



CLARE HOUSING

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021



CLARE HOUSING

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

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CPAS AND ADVISORS

To the Board of Directors

Clare Housing

Minneapolis, Minnesota

INDEPENDENT AUDITOR'S REPORT

Opinion

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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Clare Housing and affiliates as of December 31, 2021, and the changes in their net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Clare Housing and its affiliates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

(Continued)

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 generally accepted auditing standards 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 a fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the 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 Clare Housing’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Clare Housing's and its affiliates’ 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 Information Included in the Organization’s Annual Report

Management is responsible for the other information included in Clare Housing’s Annual Report. The other information comprises the Message from the Board Chair and President but does not include the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance on it.

In connection with or audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated.

Report on Summarized Comparative Information

We have previously audited Clare Housing's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 25, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 27 to 29 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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, 2022, on our consideration of Clare Housing'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 Clare Housing'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 Clare Housing's internal control over financial reporting and compliance.

*Mahoney Ulbrich
Christiansen Russ P.A.*

May 24, 2022

CLARE HOUSING

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2021
(With Comparative Totals for 2020)

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,911,311	\$ 1,937,362
Accounts receivable	335,676	308,750
TIF receivable	45,339	43,038
Current portion of contributions receivable, net	130,952	125,962
Grants receivable	280,027	177,525
Current portion of prepaid expenses	142,654	133,651
Total current assets	2,845,959	2,726,288
Reserves and escrows	2,022,817	2,211,851
Investments	2,240,668	2,133,495
Contributions receivable, less current portion, net	133,749	181,537
Prepaid expenses, less current portion	74,955	86,621
Other assets, net	104,560	115,495
Property and equipment, net - Clare Housing	1,360,636	1,405,770
Property and equipment, net - Partnerships	20,539,587	21,176,251
Total assets	\$ 29,322,931	\$ 30,037,308
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 249,106	\$ 109,730
Prepaid rent	27,828	14,042
Current portion of debt - Partnerships	16,544	10,974
Accrued expenses	458,014	450,722
Total current liabilities	751,492	585,468
Deferred grants	27,187	17,045
Deferred developer fee	18,900	-
Tenant security deposits	79,314	76,072
Accrued interest	280,426	238,275
PPP loan	-	594,500
Debt - Partnerships - net, less current portion	8,457,361	8,467,255
Total liabilities	9,614,680	9,978,615
Net assets without donor restrictions:		
Controlling interest	4,627,348	4,136,456
Controlling interest - board designated	1,198,796	1,198,796
Noncontrolling interests - limited partners	10,337,543	11,067,632
Total unrestricted	16,163,687	16,402,884
Net assets with donor restrictions	3,544,564	3,655,809
Total net assets	19,708,251	20,058,693
Total liabilities and net assets	\$ 29,322,931	\$ 30,037,308

See accompanying notes to consolidated financial statements.

CLARE HOUSING

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues and support:				
Resident fees	\$ 2,623,122	\$ -	\$ 2,623,122	\$ 2,722,556
Rental revenues	1,218,144	-	1,218,144	1,180,600
Contributions	702,130	141,721	843,851	742,951
Government grants and contracts	1,308,418	-	1,308,418	1,305,206
Interest income	7,805	-	7,805	14,645
TIF revenue	30,887	-	30,887	29,199
Developer fee	12,600	-	12,600	-
Other income	110,898	-	110,898	125,061
Net assets released from restrictions	213,058	(213,058)	-	-
Total revenues and support	<u>6,227,062</u>	<u>(71,337)</u>	<u>6,155,725</u>	<u>6,120,218</u>
Expenses:				
Program services:				
Community care homes	1,127,893	-	1,127,893	1,150,246
Supportive housing	4,311,815	-	4,311,815	4,320,907
Scattered site housing	587,232	-	587,232	522,846
Total program services	<u>6,026,940</u>	<u>-</u>	<u>6,026,940</u>	<u>5,993,999</u>
Management and general	789,809	-	789,809	661,829
Fundraising	351,184	-	351,184	348,311
Total expenses	<u>7,167,932</u>	<u>-</u>	<u>7,167,932</u>	<u>7,004,139</u>
Change in net assets - operating	(940,870)	(71,337)	(1,012,207)	(883,921)
Forgiveness of debt	594,500	-	594,500	-
Investment income, net	107,173	-	107,173	132,827
Loss on uncollected pledges	-	(8,733)	(8,733)	(9,950)
Write-off of beneficial interest in trust	-	(31,175)	(31,175)	-
Change in net assets	(239,197)	(111,245)	(350,442)	(761,044)
Net assets, beginning of year	<u>16,402,884</u>	<u>3,655,809</u>	<u>20,058,693</u>	<u>20,819,737</u>
Net assets, end of year	<u>\$ 16,163,687</u>	<u>\$ 3,544,564</u>	<u>\$ 19,708,251</u>	<u>\$ 20,058,693</u>
Reconciliation of net assets:				
Controlling interests:				
Beginning of year	\$ 5,335,252	\$ 3,655,809	\$ 8,991,061	\$ 9,042,387
Change in net assets	<u>490,892</u>	<u>(111,245)</u>	<u>379,647</u>	<u>(51,326)</u>
End of year	<u>\$ 5,826,144</u>	<u>\$ 3,544,564</u>	<u>\$ 9,370,708</u>	<u>\$ 8,991,061</u>
Noncontrolling interests - limited partners:				
Beginning of year	\$ 11,067,632	\$ -	\$ 11,067,632	\$ 11,777,350
Other changes in net assets	<u>(730,089)</u>	<u>-</u>	<u>(730,089)</u>	<u>(709,718)</u>
End of year	<u>\$ 10,337,543</u>	<u>\$ -</u>	<u>\$ 10,337,543</u>	<u>\$ 11,067,632</u>

See accompanying notes to consolidated financial statements.

