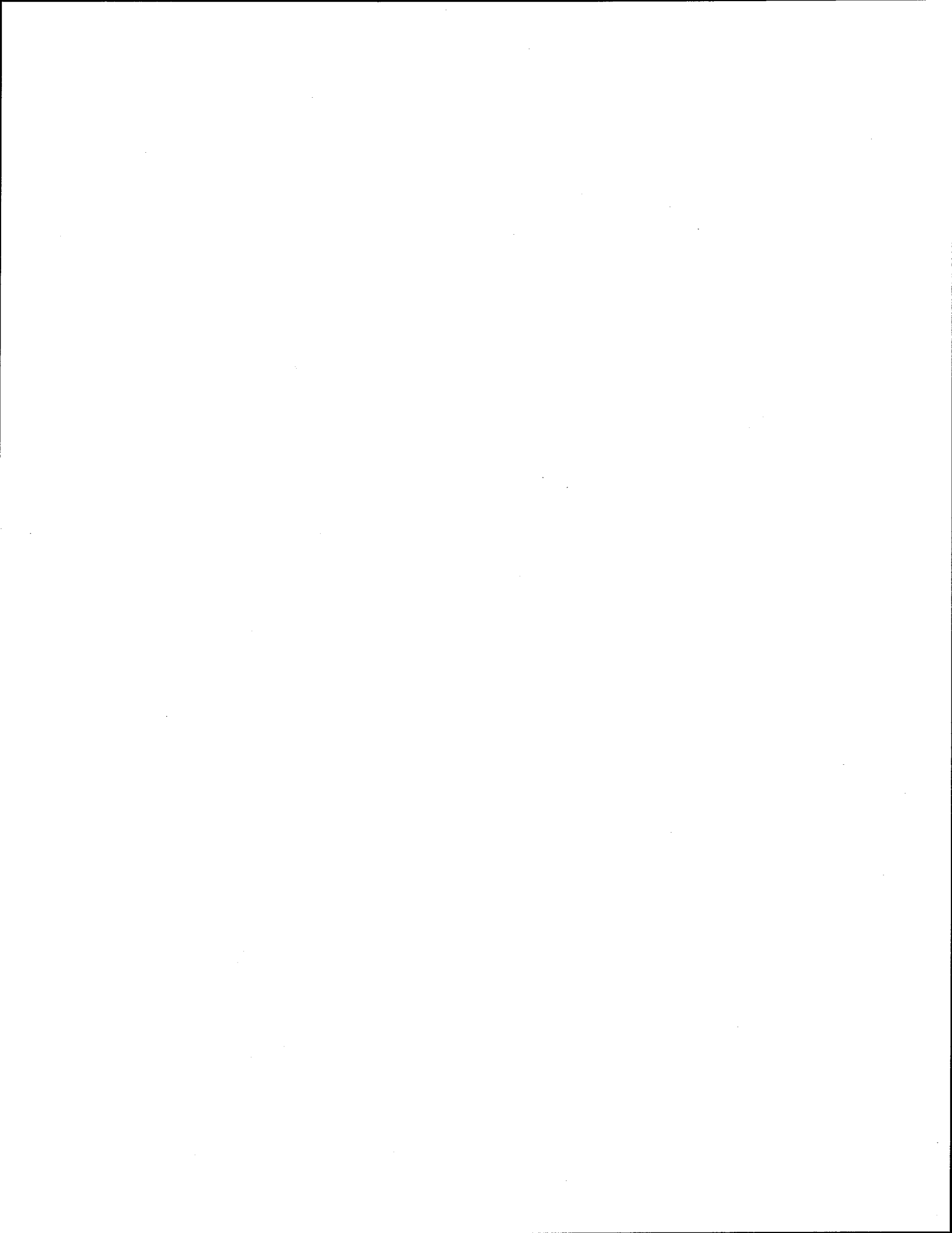


**CLARE HOUSING**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**



CLARE HOUSING  
CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2013  
(With Comparative Totals for 2012)

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Clare Housing  
Minneapolis, Minnesota

### Report on Financial Statements

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 June 30, 2013, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to consolidated financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Clare Housing and affiliates as of June 30, 2013, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As described in Note 20 to the consolidated financial statements, Clare Housing has changed its method of accounting for repayable advances and deferred grants. The change presents repayable advances and deferred grants as temporarily restricted revenue when received. Temporarily restricted net assets are released to unrestricted net assets upon expiration of the grant requirements. Our opinion is not modified with respect to that matter.

## **Report on Summarized Comparative Information**

We have previously audited Clare Housing's 2012 consolidated financial statements, and our report dated December 13, 2012, expressed an unmodified opinion on those audited financial statements. As discussed in Note 20 to the consolidated financial statements, Clare Housing has adjusted its 2012 financial statements to retrospectively apply the change in accounting for repayable advances and deferred grants. As part of our audit of the 2013 financial statements, we also audited the adjustments to the 2012 financial statements to retrospectively apply the change in accounting. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived, except for the adjustments made to retrospectively adopt the change in accounting principle, which were appropriate and properly applied.

