

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

Community Housing Resources Minneapolis, Minnesota (A Component Unit of the Minneapolis Public Housing Authority)

Year Ended December 31, 2021

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 100 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice – conducts financial and legal compliance audits of local governments;

Government Information – collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations – provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension – monitors investment, financial, and actuarial reporting for Minnesota’s local public pension funds; and

Tax Increment Financing – promotes compliance and accountability in local governments’ use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

Office of the State Auditor
525 Park Street, Suite 500
Saint Paul, Minnesota 55103
(651) 296-2551
state.auditor@osa.state.mn.us
www.osa.state.mn.us

This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance; or visit the Office of the State Auditor’s web site: www.osa.state.mn.us.

**Community Housing Resources
Minneapolis, Minnesota
(A Component Unit of the Minneapolis
Public Housing Authority)**

Year Ended December 31, 2021



Office of the State Auditor

**Audit Practice Division
Office of the State Auditor
State of Minnesota**

**COMMUNITY HOUSING RESOURCES
MINNEAPOLIS, MINNESOTA**

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Introductory Section		
Organization		1
Financial Section		
Independent Auditor's Report		2
Basic Financial Statements		
Statement of Net Position	1	5
Statement of Revenues, Expenses, and Changes in Net Position	2	6
Statement of Cash Flows	3	7
Notes to the Financial Statements		8
Management and Compliance Section		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government</i> <i>Auditing Standards</i>		14
Schedule of Findings and Recommendations		17
Corrective Action Plan		18
Summary Schedule of Prior Audit Findings		19

INTRODUCTORY SECTION

**COMMUNITY HOUSING RESOURCES
MINNEAPOLIS, MINNESOTA**

ORGANIZATION
DECEMBER 31, 2021

Board of Directors

		<u>Term Expires</u>
Sharmarke Issa	Chair	December 31, 2021
Abdi Warsame	Director and President	Indefinite
Andrea Brennan	Director	December 31, 2022
Mikkel Beckmen	Director	December 31, 2021
Abdullahi Isse	Director	December 31, 2023
Cara Letofsky	Director	December 31, 2022
Tamir Mohamud	Director	December 31, 2021
James Rosenbaum	Director	December 31, 2023
Tessa Wetjen	Director	December 31, 2022
Faith Xiong	Director	December 31, 2023

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Community Housing Resources
Minneapolis, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Community Housing Resources (CHR), a component unit of the Minneapolis Public Housing Authority, Minnesota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the CHR's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the CHR as of December 31, 2021, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the CHR, 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 these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the CHR's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with auditing standards generally accepted in the United States of America 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 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 the CHR's internal control. Accordingly, no such opinion is expressed;
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; and
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the CHR'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.

Other Matters***Required Supplementary Information***

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2022, on our consideration of the CHR'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 the CHR'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 the CHR's internal control over financial reporting and compliance.

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

September 27, 2022

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

BASIC FINANCIAL STATEMENTS

**COMMUNITY HOUSING RESOURCES
MINNEAPOLIS, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2021**

Assets

Current assets

Cash and cash equivalents	\$ 1,144,948
Tenant receivables – net	134,446
Due from primary government	3,462,017
Prepaid items	387,638
Restricted assets	
Cash and cash equivalents	228,137

Total current assets	\$ 5,357,186
-----------------------------	---------------------

Capital assets

Land – not depreciated	\$ 11,681,637
Buildings	71,474,676
Furniture, equipment, and machinery	806,947
Less: accumulated depreciation	(51,578,245)
Construction in progress – not depreciated	3,937,140

Total capital assets – net of accumulated depreciation	\$ 36,322,155
---	----------------------

Total Assets	\$ 41,679,341
---------------------	----------------------

Liabilities

Current liabilities – payable from current assets

Due to other governments	\$ 132,929
Due to primary government	1,746,623
Unearned revenue	201,925
Other current liabilities	110

Total current liabilities – payable from current assets	\$ 2,081,587
--	---------------------

