

PARTNERS IN HOUSING, INC.

Financial Statements

For the Year Ended June 30, 2010

And

Independent Auditors' Report

PARTNERS IN HOUSING, INC.

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INDEPENDENT AUDITORS' REPORT

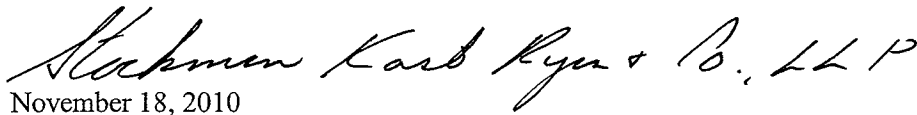
To the Board of Directors
Partners In Housing, Inc.

We have audited the accompanying statement of financial position of Partners In Housing, Inc. as of June 30, 2010 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 2009 financial statements, and in our opinion dated October 15, 2009, 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, 2010 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 on page 11 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.


November 18, 2010

PARTNERS IN HOUSING, INC.

STATEMENT OF FINANCIAL POSITION JUNE 30, 2010 (with comparative totals for 2009)

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 283,641	\$ 654,829
Pledge receivable for use of property	160,386	154,108
Accounts receivable – net of allowance	156,028	128,906
Notes receivable	<u>32,000</u>	<u>32,000</u>
Total current assets	632,055	969,843
PLEDGE RECEIVABLE FOR USE OF PROPERTY	166,919	327,306
PROPERTY AND EQUIPMENT, NET	2,507,154	1,858,246
INVESTMENTS IN COLLABORATIVE ENTITIES	764,318	805,987
RESTRICTED CASH – TENANTS’ SECURITY DEPOSITS	<u>22,271</u>	<u>22,397</u>
TOTAL ASSETS	<u>\$ 4,092,717</u>	<u>\$ 3,983,779</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 139,720	\$ 26,034
Accrued expenses	<u>42,032</u>	<u>41,708</u>
Total current liabilities	181,752	67,742
NOTES PAYABLE	1,449,974	1,150,766
TENANTS’ SECURITY DEPOSITS	<u>22,271</u>	<u>22,397</u>
TOTAL LIABILITIES	<u>1,653,997</u>	<u>1,240,905</u>
NET ASSETS		
Unrestricted	2,104,819	2,245,465
Temporarily restricted	<u>333,901</u>	<u>497,409</u>
Total net assets	<u>2,438,720</u>	<u>2,742,874</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,092,717</u>	<u>\$ 3,983,779</u>

See notes to financial statements.

PARTNERS IN HOUSING, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2010 (with comparative totals for 2009)

	2010			2009
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Government grants	\$ 677,873		\$ 677,873	\$ 676,560
Contributions and private grants	507,000	\$ 14,600	521,600	429,991
Gain on sale of property				393,205
Program service fees	200,922		200,922	207,707
In-kind donations	158,089		158,089	184,163
Gain on investment in collaborative entities	55,074		55,074	39,502
Special events	10,794		10,794	22,877
Other revenue	4,629		4,629	5,373
Net assets released from restrictions	<u>178,108</u>	<u>(178,108)</u>		
Total revenue	<u>1,792,489</u>	<u>(163,508)</u>	<u>1,628,981</u>	<u>1,959,378</u>
EXPENSES				
Program services:				
Housing costs	815,360		815,360	756,917
Client services	720,928		720,928	590,362
Home buyers program	<u>109,461</u>		<u>109,461</u>	<u>124,398</u>
Total program services	<u>1,645,749</u>		<u>1,645,749</u>	<u>1,471,677</u>
Support services:				
General and administrative	168,138		168,138	214,921
Development department	<u>119,248</u>		<u>119,248</u>	<u>140,664</u>
Total support services	<u>287,386</u>		<u>287,386</u>	<u>355,585</u>
Total expenses	<u>1,933,135</u>	<u>(163,508)</u>	<u>1,933,135</u>	<u>1,827,262</u>
CHANGE IN NET ASSETS	(140,646)	(163,508)	(304,154)	132,116
NET ASSETS, Beginning of year	<u>2,245,465</u>	<u>497,409</u>	<u>2,742,874</u>	<u>2,610,758</u>
NET ASSETS, End of year	<u>\$ 2,104,819</u>	<u>\$ 333,901</u>	<u>\$ 2,438,720</u>	<u>\$ 2,742,874</u>

See notes to financial statements.

