

**CLARE HOUSING**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2018**

# CLARE HOUSING

## CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

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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, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

(Continued)

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Clare Housing and affiliates as of December 31, 2018, 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.

**Emphasis of Matter**

As discussed in Note 2 to the consolidated financial statements, in 2018, Clare Housing adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

**Report on Summarized Comparative Information**

We have previously audited Clare Housing's 2017 consolidated financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 29, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived. Net assets have been reclassified in connection with the adoption of ASU No. 2016-14 as discussed in Note 2.

**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 24 through 26 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual entities, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Mahoney Ulbrich  
Christiansen Russ P.A.*

April 23, 2019

**CLARE HOUSING**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2018  
(With Comparative Totals for 2017)

	2018	2017
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,831,412	\$ 2,249,108
Accounts receivable	384,437	281,223
TIF receivable	43,511	41,099
Current portion of contributions receivable, net	117,590	804,949
Grants receivable	201,311	98,588
Current portion of prepaid expenses	111,287	119,935
Total current assets	3,689,548	3,594,902
Reserves and escrows	2,321,157	1,824,583
Contributions receivable, less current portion, net	210,119	193,249
Prepaid expenses, less current portion	109,955	121,622
Charitable remainder trusts	31,375	31,375
Other assets, net	107,775	119,604
Property and equipment, net - Clare Housing	1,745,821	1,803,502
Property and equipment, net - Partnerships	22,496,385	23,206,133
Total assets	\$ 30,712,135	\$ 30,894,970
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 259,807	\$ 109,070
Prepaid rent	24,942	7,493
Current portion of debt - Partnerships	10,048	9,614
Accrued expenses	432,828	420,106
Total current liabilities	727,625	546,283
Tenant security deposits	60,528	64,258
Accrued interest	150,882	119,268
Debt - Clare Housing	-	60,000
Debt - Partnerships - net, less current portion	8,466,955	8,474,650
Total liabilities	9,405,990	9,264,459
Net assets without donor restrictions:		
Controlling interest	3,636,251	3,549,584
Controlling interest - board designated	1,448,796	1,446,401
Noncontrolling interests - limited partners	12,382,993	12,780,835
Total unrestricted	17,468,040	17,776,820
Net assets with donor restrictions	3,838,105	3,853,691
Total net assets	21,306,145	21,630,511
Total liabilities and net assets	\$ 30,712,135	\$ 30,894,970

See accompanying notes to consolidated financial statements.

## CLARE HOUSING

### CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Revenues and support:</b>				
Resident fees	\$ 2,627,999	\$ -	\$ 2,627,999	\$ 2,456,931
Rental revenues	1,121,369	-	1,121,369	896,314
Contributions	597,892	161,154	759,046	635,911
Estate gift	2,395	-	2,395	896,401
Government grants and contracts	897,818	-	897,818	884,469
Interest income	30,342	-	30,342	6,124
Developer fee	101,266	-	101,266	32,238
TIF revenue	30,026	-	30,026	28,527
Other income	38,885	-	38,885	36,249
Net assets released from restrictions	176,740	(176,740)	-	-
<b>Total revenues and support</b>	<b>5,624,732</b>	<b>(15,586)</b>	<b>5,609,146</b>	<b>5,873,164</b>
<b>Expenses:</b>				
<b>Program services:</b>				
Community care homes	1,294,022	-	1,294,022	1,213,504
Supportive housing	3,829,503	-	3,829,503	3,542,778
Scattered site housing	313,441	-	313,441	279,992
<b>Total program services</b>	<b>5,436,966</b>	<b>-</b>	<b>5,436,966</b>	<b>5,036,274</b>
Management and general	698,019	-	698,019	590,510
Fundraising	295,277	-	295,277	309,383
<b>Total expenses</b>	<b>6,430,262</b>	<b>-</b>	<b>6,430,262</b>	<b>5,936,167</b>
Change in net assets - operating	(805,530)	(15,586)	(821,116)	(63,003)
Loss on uncollected pledges	(3,250)	-	(3,250)	(11,637)
Capital grants	-	-	-	117,999
Limited partner capital contributions, net	500,000	-	500,000	4,748,949
Change in net assets	(308,780)	(15,586)	(324,366)	4,792,308
Net assets, beginning of year	17,776,820	3,853,691	21,630,511	16,838,203
Net assets, end of year	<u>\$ 17,468,040</u>	<u>\$ 3,838,105</u>	<u>\$ 21,306,145</u>	<u>\$ 21,630,511</u>
<b>Reconciliation of net assets:</b>				
<b>Controlling interests:</b>				
Beginning of year	\$ 4,995,985	\$ 3,853,691	\$ 8,849,676	\$ 7,871,242
Change in net assets	89,062	(15,586)	73,476	978,434
End of year	<u>\$ 5,085,047</u>	<u>\$ 3,838,105</u>	<u>\$ 8,923,152</u>	<u>\$ 8,849,676</u>
<b>Noncontrolling interests - limited partners:</b>				
Beginning of year	\$ 12,780,835	\$ -	\$ 12,780,835	\$ 8,966,961
Capital contributions, net	500,000	-	500,000	4,748,949
Other changes in net assets	(897,842)	-	(897,842)	(935,075)
End of year	<u>\$ 12,382,993</u>	<u>\$ -</u>	<u>\$ 12,382,993</u>	<u>\$ 12,780,835</u>

