

CLARE HOUSING

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

CLARE HOUSING

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015
(With Comparative Totals for the Six Months Ended December 31, 2014)

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Mahoney Ulbrich Christiansen Russ P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Clare Housing
Minneapolis, Minnesota

We have audited the accompanying consolidated financial statements of Clare Housing (a nonprofit organization) and affiliates, which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

(Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Clare Housing and affiliates as of December 31, 2015, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Clare Housing’s consolidated financial statements for the six months ended December 31, 2014, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 26, 2015. In our opinion, the summarized comparative information presented herein as of and for the six months ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Consolidating Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information shown on pages 21 to 23 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual entities, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Mahoney Ulbrich
Christiansen Russ P.A.*

Saint Paul, Minnesota
May 24, 2016

CLARE HOUSING

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2015

(With Comparative Totals for December 31, 2014)

	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,192,977	\$ 1,192,712
Accounts receivable	194,986	181,380
Current portion of contributions receivable, net	69,340	69,534
Grants receivable	65,969	90,984
Current portion of prepaid expenses	89,029	83,356
Total current assets	1,612,301	1,617,966
Reserves and escrows	1,640,140	1,711,475
Sales tax refund receivable	116,556	-
Property under development	442,512	124,050
Contributions receivable, less current portion, net	129,009	116,094
Prepaid expenses, less current portion	90,998	51,332
Charitable remainder trusts	31,375	9,765
Other assets, net	257,438	131,685
Property and equipment, net - Clare Housing	1,849,457	1,886,499
Property and equipment, net - Partnerships	17,117,509	12,434,681
Total assets	\$ 23,287,295	\$ 18,083,547
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 74,864	\$ 32,339
Construction payable	453,780	107,500
Current portion of accrued interest	6,508	-
Accrued expenses	277,007	173,568
Total current liabilities	812,159	313,407
Tenant security deposits	25,837	26,362
Accrued interest, less current portion	73,736	61,245
Deferred developer fee revenue	130,000	-
Debt - Clare Housing	319,889	60,000
Debt - Partnerships	9,404,405	4,884,836
Total liabilities	10,766,026	5,345,850
Unrestricted net assets:		
Controlling interest	3,611,439	3,554,346
Non-controlling interests - Partnerships	5,243,286	5,624,475
Total unrestricted	8,854,725	9,178,821
Temporarily restricted net assets	3,666,544	3,558,876
Total net assets	12,521,269	12,737,697
Total liabilities and net assets	\$ 23,287,295	\$ 18,083,547

See accompanying notes to consolidated financial statements.

CLARE HOUSING

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2015

(With Comparative Totals for the Six Months Ended December 31, 2014)

	2015			2014 (6 months)
	Unrestricted	Temporarily restricted	Total	
Revenues and support:				
Resident fees	\$ 2,246,139	\$ -	\$ 2,246,139	\$ 1,105,828
Rental revenues	526,749	-	526,749	253,337
Contributions	391,222	132,120	523,342	310,192
Government grants and contracts	636,582	-	636,582	315,157
Interest income	5,846	-	5,846	835
Developer fee	60,000	-	60,000	120,000
Other income	7,102	-	7,102	19,749
Net assets released from restrictions	197,809	(197,809)	-	-
Total revenues and support	<u>4,071,449</u>	<u>(65,689)</u>	<u>4,005,760</u>	<u>2,125,098</u>
Expenses:				
Program services:				
Community care homes	1,230,281	-	1,230,281	542,422
Supportive housing	2,234,039	-	2,234,039	1,002,677
Scattered site housing	205,634	-	205,634	118,630
Total program services	<u>3,669,954</u>	<u>-</u>	<u>3,669,954</u>	<u>1,663,729</u>
Management and general	607,681	-	607,681	263,792
Fundraising	179,894	-	179,894	83,848
Total expenses	<u>4,457,529</u>	<u>-</u>	<u>4,457,529</u>	<u>2,011,369</u>
Change in net assets before loss on uncollected pledges, capital grants and contributions	(386,080)	(65,689)	(451,769)	113,729
Loss on uncollected pledges	(19,446)	-	(19,446)	(9,885)
Capital grants	-	173,357	173,357	626,643
Limited partner capital contributions, net	81,430	-	81,430	721,149
Change in net assets	<u>(324,096)</u>	<u>107,668</u>	<u>(216,428)</u>	<u>1,451,636</u>
Net assets, beginning of period	<u>9,178,821</u>	<u>3,558,876</u>	<u>12,737,697</u>	<u>11,286,061</u>
Net assets, end of period	<u>\$ 8,854,725</u>	<u>\$ 3,666,544</u>	<u>\$ 12,521,269</u>	<u>\$ 12,737,697</u>
Change in net assets attributed to:				
Controlling interest - Clare Housing	\$ 57,093	\$ 107,668	\$ 164,761	\$ 922,960
Non-controlling interests - Partnerships	<u>(381,189)</u>	<u>-</u>	<u>(381,189)</u>	<u>528,676</u>
Consolidated total	<u>\$ (324,096)</u>	<u>\$ 107,668</u>	<u>\$ (216,428)</u>	<u>\$ 1,451,636</u>

See accompanying notes to consolidated financial statements.

