

CLARE HOUSING

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

CLARE HOUSING

CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Clare Housing
Minneapolis, Minnesota

We have audited the accompanying consolidated financial statements of Clare Housing (a nonprofit organization) and affiliates, which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities, 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.

(Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Clare Housing and affiliates as of December 31, 2017, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Clare Housing’s 2016 consolidated financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 23, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Consolidating Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information shown on pages 22 through 24 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.

May 29, 2018

*Mahoney Ulbrich
Christiansen Russ P.A.*

CLARE HOUSING

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2017
(With Comparative Totals for 2016)

	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,249,108	\$ 1,609,864
Construction escrow	-	500,000
Accounts receivable	281,223	218,771
TIF receivable	41,099	25,987
Current portion of contributions receivable, net	804,949	77,578
Grants receivable	98,588	137,080
Current portion of prepaid expenses	119,935	105,437
Total current assets	3,594,902	2,674,717
Reserves and escrows	1,824,583	1,654,951
Contributions receivable, less current portion, net	193,249	184,097
Prepaid expenses, less current portion	121,622	82,831
Charitable remainder trusts	31,375	31,375
Other assets, net	119,604	83,913
Property and equipment, net - Clare Housing	1,803,502	1,827,072
Property and equipment, net - Partnerships	23,206,133	19,265,871
Total assets	\$ 30,894,970	\$ 25,804,827
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 116,563	\$ 125,931
Construction payable	-	1,525,596
Current portion of debt - Partnerships	9,614	8,224
Accrued expenses	420,106	352,010
Total current liabilities	546,283	2,011,761
Tenant security deposits	64,258	40,164
Accrued interest	119,268	71,164
Deferred revenue	-	130,000
Debt - Clare Housing	60,000	60,000
Debt - Partnerships - net, less current portion	8,474,650	6,653,535
Total liabilities	9,264,459	8,966,624
Unrestricted net assets:		
Controlling interest	3,191,078	3,709,122
Controlling interest - board designated	1,446,401	-
Noncontrolling interests - limited partners	12,780,835	8,966,961
Total unrestricted	17,418,314	12,676,083
Temporarily restricted net assets	4,212,197	4,162,120
Total net assets	21,630,511	16,838,203
Total liabilities and net assets	\$ 30,894,970	\$ 25,804,827

See accompanying notes to consolidated financial statements.

CLARE HOUSING

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

	2017			2016
	Unrestricted	Temporarily restricted	Total	
Revenues and support:				
Resident fees	\$ 2,456,931	\$ -	\$ 2,456,931	\$ 2,463,256
Rental revenues	896,314	-	896,314	797,958
Contributions	496,811	139,100	635,911	597,445
Estate gift	896,401	-	896,401	-
Government grants and contracts	884,469	-	884,469	728,523
Interest income	6,124	-	6,124	2,792
Developer fee	32,238	-	32,238	50,750
TIF revenue	28,527	-	28,527	25,987
Other income	36,249	-	36,249	35,428
Net assets released from restrictions	207,022	(207,022)	-	-
Total revenues and support	<u>5,941,086</u>	<u>(67,922)</u>	<u>5,873,164</u>	<u>4,702,139</u>
Expenses:				
Program services:				
Community care homes	1,213,504	-	1,213,504	1,193,535
Supportive housing	3,542,778	-	3,542,778	3,079,164
Scattered site housing	279,992	-	279,992	261,008
Total program services	<u>5,036,274</u>	<u>-</u>	<u>5,036,274</u>	<u>4,533,707</u>
Management and general	590,510	-	590,510	549,455
Fundraising	309,383	-	309,383	263,477
Total expenses	<u>5,936,167</u>	<u>-</u>	<u>5,936,167</u>	<u>5,346,639</u>
Change in net assets - operating	4,919	(67,922)	(63,003)	(644,500)
Loss on uncollected pledges	(11,637)	-	(11,637)	(8,597)
Capital grants	-	117,999	117,999	532,000
Limited partner capital contributions, net	4,748,949	-	4,748,949	4,438,031
Change in net assets	4,742,231	50,077	4,792,308	4,316,934
Net assets, beginning of year	<u>12,676,083</u>	<u>4,162,120</u>	<u>16,838,203</u>	<u>12,521,269</u>
Net assets, end of year	<u>\$ 17,418,314</u>	<u>\$ 4,212,197</u>	<u>\$ 21,630,511</u>	<u>\$ 16,838,203</u>
Reconciliation of net assets:				
Controlling interests:				
Beginning of year	\$ 3,709,122	\$ 4,162,120	\$ 7,871,242	\$ 7,277,983
Change in net assets	<u>928,357</u>	<u>50,077</u>	<u>978,434</u>	<u>593,259</u>
End of year	<u>\$ 4,637,479</u>	<u>\$ 4,212,197</u>	<u>\$ 8,849,676</u>	<u>\$ 7,871,242</u>
Noncontrolling interests - limited partners:				
Beginning of year	\$ 8,966,961	\$ -	\$ 8,966,961	\$ 5,243,286
Capital contributions, net	4,748,949	-	4,748,949	4,438,031
Other changes in net assets	<u>(935,075)</u>	<u>-</u>	<u>(935,075)</u>	<u>(714,356)</u>
End of year	<u>\$ 12,780,835</u>	<u>\$ -</u>	<u>\$ 12,780,835</u>	<u>\$ 8,966,961</u>

See accompanying notes to consolidated financial statements.

