

**CLARE HOUSING**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**WITH SUPPLEMENTAL INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2011**



CLARE HOUSING

CONSOLIDATED FINANCIAL STATEMENTS WITH SUPPLEMENTAL INFORMATION

For the Year Ended June 30, 2011  
(With Comparative Totals for 2010)

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To the Board of Directors  
Clare Housing  
Minneapolis, Minnesota

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying consolidated statement of financial position of Clare Housing (a non-profit organization) as of June 30, 2011, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of Clare Housing's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from Clare Housing's 2010 financial statements and, in our report dated October 19, 2010, we expressed an unqualified opinion on those financial statements.

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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Clare Housing as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplemental consolidating information on pages 21 through 23 is presented for the purpose of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and cash flows of the individual entities. Accordingly, we do not express an opinion on the financial position, results of operations and cash flows of the individual entities. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects in relation to the consolidated financial statements taken as a whole.

Saint Paul, Minnesota  
November 18, 2011

*Mahoney Ulbrich  
Christiansen Russ P.A.*

CLARE HOUSING

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2011

(With Comparative Totals for 2010)

ASSETS	2011	2010
Cash and cash equivalents	\$ 316,716	\$ 442,050
Investments	266,630	241,859
Reserves and escrows	493,440	507,340
Accounts receivable	221,325	189,491
Contributions receivable	44,909	49,819
Grants receivable	13,623	29,531
Sales tax rebate receivable	169,560	-
Prepaid expenses	142,285	155,278
Other assets, net	181,962	58,442
Property and equipment, net - Clare Housing	2,193,197	2,239,101
Property and equipment, net - Clare Apartments	4,683,561	4,826,409
Property and equipment, net - Clare Hiawatha	7,584,719	2,178,324
	\$ 16,311,927	\$ 10,917,644
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 41,193	\$ 43,752
Construction payable	542,839	723,579
Accrued expenses	171,853	170,666
Accrued interest	46,869	32,163
Deferred grants - Clare Housing	42,000	48,000
Deferred grants - Clare Hiawatha	1,279,395	418,725
Repayable advances	1,396,970	1,396,970
Tenant security deposits	22,360	9,230
Debt - Clare Housing	60,000	60,000
Debt - Clare Apartments	1,479,631	1,479,631
Debt - Clare Hiawatha	5,531,098	616,950
Total liabilities	10,614,208	4,999,666
Unrestricted net assets:		
Controlling interest	2,919,954	2,759,261
Noncontrolling interests	2,280,610	2,633,853
Total unrestricted	5,200,564	5,393,114
Temporarily restricted net assets	497,155	524,864
Total net assets	5,697,719	5,917,978
	\$ 16,311,927	\$ 10,917,644

See accompanying notes to consolidated financial statements.

## CLARE HOUSING

## CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2011  
(With Comparative Totals for 2010)

	2011			2010
	Unrestricted	Temporarily restricted	Total	
<b>Revenues and support:</b>				
Resident fees	\$ 2,066,009	\$ -	\$ 2,066,009	\$ 1,937,962
Contributions	217,457	22,183	239,640	269,593
Government grants and contracts	388,577	-	388,577	309,822
Revenue from loan forgiveness	6,000	-	6,000	316,188
Special events	144,339	-	144,339	179,653
Developer fee	210,000	-	210,000	90,000
Interest income	2,534	-	2,534	5,506
Other income	5,548	-	5,548	1,758
Rental revenues	300,505	-	300,505	256,432
Net assets released from restrictions	66,687	(66,687)	-	-
<b>Total revenues and support</b>	<b>3,407,656</b>	<b>(44,504)</b>	<b>3,363,152</b>	<b>3,366,914</b>
<b>Expenses:</b>				
<b>Program services:</b>				
Foster care	1,525,124	-	1,525,124	1,568,881
Supportive services	1,117,708	-	1,117,708	748,638
Project Cornerstone	222,395	-	222,395	213,139
<b>Total program services</b>	<b>2,865,227</b>	<b>-</b>	<b>2,865,227</b>	<b>2,530,658</b>
Management and general	582,517	-	582,517	421,857
Fundraising	202,898	-	202,898	203,845
<b>Total expenses</b>	<b>3,650,642</b>	<b>-</b>	<b>3,650,642</b>	<b>3,156,360</b>
<b>Change in net assets before capital additions</b>	<b>(242,986)</b>	<b>(44,504)</b>	<b>(287,490)</b>	<b>210,554</b>
<b>Capital additions:</b>				
Contributions for capital campaign	118,401	16,795	135,196	64,050
<b>Total capital additions</b>	<b>118,401</b>	<b>16,795</b>	<b>135,196</b>	<b>64,050</b>
<b>Change in net assets</b>	<b>(124,585)</b>	<b>(27,709)</b>	<b>(152,294)</b>	<b>274,604</b>
Net assets, beginning of year	5,393,114	524,864	5,917,978	5,176,790
Capital contribution	-	-	-	466,584
Syndication costs	(67,965)	-	(67,965)	-
<b>Net assets, end of year</b>	<b>\$ 5,200,564</b>	<b>\$ 497,155</b>	<b>\$ 5,697,719</b>	<b>\$ 5,917,978</b>
<b>Change in net assets attributed to:</b>				
Parent company	\$ 160,694	\$ (27,709)	\$ 132,985	\$ 435,043
Noncontrolling interests	(285,278)	-	(285,278)	(160,439)
<b>Consolidated total</b>	<b>\$ (124,585)</b>	<b>\$ (27,709)</b>	<b>\$ (152,294)</b>	<b>\$ 274,604</b>

See accompanying notes to consolidated financial statements.