CLARE HOUSING

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2015
(With Comparative Totals for the Six Months Ended December 31, 2014)

	2015						Total	2014 (6 months)
	Community care homes	Supportive housing	Scattered site housing	Total program services	Management and general	Fund- raising		
	Program Services							
Salaries	\$ 819,179	\$ 804,524	\$ 10,638	\$ 1,634,341	\$ 208,131	\$ 102,517	\$ 1,944,989	\$ 812,415
Payroll taxes	76,745	73,106	455	150,306	20,194	9,396	179,896	81,792
Employee benefits	67,511	103,018	590	171,119	21,862	13,141	206,122	83,690
Total salaries and benefits	963,435	980,648	11,683	1,955,766	250,187	125,054	2,331,007	977,897
Program expenses	80,121	69,817	1,356	151,294	-	-	151,294	76,337
Apartment leases	-	-	186,701	186,701	-	-	186,701	104,344
Insurance	13,507	12,044	170	25,721	35,798	1,433	62,952	29,459
Postage	119	-	-	119	1,984	380	2,483	2,601
Printing and copying	-	-	-	-	4,626	803	5,429	2,364
Professional fees	1,496	2,888	-	4,384	160,316	6,896	171,596	65,812
Accounting	-	-	-	-	14,000	-	14,000	12,750
Occupancy/utilities	40,768	-	92	40,860	23,934	-	64,794	29,013
Conferences and meetings	8,889	20,343	-	29,232	10,224	2,399	41,855	11,771
Supplies	1,707	3,883	-	5,590	8,854	35,529	49,973	33,777
Telephone	11,776	4,663	-	16,439	7,648	720	24,807	12,200
IT support, maintenance and website	2,194	6,362	907	9,463	43,805	3,147	56,415	32,237
Rental, repairs and maintenance	34,960	10,206	3,860	49,026	4,674	669	54,369	20,802
Dues and subscriptions	110	220	-	330	670	75	1,075	6,977
Travel and entertainment	14	607	-	621	2,610	-	3,231	12,518
Interest	-	-	-	-	600	126	726	300
Depreciation	62,215	4,658	-	66,873	29,365	-	96,238	43,947
Miscellaneous	8,970	4,152	865	13,987	8,386	2,663	25,036	18,972
	<u>1,230,281</u>	<u>1,120,491</u>	<u>205,634</u>	<u>2,556,406</u>	<u>607,681</u>	<u>179,894</u>	<u>3,343,981</u>	<u>1,494,078</u>
Partnerships rental operating expenses:								
Administrative	-	174,434	-	174,434	-	-	174,434	71,325
Property management fee	-	62,196	-	62,196	-	-	62,196	30,195
Maintenance and operating	-	249,600	-	249,600	-	-	249,600	121,843
Utilities	-	130,032	-	130,032	-	-	130,032	74,085
Property insurance	-	39,688	-	39,688	-	-	39,688	19,223
Real estate taxes	-	77,877	-	77,877	-	-	77,877	37,349
Interest	-	10,565	-	10,565	-	-	10,565	4,133
Depreciation and amortization	-	369,156	-	369,156	-	-	369,156	159,138
	<u>\$ 1,230,281</u>	<u>\$ 2,234,039</u>	<u>\$ 205,634</u>	<u>\$ 3,669,954</u>	<u>\$ 607,681</u>	<u>\$ 179,894</u>	<u>\$ 4,457,529</u>	<u>\$ 2,011,369</u>
Allocation percentages	<u>28%</u>	<u>50%</u>	<u>4%</u>	<u>82%</u>	<u>14%</u>	<u>4%</u>	<u>100%</u>	

See accompanying notes to consolidated financial statements.

CLARE HOUSING

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2015
(With Comparative Totals for the Six Months Ended December 31, 2014)

Increase (Decrease) in Cash and Cash Equivalents

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ (216,428)	\$ 1,451,636
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation and amortization	465,394	203,085
Capital grants and contributions, net	(254,787)	(1,347,792)
Charitable remainder trust contribution	(21,610)	(9,765)
Loss on uncollected pledges	(19,446)	(9,885)
Changes in operating assets and liabilities:		
Accounts receivable	(10,207)	12,115
Contributions receivable	6,725	19,245
Grants receivable	25,015	147,230
Prepaid expenses	(45,339)	(11,862)
Accounts payable	44,816	31,762
Accrued expenses	96,491	(59,892)
Accrued interest	18,999	5,934
Tenant security deposits, net	894	(1,702)
Net cash from operating activities	90,517	430,109
Cash flows from investing activities:		
Payments for property under development, net	(373,462)	628,943
Payments for property and equipment	(4,630,227)	45,083
Withdrawals from reserves and escrows, net	70,595	53,122
Net cash from investing activities	(4,933,094)	727,148
Cash flows from financing activities:		
Capital grants and contributions, net	254,787	1,347,792
Payment of finance and tax credit fees	(191,403)	-
Proceeds from issuance of debt	4,779,458	-
Payments of debt	-	(580,284)
Net cash from financing activities	4,842,842	767,508
Net increase in cash and cash equivalents	265	470,469
Cash and cash equivalents at beginning of period	1,192,712	722,243
Cash and cash equivalents at end of period	\$ 1,192,977	\$ 1,192,712
Supplemental disclosures of cash flow information:		
Property and equipment and property under development included in payables	\$ 652,148	\$ 55,000

See accompanying notes to consolidated financial statements.

CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015
(With Comparative Totals for the Six Months Ended December 31, 2014)

1. ORGANIZATION

Clare Housing was incorporated as a Minnesota non-profit corporation in 1994. The mission of Clare Housing is to provide a continuum of affordable and supportive housing options that create healing communities and optimize the health of people living with HIV/AIDS. Clare Housing has three programs as follows:

Community Care Homes - Clare Housing owns four community care homes licensed through the Department of Human Services under the 245D-HCBS program and located in Hennepin County as of December 31, 2015. Each residence houses four adults and provides room and board, supportive services, and twenty-four hour supervision and support.

Supportive Housing - Clare Housing is a developer of supportive housing communities which include Clare Apartments, Clare Hiawatha, and Clare Terrace. Services provided to residents include twenty-four hour customized living services, supportive services, and twenty-four hour supervision.

Scattered Site Housing - Clare Housing provides scattered site supportive housing throughout the Twin Cities metropolitan area. Residents include single and family households that come from a long-term homeless background, low-income and at least one member living with HIV. As of December 31, 2015, Clare Housing managed 23 units of scattered site housing.

The primary funding for Clare Housing is from resident fees, rental revenues, contributions and government grants. Resident fees include amounts paid by residents, Group Residential Housing (GRH) and the Minnesota State Department of Health and Human Services Community Alternatives for Disabled Individuals (CADI) program. Approximately 53% for 2015, and 32% for the six months ended December 31, 2014, of Clare Housing's revenue and support is from resident fees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation Method - The consolidated financial statements include the accounts of Clare Housing, its wholly owned LLC's, and four limited partnerships in which Clare Housing or a wholly owned LLC is a general partner and exercises control (the Organization).

(Continued)

CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015
(With Comparative Totals for the Six Months Ended December 31, 2014)

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

Clare Apartments, LLC is a wholly owned single member limited liability company. Clare Apartments, LLC owns a .01% general partner interest in Clare Apartments Limited Partnership (Clare Apartments). Clare Apartments is a 32-unit apartment complex in Minneapolis, Minnesota.

Clare Hiawatha, LLC is a wholly owned single member limited liability company. Clare Housing and Clare Hiawatha, LLC each own a .005% general partner interest in Clare Hiawatha Limited Partnership (Clare Hiawatha). Clare Hiawatha is a 45-unit apartment complex in Minneapolis, Minnesota.

Clare Terrace, LLC is a wholly owned single member limited liability company. Clare Terrace, LLC owns a .01% general partner interest in Clare Terrace Limited Partnership (Clare Terrace). Clare Terrace is a 36-unit apartment complex located in Robbinsdale, Minnesota. Construction of the apartment complex began in December 2014 and was completed in December 2015.

Limited partner capital is presented as non-controlling interests in unrestricted net assets.

Tax credits from the limited partnerships have been sold to the National Equity Fund. Clare Housing has the right of first refusal to purchase each limited partner interest when the limited partnerships are beyond their respective 15 year tax credit compliance period.

Clare Marshall Flats Limited Partnership was formed in June 2013. Clare Housing is the general partner. Management anticipates construction will begin July 2016.

Clare Services LLC (Clare Services) is a wholly owned single member limited liability company. Clare Services was formed to provide supportive services to the residents of Clare Apartments, Clare Hiawatha, and Clare Terrace.

All material inter-entity accounts and transactions have been eliminated with the exception of developer fees. Developer fees from consolidated subsidiaries that exceed Clare Housing's cost of developing the project are eliminated. Unearned developer fees are recorded as deferred developer fee revenue.

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

(Continued)

CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015
(With Comparative Totals for the Six Months Ended December 31, 2014)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation - Revenues and support are classified based on the presence or absence of donor restrictions and reported in the following net asset categories:

- Unrestricted net assets represent the portion of net assets that are not subject to donor restrictions.
- Temporarily restricted net assets arise from contributions that are restricted by donors for specific purposes or time periods.
- Permanently restricted net assets arise from contributions that the donor has stipulated must be maintained in perpetuity. Clare Housing does not have any permanently restricted net assets.

Clare Housing has presented capital grants and limited partner capital contributions separate from operating results because management believes the presentation better assists users of the financial statements with analyzing its operating results.

Cash and Cash Equivalents - Cash and cash equivalents include all cash accounts and temporary investments purchased with an original maturity of three months or less. Reserves and escrows are not considered to be cash equivalents.

Accounts and Grants Receivable - Accounts and grants receivable are uncollateralized obligations stated at net realizable value. The carrying amount of accounts and grants receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. Accounts and grants receivable are written off when management estimates that the receivable is worthless. As of December 31, 2015 and 2014, management has determined that no valuation allowance is necessary.

Sales Tax Refund Receivable - Clare Terrace is eligible for a sales tax refund as a result of Clare Housing's tax exempt status. The expected refund relates to sales tax paid on materials used in, and equipment incorporated into, the project during construction.

Contributions Receivable - Contributions receivable are stated at the present value of their estimated future cash flows. The carrying amount of contributions receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. Contributions receivable are written off when management estimates that the receivable is worthless. As of December 31, 2015 and 2014, management has determined that no valuation allowance is necessary.

(Continued)

CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015
(With Comparative Totals for the Six Months Ended December 31, 2014)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Finance Fees - Finance fees are amortized over the term of the related debt using the straight-line method.

Tax Credit Fees - Tax credit fees are amortized over 10 years using the straight-line method.

Property Under Development - Property under development is stated at cost, unless such costs would not be recovered from cash flows generated from sales or closing of limited partnership equity and financing. Costs consist primarily of land, legal, architectural, and other costs incurred to date.

