



CLARE HOUSING

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2025



CLARE HOUSING

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2025
(With Comparative Totals for 2024)

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Consolidated Financial Statements:	
Consolidated Statement of Financial Position	4
Consolidated Statement of Activities	5
Consolidated Statement of Functional Expenses	6
Consolidated Statement of Cash Flows	7
Notes to the Consolidated Financial Statements	8
Supplementary Information:	
Consolidating Statement of Financial Position	28
Consolidating Statement of Activities	29
Consolidating Statement of Cash Flows	30



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Clare Housing
Minneapolis, Minnesota

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, 2025, 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.

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, 2025, 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 consolidated 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 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 consolidated 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 consolidated 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 audited consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated 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 our audit of the consolidated 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.

(Continued)

Report on Summarized Comparative Information

We have previously audited Clare Housing's 2024 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated July 23, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024, is consistent, in all material respects, with the audited consolidated 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 consolidated financial statements as a whole. The accompanying supplementary information shown on pages 28 to 30 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 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 information is fairly stated in all material respects in relation to the consolidated 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 27, 2026, 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.

May 27, 2026

Mahoney Ulbrich
Christiansen & Russ, PA

CLARE HOUSING

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2025
(With Comparative Totals for 2024)

	2025	2024
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 769,610	\$ 341,354
Accounts receivable, net	396,671	381,101
TIF receivable	5,791	11,261
Current portion of contributions receivable, net	138,712	184,309
Grants receivable	818,954	400,267
Current portion of prepaid expenses	186,014	121,188
Total current assets	2,315,752	1,439,480
Reserves and escrows	4,741,086	2,086,669
Investments	3,431,393	3,440,650
Contributions receivable, less current portion, net	85,933	47,250
Prepaid expenses, less current portion	39,958	41,286
Other assets, net	110,914	52,379
Property and equipment, net - Clare Housing	2,268,310	1,434,371
Property and equipment, net - Partnerships	17,513,296	18,686,241
Total assets	\$ 30,506,642	\$ 27,228,326
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 247,137	\$ 130,227
Prepaid rent	18,491	38,482
Current portion of debt - Partnerships	12,614	11,912
Construction payable	15,495	-
Accrued expenses	582,217	469,609
Total current liabilities	875,954	650,230
Deferred grants	2,904,982	127,000
Tenant security deposits	116,822	107,630
Accrued interest	338,696	406,514
Debt - Clare Housing	50,000	50,000
Debt - Partnerships, net	6,809,405	8,442,364
Total liabilities	11,095,859	9,783,738
Net assets without donor restrictions:		
Controlling interest	5,288,738	3,610,757
Controlling interest - board designated	3,160,319	3,178,415
Noncontrolling interests - limited partners	9,443,865	8,546,913
Total unrestricted	17,892,922	15,336,085
Net assets with donor restrictions	1,517,861	2,108,503
Total net assets	19,410,783	17,444,588
Total liabilities and net assets	\$ 30,506,642	\$ 27,228,326

See accompanying notes to consolidated financial statements.

CLARE HOUSING

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2025
(With Comparative Totals for 2024)

	2025			2024
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues and support:				
Program fees	\$ 3,584,922	\$ -	\$ 3,584,922	\$ 3,490,612
Rent revenues, net	1,558,045	-	1,558,045	1,390,771
Contributions	722,317	142,333	864,650	1,078,214
Government grants and contracts	4,718,953	-	4,718,953	3,056,354
Interest income	91,210	-	91,210	99,026
TIF revenue	12,315	-	12,315	11,277
Other income	61,697	-	61,697	108,366
Net assets released from restrictions	232,975	(232,975)	-	-
Total revenues and support	<u>10,982,434</u>	<u>(90,642)</u>	<u>10,891,792</u>	<u>9,234,620</u>
Expenses:				
Program services	9,404,744	-	9,404,744	8,489,105
Management and general	942,755	-	942,755	942,289
Fundraising	423,699	-	423,699	333,211
Total expenses	<u>10,771,198</u>	<u>-</u>	<u>10,771,198</u>	<u>9,764,605</u>
Change in net assets - operating	211,236	(90,642)	120,594	(529,985)
Forgiveness of debt	1,487,118	-	1,487,118	-
Impairment loss	(1,455,132)	-	(1,455,132)	-
Investment income, net	301,904	-	301,904	211,533
Loss on uncollected pledges	-	-	-	(6,749)
Limited Partner capital contributions	1,576,711	-	1,576,711	-
Organization and start-up costs	(65,000)	-	(65,000)	-
Net assets released from restrictions - capital	500,000	(500,000)	-	-
Change in net assets	2,556,837	(590,642)	1,966,195	(325,201)
Net assets, beginning of year	<u>15,336,085</u>	<u>2,108,503</u>	<u>17,444,588</u>	<u>17,769,789</u>
Net assets, end of year	<u>\$ 17,892,922</u>	<u>\$ 1,517,861</u>	<u>\$ 19,410,783</u>	<u>\$ 17,444,588</u>
Reconciliation of net assets:				
Controlling interests:				
Beginning of year	\$ 6,789,172	\$ 2,108,503	\$ 8,897,675	\$ 8,605,016
Change in net assets	<u>1,659,885</u>	<u>(590,642)</u>	<u>1,069,243</u>	<u>292,659</u>
End of year	<u>\$ 8,449,057</u>	<u>\$ 1,517,861</u>	<u>\$ 9,966,918</u>	<u>\$ 8,897,675</u>
Noncontrolling interests - limited partners:				
Beginning of year	\$ 8,546,913	\$ -	\$ 8,546,913	\$ 9,164,773
Capital contributions	1,592,013	-	1,592,013	-
Change in net assets	<u>(695,061)</u>	<u>-</u>	<u>(695,061)</u>	<u>(617,860)</u>
End of year	<u>\$ 9,443,865</u>	<u>\$ -</u>	<u>\$ 9,443,865</u>	<u>\$ 8,546,913</u>

