

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

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEARS ENDED DECEMBER 31, 2021 AND 2020**



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**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

### Report on the Audit of the Consolidated Financial Statements

#### *Opinion*

We have audited the accompanying consolidated financial statements of Central Minnesota Housing Partnership, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Central Minnesota Housing Partnership, Inc. and Subsidiaries, as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Central Minnesota Housing Partnership, Inc. and Subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Consolidated 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Central Minnesota Housing Partnership, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Central Minnesota Housing Partnership, Inc. and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Central Minnesota Housing Partnership, Inc. and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**Supplementary Information**

Our audit was conducted for the purpose of forming opinion on the consolidated financial statements as a whole. The consolidating financial statements of Central Minnesota Housing Partnership, Inc. and Subsidiaries and the accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis 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 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 GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2022, on our consideration of Central Minnesota Housing Partnership, Inc. and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Central Minnesota Housing Partnership, Inc. and Subsidiaries' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Central Minnesota Housing Partnership, Inc. and Subsidiaries' internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

St. Cloud, Minnesota  
October 21, 2022

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2021 AND 2020**

<b>ASSETS</b>	2021	2020
<b>CURRENT ASSETS</b>		
Cash	\$ 1,886,131	\$ 1,556,328
Cash - Subsidiaries	1,844,924	1,082,962
Accounts Receivable	358,880	738,062
Fees for Services Receivable	1,035	3,613
Grant Receivable	35,000	43,335
TIF Receivable - Current Portion	133,690	78,288
Interest Receivable	-	35,533
Prepaid Expenses	268,486	178,102
Total Current Assets	4,528,146	3,716,223
<b>OPERATING RESERVE</b>	1,103,209	806,433
<b>RESERVE FOR REPLACEMENTS</b>	1,783,638	1,704,282
<b>DEVELOPMENT COST ESCROW</b>	22,518	651,942
<b>RESTRICTED DEPOSITS AND FUNDED RESERVES</b>	777,370	501,400
<b>TENANT SECURITY DEPOSITS</b>	304,810	293,732
<b>PROPERTY AND EQUIPMENT</b>		
Land and Land Improvements	9,664,754	9,367,462
Buildings and Improvements	79,266,988	77,306,200
Furniture and Equipment	5,941,859	5,579,059
Construction in Progress	1,181,997	1,026,872
Total	96,055,598	93,279,593
Less: Accumulated Depreciation	38,369,429	34,925,958
Total Property and Equipment	57,686,169	58,353,635
<b>OTHER ASSETS</b>		
Notes Receivable (Net of Discount)	-	267,082
Tax Credit Fees (Net of Amortization)	262,677	261,203
TIF Receivable	79,650	33,200
Investments in Related Parties	88,875	85,032
Total Other Assets	431,202	646,517
Total Assets	\$ 66,637,062	\$ 66,674,164

See accompanying Notes to Consolidated Financial Statements.

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)**  
**DECEMBER 31, 2021 AND 2020**

<b>LIABILITIES AND NET ASSETS</b>	2021	2020
<b>CURRENT LIABILITIES</b>		
Current Maturities of Long-Term Debt	\$ 611,766	\$ 16,032,445
Lines of Credit	41,421	212,362
Accounts Payable	534,678	2,552,083
Accrued Real Estate Taxes	594,006	420,663
Accrued Payroll Expenses	32,556	30,407
Accrued Interest	52,415	47,628
Funds Held in Escrow	396,774	144,565
Other Current Liabilities	33,725	15,768
Deferred Revenue	113,551	141,431
Total Current Liabilities	2,410,892	19,597,352
<b>OTHER LIABILITIES</b>		
Deferred Interest	951,414	886,722
Tenant Security Deposits	321,497	311,600
Deposit Liability	323,076	302,716
Other Liabilities	4,917	4,653
Total Other Liabilities	1,600,904	1,505,691
<b>LONG-TERM LIABILITIES</b>		
Debt (Net of Current Maturities and Unamortized Finance Fees)	42,008,518	33,632,622
Total Liabilities	46,020,314	54,735,665
<b>NET ASSETS</b>		
Without Donor Restrictions:		
Without Donor Restrictions - Undesignated	998,706	1,787,809
Without Donor Restrictions - Designated for:		
Reserves	348,895	254,864
Property and Equipment	520,886	-
Single Family Home Development	303,613	347,764
Investments in Related Parties	(107,792)	(98,908)
Without Donor Restrictions - Controlling Interest	2,064,308	2,291,529
Without Donor Restrictions - Noncontrolling Interest	18,552,440	9,646,970
Total Net Assets Without Donor Restrictions	20,616,748	11,938,499
Total Liabilities and Net Assets	\$ 66,637,062	\$ 66,674,164

See accompanying Notes to Consolidated Financial Statements.

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
<b>REVENUES AND OTHER SUPPORT WITHOUT DONOR RESTRICTIONS</b>		
Fees for Service	\$ 111,106	\$ 394,006
Rent Income	6,738,201	5,653,622
Laundry Income	32,580	33,185
Garage Income	22,713	20,533
Grant Revenues	253,595	219,846
Contributions	14,693	16,439
Interest Income	10,680	52,071
Investment Return	9,243	12,836
Debt Subsidy Income	38,201	62,747
Other Revenues	271,086	215,316
Gain on Early Payoff of Long Term Receivable	400,633	-
Income from Investment in Related Parties	13,843	38,619
Debt Forgiveness	136,880	4,180
Total Revenues and Other Support Without Donor Restrictions	8,053,454	6,723,400
<b>EXPENSES (EXCLUDING DEPRECIATION AND AMORTIZATION)</b>		
Program Services	6,276,638	5,421,958
Supporting Services Management and General	376,008	299,785
Total Expenses (Excluding Depreciation and Amortization)	6,652,646	5,721,743
<b>CHANGE IN NET ASSETS BEFORE DEPRECIATION AND AMORTIZATION</b>	1,400,808	1,001,657
Depreciation and Amortization	3,565,192	2,713,255
<b>CHANGE IN NET ASSETS BEFORE NONCONTROLLING INTEREST</b>	(2,164,384)	(1,711,598)
Noncontrolling Interest in Subsidiaries Net Loss	(1,908,098)	(1,521,801)
<b>CHANGE IN NET ASSETS - CONTROLLING INTEREST</b>	\$ (256,286)	\$ (189,797)

See accompanying Notes to Consolidated Financial Statements.



