

PARTNERS IN HOUSING, INC.

Financial Statements

For the Years Ended June 30, 2009

And

Independent Auditors' Report

PARTNERS IN HOUSING, INC.

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5
SUPPLEMENTAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2009:	
Statement of Functional Expenses	11

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Partners In Housing, Inc.

We have audited the accompanying statement of financial position of Partners In Housing, Inc. as of June 30, 2009 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Partners In Housing's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Partners In Housing's 2008 financial statements, and in our opinion dated October 16, 2008, we expressed an unqualified opinion on these financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Partners In Housing, Inc. as of June 30, 2009 and the change in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information is the responsibility of Partners In Housing's management. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Stockman Kast Ryan + Co., LLP
October 15, 2009

PARTNERS IN HOUSING, INC.

STATEMENT OF FINANCIAL POSITION JUNE 30, 2009 (with comparative totals for 2008)

	2009	2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 654,829	\$ 263,645
Pledge receivable for use of property	154,108	148,075
Accounts receivable – net of allowance	128,906	100,295
Notes receivable	<u>32,000</u>	<u>32,838</u>
Total current assets	969,843	544,853
PLEDGE RECEIVABLE FOR USE OF PROPERTY	327,306	481,413
PROPERTY AND EQUIPMENT, NET	1,858,246	2,050,541
INVESTMENTS IN COLLABORATIVE ENTITIES	805,987	766,485
RESTRICTED CASH – TENANTS’ SECURITY DEPOSITS	<u>22,397</u>	<u>13,947</u>
TOTAL ASSETS	<u>\$ 3,983,779</u>	<u>\$ 3,857,239</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 26,034	\$ 34,923
Accrued expenses	<u>41,708</u>	<u>11,615</u>
Total current liabilities	67,742	46,538
NOTES PAYABLE	1,150,766	1,185,996
TENANTS’ SECURITY DEPOSITS	<u>22,397</u>	<u>13,947</u>
TOTAL LIABILITIES	<u>1,240,905</u>	<u>1,246,481</u>
NET ASSETS		
Unrestricted	2,245,465	1,973,378
Temporarily restricted	<u>497,409</u>	<u>637,380</u>
Total net assets	<u>2,742,874</u>	<u>2,610,758</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,983,779</u>	<u>\$ 3,857,239</u>

See notes to financial statements.

PARTNERS IN HOUSING, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2009 (with comparative totals for 2008)

	2009			2008
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Government grants	\$ 676,560		\$ 676,560	\$ 669,102
Contributions and private grants	410,913	\$ 19,078	429,991	450,283
Gain on sale of property	393,205		393,205	129,343
Program service fees	207,707		207,707	187,647
In-kind donations	184,163		184,163	168,211
Gain (loss) on investment in collaborative entities	39,502		39,502	(38,519)
Special events	22,877		22,877	43,491
Other revenue	5,373		5,373	15,467
Net assets released from restrictions	<u>159,049</u>	<u>(159,049)</u>		
Total revenue	<u>2,099,349</u>	<u>(139,971)</u>	<u>1,959,378</u>	<u>1,625,025</u>
EXPENSES				
Program services:				
Housing costs	756,917		756,917	606,225
Client services	590,362		590,362	698,213
Home buyers program	<u>124,398</u>		<u>124,398</u>	<u>128,174</u>
Total program services	<u>1,471,677</u>	<u>—</u>	<u>1,471,677</u>	<u>1,432,612</u>
Support services:				
General and administrative	214,921		214,921	219,134
Development department	<u>140,664</u>		<u>140,664</u>	<u>123,175</u>
Total support services	<u>355,585</u>	<u>—</u>	<u>355,585</u>	<u>342,309</u>
Total expenses	<u>1,827,262</u>	<u>—</u>	<u>1,827,262</u>	<u>1,774,921</u>
CHANGE IN NET ASSETS	272,087	(139,971)	132,116	(149,896)
NET ASSETS, Beginning of year	<u>1,973,378</u>	<u>637,380</u>	<u>2,610,758</u>	<u>2,760,654</u>
NET ASSETS, End of year	<u>\$ 2,245,465</u>	<u>\$ 497,409</u>	<u>\$ 2,742,874</u>	<u>\$ 2,610,758</u>

See notes to financial statements.

