



PROJECT FOR PRIDE IN LIVING, INC.

**CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY CONSOLIDATING INFORMATION**

**FOR THE YEAR ENDED
DECEMBER 31, 2021**



PROJECT FOR PRIDE IN LIVING, INC.

CONSOLIDATED FINANCIAL STATEMENTS WITH SUPPLEMENTARY CONSOLIDATING INFORMATION

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Project for Pride in Living, Inc. and affiliates (Project for Pride in Living, Inc.), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Project for Pride in Living, Inc., as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Project for Pride in Living, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Project for Pride in Living, Inc.'s ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Project for Pride in Living, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Project for Pride in Living, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited Project for Pride in Living, Inc.'s 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated July 1, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

(Continued)

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 31 through 34 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 Project for Pride in Living, Inc. and affiliates on our consideration of Project for Pride in Living, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Project for Pride in Living, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Project for Pride in Living, Inc.'s internal control over financial reporting and compliance.

*Mahoney Ulbrich
Christiansen Russ P.A.*

July 6, 2022

PROJECT FOR PRIDE IN LIVING, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2021

(With Comparative Totals for 2020)

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 17,775,173	\$ 12,750,244
Cash - comprehensive campaign	1,759,900	1,847,760
Investments	1,969,796	1,780,324
Current portion of receivables, net	5,766,719	3,749,357
Inventories	63,648	61,413
Property held for sale	399,891	359,115
Prepaid expenses	673,725	483,335
Total current assets	28,408,852	21,031,548
Cash held in construction escrows	-	33,122
Cash - comprehensive campaign	-	169,918
Cash - custodial	1,356,359	1,174,560
Cash - working capital fund	417,250	1,170,810
Property reserves	12,836,571	12,386,094
Receivables, less current portion, net	6,241,783	8,309,875
Other assets, net	790,137	772,818
Property under development	9,564,768	6,686,566
Property and equipment, net	194,534,445	192,222,814
Total assets	\$ 254,150,165	\$ 243,958,125
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 800,964	\$ 796,852
Accrued payroll and related	375,490	384,210
Accrued real estate taxes	1,398,119	1,378,980
Other accrued liabilities	811,358	604,332
Current portion of deferred revenues	11,725	316,706
Current portion of accrued interest	150,221	140,229
Current portion of notes payable and lines of credit	2,344,910	2,020,539
Current portion of mortgages payable	1,228,765	296,624
Total current liabilities	7,121,552	5,938,472
Construction payables	1,044,590	32,575
Escrows and deposits	990,270	1,066,245
Deferred revenues, less current portion	1,609,048	1,077,284
Accrued interest, less current portion	10,271,964	9,573,134
Notes payable and lines of credit, less current portion, net	9,438,872	9,952,679
Mortgages payable, less current portion, net	113,144,025	105,437,397
Total liabilities	143,620,321	133,077,786
Net assets without donor restrictions:		
Undesignated	23,286,738	22,967,631
Noncontrolling limited partner interests	75,961,102	79,980,774
Total net assets without donor restrictions	99,247,840	102,948,405
Net assets with donor restrictions	11,282,004	7,931,934
Total net assets	110,529,844	110,880,339
Total liabilities and net assets	\$ 254,150,165	\$ 243,958,125

See accompanying notes to consolidated financial statements.

PROJECT FOR PRIDE IN LIVING, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues and support:				
Contributions	\$ 4,562,217	\$ 4,659,153	\$ 9,221,370	\$ 7,799,807
Net assets released from program and time restrictions	1,309,083	(1,309,083)	-	-
Government grants	11,680,620	-	11,680,620	10,311,709
PPP loan forgiveness	2,400,646	-	2,400,646	-
United Way	538,330	-	538,330	538,330
Rental revenues	14,401,796	-	14,401,796	14,156,511
Sales	2,810	-	2,810	3,709
Program service fees	761,939	-	761,939	810,497
Developer fees	497,870	-	497,870	709,083
Other income	91,630	-	91,630	616,074
Interest	108,081	-	108,081	155,426
Total revenues and support	<u>36,355,022</u>	<u>3,350,070</u>	<u>39,705,092</u>	<u>35,101,146</u>
Expenses:				
Program services:				
Housing stability	30,470,438	-	30,470,438	30,429,958
Career readiness	5,249,358	-	5,249,358	4,780,588
Other programs	880,676	-	880,676	943,328
Total program services	<u>36,600,472</u>	<u>-</u>	<u>36,600,472</u>	<u>36,153,874</u>
General and administrative	2,541,210	-	2,541,210	2,224,039
Fundraising	1,168,591	-	1,168,591	1,194,765
Total expenses	<u>40,310,273</u>	<u>-</u>	<u>40,310,273</u>	<u>39,572,678</u>
Change in net assets before nonoperating activity	(3,955,251)	3,350,070	(605,181)	(4,471,532)
Gain from investments	41,675	-	41,675	25,413
Gain on divestitures	-	-	-	1,079,751
Comprehensive campaign contributions	-	-	-	4,303,252
Noncontrolling limited partner interests in losses and transfer	<u>4,232,683</u>	<u>-</u>	<u>4,232,683</u>	<u>7,210,375</u>
Change in net assets for controlling interest	319,107	3,350,070	3,669,177	8,147,259
Capital contributions from noncontrolling interests, net	227,059	-	227,059	5,263,216
Distributions	(14,048)	-	(14,048)	-
Noncontrolling limited partner interests in losses and transfer	<u>(4,232,683)</u>	<u>-</u>	<u>(4,232,683)</u>	<u>(7,210,375)</u>
Change in net assets	<u>(3,700,565)</u>	<u>3,350,070</u>	<u>(350,495)</u>	<u>6,200,100</u>
Net assets, beginning of year	<u>102,948,405</u>	<u>7,931,934</u>	<u>110,880,339</u>	<u>104,680,239</u>
Net assets, end of year	<u>\$ 99,247,840</u>	<u>\$ 11,282,004</u>	<u>\$ 110,529,844</u>	<u>\$ 110,880,339</u>
Reconciliation of net assets:				
Noncontrolling interests:				
Beginning of year			\$ 79,980,774	\$ 81,927,933
Noncontrolling limited partner interests in losses			(5,361,753)	(6,280,350)
Capital contributions, net			227,059	5,263,216
Transfer			1,129,070	(930,025)
Distributions			(14,048)	-
End of year			<u>75,961,102</u>	<u>79,980,774</u>
Controlling interest:				
Beginning of year			30,899,565	22,752,306
Transfer			(1,129,070)	930,025
Change in net assets			4,798,247	7,217,234
End of year			<u>34,568,742</u>	<u>30,899,565</u>
Total			<u>\$ 110,529,844</u>	<u>\$ 110,880,339</u>