Property and Equipment - Property and equipment are carried at cost, with the exception of donated equipment, which is recorded at fair market value at date of gift. Depreciation of property and equipment is provided for on a straight-line basis over the estimated useful lives which range from: Buildings and Office Space, 39-40 years; Building Improvements, 5-39 years; Land Improvements, 10-15 years; and Furniture and Equipment, 3-10 years. The cost of maintenance and repairs is charged to income as incurred; significant renewals or betterments are capitalized.

The Organization reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. To date, no impairment of long-lived assets has been recorded.

Resident Fees - Resident fees are recorded as revenue at the time the service is provided. Resident fees include amounts paid by residents, the Group Residential Housing (GRH) program through Hennepin County, and the Minnesota State Department of Health and Human Services Community Alternatives for Disabled Individuals (CADI) program.

Rental Revenues - Rental revenues on residential leases are recorded when due from tenants, generally on the first day of each month. Leases are for periods of up to one year.

Contributions - Contributions are recognized when the donor makes an unconditional promise to give. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the year in which the contribution is recognized.

(Continued)

CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015
(With Comparative Totals for the Six Months Ended December 31, 2014)

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

Clare Housing implies a time restriction over the useful life of the asset on contributions restricted for the purchase of property and equipment. Therefore, net assets temporarily restricted for the purchase of property and equipment are released as depreciation expense is recorded for that asset.

Government Grants and Contracts - Government grants and contracts are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Amounts received before expenditures are incurred are recorded as deferred grants.

Capital grants received from the Department of Housing and Urban Development (HUD), the Federal Home Loan Bank (FHLB), the City of Minneapolis, and the City of Robbinsdale are recorded as temporarily restricted grants when received. These grants are subject to a number of requirements, including the properties be operated as low income housing for a specific time period. Based on the history of Clare Housing, management believes violation of the agreements and repayment of these grants are not likely. These grants are reported as temporarily restricted net assets and released to unrestricted net assets upon expiration of the grant requirements.

Revenue from the Section 1602 grant from the City of Minneapolis is deferred and recognized as revenue using the straight-line method over 40 years on Clare Hiawatha's financial statements. For the consolidated financial statements, this grant was recognized as temporarily restricted revenue when received and is released from restriction over the 15 year compliance period beginning in 2011.

Program Expenses - Program expenses represent various expenses incurred in providing Clare Housing's program services. These expenses include household supplies, medical supplies, food, transportation of residents and substitute caregivers.

Functional Expenses - Expenses have been allocated among program and supporting services classifications based upon direct expenditures when possible. Remaining expenses are allocated based on management estimates of employee work efforts and gross expenses by program.

Reclassifications - Reclassifications were made to the 2014 financial statements to be consistent with the current year financial statements. These reclassifications did not affect net assets or the change in net assets.

(Continued)

CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015
(With Comparative Totals for the Six Months Ended December 31, 2014)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes - Clare Housing is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and is exempt from Minnesota income taxes under applicable Minnesota Statutes, except to the extent it has taxable income from activities that are not related to its exempt purpose. Management believes Clare Housing does not have any unrelated business income or uncertain tax positions.

The limited liability companies are included in the income tax returns of Clare Housing. The limited partnerships are not taxpaying entities; income or losses are passed through to the partners.

Comparative Total Column - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the financial statements for the six months ended December 31, 2014, from which the summarized information was derived.

3. RESERVES AND ESCROWS

Certain partnership and loan agreements require that cash be escrowed for payment of real estate taxes and insurance, replacement reserves, revenue deficit reserves, pledge agreement reserves, exit tax reserves, lease-up reserves, partnership fee reserves and operating reserves. Reserves and escrows also include funds held for tenant security deposits.

4. PROPERTY UNDER DEVELOPMENT

Property under development consists of the following:

	<u>2015</u>	<u>2014</u>
Marshall Flats	<u>\$ 442,512</u>	<u>\$ 124,050</u>

Interest of \$7,834 is included in property under development at December 31, 2015.

(Continued)

CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015
(With Comparative Totals for the Six Months Ended December 31, 2014)

5. CONTRIBUTIONS RECEIVABLE

Contributions receivable are due as follows:

	2015	2014
Receivable within one year	\$ 70,033	\$ 70,228
Receivable in 1 - 5 years	132,527	119,611
	202,560	189,839
Less discount	(4,211)	(4,211)
Contributions receivable, net	198,349	185,628
Less current portion	(69,340)	(69,534)
	\$ 129,009	\$ 116,094

Contributions receivable are discounted at 1%. Amortization of the discount is recorded as contribution revenue.

6. CHARITABLE REMAINDER TRUSTS

Clare Housing is a beneficiary of two charitable remainder trusts held by a third party. Clare Housing will receive one-third of the remaining assets of each trust following the death of the beneficiaries. The fair value is measured by calculating the expected future cash inflow determined using investment returns consistent with the composition of the asset portfolio, life expectancies from the Internal Revenue Service tables, and a discount rate of 4%. Clare Housing estimates it will receive the assets after 2027. At December 31, 2015, management estimates Clare Housing's portion of the trusts is \$31,375.

