



PROJECT FOR PRIDE IN LIVING, INC.

**CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY CONSOLIDATING INFORMATION**

**FOR THE YEAR ENDED
DECEMBER 31, 2023**



PROJECT FOR PRIDE IN LIVING, INC.

CONSOLIDATED FINANCIAL STATEMENTS WITH SUPPLEMENTARY CONSOLIDATING INFORMATION

For the Year Ended December 31, 2023
(With Comparative Totals for 2022)

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Project for Pride in Living, Inc. and affiliates (Project for Pride in Living, Inc.), which comprise the consolidated statement of financial position as of December 31, 2023, 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, 2023, 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 (GAAS) 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 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 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 consolidated financial statements.

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

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

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

Report on Summarized Comparative Information

We have previously audited Project for Pride in Living, Inc.’s 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated July 3, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, 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 5, 2024, 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 5, 2024

Mahoney Ulbrich
Christiansen & Russ, PA

PROJECT FOR PRIDE IN LIVING, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2023
(With Comparative Totals for 2022)

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 16,465,604	\$ 9,064,070
Cash - comprehensive campaign	1,543,845	1,530,827
Investments	1,993,247	1,867,053
Current portion of receivables, net	10,184,134	2,636,013
Inventories	38,108	41,617
Property held for sale	452,675	441,022
Prepaid expenses	684,476	855,673
Total current assets	31,362,089	16,436,275
Cash - construction escrows	510,449	370,175
Cash - custodial	1,605,559	1,145,440
Cash - working capital fund	3,306,750	3,790,698
Property reserves	13,341,979	13,019,936
Receivables, less current portion, net	995,706	5,902,700
Other assets, net	505,906	795,568
Property under development	44,477,908	12,982,007
Property and equipment, net	199,511,553	203,701,520
Total assets	\$ 295,617,899	\$ 258,144,319
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 1,485,315	\$ 1,213,823
Accrued payroll and related	424,671	366,717
Accrued real estate taxes	1,072,935	1,011,658
Other accrued liabilities	374,880	618,358
Current portion of deferred revenues	211,745	107,467
Current portion of accrued interest	106,902	24,814
Current portion of notes payable and lines of credit	166,879	1,346,603
Current portion of mortgages payable	5,650,440	339,245
Total current liabilities	9,493,767	5,028,685
Construction payables	4,005,198	577,569
Escrows and deposits	1,043,150	638,118
Deferred revenues, less current portion	2,057,042	1,009,857
Accrued interest, less current portion	10,896,295	10,249,186
Notes payable and lines of credit, less current portion, net	7,715,439	7,263,800
Mortgages payable, less current portion, net	156,161,048	128,942,757
Total liabilities	191,371,939	153,709,972
Net assets without donor restrictions:		
Undesignated	27,481,095	23,666,873
Noncontrolling limited partner interests	68,441,296	71,455,053
Total net assets without donor restrictions	95,922,391	95,121,926
Net assets with donor restrictions	8,323,569	9,312,421
Total net assets	104,245,960	104,434,347
Total liabilities and net assets	\$ 295,617,899	\$ 258,144,319

See accompanying notes to consolidated financial statements.