See accompanying notes to consolidated financial statements.

PROJECT FOR PRIDE IN LIVING, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2021

(With Comparative Totals for 2020)

	2021							2020
	Program services			Total programs	General and administrative	Fund-raising	Total expenses	
	Housing stability	Career readiness	Other programs	Total programs	General and administrative	Fund-raising	Total expenses	2020
Salaries	\$ 5,809,210	\$ 3,037,102	\$ 363,606	\$ 9,209,918	\$ 1,384,093	\$ 646,783	\$ 11,240,794	\$ 10,931,896
Payroll taxes	410,512	210,016	25,232	645,760	66,059	40,985	752,804	741,991
Employee benefits	969,208	501,476	61,813	1,532,497	228,525	94,998	1,856,020	1,635,036
Total salaries and related	7,188,930	3,748,594	450,651	11,388,175	1,678,677	782,766	13,849,618	13,308,923
Cost of sales	-	2,810	-	2,810	-	-	2,810	283,320
Rental and other client assistance	2,456,078	945,386	3,910	3,405,374	33,980	-	3,439,354	3,001,750
Professional fees and contracted services	562,618	434,469	85,788	1,082,875	217,129	133,998	1,434,002	1,242,592
Office administration and support	328,727	42,716	213,773	585,216	212,855	51,955	850,026	809,807
Conferences and meetings	577	701	124	1,402	5,656	396	7,454	24,513
Staff development and appreciation	33,443	12,027	4,217	49,687	23,225	2,011	74,923	70,734
Marketing and promotion	-	4,002	-	4,002	7,946	96,869	108,817	34,284
Transportation	144,808	7,889	8,423	161,120	43	-	161,163	172,777
Bad debts / loss allowance (recovery)	233,115	1,400	-	234,515	-	(26,000)	208,515	274,652
Insurance	875,988	7,164	-	883,152	135,060	-	1,018,212	806,949
Building operations expenses	9,868,022	9,878	-	9,877,900	180,144	-	10,058,044	10,459,932
Rent	17,765	23,442	-	41,207	-	-	41,207	25,572
Depreciation and amortization	7,246,689	8,760	113,790	7,369,239	4,229	126,351	7,499,819	7,396,629
Interest and other bank fees	1,513,678	120	-	1,513,798	42,266	245	1,556,309	1,660,244
	<u>\$ 30,470,438</u>	<u>\$ 5,249,358</u>	<u>\$ 880,676</u>	<u>\$ 36,600,472</u>	<u>\$ 2,541,210</u>	<u>\$ 1,168,591</u>	<u>\$ 40,310,273</u>	<u>\$ 39,572,678</u>

See accompanying notes to consolidated financial statements.

PROJECT FOR PRIDE IN LIVING, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ (350,495)	\$ 6,200,100
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation and amortization	7,499,819	7,396,629
Interest expense - amortization of finance fees	40,243	43,719
Gain from investments	(41,675)	(25,413)
Gain on sale of Wilkin Townhomes	-	(1,079,751)
PPP loan forgiveness	(2,400,646)	-
Bad debts	208,515	274,652
Amortization of deferred grant	(11,725)	(54,371)
Comprehensive campaign	-	(4,303,252)
Capital contributions, net	(227,059)	(5,263,216)
Changes in operating assets and liabilities:		
Receivables	93,630	(3,490,405)
Inventories	(2,235)	8,316
Prepaid expenses and other assets	(485,603)	(221,920)
Property held for sale	(40,776)	(16,622)
Accounts payable	(222,654)	4,398
Accrued expenses and other liabilities	919,442	1,322,137
Deferred revenues	234,811	99,686
Net cash from operating activities	5,213,592	894,687
Cash flows from investing activities:		
Purchase of property and equipment	(11,994,123)	(15,512,387)
Proceeds from sale of PPL Wilkins property	-	2,070,000
Receipt of sales tax refund	-	519,515
Net cash from investing activities	(11,994,123)	(12,922,872)
Cash flows from financing activities:		
Proceeds from issuance of notes payable and lines of credit	4,828,987	8,690,140
Repayment of notes payable and lines of credit	(208,790)	(2,864,901)
Proceeds from issuance of mortgages payable	8,515,634	4,362,350
Repayment of mortgages payable	(1,862,304)	(2,686,080)
Comprehensive campaign	-	4,303,252
Payment of finance and tax credit fees	(107,310)	(11,321)
Capital contributions from noncontrolling interests, net	227,059	5,263,216
Net cash from financing activities	11,393,276	17,056,656
Net increase in cash, cash equivalents, and restricted cash	4,612,745	5,028,471
Cash, cash equivalents, and restricted cash - beginning of year	29,532,508	24,504,037
Cash, cash equivalents, and restricted cash - end of year	\$ 34,145,253	\$ 29,532,508
Supplemental cash flow information:		
Cash paid for interest	\$ 976,525	\$ 920,832
Noncash investing and financing activities:		
Property additions in accounts payable and accrued liabilities	\$ 1,597,769	\$ 119,367

