



PROJECT FOR PRIDE IN LIVING, INC.

**CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY CONSOLIDATING INFORMATION**

**FOR THE YEAR ENDED
DECEMBER 31, 2022**

PROJECT FOR PRIDE IN LIVING, INC.

CONSOLIDATED FINANCIAL STATEMENTS WITH SUPPLEMENTARY CONSOLIDATING INFORMATION

For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Consolidated Financial Statements:	
Consolidated Statement of Financial Position	4
Consolidated Statement of Activities	5
Consolidated Statement of Functional Expenses	6
Consolidated Statement of Cash Flows	7
Notes to Consolidated Financial Statements	8
Supplementary Consolidating Information:	
Consolidating Statement of Financial Position	31
Consolidating Statement of Activities	32
Consolidating Statement of Functional Expenses	33
Consolidating Statement of Cash Flows	34

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, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Project for Pride in Living, Inc., as of December 31, 2022, 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.

Adoption of New Accounting Standards

As discussed in Note 2 to the financial statements, Project for Pride in Living, Inc. has adopted Accounting Standards Update 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Non-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Project for Pride in Living, Inc.'s 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated July 6, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

(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 July 3, 2023, 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.

July 3, 2023

Mahoney Ulbrich
Christiansen & Russ, PA

PROJECT FOR PRIDE IN LIVING, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2022
(With Comparative Totals for 2021)

	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,064,070	\$ 13,775,173
Cash - comprehensive campaign	1,530,827	1,759,900
Investments	1,867,053	1,969,796
Current portion of receivables, net	2,636,013	5,766,719
Inventories	41,617	63,648
Property held for sale	441,022	399,891
Prepaid expenses	855,673	673,725
Total current assets	<u>16,436,275</u>	<u>24,408,852</u>
Cash - construction escrows	370,175	-
Cash - custodial	1,145,440	1,356,359
Cash - working capital fund	3,790,698	4,417,250
Property reserves	13,019,936	12,836,571
Receivables, less current portion, net	5,902,700	6,241,783
Other assets, net	795,568	790,137
Property under development	8,427,308	9,564,768
Property and equipment, net	<u>208,256,219</u>	<u>194,534,445</u>
Total assets	<u>\$ 258,144,319</u>	<u>\$ 254,150,165</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 1,213,823	\$ 800,964
Accrued payroll and related	366,717	375,490
Accrued real estate taxes	1,011,658	1,398,119
Other accrued liabilities	1,113,358	811,358
Current portion of deferred revenues	107,467	11,725
Current portion of accrued interest	24,814	150,221
Current portion of notes payable and lines of credit	1,346,603	2,344,910
Current portion of mortgages payable	339,245	1,228,765
Total current liabilities	<u>5,523,685</u>	<u>7,121,552</u>
Construction payables	82,569	1,044,590
Escrows and deposits	638,118	990,270
Deferred revenues, less current portion	1,009,857	1,609,048
Accrued interest, less current portion	10,249,186	10,271,964
Notes payable and lines of credit, less current portion, net	7,263,800	9,438,872
Mortgages payable, less current portion, net	128,942,757	113,144,025
Total liabilities	<u>153,709,972</u>	<u>143,620,321</u>
Net assets without donor restrictions:		
Undesignated	23,666,873	23,286,738
Noncontrolling limited partner interests	71,455,053	75,961,102
Total net assets without donor restrictions	<u>95,121,926</u>	<u>99,247,840</u>
Net assets with donor restrictions	9,312,421	11,282,004
Total net assets	<u>104,434,347</u>	<u>110,529,844</u>
Total liabilities and net assets	<u>\$ 258,144,319</u>	<u>\$ 254,150,165</u>

See accompanying notes to consolidated financial statements.

PROJECT FOR PRIDE IN LIVING, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

