MODEL CITIES OF ST. PAUL, INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

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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, 2022, 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, 2022, 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 $7,771,013 as of December 31, 2022 and total revenues of $415,875 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 2021 consolidated financial statements, and our report dated April 19, 2022, 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, 2021 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
April 18, 2023

MODEL CITIES OF ST. PAUL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2021)

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 668,432	$ 667,323
Accounts Receivable, Net	194,994	245,183
Grants Receivable	-	240,010
Reserves and Escrow Accounts	394,013	549,204
Prepaid Expenses	62,170	21,643
Tax Credit Fees, Net	18,039	19,843
Total Current Assets	1,337,648	1,743,206
PROPERTY AND EQUIPMENT, NET	15,286,478	15,583,301
OTHER ASSETS		
Certificates of Deposit	17,495	23,841
Total Other Assets	17,495	23,841
Total Assets	$ 16,641,621	$ 17,350,348
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of Credit	$ 904	$ 289
Notes and Mortgages Payable	729,926	427,592
Accounts Payable	59,767	81,200
Security Deposits Payable	86,436	72,192
Accrued Expenses	127,726	138,879
Total Current Liabilities	1,004,759	720,152
LONG-TERM LIABILITIES		
Deferred Revenue	-	5,200
Notes and Mortgages Payable, Net	13,286,700	13,735,972
Long-Term Interest Payable	300,185	274,553
Total Long-Term Liabilities	13,586,885	14,015,725
Total Liabilities	14,591,644	14,735,877
NET ASSETS (DEFICIT)		
Without Donor Restrictions:		
Undesignated	(896,241)	(708,086)
Noncontrolling Interest	1,851,460	2,053,457
Total Net Assets Without Donor Restrictions	955,219	1,345,371
With Donor Restrictions	1,094,758	1,269,100
Total Net Assets	2,049,977	2,614,471
Total Liabilities and Net Assets	$ 16,641,621	$ 17,350,348

See accompanying Notes to Consolidated Financial Statements.

MODEL CITIES OF ST. PAUL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT REVENUE				
Contributions and Grants	$ 538,691	$ 40,000	$ 578,691	$ 1,041,226
United Way	155,510	-	155,510	178,970
Total Support Revenue	694,201	40,000	734,201	1,220,196
SERVICE REVENUE				
Government Agencies	1,265,178	-	1,265,178	1,327,423
Loan Forgiveness Income	-	-	-	286,150
Service Fees	53,298	-	53,298	18,999
Rental Income, Net	915,373	-	915,373	893,608
Other Income	77,247	-	77,247	93,188
Total Service Revenue	2,311,096	-	2,311,096	2,619,368
NET ASSETS RELEASED FROM RESTRICTIONS	214,342	(214,342)	-	-
Total Support and Service Revenue	3,219,639	(174,342)	3,045,297	3,839,564
EXPENSES				
Program Services:				
Client Services	611,999	-	611,999	1,224,212
Safe Space	633,236	-	633,236	-
Economic and Community Development	343,792	-	343,792	284,928
Facility Management and Other	1,364,111	-	1,364,111	1,450,657
Properties Management	5,850	-	5,850	-
Total Program Services	2,958,988	-	2,958,988	2,959,797
Supporting Expenses:				
Management and General	640,193	-	640,193	555,758
Fundraising	19,396	-	19,396	8,943
Total Supporting Expenses	659,589	-	659,589	564,701
Total Expenses	3,618,577	-	3,618,577	3,524,498
CHANGE IN NET ASSETS BEFORE CAPITAL CONTRIBUTIONS	(398,938)	(174,342)	(573,280)	315,066
Capital Contributions from Controlling and Noncontrolling Partners	8,786	-	8,786	-
CHANGE IN NET ASSETS AFTER CAPITAL CONTRIBUTIONS	(390,152)	(174,342)	(564,494)	315,066
Net Assets - Beginning of Year	1,345,371	1,269,100	2,614,471	2,299,405
NET ASSETS - END OF YEAR	955,219	1,094,758	2,049,977	2,614,471
NONOPERATING EXPENSES INCLUDED ABOVE				
Interest	145,407	-	145,407	139,696
Depreciation and Amortization	574,512	-	574,512	581,346
Total Nonoperating Expenses	719,919	-	719,919	721,042
CHANGE IN NET ASSETS - EXCLUDING NONOPERATING EXPENSE	$ 320,981	$ (174,342)	$ 146,639	$ 1,036,108

See accompanying Notes to Consolidated Financial Statements.