Current liabilities – payable from restricted assets

Accounts payable	228,027
------------------	---------

Total Liabilities	\$ 2,309,614
--------------------------	---------------------

Net Position

Investment in capital assets	\$ 36,322,155
Unrestricted	3,047,572
Total Net Position	\$ 39,369,727

**COMMUNITY HOUSING RESOURCES
MINNEAPOLIS, MINNESOTA**

EXHIBIT 2

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2021**

Operating Revenues	
Tenant rental revenue	\$ 13,714,235
Miscellaneous	<u>26,006</u>
Total Operating Revenues	<u>\$ 13,740,241</u>
Operating Expenses	
Administrative	\$ 2,181,223
Tenant services	35,856
Utilities	2,109,739
Ordinary maintenance and operations	4,920,490
General	690,139
Depreciation expense	<u>1,128,543</u>
Total Operating Expenses	<u>\$ 11,065,990</u>
Operating Income (Loss)	\$ 2,674,251
Capital contribution	<u>2,179,921</u>
Change in Net Position	\$ 4,854,172
Net Position – January 1	<u>34,515,555</u>
Net Position – December 31	<u>\$ 39,369,727</u>

**COMMUNITY HOUSING RESOURCES
MINNEAPOLIS, MINNESOTA**

EXHIBIT 3

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Cash Flows from Operating Activities	
Receipts from tenants and other customers	\$ 11,624,777
Payments to suppliers	<u>(9,343,158)</u>
Net cash provided by (used in) operating activities	<u>\$ 2,281,619</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition of capital assets	\$ (4,060,008)
Capital contributions	<u>2,179,921</u>
Net cash provided by (used in) capital and related financing activities	<u>\$ (1,880,087)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 401,532
Cash and Cash Equivalents at January 1	<u>971,553</u>
Cash and Cash Equivalents at December 31	<u><u>\$ 1,373,085</u></u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position	
Cash and Cash Equivalents	
Cash and cash equivalents	\$ 1,144,948
Restricted cash and cash equivalents	<u>228,137</u>
Total Cash and Cash Equivalents	<u><u>\$ 1,373,085</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities	
Operating income (loss)	<u>\$ 2,674,251</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	\$ 1,128,543
Changes in assets and liabilities	
(Increase) decrease in assets	
Tenant receivables – net	(55,902)
Due from primary government	(2,225,332)
Prepaid items	(54,741)
Increase (decrease) in liabilities	
Accounts payable	(24,490)
Due to other governments	132,929
Due to primary government	640,890
Other/accrued liabilities	<u>65,471</u>
Total adjustments	<u>\$ (392,632)</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ 2,281,619</u></u>

The notes to the financial statements are an integral part of this statement.

Page 7

**COMMUNITY HOUSING RESOURCES
MINNEAPOLIS, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021**

1. Summary of Significant Accounting Policies

The Community Housing Resources, Incorporated (CHR), financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for the year ended December 31, 2021. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the CHR are discussed below.

A. Financial Reporting Entity

The CHR is a public nonprofit corporation created by the Minneapolis Public Housing Authority (MPHA) on June 18, 2001. The CHR's primary purpose is to support the MPHA in the development and operation of affordable housing.

The CHR is governed by a ten-member Board of Directors, which consists of those persons serving as members of the Board of Commissioners of the MPHA and the Executive Director of the MPHA. The Board is organized with a chair and a president. The chair is the person who serves as the Chair of the Board of Commissioners of the MPHA, and the president is the person who serves as the Executive Director of the MPHA.

The CHR is a blended component unit of the MPHA and is included in the MPHA's annual financial report for the year ended December 31, 2021. The MPHA provides staffing and administrative services for the CHR in accordance with an operating agreement.

B. Basis of Presentation

The CHR's accounts are organized as an enterprise fund. The operations are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, net position, revenues, and expenses. Enterprise funds are used to account for operations that provide a service to the public financed by charges to users of that service and activities where the periodic measurement of net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**COMMUNITY HOUSING RESOURCES
MINNEAPOLIS, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

The CHR's enterprise fund is reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

D. Cash and Cash Equivalents

The CHR's cash and cash equivalents (including restricted assets) are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

E. Tenant Receivables

Tenant receivables have been shown net of an allowance for uncollectible accounts of \$122,384.