	2022			
	Without Donor Restrictions	With Donor Restrictions	Total	2021
Revenues and support:				
Contributions	\$ 3,967,171	\$ 912,681	\$ 4,879,852	\$ 9,221,370
Net assets released from program and time restrictions	2,882,264	(2,882,264)	-	-
Government grants	9,695,755	-	9,695,755	11,680,620
PPP loan forgiveness	-	-	-	2,400,646
United Way	484,515	-	484,515	538,330
Rental revenues, net	14,888,450	-	14,888,450	14,193,281
Program service fees	496,854	-	496,854	761,939
Developer fees	1,299,448	-	1,299,448	497,870
Other income	320,462	-	320,462	94,440
Interest	137,953	-	137,953	108,081
Total revenues and support	<u>34,172,872</u>	<u>(1,969,583)</u>	<u>32,203,289</u>	<u>39,496,577</u>
Expenses:				
Program services:				
Housing stability	34,705,991	-	34,705,991	30,261,923
Career readiness	5,330,421	-	5,330,421	5,249,358
Other programs	1,180,289	-	1,180,289	880,676
Total program services	<u>41,216,701</u>	<u>-</u>	<u>41,216,701</u>	<u>36,391,957</u>
General and administrative	3,236,173	-	3,236,173	2,541,210
Fundraising	874,332	-	874,332	1,168,591
Total expenses	<u>45,327,206</u>	<u>-</u>	<u>45,327,206</u>	<u>40,101,758</u>
Change in net assets before nonoperating activity	(11,154,334)	(1,969,583)	(13,123,917)	(605,181)
Gain (loss) from investments	(86,094)	-	(86,094)	41,675
Bank building and land contribution	4,150,000	-	4,150,000	-
Noncontrolling limited partner interests in losses and transfer	<u>7,470,563</u>	<u>-</u>	<u>7,470,563</u>	<u>4,232,683</u>
Change in net assets for controlling interest	380,135	(1,969,583)	(1,589,448)	3,669,177
Capital contributions from noncontrolling interests, net	2,978,412	-	2,978,412	227,059
Distributions	(13,898)	-	(13,898)	(14,048)
Noncontrolling limited partner interests in losses and transfer	<u>(7,470,563)</u>	<u>-</u>	<u>(7,470,563)</u>	<u>(4,232,683)</u>
Change in net assets	<u>(4,125,914)</u>	<u>(1,969,583)</u>	<u>(6,095,497)</u>	<u>(350,495)</u>
Net assets, beginning of year	<u>99,247,840</u>	<u>11,282,004</u>	<u>110,529,844</u>	<u>110,880,339</u>
Net assets, end of year	<u>\$ 95,121,926</u>	<u>\$ 9,312,421</u>	<u>\$ 104,434,347</u>	<u>\$ 110,529,844</u>
Reconciliation of net assets:				
Noncontrolling interests:				
Beginning of year			\$ 75,961,102	\$ 79,980,774
Noncontrolling limited partner interests in losses			(6,522,860)	(5,361,753)
Capital contributions, net			2,978,412	227,059
Transfers			(947,703)	1,129,070
Distributions			(13,898)	(14,048)
End of year			<u>71,455,053</u>	<u>75,961,102</u>
Controlling interest:				
Beginning of year			34,568,742	30,899,565
Transfers			947,703	(1,129,070)
Change in net assets			(2,537,151)	4,798,247
End of year			<u>32,979,294</u>	<u>34,568,742</u>
Total			<u>\$ 104,434,347</u>	<u>\$ 110,529,844</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, 2022
(With Comparative Totals for 2021)

	2022							
	Program services				General and administrative	Fund-raising	Total expenses	2021
	Housing stability	Career readiness	Other programs	Total programs				
Salaries	\$ 6,195,437	\$ 3,362,766	\$ 420,880	\$ 9,979,083	\$ 1,706,479	\$ 585,951	\$ 12,271,513	\$ 11,240,794
Payroll taxes	441,686	232,697	29,692	704,075	130,042	36,431	870,548	752,804
Employee benefits	912,043	483,964	63,132	1,459,139	169,118	78,277	1,706,534	1,856,020
Total salaries and related	7,549,166	4,079,427	513,704	12,142,297	2,005,639	700,659	14,848,595	13,849,618
Cost of sales	-	4,715	-	4,715	-	-	4,715	2,810
Rental and other client assistance	2,810,997	467,324	603	3,278,924	37,275	-	3,316,199	3,439,354
Professional fees and contracted services	1,394,956	598,141	89,991	2,083,088	509,616	16,904	2,609,608	1,434,002
Office administration and support	912,293	38,763	278,435	1,229,491	232,733	62,802	1,525,026	850,026
Conferences and meetings	13,278	15,033	689	29,000	34,268	1,293	64,561	7,454
Staff development and appreciation	78,255	27,173	2,593	108,021	25,792	2,206	136,019	74,923
Marketing and promotion	4,248	8,526	497	13,271	84,513	90,468	188,252	108,817
Transportation	142,708	12,865	466	156,039	18,889	-	174,928	161,163
Insurance	1,013,310	1,624	-	1,014,934	247,588	-	1,262,522	1,018,212
Building operations expenses	11,651,077	42,114	-	11,693,191	561	-	11,693,752	10,058,044
Rent	17,081	25,353	-	42,434	-	-	42,434	41,207
Depreciation and amortization	7,396,223	9,082	293,290	7,698,595	11,853	-	7,710,448	7,499,819
Interest and other bank fees	1,722,399	281	21	1,722,701	27,446	-	1,750,147	1,556,309
	<u>\$ 34,705,991</u>	<u>\$ 5,330,421</u>	<u>\$ 1,180,289</u>	<u>\$ 41,216,701</u>	<u>\$ 3,236,173</u>	<u>\$ 874,332</u>	<u>\$ 45,327,206</u>	<u>\$ 40,101,758</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, 2022
(With Comparative Totals for 2021)

