PROJECT FOR PRIDE IN LIVING, INC.

CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY CONSOLIDATING INFORMATION

FOR THE YEAR ENDED
DECEMBER 31, 2019

PROJECT FOR PRIDE IN LIVING, INC.

CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY CONSOLIDATING INFORMATION

For the Year Ended December 31, 2019
(With Comparative Totals for 2018)

Table of Contents

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Project for Pride in Living, Inc.
Minneapolis, Minnesota

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Project for Pride in Living, Inc. (a nonprofit organization) and affiliates (PPL), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to consolidated financial statements.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of affiliated limited partnerships were not audited in accordance with *Government Auditing Standards*.

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

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

(Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Project for Pride in Living, Inc. and affiliates as of December 31, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Accounting Standards Adopted

As discussed in Note 2 to the consolidated financial statements, Project for Pride in Living, Inc. has adopted Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* and the related ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

Other Matters

Report on Summarized Comparative Information

We have previously audited the 2018 consolidated financial statements of Project for Pride in Living, Inc. and affiliates, and we expressed an unmodified opinion on those financial statements in our report dated July 3, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Consolidating Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information shown on pages 30 through 33 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, functional expenses, and cash flows of the individual entities, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2020, on our consideration of Project for Pride in Living, Inc. and affiliates' internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Project for Pride in Living, Inc. and affiliates' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Project for Pride in Living, Inc. and affiliates' internal control over financial reporting and compliance.

Mahoney Ulbrich
Christiansen Russ P.A.

July 13, 2020

PROJECT FOR PRIDE IN LIVING, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2019
(With Comparative Totals for 2018)

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 7,740,683	$ 6,947,214
Cash - comprehensive campaign	466,200	202,023
Investments	1,518,903	1,412,188
Current portion of receivables, net	3,063,700	2,774,709
Inventories	69,729	76,129
Property held for sale	342,493	339,537
Prepaid expenses	598,942	561,620
Total current assets	13,800,650	12,313,420
Cash held in construction escrows	3,320,191	2,076,668
Cash - custodial	937,452	931,455
Cash - comprehensive campaign	229,175	346,507
Property reserves	11,810,336	10,072,707
Receivables, less current portion, net	5,709,575	6,825,821
Other assets, net	643,236	691,007
Property under development	10,385,188	3,866,032
Property and equipment, net	185,396,677	179,242,623
Total assets	$ 232,232,480	$ 216,366,240
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 820,289	$ 650,107
Accrued payroll and related	358,016	398,330
Accrued real estate taxes	1,267,694	1,229,387
Other accrued liabilities	352,246	193,156
Current portion of deferred revenues	217,891	1,275,292
Current portion of accrued interest	45,287	59,698
Current portion of notes payable and lines of credit	433,908	2,156,378
Current portion of mortgages payable	770,749	366,071
Total current liabilities	4,266,080	6,328,419
Construction payables	3,387,731	1,364,535
Escrows and deposits	912,184	884,652
Deferred revenues, less current portion	1,124,654	2,148,798
Accrued interest, less current portion	8,928,881	8,152,737
Notes payable and lines of credit, less current portion, net	5,714,071	7,528,937
Mortgages payable, less current portion, net	103,218,640	100,714,693
Total liabilities	127,552,241	127,122,771
Net assets without donor restrictions:		
Undesignated	20,261,219	13,815,528
Noncontrolling limited partner interests	81,927,933	71,889,365
Total net assets without donor restrictions	102,189,152	85,704,893
Net assets with donor restrictions	2,491,087	3,538,576
Total net assets	104,680,239	89,243,469
Total liabilities and net assets	$ 232,232,480	$ 216,366,240

See accompanying notes to consolidated financial statements.

PROJECT FOR PRIDE IN LIVING, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019
(With Comparative Totals for 2018)

	2019			
	Without Donor Restrictions	With Donor Restrictions	Total	2018
Revenues and support:				
Contributions	$ 3,934,422	$ 1,236,708	$ 5,171,130	$ 4,496,892
Net assets released from program and time restrictions	1,112,297	(1,112,297)	-	-
Government grants	10,712,383	-	10,712,383	8,642,381
United Way	542,940	-	542,940	523,800
Rental revenues	13,761,022	-	13,761,022	14,590,503
Sales	1,252,955	-	1,252,955	1,507,109
Program service fees	685,726	-	685,726	455,951
Developer fees	1,343,199	-	1,343,199	1,246,026
Other income	355,423	-	355,423	1,052,078
Interest	139,224	-	139,224	151,639
Total revenues and support	33,839,591	124,411	33,964,002	32,666,379
Expenses:				
Program services:				
Housing stability	29,029,520	-	29,029,520	30,222,396
Career readiness	5,639,462	-	5,639,462	4,937,857
Other programs	974,149	-	974,149	829,523
Total program services	35,643,131	-	35,643,131	35,989,776
General and administrative	2,451,335	-	2,451,335	2,268,873
Fundraising	1,162,804	-	1,162,804	1,027,332
Total expenses	39,257,270	-	39,257,270	39,285,981
Change in net assets before nonoperating activity	(5,417,679)	124,411	(5,293,268)	(6,619,602)
Gain (loss) from investments	131,401	-	131,401	(16,184)
Gain (loss) on divestitures	1,183,589	-	1,183,589	(13,187)
Comprehensive campaign contributions	1,925,403	469,749	2,395,152	2,369,143
Net assets released from use restrictions	1,641,649	(1,641,649)	-	-
Noncontrolling limited partner interests in losses and transfer	5,896,877	-	5,896,877	5,485,870
Change in net assets for controlling interest	5,361,240	(1,047,489)	4,313,751	1,206,040
Capital contributions from noncontrolling interests, net	15,971,559	-	15,971,559	10,020,759
Distributions	(36,114)	-	(36,114)	(65,894)
Noncontrolling limited partner interests in losses and transfer	(5,896,877)	-	(5,896,877)	(5,485,870)
Change in net assets before adoption of ASU 2014-09	15,399,808	(1,047,489)	14,352,319	5,675,035
Impact of adoption of ASU 2014-09	1,084,451	-	1,084,451	-
Change in net assets	16,484,259	(1,047,489)	15,436,770	5,675,035
Net assets, beginning of year	85,704,893	3,538,576	89,243,469	83,568,434
Net assets, end of year	$ 102,189,152	$ 2,491,087	$ 104,680,239	$ 89,243,469
Reconciliation of net assets:				
Noncontrolling interests:				
Beginning of year			$ 71,889,365	$ 67,420,370
Noncontrolling limited partner interests in losses			(5,371,522)	(5,485,870)
Capital contributions, net			15,971,559	10,020,759
Transfer			(525,355)	-
Distributions			(36,114)	(65,894)
End of year			81,927,933	71,889,365
Controlling interest:				
Beginning of year			17,354,104	16,148,064
Impact of adoption of ASU 2014-09			1,084,451	-
Transfer			525,355	-
Change in net assets			3,788,396	1,206,040
End of year			22,752,306	17,354,104
Total			$ 104,680,239	$ 89,243,469

See accompanying notes to consolidated financial statements.

PROJECT FOR PRIDE IN LIVING, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2019
(With Comparative Totals for 2018)

	2019							
	Program services							
	Housing stability	Career readiness	Other programs	Total programs	General and administrative	Fund-raising	Total expenses	2018
Salaries	$ 5,339,057	$ 3,149,929	$ 296,392	$ 8,785,378	$ 1,148,876	$ 621,108	$ 10,555,362	$ 9,893,028
Payroll taxes	367,636	215,958	20,289	603,883	96,814	38,221	738,918	688,054
Employee benefits	831,386	477,226	46,965	1,355,577	239,518	83,850	1,678,945	1,599,519
Total salaries and related	6,538,079	3,843,113	363,646	10,744,838	1,485,208	743,179	12,973,225	12,180,601
Cost of sales	-	37,228	-	37,228	-	-	37,228	1,787,079
Rental and other client assistance	2,249,896	980,121	23,534	3,253,551	-	-	3,253,551	2,909,279
Professional fees and contracted services	489,188	427,113	215,368	1,131,669	318,196	113,457	1,563,322	1,551,092
Office administration and support	340,449	63,392	223,990	627,831	158,289	37,644	823,764	805,255
Conferences and meetings	9,463	17,235	48	26,746	30,591	1,047	58,384	60,636
Staff development and appreciation	63,648	24,289	7,788	95,725	36,257	4,362	136,344	121,229
Marketing and promotion	1,582	12,925	759	15,266	1,000	133,225	149,491	143,240
Transportation	188,707	23,815	17,418	229,940	19,633	1,112	250,685	262,105
Bad debts / loss allowance	251,266	-	-	251,266	25,000	-	276,266	346,910
Insurance	619,838	1,250	-	621,088	115,225	-	736,313	659,216
Building operations expenses	9,905,457	992	-	9,906,449	210,625	-	10,117,074	9,693,695
Rent	2,400	8,403	-	10,803	-	-	10,803	8,100
Depreciation and amortization	6,688,165	85,223	121,598	6,894,986	-	126,266	7,021,252	6,850,436
Interest and other bank fees	1,681,382	114,363	-	1,795,745	51,311	2,512	1,849,568	1,907,108
	$ 29,029,520	$ 5,639,462	$ 974,149	$ 35,643,131	$ 2,451,335	$ 1,162,804	$ 39,257,270	$ 39,285,981

See accompanying notes to consolidated financial statements.