## CLARE HOUSING

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2011  
(With Comparative Totals for 2010)

	2011							2010
	Program Services				Management and general	Fund- raising	Total	
	Foster care	Supportive services	Project Cornerstone	Total program services				
Salaries	\$ 947,208	\$ 398,731	\$ 11,447	\$ 1,357,386	\$ 292,615	\$ 90,897	\$ 1,740,898	\$ 1,582,508
Payroll taxes	79,814	33,095	1,020	113,929	23,786	7,070	144,785	131,157
Employee benefits	130,981	40,441	130	171,552	20,945	10,725	203,222	181,976
<b>Total salaries and benefits</b>	<b>1,158,003</b>	<b>472,267</b>	<b>12,597</b>	<b>1,642,867</b>	<b>337,346</b>	<b>108,692</b>	<b>2,088,905</b>	<b>1,895,641</b>
Program expenses	94,113	16,067	178	110,358	-	-	110,358	99,295
Apartment leases	-	-	198,639	198,639	-	-	198,639	196,526
Insurance	13,360	5,581	153	19,094	39,265	1,308	59,667	64,813
Postage	-	-	-	-	2,278	5,392	7,670	8,432
Printing and copying	-	82	-	82	162	16,513	16,757	18,572
Professional fees	3,637	1,063	435	5,135	61,461	28,052	94,648	101,925
Legal	-	-	105	105	2,292	-	2,397	1,724
Accounting	-	-	-	-	8,500	60	8,560	11,950
Occupancy/utilities	47,653	395	796	48,844	19,575	12	68,431	57,733
Conferences and meetings	3,461	1,053	350	4,864	4,468	2,315	11,647	14,710
Office supplies	11,461	4,617	513	16,591	7,910	14,156	38,657	28,247
Telephone	29,755	1,007	30	30,792	9,398	610	40,800	30,113
IT Support, maintenance and web site	3,749	2,506	-	6,255	25,383	4,363	36,001	21,581
Rental, repairs and maintenance	75,015	3,523	7,459	85,997	9,896	-	95,893	71,248
Dues and subscriptions	2,900	872	-	3,772	8,918	100	12,790	10,372
Travel and entertainment	3,980	358	40	4,378	4,974	5,202	14,554	6,733
Interest	-	-	-	-	600	-	600	678
Depreciation	65,039	288	-	65,327	31,913	-	97,240	94,577
Miscellaneous	12,998	4,519	1,100	18,617	8,178	16,123	42,918	30,005
	<u>1,525,124</u>	<u>514,198</u>	<u>222,395</u>	<u>2,261,717</u>	<u>582,517</u>	<u>202,898</u>	<u>3,047,132</u>	<u>2,764,875</u>
Clare Apartments & Hiawatha rental expenses:								
Administrative	-	31,788	-	31,788	-	-	31,788	19,358
Property management fee	-	30,244	-	30,244	-	-	30,244	21,581
Maintenance and operating	-	186,243	-	186,243	-	-	186,243	110,854
Utilities	-	53,579	-	53,579	-	-	53,579	39,481
Property insurance	-	16,935	-	16,935	-	-	16,935	16,633
Real estate taxes	-	26,539	-	26,539	-	-	26,539	23,358
Interest expense	-	30,504	-	30,504	-	-	30,504	6,582
Depreciation and amortization	-	227,678	-	227,678	-	-	227,678	153,638
	<u>\$ 1,525,124</u>	<u>\$ 1,117,708</u>	<u>\$ 222,395</u>	<u>\$ 2,865,227</u>	<u>\$ 582,517</u>	<u>\$ 202,898</u>	<u>\$ 3,650,642</u>	<u>\$ 3,156,360</u>
2011 allocation percentages	<u>42%</u>	<u>30%</u>	<u>6%</u>	<u>78%</u>	<u>16%</u>	<u>6%</u>	<u>100%</u>	

See accompanying notes to consolidated financial statements.

## CLARE HOUSING

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2011  
(With Comparative Totals for 2010)

## Increase (Decrease) in Cash and Cash Equivalents

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ (152,294)	\$ 274,604
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation and amortization	324,918	248,215
Contributions for capital campaign	(118,401)	(50,000)
Deferred grants recognized as revenue	(6,000)	(336,188)
Bad debts	2,416	335
Changes in certain assets and liabilities:		
Investments, net	(24,771)	127
Accounts receivable	(35,766)	(22,456)
Contributions receivable	4,910	(32,333)
Grants receivable	15,908	(20,341)
Prepaid expenses	12,993	(89,288)
Accounts payable	(2,559)	4,121
Accrued expenses	(23,046)	13,234
Accrued interest	14,706	4,011
Repayable advances	661	-
Tenant security deposits	3,430	(258)
Net cash from operating activities	<u>17,105</u>	<u>(6,217)</u>
Cash flows from investing activities:		
Payments for property and equipment	(5,846,677)	(82,010)
Payments for development in progress	-	(690,871)
Withdrawals from (additions to) reserves and escrows, net	23,600	(70,263)
Net cash from investing activities	<u>(5,823,077)</u>	<u>(843,144)</u>
Cash flows from financing activities:		
Proceeds from issuance of debt	4,914,148	616,949
Proceeds from deferred grant	860,670	418,725
Payments on notes payable	-	(681,443)
Contributions for capital campaign	118,401	50,000
Capital contributions	-	466,584
Payment of syndication costs	(67,965)	-
Payment of finance and tax credit fees	(144,616)	-
Net cash from financing activities	<u>5,680,638</u>	<u>870,815</u>
Net increase (decrease) in cash and cash equivalents	(125,334)	21,454
Cash and cash equivalents at beginning of year	<u>442,050</u>	<u>420,596</u>
Cash and cash equivalents at end of year	<u>\$ 316,716</u>	<u>\$ 442,050</u>
Supplemental disclosures of cash flow information:		
Property and equipment costs included in payables	<u>\$ 542,839</u>	<u>\$ 723,579</u>
Cash paid for interest	<u>\$ 29,431</u>	<u>\$ 32,149</u>

See accompanying notes to consolidated financial statements.