See accompanying notes to consolidated financial statements.

**CLARE HOUSING**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

	2018							2017
	Community care homes	Supportive housing	Scattered site housing	Total program services	Management and general	Fund-raising	Total	
	Program Services							
Salaries	\$ 833,873	\$ 1,228,726	\$ 65,027	\$ 2,127,626	\$ 262,675	\$ 192,792	\$ 2,583,093	\$ 2,387,333
Payroll taxes	61,665	90,367	4,050	156,082	19,192	14,459	189,733	179,647
Employee benefits	127,406	170,875	10,136	308,417	47,967	26,116	382,500	313,443
<b>Total salaries and related</b>	<b>1,022,944</b>	<b>1,489,968</b>	<b>79,213</b>	<b>2,592,125</b>	<b>329,834</b>	<b>233,367</b>	<b>3,155,326</b>	<b>2,880,423</b>
Resident supplies and services	87,910	80,362	2,415	170,687	-	-	170,687	183,965
Apartment leases	-	-	222,339	222,339	-	-	222,339	214,173
Insurance	-	-	-	-	35,708	-	35,708	34,388
Postage	1,084	645	-	1,729	3,030	358	5,117	5,068
Printing and copying	-	-	-	-	2,540	232	2,772	2,357
Professional fees	3,218	6,772	48	10,038	136,698	-	146,736	172,425
Accounting and legal	-	-	-	-	14,892	-	14,892	15,000
Occupancy/utilities	44,750	-	1,668	46,418	23,850	-	70,268	61,809
Conferences and meetings	1,701	17,422	463	19,586	6,132	3,119	28,837	21,643
Supplies	1,210	9,511	251	10,972	7,590	44,674	63,236	59,316
Telephone	17,338	12,074	-	29,412	11,371	-	40,783	32,854
IT support, maintenance and website	2,449	10,461	2,693	15,603	41,928	6,649	64,180	51,851
Rental, repairs and maintenance	35,751	7,805	2,476	46,032	12,191	-	58,223	44,238
Dues and subscriptions	-	4,300	-	4,300	7,162	991	12,453	9,578
Travel	519	4,919	31	5,469	5,309	20	10,798	12,128
Interest	-	-	-	-	1,122	-	1,122	600
Depreciation	63,880	3,117	1,822	68,819	37,150	-	105,969	107,980
Miscellaneous	11,268	10,576	22	21,866	21,512	5,867	49,245	35,434
	<u>1,294,022</u>	<u>1,657,932</u>	<u>313,441</u>	<u>3,265,395</u>	<u>698,019</u>	<u>295,277</u>	<u>4,258,691</u>	<u>3,945,230</u>
Partnerships rental operating expenses:								
Administrative	-	326,460	-	326,460	-	-	326,460	260,969
Property management fee	-	125,526	-	125,526	-	-	125,526	101,278
Building maintenance and operating	-	475,712	-	475,712	-	-	475,712	433,050
Utilities	-	246,518	-	246,518	-	-	246,518	197,464
Property insurance	-	49,211	-	49,211	-	-	49,211	44,582
Real estate taxes	-	169,519	-	169,519	-	-	169,519	155,887
Interest expense	-	47,765	-	47,765	-	-	47,765	100,348
Interest expense - amortization of finance fees	-	9,283	-	9,283	-	-	9,283	67,216
Depreciation	-	709,748	-	709,748	-	-	709,748	620,029
Amortization of tax credit fees	-	11,829	-	11,829	-	-	11,829	10,114
	<u>\$ 1,294,022</u>	<u>\$ 3,829,503</u>	<u>\$ 313,441</u>	<u>\$ 5,436,966</u>	<u>\$ 698,019</u>	<u>\$ 295,277</u>	<u>\$ 6,430,262</u>	<u>\$ 5,936,167</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, 2018  
(With Comparative Totals for 2017)