**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2021**

	Program Services			Total
	CMHP	Housing Projects	Management and General	
<b>FUNCTIONAL EXPENSES</b>				
Salary and Payroll Expenses	\$ 747,950	\$ 290,866	\$ 157,291	\$ 1,196,107
Property Management	-	205,349	-	205,349
Advertising	623	13,990	1,604	16,217
Office Supplies	3,678	19,264	1,144	24,086
Postage	8,932	557	796	10,285
Telephone	5,518	55,537	3,476	64,531
Insurance	836	510,870	20,179	531,885
Utilities	-	993,438	3,742	997,180
Repairs and Maintenance	18,117	771,949	49,768	839,834
Travel	17,295	-	236	17,531
Conferences and Dues	3,076	-	3,222	6,298
Printing and Duplication	10,455	-	303	10,758
Minor Equipment	1,016	-	-	1,016
Professional Fees	13,252	348,642	59,633	421,527
Rent	58,477	-	9,127	67,604
Interest Expense	-	1,252,960	76	1,253,036
Property Taxes	-	484,697	26,575	511,272
Consultants	-	-	4,480	4,480
Bad Debts/Uncollected Development Costs	43,281	176,945	9,650	229,876
Gain/Loss on Disposal of Assets	-	20,405	23,531	43,936
Miscellaneous	7,438	191,225	1,175	199,838
Total Functional Expenses Before Depreciation and Amortization	939,944	5,336,694	376,008	6,652,646
Depreciation and Amortization	18,463	3,543,847	2,882	3,565,192
Total Functional Expenses	\$ 958,407	\$ 8,880,541	\$ 378,890	\$ 10,217,838

See accompanying Notes to Consolidated Financial Statements.

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2020**

	Program Services			Total
	CMHP	Housing Projects	Management and General	
<b>FUNCTIONAL EXPENSES</b>				
Salary and Payroll Expenses	\$ 668,521	\$ 332,718	\$ 130,213	\$ 1,131,452
Property Management	-	170,334	-	170,334
Advertising	2,368	15,422	720	18,510
Office Supplies	5,306	22,968	1,844	30,118
Postage	8,439	930	395	9,764
Telephone	5,067	52,711	5,294	63,072
Insurance	1,139	413,259	11,989	426,387
Utilities	-	883,401	-	883,401
Repairs and Maintenance	9,118	656,601	33,243	698,962
Travel	-	-	3,416	3,416
Conferences and Dues	17,223	-	105	17,328
Printing and Duplication	2,335	-	4,004	6,339
Resource Materials and Publications	4,470	-	441	4,911
Minor Equipment	197	-	-	197
Professional Fees	-	297,043	74,110	371,153
Rent	56,189	-	8,766	64,955
Interest Expense	-	1,074,089	172	1,074,261
Property Taxes	-	433,643	-	433,643
Consultants	2,631	-	-	2,631
Bad Debts/Uncollected Development Costs	(15,876)	119,211	17,268	120,603
Gain/Loss on Disposal of Assets	-	1,225	-	1,225
Miscellaneous	3,234	178,042	7,805	189,081
Total Functional Expenses Before Depreciation and Amortization	770,361	4,651,597	299,785	5,721,743
Depreciation and Amortization	16,482	2,694,201	2,572	2,713,255
Total Functional Expenses	\$ 786,843	\$ 7,345,798	\$ 302,357	\$ 8,434,998

See accompanying Notes to Consolidated Financial Statements.

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>Total</u>	<u>Controlling Interest</u>	<u>Noncontrolling Interest</u>
<b>BALANCE - DECEMBER 31, 2019</b>	\$ 11,798,693	\$ 2,462,930	\$ 9,335,763
Change in Net Assets	(1,711,598)	(189,797)	(1,521,801)
Distributions	(192,586)	-	(192,586)
Contributions	2,031,896	18,396	2,013,500
Purchases of Minority Interest	13,094	-	13,094
Syndication Costs - Minority Interest	<u>(1,000)</u>	<u>-</u>	<u>(1,000)</u>
<b>BALANCE - DECEMBER 31, 2020</b>	11,938,499	2,291,529	9,646,970
Change in Net Assets	(2,164,384)	(256,286)	(1,908,098)
Distributions	(136,501)	-	(136,501)
Contributions	11,041,367	2,766	11,038,601
Purchases of Minority Interest	(2,464)	26,299	(28,763)
Syndication Costs - Minority Interest	<u>(59,769)</u>	<u>-</u>	<u>(59,769)</u>
<b>BALANCE - DECEMBER 31, 2021</b>	<u><u>\$ 20,616,748</u></u>	<u><u>\$ 2,064,308</u></u>	<u><u>\$ 18,552,440</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, 2021 AND 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Collections from Public Support and Revenue	\$ 1,325,674	\$ 429,544
Cash Received from Tenants	7,147,378	5,149,859
Laundry Receipts	32,580	33,185
Interest Received	55,456	62,092
Cash Paid to Suppliers and Employees and Grantors	(6,430,859)	(7,842,240)
Interest Paid	(1,183,557)	(1,058,380)
Net Cash Provided (Used) by Operating Activities	946,672	(3,225,940)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Change in Tenant Security Deposit Liabilities	9,897	63,311
Purchases of Land, Property, and Equipment	(920,688)	(1,788,216)
Proceeds on the Sale of Fixed Assets	49,613	82,268
Net Cash Used by Investing Activities	(861,178)	(1,642,637)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of Financing Fees	(10,036)	(11,158)
Payment of Capital Lease Payable	-	(3,503)
Payment on Long-Term Debt	(523,295)	(809,377)
Proceeds from Long-Term Debt	1,028,977	2,585,162
Proceeds from Lines of Credit - Bank	10,529	33,122
Payments on Lines of Credit - Bank	(181,470)	(25,000)
Noncontrolling Interest Contribution	914,056	2,031,896
Noncontrolling Interest Distribution	(136,501)	(192,586)
Purchase of Noncontrolling Interest	(2,464)	13,094
Syndication Costs - Minority Interest	(59,769)	(1,000)
Net Cash Provided by Financing Activities	1,040,027	3,620,650
<b>NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH</b>	1,125,521	(1,247,927)
Cash and Restricted Cash - Beginning of Year	6,597,079	7,845,006
<b>CASH AND RESTRICTED CASH - END OF YEAR</b>	\$ 7,722,600	\$ 6,597,079

See accompanying Notes to Consolidated Financial Statements.

