363, respectively. As of December 31, 2021 and 2020, accrued pension costs, including employee deferrals, totaled \$141,400 and \$139,933, respectively. There were no Plan forfeitures for either years ended December 31, 2021 and 2020.

Note 9 - Acquisitions and Development

During 2021, CRH was engaged in the following acquisitions and development projects:

Capitol Hill Transit Oriented Development (aka Station House) - In the third quarter of 2021, CRH closed on permanent financing of 110 affordable units. Due to the COVID-19 pandemic, the property was not able to collect resident rents to satisfy the lender, Freddie Mac. An agreement was reached where Freddie Mac would close but CRH was required to secure a \$1.5 million Letter of Credit written by KeyBank. The Letter of Credit requirement would be released once the property meets the conversion underwriting requirements on collections and operations or it may be called by November 2023. CRH expects that the property will meet the underwriting requirements before this date.

COMMUNITY ROOTS HOUSING

Notes to Financial Statements For the Years Ended December 31, 2021 and 2020

Note 9 - Continued

CHP-1 - In late 2020 to early 2021 CRH closed on refinancing for three properties, Boylston Howell, John Carney, and Bremer Apartments. Rehabilitation of 106 units commenced in the first quarter of 2021 with construction completed in December 2021 for Boylston Howell, and January 2022 for John Carney. Completion of construction is expected in the second quarter of 2022 for Bremer.

Lake City Development - CRH sold this property in early 2021.

Yesler Family Development - CRH, in partnership with Seattle Chinatown International District Preservation Authority, closed on construction financing for 156 units of affordable housing, on land leased from Seattle Housing Authority. Construction began in May 2021 and is expected to be completed in 2023.

Pride Place Development (aka Eldridge) - CRH, in partnership with nonprofit organization Generations Aging with Pride, acquired land and closed on construction financing in 2021. Construction on 118 units of LGBTQIA+ Affirming senior affordable housing began in September 2021 and is expected to be completed in 2023.

Heartwood Development (aka Union and 14th) - In late 2021, CRH closed on equity and debt financing to develop 126 units of middle-income affordable housing. The land was purchased from Helen V Apartments and offsite prefabrication of timber commenced in 2021. On site construction commenced in April 2022 and construction is expected to be completed in 2023.

Africatown Plaza Development - In December 2021, CRH, in partnership with Africatown Community Land Trust, closed on construction financing. Construction on 126 units of affordable housing began in February 2022 and is expected to be completed in 2023.

Jazz House Development - CRH, in partnership with nonprofit organization Seattle JazzED, continued predevelopment activities for 108 units of middle-income affordable housing. The project is expected to close on construction financing in the third quarter of 2022.

Seattle Central Annex Development - CRH, in partnership with nonprofit organization YouthCare, began project design activities for approximately 84 units of affordable housing, including 15 units set aside for homeless youth. In 2021 the project was awarded funding from the Seattle Office of Housing, King County, and Washington State and new legal entities were set up. Financial closing and construction are expected to begin in the in the third quarter of 2023.

White Center Development - In connection with several White Center community organizations, CRH continued predevelopment activities to develop approximately 76 units of affordable housing in partnership with the White Center Community Development Association and develop the HUB, a community resource center owned by the community organizations on King county-owned property in White Center. The housing project received funding from King County in 2022. The housing project is expected to close on financing at the end of 2022 and starting construction in the first quarter of 2023

Northgate Development - During 2021, CRH, in partnership with BRIDGE Housing, entered into a land development agreement with King County for approximately 232 units of affordable housing near the Northgate Light Rail Station. The project applied to CRH, which will be the issuer, for bond funding in 2021, thus locking in the project status as a Difficult to Develop Area. The project will close and start construction in 2023.

COMMUNITY ROOTS HOUSING

Notes to Financial Statements For the Years Ended December 31, 2021 and 2020

Note 9 - Continued

Seattle Mennonite Church - CRH, in partnership with Seattle Mennonite Church, intends to redevelop the existing church property to create approximately 250 units of affordable housing in Seattle's Lake City neighborhood. In April 2022 the land purchase agreement was completed.

