

**CENTRAL MINNESOTA HOUSING
PARTNERSHIP, INC. AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Central Minnesota Housing Partnership, Inc. and Subsidiaries
St. Cloud, Minnesota

We have audited the accompanying consolidated statements of financial position of Central Minnesota Housing Partnership, Inc. and Subsidiaries (the Organization) as of December 31, 2010 and 2009, and the related consolidated statements of activities, functional expenses, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Central Minnesota Housing Partnership, Inc. and Subsidiaries as of December 31, 2010 and 2009, and the changes in its consolidated net assets and its consolidated cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the consolidated financial statements of Central Minnesota Housing Partnership, Inc. and Subsidiaries taken as a whole. The accompanying consolidating financial information on pages 26 through 28 have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and is presented for purposes of additional analysis of the consolidated financial statements rather than to present financial position, statements of operations, and cash flows of the individual partnerships. However, in our opinion, the consolidating information on pages 26 through 28 is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

LarsonAllen LLP
LarsonAllen LLP

St. Cloud, Minnesota
June 27, 2011



(1)

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CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009

ASSETS	<u>2010</u>	<u>2009</u>
CURRENT ASSETS		
Cash	\$ 409,372	\$ 540,177
Cash - Subsidiaries	621,853	495,035
Accounts Receivable	35,279	50,001
Fees for Services Receivable	-	35,481
Grant Receivable	2,400	1,000
TIF Receivable - Current Portion	100,100	114,987
Prepaid Expenses	66,863	79,202
Total Current Assets	<u>1,235,867</u>	<u>1,315,883</u>
INVESTMENTS - ORGANIZATIONAL RESERVE	265,762	372,498
OPERATING RESERVE	572,386	511,945
RESERVE FOR REPLACEMENTS	844,646	835,090
DEVELOPMENT COST ESCROW	206,948	1,073,800
RESTRICTED DEPOSITS AND FUNDED RESERVES	85,346	65,628
TENANT SECURITY DEPOSITS	199,333	185,490
PROPERTY AND EQUIPMENT		
Land and Land Improvements	5,594,122	5,091,041
Buildings and Improvements	46,633,806	43,905,969
Furniture and Equipment	3,162,139	2,861,630
Total	<u>55,390,067</u>	<u>51,858,640</u>
Less: Accumulated Depreciation	17,863,406	15,787,305
Total	<u>37,526,661</u>	<u>36,071,335</u>
Construction in Progress	-	1,783,473
Total Property and Equipment	<u>37,526,661</u>	<u>37,854,808</u>
OTHER ASSETS		
Investments in Related Parties	(37,717)	(3,634)
Due from Related Parties	10,556	19,328
Financing Fees (Net)	620,093	650,276
TIF Receivable	45,200	52,300
Total Other Assets	<u>638,132</u>	<u>718,270</u>
Total Assets	<u><u>\$ 41,575,081</u></u>	<u><u>\$ 42,933,412</u></u>

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES AND NET ASSETS	<u>2010</u>	<u>2009</u>
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 277,064	\$ 598,851
Current Maturities of Lease Payable	7,039	6,917
Accounts Payable	139,275	579,929
Accrued Real Estate Taxes	268,947	253,318
Accrued Payroll Expenses	23,090	19,311
Accrued Interest	66,439	294,347
Funds Held in Escrow	59,979	50,995
Notes Payable	240,378	203,385
Other Current Liabilities	40,636	162,088
Deferred Revenue	129,290	179,098
Total Current Liabilities	<u>1,252,137</u>	<u>2,348,239</u>
OTHER LIABILITIES		
Lease Payable	18,811	25,852
Deferred Interest	718,323	394,195
Tenant Security Deposits	201,899	185,372
Deposit Liability	215,922	197,915
Other Liabilities	110,393	2,101
Total Other Liabilities	<u>1,265,348</u>	<u>805,435</u>
LONG-TERM DEBT (Net of Current Maturities)	<u>22,244,343</u>	<u>21,569,184</u>
Total Liabilities	24,761,828	24,722,858
NET ASSETS		
Unrestricted		
Unrestricted - Undesignated	1,767,255	1,996,868
Unrestricted - Designated For:		
Reserves	397,322	507,796
Property and Equipment	468,820	560,065
Single Family Home Development	1,090,734	1,174,113
Investments in Related Parties	(37,717)	(3,634)
Unrestricted - Controlling Interest	<u>3,686,414</u>	<u>4,235,208</u>
Unrestricted - Non-Controlling Interest	13,126,839	13,975,346
Total Unrestricted Net Assets	<u>16,813,253</u>	<u>18,210,554</u>
Total Liabilities and Net Assets	<u>\$ 41,575,081</u>	<u>\$ 42,933,412</u>

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
UNRESTRICTED REVENUES AND OTHER SUPPORT		
Fees For Service	\$ 254,593	\$ 412,803
Rent Income	3,829,995	3,623,218
Laundry Income	68,209	66,066
Garage Income	10,420	11,530
Grant Revenues	133,740	170,318
Contributions	250	1,524
Interest Income	17,564	36,273
Investment Return	3,797	9,310
Debt Subsidy Income	41,202	40,946
Other Revenues	56,240	62,855
Income from Investment in Related Parties	14,990	21,603
Total Unrestricted Revenues and Other Support	4,431,000	4,456,446
EXPENSES (EXCLUDING DEPRECIATION AND AMORTIZATION)		
Program Services	4,403,965	4,152,723
Supporting Services Management and General	76,746	175,367
Total Expenses (Excluding Depreciation and Amortization)	4,480,711	4,328,090
CHANGE IN NET ASSETS BEFORE DEPRECIATION AND AMORTIZATION	(49,711)	128,356
Depreciation and Amortization	2,119,914	2,039,142
CHANGE IN NET ASSETS BEFORE NON-CONTROLLING INTEREST	(2,169,625)	(1,910,786)
Non-Controlling Interest	(1,539,658)	(1,513,941)
CHANGE IN NET ASSETS - CONTROLLING INTEREST	\$ (629,967)	\$ (396,845)

See accompanying Notes to Consolidated Financial Statements.