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (2,164,384)	\$ (1,711,598)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	3,553,303	2,705,707
Amortization	58,707	70,283
Interest Paid Through Refinance of Debt	-	20,181
Expenses Paid Through Long-Term Debt Refinance	1,156	-
Amortization of Present Value Discount on Notes Receivables	267,082	(11,145)
Forgiveness of Debt	(136,880)	(4,180)
Gain on Sale of Property and Equipment	50,851	48,320
Change in Investment in Related Parties	(3,843)	(17,283)
Net Change in Current Operating Items:		
Receivables	421,997	(527,111)
Tax Increment Financing Receivable	(101,852)	1,496
Prepaid Expenses	(90,384)	(81,236)
Accounts Payable	(1,406,962)	(947,285)
Deferred Revenue	(7,520)	(443,537)
Other Accrued Liabilities	422,488	(2,277,983)
Other Liabilities	18,221	(19,306)
Deferred Interest	64,692	(31,263)
Net Cash Provided (Used) by Operating Activities	\$ 946,672	\$ (3,225,940)
<b>RECONCILIATION OF CASH AND RESTRICTED CASH PER THE STATEMENT OF CASH FLOWS TO THE CASH AND RESTRICTED CASH PER THE STATEMENT OF FINANCIAL POSITION</b>		
Cash	\$ 1,886,131	\$ 1,556,328
Cash - Subsidiaries	1,844,924	1,082,962
Operating Reserve	1,103,209	806,433
Reserve for Replacements	1,783,638	1,704,282
Development Cost Escrow	22,518	651,942
Restricted Deposits and Funded Reserves	777,370	501,400
Tenant Security Deposits	304,810	293,732
Cash and Restricted Cash	\$ 7,722,600	\$ 6,597,079

See accompanying Notes to Consolidated Financial Statements.

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
<b>NONCASH TRANSACTIONS</b>		
Debt Subsidy Payments	\$ 38,201	\$ 62,747
Acquisition of Financing Costs Through Mortgage Refinance	\$ 94,415	\$ 225,114
Fixed Assets Purchased Through Long-Term Debt	\$ 1,114,335	\$ 17,035,549
Debt Forgiveness	\$ 136,880	\$ 4,180
Fixed Assets Purchased Through Accounts Payable	\$ 345,188	\$ 880,656
Increase in Accrued Interest Through Long-Term Debt	\$ -	\$ 95,478
Increase in Deferred Interest Through Long-Term Debt	\$ -	\$ 130,807
Debt paid Through Capital Contribution	\$ 9,499,187	\$ -
Finance Fees paid Through Capital Contribution	\$ 35,665	\$ -
Tax Credit Fees Paid Through Debt	\$ 13,363	\$ -
Fixed Assets Purchased Through Capital Contribution	\$ 592,459	\$ -
Construction Accounts Payable Paid Through Debt	\$ 935,631	\$ -
Fixed Asset Increase Through Rebate Receivable Write Off	\$ 3,631	\$ -

*See accompanying Notes to Consolidated Financial Statements.*

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The more significant accounting policies followed by Central Minnesota Housing Partnership, Inc. and Subsidiaries (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 community 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**

Minnesota Urban & Rural Homesteading (MURL) – The Organization services a portfolio of homes originally purchased and rehabilitated through the Minnesota Housing MURL program. Homes were sold on a 0% interest contract for deed to eligible low and moderate income households, with monthly payments based on monthly household income. While MURL is no longer an actively funded program, at the end of 2021, CMHP held deed to seven homes being sold under contract for deed. CMHP staff service these contract for deeds, and provide homeowner support in areas such as maintenance, budgeting, etc. On occasion, CMHP will receive a home back for a variety of reasons. As all homes are past the affordability period (15 or 15.5 years from time put in the program), any homes returned to CMHP will be sold fee simple on the open market. Sales proceeds are deposited in the MURL revolving account. CMHP maintains a MURL revolving account, which is used to for contract for deed payments, property insurance, and Real Estate taxes. CMHP also utilizes the revolving account to cover the costs of staff time, travel, and other related expenses incurred when servicing the portfolio. The administrative payments are drawn from CMHP's MURL revolving account as well.

**Rental Housing**

Development and Ownership –The Organization, often in partnership with other nonprofits, HRAs, CDCs, and for-profit entities, develops new affordable multi-family housing in central Minnesota. The primary source of funding is the Low Income Housing Tax Credit Program, while several other 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.

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Nature of Operations (Continued)**

**Rental Housing (Continued)**

**Development and Ownership (Continued)**

In 2021 the Organization started construction on Heritage Court Apartments in North Branch, MN, which created 32 units of senior housing.

<u>Project Name</u>	<u>Location</u>	<u># of Units</u>	<u>Date of Completion/Acquisition</u>
Tower Terrace	Cambridge	32	10/95
Ridgeview	Paynesville	20	09/98
Granite Ledge	Cold Spring	24	07/99
Shoreline Commons	Howard Lake	24	11/99
Water's Edge	Watertown	30	12/00
Reichert Place	Long Prairie	17	07/01
Highland Court	Little Falls	24	01/02
Northcrest	Mora	24	01/02
Timberland	Brainerd	30	03/03
River View Townhomes	Sauk Centre	24	12/03
Meadowview	Zimmerman	22	08/04
Grand Oaks	Baxter	24	01/05
RANT	Sauk Rapids	91	12/05
Brickstone (Suncrest)	Avon	12	06/08
Albertville Townhomes	Albertville	37	08/09
Grand Oaks Court	Baxter	24	06/10
Sprucewood	Baxter	34	08/14
Carlson Crossing	St. Joseph	36	06/15
Leighton's Landing II	Big Lake	32	09/15
Horizon Manor	Bertha	16	06/19
Frontier	St. Cloud	20	06/19
Willow Grove	North Branch	20	01/20
West Birch Estates	Princeton	24	08/20
The Mill	Staples	42	10/20
White Oaks	Baxter	40	12/20

**Property Management** – The Property Management Department of CMHP manages all CMHP owned USDA Rural Development, most of the Tax Credit and Market rate properties. The only exception is properties with Section 8 HAP contracts or other special financing (MHOP); those properties are managed by a contracted property management company. CMHP Property Management staff recruits, screens, selects and places applicants in housing and is responsible for accounting, AR/AP, cash flow management, budgeting, caretaking, supervision, reporting, and compliance.



**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Nature of Operations (Continued)**

**Rental Housing (Continued)**

**Property Management (Continued)**

At the present time, CMHP manages the following properties:

<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 Estates	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
Sprucewood	Baxter	34
White Oaks	Baxter	40
Willow Grove	North Branch	20

**Asset Management** – The Organization values its ownership 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 with property managers, investors, and funders on a regular basis.

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**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 acquires existing affordable rental properties to maintain and preserve the affordable housing for the long-term. Acquisition of existing rental housing often includes rehabilitation of the property as part of the overall preservation process, to ensure we are providing safe, decent, and affordable housing to our tenants.

<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
Carlson Crossing Townhomes	St. Joseph	36
Horizon Manor	Bertha	16
Frontier Townhomes	St. Cloud	20

Regional Continuum-of-Care Homeless Services – 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.

Regional Coordinated Entry Homeless Services – The Organization coordinates and manages the regional Coordinated Entry homeless priority list. The Coordinated Entry Priority List Manager maintains a list of homeless individuals, families, and youth throughout a 12-county region. The Coordinator provides referrals to support service providers when a permanent supportive housing units is made available within the region. They also provide trainings on the survey tool used to assess people for the Priority List and work with Housing Navigators throughout the region. Funds are made available through HUD and other agencies to pay for this program.