# CLARE HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2011  
(With Comparative Totals for 2010)

### 1. ORGANIZATION

Clare Housing (the Organization) was incorporated as a Minnesota non-profit corporation in 1994. Its mission is to provide services, shelter and compassionate care to persons living with AIDS and HIV. Clare Housing has three programs as follows:

**Foster Care** - The Organization operates six adult foster care residences located in Ramsey and Hennepin Counties in Minnesota. Each foster care facility houses four adults and provides room and board, supportive services, and twenty-four hour supervision.

**Supportive Services** - The program provided at Clare Apartments and Clare Hiawatha includes twenty-four hour customized living services, supportive services, and twenty-four hour supervision.

**Project Cornerstone** - The Organization provides scattered site supportive housing throughout the Twin Cities metro area for households that meet the State of Minnesota's definition of Long Term Homelessness, with a target population of individuals and families that are living with HIV/AIDS.

The primary funding for Clare Housing is through resident fees for supportive services; predominantly funded by the Minnesota State Department of Health and Human Services. Approximately 52% and 50% of Clare Housing's 2011 and 2010 support and revenue was from resident fees.

Clare Apartments, LLC is a single member limited liability company whose sole member is Clare Housing.

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 Housing purchased the land for Clare Apartments in August 2002 and sold it to the Partnership in December 2004. The Partnership completed construction in August 2005, which created affordable housing, including supportive services, on site for persons living with HIV/AIDS. Clare Housing provides supportive services for the tenants of which approximately 20% is funded by a Housing Opportunities for Persons with AIDS grant.

Tax credits have been sold to the National Equity Fund (a non-profit organization) which holds a 99.99% limited partner interest. Clare Housing has the right of first refusal to purchase the property after a 15 year tax credit holding period beginning in 2005.

Clare Hiawatha, LLC is a single member limited liability company whose sole member is Clare Housing.

(Continued)

# CLARE HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2011  
(With Comparative Totals for 2010)

### 1. ORGANIZATION (Continued)

Clare Housing and Clare Hiawatha, LLC each own a .005% general partner interest in Clare Hiawatha Limited Partnership (Clare Hiawatha). Clare Hiawatha was formed in 2008 for the purpose of developing 45 units of permanent, affordable housing with supportive services for people living with HIV/AIDS in Minneapolis. Construction began on the apartment complex during 2010 and was completed in March 2011.

Tax credits have been sold to the National Equity Fund (a non-profit organization) which holds a 99.99% limited partner interest. Clare Housing has the right of first refusal to purchase the property after a 15 year tax credit holding period.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Consolidation Method** - The consolidated financial statements include the accounts of the Organization, related wholly owned LLC's, and the limited partnerships in which the Organization or one of its LLC's is a general partner and exercises control. Limited partner interests are recorded as a component of unrestricted net assets as noncontrolling interests. All material inter-company accounts and transactions have been eliminated with the exception of developer fees that are paid from debt or capital contributions. The developer fees are recorded as revenue by Clare Housing and capitalized as property of the limited partnerships.

**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 reported in the following net asset categories:

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

**Concentration of Credit Risk** - The Organization places its cash with two financial institutions, with one institution having multiple charters. At times the amount on deposit exceeds the insured limit of the institutions and exposes the Organization to a collection risk. The Organization has not experienced any losses as a result of these deposits. As of June 30, 2011, the Organization had \$16,630 in deposits that exceeded the insured limits.

(Continued)

CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2011  
(With Comparative Totals for 2010)

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

**Cash and Cash Equivalents** - Cash and cash equivalents includes all cash accounts and highly liquid debt instruments purchased with an original maturity of three months or less. Cash and cash equivalents at June 30, 2011, consist of money market and checking accounts. Restricted reserves and escrows are not considered to be cash equivalents.

**Accounts and Contributions Receivable** - Accounts and contributions receivable are stated at net realizable value. The accounts and contributions receivable balances represent amounts considered collectible at year end. No allowance for bad debts is deemed necessary.

**Property and Equipment** - Property and equipment are carried at cost, with the exception of donated equipment, which is recorded at fair market value at date of gift. Depreciation of property and equipment is provided for on a straight-line basis over their estimated useful lives which range from 3-40 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.

**Deferred Grants** - Deferred grants includes of forgivable loans and Section 1602 grants. These loans will be forgiven if there is no default. At the time the loan is forgiven, it will be recorded as revenue.

Revenue from Section 1602 grants is deferred and recognized as revenue using the straight-line method over the 30 year term.

**Repayable Advances** - Repayable advances consist of funds received which may be repaid to the grantor, if certain conditions are met. Revenue is recognized when earned.

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

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

**Donated Materials** - Donated materials are recorded as contributions, when received, at their estimated market value.

(Continued)

CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2011  
(With Comparative Totals for 2010)

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

**Contributed Services** - Contributed services are recorded as contributions, at their fair value, when the service creates or enhances a non-financial asset or the service requires specialized skills that would need to be purchased if not provided by donation.

**Government Grants and Contracts** - Grants and contracts are recorded as revenues when the related costs are incurred. Amounts received prior to the cost being incurred are recorded as refundable advances.

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

**Functional Expenses** - Expenses have been allocated among program and supporting services classifications based upon direct expenditures when possible. Remaining expenses are allocated based on management estimates of employee time and square footage.

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

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

**Income Taxes** - The Organization 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 businesses that are not related to its exempt purpose. Management believes the Organization did not have any unrelated business income in 2011 or 2010.

