

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

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2022 AND 2021



CPAs | CONSULTANTS | WEALTH ADVISORS

[CLAconnect.com](https://www.CLAconnect.com)

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	4
CONSOLIDATED STATEMENTS OF ACTIVITIES	6
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES	7
CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS	9
CONSOLIDATED STATEMENTS OF CASH FLOWS	10
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	13
SUPPLEMENTARY INFORMATION	
CONSOLIDATING STATEMENT OF FINANCIAL POSITION	28
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS—CONTROLLING INTEREST	30
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 <i>GOVERNMENT AUDITING STANDARDS</i>	31
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	33
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	36
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	37
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	38



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, 2022 and 2021, 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, 2022 and 2021, 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 August 25, 2023, 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
August 25, 2023

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

ASSETS	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash	\$ 2,407,465	\$ 1,886,131
Cash - Subsidiaries	1,351,985	1,844,924
Accounts Receivable	443,074	358,880
Fees for Services Receivable	685	1,035
Grant Receivable	46,206	35,000
TIF Receivable - Current Portion	161,018	133,690
Current Portion of Notes Receivable and Forgivable Notes	4,590	-
Prepaid Expenses	324,790	268,486
Total Current Assets	<u>4,739,813</u>	<u>4,528,146</u>
OPERATING RESERVE	1,290,968	1,103,209
RESERVE FOR REPLACEMENTS	2,002,438	1,783,638
DEVELOPMENT COST ESCROW	11,553	22,518
RESTRICTED DEPOSITS AND FUNDED RESERVES	910,847	777,370
TENANT SECURITY DEPOSITS	329,197	304,810
PROPERTY AND EQUIPMENT		
Land and Land Improvements	10,597,302	9,664,754
Buildings and Improvements	87,767,624	79,266,988
Furniture and Equipment	6,476,605	5,941,859
Construction in Progress	44,190	1,181,997
Total	<u>104,885,721</u>	<u>96,055,598</u>
Less: Accumulated Depreciation	<u>42,257,723</u>	<u>38,369,429</u>
Total Property and Equipment	62,627,998	57,686,169
OTHER ASSETS		
Notes Receivable and Forgivable Notes	27,569	-
Tax Credit Fees (Net of Amortization)	249,972	262,677
TIF Receivable	22,800	79,650
Investments in Related Parties	-	88,875
Total Other Assets	<u>300,341</u>	<u>431,202</u>
Total Assets	<u><u>\$ 72,213,155</u></u>	<u><u>\$ 66,637,062</u></u>

See accompanying Notes to Consolidated Financial Statements.

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2022 AND 2021

LIABILITIES AND NET ASSETS	2022	2021
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 2,728,075	\$ 611,766
Lines of Credit	102,255	41,421
Accounts Payable	885,179	534,678
Accrued Real Estate Taxes	577,299	594,006
Accrued Payroll Expenses	60,750	32,556
Accrued Interest	54,785	52,415
Funds Held in Escrow	395,314	396,774
Other Current Liabilities	27,787	33,725
Deferred Revenue	81,271	113,551
Total Current Liabilities	4,912,715	2,410,892
OTHER LIABILITIES		
Deferred Interest	1,018,986	951,414
Tenant Security Deposits	344,957	321,497
Deposit Liability	350,078	323,076
Other Liabilities	6,116	4,917
Total Other Liabilities	1,720,137	1,600,904
LONG-TERM LIABILITIES		
Debt (Net of Current Maturities and Unamortized Finance Fees)	47,989,110	42,008,518
Total Liabilities	54,621,962	46,020,314
NET ASSETS		
Without Donor Restrictions:		
Without Donor Restrictions - Undesignated	(469,788)	998,706
Without Donor Restrictions - Designated for:		
Reserves	372,310	348,895
Property and Equipment	480,012	520,886
Single Family Home Development	293,130	303,613
Investments in Related Parties	(208,576)	(107,792)
Without Donor Restrictions - Controlling Interest	467,088	2,064,308
Without Donor Restrictions - Noncontrolling Interest	17,124,105	18,552,440
Total Net Assets Without Donor Restrictions	17,591,193	20,616,748
Total Liabilities and Net Assets	\$ 72,213,155	\$ 66,637,062

See accompanying Notes to Consolidated Financial Statements.