7. OTHER ASSETS

Other assets consist of the following:

	2015	2014	Amortization Term - Years
Finance fees	\$ 266,773	\$ 130,303	1.5 - 30
Tax credit fees	125,908	70,975	10
	392,681	201,278	
Accumulated amortization	(135,243)	(69,593)	
	\$ 257,438	\$ 131,685	

(Continued)

CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015
(With Comparative Totals for the Six Months Ended December 31, 2014)

8. PROPERTY AND EQUIPMENT

	2015	2014
Clare Housing:		
Land - housing	\$ 106,100	\$ 106,100
Land improvements - housing	64,899	62,099
Buildings and improvements - housing	1,721,635	1,691,777
Furniture and equipment - housing	88,329	161,618
Furniture and equipment - office	70,540	107,068
Office space	520,382	520,382
	2,571,885	2,649,044
Less accumulated depreciation	(722,428)	(762,545)
Clare Housing, net	\$ 1,849,457	\$ 1,886,499
Partnerships:		
Land	\$ 1,872,155	\$ 1,608,338
Land improvements	498,779	287,900
Buildings and improvements	16,788,425	11,474,105
Furniture and equipment	402,877	236,305
Construction in progress	-	920,335
	19,762,236	14,526,983
Less accumulated depreciation	(2,444,727)	(2,092,302)
Partnerships, net	\$ 17,117,509	\$ 12,434,681

9. DEBT

CLARE HOUSING:

	2015	2014
City of Minneapolis CPED note	\$ 60,000	\$ 60,000
Supportive Housing Solutions Fund note	259,889	-
	\$ 319,889	\$ 60,000

(Continued)

CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015
(With Comparative Totals for the Six Months Ended December 31, 2014)

9. DEBT (Continued)

City of Minneapolis CPED loan - Note payable to the City of Minneapolis Community Planning & Economic Development (CPED) department in the original amount of \$60,000 with interest at 1%. Principal and interest are due on April 28, 2019. Secured by the Agape Dos House property.

Supportive Housing Solutions Fund note - Note payable to Supportive Housing Solutions Fund LLC in the original amount of \$500,000 with interest at 5%. As of December 31, 2015, \$259,889 has been advanced. Principal and interest are due on the earlier of closing of construction of Marshall Flats (expected July 2016) or June 1, 2017.

PARTNERSHIPS:

	2015	2014
Minnesota Housing Financing Agency	\$ 2,049,690	\$ 909,631
Hennepin County	1,716,950	1,041,950
City of Minneapolis	2,833,255	2,833,255
Bremer Bank	2,704,510	-
Family Housing Fund loan	100,000	100,000
	\$ 9,404,405	\$ 4,884,836

Minnesota Housing Financing Agency Loans - Mortgage payable to the Minnesota Housing Financing Agency (MHFA) under its Housing Opportunities for People with AIDS (HOPWA) Program in the original amount of \$209,631 dated December 16, 2004 without interest. Principal is due on December 16, 2034. Secured by Clare Apartments.

Mortgage payable to the MHFA under its Housing Trust Fund (HTF) Program in the original amount of \$220,000 dated December 16, 2004, without interest. Principal is due on December 16, 2034. Secured by Clare Apartments.

Mortgage payable to MHFA in the original amount of \$480,000 without interest. Principal is due on May 6, 2040. Secured by Clare Hiawatha.

(Continued)

CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015
(With Comparative Totals for the Six Months Ended December 31, 2014)

9. DEBT (Continued)

Mortgage payable to MHFA under the Economic Development and Housing Challenge Program (EDHC) in the original amount of \$1,140,059 dated December 30, 2014, without interest. Principal is due on December 30, 2044. Secured by Clare Terrace.

Hennepin County Loans - Mortgage payable to the Hennepin County Housing and Redevelopment Authority (HRA) Affordable Housing Incentive Fund (AHIF) in the original amount of \$425,000 dated December 16, 2004, without interest. Principal is due on December 16, 2034. Secured by Clare Apartments.

Mortgage payable to the HRA under the AHIF program in the original amount of \$616,950 dated May 6, 2010, without interest. Principal is due on May 6, 2040. Secured by Clare Hiawatha.

Mortgage payable to the HRA under the AHIF program in the original amount of \$675,000 dated December 30, 2014, without interest. Principal is due on December 30, 2044. Secured by Clare Terrace.

City of Minneapolis Loans - Mortgage payable to the CPED under the Community Development Block Grants (CDBG) program in the original amount of \$435,000 dated December 16, 2004, with interest at 1%. Principal and accrued interest are due on December 16, 2034. Secured by Clare Apartments.

Mortgage payable to the City of Minneapolis in the original amount of \$90,000 dated November 30, 2005, with simple interest at 1%. Principal and accrued interest are due on November 30, 2035. Secured by Clare Apartments.

Mortgage payable to CPED under the HOME Investment Partnerships program in the original amount of \$2,308,255 dated May 6, 2010, without interest. Principal is due on May 6, 2040. Secured by Clare Hiawatha.

Bremer Bank Loans - Construction loan from Bremer Bank National Association dated December 30, 2014, which will provide up to \$3,154,243 with interest at the 30 day LIBOR rate plus 2.65%, adjusted on the first business day of each month. Interest only payments are due monthly through June 16, 2016 (the maturity date). Secured by Clare Terrace. This loan is expected to be paid from a Limited Partner capital contribution.

(Continued)

CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015
(With Comparative Totals for the Six Months Ended December 31, 2014)

9. DEBT (Continued)

Mortgage payable to Bremer Bank National Association dated December 30, 2014, in the amount of \$185,000. Interest accrues at the 30 day LIBOR rate plus 2.8%, adjusted on the first day of each month through June 16, 2016 (the conversion date). As of December 31, 2015, no funds have been drawn on this loan.