See accompanying notes to consolidated financial statements.

CLARE HOUSING

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2025
(With Comparative Totals for 2024)

	2025				2024
	Program services	Management and general	Fund-raising	Total	
Salaries	\$ 4,037,586	\$ 405,826	\$ 208,558	\$ 4,651,970	\$ 4,416,585
Payroll taxes	334,863	32,647	17,210	384,720	376,371
Employee benefits	610,273	75,523	33,146	718,942	708,230
Total salaries and related	4,982,722	513,996	258,914	5,755,632	5,501,186
Resident supplies and services	196,832	7,648	60	204,540	184,231
Apartment leases	1,180,010	-	-	1,180,010	976,570
Insurance	-	49,980	-	49,980	159,010
Mileage Reimbursements	10,057	50	194	10,301	15,896
Professional fees	129,345	13,188	67,470	210,003	103,090
Accounting and legal	5,951	107,361	-	113,312	137,385
Utilities	55,734	33,424	-	89,158	77,048
Staff training and conferences	42,531	5,746	-	48,277	45,554
Office supplies	34,957	54,147	77,574	166,678	93,790
Taxes, licenses, and fees	1,260	13,815	8,035	23,110	34,563
IT support, maintenance and website	46,344	75,979	9,723	132,046	131,643
Rental, repairs and maintenance	37,379	8,169	-	45,548	39,859
Dues and subscriptions	3,339	22,794	1,729	27,862	29,830
Depreciation	76,991	31,460	-	108,451	80,500
Interest	-	4,998	-	4,998	5,000
	<u>6,803,452</u>	<u>942,755</u>	<u>423,699</u>	<u>8,169,906</u>	<u>7,615,155</u>
Partnerships rental operating expenses:					
Administrative	437,380	-	-	437,380	304,996
Building maintenance and operating	872,533	-	-	872,533	723,455
Utilities	325,474	-	-	325,474	393,304
Property insurance	188,778	-	-	188,778	142,015
Real estate taxes	64,628	-	-	64,628	169,932
Interest expense	44,209	-	-	44,209	49,731
Interest expense - amortization of finance fees	17,261	-	-	17,261	9,282
Partnership management fee	26,605	-	-	26,605	42,009
Depreciation	616,665	-	-	616,665	623,156
Amortization of tax credit fees	7,759	-	-	7,759	7,758
	<u>\$ 9,404,744</u>	<u>\$ 942,755</u>	<u>\$ 423,699</u>	<u>\$ 10,771,198</u>	<u>\$ 10,080,793</u>
Allocation percentages	<u>87%</u>	<u>9%</u>	<u>4%</u>	<u>100%</u>	

See accompanying notes to consolidated financial statements.

CLARE HOUSING

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2025

(With Comparative Totals for 2024)