## **Report on Supplementary Consolidating Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information shown on pages 21 to 23 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual entities, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Maloney Ulbrich  
Christiansen Russ P.A.*

Saint Paul, Minnesota  
November 21, 2013

## CLARE HOUSING

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2013  
(With Comparative Totals for 2012)

	2013	2012
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 326,976	\$ 697,738
Accounts receivable	216,858	243,415
Current portion of contributions receivable, net	52,438	35,297
Grants receivable	97,274	29,730
Sales tax rebate receivable	-	169,560
Prepaid expenses	41,995	66,738
Property held for sale	247,829	-
Total current assets	983,370	1,242,478
Reserves and escrows	1,599,343	1,582,625
Contributions receivable, less current portion, net	136,364	101,752
Prepaid expenses, less current portion	55,999	60,666
Other assets, net	154,767	162,953
Property under development	643,398	-
Property and equipment, net - Clare Housing	1,911,493	2,192,796
Property and equipment, net - Clare Apartments	4,430,181	4,562,501
Property and equipment, net - Clare Hiawatha	7,291,631	7,394,471
Total assets	\$ 17,206,546	\$ 17,300,242
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 73,561	\$ 37,950
Accrued expenses	211,717	214,144
Forgivable loan - Clare Housing	-	36,000
Current portion of debt - Clare Housing	278,500	-
Total current liabilities	563,778	288,094
Tenant security deposits	22,480	22,263
Accrued interest	50,955	45,170
Debt - Clare Housing, less current portion	60,000	60,000
Debt - Clare Apartments	1,479,631	1,479,631
Debt - Clare Hiawatha	3,405,205	3,405,205
Total liabilities	5,582,049	5,300,363
Unrestricted net assets:		
Controlling interest	2,845,621	2,920,476
Non-controlling interests	5,643,963	5,897,493
Total unrestricted	8,489,584	8,817,969
Temporarily restricted net assets	3,134,913	3,181,910
Total net assets	11,624,497	11,999,879
Total liabilities and net assets	\$ 17,206,546	\$ 17,300,242

See accompanying notes to consolidated financial statements.

## CLARE HOUSING

## CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2013  
(With Comparative Totals for 2012)

	2013			2012
	Unrestricted	Temporarily restricted	Total	
Revenues and support:				
Resident fees	\$ 1,982,660	\$ -	\$ 1,982,660	\$ 2,203,404
Rental revenues	490,305	-	490,305	491,763
Contributions	324,411	122,650	447,061	389,068
Government grants and contracts	538,688	-	538,688	476,061
Forgiveness of loan	36,000	-	36,000	6,000
Developer fee	-	-	-	300,000
Interest income	2,480	-	2,480	674
Other income	12,891	-	12,891	21,410
Net assets released from restrictions	169,647	(169,647)	-	-
Total revenues and support	<u>3,557,082</u>	<u>(46,997)</u>	<u>3,510,085</u>	<u>3,888,380</u>
Expenses:				
Program services:				
Foster care	1,236,973	-	1,236,973	1,538,990
Supportive services	1,667,461	-	1,667,461	1,891,674
Project Cornerstone	190,735	-	190,735	204,177
Total program services	<u>3,095,169</u>	<u>-</u>	<u>3,095,169</u>	<u>3,634,841</u>
Management and general	577,777	-	577,777	548,768
Fundraising	212,521	-	212,521	199,164
Total expenses	<u>3,885,467</u>	<u>-</u>	<u>3,885,467</u>	<u>4,382,773</u>
Change in net assets before proceeds from insurance claim	(328,385)	(46,997)	(375,382)	(494,393)
Gain from insurance claim, net	-	-	-	59,087
Change in net assets	(328,385)	(46,997)	(375,382)	(435,306)
Net assets, beginning of year	8,817,969	3,181,910	11,999,879	8,374,084
Capital contributions - non-controlling interests	-	-	-	4,061,101
Net assets, end of year	<u>\$ 8,489,584</u>	<u>\$ 3,134,913</u>	<u>\$ 11,624,497</u>	<u>\$ 11,999,879</u>
Change in net assets attributed to:				
Controlling interest	\$ (74,855)	\$ (46,997)	\$ (121,852)	\$ 8,912
Non-controlling interests	<u>(253,530)</u>	<u>-</u>	<u>(253,530)</u>	<u>(444,218)</u>
Consolidated total	<u>\$ (328,385)</u>	<u>\$ (46,997)</u>	<u>\$ (375,382)</u>	<u>\$ (435,306)</u>

See accompanying notes to consolidated financial statements.

