

CLARE HOUSING

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

CLARE HOUSING

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

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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, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the 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, 2020, 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 the consolidated financial statements of Clare Housing as of December 31, 2019 , and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated May 19, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited consolidated 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 26 through 28 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.*

May 25, 2021

CLARE HOUSING

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2020
(With Comparative Totals for 2019)

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,937,362	\$ 3,061,419
Accounts receivable	308,750	373,543
TIF receivable	43,038	42,442
Current portion of contributions receivable, net	125,962	130,862
Grants receivable	177,525	125,752
Current portion of prepaid expenses	133,651	73,063
Total current assets	2,726,288	3,807,081
Reserves and escrows	2,211,851	2,500,626
Investments	2,133,495	-
Contributions receivable, less current portion, net	181,537	172,055
Prepaid expenses, less current portion	86,621	98,288
Charitable remainder trusts	31,375	31,375
Other assets, net	84,120	95,947
Property and equipment, net - Clare Housing	1,405,770	1,704,715
Property and equipment, net - Partnerships	21,176,251	21,887,097
Total assets	\$ 30,037,308	\$ 30,297,184
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 109,730	\$ 189,402
Prepaid rent	14,042	23,327
Current portion of debt - Partnerships	10,974	10,484
Accrued expenses	450,722	517,145
Total current liabilities	585,468	740,358
Deferred grants	17,045	-
Tenant security deposits	76,072	72,801
Accrued interest	238,275	196,918
PPP loan	594,500	-
Debt - Partnerships - net, less current portion	8,467,255	8,467,370
Total liabilities	9,978,615	9,477,447
Net assets without donor restrictions:		
Controlling interest	4,136,456	4,043,571
Controlling interest - board designated	1,198,796	1,198,796
Noncontrolling interests - limited partners	11,067,632	11,777,350
Total unrestricted	16,402,884	17,019,717
Net assets with donor restrictions	3,655,809	3,800,020
Total net assets	20,058,693	20,819,737
Total liabilities and net assets	\$ 30,037,308	\$ 30,297,184

See accompanying notes to consolidated financial statements.

CLARE HOUSING

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues and support:				
Resident fees	\$ 2,722,556	\$ -	\$ 2,722,556	\$ 2,735,993
Rental revenues	1,180,600	-	1,180,600	1,141,243
Contributions	534,591	208,360	742,951	689,723
Government grants and contracts	1,305,206	-	1,305,206	991,519
Interest income	14,645	-	14,645	53,295
TIF revenue	29,199	-	29,199	27,868
Other income	125,061	-	125,061	10,909
Net assets released from restrictions	342,621	(342,621)	-	-
Total revenues and support	<u>6,254,479</u>	<u>(134,261)</u>	<u>6,120,218</u>	<u>5,650,550</u>
Expenses:				
Program services:				
Community care homes	1,150,246	-	1,150,246	1,276,462
Supportive housing	4,320,907	-	4,320,907	4,128,049
Scattered site housing	522,846	-	522,846	404,739
Total program services	5,993,999	-	5,993,999	5,809,250
Management and general	661,829	-	661,829	687,489
Fundraising	348,311	-	348,311	359,213
Total expenses	<u>7,004,139</u>	<u>-</u>	<u>7,004,139</u>	<u>6,855,952</u>
Change in net assets - operating	(749,660)	(134,261)	(883,921)	(1,205,402)
Investment income, net	132,827	-	132,827	-
Loss on uncollected pledges	-	(9,950)	(9,950)	(23,241)
Limited partner capital contributions	-	-	-	742,235
Change in net assets	(616,833)	(144,211)	(761,044)	(486,408)
Net assets, beginning of year	<u>17,019,717</u>	<u>3,800,020</u>	<u>20,819,737</u>	<u>21,306,145</u>
Net assets, end of year	<u>\$ 16,402,884</u>	<u>\$ 3,655,809</u>	<u>\$ 20,058,693</u>	<u>\$ 20,819,737</u>
Reconciliation of net assets:				
Controlling interests:				
Beginning of year	\$ 5,242,367	\$ 3,800,020	\$ 9,042,387	\$ 8,923,152
Transfer of partnership interest	-	-	-	344,473
Change in net assets	92,885	(144,211)	(51,326)	(225,238)
End of year	<u>\$ 5,335,252</u>	<u>\$ 3,655,809</u>	<u>\$ 8,991,061</u>	<u>\$ 9,042,387</u>
Noncontrolling interests - limited partners:				
Beginning of year	\$ 11,777,350	\$ -	\$ 11,777,350	\$ 12,382,993
Capital contributions	-	-	-	742,235
Transfer of partnership interest	-	-	-	(344,473)
Other changes in net assets	(709,718)	-	(709,718)	(1,003,405)
End of year	<u>\$ 11,067,632</u>	<u>\$ -</u>	<u>\$ 11,067,632</u>	<u>\$ 11,777,350</u>