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
REVENUES AND OTHER SUPPORT WITHOUT DONOR RESTRICTIONS		
Fees for Service	\$ 129,658	\$ 111,106
Rent Income	6,968,092	6,738,201
Laundry Income	28,334	32,580
Garage Income	22,764	22,713
Grant Revenues	200,941	253,595
Contributions	17,607	14,693
Interest Income	26,293	10,680
Investment Return	10,396	9,243
Debt Subsidy Income	36,917	38,201
Other Revenues	139,938	271,086
Gain on Early Payoff of Long Term Receivable	-	400,633
Income (Loss) from Investment in Related Parties	(63,875)	13,843
Debt Forgiveness	4,180	136,880
Total Revenues and Other Support Without Donor Restrictions	7,521,245	8,053,454
EXPENSES (EXCLUDING DEPRECIATION AND AMORTIZATION)		
Program Services	6,672,523	6,276,638
Supporting Services Management and General	407,629	376,008
Total Expenses (Excluding Depreciation and Amortization)	7,080,152	6,652,646
CHANGE IN NET ASSETS BEFORE DEPRECIATION AND AMORTIZATION	441,093	1,400,808
Depreciation and Amortization	3,620,432	3,565,192
CHANGE IN NET ASSETS BEFORE NONCONTROLLING INTEREST	(3,179,339)	(2,164,384)
Noncontrolling Interest in Subsidiaries Net Loss	(1,929,555)	(1,908,098)
CHANGE IN NET ASSETS - CONTROLLING INTEREST	\$ (1,249,784)	\$ (256,286)

See accompanying Notes to Consolidated Financial Statements.

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Program Services			Total
	CMHP	Housing Projects	Management and General	
FUNCTIONAL EXPENSES				
Salary and Payroll Expenses	\$ 782,209	\$ 421,680	\$ 160,903	\$ 1,364,792
Property Management	-	210,155	-	210,155
Advertising	1,434	12,249	9,053	22,736
Office Supplies	6,200	18,189	1,260	25,649
Postage	10,334	1,027	1,365	12,726
Telephone	5,102	57,391	3,583	66,076
Insurance	1,587	503,981	24,252	529,820
Utilities	-	1,152,263	11,339	1,163,602
Repairs and Maintenance	2,467	1,074,666	76,898	1,154,031
Travel	18,495	-	202	18,697
Conferences and Dues	1,616	-	7,786	9,402
Printing and Duplication	9,724	-	512	10,236
Minor Equipment	1,416	-	-	1,416
Professional Fees	11,161	343,375	60,351	414,887
Rent	-	-	-	-
Interest Expense	-	1,145,415	29,574	1,174,989
Property Taxes	-	472,780	18,614	491,394
Consultants	-	-	500	500
Bad Debts/Uncollected Development				
Costs	12,514	241,010	50	253,574
Miscellaneous	6,528	147,555	1,387	155,470
Total Functional Expenses Before				
Depreciation and Amortization	870,787	5,801,736	407,629	7,080,152
Depreciation and Amortization	71,842	3,539,574	9,016	3,620,432
 Total Functional Expenses	 <u>\$ 942,629</u>	 <u>\$ 9,341,310</u>	 <u>\$ 416,645</u>	 <u>\$ 10,700,584</u>

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	
FUNCTIONAL EXPENSES				
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	<u>\$ 958,407</u>	<u>\$ 8,880,541</u>	<u>\$ 378,890</u>	<u>\$ 10,217,838</u>

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, 2022 AND 2021

	<u>Total</u>	<u>Controlling Interest</u>	<u>Noncontrolling Interest</u>
BALANCE - DECEMBER 31, 2020	\$ 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>
BALANCE - DECEMBER 31, 2021	20,616,748	2,064,308	18,552,440
Change in Net Assets	(3,179,339)	(1,249,784)	(1,929,555)
Distributions	(116,523)	-	(116,523)
Contributions	617,743	-	617,743
Purchases of Minority Interest	(347,436)	(347,436)	-
Syndication Costs - Minority Interest	<u>-</u>	<u>-</u>	<u>-</u>
BALANCE - DECEMBER 31, 2022	<u>\$ 17,591,193</u>	<u>\$ 467,088</u>	<u>\$ 17,124,105</u>

See accompanying Notes to Consolidated Financial Statements.

