

**AGATE HOUSING AND SERVICES, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

For The Year Ended June 30, 2025  
With Comparative Totals for the Year Ended June 30, 2024

**AGATE HOUSING AND SERVICES**  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Agate Housing and Services, Inc.  
Minneapolis, Minnesota

### **Opinion**

We have audited the accompanying consolidated financial statements of Agate Housing and Services, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Agate Housing and Services, Inc. as of June 30, 2025, and the changes in its net assets and its 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Agate Housing and Services, 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 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 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 Agate Housing and Services, 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.



## **Auditor's Responsibilities for the Audit of Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 and *Government 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 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Governmental 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 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 Agate Housing and Services, 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Agate Housing and Services, 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

The consolidated financial statements as of June 30, 2024 were audited by another auditor whose report dated December 19, 2024 expressed a qualified opinion on those statements. The qualification related to an inability to obtain sufficient appropriate audit evidence regarding the amount recognized for the Day by Day program fees earned or the corresponding contracted services fees. Our opinion on the current year's consolidated financial statements does not cover the summarized comparative information and we do not express any opinion or any form of assurance thereon. However, we have considered the predecessor auditor's qualified opinion in forming our opinion on the current year's consolidated financial statements.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2025 on our consideration of Agate Housing and Services, 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 Agate Housing and Services, 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 Agate Housing and Services, Inc.'s internal control over financial reporting and compliance.



REDPATH AND COMPANY, LLC  
St. Paul, Minnesota

November 24, 2025

## **CONSOLIDATED FINANCIAL STATEMENTS**

**AGATE HOUSING AND SERVICES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
June 30, 2025 (With Comparative Totals for 2024)

**Statement 1**

	<u>2025</u>	<u>2024</u>
<b>Assets:</b>		
Cash and cash equivalents	\$474,604	\$966,351
Cash - restricted for participant deposits	483,368	1,327,933
Cash - restricted for capital reserves	-	80,000
Investments	1,775,537	3,241,345
Grants receivable	2,927,178	1,244,028
Pledges receivable	-	217,500
Other receivables	45,459	113,624
Prepaid expenses and other assets	495,434	148,844
Right-of-use asset, operating lease	1,018,569	1,394,055
Investment in Minnehaha Supportive Housing GP, LLC	870,000	-
Property and equipment, net	11,578,268	6,341,388
	<u>11,578,268</u>	<u>6,341,388</u>
Total assets	<u>\$19,668,417</u>	<u>\$15,075,068</u>
<b>Liabilities and Net Assets:</b>		
Accounts payable	\$253,618	\$765,491
Construction payable	1,054,143	326,907
Accrued payroll and related	670,192	585,145
Participant deposits	348,007	1,340,196
Refundable advances	311,165	440,632
Line of credit	1,168,000	-
Lease liability, operating lease	1,083,990	1,472,910
Long term debt	1,725,750	1,916,500
Accrued interest	-	131,967
	<u>-</u>	<u>131,967</u>
Total liabilities	<u>6,614,865</u>	<u>6,979,748</u>
<b>Net assets:</b>		
Without donor restrictions:		
Undesignated	10,810,001	3,674,177
Board designated reserve	1,925,537	3,241,346
Total net assets without donor restrictions	<u>12,735,538</u>	<u>6,915,523</u>
With donor restrictions	318,014	1,179,797
	<u>318,014</u>	<u>1,179,797</u>
Total net assets	<u>13,053,552</u>	<u>8,095,320</u>
Total liabilities and net assets	<u>\$19,668,417</u>	<u>\$15,075,068</u>

The accompanying notes are an integral part of these financial statements.

**AGATE HOUSING AND SERVICES**
**CONSOLIDATED STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2025 (With Comparative Totals for 2024)

**Statement 2**

	2025			2024
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues and support:				
Contributions	\$5,309,042	\$366,774	\$5,675,816	\$3,553,328
Contributions in-kind	44,136	-	44,136	132,601
Government grants and reimbursements	21,790,241	-	21,790,241	12,094,342
Fee income	686,071	-	686,071	2,619,797
Other income	67,006	-	67,006	103,368
Net assets released from restriction	1,228,557	(1,228,557)	-	-
<b>Total revenues and support</b>	<b>29,125,053</b>	<b>(861,783)</b>	<b>28,263,270</b>	<b>18,503,436</b>
Expenses:				
Program services:				
Shelter	1,863,748	-	1,863,748	2,183,367
Street outreach	652,851	-	652,851	425,845
Supportive housing	8,577,807	-	8,577,807	6,669,241
Housing services:				
Prevention	572,157	-	572,157	694,046
Rapid re-housing	2,433,350	-	2,433,350	2,349,879
Site-based supportive housing	1,610,897	-	1,610,897	2,037,515
Food centre	379,615	-	379,615	1,035,606
Day by Day	20,636	-	20,636	979,925
Community engagement	290,919	-	290,919	388,324
Rep payee	444,727	-	444,727	344,174
Single room occupancy	532,812	-	532,812	240,459
Total program services	17,379,519	0	17,379,519	17,348,381
Management and general	4,763,427	-	4,763,427	4,718,404
Fundraising	1,222,515	-	1,222,515	848,817
<b>Total expenses</b>	<b>23,365,461</b>	<b>0</b>	<b>23,365,461</b>	<b>22,915,602</b>
Change in net assets before nonoperating activity	5,759,592	(861,783)	4,897,809	(4,412,166)
Gain (loss) on disposal of property and equipment	131,294	-	131,294	(137,394)
Loss on impairment of property and equipment	(1,496,163)	-	(1,496,163)	-
Insurance proceeds	970,318	-	970,318	-
Forgiveness of debt	190,750	-	190,750	750
Return on investments, net	264,224	-	264,224	555,879
<b>Change in net assets</b>	<b>5,820,015</b>	<b>(861,783)</b>	<b>4,958,232</b>	<b>(3,992,931)</b>
Net assets - beginning of year	6,915,523	1,179,797	8,095,320	12,088,251
<b>Net assets - end of year</b>	<b>\$12,735,538</b>	<b>\$318,014</b>	<b>\$13,053,552</b>	<b>\$8,095,320</b>

