

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

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**TABLE OF CONTENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>CONSOLIDATED FINANCIAL STATEMENTS</b>	
<b>CONSOLIDATED STATEMENTS OF FINANCIAL POSITION</b>	<b>4</b>
<b>CONSOLIDATED STATEMENTS OF ACTIVITIES</b>	<b>6</b>
<b>CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES</b>	<b>7</b>
<b>CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS</b>	<b>9</b>
<b>CONSOLIDATED STATEMENTS OF CASH FLOWS</b>	<b>10</b>
<b>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>13</b>
<b>SUPPLEMENTARY INFORMATION</b>	
<b>CONSOLIDATING STATEMENT OF FINANCIAL POSITION</b>	<b>31</b>
<b>CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS—CONTROLLING INTEREST</b>	<b>33</b>
<b>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></b>	<b>34</b>
<b>INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE</b>	<b>36</b>
<b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	<b>38</b>
<b>NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	<b>39</b>
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>	<b>40</b>



## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

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, 2019 and 2018, 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.

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

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

### ***Auditors' Responsibility***

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

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

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

### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Central Minnesota Housing Partnership, Inc. and Subsidiaries as of December 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating financial statements of Central Minnesota Housing Partnership, Inc. and Subsidiaries, included on pages 31 through 33, are presented for purposes of additional analysis and are 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

### ***Other Matters***

#### ***Other Information – Schedule of Expenditures of Federal Awards***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 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 also presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 September 25, 2020, on our consideration of Central Minnesota Housing Partnership, Inc.'s 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 result of that testing, and not to provide an opinion on the effectiveness of Central Minnesota Housing Partnership, Inc.'s 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.'s internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

St. Cloud, Minnesota  
September 25, 2020

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2019 AND 2018**

<b>ASSETS</b>	<u>2019</u>	<u>2018</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 1,172,674	\$ 567,716
Cash - Subsidiaries	1,002,289	868,608
Accounts Receivable	164,967	90,060
Fees for Services Receivable	8,177	5,159
Grant Receivable	87,570	68,661
TIF Receivable - Current Portion	79,084	80,698
Interest Receivable	32,718	29,652
Prepaid Expenses	96,866	141,222
Other Current Assets	-	953
Total Current Assets	<u>2,644,345</u>	<u>1,852,729</u>
 <b>OPERATING RESERVE</b>	 769,930	 763,799
 <b>RESERVE FOR REPLACEMENTS</b>	 1,606,512	 1,520,632
 <b>DEVELOPMENT COST ESCROW</b>	 23,849	 25,143
 <b>RESTRICTED DEPOSITS AND FUNDED RESERVES</b>	 3,033,190	 179,390
 <b>TENANT SECURITY DEPOSITS</b>	 236,562	 237,736
 <b>PROPERTY AND EQUIPMENT</b>		
Land and Land Improvements	6,554,943	6,189,822
Buildings and Improvements	54,489,218	53,343,481
Furniture and Equipment	4,174,022	4,221,325
Construction in Progress	6,050,245	-
Total	<u>71,268,428</u>	<u>63,754,628</u>
Less: Accumulated Depreciation	<u>32,418,680</u>	<u>31,678,909</u>
Total Property and Equipment	38,849,748	32,075,719
 <b>OTHER ASSETS</b>		
Notes Receivable (Net of Discount)	255,937	245,257
Tax Credit Fees (Net of Amortization)	110,584	119,112
TIF Receivable	33,900	34,200
Investments in Related Parties	67,749	91,189
Total Other Assets	<u>468,170</u>	<u>489,758</u>
 Total Assets	 <u><u>\$ 47,632,306</u></u>	 <u><u>\$ 37,144,906</u></u>

See accompanying Notes to Consolidated Financial Statements.

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)**  
**DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current Maturities of Long-Term Debt	\$ 3,646,091	\$ 742,853
Current Maturities of Note Payable	-	5,460
Lines of Credit	204,240	30,240
Current Maturities of Lease Payable	3,503	3,333
Accounts Payable	2,601,309	178,103
Grants Payable	-	9,610
Accrued Real Estate Taxes	380,480	377,184
Accrued Payroll Expenses	22,325	25,666
Accrued Interest	20,665	22,576
Funds Held in Escrow	107,623	115,397
Other Current Liabilities	38,342	44,116
Deferred Revenue	496,964	99,292
Total Current Liabilities	<u>7,521,542</u>	<u>1,653,830</u>
<b>OTHER LIABILITIES</b>		
Deferred Interest	1,048,792	1,061,102
Tenant Security Deposits	248,289	249,771
Deposit Liability	390,720	386,615
Other Liabilities	1,385	9,184
Total Other Liabilities	<u>1,689,186</u>	<u>1,706,672</u>
<b>LONG-TERM LIABILITIES</b>		
Debt (Net of Current Maturities and Unamortized Finance Fees)	26,622,885	23,019,919
Lease Payable	-	3,503
Total Long-Term Liabilities	<u>26,622,885</u>	<u>23,023,422</u>
Total Liabilities	35,833,613	26,383,924
<b>NET ASSETS</b>		
Without Donor Restrictions:		
Without Donor Restrictions - Undesignated	1,971,445	1,493,270
Without Donor Restrictions - Designated for:		
Reserves	234,310	208,244
Property and Equipment	48,846	42,476
Single Family Home Development	338,238	370,188
Investments in Related Parties	(129,909)	36,087
Without Donor Restrictions - Controlling Interest	2,462,930	2,150,265
Without Donor Restrictions - Noncontrolling Interest	9,335,763	8,610,717
Total Net Assets Without Donor Restrictions	<u>11,798,693</u>	<u>10,760,982</u>
Total Liabilities and Net Assets	<u>\$ 47,632,306</u>	<u>\$ 37,144,906</u>

See accompanying Notes to Consolidated Financial Statements.