PROJECT FOR PRIDE IN LIVING, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2023
(With Comparative Totals for 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues and support:				
Contributions	\$ 17,282,192	\$ 3,113,500	\$ 20,395,692	\$ 4,879,852
Net assets released from program and time restrictions	4,102,352	(4,102,352)	-	-
Government grants	9,722,707	-	9,722,707	9,695,755
United Way	430,700	-	430,700	484,515
Rental revenues, net	15,141,733	-	15,141,733	14,888,450
Program service fees	630,811	-	630,811	496,854
Developer fees	1,549,904	-	1,549,904	1,299,448
Other income	535,680	-	535,680	320,462
Interest	292,274	-	292,274	137,953
Total revenues and support	<u>49,688,353</u>	<u>(988,852)</u>	<u>48,699,501</u>	<u>32,203,289</u>
Expenses:				
Program services:				
Housing stability	37,815,447	-	37,815,447	34,705,991
Career readiness	6,273,538	-	6,273,538	5,330,421
Total program services	<u>44,088,985</u>	<u>-</u>	<u>44,088,985</u>	<u>40,036,412</u>
General and administrative	5,439,980	-	5,439,980	4,416,462
Fundraising	1,016,801	-	1,016,801	874,332
Total expenses	<u>50,545,766</u>	<u>-</u>	<u>50,545,766</u>	<u>45,327,206</u>
Change in net assets before nonoperating activity	(857,413)	(988,852)	(1,846,265)	(13,123,917)
Gain (loss) from investments, net	298	-	298	(86,094)
Gain on sale of College House	171,963	-	171,963	-
Bank building and land contribution	-	-	-	4,150,000
Loss from LLC investments	-	-	-	-
Net assets released from use restrictions	-	-	-	-
Noncontrolling limited partner interests in losses and transfer	<u>11,065,944</u>	<u>-</u>	<u>11,065,944</u>	<u>7,470,563</u>
Change in net assets for controlling interest	10,380,792	(988,852)	9,391,940	(1,589,448)
Capital contributions from noncontrolling interests, net	1,498,862	-	1,498,862	2,978,412
Distributions	(13,245)	-	(13,245)	(13,898)
Noncontrolling limited partner interests in losses and transfer	<u>(11,065,944)</u>	<u>-</u>	<u>(11,065,944)</u>	<u>(7,470,563)</u>
Change in net assets	<u>800,465</u>	<u>(988,852)</u>	<u>(188,387)</u>	<u>(6,095,497)</u>
Net assets, beginning of year	<u>95,121,926</u>	<u>9,312,421</u>	<u>104,434,347</u>	<u>110,529,844</u>
Net assets, end of year	<u>\$ 95,922,391</u>	<u>\$ 8,323,569</u>	<u>\$ 104,245,960</u>	<u>\$ 104,434,347</u>
Reconciliation of net assets:				
Noncontrolling interests:				
Beginning of year			\$ 71,455,053	\$ 75,961,102
Noncontrolling limited partner interests in losses			(6,253,745)	(6,522,860)
Capital contributions, net			1,498,862	2,978,412
Transfers			(4,812,199)	(947,703)
Distributions			(13,245)	(13,898)
End of year			<u>61,874,726</u>	<u>71,455,053</u>
Controlling interest:				
Beginning of year			32,979,294	34,568,742
Capital contributions, net			-	-
Transfers			4,812,199	947,703
Change in net assets			4,579,741	(2,537,151)
End of year			<u>42,371,234</u>	<u>32,979,294</u>
Total			<u>\$ 104,245,960</u>	<u>\$ 104,434,347</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, 2023
(With Comparative Totals for 2022)

	2023						2022
	Housing stability	Career readiness	Total programs	General and administrative	Fund-raising	Total expenses	
	Program services						
Salaries	\$ 6,469,084	\$ 3,734,810	\$ 10,203,894	\$ 2,527,876	\$ 627,532	\$ 13,359,302	\$ 12,271,513
Payroll taxes	463,143	255,861	719,004	188,061	38,832	945,897	870,548
Employee benefits	921,747	528,890	1,450,637	664,379	80,300	2,195,316	1,706,534
Total salaries and related	7,853,974	4,519,561	12,373,535	3,380,316	746,664	16,500,515	14,848,595
Cost of sales	-	-	-	-	-	-	4,715
Rental and other client assistance	2,855,188	1,056,728	3,911,916	32,538	-	3,944,454	3,316,199
Professional fees and contracted services	841,876	501,756	1,343,632	647,349	36,850	2,027,831	2,609,608
Office administration and support	1,910,243	55,279	1,965,522	507,479	62,986	2,535,987	1,525,026
Conferences and meetings	11,877	29,694	41,571	25,966	1,749	69,286	64,561
Staff development and appreciation	120,622	35,572	156,194	78,103	1,675	235,972	136,019
Marketing and promotion	6,157	12,188	18,345	66,767	165,279	250,391	188,252
Transportation	154,939	21,512	176,451	10,477	59	186,987	174,928
Bad debts / loss allowance	-	-	-	35,283	-	35,283	-
Insurance	1,126,389	557	1,126,946	265,276	-	1,392,222	1,262,522
Building operations expenses	13,373,166	7,207	13,380,373	212,123	-	13,592,496	11,693,752
Rent	18,671	24,407	43,078	-	-	43,078	42,434
Depreciation and amortization	7,727,196	8,855	7,736,051	148,039	-	7,884,090	7,710,448
Interest and other bank fees	1,815,149	222	1,815,371	30,264	1,539	1,847,174	1,750,147
	<u>\$ 37,815,447</u>	<u>\$ 6,273,538</u>	<u>\$ 44,088,985</u>	<u>\$ 5,439,980</u>	<u>\$ 1,016,801</u>	<u>\$ 50,545,766</u>	<u>\$ 45,327,206</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, 2023
(With Comparative Totals for 2022)