CLARE HOUSING

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

	2017							2016
	Community care homes	Supportive housing	Scattered site housing	Total program services	Management and general	Fund-raising	Total	
Salaries	\$ 801,252	\$ 1,145,920	\$ 46,920	\$ 1,994,092	\$ 174,794	\$ 218,447	\$ 2,387,333	\$ 2,181,690
Payroll taxes	59,605	84,608	2,429	146,642	19,170	13,835	179,647	183,519
Employee benefits	107,385	144,946	7,195	259,526	29,530	24,387	313,443	311,471
Total salaries and related	968,242	1,375,474	56,544	2,400,260	223,494	256,669	2,880,423	2,676,680
Program expenses	84,208	97,346	2,411	183,965	-	-	183,965	164,482
Apartment leases	-	-	214,173	214,173	-	-	214,173	196,758
Insurance	-	-	-	-	34,388	-	34,388	33,338
Postage	585	93	20	698	3,618	752	5,068	3,833
Printing and copying	-	169	-	169	2,114	74	2,357	2,855
Professional fees	683	976	1,181	2,840	169,585	-	172,425	165,175
Accounting	-	-	-	-	15,000	-	15,000	15,000
Occupancy/utilities	40,176	-	972	41,148	20,661	-	61,809	65,060
Conferences and meetings	1,828	13,747	202	15,777	3,672	2,194	21,643	25,273
Supplies	2,049	5,826	26	7,901	6,474	44,941	59,316	52,843
Telephone	11,421	12,222	-	23,643	9,211	-	32,854	20,764
IT support, maintenance and website	2,068	9,899	2,179	14,146	36,832	873	51,851	59,990
Rental, repairs and maintenance	27,314	6,564	-	33,878	10,360	-	44,238	57,819
Dues and subscriptions	1,564	2,976	-	4,540	4,708	330	9,578	5,511
Travel and entertainment	689	6,509	498	7,696	4,427	5	12,128	7,897
Interest	-	-	-	-	600	-	600	600
Depreciation	68,415	5,334	-	73,749	34,231	-	107,980	101,961
Miscellaneous	4,262	14,706	1,786	20,754	11,135	3,545	35,434	36,691
	<u>1,213,504</u>	<u>1,551,841</u>	<u>279,992</u>	<u>3,045,337</u>	<u>590,510</u>	<u>309,383</u>	<u>3,945,230</u>	<u>3,692,530</u>
Partnerships rental operating expenses:								
Administrative	-	260,969	-	260,969	-	-	260,969	241,550
Property management fee	-	101,278	-	101,278	-	-	101,278	92,136
Maintenance and operating	-	433,050	-	433,050	-	-	433,050	391,483
Utilities	-	197,464	-	197,464	-	-	197,464	165,421
Property insurance	-	44,582	-	44,582	-	-	44,582	49,748
Real estate taxes	-	155,887	-	155,887	-	-	155,887	116,257
Interest expense	-	100,348	-	100,348	-	-	100,348	57,989
Interest expense - amortization of finance fees	-	67,216	-	67,216	-	-	67,216	33,038
Depreciation	-	620,029	-	620,029	-	-	620,029	498,772
Amortization of tax credit fees	-	10,114	-	10,114	-	-	10,114	7,715
	<u>\$ 1,213,504</u>	<u>\$ 3,542,778</u>	<u>\$ 279,992</u>	<u>\$ 5,036,274</u>	<u>\$ 590,510</u>	<u>\$ 309,383</u>	<u>\$ 5,936,167</u>	<u>\$ 5,346,639</u>
Allocation percentages	<u>20%</u>	<u>60%</u>	<u>4%</u>	<u>84%</u>	<u>11%</u>	<u>5%</u>	<u>100%</u>	

See accompanying notes to consolidated financial statements.

