

MODEL CITIES OF ST. PAUL, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAcconnect.com

**MODEL CITIES OF ST. PAUL, INC. AND SUBSIDIARIES
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2025**

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	4
CONSOLIDATED STATEMENT OF ACTIVITIES	5
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES	6
CONSOLIDATED STATEMENT OF CASH FLOWS	7
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	8



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 consolidated financial statements of Model Cities of St. Paul, Inc. and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2025, 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 accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Model Cities of St. Paul, Inc. and Subsidiaries as of December 31, 2025, 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 \$7,113,965 as of December 31, 2025 and total revenues of \$405,800 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 within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 2024 consolidated financial statements, and our report dated April 22, 2025, 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, 2024 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 28, 2026

MODEL CITIES OF ST. PAUL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2025
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2024)

ASSETS	2025	2024
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 708,053	\$ 537,604
Accounts Receivable, Net	279,075	34,736
Grants Receivable	600,608	820,821
Reserves and Escrow Accounts	309,306	308,882
Prepaid Expenses	33,695	57,469
Tax Credit Fees, Net	12,627	14,431
Total Current Assets	1,943,364	1,773,943
PROPERTY AND EQUIPMENT, NET	16,305,851	15,251,149
OTHER ASSETS		
Certificates of Deposit	24,942	20,865
Total Other Assets	24,942	20,865
Total Assets	\$ 18,274,157	\$ 17,045,957
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of Credit	\$ 95	\$ 57
Notes and Mortgages Payable	2,065,661	261,926
Accounts Payable	853,705	350,590
Security Deposits Payable	99,563	95,516
Accrued Expenses	76,309	88,152
Total Current Liabilities	3,095,333	796,241
LONG-TERM LIABILITIES		
Notes and Mortgages Payable, Net	12,343,596	13,124,773
Long-Term Interest Payable	282,554	262,962
Total Long-Term Liabilities	12,626,150	13,387,735
Total Liabilities	15,721,483	14,183,976
NET ASSETS (DEFICIT)		
Without Donor Restrictions:		
Undesignated	263,776	426,203
Noncontrolling Interest	1,494,329	1,494,329
Total Net Assets Without Donor Restrictions	1,758,105	1,920,532
With Donor Restrictions	794,569	941,449
Total Net Assets	2,552,674	2,861,981
Total Liabilities and Net Assets	\$ 18,274,157	\$ 17,045,957

See accompanying Notes to Consolidated Financial Statements.

MODEL CITIES OF ST. PAUL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2024)