The accompanying notes are an integral part of these financial statements.

**AGATE HOUSING AND SERVICES**
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended June 30, 2025 (With Comparative Totals for 2024)

**Statement 3**
**Page 1 of 2**

	2025							
	Program Services							
	Shelter	Street outreach	Supportive housing	Housing services		Site-based supportive housing	Food centre	Day by day
Prevention				Rapid re-housing				
Expenses:								
Salaries and wages	\$1,075,146	\$442,287	\$1,830,442	\$372,850	\$731,612	\$304,895	\$142,683	\$ -
Payroll taxes	81,795	31,896	130,288	29,753	51,393	23,756	11,236	7
Employee benefits	161,306	66,942	396,532	99,038	216,675	61,733	27,029	316
	<u>1,318,247</u>	<u>541,125</u>	<u>2,357,262</u>	<u>501,641</u>	<u>999,680</u>	<u>390,384</u>	<u>180,948</u>	<u>323</u>
Office expense	5,096	1,061	34,728	1,730	8,960	7,260	1,339	562
Telephone	7,723	2,782	12,042	2,280	4,545	4,164	771	-
Postage	2	13	625	-	48	-	-	-
Equipment rent and maintenance	-	-	749	-	-	-	-	-
Insurance	14,617	3,970	-	-	-	2,212	6,629	-
Printing and publications	543	3,159	1,436	11	129	493	-	-
Travel and meals	10,412	9,633	17,125	492	8,466	139	1,378	-
Conferences and meetings	2,921	1,354	6,737	89	4,182	233	28	-
Professional fees	-	-	-	-	652	16,304	-	-
Contracted services	196,472	64,647	54,063	3,812	946	252,840	106,434	19,751
Food	116,967	7,462	249	-	-	3,714	36,273	-
Specific assistance to individuals	32,529	16,284	6,088,682	62,102	1,405,712	775,633	-	-
Interest	-	-	-	-	-	-	-	-
Depreciation	13,383	-	-	-	-	128,045	20,080	-
Bad debt expense	-	-	-	-	-	-	-	-
Miscellaneous	51	-	-	-	-	-	-	-
Occupancy	144,785	1,361	4,109	-	30	29,476	25,735	-
	<u>1,863,748</u>	<u>\$652,851</u>	<u>\$8,577,807</u>	<u>\$572,157</u>	<u>\$2,433,350</u>	<u>\$1,610,897</u>	<u>\$379,615</u>	<u>\$20,636</u>
Total expenses								

The accompanying notes are an integral part of these financial statements.

**AGATE HOUSING AND SERVICES**
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended June 30, 2025 (With Comparative Totals for 2024)

**Statement 3**
**Page 2 of 2**

	2025						Total	2024
	Program Services			Total program services	Management and general	Fundraising		
	Community engagement	Rep payee	Single room occupancy					
Expenses:								
Salaries and wages	\$201,245	\$199,768	\$119,279	\$5,420,207	\$1,780,676	\$771,089	\$7,971,972	\$8,002,930
Payroll taxes	15,161	19,502	8,423	403,210	132,786	50,715	586,711	586,797
Employee benefits	33,551	33,848	22,738	1,119,708	329,991	113,011	1,562,710	1,458,036
	<u>249,957</u>	<u>253,118</u>	<u>150,440</u>	<u>6,943,125</u>	<u>2,243,453</u>	<u>934,815</u>	<u>10,121,393</u>	<u>10,047,763</u>
Office expense	2,164	85,937	28,082	176,919	230,893	58,515	466,327	404,111
Telephone	1,514	860	5,876	42,557	44,599	1,421	88,577	98,288
Postage	1,917	2,890	-	5,495	7,357	82,540	95,392	56,071
Equipment rent and maintenance	-	-	-	749	3,251	-	4,000	4,059
Insurance	-	-	19,502	46,930	206,316	-	253,246	133,028
Printing and publications	150	599	-	6,520	-	5,606	12,126	70,966
Travel and meals	263	-	-	47,908	3,129	321	51,358	40,635
Conferences and meetings	785	122	108	16,559	11,059	4,544	32,162	65,814
Professional fees	-	9,806	2,241	29,003	719,985	-	748,988	552,910
Contracted services	4,782	91,269	157,114	952,130	688,616	102,641	1,743,387	2,970,206
Food	-	-	1,821	166,486	-	-	166,486	403,807
Specific assistance to individuals	26,983	126	51,978	8,460,029	39,759	10,472	8,510,260	6,811,032
Interest	-	-	50	50	9,206	-	9,256	4,806
Depreciation	-	-	9,020	170,528	79,094	-	249,622	333,390
Bad debt expense	-	-	-	-	17,000	-	17,000	105,410
Miscellaneous	2,404	-	-	2,455	1,303	21,640	25,398	5,660
Occupancy	-	-	106,580	312,076	458,407	-	770,483	807,646
	<u>\$290,919</u>	<u>\$444,727</u>	<u>\$532,812</u>	<u>\$17,379,519</u>	<u>\$4,763,427</u>	<u>\$1,222,515</u>	<u>\$23,365,461</u>	<u>\$22,915,602</u>
Total expenses								