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Nature of Operations (Continued)**

**Housing Preservation (Continued)**

Small Cities Development Program – The Small Cities Development Program (SCDP) is federally funded through the Community Development Block Grant (CDBG) Program. The MN Department of Employment and Economic Development is the state agency who controls the funding. DEED oversees an annual competitive application process, and awards funds to communities based on an application ranking system. CMHP provides technical assistance, application preparation/submission and grant administration services to eligible communities in our service area. SCDP funds can be used for owner-occupied, rental and commercial rehabilitation activities, and grants also include funds to cover administration costs. Rehabilitation projects typically address items such as roofing, siding, windows, doors, energy efficiency items and health and safety. Funds are provided to eligible property owners as 0%, deferred, forgivable loans and/or low interest loans secured by a Repayment Agreement between the community and property owner. Additional funding may be leveraged for SCDP projects through various sources such as city match funds or USDA RD loan/grant programs.

Central Minnesota Community Land Trust (CMCLT) – The CMCLT is a subsidiary of CMHP, and has the ability to provide long-term affordable homeownership to low and moderate income households. Community Land Trust (CLT) homes are made affordable by having the homeowner only purchase the home while the land is owned by the CMCLT. When a CLT home is sold to another buyer, a shared equity formula is used to determine the sales price, passing on affordability to the next homeowner. The Organization is not creating new CLT units at this time.

Development and Technical Assistance – The Organization assists communities with the development of affordable housing based on a variety of factors such as community job growth or current lack of affordable housing. The development of housing projects is typically based upon funder identified priorities. Resource and referral services are also offered to communities, organizations, and families needing assistance in identifying affordable housing options.

**Basis of Presentation**

The Project is required to report information regarding the nature and amount of its net assets. Contributions received are recorded as an increase in net assets without donor restrictions or net assets with donor restrictions. As of December 31, 2021 and 2020, there were no donor-restricted contributions.

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**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 21 limited liability companies and 6 rural development housing projects which are fully owned by CMHP and are included in the consolidated financial statements. The Consolidation Housing Projects include 22 limited partnership housing projects and 6 limited liability companies which the Organization controls through its general partnership interest, ranging from .001% to 75.25%. Intercompany accounts and transactions for these entities have been eliminated in the preparation of consolidated financial statements.

Also, there is one project that CMHP has 50% shareholder interest, Rockford Limited Partnership, which is accounted for under the equity method as CMHP does not have control of the entity.

For the one equity method investments, the following are unaudited as of December 31:

	<u>2021</u>	<u>2020</u>
Assets	\$ 564,212	\$ 570,741
Equity	177,536	169,846
Revenues	237,414	225,383
Expenses	179,729	158,151

**Consolidation of Limited Partnership**

Accounting principles generally accepted in the United States of America (GAAP) include 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 22 limited partnerships and 6 limited liability companies in which it is currently the general partner and determined the presumption of control, as defined by GAAP, could not be overcome. Therefore, the Organization has consolidated the assets, liabilities, and results of operations and recorded the noncontrolling share of these limited partnerships.

**Use of Estimates**

The preparation of consolidated financial statements in conformity with GAAP 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 consolidated 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**  
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**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. Allowance for bad debts as of December 31, 2021 and 2020 was \$54,833 and \$32,219, respectively.

**Reserve Accounts**

**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. Funds are held in cash and cash equivalents accounts.

**Reserve for Replacements**

The Rural Developments and the Housing Partnerships maintain reserve accounts for future repairs and replacements of equipment and building components. Funds are held in cash and cash equivalents accounts.

**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. Funds are held in cash and cash equivalents accounts.

**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. Funds are held in cash and cash equivalents accounts.

**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. Funds are held in cash and cash equivalents accounts.

**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 of \$500 or more, for CMHP, and \$300 or more, for stand-alone audited subsidiaries, with a useful life greater than one year 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, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Tax Credit Fees and TIF Fees**

Tax Credit Fees and TIF Fees are recorded at cost and are being amortized on a straight-line basis over a 15-year life. Charges to income for amortization of tax credit fees and TIF fees amounted to \$11,889 and \$7,548 at December 31, 2021 and 2020, 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 consolidated 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 \$16,217 and \$18,510 for the years ended December 31, 2021 and 2020, 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 consolidated financial statements.

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 Internal Revenue Service.

**Retirement Plan**

The Organization has a 401(k) retirement plan. The plan covers all employees who meet eligibility requirements. The employer contributions for the years ended December 31, 2021 and 2020 are \$7,277 and \$-0-, respectively.

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Subsequent Events**

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 21, 2022, the date the consolidated financial statements were available to be issued.

**NOTE 2 TAX INCREMENT FINANCING (TIF) RECEIVABLE**

Various Housing Partnerships have entered into a Contract for Private Redevelopment (generally referred to as the 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 semiannual tax increment subsidy.

**NOTE 3 NOTES RECEIVABLES**

CMHP had a note receivable from Kuepers Construction for \$640,000 with an interest rate of 1% that was paid in full on May 7, 2021. This note was discounted at a current market rate as of the date of inception and recorded at its net present value. The discount rate that was used at December 31, 2020 was 4.27%. The payment of this note was secured by real property. The net present value of the note is \$-0- and \$267,082 for the years ended December 31, 2021 and 2020, respectively. CMHP has a gain from the early payoff of this long-term receivable include in the consolidated Income Statement totaling \$400,633 for the year ended December 31, 2021.

**NOTE 4 NONCASH TRANSACTIONS**

**Braham Heights Apartments**

Payments due on mortgages with Rural Economic and Community Development are subsidized by the U.S. government. Payments subsidized totaled \$3,856 for both the years ended December 31, 2021 and 2020.

**Johnson Apartments**

Payments due on mortgages with Rural Economic and Community Development are subsidized by the U.S. government. Payments subsidized totaled \$7,808 for both the years ended December 31, 2021 and 2020.

**Randall Apartments**

Payments due on mortgages with Rural Economic and Community Development are subsidized by the U.S. government. Payments subsidized totaled \$10,833 for both the years ended December 31, 2021 and 2020.

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
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**NOTE 4 NONCASH TRANSACTIONS (CONTINUED)**

**Gilmanor Apartments**

Payments due on mortgages with Rural Economic and Community Development are subsidized by the U.S. government. Payments subsidized totaled \$7,797 and \$32,438 for the years ended December 31, 2021 and 2020, respectively.

**Groundhouse Apartments**

Payments due on mortgages with Rural Economic and Community Development are subsidized by the U.S. government. Payments subsidized totaled \$7,866 for both the years ended December 31, 2021 and 2020.