	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ 1,966,195	\$ (325,201)
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation and amortization	750,134	722,356
Limited partner capital contributions	(1,576,711)	-
Impairment loss	1,455,132	-
Debt forgiveness	(1,487,118)	-
Unrealized (gain) loss on investments	(227,022)	(118,221)
Bad debts	37,346	30,823
Loss on uncollected contributions	-	6,749
Changes in operating assets and liabilities:		
Accounts and TIF receivable	(49,665)	(1,288)
Contributions receivable	6,914	(146)
Grants receivable	(418,687)	29,921
Prepaid expenses	(63,505)	26,874
Accounts payable	95,430	(120,033)
Prepaid rent	(17,770)	22,436
Accrued expenses	112,608	(9,851)
Tenant security deposits	9,192	13,652
Deferred grants	277,982	127,000
Accrued interest	41,024	68,728
Net cash from operating activities	911,479	473,799
Cash flows from investing activities:		
Payments for property and equipment	(1,789,850)	(131,470)
Sales of investments	1,343,798	357,366
Purchase of investments	(1,107,519)	(703,946)
Net cash from investing activities	(1,553,571)	(478,050)
Cash flows from financing activities:		
Limited partner capital contributions	1,576,711	-
Repayment of debt	(116,571)	(20,292)
Proceeds from grants for acquisition of property and equipment	2,500,000	-
Payment of finance and tax credit fees	(235,375)	-
Net cash from financing activities	3,724,765	(20,292)
Net decrease in cash, cash equivalents, and restricted cash	3,082,673	(24,543)
Cash, cash equivalents, and restricted cash at beginning of year	2,428,023	2,452,566
Cash, cash equivalents, and restricted cash at end of year	\$ 5,510,696	\$ 2,428,023
Reconciliation to the statement of financial position:		
Cash and cash equivalents	\$ 769,610	\$ 341,354
Reserves and escrows	4,741,086	2,086,669
Total cash, cash equivalents, and restricted cash	\$ 5,510,696	\$ 2,428,023
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 4,520	\$ 6,067
Property and equipment additions in accounts payable	\$ 36,956	\$ -

See accompanying notes to consolidated financial statements.

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2025
(With Comparative Totals for 2024)

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's programming includes four Clare-owned, community care homes, four supportive housing communities serving 192 low-income residents, and 117 scattered site housing units throughout the twin cities metro area, and 112 scattered site housing units in Greater MN as of December 31, 2025. Clare Housing also operates a hotel-to-housing program, a short-term rental, mortgage, and utilities assistance program among other supportive services and pilot programs.

Clare Housing's primary revenues are program 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

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, Limited Partner contributions, and investment income separate from operating results because management believes the presentation better assists users of the financial statements with analyzing its operating results.

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2025
(With Comparative Totals for 2024)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

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. The Clare Apartments was sold to Clare Apartments II, Limited Partnership on November 5, 2025.

Clare Apartments II GP, LLC is a wholly owned single member limited liability company. Clare Apartments II GP, LLC owns a .01% general partner interest in Clare Apartments II Limited Partnership (Clare Apartments II). As of November 5, 2025, Clare Apartments II is a 32-unit apartment complex in Minneapolis, Minnesota.

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

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

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 and Cinnare. 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.

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2025
(With Comparative Totals for 2024)

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

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.

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 restricted cash.

Accounts and Grants Receivable - Accounts and grants receivable are uncollateralized obligations stated at net realizable value. The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected taking into consideration relevant economic conditions, the age of the past due amounts and the financial stability of the client. As of December 31, 2025 and 2024, management of Clare Housing estimated allowances of \$5,039 and \$23,088. Accounts and grants receivable are written off when management estimates that the receivable is worthless. The Partnerships also provide allowances based upon historic experience, relevant economic conditions, and the financial stability of the tenants. Periodic changes to the tenant accounts receivable and allowances are presented as an adjustment to rental revenue on the Partnership's financial statements.

Developer Fee and TIF Receivables - Developer fee and Tax Increment Financing (TIF) receivables are 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. Amortization of the discount is recorded as contribution revenue. Contributions receivable are written off when management estimates that the receivable is worthless.

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.

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2025
(With Comparative Totals for 2024)

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

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, estimated by management based on applicable market comparisons, 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 in excess of \$5,000, 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. An impairment loss was recognized during 2025 as described in Note 7. No impairment loss was recognized during 2024.

Program Fees - Program 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.

Rent Revenues - Rent revenues on residential leases are recognized over the period to which they relate. Rent payments received in advance are deferred until earned. Leases are operating leases and are for periods of up to one year.

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2025
(With Comparative Totals for 2024)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Developer Fees - Developer fees are recognized when earned according to the Development Agreement.

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 when received. These grants are subject to several requirements, including that the properties be operated as low income housing for a specific time period, and are repayable if the restrictions are not met. Grants received prior to October 1, 2019, are reported as net assets with donor restrictions and released to net assets without donor restrictions upon expiration of the grant requirements because they were awarded prior to adopting ASU 2018-08. Grants received after October 1, 2019, are reported as deferred grants until expiration of the grant requirements and right of return.

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 Accounting Standards Update (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.

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2025
(With Comparative Totals for 2024)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2024, from which the summarized information was derived.

Reclassifications - Certain reclassifications have been made to the December 31, 2024 financial statements in order for them to conform to the December 31, 2025 presentation. These reclassifications had no effect on net assets or the change in net assets.