The accompanying notes are an integral part of these financial statements.

**AGATE HOUSING AND SERVICES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the Year Ended June 30, 2025 (With Comparative Totals for 2024)

**Statement 4**

	2025	2024
Cash flows from operating activities:		
Change in net assets	\$4,958,232	(\$3,992,931)
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	249,622	333,390
Noncash operating lease expense	(13,434)	(5,517)
Forgiveness of debt	(190,750)	(750)
Realized and unrealized gains on investments	(234,192)	(541,046)
Donated stock	-	(2,406)
(Gain) loss on disposal of property and equipment	(131,294)	137,394
Loss on impairment of property and equipment	1,496,163	-
Changes in operating assets and liabilities:		
Grants receivable	(1,683,150)	(165,189)
Pledges receivable	217,500	(217,500)
Other receivables	68,165	(52,451)
Prepaid expenses	(346,590)	57,796
Accounts payable	(511,873)	430,953
Accrued interest	(131,967)	(80,397)
Accrued payroll and related	85,047	117,583
Participant deposits	(992,189)	64,336
Refundable advances	(129,467)	391,443
Net cash provided by (used in) operating activities	<u>2,709,823</u>	<u>(3,525,292)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(8,000,491)	(168,701)
Proceeds from sale of property and equipment	1,006,356	-
Proceeds from the sale of investments	1,700,000	2,952,566
Purchases of investments	-	(151,030)
Net cash (used in) provided by investing activities	<u>(5,294,135)</u>	<u>2,632,835</u>
Cash flows from financing activities:		
Proceeds from line of credit	<u>1,168,000</u>	<u>-</u>
Net decrease in cash, cash equivalents, and restricted cash	(1,416,312)	(892,457)
Cash, cash equivalents, and restricted cash, beginning of year	<u>2,374,284</u>	<u>3,266,741</u>
Cash, cash equivalents, and restricted cash, end of year	<u><u>\$957,972</u></u>	<u><u>\$2,374,284</u></u>
Reconciliation from the Statement of Financial Position		
Cash and cash equivalents	\$474,604	\$966,351
Cash - restricted for participant deposits	483,368	1,327,933
Cash - restricted for capital reserves	-	80,000
Total cash, cash equivalents, and restricted cash	<u><u>\$957,972</u></u>	<u><u>\$2,374,284</u></u>

The accompanying notes are an integral part of these financial statements.

**Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. ORGANIZATION**

Agate Housing and Services, Inc. (the Organization) began operations as an independent 501(c)3 in early 2002 taking over the initiatives started in the early 1970's by the congregation of St. Stephen's Church to end homelessness. In 2021 the Organization merged with another non-profit corporation, House of Charity, Inc., whose mission was to feed those in need, house those experiencing homelessness and empower individuals to achieve independence.

Over 50 years, the Organization under St. Stephen's Church, St. Stephen's Human Services, House of Charity and now, Agate Housing and Services, Inc. continues to be recognized as a community leader through the development and implementation of innovative programs and services that prevent and end homelessness. The mission of the Organization is to end homelessness and relieve hunger through action and advocacy. The primary goal is to support people experiencing homelessness in achieving permanent, affordable housing. The Organization meets people where they are, working together toward self-sufficiency and housing stability.

The Organization operates the following programs:

**Shelter** – The Organization provides emergency shelter to up to 99 individuals experiencing homelessness each night. In addition to providing meals, access to showers and a safe place to sleep, staff at the two shelter locations provide coordination of services to assist guests in meeting their long-term goals.

**Street Outreach** – The Organization works with people sleeping outside or in places unfit for human habitation. This experienced team provides on-the-spot services to ensure safety and survival for people experiencing unsheltered homelessness. They also help guests address any barriers to finding permanent housing. Street Outreach staff also meet with clients they meet in the community at the Welcome Center. From there the team helps individuals secure resources to move into housing.