PROJECT FOR PRIDE IN LIVING, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2019
(With Comparative Totals for 2018)

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 14,352,319	$ 5,675,035
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation and amortization	7,021,252	6,850,436
Interest expense - amortization of finance fees	40,118	125,321
Loss (gain) from investments	(131,401)	16,184
Gain on sale of Loring-Nicollet property	(1,183,589)	-
Loss on divestiture of Mercado Central	-	13,187
Income from debt forgiveness	-	(326,771)
Bad debts	276,266	346,910
Amortization of deferred grant	(54,371)	(54,371)
Comprehensive campaign	(2,395,152)	(2,369,143)
Capital contributions, net	(15,971,559)	(10,020,759)
Impact of modified restrospective ASU 2014-09 implementation	1,084,451	-
Changes in operating assets and liabilities:		
Receivables	504,321	(1,615,706)
Inventories	6,400	(12,649)
Prepaid expenses and other assets	(634,910)	(284,815)
Property held for sale	(2,956)	731,556
Accounts payable	265,569	(43,088)
Accrued expenses and other liabilities	955,037	736,329
Deferred revenues	(2,027,175)	1,130,683
Net cash from operating activities	2,104,620	898,339
Cash flows from investing activities:		
Purchase of property and equipment	(16,484,675)	(13,066,794)
Proceeds from sale of Loring-Nicollet property	1,272,369	-
Receipts from collection of notes receivable	50,000	50,000
Net cash from investing activities	(15,162,306)	(13,016,794)
Cash flows from financing activities:		
Proceeds from issuance of notes payable and lines of credit	1,179,803	1,214,468
Repayment of notes payable and lines of credit	(4,802,362)	(1,684,338)
Proceeds from issuance of mortgages payable	3,268,443	5,859,539
Repayment of mortgages payable	(819,075)	(10,522,805)
Comprehensive campaign	2,395,152	2,369,143
Payment of finance and tax credit fees	(44,988)	(29,994)
Capital contributions from noncontrolling interests, net	15,808,176	10,007,572
Net cash from financing activities	16,985,149	7,213,585
Net increase (decrease) in cash, cash equivalents, and restricted cash	3,927,463	(4,904,870)
Cash, cash equivalents, and restricted cash - beginning of year	20,576,574	25,481,444
Cash, cash equivalents, and restricted cash - end of year	$ 24,504,037	$ 20,576,574
Supplemental cash flow information:		
Cash paid for interest	$ 1,069,386	$ 1,415,839
Noncash investing and financing activities:		
Property additions in accounts payable and accrued liabilities	$ 3,499,056	$ 1,633,523

See accompanying notes to consolidated financial statements.

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2019
(With Comparative Totals for 2018)

1. ORGANIZATION

Project for Pride in Living, Inc. is a nonprofit organization that builds the hope, assets, and self-reliance of individuals and families who have lower incomes by providing transformative affordable housing and employment readiness services. Project for Pride in Living, Inc. and its affiliates (collectively PPL) operate in the Minneapolis and Saint Paul, Minnesota metropolitan area.

PPL implements its mission in the following core program areas:

Housing Stability – This PPL program provides more than 1,500 units of affordable, multi-family residential rental housing for low income individuals and families. The program includes PPL Properties and limited partnerships in which PPL is a general partner. The program also provides feasibility analysis, pre-development, development, and construction management of affordable rental and for-sale housing, and asset management and property management of multi-family residential properties. PPL also manages affordable housing with other owners.

PPL works directly with families and children to make the transition from poverty and instability to economic independence and healthy, integrated living. The services provided take a holistic and comprehensive approach to assisting families while providing a range of support services and links to community resources. PPL also provides housing and comprehensive support services to disabled homeless adults often with mental illness and chemical dependency.

Career Readiness – This PPL program assists in the economic advancement of individuals through free employment training workshops, classes, and certificate programs. Our integrated services focus on helping each individual overcome their barriers to employment and job retention. In addition, PPL assists families working with the Minnesota Family Investment Program (MFIP) through the Connections to Work program activity. In addition, job seekers have opportunities to receive professional work attire through the Ready for Success program activity.

PPL aims to assist people towards self-sufficiency by offering high quality educational and employment services in partnership with the community. This includes two alternative high schools which are under contract with the Minneapolis Public Schools District. In addition to the two alternative schools, PPL also connects youth to education and training programs through Learn and Earn to Achieve Potential (LEAP), a collective impact model consisting of six alternative schools (El Colegio charter school, Brooklyn Center Early College Academy, Bloomington Career & College Academy, North and South Education Centers), Hennepin County, and Minneapolis Public Schools; and Step Up Youth Employment program, a collaboration between the City of Minneapolis, AchieveMPLS, Minnesota Department of Economic Development, and PPL.

PPL' s programs are primarily supported by rental revenues, government grants, contributions, developer fees, sales, and program fees.

(Continued)

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Accounting Standards Adopted - In 2019, PPL adopted Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* using the full retrospective approach. This ASU was issued to address diversity in reporting restricted cash on the statement of cash flows, largely due to the lack of guidance. After the adoption of ASU 2016-18, restricted deposits and cash equivalents must be included with the beginning and ending cash shown on the statements of cash flows. Before the change, construction cash, custodial cash and property reserves were excluded. The change increased 2018 beginning of year cash, cash equivalents, and restricted cash reported on the statement of cash flows by $18,100,908.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606).* This guidance outlines a single, comprehensive model for accounting for revenue from contracts with customers. In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The ASU clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions. PPL adopted these related standards on January 1, 2019, on a modified prospective basis. PPL's program revenue is generated substantially from rental revenues, developer fees, property management fees, asset management and related fees, and grants and contributions. PPL has adopted ASU 2014-09 as amended with the cumulative effect on developer fees recorded to net assets without donor restrictions in the amount of $1,084,451. ASU 2018-08 did not have a significant effect on the PPL's financial statements. No material impact on revenue or change in net assets on an ongoing basis is expected from these ASU's.

Financial Statement Presentation - Revenues and support are classified based on the presence or absence of donor restrictions and reported in the following net asset categories:

- Net assets without donor restrictions are not restricted by donors or the donor-imposed restrictions have expired. Net assets without donor restrictions are available for programs and supporting services at the discretion of management and the board of directors.

- Net assets with donor restrictions are contributions restricted by donors for specific purposes or time periods. Some donor-imposed restrictions are temporary in nature, such as those that will be met with the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions on the statement of activities.

(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PPL has presented limited partner capital contributions, gains and losses from divestitures, Building Ladders Comprehensive Campaign contributions, plus other activity separate from operating results because PPL believes the presentation better assists users of the financial statements with analyzing its operating results.

Principles of Consolidation - The consolidated financial statements include Project for Pride in Living, Inc. (parent organization); PPL Properties, an affiliated nonprofit organization whose board is controlled by PPL which wholly owns single-purpose limited liability companies (LLC's); PPL Investment Corporation, an affiliated nonprofit organization whose board is controlled by PPL organized as a supporting organization for the New Markets Tax Credits; and limited partnerships in which PPL has a controlling interest as a general partner.

All significant inter-entity accounts and transactions have been eliminated with the exception of developer fees.

Developer fees are recorded as revenue by PPL and capitalized as property of the limited partnerships and the LLC's.

Under generally accepted accounting principles, there is a presumption that a nonprofit general partner in a limited partnership has control over that partnership, regardless of the percentage of ownership. Therefore, PPL has consolidated these entities unless another general partner has control. The partnership interests generally range from .01% to 1.0% with the remainder of the partnership equity held by investor limited partners. The interests of the noncontrolling limited and general partners have been included in net assets without restrictions and the change in net assets without restrictions.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The most significant estimates are the allowance for doubtful accounts, estimated useful lives of property and equipment, costs incurred by PPL relating to developer fee revenue, allocation of expenses by function, and the carrying amount of property under development and held for sale.

(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents - PPL considers all highly liquid investments purchased with original maturities of three months or less and any certificates of deposit that do not contain material early withdrawal penalties to be cash equivalents.