**Waverly Community Homes**

Payments due on mortgages with Rural Economic and Community Development are subsidized by the U.S. government. Payments subsidized totaled \$41 for both the years ended December 31, 2021 and 2020.

**NOTE 5 NOTES PAYABLE AND LINES OF CREDIT**

CMHP has a line of credit with Bremer Bank that matures December 30, 2022. The line of credit provides up to \$125,000 with a variable annual interest rate of 5% - 5.50%. The line is secured by inventory, chattel Paper, accounts, equipment, and general intangibles. The outstanding balance under the line of credit totaled \$-0- for both the years ended December 31, 2021 and 2020.

Five Limited Liability Companies, consolidated with the Organization, have lines of credit with various financial institutions and limited partners ranging from \$0 to \$22,645 with interest rates of 0% to 3.25% and maturity dates in 2021. The credit lines are unsecured. The total outstanding balance at December 31, 2021 and 2020 was \$41,421 and \$212,362, respectively.



**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
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**NOTE 6 LONG-TERM DEBT**

<u>Description</u>	<u>2021</u>	<u>2020</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	\$ 115,572	\$ 118,182
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	104,597	119,813
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	227,042	229,417
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	100,061	101,584
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	44,108	44,728
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	69,451	75,376

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 6 LONG-TERM DEBT (CONTINUED)**

<u>Description</u>	<u>2021</u>	<u>2020</u>
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	\$ 2,783	\$ 10,386
Mortgage payable - Rural Economic and Community Development, dated August 2015, due October 2039 interest rate 3.13%, monthly principal and interest Payments of \$19; Collateral Pledged is Substantially all assets related to Waverly Community Homes	3,105	3,236
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 October 2013, due October 2028, interest rate 0%, balance due upon maturity; collateral pledged is substantially all assets related to Johnson Apartments	200,000	200,000
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, dated September 2019, due September 2039, interest bearing 0%, balance due upon maturity; collateral pledged is substantially all assets related to Waverly Community The full balance of the loan was drawn upon in 2022.	300,000	282,727

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 6 LONG-TERM DEBT (CONTINUED)**

<u>Description</u>	<u>2021</u>	<u>2020</u>
Mortgage payable - Minnesota Housing Finance Agency HOME Funds of \$152,945 dated December 2009 and \$250,000 date 2016, due December 2039 and March 2046, respectively, balances due upon maturity, collateral pledged is substantially all assets related to Braham Apartments	\$ 402,945	\$ 402,945
Mortgage payable - Minnesota Housing Finance Agency - HOME Funds, dated October 2008, due October 2038, interest bearing 0%, balance due upon maturity; collateral pledged is substantially all assets related to Groundhouse Apartments	104,993	104,993
CMHP: Paycheck Protection Program Loan - Minnwest Bank, dated April 14, 2020 due April 14, 2022, interest bearing 1% unless forgiven by the Small Business Administration	-	132,700
Mortgage Payable - Bremer Bank, Dated June 22, 2021, matures July 1, 2026, interest bearing 3.19%, interest only payments August 1, 2021 through January 1, 2022, then monthly principle and interest payments of \$4,531	800,000	-
Consolidated Housing Projects mortgage payable - see note below	<u>40,984,995</u>	<u>48,605,050</u>
Total	<u>43,748,157</u>	<u>50,721,662</u>
Less: Current Maturities	611,766	16,032,445
Less: Unamortized Finance Fees	<u>1,127,873</u>	<u>1,054,575</u>
Total Long-Term Debt, Net	<u>\$ 42,008,518</u>	<u>\$ 33,634,642</u>

Consolidated Housing Projects Mortgage Payable represents the outstanding mortgages for the 22 limited partnerships and 6 limited liability companies that are held with Minnesota Housing Finance Agency, Greater Minnesota Housing Fund, Bremer Bank, Minnwest Bank, M.V., JLL Capital Markets, and Todd County. The mortgages have interest rates ranging from 0% to 7.28%, require monthly payments ranging from \$-0- to \$18,482, and mature from the years 2020 through 2061. Deferred interest results from payment of interest required only upon maturity. Property and equipment of the partnerships are pledged as collateral. Certain mortgage payables contain various covenants pertaining to maintenance of debt service coverage ratio and regulatory controls of MHFA as to rent charges, operating methods, and allowable distributions. Management believes they are in compliance of such requirements at December 31, 2021 and 2020.

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 6 LONG-TERM DEBT (CONTINUED)**

Future principal payments, including subsequent refinances of debt on long-term debt are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 611,766
2023	1,033,430
2024	1,187,926
2025	653,390
2026	1,741,296
Thereafter	38,887,774
Total	<u><u>\$ 44,115,582</u></u>

**NOTE 7 LEASE COMMITMENTS**

**Operating Leases**

The Organization leased office space and equipment under operating leases. Rent expense for the leases amounted to \$67,604 and \$64,955 for the years ended December 31, 2021 and 2020, respectively. The lease called for monthly payments of \$5,200 for one year, with an option of automatic renewal for successive one-year periods thereafter. The lease was terminated during June, 2021.

**NOTE 8 AVAILABLE RESOURCES AND LIQUIDITY**

Central Minnesota Housing Partnership, Inc. strives to maintain liquid assets sufficient to cover 12 months of general expenditures of Central Minnesota Housing. Financial assets in excess of daily cash requirements are invested in short-term investments.

The following tables reflect the Organization's consolidated financial assets as of December 31, 2021 and 2020, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations.

Amounts not available include a board-designated building fund that is intended to fund the purchase of a new office building not considered in the annual operating budget and restricted deposits. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions. There were no net assets with donor restrictions at December 31, 2021 and 2020. These include reserve for replacements, development cost escrows, restricted deposits, operating reserve escrows, and funded reserves and tenant security deposits.

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 8 AVAILABLE RESOURCES AND LIQUIDITY (CONTINUED)**

2021	Central Minnesota		Central Minnesota	Consolidated		Consolidated
	Housing Partnership Inc.	Rural Developments	Single Family Housing, LLC	Housing Projects	Eliminations	
Cash	\$ 1,405,884	\$ 135,415	\$ 344,832	\$ -	\$ -	\$ 1,886,131
Cash - Subsidiaries	-	-	-	1,844,924	-	1,844,924
Accounts Receivable	188,014	68,647	7,788	152,343	(57,912)	358,880
Fees for Services Receivable	4,035	-	-	-	(3,000)	1,035
Management Fee Receivable	78,152	-	-	-	(78,152)	-
Grant Receivable	35,000	-	-	-	-	35,000
TIF Receivable - Current Portion	-	-	-	133,690	-	133,690
Total Financial Assets	<u>\$ 1,711,085</u>	<u>\$ 204,062</u>	<u>\$ 352,620</u>	<u>\$ 2,130,957</u>	<u>\$ (139,064)</u>	<u>\$ 4,259,660</u>