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (6,095,497)	\$ (350,495)
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation and amortization	7,710,448	7,499,819
Interest expense - amortization of finance fees	73,125	40,243
Loss (gain) from investments	86,094	(41,675)
PPP loan forgiveness	-	(2,400,646)
Bad debts	823,683	208,515
Amortization of deferred grant	(54,372)	(11,725)
Comprehensive campaign	-	-
Capital contributions, net	(2,978,412)	(227,059)
Changes in operating assets and liabilities:		
Receivables	2,646,106	93,630
Inventories	22,031	(2,235)
Prepaid expenses and other assets	(292,931)	(485,603)
Property held for sale	(41,131)	(40,776)
Accounts payable	412,858	(222,654)
Accrued expenses and other liabilities	(435,305)	919,442
Deferred revenues	(449,077)	234,811
Net cash from operating activities	<u>1,427,620</u>	<u>5,213,592</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(22,056,942)</u>	<u>(11,994,123)</u>
Net cash from investing activities	<u>(22,056,942)</u>	<u>(11,994,123)</u>
Cash flows from financing activities:		
Proceeds from issuance of notes payable and lines of credit	50,000	4,828,987
Repayment of notes payable and lines of credit	(3,123,379)	(208,790)
Proceeds from issuance of mortgages payable	17,174,955	8,515,634
Repayment of mortgages payable	(1,635,805)	(1,862,304)
Payment of finance and tax credit fees	(38,968)	(107,310)
Capital contributions from noncontrolling interests, net	2,978,412	227,059
Net cash from financing activities	<u>15,405,215</u>	<u>11,393,276</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	(5,224,107)	4,612,745
Cash, cash equivalents, and restricted cash - beginning of year	<u>34,145,253</u>	<u>29,532,508</u>
Cash, cash equivalents, and restricted cash - end of year	<u>\$ 28,921,146</u>	<u>\$ 34,145,253</u>
Supplemental cash flow information:		
Cash paid for interest	<u>\$ 1,888,977</u>	<u>\$ 976,525</u>
Noncash investing and financing activities:		
Property additions in accounts payable and accrued liabilities	<u>\$ 82,569</u>	<u>\$ 1,597,769</u>

See accompanying notes to consolidated financial statements.

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

1. ORGANIZATION

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

PPL implements its mission in the following core program areas:

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

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

Career Readiness - This PPL program assists in the economic advancement of individuals through free employment training workshops, classes and certificate programs. Our integrated services focus on helping each individual overcome their barriers to employment and job retention. In addition, PPL assists families working with the Minnesota Family Investment Program (MFIP) through the Connections to Work program 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, and program fees.

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

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 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, 2022
(With Comparative Totals for 2021)

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 and internally designated 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, 2022
(With Comparative Totals for 2021)

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.

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

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

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

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

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Contributed Materials - Contributed materials are recorded as contributions, when received, at their fair value.

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 2022 and 2021.

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prior Year Summarized Comparative Information - The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional allocation. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with PPL's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

New Accounting Standard – In 2022, PPL adopted Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Non-for-Profit Entities for Contributed Nonfinancial Assets*. Under the new standard, not-for-profits are required to show contributed nonfinancial assets as a separate line item in the statement of activities. Not-for-profits need to provide enhanced disclosures about in-kind contributions received including: disaggregating by category depicting the type of contributed nonfinancial asset, disclosing qualitative information about whether the contributed nonfinancial assets were either monetized or used during the reporting period, and describing any donor-imposed restrictions associated with the contributed assets. In addition, the valuation techniques and inputs used to arrive at a fair value measure must be disclosed.

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

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

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

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2022 or 2021. 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.

Reclassifications - Reclassifications were made to the 2021 financial statements to be consistent with the current year financial statements. These reclassifications did not affect net assets or the change in net assets.

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 a line of credit established which is 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, 2022
(With Comparative Totals for 2021)

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:

	2022			
	PPL	PPL Investment Corporation and Properties	Limited Partnerships	Consolidated
Cash and cash equivalents	\$ 4,814,798	\$ 3,382,435	\$ 866,837	\$ 9,064,070
Cash – comprehensive campaign	1,530,827	-	-	1,530,827
Investments	1,867,053	-	-	1,867,053
Receivables, net	928,556	496,516	1,210,941	2,636,013
Total financial assets available within one year	9,141,234	3,878,951	2,077,778	15,097,963
Less:				
Cash – internal designations, reserves and escrows	(400,000)	(2,299,328)	-	(2,699,328)
Total financial assets available within one year	<u>\$ 8,741,234</u>	<u>\$ 1,579,623</u>	<u>\$ 2,077,778</u>	<u>\$ 12,398,635</u>
	2021			
	PPL	PPL Investment Corporation and Properties	Limited Partnerships	Consolidated
Cash and cash equivalents	\$ 7,709,295	\$ 2,547,543	\$ 3,518,335	\$ 13,775,173
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	15,477,559	2,954,158	4,839,871	23,271,588
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	<u>\$ 14,183,610</u>	<u>\$ 2,748,737</u>	<u>\$ 2,995,570</u>	<u>\$ 19,927,917</u>