	2025			2024
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT REVENUE				
Contributions and Grants	\$ 532,999	\$ 60,000	\$ 592,999	\$ 617,026
United Way	141,900	-	141,900	153,050
Total Support Revenue	<u>674,899</u>	<u>60,000</u>	<u>734,899</u>	<u>770,076</u>
SERVICE REVENUE				
Government Agencies	1,925,772	-	1,925,772	2,178,381
Loan Forgiveness Income	-	-	-	443,966
Rental Income, Net	815,511	-	815,511	1,053,395
Other Income	443,590	-	443,590	87,994
Total Service Revenue	<u>3,184,873</u>	<u>-</u>	<u>3,184,873</u>	<u>3,763,736</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>206,880</u>	<u>(206,880)</u>	<u>-</u>	<u>-</u>
Total Support and Service Revenue	4,066,652	(146,880)	3,919,772	4,533,812
EXPENSES				
Program Services:				
Client Services	423,506	-	423,506	343,363
Safe Space	1,062,733	-	1,062,733	996,506
Community Development	230,153	-	230,153	91,644
Facility Management and Other	1,599,476	-	1,599,476	1,662,041
Total Program Services	<u>3,315,868</u>	<u>-</u>	<u>3,315,868</u>	<u>3,093,554</u>
Supporting Expenses:				
Management and General	844,485	-	844,485	932,131
Fundraising	68,726	-	68,726	56,021
Total Supporting Expenses	<u>913,211</u>	<u>-</u>	<u>913,211</u>	<u>988,152</u>
Total Expenses	<u>4,229,079</u>	<u>-</u>	<u>4,229,079</u>	<u>4,081,706</u>
CHANGE IN NET ASSETS BEFORE CAPITAL CONTRIBUTIONS	(162,427)	(146,880)	(309,307)	452,106
Capital Contributions from Controlling and Noncontrolling Partners	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,042</u>
CHANGE IN NET ASSETS AFTER CAPITAL CONTRIBUTIONS	(162,427)	(146,880)	(309,307)	505,148
Net Assets - Beginning of Year	<u>1,920,532</u>	<u>941,449</u>	<u>2,861,981</u>	<u>2,356,833</u>
NET ASSETS - END OF YEAR	<u>\$ 1,758,105</u>	<u>\$ 794,569</u>	<u>\$ 2,552,674</u>	<u>\$ 2,861,981</u>
NONOPERATING EXPENSES INCLUDED ABOVE				
Interest	122,705	-	122,705	135,060
Depreciation and Amortization	539,544	-	539,544	531,455
Total Nonoperating Expenses	<u>662,249</u>	<u>-</u>	<u>662,249</u>	<u>666,515</u>
CHANGE IN NET ASSETS - EXCLUDING NONOPERATING EXPENSE	<u>\$ 499,822</u>	<u>\$ (146,880)</u>	<u>\$ 352,942</u>	<u>\$ 1,118,621</u>

See accompanying Notes to Consolidated Financial Statements.

MODEL CITIES OF ST. PAUL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2025
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2024)

	Program Services				Supporting Services			2025	2024	
	Client Services	Safe Space Shelter	Community Development	Facility Management and Other	Total Program Services	Management and General	Fundraising			Total Support Services
Salaries and Wages	\$ 277,901	\$ 397,380	\$ 169,778	\$ 119,138	\$ 964,197	\$ 260,011	\$ -	\$ 260,011	\$ 1,224,208	\$ 1,228,471
Employee Health and Retirement Benefits	31,426	33,667	187	39,342	104,622	30,591	-	30,591	135,213	124,939
Payroll Taxes and Workers' Compensation	19,849	31,131	11,667	8,993	71,640	39,827	-	39,827	111,467	113,128
Total Salaries and Related Benefits	329,176	462,178	181,632	167,473	1,140,459	330,429	-	330,429	1,470,888	1,466,538
Client Assistance	51,894	-	-	-	51,894	-	-	-	51,894	52,634
Program Supplies	343	33,851	-	-	34,194	-	-	-	34,194	31,438
Management Services	-	-	-	-	-	-	-	-	-	-
Fees for Audit & Legal Services	-	1,060	80	-	1,140	69,052	-	69,052	70,192	65,245
Accounting Services	-	-	-	-	-	-	-	-	-	-
Contractual Services	12,122	8,609	-	2,873	23,604	255,623	68,726	324,349	347,953	238,675
Advertising and Promotion	-	-	-	-	-	4,565	-	4,565	4,565	7,218
Office Expenses	1,047	3,293	1,360	6,491	12,191	12,898	-	12,898	25,089	26,798
Office Equipment	56	1,314	20	391	1,781	5,327	-	5,327	7,108	7,410
Repair and Maintenance	55	394,989	119	378,917	774,080	6,254	-	6,254	780,334	975,010
Information Technology	19,965	7,195	2,004	4,877	34,041	63,880	-	63,880	97,921	80,727
Occupancy	-	136,520	-	-	136,520	-	-	-	136,520	-
Conferences, Conventions, and Meetings	7,543	1,624	119	149	9,435	4,851	-	4,851	14,286	10,859
Payments to Affiliates	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	81,865	81,865	40,840	-	40,840	122,705	135,060
Depreciation and Amortization	-	-	-	537,352	537,352	2,192	-	2,192	539,544	531,455
Insurance	-	255	44,802	170,342	215,399	5,431	-	5,431	220,830	234,767
Utilities	300	11,845	17	157,725	169,887	23,681	-	23,681	193,568	159,489
Other Expenses	454	-	-	91,021	91,475	18,053	-	18,053	109,528	58,363
Travel	551	-	-	-	551	1,409	-	1,409	1,960	20
Total Expenses	<u>\$ 423,506</u>	<u>\$ 1,062,733</u>	<u>\$ 230,153</u>	<u>\$ 1,599,476</u>	<u>\$ 3,315,868</u>	<u>\$ 844,485</u>	<u>\$ 68,726</u>	<u>\$ 913,211</u>	<u>\$ 4,229,079</u>	<u>\$ 4,081,706</u>

