MODEL CITIES OF ST. PAUL, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Model Cities of St. Paul, Inc. and Subsidiaries
St. Paul, Minnesota

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Model Cities of St. Paul, Inc. and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Model Cities of St. Paul, Inc. and Subsidiaries as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Model Cities BROWNstone Limited Partnership, which statements reflect total assets of $7,595,294 as of December 31, 2023 and total revenues of $444,143 for the year then ended. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Model Cities BROWNstone Limited Partnership, is based solely on the report of the other auditor.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Model Cities of St. Paul, Inc. and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Model Cities of St. Paul, Inc. and Subsidiaries' internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Model Cities of St. Paul, Inc. and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

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

Board of Directors
Model Cities of St. Paul, Inc. and Subsidiaries

Report on Summarized Comparative Information

We have previously audited Model Cities of St. Paul, Inc. and Subsidiaries 2022 consolidated financial statements, and our report dated April 18, 2023, expressed an unmodified opinion on those consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
June 19, 2024

MODEL CITIES OF ST. PAUL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2022)

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 272,734	$ 614,365
Accounts Receivable, Net	86,674	194,994
Grants Receivable	793,809	-
Reserves and Escrow Accounts	428,379	448,080
Prepaid Expenses	25,096	62,170
Tax Credit Fees, Net	16,235	18,039
Total Current Assets	1,622,927	1,337,648
PROPERTY AND EQUIPMENT, NET	15,313,042	15,286,478
OTHER ASSETS		
Certificates of Deposit	16,129	17,495
Properties Held for Sale	2,233,950	-
Total Other Assets	2,250,079	17,495
Total Assets	$ 19,186,048	$ 16,641,621
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of Credit	$ -	$ 904
Notes and Mortgages Payable	2,922,170	729,926
Accounts Payable	471,220	59,767
Security Deposits Payable	95,403	86,436
Accrued Expenses	134,781	127,726
Total Current Liabilities	3,623,574	1,004,759
LONG-TERM LIABILITIES		
Notes and Mortgages Payable, Net	12,920,323	13,286,700
Long-Term Interest Payable	285,318	300,185
Total Long-Term Liabilities	13,205,641	13,586,885
Total Liabilities	16,829,215	14,591,644
NET ASSETS (DEFICIT)		
Without Donor Restrictions:		
Undesignated	(306,907)	(896,241)
Noncontrolling Interest	1,851,460	1,851,460
Total Net Assets Without Donor Restrictions	1,544,553	955,219
With Donor Restrictions	812,280	1,094,758
Total Net Assets	2,356,833	2,049,977
Total Liabilities and Net Assets	$ 19,186,048	$ 16,641,621

See accompanying Notes to Consolidated Financial Statements.

MODEL CITIES OF ST. PAUL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT REVENUE				
Contributions and Grants	$ 961,646	$ 30,000	$ 991,646	$ 578,691
United Way	147,000	-	147,000	155,510
Total Support Revenue	1,108,646	30,000	1,138,646	734,201
SERVICE REVENUE				
Government Agencies	1,429,304	-	1,429,304	1,265,178
Loan Forgiveness Income	375,236	-	375,236	-
Service Fees	-	-	-	53,298
Rental Income, Net	1,025,587	-	1,025,587	915,373
Other Income	196,396	-	196,396	77,247
Total Service Revenue	3,026,523	-	3,026,523	2,311,096
NET ASSETS RELEASED FROM RESTRICTIONS	312,478	(312,478)	-	-
Total Support and Service Revenue	4,447,647	(282,478)	4,165,169	3,045,297
EXPENSES				
Program Services:				
Client Services	513,211	-	513,211	611,999
Safe Space	822,644	-	822,644	633,236
Economic and Community Development	227,749	-	227,749	343,792
Facility Management and Other	1,494,797	-	1,494,797	1,364,111
Properties Management	34,659	-	34,659	5,850
Total Program Services	3,093,060	-	3,093,060	2,958,988
Supporting Expenses:				
Management and General	711,824	-	711,824	640,193
Fundraising	53,429	-	53,429	19,396
Total Supporting Expenses	765,253	-	765,253	659,589
Total Expenses	3,858,313	-	3,858,313	3,618,577
CHANGE IN NET ASSETS BEFORE CAPITAL CONTRIBUTIONS	589,334	(282,478)	306,856	(573,280)
Capital Contributions from Controlling and Noncontrolling Partners	-	-	-	8,786
CHANGE IN NET ASSETS AFTER CAPITAL CONTRIBUTIONS	589,334	(282,478)	306,856	(564,494)
Net Assets - Beginning of Year	955,219	1,094,758	2,049,977	2,614,471
NET ASSETS - END OF YEAR	1,544,553	812,280	2,356,833	2,049,977
NONOPERATING EXPENSES INCLUDED ABOVE				
Interest	128,452	-	128,452	145,407
Depreciation and Amortization	503,057	-	503,057	574,512
Total Nonoperating Expenses	631,509	-	631,509	719,919
CHANGE IN NET ASSETS - EXCLUDING NONOPERATING EXPENSE	$ 1,220,843	$ (282,478)	$ 938,365	$ 146,639

See accompanying Notes to Consolidated Financial Statements.