CLARE HOUSING

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

	2021							2020
	Community care homes	Supportive housing	Scattered site housing	Total program services	Management and general	Fund-raising	Total	
Salaries	\$ 759,402	\$ 1,526,764	\$ 150,776	\$ 2,436,942	\$ 276,609	\$ 168,575	\$ 2,882,126	\$ 2,859,440
Payroll taxes	52,956	116,235	9,376	178,567	20,199	12,072	210,838	205,052
Employee benefits	107,303	211,578	19,895	338,776	47,036	21,134	406,946	407,287
Total salaries and related	919,661	1,854,577	180,047	2,954,285	343,844	201,781	3,499,910	3,471,779
Resident supplies and services	77,726	46,191	1,688	125,605	-	-	125,605	186,555
Apartment leases	-	-	397,936	397,936	-	-	397,936	365,981
Insurance	-	-	-	-	45,044	-	45,044	29,720
Postage	809	452	-	1,261	914	157	2,332	2,026
Printing and copying	-	27	-	27	-	3,502	3,529	1,961
Professional fees	154	1,437	775	2,366	164,589	92,048	259,003	230,352
Accounting and legal	-	-	-	-	19,000	-	19,000	18,250
Occupancy/utilities	25,984	-	-	25,984	23,129	-	49,113	48,017
Conferences and meetings	-	13,455	63	13,518	1,175	5,743	20,436	9,971
Supplies	3,588	8,070	393	12,051	44,586	28,452	85,089	81,118
Telephone	18,067	3,388	288	21,743	16,265	6,971	44,978	35,621
IT support, maintenance and website	1,515	12,553	5,223	19,291	44,500	5,606	69,397	63,221
Rental, repairs and maintenance	24,143	7,904	-	32,047	7,406	-	39,453	46,098
Dues and subscriptions	1,489	2,904	-	4,393	9,839	370	14,602	6,118
Depreciation	48,679	20	-	48,699	49,362	-	98,061	101,838
Miscellaneous	6,078	14,863	819	21,760	20,156	6,554	48,470	23,601
	<u>1,127,893</u>	<u>1,965,841</u>	<u>587,232</u>	<u>3,680,966</u>	<u>789,809</u>	<u>351,184</u>	<u>4,821,958</u>	<u>4,722,227</u>
Partnerships rental operating expenses:								
Administrative	-	307,131	-	307,131	-	-	307,131	278,897
Property management fee	-	134,322	-	134,322	-	-	134,322	134,957
Building maintenance and operating	-	557,866	-	557,866	-	-	557,866	516,010
Utilities	-	293,250	-	293,250	-	-	293,250	272,907
Property insurance	-	107,783	-	107,783	-	-	107,783	94,394
Real estate taxes	-	208,220	-	208,220	-	-	208,220	203,092
Interest expense	-	44,540	-	44,540	-	-	44,540	49,699
Interest expense - amortization of finance fees	-	9,284	-	9,284	-	-	9,284	9,283
Depreciation	-	675,113	-	675,113	-	-	675,113	710,846
Amortization of tax credit fees	-	8,465	-	8,465	-	-	8,465	11,827
	<u>\$ 1,127,893</u>	<u>\$ 4,311,815</u>	<u>\$ 587,232</u>	<u>\$ 6,026,940</u>	<u>\$ 789,809</u>	<u>\$ 351,184</u>	<u>\$ 7,167,932</u>	<u>\$ 7,004,139</u>
Allocation percentages	<u>16%</u>	<u>60%</u>	<u>8%</u>	<u>84%</u>	<u>11%</u>	<u>5%</u>	<u>100%</u>	

See accompanying notes to consolidated financial statements.

CLARE HOUSING

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ (350,442)	\$ (761,044)
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation and amortization	790,923	833,794
Forgiveness of debt	(594,500)	-
Write-off of beneficial interest in trust	31,375	-
Bad debts	19,623	13,487
Loss on uncollected pledges	8,733	9,950
Gain on sale of property and equipment	-	(103,594)
Changes in operating assets and liabilities:		
Accounts and TIF receivable	(77,755)	37,381
Contributions receivable	34,065	(14,532)
Grants receivable	(102,502)	(51,773)
Prepaid expenses	2,663	(48,922)
Accounts payable	105,814	(68,277)
Prepaid rent	13,786	(9,285)
Accrued expenses	(30,454)	(52,706)
Tenant security deposits	3,242	3,271
Deferred grants	10,142	17,045
Deferred developer fee	18,900	-
Accrued interest	41,448	41,448
Net cash from operating activities	(74,939)	(153,757)
Cash flows from investing activities:		
Payments for property and equipment	(19,365)	(33,855)
Proceeds from sale of property and equipment	-	334,556
Purchase of investments, net	(107,173)	(2,133,495)
Net cash from investing activities	(126,538)	(1,832,794)
Cash flows from financing activities:		
Proceeds from PPP loan	-	594,500
Payment to Clare Housing - development advances	-	(11,874)
Repayment of debt	(13,608)	(8,907)
Net cash from financing activities	(13,608)	573,719
Net decrease in cash, cash equivalents, and restricted cash	(215,085)	(1,412,832)
Cash, cash equivalents, and restricted cash at beginning of year	4,149,213	5,562,045
Cash, cash equivalents, and restricted cash at end of year	\$ 3,934,128	\$ 4,149,213
Reconciliation to the statement of financial position:		
Cash and cash equivalents	\$ 1,911,311	\$ 1,937,362
Reserves and escrows	2,022,817	2,211,851
Total cash, cash equivalents, and restricted cash	\$ 3,934,128	\$ 4,149,213
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 3,091	\$ 8,251
Property and equipment additions in accounts payable	\$ 72,031	\$ -