The Organization is not currently under examination by any taxing jurisdiction. Federal and state tax authorities generally have the right to examine returns for a period of three years after they are filed.

The limited partnerships and the limited liability companies are not taxable entities. Income or losses are passed through to the partners or members.

**Reclassifications** - Certain reclassifications have been made to the 2010 financial statements in order for them to conform to the 2011 presentation. These reclassifications had no effect on the change in net assets or total net assets.

**Comparative Total Column** - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the financial statements for the year ended June 30, 2010, from which the summarized information was derived.

(Continued)

CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2011  
(With Comparative Totals for 2010)

3. **RESTRICTED ESCROW DEPOSITS AND FUNDED RESERVES**

Certain partnership and loan agreements place restrictions on and require that cash be escrowed for payment of real estate taxes, insurance, replacement reserves, revenue deficit reserves, lease-up reserves, and operating reserves.

4. **CONTRIBUTIONS RECEIVABLE**

Contributions receivable are expected to be collected in fiscal year 2012.

5. **FAIR VALUE MEASUREMENTS / INVESTMENTS**

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liabilities, either directly or indirectly, through corroboration with observable market data; and, Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, The Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

*Level 1 Fair Value Measurements*

RMA Money Market Portfolio investment is carried at fair value based on quoted prices in active markets.

There have been no changes in valuation techniques and related inputs.

The following activity occurred in investments:

	<u>2011</u>	<u>2010</u>
Beginning balance	\$ 241,859	\$ 241,985
Contribution	24,886	-
Expenses	(150)	(145)
Interest and dividends	<u>35</u>	<u>19</u>
Ending balance	<u>\$ 266,630</u>	<u>\$ 241,859</u>

(Continued)

CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2011  
(With Comparative Totals for 2010)

5. **FAIR VALUE MEASUREMENTS / INVESTMENTS (Continued)**

The Organization's investments are reported at fair value in the accompanying statements of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

6. **PROPERTY AND EQUIPMENT - CLARE HOUSING**

Property and equipment - Clare Housing consists of the following:

	<u>2011</u>	<u>2010</u>
Land	\$ 126,100	\$ 126,100
Land improvements	40,079	40,079
Buildings	1,514,755	1,514,755
Building improvements	448,885	436,159
Furniture and equipment	247,784	209,174
Office space	514,852	514,852
	<u>2,892,455</u>	<u>2,841,119</u>
Less accumulated depreciation	<u>(699,258)</u>	<u>(602,018)</u>
	<u><u>\$ 2,193,197</u></u>	<u><u>\$ 2,239,101</u></u>

7. **PROPERTY AND EQUIPMENT - CLARE APARTMENTS**

Property and equipment - Clare Apartments consists of the following:

	<u>2011</u>	<u>2010</u>
Land	\$ 405,490	\$ 405,490
Land improvements	111,900	111,900
Buildings	4,854,233	4,854,233
Furniture and equipment	94,596	94,596
	<u>5,466,219</u>	<u>5,466,219</u>
Less accumulated depreciation	<u>(782,658)</u>	<u>(639,810)</u>
	<u><u>\$ 4,683,561</u></u>	<u><u>\$ 4,826,409</u></u>

(Continued)

CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2011  
(With Comparative Totals for 2010)

8. **PROPERTY AND EQUIPMENT - CLARE HIAWATHA**

Property and equipment - Clare Hiawatha consists of the following:

	<u>2011</u>	<u>2010</u>
Land	\$ 736,098	\$ -
Land improvements	176,000	-
Building	6,594,646	-
Furniture and equipment	141,708	-
Development in progress	-	2,178,324
	<u>7,648,452</u>	<u>2,178,324</u>
Less accumulated depreciation	<u>(63,733)</u>	<u>-</u>
	<u>\$ 7,584,719</u>	<u>\$ 2,178,324</u>

Interest of \$13,117 for 2011 and \$32,149 for 2010 is capitalized and included in the cost of building.

9. **OTHER ASSETS**

Other assets consist of the following:

	<u>2011</u>	<u>2010</u>	Amortization Life - Years
Finance fees	\$ 155,249	\$ 48,108	30
Tax credit fees	67,975	30,500	10
	<u>223,224</u>	<u>78,608</u>	
Accumulated amortization	<u>(41,262)</u>	<u>(20,166)</u>	
	<u>\$ 181,962</u>	<u>\$ 58,442</u>	

10. **DEBT - CLARE HOUSING**

Clare Housing has a note payable to the Minneapolis Community Planning & Economic Development (CPED) Agency in the amount of \$60,000 with interest at 1.0%. Principal and interest are due in full on April 28, 2019. Secured by Agape Dos House property.

(Continued)

CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2011  
(With Comparative Totals for 2010)

11. **DEBT - CLARE APARTMENTS**

Debt secured by the Clare Apartments apartment complex consists of the following:

	<u>2011</u>	<u>2010</u>
MHFA HOPWA loan	\$ 209,631	\$ 209,631
City of Minneapolis CDBG loan	435,000	435,000
HRA AHIF loan	425,000	425,000
MHFA HTF loan	220,000	220,000
FHF loan	100,000	100,000
City of Minneapolis note payable	90,000	90,000
	<u>\$ 1,479,631</u>	<u>\$ 1,479,631</u>

**MHFA HOPWA Loan** - Second mortgage payable to the Minnesota Housing Finance Agency (MHFA) under its Housing Opportunities for People with AIDS (HOPWA) Program in the original amount of \$209,631 dated December 16, 2004 without interest. Principal is due and payable in full on December 16, 2034.

**City of Minneapolis CDBG Loan** - Third mortgage payable to the Department of Community Planning and Economic Development of the City of Minneapolis in the original amount of \$435,000 dated December 16, 2004, with simple interest at 1%. Principal and accrued interest is due and payable in full on December 16, 2034.