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Collections from Public Support and Revenue	\$ 386,832	\$ 1,325,674
Cash Received from Tenants	6,895,806	7,147,378
Laundry Receipts	28,334	32,580
Interest Received	36,689	55,456
Cash Paid to Suppliers and Employees and Grantors	(5,711,042)	(6,430,859)
Interest Paid	(1,105,047)	(1,183,557)
Net Cash Provided by Operating Activities	531,572	946,672
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in Tenant Security Deposit Liabilities	23,460	9,897
Purchases of Land, Property, and Equipment	(480,356)	(920,688)
Proceeds on the Sale of Fixed Assets	-	49,613
Net Cash Used by Investing Activities	(456,896)	(861,178)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of Financing Fees	(10,544)	(10,036)
Payment on Long-Term Debt	(612,038)	(523,295)
Proceeds from Long-Term Debt	567,705	1,028,977
Proceeds from Lines of Credit - Bank	64,000	10,529
Payments on Lines of Credit - Bank	(3,166)	(181,470)
Noncontrolling Interest Contribution	617,743	914,056
Noncontrolling Interest Distribution	(116,523)	(136,501)
Purchase of Noncontrolling Interest	-	(2,464)
Syndication Costs - Minority Interest	-	(59,769)
Net Cash Provided by Financing Activities	507,177	1,040,027
NET INCREASE IN CASH AND RESTRICTED CASH	581,853	1,125,521
Cash and Restricted Cash - Beginning of Year	7,722,600	6,597,079
CASH AND RESTRICTED CASH - END OF YEAR	\$ 8,304,453	\$ 7,722,600

See accompanying Notes to Consolidated Financial Statements.

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
RECONCILIATION OF CHANGE IN NET ASSETS TO CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Change in Net Assets	\$ (3,179,339)	\$ (2,164,384)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided (Used) by Operating Activities:		
Depreciation	3,607,727	3,553,303
Amortization	73,135	58,707
Expenses Paid Through Long-Term Debt Refinance	-	1,156
Amortization of Present Value Discount on Notes Receivables	-	267,082
Forgiveness of Debt	(4,180)	(136,880)
Gain on Sale of Property and Equipment	1,719	50,851
Change in Investment in Related Parties	88,875	(3,843)
Net Change in Current Operating Items:		
Receivables	(95,050)	421,997
Tax Increment Financing Receivable	29,522	(101,852)
Prepaid Expenses	(56,304)	(90,384)
Notes Receivable and Forgivable Notes	(32,159)	-
Accounts Payable	27,674	(1,406,962)
Deferred Revenue	(5,278)	(7,520)
Other Accrued Liabilities	12,397	422,488
Other Liabilities	(4,739)	18,221
Deferred Interest	67,572	64,692
Net Cash Provided by Operating Activities	\$ 531,572	\$ 946,672
 RECONCILIATION OF CASH AND RESTRICTED CASH PER THE STATEMENT OF CASH FLOWS TO THE CASH AND RESTRICTED CASH PER THE STATEMENT OF FINANCIAL POSITION		
Cash	\$ 2,407,465	\$ 1,886,131
Cash - Subsidiaries	1,351,985	1,844,924
Operating Reserve	1,290,968	1,103,209
Reserve for Replacements	2,002,438	1,783,638
Development Cost Escrow	11,553	22,518
Restricted Deposits and Funded Reserves	910,847	777,370
Tenant Security Deposits	329,197	304,810
Cash and Restricted Cash	\$ 8,304,453	\$ 7,722,600

See accompanying Notes to Consolidated Financial Statements.

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
NONCASH TRANSACTIONS		
Debt Subsidy Payments	\$ 36,917	\$ 38,201
Acquisition of Financing Costs Through Long-Term Debt	\$ 31,168	\$ 94,415
Fixed Assets Purchased Through Long-Term Debt	\$ 7,748,092	\$ 1,114,335
Debt Forgiveness	\$ 4,180	\$ 136,880
Fixed Assets Purchased Through Accounts Payable	\$ 322,827	\$ 345,188
Devonshire Beginning Equity Purchased through Debt Proceeds	\$ 347,436	\$ -
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
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

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 2022, 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 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
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Operations (Continued)

Rental Housing (Continued)

Development and Ownership (Continued)

In December 2022, the Organization completed construction on Heritage Court Apartments in North Branch, MN, which created 32 units of senior housing. During 2022, the Organization bought out their partner in Rockford Limited Partnership and became full owner of Devonshire Apartments in Rockford, MN.