See accompanying notes to consolidated financial statements.

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2021
(With Comparative Totals for 2020)

1. ORGANIZATION

Clare Housing was incorporated as a Minnesota nonprofit 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 - At December 31, 2021, Clare Housing owns three community care homes located in Hennepin County which are licensed through the Minnesota Department of Human Services under the 245D-HCBS program. 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, Clare Terrace, and Clare Marshall Flats. Services provided to residents include twenty-four hour customized living services, supportive services, and 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, qualify as low-income and may have at least one member living with HIV. As of December 31, 2021, Clare Housing manages 40 scattered site housing units.

Clare Housing's primary revenues are resident fees and funding through government grants and contracts including the Department of Housing and Urban Development's (HUD) Housing Opportunities for People Living with AIDS program (HOPWA), Minnesota's Housing Supports Program, the Department of Human Services HIV/AIDS Unit as well as the Department's Community Access for Disability Inclusion Program (CADI). In addition to government grants and contracts, revenue includes rental revenues as well as private philanthropy (individuals, corporate and foundation giving).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2021
(With Comparative Totals for 2020)

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 Apartments II LLC, which is also a wholly owned single member limited liability company, is the limited partner.

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.

Clare Marshall Flats LLC is a wholly owned single member limited liability company. Clare Marshall Flats LLC owns a .01% general partner interest in Clare Marshall Flats Limited Partnership (Clare Marshall Flats). Clare Marshall Flats is a 36-unit apartment complex located in Minneapolis, Minnesota.

Limited partner capital, except for Clare Apartments II LLC, is presented as noncontrolling interests in net assets without donor restrictions.

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

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, Clare Terrace, and Clare Marshall Flats.

All material inter-entity accounts and transactions have been eliminated.

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2021
(With Comparative Totals for 2020)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

- Without donor restrictions represent the portion of net assets that are not subject to donor restrictions.
- With donor restrictions represents net assets that arose from contributions that are restricted by donors for specific purposes or time periods.

The Organization presents losses on uncollected pledges and investment income 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 cash accounts and temporary investments purchased with an original maturity of three months or less. Reserves and escrows are considered to be cash equivalents.

Accounts, Grants and TIF Receivables - 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, 2021 and 2020, management has determined that no valuation allowance is necessary. Tax Increment Financing (TIF) receivable is stated at the amount management expects to collect.

Contributions Receivable - Contributions receivable (or pledges) 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.

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2021
(With Comparative Totals for 2020)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments - The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment income or loss is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses.

The Organization determines fair value, when necessary, based on assumptions and valuation techniques using assumptions and inputs similar to those used by market participants in pricing the asset or liability. Valuation inputs are categorized using the following fair value hierarchy:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs that are observable, directly or indirectly, other than the quoted prices included in Level 1; and
- Level 3 - unobservable inputs.

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

Finance Fees - Finance fees are deferred and amortized over the term of the related debt using the straight-line method and are reported as deductions from the face amount of the debt. Amortization is reported as interest expense on the statement of functional expenses.

Property and Equipment - Property and equipment are carried at cost, except for 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, including program service fees for care provided under the Community Access for Disability Inclusion program, are recorded as revenue at the time the service is provided.

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2021
(With Comparative Totals for 2020)

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

Rental Revenues - Rental revenues on residential leases are recognized over the period to which they relate. Rental payments received in advance are deferred until earned. 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 net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the year in which the contribution is recognized. Conditional contributions are recorded when the conditions have been met and the conditional promise becomes unconditional.

Government Grants and Contracts - Government grants and contracts are accounted for as contributions. Government grants and contracts are considered conditional based upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Revenue is recognized when eligible expenditures, as defined in each grant or contract, are incurred.

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 donor restricted grants when received. These grants are subject to several requirements, including that the properties be operated as low income housing for a specific time period. Based on the history of Clare Housing, management believed violation of the agreements and repayment of these grants to be unlikely. These grants are reported as net assets with donor restrictions and released to net assets without donor restrictions 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 donor restricted revenue when received and is released from restriction over the 15 year compliance period beginning in 2011. Because these grants were recognized prior to the implementation of ASU 2018-08, the Section 1602 grants will continue to be released over the 15 year compliance period as allowed under this ASU's implementation guidance per the Organization's interpretation of such guidance.