Beginning July 1, 2016, monthly interest only payments are due through July 1, 2017. Beginning the earlier of August 2, 2017, or the first February 2 or August 2 following the receipt of the first payment under the TIF note, semi-annual principal and interest payments are due each February 2 and August 2 through the maturity date of June 15, 2030. Secured by Clare Terrace.

Family Housing Fund Loan - Mortgage payable to the Family Housing Fund in the original amount of \$100,000 dated December 16, 2004, without interest. Principal is due on December 16, 2034. Secured by Clare Apartments.

Maturities of debt for the years ending December 31 are as follows:

	<u>Clare Housing</u>	<u>Partnerships</u>
2016	\$ -	\$ 2,704,510
2017	259,889	-
2018	-	-
2019	60,000	-
2020	-	-
Thereafter	-	6,699,895
	<u>\$ 319,889</u>	<u>\$ 9,404,405</u>

Interest expense has been recorded using the stated rates of the various mortgage notes. The mortgage notes have stated interest rates which are less than the prevailing market rates. Interest on these mortgage notes has not been imputed because the rate is at the lender's or governmental agency's customary lending rate.

(Continued)

CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015
(With Comparative Totals for the Six Months Ended December 31, 2014)

10. LINE OF CREDIT

Clare Housing has a line of credit with Bremer Bank for up to \$155,000 with a variable interest rate of one percentage point over the prime rate as published by Bloomberg. Under no circumstances will the interest rate be less than 4.50%. Principal and interest are due June 30, 2016. The line of credit is secured by all inventory, chattel paper, accounts, equipment, and general intangibles. At December 31, 2015 and 2014, there is no outstanding balance on the line of credit.

11. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are for the following purposes:

	2015	2014
Contributions receivable - time restricted	\$ 198,349	\$ 185,628
Cash held for programs	-	270
Contributions received for assets:		
Clare Housing office space – time restricted	377,341	390,542
Damiano bathroom / Agape boiler – time restricted	9,579	10,835
Charitable remainder trusts	31,375	9,765
	616,644	597,040
Capital grants - housing	2,196,970	2,023,613
1602 grant for Clare Hiawatha - housing	852,930	938,223
	\$ 3,666,544	\$ 3,558,876

12. SCATTERED SITE HOUSING LEASES

Clare Housing has entered into a grant agreement with MHFA under the Ending Long-Term Homelessness Initiative Fund. Under the agreement, Clare Housing will provide scattered site supportive housing for households that meet the State's definition of Long-Term Homelessness, with a target population of individuals and families that are living with HIV/AIDS. In providing supportive housing, units are leased by Clare Housing and sub-let to participants in the program. As of December 31, 2015, Clare Housing has entered into 9 leases with terms ranging from 1 to 12 months. Lease expense was \$186,701 in 2015 and \$104,344 for the six months ended December 31, 2014.

(Continued)

CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015
(With Comparative Totals for the Six Months Ended December 31, 2014)

13. RETIREMENT PLAN

Clare Housing has a retirement plan under Section 403(b) of the Internal Revenue Code which provides for voluntary pre-tax employee contributions and discretionary employer contributions. Employees are eligible to participate in the plan upon hire. Employer contributions were \$40,278 in 2015, and \$16,018 for the six months ended December 31, 2014.

14. COMMITMENTS, CONTINGENCIES AND CONCENTRATIONS

Clare Housing places its cash with several financial institutions which are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. At times the amount on deposit exceeds the insured limit of the institutions and exposes the organization to a collection risk. Clare Housing has not experienced any losses as a result of these deposits.

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

As a general partner in limited partnerships, Clare Housing is contingently responsible for the obligations of the limited partnerships. The limited partnership agreements provide for various obligations of the general partner including its obligation to provide funds for operating deficits and a guaranty of housing tax credits.

Clare Housing has a contract with an organization to provide human resources services to Clare Housing. The contract expires December 31, 2016. The average monthly fee was approximately \$6,000 in 2015, and \$5,000 for the six months ended December 31, 2014. The fee may increase up to 3% each year.

Clare Terrace, Clare Hiawatha, and Clare Apartments' sole assets are the apartment complexes. Their operations are concentrated in the Minneapolis and Robbinsdale, Minnesota multifamily real estate market. In addition, they operate in a heavily regulated environment. Their operations are subject to rules and regulations of federal, state, and local governmental agencies. Changes in rules and regulations may occur with little notice or inadequate funding to pay for the costs to comply with a change.

(Continued)

CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015
(With Comparative Totals for the Six Months Ended December 31, 2014)

14. **COMMITMENTS, CONTINGENCIES AND CONCENTRATIONS (Continued)**

Housing tax credits for the limited partnerships are contingent on their ability to maintain compliance with applicable sections of Internal Revenue Code Section 42. Failure to maintain compliance with occupant eligibility and/or unit gross rent, or to correct noncompliance within a specified time period, could result in recapture of previously taken tax credits plus interest. In addition, such potential noncompliance may require an adjustment to the contributed capital of the limited partner.

Clare Apartment's Housing Assistance Payments (HAP) Contract with the Minneapolis Public Housing Agency expires in 2020. The HAP contract accounts for approximately 68% of Clare Apartment's rental revenue. No assurance can be provided that this contract will be renewed upon its expiration or if renewed, at what terms.