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>REVENUES AND OTHER SUPPORT WITHOUT DONOR RESTRICTIONS</b>		
Fees for Service	\$ 171,221	\$ 108,851
Rent Income	5,257,804	5,218,949
Laundry Income	29,798	32,971
Garage Income	20,280	19,659
Grant Revenues	282,942	245,746
Contributions	322,563	26,924
Interest Income	35,638	20,332
Investment Return	3,734	3,954
Debt Subsidy Income	62,000	38,281
Other Revenues	595,682	88,907
Income from Investment in Related Parties	1,732	24,830
Debt Forgiveness	4,180	25,606
Total Revenues and Other Support Without Donor Restrictions	<u>6,787,574</u>	<u>5,855,010</u>
<b>EXPENSES (EXCLUDING DEPRECIATION AND AMORTIZATION)</b>		
Program Services	5,061,721	4,910,304
Supporting Services Management and General	264,743	240,553
Total Expenses (Excluding Depreciation and Amortization)	<u>5,326,464</u>	<u>5,150,857</u>
<b>CHANGE IN NET ASSETS BEFORE DEPRECIATION AND AMORTIZATION</b>	1,461,110	704,153
Depreciation and Amortization	<u>2,325,944</u>	<u>2,410,038</u>
<b>CHANGE IN NET ASSETS BEFORE NONCONTROLLING INTEREST</b>	(864,834)	(1,705,885)
Noncontrolling Interest in Subsidiaries Net Loss	<u>(683,299)</u>	<u>(1,059,878)</u>
<b>CHANGE IN NET ASSETS - CONTROLLING INTEREST</b>	<u><u>\$ (181,535)</u></u>	<u><u>\$ (646,007)</u></u>

See accompanying Notes to Consolidated Financial Statements.



**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2019**

	Program Services		Management and General	Total
	CMHP	Housing Projects		
<b>FUNCTIONAL EXPENSES</b>				
Salary and Payroll Expenses	\$ 586,454	\$ 362,671	\$ 160,668	\$ 1,109,793
Property Management	-	166,210	-	166,210
Advertising	5,807	7,093	308	13,208
Office Supplies	4,136	19,356	2,328	25,820
Postage	7,726	1,318	788	9,832
Telephone	7,089	40,263	3,651	51,003
Insurance	842	329,559	8,466	338,867
Utilities	-	798,718	-	798,718
Repairs and Maintenance	20,356	736,065	4,475	760,896
Travel	22,829	-	47	22,876
Conferences and Dues	2,450	100	4,388	6,938
Printing and Duplication	6,985	-	-	6,985
Resource Materials and Publications	910	-	28	938
Professional Fees	3,836	297,242	43,246	344,324
Rent	55,849	-	8,716	64,565
Interest Expense	-	923,385	373	923,758
Property Taxes	-	374,374	-	374,374
Consultants	5,030	-	3,068	8,098
Bad Debts/Uncollected Development Costs	-	41,703	20,197	61,900
Gain/Loss on Disposal of Assets	-	6,498	3,176	9,674
Miscellaneous	31,133	195,734	820	227,687
Total Functional Expenses Before Depreciation and Amortization	761,432	4,300,289	264,743	5,326,464
Depreciation and Amortization	11,556	2,312,584	1,804	2,325,944
Total Functional Expenses	<u>\$ 772,988</u>	<u>\$ 6,612,873</u>	<u>\$ 266,547</u>	<u>\$ 7,652,408</u>

See accompanying Notes to Consolidated Financial Statements.

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2018**

	Program Services		Management	
	CMHP	Housing Projects	and General	Total
<b>FUNCTIONAL EXPENSES</b>				
Salary and Payroll Expenses	\$ 576,081	\$ 394,524	\$ 155,507	\$ 1,126,112
Property Management	-	205,322	-	205,322
Advertising	6,170	10,275	494	16,939
Office Supplies	3,576	15,475	1,685	20,736
Postage	6,150	1,893	688	8,731
Telephone	7,096	40,317	3,449	50,862
Insurance	-	308,625	8,928	317,553
Utilities	-	855,441	-	855,441
Repairs and Maintenance	5,368	556,237	12,902	574,507
Travel	18,012	-	103	18,115
Conferences and Dues	10,115	100	3,307	13,522
Printing and Duplication	6,794	-	346	7,140
Resource Materials and Publications	1,034	-	-	1,034
Professional Fees	8,912	244,288	36,248	289,448
Rent	54,314	-	8,477	62,791
Interest Expense	-	910,879	879	911,758
Property Taxes	-	355,819	-	355,819
Consultants	4,000	-	2,933	6,933
Bad Debts/Uncollected Development Costs	-	15,118	-	15,118
Gain/Loss on Disposal of Assets	-	40,436	446	40,882
Miscellaneous	132,008	115,925	4,161	252,094
Total Functional Expenses Before Depreciation and Amortization	839,630	4,070,674	240,553	5,150,857
Depreciation and Amortization	9,166	2,399,441	1,431	2,410,038
Total Functional Expenses	<u>\$ 848,796</u>	<u>\$ 6,470,115</u>	<u>\$ 241,984</u>	<u>\$ 7,560,895</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, 2019 AND 2018**