See accompanying notes to consolidated financial statements.

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

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 With Services - This PPL program provides more than 1,600 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 and job seekers work attire through Ready for Success.

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 seven alternative schools, Hennepin County, and Minneapolis Public Schools.

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

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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.

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.

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

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

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 as they are considered a reimbursement of salaries and benefits, overhead, consultants, and other expenses.

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.

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.

Cash - Working Capital Fund - These are funds donated to PPL to be used to finance predevelopment costs for rental property developments.

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.

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

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

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.

Donated inventories are recorded at their estimated fair value, on the date of contribution. Donated inventories received were \$89,795 in 2021 and \$68,535 in 2020 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.

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

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

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.

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 2021 and 2020 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 2021 and 2020.

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

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

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.

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.

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

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

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. 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.

Prior Year Summarized Comparative Information - The financial statements include certain prior year summarized comparative information in total but not by net asset class, 2020 beginning trade and other receivables balance, 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, 2020, 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.

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

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

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.

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 2021 or 2020. 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.

3. **LIQUIDITY AND AVAILABILITY OF RESOURCES**

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.

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

3. LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

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

	2021			
	PPL	PPL Investment Corporation and Properties	Limited Partnerships	Consolidated
Cash and cash equivalents	\$ 11,709,295	\$ 2,547,543	\$ 3,518,335	\$ 17,775,173
Cash – comprehensive campaign	1,759,900	-	-	1,759,900
Investments	1,969,796	-	-	1,969,796
Receivables, net	4,038,568	406,615	1,321,536	5,766,719
Total financial assets available within one year	19,477,559	2,924,158	4,839,871	27,271,588
Less:				
Cash – internal designations, reserves and escrows	(1,293,949)	(205,421)	(1,844,301)	(3,343,671)
Total financial assets available within one year	\$ 18,183,610	\$ 2,748,737	\$ 2,995,570	\$ 23,927,917
	2020			
	PPL	PPL Investment Corporation and Properties	Limited Partnerships	Consolidated
Cash and cash equivalents	\$ 6,980,738	\$ 2,470,340	\$ 3,299,166	\$ 12,750,244
Cash – comprehensive campaign	1,847,760	-	-	1,847,760
Investments	1,780,324	-	-	1,780,324
Receivables, net	2,208,854	224,041	1,316,462	3,749,357
Total financial assets available within one year	12,817,676	2,694,381	4,615,628	20,127,685
Less:				
Cash – internal designations, reserves and escrows	(1,125,000)	(628,997)	(1,897,763)	(3,651,760)
Total financial assets available within one year	\$ 11,692,676	\$ 2,605,384	\$ 2,717,865	\$ 16,475,925

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

3. LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

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:

		2021	
		Level 1	Level 2
U.S. government money market fund	\$ 334,995	\$ 334,995	\$ -
Municipal bonds	1,075,451	-	1,075,451
U.S. Treasury EFT	559,350	-	559,350
	<u>\$ 1,969,796</u>	<u>\$ 334,995</u>	<u>\$ 1,634,801</u>

		2020	
		Level 1	Level 2
U.S. government money market fund	\$ 230,572	\$ 230,572	\$ -
Municipal bonds	1,231,134	-	1,231,134
Bond mutual funds	318,618	-	318,618
	<u>\$ 1,780,324</u>	<u>\$ 230,572</u>	<u>\$ 1,549,752</u>

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

5. RECEIVABLES

Receivables consist of the following:

	2021	2020
Tenant receivables	\$ 1,004,737	\$ 901,460
Trade and other receivables	2,024,641	2,143,325
Notes receivable	4,829,500	4,829,500
Government grants receivable	637,530	842,897
Pledges receivable	3,711,617	3,584,444
	<u>12,208,025</u>	<u>12,301,626</u>
Less allowance for doubtful accounts	<u>(199,523)</u>	<u>(242,394)</u>
	12,008,502	12,059,232
Less current receivables	<u>(5,766,719)</u>	<u>(3,749,357)</u>
	<u>\$ 6,241,783</u>	<u>\$ 8,309,875</u>

Pledges receivable of \$1,643,334 are due in 2022, \$375,000 in 2023, \$350,000 in 2024 and 2025. Pledges receivable of \$993,283 due in 2022 are related to the Building Ladders Comprehensive Campaign and presented as long-term assets.

Government grants receivables are due to be collected in 2022.

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).

