



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

October 23, 2023

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, 2022 and 2021. 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,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.



COMMUNITY ROOTS
HOUSING

Financial Statements and Single Audit Reports

For the Years Ended December 31, 2022 and 2021

Table of Contents

	Page
Independent Auditor's Report	1 - 3
Management's Discussion and Analysis	4 - 11
Financial Statements:	
Balance Sheets	12 - 13
Statements of Revenues, Expenses and Changes in Net Position	14
Statements of Cash Flows	15 - 16
Notes to Financial Statements	17 - 42
Supplementary Information:	
Schedule of Departmental Operations	43
Schedule of Property Operations	44 - 46
Schedule of Expenditures of Federal Awards and Related Notes	47 - 48
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>	49 - 50
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	51 - 53
Schedule of Findings and Questioned Costs	54 - 55
Summary Schedule of Prior Year Audit Findings	

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, 2022 and 2021, 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, 2022 and 2021, 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 (*Governmental Auditing Standards*). 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in the year ended December 31, 2022, CRH adopted new accounting guidance for leases. The financial statements for the year ended December 31, 2021 have been restated to reflect this new accounting guidance. Our opinion is not modified with respect to this matter.

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.



T: 425-454-4919
T: 800-504-8747
F: 425-454-4620

10900 NE 4th St
Suite 1400
Bellevue WA
98004

clarknuber.com

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.

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 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 24, 2023 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 24, 2023

COMMUNITY ROOTS HOUSING

Management's Discussion and Analysis For the Year Ended December 31, 2022

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, 2022 and 2021, with comparative financial information for 2020.

Financial Highlights for 2022

- Assets exceeding liabilities (net position) at the close of 2022 totaled \$45,442,282.
- Unrestricted cash and cash equivalents on December 31, 2022 totaled \$6,900,297.
- CRH properties continued to experience higher than usual vacancy rates across the portfolio (blended and discrete component units) averaging 7.2 percent in 2022 and 7.1 percent in 2021, compared to 5.0 percent in 2020. This is driven by longer unit turn times due to labor and material supply shortages.
- In 2022, CRH completed construction for John Carney and Bremer Apartments, which were part of a project to rehabilitate 106 units of affordable housing in three existing CRH properties. The Boylston Howell construction was previously completed in December 2021. The project converted to permanent financing in 2022 for Boylston Howell and John Carney, and into early 2023 for Bremer.
- During 2022, CRH continued construction activities on 156 units of affordable housing for 13th & Fir Family Housing (aka Yesler Family), a project in partnership with Seattle Chinatown International District Preservation and Development Authority, under the entity Big Village LLLP.
- During 2022, CRH began construction on 126 units of middle-income affordable housing for Heartwood, under the entity Heartwood SPE LLC.
- During 2022, CRH continued construction on 118 units of affordable housing for Pride Place (aka Eldridge), under the entity Broadway LGBTQ Senior LLLP.
- During 2022, CRH began construction 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 2022 cash proceeds were received from the sale of Squire Park Plaza to Low Income Housing Institute.
- During 2022, the tax credit investors for both Broadway & Pine Apartments LLC and Woodland Park Avenue LLC transferred their 99.99% ownership interests to CH Development Association. The entities were both consolidated into the blended financial operations as of and for the year ended December 31, 2022.

COMMUNITY ROOTS HOUSING

Management's Discussion and Analysis For the Year Ended December 31, 2022

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 40 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, Silvian Apartments LLC, Broadway & Pine Apartments LLC, Woodland Park Avenue LLC, CH Real Estate Management Services LLC, Holiday Affordable LLC, CHH Squire Park LLC, Union James Affordable Housing LLC, CH TOD Manager LLC, Liberty Bank Commercial LLC, SOPI Village Manager LLC, CHDA Lake City GP LLC, CHDA Lake City LLLP, 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, Silvian Apartments LLC, and most recently Broadway & Pine Apartments LLC and Woodland Park Avenue LLC in 2022. CRH is the sole member of CH Real Estate Management Services LLC, Holiday Affordable LLC, CHH Squire Park LLC, Union James Affordable Housing LLC, CH TOD Manager LLC, and Liberty Bank Commercial 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.

COMMUNITY ROOTS HOUSING

Management's Discussion and Analysis For the Year Ended December 31, 2022

Overview of the Financial Statements (Continued)

The financial statements also include as "Discrete Component Units" 7 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.

The financial statements also include a "Notes to Financial Statements" section that provides additional information that is essential to a full understanding of the data provided in the financial statements.

The supplemental schedules provide a breakdown of CRH property operations at the building level.

Overview of the CRH Blended Entity Financial Position and Operations

	December 31, 2022	2021	2020
Assets:			
Current assets	\$ 13,651,609	\$ 16,548,790	\$ 12,654,814
Noncurrent assets-			
Capital assets, net	102,935,690	91,455,024	86,276,013
Other	37,642,424	35,852,230	28,773,778
Total Assets	\$ 154,229,723	\$ 143,856,044	\$ 127,704,605
Liabilities:			
Current liabilities	\$ 10,826,967	\$ 10,345,886	\$ 15,383,756
Noncurrent liabilities	96,595,753	84,688,016	67,996,144
Total Liabilities	107,422,720	95,033,902	83,379,900
Deferred Inflow of Resources	1,364,721	578,394	621,712
Total Liabilities and Deferred Inflows of Resources	\$ 108,787,441	\$ 95,612,296	\$ 84,001,612
Net Position:			
Invested in capital assets, net of related debt	\$ 5,184,536	\$ 3,229,664	\$ 9,863,205
Restricted	10,353,101	11,160,492	7,838,988
Unrestricted	29,904,645	33,853,592	26,000,800
Total Net Position	\$ 45,442,282	\$ 48,243,748	\$ 43,702,993

COMMUNITY ROOTS HOUSING

Management's Discussion and Analysis For the Year Ended December 31, 2022

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

The financial assets of CRH consist primarily of capital assets, its land, buildings and building improvements. This is consistent with CRH's mission: together with residents and partners, we confront inequity to create inclusive housing and foster thriving, just communities. 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.

The difference between total assets and total liabilities, net position, is one indicator of financial health. Net position decreased in 2022 by \$2,801,466 and increased in 2021 by \$4,540,755. In 2022, significant building improvements were placed in service from Boylston Howell, John Carney, and Bremer Apartments, which contributed toward a \$988,723, or 31.5 percent, increase in depreciation expense compared to the prior year. Additionally, the Bremer construction project grant receivable balance decreased \$1,763,504 as cash was received. 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.

COMMUNITY ROOTS HOUSING

Management's Discussion and Analysis For the Year Ended December 31, 2022

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

The results of operations for CRH are presented below:

	For the Year Ended December 31,	2022	2021	2020
Operating revenues-				
Tenant revenues	\$	13,270,234	\$ 12,409,666	\$ 12,312,507
Fees for services		1,017,856	1,069,683	1,052,333
Project development fees		4,039,839	3,491,086	2,969,052
Other		65,755	95,722	442,552
Nonoperating revenues-				
Contributions and grants		2,981,205	8,031,941	6,732,114
Gain on New Markets Tax Credit transaction				1,832,505
Interest income		485,457	403,073	425,437
Gain on sale of assets		7,230	2,661,478	171,021
Total Revenues		21,867,576	28,162,649	25,937,521
Operating expenses-				
Salaries, benefits and payroll taxes		8,814,708	8,020,148	7,439,919
Operating and maintenance		2,603,835	1,943,528	2,018,871
Other operating expenses		5,796,658	5,101,602	4,004,227
Depreciation and amortization		4,127,061	3,138,338	3,112,481
Nonoperating expenses-				
Grants to component units		1,564,776	1,642,529	1,988,516
Grants to other organizations		70,205	1,928,174	
Interest expense		1,488,236	1,315,728	1,332,166
Total Expenses		24,465,479	23,090,047	19,896,180
Change in component units		(203,563)	(531,847)	(1,432,163)
Change in Net Position	\$	(2,801,466)	\$ 4,540,755	\$ 4,609,178

COMMUNITY ROOTS HOUSING

Management's Discussion and Analysis For the Year Ended December 31, 2022

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 6.9 percent in 2022 due to the addition of two buildings to the blended consolidation, Broadway Crossing and Fremont Solstice Apartments, adding 62 rentable units in total. Allowable rental rate increases were delayed in 2022 due to local restrictions, including a residential rate freeze through February 2022, and a new requirement to provide 180 days written notice prior to a housing cost increase. Tenant revenues increased 0.8 percent in 2021 primarily due to the addition of Silvan Apartments to the blended consolidation, adding 32 rentable units. Rental rate increases in 2021 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 8.5, 7.3, and 5.3 percent for 2022, 2021, and 2020 respectively. CRH continues to work on improving unit turnaround times, including restructuring the leasing process, investing in new technology, and incorporating aging buildings into the redevelopment pipeline.