**Supportive Housing** – Supportive Housing covers a plethora of services from singles to families; providing services to those identified as having the greatest needs, rent subsidies, and long-term support to maintain housing.

**Housing Services** – Housing programs provide access to scattered-site, affordable housing for single adults and families experiencing and emerging from homelessness. Staff provide support in locating, assessing, and maintaining housing as participants work toward personal goals and self-sufficiency through Prevention and Rapid-Re Housing.

**Site-Based Supportive Housing** – On-site supportive housing is available for single adults who need safe housing. Clients often are considered chronically homeless, and many have mental health needs or a history of chemical dependency.

## AGATE HOUSING AND SERVICES, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2025

With Comparative Information For The Year Ended June 30, 2024

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Case management services are offered to all Site-Based Supportive Housing guests, whether it is to further their education, develop employment skills, or development of self-sufficiency skills, staff works with each guest toward becoming productive members of the community.

**Food Centre** – The Food Centre provided breakfast and lunch every day from January of 2023 to October of 2024 to residents of several Agate programs and free meals to the community.

**Day by Day Program** – This comprehensive co-occurring disorder treatment program was contracted out to a third-party organization to administer. The Organization provided notice to terminate the contract in December 2023 and ended the program June 30, 2024.

**Community Engagement** – At the heart of this program is a commitment to empowering individuals experiencing homelessness—alongside other community members—to drive systemic change aimed at ending homelessness. One key initiative, *A Day In the Life*, is an immersive learning experience that allows participants to gain firsthand insight from those currently navigating homelessness. We also publish *The Handbook of the Streets*, a vital resource that helps individuals access essential services. Additionally, we assist people without identification by securing birth certificates, removing a critical barrier to stability and support.

**Representative Payee Program (Rep Payee)** – Assists Social Security recipients in managing their funds to ensure that all basic needs are met such as rent, utilities, food, and personal needs. This program closed on April 30, 2025.

**Single Room Occupancy** – Metro Inn Apartments – Located in South Minneapolis, this former motel was thoughtfully transformed into single-room occupancy housing. Agate began leasing the units in January 2024, providing deeply affordable homes for up to 38 individuals. Rent is subsidized through an operating grant from Hennepin County, ensuring accessibility for residents with very low incomes who meet the program’s eligibility criteria.

On October 9, 2024 the Metro Inn’s neighboring property started on fire, which quickly spread to the Metro Inn. 16 of the 38 units became unusable. The damaged units are currently being reconstructed, using insurance proceeds and are expected to reopen prior to December 31, 2025.

## B. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include Agate Housing and Services, Inc., House of Charity Property Development LLC, 5637 Lyndale Avenue LLC, and 2800 27<sup>th</sup> Avenue LLC. All significant intercompany accounts and transactions have been eliminated.

**AGATE HOUSING AND SERVICES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2025

With Comparative Information For The Year Ended June 30, 2024

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The Organization accounts for its investment in Park7 Limited Partnership using the equity method as it has substantial influence but not control. The Organization's share of loss in 2020 reduced the Organization's investment in the partnership to zero and, as a result the Organization discontinued applying the equity method.

The Organization holds an investment in Minnehaha Supportive Housing Development GP, LLC (the LLC), in which the Organization has a 10% ownership interest. The investment is carried at cost less accumulated impairment loss as it does not exercise significant influence over the financial or operating policies of the LLC. The carrying amount of the investment as of June 30, 2025 is \$870,000. Management evaluated the investment at June 30, 2025 and noted no indication of impairment. The LLC is the General Partner, with a 0.01% ownership interest, of Minnehaha Supportive Housing LP, a 50-unit affordable housing project located in Minneapolis, Minnesota.

**C. CONSOLIDATED FINANCIAL STATEMENT PRESENTATION**

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. 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 represent the portion of net assets that are not subject to donor-imposed restrictions.
- Net assets with donor restrictions arise from contributions that are restricted by donors for specific purposes or time periods.

**D. COMPARATIVE FINANCIAL INFORMATION**

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in accordance with generally accepted accounting principles (GAAP). Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2024, from which the summarized information was derived.

**E. USE OF ESTIMATES**

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **F. CASH AND CASH EQUIVALENTS**

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents.

#### **G. CASH - RESTRICTED FOR PARTICIPANT DEPOSITS**

For clients who need support with managing their personal financial resources, the Organization acts as an agent by holding amounts collected from these participants under its Representative Payee program and managing those funds on their behalf. These funds are reported as restricted cash on the statement of financial position and are offset by a corresponding participant deposits liability.

#### **H. CONCENTRATION OF CREDIT RISK**

The Organization places its cash with several financial institutions and in brokerage firms' bank deposit programs and money market accounts. Deposits held at financial institutions and through bank deposit programs are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. At times, the Organization's cash balances may exceed the insured limits, which exposes the Organization to credit risk. The Organization has not experienced any losses on its cash deposits.

#### **I. RECEIVABLES**

Receivables are stated at the amount management expects to collect from balances outstanding at year end. The Organization provides an allowance for uncollectible accounts based on management's assessment of historical losses as well as reasonable and supportable forecasts regarding future events. No allowance for credit losses was deemed necessary at June 30, 2025.