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

6. OTHER ASSETS

Other assets consist of the following:

	<u>2021</u>	<u>2020</u>
Tax credit fees, net	\$ 583,845	\$ 576,050
Beneficial interests in marketable securities held by community foundations	105,949	97,250
Other	<u>100,343</u>	<u>99,518</u>
	<u>\$ 790,137</u>	<u>\$ 772,818</u>

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, 2021, 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, 2021 and 2020. Total assets were \$2,587,028 and \$2,357,078 and total liabilities were \$2,596,257 and \$2,276,809 at December 31, 2021 and 2020. Total revenue was \$186,638 and \$21,924 and net loss was \$103,594 and \$227,106 in 2021 and 2020.

8. PROPERTY UNDER DEVELOPMENT AND HELD FOR SALE

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

	<u>2021</u>	<u>2020</u>
PPL Homes – property held for sale	<u>\$ 399,891</u>	<u>\$ 359,115</u>

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

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

	2021	2020
Bloom Lake – rental property in pre-development	\$ 3,574,947	\$ 1,988,861
Ford Site – rental property in pre-development	3,870,917	2,857,081
Anishinabe III – rental property in pre-development	-	1,287,621
Union Congregational Church – rental property in pre-development	305,334	269,306
New American Homeland - rental property under rehab	1,130,688	135,293
3030 Nicolet – rental property in development	428,456	-
Other projects	254,426	148,404
	\$ 9,564,768	\$ 6,686,566

9. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2021	2020	Estimated useful lives- years
Program facilities:			
Land	\$ 985,485	\$ 985,485	-
Buildings and improvements	15,288,087	15,288,087	10-30
Equipment	2,794,579	2,645,398	3-7
	19,068,151	18,918,970	
Less accumulated depreciation	(7,833,346)	(7,263,551)	
Program facilities, net	11,234,805	11,655,419	
Rental properties:			
Land and land improvements	27,084,382	26,461,591	NA / 15
Buildings and improvements	221,789,784	212,385,020	25-40
Equipment	4,705,627	4,584,634	3-7
	253,579,793	243,431,245	
Less accumulated depreciation	(70,280,153)	(62,863,850)	
Rental properties, net	183,299,640	180,567,395	
Combined total	\$194,534,445	\$192,222,814	

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

9. PROPERTY AND EQUIPMENT (Continued)

Depreciation expense for the years ended December 31, 2021 and 2020, was \$7,030,172 and \$6,734,242.

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.

	<u>2021</u>	<u>2020</u>
Bremer Bank term loan with interest at 3.50% due on May 5, 2031. Monthly payments of \$2,827 are required. Secured by real estate.	\$ 276,966	\$ 285,181
BMO Harris Bank note payable with interest at 5.826%, due January 2023. Monthly payments of \$2,527. Secured by real estate.	123,344	145,734
\$1,000,000 Wells Fargo EQ2 note payable with interest at 2%, due in December 2026. Quarterly payments of \$125,000 begin January 1, 2025. Unsecured.	1,000,000	1,000,000
\$1,250,000 US Bank CRA and EQ2 notes payable with interest at 2.65%, due on March 7, 2025, with automatic 1 year extensions through March 7, 2028. Unsecured.	1,250,000	1,250,000

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

10. NOTES PAYABLE AND LINES OF CREDIT (Continued)

	2021	2020
\$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	1,000,000
\$4,000,000 Ameriprise EQ2 notes payable dated November 21, 2021, with interest at 2% per annum with an initial maturity of November 21, 2031, with automatic year extensions through November 21, 2036. Proceeds will be used to redevelop 3030 Nicollet Avenue South.	4,000,000	-
\$500,000 Propel Nonprofits line of credit with interest at 5.57%, matures on August 16, 2022. Secured by real estate and other assets.	92,294	218,673
\$2,400,640 PPP Loan payable dated April 2020 with interest at 1%. Matures in April 2022. PPL received full forgiveness from the Small Business Administration in July 2021. Unsecured.	-	2,400,640
\$1,580,000 Corporation for Supportive Housing Pre-development financing dated January 29, 2020, with interest at 6%. The note was paid in full during 2021.	-	1,580,000
\$750,000 Saint Paul Foundation with interest of 1.50% with interest due annually. Matures at the earlier of Financial Close on Block One of the Ford Site or December 31, 2022.	750,000	750,000
\$1,050,000 Bremer Bank note dated February 2020 with interest of 3.45%. Matures April 1, 2023.	1,050,000	1,050,000
\$250,000 Housing Partnership Network (HPN) note payable with interest at 5.75%. Matures September 2023.	250,000	250,000

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

10. NOTES PAYABLE AND LINES OF CREDIT (Continued)

Government agency and other loans for housing projects.	991,178	1,042,990
	11,783,782	11,973,218
Less current maturities	(2,344,910)	(2,020,539)
	\$ 9,438,872	\$ 9,952,679

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

	Amortizing	EQ2/CRA	Line of Credit	Pre- Development	Other	Total
2022	\$ 48,374	\$ -	\$ 92,294	\$ 2,125,000	\$ 79,242	\$ 2,344,910
2023	125,261	1,000,000	-	1,050,000	-	2,175,261
2024	26,493	-	-	-	-	26,493
2025	27,470	500,000	-	-	184,920	712,390
2026	28,461	500,000	-	-	-	528,461
Thereafter	144,250	1,250,000	-	4,000,000	602,017	5,996,267
	\$ 400,309	\$ 3,250,000	\$ 92,294	\$ 7,175,000	\$ 866,179	\$ 11,783,782

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, 2021 and 2020, was \$950,749 and \$1,038,152.