Increase (Decrease) in Cash and Cash Equivalents

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ (324,366)	\$ 4,792,308
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation and amortization	836,829	805,339
Capital grants and contributions, net	(500,000)	(4,866,948)
Loss on uncollected pledges	3,250	11,637
Changes in operating assets and liabilities:		
Accounts receivable	(105,626)	(86,119)
Contributions receivable	667,239	(748,160)
Grants receivable	(102,723)	38,492
Prepaid expenses	20,315	(51,350)
Accounts payable	150,737	3,641
Prepaid rent	17,449	(16,608)
Accrued expenses	12,722	80,543
Tenant security deposits	(25,979)	14,850
Accrued interest	31,614	40,287
Net cash from operating activities	681,461	17,912
Cash flows from investing activities:		
Payments for property and equipment	(48,288)	(6,337,402)
Withdrawals from (additions to) reserves and escrows, net	(474,325)	337,378
Net cash from investing activities	(522,613)	(6,000,024)
Cash flows from financing activities:		
Capital grants and limited partner contributions	500,000	4,866,948
Payment of finance and tax credit fees	-	(77,885)
Proceeds from issuance of debt	-	1,845,000
Repayment of debt	(76,544)	(12,707)
Net cash from financing activities	423,456	6,621,356
Net increase in cash and cash equivalents	582,304	639,244
Cash and cash equivalents at beginning of year	2,249,108	1,609,864
Cash and cash equivalents at end of year	\$ 2,831,412	\$ 2,249,108
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 17,273	\$ 4,982

See accompanying notes to consolidated financial statements.



# CLARE HOUSING

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

### 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, 2018, 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 supervision.

**Scattered Site Housing** - Clare Housing provides scattered site supportive housing throughout the Twin Cities metropolitan area. Residents include single and family households that come from a long-term homeless background, qualify as low-income and may have at least one member living with HIV. As of December 31, 2018, Clare Housing manages 40 scattered site housing units.

Clare Housing's primary funding is through government grants and contracts which includes funding through HUD's Housing Opportunities for People Living with AIDS program, Minnesota's Housing Supports Program (formerly known as GRH), the Department of Human Services HIV/AIDS Unit as well as the Department's Community Access for Disability Inclusion Program (CADI). In addition to government grants and contracts, revenue includes resident fees, rental revenues as well as private philanthropy (individuals, corporate and foundation giving).

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

#### 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 Marshall Flats LLC owns a .01% general partner interest in Clare Marshall Flats Limited Partnership (Clare Marshall Flats). Clare Marshall Flats is a 36-unit apartment complex located in Minneapolis, Minnesota. Construction of the apartment complex began in September 2016 and was completed in June 2017.

Limited partner capital is presented as noncontrolling interests in net assets without donor restrictions.

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

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

All material inter-entity accounts and transactions have been eliminated 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 THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

### 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 are reported in the following net asset categories:

- Without donor restrictions represent the portion of net assets that are not subject to donor restrictions.
- With donor restrictions represents net assets that arose from contributions that are restricted by donors for specific purposes or time periods.

The Organization has presented losses on uncollected pledges, 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, escrows, and tenant security deposits 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, 2018 and 2017, management has determined that no valuation allowance is necessary.

**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, 2018 and 2017, management has determined that no valuation allowance is necessary.

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

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

(Continued)

## CLARE HOUSING

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

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

**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 recognized over the period to which they relate. Rental payments received in advance are deferred until earned. Leases are for periods of up to one year.

**Contributions** - Contributions are recognized when the donor makes an unconditional promise to give. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the year in which the contribution is recognized.