#### **J. INVESTMENTS**

Investments are presented at their fair values based on quoted values in published sources. Investment income or loss including realized and unrealized gains and losses on investments, interest, and dividends, is included in the statement of activities as increases in net assets without donor restrictions unless restricted by a donor.

#### **K. FAIR VALUE MEASUREMENTS**

Under Generally Accepted Accounting Principles in the United State of America (GAAP), fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement

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date. GAAP establishes a fair value hierarchy categorized into three levels based on the inputs used. Generally, the three levels are as follows:

- Level 1 – Quoted prices in active markets for identical assets.
- Level 2 – Significant other observable inputs.
- Level 3 – Significant unobservable inputs.

The Organization's investments are all valued using Level 1 inputs.

**L. PROPERTY AND EQUIPMENT**

Property and equipment additions over \$5,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed.

Absent explicit donor restrictions regarding how long contributed assets must be used, the Organization reports expiration of donor restrictions when the donated or acquired assets are placed in service.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. The Organization has determined that certain long-lived assets were impaired during the year ended June 30, 2025, and has recorded an impairment loss of approximately \$1,500,000 (see Note 5).

**M. GRANTS, CONTRACTS, AND CONTRIBUTIONS**

The Organization recognizes contributions when cash, securities or other assets, or an unconditional promise to give are received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Contributions are recorded when received as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. Upon expiration of the time restriction or when purpose restrictions have been met, they are reclassified to net assets without donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when

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the Organization has incurred expenditures in compliance with specific contract or grant provisions.

A portion of the Organization's revenue is derived from federal and state contracts and grants, which are conditioned upon certain performance requirements other than incurrence of allowable qualifying expenses. Amounts received are recognized as revenue at the rate stated in the agreements when the Organization has performed the related services required by the specific contract or grant provisions.

Pledges and grants receivable are stated at the amount management expects to collect from outstanding balances. Grants receivable represent expenditures made in accordance with the terms of the awards not yet reimbursed in cash or services performed but not paid. Funding received in advance of the incurrence of project expenditures or performance of required services is recorded as a refundable advance. Management provides for probable uncollectible amounts through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts.

Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to grants or contributions receivable. As of June 30, 2025 management believes that all grants receivables are fully collectable. Accordingly, no allowance has been provided.

**N. CONTRIBUTIONS - IN-KIND**

Contributed nonfinancial assets are recorded at the respective fair values of the goods or services received at the date of donation. The Organization utilizes contributed goods and services in its programs and operations or according to any donor restrictions. In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Fair value is estimated by management by reference to the appropriate market and type of goods and services donated.

The following represents the Organization's in-kind contributions recognized within the consolidated statement of activities as of June 30:

	<u>2025</u>	<u>2024</u>
Clothing and household items	\$44,136	\$32,496
Legal services	-	75,104
IT services	-	<u>25,001</u>
Total	<u>\$44,136</u>	<u>\$132,601</u>

**O. FEE INCOME**

Fee income consists of rep payee fees, facility rental fees, Day by Day fees for client services, and fees from a variety of other sales and services. Rep payee fees are recognized as revenue during the month in which the related services are provided. The performance obligation of delivering the rep payee services is simultaneously received and consumed; therefore, the revenue is recognized ratably over the month. Facility rental fees are recognized over the term to which it relates. Day by Day fees for client services are recorded at the time the services are performed. Other sale or service fees are recognized at the point of sale.

Fee income consists of fees earned as follows:

	<u>2025</u>	<u>2024</u>
Recognized over time	\$404,239	\$558,782
Recognized at a point in time	70,352	1,248,050
Rental income under lease standard	<u>211,480</u>	<u>812,965</u>
Total	<u><u>\$686,071</u></u>	<u><u>\$2,619,797</u></u>

**P. FUNCTIONAL EXPENSES**

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Occupancy costs are allocated based on the number of staff members per program. Administrative expenses are allocated based on management's estimation of use by each program based on total expense for each program.

**Q. LEASES**

For any lease with an initial term in excess of 12 months, the related leased asset and liability are recognized on the balance sheet as either operating or finance leases at the inception of an agreement where it is determined that a lease exists. The Organization has elected to exclude short-term leases for all classes of underlying assets from balance sheet recognition. A lease is considered to be short-term if it contains a lease term of 12 months or less. Lease expenses related to short term leases is recognized on a straight-line basis over the term of the lease. The Organization has lease agreements with lease and non-lease components, which are insignificant and have not been accounted for separately.

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Operating lease assets are included in operating lease right-of-use (“ROU”) asset. ROU assets represent the right to use an underlying asset for the lease term and operating lease liabilities represent the obligation to make lease payments arising from the related operating lease. When the leases do not provide an implicit rate, to determine the present value of lease payments, management uses the risk free rate at lease commencement.

**R. OPERATING AND NONOPERATING ACTIVITIES**

The statement of activities presents the changes in net assets from operating activities and from nonoperating activities. Operating revenues and expenses include all activities that are an integral part of the Organization’s programs and supporting activities. Nonoperating activities consist primarily of investment income, including realized and unrealized gains and losses and insurance proceeds.