2020	Central Minnesota		Central Minnesota	Consolidated		Consolidated
	Housing Partnership Inc.	Rural Developments	Single Family Housing, LLC	Housing Projects	Eliminations	
Cash	\$ 642,053	\$ 139,118	\$ 391,503	\$ -	\$ -	\$ 1,172,674
Cash - Subsidiaries	-	-	-	1,002,289	-	1,002,289
Accounts Receivable	40,325	33,462	148,294	105,482	(162,596)	164,967
Fees for Services Receivable	10,782	-	-	-	(2,605)	8,177
Management Fee Receivable	70,186	-	-	-	(70,186)	-
Grant Receivable	87,570	-	-	-	-	87,570
TIF Receivable - Current Portion	-	-	-	79,084	-	79,084
Interest Receivable	32,718	-	-	-	-	32,718
Total Financial Assets	<u>\$ 883,634</u>	<u>\$ 172,580</u>	<u>\$ 539,797</u>	<u>\$ 1,186,855</u>	<u>\$ (235,387)</u>	<u>\$ 2,547,479</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the entities within the Rural Developments and Consolidated Housing Projects columns operate with a balanced budget, which is submitted and approved by various regulators, and anticipates collecting sufficient revenue to cover general expenditures. The Projects maintain escrow accounts to cover insurance costs and funds all tenant security deposit liabilities, and funds replacement reserve accounts, in accordance with the terms of the various regulators, debt instruments and limited partnership agreements that may be used for future capital needs and major repairs, subject to approval. If the Projects have excess cash, as defined by various partnership agreements, the Projects are required to distribute such cash to the partners on an annual basis.

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2021**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

<b>ASSETS</b>	Central Minnesota Housing Partnership Inc.	Rural Developments	Central Minnesota Single Family Housing, LLC	Consolidated Housing Projects	Eliminations	Consolidated Total
<b>CURRENT ASSETS</b>						
Cash	\$ 1,405,884	\$ 135,415	\$ 344,832	\$ -	\$ -	\$ 1,886,131
Cash - Subsidiaries	-	-	-	1,844,924	-	1,844,924
Accounts Receivable	188,014	68,647	7,788	152,343	(57,912)	358,880
Fees for Services Receivable	4,035	-	-	-	(3,000)	1,035
Management Fee Receivable	78,152	-	-	-	(78,152)	-
Grant Receivable	35,000	-	-	-	-	35,000
TIF Receivable - Current Portion	-	-	-	133,690	-	133,690
Interest Receivable	-	-	-	-	-	-
Prepaid Expenses	38,200	9,219	-	221,067	-	268,486
Total Current Assets	<u>1,749,285</u>	<u>213,281</u>	<u>352,620</u>	<u>2,352,024</u>	<u>(139,064)</u>	<u>4,528,146</u>
<b>OPERATING RESERVE</b>	-	-	-	1,103,209	-	1,103,209
<b>RESERVE FOR REPLACEMENTS</b>	-	348,895	-	1,434,743	-	1,783,638
<b>DEVELOPMENT COST ESCROW</b>	-	-	-	22,518	-	22,518
<b>RESTRICTED DEPOSITS AND FUNDED RESERVES</b>	-	-	-	777,370	-	777,370
<b>TENANT SECURITY DEPOSITS</b>	-	20,754	-	284,056	-	304,810
<b>PROPERTY AND EQUIPMENT</b>						
Land and Land Improvements	146,867	183,320	49,387	9,285,180	-	9,664,754
Buildings and Improvements	1,014,042	3,688,467	831,512	73,952,967	(220,000)	79,266,988
Furniture and Equipment	236,308	333,919	-	5,371,632	-	5,941,859
Construction in Progress	-	-	-	1,181,997	-	1,181,997
Total	<u>1,397,217</u>	<u>4,205,706</u>	<u>880,899</u>	<u>89,791,776</u>	<u>(220,000)</u>	<u>96,055,598</u>
Less: Accumulated Depreciation	76,331	2,838,301	481,978	34,996,152	(23,333)	38,369,429
Total Property and Equipment	<u>1,320,886</u>	<u>1,367,405</u>	<u>398,921</u>	<u>54,795,624</u>	<u>(196,667)</u>	<u>57,686,169</u>
<b>OTHER ASSETS</b>						
Due from Related Parties	1,625,516	-	-	-	(1,625,516)	-
Tax Credit Fees (Net)	-	-	-	262,677	-	262,677
TIF Receivable	-	-	-	79,650	-	79,650
Investments in Related Parties	181,904	-	-	-	(93,029)	88,875
Total Other Assets	<u>1,807,420</u>	<u>-</u>	<u>-</u>	<u>342,327</u>	<u>(1,718,545)</u>	<u>431,202</u>
Total Assets	<u>\$ 4,877,591</u>	<u>\$ 1,950,335</u>	<u>\$ 751,541</u>	<u>\$ 61,111,871</u>	<u>\$ (2,054,276)</u>	<u>\$ 66,637,062</u>

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**DECEMBER 31, 2021**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