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2025
(With Comparative Totals for 2024)

3. FAIR VALUE MEASUREMENTS

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

	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)
2025				
Money market cash	\$ 37,745	\$ -	\$ -	\$ -
Certificates of deposit	271,074	\$ -	\$ 271,074	\$ -
Mutual and exchange traded funds	1,812,799	\$ 1,812,799	\$ -	\$ -
Equities	1,295,281	\$ 1,295,281	\$ -	\$ -
Other assets	14,494	\$ 14,494	\$ -	\$ -
Total	\$ 3,431,393			
2024				
Money market cash	\$ 722,814	\$ -	\$ -	\$ -
Certificates of deposit	262,236	\$ -	\$ 262,236	\$ -
Mutual and exchange traded funds	1,475,842	\$ 1,475,842	\$ -	\$ -
Equities	965,580	\$ 965,580	\$ -	\$ -
REITs	14,178	\$ 14,178	\$ -	\$ -
Total	\$ 3,440,650			

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2025
(With Comparative Totals for 2024)

4. 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.

Reserves and escrows consist of the following amounts:

	2025	2024
Security deposits	\$ 120,099	\$ 108,215
Tax and insurance escrow	11,811	22,409
Replacement reserve	273,075	367,592
Operating reserve	569,070	583,540
Revenue deficit reserve	912,947	882,533
Construction cash	2,739,745	-
Other	114,321	122,380
	\$ 4,741,068	\$ 2,086,669

5. CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions receivable are due as follows:

	2025	2024
Contributions receivable within one year	\$ 144,291	\$ 188,205
Receivable in 1 - 5 years	98,474	56,151
	242,765	244,356
Less discount	(12,541)	(7,217)
Less allowance for uncollectible contributions	(5,579)	(5,580)
Contributions receivable, net	224,645	231,559
Less current portion, net	(138,712)	(184,309)
Contributions receivable, net, noncurrent	\$ 85,933	\$ 47,250

Contributions receivable are discounted to present value at the 2 year Treasury Rate of 4.33% in 2025 and 2024 . Grants receivable are all due within one year.

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2025
(With Comparative Totals for 2024)

6. **CONDITIONAL PROMISES TO GIVE**

At December 31, 2025, Clare Housing has government grants and other contributions with remaining commitments that are conditioned 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	\$ 3,254,289
Housing Development	40,400
Minnesota Department of Human Services	38,241
MN Housing	596,285
Hennepin County	32,148
Hearth Connection	49,769
Remaining commitments	\$ 4,011,132

7. **PROPERTY AND EQUIPMENT**

	2025	2024
Clare Housing:		
Land - housing	\$ 172,600	\$ 93,600
Land improvements - housing	76,750	76,750
Buildings and improvements - housing	2,552,487	1,761,312
Furniture and equipment - housing	179,772	105,371
Furniture and equipment - office	228,241	228,241
Office space	520,383	520,383
Development in progress	61,494	63,680
	3,791,727	2,849,337
Less accumulated depreciation	(1,523,417)	(1,414,966)
Clare Housing, net	\$ 2,268,310	\$ 1,434,371
Partnerships:		
Land	\$ 2,791,852	\$ 2,259,471
Land improvements	605,057	716,957
Buildings and improvements	18,961,568	23,228,841
Furniture and equipment	413,600	711,854
Development in progress	946,438	38,449
	23,718,515	26,955,572
Less accumulated depreciation	(6,205,219)	(8,480,951)
Partnerships, net	\$ 17,513,296	\$ 18,474,621

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2025
(With Comparative Totals for 2024)

7. **PROPERTY AND EQUIPMENT (Continued)**

Development in progress for 2024 includes preliminary consulting and application fees for three projects in development; rehabilitation of Clare Apartments II, development of Clare V, a proposed 55+ apartment building, and development of Clare Digs a 4-6 unit “no-barriers” housing project.

Development in progress for 2025 includes rehabilitation costs for Clare Apartments II and preliminary consulting and application fees for Clare V.

Real estate taxes of \$21,461 were capitalized during the period for Clare Apartments II.

The Organization has an outstanding construction contract for Clare Apartments II in the amount of \$6,828,835 of which \$233,454 has been completed and \$11,673 is payable as of December 31, 2025.

During 2025, the Organization sold the building owned by Clare Apartments to Clare Apartments II. In connection with this sale, the Organization obtained an independent third-party appraisal of the property as of April 14, 2025. The appraisal indicated that the fair value of the building was less than the carrying amount.

As a result, the Organization determined that the carry amount of the building was not recoverable and recognized an impairment loss of \$1,455,132 during the year ended December 31, 2025. The impairment loss represents the excess of the carrying amount of the building over its estimated fair value. The impairment loss is included in Impairment loss within the consolidated statement of activities for the year ended December 31, 2025, and is reported within net assets without donor restrictions. The fair value of the property was determined using a third-party appraisal that applied an income and market approach based on recent market data and projected cash flows for comparable low-income housing properties.

Following recognition of the impairment, the carrying amount of the building was reduced to \$937,871 as of December 31, 2025. No additional impairment indicators were identified for the Organization’s remaining long-lived assets as of December 31, 2025.

The impairment charge does not affect the Organization’s liquidity or compliance with financial covenants, it is a non-cash charge.