	<u>Total</u>	<u>Controlling Interest</u>	<u>Noncontrolling Interest</u>
<b>BALANCE - DECEMBER 31, 2017</b>	\$ 12,798,377	\$ 2,796,172	\$ 10,002,205
Change in Net Assets	(1,705,885)	(646,007)	(1,059,878)
Distributions	(331,610)	-	(331,610)
Contributions	<u>100</u>	<u>100</u>	<u>-</u>
<b>BALANCE - DECEMBER 31, 2018</b>	10,760,982	2,150,265	8,610,717
Change in Net Assets	(864,834)	(181,535)	(683,299)
Distributions	(154,101)	-	(154,101)
Contributions	2,355,971	494,200	1,861,771
Purchases of Minority Interest	(113,001)	-	(113,001)
Syndication Costs - Minority Interest	<u>(186,324)</u>	<u>-</u>	<u>(186,324)</u>
<b>BALANCE - DECEMBER 31, 2019</b>	<u><u>\$ 11,798,693</u></u>	<u><u>\$ 2,462,930</u></u>	<u><u>\$ 9,335,763</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, 2019 AND 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Collections from Public Support and Revenue	\$ 1,669,356	\$ 492,309
Cash Received from Tenants	5,278,084	5,238,608
Laundry Receipts	29,798	32,971
Interest Received	36,306	20,984
Cash Paid to Suppliers and Employees and Grantors	(2,234,495)	(4,075,650)
Interest Paid	(937,979)	(872,756)
Net Cash Provided by Operating Activities	3,841,070	836,466
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in Tenant Security Deposit Liabilities	(1,482)	(524)
Purchases of Land, Property, and Equipment	(4,793,530)	(665,132)
Proceeds on the Sale of Fixed Assets	541,498	294,101
Net Cash Used by Investing Activities	(4,253,514)	(371,555)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of Financing Fees	(422,830)	-
Payment of Capital Lease Payable	(3,333)	(3,170)
Payment on Long-Term Debt	(1,160,496)	(434,187)
Proceeds from Long-Term Debt	3,610,000	66,287
Payment from Note Payable - Bank	(5,460)	-
Proceeds from Lines of Credit - Bank	174,000	-
Payments on Lines of Credit - Bank	-	(3,015)
Noncontrolling Interest Contribution	2,355,971	100
Noncontrolling Interest Distribution	(154,101)	(331,610)
Purchase of Noncontrolling Interest	(113,001)	-
Syndication Costs - Minority Interest	(186,324)	-
Net Cash Provided (Used) by Financing Activities	4,094,426	(705,595)
<b>NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH</b>	3,681,982	(240,684)
Cash and Restricted Cash - Beginning of Year	4,163,024	4,403,708
<b>CASH AND RESTRICTED CASH - END OF YEAR</b>	<u>\$ 7,845,006</u>	<u>\$ 4,163,024</u>

See accompanying Notes to Consolidated Financial Statements.

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (864,834)	\$ (1,705,885)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	2,317,416	2,400,875
Amortization	43,647	53,217
Expenses Paid Through Long-Term Debt Refinance	387	251,648
Amortization of Present Value Discount on Notes Receivables	(10,680)	(10,234)
Forgiveness of Debt	(4,180)	(25,606)
Gain (Loss) on Sale of Property and Equipment	9,674	(30,336)
Decrease in Investment in Related Parties	23,440	(11,448)
Net Change in Current Operating Items:		
Receivables	(99,900)	(23,828)
Tax Increment Financing Receivable	1,914	602
Prepaid Expenses	44,356	(54,138)
Other Current Assets	953	(953)
Accounts Payable	2,077,379	(37,381)
Grants Payable	(9,610)	-
Deferred Revenue	401,777	40,212
Other Accrued Liabilities	(64,786)	13,088
Other Liabilities	(13,573)	(69,234)
Deferred Interest	(12,310)	45,867
Net Cash Provided by Operating Activities	<u>\$ 3,841,070</u>	<u>\$ 836,466</u>
<b>RECONCILIATION OF CASH AND RESTRICTED CASH PER THE</b>		
<b>STATEMENT OF CASH FLOWS TO THE CASH AND RESTRICTED</b>		
<b>CASH PER THE STATEMENT OF FINANCIAL POSITION</b>		
Cash	\$ 1,172,674	\$ 567,716
Cash - Subsidiaries	1,002,289	868,608
Operating Reserve	769,930	763,799
Reserve for Replacements	1,606,512	1,520,632
Development Cost Escrow	23,849	25,143
Restricted Deposits and Funded Reserves	3,033,190	179,390
Tenant Security Deposits	236,562	237,736
Cash and Restricted Cash	<u>\$ 7,845,006</u>	<u>\$ 4,163,024</u>

See accompanying Notes to Consolidated Financial Statements.

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>NONCASH TRANSACTIONS</b>		
Debt Subsidy Payments	<u>\$ 62,000</u>	<u>\$ 38,281</u>
Proceeds on Refinanced Mortgage Payable	<u>\$ -</u>	<u>\$ 974,110</u>
Acquisition of Financing Costs Through Mortgage Refinance	<u>\$ 221,889</u>	<u>\$ 42,674</u>
Fixed Assets Purchased Through Long-Term Debt	<u>\$ 4,448,204</u>	<u>\$ 703,814</u>
Debt Forgiveness	<u>\$ 4,180</u>	<u>\$ 25,606</u>
Increased Debt Through Assessments Payable	<u>\$ -</u>	<u>\$ 219,005</u>
Fixed Assets Purchased Through Accounts Payable	<u>\$ 356,294</u>	<u>\$ 41,462</u>

*See accompanying Notes to Consolidated Financial Statements.*

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**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**

Homebuyer Education and Counseling "HOME STRETCH" Program – Since 1995, the Organization has coordinated homebuyer education in its service area based on a program originally created by the Minnesota Housing Finance Agency. The program curriculum, funding and reporting is now overseen by the MN Homeownership Center. Home Stretch participating has fluctuated over the years, most often due to changes in the housing market. Many first time homebuyer mortgage products require first time homebuyer education, which at times sustains participation numbers. The Organization coordinates between 25 to 30 classes annually, depending on demand. The program is supported by more than 50 community volunteers and the organization has graduated over 8,800 individuals since inception.