**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 donor 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 net assets with donor restrictions and released to net assets without donor restrictions upon expiration of the grant requirements.

(Continued)

## CLARE HOUSING

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

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

**Resident Supplies and Services** – Resident supplies and services represent various expenses incurred in providing supportive services. These expenses include household supplies, medical supplies, food, and transportation of residents.

**Functional Expenses** - Expenses are recorded to program and support services directly when possible. Indirect costs that benefit multiple functional areas have been allocated on a reasonable basis that is consistently applied. Payroll and related expenses are allocated based on management estimates of employee work efforts. Occupancy costs are allocated based on usage of specific buildings and space. Resident supplies and services expenses are allocated to programs based on the percent of total program expenses prior to allocation.

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

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

**Comparative Total Column** - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. 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, 2017, from which the summarized information was derived, which have been restated as required by the adoption of ASU 2016-14.

(Continued)

## CLARE HOUSING

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

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

**Implementation of New Accounting Pronouncement** - During 2018, Clare Housing adopted ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include presentation of two classes of net assets versus the previously required three and recognition of contributions for property and equipment as net assets without donor restrictions when the associated long-lived asset is placed in service. Previously, Clare Housing implied a time restriction over the useful life of the asset when contributions were restricted for the purchase of property and equipment. The guidance also enhances disclosures for Board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

A recap of the net asset reclassifications resulting from the adoption of ASU No. 2016-14 as of December 31, 2017, follows:

Net Asset Classifications	ASU 2016-14 Classifications		
	Without donor restrictions	With donor restrictions	Total net assets
As previously presented:			
Unrestricted	\$ 17,418,314	\$ -	\$ 17,418,314
Temporarily restricted	-	4,212,197	4,212,197
Net assets as previously presented	17,418,314	4,212,197	21,630,511
Reclassifications to implement ASU 2016-14:			
Contributions for property and equipment	358,506	(358,506)	-
Net assets, as reclassified	\$ 17,776,820	\$ 3,853,691	\$ 21,630,511

**Subsequent Events** - The Organization has evaluated subsequent events through April 23, 2019, the date the financial statements were available to be issued.

(Continued)

## CLARE HOUSING

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

#### 3. RESERVES AND ESCROWS

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

Reserves and escrows consist of the following amounts:

	<u>2018</u>	<u>2017</u>
Security deposits	\$ 71,430	\$ 49,181
Tax and insurance escrow	41,310	39,233
Replacement reserve	559,110	380,109
Operating reserve	538,100	477,733
Revenue deficit reserve	1,084,608	845,811
Other	26,599	32,516
	<u>\$ 2,321,157</u>	<u>\$ 1,824,583</u>

#### 4. CONTRIBUTIONS RECEIVABLE

Contributions receivable are due as follows:

	<u>2018</u>	<u>2017</u>
Receivable within one year	\$ 117,590	\$ 804,949
Receivable in 1 - 5 years	216,776	199,906
	334,366	1,004,855
Less discount	(6,657)	(6,657)
Contributions receivable, net	327,709	998,198
Less current portion	(117,590)	(804,949)
Contributions receivable, net, noncurrent	<u>\$ 210,119</u>	<u>\$ 193,249</u>

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

(Continued)

## CLARE HOUSING

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

#### 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, 2018 and 2017, management estimates Clare Housing's portion of the trusts is \$31,375.

#### 6. PROPERTY AND EQUIPMENT

	2018	2017
<b>Clare Housing:</b>		
Land - housing	\$ 106,100	\$ 106,100
Land improvements - housing	80,144	73,819
Buildings and improvements - housing	1,822,051	1,795,889
Furniture and equipment - housing	129,624	128,036
Furniture and equipment - office	117,276	103,063
Office space	520,383	520,382
	2,775,578	2,727,289
Less accumulated depreciation	(1,029,757)	(923,787)
Clare Housing, net	\$ 1,745,821	\$ 1,803,502
<b>Partnerships:</b>		
Land	\$ 2,259,471	\$ 2,259,471
Land improvements	716,957	716,957
Buildings and improvements	23,129,476	23,129,476
Furniture and equipment	663,756	663,756
	26,769,660	26,769,660
Less accumulated depreciation	(4,273,275)	(3,563,527)
Partnerships, net	\$ 22,496,385	\$ 23,206,133

(Continued)



## CLARE HOUSING

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

#### 7. DEBT

##### CLARE HOUSING:

**City of Minneapolis CPED loan** - Note payable to the City of Minneapolis Department of Community Planning & Economic Development (CPED) in the original amount of \$60,000 with interest at 1%. This loan was paid off in 2018.