CRH earns development fees for its management role in the development of new properties. Project development fees are earned as construction is completed. CRH earned development fees of \$4,039,839 and \$3,491,086 for 2022 and 2021, respectively, for the development of 13th & Fir (aka 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.

Salaries, benefits, and payroll tax expense, increased by 9.9 percent in 2022, 7.8 percent in 2021, and 8.3 percent in 2020. 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 increased by 2.0 percent in 2022, decreased by 2.9 percent in 2021, and increased by 3.0 percent in 2020.

Operating and maintenance expenses increased 34.0 percent in 2022, due to increased demand for repairs that were delayed from the COVID-19 pandemic, as well as costs associated with unit turns. Repair costs in the prior two years were also lower than typical levels. 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. 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 properties, continues to be a significant expense. Typically, each property acquired has both amortizing and non-amortizing 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 increased in 2022 by 11.2 percent, primarily from the new debt from the CHP-1 construction project completed for Bremer, Boylston Howell, and John Carney. Additional interest from the Broadway Crossing and Woodland Park Apartments added to the blended presentation. These increases were offset by declining interest from mortgage repayment. Interest expense decreased in 2021 by 1.2 percent, 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.

COMMUNITY ROOTS HOUSING

Management's Discussion and Analysis For the Year Ended December 31, 2022

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

In 2022 there were no significant gains from sales transactions. 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 2022, CRH received \$2,901,093 in contributions and grants representing 13 percent of total revenue. This included \$327,006 from the Federal Emergency Management Agency for the Bremer construction project. Additionally, CRH received \$1,108,115 from the Community Roots Housing Foundation, \$1,023,404 from the City of Seattle Office of Housing, and \$350,000 from the Rise Together Capital Campaign.

In 2021, CRH received \$8,031,941 in contributions and grants representing 31 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.

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 \$669,579. In addition to the operating expenditures, CRH spent an additional \$321,769 on repair and maintenance funded from the building reserves.

Economic Factors Affecting CRH's Future

Significant economic factors affecting CRH are as follows:

- Management is evaluating whether aging buildings in the portfolio should be maintained, renovated, or sold. As part of this strategy, a few buildings have recently been identified as candidates for sale or major rehabilitation through the development pipeline. In 2022 the Fredonia Apartments were actively marketed, and the property sale is expected to close on May 31, 2023. This will infuse the organization with unrestricted cash and a gain on sale. The Devonshire Apartments are expected to be transferred to a new partnership for rehabilitation in June 2023, which will be a discrete component unit.
- Rental assistance continues to be provided to tenants as a result of the COVID-19 pandemic, although public sources are running out. The final installment of rental assistance totaling \$485,367 was received from the City of Seattle Office of Housing in May 2023, and funds will soon be deployed to tenant ledgers throughout the managed portfolio.

COMMUNITY ROOTS HOUSING

Management's Discussion and Analysis For the Year Ended December 31, 2022

Economic Factors Affecting CRH's Future (Continued)

- CRH continues to evaluate new potential construction projects for mission alignment and funding availability. The pipeline of new project opportunities has continued to be robust.
- CRH faces risks from the lasting changes to the economic landscape 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 and inhibit our ability to enforce our leases.
- 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.
- 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 continue to 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. This disproportionately impacts buildings with fewer units, which have less ability to absorb higher costs or to benefit from economies of scale.

Construction costs have continued to increase, which could impact future developer fee revenue. This includes higher interest rates on construction borrowing and permanent financing.

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, 2022 and 2021

	2022		2021	
	CRH	Discrete Component Units	CRH	Discrete Component Units
Current Assets:				
Cash and cash equivalents	\$ 6,900,297	\$ 4,470,000	\$ 6,994,332	\$ 13,143,345
Accounts receivable, net	6,255,281	593,897	9,057,126	868,967
Current portion of pledges receivable, net		648,573		187,111
Current portion of lease receivables	241,808		143,284	
Prepaid expenses and other current assets	254,223	236,118	354,048	733,447
Total Current Assets	13,651,609	5,948,588	16,548,790	14,932,870
Restricted cash and cash equivalents	10,353,101	6,604,279	11,160,492	7,296,289
Net pledges receivable, less current portion		165,967		40,610
Deferred rent receivable	304,544		336,281	
Lease receivable, less current portion	1,269,904		542,608	
Long-term deferred developer fees	8,442,355		5,629,251	
Notes and interest receivable	15,860,615		16,770,594	
Land, buildings and equipment, net	102,935,690	218,286,441	91,455,024	184,873,953
Investment in limited partnerships and LLCs	1,411,905		1,413,004	
Capitalized costs, net		350,875		392,546
Total Assets	\$ 154,229,723	\$ 231,356,150	\$ 143,856,044	\$ 207,536,268

See accompanying notes.

COMMUNITY ROOTS HOUSING

Balance Sheets - Liabilities and Net Position December 31, 2022 and 2021

	2022		2021	
	CRH	Discrete Component Units	CRH	Discrete Component Units
Current Liabilities:				
Accounts payable and accrued liabilities	\$ 2,688,956	\$ 3,583,141	\$ 1,573,201	\$ 2,277,444
Construction payables	603,932	16,455,209	3,457,123	7,285,705
Deferred income	847,068	111,043	191,669	85,882
Current portion of accrued interest payable	654,580	156,291	401,492	43,046
Current portion of notes payable	6,032,431	3,812,548	4,722,401	4,062,677
Total Current Liabilities	10,826,967	24,118,232	10,345,886	13,754,754
Security deposits	497,174	210,028	499,582	235,388
Long-term deferred developer fees		6,264,965		4,257,606
Notes payable, net of current portion	91,114,791	144,826,720	80,045,836	130,457,467
Accrued interest payable	4,983,788	4,695,746	4,142,598	5,188,937
Total Liabilities	107,422,720	180,115,691	95,033,902	153,894,152
Deferred Inflow of Resources	1,364,721		578,394	
Total Liabilities and Deferred Inflows of Resources	108,787,441	180,115,691	95,612,296	153,894,152
Net Position:				
Restricted for building improvements	5,035,179	1,983,297	5,035,179	1,867,960
Restricted for other purposes	5,317,922	4,620,982	6,125,313	6,330,974
Total restricted	10,353,101	6,604,279	11,160,492	8,198,934
Invested in capital assets, net of related debt	5,184,536	53,191,964	3,229,664	43,068,104
Unrestricted	29,904,645	(8,555,784)	33,853,592	2,375,078
Total Net Position	45,442,282	51,240,459	48,243,748	53,642,116
Total Liabilities, Deferred Inflows, and Net Position	\$ 154,229,723	\$ 231,356,150	\$ 143,856,044	\$ 207,536,268

See accompanying notes.

COMMUNITY ROOTS HOUSING

Statements of Revenues, Expenses and Changes in Net Position For the Years Ended December 31, 2022 and 2021

	2022		2021	
	CRH	Discrete Component Units	CRH	Discrete Component Units
Operating Revenues:				
Gross rent potential	\$ 14,260,297	\$ 7,406,088	\$ 13,230,371	\$ 7,963,392
Vacancy loss	(1,217,033)	(408,095)	(968,455)	(434,752)
Laundry, parking and other tenant income	226,970	169,445	147,750	225,835
Fees for services	1,017,856		1,069,683	
Project development and other fees	4,039,839		3,491,086	
Other operating revenue	65,755	246,748	95,722	(11,176)
Total Operating Revenues	18,393,684	7,414,186	17,066,157	7,743,299
Operating Expenses:				
Salaries, benefits and payroll taxes	8,814,708	951,893	8,020,148	1,030,465
Utilities	1,803,612	632,014	1,700,090	675,849
Professional fees	941,797	328,654	1,016,328	307,973
Administrative	1,219,973	912,443	1,005,615	966,574
Taxes and insurance	997,812	426,132	877,831	585,155
Operating and maintenance	2,603,835	898,475	1,943,528	935,478
Bad debt expense	537,183	299,827	243,485	120,415
Grants to CRH and affiliates		1,474,500		758,639
Grants to other organizations		247,092		1,982,867
Other	296,281	192,136	258,253	86,439
Depreciation and amortization	4,127,061	4,619,610	3,138,338	5,137,155
Total Operating Expenses	21,342,262	10,982,776	18,203,616	12,587,009
Operating Loss	(2,948,578)	(3,568,590)	(1,137,459)	(4,843,710)
Nonoperating Revenues (Expenses):				
Contributions and grants	2,981,205	2,737,162	8,031,941	2,114,711
Grants to component units	(1,564,776)		(1,642,529)	
Grants to other organizations	(70,205)		(1,928,174)	
In-kind revenue		620,028		517,522
Interest income	485,457	6,363	403,073	3,688
Gain on disposition of assets	7,230		2,661,478	
In-kind expense		(620,028)		(517,522)
Interest expense	(1,488,236)	(2,819,383)	(1,315,728)	(2,727,436)
Total Nonoperating Revenues (Expenses)	350,675	(75,858)	6,210,061	(609,037)
Change in Net Position Before Capital Contributions and Other Changes	(2,597,903)	(3,644,448)	5,072,602	(5,452,747)
Capital Contributions and Other Changes:				
Change in component units	(203,563)	203,563	(531,847)	531,847
Syndication costs				(102,932)
Capital contributions		1,039,228		41,962,804
Total Capital Contributions and Other Changes	(203,563)	1,242,791	(531,847)	42,391,719
Change in Net Position	(2,801,466)	(2,401,657)	4,540,755	36,938,972
Beginning of year	48,243,748	53,642,116	43,702,993	16,703,144
End of Year	\$ 45,442,282	\$ 51,240,459	\$ 48,243,748	\$ 53,642,116

See accompanying notes.