**S. INCOME TAXES**

The Organization is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of State law and, accordingly, is not subject to federal or state income taxes. However, any unrelated business income may be subject to taxation. The Organization has not had any material unrelated business income.

House of Charity Property Development LLC, 5637 Lyndale Avenue LLC, and 2800 27th Avenue LLC are limited liability companies that are wholly owned by Agate Housing and Services, Inc. and are considered disregarded entities for tax purposes.

A tax expense or benefit from an uncertain income tax position (including tax-exempt status) may be recognized only when it is more likely than not that the position will be sustained upon examination by taxing authorities. Management believes the Organization has no uncertain income tax positions that would result in an accrual, expense or benefit under the more likely than not standard.

**T. RECLASSIFICATION**

Certain prior year amounts have been reclassified to conform to current year presentation. There was no impact from reclassification on the fiscal year 2024 net assets or changes in net assets.

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**Note 2 AVAILABILITY AND LIQUIDITY**

The following reflects the Organization’s financial assets as of the Statement of Financial Position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the Statement of Financial Position date.

	<u>2025</u>	<u>2024</u>
Financial assets:		
Cash	\$474,604	\$966,351
Cash - restricted	483,368	1,407,933
Investments	1,775,537	3,241,345
Grants receivable	2,927,178	1,244,028
Pledges receivable	-	217,500
Other receivables	45,459	113,624
Total financial assets	<u>5,706,146</u>	<u>7,190,781</u>
Less amounts unavailable for general expenditure within a year:		
Cash - restricted	483,368	1,327,933
Net assets with donor restrictions (Note 8)	164,836	237,600
Board designated net assets	1,925,537	3,241,346
Funds designated for Metro Inn fire restoration	631,478	-
Underfunded participants deposit account	-	12,263
	<u>3,205,219</u>	<u>4,819,142</u>
 Total	 <u>\$2,500,927</u>	 <u>\$2,371,639</u>

The Organization occasionally receives Legacy gifts which are given without donor restrictions but are instead internally designated by the board. Funds are only to be used with prior board approval and therefore are excluded from assets available to meet general expenditures.

The Organization regularly monitors liquidity required to meet its operating needs and other commitments. Reports reviewed by the board regularly include ratios and other information to track liquidity versus the Organization’s goals.

The Board of the Organization’s goal is generally to maintain financial assets to meet 3 months of operating expenses (approximately \$6 million). The Organization’s informal policy is to keep all operating funds in cash, however, Legacy gifts and stock donations are typically kept in investments. The Organization’s investment policy is to be generally conservative related to how much of the financial assets are invested. Investments are intended to produce 3% on average for annual cash flow requirements. To help manage unanticipated liquidity needs, the Organization had a line of credit of \$1,350,000.

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**Note 3 INVESTMENTS**

Investments consist of the following at June 30:

	<u>2025</u>	<u>2024</u>
Money market funds	\$630,874	\$1,101,846
Exchange traded funds (ETFs):		
Equity	931,808	1,788,442
Bond / fixed income	<u>212,855</u>	<u>351,057</u>
 Total investments	 <u><u>\$1,775,537</u></u>	 <u><u>\$3,241,345</u></u>

Return on investments, net consists of the following:

	<u>2025</u>	<u>2024</u>
Realized gain (loss)	\$223,373	(\$1,590)
Interest and dividend income	100,171	202,281
Unrealized (loss) gains	<u>(59,320)</u>	<u>355,188</u>
 Return on investments, net	 <u><u>\$264,224</u></u>	 <u><u>\$555,879</u></u>

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**Note 4 INVESTMENTS IN UNCONSOLIDATED AFFILIATES**

The Organization is also the co-owner of Park7 Limited Partnership (the Partnership) along with Trellis Co. The Partnership owns and operates a 61-unit low-income apartment building, which was placed in service in July 2020. The Organization owns 51%, but due to the management structure of the Partnership does not control the Partnership.

Condensed financial information for Park7 Limited Partnership as of December 31 is as follows:

	<u>2024</u>	<u>2023</u>
Balance sheet:		
Property and equipment, net	\$8,096,921	\$8,524,787
Cash and reserves	943,188	896,321
Receivables	20,523	46,362
Other assets	26,367	22,509
Total assets	<u>9,086,999</u>	<u>9,489,979</u>
Long-term debt, net	10,272,561	10,265,224
Accounts payable and accrued expenses	198,192	155,654
Construction liabilities	39,321	39,321
Other liabilities	402,405	406,378
Total liabilities	<u>10,912,479</u>	<u>10,866,577</u>
Partners deficit	<u>(1,825,480)</u>	<u>(1,376,598)</u>
Net loss	<u>\$9,086,999</u>	<u>\$9,489,979</u>
Statement of operations:		
Rental and other revenues	\$668,385	\$529,033
Operating expenses	<u>(673,947)</u>	<u>(547,077)</u>
	(5,562)	(18,044)
Interest expense	(7,337)	(7,337)
Depreciation and amortization	<u>(435,983)</u>	<u>(435,624)</u>
Net loss	<u>(\$448,882)</u>	<u>(\$461,005)</u>