See accompanying notes to consolidated financial statements.

CLARE HOUSING

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

	2020						Total	2019
	Community care homes	Supportive housing	Scattered site housing	Total program services	Management and general	Fund-raising		
Salaries	\$ 780,846	\$ 1,545,770	\$ 122,228	\$ 2,448,844	\$ 217,594	\$ 193,002	\$ 2,859,440	
Payroll taxes	53,125	115,149	7,247	175,521	15,470	14,061	205,052	
Employee benefits	107,665	217,541	16,317	341,523	37,031	28,733	407,287	
Total salaries and related	941,636	1,878,460	145,792	2,965,888	270,095	235,796	3,471,779	
Resident supplies and services								
Apartment leases	77,417	101,836	7,302	186,555	-	-	186,555	
Insurance	-	-	365,981	365,981	-	-	365,981	
Postage	381	421	11	813	29,720	-	29,720	
Printing and copying	-	-	-	-	922	291	2,026	
						1,961	1,961	
Professional fees	500	1,177	-	1,677	184,754	43,921	230,352	
Accounting and legal	-	-	-	-	18,250	-	18,250	
Occupancy/utilities	26,848	-	-	26,848	21,169	-	48,017	
Conferences and meetings	288	7,576	-	7,864	762	1,345	9,971	
Supplies	3,748	15,759	681	20,188	5,974	54,956	81,118	
Telephone	19,589	3,693	-	23,282	12,274	65	35,621	
IT support, maintenance and website	1,751	10,523	2,459	14,733	44,377	4,111	63,221	
Rental, repairs and maintenance	23,816	9,410	-	33,226	12,698	174	46,098	
Dues and subscriptions	2,023	1,592	-	3,615	2,078	425	6,118	
Travel	-	-	-	-	375	-	7,412	
Depreciation	48,458	900	-	49,358	52,480	-	101,838	
Miscellaneous	3,791	7,648	620	12,059	5,901	5,266	23,226	
	1,150,246	2,038,995	522,846	3,712,087	661,829	348,311	4,722,227	
Partnerships rental operating expenses:								
Administrative	-	278,897	-	278,897	-	-	300,150	
Property management fee	-	134,957	-	134,957	-	-	128,514	
Building maintenance and operating	-	516,010	-	516,010	-	-	525,370	
Utilities	-	272,907	-	272,907	-	-	229,535	
Property insurance	-	94,394	-	94,394	-	-	93,823	
Real estate taxes	-	203,092	-	203,092	-	-	202,194	
Interest expense	-	49,699	-	49,699	-	-	49,699	
Interest expense - amortization of finance fees	-	9,283	-	9,283	-	-	53,601	
Depreciation	-	710,846	-	710,846	-	-	715,897	
Amortization of tax credit fees	-	11,827	-	11,827	-	-	11,828	
	\$ 1,150,246	\$ 4,320,907	\$ 522,846	\$ 5,993,999	\$ 661,829	\$ 348,311	\$ 6,855,952	
Allocation percentages	16%	62%	8%	86%	9%	5%	100%	

See accompanying notes to consolidated financial statements.