<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
Eden Place	Eden Valley	12	08/01
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	40	08/20
The Mill	Staples	42	10/20
White Oak Estates	Baxter	40	12/20
Heritage Court	Baxter	32	12/22

Property Management – The Property Management Department of CMHP manages all CMHP owned USDA Rural Development and most of the Tax Credit and Market rate properties. The only exception is properties with Section 8 HAP contracts; 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
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

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	40
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 Oak Estates	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.

Leases – Revenue from lease payments is recognized under the accrual method. Lease payments are included in income as rents become due. Lease payments received in advance are deferred until earned. At the commencement of an operating lease, no revenue is recognized; subsequently, lease payments received by the Organization are recognized as income on the straight-line basis.

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Operations (Continued)

Rental Housing (Continued)

Leases (Continued)

Leasing operations consist principally of operating leases of residential real estate expiring in various months through 2023 in which the Organization is the lessor. Certain leases provide for renewal options. Lease contracts do not include variable lease payments.

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.

Project Name	Location	# of Units
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 13-county region. The Coordinator provides referrals to support service providers when a permanent supportive housing unit 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
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

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.

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, 2022 and 2021, there were no donor-restricted contributions.

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 14 low income housing entities that are structured as limited liability companies or partnerships and 6 rural development housing projects, all 20 are fully owned by CMHP or a fully owned related party. These entities are included in the consolidated financial statements. The Consolidation Housing Projects include 15 limited partnership and limited liability company 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.

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of Consolidation (Continued)

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

	2022	2021
Assets	\$ -	\$ 195,007
Equity	-	177,536
Revenues	181,794	237,414
Expenses	-	179,729

The equity method investment entity became wholly owned in November 2022.

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 20 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.

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, 2022 and 2021 was \$146,771 and \$54,833, 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.

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reserve Accounts (Continued)

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.

As it pertains to the rental housing program, substantially all property and equipment serve as underlying assets for operating leases.

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 \$12,705 and \$11,889 at December 31, 2022 and 2021, respectively.

Deferred Revenue

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

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$22,736 and \$16,217 for the years ended December 31, 2022 and 2021, 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, 2022 and 2021 are \$7,500 and \$7,277, respectively.

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards

In September 2020, the FASB issued ASU 2020-07, Presentation and Disclosures by *Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The new standard, as amended, is to be applied retrospectively to annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. The Organization has updated disclosures as necessary.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases* (ASC 842). The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization has elected to apply the practical expedient, which does not require contracts to be separated between lease and nonlease components.

The Organization adopted the requirements of the guidance effective January 1, 2022 and has elected to apply the provisions of this standard to the beginning of the earliest comparative period presented, using a modified retrospective approach, with certain practical expedients available.

Practical Expedient Elected at Initial Adoption

The Organization has elected to adopt the package of practical expedients available in the year of adoption. The Organization has elected to adopt the available practical expedient to use hindsight in determining the lease term.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 25, 2023, 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.

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 3 NOTES RECEIVABLE AND FORGIVABLE LOANS

During 2022 Central Minnesota Single Family Housing entered a note receivable of \$5,280 and at 1% interest. Payments of \$65 are to be paid monthly starting November 2022. Payments of \$130 were made during 2022, broke out to \$121 in principal and \$9 of interest. The loan matures in 2029.

During 2022 Central Minnesota Single Family Housing entered a forgivable note of \$27,000 and at 0% interest. The loan is forgiven over 7 years at \$3,857 annually. No amounts were forgiven during 2022. The note matures in 2029.

Future receipts are as follows:

	December 31:			
	Payment	Forgiven	Principle	Interest
2023	\$ 781	\$ 3,857	\$ 4,590	\$ 48
2024	781	3,857	4,597	41
2025	781	3,857	4,605	33
2026	781	3,857	4,612	26
2027	781	3,857	4,620	18
	\$ 3,905	\$ 19,285	\$ 23,024	\$ 166

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, 2022 and 2021.

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, 2022 and 2021.

