



June 20, 2023

To the Board of Directors and Management  
Clare Housing  
Minneapolis, Minnesota

We have audited the consolidated financial statements of Clare Housing and Affiliates (the Organization) for the year ended December 31, 2022, and have issued our report thereon dated June 20, 2023. Professional standards require that we provide you with information about our responsibilities under U.S. generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 6, 2022. Professional standards also require that we communicate to you the following information related to our audit.

#### **SIGNIFICANT AUDIT MATTERS**

##### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 2 of the consolidated financial statements. In 2022, the Organization adopted Accounting Standards Update 2016-02, *Leases* (Topic 842), which updates and improves guidance related to accounting for leases. The Organization elected to utilize the package of available transitional practical expedients and adopted the standard effective January 1, 2022. There was no cumulative effect of adopting ASU 2016-02. No other new accounting policies were adopted, and the application of existing policies was not changed during the current year. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the consolidated financial statements in the proper period.

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the consolidated financial statements were the useful lives of property and equipment and the allocation of expenses by function.

Management's estimates of the useful lives of property and equipment are based on management's experience with similar assets. Management's allocation of functional expenses is based on estimated employee work efforts, usage of specific buildings and space, and gross direct expenses by function. We evaluated the key factors and assumptions used by management to develop these estimates in determining they are reasonable in relation to the consolidated financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the consolidated financial statements taken as a whole.

***Disagreements with Management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the consolidated financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated June 20, 2023.

***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's consolidated financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

***Supplementary Information***

With respect to the supplementary information accompanying the consolidated financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the Schedule of Expenditures of Federal Awards complies with the Uniform Guidance, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the consolidated financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the consolidated financial statements or to the consolidated financial statements themselves.

***Other Matters***

We recommend management obtain and review the annual System and Organization Controls Report (SOC Report) issued for ADP Workforce Now, Bill.com and any other third party service provider for services/software with significant linkage to the financial statements. And any associated update letters. We recommend this to ensure that the controls these service providers have in place that are relied upon by management are properly designed and implemented, and to ensure that the complementary end user controls listed in these SOC Reports are properly designed, implemented and monitored by management.

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This information is intended solely for the use of the Board of Directors and management of the Organization and is not intended to be and should not be used by anyone other than these specified parties.

We thank management and staff for the courtesies extended to us during the course of our work. If there are any questions regarding our audit or this letter, we would be happy to discuss them with you.

*Mahoney Ulbrich*  
*Christiansen & Russ, PA*