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2010

	Program Services			Total
	CMHP	Housing Projects	Management and General	
FUNCTIONAL EXPENSES				
Salary and Payroll Expenses	\$ 639,872	\$ 198,906	\$ 11,204	\$ 849,982
Property Management	-	152,610	-	152,610
Advertising	2,456	53,808	765	57,029
Office Supplies	6,808	13,282	1,850	21,940
Postage	9,268	1,823	670	11,761
Telephone	5,327	26,949	703	32,979
Insurance	3,487	249,504	9,205	262,196
Utilities	-	527,942	-	527,942
Repairs and Maintenance	1,305	634,547	4,862	640,714
Minor Equipment	-	-	269	269
Travel	20,673	49	789	21,511
Conferences and Dues	6,860	49	1,707	8,616
Printing and Duplication	2,528	-	2,373	4,901
Resource Materials and Publications	3,039	1,442	66	4,547
Professional Fees	-	175,036	25,501	200,537
Rent	46,374	-	7,238	53,612
Interest Expense	1,381	1,044,416	-	1,045,797
Property Taxes	-	200,286	-	200,286
Consultants	11,033	-	-	11,033
Bad Debts/Uncollected Development Costs	43,531	68,140	-	111,671
Impairment on Investment in Rental Property	-	100,000	-	100,000
Miscellaneous	2,240	148,994	9,544	160,778
Total Functional Expenses Before Depreciation and Amortization	806,182	3,597,783	76,746	4,480,711
Depreciation and Amortization	10,261	2,108,052	1,601	2,119,914
Total Functional Expenses	<u>\$ 816,443</u>	<u>\$ 5,705,835</u>	<u>\$ 78,347</u>	<u>\$ 6,600,625</u>

See accompanying Notes to Consolidated Financial Statements.

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2009

	Program Services		Management and General	Total
	CMHP	Housing Projects		
FUNCTIONAL EXPENSES				
Salary and Payroll Expenses	\$ 505,780	\$ 190,989	\$ 118,640	\$ 815,409
Property Management	-	144,903	-	144,903
Advertising	5,749	47,251	-	53,000
Office Supplies	5,574	7,517	1,633	14,724
Postage	8,607	1,414	850	10,871
Telephone	5,459	26,165	783	32,407
Insurance	8,648	224,950	6,190	239,788
Utilities	-	538,896	-	538,896
Repairs and Maintenance	3,224	610,170	2,855	616,249
Minor Equipment	3,035	-	999	4,034
Travel	24,650	404	949	26,003
Conferences and Dues	8,992	475	2,384	11,851
Printing and Duplication	3,465	61	2,020	5,546
Resource Materials and Publications	6,435	850	78	7,363
Professional Fees	11,874	162,075	31,560	205,509
Rent	37,346	-	5,581	42,927
Interest Expense	2,005	1,034,653	-	1,036,658
Property Taxes	-	180,011	-	180,011
General Development	51	(875)	-	(824)
Consultants	7,500	-	160	7,660
Bad Debts	-	48,880	-	48,880
Overages	-	433	-	433
Loss on Sale of Property and Equipment	258	62,779	-	63,037
Other Financial Expense	-	12,950	-	12,950
Miscellaneous	6,211	202,909	685	209,805
Total Functional Expenses Before Depreciation and Amortization	654,863	3,497,860	175,367	4,328,090
Depreciation and Amortization	8,560	2,029,631	951	2,039,142
Total Functional Expenses	<u>\$ 663,423</u>	<u>\$ 5,527,491</u>	<u>\$ 176,318</u>	<u>\$ 6,367,232</u>

See accompanying Notes to Consolidated Financial Statements.

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>Total</u>	<u>Controlling Interest</u>	<u>Non-Controlling Interest</u>
BALANCE - DECEMBER 31, 2008	\$ 18,050,639	\$ 4,632,053	\$ 13,418,586
Change in Net Assets	(1,910,786)	(396,845)	(1,513,941)
Contributions	2,192,132	-	2,192,132
Distributions	(89,086)	-	(89,086)
Syndication Costs	<u>(32,345)</u>	<u>-</u>	<u>(32,345)</u>
BALANCE - DECEMBER 31, 2009	18,210,554	4,235,208	13,975,346
Change in Net Assets	(2,169,625)	(629,967)	(1,539,658)
Distributions	(310,222)	-	(310,222)
Contributions	1,048,097	-	1,048,097
Purchase of Non-Controlling Interest	<u>34,449</u>	<u>81,173</u>	<u>(46,724)</u>
BALANCE - DECEMBER 31, 2010	<u><u>\$ 16,813,253</u></u>	<u><u>\$ 3,686,414</u></u>	<u><u>\$ 13,126,839</u></u>

See accompanying Notes to Consolidated Financial Statements.

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Collections from Public Support and Revenue	\$ 519,670	\$ 507,430
Cash Received from Tenants	3,840,415	3,634,748
Laundry Receipts	68,209	66,066
Interest Received	21,361	45,583
Cash Paid to Suppliers and Employees	(3,686,165)	(3,310,359)
Interest Paid	(949,577)	(987,918)
Net Cash Used by Operating Activities	(186,087)	(44,450)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in Tenant Security Deposits	(13,843)	(2,270)
Increase in Tenant Security Deposit Liabilities	16,527	187
Net (Increase) Decrease in Organizational Reserve	106,736	(7,995)
Net Increase in Operating Reserve	(60,441)	(36,366)
Net Increase in Reserves for Replacement	(9,556)	(19,487)
Net (Increase) Decrease in Development Cost Escrow	866,852	(861,724)
Net (Increase) Decrease in Restricted Deposits and Funded Reserves	(19,718)	621
Purchases of Land, Property, and Equipment	(1,846,496)	(1,497,631)
Net Cash Used by Investing Activities	(959,939)	(2,424,665)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of Financing Fees	(13,731)	(66,077)
Payment of Capital Lease Payable	(6,919)	(7,135)
Payment on Long-Term Debt	(1,588,158)	(528,012)
Proceeds from Long-Term Debt	1,941,530	498,335
Payment from Note Payable-Bank	(29,231)	(72,757)
Proceeds from Note Payable-Bank	66,224	71,000
Purchase of Non-Controlling Interest	34,449	-
Non-Controlling Interest Contribution	1,048,097	2,192,132
Non-Controlling Interest Distribution	(310,222)	(89,086)
Non-Controlling Interest Syndication Costs	-	(32,345)
Net Cash Provided by Financing Activities	1,142,039	1,966,055
NET DECREASE IN CASH	(3,987)	(503,060)
Cash - Beginning of Year	1,035,212	1,538,272
CASH - END OF YEAR	\$ 1,031,225	\$ 1,035,212

See accompanying Notes to Consolidated Financial Statements.