MODEL CITIES OF ST. PAUL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021)

	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	2022	2021
Salaries and Wages	$ 385,757	$ 302,729	$ 276,485	$ -	$ -	$ 964,971	$ 310,276	$ -	$ 310,276	$ 1,275,247	$ 1,204,307
Employee Health and Retirement Benefits	47,303	2,384	31,012	-	-	80,699	43,839	-	43,839	124,538	147,181
Payroll Taxes and Workers' Compensation	29,161	23,182	19,254	103	-	71,700	23,247	-	23,247	94,947	87,007
Total Salaries and Related Benefits	462,221	328,295	326,751	103	-	1,117,370	377,362	-	377,362	1,494,732	1,438,495
Client Assistance	13,831	-	-	-	-	13,831	-	-	-	13,831	27,763
Management Services	-	-	-	94,659	-	94,659	-	-	-	94,659	65,286
Legal Services	-	-	-	-	3,614	3,614	11,762	-	11,762	15,376	37,810
Accounting Services	-	-	-	-	-	-	9,500	-	9,500	9,500	8,500
Other Services	90,422	258,939	8,165	868	-	358,394	5,322	1,275	6,597	364,991	363,203
Advertising and Promotion	-	-	-	1,548	-	1,548	-	-	-	1,548	790
Office Expenses	10,830	18,476	1,998	-	732	32,036	55,351	-	55,351	87,387	65,562
Repair and Maintenance	1,004	20,184	4,634	218,577	-	244,399	32,854	-	32,854	277,253	252,528
Occupancy	-	-	-	-	-	-	-	-	-	-	123,111
Conferences, Conventions, and Meetings	24	80	-	-	-	104	1,009	-	1,009	1,113	1,949
Payments to Affiliates	-	-	-	18,197	-	18,197	-	-	-	18,197	12,482
Interest	-	634	49	127,486	-	128,169	17,238	-	17,238	145,407	139,696
Depreciation and Amortization	-	-	-	563,860	-	563,860	10,652	-	10,652	574,512	581,346
Insurance	2,498	2,058	-	87,546	-	92,102	16,411	-	16,411	108,513	82,545
Utilities	12,186	3,408	97	117,449	-	133,140	16,684	-	16,684	149,824	-
Other Expenses	18,983	1,162	2,098	133,818	1,504	157,565	86,048	18,121	104,169	261,734	323,432
Total Expenses	$ 611,999	$ 633,236	$ 343,792	$ 1,364,111	$ 5,850	$ 2,958,988	$ 640,193	$ 19,396	$ 659,589	$ 3,618,577	$ 3,524,498

See accompanying Notes to Consolidated Financial Statements.

MODEL CITIES OF ST. PAUL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (573,280)	$ 315,066
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	567,253	573,548
Interest Expense - Amortization of Finance Fees	7,259	7,798
Accretion of Imputed Interest	7,725	13,905
Loan Forgiveness Income	-	(286,150)
Net Realized and Unrealized (Gain) Loss on CDs	6,346	(9,232)
Amortization of Tax Credit Fees	1,804	1,803
Changes in Current Assets and Liabilities:		
Accounts Receivable	50,189	20,614
Grants Receivable	240,010	(115,000)
Security Deposit Payable	14,244	3,625
Prepaids Expenses	(40,527)	824
Accounts Payable	(21,433)	(46,324)
Deferred Revenue	(5,200)	(2,300)
Accrued Expenses	(11,153)	(5,259)
Net Cash Provided by Operating Activities	243,237	472,918
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(270,430)	(64,366)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Notes and Mortgages Payable	(161,922)	(194,435)
Proceeds from Notes and Mortgages Payable	-	252,997
Net Advances on Line of Credit	615	289
Financed Long-Term Interest Payable	25,632	(44,324)
Capital Contributions	8,786	-
Net Cash Provided (Used) by Financing Activities	(126,889)	14,527
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(154,082)	423,079
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	1,216,527	793,448
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	$ 1,062,445	$ 1,216,527
RECONCILIATION TO STATEMENT OF FINANCIAL POSITION		
Cash and Cash Equivalents	$ 668,432	$ 667,323
Reserves and Escrow Accounts	394,013	549,204
Total Cash, Cash Equivalents, and Restricted Cash	$ 1,062,445	$ 1,216,527
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for Interest, Net of Amount Capitalized	$ 171,140	$ 120,078
Acquisition of Property and Equipment Within Construction Payable	$ -	$ 32,376