COMMUNITY ROOTS HOUSING

Statements of Cash Flows For the Years Ended December 31, 2022 and 2021

	2022		2021	
	CRH	Discrete Component Units	CRH	Discrete Component Units
Cash Flows From Operating Activities:				
Receipts from tenants	\$ 13,847,767	\$ 7,364,897	\$ 11,378,842	\$ 7,031,707
Receipts for developer fees	2,255,437		4,121,857	
Payment of grants		(1,721,592)		(2,741,506)
Payments to employees and for payroll taxes and benefits	(9,096,892)	(951,893)	(7,966,822)	(1,030,465)
Payments to suppliers	(6,538,039)	(1,414,335)	(6,581,886)	(3,152,906)
Net Cash Provided by Operating Activities	468,273	3,277,077	951,991	106,830
Cash Flows From Noncapital Financing Activities:				
Receipts from contributions and grants	4,617,808	2,150,343	5,255,110	3,322,970
Payment of grants	(1,634,981)		(2,746,553)	
Net Cash Provided by (Used in) Noncapital Financing Activities	2,982,827	2,150,343	2,508,557	3,322,970
Cash Flows From Capital and Related Financing Activities:				
Acquisition of land, building and equipment	(9,873,501)	(35,364,709)	(14,146,483)	(23,092,620)
Proceeds from sale of land, building and equipment	76,694		7,764,757	
Proceeds from notes payable	6,065,899	23,021,922	21,188,462	22,186,148
Principal payments on notes payable	(1,607,780)	(777,504)	(10,578,274)	(31,164,538)
Interest paid on notes payable	(1,261,119)	(2,153,440)	(1,525,325)	(1,857,833)
Payment of financing costs	(63,156)	9,012	(49,508)	(371,907)
Payment of syndication costs				(102,932)
Capital contributions		1,039,228		41,962,804
Net Cash Provided by (Used in) Capital and Related Financing Activities	(6,662,963)	(14,225,491)	2,653,629	7,559,122
Cash Flows From Investing Activities:				
Net change in restricted cash and cash equivalents	1,298,852	200,549	(3,682,251)	(1,201,974)
Cash transfer due to change in component units	82,186	(82,186)	219,513	(219,513)
Investment in limited partnership	661,354		(1,170,652)	
Advances of notes receivable	809,326		(271,976)	
Interest receipts	266,110	6,363	341,644	3,688
Net Cash Provided by (Used in) Investing Activities	3,117,828	124,726	(4,563,722)	(1,417,799)
Net Change in Cash and Cash Equivalents	(94,035)	(8,673,345)	1,550,455	9,571,123
Cash and cash equivalents, beginning of year	6,994,332	13,143,345	5,443,877	3,572,222
Cash and Cash Equivalents, End of Year	\$ 6,900,297	\$ 4,470,000	\$ 6,994,332	\$ 13,143,345

See accompanying notes.

COMMUNITY ROOTS HOUSING

Statements of Cash Flows (Continued) For the Years Ended December 31, 2022 and 2021

	2022		2021	
	CRH	Discrete Component Units	CRH	Discrete Component Units
Reconciliation of Operating (Loss) Income to Net Cash Provided by Operating Activities:				
Operating loss	\$ (2,948,578)	\$ (3,568,590)	\$ (1,137,459)	\$ (4,843,710)
Adjustments to reconcile operating (loss) income to net cash provided (used) by operating activities-				
Depreciation and amortization	4,127,061	4,619,610	3,138,338	5,137,155
Partnership income			8,224	
Changes in assets and liabilities:				
Receivables	(2,354,445)	206,650	(1,303,931)	(572,841)
Prepaid expenses and other current assets	144,845	484,046	171,740	(506,629)
Accounts payable and accrued liabilities	929,979	1,491,473	108,886	911,191
Lease receivable, net of deferred inflows	(39,493)		(31,433)	
Security deposits and deferred income	608,904	43,888	(2,374)	(18,336)
Net Cash Provided by Operating Activities	\$ 468,273	\$ 3,277,077	\$ 951,991	\$ 106,830
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	\$ 68,420	\$ (68,420)	\$ 3,572	\$ (3,572)
Prepaid expenses and other current assets	\$ 13,283	\$ (13,283)	\$ 3,731	\$ (3,731)
Restricted cash and cash equivalents	\$ 491,461	\$ (315,360)	\$ 278,573	\$ (278,573)
Land, buildings and equipment, net	\$ 8,580,187	\$ (8,580,187)	\$ (2,762,617)	\$ 2,762,617
Accounts payable and accrued liabilities	\$ 185,776	\$ (185,776)	\$ (98,095)	\$ 98,095
Security deposits	\$ 27,712	\$ (18,483)	\$ 6,461	\$ (6,461)
Accrued interest	\$ 909,796	\$ (909,796)	\$ 258,060	\$ (258,060)
Notes payable	\$ 8,299,441	\$ (8,261,387)	\$ (1,891,807)	\$ 1,891,807

See accompanying notes.

COMMUNITY ROOTS HOUSING

Notes to Financial Statements For the Years Ended December 31, 2022 and 2021

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 37 apartment projects and 989 units. Blended component units, although legally separate entities, are, in substance, part of CRH's operations.

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 13 apartment projects and 529 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.

During 2022, all remaining ownership interests in Broadway & Pine Apartments LLC (Broadway) and Woodland Park Avenue LLC (Woodland) were transferred to CH Development Association. As a result, Broadway and Woodland changed from being reported as discrete component units in fiscal year 2021 to blended component units in fiscal year 2022.

During 2021, all remaining ownership interests in Silvan Apartments LLC (Silvan) were transferred to CH Development Association. 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.

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.

COMMUNITY ROOTS HOUSING

Notes to Financial Statements For the Years Ended December 31, 2022 and 2021

Note 1 - Continued

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, 2022 and 2021, the carrying amount of CRH's demand deposits was \$13,154,711 and \$14,317,712, respectively, and was not materially different from the bank balances.

At December 31, 2022 and 2021, CRH had \$4,098,687 and \$3,837,122, 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, 2022 and 2021, 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, 2022 and 2021, of \$1,612,510 and \$1,285,909, respectively, is included in cash and cash equivalents.

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.

COMMUNITY ROOTS HOUSING

Notes to Financial Statements For the Years Ended December 31, 2022 and 2021

Note 1 - Continued

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 2022 or 2021.

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.

Deferred Inflow of Resources - Deferred inflow of resources is the acquisition of net position that is applicable to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources presented in this manner on the accompanying financial statements represent deferred lease revenue. See Note 4 for additional information on lease revenue.

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, 2022 and 2021

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.

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 2021 financial statements have been reclassified to conform to the 2022 presentation. The reclassifications had no impact on total assets, liabilities, or change in net position for 2021.

COMMUNITY ROOTS HOUSING

Notes to Financial Statements For the Years Ended December 31, 2022 and 2021

Note 1 - Continued

Recent Accounting Pronouncements - During the year ended December 31, 2022, CRH adopted the Governmental Accounting Standards Board's Statement No. 87, *Leases*. This Statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessor is required to recognize a lease receivable and a deferred inflow of resources, and a lessee is required to recognize a capital asset and lease liability, thereby enhancing the relevance and consistency of information about governments' leasing activities. In accordance with this Statement, CRH has restated its December 31, 2021 financial statements to conform to the guidance in the Statement.