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2025
(With Comparative Totals for 2024)

8. DEBT

	2025	2024
Clare Housing:		
CSH Note	\$ 50,000	\$ 50,000
Partnerships:		
Minnesota Housing Financing Agency	\$ 2,040,059	\$ 2,469,690
Hennepin County	1,661,950	2,086,950
City of Minneapolis	3,363,255	3,888,255
Bremer Bank	49,018	65,589
Family Housing Fund	-	100,000
	7,114,282	8,610,484
Less current portion	(12,614)	(11,912)
Less unamortized finance fees	(292,263)	(156,208)
Total debt - Partnerships	\$ 6,809,405	\$ 8,442,364

CSH Note - Note payable to Corporation for Supportive Housing (CSH) in the original amount of \$100,000 due November 9, 2026. Interest is at 0% for the first 24 months, and at 3.5% thereafter. \$50,000 of the loan has been received, with the remaining amount to be received at a future date yet to be determined. The purpose of the loan proceeds is to finance the predevelopment costs associated with the development of a new supportive housing project located in Hennepin County, Minnesota, at a site yet to be determined. In the event that the project is unable to proceed through no fault of Clare Housing's, a portion of the loan may be forgiven at the discretion of the lender. Clare Housing has the option to request 180 day extension periods of the maturity date if certain conditions have been satisfied as described in the loan agreement. The note is secured by the Clare Housing's assets.

Minnesota Housing Financing Agency:

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 was forgiven in November 2025 as part of the Clare Apartments sale.

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 was forgiven in November 2025 as part of the Clare Apartments sale.

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2025
(With Comparative Totals for 2024)

8. DEBT (Continued)

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:

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 was forgiven in November 2025 as part of the Clare Apartments sale.

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 Hennepin County Housing and Redevelopment Authority (HRA) under the Affordable Housing incentive (AHIF) program in the amount of \$500,000 dated November 5, 2025, with simple interest at 1%. Principal and interest is due and payable in full on December 31, 2075. The mortgage is secured by Clare Apartments II Limited Partnership. No funds were advanced on this loan as of December 31, 2025.

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2025
(With Comparative Totals for 2024)

8. DEBT (Continued)

City of Minneapolis:

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 interest were forgiven in November 2025 as part of the Clare Apartments sale.

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 interest were forgiven in November 2025 as part of the Clare Apartments sale.

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 the City of Minneapolis under the Affordable Housing Trust (AHTF) program and funded from the HOME program in the amount of \$1,120,000 dated November 5, 2025, with simple interest at 1%. Principal and interest is due and payable in full on November 5, 2075. Secured by Clare Apartments II Limited partnership. No funds were advanced on this loan as of December 31, 2025.

Family Housing Fund - Mortgage payable to the Family Housing Fund in the original amount of \$100,000 dated December 16, 2004, without interest. Principal was repaid in November as part of the Clare Apartments sale.

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2025
(With Comparative Totals for 2024)

8. DEBT (Continued)

Bremer Bank - 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 SOFR swap rate as determined one business day prior to conversion plus 3.0% (5.73% as of December 31, 2025). The fixed rate will be adjusted to the three year SOFR swap rate plus 3% on June 16 of each three year anniversary of the conversion date (June 16, 2016). 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.

GMHF Construction Loan - Mortgage payable to Greater Minnesota Housing Fund (GMHF) in the amount of \$4,300,000 dated November 5, 2025, with interest at 5%. Monthly interest payments began December 1, 2025, and will continue until November 5, 2027, when all principal and interest is due and payable in full. Secured by Clare Apartments II Limited Partnership. No funds were advanced on this loan as of December 31, 2025.

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

2026	\$	12,614
2027		63,357
2028		14,138
2029		8,909
Thereafter		<u>7,065,264</u>
	\$	<u><u>7,164,282</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

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2025
(With Comparative Totals for 2024)

9. NET ASSETS

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

	2025	2024
Clare Housing:		
Subject to the passage of time		
Contributions receivable (2025 - 2031)	\$ 167,861	\$ 173,210
	167,861	173,210
Partnerships:		
Not subject to appropriation or expenditure:		
Capital grants - housing	1,350,000	1,850,000
1602 grant for Clare Hiawatha - housing	-	85,293
	1,350,000	1,935,293
	\$ 1,517,861	\$ 2,108,503

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:

	2025	2024
Clare Housing:		
Contributions receivable - time restricted	\$ 147,682	\$ 130,254
Loss on uncollected pledges	-	(6,749)
Future operations	-	12,740
Capital grants - housing	500,000	996,970
Partnerships:		
1602 grant for Clare Hiawatha - housing	85,293	85,293
	732,975	1,218,508
	\$ 732,975	\$ 1,218,508

Board Designated - The Board established a designated reserve with a current balance of \$3,160,319 as a source for nonrecurring expenses that will support new construction, strategic initiatives and long-term sustainability. Periodically, the Board reviews and sets target amounts of the Board Designated strategies. The Finance Committee will review requests for any significant usage of the funds by the Executive Director and, if approved, will make a recommendation to the Board of Directors.