##### PARTNERSHIPS:

Debt for the Partnerships consists of:

	2018	2017
Minnesota Housing Financing Agency	\$ 2,469,690	\$ 2,469,690
Hennepin County	2,086,950	2,086,950
City of Minneapolis	3,888,255	3,888,255
Bremer Bank	144,013	160,557
Family Housing Fund	100,000	100,000
	8,688,908	8,705,452
Less current portion	(10,048)	(9,614)
Less unamortized finance fees	(211,905)	(221,188)
	\$ 8,466,955	\$ 8,474,650

**Minnesota Housing Financing Agency Loans** - Mortgage payable to the Minnesota Housing Financing Agency (MN Housing) under its Housing Opportunities for People with AIDS (HOPWA) Program in the original amount of \$209,631 dated December 16, 2004 without interest. Principal is due on December 16, 2034. Secured by Clare Apartments.

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

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

(Continued)

## CLARE HOUSING

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

#### 7. DEBT (Continued)

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

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

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

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

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

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

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

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 THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

#### 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 is a fixed rate equal to the seven year LIBOR swap rate as determined one business day prior to conversion plus 3.0% (5.73% as of December 31, 2018). The fixed rate will be adjusted to the three year LIBOR swap rate plus 3% on June 16 of each three year anniversary of the conversion date (June 16, 2016). Beginning 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 THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

#### 7. DEBT (Continued)

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

2019	\$	10,048
2020		10,483
2021		10,974
2022		11,469
2023		11,986
Thereafter		<u>8,633,948</u>
	\$	<u>8,688,908</u>

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

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

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

#### 8. LINE OF CREDIT

Clare Housing has a line of credit with Bremer Bank for up to \$155,000 with variable interest at the prime rate as published by the Wall Street Journal. Principal and interest are due June 30, 2020. The line of credit is secured by all inventory, chattel paper, accounts, equipment, and general intangibles. At December 31, 2018 and 2017, there is no outstanding balance on the line of credit.

(Continued)

## CLARE HOUSING

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

#### 9. NET ASSETS

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

	2018	2017
<b>Clare Housing:</b>		
<b>Subject to the passage of time</b>		
Contributions receivable (2019 - 2023)	\$ 327,709	\$ 293,002
2019 operations	35,000	-
<b>Subject to appropriation and expenditure when specified events occur</b>		
Charitable remainder trusts	31,375	31,375
	394,084	324,377
<b>Partnerships:</b>		
<b>Not subject to appropriation or expenditure</b>		
Capital grants - housing	2,846,970	2,846,970
1602 grant for Clare Hiawatha - housing	597,051	682,344
	\$ 3,838,105	\$ 3,853,691

**Net assets released from donor restrictions** - Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the passage of time or other events specified by donors. The net assets released from restrictions are as follows:

	2018	2017
<b>Clare Housing:</b>		
Contributions receivable - time restricted	\$ 91,447	\$ 107,772
<b>Partnerships:</b>		
1602 grant for Clare Hiawatha - housing	85,293	85,293
	\$ 176,740	\$ 193,065

(Continued)

## CLARE HOUSING

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

#### 9. NET ASSETS (Continued)

**Board Designated** - The Board has established a designated reserve of \$1,451,432 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.

#### 10. SCATTERED SITE HOUSING LEASES

Clare Housing has entered into grant agreements with MN Housing and the City of Minneapolis. Under the agreements, Clare Housing will provide scattered site supportive housing for households that are extremely low-income, at risk of homelessness and/or that meet the State's definition of Long-Term Homelessness or HUD requirements. The program's target population is individuals and families that are living with HIV/AIDS. In providing supportive housing, many of the units are leased by Clare Housing and sub-let to participants in the program. As of December 31, 2018, Clare Housing has entered into 15 leases with terms ranging from 1 to 12 months. Lease expense was \$222,339 for 2018 and \$214,173 for 2017.