Cash - Comprehensive Campaign - These are restricted funds collected through the Building Ladders Comprehensive Campaign.

Cash - Construction Escrows - These are primarily funds held at a title company to be used for properties under construction.

Cash - Custodial - These are primarily funds held by PPL for tenant security deposits and a Minnesota Housing Finance Agency emergency repair program.

Property Reserves - Property reserves are funds held in accordance with the terms of long-term debt, limited partnership, and LLC organizational agreements. PPL is required to maintain the property reserves primarily for future use in property replacements and improvements, operating reserves, and debt service.

Investments - Investments are carried at fair value. Realized and unrealized gains and losses are included in the statement of activities.

LLC Investments - PPL has noncontrolling investments in two LLC's. These investments are recorded using the equity method of accounting.

Receivables - Allowances - Receivables are stated at the amount management expects to collect. Management reviews receivables on a regular basis and establishes an allowance based on expected collections. Receivables are written off as a charge to the allowance when, in management's estimation, it is probable that the receivable is worthless.

Loans to a consolidated affordable housing project that are funded by grant revenue are fully allowed for, with a charge to inter-entity expense at the time of the loan, when collection is not expected.

Inventories - Inventories consist primarily of goods held for resale and are stated at the lower of cost or fair value as determined on a specific identification basis.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Donated inventories are recorded at their estimated fair value, on the date of contribution. Donated inventories received were $439,596 in 2019 and $354,568 in 2018 and are recorded with contributions.

Other Assets - Tax Credit Fees - Tax credit fees are amortized over the related term benefited using the straight-line method.

Property Under Development and Held For Sale - Property under development is stated at cost, unless such costs would not be recovered from the cash flow generated from sales or closing of limited partnership equity and financing. Costs consist primarily of land, legal, architectural, construction and other costs incurred to date. After development is substantially complete, costs such as utilities, maintenance, and interest are charged to expense. Property held for sale is stated at the lower of cost or fair value, as determined on a specific identification basis.

Property and Equipment - Property and equipment are carried at cost, with the exception of donated items which are recorded at fair market value at date of gift. Depreciation is provided for on a straight-line basis over the estimated useful life of each asset. The cost of maintenance and repairs is charged to expense as incurred; significant renewals or betterments are capitalized.

Absent donor restrictions regarding how long donated assets must be maintained, PPL reports expiration of donor restrictions when the donated or acquired assets are placed in service.

Impairment - Management reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. In such circumstances, PPL evaluates the recoverability of long-lived assets by comparing the carrying amount of the assets against the estimated undiscounted future cash flows associated with such assets. At the time such evaluations indicate that the future undiscounted cash flows of a long-lived asset are not sufficient to recover the carrying value of such asset, the asset is adjusted to its fair value.

Finance Fees - Finance fees are amortized over the related term benefited using the straight-line method and reported as deductions from the face amount of the related debt. Amortization is included in interest expense on the statement of functional expenses.

Contingent Liabilities - PPL provides guarantees for operating deficits, tax credits and construction completion to investors in partnerships. Management believes there are no significant contingent liabilities to record.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Warranty Costs - PPL provides its homebuyers a limited warranty as required by state statutes. PPL contracts with builders who provide PPL an indemnity for claims relating to workmanship and materials. PPL's historic warranty costs have been minimal.

United Way Revenue Recognition - Funding commitments from the Greater Twin Cities United Way are recorded in the year the United Way board approves the funding.

Contributed Materials - Contributed materials are recorded as contributions, when received, at their fair value. PPL received donated inventories in 2019 and 2018 as noted on page 11.

Contributed Services - Unpaid volunteers have made significant contributions of their time to PPL's programs. The fair value of this contributed time is reflected in these statements only if the services create or enhance nonfinancial assets or require specialized skills and would typically need to be purchased if not provided by donation. No contributed services were recorded in 2019 and 2018.

Contributions - Pledges - Contributions are recognized when the donor makes an unconditional promise to give to PPL. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without restrictions on the statement of activities. Contributions with donor-imposed restrictions that expire in the same fiscal year the contribution is recognized are reported as net assets without donor restrictions.

Government Grants - Government grants are accounted for as contributions. Government grants are generally conditional and are recorded when conditions are substantially met. Conditions are substantially met when eligible expenditures are incurred or certain requirements as specified in the agreements are met.

Several properties owned by PPL were funded with government grants and forgivable loans. These grants are subject to a number of requirements, including that properties be used as affordable housing for a period of time. Prior to adoption of ASU 2018-08 in 2019, forgivable loans for these projects were recognized as a contribution or grant in the period the related project was placed into service if the loan agreement specified the lender would forgive the loan under a defined set of conditions. Based on PPL's mission, management believed violation of the agreements and repayment of these grants and loans was not likely.

(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Following the adoption of ASU 2018-08, these government grants and forgivable loans will be recorded as a liability and revenue recognized when the conditions have been met.

Real Estate Revenues - Revenue from residential rents and services is recognized over the period for which rent is due or in the period the service is performed. Prepaid rent is recorded as deferred revenue.

Sales of real estate are recorded at the time of closing of the sale, when title to and possession of the property are transferred to the buyer. Cost of sales is based on direct costs when available.

Developer fees from limited partnerships which have been or are expected to be collected from capital contributions or debt proceeds have not been eliminated. These fees are considered a reimbursement of salaries and benefits, overhead, consultants, and other expenses. Revenue is recognized over time as these expenses are incurred.

Program service fees include property management, asset management, maintenance and security services for properties controlled by PPL and others. Revenue is recognized over time when the service is provided. Related party revenues other than developer fees have been eliminated in the consolidated financial statements.

Functional Expenses - Expenses are recorded to program and supporting services directly when possible. The financial statements include certain categories of expenses attributed to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated within the Statement of Functional Expenses include building operations expenses, which is allocated on a square footage basis; technology and related depreciation, which is allocated within office administrative and support based on number of computer users; phones, which is allocated within office administrative and support based on number of phones used by each program; and employees whose responsibilities cross functional areas, which are allocated based on time spent within programs.

Advertising Costs - Advertising costs are charged to expense during the year in which they are incurred.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Prior Year Summarized Comparative Information - The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional allocation. 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 PPL's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Fair Value Measurements - PPL determines fair value, when necessary, based on the assumptions that market participants would use when pricing the asset or liability. Valuation inputs are categorized using the following fair value hierarchy:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs that are observable, directly or indirectly, other than the quoted prices included in Level 1; and
- Level 3 - inputs that are unobservable for the asset or liability, which are typically based on an organization's own assumptions, as there is little, if any, related market activity.

Fair value measurements were applied to the money market fund investments, corporate stocks, and international equities based on Level 1 inputs because they have readily determinable fair values based on daily redemption values. Fair value measurements were applied to municipal bonds and bond municipal funds based on Level 2 inputs based on valuations provided by the custodians of the securities.

Reclassifications - Reclassifications were made to the 2018 financial statements to be consistent with the current year financial statements. These reclassifications did not affect net assets or the change in net assets.

Income Taxes - Project for Pride in Living, Inc., PPL Properties, and PPL Investment Corporation are classified as tax-exempt organizations under Minnesota Statute 290.05 and Section 501(c)(3) of the Internal Revenue Code, are exempt from private foundation status under Section 509(a)(1) of the Internal Revenue Code, and are subject to income taxes only on net unrelated business income. Management believes these organizations did not have any unrelated business income in 2019 or 2018. Management believes PPL does not have any uncertain tax positions that are material to the financial statements.

The limited partnerships and limited liability companies are not taxable entities. Income or losses are passed through to the partners or members.

(Continued)

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

PPL's financial assets available for general expenditure within one year of the statement of financial position date are as follows:

	2019			
	PPL	PPL Investment Corporation and Properties	Limited Partnerships	Consolidated
Cash and cash equivalents	$ 3,317,475	$ 1,086,154	$ 3,337,054	$ 7,740,683
Cash – comprehensive campaign	466,200	-	-	466,200
Investments	1,518,903	-	-	1,518,903
Receivables, net	1,798,816	126,145	1,138,739	3,063,700
Total financial assets available within one year	7,101,394	1,212,299	4,475,793	12,789,486
Less:				
Cash – internal reserves and escrows	-	-	(1,764,153)	(1,764,153)
Total financial assets available within one year	$ 7,101,394	$ 1,212,299	$ 2,711,640	$ 11,025,333

	2018			
	PPL	PPL Investment Corporation and Properties	Limited Partnerships	Consolidated
Cash and cash equivalents	$ 2,467,897	$ 1,220,353	$ 3,258,964	$ 6,947,214
Cash – comprehensive campaign	202,023	-	-	202,023
Investments	1,412,188	-	-	1,412,188
Receivables, net	1,742,694	165,242	866,773	2,774,709
Total financial assets available within one year	5,824,802	1,385,595	4,125,737	11,336,134
Less:				
Cash – internal reserves and escrows	-	-	(1,118,447)	(1,118,447)
Total financial assets available within one year	$ 5,824,802	$ 1,385,595	$ 3,007,290	$ 10,217,687

(Continued)

3. LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

As part of PPL's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. PPL has invested excess cash in short-term investments. For purposes of analyzing resources available to meet general expenditures over the next year, PPL considers all expenditures related to its ongoing activities. PPL currently has two lines of credit established which are solely used for housing development and not general expenditures (See note 10).