See accompanying Notes to Consolidated Financial Statements.

MODEL CITIES OF ST. PAUL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2025
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2024)

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (309,307)	\$ 452,106
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	539,544	531,455
Interest Expense - Amortization of Finance Fees	16,510	5,679
Loan Forgiveness Income	-	(443,966)
Net Realized and Unrealized (Gain) Loss on CDs	(4,077)	(4,736)
Amortization of Tax Credit Fees	1,804	1,804
Changes in Current Assets and Liabilities:		
Accounts Receivable	(244,339)	51,938
Grants Receivable	220,213	(27,012)
Security Deposit Payable	4,047	113
Prepays Expenses	23,774	(32,373)
Properties Held for Sale	-	2,233,950
Accounts Payable	359,708	(264,037)
Accrued Expenses	(11,843)	(46,629)
Net Cash Provided by Operating Activities	596,034	2,458,292
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(1,450,839)	(360,199)
Net Cash Used by Investing Activities	(1,450,839)	(360,199)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Notes and Mortgages Payable	(231,681)	(2,602,481)
Proceeds from Notes and Mortgages Payable	1,237,729	584,974
Net Advances on Line of Credit	38	57
Financed Long-Term Interest Payable	19,592	(22,356)
Capital Contributions	-	53,042
Net Cash Provided (Used) by Financing Activities	1,025,678	(1,986,764)
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	170,873	145,373
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	846,486	701,113
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	\$ 1,017,359	\$ 846,486
RECONCILIATION TO STATEMENT OF FINANCIAL POSITION		
Cash and Cash Equivalents	\$ 708,053	\$ 537,604
Reserves and Escrow Accounts	309,306	308,882
Total Cash, Cash Equivalents, and Restricted Cash	\$ 1,017,359	\$ 846,486
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest, Net of Amount Capitalized	\$ 142,442	\$ 103,068
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Acquisition of Property and Equipment through Accounts Payables	\$ -	\$ 143,407

See accompanying Notes to Consolidated Financial Statements.

MODEL CITIES OF ST. PAUL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025

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, create housing security and promote social and economic prosperity by providing access to opportunities that stabilize and develop families and communities. These include supportive housing, home buyer education and counseling services, financial wellness, shelter services and other activities designed to move individuals and 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.

MODEL CITIES OF ST. PAUL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025

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.

Safe Space Shelter

Safe Space is a year-round, low-barrier, overnight emergency shelter that currently serves 64 unsheltered adults nightly.

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.

MODEL CITIES OF ST. PAUL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Financial Statement Presentation

Net assets and revenues, gains, and losses are classified based on donor-imposed restrictions. Accordingly, 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. Credit loss expenses 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 credit losses was \$-0- as of December 31, 2025 and 2024.

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).

MODEL CITIES OF ST. PAUL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025

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, 2025.

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 2025 and 2024. This reserve has been properly funded at December 31, 2025.

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, 2025.

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 was removed with the payoff of the related debt obligation at December 31, 2025.

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, 2025.