Othello - CRH was approached by HomeSight, a Seattle based nonprofit, to partner with them on a middle-income project in the Othello neighborhood. In 2021 the CRH board of directors approved expending up to \$300,000 in furthering the project, but it has not fully approved CRH entering the partnership before further due diligence is completed. This due diligence includes solving a multi-million dollar financing gap.

Note 10 - Contingencies

CRH is exposed to risks commonly associated with the ownership and rental of real property. Risks including bodily injury, property damage by fire and forces of nature, loss of assets from theft and employee dishonesty, and liability for employees' conduct are mitigated by a combination of insurance, training and policies and procedures. Management believes that those risks are immaterial to the financial statements.

In connection with various federal, state, and city grants and loan programs, CRH is obligated to operate in accordance with those grant and loan requirements and is subject to audit by those agencies. In cases of noncompliance, the agencies involved may require that CRH refund payment of program funds. The amount, if any, of expenses which may be disallowed by the agencies cannot be determined at this time, although CRH expects such amounts, if any, to be immaterial.

Note 11 - Risk Management

CRH has obtained insurance coverage through a commercial insurance broker with the exception of workers compensation insurance and unemployment insurance which are provided by agencies of the State of Washington. Property loss coverage is on a replacement basis with a deductible of \$10,000 per occurrence. Settled claims have not exceeded coverage purchased during the past three years.

Note 12 - Effects of the COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operation, public events, gatherings, travel, and in-person interactions.

Governmental eviction moratoriums were effective for CRH properties during the year ended December 31, 2021, and most of the year ended December 31, 2020. During 2021 and 2020, CRH properties experienced an increase in past due rents from certain tenants due to the COVID-19 pandemic. CRH received rental assistance grants in December 2020 and September 2021. CRH was pursuing another round of funding through the City of Seattle's Office of Housing (OH) to assist with the payment on past due rents for eligible balances through December 31, 2021. As of the date these financial statements were available, CRH had received additional funding from OH to assist with payment on past due rents.

SUPPLEMENTARY INFORMATION

COMMUNITY ROOTS HOUSING

Schedule of Departmental Operations For the Year Ended December 31, 2021

	Property Operations	Administration and Management	Total
Receipts:			
Rents	\$ 13,595,407	\$ -	\$ 13,595,407
Vacancy	(968,455)		(968,455)
Tenant fees	147,750		147,750
Development fees		3,491,086	3,491,086
Fees for services		1,069,683	1,069,683
Contributions and grants		2,478,782	2,478,782
Other income	37,591	58,131	95,722
Total Receipts	12,812,293	7,097,682	19,909,975
Expenditures:			
On-site management expense	1,655,354		1,655,354
Office salaries, benefits and payroll taxes		6,364,794	6,364,794
Utilities	1,700,092		1,700,092
Professional fees	528,181	488,147	1,016,328
Insurance	464,566	113,578	578,144
Property management fees	1,237,819		1,237,819
Repairs, maintenance and improvements	2,276,194	45,346	2,321,540
Debt service	2,033,550		2,033,550
Reserves	619,735		619,735
Other	631,704	1,107,092	1,738,796
Total Expenditures	11,147,195	8,118,957	19,266,152
Operating Income (Loss)	1,665,098	(1,021,275)	643,823
Reconciliation to Statement of Income:			
Depreciation and amortization	(3,074,210)	(68,118)	(3,142,328)
Reserves additions	619,735		619,735
Interest income - restricted	2,936	356,801	359,737
Interest and financial expenses	(1,209,370)	(103,542)	(1,312,912)
Other income (expense)	4,533,473	(1,365,268)	3,168,205
Fixed asset additions from operations	66,950		66,950
Total expenses paid from reserves	(61,059)		(61,059)
Debt service payments	2,033,550		2,033,550
Frontline and bookkeeping charges	454,820	(454,820)	
Management fees	1,237,819	(1,237,819)	
Change in component units		(531,847)	(531,847)
Gain (loss) on disposal	4,050,442	(1,388,964)	2,661,478
Net Income (Loss)	\$ 10,320,184	\$ (5,814,852)	\$ 4,505,332

See independent auditor's report.