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
RECONCILIATION OF CHANGE IN NET ASSETS TO CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (629,967)	\$ (396,845)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Non-Controlling Interest in Net Loss	(1,539,658)	(1,513,941)
Depreciation	2,076,000	1,996,634
Amortization	43,914	42,508
Impairment on Investment in Rental Property	100,000	-
Loss on Sale of Property and Equipment	421	63,037
Decrease in Investment in Related Parties	34,083	18,231
Unrealized Loss on Investments	-	3,972
Net Change in Current Operating Items:		
Receivables	57,575	3,531
Tax Increment Financing Receivable	21,987	(15,151)
Prepaid Expenses	12,339	(17,716)
Accounts Payable	(440,654)	(165,692)
Deferred Revenue	(31,801)	(187,407)
Other Accrued Liabilities	(201,294)	53,182
Other Liabilities	(13,160)	22,467
Deferred Interest	324,128	48,740
Net Cash Used by Operating Activities	\$ (186,087)	\$ (44,450)
 NONCASH TRANSACTIONS		
Debt Subsidy Payments	\$ 41,202	\$ 40,946
Fixed Assets Purchased with HOME Funds	\$ -	\$ 249,571
Fixed Assets Purchased through Lease Obligations	\$ -	\$ 35,500
Fixed Assets Purchased through Accounts Payable	\$ -	\$ 467,438
Fixed Assets Purchased through Increase in Accrued Interest	\$ 1,778	\$ -
 SCHEDULE OF CASH BALANCES		
Cash	\$ 409,372	\$ 540,177
Cash - Subsidiaries	621,853	495,035
Cash - End of Year	\$ 1,031,225	\$ 1,035,212

See accompanying Notes to Consolidated Financial Statements.

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies followed by the Organization are summarized below to assist the reader in understanding the accompanying consolidated financial statements.

Nature of Operations

Central Minnesota Housing Partnership, Inc. (CMHP) is a nonprofit regional housing development corporation committed to assisting underserved communities to preserve, improve, and increase affordable housing for low and moderate income families and individuals.

Home Ownership

Homebuyer Training "HOME STRETCH" Program - The Organization coordinates homebuyer training in the region based on a program designed by the Minnesota Housing Finance Agency. CMHP conducted research in the region in January 1995, examining existing programs and implementing the program in October 1995. The program has grown in popularity as more lenders require education for first-time homebuyers. The Organization currently coordinates 38 classes annually. The program is supported by more than 100 community volunteers and has graduated over 7,800 individuals since 1995.

Pre-Purchase Counseling - This service is offered to first time homebuyers who would like one-on-one discussions about their own home buying situation. Credit issues, debt, budgeting and available mortgage products are just some of the items discussed in a comfortable and confidential setting. This service is an extension of Home Stretch and gives first time homebuyers the additional support they need.

Community Activity Set Aside (CASA) Program - CMHP creates initiatives and submits applications to Minnesota Housing for set aside first mortgage financing for specific housing initiatives in the Central Region. CMHP creates a partnering lender network, giving 1st time homebuyers access to this mortgage product, as well as down payment and closing cost assistance accessed through the CASA program.

Building Better Neighborhoods Program - The Organization provides technical assistance to developers, builders and cities within the Central Region to create affordable homeownership options for workforce households who are first time homebuyers. CMHP provides RFP application writing to leverage affordable financing products to be available in specific new construction housing developments. CMHP also provides full administration and oversight of the affordable financing products and works closely with participating lenders to complete the financing package for home purchases.

Neighborhood Stabilization Program (NSP) - The Organization administers Neighborhood Stabilization Program (NSP) for the cities of Buffalo, Isanti, Monticello, Otsego and Zimmerman. This program offers incentive based down payment assistance to households making less than 120% AMI purchasing foreclosed homes within the cities targeted neighborhoods. Additional assistance can be obtained through NSP for rehabilitation funds.

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Operations (Continued)

Home Ownership (Continued)

Neighborhood Stabilization Program (NSP) (Continued) - All funds are a 0% deferred loan. The loan is forgivable proportionally over the term of the loan. The loan term is dependent on the amount of NSP dollars used. The term is as follows: \$1-\$14,999 – five year term; \$15,000 - \$40,000 – ten year term; over \$40,000 – fifteen year term.

Greater Minnesota Housing Fund – Federal Home Loan Bank (GMHF – FHLB) – Federal Home Loan Bank (GMHF – FHLB) – The Organization has contracted with Greater Minnesota Housing Fund (GMHF) to administer funds awarded by the Federal Home Loan Bank (FHLB) throughout the Central Minnesota region. GMHF– FHLB funds are used by households making 80% AMI or MRB. The funds are used as incentive based down payment assistance for households purchasing a home that has been foreclosed, deed in lieu or short sale and must be on city water and sewer. The funds are a 0% deferred loan forgiven equally over a 5 year term.

Rental Housing

Development and Ownership - The Organization, often in partnership with other non-profits, HRA's, CDC's, and for-profit entities, develops new units of affordable housing in the region. The primary source of funding is provided through the Low Income Housing Tax Credit Program although several funding sources are often utilized including first mortgages, equity contributions, employer contributions, local government participation, bond financing, Greater Minnesota Housing Fund, and Minnesota Housing Finance Agency programs.

<u>Project Name</u>	<u>Location</u>	<u># of Units</u>	<u>Date of Completion/Acquisition</u>
Tower Terrace	Cambridge	32	10/95
Leighton's Landing	Big Lake	32	7/97
West Birch	Princeton	24	8/98
Ridgeview	Paynesville	20	9/98
Kestrel Woods	Buffalo	30	7/98
Granite Ledge	Cold Spring	24	7/99
Shoreline Commons	Howard Lake	24	11/99
Turtle Ridge	St. Francis	30	12/00
Water's Edge	Watertown	30	12/00
Reichert Place	Long Prairie	17	7/01
Highland Court	Little Falls	24	1/02
Northcrest	Mora	24	1/02
Timberland	Brainerd	30	3/03
River View Townhomes	Sauk Centre	24	12/03
Meadowview	Zimmerman	22	8/04
Grand Oaks	Baxter	24	1/05
RANT	Sauk Rapids	91	12/05
Brickstone Apts. (Suncrest)	Avon	12	6/08
Albertville Townhomes	Albertville	37	8/09
Grand Oaks Court	Baxter	24	6/10

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Operations (Continued)

Rental Housing (Continued)

Property Management - The Organization handles all aspects of the operations, management, and maintenance of selected properties. CMHP's property management division recruits, screens, selects, and places applicants in housing and is responsible for accounting, AR/AP, cash flow management, budgeting, caretaking, supervision, reporting, and compliance. At the present time, CMHP manages the following Rural Development/Tax Credit projects:

<u>Project Name</u>	<u>Location</u>	<u># of Units</u>
Gilmanor	Gilman	8
Braham Heights	Braham	12
Groundhouse	Ogilvie	8
Waverly Community Homes	Waverly	16
Randall Apartments	Randall	12
Johnson Apartments	Pine City	8
Eden Place	Eden Valley	12
Tower Terrace	Cambridge	32
West Birch	Princeton	24
Ridgeview	Paynesville	20
Granite Ledge	Cold Spring	24
Shoreline Commons	Howard Lake	24
Highland Court	Little Falls	24
Northcrest	Mora	24
River View Townhomes	Sauk Centre	24
Timberland	Brainerd	30
Meadowview	Zimmerman	22
Grand Oaks	Baxter	24
Brickstone Apts (Suncrest)	Avon	12
Grand Oaks Court	Baxter	24

Asset Management - The Organization values its ownership and interest in rental properties and takes responsibility for the long-term health and welfare of all projects it is associated with. Functions of asset management include monitoring programs, funders, and financing requirements to assure compliance and timely reporting; oversight of property management activities of professional property managers, monthly financial reports, annual budget approval, capital improvement planning, site visits, and tenant surveys. The Organization communicates on a regular basis with property managers, investors, and funders. CMHP asset manages 638 units of affordable housing.