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, 2022 and 2021.

Gilmanor Apartments

Payments due on mortgages with Rural Economic and Community Development are subsidized by the U.S. government. Payments subsidized totaled \$7,797 for both years ended December 31, 2022 and 2021.

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 4 NONCASH TRANSACTIONS (CONTINUED)

Groundhouse Apartments

Payments due on mortgages with Rural Economic and Community Development are subsidized by the U.S. government. Payments subsidized totaled \$6,582 for both the years ended December 31, 2022 and 2021.

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, 2022 and 2021.

NOTE 5 NOTES PAYABLE AND LINES OF CREDIT

CMHP has a line of credit with Bremer Bank that matures December 31, 2023. 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, 2022 and 2021.

Five Limited Liability Companies, consolidated with the Organization, have lines of credit with various financial institutions and limited partners ranging from \$3,269 to \$46,000 with interest rates of 0% to 3.50% and maturity dates in 2023. The credit lines are unsecured. The total outstanding balance at December 31, 2022 and 2021 was \$102,255 and \$41,421, respectively.

NOTE 6 LONG-TERM DEBT

<u>Description</u>	<u>2022</u>	<u>2021</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	\$ 113,120	\$ 115,572
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	90,646	104,597

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 6 LONG-TERM DEBT (CONTINUED)

<u>Description</u>	<u>2022</u>	<u>2021</u>
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	\$ 224,669	\$ 227,042
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	98,432	100,061
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	43,442	44,108
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	63,207	69,451
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
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	2,973	3,105
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

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 6 LONG-TERM DEBT (CONTINUED)

<u>Description</u>	<u>2022</u>	<u>2021</u>
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 2039, 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	300,000
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
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	773,550	800,000
Consolidated Housing Projects mortgage payable - see note below	<u>49,119,858</u>	<u>40,984,995</u>
Total	51,826,340	43,748,157
Less: Current Maturities	2,728,075	611,766
Less: Unamortized Finance Fees	<u>1,109,155</u>	<u>1,127,873</u>
Total Long-Term Debt, Net	<u>\$ 47,989,110</u>	<u>\$ 42,008,518</u>

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 6 LONG-TERM DEBT (CONTINUED)

Consolidated Housing Projects Mortgage Payable represents the outstanding mortgages for the 24 limited partnerships 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 \$18,408, and mature from the years 2024 through 2063. 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, 2022 and 2021.

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	\$ 2,728,075
2024	1,205,692
2025	673,075
2026	1,762,871
2027	2,089,849
Thereafter	43,366,778
Total	<u><u>\$ 51,826,340</u></u>

NOTE 7 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, 2022 and 2021, 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, 2022 and 2021. 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
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 7 AVAILABLE RESOURCES AND LIQUIDITY (CONTINUED)

2022	Minnesota	Rural	Minnesota	Consolidated	Eliminations	Consolidated
	Housing	Developments	Single Family	Housing		Total
	Partnership Inc.		Housing, LLC	Projects		
Cash	\$ 1,931,471	\$ 145,425	\$ 330,569	\$ -	\$ -	\$ 2,407,465
Cash - Subsidiaries	-	-	-	1,351,985	-	1,351,985
Accounts Receivable	107,474	72,014	6,983	337,830	(81,227)	443,074
Fees for Services Receivable	1,674	-	-	-	(989)	685
Management Fee Receivable	79,446	-	-	-	(79,446)	-
Grant Receivable	46,206	-	-	-	-	46,206
TIF Receivable - Current Portion	-	-	-	161,018	-	161,018
Total Financial Assets	<u>\$ 2,166,271</u>	<u>\$ 217,439</u>	<u>\$ 342,142</u>	<u>\$ 1,850,833</u>	<u>\$ (161,662)</u>	<u>\$ 4,415,023</u>

2021	Central	Rural	Central	Consolidated	Eliminations	Consolidated
	Minnesota	Developments	Minnesota	Housing		Total
	Housing		Single Family	Projects		
	Partnership Inc.		Housing, LLC			
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>