Financial assets held by limited partnerships and limited liability companies are generally limited to use within the individual entities by investors or lenders and are not available to PPL. These entities adopt an annual budget and anticipate collecting sufficient revenue to fund general expenditures. Budget to actual results are monitored each month. Individual entities with cash flow deficiencies are placed on a monitoring list whose operating performance is more heavily scrutinized by senior management.

Agreements require that escrows and reserves be funded to provide for significant recurring expenditures, and that reserves be funded for capital replacements for the properties and other nonrecurring expenditures and liquidity needs. In situations where agreements do not stipulate escrows and reserves, management has set aside funds themselves.

PPL has adopted a General Operating Cash Reserve policy which is managed by staff and monitored by the Finance and Audit Committee. The purpose of the policy is to ensure the stability of PPL's mission, programs, employment, and ongoing operations. The reserve includes general cash, the real estate development account, and the investment accounts. A target benchmark is used to measure the health of the reserve, generally an amount sufficient to maintain ongoing operations equal to three months of operating costs.

4. INVESTMENTS

Investments consist of the following:

	2019		
		Level 1	Level 2
U.S. government money market fund	$ 44,648	$ 44,648	$ -
Municipal bonds	1,159,463	-	1,159,463
Bond mutual funds	314,792	-	314,792
	$ 1,518,903	$ 44,648	$ 1,474,255

(Continued)

4. **INVESTMENTS (Continued)**

	2018		
		Level 1	Level 2
Money market accounts	$ 5,967	$ 5,967	$ -
U.S. government money market fund	17,974	17,974	-
Municipal bonds	894,600	-	894,600
Bond mutual funds	224,224	-	224,224
Corporate stocks	260,257	260,257	-
International equities	9,166	9,166	-
	$ 1,412,188	$ 293,364	$ 1,118,824

5. **RECEIVABLES**

Receivables consist of the following:

	2019	2018
Tenant receivables	$ 578,698	$ 459,768
Trade and other receivables	1,003,441	879,022
Notes receivable	4,879,500	4,929,500
Government grants receivable	1,216,427	1,437,550
Pledges receivable	1,272,427	2,076,385
	8,950,493	9,782,225
Less allowance for doubtful accounts	(177,170)	(181,695)
	8,773,323	9,600,530
Less current receivables	(3,063,700)	(2,774,709)
	$ 5,709,623	$ 6,825,821

Pledges receivable of $1,021,260 are due in 2020, $198,917 in 2021, $37,250 in 2022, and $5,000 are due in 2023. Pledges receivable of $406,260 due in 2020 are related to the Building Ladders Comprehensive Campaign and are presented as long-term assets.

Government grants receivables are due to be collected in 2020.

PPL Investment Corporation has a $4,829,500 note receivable in connection with the New Markets Tax Credits (See Note 18) with 2% interest. Interest is payable monthly through the maturity date, October 20, 2024, at which time all remaining principal and accrued interest are due. The note is secured by a pledge of the borrower's interest in the CDE (See Note 18).

6. OTHER ASSETS

Other assets consist of the following:

	2019	2018
Tax credit fees, net	$ 514,795	$ 484,212
Beneficial interests in marketable securities held by community foundations	97,250	92,803
Other	31,191	113,992
	$ 643,236	$ 691,007

7. INVESTMENTS IN PARTNERSHIPS AND LLC'S

In order to achieve its mission, PPL forms partnerships with for-profit investors. These partnerships own and operate apartment buildings in the Minneapolis and Saint Paul metropolitan area. PPL's interests in partnerships range from .01 to 1.0%. A number of the partnerships have raised capital through the sale of housing tax credits to for-profit investors.

In accordance with generally accepted accounting principles, PPL, as general partner, is considered to have a controlling interest in these partnerships. Accordingly, the partnerships have been included in these consolidated financial statements. At December 31, 2019, 22 partnerships have been consolidated.

In addition, PPL Properties, wholly owns and operates apartment buildings incorporated as LLC's.

PPL has a 50% interest in two LLC's at December 31, 2019 and 2018. Total assets were $3,226,660 and $3,817,941 and total liabilities were $2,883,309 and $3,364,645 at December 31, 2019 and 2018. Total revenue was $152,172 and $199,275 and net income (loss) was ($96,602) and $123,738 in 2019 and 2018.

8. PROPERTY UNDER DEVELOPMENT AND HELD FOR SALE

Property under development and held for sale consist of the following:

	2019	2018
PPL Homes – property held for sale	$ 342,493	$ 339,537

(Continued)

8. PROPERTY UNDER DEVELOPMENT AND HELD FOR SALE (Continued)

	2019	2018
Van Cleve – rental property in development	$ -	$ 2,019,686
Ain Dah Young – rental property in development	-	1,581,422
PPL Bunge – rental property in development	9,799,400	-
Sedgeview – rental property in pre-development	248,164	156,328
Bloom Lake – rental property in pre-development	146,633	53,782
Ford Site – rental property in pre-development	92,648	-
Other projects	98,343	54,814
Property under development	$ 10,385,188	$ 3,866,032

9. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2019	2018	Estimated useful lives-years
Program facilities:			
Land	$ 1,233,893	$ 1,025,307	-
Buildings and improvements	14,913,748	15,361,029	10-30
Equipment	2,579,396	2,334,932	3-7
	18,727,037	18,721,268	
Less accumulated depreciation	(6,659,680)	(7,006,599)	
Program facilities, net	12,067,357	11,714,669	
Rental properties:			
Land and land improvements	25,074,020	24,595,481	NA / 15
Buildings and improvements	201,290,626	190,491,274	25-40
Equipment	4,172,970	3,488,378	3-7
	230,537,616	218,575,133	
Less accumulated depreciation	(57,208,296)	(51,047,179)	
Rental properties, net	173,329,320	167,527,954	
Combined total	$185,396,677	$179,242,623	

(Continued)

9. PROPERTY AND EQUIPMENT (Continued)

Depreciation expense for the years ended December 31, 2019 and 2018, was $6,837,300 and $6,554,040.

Construction to convert the Franklin Theater building to a new Employment and Training Center began in 2018 and was completed in 2019. The total budget for the project was approximately $7,500,000 to be funded through the sale of New Markets Tax Credits and contributions.

10. NOTES PAYABLE AND LINES OF CREDIT

Notes payable and lines of credit are used primarily for housing developments, are generally due upon sale and, except where designated, are secured by the underlying real estate.

	2019	2018
Bremer Bank term loan with interest at 4.57%, due December 2020. Monthly payments of $5,246 are required. Secured by real estate.	$ 333,650	$ 379,940
BMO Harris Bank note payable with interest at 5.826%, due January 2023. Monthly payments of $2,527. Secured by real estate.	165,065	186,680
$1,000,000 Wells Fargo EQ2 note payable with interest at 2%, due on November 29, 2021. Quarterly payments of $250,000 begin January 1, 2021. Unsecured.	1,000,000	1,000,000
$1,250,000 US Bank CRA and EQ2 notes payable with interest at 3% and 3.8%, due on May 29, 2023 and March 7, 2022. Unsecured.	1,250,000	1,250,000
$1,000,000 BMO Harris Bank EQ2 note payable with interest at 4% due March 31, 2023. Unsecured.	1,000,000	1,000,000
Otto Bremer Trust note payable with interest at 3% due November 15, 2022. Unsecured.	1,000,000	-

10. NOTES PAYABLE AND LINES OF CREDIT (Continued)

	2019	2018
$500,000 Propel Nonprofits line of credit with interest at 5.57% matures on July 31, 2022, and is expected to be renewed. Secured by investments.	456,274	351,435
GMHC predevelopment loans were repaid in 2019 when project development began, ($150,000, $350,000 and $59,986) with interest at 3%.	-	319,512
LISC predevelopment financing note payable for up to $1,690,000 for the Van Cleve project with interest at 6%, due August 1, 2019. Paid upon closing.	-	664,944
$500,000 predevelopment financing note payable with the Housing Partnership Fund, Inc. for the Van Cleve project with interest at 6.5%. Paid upon closing.	-	500,000
$4,500,000 note payable to Sunrise Banks for Franklin Theater project with interest at 4.25%, due October 20, 2024. Prepayment of $750,000 allowed for the first two years, and full payment afterwards. Note was paid off by comprehensive campaign pledges in 2019.	-	3,200,000
Government agency and other loans for housing projects.	942,990	918,025
	6,147,979	9,770,536
Less unamortized fees	-	(85,221)
	6,147,979	9,685,315
Less current maturities	(433,908)	(2,156,378)
	$ 5,714,071	$ 7,528,937