CLARE HOUSING

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

Increase (Decrease) in Cash and Cash Equivalents

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 4,792,308	\$ 4,316,934
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation and amortization of tax credit fees	738,123	608,448
Interest expense - amortization of finance fees	67,216	33,038
Capital grants and contributions, net	(4,866,948)	(4,970,032)
Loss on uncollected pledges	11,637	8,597
Changes in operating assets and liabilities:		
Accounts receivable	(86,119)	(17,357)
Contributions receivable	(748,160)	(71,923)
Grants receivable	38,492	(71,111)
Prepaid expenses	(51,350)	(8,241)
Accounts payable	(12,967)	49,630
Accrued expenses	80,543	73,319
Accrued interest	40,287	(9,080)
Tenant security deposits	14,850	(1,838)
Net cash from operating activities	17,912	(59,616)
Cash flows from investing activities:		
Payments for property and equipment	(6,337,402)	(1,126,555)
Withdrawals from (additions to) reserves and escrows, net	337,378	(497,209)
Net cash from investing activities	(6,000,024)	(1,623,764)
Cash flows from financing activities:		
Capital grants and limited partner contributions, net	4,866,948	4,970,032
Payment of finance and tax credit fees	(77,885)	(78,630)
Proceeds from issuance of debt	1,845,000	874,844
Repayment of debt	(12,707)	(3,665,979)
Net cash from financing activities	6,621,356	2,100,267
Net increase in cash and cash equivalents	639,244	416,887
Cash and cash equivalents at beginning of year	1,609,864	1,192,977
Cash and cash equivalents at end of year	\$ 2,249,108	\$ 1,609,864
Supplemental disclosures of cash flow information:		
Property and equipment included in liabilities	\$ -	\$ 1,533,348

See accompanying notes to consolidated financial statements.

CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

1. ORGANIZATION

Clare Housing was incorporated as a Minnesota nonprofit corporation in 1994. The mission of Clare Housing is to provide a continuum of affordable and supportive housing options that create healing communities and optimize the health of people living with HIV/AIDS. Clare Housing has three programs as follows:

Community Care Homes - At December 31, 2017, Clare Housing owns four community care homes located in Hennepin County which are licensed through the Minnesota Department of Human Services under the 245D-HCBS program. Each residence houses four adults and provides room and board, supportive services, and twenty-four hour supervision and support.

Supportive Housing - Clare Housing is a developer of supportive housing communities which include Clare Apartments, Clare Hiawatha, Clare Terrace, and Clare Marshall Flats. Services provided to residents include twenty-four hour customized living services, supportive services, and twenty-four hour supervision.

Scattered Site Housing - Clare Housing provides scattered site supportive housing throughout the Twin Cities metropolitan area. Residents include single and family households that come from a long-term homeless background, qualify as low-income and have at least one member living with HIV. As of December 31, 2017, Clare Housing manages 42 scattered site housing units.

The primary funding for Clare Housing is from Housing and Urban Development Housing Opportunities for People with Aids (HUD-HOPWA), resident fees, rental revenues, contributions and government grants. Resident fees include amounts paid by residents, Housing Supports (formerly known as GRH - Group Residential Housing), and the Minnesota Department of Human Services Community Access for Disability Inclusion (CADI) 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 four limited partnerships in which Clare Housing or a wholly owned LLC is a general partner and exercises control (collectively, the Organization).

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

(Continued)

CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

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

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

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

Clare Marshall Flats LLC is a wholly owned single member limited liability company. Clare Housing and Clare Marshall Flats LLC each owns a .01% general partner interest in Clare Marshall Flats Limited Partnership (Clare Marshall Flats). Clare Marshall Flats is a 36-unit apartment complex located in Minneapolis, Minnesota. Construction of the apartment complex began in July 2016 and was completed in June 2017.

Limited partner capital is presented as noncontrolling interests in unrestricted net assets.

Tax credits from the limited partnerships have been sold to the National Equity Fund. Clare Housing has the right of first refusal to purchase the properties when the limited partnerships are beyond their respective 15 year tax credit compliance periods.

Clare Services LLC (Clare Services) is a wholly owned single member limited liability company. Clare Services was formed to provide supportive services to the residents of Clare Apartments, Clare Hiawatha, Clare Terrace, and Clare Marshall Flats.

All material inter-entity accounts and transactions have been eliminated with the exception of developer fees. Developer fees from consolidated affiliates that exceed Clare Housing's cost of developing the project are eliminated.

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.

(Continued)

CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The Organization has presented losses on uncollected pledges, capital grants, and limited partner capital contributions separate from operating results because management believes the presentation better assists users of the financial statements with analyzing its operating results.

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

Accounts and Grants Receivable - Accounts and grants receivable are uncollateralized obligations stated at net realizable value. The carrying amount of accounts and grants receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. Accounts and grants receivable are written off when management estimates that the receivable is worthless. As of December 31, 2017 and 2016, management has determined that no valuation allowance is necessary.

Sales Tax Refund Receivable - Clare Terrace received a sales tax refund in 2016 as a result of Clare Housing's tax exempt status. The refund related to sales tax paid on materials used in and equipment incorporated into the project during construction.

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. As of December 31, 2017 and 2016, management has determined that no valuation allowance is necessary.

(Continued)

CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Credit Fees - Tax credit fees are amortized over 10 years using the straight-line method. Tax credit fees are reported in Other Assets.

Finance Fees - Finance fees are deferred and amortized over the term of the related debt using the straight-line method and are reported as deductions from the face amount of the related debt. Amortization is included with interest expense on the statement of activities.

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, 5-39 years; Land Improvements, 10-15 years; and Furniture and Equipment, 3-10 years. The cost of maintenance and repairs is charged to income as incurred; significant renewals or betterments are capitalized.

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

Resident Fees - Resident fees are recorded as revenue at the time the service is provided.