**HRA AHIF Loan** - Fourth mortgage payable to the Hennepin County Housing and Redevelopment Authority Affordable Housing Incentive Fund (AHIF) in the original amount of \$425,000 dated December 16, 2004, without interest. Principal is due and payable in full on December 16, 2034.

**MHFA HTF Loan** - Fifth mortgage payable to the Minnesota Housing Finance Agency (MHFA) under its Housing Trust Fund (HTF) Program in the original amount of \$220,000 dated December 16, 2004, without interest. Principal is due and payable in full on December 16, 2034.

**FHF Loan** - Sixth mortgage payable to the Family Housing Fund (FHF) in the original amount of \$100,000 dated December 16, 2004, without interest. Principal is due and payable in full on December 16, 2034.

**City of Minneapolis note payable** - Note 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 is due and payable in full on November 30, 2035.

(Continued)



CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2011  
(With Comparative Totals for 2010)

11. **DEBT - CLARE APARTMENTS (Continued)**

Maturities of debt - Clare Apartments are as follows:

2012 – 2016	\$ -
Thereafter	<u>1,479,631</u>
	<u>\$ 1,479,631</u>

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

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

- Transfer or sale of Clare Apartments without the lender's approval,
- Termination of the use of Clare Apartments 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.

12. **DEBT - CLARE HIAWATHA**

Debt secured by the Clare Hiawatha apartment complex consists of the following:

	<u>2011</u>	<u>2010</u>
Bremer Bank	\$ 2,125,893	\$ -
CPED HOME	2,308,255	-
MHFA	480,000	-
Hennepin County HRA	<u>616,950</u>	<u>616,950</u>
	<u>\$ 5,531,098</u>	<u>\$ 616,950</u>

(Continued)

CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2011  
(With Comparative Totals for 2010)

12. **DEBT - CLARE HIAWATHA (Continued)**

**Bremer Bank** – First mortgage payable to Bremer Bank in the original amount of \$2,500,000 dated May 6, 2010, with an interest rate of the greater of 5% per annum or 1/4<sup>th</sup> percent per annum in excess of the Bremer Financial Corporation Reference Rate as defined in the loan agreement. Advances on this note may only be made up to completion of the project. Accrued interest is payable monthly, commencing on the first day of the month following the first advance. Outstanding principal and all unpaid accrued interest are due and payable in full on December 31, 2011 (see Note 23). This note will be paid off upon receipt of the second installment of the limited partner's capital contribution.

**CPED HOME** – Second mortgage payable to Minneapolis Department of Community Planning and Economic Development (CPED) in the original amount of \$2,308,255 dated May 6, 2010, without interest. Principal is due and payable in full on May 6, 2040.

**MHFA** – Fourth mortgage payable to Minnesota Housing Finance Agency (MHFA) in the original amount of \$480,000 without interest. Principal is due and payable in full on May 6, 2040.

**Hennepin County HRA AHIF loan** – Fifth mortgage payable to the Hennepin County Housing and Redevelopment Authority Affordable Housing Incentive Fund (AHIF) in the original amount of \$616,950 dated May 6, 2010, without interest. Principal is due and payable in full on May 6, 2040.

Maturities of debt - Clare Hiawatha are as follows:

2012	\$ 2,125,893
2013 – 2016	-
Thereafter	<u>3,405,205</u>
	<u>\$ 5,531,098</u>

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

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

- Transfer or sale of Clare Hiawatha without the lender's approval,
- Termination of the use of Clare Hiawatha 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 CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2011  
(With Comparative Totals for 2010)

13. DEFERRED GRANTS – CLARE HOUSING

Deferred grants – Clare Housing consist of the following:

	<u>2011</u>	<u>2010</u>
Housing Trust Fund	<u>\$ 42,000</u>	<u>\$ 48,000</u>

**Housing Trust Fund** – In March 1998, the Organization received a \$60,000 loan from the Minnesota Housing Finance Agency (MHFA) under the Housing Trust Fund Housing Program for Low Income Persons. The Organization considered the loan to be a long-term grant and used the proceeds for the purpose of carrying on its foster care activities for persons with AIDS. The terms provide that this is an interest-free deferred loan. If the Organization complies with the conditions of the loan (as defined in the loan agreement) through March 31, 2018, the loan will be forgiven with no payments due by the Organization. The loan is due and payable in full if there is an event of default in the first ten years. The amount due in the event of default in the eleventh through twentieth year decreases by 10% per year. The loan is secured by the property located at 2182 St. Clair in St. Paul, Minnesota. The Organization deferred recognition of revenue until the eleventh year at which time the loan is amortized into revenue in equal installments until the loan is forgiven. As of June 30, 2011, \$18,000 has been forgiven.

14. REPAYABLE ADVANCES

	<u>2011</u>	<u>2010</u>
Grant from United States Department of Housing and Urban Development under the Housing Opportunities for Persons with AIDS program. If a default occurs as defined in the grant agreement within 10 years after November 2005, the grant can be recaptured or other action can be taken.	\$ 850,000	\$ 850,000
Grant from United States Department of Housing and Urban Development under the Supportive Housing program. If Clare Apartments ceases to be used as supportive housing within 10 years after August 2005, the entire amount is to be repaid. After 10 years, HUD will reduce the percentage of the amount required to be repaid by 10% for each year in excess of 10 that the project is used as supportive housing.	400,000	400,000
Grant from Federal Home Loan Bank. If Clare Apartments ceases to be used as supportive housing within 15 years after August 2005, the entire amount is to be repaid.	<u>146,970</u>	<u>146,970</u>
	<u>\$ 1,396,970</u>	<u>\$ 1,396,970</u>

(Continued)

CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2011  
(With Comparative Totals for 2010)

15. DEFERRED GRANTS – CLARE HIAWATHA

Deferred grants – Clare Hiawatha consist of the following:

	<u>2011</u>	<u>2010</u>
Minneapolis TCE 1602 Forgivable Loan	<u>\$ 1,279,395</u>	<u>\$ 418,725</u>

**Minneapolis TCE** – Third mortgage payable to the City of Minneapolis in the original amount of \$1,279,395 dated May 6, 2010, without interest. Grant is forgivable under Treasury Department Section 1602. The grant requires that Clare Hiawatha be used as low-income housing for a 15 year compliance period plus a 15 year extended used period. For each full year of the first 15 years of the compliance period in which a Recapture Event has not occurred, 1/15 of the principal amount will be forgiven.