MODEL CITIES OF ST. PAUL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2022)

	Program Services						Supporting Services				
	Client Services	Safe Space	Economic and Community Development	Facility Management and Other	Properties Management	Total Program Services	Management and General	Fundraising	Total Support Services	2023	2022
Salaries and Wages	$ 344,041	$ 355,076	$ 145,665	$ 132,432	$ -	$ 977,214	$ 293,597	$ 840	$ 294,437	$ 1,271,651	$ 1,275,247
Employee Health and Retirement Benefits	27,220	4,185	25,846	17,962	-	75,213	27,873	-	27,873	103,086	124,538
Payroll Taxes and Workers' Compensation	33,833	29,104	14,132	9,549	-	86,618	26,307	64	26,371	112,989	94,947
Total Salaries and Related Benefits	405,094	388,365	185,643	159,943	-	1,139,045	347,777	904	348,681	1,487,726	1,494,732
Client Assistance	11,278	249	3,262	-	-	14,789	50	-	50	14,839	13,831
Management Services	-	-	-	37,392	-	37,392	-	-	-	37,392	94,659
Fees for Audit & Legal Services	581	-	325	-	6,739	7,645	38,576	-	38,576	46,221	15,376
Accounting Services	-	-	-	-	-	-	9,600	-	9,600	9,600	9,500
Contractual Services	52,379	318,282	4,804	8,782	-	384,247	101,242	52,275	153,517	537,764	364,991
Advertising and Promotion	-	-	-	264	-	264	4,412	-	4,412	4,676	1,548
Office Expenses	184	33,165	1,693	1,402	-	36,444	4,188	-	4,188	40,632	87,387
Office Equipment	982	1,443	-	-	-	2,425	30,128	-	30,128	32,553	-
Repair and Maintenance	3,413	64,169	18,730	295,737	26,436	408,485	10,158	-	10,158	418,643	277,253
Information Technology	24,725	2,394	3,000	1,958	-	32,077	52,259	-	52,259	84,336	-
Conferences, Conventions, and Meetings	2,019	21	-	281	-	2,321	3,358	-	3,358	5,679	1,113
Payments to Affiliates	-	-	-	164,753	-	164,753	-	-	-	164,753	18,197
Interest	-	1,115	159	110,038	-	111,312	17,140	-	17,140	128,452	145,407
Depreciation and Amortization	1,228	-	150	500,100	-	501,478	1,579	-	1,579	503,057	574,512
Insurance	7,253	3,381	-	87,326	-	97,960	21,150	-	21,150	119,110	108,513
Utilities	4,075	3,700	9,446	126,483	-	143,704	27,841	-	27,841	171,545	149,824
Other Expenses	-	5,618	537	-	1,484	7,639	42,366	250	42,616	50,255	261,734
Travel	-	742	-	338	-	1,080	-	-	-	1,080	-
Total Expenses	$ 513,211	$ 822,644	$ 227,749	$ 1,494,797	$ 34,659	$ 3,093,060	$ 711,824	$ 53,429	$ 765,253	$ 3,858,313	$ 3,618,577

See accompanying Notes to Consolidated Financial Statements.

MODEL CITIES OF ST. PAUL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 306,856	$ (573,280)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	503,057	567,253
Interest Expense - Amortization of Finance Fees	-	7,259
Accretion of Imputed Interest	15,347	7,725
Loan Forgiveness Income	(375,236)	-
Net Realized and Unrealized (Gain) Loss on CDs	1,366	6,346
Amortization of Tax Credit Fees	1,804	1,804
Changes in Current Assets and Liabilities:		
Accounts Receivable	108,320	50,189
Grants Receivable	(793,809)	240,010
Security Deposit Payable	8,967	14,244
Prepaids Expenses	37,074	(40,527)
Properties Held for Sale	(2,233,950)	-
Accounts Payable	86,811	(21,433)
Deferred Revenue	-	(5,200)
Accrued Expenses	7,055	(11,153)
Net Cash Provided (Used) by Operating Activities	(2,326,338)	243,237
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(204,979)	(270,430)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Notes and Mortgages Payable	(291,822)	(161,922)
Proceeds from Notes and Mortgages Payable	2,477,578	-
Net Advances on Line of Credit	(904)	615
Financed Long-Term Interest Payable	(14,867)	25,632
Capital Contributions	-	8,786
Net Cash Provided (Used) by Financing Activities	2,169,985	(126,889)
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(361,332)	(154,082)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	1,062,445	1,216,527
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	$ 701,113	$ 1,062,445
RECONCILIATION TO STATEMENT OF FINANCIAL POSITION		
Cash and Cash Equivalents	$ 272,734	$ 614,365
Reserves and Escrow Accounts	428,379	448,080
Total Cash, Cash Equivalents, and Restricted Cash	$ 701,113	$ 1,062,445
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for Interest, Net of Amount Capitalized	$ 113,807	$ 171,140
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Acquisition of Property and Equipment through Accounts Payables	$ 324,642	$ -

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Model Cities of St. Paul, Inc. (MCSP) is a nonprofit corporation that was created to serve high-risk and vulnerable populations in a culturally competent manner. Since its early beginnings, MCSP has gone from being a small neighborhood initiative to a comprehensive community-based organization. Programs and services are designed to increase family stability, prevent or reduce incidents of child abuse and neglect, and preserve the family unit. These include crisis intervention, children's mental health, case management, and in home therapy, supportive housing, job training and development, and other activities designed to move low-income families towards greater economic stability. The mission of MCSP is to promote the physical, mental, spiritual, social, and economic well-being of individuals, families, and communities who are underserved.