Rental Revenues - Rental revenues on residential leases are recorded when due from tenants. Leases are for periods of up to one year.

Contributions - Contributions are recognized when the donor makes an unconditional promise to give. Donor-restricted contributions are reported as increases in 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 when contributions are 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.

(Continued)

CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 before expenditures are incurred are recorded as deferred revenue.

Capital grants received from the Department of Housing and Urban Development (HUD), the Federal Home Loan Bank (FHLB), the City of Minneapolis, and the City of Robbinsdale are recorded as temporarily restricted grants when received. These grants are subject to a number of requirements, including that the properties be operated as low income housing for a specific time period. 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.

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 is released from restriction over the 15 year compliance period beginning in 2011.

Program Expenses - Program expenses represent various expenses incurred in providing Clare Housing's program services. These expenses include household supplies, medical supplies, food, and transportation of residents.

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 gross expenses by program.

Income Taxes - Clare Housing is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and is exempt from Minnesota income taxes under applicable Minnesota Statutes, except to the extent it has taxable income from activities that are not related to its exempt purpose. Management believes Clare Housing does not have any unrelated business income or uncertain tax positions.

The limited liability companies are included in the income tax returns of Clare Housing. The limited partnerships are not taxpaying entities; income or losses are passed through to the partners.

(Continued)

CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 December 31, 2016, from which the summarized information was derived.

Reclassifications - Reclassifications were made to the 2016 financial statements to be consistent with the current year financial statements. These reclassifications did not affect net assets or the change in net assets.

3. RESERVES AND ESCROWS

Certain partnership and loan agreements require that cash be escrowed for payment of construction, real estate taxes and insurance, replacement reserves, revenue deficit reserves, pledge agreement reserves, exit tax reserves, lease-up reserves, partnership fee reserves and operating reserves. Reserves and escrows also include funds held for tenant security deposits.

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable are due as follows:

	2017	2016
Receivable within one year	\$ 804,949	\$ 78,354
Receivable in 1 - 5 years	200,006	187,532
	1,004,955	265,886
Less discount	(6,657)	(4,211)
Contributions receivable, net	998,198	261,675
Less current portion	(804,949)	(77,578)
Contributions receivable, net, noncurrent	<u>\$ 193,249</u>	<u>\$ 184,097</u>

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

(Continued)

CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

5. CHARITABLE REMAINDER TRUSTS

Clare Housing is a beneficiary of two charitable remainder trusts held by a third party. Clare Housing will receive one-third of the remaining assets of each trust following the death of the beneficiaries. The fair value is measured by calculating the expected future cash inflow determined using investment returns consistent with the composition of the asset portfolio, life expectancies from the Internal Revenue Service tables, and a discount rate of 4%. Clare Housing estimates it will receive the assets after 2027. At December 31, 2017 and 2016, management estimates Clare Housing's portion of the trusts is \$31,375.

6. PROPERTY AND EQUIPMENT

	2017	2016
Clare Housing:		
Land - housing	\$ 106,100	\$ 106,100
Land improvements - housing	73,819	64,899
Buildings and improvements - housing	1,795,889	1,772,605
Furniture and equipment - housing	128,036	109,366
Furniture and equipment - office	103,063	78,109
Office space	520,382	520,382
	2,727,289	2,651,461
Less accumulated depreciation	(923,787)	(824,389)
Clare Housing, net	\$ 1,803,502	\$ 1,827,072
Partnerships:		
Land	\$ 2,259,471	\$ 2,155,828
Land improvements	716,957	498,779
Buildings and improvements	23,129,476	16,713,829
Furniture and equipment	663,756	404,340
Construction in progress – Marshall Flats	-	2,436,593
	26,769,660	22,209,369
Less accumulated depreciation	(3,563,527)	(2,943,498)
Partnerships, net	\$ 23,206,133	\$ 19,265,871

(Continued)

CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

7. DEBT

CLARE HOUSING:

City of Minneapolis CPED loan - Note payable to the City of Minneapolis Community Planning & Economic Development (CPED) in the original amount of \$60,000 with interest at 1%. Principal and interest are due on April 28, 2019. Secured by the Agape Dos House property.

PARTNERSHIPS:

Debt for the Partnerships consists of:

	2017	2016
Minnesota Housing Financing Agency	\$ 2,469,690	\$ 2,049,690
Hennepin County	2,086,950	1,716,950
City of Minneapolis	3,888,255	2,833,255
Bremer Bank	160,557	173,264
Family Housing Fund	100,000	100,000
	8,705,452	6,873,159
Less current portion	(9,614)	(8,224)
Less unamortized finance fees	(221,188)	(211,400)
	\$ 8,474,650	\$ 6,653,535

Minnesota Housing Financing Agency Loans - Mortgage payable to the Minnesota Housing Financing 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 on December 16, 2034. Secured by Clare Apartments.

Mortgage payable to MHFA under its Housing Trust Fund (HTF) Program in the original amount of \$220,000 dated December 16, 2004, without interest. Principal is due on December 16, 2034. Secured by Clare Apartments.