PARTNERS IN HOUSING, INC.

STATEMENT OF CASH FLOWS

JUNE 30, 2009 (with comparative totals for 2008)

	2009	2008
OPERATING ACTIVITIES		
Change in net assets	\$ 132,116	\$ (149,896)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	126,275	131,821
Loss (gain) on investment in collaborative entities	(39,502)	38,519
Gain on sale of property	(393,205)	(129,343)
Changes in operating assets and liabilities:		
Accounts receivable	(28,611)	(79,367)
Prepaid expenses		3,800
Pledge receivable for use of property	148,074	129,460
Accounts payable and accrued expenses	<u>21,204</u>	<u>(28,993)</u>
Net cash used in operating activities	<u>(33,649)</u>	<u>(83,999)</u>
INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	480,000	120,163
Purchases of property and equipment	<u>(38,390)</u>	<u>(75,329)</u>
Net cash provided by investing activities	<u>441,610</u>	<u>44,834</u>
FINANCING ACTIVITIES		
Payment on note payable	(17,615)	
Proceeds from promissory note	<u>838</u>	<u> </u>
Net cash used in financing activities	<u>(16,777)</u>	<u> </u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	391,184	(39,165)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>263,645</u>	<u>302,810</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 654,829</u>	<u>\$ 263,645</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 500</u>	<u>\$ 500</u>
SUPPLEMENTAL NON-CASH INVESTING AND FINANCING ACTIVITIES		
Promissory note assumed by buyer on sale of property	<u>\$ 17,615</u>	
Promissory note received on sale of property		<u>\$ 32,838</u>

See notes to financial statements.

PARTNERS IN HOUSING, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business — Partners In Housing, Inc. (PIH) was established in 1991 to provide homeless families with children, living in the Pikes Peak region, the hope and opportunity to achieve self-sufficiency through supportive services and transitional housing. PIH provides varied services to these families who possess the willingness and the potential capabilities to improve their situation with transitional housing and temporary supportive services. The length of time in the program can be up to twenty-four months with the goal that the assisted family will achieve self-sufficiency during this time. Existing community service providers deliver needed social services not provided by PIH.

PIH caseworkers assess need and help the families to set goals and progress toward independence. Community churches and organizations provide household furnishings and other forms of support. Workshops for money management, self-esteem, nutrition, and other life skills are available. In addition, PIH provides affordable rental housing to non-program low- and very low- income families and individuals.

Sources of revenue include property rentals, internal program revenue and contributions. Grants are received from various government agencies and private foundations.

Basis of Presentation — PIH reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, which represents the expendable resources that are available for operations at management's discretion; temporarily restricted net assets, which represents resources restricted by donors as to purpose or by the passage of time; and permanently restricted net assets, which represents resources whose use by PIH is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of PIH. PIH currently has no permanently restricted net assets as of June 30, 2009.

The accompanying financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with PIH's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

Cash and Cash Equivalents — PIH considers all highly liquid investments with a maturity of three months or less at the purchase date to be cash and cash equivalents.

Contributions — Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor-stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized and is reported as contribution revenue.

Donated Services and Materials — Donated services and materials are recorded as both a revenue and expenditure in the accompanying statements of activities and changes in net assets at their estimated values. Contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations.

Accounts Receivable — Accounts receivable are stated at the invoice amount. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Accounts receivable are recorded net of an allowance for uncollectible accounts of \$16,320 as of June 30, 2009. No allowance for uncollectible accounts was recorded at June 30, 2008.

Property and Equipment — All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are depreciated over the estimated useful lives of the assets (5-30 years) on a straight-line basis. Property and equipment are recorded at cost, and donated property is recorded at fair value at the date of the gift.

Income Taxes — PIH is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, PIH qualifies for the charitable contribution deduction.