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ (188,387)	\$ (6,095,497)
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation and amortization	7,884,090	7,710,448
Interest expense - amortization of finance fees	46,359	73,125
Loss (gain) from investments	(298)	86,094
Gain on sale of College House property	(171,963)	-
Bad debts	890,186	823,683
Amortization of deferred grant	(54,371)	(54,372)
Capital contributions, net	(1,498,862)	(2,978,412)
Changes in operating assets and liabilities:		
Receivables	(3,658,398)	2,646,106
Inventories	3,509	22,031
Prepaid expenses and other assets	407,300	(292,931)
Property held for sale	(97,892)	(41,131)
Accounts payable	279,144	412,858
Accrued expenses and other liabilities	1,096,782	(435,305)
Deferred revenues	1,097,629	(449,077)
Net cash from operating activities	6,034,828	1,427,620
Cash flows from investing activities:		
Purchase of property and equipment	(31,340,892)	(22,056,942)
Proceeds from sale of College House property	610,000	-
Net cash from investing activities	(30,730,892)	(22,056,942)
Cash flows from financing activities:		
Proceeds from issuance of notes payable and lines of credit	-	50,000
Repayment of notes payable and lines of credit	(761,263)	(3,123,379)
Proceeds from issuance of mortgages payable	33,237,448	17,174,955
Repayment of mortgages payable	(1,412,698)	(1,635,805)
Payment of finance and tax credit fees	-	(38,968)
Capital contributions from noncontrolling interests, net	1,485,617	2,978,412
Net cash from financing activities	32,549,104	15,405,215
Net increase (decrease) in cash, cash equivalents, and restricted cash	7,853,040	(5,224,107)
Cash, cash equivalents, and restricted cash - beginning of year	28,921,146	34,145,253
Cash, cash equivalents, and restricted cash - end of year	\$ 36,774,186	\$ 28,921,146
Supplemental cash flow information:		
Cash paid for interest	\$ 1,078,437	\$ 1,888,977
Noncash investing and financing activities:		
Property additions in accounts payable and accrued liabilities	\$ 4,005,198	\$ 577,569

See accompanying notes to consolidated financial statements.

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023
(With Comparative Totals for 2022)

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, 2023
(With Comparative Totals for 2022)

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, 2023
(With Comparative Totals for 2022)

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, 2023
(With Comparative Totals for 2022)

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.

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.

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

Receivables - Allowances - Tenant and rental subsidy receivables are stated at the amount management expects to collect. Management periodically assesses the collectability of receivables and establishes an allowance for accounts deemed to be uncollectible based on historical experience, relevant economic conditions, and the financial stability of the tenants. Changes to the allowance are charged to bad debts, which is presented as an adjustment of rental revenue.

Trade and other receivables are recorded at the invoiced amount and are reported net of an allowance for doubtful accounts. Management considers the following factors when determining the collectability of specific customer accounts: customer creditworthiness, past transaction history with customer, current economic industry trends, and changes in customer payment terms.

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

Inventories - Inventories consist primarily of goods held for resale and are stated at the lower of cost or fair value as determined on a specific identification basis. Donated inventories are recorded at their estimated fair value, on the date of contribution. Donated inventories received were \$170,242 in 2023 and \$127,183 in 2022.

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023
(With Comparative Totals for 2022)

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

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

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

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

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

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

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

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

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.

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023
(With Comparative Totals for 2022)

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

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

Contributed Materials - Contributed materials are recorded as contributions, when received, at their fair value. PPL received donated inventories in 2023 and 2022 as noted on page 11.

Contributed Services - Unpaid volunteers have made significant contributions of their time to PPL's programs. The fair value of this contributed time is reflected in these statements only if the services create or enhance nonfinancial assets or require specialized skills and would typically need to be purchased if not provided by donation. No contributed services were recorded in 2023 and 2022.

United Way Revenue Recognition - Funding awards from the Greater Twin Cities United Way are conditional and 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.

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023
(With Comparative Totals for 2022)

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

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.

Real estate revenue received in advance are recorded as deferred revenue until earned.

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

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

Prior Year Summarized Comparative Information - The financial statements include certain prior year summarized comparative information in total but not by net asset class 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, 2022, from which the summarized information was derived.

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 2023 or 2022. Management believes PPL does not have any uncertain tax positions that are material to the financial statements.

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

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023
(With Comparative Totals for 2022)

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

Reclassifications – Management reallocated expenses previously reported as Other Programs to other functional areas that best fit their purpose. This and other reclassifications were made to the 2022 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.

The New Markets Tax Credit note receivable is anticipated to be utilized against a mortgage of a similar amount as part of the wind down process and is excluded funds available for general expenditure.

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023
(With Comparative Totals for 2022)

5. RECEIVABLES

Receivables consist of the following:

	2023	2022
Tenant receivables	\$ 2,566,596	\$ 2,338,907
Trade and other receivables	1,434,520	281,249
Notes receivable	4,829,500	4,829,500
Government grants receivable	999,569	412,273
Pledges receivable	2,417,000	1,321,283
	12,247,185	9,183,212
Less allowance for doubtful accounts	(1,067,345)	(644,499)
	11,179,840	8,538,713
Less current receivables	(10,184,134)	(2,636,013)
	\$ 995,706	\$ 5,902,700

Pledges receivable of \$1,814,000 are due in 2024, and \$598,000 are due in 2025.