16. LINE OF CREDIT

The Organization has a line of credit with Bremer Bank for up to \$155,000 with a variable interest rate of 1 percentage point over the Prime rate as published by Bloomberg at the date of determination. Under no circumstances will the interest rate be less than 4.50%. Interest payments are due monthly. Principal and interest are due August 16, 2012. As of June 30, 2011, there is no outstanding balance on the line of credit. The line of credit is secured by all inventory, chattel paper, accounts, equipment, and general intangibles.

17. NET ASSETS

**Temporarily Restricted** – Temporarily restricted net assets are for the following purposes:

	<u>2011</u>	<u>2010</u>
Clare Housing office space	\$ 436,744	\$ 449,946
Damiano bathroom/Agape boiler	15,232	16,487
Project Cornerstone	-	8,341
Capital campaign	22,795	14,050
General operating/time restricted	<u>22,384</u>	<u>36,040</u>
	<u>\$ 497,155</u>	<u>\$ 524,864</u>

(Continued)

CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2011  
(With Comparative Totals for 2010)

17. **NET ASSETS (Continued)**

Temporarily restricted net assets consist of the following:

	2011	2010
Contributions receivable	\$ 44,909	\$ 49,819
Clare office space	436,744	449,946
Damiano bathroom / Agape boiler	15,232	16,487
Cash held for programs	270	8,612
	\$ 497,155	\$ 524,864

18. **RETIREMENT PLAN**

The Organization 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 immediately. Employer contributions were \$24,993 and \$22,401 in 2011 and 2010, respectively.

19. **CONTINGENCIES AND COMMITMENTS**

Amounts received from grantor agencies are subject to audit and adjustment by 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.

During 2011, Clare Housing entered into a five-year contract with an organization to provide training workshops. The total amount payable under the contract is \$100,000 of which \$14,000 was paid in 2011. Either party may cancel the agreement by providing 30 days written notice.

During 2011, Clare Housing entered into a contract with an organization to provide Human Resources services. The fee is calculated based on Clare Housing's total payroll expense and expires December 31, 2013. The fee for 2011 was approximately \$6,000 per month and may increase up to 3% each year.

As a general partner in limited partnerships, Clare Housing is contingently responsible for the obligations of the limited partnerships.

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

(Continued)

## CLARE HOUSING

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2011  
(With Comparative Totals for 2010)

#### 19. CONTINGENCIES AND COMMITMENTS (Continued)

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

Clare Apartments' Housing Assistance Payments (HAP) Contract with the MPHA expires in 2015. No assurance can be provided that this contract will be renewed upon its expiration or if renewed, at what terms. Approximately 58% of Clare Apartments' revenue is from the HAP contract.

Clare Apartments is subject to an extended use agreement between the Partnership and MHFA. The agreement was made in accordance with Section 42(h)(6) of the Internal Revenue Code and requires the apartment complex to maintain low income occupancy (income and rent limits) for 15 years beyond the compliance period (for a total of 30 years). The extended use period ends on December 31, 2034, unless terminated earlier by foreclosure or by offering Clare Apartments to the housing credit agency, after the first 15 years, to be sold for a qualified contract price (the opt-out option).

Clare Apartments has waived its right to opt-out after the initial 15 year compliance period. Therefore Clare Apartments must maintain affordability for 30 years.

The Clare Hiawatha partnership agreement provides for various obligations of the General Partner including its obligation to provide funds for any development cost overruns and operating deficits and a guaranty of housing tax credits. Clare Hiawatha will be subject to an extended use agreement with MHFA.

#### 20. PROJECT CORNERSTONE LEASES

Clare Housing has entered into grant agreements with the Minnesota Housing Finance Agency (MHFA) under the Ending Long-Term Homelessness Initiative Fund. Under the agreements, Clare Housing will provide scattered site supportive housing for households that meet the State's definition of Long Term Homelessness, with a target population of individuals and families that are living with HIV/AIDS. In providing supportive housing, units are leased by Clare Housing and sub-let to the participants in the program. As of June 30, 2011, Clare Housing has entered into nineteen leases ranging from 1 to 12 months. Lease expense was \$198,639 for 2011 and \$196,526 for 2010. Future minimum lease payments of \$105,550 are due in 2012 and \$5,915 in 2013.

(Continued)

## CLARE HOUSING

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2011  
(With Comparative Totals for 2010)

#### 21. CAPITAL CAMPAIGN FOR CLARE HIAWATHA

During 2010, Clare Housing hired a fundraising consultant and embarked on a campaign to raise funds for the Clare Hiawatha. The goal was to raise \$620,000. Management projected the funds received would be split amongst three areas: to fund supportive services for residents at the Clare Hiawatha, to purchase enhancements at the property, and to purchase furniture of the office and common areas at the project. As of June 30, 2011, Clare Housing has raised approximately 33% in receipts and pledges towards its goal. Clare Housing has decided to stop pursuing capital campaign contributions.