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, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS	Central Minnesota Housing Partnership Inc.	Rural Developments	Central Minnesota Single Family Housing, LLC	Consolidated Housing Projects	Eliminations	Consolidated Total
CURRENT ASSETS						
Cash	\$ 1,931,471	\$ 145,425	\$ 330,569	\$ -	\$ -	\$ 2,407,465
Cash - Subsidiaries	-	-	-	1,351,985	-	1,351,985
Accounts Receivable	107,474	72,014	6,983	337,830	(81,227)	443,074
Fees for Services Receivable	1,674	-	-	-	(989)	685
Management Fee Receivable	79,446	-	-	-	(79,446)	-
Grant Receivable	46,206	-	-	-	-	46,206
TIF Receivable - Current Portion	-	-	-	161,018	-	161,018
Current Portion of Notes Receivable and Forgivable Notes	-	-	4,590	-	-	4,590
Prepaid Expenses	28,106	7,529	-	289,155	-	324,790
Total Current Assets	<u>2,194,377</u>	<u>224,968</u>	<u>342,142</u>	<u>2,139,988</u>	<u>(161,662)</u>	<u>4,739,813</u>
OPERATING RESERVE	-	-	-	1,290,968	-	1,290,968
RESERVE FOR REPLACEMENTS	-	372,310	-	1,630,128	-	2,002,438
DEVELOPMENT COST ESCROW	-	-	-	11,553	-	11,553
RESTRICTED DEPOSITS AND FUNDED RESERVES	-	-	-	910,847	-	910,847
TENANT SECURITY DEPOSITS	-	20,541	-	308,656	-	329,197
PROPERTY AND EQUIPMENT						
Land and Land Improvements	146,867	183,320	49,387	10,217,728	-	10,597,302
Buildings and Improvements	1,014,042	3,688,467	831,512	82,473,603	(240,000)	87,767,624
Furniture and Equipment	247,865	341,720	-	5,887,020	-	6,476,605
Construction in Progress	-	-	-	44,190	-	44,190
Total	<u>1,408,774</u>	<u>4,213,507</u>	<u>880,899</u>	<u>98,622,541</u>	<u>(240,000)</u>	<u>104,885,721</u>
Less: Accumulated Depreciation	155,212	2,989,718	512,984	38,631,233	(31,424)	42,257,723
Total Property and Equipment	<u>1,253,562</u>	<u>1,223,789</u>	<u>367,915</u>	<u>59,991,308</u>	<u>(208,576)</u>	<u>62,627,998</u>
OTHER ASSETS						
Notes Receivable and Forgivable Notes	-	-	27,569	-	-	27,569
Due from Related Parties	1,581,605	-	-	-	(1,581,605)	-
Tax Credit Fees (Net)	-	-	-	249,972	-	249,972
TIF Receivable	-	-	-	22,800	-	22,800
Total Other Assets	<u>1,581,605</u>	<u>-</u>	<u>27,569</u>	<u>272,772</u>	<u>(1,581,605)</u>	<u>300,341</u>
Total Assets	<u>\$ 5,029,544</u>	<u>\$ 1,841,608</u>	<u>\$ 737,626</u>	<u>\$ 66,556,220</u>	<u>\$ (1,951,843)</u>	<u>\$ 72,213,155</u>