Government grants receivable are due to be collected in 2024.

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

6. OTHER ASSETS

Other assets consist of the following:

	2023	2022
Tax credit fees, net	\$ 293,231	\$ 512,218
Beneficial interests in marketable securities held by community foundations	105,949	105,949
Other	106,726	177,401
	\$ 505,906	\$ 795,568

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023
(With Comparative Totals for 2022)

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, 2023, 21 partnerships have been consolidated.

In addition, PPL Properties wholly owns and operates apartment buildings incorporated as LLC's. Properties in the predevelopment stage are also owned by PPL Properties.

PPL has a 50% interest in two LLC's at December 31, 2023 and 2022. Total assets were \$3,517,457 and \$2,337,696 and total liabilities were \$3,963,779 and \$2,696,647 at December 31, 2023 and 2022. Total revenue was \$169,797 and \$140,208 and net loss was \$284,346 and \$213,848 in 2023 and 2022.

PPL is a co-general partner in an LP and has a .05% interest. Accordingly, the partnership has not been consolidated in the financial statements.

8. PROPERTY UNDER DEVELOPMENT AND HELD FOR SALE

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

	<u>2023</u>	<u>2022</u>
PPL Homes – properties held for sale	<u>\$ 452,675</u>	<u>\$ 441,022</u>

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023
(With Comparative Totals for 2022)

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

	2023	2022
Ford Site – rental properties in development	\$ 35,804,224	\$ 10,878,114
Simpson – rental property in pre-development	414,062	158,049
Union Congregational Church – rental property in development	6,261,607	855,444
East 7th - rental property in pre-development	243,700	-
3030 Nicollet – rental property in development	1,672,301	1,060,514
Other projects	82,014	29,886
Property under development	\$ 44,477,908	\$ 12,982,007

9. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2023	2022	Estimated useful lives- years
Program facilities:			
Land	\$ 985,485	\$ 985,485	-
Buildings and improvements	15,378,947	15,326,927	10-30
Equipment	3,275,639	3,025,306	3-7
	19,640,071	19,337,718	
Less accumulated depreciation	(8,959,226)	(8,491,663)	
Program facilities, net	10,680,845	10,846,055	
Rental properties:			
Land and land improvements	31,642,229	30,809,514	NA / 15
Buildings and improvements	236,303,340	234,208,653	25-40
Equipment	4,905,897	4,924,589	3-7
	272,851,466	269,942,756	
Less accumulated depreciation	(84,020,758)	(77,087,291)	
Rental properties, net	188,830,708	192,855,465	
Combined total	\$199,511,553	\$203,701,520	

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023
(With Comparative Totals for 2022)

9. PROPERTY AND EQUIPMENT (Continued)

Depreciation expense for the years ended December 31, 2023 and 2022, was \$7,514,890 and \$7,609,985.

During 2023, PPL College House LLC, an entity wholly owned by PPL Properties, sold its land and building for \$610,000.

10. NOTES PAYABLE AND LINES OF CREDIT

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

	<u>2023</u>	<u>2022</u>
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.	\$ 227,097	\$ 252,454
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
\$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

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023
(With Comparative Totals for 2022)

10. NOTES PAYABLE AND LINES OF CREDIT (Continued)

	2023	2022
\$500,000 Propel Nonprofits line of credit with interest at 5.75%, matures on August 16, 2025. Secured by real estate and other assets.	41,079	41,263
\$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
Government agency and other loans for housing projects.	364,142	966,178
	7,882,318	8,610,403
Less current maturities	(166,879)	(1,346,603)
	\$ 7,715,439	\$ 7,263,800

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

	Amortizing	EQ2/CRA	Line of Credit	Pre- Development	Other	Total
2024	\$ 25,800	\$ -	\$ 41,079	\$ -	\$ 100,000	\$ 166,879
2025	26,400	1,500,000	-	-	-	1,526,400
2026	174,897	500,000	-	-	-	674,897
2027	-	-	-	-	-	-
2028	-	1,250,000	-	-	-	1,250,000
Thereafter	-	-	-	4,000,000	264,142	4,264,142
	\$ 227,097	\$ 3,250,000	\$ 41,079	\$ 4,000,000	\$ 364,142	\$ 7,882,318

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023
(With Comparative Totals for 2022)

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 payable for the years ended December 31, 2023 and 2022, was \$1,590,381 and \$1,639,094.