10. NOTES PAYABLE AND LINES OF CREDIT (Continued)

Maturities of notes payable and lines of credit are as follows:

	Amortizing	EQ2/CRA	Line of Credit	Pre-Development	Other	Total
2020	$ 354,667	$ -	$ -	$ -	$ 79,241	$ 433,908
2021	22,202	1,750,000	-	25,000	-	1,797,202
2022	23,674	500,000	456,274	1,050,000	-	2,029,948
2023	98,057	1,000,000	-	-	-	1,098,057
2024	-	-	-	-	184,920	184,920
Thereafter	-	-	-	-	603,944	603,944
	$ 498,600	$ 3,250,000	$ 456,274	$ 1,075,000	$ 868,105	$ 6,147,979

11. MORTGAGES PAYABLE

PPL is subject to debt covenants under the terms of various debt agreements. These covenants require, among other things, that PPL maintain certain levels of debt to equity and current ratios. Management believes these covenants have been met.

Mortgages payable consist of first, second, and third mortgages secured by rental properties, properties held for sale, or properties under development. Mortgages are primarily from government agencies.

Interest expense for notes and mortgages for the years ended December 31, 2019 and 2018, was $1,069,386 and $1,038,152.

11. MORTGAGES PAYABLE (Continued)

Mortgages payable consist of the following:

	2019	2018
Amortizing mortgages on rental properties with interest rates of 0% to 9%, due in varying monthly installments through 2058.	$ 17,309,165	$ 16,326,442
Non-amortizing mortgages on rental properties with interest rates of 0% to 9%, with principal payments deferred through 2061.	87,401,059	85,508,453
	104,710,224	101,834,895
Less unamortized fees	(720,835)	(754,131)
	103,989,389	101,080,764
Less current maturities	(770,749)	(366,071)
	$103,218,640	$100,714,693

Maturities of mortgages payable are as follows:

2020	$ 770,749
2021	969,758
2022	587,096
2023	320,306
2024	334,396
Thereafter – 2025 through 2061	101,727,919
	$ 104,710,224

12. NET ASSETS

The board has designated $125,000 of net assets without donor restrictions for future administrative needs.

12. NET ASSETS (Continued)

Net assets with donor restrictions are available for the following purposes or time periods:

	2019	2018
Subject to expenditure for specified purpose:		
Housing Stability	$ 665,000	$ 696,250
Career Readiness	579,500	218,839
Building Ladders Comprehensive Campaign	938,377	2,110,277
	2,182,877	3,025,366
Subject to the passage of time:		
For future periods	165,000	370,000
To be held in perpetuity:		
Scholarships and operating support	143,210	143,210
	$ 2,491,087	$ 3,538,576

Net assets of $143,210 in 2019 and 2018 to be held in perpetuity result from restrictions on contributions received from donors. A portion of restricted net assets is included in other assets. Earnings are available for operating support and scholarships.

13. RETIREMENT PLAN

PPL has a 403(b) thrift plan covering employees with more than one year of service. Employer contributions are at the discretion of the Board of Directors. Contributions were $231,451 in 2019 and $180,714 in 2018.

14. GUARANTEES

PPL issues guarantees in the course of developing properties with investor limited partners. The guarantees are issued in favor of limited partner investors or lenders.

Tax credit guarantees are commitments to compensate the investor limited partners if there is a shortfall or reduction in anticipated tax credits.

14. GUARANTEES (Continued)

Operating deficit guarantees are commitments to fund future operating deficits of the partnership. The guarantees are issued to the tax credit limited partnerships, and generally are for three to five years after the project has achieved break-even operations, or a certain debt service coverage ratio.

Development completion guarantees are commitments to fund the development and lease up of a project if the expected amount of permanent financing is not received, or the cost of the development exceeds the expected financing and equity received.

Management regularly reviews the guarantees. Management has identified four current projects that could potentially trigger guarantees. Based on historical performance, management has determined the likelihood PPL will be required to fund a guarantee is minimal. Accordingly, no liability is recorded.

15. COMMITMENTS AND CONTINGENCIES

PPL has commitments of $2,350,000 in financing for the purchase and development of land at the former Ford Plant site in Saint Paul.

Housing tax credits for limited partnerships are contingent on maintaining compliance with applicable sections of Internal Revenue Code Section 42 over a fifteen year compliance period. Failure to maintain compliance with occupant eligibility or other requirements or to correct noncompliance within a specified time period could result in recapture of previously taken tax credits plus interest. In addition, such potential noncompliance may require repayment of capital contributed by investor limited partners.

PPL operates a self-funded Health Reimbursement Arrangement (HRA) plan for the benefit of its employees. Each employee is allocated a fixed amount to use for health insurance costs. Unused allocations from prior years are carried over to future years up to a certain amount. The funds allocated are tracked internally and are contingent upon use. Employees have no rights to the funds should they leave PPL. Because of the nature of the contingency, no liability has been recorded in these financial statements.

Expenditures under government grants and contracts are subject to review by the granting authority. If, as a result of such a review, expenditures are determined to be unallowable, the disallowance will be recorded at the time the assessment for refund is made.

(Continued)

15. COMMITMENTS AND CONTINGENCIES (Continued)

Several properties owned by PPL were funded with government grants and forgivable loans. These grants are subject to a number of requirements, including that properties be used as affordable housing for a period of time. Based on PPL's mission, management believes violation of the agreements and repayment of these grants and loans is not likely.

PPL is involved in litigation arising in the ordinary course of business. While the ultimate outcome of these matters is not presently determinable, it is the opinion of management that the resolution of outstanding claims will not have a material adverse effect on the financial position or changes in net assets of PPL.

16. CONCENTRATIONS

PPL places its cash with several financial institutions. The amount on deposit exceeds the insured limit of the institutions and exposes PPL to a credit risk. Management reviews the credit worthiness of financial institutions on a regular basis.

PPL operates in the Minneapolis and Saint Paul, Minnesota metropolitan area. All real estate owned and under development is located in that area.

17. CONDITIONAL CONTRIBUTIONS

PPL has received funding commitments from the United Way for programs. The funding is contingent upon the United Way raising the funds and annual approval by its board and will be recorded when approved.

The United Way commitments are summarized below:

2020	$ 405,665
2021	538,330
2022	269,165
	$ 1,213,160

At December 31, 2019, PPL has received approximately $4,350,000 of pledges from governmental agencies that are conditional upon incurring eligible expenditures or performance of certain activities. These amounts will be recognized as revenue in the periods in which the conditions are met.

(Continued)

18. NEW MARKETS TAX CREDITS FINANCING

To partially fund the construction of the Franklin Theater project, PPL entered into a New Markets Tax Credit (NMTC) financing arrangement. The NMTC program is designed to spur new or increased investments into operating businesses and real estate projects located in low-income communities by offering investors a federal tax credit in exchange for the investments.

To earn the tax credit, the NMTC investor must remain invested for a seven-year period, which will end in 2024 for the project. As part of this financing arrangement, PPL Investment Corporation loaned $4,829,500 to an investment fund. The loan was funded in part by a $4,500,000 loan from Sunrise Banks.

This investment fund in turn made a $7,000,000 investment in a Community Development Entity (CDE) and holds a 99.99% investor member interest in the CDE. The CDE made a loan totaling $6.86 million to PPL Admin LLC, a wholly owned subsidiary of PPL Properties, for the project.

PPL Investment Corporation and the investor entered into a put and call agreement to take place at the end of the seven-year tax credit period. Under the agreement, the NMTC investor can exercise a put option to sell all its interest in the investment fund to PPL Investment Corporation for $1,000 plus costs. If the NMTC Investor does not exercise the put option, the agreement allows PPL Investment Corporation to exercise a call option to purchase the interest in the investment fund at an appraised fair market value.

PPL has guaranteed the amount of NMTC to be available to the investor.

19. DEVELOPMENTS

Oxford Village and PPL Youthlink were placed in service in 2018 and 2019. The limited partner has agreed to make capital contributions to the Partnerships. The capital contributions will be made once certain conditions have been met. At December 31, 2019, remaining capital contributions expected to be received are $672,774 in 2020 and $605,816 in 2021.