Pre-purchase counseling services are offered to first-time homebuyers wanting a one-on-one setting to discuss their home buying situation. Credit issues, debt, budgeting and available mortgage products are just some of the topics discussed in a comfortable and confidential setting. This service is an extension of Home Stretch and gives first-time buyers the additional support they need to become a successful homeowner. Current funding sources for homebuyer education and counseling include HUD, HECAT (Homebuyer Education, Counseling, and Training through Minnesota Housing and the MN Homeownership Center), fees for service, and various foundation grants.

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, CMHP holds deed to nine homes being sold on a contract for deed. On occasion, CMHP will receive a home back for a variety of reasons. In this instance, CMHP assesses the condition of the home and completes any necessary repairs and sells the home on a contract for deed to an income eligible household. 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.

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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

**Nature of Operations (Continued)**

**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.

<u>Project Name</u>	<u>Location</u>	<u># of Units</u>	<u>Date of Completion/Acquisition</u>
Tower Terrace	Cambridge	32	10/95
Leighton's Landing II	Big Lake	32	9/15
West Birch Estates	Princeton	24	8/98
Ridgeview	Paynesville	20	9/98
Granite Ledge	Cold Spring	24	7/99
Shoreline Commons	Howard Lake	24	11/99
Water's Edge	Watertown	30	12/00
Reichert Place	Long Prairie	17	7/01
Highland Court	Little Falls	24	1/02
Northcrest	Mora	24	1/02
Timberland	Brainerd	30	3/03
River View Townhomes	Sauk Centre	24	12/03
Meadowview	Zimmerman	22	8/04
Grand Oaks	Baxter	24	1/05
RANT	Sauk Rapids	91	12/05
Brickstone (Suncrest)	Avon	12	6/08
Albertville Townhomes	Albertville	37	8/09
Grand Oaks Court	Baxter	24	6/10
Sprucewood	Baxter	34	8/14
Carlson Crossing	St. Joseph	36	6/15
Horizon Manor	Bertha	16	6/16
Frontier	St. Cloud	20	6/19
The Mill	Staples	42	Construction in Progress
White Oaks	Baxter	40	Construction in Progress
Willow Grove	North Branch	20	Construction in Progress



**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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

**Nature of Operations (Continued)**

**Rental Housing (Continued)**

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. At the present time, CMHP manages the following properties:

Project Name	Location	# of Units
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

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, 2019 AND 2018**

**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.

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.

Family Homeless Prevention and Assistance Program – The Family Homeless Prevention and Assistance Program (FHPAP) is a collaboration of agencies in Central MN designed to meet an emergency response system and more rapid move to transitional or permanent housing in Central Minnesota. This collaboration has and continues to work hard to collaborate and develop tools to address the needs of populations that are at-risk of homelessness, and to help these populations avoid homelessness, thus contributing to the statewide outcome of creating strong and stable families and communities.

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**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 and application writing to communities in our service area who show an interest and have a documented need for the program. Upon grant award, CMHP provides program administration for the grantee community, with a portion of the grant set aside for administrative fees to CMHP. SCDP funds can be used for owner-occupied, rental and commercial rehabilitation activities. 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 this program through various sources such as the Federal Home Loan Bank and MN Department of Health Lead Control Grant.

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.

Rental Rehabilitation Deferred Loan Program (RRDL) – The RRDL Program is funded by state appropriations and Minnesota Housing provides general oversight of the program. CMHP is a Minnesota Housing approved RRDL administrator for the Organization's 16-county service area. The program provides 0%, deferred loans to owners of eligible affordable rental properties. Loan amounts can be \$25,000 per unit up to a \$300,000 maximum and loan terms may be 10 to 30 years. If owners complete the rent and tenant income compliance for a set number of years, up to 25% of the loan balance may be forgiven. Program funds can be used to address an existing structure which materially preserve or improve the basic livability, safety, or utility of the property. Common improvements include: roofing, windows, siding, doors, insulation, interior upgrades, boilers and mechanical systems, energy and water saving improvements. At the end of 2019 the RRDL program was ended by Minnesota Housing, and CMHP agreed to close out current projects in early 2020.

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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

**Nature of Operations (Continued)**

**Other Resources**

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, 2019 and 2018, 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 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% to 51% shareholder interest, Rockford Limited Partnership, which are accounted for under the equity method as CMHP does not have control of the entities.

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

	<u>2019</u>	<u>2018</u>
Assets	\$ 572,721	\$ 619,773
Equity	122,609	169,143
Revenues	216,045	205,454
Expenses	232,585	145,805

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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

**Consolidation of Limited Partnership**

Accounting principles generally accepted in the United States of America 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 accounting principles generally accepted in the United States of America, 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 accounting principles generally accepted in the United States of America 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. No allowance for bad debts is considered necessary at December 31, 2019 and 2018.

**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**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**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.