COMMUNITY ROOTS HOUSING

**Schedule of Property Operations
For the Year Ended December 31, 2021**

	Berneva	Boylston/ Howell	Boylston/ CHP1	Bremer	Bremer - CHP1	Brewster	Broadway	Burke Gilman Gardens	Byron/ Wetmore	Centennial	CHDA Lake City LLP	Central City Affordable Housing	Devonshire
Receipts:													
Rents	\$ 120,995	\$ 18,675	\$ 312,512	\$ 8,985	\$ 467,110	\$ 337,590	\$ 69,173	\$ 210,331	\$ 148,589	\$ 364,273	\$ 14,350	\$ 306,264	\$ 625,044
Vacancy	(6,081)	(1,146)	(28,498)	(1,040)	(90,233)	(53,455)	(11,702)	(15,326)		(28,271)		(14,500)	(57,334)
Tenant fees	846	881	15,317	27	1,975	3,337		1,845	43	6,212		7	22,094
Other income													
Total Receipts	115,760	18,410.00	299,331	7,972	378,852	287,472	57,471	196,850	148,632	342,214	14,350	291,671	589,804
Expenditures:													
On-site management expense	22,020	6,047	69,363	1,645	67,045	60,234	9,421	23,895	24,523	62,327	1,259	27,619	104,920
Utilities	20,013	4,736	44,515	4,349	19,992	50,406	5,353	134,374	27,871	49,058	3,516	43,770	93,747
Professional fees	7,421	661	12,232	262	12,861	10,852	5,985	7,608	9,336	11,336	1,922	11,336	15,332
Insurance	6,697	769	18,271	265	2,880	15,158	2,841	8,761	6,036	14,190	580	6,699	23,182
Property management fees	10,594	1,626	25,888	699	36,540	55,799	10,387	30,905	27,780	28,464		15,300	104,620
Repairs, maintenance and improvements	22,871	4,140	38,710	3,194	19,552	107,129	7,375	39,425	24,902	31,406	210	69,815	172,107
Debt service	10,546						8,100			112,851	14,181	64,929	
Reserves	2,923		8,250		23,800	25,200	6,000	6,000	7,000	12,000		21,760	100,000
Other	4,051	723	6,437	964	20,283	17,016	1,856	11,731	1,633	9,801	81,126	5,188	22,662
Total Expenditures	106,836	18,702	223,666	11,378	202,953	341,794	57,318	262,699	129,081	330,138	102,794	266,416	636,570
Operating Income (Loss)	8,924	(292)	75,665	(3,406)	175,899	(54,322)	153	(65,849)	19,551	12,076	(88,444)	25,255	(46,766)
Reconciliation to Statement of Income:													
Depreciation and amortization	(24,627)		(76,616)		(56,861)	(91,267)	(9,532)	(74,553)	(11,802)	(54,571)	(1,667)	(49,173)	(64,288)
Reserves additions	2,923		8,250		23,800	25,200	6,000	6,000	7,000	12,000		21,760	100,000
Interest income - restricted	14		69		113	316	75	164	7	147		26	553
Interest and financial expenses	493					5,250	(3,825)	9,682	1,995	(56,220)	(14,181)	(14,718)	6,225
Other income (expense)			595,115		3,397,959	(457)				(1,370)		(11,466)	
Fixed asset additions from operations	(10,000)					(3,100)		(22,785)					
Total expenses paid from reserves	10,546						8,100						
Debt service payments	9,082	884	14,061	398	20,735	16,573	6,803	10,060	9,082	112,851	14,181	64,929	25,366
Frontline and bookkeeping charges										14,944		7,065	
Management fees	10,594	1,626	25,888	699	36,540	55,799	10,387	30,905	27,780	28,464	56,208	15,300	104,620
Gain (loss) on disposal				1,768,469									
Net Income (Loss)	\$ 7,949	\$ 2,218	\$ 642,432	\$ 1,766,160	\$ 3,598,185	\$ (46,008)	\$ 18,161	\$ (106,376)	\$ 53,613	\$ 68,321	\$ (33,903)	\$ 70,444	\$ 114,244

See independent auditor's report.