#### 11. TAX INCREMENT REVENUE NOTE RECEIVABLE

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

Clare Terrace has assigned the Tax Increment Revenue Note to Bremer Bank as additional security on the TIF note payable and has established a TIF payment reserve at Bremer Bank.

(Continued)

## CLARE HOUSING

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

#### 12. RETIREMENT PLAN

Clare Housing has a retirement plan under Section 403(b) of the Internal Revenue Code which provides for voluntary pre-tax employee contributions and discretionary employer contributions. Employees are eligible to participate in the plan upon hire. Employer contributions were \$68,367 for 2018, and \$57,552 for 2017.

#### 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, 2018 and 2017, deposits exceeded the insured limit by \$2,247,055 and \$1,082,443. Of these amounts, \$880,741 and \$903,311 are attributable to Clare Hiawatha.

Approximately 47% and 42% of Clare Housing's 2018 and 2017 revenues and support before capital grants and limited partner contributions is from resident fees.

Capital grants are subject to a number of requirements, including that the properties be operated as low income housing for a specific time period. Violation of the requirements would require the Organization to repay the grants to the funder. 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 markets. In addition, they operate in a heavily regulated environment. Their operations are subject to rules and regulations of federal, state, and local governmental agencies. Changes in rules and regulations may occur with little notice or inadequate funding to pay for the costs to comply with a change.

(Continued)

## CLARE HOUSING

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

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

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

The Partnerships are subject to extended use agreements between the Partnerships and MN Housing which require the properties to be used for low income occupancy (income and rent limits). The extended use period ends on December 31, 2034, for Clare Apartments; December 31, 2040, for Clare Hiawatha; December 31, 2045, for Clare Terrace; and December 31, 2046, for Clare Marshall Flats.

#### 14. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's financial assets available within one year of the consolidated statement of financial position date for general expenditures are as follows:

	Clare Housing	Limited Partnerships	Consolidated
Cash and cash equivalents	\$ 2,654,517	\$ 176,895	\$ 2,831,412
Accounts receivable	264,248	120,189	384,437
Current portion of contributions	117,590	-	117,590
Grants receivable	201,311	-	201,311
Total financial assets available within one year	3,237,666	297,084	3,534,750
Amounts unavailable to management without Board approval:			
Board designated - long-term capacity	(1,448,796)	-	(1,448,796)
Total financial assets available within one year after board designations	\$ 1,788,870	\$ 297,084	\$ 2,085,954

In addition, the Limited Partnerships have \$41,310 of escrowed funds available to pay 2019 property taxes and insurance. Those funds are not reflected in the table above.

(Continued)



## CLARE HOUSING

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

#### 14. LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

Financial assets held by the Limited Partnerships are generally limited to use for general expenditures within the individual Partnerships and are not available for general expenditures of Clare Housing.

As part of Clare Housing's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, Clare Housing invests excess cash in money market and sweep accounts. To help manage unanticipated liquidity needs, Clare Housing has a committed line of credit (Note 8) of \$155,000, which it could draw upon. Although Clare Housing does not intend to spend from the Board designated amounts, the amounts could be made available for current operations if necessary.

#### 15. SUBSCRIPTIONS RECEIVABLE

The Limited Partner of Clare Marshall Flats has agreed to make capital contributions to the Partnership. The capital contributions will be made once certain conditions have been met. For a detailed description of the conditions, see the Partnership Agreement.

At December 31, 2018, remaining capital contributions are summarized as follows:

Third installment - paid in January 2019	\$ 640,966
Fourth installment - expected to be paid in 2022	658,605
Upward credit adjuster - paid in January 2019	<u>101,266</u>
Subscriptions receivable at December 31, 2018	<u>\$ 1,400,837</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 the Partnership is able to obtain. The contributions will be recorded when received.

During 2018, Limited Partner capital contributions were increased by \$101,266 as a result of a difference between expected and actual tax credits obtained.