**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 \$8,528 and \$9,163 at December 31, 2019 and 2018, 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**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**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 \$13,208 and \$16,939 for the years ended December 31, 2019 and 2018, 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. There were no employer contributions for the years ended December 31, 2019 and 2018.

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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

**New Accounting Pronouncements**

For the year ended December 31, 2019 the Organization adopted Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU 2014-09) *Revenue from Contracts with Customers* (Topic 606) subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Organization's financial statements reflect the application of ASC 606 guidance beginning in 2018. No cumulative-effect adjustments in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact the Organization's reported historical revenue. The Organization's main revenue stream is scoped out of Topic 606.

For the year ended December 31, 2019 the Organization adopted FASB Accounting Standards (ASU) 2016-18, *Statement of Cash Flows (Topic 230) Restricted Cash*. This ASU was issued to clarify guidance on the classification and presentation of restricted cash in the statement of cash flows and reduce diversity in practice. The amendments to this ASU require that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and restricted cash or restricted cash equivalents. Therefore, restricted cash and restricted cash equivalents are included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The financial statements reflect the application of ASU 2016-18 using a retrospective approach to each period presented.

For the year ended December 31, 2019 the Organization adopted FASB Accounting Standards (ASU) 2018-08, *Accounting guidance for Contributions Received and Made*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating weather transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as an exchange (reciprocal) transactions subject to other guidance (2) determining whether a contribution is conditional. The financial statements reflect the application of ASU 2018-08 beginning January 1, 2018. The new guidance does not require period results to be restated. The implementation of this standard did not significantly impact the Organization's financial statements.

**Subsequent Events**

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 25, 2020, the date the consolidated financial statements were available to be issued. See Note 8.



**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**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 has a note receivable from Kuepers Construction for \$640,000 with an interest rate of 1% that is due in July 1, 2041. 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, 2019 and 2018 was 4.27%. The payment of this note is secured by real property. The net present value of the note is \$255,937 and \$245,257 for the years ended December 31, 2019 and 2018, respectively.

**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 \$4,867 and \$3,856 for the years ended December 31, 2019 and 2018, respectively.

**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, 2019 and 2018.

**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, 2019 and 2018.

**Gilmanor Apartments**

Payments due on mortgages with Rural Economic and Community Development are subsidized by the U.S. government. Payments subsidized totaled \$30,518 and \$7,797 for the years ended December 31, 2019 and 2018, respectively.

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**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 \$7,866 for both the years ended December 31, 2019 and 2018.

**Waverly Community Homes**

Payments due on mortgages with Rural Economic and Community Development are subsidized by the U.S. government. Payments subsidized totaled \$108 and \$121 for the years ended December 31, 2019 and 2018, respectively.

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

CMHP has a line of credit with Bremer Bank that matures January 31, 2020. The line of credit provides up to \$125,000 with an annual interest rate of 5%. The line is secured by inventory, chattel Paper, accounts, equipment, and general intangibles. The outstanding balance under the line of credit at December 31, 2019 and 2018 is \$25,000 and \$-0-, respectively.

The Organization entered into a note payable agreement to increase its general partner interest in Northcrest, LLC. This agreement calls for payments totaling \$37,800 plus interest at 1.68% per annum, payable over three years ending 2019. Principal and interest was based on available cash as of December 31, to be paid in April the following years. Any amounts not paid in full by April 2019 (based on December 2018 available cash) were forgiven. \$5,460, and \$3,015 was paid in April 2019 and 2018, respectively. \$-0- and \$21,426 was forgiven as of December 31, 2019 and 2018, respectively. The principal balance at December 31, 2019 and 2018 totaled \$-0- and \$5,460, respectively.

Four Limited Liability Companies, consolidated with the Organization, have lines of credit with various financial institutions and limited partners ranging from \$7,595 to \$104,000 with interest rates of 0% to 4.50% and maturity dates in 2020. The credit lines are unsecured. The total outstanding balance at December 31, 2019 and 2018 was \$179,240 and \$30,240, respectively.

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 6 LONG-TERM DEBT**

<u>Description</u>	<u>2019</u>	<u>2018</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	\$ 119,760	\$ 121,338
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	129,111	140,115
Mortgage payable - Rural Economic and Community Development, dated July 1996, due July 2036, interest rate 7.25%, monthly principal and interest payments of \$1,840, of which \$952 is subsidized by the U.S. government; collateral pledged is substantially all assets related to Braham Apartments	231,082	233,146
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	102,653	103,985
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	45,161	45,697
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	79,312	84,332

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 6 LONG-TERM DEBT (CONTINUED)**

<u>Description</u>	<u>2019</u>	<u>2018</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	\$ 12,505	\$ 15,330
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	3,360	4,705
Mortgage payable - Minnesota Housing Finance Agency, dated July 2000, due August 2020, interest rate 0%, balance due upon maturity; collateral pledged is substantially all assets related to Johnson Apartments	15,000	15,000
Mortgage payable - Minnesota Housing Finance Agency, dated January 2001, due January 2031, interest rate 0%, balance due upon maturity; collateral pledged is substantially all assets related to Groundhouse Apartments	120,000	120,000
Mortgage payable - Minnesota Housing Finance Agency, dated 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

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 6 LONG-TERM DEBT (CONTINUED)**

<u>Description</u>	<u>2019</u>	<u>2018</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
Consolidated Housing Projects mortgage payable - see note below	29,569,120	22,418,612
Total	31,303,507	24,178,703
Less: Current Maturities	3,646,091	742,853
Less: Unamortized Finance Fees	1,034,531	415,931
Total Long-Term Debt, Net	<u>\$ 26,622,885</u>	<u>\$ 23,019,919</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., City of St. Francis, Crow Wing County HRA, JLL Capital Markets, Community Reinvestment Fund, and Todd County. The mortgages have interest rates ranging from 0% to 8.00%, require monthly payments ranging from \$-0- to \$6,839, and mature from the years 2020 through 2055. 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, 2019 and 2018.