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Operations (Continued)

Housing Preservation

Affordable Housing Preservation - In an effort to retain affordable housing in the region, the Organization has acquired property to assure decent, safe affordable housing indefinitely. Acquisition of housing often includes by renovation as part of the overall preservation process.

<u>Project Name</u>	<u>Location</u>	<u># of Units</u>
Gilmanor	Gilman	8
Johnson Apartments	Pine City	8
Devonshire	Rockford	24
Randall Apartments	Randall	12
Braham Heights	Braham	12
Groundhouse	Ogilvie	8
Waverly Community Homes	Waverly	16
Eden Place	Eden Valley	12
River View Townhomes	Sauk Centre	24
RANT	Sauk Rapids	91
Brickstone Apts (Suncrest)	Avon	12

HOME Rental Rehabilitation Program - The Organization administers this program for the Minnesota Housing Finance Agency in 17 counties: Mille Lacs, Pine, Chisago, Kanabec, Carver, Wadena, Isanti, Aitkin, Carlton, Wright, Crow Wing, Cass, Morrison, Todd, Benton, Stearns, and Sherburne. These funds are used for rehabilitation of rental units. Projects with HOME Funds of \$100,000 or more receive a 0% deferred loan, coterminous with the first mortgage and requires a five year compliance period. Projects with HOME Funds of less than \$100,000 are structured as a 5-year forgivable deferred loan at 0%. Income and rent restrictions apply.

Minnesota Urban & Rural Homesteading (MURL) – The Organization manages a portfolio of single-family homes that have been rehabilitated and sold to low and moderate income families on a 0% interest contract for deed. The Organization services the contract for deeds and provides oversight to homeowners if they decide to purchase the home through mortgage financing or move from the property. The MURL state funded program is currently out of funding, but CMHP maintains the capability to utilize funding to acquire and rehabilitate blighted single-family homes in the future and sell homes to a mortgage qualified household.

Regional Continuum-of-Care Homeless Services Strategic Plan - The Organization coordinates the regional Continuum-of-Care process to bring together diverse sectors of our region to establish needs and priorities for the housing and support services needs of homeless individuals and families. In addition to establishing needs and priorities for housing and supportive services, the process also includes strategies to end homelessness and to prevent a return to homelessness. Funds are made available through HUD and other agencies to meet any gaps which may be found in the Continuum.

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Operations (Continued)

Housing Preservation (Continued)

Rental Rehabilitation Loan Program – The Rental Rehabilitation Loan Program (RRLP) provides rental property owners with a 6% loan with a term of up to 15 years. These funds can be used in all 16 counties serviced by CMHP. This loan is processed by CMHP as a qualified lender and then sold to the Minnesota Housing Finance Agency. Rental property owners can get up to \$10,000 per unit or a maximum of \$100,000 or \$25,000 per structure for 1-2 unit properties as long as the tenant incomes meet 80% of the state median income. Funds can be used for any permanent improvements to the property including but not limited to: roofing, siding, windows, doors, electrical, plumbing, etc.

Small Cities Development Program – The Small Cities Development Program (SCDP) is a program funded through the Department of Employment and Economic Development (DEED). Applications are written for communities interested in applying for funding. SCDP funding can be used to fix up owner occupied, rental housing, and commercial properties. Eligible items to include in the scope of work include but are not limited to: roofing, siding, windows, doors, furnaces, electrical, plumbing, etc. Funding is given as a grant to the participating city and the administrator takes applications and administers the funds within the target area. The funds are set up as a 0% deferred loan forgiven evenly over a set amount of years or they are low interest loans with a term determined by the awarded city. There is a small amount of owners match funds required based on how the application is written.

Federal Home Loan Bank – The Federal Home Loan Bank (FHLB) funding is used as match funds for the Small Cities Development Program. These funds will sometimes offset the amount of funding that the owner needs to contribute. The funds are used for owner occupied rehabilitation. They are a 0% deferred loan forgiven evenly over 5 years.

Family and Youth Homeless Prevention and Assistance Programs - The Organization provides staff assistance to the Lakes and Pines CAC to administer the Family Homeless Prevention and Assistance Program. This program focuses on prevention and is targeted primarily to families facing rental eviction and mortgage foreclosure. CMHP coordinates the meetings of the advisory board, is responsible for program outreach and coordinates annual landlord seminars. Lakes and Pines CAC provide the actual program administration and case management.

Central Minnesota Community Land Trust (CMCLT) - The Organization provides a home ownership opportunity to low and moderate-income households and creates long-term affordability for future generations of homebuyers. Homes cost less than market rate as the CMCLT purchases the land and the homebuyer purchases the home. Affordability for initial buyers and those long-term is created by a shared equity resale formula that allows for a return on a buyers investment, and an affordable sales price for future buyers. The Organization is creating programs through the community land trust to provide affordable home purchase options for both new and existing homes in the Central Region.

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Operations (Continued)

Other Resources

Regional Housing Advisory Group - The Organization works closely with Minnesota Housing Finance Agency to increase participation and step up activities in addressing housing needs in the region. A component of this effort has included appointment of a regional housing advisory committee which communicates quarterly with the Minnesota Housing Finance Agency, USDA Rural Development, Greater Minnesota Housing Fund, and Minnesota's Department of Employment and Economic Development on regional needs. The initiative started as a directive from Governor Carlson in 1994 and is known as EVHI - Governors Economic Vitality and Housing Initiative. In an effort to educate and provide options in addressing housing needs to small communities experiencing economic growth, the Organization has expanded its technical assistance capacity to provide professional experienced non-profit alternatives easily accessed by communities to answer questions about affordable housing.

Development & Technical Assistance in collaboration with the Initiative Foundation - The Organization works closely with the Initiative Foundation to assist communities experiencing job growth with the development of affordable housing. The development of housing projects is typically based upon priorities identified. Resource and referral services are also offered to communities, organizations, and families that need assistance in identifying affordable housing options.