CLARE HOUSING

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2013  
(With Comparative Totals for 2012)

	2013					Total	2012
	Foster care	Supportive services	Project Cornerstone	Total program services	Management and general		
Salaries	\$ 782,932	\$ 577,086	\$ 5,833	\$ 1,365,851	\$ 216,231	\$ 88,531	\$ 1,855,483
Payroll taxes	62,974	47,708	349	111,031	18,896	7,279	137,206
Employee benefits	98,075	69,015	293	167,383	19,336	2,911	189,630
Total salaries and benefits	943,981	693,809	6,475	1,644,265	254,463	98,721	2,235,916
Program expenses	76,253	48,032	131	124,416	-	-	132,379
Abandoned development expenses	-	-	-	-	-	-	50,800
Apartment leases	-	-	174,285	174,285	-	-	178,322
Insurance	15,722	10,981	76	26,779	34,926	1,562	65,277
Postage	160	3	-	163	2,062	1,818	3,363
Printing and copying	494	-	-	494	430	20,856	21,780
Professional fees	1,113	5,094	-	6,207	154,284	12,048	172,539
Legal	-	-	-	-	518	-	9,030
Accounting	-	-	-	-	12,289	-	16,212
Occupancy/utilities	40,416	-	1,074	41,490	23,648	-	65,138
Conferences and meetings	3,730	2,306	169	6,205	8,517	23,665	38,387
Office supplies	3,491	2,316	-	5,807	4,352	35,993	46,152
Telephone	17,370	882	20	18,272	12,209	1,387	31,868
IT Support, maintenance and web site	4,367	3,600	-	7,967	25,433	1,021	55,664
Rental, repairs and maintenance	38,828	2,031	6,697	67,556	7,440	31	76,989
Dues and subscriptions	781	2,083	-	2,864	7,377	-	10,241
Travel and entertainment	2,358	2,720	-	5,078	2,680	10,304	18,062
Interest	-	-	-	-	964	-	964
Depreciation	61,912	4,127	-	66,039	16,844	-	82,883
Miscellaneous	5,997	3,098	1,808	10,903	9,341	5,115	25,359
Total	1,236,973	781,082	190,735	2,208,790	577,777	212,521	3,294,798
Clare Apartments & Clare Hiawatha rental operating expenses:							
Administrative	-	99,703	-	99,703	-	-	115,282
Property management fee	-	54,252	-	54,252	-	-	55,926
Maintenance and operating	-	244,915	-	244,915	-	-	270,041
Utilities	-	99,921	-	99,921	-	-	108,323
Property insurance	-	49,044	-	49,044	-	-	36,303
Real estate taxes	-	76,473	-	76,473	-	-	72,840
Interest expense	-	5,186	-	5,186	-	-	70,442
Depreciation and amortization	-	256,885	-	256,885	-	-	358,818
Total	\$ 1,236,973	\$ 1,667,461	\$ 190,735	\$ 3,095,169	\$ 577,777	\$ 212,521	\$ 4,382,773
2013 allocation percentages	32%	43%	5%	80%	15%	5%	100%

See accompanying notes to consolidated financial statements.



## CLARE HOUSING

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2013  
(With Comparative Totals for 2012)

## Increase (Decrease) in Cash and Cash Equivalents

	2013	2012
Cash flows from operating activities:		
Change in net assets	\$ (375,382)	\$ (435,306)
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation and amortization	343,301	456,079
Forgiveness of loans	(36,000)	(6,000)
Loss of disposal of property - insurance claim	-	10,158
Organization and start up expenses	-	49,626
Changes in operating assets and liabilities:		
Accounts receivable	31,335	(22,090)
Contributions receivable	(51,753)	(92,140)
Grants receivable	(67,544)	(16,107)
Prepaid expenses	29,410	14,881
Accounts payable	16,283	(3,243)
Accrued expenses	(7,758)	42,291
Accrued interest	5,786	(1,699)
Tenant security deposits, net	68	745
Net cash from operating activities	<u>(112,254)</u>	<u>(2,805)</u>
Cash flows from investing activities:		
Payments for development in progress	(624,071)	-
Payments for property and equipment	(65,928)	(724,895)
Sales tax rebate received	169,560	-
Additions to reserves and escrows, net	(16,569)	(1,090,027)
Net cash from investing activities	<u>(537,008)</u>	<u>(1,814,922)</u>
Cash flows from financing activities:		
Proceeds from issuance of debt	278,500	-
Payments on notes payable	-	(2,125,893)
Capital contributions	-	4,061,101
Payment of finance and tax credit fees	-	(3,089)
Net cash from financing activities	<u>278,500</u>	<u>1,932,119</u>
Net increase (decrease) in cash and cash equivalents	(370,762)	114,392
Cash and cash equivalents at beginning of year	<u>697,738</u>	<u>583,346</u>
Cash and cash equivalents at end of year	<u>\$ 326,976</u>	<u>\$ 697,738</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	<u>\$ 364</u>	<u>\$ 72,741</u>
Development in progress included in payables	<u>\$ 19,327</u>	<u>\$ -</u>

See accompanying notes to consolidated financial statements.

# CLARE HOUSING

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2013  
(With Comparative Totals for 2012)

### 1. ORGANIZATION

Clare Housing 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** - Clare Housing operates four adult foster care residences located in Hennepin County in Minnesota as of June 30, 2013. Each foster care facility houses four adults and provides room and board, supportive services, and twenty-four hour supervision.