Model Cities Community Development Corporation is a nonprofit organization created to stimulate economic activity within St. Paul's inner core neighborhoods by serving as a catalyst for community development and empowerment of economically and socially disadvantaged residents. This mission is carried out by means of development and support to small/minority-owned businesses and commercial and residential real estate development and management.

Model Cities Families First No.1, LLC was created as a single asset entity that offers permanent supportive housing for families who are homeless, and where at least one member of the family has a disability.

Model Cities Sankofa, LLC was created as a single asset entity that offers permanent supportive housing to homeless youth and young adults who are pregnant and/or parenting a young child.

Model Cities Properties (MCP) is a nonprofit corporation organized to own the real property, or to control separate single property entities that own real property. These qualified organizations are providers of low-income/publicly subsidized housing, affordable housing, supportive housing for homeless families, and social services/client services for a defined eligible population. The main activity of MCP to these organizations includes the provision of property management and maintenance services for each property.

Model Cities BROWNstone Commercial, LLC and Model Cities BROWNstone Limited Partnership were created to acquire, own, develop, construct, lease manage and operate a commercial and residential mixed-use complex located in St. Paul, Minnesota.

Model Cities BROWNstone Owners Association was created to manage the activities within Model Cities BROWNstone Commercial, LLC and Model Cities BROWNstone Limited Partnership. This ownership of the Association is between these two entities at 35% and 65%, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Description of Programs

The Organization's programs are as follows:

Client Services

Direct services to program clients who are in need of stabilizing and rebuilding their lives and unifying families. Individualized coordination of care is offered to children diagnosed with severe emotional disorders, to families at risk of having parental rights terminated, to vulnerable adults and elderly individuals for support services, academic enrichment programs to high-risk youth, and alternative programs for youth at risk of detention.

Economic and Community Development

Stimulates economic activity within St. Paul's inner core neighborhoods. Develops affordable housing, supportive housing, and commercial development projects all designed to create opportunities for low-income individuals and families.

Facility Management and Other

Asset management activities to include leasing, property management and maintenance, building safety, and security and resident training.

Principles of Consolidation

The consolidated financial statements include the accounts of Model Cities of St. Paul, Inc. and Subsidiaries and will be referred to collectively as the Organization. Model Cities of St. Paul, Inc. owns 100% of Model Cities Community Development Corporation.

Model Cities Properties is the sole member of two LLC entities, Model Cities Supportive Housing, LLC and Model Cities BROWNstone Commercial, LLC. Model Cities Supportive Housing, LLC is the sole member of two LLC entities, Model Cities Families First No.1, LLC and Model Cities Sankofa, LLC. Model Cities BROWNstone Commercial, LLC is the general partner of Model Cities BROWNstone Limited Partnership. The Investor Limited Partner is MHEG Fund 44, LP, and the Special Limited Partner is Midwest Housing Assistance Corporation. Income, losses and tax credits other than from the sale of the BROWNstone Project, are generally allocated 0.01% to the General Partner and 99.99% to the Investor Limited Partner. Model Cities BROWNstone Limited Partnership is a 65% owner of Model Cities BROWNstone Owners Association.

All material interorganization transactions and balances have been eliminated upon consolidation.

Basis of Accounting

The Organization uses the accrual basis of accounting whereby revenue and support are recognized when earned and expenses are recognized when incurred.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

Net assets and revenues, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Without Donor Restrictions – Resources over which the board of directors has discretionary control. Designated amounts represent those net assets which the board has set aside for a particular purpose.

With Donor Restrictions – Resources subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be satisfied by actions of the Organization or the passage of time. Other donor-imposed restrictions will be held in perpetuity by the Organization. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource has restriction has been fulfilled, or both.

Nonoperating Expenses

The Organization has defined nonoperating to include interest, depreciation, and amortization expense.

Cash and Cash Equivalents

The Organization considers highly liquid investments with original maturities of three months or less to be cash equivalents. The Organization places its cash and temporary cash investments with high credit quality financial institutions. At times, such amounts may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limits. The Organization has not experienced any loss associated with this practice. Restricted escrows, reserves, and security deposits are not considered cash equivalents.

Accounts Receivable

Accounts receivable are stated at net realizable value. Bad debts are provided on the reserve method based on historical experience and management's evaluation of outstanding receivables at the end of each year including a forward looking analysis based on available factors. When all collection efforts have been exhausted, the accounts are written off against the related allowance. The allowance for uncollectible accounts was $3,879 and $16,568 as of December 31, 2023 and 2022, respectively.

Government funding agreements that are determined to be exchange transactions are recorded as revenues and accounts receivable at the time of invoicing for the exchange transaction (i.e., when the units of service or expenses incurred are billed).

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reserves and Escrow Accounts

Balances reflect advances that are being used for capital projects. The Model Cities BROWNstone Limited Partnership Agreement and debt agreements require Model Cities BROWNstone Limited Partnership to fund the following reserves and escrows:

Tax and Insurance Escrows – Restricted cash is held to be used for payment of real estate taxes, property insurance and mortgage insurance.