Mortgage payable to MHFA in the original amount of \$480,000 without interest. Principal is due on May 6, 2040. Secured by Clare Hiawatha.

(Continued)

CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

7. DEBT (Continued)

Mortgage payable to MHFA under the Economic Development and Housing Challenge Program (EDHC) in the original amount of \$1,140,059 dated December 30, 2014, without interest. Principal is due on December 30, 2044. Secured by Clare Terrace.

Mortgage payable to MHFA under the EDHC program in the original amount of \$420,000 dated September 22, 2016, with simple interest at 2.00%. Principal is due and payable in full on September 23, 2046. Secured by Clare Marshall Flats.

Hennepin County Loans - Mortgage payable to the Hennepin County Housing and Redevelopment Authority (HRA) under the Affordable Housing Incentive Fund (AHIF) program in the original amount of \$425,000 dated December 16, 2004, without interest. Principal is due on December 16, 2034. Secured by Clare Apartments.

Mortgage payable to the HRA under the AHIF program in the original amount of \$616,950 dated May 6, 2010, without interest. Principal is due on May 6, 2040. Secured by Clare Hiawatha.

Mortgage payable to the HRA under the AHIF program in the original amount of \$675,000 dated December 30, 2014, without interest. Principal is due on December 30, 2044. Secured by Clare Terrace.

Mortgage payable to the HRA under the AHIF program in the original amount of \$370,000 dated September 23, 2016, with simple interest at 2.00%. Principal and interest is due and payable in full on September 23, 2046. Secured by Clare Marshall Flats.

City of Minneapolis Loans - Mortgage payable to the Minneapolis Community Planning and Economic Development (CPED) under the Community Development Block Grants (CDBG) program in the original amount of \$435,000 dated December 16, 2004, with interest at 1%. Principal and accrued interest are due on December 16, 2034. Secured by Clare Apartments.

Mortgage payable to the City of Minneapolis in the original amount of \$90,000 dated November 30, 2005, with simple interest at 1%. Principal and accrued interest are due on November 30, 2035. Secured by Clare Apartments.

Mortgage payable to CPED under the HOME Investment Partnerships program in the original amount of \$2,308,255 dated May 6, 2010, without interest. Principal is due on May 6, 2040. Secured by Clare Hiawatha.

(Continued)

CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

7. DEBT (Continued)

Mortgage payable to the City of Minneapolis under the Affordable Housing Trust Fund (AHTF) in the original amount of \$655,000 dated September 22, 2016, with simple interest at 2.00%. Principal and interest is due and payable in full on September 22, 2046. Secured by Clare Marshall Flats.

Mortgage payable to the City of Minneapolis under the Local Housing Initiatives Account Program (LHIA) in the original amount of \$400,000 dated September 22, 2016, with simple interest at 2.00%. Principal and interest is due and payable in full on September 22, 2046. Secured by Clare Marshall Flats.

Bremer Bank Loan - Mortgage payable to Bremer Bank, National Association dated December 30, 2014, in the amount of \$185,000. Interest accrued at the 30 day LIBOR rate plus 2.8%, adjusted on the first day of each month, through June 16, 2016 (the conversion date). On that date, the interest rate converted to a fixed rate equal to the seven year LIBOR swap rate as determined one business day prior to conversion plus 3.0% (5.73% as of December 31, 2017). The fixed rate will be adjusted to the three year LIBOR swap rate plus 3% on June 16 of each three year anniversary of the conversion date. Beginning July 1, 2016, monthly interest only payments were due through July 1, 2017.

Beginning the earlier of August 2, 2017, or the first February 2 or August 2 following the receipt of the first payment under the TIF note (Note 12), semi-annual principal and interest payments are due each February 2 and August 2 through the maturity date of June 15, 2030. The payment amount will be the greater of the full TIF note payment received or an amount required to fully amortize the loan over a period of fifteen years from the conversion date. Secured by Clare Terrace.

Family Housing Fund Loan - Mortgage payable to the Family Housing Fund in the original amount of \$100,000 dated December 16, 2004, without interest. Principal is due on December 16, 2034. Secured by Clare Apartments.

(Continued)

CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

7. DEBT (Continued)

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

	<u>Clare Housing</u>	<u>Partnerships</u>
2018	\$ -	\$ 9,614
2019	60,000	10,047
2020	-	10,484
2021	-	10,974
2022	-	11,469
Thereafter	-	8,652,864
	<u>\$ 60,000</u>	<u>\$ 8,705,452</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.

The partnership debt agreements place restrictions on tenant qualifications, rental rates, and cash distributions.

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

- Transfer or sale of apartment complexes without the lender's approval
- Termination of the use of apartment complexes as low income housing
- Use of apartments which violates any federal, state or local law, statute or ordinance
- Default under any of the loan agreements

8. LINE OF CREDIT

Clare Housing has a line of credit with Bremer Bank for up to \$155,000 with a variable interest rate of the prime rate as published by the Wall Street Journal. Principal and interest are due June 30, 2018. The line of credit is secured by all inventory, chattel paper, accounts, equipment, and general intangibles. At December 31, 2017 and 2016, there is no outstanding balance on the line of credit.