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. When all collection efforts have been exhausted, the accounts are written off against the related allowance. The allowance for uncollectible accounts was $16,568 and $9,847 as of December 31, 2022 and 2021, 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:

Savings Guarantor Reserve – The Developer is obligated to establish a guaranty reserve in the amount of $235,819 on or before the Investor Limited Partner pays the final capital contribution installment. The guaranty reserve may be used to fund operating deficits, debt service obligations, and other expenses as approved by the Developer and Special Limited Partner. Upon conclusion of the third year following the year of Stabilization, $100,000 will be released to the Developer from the Guaranty Reserve and upon conclusion of the fourth year following the year of Stabilization, the remainder of funds in the Guaranty Reserve will be released to the Developer under the conditions defined in the Partnership Agreement. The reserve was funded by the Developer in 2020.

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. The Partnership must maintain a minimum balance of $31,500 in the reserve for the first five years of operations, and $47,250 for operations after the initial five years. This reserve has been properly funded at December 31, 2021.

Operating Deficit Reserve – An operating deficit reserve in the amount of $160,000 was established in 2018 for the residential space at BROWNstone. 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 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, 2021.

Operating Reserve – A reserve in the amount of $141,998 was established in 2018 to fund operating expenses related to commercial space at BROWNstone. The reserve will be administered by Model Cities of St. Paul, Inc. The reserve account requires written authorization from the Housing and Redevelopment Authority of the City of Saint Paul in order for reserve funds to be released. The reserve account was created as a result of unspent funds from the construction of the BROWNstone development project. This differs from the above operating reserve as it is specifically for the commercial space.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reserves and Escrow Accounts (Continued)

Tenant Improvement Lease-Up Reserve – A reserve in the amount of $202,469 was established in 2018 to fund a Tenant Improvement/Lease up Reserve for BROWNstone. The reserve will be administered by Model Cities of St. Paul, Inc. and will fund tenant improvements and lease up expenses related to commercial space at BROWNstone. The reserve account requires written authorization from the Housing and Redevelopment Authority of the City of Saint Paul in order for reserve funds to be released. The reserve account was created as a result of unspent funds from the construction of the BROWNstone Development project.

Other Escrows and Deposits – Small other reserve and escrow accounts exist to pay for real estate taxes, property insurance, and refundable tenant security deposits.

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

	2022	2021
Replacement Reserve	$ 79,423	$ 74,393
Operating Deficit Reserve - Residential	129,788	129,736
Operating Reserve - Commercial	18,988	33,988
Tenant Improvement Lease-Up Reserve	544	63,794
Savings Guarantor Reserve	135,804	235,804
Tax and Insurance Escrows	29,466	11,489
Total	$ 394,013	$ 549,204

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 $567,253 and $573,548 was recorded for the years ended December 31, 2022 and 2021, 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.

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, 2022, contributions and government grants approximating $943,613, 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, 2021 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, 2022, there are no leases in which the Organization is the lessee.

Adoption of New Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the consolidated statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. There was no material impact on the Organization's financial position and change in net assets as a result of the adoption of this accounting standard.