<b>LIABILITIES AND NET ASSETS</b>	Housing Partnership Inc.	Rural Development	Single Family Housing, LLC	Housing Projects	Eliminations	Consolidated Total
<b>CURRENT LIABILITIES</b>						
Current Maturities of Long-Term Debt	\$ 26,520	\$ 29,785	\$ -	\$ 555,461	\$ -	\$ 611,766
Lines of Credit	-	-	-	41,421	-	41,421
Accounts Payable	27,744	14,495	1,431	575,588	(84,580)	534,678
Accrued Real Estate Taxes	17,576	-	-	576,430	-	594,006
Accrued Payroll Expenses	31,681	875	-	-	-	32,556
Accrued Interest	1,669	1,199	-	88,868	(39,321)	52,415
Funds Held in Escrow	-	16,881	-	379,893	-	396,774
Other Current Liabilities	33,725	-	-	-	-	33,725
Deferred Revenue	-	-	113,551	-	-	113,551
Total Current Liabilities	<u>138,915</u>	<u>63,235</u>	<u>114,982</u>	<u>2,217,661</u>	<u>(123,901)</u>	<u>2,410,892</u>
<b>OTHER LIABILITIES</b>						
Deferred Interest	-	-	-	951,414	-	951,414
Tenant Security Deposits	-	20,507	-	300,990	-	321,497
Deposit Liability	-	-	323,076	-	-	323,076
Other Liabilities	-	-	-	4,917	-	4,917
Related Party Payables	-	103,942	9,870	1,218,867	(1,332,679)	-
Total Other Liabilities	<u>-</u>	<u>124,449</u>	<u>332,946</u>	<u>2,476,188</u>	<u>(1,332,679)</u>	<u>1,600,904</u>
<b>LONG-TERM LIABILITIES</b>						
Debt (Net of Current Maturities)	773,480	1,933,377	-	40,737,534	(308,000)	43,136,391
Unamortized Finance Costs	(17,165)	(13,674)	-	(1,097,034)	-	(1,127,873)
Total Other Liabilities	<u>756,315</u>	<u>1,919,703</u>	<u>-</u>	<u>39,640,500</u>	<u>(308,000)</u>	<u>42,008,518</u>
Total Liabilities	<u>895,230</u>	<u>2,107,387</u>	<u>447,928</u>	<u>44,334,349</u>	<u>(1,764,580)</u>	<u>46,020,314</u>
<b>NET ASSETS</b>						
Without Donor Restrictions:						
Without Donor Restrictions - Undesignated	3,279,571	(505,947)	-	(1,774,918)	-	998,706
Without Donor Restrictions - Designated for:						
Reserves	-	348,895	-	-	-	348,895
Property Plant and Equipment	520,886	-	-	-	-	520,886
Single Family Home Development	-	-	303,613	-	-	303,613
Investments in Related Parties	181,904	-	-	-	(289,696)	(107,792)
Without Donor Restrictions - Controlling Interest	3,982,361	(157,052)	303,613	(1,774,918)	(289,696)	2,064,308
Without Donor Restrictions - Noncontrolling Interest	-	-	-	18,552,440	-	18,552,440
Total Net Assets Without Donor Restrictions	<u>3,982,361</u>	<u>(157,052)</u>	<u>303,613</u>	<u>16,777,522</u>	<u>(289,696)</u>	<u>20,616,748</u>
Total Liabilities and Net Assets	<u>\$ 4,877,591</u>	<u>\$ 1,950,335</u>	<u>\$ 751,541</u>	<u>\$ 61,111,871</u>	<u>\$ (2,054,276)</u>	<u>\$ 66,637,062</u>

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS—CONTROLLING INTEREST**  
**YEAR ENDED DECEMBER 31, 2021**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	Central Minnesota Housing Partnership, Inc.	Rural Development Projects	Central Minnesota Single Family Housing, LLC	Consolidated Housing Projects	Eliminations	Consolidated Total
<b>REVENUES AND OTHER SUPPORT WITHOUT DONOR RESTRICTIONS</b>						
Fees for Service	\$ 471,490	\$ -	\$ -	\$ -	\$ (360,384)	\$ 111,106
Rent Income	6,625	377,683	-	6,353,893	-	6,738,201
Laundry Income	-	5,047	-	27,533	-	32,580
Garage Income	-	-	-	22,713	-	22,713
Grant Revenues	253,595	-	-	-	-	253,595
Contributions	14,693	-	-	-	-	14,693
Investment Return and Interest Income	7,269	1,834	104	8,742	1,974	19,923
Debt Subsidy Income	-	38,201	-	-	-	38,201
Debt Forgiveness	132,700	4,180	-	-	-	136,880
Other Revenues	137,375	1,191	14,124	251,325	(132,929)	271,086
Gain on Early Payoff of Long Term Receivable	400,633	-	-	-	-	400,633
Income from Investment in Related Parties	13,843	-	-	-	-	13,843
Total Revenues and Other Support Without Donor Restrictions	<u>1,438,223</u>	<u>428,136</u>	<u>14,228</u>	<u>6,664,206</u>	<u>(491,339)</u>	<u>8,053,454</u>
<b>EXPENSES (EXCLUDING DEPRECIATION AND AMORTIZATION)</b>						
Program Services	939,944	301,804	23,387	5,490,115	(478,612)	6,276,638
Supporting Services Management and General	376,008	-	-	-	-	376,008
Total Expenses (Excluding Depreciation and Amortization)	<u>1,315,952</u>	<u>301,804</u>	<u>23,387</u>	<u>5,490,115</u>	<u>(478,612)</u>	<u>6,652,646</u>
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS BEFORE DEPRECIATION AND AMORTIZATION</b>	122,271	126,332	(9,159)	1,174,091	(12,727)	1,400,808
Depreciation and Amortization	21,345	162,998	34,992	3,345,857	-	3,565,192
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS BEFORE DISTRIBUTIONS AND NONCONTROLLING INTEREST</b>	100,926	(36,666)	(44,151)	(2,171,766)	(12,727)	(2,164,384)
Distributions - Controlling Interest	719,659	-	-	(719,659)	-	-
Contributions - Controlling Interest	(100)	-	-	100	-	-
Noncontrolling Interest in Subsidiaries Net Loss	-	-	-	(1,908,098)	-	(1,908,098)
<b>CHANGES IN NET ASSETS - CONTROLLING INTEREST</b>	<u>\$ 820,485</u>	<u>\$ (36,666)</u>	<u>\$ (44,151)</u>	<u>\$ (983,227)</u>	<u>\$ (12,727)</u>	<u>\$ (256,286)</u>





**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Central Minnesota Housing Partnership, Inc., which comprise the statement of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 21, 2022.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the consolidated financial statements, we considered Central Minnesota Housing Partnership, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Central Minnesota Housing Partnership, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Central Minnesota Housing Partnership, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001, 2021-002, and 2021-003 that we consider to be material weaknesses.

***Report on Compliance and Other Matters***

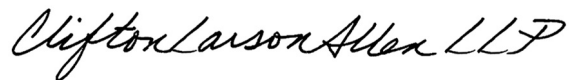
As part of obtaining reasonable assurance about whether Central Minnesota Housing Partnership, Inc.'s consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Central Minnesota Housing Partnership, Inc.'s Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the Central Minnesota Housing Partnership, Inc.'s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Central Minnesota Housing Partnership, Inc.'s response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

St. Cloud, Minnesota  
October 21, 2022



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

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

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Central Minnesota Housing Partnership, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Central Minnesota Housing Partnership, Inc.'s major federal programs for the year ended December 31, 2021. Central Minnesota Housing Partnership, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Central Minnesota Housing Partnership, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Central Minnesota Housing Partnership, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Central Minnesota Housing Partnership, Inc.'s compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Central Minnesota Housing Partnership, Inc.'s federal programs.

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Central Minnesota Housing Partnership, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Central Minnesota Housing Partnership, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Central Minnesota Housing Partnership, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Central Minnesota Housing Partnership, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Central Minnesota Housing Partnership, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

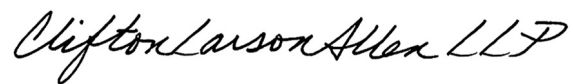
### **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

St. Cloud, Minnesota  
October 21, 2022

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2021**

Grantor/Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Grantor's Number	Expenditures
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
HUD:			
Continuum of Care Program	14.267		\$ 100,889
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Rural Rental Housing Loans	10.415		690,187
Rural Rental Assistance Payments	10.427		<u>34,254</u>
Total			<u>724,441</u>
<b>TOTAL FEDERAL AWARDS</b>			<u><u>\$ 825,330</u></u>

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**DECEMBER 31, 2021**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Central Minnesota Housing Partnership, Inc. under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of Central Minnesota Housing Partnership, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Central Minnesota Housing Partnership, Inc.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Central Minnesota Housing Partnership, Inc. has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance. The Organization did not have any payments to subrecipients during the year ended December 31, 2021.