(Continued)

CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

9. **NET ASSETS**

Board Designated - During 2017, the Board established a designated fund of \$550,000 as a source of cash for one-time, nonrecurring expenses that will build long-term capacity. Each year the Board will review unrestricted cash levels to determine if additional funds can be added. The Finance Committee will review requests for usage of the funds by the Executive Director and, if approved, will make a recommendation to the Board of Directors.

In addition, the board has designated the estate gift received to be used for purposes which will be determined in the future. The designation is composed of cash and contributions receivable as of December 31, 2017.

Temporarily restricted - Temporarily restricted net assets are for the following purposes:

	2017	2016
Clare Housing:		
Contributions receivable - time restricted	\$ 293,002	\$ 261,675
Contributions received for property and equipment:		
Clare Housing office space – time restricted	350,939	364,140
Damiano bathroom / Agape boiler – time restricted	7,567	8,323
Charitable remainder trusts	31,375	31,375
	682,883	665,513
Partnerships:		
Capital grants - housing	2,846,970	2,728,970
1602 grant for Clare Hiawatha - housing	682,344	767,637
	\$ 4,212,197	\$ 4,162,120

10. **SCATTERED SITE HOUSING LEASES**

Clare Housing has entered into a grant agreement with MHFA under the Ending Long-Term Homelessness Initiative Fund. Under the agreement, 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 December 31, 2017, Clare Housing has entered into 15 leases with terms ranging from 1 to 12 months. Lease expense was \$214,173 for 2017 and \$196,758 for 2016.

(Continued)

CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

11. 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 \$57,552 for 2017, and \$51,081 for 2016.

12. TAX INCREMENT REVENUE NOTE RECEIVABLE

Clare Terrace has entered into a Contract for Private Development and Tax Increment Revenue Note with the Robbinsdale Economic Development Authority (REDA) to develop the apartment complex through the use of tax increment financing (TIF). Under the agreement, REDA agreed to reimburse certain development costs and issued a tax increment note in payment. The principal amount of the note is \$350,000, with simple interest accruing at 4%. REDA will make semi-annual (February 1 and August 1) payments on the note beginning August 1, 2017. Such amounts are payable solely from 90% of the tax increment portion of any real estate tax payments made by the Partnership on the Project. Payments will be made until the note is paid in full or the statutory TIF period expires (August 1, 2038), whichever occurs first. REDA's obligation is subject to Clare Terrace's compliance with the development contract and Tax Increment Limited Revenue Note during the period that principal and accrued interest is outstanding. Payments on the TIF note are recognized as revenue when the related real estate taxes are accrued.

Clare Terrace has assigned the Tax Increment Revenue Note to Bremer Bank as additional security on the TIF note payable.

13. COMMITMENTS, CONTINGENCIES AND CONCENTRATIONS

Clare Housing places its cash with several financial institutions which are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. At times the amount on deposit exceeds the insured limit of an institution which exposes the Organization to a collection risk. Clare Housing has not experienced any losses as a result of these deposits. At December 31, 2017, deposits exceeded the insured limit by \$1,082,443. Of this amount, \$903,311 is attributable to one of the limited partnerships.

Approximately 42% and 52% of Clare Housing's 2017 and 2016 revenues and support before capital grants and limited partner contributions is from resident fees.

The uncollected portion of the estate gift equals 71% of contributions receivable. The majority of the estate gift was received in January 2018.

(Continued)

CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

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

Capital grants are subject to a number of requirements, including that the properties be operated as low income housing for a specific time period. Violation of the requirements would require the Organization to repay the grants to the funder. Based on the history of Clare Housing, management believes violation of the agreements and repayment of these grants are not likely.

Amounts received from grantor agencies are subject to audit and adjustment by the grantor agencies. Any disallowed grant costs may constitute a liability. The amount, if any, of costs which may be disallowed by the grantor agencies will be recognized in the year determined.

As a general partner in limited partnerships, Clare Housing is contingently responsible for the obligations of the limited partnerships. The limited partnership agreements provide for various obligations of the general partner including its obligation to provide funds for operating deficits and a guaranty of housing tax credits.

Clare Marshall Flats, Clare Terrace, Clare Hiawatha, and Clare Apartments' sole assets are the apartment complexes. Their operations are concentrated in the Minneapolis and Robbinsdale, 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.

The Partnerships 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; December 31, 2040, for Clare Hiawatha; December 31, 2045, for Clare Terrace; and December 31, 2046, for Clare Marshall Flats.

(Continued)

CLARE HOUSING

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017
(With Comparative Totals for 2016)

14. SUBSCRIPTIONS RECEIVABLE

The Limited Partners of Clare Terrace and Clare Marshall Flats have agreed to make capital contributions to the Partnerships. The capital contributions will be made once certain conditions have been met. For a detailed description of the conditions, see the Partnership Agreements.