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2025
(With Comparative Totals for 2024)

10. **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. Units are leased directly by the client receiving supportive services and the rent payments are paid by Clare Housing directly to the landlord. Lease expense related to this was \$1,180,010 for 2025 and \$976,570 for 2024.

11. **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.

12. **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 \$126,057 for 2025, and \$106,490 for 2024.

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2025
(With Comparative Totals for 2024)

13. 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 various investment products in line with its investment policies. 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, 2025:	Clare Housing	Limited Partnerships	Consolidated
Cash and cash equivalents	\$ 554,193	\$ 215,417	\$ 769,610
Accounts receivable	355,703	40,968	396,671
Current portion of contributions receivable, net	138,712	-	138,712
Grants receivable	818,954	-	818,954
Investments	3,431,393	-	3,431,393
 Total financial assets available within one year	 5,298,955	 256,385	 5,555,340
 Amounts unavailable to management without Board approval:			
Board designated - long-term capacity	(3,160,319)	-	(3,160,319)
 Total financial assets available within one year after board designations	 \$ 2,138,636	 \$ 256,385	 \$ 2,395,021

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2025
(With Comparative Totals for 2024)

13. LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

December 31, 2024:	Clare Housing	Limited Partnerships	Consolidated
Cash and cash equivalents	\$ 282,640	\$ 58,714	\$ 341,354
Accounts receivable	337,712	43,389	381,101
Current portion of contributions receivable, net	184,309	-	184,309
Grants receivable	400,267	-	400,267
Investments	3,440,650	-	3,440,650
 Total financial assets available within one year	 4,645,578	 102,103	 4,747,681
 Amounts unavailable to management without Board approval:			
Board designated - long-term capacity	(3,178,415)	-	(3,178,415)
 Total financial assets available within one year after board designations	 \$ 1,467,163	 \$ 102,103	 \$ 1,569,266

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, 2025 and 2024, deposits exceeded the insured limit by approximately \$1,663,000 and \$1,814,000. Of these amounts, \$304,000 and \$505,000 is attributable to Clare Housing, \$384,000 and \$396,000 are attributable to Clare Hiawatha, and \$975,000 and \$167,000 are attributable to the other limited partnerships at December 31, 2025 and 2024.

Approximately 33% and 38% of Clare Housing's 2025 and 2024 total revenues and support is from program fees.

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2025
(With Comparative Totals for 2024)

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

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.

Clare Marshall Flats, Clare Terrace, Clare Hiawatha, and Clare Apartments II's primary 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, 2076, for Clare Apartments II; December 31, 2040, for Clare Hiawatha; December 31, 2045, for Clare Terrace; and December 31, 2046, for Clare Marshall Flats.

The Partnerships are subject to various legal proceedings covering a range of matters that arise in the course of their business activities. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of operations of the Partnerships or Clare Housing.

(Continued)

CLARE HOUSING

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2025
(With Comparative Totals for 2024)

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

The Organization was awarded \$1,494,658 of funding related to the Clare V development project as of December 31, 2025. The funding is conditional upon closing on the development projects.

The Limited Partner of Clare Apartments II has agreed to make capital contributions in the aggregate amount of \$7,883,555. As of December 31, 2025, \$6,306,844 of these contributions remain outstanding and are expected to be paid between 2026 and 2029.

15. **SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through May 27, 2026, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