The Partnerships are subject to extended use agreements between the Partnerships and MHFA which require the properties to be used for low income occupancy (income and rent limits). The extended use period ends on December 31, 2034, for Clare Apartments; December 31, 2040, for Clare Hiawatha; and December 31, 2045, for Clare Terrace.

15. **SUBSEQUENT EVENTS**

Management has evaluated subsequent events through May 24, 2016, the date which the financial statements were available for issue, and identified no significant events or transactions to disclose.

CONSOLIDATING FINANCIAL STATEMENTS

CLARE HOUSING

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2015

	Clare Housing	Clare Hiawatha LLC	Limited Partnerships	Eliminations	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,129,925	\$ -	\$ 63,052	\$ -	\$ 1,192,977
Accounts receivable	172,089	-	22,897	-	194,986
Current portion of contributions receivable, net	69,340	-	-	-	69,340
Grants receivable	65,969	-	-	-	65,969
Current portion of prepaid expenses	68,970	-	20,059	-	89,029
Total current assets	<u>1,506,293</u>	<u>-</u>	<u>106,008</u>	<u>-</u>	<u>1,612,301</u>
Reserves and escrows	-	-	1,640,140	-	1,640,140
Sales tax refund receivable	-	-	116,556	-	116,556
Property under development	442,512	-	-	-	442,512
Contributions receivable, less current portion, net	129,009	-	-	-	129,009
Notes receivable	1,996,970	-	-	(1,996,970)	-
Prepaid expenses, less current portion	-	-	90,998	-	90,998
Charitable remainder trusts	31,375	-	-	-	31,375
Other assets, net	-	-	257,438	-	257,438
Investment in Partnerships	325,162	-	-	(325,162)	-
Due from Partnerships	579,498	616,950	-	(1,196,448)	-
Property and equipment, net - Clare Housing	1,849,457	-	-	-	1,849,457
Property and equipment, net - Partnerships	-	-	17,407,509	(290,000)	17,117,509
Total assets	<u>\$ 6,860,276</u>	<u>\$ 616,950</u>	<u>\$ 19,618,649</u>	<u>\$ (3,808,580)</u>	<u>\$ 23,287,295</u>
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable	\$ 52,895	\$ -	\$ 21,969	\$ -	\$ 74,864
Construction payable	-	-	453,780	-	453,780
Current portion of accrued interest	-	-	6,508	-	6,508
Current portion of accrued developer fee	-	-	150,000	(150,000)	-
Accrued expenses	183,775	-	93,232	-	277,007
Total current liabilities	<u>236,670</u>	<u>-</u>	<u>725,489</u>	<u>(150,000)</u>	<u>812,159</u>
Deferred grant - Clare Hiawatha	-	-	1,124,801	(1,124,801)	-
Tenant security deposits	-	-	25,837	-	25,837
Accrued interest, less current portion	17,770	-	343,502	(287,536)	73,736
Deferred developer fee revenue	130,000	-	-	-	130,000
Accrued developer fee, less current portion	-	-	330,000	(330,000)	-
Due to Clare Housing	-	-	99,500	(99,500)	-
Debt - Clare Housing	319,889	-	-	-	319,889
Debt - Partnerships	-	616,950	11,401,375	(2,613,920)	9,404,405
Total liabilities	<u>704,329</u>	<u>616,950</u>	<u>14,050,504</u>	<u>(4,605,757)</u>	<u>10,766,026</u>
Net assets:					
Unrestricted net assets:					
Controlling interest	3,342,333	-	324,859	(55,753)	3,611,439
Non-controlling interests - Partnerships	-	-	5,243,286	-	5,243,286
Total unrestricted net assets	<u>3,342,333</u>	<u>-</u>	<u>5,568,145</u>	<u>(55,753)</u>	<u>8,854,725</u>
Temporarily restricted net assets	2,813,614	-	-	852,930	3,666,544
Total net assets	<u>6,155,947</u>	<u>-</u>	<u>5,568,145</u>	<u>797,177</u>	<u>12,521,269</u>
Total liabilities and net assets	<u>\$ 6,860,276</u>	<u>\$ 616,950</u>	<u>\$ 19,618,649</u>	<u>\$ (3,808,580)</u>	<u>\$ 23,287,295</u>

See independent auditor's report.