Resident Supplies and Services - Resident supplies and services represent various expenses incurred in providing supportive services. These expenses include household supplies, medical supplies, food, and transportation of residents.

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2021
(With Comparative Totals for 2020)

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

Functional Expenses - Expenses are recorded to program and support services directly when possible. Payroll and related expenses are allocated based on management estimates of employee work efforts. Occupancy costs are allocated based on usage of specific buildings and space. Resident supplies and services expenses are allocated to programs based on the percent of total program expenses prior to allocation.

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 and Clare Apartments 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 or functional expense. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the financial statements for the year ended December 31, 2020, from which the summarized information was derived.

3. **RESERVES AND ESCROWS**

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

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2021
(With Comparative Totals for 2020)

3. RESERVES AND ESCROWS (Continued)

Reserves and escrows consist of the following amounts:

	2021	2020
Security deposits	\$ 83,215	\$ 80,233
Tax and insurance escrow	24,914	26,605
Replacement reserve	380,060	438,943
Operating reserve	723,693	770,762
Revenue deficit reserve	692,072	749,180
Other	118,863	146,128
	\$ 2,022,817	\$ 2,211,851

4. FAIR VALUE MEASUREMENTS

The following is a summary of the inputs used to value investments as of December 31:

	2021	Fair Value Measurements at Reporting Date Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
Money market cash	\$ 549,381	\$ -	\$ -	\$ -
Mutual and exchange traded funds	1,691,287	\$ 1,691,287	\$ -	\$ -
Total	\$ 2,240,668			

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2021
(With Comparative Totals for 2020)

4. FAIR VALUE MEASUREMENTS (Continued)

2020	Fair Value Measurements at Reporting Date Using:			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market cash	\$ 531,783	\$ -	\$ -	\$ -
Mutual and exchange traded funds	1,601,712	\$ 1,601,712	\$ -	\$ -
Total	<u>\$ 2,133,495</u>			

5. CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable are due as follows:

	2021	2020
Contributions receivable within one year	\$ 130,952	\$ 125,962
Grants receivable within one year	280,027	177,525
Receivable in 1 - 5 years	140,406	188,194
	551,385	491,681
Less discount	(6,657)	(6,657)
Contributions and grants receivable, net	544,728	485,024
Less current portion	(410,979)	(303,487)
Contributions and grants receivable, net, noncurrent	<u>\$ 133,749</u>	<u>\$ 181,537</u>

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

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2021
(With Comparative Totals for 2020)

6. **CONDITIONAL PROMISES TO GIVE**

At December 31, 2021, Clare Housing has government grants with remaining commitments that are conditional upon incurring eligible expenditures or performing certain services in accordance with the corresponding grant agreements. These contributions are not recognized in the financial statements until the conditions have been met. They include the following:

HOPWA	\$	688,852
MN Housing		385,813
Minnesota Department of Human Services		129,950
Hennepin County		<u>40,210</u>
Remaining commitments to April 2023		<u><u>\$ 1,244,825</u></u>

7. **PROPERTY AND EQUIPMENT**

	<u>2021</u>	<u>2020</u>
Clare Housing:		
Land - housing	\$ 93,600	\$ 93,600
Land improvements - housing	76,750	76,749
Buildings and improvements - housing	1,505,005	1,505,005
Furniture and equipment - housing	84,432	84,432
Furniture and equipment - office	193,222	193,222
Office space	520,383	520,383
Development in progress	52,926	-
	<u>2,526,318</u>	<u>2,473,391</u>
Less accumulated depreciation	<u>(1,165,682)</u>	<u>(1,067,621)</u>
Clare Housing, net	<u><u>\$ 1,360,636</u></u>	<u><u>\$ 1,405,770</u></u>
Partnerships:		
Land	\$ 2,259,471	\$ 2,259,471
Land improvements	716,957	716,957
Buildings and improvements	23,230,745	23,230,745
Furniture and equipment	669,096	669,096
Construction in progress	38,449	-
	<u>26,914,718</u>	<u>26,876,269</u>
Less accumulated depreciation	<u>(6,375,131)</u>	<u>(5,700,018)</u>
Partnerships, net	<u><u>\$ 20,539,587</u></u>	<u><u>\$ 21,176,251</u></u>

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2021
(With Comparative Totals for 2020)

7. PROPERTY AND EQUIPMENT (Continued)

Property Sale – Clare Housing listed one of its housing properties for sale in early 2020 and closed on the sale in April 2020 for approximately \$335,000, net of sale expenses. The net book value of the property was approximately \$231,000. The gain recognized on the sale was approximately \$104,000.

8. LINE OF CREDIT

Clare Housing had a line of credit with Bremer Bank for up to \$155,000 with variable interest at the prime rate as published by the Wall Street Journal secured by all inventory, chattel paper, accounts, equipment, and general intangibles. The line expired June 30, 2020 and was not renewed.

9. DEBT

PARTNERSHIPS:

Debt of the Partnerships consists of:

	2021	2020
Minnesota Housing Financing Agency	\$ 2,469,690	\$ 2,469,690
Hennepin County	2,086,950	2,086,950
City of Minneapolis	3,888,255	3,888,255
Bremer Bank	113,067	126,675
Family Housing Fund	100,000	100,000
	8,657,962	8,671,570
Less current portion	(16,544)	(10,974)
Less unamortized finance fees	(184,057)	(193,341)
	\$ 8,457,361	\$ 8,467,255

Mortgage payable to the Minnesota Housing Financing Agency (MN Housing) 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.