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**Note 5 PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at June 30:

	2025	2024	Estimated useful life in years
Land	\$1,817,668	\$3,167,730	-
Leasehold improvements	247,728	247,728	5 - 15
Building and improvements	3,996,133	4,923,532	5 - 50
Furniture and equipment	544,552	544,552	5 - 10
Construction in process	8,283,531	519,567	
Subtotal	<u>14,889,612</u>	<u>9,403,109</u>	
Less: Accumulated depreciation	<u>(3,311,344)</u>	<u>(3,061,721)</u>	
Total	<u>\$11,578,268</u>	<u>\$6,341,388</u>	

On October 9, 2024, the Organization closed the Clinton Avenue Shelter building due to the need for major repairs. At the time of closure, the building and related land had net book values of \$1,021,163 and \$975,000, respectively. Management determined that the asset was impaired and, during 2025, recorded an impairment loss of \$1,496,196, based on the expected sales price of the building and land.

As of June 30, 2025, the Organization was in the process of building a new shelter to replace the closed Clinton Avenue Shelter. The project broke ground in June 2024 and opened in October 2025 (see Note 13).

**Note 6 LINE OF CREDIT**

The Organization had a revolving line of credit that enabled the Organization to borrow up to \$350,000. Interest accrued at a rate of 1% over the prime rate, but not less than 3.5%. The agreement expired on August 1, 2024. The line of credit was secured by all assets of the Organization. As of June 30, 2024, there were no outstanding advances on the line of credit.

On August 1, 2024, the Organization signed a new revolving line of credit agreement that enabled the Organization to borrow up to \$1,350,000. Interest accrued at a rate of 1% over the prime rate, but not less than 3.5%. The agreement expired on October 31, 2025. The line of credit was secured by all assets of the Organization. As of June 30, 2025, there was an effective interest rate of 8.5% and \$1,168,000 of outstanding advances on the line of credit.

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**Note 7 LONG TERM DEBT**

Long-term debt consists of the following:

	<u>2025</u>	<u>2024</u>
Minnesota Housing	\$525,000	\$525,000
MCDA	300,000	300,000
FHF	-	190,000
Minnesota Housing No. 2	750	1,500
Hennepin County HRA	<u>900,000</u>	<u>900,000</u>
Total	<u>\$1,725,750</u>	<u>\$1,916,500</u>

**Minnesota Housing** - Minnesota Housing Finance Agency (MN Housing) notes payable dated November 18, 1997 and September 3, 1998, secured by 510 building. The loans are non-interest bearing and mature on November 18, 2027. On October 1, 2025, the Organization obtained loan forgiveness from MN Housing on its remaining notes payable (see Note 13).

**MCDA** - Minneapolis Community Development Agency (MCDA) note payable dated November 18, 1997, secured by the 510 building. The loan bears interest at 1% with principal and accrued interest due on November 18, 2027.

**FHF** - Family Housing Fund (FHF) of Minneapolis and Saint Paul note payable dated November 18, 1997, secured by the 510 building. The loan bears interest at 1% with principal and accrued interest due on November 18, 2027. During 2025, the FHF loan was fully forgiven and the Organization recognized loan forgiveness revenue of \$190,000.

**Minnesota Housing No. 2** - Minnesota Housing Finance Agency loan payable dated May 23, 1996, secured by real estate. The loan is non-interest bearing, matures May 23, 2026, and is forgivable starting in May 2007 at the rate of 5% of the full amount of the loan per year. In consideration of the loan, the Organization has agreed to maintain at least 25% of its housing units at the 510 building for the benefit of low-income persons or families. On October 1, 2025, the Organization obtained loan forgiveness from MN Housing on its remaining notes payable (see Note 13). The requirement for low-income housing units was also abolished at the time of loan forgiveness.

**Hennepin County HRA** – Hennepin County loan payable dated November 1, 2023, secured by the 5637 Lyndale Apartments. The loan is non-interest bearing, matures November 1, 2053 and is forgivable if all 38 units of the 5637 Lyndale Apartment building are rented to low-income persons or families.

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**Note 8 NET ASSETS**

Net assets with donor restrictions consist of contributions restricted for the following:

	<u>2025</u>	<u>2024</u>
Purpose restricted:		
Family homelessness prevention	\$153,178	\$849,697
Shelter	-	229,231
Capital improvement	50,000	-
Other	10,670	8,369
General operations (time restricted)	<u>104,166</u>	<u>92,500</u>
 Total net assets with donor restrictions	 <u>\$318,014</u>	 <u>\$1,179,797</u>

The board has designated a reserve and invested the funds to be able to meet unanticipated cash flow needs and pay off the long-term debt when it comes due. Use of designated funds requires prior board approval. During 2025, the Board approved the release of \$1,700,000 of the reserve to help manage cash flow. The Organization has \$1,925,537 and \$3,241,346 of board designated funds as of June 30, 2025 and 2024, respectively.