	2021 As Previously Reported	Changes in Accounting Principle	2021 As Restated
Balance Sheet:			
Assets-			
Current portion of lease receivables	\$ -	\$ 143,284	\$ 143,284
Lease receivable, less current portion		542,608	542,608
Land, buildings and equipment, net	91,394,293	60,731	91,455,024
Liabilities-			
Accounts payable and accrued liabilities	1,502,637	70,564	1,573,201
Deferred inflows		578,394	578,394
Net position-			
Invested in capital assets, net of related debt	3,168,933	60,731	3,229,664
Unrestricted	33,816,658	36,934	33,853,592
Statement of Revenues, Expenses and Changes in Net Position:			
Operating revenues-			
Gross potential rent	13,239,458	(9,087)	13,230,371
Operating expenses-			
Depreciation and amortization	3,142,328	(3,990)	3,138,338
Nonoperating revenues (expenses)-			
Interest income	359,737	43,336	403,073
Statement of Cash Flows:			
Net cash provided by operating activities	992,511	(40,520)	951,991
Net cash provided by (used in) capital and related financing activities	2,656,445	(2,816)	2,653,629
Net cash provided by (used in) investing activities	(4,607,058)	43,336	(4,563,722)

Subsequent Events - CRH has evaluated subsequent events through May 24, 2023, 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, 2022 and 2021

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>2022</u>	<u>2021</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
<u>Bonanza 1 LLLP</u>		
Note receivable, compounding interest at 2.5%, annual payments from available cash flow through maturity on August 1, 2069.	7,996,455	8,284,064
Note receivable, compounding interest at 1.0%, annual payments from available cash flow through maturity on August 1, 2069.	6,065,726	6,323,302
<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
	<u>15,253,817</u>	<u>16,119,002</u>
Total principal	606,798	651,592
Accrued interest on the above notes		
Total Principal and Interest	<u>\$ 15,860,615</u>	<u>\$ 16,770,594</u>

COMMUNITY ROOTS HOUSING

Notes to Financial Statements For the Years Ended December 31, 2022 and 2021

Note 3 - Land, Buildings and Equipment

Land, buildings and equipment activity consisted of the following:

	January 1, 2022	Increases	Decreases	Change in Component Units	Net Transfers	December 31, 2022
Nondepreciable assets-						
Land	\$ 20,617,242	\$ -	\$ -	\$ 1,927,996	\$ -	\$ 22,545,238
Pre-development costs	19,113,221	6,821,104	(131,048)		(20,927,566)	4,875,711
Depreciable assets-						
Buildings and facilities	105,931,513	236,341		13,712,199	20,870,165	140,750,218
Equipment and vehicles	3,884,265	79,039		505,516	57,401	4,526,221
Less accumulated depreciation	(58,091,217)	(4,104,956)		(7,565,525)		(69,761,698)
	<u>\$ 91,455,024</u>	<u>\$ 3,031,528</u>	<u>\$ (131,048)</u>	<u>\$ 8,580,186</u>	<u>\$ -</u>	<u>\$ 102,935,690</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	4,165,296	6,638	(109,844)	44,840	(222,665)	3,884,265
Less accumulated depreciation	(53,964,816)	(3,172,411)	126,419	(1,080,409)		(58,091,217)
	<u>\$ 86,276,013</u>	<u>\$ 14,352,701</u>	<u>\$ (3,058,039)</u>	<u>\$ (6,115,651)</u>	<u>\$ -</u>	<u>\$ 91,455,024</u>

During 2022, the investor member units in Broadway & Pine Apartments LLC (Broadway) and Woodland Park Avenue LLC (Woodland) were transferred to CRH, changing Broadway and Woodland to blended component units. These transfers resulted in a net increase of \$8,580,186.

During 2021, the investor member units in Silvan Apartments LLC were transferred to CH Development Association, 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.

COMMUNITY ROOTS HOUSING

Notes to Financial Statements

For the Years Ended December 31, 2022 and 2021

Note 4 - Leases

CRH, as lessor, leases virtually all of its real property under a variety of short-term leases of residential space to residents and long-term leases of commercial space, garage space, and land to both affiliated entities and unrelated third-parties. CRH, as lessee, also leases an immaterial amount of office equipment.

Resident Leases - CRH, as lessor, leases apartments under noncancelable terms of less than one year to residents.

Leases of Commercial Space and Land (GASB Accounting) - CRH leases commercial space and land to other entities under leases that expire at various dates through 2031. Some of these agreements also include reimbursement of operating expense reimbursement by the tenants. The present value of the future base lease payments associated with these leases are recorded in the balance sheet as lease receivables and deferred inflow of resources. Future base lease payments under these leases is as follows:

For the Year Ending December 31,

	<u>Principal</u>	<u>Interest</u>	<u>Total Receipts</u>
2023	\$ 241,807	\$ 94,613	\$ 336,420
2024	270,455	77,349	347,804
2025	301,217	58,028	359,245
2026	334,612	36,473	371,085
2027	195,292	15,382	210,674
2028-2032	168,329	14,110	182,439
	<u>\$ 1,511,712</u>	<u>\$ 295,955</u>	<u>\$ 1,807,667</u>

Leases of Commercial Space and Land (FASB Accounting) - Certain blended component units of CRH follow the accounting requirements of the Financial Accounting Standards Board (FASB). Entities that are lessors that follow FASB accounting do not record lease receivables and deferred inflow of resources, and instead record lease revenues when earned. These entities have leases that expire at various dates through 2028 and do not include possible extensions on lease terms. These leases that are for commercial space typically include some form of operating expense reimbursement by the tenant. Minimum future lease revenue under these leases is as follows:

For the Year Ending December 31,

2023	\$ 1,190,981
2024	660,169
2025	445,867
2026	354,939
2027	72,040
Thereafter	25,863
	<u>\$ 2,749,858</u>

COMMUNITY ROOTS HOUSING

Notes to Financial Statements For the Years Ended December 31, 2022 and 2021

Note 4 - Continued

Inflows from Leasing Activities - Lease related revenue recorded on the statement of revenues, expenses, and changes in net position under these leases is as follows for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Residential rents	\$ 11,552,123	\$ 10,801,409
Leases of commercial space and land-		
Base lease revenue	1,092,118	1,191,459
Variable and other lease revenue	<u>399,023</u>	<u>269,048</u>
Total Gross Rent Potential, Net of Vacancy Loss	<u>\$ 13,043,264</u>	<u>\$ 12,261,916</u>
Interest Income From Leasing	<u>\$ 73,611</u>	<u>\$ 43,336</u>

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>2022</u>	<u>2021</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.	\$ 20,824,894	\$ 18,990,469
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.	48,655,003	43,493,585
Construction loan with a commercial bank to renovate real property, bearing interest of 3.52%. Repayment starts after the conversion dates until maturity dates, 120 months after conversion date. Converted January 2023.	1,938,806	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 2052. 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.	19,309,297	16,358,669

COMMUNITY ROOTS HOUSING

Notes to Financial Statements For the Years Ended December 31, 2022 and 2021

Note 5 - Continued

	2022	2021
Equity equivalent investment loan, interest only at 2.0% payable quarterly, to be repaid in full October 2023.	300,000	300,000
Predevelopment loan with nonprofit, bearing interest at 2%. Principal due at maturity in December 31, 2023, in conjunction with closing on permanent financing.	350,000	
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	1,490,000
Capacity building loan with private organization, bearing interest at 5.5%, refinanced at 4.5%, payable quarterly. Principal and interest due in full upon maturity, January 30, 2025.	2,500,000	1,250,000
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 2023 at 6% interest.	1,725,153	718,979
Northern Investors Company insurance financing loan. Current year note bearing interest at 7.50% annually, to be repaid in full January 1, 2023.	44,898	36,822
Revolving line of credit with a commercial bank with a maximum of \$500,000 available and a variable interest rate calculated annually, currently 7%, payable in full in December 2023.	500,000	500,000
Total principal	97,638,051	85,125,386
Less current portion of notes payable	(6,032,431)	(4,722,401)
Less unamortized financing costs	(490,829)	(357,149)
Noncurrent Portion	\$ 91,114,791	\$ 80,045,836

COMMUNITY ROOTS HOUSING

Notes to Financial Statements For the Years Ended December 31, 2022 and 2021

Note 5 - Continued

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

For the Year Ending December 31,	Principal	Interest
2023	\$ 6,032,431	\$ 1,216,912
2024	4,434,010	1,155,600
2025	1,759,959	1,071,389
2026	2,244,029	993,117
2027	1,626,186	909,841
2028 - 2032	25,806,711	2,483,491
2033 - 2037	10,866,944	673,118
2038 - 2042	5,654,092	359,195
2043 - 2047	3,097,239	231,197
2048 - 2052	3,734,943	50,343
2053 - 2057	10,343,456	133,854
Thereafter	22,038,051	
	<u>\$ 97,638,051</u>	<u>\$ 9,278,057</u>

Accrued interest payable on the above notes payable totaled \$5,504,514 and \$4,544,090 at December 31, 2022 and 2021, respectively and is presented separately from the above total for notes payable on the balance sheets. Interest expense on the above notes payable aggregated \$1,459,665 and \$1,315,728 for fiscal years 2022 and 2021, 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, 2022 and 2021

Note 5 - Continued

Long-term liability activity consisted of the following during 2022:

	Notes Payable	Accrued Interest Payable
	<u> </u>	<u> </u>
Beginning balance, December 31, 2021	\$ 84,768,237	\$ 4,544,090
Increases-		
CRH	6,065,899	
Accrual, net of forgiven interest		1,445,246
Transfers from changes in reporting unit-		
Broadway Crossing	4,440,602	509,030
Woodland Park	3,500,430	301,448
Decreases-		
Payments	(1,607,780)	(1,161,446)
Payment of financing costs	(63,156)	
Amortization of financing costs	<u>42,990</u>	
Ending Balance, December 31, 2022	<u><u>\$ 97,147,222</u></u>	<u><u>\$ 5,638,368</u></u>

COMMUNITY ROOTS HOUSING

Notes to Financial Statements For the Years Ended December 31, 2022 and 2021

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, 2022 and 2021

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, Twelfth Avenue Arts Housing LLLP, and is the managing member and owns a 0.01 percent interest in two LLCs, Affordable Apartments Associates LLC and Jefferson & 12th LLC. 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. CHDA is the sole member of CHDA Lake City GP LLC, which has a 0.01% general partner interest in CHDA Lake City LLLP along with CRH as the 99.99% partner. CHDA Lake City LLLP owns a 49% interest in LUP Rainier & Genesee LLC.