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

11. MORTGAGES PAYABLE (Continued)

Mortgages payable consist of the following:

	<u>2021</u>	<u>2020</u>
Amortizing mortgages on rental properties with interest rates of 0% to 9%, due in varying monthly installments through 2058.	18,421,574	\$ 18,792,795
Non-amortizing mortgages on rental properties with interest rates of 0% to 9%, with principal payments deferred through 2061.	<u>96,755,479</u>	<u>87,737,918</u>
	115,177,053	106,530,713
Less unamortized fees	<u>(804,263)</u>	<u>(796,692)</u>
	114,372,790	105,734,021
Less current maturities	<u>(1,228,765)</u>	<u>(296,624)</u>
	<u><u>113,144,025</u></u>	<u><u>\$105,437,397</u></u>

Maturities of mortgages payable are as follows:

2022	\$ 1,228,765
2023	304,913
2024	7,676,781
2025	333,358
2026	350,332
Thereafter	<u>105,282,904</u>
	<u><u>\$ 115,177,053</u></u>

12. NET ASSETS

The board has designated \$610,000 to be used in areas of property and housing operations of which \$168,949 is outstanding as of December 31, 2021; \$310,000 of net assets without donor restrictions for future administrative needs, and \$800,000 is designated towards the 2022 budget. Total board designated net assets at December 31, 2021, is \$1,293,949.

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

12. NET ASSETS (Continued)

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

	2021	2020
Subject to expenditure for specified purpose:		
Housing Stability	\$ 1,902,070	\$ 370,651
Career Readiness	714,583	616,583
Building Ladders Comprehensive Campaign	3,408,474	3,607,323
Anonymous donor gift for working capital	1,925,000	1,925,000
	<u>7,950,127</u>	<u>6,519,557</u>
Subject to the passage of time:		
For future periods	3,188,667	1,269,167
To be held in perpetuity:		
Scholarships and operating support	<u>143,210</u>	<u>143,210</u>
	<u>\$ 11,282,004</u>	<u>\$ 7,931,934</u>

Net assets of \$143,210 in 2021 and 2020 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 \$228,333 in 2021 and \$210,247 in 2020.

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.

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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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**

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)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(With Comparative Totals for 2020)

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:

2022	<u>\$ 430,700</u>
	<u><u>\$ 430,700</u></u>

At December 31, 2021, PPL has received approximately \$4,500,000 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)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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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**

PPL Youthlink was placed in service in 2019. The limited partner has agreed to make capital contributions to the Partnership. The capital contributions will be made once certain conditions have been met. At December 31, 2021, remaining capital contributions expected to be received is \$605,816 in 2022.

ADYC Supportive Housing Project was placed into service in 2019. The limited partner has agreed to make capital contributions to the Partnership. The capital contributions will be made once certain conditions have been met. At December 31, 2021, remaining capital contributions expected to be paid are \$615,371 in 2022.

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

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(With Comparative Totals for 2020)

19. DEVELOPMENTS (Continued)

PPL Bunge LP was placed into service during 2020. The limited partner has agreed to make capital contributions to the Partnership. The capital contributions will be made once certain conditions have been met. At December 31, 2021, remaining capital contributions expected to be paid is \$959,506 in 2022.

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, 2021, PPL has raised its goal amount.

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, 2021 and 2020, consists of the following amounts reported on the balance sheets:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$17,775,173	\$ 12,750,244
Cash - comprehensive campaign	1,759,900	2,017,678
Cash held in construction escrows	-	33,122
Cash - custodial	1,356,359	1,174,560
Cash - working capital fund	417,250	1,170,810
Property reserves	12,836,571	12,386,094
	<u>\$34,145,253</u>	<u>\$ 29,532,508</u>

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021
(With Comparative Totals for 2020)

22. **DIVESTITURES**

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

23. **COVID-19**

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. PPL received full forgiveness on the loan in 2021.

24. **SUBSEQUENT EVENTS**

Management has evaluated subsequent events through July 6, 2022, 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, 2021