CLARE HOUSING

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2020
(With Comparative Totals for 2019)

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (761,044)	\$ (486,408)
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation and amortization	833,794	846,435
Capital contributions	-	(742,235)
Bad debts	13,487	22,128
Loss on uncollected pledges	9,950	23,241
Gain on sale of property and equipment	(103,594)	-
Changes in operating assets and liabilities:		
Accounts receivable	37,381	(10,165)
Contributions receivable	(14,532)	1,551
Grants receivable	(51,773)	75,559
Prepaid expenses	(48,922)	49,891
Accounts payable	(68,277)	(70,405)
Prepaid rent	(9,285)	(1,615)
Accrued expenses	(52,706)	84,318
Tenant security deposits	3,271	12,273
Deferred grants	17,045	-
Accrued interest	41,448	41,449
Net cash from operating activities	(153,757)	(153,983)
Cash flows from investing activities:		
Payments for property and equipment	(33,855)	(170,344)
Proceeds from sale of property and equipment	334,556	-
Purchase of investments, net	(2,266,322)	-
Reinvested investment interest and dividends	132,827	-
Net cash from investing activities	(1,832,794)	(170,344)
Cash flows from financing activities:		
Limited partner capital contributions	-	742,235
Proceeds from PPP loan	594,500	-
Payment to Clare Housing - development advances	(11,874)	-
Repayment of debt	(8,907)	(8,432)
Net cash from financing activities	573,719	733,803
Net increase (decrease) in cash, cash equivalents, and restricted cash	(1,412,832)	409,476
Cash, cash equivalents, and restricted cash at beginning of year	5,562,045	5,152,569
Cash, cash equivalents, and restricted cash at end of year	\$ 4,149,213	\$ 5,562,045
Reconciliation to the statement of financial position:		
Cash and cash equivalents	\$ 1,937,362	\$ 3,061,419
Reserves and escrows	2,211,851	2,500,626
Total cash, cash equivalents, and restricted cash	\$ 4,149,213	\$ 5,562,045
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 8,251	\$ 12,152

See accompanying notes to consolidated financial statements.

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2020
(With Comparative Totals for 2019)

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, 2020, 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, 2020, 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 LLC's, 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, 2020
(With Comparative Totals for 2019)

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. Effective December 31, 2019, the limited partner assigned its limited partnership interest to Clare Apartments II LLC, which is also a wholly owned single member limited liability company.

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 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, 2020
(With Comparative Totals for 2019)

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 has presented losses on uncollected pledges, investment income, 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.

Statement of Cash Flows - 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 and or cash equivalents.

Accounts 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, 2020 and 2019, management has determined that no valuation allowance is necessary.

Grants and 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. As of December 31, 2020 and 2019, the valuation allowance balance is \$6,657.

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2020
(With Comparative Totals for 2019)

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, 2020
(With Comparative Totals for 2019)

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 grant 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, 2020
(With Comparative Totals for 2019)

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 of 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, 2019, 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, 2020
(With Comparative Totals for 2019)

3. RESERVES AND ESCROWS (Continued)

Reserves and escrows consist of the following amounts:

	2020	2019
Security deposits	\$ 80,233	\$ 75,279
Tax and insurance escrow	26,605	59,395
Replacement reserve	438,943	518,367
Operating reserve	770,762	667,889
Revenue deficit reserve	749,180	1,040,357
Other	146,128	139,339
	\$ 2,211,851	\$ 2,500,626

4. FAIR VALUE MEASUREMENTS

The following is a summary of the inputs used to value investments as of December 31, 2020:

	Fair Value	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)
Money market cash	\$ 531,783	\$ -	\$ -	\$ -
Mutual and exchange traded funds	1,601,712	\$ 1,601,712	\$ -	\$ -
Total	\$ 2,133,495			