Future principal payments, including subsequent refinances of debt (see Note 8) on long-term debt are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 3,646,091
2021	2,724,528
2022	909,355
2023	457,489
2024	997,378
Thereafter	24,931,495
Total	<u>\$ 33,666,336</u>

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 7 LEASE COMMITMENTS**

**Capital Leases**

The Organization leased a copier under a capital lease agreement that expires December 2019 and called for monthly payments of \$300. At December 31, 2019, the gross cost of equipment under the capital lease is \$-0-; with corresponding accumulated depreciation of \$-0- and \$9,790 for December 31, 2019 and 2018, respectively. Depreciation on the equipment under the capital lease is included in depreciation expense.

<u>Description</u>	<u>2019</u>	<u>2018</u>
Capital Lease Payable - Equipment; Monthly Installments through December 2020	\$ 3,503	\$ 6,836
Less: Current Maturities of Capital Lease Payable	(3,503)	(3,333)
Capital Lease Payable Net of Current Maturities	<u>\$ -</u>	<u>\$ 3,503</u>

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	<u>\$ 3,599</u>
Total Minimum Lease Payments	3,599
Less: Amount Representing Interest on Capital Lease Payable	96
Net Minimum Capital Lease Payments	<u>\$ 3,503</u>

**Operating Leases**

The Organization leases office space and equipment under operating leases. Rent expense for the leases amounted to \$64,565 and \$62,791 for the years ended December 31, 2019 and 2018, respectively. The lease calls for monthly payments of \$5,200 for one year, with an option of automatic renewal for successive one-year periods thereafter.

Minimum lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	<u>\$ 62,400</u>

The Organization leases a copier under operating leases effective January 2020. Rent expense for the leases amounted to \$-0- for both the years ended December 31, 2019 and 2018. The lease calls for monthly payments of \$672 with a five-year agreement.

Minimum lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 8,064
2021	8,064
2022	8,064
2023	8,064
2024	8,064

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 8 SUBSEQUENT EVENT**

Subsequent to December 31, 2019, Northcrest Townhomes refinanced their first mortgage and took out additional funding in the amount of \$765,000 to renovate the property. As of the September 25, 2020, the construction on the exterior and interior of the building has been started and is near completion.

Subsequent to December 31, 2019, Tower Terrace Townhomes refinanced their first mortgage in the amount of \$1,638,000 to renovate the property. As of the September 25, 2020, construction on the exterior of the building has been started.

Subsequent to December 31, 2019, Grand Oaks Townhomes refinanced their first mortgage in the amount of \$1,087,000 to renovate the property. As of the September 25, 2020, construction on this renovation has not started.

Subsequent to December 31, 2019, Waverly Community Homes entered into a loan agreement for \$300,000 to renovate the property. As of the September 25, 2020, construction on this renovation has started and is near completion.

Albertville Townhomes in Albertville is a LIHTC project. The General Partner is made up of Central Minnesota Housing Partnership, Dominion Development, and the Salvation Army. After a request for Dominion to buyout the investor's (US Bank) interest, it was determined CMHP was owed back distributions from 2012 to 2019. The amount that was determined by both parties is to be approximately \$302,965. Funds were provided to the Organization in May 2020.

**NOTE 9 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, 2019 and 2018, 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, 2019 and 2018. 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**  
**DECEMBER 31, 2019 AND 2018**

**NOTE 9 AVAILABLE RESOURCES AND LIQUIDITY (CONTINUED)**

	Central Minnesota Housing Partnership Inc.	Rural Developments	Central Minnesota Single Family Housing, LLC	Consolidated Housing Projects	Eliminations	Consolidated Total
2019						
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>
2018						
Cash	\$ 287,880	\$ 106,630	\$ 173,206	\$ -	\$ -	\$ 567,716
Cash - Subsidiaries	-	-	-	868,608	-	868,608
Accounts Receivable	20,706	37,763	2,753	38,739	(9,901)	90,060
Fees for Services Receivable	6,110	-	-	-	(951)	5,159
Management Fee Receivable	73,298	-	-	-	(73,298)	-
Grant Receivable	68,661	-	-	-	-	68,661
TIF Receivable - Current Portion	-	-	-	80,698	-	80,698
Interest Receivable	29,652	-	-	-	-	29,652
Other Current Assets	-	953	-	-	-	953
Total Financial Assets	<u>\$ 486,307</u>	<u>\$ 145,346</u>	<u>\$ 175,959</u>	<u>\$ 988,045</u>	<u>\$ (84,150)</u>	<u>\$ 1,711,507</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 account 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.

**NOTE 10 RISKS AND UNCERTAINTIES**

On March 11, 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its 2020 operations and financial results, including restrictions on the Organization by the governor, additional costs to the Organization, and potential loss of revenue due to reduction in certain revenue streams. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.