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

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	\$ 29,794	\$ 28,751	\$ -	\$ 2,669,530	\$ -	\$ 2,728,075
Lines of Credit	-	-	-	102,255	-	102,255
Accounts Payable	23,982	14,466	953	947,010	(101,232)	885,179
Accrued Real Estate Taxes	18,614	-	-	558,685	-	577,299
Accrued Payroll Expenses	59,875	875	-	-	-	60,750
Accrued Interest	2,315	1,162	-	93,529	(42,221)	54,785
Funds Held in Escrow	-	11,829	-	383,485	-	395,314
Other Current Liabilities	27,787	-	-	-	-	27,787
Deferred Revenue	-	-	81,271	-	-	81,271
Total Current Liabilities	<u>162,367</u>	<u>57,083</u>	<u>82,224</u>	<u>4,754,494</u>	<u>(143,453)</u>	<u>4,912,715</u>
OTHER LIABILITIES						
Deferred Interest	-	-	-	1,018,986	-	1,018,986
Tenant Security Deposits	-	21,093	-	323,864	-	344,957
Deposit Liability	-	-	350,078	-	-	350,078
Other Liabilities	-	-	-	6,116	-	6,116
Related Party Payables	-	103,942	12,194	1,193,678	(1,309,814)	-
Total Other Liabilities	<u>-</u>	<u>125,035</u>	<u>362,272</u>	<u>2,542,644</u>	<u>(1,309,814)</u>	<u>1,720,137</u>
LONG-TERM LIABILITIES						
Debt (Net of Current Maturities)	743,756	1,904,181	-	46,740,328	(290,000)	49,098,265
Unamortized Finance Costs	(13,351)	(12,904)	-	(1,082,900)	-	(1,109,155)
Total Other Liabilities	<u>730,405</u>	<u>1,891,277</u>	<u>-</u>	<u>45,657,428</u>	<u>(290,000)</u>	<u>47,989,110</u>
Total Liabilities	<u>892,772</u>	<u>2,073,395</u>	<u>444,496</u>	<u>52,954,566</u>	<u>(1,743,267)</u>	<u>54,621,962</u>
NET ASSETS						
Without Donor Restrictions:						
Without Donor Restrictions - Undesignated	3,656,760	(604,097)	-	(3,522,451)	-	(469,788)
Without Donor Restrictions - Designated for:						
Reserves	-	372,310	-	-	-	372,310
Property Plant and Equipment	480,012	-	-	-	-	480,012
Single Family Home Development	-	-	293,130	-	-	293,130
Investments in Related Parties	-	-	-	-	(208,576)	(208,576)
Without Donor Restrictions - Controlling Interest	<u>4,136,772</u>	<u>(231,787)</u>	<u>293,130</u>	<u>(3,522,451)</u>	<u>(208,576)</u>	<u>467,088</u>
Without Donor Restrictions - Noncontrolling Interest	-	-	-	17,124,105	-	17,124,105
Total Net Assets Without Donor Restrictions	<u>4,136,772</u>	<u>(231,787)</u>	<u>293,130</u>	<u>13,601,654</u>	<u>(208,576)</u>	<u>17,591,193</u>
Total Liabilities and Net Assets	<u>\$ 5,029,544</u>	<u>\$ 1,841,608</u>	<u>\$ 737,626</u>	<u>\$ 66,556,220</u>	<u>\$ (1,951,843)</u>	<u>\$ 72,213,155</u>

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS—CONTROLLING INTEREST
YEAR ENDED DECEMBER 31, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

	Central Minnesota Housing Partnership, Inc.	Rural Development Projects	Central Minnesota Single Family Housing, LLC	Consolidated Housing Projects	Eliminations	Consolidated Total
REVENUES AND OTHER SUPPORT WITHOUT DONOR RESTRICTIONS						
Fees for Service	\$ 485,818	\$ -	\$ -	\$ -	\$ (356,160)	\$ 129,658
Rent Income	-	388,503	-	6,579,589	-	6,968,092
Laundry Income	-	5,485	-	22,849	-	28,334
Garage Income	-	-	-	22,764	-	22,764
Grant Revenues	168,661	-	32,280	-	-	200,941
Contributions	17,607	-	-	-	-	17,607
Investment Return and Interest Income	9,476	(2,350)	702	27,941	920	36,689
Debt Subsidy Income	-	36,917	-	-	-	36,917
Debt Forgiveness	-	4,180	-	-	-	4,180
Other Revenues	91,760	1,227	2,285	134,941	(90,275)	139,938
Income (Loss) from Investment in Related Parties	(156,904)	-	-	-	93,029	(63,875)
Total Revenues and Other Support Without Donor Restrictions	<u>616,418</u>	<u>433,962</u>	<u>35,267</u>	<u>6,788,084</u>	<u>(352,486)</u>	<u>7,521,245</u>
EXPENSES (EXCLUDING DEPRECIATION AND AMORTIZATION)						
Program Services	870,787	351,764	14,744	5,868,834	(433,606)	6,672,523
Supporting Services Management and General	407,629	-	-	-	-	407,629
Total Expenses (Excluding Depreciation and Amortization)	<u>1,278,416</u>	<u>351,764</u>	<u>14,744</u>	<u>5,868,834</u>	<u>(433,606)</u>	<u>7,080,152</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS BEFORE DEPRECIATION AND AMORTIZATION	(661,998)	82,198	20,523	919,250	81,120	441,093
Depreciation and Amortization	80,858	156,933	31,006	3,351,635	-	3,620,432
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS BEFORE DISTRIBUTIONS AND NONCONTROLLING INTEREST	(742,856)	(74,735)	(10,483)	(2,432,385)	81,120	(3,179,339)
Distributions - Controlling Interest	897,367	-	-	(897,367)	-	-
Contributions - Controlling Interest	(100)	-	-	100	-	-
Noncontrolling Interest in Subsidiaries Net Loss	-	-	-	(1,929,555)	-	(1,929,555)
CHANGES IN NET ASSETS - CONTROLLING INTEREST	<u>\$ 154,411</u>	<u>\$ (74,735)</u>	<u>\$ (10,483)</u>	<u>\$ (1,400,097)</u>	<u>\$ 81,120</u>	<u>\$ (1,249,784)</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 statements of financial position as of December 31, 2022 and 2021, 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 August 25, 2023.