ADYC Supportive Housing Project was in development at December 31, 2019. The total estimated cost of the project is approximately $13,675,000. The project is to be funded by limited partner contributions and debt. At December 31, 2019, remaining capital contributions expected to be paid are $656,517 in 2020 and $615,371 in 2022.

(Continued)

19. DEVELOPMENTS (Continued)

PPL Bunge LP was in development at December 31, 2019. The total estimated cost of the project is approximately $12,000,000. At December 31, 2019, remaining capital contributions expected to be paid are $4,137,405 in 2020, $569,506 in 2021, and $390,000 in 2023.

Limited partner capital contributions were initially determined based upon an expectation of the amount and timing of housing tax credits. The contributions are subject to adjustment depending on certain conditions being met, primarily related to the amount and timing of housing tax credits each Partnership is able to obtain. The contributions will be recorded when received.

20. BUILDING LADDERS COMPREHENSIVE CAMPAIGN

PPL embarked on the Building Ladders Comprehensive Campaign in 2016. The goal of the campaign is to raise $12,400,000 through contributions and funding through NMTC. Funds will be used for the rehabilitation of the Franklin Theater building into a new Employment and Training Center ($9M), equipment and campaign costs ($1.5M), working capital for affordable housing ($2M), program infrastructure investments ($1.4M), plus investments in technology.

As of December 31, 2019, PPL has raised approximately $11,600,000 of its goal.

21. CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

The total cash, cash equivalents, and restricted cash reported on the statements of cash flows at December 31, 2019 and 2018, consists of the following amounts reported on the balance sheets:

	2019	2018
Cash and cash equivalents	$ 7,740,683	$ 6,947,214
Cash – comprehensive campaign	695,375	548,530
Cash held in construction escrows	3,320,191	2,076,668
Cash - custodial	937,452	931,455
Property reserves	11,810,336	10,072,707
	$ 24,504,037	$ 20,576,574

(Continued)

22. DIVESTITURES

During 2019, PPL Loring-Nicollet Community Center LLC, an entity wholly owned by PPL Properties, sold its land and building for $1,325,000.

During 2018, PPL divested its interest in Mercado Central LLC to another nonprofit entity for no consideration.

23. SUBSEQUENT EVENTS

In January 2020, PPL Lake and Bloom LP purchased properties for future development for $1,112,440.

In February 2020, PPL Wilkins LLC, an entity wholly owned by PPL Properties sold its land and building for $2,070,000.

In April 2020, PPL purchased land for future development at the Ford Site for $2,580,000.

In March 2020, the state of Minnesota began to enact measures to combat the global pandemic resulting from a novel strain of coronavirus known as COVID-19. Measures have included regulatory restrictions and recommendations for voluntary reductions on individual and business activities. There has been no immediate impact on the PPL's operations. Future potential impacts may include disruptions or restrictions on our services and on tenants' ability to work; which could affect operating functions such as leasing and maintenance or the existing tenants' ability to pay the required monthly rent. The future effects of these issues are unknown. PPL applied for and received $2,400,000 in Paycheck Protection Program (PPP) funding from a program developed by the Federal government in response to COVID-19.

Management has evaluated subsequent events through July 13, 2020, the date which the financial statements were available for issue.

SUPPLEMENTARY CONSOLIDATING INFORMATION

PROJECT FOR PRIDE IN LIVING, INC.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

December 31, 2019

	PPL, Inc.	PPL Investment Corp	PPL Properties	Partnerships	Eliminations	Total
ASSETS						
Current assets:						
Cash and cash equivalents	$ 3,317,475	$ -	$ 1,086,154	$ 3,337,054	$ -	$ 7,740,683
Cash - comprehensive campaign	466,200	-	-	-	-	466,200
Investments	1,518,903	-	-	-	-	1,518,903
Current portion of receivables, net	1,798,816	8,049	118,096	1,138,739	-	3,063,700
Inventories	69,729	-	-	-	-	69,729
Property held for sale	-	-	342,493	-	-	342,493
Prepaid expenses	423,227	-	50,182	125,533	-	598,942
Total current assets	7,594,350	8,049	1,596,925	4,601,326	-	13,800,650
Cash held in construction escrows	-	-	-	3,320,191	-	3,320,191
Cash - custodial	63,776	-	216,950	656,726	-	937,452
Cash - comprehensive campaign	227,081	2,094	-	-	-	229,175
Property reserves	-	-	1,858,684	9,951,652	-	11,810,336
Receivables, less current portion, net	824,546	4,829,500	55,529	-	-	5,709,575
Other assets, net	97,250	-	-	545,986	-	643,236
Due from other funds	5,009,907	24,022	3,140,234	-	(8,174,163)	-
Property under development	-	-	574,239	10,394,109	(583,160)	10,385,188
Property and equipment, net	1,017,889	-	33,758,744	150,620,044	-	185,396,677
Total assets	$ 14,834,799	$ 4,863,665	$ 41,201,305	$ 180,090,034	$ (8,757,323)	$ 232,232,480
LIABILITIES AND NET ASSETS						
Current liabilities:						
Accounts payable	$ 146,926	$ -	$ 321,009	$ 352,354	$ -	$ 820,289
Accrued payroll and related	358,016	-	-	-	-	358,016
Accrued real estate taxes	-	-	36,531	1,231,163	-	1,267,694
Other accrued liabilities	36,629	-	39,723	275,894	-	352,246
Current portion of deferred revenues	47,556	-	46,009	124,326	-	217,891
Current portion of accrued interest	5,000	-	17,590	22,697	-	45,287
Current portion of notes payable and lines of credit	433,908	-	-	-	-	433,908
Current portion of mortgages payable, net	-	-	543,484	227,265	-	770,749
Total current liabilities	1,028,035	-	1,004,346	2,233,699	-	4,266,080
Construction payables	-	-	-	3,387,731	-	3,387,731
Escrows and deposits	21,677	-	214,379	676,128	-	912,184
Deferred revenues, less current portion	5,143	-	270,101	849,410	-	1,124,654
Accrued interest, less current portion	-	-	4,000,000	4,928,881	-	8,928,881
Due to other funds	1,998,433	-	3,634,635	15,457,794	(21,090,862)	-
Notes payable and lines of credit, less current portion, net	5,060,243	-	653,828	-	-	5,714,071
Mortgages payable, less current portion, net	-	-	35,902,263	67,316,377	-	103,218,640
Total liabilities	8,113,531	-	45,679,552	94,850,020	(21,090,862)	127,552,241
Net assets without donor restrictions:						
Undesignated	4,230,181	4,863,665	(4,478,247)	3,312,081	12,333,539	20,261,219
Noncontrolling limited partner interests in partnerships	-	-	-	81,927,933	-	81,927,933
Net assets with donor restrictions	2,491,087	-	-	-	-	2,491,087
Total net assets	6,721,268	4,863,665	(4,478,247)	85,240,014	12,333,539	104,680,239
Total liabilities and net assets	$ 14,834,799	$ 4,863,665	$ 41,201,305	$ 180,090,034	$ (8,757,323)	$ 232,232,480

See independent auditor's report.

PROJECT FOR PRIDE IN LIVING, INC.

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019

	PPL, Inc.	PPL Investment Corporation	PPL Properties	Partnerships	Eliminations	Total
Revenues and support:						
Contributions	$ 5,171,130	$ -	$ -	$ -	$ -	$ 5,171,130
Government grants	9,721,038	-	640,308	351,037	-	10,712,383
United Way	542,940	-	-	-	-	542,940
Rental revenues	3,390	-	3,613,908	10,143,724	-	13,761,022
Sales	37,182	-	5,120,763	-	(3,904,990)	1,252,955
Program fees	685,726	-	-	-	-	685,726
Developer fees	1,343,199	-	-	-	-	1,343,199
Other income	59,644	-	180,377	115,402	-	355,423
Interest	1,475	96,590	20,497	20,662	-	139,224
Inter-entity revenue	6,716,459	-	44,051	559,081	(7,319,591)	-
Total revenues and support	24,282,183	96,590	9,619,904	11,189,906	(11,224,581)	33,964,002
Expenses:						
Program services	18,852,205	199,851	11,759,337	16,740,180	(11,908,442)	35,643,131
General and administrative	2,666,027	-	-	-	(214,692)	2,451,335
Fundraising	1,229,236	-	-	-	(66,432)	1,162,804
Total expenses	22,747,468	199,851	11,759,337	16,740,180	(12,189,566)	39,257,270
Change in net assets before nonoperating activity	1,534,715	(103,261)	(2,139,433)	(5,550,274)	964,985	(5,293,268)
Investment income	131,401	-	-	-	-	131,401
Gain from sale of Loring-Nicollet property	-	-	1,183,589	-	-	1,183,589
Capital contributions from noncontrolling interests, net	-	-	-	15,971,559	-	15,971,559
Capital contributions from PPL, Inc.	-	-	163,383	1,402,921	(1,566,304)	-
Comprehensive campaign contributions	2,395,152	-	-	-	-	2,395,152
Comprehensive campaign Franklin Theater	(3,600,000)	3,200,000	400,000	-	-	-
Transfer of Collaborative Village	-	-	605,190	(605,190)	-	-
Distributions	-	-	(47,245)	(36,114)	47,245	(36,114)
Change in net assets before adoption of ASU 2014-09	461,268	3,096,739	165,484	11,182,902	(554,074)	14,352,319
Impact of adoption of ASU 2014-09	-	-	-	-	1,084,451	1,084,451
Change in net assets	461,268	3,096,739	165,484	11,182,902	530,377	15,436,770
Net assets, beginning of year	6,260,000	1,766,926	(4,643,731)	74,057,112	11,803,162	89,243,469
Net assets, end of year	$ 6,721,268	$ 4,863,665	$ (4,478,247)	$ 85,240,014	$ 12,333,539	$ 104,680,239

See independent auditor's report.