F. Due To/From Primary Government

Amounts from the primary government, the MPHA, consist of payments for tenant revenues from the CHR's properties. Amounts to the primary government consist of payments for property management, maintenance, and administration to operate the CHR and CHR properties.

G. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

H. Restricted Assets

Restricted assets are those whose use is restricted, generally for capital purposes, either legally or by grant agreement. Corresponding obligations are shown as current liabilities payable from restricted assets. Tenant security deposits reflect amounts which may eventually be returned to tenants and are reported as an equal and offsetting restricted asset and liability.

**COMMUNITY HOUSING RESOURCES
MINNEAPOLIS, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

I. Capital Assets

Land, buildings and structures, and equipment are recorded as capital assets on the statement of net position. The CHR defines capital assets as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. Purchased capital assets are stated at historical cost. Donated capital assets are recorded at acquisition value (entry price) at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed and are added to the cost basis of the asset improved.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized.

Depreciation on capital assets is charged as an expense over the following periods using the straight-line method.

<u>Assets</u>	<u>Years</u>
Buildings	39
Building improvements	20
Furniture and equipment	3 - 7

Accumulated depreciation is offset against the original cost of the capital assets on the statement of net position.

J. Equity Classifications

Equity is classified as net position and displayed in two components:

1. Investment in capital assets – the amount of net position representing capital assets, net of accumulated depreciation.
2. Unrestricted – the amount of net position that is not included in the investment in capital assets.

When both restricted and unrestricted resources are available for use, it is the CHR's policy to use restricted resources first and then unrestricted resources as needed.

**COMMUNITY HOUSING RESOURCES
MINNEAPOLIS, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

K. Operating and Nonoperating Revenues and Expenses

The CHR distinguishes operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary activity's principal ongoing operations. Operating revenues for the CHR consist of tenant rental revenue, which includes both payments from tenants and federal program subsidies. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

L. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 report period. Actual results could differ from those estimates.

2. Deposits

The CHR is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. Minnesota statutes require that all CHR deposits be covered by deposit insurance, surety bond, or pledged collateral. At December 31, 2021, the carrying amount of the CHR's deposits was \$1,373,085; the bank balance of the CHR's deposits was \$1,353,220.

Custodial credit risk is the risk that in the event of a financial institution failure, the CHR's deposits may not be returned to it. The CHR does not have a policy on custodial credit risk on deposits. As of December 31, 2021, the CHR's bank balance was completely covered by Federal Deposit Insurance Corporation insurance and collateral and, therefore, not exposed to custodial credit risk.

**COMMUNITY HOUSING RESOURCES
MINNEAPOLIS, MINNESOTA**

3. Capital Assets

Capital asset activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Increases	Decreases/ Adjustments	Ending Balance
Capital assets not depreciated				
Land	\$ 11,635,193	\$ 46,444	\$ -	\$ 11,681,637
Construction in progress	157,380	3,937,140	157,380	3,937,140
Total capital assets not depreciated	\$ 11,792,573	\$ 3,983,584	\$ 157,380	\$ 15,618,777
Capital assets depreciated				
Buildings	\$ 71,109,809	\$ 157,380	\$ (207,487)	\$ 71,474,676
Furniture, equipment, and machinery	824,344	39,725	57,122	806,947
Total capital assets depreciated	\$ 71,934,153	\$ 197,105	\$ (150,365)	\$ 72,281,623
Less: accumulated depreciation for				
Buildings	\$ 49,607,475	\$ 1,099,474	\$ (170,788)	\$ 50,877,737
Furniture, equipment, and machinery	728,561	29,069	57,122	700,508
Total accumulated depreciation	\$ 50,336,036	\$ 1,128,543	\$ (113,666)	\$ 51,578,245
Total capital assets depreciated – net	\$ 21,598,117	\$ (931,438)	\$ (36,699)	\$ 20,703,378
Capital Assets – Net	\$ 33,390,690	\$ 3,052,146	\$ 120,681	\$ 36,322,155

Depreciation expense for the year ended December 31, 2021, was \$1,128,543.