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 2022 and 2021, CRH earned property management fees of \$624,545 and \$682,521 respectively, and limited partnership and LLC management fees of \$167,581 and \$141,754 respectively, from these entities. Additionally, CRH earned development and other fees totaling \$3,491,086 and \$3,491,086 in 2022 and 2021, respectively, from these entities.

COMMUNITY ROOTS HOUSING

Notes to Financial Statements For the Years Ended December 31, 2022 and 2021

Note 6 - Continued

The following is a summary of selected financial information as of and for the year ended December 31, 2022, from the limited partnerships and LLCs described above and also represents condensed financial information for the aggregated discretely presented component units:

	December 31, 2022		
	Assets	Liabilities	Equity
Affordable Apartments Associates LLC	\$ 6,894,417	\$ 6,013,439	\$ 880,978
Africatown Plaza LLLP	21,305,482	18,667,682	2,637,800
Bonanza 1 LLLP	39,744,083	27,435,392	12,308,691
Broadway LGBTQ Senior LLLP	30,292,852	27,300,616	2,992,236
Capitol Hill Housing Foundation	1,569,526	74,756	1,494,770
CH TOD LLC	32,320,222	24,840,597	7,479,625
Heartwood QOZB LLC	26,539,318	10,280,262	16,259,056
Holiday Apartments Limited Partnership	5,369,246	5,653,445	(284,199)
Imperial Jazz LLLP	5,712,007	5,561,205	150,802
Jefferson & 12th LLC	9,186,663	8,978,855	207,808
SOPV Village LLC	6,344,821	6,105,185	239,636
Twelfth Avenue Arts Housing LLLP	17,487,383	16,736,076	751,307
Union and 24th Associates LLC	28,590,130	22,468,181	6,121,949
Discretely Presented Component Units	\$ 231,356,150	\$ 180,115,691	\$ 51,240,459
Big Village LLLP	\$ 59,418,721	\$ 56,011,047	\$ 3,407,674

COMMUNITY ROOTS HOUSING

Notes to Financial Statements For the Years Ended December 31, 2022 and 2021

Note 6 - Continued

	Year Ended December 31, 2022	
	Total Revenues	Net Income (Loss)
Affordable Apartment Associates LLC	\$ 462,039	\$ (11,608)
Africatown Plaza LLLP	157,297	154,494
Bonanza 1 LLLP	1,579,220	(1,225,216)
Broadway LGBTQ Senior LLLP	273	273
Capitol Hill Housing Foundation	3,092,762	391,504
CH TOD LLC	1,569,934	(944,301)
Heartwood QOZB LLC		
Holiday Apartments Limited Partnership	331,092	(180,983)
Imperial Jazz LLLP		
Jefferson & 12th LLC	576,587	(302,846)
SOPi Village LLC	302,501	(395,314)
Twelfth Avenue Arts Housing LLLP	1,273,862	(431,892)
Union and 24th Associates LLC	1,432,172	(698,559)
Discretely Presented Component Units	\$ 10,777,739	\$ (3,644,448)
Big Village LLLP	\$ 5,122	\$ 3,209

COMMUNITY ROOTS HOUSING

Notes to Financial Statements For the Years Ended December 31, 2022 and 2021

Note 6 - Continued

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 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 LLP	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	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
Big Village LLLP	\$ 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, 2022 and 2021

Note 6 - Continued

	Year Ended December 31, 2021	
	Total Revenues	Net Income (Loss)
Affordable Apartments Associates LLC	\$ 476,935	\$ 35,690
Africatown Plaza LLP	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		
Holiday Apartments Limited Partnership	322,177	(119,329)
Imperial Jazz LLLP		
Jefferson & 12th LLC	556,276	(316,310)
SOPV 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)
Big Village LLLP	\$ 3,209	\$ 3,209
Squire Park Holdings LLC	\$ 1,165,301	\$ 4,397,999

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 \$11,277,867 and \$9,203,320 at December 31, 2022 and 2021, respectively. The receivable balance at December 31, 2022 and 2021 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, with the exception of SOPV Village LLC.

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, 2022 and 2021, CRH had \$34,909,283 and \$25,740,857 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, 2022 and 2021

Note 7 - Blended Component Units

The following condensed combining information is presented as of and for the years ended December 31, 2022 and 2021 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, 2022, causing a change the net position at the beginning of 2022 from December 31, 2021 by unit type, but not in total net position.

Condensed combining information for the 2022 balance sheet is presented below:

	CRH	Housing Blended Component Units	Non-Housing Blended Component Units	Eliminations in Blending	Total
Assets:					
Current assets	\$ 11,504,931	\$ 4,202,820	\$ 704,725	\$ (2,760,867)	\$ 13,651,609
Noncurrent assets-					
Capital assets, net	14,964,401	62,187,879	25,662,626	120,784	102,935,690
Other	33,394,663	5,668,353	861,902	(2,282,494)	37,642,424
Total Assets	\$ 59,863,995	\$ 72,059,052	\$ 27,229,253	\$ (4,922,577)	\$ 154,229,723
Liabilities:					
Current liabilities	\$ 6,515,855	\$ 6,400,990	\$ 670,989	\$ (2,760,867)	\$ 10,826,967
Noncurrent liabilities	24,084,974	65,160,870	9,632,403	(2,282,494)	96,595,753
Total Liabilities	\$ 30,600,829	\$ 71,561,860	\$ 10,303,392	\$ (5,043,361)	\$ 107,422,720
Deferred Inflow of Resources	\$ 1,036,879	\$ -	\$ 327,842	\$ -	\$ 1,364,721
Net Position:					
Invested in capital assets, net of related debt	\$ (10,588,250)	\$ (203,641)	\$ 15,855,643	\$ 120,784	\$ 5,184,536
Restricted	4,505,619	5,602,300	245,182		10,353,101
Unrestricted	34,308,918	(4,901,467)	497,194		29,904,645
Total Net Position	\$ 28,226,287	\$ 497,192	\$ 16,598,019	\$ 120,784	\$ 45,442,282

COMMUNITY ROOTS HOUSING

Notes to Financial Statements For the Years Ended December 31, 2022 and 2021

Note 7 - Continued

Condensed combining information for the 2022 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	\$ 3,581,056	\$ 8,877,793	\$ 1,234,675	\$ (423,290)	\$ 13,270,234
Fees for services	2,062,677			(1,044,821)	1,017,856
Project development fees	4,039,839				4,039,839
Other	36,301	27,541	1,913		65,755
Total Operating Revenues	9,719,873	8,905,334	1,236,588	(1,468,111)	18,393,684
Operating expenses	11,515,980	6,664,499	502,833	(1,468,111)	17,215,201
Depreciation and amortization	749,689	2,923,164	574,992	(120,784)	4,127,061
Total Operating Expenses	12,265,669	9,587,663	1,077,825	(1,588,895)	21,342,262
Operating Income	(2,545,796)	(682,329)	158,763	120,784	(2,948,578)
Nonoperating revenues (expenses)-					
Contributions and grants	2,652,123	329,082			2,981,205
Grant to component unit	(1,564,776)				(1,564,776)
Grants to other organizations			(70,205)		(70,205)
Interest income	448,418	10,879	26,160		485,457
Gain on disposition of assets	7,230				7,230
Interest expense	(204,153)	(1,135,229)	(148,854)		(1,488,236)
Change in Net Position Before Capital Contributions and Other Changes	(1,206,954)	(1,477,597)	(34,136)	120,784	(2,597,903)
Capital Contributions and Other Changes:					
Change in component units		(203,563)			(203,563)
Total Capital Contributions and Other Changes		(203,563)			(203,563)
Change in Net Position	(1,206,954)	(1,681,160)	(34,136)	120,784	(2,801,466)
Net Position:					
Beginning of year	29,433,241	2,178,352	16,632,155		48,243,748
End of Year	\$ 28,226,287	\$ 497,192	\$ 16,598,019	\$ 120,784	\$ 45,442,282