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

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:

		2022	
		Level 1	Level 2
U.S. government money market fund	\$ 143,204	\$ 143,204	\$ -
US Treasuries	395,318	-	395,318
Corporate bonds	65,906	-	65,906
Municipal bonds	770,405	-	770,405
Exchange traded funds	492,220	-	492,220
	<u>\$ 1,867,053</u>	<u>\$ 143,204</u>	<u>\$ 1,723,849</u>
		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>

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

5. RECEIVABLES

Receivables consist of the following:

	2022	2021
Tenant receivables	\$ 2,338,907	\$ 1,004,737
Trade and other receivables	281,249	2,024,641
Notes receivable	4,829,500	4,829,500
Government grants receivable	412,273	637,530
Pledges receivable	1,321,283	3,711,617
	<u>9,183,212</u>	<u>12,208,025</u>
Less allowance for doubtful accounts	<u>(644,499)</u>	<u>(199,523)</u>
	8,538,713	12,008,502
Less current receivables	<u>(2,636,013)</u>	<u>(5,766,719)</u>
	<u>\$ 5,902,700</u>	<u>\$ 6,241,783</u>

Pledges receivable of \$521,283 are due in 2023, \$450,000 in 2024, \$350,000 in 2025.

Government grants receivables are due to be collected in 2023.

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, 2022
(With Comparative Totals for 2021)

6. OTHER ASSETS

Other assets consist of the following:

	2022	2021
Tax credit fees, net	\$ 512,218	\$ 583,845
Beneficial interests in marketable securities held by community foundations	105,949	105,949
Other	177,401	100,343
	<u>\$ 795,568</u>	<u>\$ 790,137</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, 2022, 21 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, 2022 and 2021. Total assets were \$2,337,696 and \$2,587,208 and total liabilities were \$2,696,647 and \$2,596,257 at December 31, 2022 and 2021. Total revenue was \$140,208 and \$186,638 and net loss was \$213,848 and \$103,594 in 2022 and 2021.

8. PROPERTY UNDER DEVELOPMENT AND HELD FOR SALE

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

	2022	2021
PPL Homes – properties held for sale	<u>\$ 441,022</u>	<u>\$ 399,891</u>

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

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

	2022	2021
Bloom Lake – rental property in pre-development	\$ -	\$ 3,574,947
Ford Site – rental properties in pre-development	6,323,415	3,870,917
Union Congregational Church – rental property in pre-development	855,444	305,334
New American Homeland - rental property under rehab	-	1,130,688
3030 Nicollet – rental property in development	1,060,514	428,456
Other projects	187,935	254,426
Property under development	<u>\$ 8,427,308</u>	<u>\$ 9,564,768</u>

9. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2022	2021	Estimated useful lives-years
Program facilities:			
Land	\$ 985,485	\$ 985,485	-
Buildings and improvements	15,326,927	15,288,087	10-30
Equipment	3,025,306	2,794,579	3-7
	<u>19,337,718</u>	<u>19,068,151</u>	
Less accumulated depreciation	<u>(8,491,663)</u>	<u>(7,833,346)</u>	
Program facilities, net	<u>10,846,055</u>	<u>11,234,805</u>	
Rental properties:			
Land and land improvements	28,305,413	27,084,382	NA / 15
Buildings and improvements	247,181,745	221,789,784	25-40
Equipment	4,924,589	4,705,627	3-7
	<u>280,411,747</u>	<u>253,579,793</u>	
Less accumulated depreciation	<u>(83,001,583)</u>	<u>(70,280,153)</u>	
Rental properties, net	<u>197,410,164</u>	<u>183,299,640</u>	
Combined total	<u>\$208,256,219</u>	<u>\$194,534,445</u>	

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

9. PROPERTY AND EQUIPMENT (Continued)

Depreciation expense for the years ended December 31, 2022 and 2021, was \$7,609,985 and \$7,030,172.

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.