CLARE HOUSING

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2025

	Clare Housing	Clare Hiawatha LLC	Limited Partnerships	Eliminations	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 554,193	\$ -	\$ 212,983	\$ 2,434	\$ 769,610
Accounts receivable, net	355,703	-	40,968	-	396,671
TIF receivable	-	-	5,791	-	5,791
Current portion of contributions receivable, net	138,712	-	-	-	138,712
Grants receivable	818,954	-	-	-	818,954
Current portion of prepaid expenses	174,797	-	11,217	-	186,014
Total current assets	<u>2,042,359</u>	<u>-</u>	<u>270,959</u>	<u>2,434</u>	<u>2,315,752</u>
Reserves and escrows	-	-	4,741,086	-	4,741,086
Investments	3,431,393	-	-	-	3,431,393
Contributions receivable, less current portion, net	85,933	-	-	-	85,933
Notes receivable	3,750,000	-	1,320,000	(5,070,000)	-
Prepaid expenses, less current portion	-	-	39,958	-	39,958
Other assets, net	-	-	110,914	-	110,914
Investment in Partnerships	538,300	-	-	(538,300)	-
Due from Partnerships	269,743	616,950	-	(886,693)	-
Property and equipment, net - Clare Housing	2,268,310	-	-	-	2,268,310
Property and equipment, net - Partnerships	-	-	18,543,364	(1,030,068)	17,513,296
Total assets	<u>\$ 12,386,038</u>	<u>\$ 616,950</u>	<u>\$ 25,026,281</u>	<u>\$ (7,522,627)</u>	<u>\$ 30,506,642</u>
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable	\$ 89,240	\$ -	\$ 173,541	\$ (15,644)	\$ 247,137
Prepaid rent	-	-	18,491	-	18,491
Current portion of debt - Partnerships	-	-	12,614	-	12,614
Construction payable	-	-	15,495	-	15,495
Accrued expenses	469,271	-	112,946	-	582,217
Total current liabilities	<u>558,511</u>	<u>-</u>	<u>333,087</u>	<u>(15,644)</u>	<u>875,954</u>
Deferred grants	2,904,982	-	804,951	(804,951)	2,904,982
Tenant security deposits	-	-	116,822	-	116,822
Accrued interest	-	-	348,182	(9,486)	338,696
Due to Clare Housing	-	-	251,666	(251,666)	-
Debt - Clare Housing	50,000	-	-	-	50,000
Debt - Partnerships, less current portion	-	616,950	11,879,405	(5,686,950)	6,809,405
Total liabilities	<u>3,513,493</u>	<u>616,950</u>	<u>13,734,113</u>	<u>(6,768,697)</u>	<u>11,095,859</u>
Net assets:					
Without donor restrictions:					
Controlling interest	4,194,365	-	1,848,303	(753,930)	5,288,738
Controlling interest - board designated	3,160,319	-	-	-	3,160,319
Noncontrolling interests - limited partners	-	-	9,443,865	-	9,443,865
Total net assets without donor restrictions	<u>7,354,684</u>	<u>-</u>	<u>11,292,168</u>	<u>(753,930)</u>	<u>17,892,922</u>
With donor restrictions	1,517,861	-	-	-	1,517,861
Total net assets	<u>8,872,545</u>	<u>-</u>	<u>11,292,168</u>	<u>(753,930)</u>	<u>19,410,783</u>
Total liabilities and net assets	<u>\$ 12,386,038</u>	<u>\$ 616,950</u>	<u>\$ 25,026,281</u>	<u>\$ (7,522,627)</u>	<u>\$ 30,506,642</u>

See independent auditor's report

CLARE HOUSING

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2025

	Clare Housing			Limited Partnerships	Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Total			
Revenues and support:						
Program fees	\$ 3,596,863	\$ -	\$ 3,596,863	\$ -	\$ (11,941)	\$ 3,584,922
Rent revenues	-	-	-	1,731,069	(173,024)	1,558,045
Contributions	722,317	142,333	864,650	-	-	864,650
Government grants and contracts	4,718,953	-	4,718,953	-	-	4,718,953
Section 1602 grant amortization	-	-	-	31,985	(31,985)	-
Partnership management fees	41,719	-	41,719	-	(41,719)	-
Interest income	65,794	-	65,794	79,678	(54,262)	91,210
TIF revenue	-	-	-	12,315	-	12,315
Developer fee	212,510	-	212,510	-	(212,510)	-
Other income	5,390	-	5,390	56,307	-	61,697
Net assets released from restrictions	147,682	(147,682)	-	-	-	-
Total revenues and support	<u>9,511,228</u>	<u>(5,349)</u>	<u>9,505,879</u>	<u>1,911,354</u>	<u>(525,441)</u>	<u>10,891,792</u>
Expenses:						
Program services	7,021,251	-	7,021,251	2,746,096	(362,603)	9,404,744
Management and general	942,755	-	942,755	-	-	942,755
Fundraising	423,699	-	423,699	-	-	423,699
Total expenses	<u>8,387,705</u>	<u>-</u>	<u>8,387,705</u>	<u>2,746,096</u>	<u>(362,603)</u>	<u>10,771,198</u>
Change in net assets before investment income and loss on uncollected pledges	1,123,523	(5,349)	1,118,174	(834,742)	(162,838)	120,594
Forgiveness of debt	(1,396,970)	-	(1,396,970)	3,598,318	(714,230)	1,487,118
Impairment loss	(152,676)	-	(152,676)	(1,455,129)	152,673	(1,455,132)
Investment income, net	301,904	-	301,904	-	-	301,904
Capital contributions	-	-	-	1,875,702	(298,991)	1,576,711
Organization and start-up costs	-	-	-	(65,000)	-	(65,000)
Net assets released from restrictions - capital	500,000	(500,000)	-	-	-	-
Change in net assets	375,781	(505,349)	(129,568)	3,119,149	(1,023,386)	1,966,195
Net assets, beginning of year	<u>6,978,903</u>	<u>2,023,210</u>	<u>9,002,113</u>	<u>8,173,019</u>	<u>269,456</u>	<u>17,444,588</u>
Net assets, end of year	<u>\$ 7,354,684</u>	<u>\$ 1,517,861</u>	<u>\$ 8,872,545</u>	<u>\$ 11,292,168</u>	<u>\$ (753,930)</u>	<u>\$ 19,410,783</u>
Change in net assets attributed to:						
Controlling interest - Clare Housing	\$ 375,781	\$ (505,349)	\$ (129,568)	\$ 2,222,197	\$ (1,023,386)	\$ 1,069,243
Noncontrolling interests - Partnerships	-	-	-	896,952	-	896,952
Consolidated total	<u>\$ 375,781</u>	<u>\$ (505,349)</u>	<u>\$ (129,568)</u>	<u>\$ 3,119,149</u>	<u>\$ (1,023,386)</u>	<u>\$ 1,966,195</u>