	PPL, Inc.	PPL Investment Corp	PPL Properties	Partnerships	Eliminations	Total
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 11,709,295	\$ 205,421	\$ 2,342,122	\$ 3,518,335	\$ -	\$ 17,775,173
Cash - comprehensive campaign	1,759,900	-	-	-	-	1,759,900
Investments	1,969,796	-	-	-	-	1,969,796
Current portion of receivables, net	4,038,568	8,049	398,566	1,321,536	-	5,766,719
Inventories	63,648	-	-	-	-	63,648
Property held for sale	-	-	399,891	-	-	399,891
Prepaid expenses	503,117	-	73,070	97,538	-	673,725
Total current assets	20,044,324	213,470	3,213,649	4,937,409	-	28,408,852
Cash - custodial	368,858	-	310,924	676,577	-	1,356,359
Cash - working capital fund	417,250	-	-	-	-	417,250
Property reserves	-	-	2,348,581	10,487,990	-	12,836,571
Receivables, less current portion, net	1,176,267	4,829,500	236,016	-	-	6,241,783
Other assets, net	174,219	-	22,863	593,055	-	790,137
Due from other funds	7,021,295	12,010	3,019,535	-	(10,052,840)	-
Property under development	-	-	9,506,591	58,177	-	9,564,768
Property and equipment, net	720,547	-	37,204,251	157,192,753	(583,106)	194,534,445
Total assets	\$ 29,922,760	\$ 5,054,980	\$ 55,862,410	\$ 173,945,961	\$ (10,635,946)	\$ 254,150,165
LIABILITIES AND NET ASSETS						
Current liabilities:						
Accounts payable	\$ 199,887	\$ -	\$ 287,585	\$ 313,492	\$ -	\$ 800,964
Accrued payroll and related	375,490	-	-	-	-	375,490
Accrued real estate taxes	-	-	95,029	1,303,090	-	1,398,119
Other accrued liabilities	37,170	-	157,165	617,023	-	811,358
Current portion of deferred revenues	-	-	11,725	-	-	11,725
Current portion of accrued interest	18,705	-	87,239	44,277	-	150,221
Current portion of notes payable and lines of credit	2,019,910	-	325,000	-	-	2,344,910
Current portion of mortgages payable, net	-	-	1,031,353	197,412	-	1,228,765
Total current liabilities	2,651,162	-	1,995,096	2,475,294	-	7,121,552
Construction payables	-	-	-	1,044,590	-	1,044,590
Escrows and deposits	67,336	-	275,792	647,142	-	990,270
Deferred revenues, less current portion	189,911	-	366,799	1,052,338	-	1,609,048
Accrued interest, less current portion	8,128	-	6,230,400	4,033,436	-	10,271,964
Due to other funds	1,503,403	-	10,821,438	13,924,979	(26,249,820)	-
Notes payable and lines of credit, less current portion, net	7,786,855	-	1,652,017	-	-	9,438,872
Mortgages payable, less current portion, net	-	-	43,271,909	69,872,116	-	113,144,025
Total liabilities	12,206,795	-	64,613,451	93,049,895	(26,249,820)	143,620,321
Net assets without donor restrictions:						
Undesignated	6,433,961	5,054,980	(8,751,041)	6,064,034	15,613,874	24,415,808
Noncontrolling limited partner interests in partnerships	-	-	-	74,832,032	-	74,832,032
Net assets with donor restrictions	11,282,004	-	-	-	-	11,282,004
Total net assets	17,715,965	5,054,980	(8,751,041)	80,896,066	15,613,874	110,529,844
Total liabilities and net assets	\$ 29,922,760	\$ 5,054,980	\$ 55,862,410	\$ 173,945,961	\$ (10,635,946)	\$ 254,150,165

See independent auditor's report.

PROJECT FOR PRIDE IN LIVING, INC.

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2021

	PPL, Inc.	PPL Investment Corporation	PPL Properties	Partnerships	Eliminations	Total
Revenues and support:						
Contributions	\$ 9,221,370	\$ -	\$ -	\$ -	\$ -	\$ 9,221,370
Government grants	11,210,352	-	61,725	408,543	-	11,680,620
PPP loan forgiveness	2,400,646	-	-	-	-	2,400,646
United Way	538,330	-	-	-	-	538,330
Rental revenues	-	-	4,515,016	9,886,780	-	14,401,796
Sales	2,810	-	-	-	-	2,810
Program fees	761,939	-	-	-	-	761,939
Developer fees	497,870	-	-	-	-	497,870
Other income	5,538	-	42,852	43,240	-	91,630
Interest	-	96,590	3,678	7,813	-	108,081
Inter-entity revenue	5,424,176	-	752,032	457,473	(6,633,681)	-
Total revenues and support	<u>30,063,031</u>	<u>96,590</u>	<u>5,375,303</u>	<u>10,803,849</u>	<u>(6,633,681)</u>	<u>39,705,092</u>
Expenses:						
Program services	21,260,398	120	8,787,261	16,203,559	(9,650,866)	36,600,472
General and administrative	2,772,138	-	-	-	(230,928)	2,541,210
Fundraising	1,221,859	-	-	-	(53,268)	1,168,591
Total expenses	<u>25,254,395</u>	<u>120</u>	<u>8,787,261</u>	<u>16,203,559</u>	<u>(9,935,062)</u>	<u>40,310,273</u>
Change in net assets before nonoperating activity	4,808,636	96,470	(3,411,958)	(5,399,710)	3,301,381	(605,181)
Investment income	41,675	-	-	-	-	41,675
Capital contributions from noncontrolling interests, net	-	-	-	227,059	-	227,059
Capital contributions from PPL, Inc.	-	-	1,319,433	500,000	(1,819,433)	-
Comprehensive campaign Franklin Theater	(306,160)	-	306,160	-	-	-
Transfer of Crestview	-	-	(1,129,070)	1,129,070	-	-
Distributions	-	-	-	(14,048)	-	(14,048)
Change in net assets	4,544,151	96,470	(2,915,435)	(3,557,629)	1,481,948	(350,495)
Net assets, beginning of year	<u>13,171,814</u>	<u>4,958,510</u>	<u>(5,835,606)</u>	<u>84,453,695</u>	<u>14,131,926</u>	<u>110,880,339</u>
Net assets, end of year	<u>\$ 17,715,965</u>	<u>\$ 5,054,980</u>	<u>\$ (8,751,041)</u>	<u>\$ 80,896,066</u>	<u>\$ 15,613,874</u>	<u>\$ 110,529,844</u>

See independent auditor's report.

PROJECT FOR PRIDE IN LIVING, INC.