	2022	2021
Bremer Bank term loan with interest at 3.50% due on May 5, 2026. Monthly payments of \$2,827 are required. Secured by real estate.	\$ 252,454	\$ 276,966
BMO Harris Bank note payable with interest at 5.826%, due January 2023. Monthly payments of \$2,527. Secured by real estate. The note was paid in full January 2023.	100,508	123,344
\$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
\$1,000,000 BMO Harris Bank EQ2 note payable with interest at 4% due March 31, 2025. Unsecured.	1,000,000	1,000,000
Otto Bremer Trust note payable with interest at 3% due November 15, 2022. The note was paid in full in 2022.	-	1,000,000

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

10. NOTES PAYABLE AND LINES OF CREDIT (Continued)

	2022	2021
\$500,000 Propel Nonprofits line of credit with interest at 5.75%, matures on August 16, 2025. Secured by real estate and other assets.	41,263	92,294
\$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	4,000,000
\$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. The note was paid in full in 2022.	-	750,000
\$1,050,000 Bremer Bank Dated February 2020 with interest of 3.37%. The note was paid in full in 2022.	-	1,050,000
\$250,000 Housing Partnership Network (HPN) note payable with interest at 5.75%. The note was paid in full in 2022.	-	250,000
Government agency and other loans for housing projects.	966,178	991,178
	8,610,403	11,783,782
Less current maturities	(1,346,603)	(2,344,910)
	<u>\$ 7,263,800</u>	<u>\$ 9,438,872</u>

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

10. NOTES PAYABLE AND LINES OF CREDIT (Continued)

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

	Amortizing	EQ2/CRA	Line of Credit	Pre- Development	Other	Total
2023	\$ 126,099	\$ 1,000,000	\$ 41,263	\$ -	\$ 179,241	\$ 1,346,603
2024	26,493	500,000	-	-	-	526,493
2025	27,470	500,000	-	-	-	527,470
2026	28,461	-	-	-	-	28,461
2027	29,487	-	-	-	-	29,487
Thereafter	114,952	1,250,000	-	4,000,000	786,937	6,151,889
	<u>\$ 352,962</u>	<u>\$ 3,250,000</u>	<u>\$ 41,263</u>	<u>\$ 4,000,000</u>	<u>\$ 966,178</u>	<u>\$ 8,610,403</u>

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, 2022 and 2021, was \$1,639,094 and \$950,749.

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

11. MORTGAGES PAYABLE (Continued)

Mortgages payable consist of the following:

	2022	2021
Amortizing mortgages on rental properties with interest rates of 0% to 9%, due in varying monthly installments through 2058.	\$ 11,734,540	\$ 11,061,574
Non-amortizing mortgages on rental properties with interest rates of 0% to 9%, with principal payments deferred through 2061.	118,376,155	104,115,479
	130,110,695	115,177,053
Less unamortized fees	(828,693)	(804,263)
	129,282,002	114,372,790
Less current maturities	(339,245)	(1,228,765)
	<u>\$ 128,942,757</u>	<u>\$ 113,144,025</u>

Maturities of mortgages payable are as follows:

2023	\$ 339,245
2024	5,665,580
2025	347,622
2026	369,560
2027	1,113,906
Thereafter	122,616,133
	<u>\$ 130,452,046</u>

12. NET ASSETS

PPL embarked on the Building Ladders Comprehensive Campaign in 2016. The goal of the campaign was 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.

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

12. NET ASSETS (Continued)

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

	2022	2021
Subject to expenditure for specified purpose:		
Housing Stability	\$ 1,119,970	\$ 1,902,070
Career Readiness	488,770	714,583
Building Ladders Comprehensive Campaign	3,099,144	3,408,474
Anonymous donor gift for working capital	1,925,000	1,925,000
	<u>6,632,884</u>	<u>7,950,127</u>
Subject to the passage of time:		
For future periods	2,536,327	3,188,667
To be held in perpetuity:		
Scholarships and operating support	<u>143,210</u>	<u>143,210</u>
	<u>\$ 9,312,421</u>	<u>\$ 11,282,004</u>

Net assets of \$143,210 in 2022 and 2021 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 \$221,626 in 2022 and \$228,333 in 2021.

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

For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

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

For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

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:

2023	\$ 430,700
2024	430,700
2025	<u>215,350</u>
	<u>\$ 1,076,750</u>

At December 31, 2022, 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

For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

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

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, 2022, remaining capital contributions expected to be paid are \$615,371 in 2023.

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, 2022, remaining capital contributions expected to be paid is \$959,506 in 2023.

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

19. DEVELOPMENTS (Continued)

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. IN-KIND CONTRIBUTIONS

In-kind contributions consist of the following:

	2022	2021
Inventory	\$ 127,183	\$ 89,795
Bank building and land	4,150,000	-
	<u>\$ 4,277,183</u>	<u>\$ 89,795</u>

Donated inventories are recorded at their estimated fair value on the date of contributions. Donated inventory is used in PPL's Ready for Success program. There are no donor restrictions placed in the donated items.

PPL received a bank building and land during 2022. The fair value was calculated based on an appraisal of the property. The donation required a portion of the building be leased to a bank for one year.