Rental Income — Rental income is recorded as collected, because rental payments are not consistent from program tenants, future payments cannot be reasonably predicted.

Functional Allocation of Expense — The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Subsequent Events — PIH has evaluated subsequent events for the recognition or disclosure through October 15, 2009, the date the financial statements were available for issuance.

2. PLEDGE RECEIVABLE FOR USE OF PROPERTY

During the year ended June 30, 2006 PIH entered into a five-year lease agreement to begin in June 2008 for the use of office and operations facilities for annual rental payments of \$1. PIH has recognized \$758,948 for the free use of facilities as contribution revenue and a pledge receivable at the net present value of the fair market value of the facility in excess of the rental payments using a discount rate of 4%. PIH recognized rent expense of \$148,075 and \$129,460 for the years ended June 30, 2009 and 2008, respectively, associated with the below market annual rents.

3. NOTES RECEIVABLE

PIH has a note receivable from a not-for-profit organization pursuant to which the counterparty will pay PIH the \$32,000 outstanding upon qualifying transfer of specific real property. The note has no other ultimate expiration and is non-interest bearing.

4. PROPERTY AND EQUIPMENT

Property and equipment is as follows at June 30:

	2009	2008
Buildings	\$ 1,711,941	\$ 1,806,441
Building improvements	775,549	816,581
Land	186,187	196,687
Furniture and equipment	<u>64,910</u>	<u>64,910</u>
	2,738,587	2,884,619
Less accumulated depreciation	<u>880,341</u>	<u>834,078</u>
Total	<u>\$ 1,858,246</u>	<u>\$ 2,050,541</u>

5. INVESTMENTS IN COLLABORATIVE ENTITIES

PIH has investments in three collaborative entities which are accounted for under the equity method of accounting. Under the equity method of accounting investments are recorded at cost and are adjusted for the proportionate share of the undistributed earnings. Investments in collaborative entities consist of the following as of June 30:

	2009	2008
Colorado House and Resource Center, LLC	\$ 738,819	\$ 761,185
GPR Properties, LLC	<u>67,168</u>	<u>5,300</u>
Total	<u>\$ 805,987</u>	<u>\$ 766,485</u>

Colorado House and Resource Center, LLC — PIH entered into an equal partnership in 2003 with Rocky Mountain Community Land Trust to create Colorado House and Resource Center, LLC. Colorado House and Resource Center purchased property with grant funds to be used as transitional housing and for supportive services to the homeless.

GPR Properties, LLC — GPR Properties, LLC was formed in 2000 to own, lease and sell real property to low-income families. PIH has a 33.3% partnership interest in GPR Properties, LLC.

Park Meadows Affordable Housing, LLC— Park Meadows Affordable Housing, LLC (Park Meadows) was formed in 2002 to provide affordable housing to low and moderate income residents.

PIH has a 49% partnership interest in the entity. When PIH's share of losses in Park Meadows exceeded the carrying value of its investment, the equity method of accounting was suspended, and no additional losses were charged to operations. Suspended losses in Park Meadows totaled \$238,942 and \$195,166 at June 30, 2009 and 2008, respectively.

6. NOTES PAYABLE

PIH has entered into multiple note agreements in order to purchase and rehabilitate or construct real property for purposes of fulfilling the Organization's mission. Such agreements are as follows as of June 30:

	2009	2008
41(42 at 2008) individual notes with the City of Colorado Springs ranging from \$1,839 to \$110,000 at zero percent interest, due upon sale or transfer of property, secured by real property.	\$ 959,919	\$ 977,534
Note with the City of Colorado Springs at zero percent interest, due May 2016 or upon sale or transfer of property if earlier, secured by real property.	4,962	4,962
Four individual notes with El Paso County Colorado Housing Authority ranging from \$5,625 to \$28,125 at zero percent interest, due between August 2029 and March 2030, secured by real property.	45,000	45,000
Note with El Paso County Colorado Housing Authority at 1% interest, interest payments due annually, principal due September 2010 or when sold or transferred if earlier, secured by real property.	50,000	50,000
Note payable with a financial institution at zero percent interest, due upon sale or transfer of property, secured by real property. Provided property is not sold or transferred and no default has occurred regarding use of the property, the note will be forgiven on December 29, 2018.	<u>90,885</u>	<u>108,500</u>
Total	<u>\$ 1,150,766</u>	<u>\$ 1,185,996</u>

Interest expense and a related in-kind contribution is calculated at 4.0% of the outstanding zero percent interest notes, amounting to \$44,031 and \$45,440 as of June 30, 2009 and 2008, respectively.