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2021
(With Comparative Totals for 2020)

9. DEBT (Continued)

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

Mortgage payable to MN Housing 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.

Mortgage payable to MN Housing under the EDHC program in the original amount of \$420,000 dated September 22, 2016, with simple interest at 2.00%. Principal is due and payable in full on September 23, 2046. Secured by Clare Marshall Flats.

Mortgage payable to the Hennepin County Housing and Redevelopment Authority (HRA) under the Affordable Housing Incentive Fund (AHIF) program 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.

Mortgage payable to the HRA under the AHIF program in the original amount of \$370,000 dated September 23, 2016, with simple interest at 2.00%. Principal and interest is due and payable in full on September 23, 2046. Secured by Clare Marshall Flats.

Mortgage payable to the Minneapolis Department of Community Planning and Economic Development (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.

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2021
(With Comparative Totals for 2020)

9. DEBT (Continued)

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.

Mortgage payable to the City of Minneapolis under the Affordable Housing Trust Fund (AHTF) in the original amount of \$655,000 dated September 22, 2016, with simple interest at 2.00%. Principal and interest is due and payable in full on September 22, 2046. Secured by Clare Marshall Flats.

Mortgage payable to the City of Minneapolis under the Local Housing Initiatives Account Program (LHIA) in the original amount of \$400,000 dated September 22, 2016, with simple interest at 2.00%. Principal and interest is due and payable in full on September 22, 2046. Secured by Clare Marshall Flats.

Mortgage payable to Bremer Bank, National Association dated December 30, 2014, in the amount of \$185,000. Interest is a fixed rate equal to the seven year LIBOR swap rate as determined one business day prior to conversion plus 3.0% (5.73% as of December 31, 2021). The fixed rate will be adjusted to the three year LIBOR swap rate plus 3% on June 16 of each three year anniversary of the conversion date (June 16, 2016).

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 (Note 12), semi-annual principal and interest payments are due each February 2 and August 2 through the maturity date of June 15, 2030. The payment amount will be the greater of the full TIF note payment received or an amount required to fully amortize the loan over a period of fifteen years from the conversion date. Secured by Clare Terrace.

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.

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2021
(With Comparative Totals for 2020)

9. DEBT (Continued)

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

2022	\$	16,544
2023		18,093
2024		18,918
2025		20,064
2026		22,579
Thereafter		<u>8,561,764</u>
	\$	<u><u>8,657,962</u></u>

The partnership debt agreements place restrictions on tenant qualifications, rental rates, and cash distributions.

While the partnership debt agreements provide for entire payment of principal and interest on the maturity dates of the loans, the entire outstanding balance will be immediately due and payable upon the occurrence of any one of the following events:

- Transfer or sale of apartment complexes without the lender's approval
- Termination of the use of apartment complexes as low income housing
- Use of apartments which violates any federal, state or local law, statute or ordinance
- Default under any of the loan agreements

PPP Loan – In April 2020, Clare Housing received a loan of \$594,500 funded through the Paycheck Protection Program (PPP), a program developed by the Federal government in response to the COVID-19 pandemic. The loan allowed for forgiveness if the proceeds were used according to the PPP requirements or payment terms including interest at 1% if they were not so used. The loan was forgiven in February 2021 and is recorded as forgiveness of debt on the statement of activities.

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2021
(With Comparative Totals for 2020)

10. NET ASSETS

Net assets with donor restrictions - Net assets with donor restrictions are for the following purposes:

	2021	2020
Clare Housing:		
Subject to the passage of time		
Contributions receivable (2022 - 2024)	\$ 264,701	\$ 307,499
Future operations	91,721	43,500
Subject to appropriation and expenditure when specified events occur		
Charitable remainder trust	-	31,375
	356,422	382,374
Partnerships:		
Not subject to appropriation or expenditure		
Capital grants - housing	2,846,970	2,846,970
1602 grant for Clare Hiawatha - housing	341,172	426,465
	3,188,142	3,273,435
	\$ 3,544,564	\$ 3,655,809

Net assets released from donor restrictions - Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the passage of time or other events specified by donors. The net assets released from restrictions are as follows:

	2021	2020
Clare Housing:		
Contributions receivable - time restricted	\$ 167,673	\$267,278
Loss on uncollected pledges	(8,733)	(9,950)
Partnerships:		
1602 grant for Clare Hiawatha - housing	85,293	85,293
	\$ 244,233	\$ 342,621

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2021
(With Comparative Totals for 2020)

10. NET ASSETS (Continued)

Board Designated - The Board established a designated reserve with a current balance of \$1,198,796 as a source of cash for one-time, nonrecurring expenses that will build long-term capacity. Each year the Board will review unrestricted cash levels to determine if additional funds can be added. The Finance Committee will review requests for usage of the funds by the Executive Director and, if approved, will make a recommendation to the Board of Directors.

Charitable Remainder Trust - In 2021, Clare Housing was removed as a beneficiary from the charitable remainder trust and its carrying value of \$31,375 was written off.