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

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, consists of the following amounts reported on the statement of financial position:

	2022	2021
Cash and cash equivalents	\$9,064,070	\$13,775,173
Cash - comprehensive campaign	1,530,827	1,759,900
Cash - construction escrows	370,175	-
Cash - custodial	1,145,440	1,356,359
Cash - working capital fund	3,790,698	4,417,250
Property reserves	13,019,936	12,836,571
	<u>\$28,921,146</u>	<u>\$34,145,253</u>

22. SUBSEQUENT EVENTS

Legislative Changes

The 2023 Minnesota state legislature approved a cumulative appropriation of more than \$1 billion for housing over the next biennium. Two significant approved bills will substantially benefit PPL in future years. PPL qualifies for the Stable Housing Organization Relief program, which will provide up to \$4,000 per unit in one-time relief to each qualified organization. Grants are expected to be awarded in late 2023 or early 2024.

4d Property Tax reform will significantly reduce class rates for affordable multi-family properties. Current 4d property tax rules apply the 0.75% class rate for the first \$100,000 of unit value, and 0.25% for the value above \$100,000. Beginning with property tax assessment year 2024, the 0.25% class rate will apply to the entire value of each qualifying unit. Nearly all of PPL multi-family properties qualify for the 4d class rate.

Management has evaluated subsequent events through July 3, 2023, 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, 2022

	PPL, Inc.	PPL Investment Corp	PPL Properties	Partnerships	Eliminations	Total
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 4,814,798	\$ 301,891	\$ 3,080,544	\$ 866,837	\$ -	\$ 9,064,070
Cash - comprehensive campaign	1,530,827	-	-	-	-	1,530,827
Investments	1,867,053	-	-	-	-	1,867,053
Current portion of receivables, net	928,556	8,049	488,467	1,210,941	-	2,636,013
Inventories	41,617	-	-	-	-	41,617
Property held for sale	-	-	441,022	-	-	441,022
Prepaid expenses	838,926	-	5,137	11,610	-	855,673
Total current assets	10,021,777	309,940	4,015,170	2,089,388	-	16,436,275
Cash held in construction escrows	-	-	134,726	235,449	-	370,175
Cash - custodial	146,035	-	372,624	626,781	-	1,145,440
Cash - working capital fund	3,790,698	-	-	-	-	3,790,698
Property reserves	-	-	1,642,235	11,377,701	-	13,019,936
Receivables, less current portion, net	800,000	4,829,500	273,200	-	-	5,902,700
Other assets, net	283,350	-	-	512,218	-	795,568
Due from other funds	10,185,726	12,011	3,743,317	122,201	(14,063,255)	-
Property under development	-	-	8,427,308	-	-	8,427,308
Property and equipment, net	704,840	-	64,310,600	143,240,779	-	208,256,219
Total assets	\$ 25,932,426	\$ 5,151,451	\$ 82,919,180	\$ 158,204,517	\$ (14,063,255)	\$ 258,144,319
LIABILITIES AND NET ASSETS						
Current liabilities:						
Accounts payable	\$ 372,197	\$ -	\$ 412,118	\$ 429,508	\$ -	\$ 1,213,823
Accrued payroll and related	366,717	-	-	-	-	366,717
Accrued real estate taxes	-	-	4,198	1,007,460	-	1,011,658
Other accrued liabilities	67,450	-	798,899	247,009	-	1,113,358
Current portion of deferred revenues	53,116	-	11,725	42,626	-	107,467
Current portion of accrued interest	15,000	-	-	9,814	-	24,814
Current portion of notes payable and lines of credit	1,346,603	-	-	-	-	1,346,603
Current portion of mortgages payable, net	-	-	47,169	292,076	-	339,245
Total current liabilities	2,221,083	-	1,274,109	2,028,493	-	5,523,685
Construction payables	-	-	-	82,569	-	82,569
Escrows and deposits	52,947	-	2,378	582,793	-	638,118
Deferred revenues, less current portion	28,344	-	258,594	722,919	-	1,009,857
Accrued interest, less current portion	-	-	8,758,917	1,490,269	-	10,249,186
Due to other funds	1,503,403	1,625	10,228,089	17,224,283	(28,957,400)	-
Notes payable and lines of credit, less current portion, net	6,661,783	-	602,017	-	-	7,263,800
Mortgages payable, less current portion, net	-	-	67,843,309	61,099,448	-	128,942,757
Total liabilities	10,467,560	1,625	88,967,413	83,230,774	(28,957,400)	153,709,972
Net assets without donor restrictions:						
Undesignated	6,152,445	5,149,826	(7,362,643)	4,833,100	14,894,145	23,666,873
Noncontrolling limited partner interests in partnerships	-	-	1,314,410	70,140,643	-	71,455,053
Net assets with donor restrictions	9,312,421	-	-	-	-	9,312,421
Total net assets	15,464,866	5,149,826	(6,048,233)	74,973,743	14,894,145	104,434,347
Total liabilities and net assets	\$ 25,932,426	\$ 5,151,451	\$ 82,919,180	\$ 158,204,517	\$ (14,063,255)	\$ 258,144,319

See independent auditor's report.

PROJECT FOR PRIDE IN LIVING, INC.