Residual Receipts Reserve – A residual receipts reserve is to be funded for the financial benefit of the Project. Deposits to the reserve are required from available cash flow. Withdrawals from the reserve require the approval from the Minnesota Housing Finance Agency. This reserve has not been funded at December 31, 2023.

Replacement Reserve – A replacement reserve is to be funded in monthly installments of $1,313. The replacement reserve is to be used for capital replacements. Withdrawals from the reserve require the approval of the Special Limited Partner. Deposits to the reserve are required from available cash flow, as defined by the Partnership Agreement, up to the amount of any previous withdrawals from the reserve. Total deposits were $15,570 in 2023 and 2022. This reserve has been properly funded at December 31, 2023.

Operating Deficit Reserve – An operating deficit reserve in the amount of $160,000 was established in 2018. The operating deficit reserve may be used to fund operating deficits, debt service obligations and other expenses as approved by the Special Limited Partner. A balance no less than six months' estimated debt service must be maintained. Any funds remaining in the operating deficit reserve at the end of the compliance period may be distributed to the General Partner to purchase the Limited Partners' interests. This reserve has been properly funded at December 31, 2023.

LISC Interest Reserve – An interest reserve in the amount of $162,000 was established in 2023. The interest reserve may be used to fund interest on the LISC loan and other expenses as approved by LISC. The Organization is obligated to pay all accrued interest when due and in the event the interest reserve is deemed to be inadequate the Organization is required to pay using its own funds and not from the proceeds on the loan. This reserve has been properly funded at December 31, 2023.

MHFA Savings Replacement Reserve – A savings replacement reserve was established in 2017. The saving replacement reserve may be used to fund larger expenses on certain Sankofa and Families First properties. The Organization is required to make monthly payments to Minnesota Housing Finance Agency (MHFA) who administers the account. This reserve has been properly funded at December 31, 2023.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reserves and Escrow Accounts (Continued)

Reserves and escrow accounts consist of the following as of December 31:

	2023	2022
Replacement Reserve	$ 91,638	$ 79,423
Operating Deficit Reserve - Residential	131,187	129,788
Operating Reserve - Commercial	18,988	18,988
Tenant Improvement Lease-Up Reserve	-	544
Savings Guarantor Reserve	-	135,804
Tax and Insurance Escrows	10,419	29,466
Interest Reserve	114,913	-
Savings Replacement Reserve	61,234	54,067
Total	$ 428,379	$ 448,080

Property and Equipment

Property and equipment are stated at cost if purchased, or fair market value on the date received if donated, less accumulated depreciation. The Organization capitalizes all significant additions and improvements with a useful life greater than one year that exceeds $5,000. Depreciation is computed using the straight-line method based on estimated useful lives of 3 to 40 years. Depreciation expense of $503,057 and $567,253 was recorded for the years ended December 31, 2023 and 2022, respectively.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized for the period. The cost of maintenance and repairs is expensed as incurred.

Certificates of Deposit

Certificates of deposit have original maturities greater than three months and are recorded at cost plus accrued interest.

Imputed Interest

The Organization holds debt with below market interest rates. Interest is imputed on this debt at market rate for similar debt at the time of issuance. Such debt has been presented net of discount for below market interest until maturity.

Properties Held for Sale

The Organization acquires properties either by foreclosure of delinquent loans or direct purchase. The properties are then rehabilitated and sold to buyers. Properties held for sale are recorded at cost plus capitalized interest and certain holding costs, such as insurance, and reduced by an allowance for estimated losses. At times, the Organization operates property acquired through foreclosure as rental property to minimize holding costs until the property can be sold.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Financing Costs

Deferred financing costs consist of finance and closing costs of loans and notes payable. These amounts are being amortized over the life of the related liability, from 5 to 20 years on a straight-line method. These costs are presented net with the related long-term notes and mortgages payable (Note 5).

Revenue Recognition

Fee for Service

The Organization has various service contracts in place to provide advisement, education and case management services. Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges or hours incurred in relation to total expected (or actual) charges or hours. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

Government Grants

Government grants are recognized when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the final assessment is made.

Contributions

Contributions are recognized as revenue when they are received or unconditionally pledged. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other support with donor restrictions is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

Rental Income

Rental income is recognized for property rentals when it is due from renters. Advance receipts of rental income are deferred or classified as liabilities until earned. Service fees and all other exchange transactions are recorded as revenue when earned.

Certain properties are sold based on contract for deed or lease to purchase arrangements. MCSP generally recognizes revenue on the sales when title passes to the buyer. If the sale does not meet the criteria for revenue recognition the sale transaction is deferred using the deposit method. Under the deposit method, payments received from customers are classified as a liability, and the profit or loss recognition is deferred until the criteria for revenue recognition are met.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

At December 31, 2023, contributions and government grants approximating $524,486, which have not been received in advance, have not been recognized in the accompanying consolidated financial statements because conditions have not yet been met.

Functional Allocation of Expenses

The cost to the Organization of providing the various programs has been presented on a functional basis. Accordingly, certain costs have been allocated between program and the supporting services benefited. Expenses are allocated based upon time spent or estimates made by management.

Income Taxes

Model Cities of St. Paul, Model Cities Community Development, and Model Cities Properties are all exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. These entities are public charities and contributions to these entities qualify as a charitable tax deduction by the contributor. The consolidated LLCs are disregarded entities for tax purposes and are not subject to federal income taxes.