## **CONSOLIDATING FINANCIAL STATEMENTS**

**CLARE HOUSING**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2018

	Clare Housing	Clare Hiawatha LLC	Limited Partnerships	Eliminations	Total
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 2,654,517	\$ -	\$ 176,895	\$ -	\$ 2,831,412
Accounts receivable	264,248	-	120,189	-	384,437
TIF receivable	-	-	43,511	-	43,511
Current portion of contributions receivable, net	117,590	-	-	-	117,590
Grants receivable	201,311	-	-	-	201,311
Current portion of prepaid expenses	87,904	-	23,383	-	111,287
Total current assets	<u>3,325,570</u>	<u>-</u>	<u>363,978</u>	<u>-</u>	<u>3,689,548</u>
Reserves and escrows	-	-	2,321,157	-	2,321,157
Contributions receivable, less current portion, net	210,119	-	-	-	210,119
Notes receivable	2,646,970	-	-	(2,646,970)	-
Prepaid expenses, less current portion	-	-	109,955	-	109,955
Charitable remainder trusts	31,375	-	-	-	31,375
Other assets, net	-	-	107,775	-	107,775
Investment in Partnerships	325,162	-	-	(325,162)	-
Due from Partnerships	520,805	616,950	-	(1,137,755)	-
Property and equipment, net - Clare Housing	1,745,821	-	-	-	1,745,821
Property and equipment, net - Partnerships	-	-	23,500,400	(1,004,015)	22,496,385
Total assets	<u>\$ 8,805,822</u>	<u>\$ 616,950</u>	<u>\$ 26,403,265</u>	<u>\$ (5,113,902)</u>	<u>\$ 30,712,135</u>
<b>LIABILITIES AND NET ASSETS</b>					
Current liabilities:					
Accounts payable	\$ 62,075	\$ -	\$ 197,732	\$ -	\$ 259,807
Prepaid rent	-	-	24,942	-	24,942
Current portion of debt - Partnerships	-	-	10,048	-	10,048
Accrued developer fee	-	-	385,000	(385,000)	-
Accrued expenses	241,551	-	191,277	-	432,828
Total current liabilities	<u>303,626</u>	<u>-</u>	<u>808,999</u>	<u>(385,000)</u>	<u>727,625</u>
Deferred grant - Clare Hiawatha	-	-	1,028,846	(1,028,846)	-
Tenant security deposits	-	-	60,528	-	60,528
Accrued interest	-	-	547,438	(396,556)	150,882
Due to Clare Housing	-	-	135,805	(135,805)	-
Debt - Partnerships, less current portion	-	616,950	11,113,925	(3,263,920)	8,466,955
Total liabilities	<u>303,626</u>	<u>616,950</u>	<u>13,695,541</u>	<u>(5,210,127)</u>	<u>9,405,990</u>
Net assets:					
Without donor restrictions:					
Controlling interest	3,812,346	-	324,731	(500,826)	3,636,251
Controlling interest - board designated	1,448,796	-	-	-	1,448,796
Noncontrolling interests - limited partners	-	-	12,382,993	-	12,382,993
Total net assets without donor restrictions	5,261,142	-	12,707,724	(500,826)	17,468,040
With donor restrictions	3,241,054	-	-	597,051	3,838,105
Total net assets	<u>8,502,196</u>	<u>-</u>	<u>12,707,724</u>	<u>96,225</u>	<u>21,306,145</u>
Total liabilities and net assets	<u>\$ 8,805,822</u>	<u>\$ 616,950</u>	<u>\$ 26,403,265</u>	<u>\$ (5,113,902)</u>	<u>\$ 30,712,135</u>

See independent auditor's report.