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

**Project Cornerstone** - Clare Housing 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 from resident fees for housing and supportive services. Resident fees include amounts paid by residents, Group Residential Housing and the Minnesota State Department of Health and Human Services Community Alternatives for Disabled Individuals (CADI) program. Approximately 57% of Clare Housing's 2013 and 2012 revenue and support is from this program.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Consolidation Method** - The consolidated financial statements include the accounts of Clare Housing, its wholly owned LLC's, and two limited partnerships in which Clare Housing or a wholly owned LLC is a general partner and exercises control (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 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.

(Continued)

## CLARE HOUSING

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2013  
(With Comparative Totals for 2012)

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

Tax credits from both limited partnerships have been sold to the National Equity Fund. Clare Housing has the right of first refusal to purchase Clare Apartments beginning in 2020. Clare Housing has the right of first refusal to purchase Clare Hiawatha beginning in 2026.

Limited partner capital is presented as a non-controlling interest in unrestricted net assets.

Clare Terrace Limited Partnership and Clare Marshall Flats Limited Partnership were formed in June 2013. Clare Housing is the general partner in each partnership. There was no activity in the partnerships in 2013.

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 and Clare Hiawatha.

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 in limited partnership property and equipment.

**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. Clare Housing 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.

(Continued)

## CLARE HOUSING

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2013  
(With Comparative Totals for 2012)

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

**Cash and Cash Equivalents** - Cash and cash equivalents includes all cash accounts and temporary investments purchased with an original maturity of three months or less. Reserves and escrows are not considered to be cash equivalents.

**Accounts Receivable** - Accounts receivable are uncollateralized obligations stated at net realizable value. The carrying amount of accounts receivables is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. As of June 30, 2013 and 2012, management has determined that no allowance is necessary. Accounts receivable are written off when management estimates that the receivable is worthless.

**Contributions Receivable** - Contributions receivable are stated at the present value of their estimated future cash flows. The carrying amount of contributions receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. Contributions receivable are written off when management estimates that the receivable is worthless.

**Sales Tax Rebate Receivable** - Clare Hiawatha Limited Partnership was due a sales tax rebate on construction materials. The rebate was received in August 2012.

**Property Held For Sale** - Property held for sale is stated at the lower of cost or fair value.

**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.

**Property Under Development**- Property under development is stated at cost, unless such costs would not be recovered from cash flows generated from sales or closing of limited partnership equity and financing. Costs consist primarily of land, legal, architectural, construction and other costs incurred to date.

**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 the estimated useful lives which range from: Buildings and Office Space, 39-40 years; Building Improvements, 10-39 years; Land Improvements, 10-15 years; and Furniture and Equipment, 3-9 years. The cost of maintenance and repairs is charged to income as incurred; significant renewals or betterments are capitalized.

(Continued)

CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2013  
(With Comparative Totals for 2012)

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

The Organization reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. To date, no impairment of long-lived assets has been recorded.

**Resident Fees** – Resident fees are recorded as revenue at the time the service is provided. Resident fees include amounts paid by residents, Group Residential Housing and the Minnesota State Department of Health and Human Services Community Alternatives for Disabled Individuals (CADI) program.

**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.

Clare Housing 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. There were no donated materials recorded in 2013 and 2012.

**Donated Services** - Donated 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. There were no contributed services recorded in 2013 and 2012.

**Government Grants and Contracts** - Government grants and contracts are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract are made. Amounts received prior to the cost being incurred are recorded as deferred grants.

Capital advances received from the Department of Housing and Urban Development (HUD) and the Federal Home Loan Bank (FHLB) are recorded as temporarily restricted grants when received. These grants are subject to a number of requirements, including that the property be used as affordable housing for a certain time period as defined in the grant agreements. Based on the history of Clare Housing, Management believes violation of the agreements and repayment of these grants are not likely. These grants are reported as temporarily restricted net assets and released to unrestricted net assets upon expiration of the grant requirements.

(Continued)

## CLARE HOUSING

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2013  
(With Comparative Totals for 2012)

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

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 temporarily restricted revenue when received and released from restriction over the 15 year compliance period beginning in 2011.

**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 work efforts and square footage.

**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 businesses that are not related to its exempt purpose. Management believes Clare Housing did not have any unrelated business income or uncertain tax positions in 2013 or 2012.

The limited liability companies are included in the income tax returns of Clare Housing.

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

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.

**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, 2012, from which the summarized information was derived.

Reclassifications were made to the 2012 consolidated financial statement of positions to be consistent with the current year classified presentation. In addition, prior-year summarized comparative information has been adjusted to retrospectively apply the change in accounting principle as further discussed in Note 20.

(Continued)

CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2013  
(With Comparative Totals for 2012)

3. **RESERVES AND ESCROWS**

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

4. **CONTRIBUTIONS RECEIVABLE**

Contributions receivable are due as follows:

	<u>2013</u>	<u>2012</u>
Receivable within one year	\$ 54,909	\$ 35,644
Receivable in 1 – 5 years	<u>140,279</u>	<u>104,831</u>
	195,188	140,475
Less allowance	(1,947)	-
Less discount	<u>(4,439)</u>	<u>(3,426)</u>
Contributions receivable, net	188,802	137,049
Less current portion	<u>(52,438)</u>	<u>(35,297)</u>
Contributions receivable, net, noncurrent	<u>\$ 136,364</u>	<u>\$ 101,752</u>

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

5. **PROPERTY HELD FOR SALE**

In 2013 the Organization closed one of its adult foster care residences. The property was sold for \$390,000 on August 30, 2013. As of June 30, 2013, the house is recorded at the original cost less accumulated depreciation at the time it was taken out of service.