**MODEL CITIES OF ST. PAUL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025**

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:

	2025	2024
Replacement Reserve	\$ 70,091	\$ 81,291
Operating Deficit Reserve - Residential	135,913	131,068
Operating Reserve - Commercial	903	903
Tax and Insurance Escrows	3,317	9,382
Savings Replacement Reserve	-	86,238
Total	\$ 210,224	\$ 308,882

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 \$539,544 and \$531,455 was recorded for the years ended December 31, 2025 and 2024, 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.

MODEL CITIES OF ST. PAUL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025

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.

MODEL CITIES OF ST. PAUL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

At December 31, 2025, contributions and government grants approximating \$786,744, 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 GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended December 31, 2024 from which the summarized information was derived.

MODEL CITIES OF ST. PAUL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025

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, 2025, there are no leases in which the Organization is the lessee.

Subsequent Events

Subsequent events have been evaluated through April 28, 2026, 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.

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.

MODEL CITIES OF ST. PAUL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 LIQUIDITY (CONTINUED)

As of December 31, 2025 and 2024, 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:

	<u>2025</u>	<u>2024</u>
Cash and Cash Equivalents	\$ 708,053	\$ 537,604
Accounts Receivable	279,075	34,736
Grants Receivable	600,608	820,821
Total Financial Assets	<u>1,587,736</u>	<u>1,393,161</u>
Donor-Imposed Restrictions	(794,569)	(941,449)
Total Assets Available for Expenditure	<u>\$ 793,167</u>	<u>\$ 451,712</u>

NOTE 3 CONTRACT ASSETS AND LIABILITIES

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Contract Assets:			
Accounts Receivable	\$ 279,075	\$ 34,736	\$ 194,183

NOTE 4 PROPERTY AND EQUIPMENT

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

	<u>2025</u>	<u>2024</u>
Land	\$ 1,046,976	\$ 1,046,976
Buildings	15,524,379	15,464,317
Furniture and Equipment	544,471	526,152
Building Improvements	3,946,860	3,946,860
Vehicles	19,141	19,141
Construction in Process	1,811,318	297,497
Less: Accumulated Depreciation	<u>(6,587,294)</u>	<u>(6,049,794)</u>
Property and Equipment, Net	<u>\$ 16,305,851</u>	<u>\$ 15,251,149</u>

NOTE 5 PROPERTIES HELD FOR SALE

The Organization capitalizes interest incurred on rehabilitation and construction projects. There was no capitalized interest on the properties held for sale in 2025 and 2024. In 2024, the Organization sold one property which was classified as held for sale as of the prior fiscal year-end. This resulted in \$9,900 being recorded in 2024 as developer fee revenue.

MODEL CITIES OF ST. PAUL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 6 NOTES AND MORTGAGES PAYABLE

The Organization has current maturities of notes and mortgages payable of \$2,065,661 as reflected in the consolidated statement of financial position. Additionally, the Organization has debt of \$12,401,343 (portion of long-term notes and mortgages payable on the consolidated statement of financial position) that is not due until the year 2031 and thereafter. This is reflected in the future maturities table at the conclusion of Note 6 on page 20.

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

<u>Description</u>	<u>2025</u>	<u>2024</u>
Recoverable grant from Local Initiatives Support Corporation (LISC); 0% annual interest with a \$5,000 payment annually due in September until Project Investment is fully paid by September 2028.	\$ 10,000	\$ 20,000
Note payable to Propel; 8% interest and fixed monthly payments of \$1,139.06 payable beginning January 30, 2026 through December 31, 2027.	25,221	51,815
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.	125,000	175,000
Note payable to Ramsey County in exchange for a leasehold estate. The loan was funded through ARPA Funds, which are to address housing insecurity. The loan bears interest at 0% and requires no principal payments until the due date in May 2054.	1,272,946	427,497
Note payable to the City of St. Paul for 652 Sherburne Avenue as a purchase agreement, development agreement, and loan agreement. The final principal balance is due June 30, 2026.	392,163	-
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.	198,536	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