Basis of Presentation

The financial statement presentation follows generally accepted accounting principles. Under these principles, net assets and revenues, gains, and losses are classified based on donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted - Resources over which the board of directors has discretionary control. Designated amounts represent those revenues which the Directors have set aside for a particular purpose.

Temporarily Restricted - Those resources subject to donor imposed restrictions which will be satisfied by actions of the Organization or passage of time.

Permanently Restricted - Those resources subject to a donor imposed restriction that they be maintained permanently by the Organization.

The Organization has elected to present temporarily restricted contributions, which are fulfilled in the same time period, within the unrestricted net asset class.

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of Consolidation

The consolidated financial statements include the accounts of Central Minnesota Single Family Housing, LLC which CMHP has a 100% shareholder interest in. There are also six housing projects which are fully owned by CMHP and are included in the consolidated financial statements. The Consolidation Housing Projects include 18 limited partnership housing projects and 12 limited liability companies which the Organization controls through its general partnership interest, ranging from .005% to 52%. There are also 8 wholly owned limited liability companies. Intercompany accounts and transactions for these entities have been eliminated in the preparation of consolidated financial statements.

Also, there are 3 projects that CMHP has 50%-51% shareholder interest, Kestrel Woods LLC, Albertville Townhomes GP LLC, and Rockford Limited Partnership, which are accounted for under the equity method as CMHP does not have control of the entities. For these equity method investments, the following are the unaudited:

	2010	2009
Assets	\$ 433,700	\$ 512,961
Equity	(75,334)	7,170
Revenues	175,276	186,714
Expenses	175,689	124,657

Consolidation of Limited Partnership

Generally accepted accounting principles includes a presumption that a general partner controls the partnership no matter what the ownership interest is and requires the sole general partner in a limited partnership to consolidate the partnership unless that presumption of control is overcome.

The Organization evaluated its relationship with the 18 limited partnerships in which it is currently the general partner and determined the presumption of control, as defined by generally accepted accounting principles, could not be overcome. Therefore, the Organization has consolidated the assets, liabilities, and results of operations and recorded the non-controlling share of these limited partnerships.

Use of Estimates

The preparation of financial statements in conformity with U.S. 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. Estimates also affect the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

The Organization provides an allowance for bad debts using the allowance method, which is based on management judgment considering historical information. Accounts receivable are unsecured. Any amounts not paid in accordance with the lease terms are considered past due. When all collection efforts have been exhausted, the accounts are written off against the related allowance. No allowance for bad debts is considered necessary at December 31, 2010 and 2009.

Reserve Accounts

Investments – Organizational Reserve

The Organization has set aside funds which consist of investments for future use. The Organization's Board of Directors has set policies to govern the use of such funds. Under generally accepted accounting principles, investments in equity securities with readily determinable fair value and investments in debt securities are reported at fair value.

Operating Reserve

The Housing Partnerships have established operating reserves in accordance with partnership agreements and loan documents. The funds in the accounts are intended to be used to fund operating and debt service deficits.

Reserve for Replacements

The Organization and the Housing Partnerships maintain reserve accounts for future repairs and replacements of equipment and building components.

Development Cost Escrow

The Housing Partnerships maintain development cost escrows which will accumulate any excess cash remaining after payment of project expenses, as determined by MHFA.

Restricted Deposits and Funded Reserves

The Housing Partnerships make regular monthly deposits into various escrow and reserve accounts held by the mortgagee for the payment of insurance, real estate taxes, painting and decorating.

Tenant Security Deposits

Prior to occupying a unit, tenants are required to remit a security deposit to the Organization. Deposits are escrowed in the name of the Organization and, subject to certain limitations, will be remitted back to the tenants with interest when the units are vacated.

Property and Equipment

Property and equipment is recorded at cost. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Major additions and improvements are charged to property and equipment while replacements and repairs, which do not improve or extend the life of the respective assets, are currently expensed. Depreciation is computed on property and equipment over their estimated useful lives using the straight-line method.

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financing Fees

Financing Fees are recorded at cost and are being amortized on a straight-line basis over the life of the mortgage payable for the Housing Partnerships. These costs are recorded net of accumulated amortization of \$348,111 and \$303,229 at December 31, 2010 and 2009, respectively.

Deferred Revenue

The Organization records cash received for future services as deferred revenue. This revenue is recognized when services are rendered.

Donated Materials

Donated materials received by the Organization are recorded in the Organization's financial statements at their estimated values as of the date of receipt only if the donated materials have a determinable value and if they add to the value of the Organization's assets.

Functional Expenses

The Organization allocates its expenses on a functional basis among its programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases. Fundraising costs are deemed insignificant by management and are included in management and general expenses.

Advertising

The Organization expenses advertising costs as incurred. Amounts charged to expense were \$57,029 and \$53,000 for the years ended December 31, 2010 and 2009, respectively.

Income Taxes

The Organization is exempt from income taxes pursuant to Internal Revenue Code Section 501(c)(3) and corresponding state tax codes. The Organization is not a private foundation, and contributions to the Organization qualify as a charitable tax deduction by the contributor. The consolidated housing projects have elected to be taxed as partnerships. Earnings and losses are included in personal income tax returns of the partners. Therefore, no provision for income taxes is reflected in these financial statements.

The Organization's 2007-2009 tax years are open for examination by federal and state taxing authorities. The Organization files as a tax exempt organization. Should that status be challenged in the future, all years since inception would be subject to review by the IRS.

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk

The Organization maintains cash balances in excess of FDIC limits. The Organization mitigates this risk through the use of bank pledged securities.

Retirement Plan

The Organization has a 401(k) retirement plan. The plan covers all employees who meet eligibility requirements. In addition to employee contributions, the Organization contributes \$25 per month for each eligible employee. Contributions for the years ended December 31, 2010 and 2009 was \$3,600 and \$2,900, respectively.

Fair Value Hierarchy

Organization has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the balance sheets are categorized based on the inputs to the valuation techniques as follows:

Level 1 - Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Organization has the ability to access (examples include active exchange-traded equity securities, listed derivatives, and most U.S. Government and agency securities).

Level 2 - Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

- Quoted prices for similar assets or liabilities in active markets (for example, restricted stock);
- Quoted prices for identical or similar assets or liabilities in non-active markets (examples include corporate and municipal bonds, which trade infrequently);
- Pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over-the-counter derivatives, including interest rate and currency swaps); and pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability (examples include certain residential and commercial mortgage related assets, including loans, securities, and derivatives).

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Hierarchy (Continued)

Level 3 - Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability (examples include certain private equity investments, long-term promises to give, split-interest agreements, and long-term grants payable).