Mortgages payable consist of the following:

	<u>2023</u>	<u>2022</u>
Amortizing mortgages on rental properties with interest rates of 0% to 9%, due in varying monthly installments through 2058.	\$ 12,712,092	\$ 11,734,540
Non-amortizing mortgages on rental properties with interest rates of 0% to 9%, with principal payments deferred through 2061.	<u>150,069,624</u>	<u>118,376,155</u>
	162,781,716	130,110,695
Less unamortized fees	<u>(970,228)</u>	<u>(828,693)</u>
	161,811,488	129,282,002
Less current maturities	<u>(5,650,440)</u>	<u>(339,245)</u>
	<u>\$ 156,161,048</u>	<u>\$ 128,942,757</u>

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023
(With Comparative Totals for 2022)

11. MORTGAGES PAYABLE (Continued)

Maturities of mortgages payable are as follows:

2024	\$	5,650,440
2025		343,016
2026		326,335
2027		344,464
2028		614,764
Thereafter		<u>155,502,697</u>
		<u><u>\$ 162,781,716</u></u>

12. NET ASSETS

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

	2023	2022
Subject to expenditure for specified purpose:		
Housing Stability	\$ 1,860,000	\$ 1,119,970
Career Readiness	2,100,000	488,770
Building Ladders Comprehensive Campaign	1,543,845	3,099,144
Anonymous donor gift for working capital	-	1,925,000
	<u>3,346,345</u>	<u>6,632,884</u>
Subject to the passage of time:		
For future periods	2,676,514	2,536,327
To be held in perpetuity:		
Scholarships and operating support	<u>143,210</u>	<u>143,210</u>
	<u>\$ 8,323,569</u>	<u>\$ 9,312,421</u>

Net assets of \$143,210 in 2023 and 2022 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.

PPL received several unanticipated large gifts in 2023 totaling \$12.5 million. PPL management recommended and the Board approved a five-year investment strategy for these funds to support the long term financial health of the organization. In conjunction with that plan, the board has designated \$4,967,300 to be used in subsequent years in alignment with that plan.

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023
(With Comparative Totals for 2022)

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 \$279,532 in 2023 and \$221,626 in 2022.

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.

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.

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023
(With Comparative Totals for 2022)

15. **COMMITMENTS AND CONTINGENCIES (Continued)**

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.

Several properties owned by PPL were funded with government grants and forgivable loans. These grants are subject to a number of requirements, including those 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.

The PPL Admin building experienced significant damage from hail in August 2023. Estimated damages are \$628,318 and is expected be covered by insurance less a \$123,074 deductible.

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.

PPL received two large gifts in 2023 totaling \$10.5 million or 22% of PPL's operating revenues and support. PPL management developed a five-year spending plan related to these gifts to avoid fiscal cliffs and support long term financial stability for the organization.

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023
(With Comparative Totals for 2022)

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:

2024	\$ 430,700
2025	<u>215,350</u>
	<u>\$ 646,050</u>

Wells Fargo has made a conditional promise of \$1,000,000 dependent on PPL closing on the financing of the 3030 Nicollet property. The contribution will be recognized when the condition has been met. The grant requires PPL to fund an escrow account totaling \$2,000,000 to hold both the conditional Wells Fargo gift and a previous \$1,000,000 Wells Fargo gift until project closing.

At December 31, 2023, PPL has received approximately \$23,000,000 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.

The 2023 Minnesota state legislature approved a cumulative appropriation of more than \$1 billion for housing over the next biennium. PPL qualified for the Stable Housing Organization Relief Program (SHORP) and was awarded a one-time relief payment of \$2,803,812. The funds are expected to be recorded and received in 2024.

18. **NEW MARKETS TAX CREDIT 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.

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023
(With Comparative Totals for 2022)

18. NEW MARKETS TAX CREDIT FINANCING (Continued)

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

The limited partners of PPL Bunge, Nellie Francis Court, Emma Norton, and Union Park have agreed to make capital contributions to the Partnerships. The capital contributions will be made once certain conditions have been met. At December 31, 2023, remaining capital contributions expected to be paid are:

2024	\$ 11,379,957
2025	<u>16,886,331</u>
	<u>\$ 28,266,288</u>

Construction began for Union Park during 2023. The total expected budget of the project is \$28,000,000.

(Continued)

PROJECT FOR PRIDE IN LIVING, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023
(With Comparative Totals for 2022)

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:

	2023	2022
Inventory	\$ 170,242	\$ 127,183
Bank building and land	-	4,150,000
	<u>\$ 170,242</u>	<u>\$ 4,277,183</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, 2023
(With Comparative Totals for 2022)

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:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$16,465,604	\$9,064,070
Cash - comprehensive campaign	1,543,845	1,530,827
Cash - construction escrows	510,449	370,175
Cash - custodial	1,605,559	1,145,440
Cash - working capital fund	3,306,750	3,790,698
Property reserves	<u>13,341,979</u>	<u>13,019,936</u>
	<u>\$36,774,186</u>	<u>\$28,921,146</u>

22. SUBSEQUENT EVENTS

In February 2024, PPL Learning Center LLC, an entity wholly owned by PPL Properties, sold its land and building located at 800-810 Franklin Ave East for \$1,950,000.