#### 22. SUBSCRIPTIONS RECEIVABLE – CLARE HIAWATHA

The Investor Limited Partner has agreed to make capital contributions to Clare Hiawatha in the aggregate amount of \$4,527,685. The capital contributions will be made once certain conditions have been met. For a more detailed description of the conditions, see the partnership agreement.

At December 31, 2011, remaining capital contributions are summarized as follows:

<b>Second installment</b> – due upon completion of construction, receipt of satisfactory draft of cost certification, plus other items in partnership agreement.	\$ 3,039,255
<b>Third installment</b> – due when qualified occupancy is achieved, satisfactory evidence all reserves have been established, Forms 8609 are received, the extended use agreement is executed, April 15, 2012, and other items in partnership agreement.	<u>1,021,846</u>
Subscription receivable at December 31, 2011	<u><u>\$ 4,061,101</u></u>

The contributions are subject to adjustment depending on certain conditions being met, primarily related to the amount and timing of housing tax credits Clare Hiawatha is able to obtain. Any subsequent adjustments are reported as “credit adjustors” on the statements of partners’ capital. The contributions will be recorded when received.

#### 23. SUBSEQUENT EVENTS

The first mortgage payable to Bremer Bank for Clare Hiawatha (See Note 12) matured October 1, 2011. The note was extended and matures December 31, 2011.

Management has evaluated subsequent events through November 18, 2011, the date which the financial statements were available for issue, and identified no further significant events or transactions to disclose.

CONSOLIDATING INFORMATION



## CLARE HOUSING

## CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2011

ASSETS	Clare Housing	Clare Apartments	Clare Hiawatha	Eliminations	Total
Cash and cash equivalents	\$ 256,276	\$ 31,458	28,982	\$ -	\$ 316,716
Investments	266,630	-	-	-	266,630
Reserves and escrows	-	483,985	9,455	-	493,440
Accounts receivable	202,766	4,819	13,740	-	221,325
Contributions receivable	44,909	-	-	-	44,909
Grants receivable	13,623	-	-	-	13,623
Prepaid expenses	59,785	1,391	81,109	-	142,285
Notes receivable	1,436,970	-	-	(1,436,970)	-
Interest receivable	137,933	-	-	(137,933)	-
Sales tax rebate receivable	-	-	169,560	-	169,560
Other assets, net	-	53,789	128,173	-	181,962
Investment in Partnership	104,650	-	-	(104,650)	-
Due from Partnerships	347,468	-	-	(347,468)	-
Property and equipment, net - Clare Housing	2,193,197	-	-	-	2,193,197
Property and equipment, net - Clare Apartments	-	4,683,561	-	-	4,683,561
Property and equipment, net - Clare Hiawatha	-	-	7,584,719	-	7,584,719
	<u>\$ 5,064,207</u>	<u>\$ 5,259,003</u>	<u>\$ 8,015,738</u>	<u>\$ (2,027,021)</u>	<u>\$ 16,311,927</u>
Total assets					
LIABILITIES AND NET ASSETS					
Accounts payable	\$ 28,337	\$ 7,556	\$ 5,300	\$ -	\$ 41,193
Construction payable	-	-	752,839	(210,000)	542,839
Accrued expenses	112,445	42,481	16,927	-	171,853
Accrued interest	7,236	168,711	8,855	(137,933)	46,869
Due to Clare Housing	-	77,334	60,134	(137,468)	-
Deferred grants - Clare Housing	42,000	-	-	-	42,000
Deferred grants - Clare Hiawatha	-	-	1,279,395	-	1,279,395
Repayable advances	1,396,970	-	-	-	1,396,970
Tenant security deposits	-	9,846	12,514	-	22,360
Debt - Clare Housing	60,000	-	-	-	60,000
Debt - Clare Apartments	-	2,876,601	-	(1,396,970)	1,479,631
Debt - Clare Hiawatha	-	-	5,571,098	(40,000)	5,531,098
Total liabilities	<u>1,646,988</u>	<u>3,182,529</u>	<u>7,707,062</u>	<u>(1,922,371)</u>	<u>10,614,208</u>
Net assets:					
Unrestricted net assets:					
Controlling interest	2,920,064	74,552	29,988	(104,650)	2,919,954
Noncontrolling interests	-	2,001,922	278,688	-	2,280,610
Total unrestricted net assets	<u>2,920,064</u>	<u>2,076,474</u>	<u>308,676</u>	<u>(104,650)</u>	<u>5,200,564</u>
Temporarily restricted net assets	497,155	-	-	-	497,155
Total net assets	<u>3,417,219</u>	<u>2,076,474</u>	<u>308,676</u>	<u>(104,650)</u>	<u>5,697,719</u>
Total liabilities and net assets	<u>\$ 5,064,207</u>	<u>\$ 5,259,003</u>	<u>\$ 8,015,738</u>	<u>\$ (2,027,021)</u>	<u>\$ 16,311,927</u>

See independent auditor's report.