Model Cities BROWNstone Limited Partnership is not a taxpaying entity. All taxes effects of these partnerships are passed through to the partners.

The Organization follows guidance on accounting for uncertainty in income taxes. The Organization reviews and assesses its tax positions taken or expected to be taken in tax returns. Based on this assessment, the Organization determines whether it is more likely than not that the tax positions would be sustained upon examination by tax authorities. The Organization's assessment has not identified any significant positions that it believes would not be sustained under examination.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenditures during the reporting period. Ultimate results could differ from those estimates.

Presentation of Prior Year Information

The consolidated financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended December 31, 2022 from which the summarized information was derived.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Organization determines if an arrangement is a lease at inception. Leases are reported on the consolidated statement of financial position as a right-of-use (ROU) asset and lease liability. ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right-of-use assets on the statements of financial position. As of December 31, 2023, there are no leases in which the Organization is the lessee.

Adoption of New Accounting Standards

The Organization has adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses. The Organization adopted this new guidance utilizing the modified retrospective transition method. The adoption of this standard did not have a material impact on the Organization's financial statements but did change how the allowance for credit losses in determined.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to agree with the current year presentation. The reclassification had no effect on the change in total net assets as previously reported.

Subsequent Events

Subsequent events have been evaluated through June 19, 2024, which is the date the consolidated financial statements were available to be issued.

NOTE 2 LIQUIDITY

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization also receives significant contributions with donor restrictions, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

NOTE 2 LIQUIDITY (CONTINUED)

The Organization maintains cash and cash equivalents in compliance with covenants and to meet expenses, including cash reserves, and lines of credit. These items are not included in the table below and are not considered as general expenditures.

- A guarantor reserve will be maintained in compliance with the BROWNstone Limited Partnership Agreement throughout the required term.
- Reserves are established for operating expenses, including property taxes, replacement of major building components (i.e., roofs, HVAC system, and parking lots) and general operating expenses.

As of December 31, 2023 and 2022, the following table shows the financial assets held by the Organization which could readily be made available within one year of the consolidated statement of financial position date to meet general expenditures:

	2023	2022
Cash and Cash Equivalents	$ 272,734	$ 558,294
Accounts Receivable	65,773	194,994
Grants Receivable	814,710	-
Total	$ 1,153,217	$ 753,288

NOTE 3 CONTRACT ASSETS AND LIABILITIES

The Organization's contract assets and liabilities as of December 31 consists of:

	2023	2022	2021
Contract Assets:			
Accounts Receivable	$ 65,773	$ 194,183	$ 245,183
Contract Liabilities:			
Deferred Revenue	-	-	5,200

NOTE 4 PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows as of December 31:

	2023	2022
Land	$ 1,046,976	$ 1,046,976
Buildings	15,435,859	15,411,190
Furniture and Equipment	532,179	466,054
Building Improvements	3,329,911	3,329,911
Vehicles	19,141	19,141
Construction in Process	470,102	-
Less: Accumulated Depreciation	(5,521,126)	(4,986,794)
Property and Equipment, Net	$ 15,313,042	$ 15,286,478

NOTE 5 PROPERTIES HELD FOR SALE

	2023	2022
Properties Held for Sale	$ 2,233,950	$ -
Number of Properties	1	-

The Organization capitalizes interest incurred on rehabilitation and construction projects. There was no capitalized interest on the properties held for sale in 2023 and 2022. Subsequent to fiscal year-end, the Organization sold one property which was classified as held for sale as of the fiscal year-end. This resulted in $9,900 being recorded in 2024 as developer fee revenue.

NOTE 6 NOTES AND MORTGAGES PAYABLE

The Organization has current maturities of notes and mortgages payable of $2,922,170 as reflected in the consolidated statement of financial position. This is the amount of debt retirement that is expected to occur during the year ended December 31, 2024. Additionally, the Organization has debt of $11,158,112 (portion of long-term notes and mortgages payable on the consolidated statement of financial position) that is not due until the year 2029 and thereafter. This is reflected in the future maturities table at the conclusion of Note 6 on page 22.

Notes and mortgages payables consist of the following as of December 31:

Description	2023	2022
Recoverable grant from Local Initiatives Support Corporation (LISC); 5% annual interest with lump sum of $2,475,000 payment due at earlier of April 27, 2026 or sale of the property.	$ 2,348,863	$ -
Recoverable grant from Local Initiatives Support Corporation (LISC); 0% annual interest with lump sum $30,000 payment due at earlier of June 30, 2026 or close of construction financing of the Central Exchange project.	30,000	30,000
Note payable to Nonprofits Assistance Fund/Propel; interest-only payments of 3% starting April 2022 followed by a final payment due on September 2, 2025 for any unpaid principal and interest; secured by all business assets.	79,483	124,766
Unsecured program related investment payable to Otto Bremer Trust. Annual interest only payments of 2.0% on unpaid principal balance beginning in May 2017 and continuing to maturity date when final principal balance is due on May 19, 2028.	175,000	250,000

NOTE 6 NOTES AND MORTGAGES PAYABLE (CONTINUED)