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 2022-001, and 2022-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

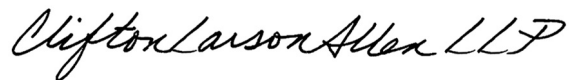
As part of obtaining reasonable assurance about whether Central Minnesota Housing Partnership, Inc.'s consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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
August 25, 2023



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, 2022. 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, 2022.

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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-03 to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on Central Minnesota Housing Partnership, Inc.'s response to the internal control over compliance findings identified in our audit 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 compliance and, accordingly, we express no opinion on the response.

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
August 25, 2023

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2022

Grantor/Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Grantor's Number	Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
HUD:			
Continuum of Care Program	14.267		\$ 101,621
U.S. DEPARTMENT OF AGRICULTURE			
Rural Rental Housing Loans	10.415		658,364
Rural Rental Assistance Payments	10.427		<u>32,774</u>
Total			<u>691,138</u>
Total Federal Awards			<u><u>\$ 792,759</u></u>

See accompanying Notes to Schedule of Expenditures of Federal Awards

CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2022

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, 2022. 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, 2022.

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 consolidated 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, 2022 consists of:

FEDERAL LOAN PROGRAMS

Program Title	FAL Number	Amount Outstanding
Rural Rental Housing Loans	10.415	\$ 633,020

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2022**

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? X Yes 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>Federal Assistance Listing 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, 2022

Section II – Financial Statement Findings

2022-001

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, 2022

Section II – Financial Statement Findings (Continued)

2022-002

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: 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. The monthly reports are reviewed by Property Managers as well as the Property Director prior to the financials being reported to the Board of Directors.

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022**

Section III – Findings and Questioned Costs – Major Federal Programs

2022 – 003

Federal Agency: U.S. Department of Agriculture

Federal Program Title: Rural Rental Housing Loans

Federal Assistance Listing Number: 10.415

Federal Award Identification Number(s) and Year(s): AMAS000000191197-2018,
AMAS000000191198-2018, AMAS000000315075-2018, AMAS000000017172-2017

Pass-Through Agency: N/A

Pass-Through Number(s): N/A

Award Period: 01/01/22 to 12/31/22

Type of Finding:

- Significant Deficiency in Internal Control over Major Federal Programs

Criteria or Specific Requirement: Funds collected as a security deposit shall be kept separate from other funds and shall remain equal to or exceed outstanding security deposit obligations.

Condition: During our testing of the six Rural Development projects, we noted four had underfunded security deposit assets in relation to the security deposit liability.

Questioned Costs: \$1,011

Context: Each of the six Rural Development projects were reviewed to ensure proper funding over security deposits, and four were noted to be underfunded.

Cause: During the tracking of security deposits, long-term tenants accrued interest at higher rates over time, resulting in a larger than expected interest accrual, which management did not prepare for, resulting in those projects to be underfunded (the security deposit cash is less than the liability).

Effect: Potential for insufficient funds to remit all security deposits to tenants.

Repeat Finding: No.

Recommendation: The Organization should ensure the security deposit asset is equal to or greater than the security deposit liability in the event that any or all security deposits are required to be returned to tenants to ensure the Organization would have sufficient funding to do so.

Views of Responsible Officials and Planned Corrective Actions:

No disagreement with the finding.

The Organization will implement a review step during the tracking of security deposits to verify the security deposit asset is equal to or greater than the security deposit liability and will correct any that are underfunded.



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.