## CLARE HOUSING

## CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2011

	Clare Housing		Clare Apartments	Clare Hiawatha	Eliminations	Total
	Unrestricted	Temporarily restricted				
<b>Revenues and support:</b>						
Resident fees	\$ 2,066,009	\$ -	\$ -	\$ -	\$ -	\$ 2,066,009
Contributions	217,457	22,183	-	-	-	239,640
Government grants and contracts	388,577	-	-	-	-	388,577
Revenue from loan forgiveness	6,000	-	-	-	-	6,000
Special events	144,339	-	-	-	-	144,339
Interest income	27,877	-	419	-	(25,762)	2,534
Developer fee	210,000	-	-	-	-	210,000
Partnership management fee	4,899	-	-	-	(4,899)	-
Other income	4,408	-	880	260	-	5,548
Rental revenues	-	-	254,115	93,190	(46,800)	300,505
Net assets released from restrictions	66,687	(66,687)	-	-	-	-
Total revenues and support	<u>3,136,253</u>	<u>(44,504)</u>	<u>255,414</u>	<u>93,450</u>	<u>(77,461)</u>	<u>3,363,152</u>
<b>Expenses:</b>						
<b>Program services:</b>						
Foster care	1,525,124	-	-	-	-	1,525,124
Supportive services	560,998	-	420,778	213,393	(77,461)	1,117,708
Project Cornerstone	222,395	-	-	-	-	222,395
Total program services	<u>2,308,517</u>	<u>-</u>	<u>420,778</u>	<u>213,393</u>	<u>(77,461)</u>	<u>2,865,227</u>
Management and general	582,517	-	-	-	-	582,517
Fundraising	202,898	-	-	-	-	202,898
Total expenses	<u>3,093,932</u>	<u>-</u>	<u>420,778</u>	<u>213,393</u>	<u>(77,461)</u>	<u>3,650,642</u>
Change in net assets before capital additions	<u>42,321</u>	<u>(44,504)</u>	<u>(165,364)</u>	<u>(119,943)</u>	<u>-</u>	<u>(287,490)</u>
<b>Capital additions:</b>						
Contributions for capital campaign	118,401	16,795	-	-	-	135,196
Total capital additions	<u>118,401</u>	<u>16,795</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>135,196</u>
Change in net assets	160,722	(27,709)	(165,364)	(119,943)	-	(152,294)
Net assets, beginning of year	2,759,342	524,864	2,241,838	496,584	(104,650)	5,917,978
Syndication costs	-	-	-	(67,965)	-	(67,965)
Net assets, end of year	<u>\$ 2,920,064</u>	<u>\$ 497,155</u>	<u>\$ 2,076,474</u>	<u>\$ 308,676</u>	<u>\$ (104,650)</u>	<u>\$ 5,697,719</u>
<b>Reconciliation of Net Assets</b>						
<b>Non-controlling interests</b>						
Beginning of the year	\$ -	\$ -	\$ 2,167,269	\$ 466,584	\$ -	\$ 2,633,853
Syndication costs	-	-	-	(67,965)	-	(67,965)
Non-controlling interest in limited partnership ear	-	-	(165,347)	(119,931)	-	(285,278)
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,001,922</u>	<u>\$ 278,688</u>	<u>\$ -</u>	<u>\$ 2,280,610</u>
<b>Controlling interests</b>						
Net assets, beginning of year	\$ 2,759,342	\$ 524,864	\$ 74,569	\$ 30,000	\$ (104,650)	\$ 3,284,125
Capital contributions	-	-	-	-	-	-
Change in net assets	160,722	(27,709)	(17)	(12)	-	132,985
Net assets, end of year	<u>\$ 2,920,064</u>	<u>\$ 497,155</u>	<u>\$ 74,552</u>	<u>\$ 29,988</u>	<u>\$ (104,650)</u>	<u>\$ 3,417,110</u>

See independent auditor's report.

## CLARE HOUSING

## CONSOLIDATING STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2011

## Increase (Decrease) in Cash and Cash Equivalents

	Clare Housing	Clare Apartments	Clare Hiawatha	Eliminations	Total
Cash flows from operating activities:					
Change in net assets	\$ 133,013	\$ (165,364)	\$ (119,943)	\$ -	\$ (152,294)
Adjustments to reconcile the change in net assets to net cash from operating activities:					
Depreciation	97,240	147,502	80,176	-	324,918
Contributions for capital campaign	(118,401)	-	-	-	(118,401)
Deferred grants	(6,000)	-	-	-	(6,000)
Bad debts	-	2,416	-	-	2,416
Changes in certain assets and liabilities:					
Investments	(24,771)	-	-	-	(24,771)
Accounts receivable	(33,083)	11,057	(13,740)	-	(35,766)
Contributions receivable	4,910	-	-	-	4,910
Grants receivable	15,908	-	-	-	15,908
Interest receivable	(25,762)	-	-	25,762	-
Prepaid expenses	6,621	(33)	6,405	-	12,993
Accounts payable	(8,701)	842	5,300	-	(2,559)
Accrued expenses	(41,428)	1,653	16,729	-	(23,046)
Accrued interest	600	31,013	8,855	(25,762)	14,706
Repayable advances	-	463	198	-	661
Tenant security deposits, net	-	371	3,059	-	3,430
Net cash from operating activities	146	29,920	(12,961)	-	17,105
Cash flows from investing activities:					
Payments for property and equipment	(51,336)	-	(5,620,228)	(175,113)	(5,846,677)
Due from Limited Partnership	(245,050)	-	-	245,050	-
Withdrawals from (additions to) reserves and escrows, net	-	(6,400)	30,000	-	23,600
Net cash from investing activities	(296,386)	(6,400)	(5,590,228)	69,937	(5,823,077)
Cash flows from financing activities:					
Proceeds from issuance of debt	-	-	4,914,148	-	4,914,148
Proceeds from deferred grant	-	-	860,670	-	860,670
Advances from (payments to) General Partner	-	3	69,934	(69,937)	-
Contributions for capital campaign	118,401	-	-	-	118,401
Payment of syndication costs	-	-	(67,965)	-	(67,965)
Payment of finance and tax credit fees	-	-	(144,616)	-	(144,616)
Net cash from financing activities	118,401	3	5,632,171	(69,937)	5,680,638
Net increase (decrease) in cash and cash equivalents	(177,839)	23,523	28,982	-	(125,334)
Cash and cash equivalents at beginning of year	434,115	7,935	-	-	442,050
Cash and cash equivalents at end of year	\$ 256,276	\$ 31,458	\$ 28,982	\$ -	\$ 316,716

See independent auditor's report.