**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2019**  
**(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	\$ 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
Prepaid Expenses	6,006	1,925	-	88,935	-	96,866
Total Current Assets	<u>889,640</u>	<u>174,505</u>	<u>539,797</u>	<u>1,275,790</u>	<u>(235,387)</u>	<u>2,644,345</u>
<b>OPERATING RESERVE</b>	-	-	-	769,930	-	769,930
<b>RESERVE FOR REPLACEMENTS</b>	-	234,310	-	1,372,202	-	1,606,512
<b>DEVELOPMENT COST ESCROW</b>	-	-	-	23,849	-	23,849
<b>RESTRICTED DEPOSITS AND FUNDED RESERVES</b>	-	-	-	3,033,190	-	3,033,190
<b>TENANT SECURITY DEPOSITS</b>	-	21,428	-	215,134	-	236,562
<b>PROPERTY AND EQUIPMENT</b>						
Land and Land Improvements	23,000	135,599	49,387	6,346,957	-	6,554,943
Buildings and Improvements	-	3,472,614	1,249,571	49,967,033	(200,000)	54,489,218
Furniture and Equipment	95,311	288,053	-	3,790,658	-	4,174,022
Construction in Progress	-	-	-	6,050,245	-	6,050,245
Total	<u>118,311</u>	<u>3,896,266</u>	<u>1,298,958</u>	<u>66,154,893</u>	<u>(200,000)</u>	<u>71,268,428</u>
Less: Accumulated Depreciation	<u>40,962</u>	<u>2,518,036</u>	<u>658,303</u>	<u>29,210,166</u>	<u>(8,787)</u>	<u>32,418,680</u>
Total Property and Equipment	<u>77,349</u>	<u>1,378,230</u>	<u>640,655</u>	<u>36,944,727</u>	<u>(191,213)</u>	<u>38,849,748</u>
<b>OTHER ASSETS</b>						
Due from Related Parties	1,610,691	-	-	-	(1,610,691)	-
Notes Receivable	255,937	-	-	-	-	255,937
Tax Credit Fees (Net)	-	-	-	110,584	-	110,584
TIF Receivable	-	-	-	33,900	-	33,900
Investments in Related Parties	154,442	-	-	6,446	(93,139)	67,749
Total Other Assets	<u>2,021,070</u>	<u>-</u>	<u>-</u>	<u>150,930</u>	<u>(1,703,830)</u>	<u>468,170</u>
Total Assets	<u><u>\$ 2,988,059</u></u>	<u><u>\$ 1,808,473</u></u>	<u><u>\$ 1,180,452</u></u>	<u><u>\$ 43,785,752</u></u>	<u><u>\$ (2,130,430)</u></u>	<u><u>\$ 47,632,306</u></u>

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**DECEMBER 31, 2019**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

<b>LIABILITIES AND NET ASSETS</b>	Central Minnesota Housing Partnership Inc.	Rural Development	Central Minnesota Single Family Housing, LLC	Consolidated Housing Projects	Eliminations	Consolidated Total
<b>CURRENT LIABILITIES</b>						
Current Maturities of Long-Term Debt	\$ -	\$ 47,578	\$ -	\$ 3,598,513	\$ -	\$ 3,646,091
Lines of Credit	25,000	-	-	179,240	-	204,240
Current Maturities of Capital Lease	3,503	-	-	-	-	3,503
Accounts Payable	183,993	26,693	1,881	2,574,351	(185,609)	2,601,309
Accrued Real Estate Taxes	-	-	-	380,480	-	380,480
Accrued Payroll Expenses	21,450	875	-	-	-	22,325
Accrued Interest	106	682	-	53,398	(33,521)	20,665
Funds Held in Escrow	-	6,937	-	100,686	-	107,623
Other Current Liabilities	38,342	-	-	-	-	38,342
Deferred Revenue	54,050	-	442,914	-	-	496,964
Total Current Liabilities	326,444	82,765	444,795	6,886,668	(219,130)	7,521,542
<b>OTHER LIABILITIES</b>						
Deferred Interest	-	-	-	1,048,792	-	1,048,792
Tenant Security Deposits	-	21,155	-	227,134	-	248,289
Deposit Liability	-	-	390,720	-	-	390,720
Other Liabilities	-	-	-	1,385	-	1,385
Related Party Payables	-	88,942	6,699	1,241,308	(1,336,949)	-
Total Other Liabilities	-	110,097	397,419	2,518,619	(1,336,949)	1,689,186
<b>LONG-TERM LIABILITIES</b>						
Debt (Net of Current Maturities)	-	1,686,809	-	26,260,607	(290,000)	27,657,416
Unamortized Finance Costs	-	(9,000)	-	(1,025,531)	-	(1,034,531)
Total Other Liabilities	-	1,677,809	-	25,235,076	(290,000)	26,622,885
Total Liabilities	326,444	1,870,671	842,214	34,640,363	(1,846,079)	35,833,613
<b>NET ASSETS</b>						
Without Donor Restrictions:						
Without Donor Restrictions - Undesignated	2,458,327	(296,508)	-	(190,374)	-	1,971,445
Without Donor Restrictions - Designated for:						
Reserves	-	234,310	-	-	-	234,310
Property and Equipment	48,846	-	-	-	-	48,846
Single Family Home Development	-	-	338,238	-	-	338,238
Investments in Related Parties	154,442	-	-	-	(284,351)	(129,909)
Without Donor Restrictions - Controlling Interest	2,661,615	(62,198)	338,238	(190,374)	(284,351)	2,462,930
Without Donor Restrictions - Noncontrolling Interest	-	-	-	9,335,763	-	9,335,763
Total Net Assets Without Donor Restrictions	2,661,615	(62,198)	338,238	9,145,389	(284,351)	11,798,693
Total Liabilities and Net Assets	<u>\$ 2,988,059</u>	<u>\$ 1,808,473</u>	<u>\$ 1,180,452</u>	<u>\$ 43,785,752</u>	<u>\$ (2,130,430)</u>	<u>\$ 47,632,306</u>