Management has evaluated subsequent events through July 5, 2024, 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, 2023

	PPL, Inc.	PPL Investment Corp	PPL Properties	Partnerships	Eliminations	Total
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 12,469,403	\$ 205,396	\$ 2,430,014	\$ 1,360,791	\$ -	\$ 16,465,604
Cash - comprehensive campaign	1,543,845	-	-	-	-	1,543,845
Investments	1,993,247	-	-	-	-	1,993,247
Current portion of receivables, net	2,508,269	4,837,549	854,850	1,983,466	-	10,184,134
Inventories	38,108	-	-	-	-	38,108
Property held for sale	-	-	452,675	-	-	452,675
Prepaid expenses	666,851	1,624	6,265	9,736	-	684,476
Total current assets	19,219,723	5,044,569	3,743,804	3,353,993	-	31,362,089
Cash held in construction escrows	-	-	156,303	354,146	-	510,449
Cash - custodial	559,151	-	410,949	635,459	-	1,605,559
Cash - working capital fund	3,306,750	-	-	-	-	3,306,750
Property reserves	-	-	2,469,541	10,872,438	-	13,341,979
Receivables, less current portion, net	708,000	-	287,706	-	-	995,706
Other assets, net	212,675	-	-	293,231	-	505,906
Due from other funds	14,150,605	12,010	4,000,464	49,249	(18,212,328)	-
Property under development	45,108	-	44,432,800	-	-	44,477,908
Property and equipment, net	686,341	-	52,013,227	146,811,985	-	199,511,553
Total assets	<u>\$ 38,888,353</u>	<u>\$ 5,056,579</u>	<u>\$ 107,514,794</u>	<u>\$ 162,370,501</u>	<u>\$ (18,212,328)</u>	<u>\$ 295,617,899</u>
LIABILITIES AND NET ASSETS						
Current liabilities:						
Accounts payable	\$ 385,698	\$ -	\$ 355,030	\$ 744,587	\$ -	\$ 1,485,315
Accrued payroll and related	424,671	-	-	-	-	424,671
Accrued real estate taxes	-	-	45,325	1,027,610	-	1,072,935
Other accrued liabilities	34,407	-	21,888	318,585	-	374,880
Current portion of deferred revenues	87,720	-	81,399	42,626	-	211,745
Current portion of accrued interest	23,281	-	26,082	57,539	-	106,902
Current portion of notes payable and lines of credit	166,879	-	-	-	-	166,879
Current portion of mortgages payable, net	-	-	5,408,653	241,787	-	5,650,440
Total current liabilities	1,122,656	-	5,938,377	2,432,734	-	9,493,767
Construction payables	-	-	4,005,198	-	-	4,005,198
Escrows and deposits	25,710	-	381,550	635,890	-	1,043,150
Deferred revenues, less current portion	1,129,900	-	246,869	680,273	-	2,057,042
Accrued interest, less current portion	-	-	9,433,282	1,463,013	-	10,896,295
Due to other funds	1,506,403	3,248	16,909,686	15,082,311	(33,501,648)	-
Notes payable and lines of credit, less current portion, net	7,715,439	-	-	-	-	7,715,439
Mortgages payable, less current portion, net	-	-	80,742,555	75,418,493	-	156,161,048
Total liabilities	<u>11,500,108</u>	<u>3,248</u>	<u>117,657,517</u>	<u>95,712,714</u>	<u>(33,501,648)</u>	<u>191,371,939</u>
Net assets without donor restrictions:						
Undesignated	19,064,676	5,053,331	(12,772,836)	846,604	15,289,320	27,481,095
Noncontrolling limited partner interests in partnerships	-	-	2,630,113	65,811,183	-	68,441,296
Net assets with donor restrictions	8,323,569	-	-	-	-	8,323,569
Total net assets	<u>27,388,245</u>	<u>5,053,331</u>	<u>(10,142,723)</u>	<u>66,657,787</u>	<u>15,289,320</u>	<u>104,245,960</u>
Total liabilities and net assets	<u>\$ 38,888,353</u>	<u>\$ 5,056,579</u>	<u>\$ 107,514,794</u>	<u>\$ 162,370,501</u>	<u>\$ (18,212,328)</u>	<u>\$ 295,617,899</u>

See independent auditor's report.

PROJECT FOR PRIDE IN LIVING, INC.

CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2023

	PPL, Inc.	PPL Investment Corporation	PPL Properties	Partnerships	Eliminations	Total
Revenues and support:						
Contributions	\$ 20,395,692	\$ -	\$ -	\$ -	\$ -	\$ 20,395,692
Government grants	9,427,138	-	41,687	253,882	-	9,722,707
United Way	430,700	-	-	-	-	430,700
Rental revenues, net	-	-	5,492,170	9,649,563	-	15,141,733
Program fees	630,811	-	-	-	-	630,811
Developer fees	1,549,904	-	-	-	-	1,549,904
Other income	68,324	-	298,056	169,300	-	535,680
Interest income	115,858	96,590	69,365	126,319	(115,858)	292,274
Inter-entity revenue	8,480,807	-	793,324	-	(9,274,131)	-
Total revenues and support	<u>41,099,234</u>	<u>96,590</u>	<u>6,694,602</u>	<u>10,199,064</u>	<u>(9,389,989)</u>	<u>48,699,501</u>
Expenses:						
Program services	21,917,316	193,085	12,222,325	17,363,520	(7,607,261)	44,088,985
General and administrative	6,221,381	-	-	-	(781,401)	5,439,980
Fundraising	1,037,456	-	-	-	(20,655)	1,016,801
Total expenses	<u>29,176,153</u>	<u>193,085</u>	<u>12,222,325</u>	<u>17,363,520</u>	<u>(8,409,317)</u>	<u>50,545,766</u>
Change in net assets before nonoperating activity	11,923,081	(96,495)	(5,527,723)	(7,164,456)	(980,672)	(1,846,265)
Gain from investments, net	298	-	-	-	-	298
Gain on sale of College House	-	-	171,963	-	-	171,963
Capital contributions from noncontrolling interests, net	-	-	883,491	615,371	-	1,498,862
Transfers of entities, net	-	-	396,621	(1,752,673)	1,356,052	-
Distributions	-	-	(18,842)	(14,198)	19,795	(13,245)
Change in net assets	11,923,379	(96,495)	(4,094,490)	(8,315,956)	395,175	(188,387)
Net assets, beginning of year	15,464,866	5,149,826	(6,048,233)	74,973,743	14,894,145	104,434,347
Net assets, end of year	<u>\$ 27,388,245</u>	<u>\$ 5,053,331</u>	<u>\$ (10,142,723)</u>	<u>\$ 66,657,787</u>	<u>\$ 15,289,320</u>	<u>\$ 104,245,960</u>

See independent auditor's report.

PROJECT FOR PRIDE IN LIVING, INC.

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2023

	Project for Pride in Living, Inc.		PPL Investment Corp	PPL Properties	Partnerships	Total Programs	General and administrative	Fundraising	Eliminations	Total
	Housing stability	Career readiness								
Salaries	\$ 6,469,084	\$ 3,734,810	\$ -	\$ -	\$ -	\$ 10,203,894	\$ 2,527,876	\$ 627,532	\$ -	\$ 13,359,302
Payroll taxes	463,143	255,861	-	-	-	719,004	188,061	38,832	-	945,897
Employee benefits	921,747	528,890	-	-	-	1,450,637	664,379	80,300	-	2,195,316
Total salaries and related	7,853,974	4,519,561	-	-	-	12,373,535	3,380,316	746,664	-	16,500,515
Rental and other direct client assistance	2,391,583	1,056,728	-	-	463,605	3,911,916	32,538	-	-	3,944,454
Professional fees and contracted services	504,596	501,756	-	134,275	203,005	1,343,632	647,349	36,850	-	2,027,831
Office administration and support	286,522	55,279	-	266,559	1,357,162	1,965,522	507,479	62,986	-	2,535,987
Conferences and meetings	8,505	29,694	-	-	3,372	41,571	25,966	1,749	-	69,286
Staff development and appreciation	75,502	35,572	-	18,133	26,987	156,194	78,103	1,675	-	235,972
Marketing and promotion	1,396	12,188	-	-	4,761	18,345	66,767	165,279	-	250,391
Transportation	90,361	21,512	-	30,222	34,356	176,451	10,477	59	-	186,987
Bad debts/loss allowance	-	-	-	-	-	-	35,283	-	-	35,283
Insurance	-	557	-	424,756	701,633	1,126,946	265,276	-	-	1,392,222
Building operating expenses	439,947	7,207	-	5,790,196	7,143,023	13,380,373	212,123	-	-	13,592,496
Rent	16,271	24,407	-	2,400	-	43,078	-	-	-	43,078
Depreciation and amortization	-	8,855	-	2,591,443	5,135,753	7,736,051	148,039	-	-	7,884,090
Interest and other bank fees	109,878	77	145	993,799	711,472	1,815,371	30,264	1,539	-	1,847,174
Inter-entity expenses	2,553,718	1,311,670	192,940	1,970,542	1,578,391	7,607,261	781,401	20,655	(8,409,317)	-
	14,332,253	7,585,063	193,085	12,222,325	17,363,520	51,696,246	6,221,381	1,037,456	(8,409,317)	50,545,766
Remove inter-entity expenses	(2,553,718)	(1,311,670)	(192,940)	(1,970,542)	(1,578,391)	(7,607,261)	(781,401)	(20,655)	8,409,317	-
Total expenses	\$ 11,778,535	\$ 6,273,393	\$ 145	\$ 10,251,783	\$ 15,785,129	\$ 44,088,985	\$ 5,439,980	\$ 1,016,801	\$ -	\$ 50,545,766

See independent auditor's report.