11. SCATTERED SITE HOUSING LEASES

Clare Housing has entered into grant agreements with MN Housing and the City of Minneapolis. Under the agreements, Clare Housing will provide scattered site supportive housing for households that are extremely low-income, at risk of homelessness and/or that meet the State's definition of Long-Term Homelessness or HUD requirements. The program's target population is individuals and families that are living with HIV/AIDS. In providing supportive housing, many of the units are leased by Clare Housing and sub-let to participants in the program. As of December 31, 2021, Clare Housing has 15 leases with terms ranging from 1 to 12 months. Lease expense was \$397,936 for 2021 and \$365,981 for 2020.

12. TAX INCREMENT REVENUE NOTE RECEIVABLE

Clare Terrace has entered into a Contract for Private Development and Tax Increment Revenue Note with the Robbinsdale Economic Development Authority (REDA) to develop the apartment complex through the use of tax increment financing (TIF). Under the agreement, REDA agreed to reimburse certain development costs and issued a tax increment note in payment. The principal amount of the note is \$350,000, with simple interest accruing at 4%. REDA will make semi-annual (February 1 and August 1) payments on the note beginning August 1, 2017. Such amounts are payable solely from 90% of the tax increment portion of any real estate tax payments made by the Partnership on the Project. Payments will be made until the note is paid in full or the statutory TIF period expires (August 1, 2038), whichever occurs first. REDA's obligation is subject to Clare Terrace's compliance with the development contract and Tax Increment Limited Revenue Note during the period that principal and accrued interest is outstanding. Payments on the TIF note are recognized as revenue when the related real estate taxes are accrued.

Clare Terrace has assigned the Tax Increment Revenue Note to Bremer Bank as additional security on the TIF note payable and has established a TIF payment reserve at Bremer Bank.

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2021
(With Comparative Totals for 2020)

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 \$72,827 for 2021, and \$68,451 for 2020.

14. COMMITMENTS, CONTINGENCIES AND CONCENTRATIONS

The Organization places its cash with 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 an institution which exposes the Organization to a collection risk. The Organization has not experienced any losses as a result of these deposits. At December 31, 2021 and 2020, deposits exceeded the insured limit by \$1,392,813 and \$1,632,121. Of these amounts, \$209,190 is attributable to Clare Housing at December 31, 2020; \$838,034 and \$728,151 are attributable to Clare Hiawatha and \$554,779 and \$694,780 are attributable to the other limited partnerships at December 31, 2021 and 2020.

Approximately 42% and 45% of Clare Housing's 2021 and 2020 revenues and support before capital grants, investment income and limited partner contributions is from resident fees.

Capital grants are subject to a number of requirements, including that the properties be operated as low income housing for a specific time period. Violation of the requirements would require the Organization to repay the grants to the funder.

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.

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2021
(With Comparative Totals for 2020)

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

Clare Marshall Flats, 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 markets. 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.

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.

The Partnerships are subject to extended use agreements between the Partnerships and MN Housing 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; December 31, 2045, for Clare Terrace; and December 31, 2046, for Clare Marshall Flats.

A nationwide public health emergency began developing in 2020. Many states have enacted measures to combat the global pandemic resulting from a novel strain of coronavirus known as COVID-19. Measures have included regulatory restrictions on individual and business activities as well as recommendations for further voluntary curtailment of activities. Impacts on the Organization's financial statements included increased funding from various sources and increased expenses. The more significant impacts included the intangible effects on staff. The future potential impact of these issues is unknown and therefore no estimate can be made at this time. Clare Housing applied for and received \$594,500 in Paycheck Protection Program (PPP) funding from a program developed by the Federal government in response to COVID-19. These funds were in the form of a forgivable loan which was forgiven in February 2021 and is recorded as forgiveness of debt on the statement of activities. Clare Housing also received \$59,000 of provider relief funds related to COVID relief legislation in 2020.

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2021
(With Comparative Totals for 2020)

15. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets held by the Limited Partnerships are generally limited to use for general expenditures within the individual Partnerships and are not available for general expenditures of Clare Housing.

As part of Clare Housing's liquidity management, it has a policy to monitor and structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, Clare Housing invests excess operating cash in money market and sweep accounts. In 2020, Clare Housing opened an investment account and approved an investment policy to optimize returns on reserved funds. A portion of these funds are board designated, though all investments could be made available for general expenditures with board approval.

Clare Housing's financial assets available within one year of the consolidated statement of financial position date for general expenditures are as follows:

December 31, 2021:	Clare Housing	Limited Partnerships	Consolidated
Cash and cash equivalents	\$ 1,579,261	\$ 332,050	\$ 1,911,311
Accounts receivable	283,123	52,553	335,676
Current portion of contributions receivable, net	130,952	-	130,952
Grants receivable	280,027	-	280,027
Investments	2,240,668	-	2,240,668
Total financial assets available within one year	4,514,031	384,603	4,898,634
Amounts unavailable to management without Board approval:			
Board designated - long-term capacity	(1,198,796)	-	(1,198,796)
Total financial assets available within one year after board designations	\$ 3,315,235	\$ 384,603	\$ 3,699,838

(Continued)

15. **LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)**

In addition, the Limited Partnerships have \$24,914 of escrowed funds available to pay 2022 property taxes and insurance. Those funds are not reflected in the table above.