COMMUNITY ROOTS HOUSING

Schedule of Property Operations (Continued)
For the Year Ended December 31, 2021

	Elizabeth Jame Senior Housing	Fleming LP	Fredonia	Gilman Court LP	Harrison	Hazel Plaza	Helen V	Holden Vista	Jefferson & 12th Commercial	Joe Black	John Carney	John Carney - CHP1	Apartments LP	Liberty Bank Commercial
Receipts:														
Rents	\$ 672,713	\$ 368,577	\$ 341,614	\$ 272,437	\$ 406,114	\$ 453,468	\$ 756,420	\$ 361,148	\$ 149,243	\$ 354,630	\$ 14,202	\$ 279,851	\$ 381,043	\$ 72,486
Vacancy	(29,331)	(18,579)	(38,065)	(13,240)	(10,309)	(12,111)	(57,560)	(28,261)		(2,442)	545	(21,253)	(38,402)	(21,328)
Tenant fees	2,206	4,471	3,424	4,447	3,088	652	(1,136)	425		5,388	(179)	3,535	4,534	
Other income		²												¹
Total Receipts	645,588	354,471	306,973	263,644	398,893	442,009	697,724	333,312	149,243	357,576	14,568	262,133	347,175	51,159
Expenditures:														
On-site management expense	53,875	52,624	19,524	72,820	35,669	26,115	83,523	60,100	456	48,587	4,353	50,741	46,893	260
Utilities	89,215	42,878	28,243	55,084	66,672	27,418	63,358	34,064	1,514	60,704	2,667	26,190	48,189	11,261
Professional fees	27,076	20,854	7,283	13,107	20,973	10,470	21,853	13,605	5,489	9,068	744	8,973	14,242	9,932
Insurance	28,212	12,383	7,901	14,432	14,040	6,822	14,864	7,792	2,331	13,729	595	10,157	10,846	2,473
Property management fees	36,000	43,393	38,138	38,489	21,689	31,244	106,661	17,586	2,806	52,321	1,753	23,020	49,719	1,805
Repairs, maintenance and improvements	88,998	108,034	69,140	64,130	70,441	41,196	146,281	79,568	4,414	47,241	1,859	11,691	90,275	3,343
Debt service	121,832	82,228	64,896	118,020	110,546	109,546	108,919	6,960	3,600	36,000	2,975		21,920	3,892
Reserves	36,384	13,300	6,353	16,000	11,044	38,671	26,196	6,725		4,320		4,354		
Other	12,733	8,020	47,892	7,221	15,596	10,440	9,298		19,799	18,371	627	6,770	21,207	20,521
Total Expenditures	494,325	383,714	289,370	281,283	374,144	301,622	580,953	226,400	40,409	290,341	15,573	141,896	303,291	53,487
Operating Income (Loss)	151,263	(29,243)	17,603	(17,639)	24,749	140,387	116,771	106,912	108,834	67,235	(1,005)	120,237	43,884	(2,328)
Reconciliation to Statement of Income:														
Depreciation and amortization	(91,890)	(106,992)	(43,280)	(124,042)	(84,691)	(75,856)	(136,247)	(16,414)	(18,445)	(62,099)		(46,903)	(10,109)	(40,343)
Reserves additions	36,384	13,300	6,353	16,000	11,044	38,671	26,196	6,960	3,600	4,320		4,354	21,920	
Interest income - restricted	52	17	199	13	24	31	57	7	10	57		3	22	
Interest and financial expenses	(64,341)	(30,829)	(38,037)	(6,419)	(66,091)	(70,094)	(82,473)	(3,646)	(1,291)	(16,795)		(8,033)	8,733	(3,557)
Other income (expense)	(738)	24,223	(151,030)	(3,536)	(25,499)	(2,313)	5,066	(5,659)	(15,567)	(2,976)			(11,211)	373,654
Fixed asset additions from operations		9,109					26,553							
Total expenses paid from reserves		(14,174)	(2,600)											
Debt service payments	121,832	82,228	64,896		118,020	109,546	108,919			36,000	2,975			3,892
Frontline and bookkeeping charges	14,628	16,898	9,240	13,474	11,835	7,695	11,162	7,695	5,489	12,991	1,064	13,061	15,922	5,647
Management fees	36,000	43,393	38,138	38,489	21,689	31,244	106,661	17,586	2,806	52,321	1,753	23,020	49,719	1,805
Gain (loss) on disposal							2,225,765							
Net Income (Loss)	\$ 203,190	\$ 7,930	\$ (98,518)	\$ (83,660)	\$ 11,080	\$ 179,311	\$ 2,408,430	\$ 113,441	\$ 86,727	\$ 91,054	\$ 3,496	\$ 105,739	\$ 118,880	\$ 338,770