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2020
(With Comparative Totals for 2019)

5. CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable are due as follows:

	<u>2020</u>	<u>2019</u>
Contributions receivable within one year	\$ 125,962	\$ 130,862
Grants receivable within one year	177,525	125,752
Receivable in 1 - 5 years	188,194	178,712
	<u>491,681</u>	<u>435,326</u>
Less discount	(6,657)	(6,657)
Contributions and grants receivable, net	485,024	428,669
Less current portion	<u>(303,487)</u>	<u>(256,614)</u>
Contributions and grants receivable, net, noncurrent	<u>\$ 181,537</u>	<u>\$ 172,055</u>

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

6. CONDITIONAL PROMISES TO GIVE

At December 31, 2020, 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. They include the following:

HOPWA	\$ 465,287
MN Housing	179,481
Minnesota Department of Human Services	<u>399,531</u>
Remaining commitments to April 2023	<u>\$ 1,044,299</u>

Conditional contributions are not recognized in the financial statements until the conditions have been met.

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2020
(With Comparative Totals for 2019)

7. 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, 2020 and 2019, management estimates Clare Housing's portion of the trusts is \$31,375.

8. PROPERTY AND EQUIPMENT

	2020	2019
Clare Housing:		
Land - housing	\$ 93,600	\$ 106,100
Land improvements - housing	76,749	80,144
Buildings and improvements - housing	1,505,005	1,827,551
Furniture and equipment - housing	84,432	118,309
Furniture and equipment - office	193,222	168,768
Office space	520,383	520,383
	2,473,391	2,821,255
Less accumulated depreciation	(1,067,621)	(1,116,540)
Clare Housing, net	\$ 1,405,770	\$ 1,704,715
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
	26,876,269	26,876,269
Less accumulated depreciation	(5,700,018)	(4,989,172)
Partnerships, net	\$ 21,176,251	\$ 21,887,097

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.

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2020
(With Comparative Totals for 2019)

9. 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. At December 31, 2019, there was no outstanding balance on the line of credit. The line expired June 30, 2020 and was not renewed.

10. DEBT

PARTNERSHIPS:

Debt of the Partnerships consists of:

	2020	2019
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	126,675	135,581
Family Housing Fund	100,000	100,000
	8,671,570	8,680,476
Less current portion	(10,974)	(10,484)
Less unamortized finance fees	(193,341)	(202,622)
	\$ 8,467,255	\$ 8,467,370

Minnesota Housing Financing Agency Loans - 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, 2020
(With Comparative Totals for 2019)

10. 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.

Hennepin County Loans - 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.

City of Minneapolis Loans - 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, 2020
(With Comparative Totals for 2019)

10. 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.

Bremer Bank Loan - 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, 2020). 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.

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.

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2020
(With Comparative Totals for 2019)

10. DEBT (Continued)

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

2021	\$	10,974
2022		11,469
2023		11,986
2024		12,515
2025		13,091
Thereafter		<u>8,611,535</u>
	\$	<u>8,671,570</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.

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2020
(With Comparative Totals for 2019)

11. NET ASSETS

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

	2020	2019
Clare Housing:		
Subject to the passage of time		
Contributions receivable (2021 - 2023)	\$ 307,499	\$ 302,917
Future operations	43,500	107,000
Subject to appropriation and expenditure when specified events occur		
Charitable remainder trusts	31,375	31,375
	382,374	441,292
Partnerships:		
Not subject to appropriation or expenditure		
Capital grants - housing	2,846,970	2,846,970
1602 grant for Clare Hiawatha - housing	426,465	511,758
	3,273,435	3,358,728
	\$ 3,655,809	\$ 3,800,020

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:

	2020	2019
Clare Housing:		
Contributions receivable - time restricted	\$ 172,035	\$ 162,901
Partnerships:		
1602 grant for Clare Hiawatha - housing	85,293	85,293
	\$ 257,328	\$ 248,194

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2020
(With Comparative Totals for 2019)

11. 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.