COMMUNITY ROOTS HOUSING

Notes to Financial Statements For the Years Ended December 31, 2022 and 2021

Note 7 - Continued

Condensed combining information for the 2022 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	\$ (2,870,521)	\$ 2,822,461	\$ 516,333	\$ -	\$ 468,273
Net cash provided (used) by noncapital financing activities	960,446	2,092,586	(70,205)		2,982,827
Net cash (used) provided by capital and related financing activities	395,339	(6,266,236)	(792,066)		(6,662,963)
Net cash provided (used) by investing activities	<u>854,292</u>	<u>2,183,366</u>	<u>80,170</u>		<u>3,117,828</u>
Net change in cash and cash equivalents	(660,444)	832,177	(265,768)		(94,035)
Cash and cash equivalents, beginning of year	<u>4,426,808</u>	<u>368,272</u>	<u>2,199,252</u>		<u>6,994,332</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 3,766,364</u></u>	<u><u>\$ 1,200,449</u></u>	<u><u>\$ 1,933,484</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,900,297</u></u>

COMMUNITY ROOTS HOUSING

Notes to Financial Statements For the Years Ended December 31, 2022 and 2021

Note 7 - Continued

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	\$ 12,795,519	\$ 5,506,465	\$ 928,239	\$ (2,681,433)	\$ 16,548,790
Noncurrent assets-					
Capital assets, net	13,795,941	52,035,127	25,623,956		91,455,024
Other	29,580,519	7,199,925	963,114	(1,891,328)	35,852,230
Total Assets	\$ 56,171,979	\$ 64,741,517	\$ 27,515,309	\$ (4,572,761)	\$ 143,856,044
Liabilities:					
Current liabilities	\$ 2,859,030	\$ 9,389,622	\$ 778,667	\$ (2,681,433)	\$ 10,345,886
Noncurrent liabilities	23,740,490	53,066,674	9,772,180	(1,891,328)	84,688,016
Total Liabilities	\$ 26,599,520	\$ 62,456,296	\$ 10,550,847	\$ (4,572,761)	\$ 95,033,902
Deferred Inflow of Resources	\$ 206,563	\$ -	\$ 371,831	\$ -	\$ 578,394
Net Position:					
Invested in capital assets, net of related debt	\$ (12,570,857)	\$ 7,356	\$ 15,793,165	\$ -	\$ 3,229,664
Restricted	3,731,326	7,129,974	299,192		11,160,492
Unrestricted	38,205,427	(4,852,109)	500,274		33,853,592
Total Net Position	\$ 29,365,896	\$ 2,285,221	\$ 16,592,631	\$ -	\$ 48,243,748

COMMUNITY ROOTS HOUSING

Notes to Financial Statements For the Years Ended December 31, 2022 and 2021

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	\$ 3,576,068	\$ 8,226,370	\$ 1,018,421	\$ (411,193)	\$ 12,409,666
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	9,112,583	8,263,187	1,019,192	(1,328,805)	17,066,157
Operating expenses	10,770,473	5,218,806	404,804	(1,328,805)	15,065,278
Depreciation and amortization	713,636	1,852,842	571,860		3,138,338
Total Operating Expenses	11,484,109	7,071,648	976,664	(1,328,805)	18,203,616
Operating Income (Loss)	(2,371,526)	1,191,539	42,528		(1,137,459)
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)
Grant to other organization	(1,900,000)		(28,174)		(1,928,174)
Interest income	368,656	6,892	27,525		403,073
Gain on disposition of assets	379,505	2,281,973			2,661,478
Interest expense	(296,569)	(867,833)	(151,326)		(1,315,728)
Change in Net Position Before Capital Contributions and Other Changes	(1,857,831)	6,639,880	290,553		5,072,602
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	(1,857,831)	7,412,769	(1,014,183)		4,540,755
Net Position:					
Beginning of year	31,223,727	(5,127,548)	17,606,814		43,702,993
End of Year	\$ 29,365,896	\$ 2,285,221	\$ 16,592,631	\$ -	\$ 48,243,748

COMMUNITY ROOTS HOUSING

Notes to Financial Statements For the Years Ended December 31, 2022 and 2021

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	\$ 813,474	\$ -	\$ 951,991
Net cash provided by noncapital financing activities	987,580	1,549,151	(28,174)		2,508,557
Net cash provided (used) by capital and related financing activities	2,770,684	(895,093)	778,038		2,653,629
Net cash provided (used) by investing activities	<u>(1,223,271)</u>	<u>(3,433,186)</u>	<u>92,735</u>		<u>(4,563,722)</u>
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	<u>3,504,662</u>	<u>1,396,036</u>	<u>543,179</u>		<u>5,443,877</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,426,808</u>	<u>\$ 368,272</u>	<u>\$ 2,199,252</u>	<u>\$ -</u>	<u>\$ 6,994,332</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 2022 and 2021 were two percent of gross wages annually and were in the amounts of \$134,898 and \$118,381, respectively. As of December 31, 2022 and 2021, accrued pension costs, including employee deferrals, totaled \$147,965 and \$141,400, respectively. There were no Plan forfeitures for either the years ended December 31, 2022 and 2021.

Note 9 - Acquisitions and Development

During 2022, 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 modified 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, 2022 and 2021

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, January 2022 for John Carney, and August 2022 for Bremer. The construction loans converted to permanent financing in July 2022 for both Boylston Howell and John Carney, and in January 2023 for Bremer.

13th & Fir Family Housing Development (aka Yesler Family) - CRH, in partnership with Seattle Chinatown International District Preservation Authority, continued with construction for 156 units of affordable housing, on land leased from Seattle Housing Authority. Preleasing commenced in 2023 and construction was completed in May 2023.

Pride Place Development (aka Eldridge) - CRH, in partnership with nonprofit organization Generations Aging with Pride, continued construction on 118 units of LGBTQIA+ Affirming senior affordable housing. Construction is expected to be completed in August 2023.

Heartwood Development (aka Union and 14th) - CRH continued construction on 126 units of middle-income affordable housing. Construction is expected to be completed in the third quarter of 2023.

Africatown Plaza Development - CRH, in partnership with Africatown Community Land Trust, commenced construction on 126 units of affordable housing in February 2022. Construction is expected to be completed in the fourth quarter of 2023.

Devonshire Development - CRH commenced predevelopment activities to rehabilitate a 62 unit building in the existing portfolio. Construction financing is expected to close in June 2023, with construction activities commencing shortly after.

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 2023.

Seattle Central Annex Development - CRH, in partnership with nonprofit organization YouthCare, continued project design activities for approximately 84 units of affordable housing, including 15 units set aside for homeless youth. Financial closing and construction are expected to begin in the first quarter of 2024.

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 and begin construction in the fourth quarter of 2023.

Northgate Development - CRH, in partnership with BRIDGE Housing, continued project permitting and design activities for approximately 232 units of affordable housing near the Northgate Light Rail Station. The project is expected to close on financing and start construction in the fourth quarter of 2023.

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.

COMMUNITY ROOTS HOUSING

Notes to Financial Statements For the Years Ended December 31, 2022 and 2021

Note 9 - Continued

Rainier & Genesee Development - CRH entered into a land purchase agreement with Lake Union Partners, with intent to create approximately 140 units of affordable housing in Seattle's Columbia City neighborhood. Environmental remediation for the land is in process.

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.

SUPPLEMENTARY INFORMATION

COMMUNITY ROOTS HOUSING

Schedule of Departmental Operations For the Year Ended December 31, 2022

	Property Operations	Administration and Management	Total
Receipts:			
Rents	\$ 14,638,160	\$ -	\$ 14,638,160
Vacancy	(1,217,033)		(1,217,033)
Tenant fees	226,970		226,970
Development fees		4,039,839	4,039,839
Fees for services		1,017,856	1,017,856
Contributions and grants		2,302,223	2,302,223
Other income	49,886	47,233	97,119
Total Receipts	13,697,983	7,407,151	21,105,134
Expenditures:			
On-site management expense	1,875,516		1,875,516
Office salaries, benefits and payroll taxes		6,939,192	6,939,192
Utilities	1,803,613		1,803,613
Professional fees	776,903	164,894	941,797
Insurance	627,983	107,463	735,446
Property management fees	1,215,037		1,215,037
Repairs, maintenance and improvements	2,936,362	331,023	3,267,385
Debt service	2,230,957	75,198	2,306,155
Reserves	644,583		644,583
Other	917,469	(517,428)	400,041
Total Expenditures	13,028,423	7,100,342	20,128,765
Operating Income	669,560	306,809	976,369
Reconciliation to Statement of Income:			
Depreciation and amortization	(4,146,606)	19,545	(4,127,061)
Reserves additions	644,583		644,583
Interest income - restricted	46,516	384,210	430,726
Interest and financial expenses	(1,390,434)	(69,231)	(1,459,665)
Other income (expense)	256,834	(1,564,776)	(1,307,942)
Fixed asset additions from operations	253,471		253,471
Total expenses paid from reserves	(321,769)		(321,769)
Debt service payments	2,230,957	75,198	2,306,155
Management fees	1,215,037	(1,215,037)	
Change in component units		(203,563)	(203,563)
Gain (loss) on disposal	(30,495)	37,725	7,230
Net Income (Loss)	\$ (572,346)	\$ (2,229,120)	\$ (2,801,466)

See independent auditor's report.