See independent auditor's report.

COMMUNITY ROOTS HOUSING

Schedule of Property Operations (Continued)
For the Year Ended December 31, 2021

	Lincoln Court	Mary Ruth Manor	Maxwell	Melrose	Miller Park	Oleta	Pantages	Park Hill	Seneca	Silvan	Youth Care	South Annex	Twelfth Ave Arts Associates	Union James Apartments	Villa Apartments	Total
Receipts:																
Rents	\$ 302,141	\$ 514,030	\$ 48,144	\$ 287,601	\$ 158,087	\$ 365,885	\$ 523,889	\$ 461,726	\$ 364,521	\$ 507,277	\$ 19,254	\$ 914,480	\$ 914,480	\$ 482,893	\$ 757,642	\$ 13,595,407
Vacancy	(41,145)	(26,433)		(78,352)	(3,104)	(49,531)	(42,476)	(33,904)	(14,831)	(20,561)				(24,855)	(35,241)	(968,455)
Tenant fees	6,211	1,345			5,770	4,313	25,508	2,382	3,228	2,120	639	5,750	5,750	1,749	5,296	147,750
Other income							26,817				771				10,000	37,591
Total Receipts	267,207	488,942	48,144	209,249	160,753	320,667	533,738	430,204	352,918	488,836	20,664	920,230	920,230	459,787	737,697	12,812,293
Expenditures:																
On-site management expense	56,226	82,230	7,928	32,632	30,218	51,696	90,201	79,442	47,313	29,534			6,471	34,688	70,917	1,655,354
Utilities	41,897	39,085	4,512	42,427	22,882	45,961	68,150	58,986	38,597	28,572	4,654		59,842	55,342	130,028	1,700,092
Professional fees	9,879	16,219	6,824	10,041	7,121	25,054	31,847	10,868	23,055	24,272	6,495		22,968	15,068	29,552	528,181
Insurance	12,147	8,835	2,529	10,282	5,937	13,776	32,283	17,463	13,905	14,600	6,204		35,445	9,970	28,284	464,566
Property management fees	11,662	16,959	4,834	33,380	14,290	17,664	54,006	72,135	57,499	48,282			26,711	14,976	52,195	1,237,819
Repairs, maintenance and improvements	56,762	40,755	10,274	76,409	29,627	52,837	105,221	54,175	73,269	75,913	4,876		76,758	71,281	180,590	2,276,194
Debt service	85,422	161,284	4,644	32,689	22,279	92,507	62,136	53,820	58,049	86,009			220,652	100,430	194,714	2,033,550
Reserves	14,500	29,568	1,440	3,600	9,461	12,257	30,792	10,000	9,748	35,671			3,631	9,816	47,216	619,735
Other	9,164	6,760	1,673	9,755	8,823	8,132	8,564	10,139	6,001	6,217	19		136,793	7,908	23,065	631,704
Total Expenditures	297,659	401,695	44,658	251,215	150,638	319,884	483,200	367,028	327,436	349,070	22,248	589,271	589,271	319,479	756,561	11,147,195
Operating Income (Loss)	(30,452)	87,247	3,486	(41,966)	10,115	783	50,538	63,176	25,482	139,766	(1,584)	(1,584)	330,959	140,308	(18,864)	1,665,098
Reconciliation to Statement of Income:																
Depreciation and amortization	(80,742)	(88,974)	(6,316)	(33,391)	(37,468)	(86,745)	(306,661)	(48,929)	(112,865)	(89,618)			(531,517)	(32,614)	(246,102)	(3,074,210)
Reserves additions	14,500	29,568	1,440	3,600	9,461	12,257	30,792	10,000	9,748	35,671			3,631	9,816	47,216	619,735
Interest income - restricted	184	32	41	150	212	8	26	231	36	21			1	(19)	37	2,936
Interest and financial expenses	(66,447)	(99,494)	(238)	(8,539)	(3,309)	(56,296)	(93,166)	(29,954)	(43,073)	(69,081)			(148,770)	(67,934)	(82,930)	(1,209,370)
Other income (expense)	298,237	787		(3,553)	(552)	(4,500)	(624)	(764)	(4,522)	4,337			101,544	(8,106)	(4,973)	4,533,473
Fixed asset additions from operations										8,550					22,738	66,950
Total expenses paid from reserves	(3,200)			(2,000)				(3,200)								(61,059)
Debt service payments	85,422	161,284	4,644	32,689	22,279	92,507	62,136	53,820	58,049	86,009			220,652	100,430	194,714	2,033,550
Frontline and bookkeeping charges	14,615	8,325	6,477	14,944	9,082	16,247	21,133	14,944	15,596	10,216			6,435	8,956	25,996	454,820
Management fees	11,662	16,959	4,834	33,380	14,290	17,664	54,006	72,135	57,499	48,282			26,711	14,976	52,195	1,237,819
Gain (loss) on disposal																4,050,442
Net Income (Loss)	\$ 243,779	\$ 115,734	\$ 14,368	\$ (2,686)	\$ 22,110	\$ (8,075)	\$ (181,820)	\$ 131,459	\$ 5,950	\$ 174,153	\$ (1,584)	\$ (1,584)	\$ 9,646	\$ 165,813	\$ (9,973)	\$ 10,320,184