## CLARE HOUSING

### CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018

	Clare Housing			Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Limited Partnerships		
<b>Revenues and support:</b>					
Resident fees	\$ 2,627,999	\$ -	\$ -	\$ -	\$ 2,627,999
Rental revenues	-	-	1,278,330	(156,961)	1,121,369
Contributions	597,892	161,154	-	-	759,046
Estate gift	2,395	-	-	-	2,395
Government grants and contracts	897,818	-	-	-	897,818
Section 1602 grant amortization	-	-	31,985	(31,985)	-
Partnership management fees	35,183	-	-	(35,183)	-
Interest income	58,095	-	10,361	(38,114)	30,342
Developer fee	276,266	-	-	(175,000)	101,266
TIF revenue	-	-	30,026	-	30,026
Other income	13,953	-	24,932	-	38,885
Net assets released from restrictions	91,447	(91,447)	-	-	-
Total revenues and support	<u>4,601,048</u>	<u>69,707</u>	<u>1,375,634</u>	<u>(437,243)</u>	<u>5,609,146</u>
<b>Expenses:</b>					
Program services:					
Community care homes	1,294,022	-	-	-	1,294,022
Supportive housing	1,853,007	-	2,273,566	(297,070)	3,829,503
Scattered site housing	313,441	-	-	-	313,441
Total program services	<u>3,460,470</u>	<u>-</u>	<u>2,273,566</u>	<u>(297,070)</u>	<u>5,436,966</u>
Management and general	698,019	-	-	-	698,019
Fundraising	295,277	-	-	-	295,277
Total expenses	<u>4,453,766</u>	<u>-</u>	<u>2,273,566</u>	<u>(297,070)</u>	<u>6,430,262</u>
Change in net assets before loss on uncollected pledges and limited partner capital contributions	147,282	69,707	(897,932)	(140,173)	(821,116)
Loss on uncollected pledges	-	(3,250)	-	-	(3,250)
Capital contributions, net	-	-	500,000	-	500,000
Change in net assets	147,282	66,457	(397,932)	(140,173)	(324,366)
Net assets, beginning of year	<u>5,117,110</u>	<u>3,171,347</u>	<u>13,105,656</u>	<u>236,398</u>	<u>21,630,511</u>
Net assets, end of year	<u>\$ 5,264,392</u>	<u>\$ 3,237,804</u>	<u>\$ 12,707,724</u>	<u>\$ 96,225</u>	<u>\$ 21,306,145</u>
Change in net assets attributed to:					
Controlling interest - Clare Housing	\$ 147,282	\$ 66,457	\$ (90)	\$ (140,173)	\$ 73,476
Noncontrolling interests - Partnerships	-	-	(397,842)	-	(397,842)
Consolidated total	<u>\$ 147,282</u>	<u>\$ 66,457</u>	<u>\$ (397,932)</u>	<u>\$ (140,173)</u>	<u>\$ (324,366)</u>

See independent auditor's report.

**CLARE HOUSING**

CONSOLIDATING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2018

Increase (Decrease) in Cash and Cash Equivalents

	Clare Housing	Limited Partnerships	Eliminations	Total
Cash flows from operating activities:				
Change in net assets	\$ 213,739	\$ (397,932)	\$ (140,173)	\$ (324,366)
Adjustments to reconcile the change in net assets to net cash from operating activities:				
Depreciation and amortization of tax credit fees	105,969	750,275	(28,698)	827,546
Interest expense - amortization of finance fees	-	9,283	-	9,283
Section 1602 grant amortization	-	(31,985)	31,985	-
Capital contributions	-	(500,000)	-	(500,000)
Loss on uncollected pledges	3,250	-	-	3,250
Changes in operating assets and liabilities:				
Accounts receivable	(73,636)	(64,767)	32,777	(105,626)
Contributions receivable	667,239	-	-	667,239
Grants receivable	(102,723)	-	-	(102,723)
Prepaid expenses	(2,902)	23,217	-	20,315
Accounts payable	16,577	134,160	-	150,737
Prepaid rent	-	17,449	-	17,449
Accrued expenses	(10,437)	55,936	(32,777)	12,722
Deferred revenue	(175,000)	-	175,000	-
Tenant security deposits	-	(25,979)	-	(25,979)
Accrued interest	(10,536)	80,264	(38,114)	31,614
Net cash from operating activities	631,540	49,921	-	681,461
Cash flows from investing activities:				
Payments for property and equipment	(48,288)	-	-	(48,288)
Withdrawals from (additions to) reserves and escrows, net	-	(474,325)	-	(474,325)
Net cash from investing activities	(48,288)	(474,325)	-	(522,613)
Cash flows from financing activities:				
Capital grants and contributions, net	-	500,000	-	500,000
Repayment of debt	(60,000)	(16,544)	-	(76,544)
Net cash from financing activities	(60,000)	483,456	-	423,456
Net increase in cash and cash equivalents	523,252	59,052	-	582,304
Cash and cash equivalents at beginning of year	2,131,265	117,843	-	2,249,108
Cash and cash equivalents at end of year	\$ 2,654,517	\$ 176,895	\$ -	\$ 2,831,412
Supplemental disclosures of cash flow information:				
Cash paid for interest	\$ 11,658	\$ 5,615	\$ -	\$ 17,273

See independent auditor's report.