NOTE 2 TAX INCREMENT FINANCING RECEIVABLE

Various Housing Partnerships have entered into a Contract for Private Redevelopment (generally referred to as the Tax Increment Financing (TIF) Agreement) with various cities. In accordance with this agreement, the housing projects must comply with certain tenant income restrictions. In exchange for complying with these and other requirements of the agreement, the project will receive from the city a semi-annual tax increment subsidy.

NOTE 3 INVESTMENTS – ORGANIZATIONAL RESERVE

Investments are stated at fair value and are summarized as follows:

	2010	2009
Money Market Funds	\$ 85,264	\$ 72,604
Certificate of Deposits	180,498	299,894
Total	<u>\$ 265,762</u>	<u>\$ 372,498</u>

The investment return of \$3,797 and \$13,282 and the unrealized loss of \$-0- and \$(3,972) for the years ended December 31, 2010 and 2009, respectively, are classified as investment return on the statement of activities.

NOTE 4 NOTES PAYABLE

CMHP has a note payable with Greater Minnesota Housing Fund (GMHF) for \$35,250 with an interest rate of 5.0% that matures in December 2011. The note is unsecured. The total outstanding balance at December 31, 2010 and 2009 was \$35,250 and \$-0-, respectively.

Several Limited Liability Companies consolidated with the Organization have lines of credit with various financial institutions ranging from \$25,000 - \$100,000 with interest rates of 3.75% - 6.00% and maturity dates during 2011. The credit lines are unsecured. The total outstanding balance at December 31, 2010 and 2009 was \$205,128 and \$203,385, respectively.

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 5 NON-CASH TRANSACTIONS

Braham Heights Apartments

Payments due on mortgages with Rural Economic and Community Development are subsidized by the U.S. Government. Payments subsidized totaled \$12,679 and \$13,144 for the years ended December 31, 2010 and 2009, respectively.

Johnson Apartments

Payments due on mortgages with Rural Economic and Community Development are subsidized by the U.S. Government. Payments subsidized totaled \$4,402 and \$4,468 for the years ended December 31, 2010 and 2009, respectively.

Randall Apartments

Payments due on mortgages with Rural Economic and Community Development are subsidized by the U.S. government. Payments subsidized totaled \$9,169 and \$8,919 for the years ended December 31, 2010 and 2009, respectively.

Gilmanor Apartments

Payments due on mortgages with Rural Economic and Community Development are subsidized by the U.S. government. Payments subsidized totaled \$5,825 and \$4,913 for the years ended December 31, 2010 and 2009, respectively.

Groundhouse Apartments

Payments due on mortgages with Rural Economic and Community Development are subsidized by the U.S. government. Payments subsidized totaled \$7,566 and \$7,666 for the years ended December 31, 2010 and 2009, respectively.

Waverly Community Homes

Payments due on mortgages with Rural Economic and Community Development are subsidized by the U.S. government. Payments subsidized totaled \$1,561 and \$1,836 for the years ended December 31, 2010 and 2009, respectively.

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 6 LONG-TERM DEBT

<u>Description</u>	<u>2010</u>	<u>2009</u>
Mortgage Payable - Rural Economic and Community Development, Dated November 1994, Due November 2041, Interest Rate 8%, Monthly Principal and Interest Payments of \$964 of which \$650 is Subsidized by the U.S. Government; Collateral Pledged is Substantially all Assets Related to Gilmanor Apartments	\$ 132,309	\$ 133,251
Mortgage Payable - Rural Economic and Community Development, Dated June 19, 1996, Due March 2029, Interest Rate 8.75%, Monthly Principal and Interest Payments of \$1,471, of which \$805 is Subsidized by the U.S. Government; Collateral pledged is Substantially all assets related to Randall Apartments	160,683	164,115
Mortgage Payable - Rural Economic and Community Development, Dated July 1996, Due July 2036, Interest Rate 7.25%, Monthly Principal and Interest Payments of \$1,840, of which \$952 is Subsidized by the U.S. Government; Collateral pledged is Substantially all Assets Related to Braham Apartments	256,607	259,948
Mortgage Payable - Rural Economic and Community Development, Dated August 1996, Due August 2046, Interest Rate 6.75%, Monthly Principal and Interest Payments of \$692, of which \$440 is Subsidized by the U.S. Government; Collateral Pledged is Substantially all Assets Related to Johnson Apartments	111,946	112,672
Mortgage Payable - Rural Economic and Community Development, Dated August 1996, Due August 2046, Interest Rate 7.25%, Monthly Principal and Interest Payments of \$319, of which \$210 is Subsidized by the U.S. Government; Collateral Pledged is Substantially all Assets Related to Johnson Apartments	48,839	49,119
Mortgage Payable - Rural Economic and Community Development, Dated April 2000, Due May 2030, Interest Rate 7.125%, Monthly Principal and Interest Payments of \$905, of which \$468 is Subsidized by the U.S. Government; Collateral Pledged is Substantially all Assets Related to Groundhouse Apartments	113,889	116,538
Mortgage Payable - Rural Economic and Community Development, Dated April 2000, Due April 2022, Interest Rate 7.25%, Monthly Principal and Interest Payments of \$423, of which \$188 is Subsidized by the U.S. Government; Collateral Pledged is Substantially all Assets Related to Groundhouse Apartments	39,363	41,503

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 6 LONG-TERM DEBT (CONTINUED)

<u>Description</u>	<u>2010</u>	<u>2009</u>
Mortgage Payable - Rural Economic and Community Development, Dated June 2001, Due September 2017, Interest Rate 6.875%, Monthly Principal and Interest Payments of \$428, of which \$148 is Subsidized by the U.S. Government; Collateral Pledged is Substantially all Assets Related to Waverly Community Homes	\$ 27,667	\$ 30,782
Mortgage Payable - Rural Economic and Community Development, Dated April 2000, Due September 2017, Interest Rate 3.0%, Monthly Principal and Interest Payments of \$581, of which \$88 is Subsidized by the U.S. Government; Collateral Pledged is Substantially all Assets Related to Waverly Community Homes	42,567	48,173
Mortgage Payable - Minnesota Housing Finance Agency, Dated July 2000, Due August 2020, Interest Rate 0%, Balance Due Upon Maturity; Collateral Pledged is Substantially all Assets Related to Johnson Apartments	15,000	15,000
Mortgage Payable - Minnesota Housing Finance Agency, Dated January 2001, Due January 2031, Interest Rate 0%, Balance Due Upon Maturity; Collateral Pledged is Substantially all Assets Related to Groundhouse Apartments	120,000	120,000
Mortgage Payable - Minnesota Housing Finance Agency, Dated August 2002, Due March 2029, Interest Rate 0%, Balance Due Upon Maturity; Collateral Pledged is Substantially all Assets Related to Randall Apartments	60,005	60,005
Mortgage Payable - Minnesota Housing Finance Agency, Dated June 2002, Due September 2017, Interest Bearing 0%, Balance Due Upon Maturity; Collateral Pledged is Substantially all Assets Related to Waverly Community	108,500	108,500
Mortgage Payable - Minnesota Housing Finance Agency - HOME Funds, Dated December 2009, Due December 2039, Interest Bearing 0%, Balance Due Upon Maturity; Collateral Pledged is Substantially all Assets Related to Braham Apartments	152,945	152,945
Mortgage Payable - Minnesota Housing Finance Agency - HOME Funds, Dated June 2009, Due June 2039, Interest Bearing 0%, Balance Due Upon Maturity; Collateral Pledged is Substantially all Assets Related to Groundhouse	104,993	104,993
Consolidated Housing Projects Mortgage Payable - see note below	21,026,094	20,650,491
Total	22,521,407	22,168,035
Less: Current Maturities	277,064	598,851
Total Long-Term Debt, Net of Current Maturities	<u>\$ 22,244,343</u>	<u>\$ 21,569,184</u>