See independent auditor's report.

COMMUNITY ROOTS HOUSING

Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Number	Pass-Through Identifying Number	Passed Through to Subrecipients	Federal Disbursements/Expenditures
US Department of Housing and Urban Development:				
Pass-Through Program from-				
Housing Authority of the City of Bremerton:				
Section 8 Housing Assistance Payments Program	14.195	WA19M000017	\$ -	\$ 220,913
Section 8 Housing Assistance Payments Program	14.195	WA19L000022		363,437
Section 8 Housing Assistance Payments Program	14.195	WA19L0000040		562,377
Section 8 Housing Assistance Payments Program	14.195	WA190080005		353,325
Section 8 Housing Assistance Payments Program	14.195	WA19L000027		367,975
Section 8 Housing Assistance Payments Program	14.195	WA19M000202		247,225
State of Washington:				
Section 8 Housing Assistance Payments Program	14.195	Unknown		88,170
Section 8 Housing Assistance Payments Program	14.195	15-46221-004		57,828
Total 14.195 and Section 8 Project-Based Cluster				2,261,250
City of Seattle:				
Community Development Block Grants/Entitlement Grants-				
410 Apartments*	14.218	Unknown		30,100
Bremer Apartments*	14.218	Unknown		102,630
Fredonia Apartments*	14.218	Unknown		409,760
Gale Place Apartments*	14.218	Unknown		286,400
Lincoln Court Apartments*	14.218	Unknown		1,203,904
Park Hill Apartments*	14.218	Unknown		282,303
Helen V Apartments*	14.218	Unknown		735,560
Union James Apartments*	14.218	Unknown		397,635
CDBG - Liberty Bank Commercial*	14.218	Unknown		400,000
CDBG - Silvan Apartments*	14.218	Unknown		830,000
Total 14.218 and CDGB-Entitlement Grants Cluster				4,678,292
Rental Rehabilitation Program-				
Gale Place Apartments*	14.230	Unknown		480,000
Park Hill Apartments*	14.230	Unknown		122,088
Total 14.230				602,088
City of Seattle:				
HOME Investment Partnerships Program*	14.239	Unknown		492,272
State of Washington:				
HOME Investment Partnerships Program*	14.239	04-40403-004		1,000,000
Total 14.239				1,492,272
Total US Department of Housing and Urban Development				9,033,902
US Department of Homeland Security:				
Pass-Through Program From-				
City of Seattle:				
BRIC: Building Resilient Infrastructure and Communities	97.047	PMDC-PJ-10-WA-2018-010		3,400,333
Total 97.047				3,400,333
Total US Department of Homeland Security				3,400,333
Total Federal Expenditures			\$ -	\$ 12,434,235