Description (Continued)	2023	2022
PARIF Note payable to Minnesota Housing Finance Agency originating on September 11, 2017 at 0% interest; lump sum principal payment due on September 11, 2047, secured by MHFA PARIF combination mortgage, security agreement, and fixture financing statement.	$ 196,011	$ 196,011
Note payable to HRA, originating on December 28, 2001 with no interest; principal due upon the sale or transfer of the property or December 31, 2027, whichever is earlier; secured by property at 914 Thomas Avenue, St. Paul.	25,000	25,000
Note payable to Minneapolis/St. Paul Family Housing Fund (FHF); annual interest of 2%, maturing on August 10, 2032, when all outstanding interest and principal shall be due in full; secured by property at 515 Dale Street, St. Paul.	125,000	125,000
CDBG loan payable to the City of St. Paul at an interest rate of 1%; monthly payments of principal and interest starting on November 5, 2017 through the maturity date; annual payments of 50% of the available net cash flow of the project for the prior calendar year commencing on November 5, 2020 and continuing through the maturity date at which time the outstanding interest and principal shall be due in full; loan will mature on November 5, 2039; secured by a mortgage and assignment of leases and rents.	356,000	356,000
TIF loan payable to the City of St. Paul at a 0% interest rate; outstanding principal is due on the maturity date of November 5, 2022; secured by property at 839 University.	-	105,236
Original STAR loan ($390,000) from the City of St. Paul with remaining balance of $300,886. This principal amount with interest at 2% per annum will be paid as follows: no payments shall be due and no interest shall be accrued through June 5, 2026. Commencing on July 5, 2026, monthly payments of $28,936 shall be made until July 5, 2037; secured by property at 849 University Avenue, St. Paul.	300,886	300,886
Commercial note payable with the City of St. Paul being serviced by Anchor Bank with monthly principal and interest payments, maturing on June 5, 2026; the interest will accrue at a rate of 2% per annum; of the total note, $499,490 is a "subsidy" and only payable if certain project goals are not met; note is secured by property at 839 University.	1,791,157	1,919,418

NOTE 6 NOTES AND MORTGAGES PAYABLE (CONTINUED)

Description (Continued)	2023	2022
Note payable to Federal Home Loan Bank (FHLB) of Des Moines with no annual principal or interest unless the property is sold or changes its purpose for 10 years; maturing on November 1, 2023, unsecured; the note was used toward low income housing at 625 Chatsworth and 990 LaFond, St. Paul.	$ -	$ 270,000
Note payable to FHF originating on January 4, 2002, with no annual interest, maturing on December 31, 2027; secured by property at 515 Dale Street, St. Paul.	25,000	25,000
Note payable to FHF originating on January 4, 2002, with no annual interest, maturing on December 31, 2027; secured by property at 515 Dale Street, St. Paul.	200,000	200,000
Note payable to Minnesota Housing Finance Agency (MHFA), with no annual interest; maturing on December 16, 2032; the note contains covenants which place income and rent affordability restrictions on rental of the property; secured by properties at 914 Thomas Avenue and 515 Date Street, St. Paul.	700,000	700,000
Note payable to MHFA originated in 2002 with no annual interest; principal will be forgiven 10% per year after 10 years (effective 2012) if the project continues to be used for low income housing, after 20 years, the entire loan will be forgiven; secured by property at 914 Thomas Avenue, St. Paul.	-	52,461
STAR loan payable to the City of St. Paul at an interest rate of 3.5%; monthly principal and interest payments of $17,220 commencing on November 5, 2024 and continuing through maturity date; outstanding principal is due at maturity on November 5, 2032; secured by property at 839 University and an assignment of rents and leases.	220,000	220,000
Note payable to FHF with no annual interest; maturing on December 8, 2034; secured by property at 833 University, St. Paul.	200,000	200,000
Note payable to MHFA with no annual interest, maturing on December 8, 2034; secured by the property at 833 University Avenue, St. Paul.	299,151	299,151

NOTE 6 NOTES AND MORTGAGES PAYABLE (CONTINUED)

Description (Continued)	2023	2022
Note payable to HRA at an annual interest rate of 2%; due and payable on the earlier of December 8, 2034 or when the project ceases to serve very low income persons; secured by property at 833 University Avenue, St. Paul.	$ 300,000	$ 300,000
Note payable to MHFA at 0% interest; lump sum principal payment due at maturity on June 26, 2038; secured by property at 625 Chatsworth and 990 LaFond, St. Paul.	1,250,000	1,250,000
Note payable to FHF with no annual interest due; maturing on June 26, 2038; secured by property at 625 Chatsworth and 990 LaFond, St. Paul.	100,000	100,000
TIF loan payable to the Housing and Redevelopment Authority of the City of St. Paul; entire balance is due at maturity on June 30, 2046; interest rate on the loan is 0%; secured by mortgaged property and assignment of rents and leases.	1,668,248	1,668,248
Notes payable to HRA with no annual interest due, principal due upon the sale of the property without the Lender's prior consent or June 30, 2047, whichever is earlier; secured by mortgaged property.	232,692	232,692
Promissory note with Minnesota Housing Finance Agency under the Economic Development and Housing Challenge Program; accrued interest at 0% plus all principal due at maturity on June 22, 2046; secured by property and assignment of rents and leases.	1,302,000	1,302,000
LCDA loan payable to the City of St. Paul without interest; outstanding principal is due June 30, 2046; secured by property at 839 University and an assignment of rents and leases.	421,350	421,350
TOD loan payable to the City of St. Paul without interest; outstanding principal is due June 30, 2046; secured by property at 839 University and an assignment of rents and leases.	104,356	104,356
TBRA loan payable to the City of St. Paul without interest; outstanding principal is due June 30, 2046; secured by property at 839 University and an assignment of rents and leases.	119,096	119,096