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 6 LONG-TERM DEBT (CONTINUED)

Consolidated Housing Projects Mortgage Payable represents the outstanding mortgages for the 18 limited partnerships that are held with Minnesota Housing Finance Agency, Greater Minnesota Housing Fund, Bremer Bank, US Bank National Association, MMA Financial, LLC, City of St. Francis, Crow Wing County HRA, and Todd County. The mortgages have interest rates ranging from 0% to 9%, require monthly payments ranging from \$0 to \$18,428, and mature from the years 2012 through 2041. Deferred interest results from payment of interest required only upon maturity. Property and equipment of the partnerships are pledged as collateral. One Housing Partnership has \$6,492 and \$-0- of interest that has been capitalized and included in the basis of the Partnerships' assets as of December 31, 2010 and 2009, respectively.

Future principal payments on long-term debt are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2011	\$ 277,064
2012	1,894,477
2013	596,341
2014	1,165,999
2015	272,125

NOTE 7 LEASE COMMITMENTS

Capital Leases

The Organization leases equipment under capital lease agreements that expire May 2014 through September 2014 and call for monthly payments between \$298 and \$371. At December 31, 2010, the gross cost of equipment under capital lease is \$35,500 and the corresponding accumulated depreciation is \$6,767. Depreciation on the equipment under capital lease is included in depreciation expense.

<u>Description</u>	<u>2010</u>
Capital Lease Payable - Equipment; Monthly Installments through September 2014	\$ 25,850
Less: Current Maturities of Capital Lease Payable	(7,039)
Capital Lease Payable Net of Current Maturities	<u>\$ 18,811</u>

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 7 LEASE COMMITMENTS (CONTINUED)

Future capital lease payments, including interest, are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2011	\$ 7,425
2012	7,425
2013	7,425
2013	4,377
Total Minimum Lease Payments	\$ 26,652
Less: Amount Representing Interest on Capital Lease Payable	(802)
Net Minimum Capital Lease Payments	\$ 25,850

Operating Leases

The Organization leases office space and equipment under operating leases. Rent expense for the leases amounted to \$53,612 and \$42,927 for the years ended December 31, 2010 and 2009, respectively.

Minimum lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2011	\$ 55,026
2012	55,386

NOTE 8 FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. For additional information on how the Organization measures fair value refer to Note 1 – Summary of Significant Accounting Policies.

December 31, 2010	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Funds	\$ 85,264	\$ -	\$ -	\$ 85,264
Certificate of Deposits	-	180,498	-	180,498
Total	\$ 85,264	\$ 180,498	\$ -	\$ 265,762
December 31, 2009	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Funds	\$ 72,604	\$ -	\$ -	\$ 72,604
Certificate of Deposits	-	299,894	-	299,894
Total	\$ 72,604	\$ 299,894	\$ -	\$ 372,498

Unrealized changes in fair value for investments and realized gains and losses from sales are recorded as Investment Return in the Consolidated Statement of Activities.

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010

ASSETS	Central Minnesota Housing Partnership Inc.	Rural Developments	Central Minnesota Single Family Housing, LLC	Consolidated Housing Projects	Eliminations	Consolidated Total
CURRENT ASSETS						
Cash	\$ 171,345	\$ 42,653	\$ 195,374	\$ -	\$ -	\$ 409,372
Cash - Subsidiaries	-	-	-	621,853	-	621,853
Accounts Receivable	18	8,089	1,905	25,267	-	35,279
Fees for Services Receivable	9,331	-	-	-	(9,331)	-
Management Fee Receivable	38,618	-	-	-	(38,618)	-
Grant Receivable	2,400	-	-	-	-	2,400
TIF Receivable - Current Portion	-	-	-	100,100	-	100,100
Prepaid Expenses	426	-	-	66,437	-	66,863
Total Current Assets	<u>222,138</u>	<u>50,742</u>	<u>197,279</u>	<u>813,657</u>	<u>(47,949)</u>	<u>1,235,867</u>
INVESTMENTS - ORGANIZATIONAL RESERVE	265,762	-	-	-	-	265,762
OPERATING RESERVE	-	-	-	572,386	-	572,386
RESERVE FOR REPLACEMENTS	-	131,560	-	713,086	-	844,646
DEVELOPMENT COST ESCROW	-	-	-	206,948	-	206,948
RESTRICTED DEPOSITS AND FUNDED RESERVES	-	-	-	85,346	-	85,346
TENANT SECURITY DEPOSITS	-	16,910	-	182,423	-	199,333
PROPERTY AND EQUIPMENT						
Land and Land Improvements	23,000	378,469	52,645	5,140,008	-	5,594,122
Buildings and Improvements	-	2,705,172	1,510,110	42,418,524	-	46,633,806
Furniture and Equipment	80,737	133,262	-	2,948,140	-	3,162,139
Total	<u>103,737</u>	<u>3,216,903</u>	<u>1,562,755</u>	<u>50,506,672</u>	<u>-</u>	<u>55,390,067</u>
Less: Accumulated Depreciation	49,444	1,295,505	322,257	16,196,200	-	17,863,406
Total Property and Equipment	<u>54,293</u>	<u>1,921,398</u>	<u>1,240,498</u>	<u>34,310,472</u>	<u>-</u>	<u>37,526,661</u>
OTHER ASSETS						
Due from Related Parties	817,659	-	-	-	(807,103)	10,556
Investments in Related Parties	155,474	-	-	-	(193,191)	(37,717)
Financing Fees (Net)	-	3,065	-	617,028	-	620,093
TIF Receivable	-	-	-	45,200	-	45,200
Total Other Assets	<u>973,133</u>	<u>3,065</u>	<u>-</u>	<u>662,228</u>	<u>(1,000,294)</u>	<u>638,132</u>
Total Assets	<u>\$ 1,515,326</u>	<u>\$ 2,123,675</u>	<u>\$ 1,437,777</u>	<u>\$ 37,546,546</u>	<u>\$ (1,048,243)</u>	<u>\$ 41,575,081</u>