Subsequent Events

Subsequent events have been evaluated through April 18, 2023, 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, 2022 and 2021, 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:

	2022	2021
Cash and Cash Equivalents	$ 612,361	$ 577,009
Accounts Receivable	194,994	245,183
Grants Receivable	-	240,010
Total	$ 807,355	$ 1,062,202

NOTE 3 CONTRACT ASSETS AND LIABILITIES

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

	2022	2021	2020
Contract Assets:			
Accounts Receivable	$ 194,994	$ 245,183	$ 265,797
Contract Liabilities:			
Deferred Revenue	-	5,200	7,500

NOTE 4 PROPERTY AND EQUIPMENT

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

	2022	2021
Land	$ 1,046,976	$ 1,046,976
Buildings	15,411,190	15,220,159
Furniture and Equipment	466,054	386,666
Building Improvements	3,329,911	3,329,911
Vehicles	19,141	19,141
Less: Accumulated Depreciation	(4,986,794)	(4,419,552)
Property and Equipment, Net	$ 15,286,478	$ 15,583,301

NOTE 5 NOTES AND MORTGAGES PAYABLE

The Organization has current maturities of notes and mortgages payable of $729,926 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, 2022. Additionally, the Organization has debt of $11,493,900 (portion of long-term notes and mortgages payable on the consolidated statement of financial position) that is not due until the year 2028 and thereafter. This is reflected in the future maturities table at the conclusion of Note 5 on page 20.

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

Description	2022	2021
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.	124,766	150,000
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, 2023.	250,000	250,000
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, 2022, when all outstanding interest and principal shall be due in full; secured by property at 515 Dale Street, St. Paul.	125,000	125,000

NOTE 5 NOTES AND MORTGAGES PAYABLE (CONTINUED)

Description (Continued)	2022	2021
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	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.	1,919,418	2,018,934
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	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 5 NOTES AND MORTGAGES PAYABLE (CONTINUED)

Description (Continued)	2022	2021
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	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 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

NOTE 5 NOTES AND MORTGAGES PAYABLE (CONTINUED)

Description (Continued)	2022	2021
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
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.	129,708	149,220
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 November 5, 2023.	63,520	63,520

NOTE 5 NOTES AND MORTGAGES PAYABLE (CONTINUED)

Description (Continued)	2022	2021
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 November 5, 2023.	$ 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 November 5, 2023. Loan will be forgiven if certain employment levels are achieved throughout the loan term.	128,571	128,571
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.	1,395,191	1,417,775
Subtotal	14,394,262	14,561,108
Less: Unamortized Debt Issuance Costs	(155,537)	(161,103)
Less: Imputed Interest on 0% loans	(222,099)	(236,441)
Total Debt, Net Unamortized Debt Issuance Costs	14,016,626	14,163,564
Less: Current Maturities	(729,926)	(427,592)
Total Long-Term Notes and Mortgages Payable	$ 13,286,700	$ 13,735,972

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
2023	$ 729,926
2024	163,608
2025	418,874
2026	1,561,517
2027	26,437
Thereafter	11,493,900
Total	$ 14,394,262

NOTE 6 NET ASSETS

At December 31, 2022 and 2021, net assets with donor restrictions are restricted for contributions as a result of 0% of loans payable and grants for the BROWNstone project.

	2022	2021
Imputed Interest on 0% Loans Payable	$ 222,099	$ 236,441
Supportive Housing Rehabilitation - MCFF and MCS	560,000	560,000
Purpose Restrictions - Capacity Building	312,659	472,659
Ending Net Assets with Donor Restrictions Balance	$ 1,094,758	$ 1,269,100

Net assets released from restrictions during the years ended December 31, 2022 and 2021 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.

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 7 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, 2022, the partners of Model Cities BROWNstone Limited Partnership have utilized $1,727,280. The expected availability of the remaining housing tax credits is $345,448 annually from 2023 through 2027.

NOTE 8 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 $576,000.

Total rental income, net of vacancy allowances, received on all commercial leases was $487,562 and $501,826 for the years ended December 31, 2022 and 2021, 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 $457,127 and $391,782 for the years ended December 31, 2022 and 2021, respectively.

NOTE 9 CONCENTRATIONS

Support revenue from one funder represents 32% and one funder represents 15% of the Organization’s total support revenue for the years ended December 31, 2022 and 2021, respectively. Grants receivable from two organizations represent 100% of the Organization’s grants receivable as of December 31, 2021. There were no grant receivable as of December 31, 2022.

Total service revenue consisted of 92% from one donor and 10% from one customer for the years ended December 31, 2022 and 2021, respectively. Accounts receivable from two organizations represents 70% and one organization represents 44% of the Organization’s accounts receivable as of December 31, 2022 and 2021, respectively.