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2021

	Project for Pride in Living, Inc.			PPL Investment Corp	PPL Properties	Partnerships	Total Programs	General and administrative	Fundraising	Eliminations	Total
	Housing with services	Employee readiness	Other programs								
Salaries	\$ 5,809,210	\$ 3,037,102	\$ 363,606	\$ -	\$ -	\$ -	\$ 9,209,918	\$ 1,384,093	\$ 646,783	\$ -	\$ 11,240,794
Payroll taxes	410,512	210,016	25,232	-	-	-	645,760	66,059	40,985	-	752,804
Employee benefits	969,208	501,476	61,813	-	-	-	1,532,497	228,525	94,998	-	1,856,020
Total salaries and related	7,188,930	3,748,594	450,651	-	-	-	11,388,175	1,678,677	782,766	-	13,849,618
Cost of goods sold	-	2,810	-	-	226,289	-	229,099	-	-	(226,289)	2,810
Rental and other direct client assistance	2,456,078	945,386	3,910	-	-	-	3,405,374	33,980	-	-	3,439,354
Professional fees and contracted services	298,280	434,469	85,788	-	73,662	190,676	1,082,875	217,129	133,998	-	1,434,002
Office administration and support	183,875	42,716	213,773	-	38,844	106,008	585,216	212,855	51,955	-	850,026
Conferences and meetings	577	701	124	-	-	-	1,402	5,656	396	-	7,454
Staff development and appreciation	30,029	12,027	4,217	-	-	3,414	49,687	23,225	2,011	-	74,923
Marketing and promotion	-	4,002	-	-	-	-	4,002	7,946	96,869	-	108,817
Transportation	81,673	7,889	8,423	-	22,626	40,509	161,120	43	-	-	161,163
Bad debts/loss allowance/(recovery)	-	1,400	-	-	132,783	100,332	234,515	-	(26,000)	-	208,515
Insurance	3,490	7,164	-	-	297,223	575,275	883,152	135,060	-	-	1,018,212
Building operating expenses	338,459	9,878	-	-	3,152,338	6,377,225	9,877,900	180,144	-	-	10,058,044
Rent	15,365	23,442	-	-	2,400	-	41,207	-	-	-	41,207
Depreciation and amortization	-	8,760	113,790	-	1,940,728	5,305,961	7,369,239	4,229	126,351	-	7,499,819
Interest and other bank fees	135,159	-	-	120	575,413	803,106	1,513,798	42,266	245	-	1,556,309
Inter-entity expenses	3,602,846	788,655	7,068	-	2,324,955	2,701,053	9,424,577	230,928	53,268	(9,708,773)	-
Remove inter-entity expenses	14,334,761 (3,602,846)	6,037,893 (788,655)	887,744 (7,068)	120 -	8,787,261 (2,551,244)	16,203,559 (2,701,053)	46,251,338 (9,650,866)	2,772,138 (230,928)	1,221,859 (53,268)	(9,935,062) 9,935,062	40,310,273 -
Total expenses	\$ 10,731,915	\$ 5,249,238	\$ 880,676	\$ 120	\$ 6,236,017	\$ 13,502,506	\$ 36,600,472	\$ 2,541,210	\$ 1,168,591	\$ -	\$ 40,310,273

See independent auditor's report.

PROJECT FOR PRIDE IN LIVING, INC.

CONSOLIDATING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2021
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	\$ 4,544,151	\$ 96,470	\$ (2,915,435)	\$ (3,557,629)	\$ 1,481,948	\$ (350,495)
Adjustments to reconcile the change in net assets to net cash from operating activities:						
Depreciation and amortization	253,130	-	1,940,728	5,305,961	-	7,499,819
Interest expense - amortization of finance fees	-	-	5,040	35,203	-	40,243
Gain from investments	(41,675)	-	-	-	-	(41,675)
PPP loan forgiveness	(2,400,646)	-	-	-	-	(2,400,646)
Bad debts	(24,600)	-	132,783	100,332	-	208,515
Amortization of deferred grant	-	-	(11,725)	-	-	(11,725)
Capital contributions, net	-	-	(1,319,433)	(727,059)	1,819,433	(227,059)
Changes in operating assets and liabilities:						
Receivables	465,755	12,011	(278,730)	(105,406)	-	93,630
Inventories	(2,235)	-	-	-	-	(2,235)
Prepaid expenses and other assets	(340,701)	-	(188,226)	43,324	-	(485,603)
Property held for sale	-	-	(40,776)	-	-	(40,776)
Accounts payable	24,466	-	(120,611)	(126,509)	-	(222,654)
Due to (from) other funds	(2,101,851)	-	3,202,815	380,984	(1,481,948)	-
Accrued expenses and other liabilities	(234,918)	-	973,048	181,312	-	919,442
Deferred revenues	87,259	-	58,783	88,769	-	234,811
Net cash from operating activities	<u>228,135</u>	<u>108,481</u>	<u>1,438,261</u>	<u>1,619,282</u>	<u>1,819,433</u>	<u>5,213,592</u>
Cash flows from investing activities:						
Purchase of property and equipment	<u>(149,181)</u>	-	<u>(6,537,445)</u>	<u>(5,307,497)</u>	-	<u>(11,994,123)</u>
Net cash from investing activities	<u>(149,181)</u>	-	<u>(6,537,445)</u>	<u>(5,307,497)</u>	-	<u>(11,994,123)</u>
Cash flows from financing activities:						
Proceeds from issuance of notes payable and lines of credit	4,000,000	-	828,987	-	-	4,828,987
Repayment of notes payable and lines of credit	(206,979)	-	(1,811)	-	-	(208,790)
Proceeds from issuance of mortgages payable	-	-	5,183,244	3,332,390	-	8,515,634
Repayment of mortgages payable	-	-	(1,642,132)	(220,172)	-	(1,862,304)
Payment of finance and tax credit fees	-	-	-	(107,310)	-	(107,310)
Capital contributions and distributions, net	-	-	1,319,433	727,059	(1,819,433)	227,059
Net cash from financing activities	<u>3,793,021</u>	-	<u>5,687,721</u>	<u>3,731,967</u>	<u>(1,819,433)</u>	<u>11,393,276</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	3,871,975	108,481	588,537	43,752	-	4,612,745
Cash, cash equivalents, and restricted cash - beginning of year	<u>10,383,328</u>	<u>96,940</u>	<u>4,413,090</u>	<u>14,639,150</u>	-	<u>29,532,508</u>
Cash, cash equivalents, and restricted cash - end of year	<u>\$ 14,255,303</u>	<u>\$ 205,421</u>	<u>\$ 5,001,627</u>	<u>\$ 14,682,902</u>	<u>\$ -</u>	<u>\$ 34,145,253</u>
Supplemental cash flow information:						
Cash paid for interest	<u>\$ 155,592</u>	<u>\$ 120</u>	<u>\$ 305,247</u>	<u>\$ 515,566</u>	<u>\$ -</u>	<u>\$ 976,525</u>
Property and equipment in accounts payable/acrued expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,105</u>	<u>\$ 1,569,664</u>	<u>\$ -</u>	<u>\$ 1,597,769</u>
Property and equipment transferred from LP to PPL Properties	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,622,003</u>	<u>\$ (2,622,003)</u>	<u>\$ -</u>	<u>\$ -</u>
Mortgages transferred from LP to PPL Properties	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,320,660</u>	<u>\$ (3,320,660)</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2021**