7. NET ASSETS

Net assets are temporarily restricted due for the following purposes as of June 30, 2009 and 2008, respectively.

	2009	2008
Pledge receivable for use of property	\$ 481,413	\$ 629,488
Successful Kids	12,000	
Women in Technology	3,996	3,996
Other	<u> </u>	<u>3,896</u>
Total	<u>\$ 497,409</u>	<u>\$ 637,380</u>

The PIH Board of Directors has designated net assets of \$455,000 for the purchase of a building. The building will be used for low-income housing.

8. CONCENTRATIONS

Approximately 23% and 28%, respectively, of PIH's revenue and other support was received under contracts with the U.S. Department of Housing and Urban Development in 2009 and 2008.

Cash balances periodically exceed federally insured limits.

9. COMMITMENTS AND CONTINGENCIES

PIH leases equipment under a non-cancellable lease expiring in May 2012. As of June 30, 2009 future minimum lease payments under the operating lease are as follows:

2010	\$ 4,533
2011	4,533
2012	<u>4,155</u>
Total	<u>\$ 13,221</u>

Rental expense for operating leases totaled \$4,533 for both of the years ended June 30, 2009 and 2008.

Federal grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill these conditions could result in the disallowance of certain expenditures. Management anticipates no disallowances of expenditures.

10. CONTRIBUTED GOODS AND SERVICES

The value of donated goods and services included in the financial statements as contributions and corresponding expenses consists of the following for the year ended June 30:

	2009	2008
Services (advertising, catering and computer consulting)	\$ 61,235	\$ 49,548
Interest	44,031	45,440
Volunteer hours	31,281	36,308
Household and personal items	<u>47,616</u>	<u>36,915</u>
Total	<u>\$ 184,163</u>	<u>\$ 168,211</u>

11. RETIREMENT PLAN

PIH operates under the Diocese of Colorado Springs' (Diocese) defined benefit pension plan that covers substantially all lay personnel. The Diocese makes annual contributions to the plan and charges assessments to PIH for reimbursement of costs related to personnel at PIH. Reimbursement costs for the years ended June 30, 2009 and 2008 were \$43,337 and \$36,454, respectively. The liabilities and costs are determined under aggregate funding and projected unit credit methods. These methods are among several projected benefit funding methods, which may be used to provide for the systematic accumulation of assets to cover the benefits and expenses paid less any investment return of the plan's assets. The actuarial funding method, along with the other actuarial assumptions, affects when and at what rate this true cost will be paid. Partners In Housing, Inc.'s portion of both accumulated vested benefits and net assets available for benefits is insignificant to the Diocese' plan.

12. SUBSEQUENT EVENT

On August 14, 2009, PIH entered into an equal partnership with Rocky Mountain Community Land Trust and Greccio Housing Unlimited to create GPR Properties II, LLC (GPR Properties II). GPR Properties II purchased property, with grant funds, to be used as affordable housing. PIH has a one-third ownership interest in the LLC and GPR Properties II, the partnership was formed without PIH making a financial investment into GPR Properties II and PIH does not anticipate investing any funds to the GPR Properties II.

PARTNERS IN HOUSING, INC.