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010

LIABILITIES AND NET ASSETS	Central Minnesota Housing Partnership Inc.	Rural Development	Central Minnesota Single Family Housing, LLC	Consolidated Housing Projects	Eliminations	Consolidated Total
CURRENT LIABILITIES						
Current Maturities of Long-Term Debt	\$ -	\$ 23,628	\$ -	\$ 253,436	\$ -	\$ 277,064
Current Maturities of Lease	3,253	-	-	3,786	-	7,039
Accounts Payable	14,783	-	9,331	133,697	(18,536)	139,275
Accrued Real Estate Taxes	-	-	-	268,947	-	268,947
Accrued Payroll Expenses	23,090	-	-	-	-	23,090
Accrued Interest	955	1,501	-	71,404	(7,421)	66,439
Funds Held in Escrow	-	4,712	-	55,267	-	59,979
Notes Payable	35,250	-	-	274,423	(69,295)	240,378
Other Current Liabilities	65,149	-	-	4,900	(29,413)	40,636
Deferred Revenue	7,500	-	121,790	-	-	129,290
Total Current Liabilities	<u>149,980</u>	<u>29,841</u>	<u>131,121</u>	<u>1,065,860</u>	<u>(124,665)</u>	<u>1,252,137</u>
OTHER LIABILITIES						
Capital Lease Payable	8,305	-	-	10,506	-	18,811
Deferred Interest	-	-	-	718,323	-	718,323
Tenant Security Deposits	-	17,506	-	184,393	-	201,899
Deposit Liability	-	-	215,922	-	-	215,922
Other Liabilities	-	-	-	110,393	-	110,393
Related Party Payables	-	2,500	-	437,887	(440,387)	-
Total Other Liabilities	<u>8,305</u>	<u>20,006</u>	<u>215,922</u>	<u>1,461,502</u>	<u>(440,387)</u>	<u>1,265,348</u>
LONG-TERM DEBT (Net of Current Maturities)	<u>-</u>	<u>1,471,685</u>	<u>-</u>	<u>21,062,658</u>	<u>(290,000)</u>	<u>22,244,343</u>
Total Liabilities	<u>158,285</u>	<u>1,521,532</u>	<u>347,043</u>	<u>23,590,020</u>	<u>(855,052)</u>	<u>24,761,828</u>
NET ASSETS						
Unrestricted						
Unrestricted - Undesignated	893,070	44,498	-	829,687	-	1,767,255
Unrestricted - Designated For:						
Reserves	265,762	131,560	-	-	-	397,322
Property and Equipment	42,735	426,085	-	-	-	468,820
Single Family Home Development	-	-	1,090,734	-	-	1,090,734
Investments in Related Parties	155,474	-	-	-	(193,191)	(37,717)
Unrestricted - Controlling Interest	1,357,041	602,143	1,090,734	829,687	(193,191)	3,686,414
Unrestricted - Non-Controlling Interest	-	-	-	13,126,839	-	13,126,839
Total Unrestricted Net Assets	<u>1,357,041</u>	<u>602,143</u>	<u>1,090,734</u>	<u>13,956,526</u>	<u>(193,191)</u>	<u>16,813,253</u>
Total Liabilities and Net Assets	<u>\$ 1,515,326</u>	<u>\$ 2,123,675</u>	<u>\$ 1,437,777</u>	<u>\$ 37,546,546</u>	<u>\$ (1,048,243)</u>	<u>\$ 41,575,081</u>

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES
AND CHANGES IN NET ASSETS – CONTROLLING INTEREST
YEAR ENDED DECEMBER 31, 2010

	Central Minnesota Housing Partnership, Inc.	Rural Development Projects	Central Minnesota Single Family Housing, LLC	Consolidated Housing Projects	Eliminations	Consolidated Total
UNRESTRICTED REVENUES AND OTHER SUPPORT						
Fees For Service	\$ 467,380	\$ -	\$ -	\$ -	\$ (212,787)	\$ 254,593
Rent Income	-	273,538	7,802	3,550,495	(1,840)	3,829,995
Laundry Income	-	5,885	-	62,324	-	68,209
Garage Income	-	-	-	10,420	-	10,420
Grant Revenues	130,640	-	3,100	-	-	133,740
Contributions	250	-	-	-	-	250
Investment Return and Interest Income	6,697	128	1,847	15,589	(2,900)	21,361
Debt Subsidy Income	-	41,202	-	-	-	41,202
Other Revenues	28,419	1,892	1,890	51,714	(27,675)	56,240
Income from Investment in Related Parties	10,358	-	-	-	4,632	14,990
Unrestricted Total Revenues and Other Support	<u>643,744</u>	<u>322,645</u>	<u>14,639</u>	<u>3,690,542</u>	<u>(240,570)</u>	<u>4,431,000</u>
EXPENSES (EXCLUDING DEPRECIATION AND AMORTIZATION)						
Program Services	806,182	283,653	43,664	3,515,668	(245,202)	4,403,965
Supporting Services Management and General	76,746	-	-	-	-	76,746
Total Expenses (Excluding Depreciation and Amortization)	<u>882,928</u>	<u>283,653</u>	<u>43,664</u>	<u>3,515,668</u>	<u>(245,202)</u>	<u>4,480,711</u>
CHANGE IN UNRESTRICTED NET ASSETS BEFORE DEPRECIATION AND AMORTIZATION	(239,184)	38,992	(29,025)	174,874	4,632	(49,711)
Depreciation and Amortization	<u>11,862</u>	<u>120,505</u>	<u>54,354</u>	<u>1,933,193</u>	<u>-</u>	<u>2,119,914</u>
CHANGE IN UNRESTRICTED NET ASSETS BEFORE DISTRIBUTIONS AND NON-CONTROLLING INTEREST	(251,046)	(81,513)	(83,379)	(1,758,319)	4,632	(2,169,625)
Distributions - Controlling Interest	131,905	-	-	(131,905)	-	-
Contributed Capital - Controlling Interest	(56,625)	-	-	56,625	-	-
Non-Controlling Interest	-	-	-	(1,539,658)	-	(1,539,658)
CHANGES IN NET ASSETS - CONTROLLING INTEREST	<u>\$ (175,766)</u>	<u>\$ (81,513)</u>	<u>\$ (83,379)</u>	<u>\$ (293,941)</u>	<u>\$ 4,632</u>	<u>\$ (629,967)</u>