December 31, 2020:	Clare Housing	Limited Partnerships	Consolidated
Cash and cash equivalents	\$ 1,781,889	\$ 155,473	\$ 1,937,362
Accounts receivable	252,189	56,561	308,750
Current portion of contributions receivable, net	125,962	-	125,962
Grants receivable	177,525	-	177,525
Investments	2,133,495	-	2,133,495
Total financial assets available within one year	4,471,060	212,034	4,683,094
Amounts unavailable to management without Board approval:			
Board designated - long-term capacity	(1,198,796)	-	(1,198,796)
Total financial assets available within one year after board designations	\$ 3,272,264	\$ 212,034	\$ 3,484,298

In addition, the Limited Partnerships have \$26,605 of escrowed funds available to pay 2021 property taxes and insurance. Those funds are not reflected in the table above. The TIF receivable is also not available for general expenditures.

16. **SUBSCRIPTIONS RECEIVABLE**

The Limited Partner of Clare Marshall Flats has agreed to make capital contributions to the Partnership. The capital contributions will be made once certain conditions have been met. For a detailed description of the conditions, see the Partnership Agreement. The contributions are recorded when received. At December 31, 2021, remaining outstanding capital contributions are \$658,605 expected to be paid in 2022.

17. **SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through May 24, 2022, the date the financial statements were available to be issued.

CONSOLIDATING FINANCIAL STATEMENTS

CLARE HOUSING

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2021

	Clare Housing	Clare Hiawatha LLC	Limited Partnerships	Eliminations	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,579,261	\$ -	\$ 332,050	\$ -	\$ 1,911,311
Accounts receivable	283,123	-	52,553	-	335,676
TIF receivable	-	-	45,339	-	45,339
Current portion of contributions receivable, net	130,952	-	-	-	130,952
Grants receivable	280,027	-	-	-	280,027
Current portion of prepaid expenses	130,987	-	11,667	-	142,654
Total current assets	<u>2,404,350</u>	<u>-</u>	<u>441,609</u>	<u>-</u>	<u>2,845,959</u>
Reserves and escrows	-	-	2,022,817	-	2,022,817
Investments	2,240,668	-	-	-	2,240,668
Contributions receivable, less current portion, net	133,749	-	-	-	133,749
Notes receivable	2,646,970	-	-	(2,646,970)	-
Prepaid expenses, less current portion	-	-	74,955	-	74,955
Other assets, net	28,905	-	75,655	-	104,560
Investment in Partnerships	325,162	-	-	(325,162)	-
Due from Partnerships	198,224	616,950	-	(815,174)	-
Property and equipment, net - Clare Housing	1,360,636	-	-	-	1,360,636
Property and equipment, net - Partnerships	-	-	21,464,072	(924,485)	20,539,587
Total assets	<u>\$ 9,338,664</u>	<u>\$ 616,950</u>	<u>\$ 24,079,108</u>	<u>\$ (4,711,791)</u>	<u>\$ 29,322,931</u>
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable	\$ 113,682	\$ -	\$ 135,424	\$ -	\$ 249,106
Prepaid rent	-	-	27,828	-	27,828
Current portion of debt - Partnerships	-	-	16,544	-	16,544
Accrued expenses	229,592	-	228,422	-	458,014
Total current liabilities	<u>343,274</u>	<u>-</u>	<u>408,218</u>	<u>-</u>	<u>751,492</u>
Deferred grants	27,187	-	932,891	(932,891)	27,187
Deferred developer fee	18,900	-	-	-	18,900
Tenant security deposits	-	-	79,314	-	79,314
Accrued interest	-	-	803,217	(522,791)	280,426
Due to Clare Housing	-	-	198,224	(198,224)	-
Debt - Partnerships, less current portion	-	616,950	11,104,331	(3,263,920)	8,457,361
Total liabilities	<u>389,361</u>	<u>616,950</u>	<u>13,526,195</u>	<u>(4,917,826)</u>	<u>9,614,680</u>
Net assets:					
Without donor restrictions:					
Controlling interest	4,547,115	-	215,370	(135,137)	4,627,348
Controlling interest - board designated	1,198,796	-	-	-	1,198,796
Noncontrolling interests - limited partners	-	-	10,337,543	-	10,337,543
Total net assets without donor restrictions	5,745,911	-	10,552,913	(135,137)	16,163,687
With donor restrictions	3,203,392	-	-	341,172	3,544,564
Total net assets	<u>8,949,303</u>	<u>-</u>	<u>10,552,913</u>	<u>206,035</u>	<u>19,708,251</u>
Total liabilities and net assets	<u>\$ 9,338,664</u>	<u>\$ 616,950</u>	<u>\$ 24,079,108</u>	<u>\$ (4,711,791)</u>	<u>\$ 29,322,931</u>