**NOTE 3 RURAL RENTAL HOUSING LOANS**

The rural rental housing loans programs listed subsequently are administered directly by Central Minnesota Housing Partnership, Inc. and balances and transactions relating to these programs are included in Central Minnesota Housing Partnership, Inc.'s basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at December 31, 2021 consists of:

**FEDERAL LOAN PROGRAMS**

Program Title	CFDA Number	Amount Outstanding
Rural Rental Housing Loans	10.415	\$ 658,364

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2021**

***Section I – Summary of Auditors’ Results***

**Financial Statements**

1. Type of Auditors' Report Issued: Unmodified
2. Internal Control over Financial Reporting:
- Material Weakness(es) Identified?   X   Yes        No
  - Significant Deficiency(ies) Identified?        Yes   X   None reported
3. Noncompliance Material to Financial Statements Noted?        Yes   X   No

**Federal Awards**

1. Internal Control over Major Programs:
- Material Weakness(es) Identified?        Yes   X   None reported
  - Significant Deficiency(ies) Identified?        Yes   X   None reported
2. Type of Auditors' Report Issued on Compliance for the Major Programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?   X   Yes        No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.415	Rural Rental Housing Loans

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?        Yes   X   No



**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2021**

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***Section II – Financial Statement Findings***

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**2021-001**

Type of Finding:

Material Weakness in Internal Control over Financial Reporting

**Condition:** The Organization does not have a policy in place to provide reasonable assurance that financial statements are prepared in accordance with GAAP; therefore, the potential exists that a material misstatement of the annual consolidated financial statements could occur and not be prevented, or detected and corrected, by the Organization's internal controls.

**Criteria or specific requirement:** The Organization must be able to prevent or detect a material misstatement in the annual consolidated financial statements including footnote disclosures and the schedule of expenditures of federal awards.

**Context:** While performing audit procedures, it was noted that management does not have internal controls in place to provide reasonable assurance that consolidated financial statements are prepared in accordance with GAAP.

**Effect:** This condition increases the possibility that errors or irregularities may occur with respect to the consolidated financial statements.

**Cause:** The Organization has not adopted a policy over the annual financial reporting in accordance with accounting practices prescribed by GAAP; however, they have reviewed and approved the annual consolidated financial statements as prepared by the audit firm.

**Recommendation:** The Organization should continue to evaluate their internal staff and expertise to determine if an internal control policy over the annual financial reporting is beneficial.

**Views of responsible officials and planned corrective actions:**

No disagreement with the finding.

Management will continue to rely upon the audit firm to create the draft consolidated financial statements and related footnote disclosures, and will review and approve those prior to the issuance of the annual consolidated financial statements. Due to the size of our company, it is cost beneficial to continue with an audit firm.

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2021**

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***Section II – Financial Statement Findings (Continued)***

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**2021-002**

Type of Finding:

Material Weakness in Internal Control over Financial Reporting

**Condition:** Audit adjustments were posted to the Organization's accounts, which were a necessary step in ensuring that the consolidated financial statements were fairly stated under GAAP.

**Criteria or specific requirement:** Management is responsible for the accuracy and completeness of all financial records and related information. Management is responsible for all controls over the year-end financial reporting process to ensure conformity with GAAP.

**Context:** While performing audit procedures, it was noted that management does not have internal controls in place to provide reasonable assurance that financial statements are fairly stated in accordance with GAAP.

**Effect:** This resulted in the consolidated financial statements not being fairly stated under GAAP.

**Cause:** The Organization's control policies and procedures did not prevent or detect a misstatement of the consolidated financial statements.

**Recommendation:** The Organization should continue to review all GAAP requirements for transactions entered into to ensure conformity with GAAP.

**Views of responsible officials and planned corrective actions:**

No disagreement with the finding.

CMHP Parent Co: CMHP will continue to review financial statements internally monthly and make any necessary corrections prior to presentation at the monthly board of director meetings. The CMHP Board of Directors reviews and approves the consolidated financial statements monthly and the Board Treasurer approves the monthly check register.

Property management division on CMHP: Action taken in response to the finding: We have had significant staff turnover. Three of the four positions in the property management team turned over; these include the Property Director, Portfolio Manager, and Property Administrator "property accountant." We are increasing our month-end process to include a "PENCIL REPORT" prior to ending the month. The pencil report will include reconciling the receivables, rent potential, prepaids both "PPLMR" prepaid last month's rent and prepaid rent, security deposits, vacancy, to include a reviewer for payables and receivables on a monthly basis to ensure that the balance sheet is correct monthly.

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2021**

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***Section II – Financial Statement Findings (Continued)***

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**2021-003**

Type of Finding:

Material Weakness in Internal Control over Financial Reporting

**Condition:** There were several instances where balance sheet accounts were not reviewed/reconciled throughout the year and in accordance with GAAP.

**Criteria or specific requirement:** Management is responsible for the accuracy of all financial records and related information.

**Context:** While performing audit procedures, it was noted that management does not have internal controls in place to ensure the accuracy of certain balance sheet accounts.

**Effect:** This resulted in the consolidated financial statements not being fairly stated under GAAP.

**Cause:** The Organization did not have control policies and procedures to ensure accuracy of the financial records and related information.

**Recommendation:** The Organization should adopt specific policies/procedures of internal control to ensure accurate financial reporting.

**Views of responsible officials and planned corrective actions:**

No disagreement with the finding.

CMHP Parent Co: Action taken in response to finding: CMHP will continue to review financial statements internally monthly and make any necessary corrections prior to presentation at the monthly board of director meetings. CMHP will work closely with the PM Department to make sure accounts receivable between the two are recorded properly on a monthly basis. The CMHP board of directors reviews and approves the consolidated financial statements monthly and the Board Treasurer approves the monthly check register.

Property management division on CMHP: We have had significant staff turnover. Three of the four positions in the property management team turned over; these include the Property Director, Portfolio Manager, and Property Administrator “property accountant.” We will continue to review the balance sheet on a monthly basis. We will be making necessary correction/journal entries on a monthly basis. We will continue to prepare the SCHEDULE A, which is a one-page summary capturing everything in a checks and balance format, from the previous month to the current month of Operating Cash, beginning and ending bank balances, occupancy, accounts receivable, prepaids, and security deposits.

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***Section III – Findings and Questioned Costs – Major Federal Programs***

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Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a)



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