NOTE 10 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 $4,666 and $5,147 during the years ended December 31, 2022 and 2021, respectively.

NOTE 11 FUTURE OPERATIONS

In 2022, the Organization reached a significant milestone by celebrating 55 years of service to the community. Not only has the Organization's mission, vision and priorities evolved over this time, it has also continued to grow and thrive despite challenges related to economic downturns, a world-wide pandemic, and profound moments of public reckoning in response to incidents of racial injustice. In 2022, the Organization continued to carry out its mission and vision by finding new ways to address critical needs related homeownership disparities, homelessness, entrepreneurship opportunities, financial literacy, and social supports for youth and families. Additionally in 2022, the Organization began to work collectively with other organizations and groups to champion and advocate for policy changes that increase pathways for individuals and families to regain housing and financial stability.

As part of its 2021-2023 strategic planning cycle, the Organization renewed its commitment to work towards transformational change to realize the following organizational goals:

- Create transformational, community-driven opportunities that address root causes of racial and socioeconomic inequities so local communities thrive.

- Build capacity by making the best use of resources, improve efficiency, and pursue strategic growth to better support the needs of those served.

- Cultivate long-term organizational sustainability to increase access for those with the greatest barriers.

In 2022, the Organization worked towards meeting these goals through some of the following activities:

- **In September, we celebrated 55 years together at the Como Pavilion** by hosting an intimate event for partners, funders and supporters focused on the journey of Model Cities through the years.

- **Partnered with the National Association of Real Estate Brokers – Twin Cities** to provide sponsored (free) homebuyer education classes to 85 households (77% BIPOC (Black, Indigenous, People of Color)) working towards homeownership.

- **Secured an anchor commercial tenant for our BROWNstone building**. West Indies Soul Food, a BIPOC owned restaurant in the Twin Cities had its grand opening on November 17, 2022.

- **Renewed its contract with Ramsey County Housing Stability Department** to provide overnight emergency shelter for 64 single adults experiencing homelessness.

- **Secured a 15% (avg.) increase in rent subsidy payments for Project-Based Section 8 assisted units**. Units provide affordable rents for households who have experienced homelessness. Households pay up to 30% of their income towards rent and the subsidy covers the balance.

NOTE 11 FUTURE OPERATIONS (CONTINUED)

Over the next year, the Organization will continue its work to increase outcomes for marginalized and underserved communities through its continuum of programs and services. This work will include expanding existing and creating new partnerships to increase homeownership services focused on closing racial housing disparities for Black households and other households of color. The Organization will continue efforts to create equity-focused housing for community members while also leveraging ways to increase its resources and capacity to advance this work. An example includes our collaborative work with community-based partners to complete the 652 Sherburne development project, a vacant eight-unit building located in the Frogtown neighborhood of St. Paul. The group (known as the Sherburne Collective) will secure remaining resources needed to redevelop the building into a six-unit community-ownership based project and begin construction and development of the site. The Organization will continue serving as the lead developer and temporary owner of the building and the Rondo Community Land Trust has been engaged to own the land in a trust ensuring that the building remains under community ownership in perpetuity.

Lastly, as we close out the final year of our 2023 Strategic Plan, the Organization will begin engaging its board of directors, employees, partners and program participants in the planning and implementation of our 2026 Strategic Plan.

In 2022, the Organization’s Change in Net Assets (Excluding Nonoperating Expenses) totaled $146,639. Over the next year, the Organization will continue to work towards long-term financial stability by diversifying its revenue streams through increased fund development efforts that focus on philanthropic support, government subsides, volunteer and fundraising activities and individual giving. The Organization will also continue to build its operating and replacement reserves to ensure its properties and facilities are well maintained and meet operational performance and safety expectations. Lastly, over the next year the Organization will make additional progress towards its plan to reduce debt by seeking forgiveness of $451,000 in forgivable mortgages and restructuring Program Related Investments totaling $250,000.

NOTE 12 SUBSEQUENT EVENTS

On January 23, 2023, the $270,000 loan with the Federal Home Loan Bank of Des Moines (FHLBDM) satisfied its covenants and restrictions and was forgiven. On February 9, 2023, the mortgage at 914 Thomas of $52,461 was also satisfied and forgiven.