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2022

	PPL, Inc.	PPL Investment Corporation	PPL Properties	Partnerships	Eliminations	Total
Revenues and support:						
Contributions	\$ 4,879,852	\$ -	\$ -	\$ -	\$ -	\$ 4,879,852
Government grants	9,314,444	-	94,671	286,640	-	9,695,755
United Way	484,515	-	-	-	-	484,515
Rental revenues, net	-	-	5,377,781	9,510,669	-	14,888,450
Program fees	496,854	-	-	-	-	496,854
Developer fees	1,299,448	-	-	-	-	1,299,448
Other income	66,238	-	113,406	140,818	-	320,462
Interest	-	96,590	11,643	29,720	-	137,953
Inter-entity revenue	8,515,922	-	670,681	-	(9,186,603)	-
Total revenues and support	<u>25,057,273</u>	<u>96,590</u>	<u>6,268,182</u>	<u>9,967,847</u>	<u>(9,186,603)</u>	<u>32,203,289</u>
Expenses:						
Program services	22,900,317	1,744	10,257,593	16,501,020	(8,443,973)	41,216,701
General and administrative	3,427,769	-	-	-	(191,596)	3,236,173
Fundraising	894,192	-	-	-	(19,860)	874,332
Total expenses	<u>27,222,278</u>	<u>1,744</u>	<u>10,257,593</u>	<u>16,501,020</u>	<u>(8,655,429)</u>	<u>45,327,206</u>
Change in net assets before nonoperating activity	(2,165,005)	94,846	(3,989,411)	(6,533,173)	(531,174)	(13,123,917)
Investment loss	(86,094)	-	-	-	-	(86,094)
Capital contributions from noncontrolling interests, net	-	-	1,314,410	1,664,002	-	2,978,412
Capital contributions from PPL, Inc.	-	-	176,927	11,628	(188,555)	-
Bank building and land contribution	-	-	4,150,000	-	-	4,150,000
Transfer of Camden and Southside Community Distributions	-	-	1,050,882	(1,050,882)	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,898)</u>	<u>-</u>	<u>(13,898)</u>
Change in net assets	(2,251,099)	94,846	2,702,808	(5,922,323)	(719,729)	(6,095,497)
Net assets, beginning 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>
Net assets, end of year	<u>\$ 15,464,866</u>	<u>\$ 5,149,826</u>	<u>\$ (6,048,233)</u>	<u>\$ 74,973,743</u>	<u>\$ 14,894,145</u>	<u>\$ 104,434,347</u>

See independent auditor's report.

PROJECT FOR PRIDE IN LIVING, INC.

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2022

	Project for Pride in Living, Inc.			PPL Investment Corp	PPL Properties	Partnerships	Total Programs	General and administrative	Fundraising	Eliminations	Total
	Housing stability	Career readiness	Other programs								
Salaries	\$ 6,195,437	\$ 3,362,766	\$ 420,880	\$ -	\$ -	\$ -	\$ 9,979,083	\$ 1,706,479	\$ 585,951	\$ -	\$ 12,271,513
Payroll taxes	441,686	232,697	29,692	-	-	-	704,075	130,042	36,431	-	870,548
Employee benefits	912,043	483,964	63,132	-	-	-	1,459,139	169,118	78,277	-	1,706,534
Total salaries and related	7,549,166	4,079,427	513,704	-	-	-	12,142,297	2,005,639	700,659	-	14,848,595
Cost of goods sold	-	4,715	-	-	-	-	4,715	-	-	-	4,715
Rental and other direct client assistance	2,810,997	467,324	603	-	-	-	3,278,924	37,275	-	-	3,316,199
Professional fees and contracted services	495,594	598,141	89,991	-	55,475	843,887	2,083,088	509,616	16,904	-	2,609,608
Office administration and support	292,664	38,763	278,435	-	239,956	379,673	1,229,491	232,733	62,802	-	1,525,026
Conferences and meetings	9,749	15,033	689	-	-	3,529	29,000	34,268	1,293	-	64,561
Staff development and appreciation	56,961	27,173	2,593	-	-	21,294	108,021	25,792	2,206	-	136,019
Marketing and promotion	3,880	8,526	497	-	-	368	13,271	84,513	90,468	-	188,252
Transportation	79,145	12,865	466	-	26,024	37,539	156,039	18,889	-	-	174,928
Insurance	7,356	-	-	1,624	406,025	599,929	1,014,934	247,588	-	-	1,262,522
Building operating expenses	488,511	42,114	-	-	4,569,710	6,592,856	11,693,191	561	-	-	11,693,752
Rent	14,681	25,353	-	-	2,400	-	42,434	-	-	-	42,434
Depreciation and amortization	-	9,082	293,290	-	2,361,302	5,034,921	7,698,595	11,853	-	-	7,710,448
Interest and other bank fees	124,891	161	21	120	829,935	767,573	1,722,701	27,446	-	-	1,750,147
Inter-entity expenses	2,856,977	1,592,727	8,052	-	1,766,766	2,219,451	8,443,973	191,596	19,860	(8,655,429)	-
Remove inter-entity expenses	14,790,572	6,921,404	1,188,341	1,744	10,257,593	16,501,020	49,660,674	3,427,769	894,192	(8,655,429)	45,327,206
	(2,856,977)	(1,592,727)	(8,052)	-	(1,766,766)	(2,219,451)	(8,443,973)	(191,596)	(19,860)	8,655,429	-
Total expenses	\$ 11,933,595	\$ 5,328,677	\$ 1,180,289	\$ 1,744	\$ 8,490,827	\$ 14,281,569	\$ 41,216,701	\$ 3,236,173	\$ 874,332	\$ -	\$ 45,327,206