**MODEL CITIES OF ST. PAUL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 6 NOTES AND MORTGAGES PAYABLE (CONTINUED)

<u>Description</u>	<u>2025</u>	<u>2024</u>
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
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.	1,590,121	1,687,476
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 Dale Street, St. Paul.	700,000	700,000
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.	120,000	120,000

MODEL CITIES OF ST. PAUL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 6 NOTES AND MORTGAGES PAYABLE (CONTINUED)

<u>Description</u>	<u>2025</u>	<u>2024</u>
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 September 1, 2056; 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 August 1, 2056; 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 September 1, 2056; 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 September 1, 2056; secured by property at 839 University and an assignment of rents and leases.	104,356	104,356

MODEL CITIES OF ST. PAUL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 6 NOTES AND MORTGAGES PAYABLE (CONTINUED)

<u>Description</u>	<u>2025</u>	<u>2024</u>
TBRA loan payable to the City of St. Paul without interest; outstanding principal is due September 1, 2056; 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 September 1, 2056; 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.	48,855	77,231
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.	166,801	166,801
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.	<u>1,323,213</u>	<u>1,347,989</u>
Subtotal	14,725,624	13,722,588
Less: Unamortized Debt Issuance Costs	(141,798)	(144,690)
Less: Imputed Interest on 0% loans	<u>(174,569)</u>	<u>(191,199)</u>
Total Debt, Net Unamortized Debt Issuance Costs	14,409,257	13,386,699
Less: Current Maturities	<u>(2,065,661)</u>	<u>(261,926)</u>
Total Long-Term Notes and Mortgages Payable	<u>\$ 12,343,596</u>	<u>\$ 13,124,773</u>

MODEL CITIES OF ST. PAUL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025

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.

<u>Year Ending December 31,</u>	<u>Amount</u>
2026	\$ 2,065,661
2027	123,755
2028	77,514
2029	28,210
2030	29,141
Thereafter	12,401,343
Total	<u>\$ 14,725,624</u>

NOTE 7 NET ASSETS

At December 31, 2025 and 2024, net assets with donor restrictions are restricted for contributions as a result of 0% of loans payable and grants for the BROWNstone project.

	<u>2025</u>	<u>2024</u>
Imputed Interest on 0% Loans Payable	\$ 174,569	\$ 191,199
Supportive Housing Rehabilitation - MCFF and MCS	560,000	560,000
Purpose Restrictions - Capacity Building	60,000	190,250
Ending Net Assets with Donor Restrictions Balance	<u>\$ 794,569</u>	<u>\$ 941,449</u>

Net assets released from restrictions during the years ended December 31, 2025 and 2024 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.

MODEL CITIES OF ST. PAUL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025

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, 2025, the partners of Model Cities BROWNstone Limited Partnership have utilized \$2,763,624. The expected availability of the remaining housing tax credits is \$345,448 annually from 2026 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 \$966,500.

Total rental income, net of vacancy allowances, received on all commercial leases was \$702,916 and \$623,805 for the years ended December 31, 2025 and 2024, 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 \$398,093 and \$423,317 for the years ended December 31, 2025 and 2024, respectively.

NOTE 10 CONCENTRATIONS

Support revenue from four donors represents 63% and two donors represents 46% of the Organization's total support revenue for the years ended December 31, 2025 and 2024, respectively. There were no contributions receivable as of December 31, 2025 and 2024.

Total government agencies revenue consisted of 87% from three funders and 70% from three funders for the years ended December 31, 2025 and 2024, respectively. Accounts receivable from three funders represents 68% and two funders represents 61% of the Organization's accounts receivable as of December 31, 2025 and 2024, respectively.

MODEL CITIES OF ST. PAUL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 11 CAPITAL COMMITMENTS

In 2024, the Organization entered into a contractual agreement with a construction company for the 652 Sherburne development project. Total remaining commitment to be paid on the project as of December 31, 2025 is approximately \$1,190,000.