SUPPLEMENTAL INFORMATION

PARTNERS IN HOUSING, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2009 (with comparative total for 2008)

	2009							2008 Total
	Program Services			Total	Supporting Services		Total	
	Housing Costs	Client Services	Home Buyers Program		General and Administrative	Development Department		
Wages and related benefits:								
Salaries and employment taxes	\$ 186,398	\$ 323,933	\$ 73,468	\$ 583,799	\$ 113,783	\$ 97,473	\$ 795,055	\$ 653,667
Employee benefits	45,123	80,553	16,161	141,837	26,027	15,106	182,970	110,505
Other employee costs	<u>557</u>	<u>74</u>		<u>631</u>	<u>644</u>		<u>1,275</u>	<u>2,105</u>
Total wages and related benefits	<u>232,078</u>	<u>404,560</u>	<u>89,629</u>	<u>726,267</u>	<u>140,454</u>	<u>112,579</u>	<u>979,300</u>	<u>766,277</u>
Other expenses:								
Depreciation	117,983			117,983	8,292		126,275	131,821
Telephone and utilities	89,967	4,544	3,500	98,011	5,541	1,808	105,360	108,980
Repairs and maintenance	73,239	9,337	2,700	85,276	6,791	1,700	93,767	169,875
Contribution to Colorado House and Resource Center LLC operations	42,345			42,345			42,345	165,886
Consulting and other fees	11,519	6,031	471	18,021	4,963		22,984	18,083
Insurance	14,028	3,524		17,552	333		17,885	19,577
Counseling and direct client services	1,267	14,681		15,948			15,948	21,772
Property taxes and licenses	15,855			15,855			15,855	14,861
Office supplies and printing	605	6,742	2,382	9,729	2,957	2,112	14,798	17,129
Computer services and supplies	1,575	4,051	1,837	7,463	3,503	2,012	12,978	6,147
Public relations, meetings and awards	178	5,693	1,246	7,117	1,740	3,552	12,409	14,809
Travel	1,240	3,844	1,103	6,187	650	1,808	8,645	6,038
Legal and accounting		2,400		2,400	2,400		4,800	8,971
Dues and subscriptions	35	245	35	315	942	462	1,719	2,195
Interest	500	6		506	166	40	712	531
Rent								
Miscellaneous	<u>16,320</u>		<u>3</u>	<u>16,323</u>	<u>1,552</u>	<u>1,370</u>	<u>19,245</u>	<u>4,298</u>
Total other expenses	<u>386,656</u>	<u>61,098</u>	<u>13,277</u>	<u>461,031</u>	<u>39,830</u>	<u>14,864</u>	<u>515,725</u>	<u>710,973</u>
In-kind:								
Rent	68,119	41,982	10,447	120,548	20,642	6,885	148,075	129,460
Donated goods and services	8,151	41,215	5,107	54,473			54,473	52,940
Diocesan computer support	14,642	25,176	3,018	42,836	6,500	5,041	54,377	33,523
Interest expense	44,031			44,031			44,031	45,440
Volunteer services	<u>3,240</u>	<u>16,331</u>	<u>2,920</u>	<u>22,491</u>	<u>7,495</u>	<u>1,295</u>	<u>31,281</u>	<u>36,308</u>
Total in-kind	<u>138,183</u>	<u>124,704</u>	<u>21,492</u>	<u>284,379</u>	<u>34,637</u>	<u>13,221</u>	<u>332,237</u>	<u>297,671</u>
Total expenses	<u>\$ 756,917</u>	<u>\$ 590,362</u>	<u>\$ 124,398</u>	<u>\$ 1,471,677</u>	<u>\$ 214,921</u>	<u>\$ 140,664</u>	<u>\$ 1,827,262</u>	
Percent	<u>42%</u>	<u>32%</u>	<u>7%</u>	<u>81%</u>	<u>12%</u>	<u>7%</u>	<u>100%</u>	
Total expenses – 2008	<u>\$ 606,225</u>	<u>\$ 698,213</u>	<u>\$ 128,174</u>	<u>\$ 1,432,612</u>	<u>\$ 219,134</u>	<u>\$ 123,175</u>		<u>\$ 1,774,921</u>
Percent – 2008	<u>34%</u>	<u>39%</u>	<u>8%</u>	<u>81%</u>	<u>12%</u>	<u>7%</u>		<u>100%</u>