**Note 9 RETIREMENT PLAN**

The Organization administers the Agate Housing and Services, Inc. 401(k) retirement savings plan (the Plan). The Plan is subject to provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Generally, all employees of the Organization who are over 21 years of age and who have completed twelve months of service are eligible to participate in this plan. Participants may contribute up to the maximum allowable by law and are fully vested immediately.

The Organization provided a discretionary contribution of 2% of any eligible employee's earnings to the Plan. The Organization also provides a 3% match to employees participating in the plan. Contributions to the plan were \$189,273 and \$134,630 in 2025 and 2024, respectively.

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**Note 10 LEASES**

The Organization occupies administrative space and a shelter under non-cancelable lease agreements which expire in 2027. The leases required monthly payments for base rent plus operating expenses. The Organization also leases equipment under various operating leases, expiring at various dates through 2028.

Lease expense is recognized for these leases on a straight-line basis over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise the option. Certain leases also include options to purchase the leased property. The depreciable lives of the assets are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

The following tables provide quantitative information concerning the Organization's leases for the year ended June 30:

	Classification	2025	2024
Lease Cost:			
Operating - equipment	Equipment and Maintenance	\$21,492	\$17,521
Operating - building	Occupancy	429,058	429,058
Variable lease payments (CAM)	Occupancy	<u>20,400</u>	<u>20,050</u>
Net lease cost		<u><u>\$470,950</u></u>	<u><u>\$466,629</u></u>

As of June 30, 2025, the weighted average remaining lease term was 2.37 years, and the weighted average discount rate was 2.90%. As of June 30, 2024, the weighted average remaining lease term was 3.34 years, and the weighted average discount rate was 2.88%.

Future minimum lease payments required for the years ending June 30 are as follows:

Year Ending June 30,	Amount
2026	\$475,555
2027	465,428
2028	<u>180,454</u>
Total lease payments	1,121,437
Less: Present value discount	<u>(37,447)</u>
Present value of lease liabilities	<u><u>\$1,083,990</u></u>

A portion of the leased administrative space is subleased to an unaffiliated nonprofit organization. The sub-tenant is renting space from the Organization on a month-to-month basis. Rent revenue of \$17,872 in 2025 and \$14,976 in 2024 is recorded in fee income.

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**Note 11 COMMITMENTS, CONCENTRATIONS, AND CONTINGENCIES**

In 2025, the Organization received approximately 58% of its revenue and support through contracts with one governmental agency. In 2024, the Organization received approximately 47% of its revenue and support through contracts with two governmental agencies.

The Organization has several government grants that contain donor conditions (primarily that funds be expended before they are earned or received). Since these grants represent conditional promises to give, they are not recorded as contribution revenue until donor conditions are met. The Organization has the following unearned conditional contributions at June 30:

	<u>2025</u>	<u>2024</u>
Street outreach	\$59,278	\$160,388
Shelter	9,769,458	1,756,688
Rapid re-housing	585,331	5,138,559
Supportive housing	216,928	2,171,679
Food Centre	-	35,100
Single Room Occupancy	<u>231,922</u>	<u>102,928</u>
Total	<u><u>\$10,862,917</u></u>	<u><u>\$9,365,342</u></u>

Funds received from the donor in advance of the conditions being met totaled \$311,165; are recorded as refundable advances; and will subsequently be recognized as government grants and reimbursements revenue when donor conditions are met.

Revenues 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, or services performed not in compliance, the disallowance will be recorded at the time the assessment for refund is made.

The Organization's employees are represented by AFSCME Council 5 (the Union). The Union represents approximately 58% and 71% of all employees at June 30, 2025 and 2024, respectively. The union contract was ratified with an effective date of September 17, 2020, and includes, among other things, a new pay scale. The union contract was updated with an effective date of July 1, 2023 through July 6, 2025, and includes, among other things, a new pay scale.

The Organization is subject to various legal proceedings covering a range of matters that arise in the course of its business activities. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of operations of the Organization.

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**Note 12 FIRE DAMAGE**

On October 9, 2024, the 5637 Lyndale Apartment building sustained fire damage to 16 units. The Organization received insurance proceeds of approximately \$1,000,000 and has begun rehabilitating the building, which will significantly enhance and extend the building's useful life. As of June 30, 2025, construction in progress related to this project totaled \$395,293.

**Note 13 SUBSEQUENT EVENTS**

On October 9, 2025, the Organization opened up its new shelter in The Valiance. The Organization plans to begin moving people into the new shelter by winter 2025.

On September 29, 2025, the Organization entered into a sales agreement for its 510 Shelter and Board and Lodge building and land for \$500,000. The closing is scheduled for December 15, 2025. Proceeds from the sale will be used to pay off remaining amounts due to MCDA on the remaining note payable (see Note 7).

On October 1, 2025, the Organization obtained loan forgiveness from MN Housing on its remaining notes payables of \$525,750 (see Note 7).

Management has evaluated subsequent events through November 24, 2025, the date on which the consolidated financial statements were available for issue, and identified no further significant events or transactions to disclose.