* Denotes outstanding loan

See accompanying notes to schedule of expenditures of federal awards and independent auditor's report.

COMMUNITY ROOTS HOUSING

Notes to Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2021

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant and loan activity of Community Roots Housing (CRH) under programs of the federal government for the year ended December 31, 2021. 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 CRH, it is not intended to and does not present the financial position, changes in net assets, or cash flows of CRH.

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 OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, and the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. CRH did not utilize the de minimis indirect cost rate during the year ended December 31, 2021.

Note 3 - Loans Outstanding

The Organization had the following loan balances outstanding at December 31, 2021. The loan balances outstanding are also included in the federal expenditures presented in the Schedule.

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Outstanding</u>
Community Development Block Grants/Entitlement Grants	14.218	\$ 4,145,562
Rental Rehabilitation Program	14.230	602,088
HOME Investment Partnerships Program	14.239	1,492,272

SINGLE AUDIT REPORTS

**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***

Independent Auditor's Report

**To the Board of Directors
Community Roots Housing
Seattle, Washington**

We have audited, in accordance with 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 financial statements of the business-type activities and the aggregate discretely presented component units of Community Roots Housing (CRH), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise CRH's basic financial statements, and have issued our report thereon dated May 25, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CRH's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CRH's internal control. Accordingly, we do not express an opinion on the effectiveness of CRH'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 a 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 or significant deficiencies may exist that were not been identified.



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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether CRH's 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.

Clark Nuber P.S.

Certified Public Accountants

May 25, 2022

**Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance
Required by the Uniform Guidance**

Independent Auditor's Report

**To the Board of Directors
Community Roots Housing
Seattle, Washington**

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have Community Roots Housing's (CRH's) 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 each of CRH's major federal programs for the year ended December 31, 2021. CRH's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, CRH complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended May 25, 2022.

Basis for Opinion on Each 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; 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 CRH 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 CRH's compliance with the compliance requirements referred to above.

Other Matter - Federal Expenditures Not Included in the Compliance Audit

CRH's basic financial statements include the operations of the Elizabeth James Senior Housing, a blended component unit of CRH, which expended \$1,793,956 in federal awards which is not included in CRH's schedule of expenditures of federal awards during the year ended December 31, 2021. Our compliance audit, described in the Opinion on Each Major Federal Program section of our report, does not include the operations of Elizabeth James Senior Housing because Elizabeth James Senior Housing is subject to U.S. Department of Housing and Urban Development (HUD) reporting requirements and was audited as a legally separate entity as permitted by 2 CFR 200.514(a) and HUD.



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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 Example Entity'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 CRH'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 CRH's compliance with the requirements of each 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 CRH'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 CRH'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 CRH'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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as Finding 2021-001. Our opinion on each major federal program is not modified with respect to these matters.



Government Auditing Standards requires the auditor to perform limited procedures on CRH's response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. CRH's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2021-001 to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on CRH's response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. CRH's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Clark Nuber P.S.