6. **OTHER ASSETS**

Other assets consist of the following:

	<u>2013</u>	<u>2012</u>	<u>Amortization Term - Years</u>
Finance fees	\$ 155,249	\$ 155,249	30
Tax credit fees	<u>70,975</u>	<u>70,975</u>	10
	226,224	226,224	
Accumulated amortization	<u>(71,457)</u>	<u>(63,271)</u>	
	<u>\$ 154,767</u>	<u>\$ 162,953</u>	

(Continued)

CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2013  
(With Comparative Totals for 2012)

7. **PROPERTY UNDER DEVELOPMENT**

Property under development consists of the following:

	2013	2012
Clare Terrace	\$ 578,150	\$ -
Marshall Flats	65,248	-
	\$ 643,398	\$ -

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

Property and equipment - Clare Housing consists of the following:

	2013	2012
Land	\$ 106,100	\$ 126,100
Land improvements	58,484	43,924
Buildings and improvements	1,646,393	2,037,489
Furniture and equipment	230,925	252,768
Office space	520,382	520,382
	2,562,284	2,980,663
Less accumulated depreciation	(650,791)	(787,867)
	\$ 1,911,493	\$ 2,192,796

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

Property and equipment - Clare Apartments consists of the following:

	2013	2012
Land	\$ 405,490	\$ 405,490
Land improvements	111,900	111,900
Building	4,864,674	4,864,674
Furniture and equipment	94,596	94,596
	5,476,660	5,476,660
Less accumulated depreciation	(1,046,479)	(914,159)
	\$ 4,430,181	\$ 4,562,501

(Continued)



CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2013  
(With Comparative Totals for 2012)

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

Property and equipment - Clare Hiawatha consists of the following:

	2013	2012
Land	\$ 736,098	\$ 736,098
Land improvements	176,000	180,871
Building	6,609,431	6,604,560
Furniture and equipment	141,709	141,709
	7,663,238	7,663,238
Less accumulated depreciation	(371,607)	(268,767)
	\$ 7,291,631	\$ 7,394,471

11. **FORGIVABLE LOAN – CLARE HOUSING**

In 1998, Clare Housing received a \$60,000 loan from the Minnesota Housing Finance Agency (MHFA) under the Housing Trust Fund Housing Program for Low Income Persons. If Clare Housing complies with the conditions of the agreement through March 31, 2018, the loan will be forgiven. The loan is repayable 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 was being amortized to revenue in equal installments through 2018. The loan was secured by a foster home located at 2182 St. Clair in Saint Paul, Minnesota.

During 2013 Clare Housing closed the foster home. MHFA forgave the remaining unamortized balance of the loan under the condition that the funds be placed in a separate bank account and be used towards future housing development.

12. **DEBT - CLARE HOUSING**

	2013	2012
City of Minneapolis CPED note payable	\$ 60,000	\$ 60,000
Nonprofits Assistance Fund loan	100,000	-
Bridgewater Bank loan	178,500	-
	338,500	60,000
Less current maturities	(278,500)	-
	\$ 60,000	\$ 60,000

(Continued)

CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2013  
(With Comparative Totals for 2012)

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

**City of Minneapolis CPED loan** - Note payable to the City of Minneapolis Community Planning & Economic Development (CPED) Agency in the original 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.

**Nonprofits Assistance Fund loan** - Loan payable to Nonprofits Assistance Fund in the original amount of \$100,000 with interest at 7.0%. Principal and interest are due in full on August 31, 2013.

**Bridgewater Bank loan** - Loan payable to Bridgewater Bank in the original amount of \$178,500 with interest at 3.75%. Principal and interest are due in full on December 31, 2013. The loan has an option to extend for an additional 18 months with interest at 4.75%. Secured by the property located at 3559 France Avenue North, Robbinsdale, Minnesota.

Maturities of debt - Clare Housing are as follows:

2014	\$ 278,500
2015 - 2018	-
Thereafter	<u>60,000</u>
	<u>\$ 338,500</u>

13. **DEBT - CLARE APARTMENTS**

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

	<u>2013</u>	<u>2012</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	<u>90,000</u>	<u>90,000</u>
	<u>\$ 1,479,631</u>	<u>\$ 1,479,631</u>

(Continued)

CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2013  
(With Comparative Totals for 2012)

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

**MHFA HOPWA Loan** - Second mortgage payable to the 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 CPED in the original amount of \$435,000 dated December 16, 2004, with simple interest at 1%. Principal and accrued interest are 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 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 are due and payable in full on November 30, 2035.

Maturities of debt - Clare Apartments are as follows:

2014 – 2034	\$ -
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. The 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.