PROJECT FOR PRIDE IN LIVING, INC.

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2019

	Project for Pride in Living, Inc.										
	Housing stability	Career readiness	Other programs	PPL Investment Corp	PPL Properties	Partnerships	Total Programs	General and administrative	Fundraising	Eliminations	Total
Salaries	$ 5,339,057	$ 3,149,929	$ 296,392	$ -	$ -	$ -	$ 8,785,378	$ 1,148,876	$ 621,108	$ -	$ 10,555,362
Payroll taxes	367,636	215,958	20,289	-	-	-	603,883	96,814	38,221	-	738,918
Employee benefits	831,386	477,226	46,965	-	-	-	1,355,577	239,518	83,850	-	1,678,945
Total salaries and related	6,538,079	3,843,113	363,646	-	-	-	10,744,838	1,485,208	743,179	-	12,973,225
Cost of goods sold	-	37,228	-	-	3,482,525	-	3,519,753	-	-	(3,482,525)	37,228
Rental and other direct client assistance	2,134,896	980,121	23,534	-	115,000	-	3,253,551	-	-	-	3,253,551
Professional fees and contracted services	203,501	427,113	215,368	-	40,241	245,446	1,131,669	318,196	113,457	-	1,563,322
Office administration and support	201,903	63,392	223,990	-	46,570	91,976	627,831	158,289	37,644	-	823,764
Conferences and meetings	9,463	17,235	48	-	-	-	26,746	30,591	1,047	-	58,384
Staff development and appreciation	61,112	24,289	7,788	-	35	2,501	95,725	36,257	4,362	-	136,344
Marketing and promotion	1,582	12,925	759	-	-	-	15,266	1,000	133,225	-	149,491
Transportation	137,378	23,815	17,418	-	16,536	34,793	229,940	19,633	1,112	-	250,685
Bad debts / loss allowance	8,503	-	-	-	72,529	170,234	251,266	25,000	-	-	276,266
Insurance	7,347	-	-	1,250	183,349	429,142	621,088	115,225	-	-	736,313
Building operating expenses	589,222	992	-	-	2,530,529	6,785,706	9,906,449	210,625	-	-	10,117,074
Rent	-	8,403	-	-	2,400	-	10,803	-	-	-	10,803
Depreciation and amortization	3,495	-	121,598	85,223	1,640,150	5,044,520	6,894,986	-	126,266	-	7,021,252
Interest and other bank fees	157,796	985	-	113,378	588,004	935,582	1,795,745	51,311	2,512	-	1,849,568
Inter-entity expenses	1,588,529	788,571	7,068	-	3,041,469	3,000,280	8,425,917	214,692	66,432	(10,092,692)	(1,385,651)
	11,642,806	6,228,182	981,217	199,851	11,759,337	16,740,180	47,551,573	2,666,027	1,229,236	(13,575,217)	37,871,619
Remove inter-entity expenses	(1,588,529)	(788,571)	(7,068)	-	(6,523,994)	(3,000,280)	(11,908,442)	(214,692)	(66,432)	13,575,217	1,385,651
Total expenses	$ 10,054,277	$ 5,439,611	$ 974,149	$ 199,851	$ 5,235,343	$ 13,739,900	$ 35,643,131	$ 2,451,335	$ 1,162,804	$ -	$ 39,257,270

See independent auditor's report.

PROJECT FOR PRIDE IN LIVING, INC.

CONSOLIDATING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2019
Increase (Decrease) in Cash

	Project for Pride in Living, Inc.	PPL Investment Corporation	PPL Properties	Partnerships	Eliminations	Total
Cash flows from operating activities:						
Change in net assets	$ 461,268	$ 3,096,739	$ 165,484	$ 11,182,902	$ (554,074)	$ 14,352,319
Adjustments to reconcile the change in net assets to net cash from operating activities:						
Depreciation and amortization	251,359	85,223	1,640,150	5,044,520	-	7,021,252
Interest expense - amortization of finance fees	-	-	3,767	36,351	-	40,118
Gain from investments	(131,401)	-	-	-	-	(131,401)
Gain on sale of Loring-Nicollet property	-	-	(1,183,589)	-	-	(1,183,589)
Bad debts	33,503	-	72,529	170,234	-	276,266
Amortization of deferred grant	-	-	(11,725)	(42,646)	-	(54,371)
Comprehensive campaign	(2,395,152)	(3,200,000)	-	-	3,200,000	(2,395,152)
Capital contributions, net	-	-	(163,383)	(17,374,480)	1,566,304	(15,971,559)
Impact of modified restrospective ASU 2014-09 implementation	1,084,451	-	-	-	-	1,084,451
Changes in operating assets and liabilities:						
Receivables	920,081	-	31,356	(447,116)	-	504,321
Inventories	6,400	-	-	-	-	6,400
Prepaid expenses and other assets	41,378	-	(76,255)	(600,033)	-	(634,910)
Property held for sale	-	-	(2,956)	-	-	(2,956)
Accounts payable	(74,820)	(15,938)	323,016	33,311	-	265,569
Due to (from) other funds	3,345,181	(12,010)	1,115,827	(718,621)	(3,730,377)	-
Accrued expenses and other liabilities	(74,847)	-	612,805	417,079	-	955,037
Deferred revenues	(2,223,117)	-	(902,204)	13,695	1,084,451	(2,027,175)
Net cash from operating activities	1,244,284	(45,986)	1,624,822	(2,284,804)	1,566,304	2,104,620
Cash flows from investing activities:						
Purchase of property and equipment	(190,624)	-	(1,769,243)	(14,524,808)	-	(16,484,675)
Proceeds from sale of Loring-Nicollet property	-	-	1,272,369	-	-	1,272,369
Collection of notes receivable	50,000	-	-	-	-	50,000
Net cash from investing activities	(140,624)	-	(496,874)	(14,524,808)	-	(15,162,306)
Cash flows from financing activities:						
Proceeds from issuance of notes payable and lines of credit	1,129,839	-	49,964	-	-	1,179,803
Repayment of notes payable and lines of credit	(437,418)	(3,200,000)	(1,164,944)	-	-	(4,802,362)
Proceeds from issuance of mortgages payable	-	-	76,310	3,192,133	-	3,268,443
Repayment of mortgages payable	-	-	(591,531)	(227,544)	-	(819,075)
Comprehensive campaign	2,395,152	-	-	-	-	2,395,152
Advances from/payments to PPL	(3,200,000)	3,200,000	-	-	-	-
Payment of finance and tax credit fees	-	-	-	(44,988)	-	(44,988)
Capital contributions and distributions, net	-	-	-	17,374,480	(1,566,304)	15,808,176
Net cash from financing activities	(112,427)	-	(1,630,201)	20,294,081	(1,566,304)	16,985,149
Net increase (decrease) in cash, cash equivalents, and restricted cash	991,233	(45,986)	(502,253)	3,484,469	-	3,927,463
Cash, cash equivalents, and restricted cash - beginning of year	3,083,299	48,080	3,664,041	13,781,154	-	20,576,574
Cash, cash equivalents, and restricted cash - end of year	$ 4,074,532	$ 2,094	$ 3,161,788	$ 17,265,623	$ -	$ 24,504,037
Supplemental cash flow information:						
Cash paid for interest	$ 220,260	$ 113,378	$ 288,092	$ 447,656	$ -	$ 1,069,386
Property and equipment in accounts payable/accrued expenses	$ -	$ -	$ 111,325	$ 3,387,731	$ -	$ 3,499,056
Property and equipment transferred from LP to PPL Properties	$ -	$ -	$ 2,900,000	$ (2,900,000)	$ -	$ -
Mortgages transferred from LP to PPL Properties	$ -	$ -	$ 2,206,220	$ (2,206,220)	$ -	$ -

See independent auditor's report.