CLARE HOUSING

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2015

	Clare Housing				Total
	Unrestricted	Temporarily restricted	Limited Partnerships	Eliminations	
Revenues and support:					
Resident fees	\$ 2,246,139	\$ -	\$ -	\$ -	\$ 2,246,139
Rental revenues	-	-	664,615	(137,866)	526,749
Contributions	391,222	132,120	-	-	523,342
Government grants and contracts	636,582	-	-	-	636,582
Forgiveness of loans	-	-	31,985	(31,985)	-
Partnership management fees	18,191	-	-	(18,191)	-
Interest income	37,668	-	1,105	(32,927)	5,846
Developer fee	350,000	-	-	(290,000)	60,000
Other income	2,807	-	4,295	-	7,102
Net assets released from restrictions	112,516	(112,516)	-	-	-
Total revenues and support	<u>3,795,125</u>	<u>19,604</u>	<u>702,000</u>	<u>(510,969)</u>	<u>4,005,760</u>
Expenses:					
Program services:					
Community care homes	1,230,281	-	-	-	1,230,281
Supportive housing	1,291,284	-	1,164,666	(221,911)	2,234,039
Scattered site housing	205,634	-	-	-	205,634
Total program services	<u>2,727,199</u>	<u>-</u>	<u>1,164,666</u>	<u>(221,911)</u>	<u>3,669,954</u>
Management and general	607,681	-	-	-	607,681
Fundraising	179,894	-	-	-	179,894
Total expenses	<u>3,514,774</u>	<u>-</u>	<u>1,164,666</u>	<u>(221,911)</u>	<u>4,457,529</u>
Change in net assets before loss on uncollected pledges, capital grants and contributions	280,351	19,604	(462,666)	(289,058)	(451,769)
Loss on uncollected pledges	(19,446)	-	-	-	(19,446)
Capital grants	-	173,357	-	-	173,357
Capital contributions, net	-	-	88,335	(6,905)	81,430
Change in net assets	260,905	192,961	(374,331)	(295,963)	(216,428)
Net assets, beginning of period	<u>3,081,428</u>	<u>2,620,653</u>	<u>5,942,476</u>	<u>1,093,140</u>	<u>12,737,697</u>
Net assets, end of period	<u>\$ 3,342,333</u>	<u>\$ 2,813,614</u>	<u>\$ 5,568,145</u>	<u>\$ 797,177</u>	<u>\$ 12,521,269</u>
Reconciliation of net assets:					
Controlling interests:					
Beginning of period	\$ 3,081,428	\$ 2,620,653	\$ 318,001	\$ 1,093,140	\$ 7,113,222
Capital contributions	-	-	6,905	(6,905)	-
Change in net assets	<u>260,905</u>	<u>192,961</u>	<u>(47)</u>	<u>(289,058)</u>	<u>164,761</u>
End of period	<u>\$ 3,342,333</u>	<u>\$ 2,813,614</u>	<u>\$ 324,859</u>	<u>\$ 797,177</u>	<u>\$ 7,277,983</u>
Non-controlling interests - Partnerships:					
Beginning of period	\$ -	\$ -	\$ 5,624,475	\$ -	\$ 5,624,475
Capital contributions, net	-	-	81,430	-	81,430
Change in net assets	-	-	(462,619)	-	(462,619)
End of period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,243,286</u>	<u>\$ -</u>	<u>\$ 5,243,286</u>

See independent auditor's report.

CLARE HOUSING

CONSOLIDATING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2015

Increase (Decrease) in Cash and Cash Equivalents

	Clare Housing	Limited Partnerships	Eliminations	Total
Cash flows from operating activities:				
Change in net assets	\$ 453,866	\$ (374,331)	\$ (295,963)	\$ (216,428)
Adjustments to reconcile the change in net assets to net cash from operating activities:				
Depreciation and amortization	96,238	369,156	-	465,394
Amortization of deferred grant	-	(31,985)	31,985	-
Capital grants and contributions, net	(173,357)	(88,335)	6,905	(254,787)
Charitable remainder trust contribution	(21,610)	-	-	(21,610)
Loss on uncollected pledges	(19,446)	-	-	(19,446)
Changes in operating assets and liabilities:				
Accounts receivable	(2,587)	(7,620)	-	(10,207)
Contributions receivable	6,725	-	-	6,725
Grants receivable	25,015	-	-	25,015
Prepaid expenses	5,268	(50,607)	-	(45,339)
Accounts payable	48,062	(3,246)	-	44,816
Accrued expenses	91,326	5,165	-	96,491
Accrued interest	8,434	43,492	(32,927)	18,999
Deferred revenue	-	-	-	-
Tenant security deposits, net	-	894	-	894
Net cash from operating activities	<u>517,934</u>	<u>(137,417)</u>	<u>(290,000)</u>	<u>90,517</u>
Cash flows from investing activities:				
Payments for property under development, net	(373,462)	-	-	(373,462)
Payments for property and equipment	(59,196)	(4,511,031)	(60,000)	(4,630,227)
Due to/from limited partnerships	(43,486)	43,486	-	-
Withdrawals from (additions to) reserves and escrows, net	-	70,595	-	70,595
Notes receivable	(173,357)	-	173,357	-
Investment in partnership	(6,905)	-	6,905	-
Net cash from investing activities	<u>(656,406)</u>	<u>(4,396,950)</u>	<u>120,262</u>	<u>(4,933,094)</u>
Cash flows from financing activities:				
Capital grants and contributions, net	173,357	88,335	(6,905)	254,787
Payment of finance and tax credit fees	-	(191,403)	-	(191,403)
Due to/from limited partnerships	(271,410)	(78,590)	350,000	-
Proceeds from issuance of debt	259,889	4,692,926	(173,357)	4,779,458
Net cash from financing activities	<u>161,836</u>	<u>4,511,268</u>	<u>169,738</u>	<u>4,842,842</u>
Net increase (decrease) in cash and cash equivalents	23,364	(23,099)	-	265
Cash and cash equivalents at beginning of period	<u>1,106,561</u>	<u>86,151</u>	<u>-</u>	<u>1,192,712</u>
Cash and cash equivalents at end of period	<u>\$ 1,129,925</u>	<u>\$ 63,052</u>	<u>\$ -</u>	<u>\$ 1,192,977</u>
Supplemental disclosures of cash flow information:				
Property and equipment included in payables	\$ -	\$ 990,047	\$ (337,899)	\$ 652,148

See independent auditor's report.