COMMUNITY ROOTS HOUSING

Schedule of Property Operations For the Year Ended December 31, 2022

	Berneva	Boylston Howell	Bremer	Broadway Crossing	Brewster	Broadway	Burke Gilman Gardens	Byron Wetmore	Centennial	CHDA Lake City LLLP	Central City Affordable Housing (412)	Devonshire
Receipts:												
Rents	\$ 124,178	\$ 343,510	\$ 496,672	\$ 496,741	\$ 344,586	\$ 68,575	\$ 218,588	\$ 145,518	\$ 378,008	\$ -	\$ 302,646	\$ 643,113
Vacancy	(7,781)	(56,974)	(103,445)	(33,985)	(31,365)	(7,050)	(17,705)	(12,520)	(48,399)		(39,491)	(28,625)
Tenant fees	744	13,770	709	25,104	4,283		3,548	781	12,279			21,562
Other income		(480)		12,308			4				100	35,897
Total Receipts	117,141	299,826	393,936	500,168	317,504	61,525	204,435	133,779	341,888		263,255	671,947
Expenditures:												
On-site management expense	21,023	78,684	76,718	59,133	59,295	8,997	29,293	21,059	69,053		24,045	114,987
Utilities	17,467	55,509	47,237	77,982	59,663	4,431	27,980	24,405	45,781		46,623	84,269
Professional fees	10,775	13,815	18,517	28,495	17,744	8,619	11,643	14,432	16,196		13,077	26,422
Insurance	8,142	22,848	23,246	37,890	18,635	3,446	10,563	7,170	17,342		7,952	28,861
Property management fees	11,081	27,331	35,389	46,979	56,641	10,625	31,092	12,712	28,108		15,678	102,772
Repairs, maintenance and improvements	25,554	47,682	42,805	142,709	49,208	9,076	59,522	62,703	68,672		69,797	125,016
Debt service	10,547	16,669	25,483	42,977		8,100			112,851		64,929	
Reserves	3,011	1,568	5,348	30,400	25,200	6,000	6,000	6,167	12,000		16,939	100,000
Other	4,461	14,444	19,492	11,986	18,905	2,154	16,539	4,506	18,823	52,929	4,984	30,161
Total Expenditures	112,061	278,550	294,235	478,551	305,291	61,448	192,632	153,154	388,826	52,929	264,024	612,488
Operating Income (Loss)	5,080	21,276	99,701	21,617	12,213	77	11,803	(19,375)	(46,938)	(52,929)	(769)	59,459
Reconciliation to Statement of Income:												
Depreciation and amortization	(24,627)	(298,540)	(265,665)	(343,201)	(92,717)	(9,064)	(74,272)	(11,802)	(54,689)		(22,754)	(64,120)
Reserves additions	3,011	1,568	5,348	30,400	25,200	6,000	6,000	6,167	12,000		16,939	100,000
Reserves Transfer between buildings												
Interest income - restricted	157	93	165	31	5,264	1,345	2,455	120	1,172		375	10,467
Interest and financial expenses	(50)	(118,340)	(50,840)	(69,412)	5,250	(3,520)	9,682		(4,932)		(12,392)	6,225
Other income (expense)	(300)	403	323,125	2,762	(27,174)			(3,408)	(2,435)		(5,009)	2,366
Fixed asset additions from operations					2,067				8,851			
Total expenses paid from reserves									(36,885)		(9,722)	
Debt service payments	10,547	16,669	25,483	42,977		8,100			112,851		64,929	
Frontline and bookkeeping charges												
Management fees	11,081	27,331	35,389	46,979	56,641	10,625	31,092	12,712	28,108		15,678	102,772
Gain (loss) on disposal												
Net Income (Loss)	\$ 4,899	\$ (349,540)	\$ 172,706	\$ (267,847)	\$ (13,256)	\$ 13,563	\$ (13,240)	\$ (15,586)	\$ 17,103	\$ (52,929)	\$ 47,275	\$ 217,169

See independent auditor's report.

COMMUNITY ROOTS HOUSING

Schedule of Property Operations (Continued) For the Year Ended December 31, 2022

	Elizabeth James Senior Housing	Fleming LP	Fredonia	Fremont Solstice	Gilman Court LP	Harrison	Hazel Plaza	Helen V	Holden Vista	Jefferson & 12th Commercial	Joe Black	John Carney	Larned Apartments LP	Liberty Bank Commercial
Receipts:														
Rents	\$ 687,437	\$ 371,272	\$ 352,518	\$ 222,730	\$ 275,606	\$ 422,281	\$ 456,130	\$ 679,392	\$ 333,618	\$ 163,438	\$ 356,380	\$ 308,608	\$ 394,236	\$ 82,224
Vacancy	(54,920)	(15,871)	(74,064)	(16,242)	(13,747)	(13,133)	(29,841)	(33,492)	(47,655)	(11,786)	(19,812)	(52,710)	(29,337)	
Tenant fees	949	4,066	2,362	2,534	5,115	6,021	425	2,070	(102)		6,162	3,873	3,137	58
Other income	716	2					(2,145)	521	79					1,320
Total Receipts	634,182	359,469	280,816	209,022	266,974	415,169	424,569	648,491	285,940	151,652	342,730	259,771	368,036	83,602
Expenditures:														
On-site management expense	100,745	58,526	21,796	43,395	79,367	38,539	40,232	75,386	44,924	323	44,113	60,163	53,388	94
Utilities	62,175	61,933	30,297	34,637	56,113	73,330	27,033	61,320	31,226	1,816	56,393	27,610	48,899	10,101
Professional fees	31,905	25,638	21,889	28,205	20,224	24,640	16,518	50,154	16,362	18,634	14,438	15,429	21,550	9,221
Insurance	32,680	15,360	9,465	13,844	17,469	16,431	8,207	17,998	9,334	2,788	16,765	13,107	13,289	2,949
Property management fees	36,000	44,386	47,420	24,767	38,618	23,641	34,539	80,725	18,048	4,969	51,788	19,518	35,275	5,353
Repairs, maintenance and improvements	151,809	88,290	30,561	37,868	143,490	72,478	53,931	83,190	99,375	850	101,377	63,447	105,206	3,009
Debt service	121,832	82,227	67,371	51,798		118,020	109,546	108,919			36,000	24,367		4,898
Reserves	37,028	13,300	6,353	9,394	16,000	11,044	38,672	26,196	6,960	3,600	4,320	792	21,920	25,000
Other	25,792	13,561	251,814	6,784	7,510	17,101	7,363	37,477	5,933	9,746	11,944	8,156	39,136	10,871
Total Expenditures	599,966	403,221	486,966	250,692	378,791	395,224	336,041	541,365	232,162	42,726	337,138	232,589	338,663	71,496
Operating Income (Loss)	34,216	(43,752)	(206,150)	(41,670)	(111,817)	19,945	88,528	107,126	53,778	108,926	5,592	27,182	29,373	12,106
Reconciliation to Statement of Income:														
Depreciation and amortization	(92,952)	(107,268)	(43,633)	(179,771)	(125,958)	(84,587)	(75,099)	(138,981)	(18,086)	(13,604)	(62,002)	(180,497)	(11,451)	(41,048)
Reserves additions	37,028	13,300	6,353	9,394	16,000	11,044	38,672	26,196	6,960	3,600	4,320	792	21,920	25,000
Reserves Transfer between buildings														
Interest income - restricted	60	11	2,813	100	200	645	477	153		237	1,022	98	660	
Interest and financial expenses	(52,574)	(27,714)	(31,473)	(57,831)	21,043	(62,095)	(52,834)	(79,309)	(3,646)		(15,427)	(42,830)		(4,898)
Other income (expense)	(1,179)	(31,024)	181,607	(2,564)	1,037	(13,033)	(9,145)	(15,905)	(7,282)	28,050	(16,321)	5,263	(12,255)	(63,008)
Fixed asset additions from operations					88,534			10,678	33,693			5,618		
Total expenses paid from reserves	(16,592)		(62,464)	(13,308)										
Debt service payments	121,832	82,227	67,371	51,798		118,020	109,546	108,919			36,000	24,367		4,898
Frontline and bookkeeping charges														
Management fees	36,000	44,386	47,420	24,767	38,618	23,641	34,539	80,725	18,048	4,969	51,788	19,518	35,275	5,353
Gain (loss) on disposal			(30,495)											
Net Income (Loss)	\$ 65,839	\$ (69,834)	\$ (68,651)	\$ (209,085)	\$ (72,343)	\$ 13,580	\$ 134,684	\$ 99,602	\$ 83,465	\$ 132,178	\$ 4,972	\$ (140,489)	\$ 63,522	\$ (61,597)

See independent auditor's report.