PROJECT FOR PRIDE IN LIVING, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND RELATED REPORTS

FOR THE YEAR ENDED DECEMBER 31, 2019

PROJECT FOR PRIDE IN LIVING, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS AND RELATED REPORTS

For the Year Ended December 31, 2019

Table of Contents

PROJECT FOR PRIDE IN LIVING, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2019

Federal Grantor/ Program or Cluster Title / Pass-through Grantor	CFDA Number	Pass Through Number	Federal Expenditures
Department of Agriculture, Food and Nutrition Service:			
Child Nutrition Cluster:			
National School Lunch Program	10.555		
Passed through State of Minnesota			$ 12,463
SNAP Cluster:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		
Passed through Minnesota Department of Human Services		115755	171,161
Total Department of Agriculture			183,624
Department of Housing and Urban Development, Office of Community Planning and Development:			
CDBG – Entitlement Grants Cluster:			
Community Development Block Grants/Entitlement Grants	14.218		
Passed through City of Minneapolis, Minnesota			
Village Investments Two Project Loans		HD00393	1,247,700
Elliot Park Commons Project Loan		C-21586	1,204,237
PPL Learning Center Project Loan		BD0044	148,997
Hawthorne Project Loan		C-24464	79,241
Fremont Flats Project Loan		AA830017	59,781
Fremont Flats Project Loan		AA870033	1,261,935
Franklin Theater Project Loan			500,000
			4,501,891
Community Development Block Grants/State's Program	14.228		
Passed through Minnesota Department of Human Services			
Delancey/Selby Rental Assistance/Operating Subsidy Grant			115,000
Supportive Housing Program	14.235		
Direct:			
Cabrini/New Foundations Program Grant			580,926
Youth Development/Self-Sufficiency Program Grants			361,578
PMD Program Grants			270,798
			1,213,302
HOME Investment Partnerships Program	14.239		
Passed through the Hennepin Housing Consortium			
Bass Lake Apartments Project Loan		A020492	350,000
No Place Like Home Project Loan		A040513	400,000
Passed through the HRA of Saint Paul, Minnesota			
Wilkins Townhomes Project Loan			150,000

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2019

Federal Grantor/ Program or Cluster Title / Pass-through Grantor	CFDA Number	Pass Through Number	Federal Expenditures
Delancey/Selby Stone Project Loan			1,000,000
Passed through City of Minneapolis, Minnesota			
Greenleaf AHTF Loan		C-27929	300,000
			2,200,000
Department of Housing and Urban Development, Office of Public and Indian Housing:			
Section 8 Project-Based Cluster:			
Lower Income Housing Assistance Program – Section 8 Moderate Rehabilitation	14.856		
Passed through Minnesota Housing Financing Agency		MN46A003001	241,355
Total for Housing and Urban Development (All Offices)			8,271,548
Department of Labor, Employment and Training Administration:			
Workforce Innovation and Opportunity (WIOA) Act Cluster:			
WOIA Adult Program			
Passed through City of Minneapolis	17.258	C-40413	852,905
Job Training Grants	17.268	C-40413	87,918
Total for Department of Labor			940,823
Corporation for National and Community Service:			
Social Innovation Fund Grant	94.019		
Passed through Local Initiatives Support Corporation		40589-0098	3,738
Passed through Local Initiatives Support Corporation		40589-0109	11,047
Passed through Local Initiatives Support Corporation		40589-0017	63,953
Passed through Local Initiatives Support Corporation		40589-0114	42,052
Passed through Annie E Casey Foundation and Local Initiatives Support Corporation		216.7507	138,277
Total for Corporation for National and Community Service			259,067
Total Expenditures of Federal Awards			$ 9,655,062

See accompanying notes to schedule

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2019

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Project for Pride in Living, Inc. (PPL) and certain affiliates under programs of the federal government for the year ended December 31, 2019. PPL's consolidated financial statements include the operations of various for-profit entities and nonprofit entities. Certain of these entities receive federal awards which were excluded from the Schedule for the year ended December 31, 2019. The for-profit affiliates were excluded from the Schedule because for-profit entities are not required to follow Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Such entities followed the requirements of the *Consolidated Audit Guide for Audits of HUD Programs* (the "Guide") when required.

The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of PPL, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Project for Pride in Living, Inc. and affiliates.

Note 2: Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting, except for the loan balances as discussed below. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
(2) Pass-through entity identifying numbers are presented where available.

Note 3: Indirect Cost Rate

PPL utilizes an indirect cost rate that was negotiated and approved in 2018 for most federal awards. Some federal awards that were already in progress continued to have the 10% de minimis rate applied in 2019 as allowed under the Uniform Guidance.

Note 4: Loans

Federal expenditures for the Community Development Block Grants/Entitlement Grants and HOME Investment Partnerships programs include $6,701,891 of loans outstanding from previous years for which the grantor imposes continuing compliance requirements. The loan balances are as of December 31, 2018. At December 31, 2019 and 2018, the loans funded by Community Development Block Grants/Entitlement Grants had a balance of $4,483,283, and the loans funded by the HOME Investment Partnerships program with a cumulative balance of $2,200,000 did not change.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Project for Pride in Living, Inc.
Minneapolis, Minnesota

We have audited the consolidated financial statements of Project for Pride in Living, Inc. and affiliates (PPL), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to consolidated financial statements, and have issued our report thereon dated July 13, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of affiliated limited partnerships were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with affiliated limited partnerships.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered PPL's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PPL's internal control. Accordingly, we do not express an opinion on the effectiveness of PPL's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

(Continued)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether PPL's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of PPL's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PPL's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mahoney Ulbrich
Christiansen Russ P.A.

July 13, 2020

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Project for Pride in Living, Inc.
Minneapolis, Minnesota

Report on Compliance for Each Major Federal Program
We have audited Project for Pride in Living, Inc. and affiliates' (PPL) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of PPL's major federal programs for the year ended December 31, 2019. PPL's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

PPL's consolidated financial statements include the operations of affiliated limited partnerships, limited liability companies, and nonprofit organizations. A certain number of the for-profit limited partnerships receive Section 8 rental assistance and loans from the Department of Housing and Urban Development which are not included in PPL's Schedule of Expenditures of Federal Awards for the year ended December 31, 2019. Our audit, described below, did not include the operations of for-profit limited partnerships because for-profit entities are not required to follow the *Uniform Guidance.*

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

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of PPL's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about PPL's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

(Continued)

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

Opinion on Each Major Federal Program

In our opinion, PPL complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of PPL is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered PPL's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of PPL's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(Continued)

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of PPL as of and for the year ended December 31, 2019, and have issued our report thereon dated July 13, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Mahoney Ulbrich
Christiansen Russ P.A.

August 11, 2020

PROJECT FOR PRIDE IN LIVING, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2019

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified	
"Going concern" emphasis-of-matter paragraph included in the auditor's report?	_____ yes	__X__ no
Internal control over financial reporting:		
• Material weakness(es) identified?	_____ yes	__X__ no
• Significant deficiency(s) identified?	_____ yes	__X__ none reported
Noncompliance material to financial statements noted?	_____ yes	__X__ no

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	_____ yes	__X__ no
• Significant deficiency(s) identified?	_____ yes	__X__ none reported
Type of auditor's report issued on compliance for major programs	Unmodified for each program	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	__X__ yes	_____ no
Major programs/clusters:	• CFDA Number 14.218 – Community Development Block Grants/Entitlement Grants • CFDA Number 17.258 – WIOA Adult Program	
Dollar threshold used to distinguish between type A and type B programs	$750,000	
Auditee qualified as low-risk auditee?	__X__ yes	_____ no

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2019

SECTION II – FINDINGS – FINANCIAL STATEMENTS AUDIT

No matters were reported

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

No matters were reported

SECTION IV – PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

2018-001 Lack of a Written Procurement Policy

Federal Program - All programs
CFDA # - All programs
Noncompliance
Category of Finding – Other

Condition – PPL is required to have written procurement processes which provide for open and free competition, which typically translates to open bidding on larger contracts. PPL has a written procurement policy, however, it is not in compliance with the Uniform Guidance.

Criteria – Per Uniform Guidance "recipients shall maintain written standards of conduct governing the performance of its employees engaged in the award and administration of contract." The Circular also states that "all procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition" and "that all recipients shall establish written procurement procedures."

Status – PPL fully resolved this issue in 2019 by creating and implementing a Board-approved procurement policy for federal expenditures in compliance with Uniform Guidance.