(Continued)

CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2013  
(With Comparative Totals for 2012)

14. **DEBT - CLARE HIAWATHA**

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

	<u>2013</u>	<u>2012</u>
CPED HOME	\$ 2,308,255	\$ 2,308,255
MHFA	480,000	480,000
Hennepin County HRA	<u>616,950</u>	<u>616,950</u>
	<u>\$ 3,405,205</u>	<u>\$ 3,405,205</u>

**CPED HOME** – Second mortgage payable to 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 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 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:

2014 – 2039	\$ -
Thereafter	<u>3,405,205</u>
	<u>\$ 3,405,205</u>

Interest expense has been recorded using the stated rates of the various mortgage notes. The 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.

15. **LINE OF CREDIT**

Clare Housing 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. Under no circumstances will the interest rate be less than 4.50%. Interest payments are due monthly. Principal and interest are due September 13, 2014. The line of credit is secured by all inventory, chattel paper, accounts, equipment, and general intangibles. At June 30, 2013 and 2012, there is no outstanding balance on the line of credit.

(Continued)

CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2013  
(With Comparative Totals for 2012)

16. **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are for the following purposes:

	<u>2013</u>	<u>2012</u>
Contributions receivable time restricted	\$ 188,802	\$ 137,049
Clare Housing office space	410,343	423,543
Damiano bathroom / Agape boiler	12,719	13,976
Cash held for programs	17,270	16,270
HUD/FHLB advances	1,396,970	1,396,970
Clare Hiawatha 1602 grant	<u>1,108,809</u>	<u>1,194,102</u>
	<u>\$ 3,134,913</u>	<u>\$ 3,181,910</u>

17. **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 \$32,215 and \$30,351 in 2013 and 2012, respectively.

18. **COMMITMENTS AND CONTINGENCIES**

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.

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.

During 2011, Clare Housing entered into a five-year purchase contract with an organization to provide training workshops. The total amount payable under the contract is \$100,000 of which \$20,000 and \$26,000 was paid in 2013 and 2012, respectively. Either party may cancel the agreement by providing 30 days written notice.

(Continued)

## CLARE HOUSING

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2013  
(With Comparative Totals for 2012)

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

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. The monthly fee was approximately \$5,000 for 2013 and \$6,000 for 2012. The fee may increase up to 3% each year. The contract expires December 31, 2013.

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.

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.

Clare Apartment's Housing Assistance Payments (HAP) Contract with the Minneapolis Public Housing Agency expires in 2015. No assurance can be provided that this contract will be renewed upon its expiration or if renewed, at what terms. Approximately 64% of Clare Apartments' revenue is from the HAP contract.

Clare Apartments and Clare Hiawatha are subject to extended use agreements between the Partnerships and MHFA which require the properties to be used for low income occupancy (income and rent limits). The extended use period ends on December 31, 2034, for Clare Apartments and on December 31, 2040, for Clare Hiawatha.

#### 19. PROJECT CORNERSTONE LEASES

Clare Housing has entered into grant agreements with 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 participants in the program. As of June 30, 2013, Clare Housing has entered into sixteen leases with terms ranging from 1 to 12 months. Lease expense was \$174,285 for 2013 and \$178,322 for 2012. Future minimum lease payments due in 2014 are \$68,914.

(Continued)

## CLARE HOUSING

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2013  
(With Comparative Totals for 2012)

#### 20. CHANGE IN ACCOUNTING PRINCIPLE

In 2013 the Organization changed its method of accounting for repayable advances and deferred grants. In prior years, repayable advances and deferred grants were initially recorded as liabilities and were recognized as revenue when the advance and grant requirements were met. The new method of accounting recognizes the advances and grants as temporarily restricted revenue when received. The temporarily restricted net assets are released to unrestricted net assets upon expiration of the grant requirements. Management believes this accounting treatment more accurately reflects the true intention of these advances and grants since violation of the agreements and repayment of the advances and grants are not likely. Summarized comparative information for prior year has been adjusted to apply the new method retrospectively.

Net assets from the financial statements as of June 30, 2012, have been restated as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
As previously reported	\$ 8,764,661	\$ 590,838	\$ -	\$ 9,355,499
Repayable advances	-	1,396,970	-	1,396,970
1602 grant	53,308	1,194,102	-	1,247,410
As restated	\$ 8,817,969	\$ 3,181,910	\$ -	\$ 11,999,879

Forgiveness of loan revenue decreased by \$31,985 for the year ended June 30, 2012.

#### 21. SUBSEQUENT EVENTS

On July 31, 2013, Clare Housing entered into a loan agreement with the Corporation for Supportive Housing in the original amount of \$406,000 with interest at 6.25%. Principal and interest are due in full on July 31, 2015. The loan is secured by the land purchased for the Clare Terrace project and a foster home located at 3109 Oakland Avenue in Minneapolis. As of November 21, 2013, Clare Housing had drawn \$337,158 of this loan.

On July 31, 2013, Clare Housing paid off its loan from the Nonprofits Assistance Fund.

On August 31, 2013, Clare Housing sold the property held for sale. The sale price was \$390,000.