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 \$10,113 and \$6,159 during the years ended December 31, 2025 and 2024, respectively.

NOTE 13 OPERATIONS

The Organization continues to carry out its mission by responding to the evolving needs of the community through its service continuum, which creates pathways to move people from homelessness and poverty to housing stability and overall financial wellness. Outcomes from our past year demonstrate the efficacy of our approach:

- **1,598 unhoused adults** accessed emergency shelter and basic services at the Organization's Safe Space shelter, including overnight accommodations, hygiene supplies, and connections to supportive resources.
- **544 individuals** received financial education and homeownership advising through Economic Services programming.
- **50 households** successfully achieved homeownership following one-on-one advising and financial readiness support.
- Supportive housing residents continued to receive assistance connecting to culturally responsive community resources to support basic needs and housing stability.
- The Organization strengthened its operational capacity and community presence through expanded partnerships, volunteer engagement, and involvement in policymaking and coalition building efforts.

In 2025, the Organization continued to focus on strengthening its financial foundation through strategic initiatives that prioritized long-term sustainability, prudent resource management, and continued investment in mission delivery. These strategies included securing multi-year grant commitments, maintaining diversified revenue sources, managing debt obligations, and preserving liquidity amid a challenging funding environment.

While total support and service revenue declined modestly in 2025 due primarily to decreases in service revenue and the absence of one-time loan forgiveness recognized in the prior year, the Organization maintained strong programmatic investment and operational capacity. Total assets increased to \$18.3 million, driven largely by continued investment in property and equipment, while total net assets at year-end totaled \$2.6 million.

MODEL CITIES OF ST. PAUL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 13 OPERATIONS (CONTINUED)

For the year ended December 31, 2025, the Organization reported a Change in Net Assets (Excluding Nonoperating Expenses) of \$352,942, reflecting ongoing operating strength despite revenue pressures and rising costs across the affordable housing and homelessness response sectors. Management continues to monitor financial performance closely while aligning expenses with mission priorities.

Government funding uncertainty—particularly related to State of Minnesota and federal funding for homelessness and housing services—continues to pose challenges to the Organization’s ability to plan and sustain long-term operations. Shifts in state budget priorities, timing of contract renewals, and variability in the availability of local and federal resources supporting shelter and housing services increase financial planning complexity. These dynamics, combined with increased demand for services and rising operating costs, require continued vigilance, adaptability, and diversification of revenue sources.

To mitigate these risks, the Organization remains committed to strengthening partnerships, strategically managing resources, and actively advocating for stable, multi-year state and federal funding structures that support housing stability and economic mobility. In addition, the Organization will complete a Strategic Refresh in the coming year, which will serve as a guiding framework for the next three years. This effort will support more intentional planning, resource alignment, and risk mitigation strategies to ensure long-term organizational sustainability.

Looking ahead, the Organization intends to maintain and expand service delivery while pursuing innovative approaches across the housing continuum. Planned priorities include:

- Launching the Homeownership Accelerator Pilot, a two-year, trauma-informed initiative supporting 20 households through a 3:1 savings match—up to \$6,500 per household—to reduce debt, build savings, and support long-term financial stability.
- Completing the 652 Sherburne development project, creating six (6) housing units using a Community Ownership model to support generational wealth building for families with low incomes.
- Redesigning housing services to strengthen support for supportive housing families through person-centered planning, financial education, and improved access to stabilizing resources.
- Collaborating with the City of Saint Paul and other partners to restructure BROWNstone Commercial debt, improving long-term financial sustainability while preserving affordable, accessible commercial space for emerging entrepreneurs.
- Completing a technology needs assessment to evaluate systems and data infrastructure and inform future investments that improve operational efficiency and service delivery.
- Conducting short-term planning for shelter operations, assessing service model, capital needs, and sustainability strategies in response to evolving funding and policy conditions.



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