COMMUNITY ROOTS HOUSING

Schedule of Property Operations (Continued) For the Year Ended December 31, 2022

	Lincoln Court	Mary Ruth Manor	Maxwell	Melrose	Miller Park	Oleta	Pantages	Park Hill	Seneca	Silvian	South Annex Youth Care	Twelfth Ave Arts Associates	Union James	Villa Apts	Total
Receipts:															
Rents	\$ 308,996	\$ 539,894	\$ 48,144	\$ 283,435	\$ 161,066	\$ 360,043	\$ 533,502	\$ 464,647	\$ 371,644	\$ 516,863	\$ 34,858	\$ 1,086,289	\$ 485,979	\$ 774,795	\$ 14,638,160
Vacancy	(55,362)	(69,277)		(59,823)	(6,644)	(32,332)	(29,770)	(39,824)	(48,079)	(12,688)			(19,569)	(43,715)	(1,217,033)
Tenant fees	3,250	218	29	30	3,925	2,649	40,271	2,971	2,901	7		3,000	1,398	46,871	226,970
Other income		188								290	593			493	49,886
Total Receipts	256,884	471,023	48,173	223,642	158,347	330,360	544,003	427,794	326,466	504,472	35,451	1,089,289	467,808	778,444	13,697,983
Expenditures:															
On-site management expense	52,132	78,685	7,136	40,800	33,471	55,233	91,345	76,315	47,535	35,991		13,133	29,096	91,366	1,875,516
Utilities	42,943	36,956	4,171	96,423	22,861	48,580	77,517	60,778	46,734	29,698	1,850	68,904	54,940	137,028	1,803,613
Professional fees	16,555	23,425	8,325	18,362	10,692	25,477	31,391	16,816	24,696	25,073	6,000	21,727	18,843	34,979	776,903
Insurance	14,991	10,623	3,060	12,770	7,126	17,095	37,918	20,683	16,710	17,406	6,770	41,528	11,485	34,037	627,983
Property management fees	11,825	19,054	4,766	34,480	14,438	17,256	49,443	71,953	29,382	18,025		42,950	14,976	43,034	1,215,037
Repairs, maintenance and improvements	38,626	167,467	8,672	60,478	32,162	78,650	127,158	126,090	75,745	94,559	9,037	93,253	95,039	191,801	2,936,362
Debt service	85,423	161,285	4,644	32,688	22,385	92,507	62,136	53,820	58,049	86,009		270,333	100,430	194,714	2,230,957
Reserves	14,500	30,335	1,440	3,600	9,461	10,200	28,389	10,000	10,041	31,072		3,740	11,377	47,216	644,583
Other	14,764	8,771	2,003	17,141	6,479	12,526	13,580	35,857	7,283	5,397	32	100,653	7,600	32,811	917,469
Total Expenditures	291,759	536,601	44,217	316,742	159,075	357,524	518,877	472,312	316,175	343,230	23,689	656,221	343,786	806,986	13,028,423
Operating (Loss) Income	(34,875)	(65,578)	3,956	(93,100)	(728)	(27,164)	25,126	(44,518)	10,291	161,242	11,762	433,068	124,022	(28,542)	669,560
Reconciliation to Statement of Income:															
Depreciation and amortization	(80,742)	(87,896)	(6,316)	(33,391)	(37,468)	(86,745)	(306,660)	(51,805)	(111,983)	(91,364)		(533,944)	(32,614)	(249,290)	(4,146,606)
Reserves additions	14,500	30,335	1,440	3,600	9,461	10,200	28,389	10,000	10,041	31,072		3,740	11,377	47,216	644,583
Reserves Transfer between buildings															
Interest income - restricted	6,805	494	688	2,477	3,607	239	25	3,373	35	150		2	185	316	46,516
Interest and financial expenses	(64,011)	(97,211)	(63)	(7,310)	(2,197)	(53,313)	(91,714)	(27,931)	(47,053)	(67,080)		(144,958)	(64,524)	(75,152)	(1,390,434)
Other income (expense)	(3,417)	(24,105)		(1,462)	552	(18,943)	14	(4,540)	(20,491)	(2,147)		35,330	(39,322)	794	256,834
Fixed asset additions from operations								73,544				26,741		3,745	253,471
Total expenses paid from reserves	(39,409)	(32,137)		(12,176)	(9,895)		(25)	(8,026)	(14,623)					(66,507)	(321,769)
Debt service payments	85,423	161,285	4,644	32,688	22,385	92,507	62,136	53,820	58,049	86,009		270,333	100,430	194,714	2,230,957
Frontline and bookkeeping charges															
Management fees	11,825	19,054	4,766	34,480	14,438	17,256	49,443	71,953	29,382	18,025		42,950	14,976	43,034	1,215,037
Gain (loss) on disposal															(30,495)
Net Income (Loss)	\$ (103,901)	\$ (95,759)	\$ 9,115	\$ (74,194)	\$ 155	\$ (65,963)	\$ (233,266)	\$ 75,870	\$ (86,352)	\$ 135,907	\$ 11,762	\$ 133,262	\$ 114,530	\$ (129,672)	\$ (572,346)

See independent auditor's report.

COMMUNITY ROOTS HOUSING

Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2022

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	\$ -	\$ 199,072
Section 8 Housing Assistance Payments Program	14.195	WA19L000022		349,710
Section 8 Housing Assistance Payments Program	14.195	WA19L0000040		505,744
Section 8 Housing Assistance Payments Program	14.195	WA190080005		353,124
Section 8 Housing Assistance Payments Program	14.195	WA19L000027		322,438
Section 8 Housing Assistance Payments Program	14.195	WA19M000202		207,938
State of Washington:				
Section 8 Housing Assistance Payments Program	14.195	Unknown		89,486
Section 8 Housing Assistance Payments Program	14.195	15-46221-004		53,608
Total 14.195 and Section 8 Project-Based Cluster				2,081,120
City of Seattle:				
Community Development Block Grants/Entitlement Grants-				
CDBG - Fredonia Apartments*	14.218	Unknown		409,760
CDBG - Gale Place Apartments*	14.218	Unknown		286,400
CDBG - Lincoln Court Apartments*	14.218	Unknown		1,203,904
CDBG - Park Hill*	14.218	Unknown		282,303
CDBG - Helen V*	14.218	Unknown		735,560
CDBG - Union James*	14.218	Unknown		397,635
CDBG - Silvian Apartments*	14.218	Unknown		830,000
Total 14.218 and CDGB-Entitlement Grants Cluster				4,145,562
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 - Helen V Apartments*	14.239	Unknown		492,272
Home Investment Partnerships Program - Broadway Pine Apartments*	14.239	Unknown		1,800,000
State of Washington:				
HOME Investment Partnerships Program - Lincoln Court Apartments*	14.239	04-40403-004		1,000,000
Total 14.239				3,292,272
Total US Department of Housing and Urban Development				10,121,042
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		327,006
Total 97.047 and US Department of Homeland Security				327,006
US Treasury:				
City of Seattle-				
COVID-19 Seattle Housing Capacity Building and Services	21.027	CLFR-CRH		110,674
COVID-19 OED Neighborhood Recovery - Howell Street Pop-up Market	21.027	N2022-1106		25,000
Total 21.027 and US Treasury				135,674
Total Federal Expenditures			\$ -	\$ 10,583,722

* 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, 2022

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, 2022. 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 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, 2022.

Note 3 - Loans Outstanding

The Organization had the following loan balances outstanding at December 31, 2022. 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	3,292,272

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 (*Government Auditing Standards*), 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, 2022, and the related notes to the financial statements, which collectively comprise CRH's basic financial statements, and have issued our report thereon dated May 24, 2023.

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.



T: 425-454-4919
T: 800-504-8747
F: 425-454-4620

10900 NE 4th St
Suite 1400
Bellevue, WA
98004

clarknuber.com

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 24, 2023

**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, 2022. 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 December 31, 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 \$1,701,139 in federal awards which is not included in CRH's schedule of expenditures of federal awards during the year ended December 31, 2022. 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.



T: 425-454-4919
T: 800-504-8747
F: 425-454-4620

10900 NE 4th St
Suite 1400
Bellevue, WA
98004

clarknuber.com

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.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

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



Certified Public Accountants
May 24, 2023

COMMUNITY ROOTS HOUSING

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2022

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

Name of Federal Program or Cluster

14.218

CDBG Entitlement Grants Cluster

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 For the Year Ended December 31, 2022

Section II - Financial Statement Findings

No matters were reported.

Section III - Findings and Questioned Costs for Federal Awards

No matters were reported.



Summary Schedule of Prior Audit Findings

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

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

Summary of Prior Audit Finding: 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. 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.

Status: Corrective action has been taken and this matter has been fully resolved.

Contact Person: Leslie Woodworth, Vice President of Finance, 206-305-0628