PROJECT FOR PRIDE IN LIVING, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS AND RELATED REPORTS

For the Year Ended December 31, 2021

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PROJECT FOR PRIDE IN LIVING, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2021

Federal Grantor/ Program or Cluster Title / Pass-through Grantor	Assistance Listing Number	Pass Through Number	Federal Expenditures
Department of Agriculture, Food and Nutrition Service:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		
Passed through Minnesota Department of Human Services		115755	<u>96,523</u>
Total Department of Agriculture			<u>96,523</u>
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	126,798
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
Prosperity Village Project Loan			<u>550,000</u>
			<u>5,029,692</u>
Supportive Housing Program	14.235		
Direct:			
Cabrini/New Foundations Program Grant			293,510
Youth Development/Self-Sufficiency Program Grants			438,255
PMD Program Grants			<u>310,733</u>
			<u>1,042,498</u>
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

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2021

<u>Federal Grantor/ Program or Cluster Title / Pass-through Grantor</u>	<u>Assistance Listing Number</u>	<u>Pass Through Number</u>	<u>Federal Expenditures</u>
Passed through the HRA of Saint Paul, Minnesota Delancey/Selby Stone Project Loan			1,000,000
Passed through City of Minneapolis, Minnesota Greenleaf AHTF Loan		C-27929	<u>300,000</u>
			<u>2,050,000</u>
Total for Housing and Urban Development (All Offices)			<u>8,122,190</u>
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	<u>868,416</u>
Total for Department of Labor			<u>868,416</u>
Total Expenditures of Federal Awards			<u><u>\$ 9,087,129</u></u>

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, 2021

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, 2021. 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, 2021. 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 2021 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 \$6,715,705 of loans outstanding from previous years for which the grantor imposes continuing compliance requirements. The loan balances are as of December 31, 2020. At December 31, 2021 and 2020, the loans funded by Community Development Block Grants/Entitlement Grants had a balance of \$5,002,164 and \$4,615,705, and the loans funded by the HOME Investment Partnerships Program had a balance of \$2,100,000 and \$2,200,000.



**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, 2021, 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 6, 2022. 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.

Report on Internal Control over Financial

In planning and performing our audit of the consolidated financial statements, we considered PPL’s internal control over financial reporting (internal control) as a basis for designing 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 that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether PPL's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mahoney Ulbrich
Christiansen Russ P.A.*

July 6, 2022



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE 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 the Major Federal Program

Opinion on the Major Federal Program

We have audited Project for Pride in Living, Inc. and affiliates' (PPL) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on PPL's major federal program for the year ended December 31, 2021. PPL's major federal program is 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, 2021. 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*.

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 its major federal program for the year ended December 31, 2021.

Basis for Opinion on the Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

(Continued)

We are required to be independent of PPL and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of PPL's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to PPL's federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on PPL's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about PPL's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding PPL's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of PPL's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 PPL's internal control over compliance. Accordingly, no such opinion is expressed.

(Continued)

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

(Continued)

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, 2021, and have issued our report thereon dated July 6, 2022, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the 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 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 financial statements as a whole.

*Mahoney Ulbrich
Christiansen Russ P.A.*

September 12, 2022

PROJECT FOR PRIDE IN LIVING, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2021

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? ___ yes X no

Major programs/clusters:

- Assistance Listing 14.218 – CDBG – Entitlement Grants Cluster

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, 2021

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

No matters were reported