See independent auditor's report.

PROJECT FOR PRIDE IN LIVING, INC.

CONSOLIDATING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2022

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	\$ (2,251,099)	\$ 94,846	\$ 2,702,808	\$ (5,922,323)	\$ (719,729)	\$ (6,095,497)
Adjustments to reconcile the change in net assets to net cash from operating activities:						
Depreciation and amortization	314,225	-	2,361,302	5,034,921	-	7,710,448
Interest expense - amortization of finance fees	-	-	6,837	66,288	-	73,125
Loss from investments	86,094	-	-	-	-	86,094
Bad debts	-	-	237,152	586,531	-	823,683
Amortization of deferred grant	-	-	(11,725)	(42,647)	-	(54,372)
Capital contributions, net	-	-	(1,491,337)	(1,675,630)	188,555	(2,978,412)
Changes in operating assets and liabilities:						
Receivables	3,486,279	-	(364,237)	(475,936)	-	2,646,106
Inventories	22,031	-	-	-	-	22,031
Prepaid expenses and other assets	(428,291)	-	90,796	44,564	-	(292,931)
Property held for sale	-	-	(41,131)	-	-	(41,131)
Accounts payable	172,310	-	924,532	(683,984)	-	412,858
Due to (from) other funds	(3,164,431)	1,624	988,774	1,454,304	719,729	-
Accrued expenses and other liabilities	(4,715)	-	232,033	(662,623)	-	(435,305)
Deferred revenues	(108,451)	-	(96,480)	(244,146)	-	(449,077)
Net cash from operating activities	<u>(1,876,048)</u>	<u>96,470</u>	<u>5,539,324</u>	<u>(2,520,681)</u>	<u>188,555</u>	<u>1,427,620</u>
Cash flows from investing activities:						
Purchase of property and equipment	<u>(298,518)</u>	<u>-</u>	<u>(20,854,677)</u>	<u>(903,747)</u>	<u>-</u>	<u>(22,056,942)</u>
Net cash from investing activities	<u>(298,518)</u>	<u>-</u>	<u>(20,854,677)</u>	<u>(903,747)</u>	<u>-</u>	<u>(22,056,942)</u>
Cash flows from financing activities:						
Proceeds from issuance of notes payable and lines of credit	50,000	-	-	-	-	50,000
Repayment of notes payable and lines of credit	(1,848,379)	-	(1,275,000)	-	-	(3,123,379)
Proceeds from issuance of mortgages payable	-	-	15,377,484	1,797,471	-	17,174,955
Repayment of mortgages payable	-	-	(49,966)	(1,585,839)	-	(1,635,805)
Payment of finance and tax credit fees	-	-	-	(38,968)	-	(38,968)
Capital contributions and distributions, net	-	-	1,491,337	1,675,630	(188,555)	2,978,412
Net cash from financing activities	<u>(1,798,379)</u>	<u>-</u>	<u>15,543,855</u>	<u>1,848,294</u>	<u>(188,555)</u>	<u>15,405,215</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	(3,972,945)	96,470	228,502	(1,576,134)	-	(5,224,107)
Cash, cash equivalents, and restricted cash - beginning 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>
Cash, cash equivalents, and restricted cash - end of year	<u>\$ 10,282,358</u>	<u>\$ 301,891</u>	<u>\$ 5,230,129</u>	<u>\$ 13,106,768</u>	<u>\$ -</u>	<u>\$ 28,921,146</u>
Supplemental cash flow information:						
Cash paid for interest	\$ 155,117	\$ -	\$ 583,810	\$ 1,150,050	\$ -	\$ 1,888,977
Property and equipment in accounts payable/accrued expenses	\$ -	\$ -	\$ -	\$ 82,569	\$ -	\$ 82,569
Property and equipment transferred from LP to PPL Properties	\$ -	\$ -	\$ 8,911,507	\$ (8,911,507)	\$ -	\$ -
Mortgages transferred from LP to PPL Properties	\$ -	\$ -	\$ 6,526,315	\$ (6,526,315)	\$ -	\$ -

See independent auditor's report.