Management has evaluated subsequent events through November 21, 2013, the date which the financial statements were available for issue, and identified no further significant events or transactions to disclose.

**CONSOLIDATING FINANCIAL STATEMENTS**



## CLARE HOUSING

## CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2013

	Clare Housing	Clare Apartments LP	Clare Hiawatha LLC	Clare Hiawatha LP	Eliminations	Total
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 164,726	\$ 17,163	\$ -	\$ 145,087	\$ -	\$ 326,976
Accounts receivable	206,676	3,981	-	6,201	-	216,858
Current portion of contributions receivable, net	52,438	-	-	-	-	52,438
Grants receivable	97,274	-	-	-	-	97,274
Current portion of prepaid expenses	32,173	1,944	-	7,878	-	41,995
Property held for sale	247,829	-	-	-	-	247,829
Total current assets	801,116	23,088	-	159,166	-	983,370
Reserves and escrows	-	516,067	-	1,083,276	-	1,599,343
Contributions receivable, less current portion, net	136,364	-	-	-	-	136,364
Notes receivable	1,396,970	-	-	-	(1,396,970)	-
Interest receivable	193,410	-	-	-	(193,410)	-
Prepaid expenses, less current portion	-	-	-	55,999	-	55,999
Other assets, net	-	44,482	-	110,285	-	154,767
Investment in Partnerships	104,650	-	-	-	(104,650)	-
Due from Partnerships	92,514	-	616,950	-	(709,464)	-
Property under development	643,398	-	-	-	-	643,398
Property and equipment, net - Clare Housing	1,911,493	-	-	-	-	1,911,493
Property and equipment, net - Clare Apartments	-	4,430,181	-	-	-	4,430,181
Property and equipment, net - Clare Hiawatha	-	-	-	7,291,631	-	7,291,631
Total assets	\$ 5,279,915	\$ 5,013,818	\$ 616,950	\$ 8,700,357	\$ (2,404,494)	\$17,206,546
<b>LIABILITIES AND NET ASSETS</b>						
Current liabilities:						
Accounts payable	\$ 53,441	\$ 2,006	\$ -	\$ 18,114	-	\$ 73,561
Accrued expenses	119,581	37,621	-	54,515	-	211,717
Current portion of debt - Clare Housing	278,500	-	-	-	-	278,500
Due to Clare Housing	-	85,902	-	6,612	(92,514)	-
Total current liabilities	451,522	125,529	-	79,241	(92,514)	563,778
Deferred grant - Clare Hiawatha	-	-	-	1,220,756	(1,220,756)	-
Tenant security deposits	-	9,543	-	12,937	-	22,480
Accrued interest	8,436	235,929	-	-	(193,410)	50,955
Debt - Clare Housing	60,000	-	-	-	-	60,000
Debt - Clare Apartments	-	2,876,601	-	-	(1,396,970)	1,479,631
Debt - Clare Hiawatha	-	-	616,950	3,405,205	(616,950)	3,405,205
Total liabilities	519,958	3,247,602	616,950	4,718,139	(3,520,600)	5,582,049
Net assets:						
Unrestricted net assets:						
Controlling interest	2,733,853	74,521	-	29,949	7,297	2,845,621
Non-controlling interests	-	1,691,695	-	3,952,269	-	5,643,963
Total unrestricted net assets	2,733,853	1,766,216	-	3,982,218	7,297	8,489,584
Temporarily restricted net assets	2,026,104	-	-	-	1,108,809	3,134,913
Total net assets	4,759,957	1,766,216	-	3,982,218	1,116,106	11,624,497
Total liabilities and net assets	\$ 5,279,915	\$ 5,013,818	\$ 616,950	\$ 8,700,357	\$ (2,404,494)	\$17,206,546

See independent auditor's report.