12. 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, 2020, Clare Housing has 15 leases with terms ranging from 1 to 12 months. Lease expense was \$365,981 for 2020 and \$279,147 for 2019.

13. 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, 2020
(With Comparative Totals for 2019)

14. 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 \$68,451 for 2020, and \$77,490 for 2019.

15. 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, 2020 and 2019, deposits exceeded the insured limit by \$1,632,121 and \$1,633,463. Of these amounts, \$209,190 and \$115,581 are attributable to Clare Housing, \$728,151 and \$776,571 are attributable to Clare Hiawatha and \$694,780 and \$741,311 are attributable to the other limited partnerships.

Approximately 48% and 47% of Clare Housing's 2020 and 2019 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, 2020
(With Comparative Totals for 2019)

15. **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 developed 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. Clare Housing also received \$59,000 of provider relief funds related to COVID relief legislation.

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

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2020
(With Comparative Totals for 2019)

16. SUBSCRIPTIONS RECEIVABLE (Continued)

recorded when received. At December 31, 2020, remaining outstanding capital contributions are \$658,605 expected to be paid in 2022.

17. 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, 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

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2020
(With Comparative Totals for 2019)

17. LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

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.

December 31, 2019:	Clare Housing	Limited Partnerships	Consolidated
Cash and cash equivalents	\$ 2,913,125	\$ 148,294	\$ 3,061,419
Accounts receivable	354,830	18,713	373,543
Current portion of contributions receivable, net	130,862	-	130,862
Grants receivable	125,752	-	125,752
Total financial assets available within one year	3,524,569	167,007	3,691,576
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	\$ 2,325,773	\$ 167,007	\$ 2,492,780

In addition, the Limited Partnerships have \$59,395 of escrowed funds available to pay 2020 property taxes and insurance. Those funds are not reflected in the table above.

18. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through May 25, 2021, the date the financial statements were available to be issued.

(Continued)