See independent auditor's report.

CLARE HOUSING

CONSOLIDATING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2025

	Clare Housing	Limited Partnerships	Eliminations	Total
Cash flows from operating activities:				
Change in net assets	\$ (129,568)	\$ 3,119,149	\$ (1,023,386)	\$ 1,966,195
Adjustments to reconcile the change in net assets to net cash from operating activities:				
Depreciation and amortization of tax credit fees	108,451	653,157	(27,396)	734,212
Interest expense - amortization of finance fees	-	15,922	-	15,922
Limited partner capital contributions	-	(1,875,702)	298,991	(1,576,711)
Impairment loss	152,676	1,455,129	(152,673)	1,455,132
Debt forgiveness	1,396,970	(3,598,318)	714,230	(1,487,118)
Section 1602 grant amortization	-	(31,985)	31,985	-
Unrealized (gain) loss on investments	(227,022)	-	-	(227,022)
Bad debts	-	37,346	-	37,346
Changes in operating assets and liabilities:				
Accounts and TIF receivable	58,035	(17,827)	(89,873)	(49,665)
Contributions receivable	6,914	-	-	6,914
Grants receivable	(418,687)	-	-	(418,687)
Note receivable	(2,500,000)	(1,320,000)	3,820,000	-
Prepaid expenses	(76,739)	13,234	-	(63,505)
Accounts payable	25,334	188,333	(118,237)	95,430
Prepaid rent	-	(17,770)	-	(17,770)
Accrued expenses	102,309	(194,972)	205,271	112,608
Tenant security deposits	-	9,192	-	9,192
Deferred grants	277,982	-	-	277,982
Accrued interest	-	95,286	(54,262)	41,024
Net cash from operating activities	<u>(1,223,345)</u>	<u>(1,469,826)</u>	<u>3,604,650</u>	<u>911,479</u>
Cash flows from investing activities:				
Payments/Sale of property and equipment	(942,390)	(1,158,634)	311,174	(1,789,850)
Proceeds from sale of property and equipment	-	1,418,664	(1,418,664)	-
Sales of investments	1,343,798	-	-	1,343,798
Purchase of investments	(1,023,798)	-	-	(1,023,798)
Reinvested investment interest and dividends	(83,721)	-	-	(83,721)
Net cash from investing activities	<u>(706,111)</u>	<u>260,030</u>	<u>(1,107,490)</u>	<u>(1,553,571)</u>
Cash flows from financing activities:				
Capital contribution	(298,991)	1,875,702	-	1,576,711
Proceeds from debt	-	2,500,000	(2,500,000)	-
Repayment of debt	-	(116,571)	-	(116,571)
Proceeds from grants for acquisition of property and equipment	2,500,000	-	-	2,500,000
Payment of finance fees	-	(169,083)	-	(169,083)
Payment of tax credit fees	-	(66,292)	-	(66,292)
Net cash from financing activities	<u>2,201,009</u>	<u>4,023,756</u>	<u>(2,500,000)</u>	<u>3,724,765</u>
Net increase in cash, cash equivalents, and restricted cash	271,553	2,797,389	(2,840)	3,082,673
Cash, cash equivalents, and restricted cash - beginning of year	282,640	2,140,109	5,274	2,428,023
Cash, cash equivalents, and restricted cash - end of year	<u>\$ 554,193</u>	<u>\$ 4,937,498</u>	<u>\$ 2,434</u>	<u>\$ 5,510,696</u>
Reconciliation to the statement of financial position:				
Cash and cash equivalents	\$ 554,193	\$ 212,983	2,434	\$ 769,610
Reserves and escrows	-	4,741,086	-	4,741,086
Total cash, cash equivalents, and restricted cash	<u>\$ 554,193</u>	<u>\$ 4,954,069</u>	<u>\$ 2,434</u>	<u>\$ 5,510,696</u>
Supplemental disclosures of cash flow information:				
Cash paid for interest	\$ -	\$ 4,520	\$ -	\$ 4,520
Property and equipment in liabilities	\$ -	\$ 36,956	\$ -	\$ 36,956

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