## CLARE HOUSING

## CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2013

	Clare Housing		Clare Apartments	Clare Hiawatha	Eliminations	Total
	Unrestricted	Temporarily restricted				
<b>Revenues and support:</b>						
Resident fees	\$ 1,982,660	\$ -	\$ -	\$ -	\$ -	\$ 1,982,660
Rental revenues	-	-	253,495	380,470	(143,660)	490,305
Contributions	324,411	122,650	-	-	-	447,061
Government grants and contracts	538,688	-	-	-	-	538,688
Forgiveness of loans	36,000	-	-	31,985	(31,985)	36,000
Partnership management fees	16,462	-	-	-	(16,462)	-
Interest income	29,691	-	263	945	(28,419)	2,480
Other income	2,344	-	4,987	5,560	-	12,891
Net assets released from restrictions	84,354	(84,354)	-	-	-	-
<b>Total revenues and support</b>	<b>3,014,610</b>	<b>38,296</b>	<b>258,745</b>	<b>418,960</b>	<b>(220,526)</b>	<b>3,510,085</b>
<b>Expenses:</b>						
<b>Program services:</b>						
Foster care	1,236,973	-	-	-	-	1,236,973
Supportive services	930,073	-	425,808	505,452	(193,872)	1,667,461
Project Cornerstone	190,735	-	-	-	-	190,735
<b>Total program services</b>	<b>2,357,781</b>	<b>-</b>	<b>425,808</b>	<b>505,452</b>	<b>(193,872)</b>	<b>3,095,169</b>
Management and general	577,777	-	-	-	-	577,777
Fundraising	212,521	-	-	-	-	212,521
<b>Total expenses</b>	<b>3,148,079</b>	<b>-</b>	<b>425,808</b>	<b>505,452</b>	<b>(193,872)</b>	<b>3,885,467</b>
<b>Change in net assets</b>	<b>(133,469)</b>	<b>38,296</b>	<b>(167,063)</b>	<b>(86,492)</b>	<b>(26,654)</b>	<b>(375,382)</b>
<b>Net assets, beginning of year</b>	<b>2,867,322</b>	<b>1,987,808</b>	<b>1,933,279</b>	<b>4,068,710</b>	<b>1,142,760</b>	<b>11,999,879</b>
<b>Net assets, end of year</b>	<b>\$ 2,733,853</b>	<b>\$ 2,026,104</b>	<b>\$ 1,766,216</b>	<b>\$ 3,982,218</b>	<b>\$ 1,116,106</b>	<b>\$ 11,624,497</b>
<b>Reconciliation of net assets:</b>						
<b>Non-controlling interests:</b>						
Beginning of the year	\$ -	\$ -	\$ 1,858,741	\$ 4,038,752	\$ -	\$ 5,897,493
Change in net assets	-	-	(167,046)	(86,483)	-	(253,530)
<b>End of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,691,695</b>	<b>\$ 3,952,269</b>	<b>\$ -</b>	<b>\$ 5,643,963</b>
<b>Controlling interests:</b>						
Beginning of the year	\$ 2,867,322	\$ 1,987,808	\$ 74,538	\$ 29,958	\$ 1,142,760	\$ 6,102,386
Change in net assets	(133,469)	38,296	(17)	(9)	(26,654)	(121,852)
<b>End of year</b>	<b>\$ 2,733,853</b>	<b>\$ 2,026,104</b>	<b>\$ 74,521</b>	<b>\$ 29,949</b>	<b>\$ 1,116,106</b>	<b>\$ 5,980,534</b>

See independent auditor's report.

## CLARE HOUSING

## CONSOLIDATING STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2013

## Increase (Decrease) in Cash and Cash Equivalents

	Clare Housing	Clare Apartments	Clare Hiawatha	Eliminations	Total
Cash flows from operating activities:					
Change in net assets	\$ (95,173)	\$ (167,063)	\$ (86,492)	\$ (26,654)	\$ (375,382)
Adjustments to reconcile the change in net assets to net cash from operating activities:					
Depreciation and amortization	82,883	136,974	123,444	-	343,301
Amortization of deferred grant	-	-	(31,985)	31,985	-
Forgiveness of loan	(36,000)	-	-	-	(36,000)
Changes in operating assets and liabilities:					
Accounts receivable	16,523	6,334	8,478	-	31,335
Contributions receivable	(51,753)	-	-	-	(51,753)
Grants receivable	(67,544)	-	-	-	(67,544)
Interest receivable	(28,419)	-	-	28,419	-
Prepaid expenses	25,081	89	4,240	-	29,410
Accounts payable	5,299	(1,867)	12,851	-	16,283
Accrued expenses	(720)	5,291	(12,329)	-	(7,758)
Accrued interest	600	33,605	-	(28,419)	5,786
Tenant security deposits, net	-	90	(22)	-	68
Net cash from operating activities	<u>(149,223)</u>	<u>13,453</u>	<u>18,185</u>	<u>5,331</u>	<u>(112,254)</u>
Cash flows from investing activities:					
Payments for property under development	(624,071)	-	-	-	(624,071)
Payments for property and equipment	(49,409)	-	(16,519)	-	(65,928)
Sales tax rebate received	-	-	169,560	-	169,560
Due to/from limited partnerships	48,743	-	(43,412)	(5,331)	-
Withdrawals from (additions to) reserves and escrows, net	-	(17,291)	722	-	(16,569)
Net cash from investing activities	<u>(624,737)</u>	<u>(17,291)</u>	<u>110,351</u>	<u>(5,331)</u>	<u>(537,008)</u>
Cash flows from financing activities:					
Proceeds from issuance of debt	278,500	-	-	-	278,500
Receipts from (payments on) notes payable	40,000	-	(40,000)	-	-
Net cash from financing activities	<u>318,500</u>	<u>-</u>	<u>(40,000)</u>	<u>-</u>	<u>278,500</u>
Net increase (decrease) in cash and cash equivalents	(455,460)	(3,838)	88,536	-	(370,762)
Cash and cash equivalents at beginning of year	<u>620,186</u>	<u>21,001</u>	<u>56,551</u>	<u>-</u>	<u>697,738</u>
Cash and cash equivalents at end of year	<u>\$ 164,726</u>	<u>\$ 17,163</u>	<u>\$ 145,087</u>	<u>\$ -</u>	<u>\$ 326,976</u>

See independent auditor's report.