At December 31, 2017, remaining capital contributions are summarized as follows:

Expected to be paid in 2018	\$ 1,140,966
Expected to be paid in 2022	<u>658,605</u>
Subscriptions receivable at December 31, 2017	<u><u>\$ 1,799,571</u></u>

Limited partner capital contributions were initially determined based upon an expectation of the amount and timing of housing tax credits.

The contributions are subject to adjustment depending on certain conditions being met, primarily related to the amount and timing of housing tax credits each Partnership is able to obtain. The contributions will be recorded when received.

15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 29, 2018, the date which the financial statements were available for issue, and identified no significant events or transactions to disclose.

CONSOLIDATING FINANCIAL STATEMENTS

CLARE HOUSING

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2017

	Clare Housing	Clare Hiawatha LLC	Limited Partnerships	Eliminations	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 2,131,265	\$ -	\$ 117,843	\$ -	\$ 2,249,108
Accounts receivable	223,389	-	57,834	-	281,223
TIF receivable	-	-	41,099	-	41,099
Current portion of contributions receivable, net	804,949	-	-	-	804,949
Grants receivable	98,588	-	-	-	98,588
Current portion of prepaid expenses	85,002	-	34,933	-	119,935
Total current assets	<u>3,343,193</u>	<u>-</u>	<u>251,709</u>	<u>-</u>	<u>3,594,902</u>
Reserves and escrows	-	-	1,824,583	-	1,824,583
Contributions receivable, less current portion, net	193,249	-	-	-	193,249
Notes receivable	2,646,970	-	-	(2,646,970)	-
Prepaid expenses, less current portion	-	-	121,622	-	121,622
Charitable remainder trusts	31,375	-	-	-	31,375
Other assets, net	-	-	119,604	-	119,604
Investment in Partnerships	325,162	-	-	(325,162)	-
Due from Partnerships	488,028	616,950	-	(1,104,978)	-
Property and equipment, net - Clare Housing	1,803,502	-	-	-	1,803,502
Property and equipment, net - Partnerships	-	-	24,238,846	(1,032,713)	23,206,133
Total assets	<u>\$ 8,831,479</u>	<u>\$ 616,950</u>	<u>\$ 26,556,364</u>	<u>\$ (5,109,823)</u>	<u>\$ 30,894,970</u>
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable	\$ 45,498	\$ -	\$ 71,065	\$ -	\$ 116,563
Current portion of debt - Partnerships	-	-	9,614	-	9,614
Current portion of accrued developer fee	-	-	385,000	(385,000)	-
Accrued expenses	251,988	-	168,118	-	420,106
Total current liabilities	<u>297,486</u>	<u>-</u>	<u>633,797</u>	<u>(385,000)</u>	<u>546,283</u>
Deferred grant - Clare Hiawatha	-	-	1,060,831	(1,060,831)	-
Tenant security deposits	-	-	64,258	-	64,258
Accrued interest	10,536	-	467,174	(358,442)	119,268
Deferred revenue	175,000	-	-	(175,000)	-
Due to Clare Housing	-	-	103,028	(103,028)	-
Debt - Clare Housing	60,000	-	-	-	60,000
Debt - Partnerships, less current portion	-	616,950	11,121,620	(3,263,920)	8,474,650
Total liabilities	<u>543,022</u>	<u>616,950</u>	<u>13,450,708</u>	<u>(5,346,221)</u>	<u>9,264,459</u>
Net assets:					
Unrestricted net assets:					
Controlling interest	3,312,203	-	324,821	(445,946)	3,191,078
Controlling interest - board designated	1,446,401	-	-	-	1,446,401
Noncontrolling interests - limited partners	-	-	12,780,835	-	12,780,835
Total unrestricted net assets	<u>4,758,604</u>	<u>-</u>	<u>13,105,656</u>	<u>(445,946)</u>	<u>17,418,314</u>
Temporarily restricted net assets	3,529,853	-	-	682,344	4,212,197
Total net assets	<u>8,288,457</u>	<u>-</u>	<u>13,105,656</u>	<u>236,398</u>	<u>21,630,511</u>
Total liabilities and net assets	<u>\$ 8,831,479</u>	<u>\$ 616,950</u>	<u>\$ 26,556,364</u>	<u>\$ (5,109,823)</u>	<u>\$ 30,894,970</u>

See independent auditor's report.