Certified Public Accountants
May 25, 2022

COMMUNITY ROOTS HOUSING

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weaknesses identified?

☐ Yes

☒ No

- Significant deficiencies identified?

☐ Yes

☒ None reported.

Noncompliance material to financial statements noted?

☐ Yes

☒ No

Federal Awards

Internal control over major programs:

- Material weaknesses identified?

☐ Yes

☒ No

- Significant deficiencies identified?

☒ Yes

☐ 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)?

☒ Yes

☐ No

Identification of Major Programs

Federal Assistance Numbers

14.195
97.047

Name of Federal Program or Cluster

Section 8 Project-Based Cluster
BRIC: Building Resilient Infrastructure and Communities

Dollar threshold used to distinguish between
Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

☒ Yes

☐ No

COMMUNITY ROOTS HOUSING

Schedule of Findings and Questioned Costs (Continued) For the Year Ended December 31, 2021

Section II - Financial Statement Findings

No matters were reported.

Section III - Findings and Questioned Costs for Federal Awards

Finding 2021-001

Significant deficiency in internal controls and compliance finding related to suspension and debarment.

Federal Agency: U.S. Department of Homeland Security
Program Title: BRIC: Building Resilient Infrastructure and Communities
Assistance Listing Number: 97.047
Award Numbers: PMDC-PJ-10-WA-2018-01
Project Period: April 30, 2020 - April 1, 2022

Criteria

Per the requirements contained in 2 CFR 200.214 non-federal entities are required to ensure that federal awards are not paid to third parties that are suspended or debarred by the U.S. Government.

Condition/Context for Evaluation

The single procurement selected for testing lacked documentation supporting that the third party was not suspended or debarred by the U.S. Government. During the audit, the procurement was tested and verified that the related vendor was not suspended or debarred.

Questioned Costs

N/A

Cause

CRH did not have internal controls in place to ensure that third parties that were not suspended or debarred by the U.S. Government.

Effect or Potential Effect

Procurements may have been entered into with third parties that were suspended or debarred by the U.S. Government.

Repeat Finding

Not Applicable.

Recommendation

We recommend that CRH adopt a policy to ensure that transactions are only entered into with third parties that are not suspended or debarred by the U.S. Government.

Views of Responsible Officials of Auditee

Management concurs with the finding and has provided the accompanying management corrective action plan.



Corrective Action Plan

Community Roots Housing

US Department of Homeland Security auditee identification number: PMDC-PJ-10-WA-2018-010

Audit Firm: Clark Nuber PS

Audit Period: Year ended December 31, 2021

Finding 2021-001 – Significant deficiency in internal controls and compliance finding related to suspension and debarment.

Requirement: Per the requirements contained in 2 CFR 200.214 non-federal entities are required to ensure that federal awards are not paid to third parties that are suspended or debarred by the U.S. Government.

Finding: The single procurement selected for testing lacked documentation supporting that the third party was not suspended or debarred by the U.S. Government. During the audit, the procurement was tested and verified that the related vendor was not suspended or debarred.

Effect of Finding: Procurements may have been entered into with third parties that were suspended or debarred by the U.S. Government.

Recommendation: CRH should adopt a policy to ensure that transactions are only entered into with third parties that are not suspended or debarred by the U.S. Government.

Comments

Community Roots Housing agrees with this finding and recommendation.

Corrective Action Plan

Community Roots Housing will add a new standard contract clause to certify that the contractor is not suspended, debarred, or otherwise excluded from procurement by the Federal government. After contract language is reviewed and approved by members of management, the standard contract clause requirement will also be added to the procurement policy. This will be done by June 30, 2022.

Additionally, CRH will review existing and pending contracts for evidence of a certification by July 31, 2022, and if not present, will perform a search on <http://www.sam.gov> and retain the documentation. The Vice President of Finance, Leslie Woodworth, will be responsible for carrying out these tasks.

COMMUNITY ROOTS HOUSING

Corrective Action Plan prepared by:

Leslie Woodworth, Vice President of Finance, 206-305-0628

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