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS—CONTROLLING INTEREST**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**(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	\$ 581,876	\$ -	\$ -	\$ -	\$ (410,655)	\$ 171,221
Rent Income	-	361,544	-	4,896,260	-	5,257,804
Laundry Income	-	5,432	-	24,366	-	29,798
Garage Income	-	-	-	20,280	-	20,280
Grant Revenues	273,332	-	9,610	-	-	282,942
Contributions	322,563	-	-	-	-	322,563
Investment Return and Interest Income	11,508	428	186	35,024	(7,774)	39,372
Debt Subsidy Income	-	62,000	-	-	-	62,000
Debt Forgiveness	-	4,180	-	-	-	4,180
Other Revenues	135,095	576	35,785	451,052	(26,826)	595,682
Income (Loss) from Investment in Related Parties	(124,237)	-	-	-	125,969	1,732
Total Revenues and Other Support Without Donor Restrictions	1,200,137	434,160	45,581	5,426,982	(319,286)	6,787,574
<b>EXPENSES (EXCLUDING DEPRECIATION AND AMORTIZATION)</b>						
Program Services	761,432	341,063	31,889	4,229,866	(302,529)	5,061,721
Supporting Services Management and General	264,743	-	-	-	-	264,743
Total Expenses (Excluding Depreciation and Amortization)	1,026,175	341,063	31,889	4,229,866	(302,529)	5,326,464
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS BEFORE DEPRECIATION AND AMORTIZATION</b>	173,962	93,097	13,692	1,197,116	(16,757)	1,461,110
Depreciation and Amortization	13,360	154,367	45,642	2,112,575	-	2,325,944
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS BEFORE DISTRIBUTIONS AND NONCONTROLLING INTEREST</b>	160,602	(61,270)	(31,950)	(915,459)	(16,757)	(864,834)
Distributions - Controlling Interest	381,841	-	-	(381,841)	-	-
Contributions - Controlling Interest	(300,300)	-	-	300,300	-	-
Noncontrolling Interest in Subsidiaries Net Loss	-	-	-	(683,299)	-	(683,299)
<b>CHANGES IN NET ASSETS - CONTROLLING INTEREST</b>	<u>\$ 842,743</u>	<u>\$ (61,270)</u>	<u>\$ (31,950)</u>	<u>\$ (614,001)</u>	<u>\$ (16,757)</u>	<u>\$ (181,535)</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 consolidated statements of financial position as of December 31, 2019 and 2018, 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 financial statements, and have issued our report thereon dated September 25, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Central Minnesota Housing Partnership, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings, and questioned costs as 2019-001, 2019-002, and 2019-003, that we consider to be material weaknesses.

### **Compliance and Other Matters**

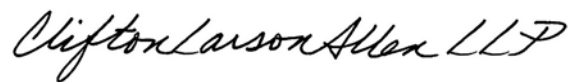
As part of obtaining reasonable assurance about whether Central Minnesota Housing Partnership, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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**

Central Minnesota Housing Partnership, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Central Minnesota Housing Partnership, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

St. Cloud, Minnesota  
September 25, 2020



**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***

We have audited Central Minnesota Housing Partnership, Inc.'s compliance with the types of compliance requirements described 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, 2019. 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.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Central Minnesota Housing Partnership, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Central Minnesota Housing Partnership, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Central Minnesota Housing Partnership, Inc.'s compliance.

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

In our opinion, Central Minnesota Housing Partnership, Inc. complied, in all material respects, with the types of 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, 2019.

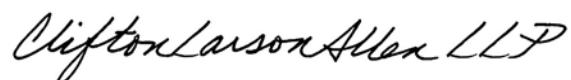
### **Report on Internal Control Over Compliance**

Management of Central Minnesota Housing Partnership, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Central Minnesota Housing Partnership, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Central Minnesota Housing Partnership, Inc.'s 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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  
September 25, 2020

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2019**

Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grantor's Number	Expenditures
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
HUD:			
Housing Counseling Assistance Program	14.169	HC160011025-05	\$ 16,600
Continuum of Care Program	14.267		<u>98,850</u>
Total			<u>115,450</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Rural Rental Housing Loans	10.415		727,751
Rural Rental Assistance Payments	10.427		<u>24,361</u>
Total			<u>752,112</u>
<b>TOTAL FEDERAL AWARDS</b>			<u><u>\$ 867,562</u></u>



**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**DECEMBER 31, 2019**

**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, 2019. 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, 2019.

**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, 2019 consists of:

**FEDERAL LOAN PROGRAMS**

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Outstanding</u>
Rural Rental Housing Loans	10.415	\$ 703,818

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**DECEMBER 31, 2019**

---

***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)?        Yes   X   No

Identification of major programs:

CFDA Number(s)

10.415

Name of Federal Program or Cluster

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, 2019**

---

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

---

**2019-001**

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 accounting principles generally accepted in the United States of America (GAAP); therefore, the potential exists that a material misstatement of the annual 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 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 financial statements are prepared in accordance with GAAP.

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

**Cause:** The Organization has not adopted a policy over the annual financial reporting in accordance with accounting practices prescribed by accounting principles generally accepted in the United States of America, however, they have reviewed and approved the annual 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 financial statements and related footnote disclosures, and will review and approve those prior to the issuance of the annual 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, 2019**

---

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

---

**2019-002**

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 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 U.S. GAAP.

**Effect:** This resulted in the 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 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 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, 2019**

---

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

---

**2019-003**

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 U.S. 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 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 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.

**CENTRAL MINNESOTA HOUSING PARTNERSHIP, INC. AND SUBSIDIARIES**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2019**

---

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

---

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