CONSOLIDATING FINANCIAL STATEMENTS

CLARE HOUSING

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2020

	Clare Housing	Clare Hiawatha LLC	Limited Partnerships	Eliminations	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,781,889	\$ -	\$ 155,473	\$ -	\$ 1,937,362
Accounts receivable	252,189	-	56,561	-	308,750
TIF receivable	-	-	43,038	-	43,038
Current portion of contributions receivable, net	125,962	-	-	-	125,962
Grants receivable	177,525	-	-	-	177,525
Current portion of prepaid expenses	121,984	-	11,667	-	133,651
Total current assets	<u>2,459,549</u>	<u>-</u>	<u>266,739</u>	<u>-</u>	<u>2,726,288</u>
Reserves and escrows	-	-	2,211,851	-	2,211,851
Investments	2,133,495	-	-	-	2,133,495
Contributions receivable, less current portion, net	181,537	-	-	-	181,537
Notes receivable	2,646,970	-	-	(2,646,970)	-
Prepaid expenses, less current portion	-	-	86,621	-	86,621
Charitable remainder trusts	31,375	-	-	-	31,375
Other assets, net	-	-	84,120	-	84,120
Investment in Partnerships	325,162	-	-	(325,162)	-
Due from Partnerships	131,956	616,950	-	(748,906)	-
Property and equipment, net - Clare Housing	1,405,770	-	-	-	1,405,770
Property and equipment, net - Partnerships	-	-	22,127,246	(950,995)	21,176,251
Total assets	<u>\$ 9,315,814</u>	<u>\$ 616,950</u>	<u>\$ 24,776,577</u>	<u>\$ (4,672,033)</u>	<u>\$ 30,037,308</u>
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable	\$ 61,756	\$ -	\$ 47,974	\$ -	\$ 109,730
Prepaid rent	-	-	14,042	-	14,042
Current portion of debt - Partnerships	-	-	10,974	-	10,974
Accrued expenses	232,459	-	218,263	-	450,722
Total current liabilities	<u>294,215</u>	<u>-</u>	<u>291,253</u>	<u>-</u>	<u>585,468</u>
Deferred grants	17,045	-	964,876	(964,876)	17,045
Tenant security deposits	-	-	76,072	-	76,072
Accrued interest	-	-	716,906	(478,631)	238,275
PPP loan	594,500	-	-	-	594,500
Due to Clare Housing	-	-	131,956	(131,956)	-
Debt - Partnerships, less current portion	-	616,950	11,114,225	(3,263,920)	8,467,255
Total liabilities	<u>905,760</u>	<u>616,950</u>	<u>13,295,288</u>	<u>(4,839,383)</u>	<u>9,978,615</u>
Net assets:					
Without donor restrictions:					
Controlling interest	3,981,914	-	413,657	(259,115)	4,136,456
Controlling interest - board designated	1,198,796	-	-	-	1,198,796
Noncontrolling interests - limited partners	-	-	11,067,632	-	11,067,632
Total net assets without donor restrictions	<u>5,180,710</u>	<u>-</u>	<u>11,481,289</u>	<u>(259,115)</u>	<u>16,402,884</u>
With donor restrictions	3,229,344	-	-	426,465	3,655,809
Total net assets	<u>8,410,054</u>	<u>-</u>	<u>11,481,289</u>	<u>167,350</u>	<u>20,058,693</u>
Total liabilities and net assets	<u>\$ 9,315,814</u>	<u>\$ 616,950</u>	<u>\$ 24,776,577</u>	<u>\$ (4,672,033)</u>	<u>\$ 30,037,308</u>

See independent auditor's report.

CLARE HOUSING

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2020

	Clare Housing		Limited Partnerships	Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions			
Revenues and support:					
Resident fees	\$ 2,722,556	\$ -	\$ -	\$ -	\$ 2,722,556
Rental revenues	-	-	1,353,255	(172,655)	1,180,600
Contributions	534,591	208,360	-	-	742,951
Government grants and contracts	1,305,206	-	-	-	1,305,206
Section 1602 grant amortization	-	-	31,985	(31,985)	-
Partnership management fees	56,369	-	-	(56,369)	-
Interest income	51,345	-	6,047	(42,747)	14,645
TIF revenue	-	-	29,199	-	29,199
Other income	103,173	-	21,888	-	125,061
Net assets released from restrictions	257,328	(257,328)	-	-	-
Total revenues and support	<u>5,030,568</u>	<u>(48,968)</u>	<u>1,442,374</u>	<u>(303,756)</u>	<u>6,120,218</u>
Expenses:					
Program services:					
Community care homes	1,150,246	-	-	-	1,150,246
Supportive housing	2,253,695	-	2,407,538	(340,326)	4,320,907
Scattered site housing	522,846	-	-	-	522,846
Total program services	<u>3,926,787</u>	<u>-</u>	<u>2,407,538</u>	<u>(340,326)</u>	<u>5,993,999</u>
Management and general	661,829	-	-	-	661,829
Fundraising	348,311	-	-	-	348,311
Total expenses	<u>4,936,927</u>	<u>-</u>	<u>2,407,538</u>	<u>(340,326)</u>	<u>7,004,139</u>
Change in net assets before investment income and loss on uncollected pledges	93,641	(48,968)	(965,164)	36,570	(883,921)
Investment income, net	132,827	-	-	-	132,827
Loss on uncollected pledges	-	(9,950)	-	-	(9,950)
Change in net assets	226,468	(58,918)	(965,164)	36,570	(761,044)
Net assets, beginning of year	<u>4,957,492</u>	<u>3,285,012</u>	<u>12,446,453</u>	<u>130,780</u>	<u>20,819,737</u>
Net assets, end 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>
Change in net assets attributed to:					
Controlling interest - Clare Housing	\$ 226,468	\$ (58,918)	\$ (255,446)	\$ 36,570	\$ (51,326)
Noncontrolling interests - Partnerships	-	-	(709,718)	-	(709,718)
Consolidated total	<u>\$ 226,468</u>	<u>\$ (58,918)</u>	<u>\$ (965,164)</u>	<u>\$ 36,570</u>	<u>\$ (761,044)</u>

See independent auditor's report.