4. Property Management Agreement and Grant

The CHR and the MPHA entered into a property management agreement on October 1, 2020, whereby the CHR agreed to provide the MPHA with reimbursement for actual costs the MPHA incurs for the property management, maintenance, and administration needed in the operation of the CHR and the property owned by the CHR. This agreement remains in force until either party terminates it by 30-day written notice to the other party.

During the year ended December 31, 2021, the CHR did not have any employees.

**COMMUNITY HOUSING RESOURCES
MINNEAPOLIS, MINNESOTA**

5. Risk Management

The CHR is exposed to various risks of loss related to theft of, damage to, and destruction of assets and natural disasters. The CHR manages its risk of these types of losses through the purchase of commercial insurance. The CHR retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements. There have been no significant reductions in insurance from the prior year. There were no settlements in excess of insurance coverage for the past three fiscal years.

MANAGEMENT AND COMPLIANCE SECTION



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

Independent Auditor's Report

Board of Directors
Community Housing Resources
Minneapolis, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Community Housing Resources (CHR), a component unit of the Minneapolis Public Housing Authority, Minnesota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the CHR's basic financial statements, and have issued our report thereon dated September 27, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the CHR's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CHR's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the CHR's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Recommendations as item 2021-001, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

Minnesota Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that the CHR failed to comply with the provisions of the depositories of public funds and public investments, conflicts of interest, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the CHR's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

CHR's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the CHR's response to the internal control finding identified in our audit and described in the accompanying Corrective Action Plan. The CHR's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions* and the results of that testing, and not to provide an opinion

on the effectiveness of the CHR's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CHR's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

September 27, 2022

**COMMUNITY HOUSING RESOURCES
MINNEAPOLIS, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2021**

**FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

2021-001 Bank Reconciliation

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Significant Deficiency

Criteria: Reconciliations are control activities designed to provide reasonable assurance that errors will be prevented, or detected and corrected, in a timely manner and involve the comparison of records or balances from different sources. Effective reconciliations properly account for any differences between the records or balances. This includes investigating why the differences exist and resolving them in a timely manner.

Condition: The Community Housing Resources (CHR) 2021 bank reconciliations were not performed in a timely fashion, and there was no formal review performed on them.

Context: Bank reconciliations are a tool to help ensure cash records are complete and accurate.

Effect: When accounting records are not reconciled timely, there is an increased risk that errors or irregularities may go unnoticed.

Cause: During 2021, the CHR switched to a new accounting system, and there were issues with implementing the new bank reconciliation process.

Recommendation: We recommend that the bank reconciliation process be fully implemented to ensure bank reconciliations and reviews are accurately completed in a timely manner.

View of Responsible Official: Concur

COMMUNITY HOUSING RESOURCES

REPRESENTATION OF COMMUNITY HOUSING RESOURCES MINNEAPOLIS, MINNESOTA

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED DECEMBER 31, 2021

Finding Number: 2021-001

Finding Title: Bank Reconciliation

Name of Contact Person Responsible for Corrective Action:

Tom Bartl, Controller

Corrective Action Planned:

Staff will improve on the timeliness of completion and secondary approvals.

Anticipated Completion Date:

December 31, 2022

COMMUNITY HOUSING RESOURCES

REPRESENTATION OF COMMUNITY HOUSING RESOURCES MINNEAPOLIS, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2021

Finding Number: 2020-001

Year of Finding Origination: 2020

Finding Title: Audit Adjustment

Summary of Condition: A material audit adjustment was identified that resulted in a significant change to the Community Housing Resources' (CHR) financial statements.

Summary of Corrective Action Previously Reported: CHR will seek accounting guidance from the Office of the State Auditor or other accounting firms to deal with unusual transactions that they are not familiar with, like the donation of these capital assets from a closely related party.

Status: Fully Corrected. Corrective action was taken.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X