NOTE 6 NOTES AND MORTGAGES PAYABLE (CONTINUED)

Description (Continued)	2023	2022
HOME loan payable to the Housing and Redevelopment Authority of the City of St. Paul at an interest rate of 1%; all outstanding principal and interest are due at maturity date on June 30, 2046; secured by property at 839 University and an assignment of rents and leases.	$ 750,000	$ 750,000
PARIF loan payable to Minnesota Housing Finance Agency without interest; outstanding principal is due at maturity on September 11, 2047.	973,989	973,989
Loan payable to Western Bank. Monthly principal and interest payments of $2,637 starting on August 19, 2019 through final maturity on July 19, 2027. interest amount is 6% per annum.	104,195	129,708
Loan from the City of St. Paul for financing the Brownstone commercial project; interest rate of 2%, with a maturity date for outstanding principal amount due on February 28, 2024.	63,520	63,520
Loan from the City of St. Paul for financing the Brownstone commercial project; interest rate of 2%, with a maturity date for outstanding principal amount due on February 28, 2024.	56,612	56,612
Forgivable loan from the City of St. Paul for financing the Brownstone commercial project; interest rate of 2%, with a maturity date for outstanding principal amount due on February 28, 2024. Loan will be forgiven if certain employment levels are achieved throughout the loan term.	164,566	128,571
CDBG loan from the City of St. Paul for financing the preservation construction project for 833 University; interest rate of 1%, with a maturity date for the outstanding principal and interest amount due on September 6, 2053	145,461	-
Loan from MN Housing dated June 30, 2021 in the amount of $1,425,000, with an interest rate of 3.25% plus an additional 0.125% annually for mortgage insurance. Loan is payable in monthly installments of $5,685 through August 1, 2056 and may not be prepaid before June 30, 2031.	1,371,973	1,395,191
Subtotal	16,199,609	14,394,262
Less: Unamortized Debt Issuance Costs	(150,086)	(155,537)
Less: Imputed Interest on 0% loans	(207,030)	(222,099)
Total Debt, Net Unamortized Debt Issuance Costs	15,842,493	14,016,626
Less: Current Maturities	(2,922,170)	(729,926)
Total Long-Term Notes and Mortgages Payable	$ 12,920,323	$ 13,286,700

NOTE 6 NOTES AND MORTGAGES PAYABLE (CONTINUED)

There are various restrictions placed on certain debt arrangements associated with the BROWNstone project. Such restrictions include (1) tenants must meet income limitations to qualify for occupancy; (2) monthly rental rates are approved by MN Housing; (3) all required escrows and reserves must be maintained.

Interest expense has been recorded by the Organization using the stated rates of the actual note agreement. Certain note agreements have stated interest rates that are less than the prevailing market rates. Interest expense has been imputed using a 5% annual rate based on the Organization's borrowing rate at the time the loans were originated.

Maturity requirements of notes and mortgages payables are noted in the following table.

Year Ending December 31,	Amount
2024	$ 2,922,170
2025	373,079
2026	1,562,502
2027	101,437
2028	82,309
Thereafter	11,158,112
Total	$ 16,199,609

NOTE 7 NET ASSETS

At December 31, 2023 and 2022, net assets with donor restrictions are restricted for contributions as a result of 0% of loans payable and grants for the BROWNstone project.

	2023	2022
Imputed Interest on 0% Loans Payable	$ 207,030	$ 222,099
Supportive Housing Rehabilitation - MCFF and MCS	560,000	560,000
Purpose Restrictions - Capacity Building	45,250	312,659
Ending Net Assets with Donor Restrictions Balance	$ 812,280	$ 1,094,758

Net assets released from restrictions during the years ended December 31, 2023 and 2022 consist of amortization of imputed interest on 0% loans and time restrictions being satisfied.

In 2003, MCSP received two supportive housing construction grants each amounting to $400,000 from the United States Department of Housing and Urban Development (HUD). These two grants require that the property be used for supportive housing for a 20-year period effective January 2006 for property at 833 University Avenue, St. Paul and effective April 2003 for property at 914 Thomas Avenue and 515 Dale Street. If the Organization discontinues providing supportive housing at any time during the first 10 years, the entire grant needs to be repaid to HUD. If the project is used as supportive housing for more than 10 years, HUD will reduce the percentage of the amount required to be repaid by 10 percentage points for each year in excess of 10 that the project continues to be used for supportive housing. These grants are reflected in the Organization's net assets without donor restrictions.

NOTE 7 NET ASSETS (CONTINUED)

In 2016, MCSP received two supportive housing rehabilitation grants totaling $560,000 from the Federal Home Loan Bank of Des Moines. These two grants require that the property at 883 University Avenue, 990 LaFond and 625 Chatsworth be rented to qualifying low-income households for a 15-year period. This requirement is expected to be fulfilled in January 2033. These grants are reflected in the Organization’s net assets with donor restrictions.

NOTE 8 HOUSING TAX CREDIT

Model Cities BROWNstone Limited Partnership has received an allocation of housing tax credits from the Minneapolis/ Saint Paul Housing Finance Board. As of December 31, 2023, the partners of Model Cities BROWNstone Limited Partnership have utilized $2,072,728. The expected availability of the remaining housing tax credits is $345,448 annually from 2024 through 2027.