CLARE HOUSING

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2021

	Clare Housing		Limited Partnerships	Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions			
Revenues and support:					
Resident fees	\$ 2,623,122	\$ -	\$ -	\$ -	\$ 2,623,122
Rental revenues	-	-	1,372,699	(154,555)	1,218,144
Contributions	702,130	141,721	-	-	843,851
Government grants and contracts	1,308,418	-	-	-	1,308,418
Section 1602 grant amortization	-	-	31,985	(31,985)	-
Partnership management fees	58,060	-	-	(58,060)	-
Interest income	52,077	-	590	(44,862)	7,805
TIF revenue	-	-	30,887	-	30,887
Developer fee	12,600	-	-	-	12,600
Other income	29	-	110,869	-	110,898
Net assets released from restrictions	127,765	(127,765)	-	-	-
Total revenues and support	<u>4,884,201</u>	<u>13,956</u>	<u>1,547,030</u>	<u>(289,462)</u>	<u>6,155,725</u>
Expenses:					
Program services:					
Community care homes	1,127,893	-	-	-	1,127,893
Supportive housing	2,164,556	-	2,475,406	(328,147)	4,311,815
Scattered site housing	587,232	-	-	-	587,232
Total program services	<u>3,879,681</u>	<u>-</u>	<u>2,475,406</u>	<u>(328,147)</u>	<u>6,026,940</u>
Management and general	789,809	-	-	-	789,809
Fundraising	351,184	-	-	-	351,184
Total expenses	<u>5,020,673</u>	<u>-</u>	<u>2,475,406</u>	<u>(328,147)</u>	<u>7,167,932</u>
Change in net assets before investment income and loss on uncollected pledges	(136,472)	13,956	(928,376)	38,685	(1,012,207)
Forgiveness of debt	594,500	-	-	-	594,500
Investment income, net	107,173	-	-	-	107,173
Loss on uncollected pledges	-	(8,733)	-	-	(8,733)
Write-off of beneficial interest in trust	-	(31,175)	-	-	(31,175)
Change in net assets	565,201	(25,952)	(928,376)	38,685	(350,442)
Net assets, beginning of year	<u>5,183,960</u>	<u>3,226,094</u>	<u>11,481,289</u>	<u>167,350</u>	<u>20,058,693</u>
Net assets, end of year	<u>\$ 5,749,161</u>	<u>\$ 3,200,142</u>	<u>\$ 10,552,913</u>	<u>\$ 206,035</u>	<u>\$ 19,708,251</u>
Change in net assets attributed to:					
Controlling interest - Clare Housing	\$ 565,201	\$ (25,952)	\$ (198,287)	\$ 38,685	\$ 379,647
Noncontrolling interests - Partnerships	-	-	(730,089)	-	(730,089)
Consolidated total	<u>\$ 565,201</u>	<u>\$ (25,952)</u>	<u>\$ (928,376)</u>	<u>\$ 38,685</u>	<u>\$ (350,442)</u>

See independent auditor's report.

CLARE HOUSING

CONSOLIDATING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2021

	Clare Housing	Limited Partnerships	Eliminations	Total
Cash flows from operating activities:				
Change in net assets	\$ 539,249	\$ (928,376)	\$ 38,685	\$ (350,442)
Adjustments to reconcile the change in net assets to net cash from operating activities:				
Depreciation and amortization of tax credit fees	98,061	710,088	(26,510)	781,639
Interest expense - amortization of finance fees	-	9,284	-	9,284
Section 1602 grant amortization	-	(31,985)	31,985	-
Forgiveness of debt	(594,500)	-	-	(594,500)
Write-off of beneficial interest in trust	31,375	-	-	31,375
Bad debts	-	19,623	-	19,623
Loss on uncollected pledges	8,733	-	-	8,733
Changes in operating assets and liabilities:				
Accounts and TIF receivable	(126,107)	(17,916)	66,268	(77,755)
Contributions receivable	34,065	-	-	34,065
Grants receivable	(102,502)	-	-	(102,502)
Prepaid expenses	(9,003)	11,666	-	2,663
Accounts payable	18,364	87,450	-	105,814
Prepaid rent	-	13,786	-	13,786
Accrued expenses	(2,867)	37,979	(65,566)	(30,454)
Tenant security deposits	-	3,242	-	3,242
Deferred grants	10,142	-	-	10,142
Deferred developer fee	18,900	-	-	18,900
Accrued interest	-	86,310	(44,862)	41,448
Net cash from operating activities	(76,090)	1,151	-	(74,939)
Cash flows from investing activities:				
Payments for property and equipment	(19,365)	-	-	(19,365)
Purchase of investments, net	(107,173)	-	-	(107,173)
Net cash from investing activities	(126,538)	-	-	(126,538)
Cash flows from financing activities:				
Repayment of debt	-	(13,608)	-	(13,608)
Net cash from financing activities	-	(13,608)	-	(13,608)
Net decrease in cash, cash equivalents, and restricted cash	(202,628)	(12,457)	-	(215,085)
Cash, cash equivalents, and restricted cash - beginning of year	1,781,889	2,367,324	-	4,149,213
Cash, cash equivalents, and restricted cash - end of year	\$ 1,579,261	\$ 2,354,867	\$ -	\$ 3,934,128
Reconciliation to the statement of financial position:				
Cash and cash equivalents	\$ 1,579,261	\$ 332,050	-	\$ 1,911,311
Reserves and escrows	-	2,022,817	-	2,022,817
Total cash, cash equivalents, and restricted cash	\$ 1,579,261	\$ 2,354,867	\$ -	\$ 3,934,128
Supplemental disclosures of cash flow information:				
Cash paid for interest	\$ -	\$ 3,091	\$ -	\$ 3,091
Property and equipment in liabilities	\$ -	\$ 72,031	\$ -	\$ 72,031

See independent auditor's report.