CLARE HOUSING

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2017

	Clare Housing		Limited Partnerships	Eliminations	Total
	Unrestricted	Temporarily restricted			
Revenues and support:					
Resident fees	\$ 2,456,931	\$ -	\$ -	\$ -	\$ 2,456,931
Rental revenues	-	-	1,047,902	(151,588)	896,314
Contributions	496,811	139,100	-	-	635,911
Estate gift	896,401	-	-	-	896,401
Government grants and contracts	884,469	-	-	-	884,469
Forgiveness of loans	-	-	31,985	(31,985)	-
Partnership management fees	30,282	-	-	(30,282)	-
Interest income	38,538	-	3,909	(36,323)	6,124
Developer fee	534,561	-	-	(502,323)	32,238
TIF revenue	-	-	28,527	-	28,527
Other income	9,463	-	26,786	-	36,249
Net assets released from restrictions	121,729	(121,729)	-	-	-
Total revenues and support	<u>5,469,185</u>	<u>17,371</u>	<u>1,139,109</u>	<u>(752,501)</u>	<u>5,873,164</u>
Expenses:					
Program services:					
Community care homes	1,213,504	-	-	-	1,213,504
Supportive housing	1,739,752	-	2,074,152	(271,126)	3,542,778
Scattered site housing	279,992	-	-	-	279,992
Total program services	<u>3,233,248</u>	<u>-</u>	<u>2,074,152</u>	<u>(271,126)</u>	<u>5,036,274</u>
Management and general	590,510	-	-	-	590,510
Fundraising	309,383	-	-	-	309,383
Total expenses	<u>4,133,141</u>	<u>-</u>	<u>2,074,152</u>	<u>(271,126)</u>	<u>5,936,167</u>
Change in net assets before loss on uncollected pledges, capital grants and limited partner capital contributions	1,336,044	17,371	(935,043)	(481,375)	(63,003)
Loss on uncollected pledges	(11,637)	-	-	-	(11,637)
Capital grants	-	117,999	-	-	117,999
Capital contributions, net	-	-	4,748,949	-	4,748,949
Change in net assets	1,324,407	135,370	3,813,906	(481,375)	4,792,308
Net assets, beginning of year	<u>3,434,197</u>	<u>3,394,483</u>	<u>9,291,750</u>	<u>717,773</u>	<u>16,838,203</u>
Net assets, end of year	<u>\$ 4,758,604</u>	<u>\$ 3,529,853</u>	<u>\$ 13,105,656</u>	<u>\$ 236,398</u>	<u>\$ 21,630,511</u>
Change in net assets attributed to:					
Controlling interest - Clare Housing	\$ 1,324,407	\$ 135,370	\$ 32	\$ (481,375)	\$ 978,434
Noncontrolling interests - Partnerships	-	-	3,813,874	-	3,813,874
Consolidated total	<u>\$ 1,324,407</u>	<u>\$ 135,370</u>	<u>\$ 3,813,906</u>	<u>\$ (481,375)</u>	<u>\$ 4,792,308</u>

See independent auditor's report.

CLARE HOUSING

CONSOLIDATING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2017

Increase (Decrease) in Cash and Cash Equivalents

	Clare Housing	Limited Partnerships	Eliminations	Total
Cash flows from operating activities:				
Change in net assets	\$ 1,459,777	\$ 3,813,906	\$ (481,375)	\$ 4,792,308
Adjustments to reconcile the change in net assets to net cash from operating activities:				
Depreciation and amortization of tax credit fees	107,980	646,753	(16,610)	738,123
Interest expense - amortization of finance fees	-	67,216	-	67,216
Amortization of deferred grant	-	(31,985)	31,985	-
Capital grants and contributions, net	(117,999)	(4,748,949)	-	(4,866,948)
Loss on uncollected pledges	11,637	-	-	11,637
Changes in operating assets and liabilities:				
Accounts receivable	(55,250)	(42,004)	11,135	(86,119)
Contributions receivable	(748,160)	-	-	(748,160)
Grants receivable	38,492	-	-	38,492
Prepaid expenses	6,856	(60,145)	1,939	(51,350)
Accounts payable	10,808	(23,775)	-	(12,967)
Accrued expenses	32,339	61,280	(13,076)	80,543
Accrued interest	600	76,010	(36,323)	40,287
Tenant security deposits	-	14,850	-	14,850
Net cash from operating activities	<u>747,080</u>	<u>(226,843)</u>	<u>(502,325)</u>	<u>17,912</u>
Cash flows from investing activities:				
Payments for property and equipment	(14,433)	(6,770,294)	447,325	(6,337,402)
Due to/from limited partnerships	(55,000)	-	55,000	-
Withdrawals from (additions to) reserves and escrows, net	-	337,378	-	337,378
Notes receivable	(117,999)	-	117,999	-
Net cash from investing activities	<u>(187,432)</u>	<u>(6,432,916)</u>	<u>620,324</u>	<u>(6,000,024)</u>
Cash flows from financing activities:				
Capital grants and contributions, net	117,999	4,748,949	-	4,866,948
Payment of finance and tax credit fees	-	(77,885)	-	(77,885)
Proceeds from issuance of debt	-	1,962,999	(117,999)	1,845,000
Repayment of debt	-	(12,707)	-	(12,707)
Net cash from financing activities	<u>117,999</u>	<u>6,621,356</u>	<u>(117,999)</u>	<u>6,621,356</u>
Net increase (decrease) in cash and cash equivalents	677,647	(38,403)	-	639,244
Cash and cash equivalents at beginning of year	<u>1,453,618</u>	<u>156,246</u>	<u>-</u>	<u>1,609,864</u>
Cash and cash equivalents at end of year	<u>\$ 2,131,265</u>	<u>\$ 117,843</u>	<u>\$ -</u>	<u>\$ 2,249,108</u>

See independent auditor's report.