CLARE HOUSING

CONSOLIDATING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2020

	Clare Housing	Limited Partnerships	Eliminations	Total
Cash flows from operating activities:				
Change in net assets	\$ 167,550	\$ (965,164)	\$ 36,570	\$ (761,044)
Adjustments to reconcile the change in net assets to net cash from operating activities:				
Depreciation and amortization of tax credit fees	101,838	749,183	(26,510)	824,511
Interest expense - amortization of finance fees	-	9,283	-	9,283
Section 1602 grant amortization	-	(31,985)	31,985	-
Bad debts	-	13,487	-	13,487
Loss on uncollected pledges	9,950	-	-	9,950
Gain on sale of property and equipment	(103,594)	-	-	(103,594)
Changes in operating assets and liabilities:				
Accounts receivable	144,663	(65,260)	(42,022)	37,381
Contributions receivable	(14,532)	-	-	(14,532)
Grants receivable	(51,773)	-	-	(51,773)
Prepaid expenses	(112,195)	63,273	-	(48,922)
Accounts payable	23,497	(91,774)	-	(68,277)
Prepaid rent	-	(9,285)	-	(9,285)
Accrued expenses	(75,391)	(20,039)	42,724	(52,706)
Tenant security deposits	-	3,271	-	3,271
Deferred grants	17,045	-	-	17,045
Accrued interest	-	84,195	(42,747)	41,448
Net cash from operating activities	<u>107,058</u>	<u>(260,815)</u>	<u>-</u>	<u>(153,757)</u>
Cash flows from investing activities:				
Payments for property and equipment	(33,855)	-	-	(33,855)
Proceeds from sale of property and equipment	334,556	-	-	334,556
Purchase of investments, net	(2,266,322)	-	-	(2,266,322)
Reinvested investment interest and dividends	132,827	-	-	132,827
Net cash from investing activities	<u>(1,832,794)</u>	<u>-</u>	<u>-</u>	<u>(1,832,794)</u>
Cash flows from financing activities:				
PPP loan	594,500	-	-	594,500
Payment to Clare Housing - development advances	-	(11,874)	-	(11,874)
Repayment of debt	-	(8,907)	-	(8,907)
Net cash from financing activities	<u>594,500</u>	<u>(20,781)</u>	<u>-</u>	<u>573,719</u>
Net decrease in cash, cash equivalents, and restricted cash	(1,131,236)	(281,596)	-	(1,412,832)
Cash, cash equivalents, and restricted cash - beginning of year	<u>2,913,125</u>	<u>2,648,920</u>	<u>-</u>	<u>5,562,045</u>
Cash, cash equivalents, and restricted cash - end of year	<u>\$ 1,781,889</u>	<u>\$ 2,367,324</u>	<u>\$ -</u>	<u>\$ 4,149,213</u>
Reconciliation to the statement of financial position:				
Cash and cash equivalents	\$ 1,781,889	\$ 155,473	-	\$ 1,937,362
Reserves and escrows	-	2,211,851	-	2,211,851
Total cash, cash equivalents, and restricted cash	<u>\$ 1,781,889</u>	<u>\$ 2,367,324</u>	<u>\$ -</u>	<u>\$ 4,149,213</u>
Supplemental disclosures of cash flow information:				
Cash paid for interest	<u>\$ -</u>	<u>\$ 8,251</u>	<u>\$ -</u>	<u>\$ 8,251</u>

See independent auditor's report.