PROJECT FOR PRIDE IN LIVING, INC.

CONSOLIDATING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2023
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	\$ 11,923,379	\$ (96,495)	\$ (4,094,490)	\$ (8,315,956)	\$ 395,175	\$ (188,387)
Adjustments to reconcile the change in net assets to net cash from operating activities:						
Depreciation and amortization	156,894	-	2,591,443	5,135,753	-	7,884,090
Interest expense - amortization of finance fees	-	-	6,837	39,522	-	46,359
Gain from investments	(298)	-	-	-	-	(298)
Gain on sale of College House property	-	-	(171,963)	-	-	(171,963)
Bad debts	35,283	-	237,152	617,751	-	890,186
Amortization of deferred grant	-	-	(11,725)	(42,646)	-	(54,371)
Capital contributions, net	-	-	(883,491)	(615,371)	-	(1,498,862)
Changes in operating assets and liabilities:						
Receivables	(1,522,996)	-	(745,126)	(1,390,276)	-	(3,658,398)
Inventories	3,509	-	-	-	-	3,509
Prepaid expenses and other assets	116,854	-	89,668	200,778	-	407,300
Property held for sale	(45,108)	-	(52,784)	-	-	(97,892)
Accounts payable	13,501	-	(49,436)	315,079	-	279,144
Due to (from) other funds	(3,961,879)	-	(2,235,731)	6,120,648	76,962	-
Accrued expenses and other liabilities	5,955	-	992,779	98,048	-	1,096,782
Deferred revenues	1,136,160	-	(38,531)	-	-	1,097,629
Net cash from operating activities	<u>7,861,254</u>	<u>(96,495)</u>	<u>(4,365,398)</u>	<u>2,163,330</u>	<u>472,137</u>	<u>6,034,828</u>
Cash flows from investing activities:						
Purchase of property and equipment	(138,395)	-	(28,672,796)	(2,529,701)	-	(31,340,892)
Proceeds from sale of College House property	-	-	610,000	-	-	610,000
Net cash from investing activities	<u>(138,395)</u>	<u>-</u>	<u>(28,062,796)</u>	<u>(2,529,701)</u>	<u>-</u>	<u>(30,730,892)</u>
Cash flows from financing activities:						
Repayment of notes payable and lines of credit	(126,068)	-	(635,195)	-	-	(761,263)
Proceeds from issuance of mortgages payable	-	-	32,191,898	1,045,550	-	33,237,448
Repayment of mortgages payable	-	-	(1,070,488)	(342,210)	-	(1,412,698)
Cash transfer between entities	-	-	1,295,166	(1,295,166)	-	-
Advances from/payments to PPL	-	-	-	473,090	(473,090)	-
Payment of finance and tax credit fees	-	-	-	-	-	-
Capital contributions and distributions, net	-	-	883,491	601,173	953	1,485,617
Net cash from financing activities	<u>(126,068)</u>	<u>-</u>	<u>32,664,872</u>	<u>482,437</u>	<u>(472,137)</u>	<u>32,549,104</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	7,596,791	(96,495)	236,678	116,066	-	7,853,040
Cash, cash equivalents, and restricted cash - beginning 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>
Cash, cash equivalents, and restricted cash - end of year	<u>\$ 17,879,149</u>	<u>\$ 205,396</u>	<u>\$ 5,466,807</u>	<u>\$ 13,222,834</u>	<u>\$ -</u>	<u>\$ 36,774,186</u>
Supplemental cash flow information:						
Cash paid for interest	\$ 94,082	\$ -	\$ 596,646	\$ 387,709	\$ -	\$ 1,078,437
Property and equipment in accounts payable/acrued expenses	\$ -	\$ -	\$ 4,005,198	\$ -	\$ -	\$ 4,005,198
Property and equipment transferred between LP and PPL Properties, net	\$ -	\$ -	\$ (9,870,308)	\$ 9,870,308	\$ -	\$ -
Mortgages transferred between LP and PPL Properties, net	\$ -	\$ -	\$ (11,322,932)	\$ 11,322,932	\$ -	\$ -

See independent auditor's report.