NOTE 9 LEASE REVENUE

In 2018, the Organization resumed leasing space to various commercial tenants under operating leases of various terms.

Rental payments on noncancelable commercial leases with terms exceeding one year vary from year to year. The Organization has leases signed with tenants that have varying expirations through 2029. The total rental income that will be received over the course of these leases over future years will be approximately $459,000.

Total rental income, net of vacancy allowances, received on all commercial leases was $552,795 and $487,562 for the years ended December 31, 2023 and 2022, respectively.

Additionally, the Organization leases space to various residential tenants under supportive housing programs. These residential leases are 12 months in duration. Total rental income, net of vacancy allowances received on all residential supportive housing leases, amounted to $429,622 and $457,127 for the years ended December 31, 2023 and 2022, respectively.

NOTE 10 CONCENTRATIONS

Support revenue from two donors represents 46% and one donor represents 32% of the Organization’s total support revenue for the years ended December 31, 2023 and 2022, respectively. There were no contributions receivable as of December 31, 2023 and 2022.

Total government agencies revenue consisted of 63% from two funders and 92% from one donor for the years ended December 31, 2023 and 2022, respectively. Accounts receivable from three funders represents 79% and two funders represents 70% of the Organization’s accounts receivable as of December 31, 2023 and 2022, respectively.

NOTE 11 CAPITAL COMMITMENTS

In 2023, the Organization entered into a contractual agreement with Flannery Construction, Inc. for the 833 University repairment project. Total remaining commitment to be paid on the project is $358,056.

NOTE 12 RETIREMENT PLAN

The Organization has a qualified 403(b) retirement plan which is available to employees working 20 hours per week beginning the first day of employment. The Organization matches 4% of the employees' contribution to the plan up to $12,000 annually. The Organization's contribution to the plan was $7,051 and $4,666 during the years ended December 31, 2023 and 2022, respectively.

NOTE 13 FUTURE OPERATIONS

The Organization was founded in 1967 to remedy healthcare access issues among low-income residents in the Rondo neighborhood, a thriving Black community destroyed by the 1960s construction of I-94 that displaced residents across the Twin Cities and dispersed the family-owned homes and businesses that make intergenerational wealth and housing stability possible. Today, our work invests in the wealth, stability, and wellbeing of neighborhoods by developing equitable housing, leveraging economic opportunities, and advocating for and providing culturally competent, client-based services.

The Organization's service continuum creates pathways to move people from homelessness and poverty to housing stability and homeownership. Outcomes from our past year demonstrate the efficacy of our approach:

- 2,891 individuals were served across programs with 70% identifying as Black, Indigenous and People of Color (BIPOC).

- 95 parents and children living in our service-enriched housing were supported with connections to culturally responsive community resources for basic needs including food, furniture, and other supports.

- 48 individuals with low incomes gained safe, affordable housing through our BROWNstone Loft apartments.

- 2,159 unsheltered adults accessed emergency overnight shelter and basic services including showers, toiletries, and bagged lunches at the Safe Space shelter.

- 584 individuals were helped to meet their financial goals in debt reduction, homeownership, entrepreneurship, financial literacy, and homebuyer education. 63 of these households purchased their first home.

- Commercial retail space provided to 5 BIPOC business owners who created 22 livable wage jobs.

NOTE 13 FUTURE OPERATIONS (CONTINUED)

Additionally, in 2023, the Organization completed its 2024-2026 Strategic Plan. Over the triennial period, the Organization will focus on the following organizational goals:

1. Develop community-focused housing solutions that address root causes of racial and socioeconomic inequities.

2. Increase capacity through funding, organizational development, and improvements in workplace culture.

3. Cultivate opportunities for strategic growth and long-term organizational sustainability.

2023 was a year of financial “heavy lifting” for Model Cities – overall it was a fantastic year for the organization on the strength of new multi-year grants totaling $304,000, forgiveness of multiple pieces of debt totaling $375,236 and continued progress towards efforts to reduce long-term debt obligations. This in the face of navigating the continued challenges that are impacting the entire affordable housing industry across most of the country.

In 2023, the Organization’s Change in Net Assets (Excluding Nonoperating Expenses) totaled $938,365. As this number continues to trend in a positive direction, the Organization will continue to focus on increasing capacity by expanding and diversifying its revenue streams, building strategic collaborations, and strengthening our operations to create better housing, homeownership, and shelter experiences for people we serve along the continuum.

Over the next year, the Organization will continue to improve financial stability by continuing to grow in the areas of fund development, volunteer engagement and fundraising activities and individual giving. Lastly, the Organization’s key activities over the next year will include:

- Partnering with County and City government to relocate facility operations for Safe Space shelter.

- Increasing homeownership services in the local community through the implementation of the Shared Ownership Collaborative – St. Paul, 9000 Equities and other homeownership initiatives focused on increasing BIPOC community ownership and closing the racial homeownership gap for black households.

- Finalizing the sale of the 650 Marshall Avenue to Walker West Music Academy.

- Closing on the 652 Sherburne Avenue development that will create six (6) units of housing using a Community Ownership model to increase generational wealth for families with low incomes. Construction is anticipated to begin in Summer 2024.