PARTNERS IN HOUSING, INC.

STATEMENT OF CASH FLOWS

JUNE 30, 2010 (with comparative totals for 2009)

	2010	2009
OPERATING ACTIVITIES		
Change in net assets	\$ (304,154)	\$ 132,116
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	128,317	126,275
Gain on investment in collaborative entities	(55,074)	(39,502)
Gain on sale of property		(393,205)
Changes in operating assets and liabilities:		
Accounts receivable	(27,122)	(28,611)
Pledge receivable for use of property	154,109	148,074
Accounts payable and accrued expenses	<u>114,010</u>	<u>21,204</u>
Net cash provided by (used in) operating activities	<u>10,086</u>	<u>(33,649)</u>
INVESTING ACTIVITIES		
Proceeds from sale of property and equipment		480,000
Purchases of property and equipment	(477,225)	(38,390)
Distributions received from investments in collaborative entities	<u>96,743</u>	<u> </u>
Net cash provided by (used in) investing activities	<u>(380,482)</u>	<u>441,610</u>
FINANCING ACTIVITIES		
Payment on note payable	(792)	(17,615)
Proceeds from issuance of promissory note	<u> </u>	<u>838</u>
Net cash used in financing activities	<u>(792)</u>	<u>(16,777)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(371,188)	391,184
CASH AND CASH EQUIVALENTS, Beginning of year	<u>654,829</u>	<u>263,645</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 283,641</u>	<u>\$ 654,829</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 1,647</u>	<u>\$ 500</u>
SUPPLEMENTAL NON-CASH INVESTING AND FINANCING ACTIVITIES		
Property acquired through issuance of note payable	<u>\$ 300,000</u>	
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, 2010.

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, 2009, 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 \$14,820 and \$16,320 as of June 30, 2010 and 2009, respectively.

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 November 18, 2010, the date the financial statements were available for issuance.

2. PLEDGE RECEIVABLE FOR USE OF PROPERTY

PIH entered into a five-year lease agreement which began 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 \$154,109 and \$148,074 for the years ended June 30, 2010 and 2009, 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:

	2010	2009
Buildings	\$ 2,395,551	\$ 1,711,941
Building improvements	791,379	775,549
Land	261,687	186,187
Furniture and equipment	<u>67,195</u>	<u>64,910</u>
	3,515,812	2,738,587
Less accumulated depreciation	<u>1,008,658</u>	<u>880,341</u>
Total	<u>\$ 2,507,154</u>	<u>\$ 1,858,246</u>

5. INVESTMENTS IN COLLABORATIVE ENTITIES

PIH has investments in four 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:

	2010	2009
Colorado House and Resource Center, LLC	\$ 700,721	\$ 738,819
GPR Properties, LLC	<u>63,597</u>	<u>67,168</u>
Total	<u>\$ 764,318</u>	<u>\$ 805,987</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 \$313,042 and \$238,942 at June 30, 2010 and 2009, respectively.

GPR Properties II, LLC — GPR Properties II, LLC was formed August 2009 to purchase property, with grant funds, to be used as affordable housing. PIH has a 33.3% partnership interest in the entity. PIH did not make a financial investment in the entity upon formation. GPR Properties II, LLC incurred a loss for 2009 and, as PIH did not make a financial investment in the entity, the equity method of accounting was suspended and no losses were charged to operations. Suspended losses in GPR Properties II, LLC totaled \$97,046 at June 30, 2010.

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:

	2010	2009
42 (41 at 2009) individual notes with the City of Colorado Springs ranging from \$1,839 to \$185,000 at zero percent interest, due upon sale or transfer of property, secured by real property.	\$ 1,144,919	\$ 959,919
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 with El Paso County Colorado Housing Authority at 3% interest, principal and interest due in monthly installments of \$485, due February 2017 or upon the sale or transfer of property if earlier, secured by real property.	114,208	

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>90,885</u>
Total	<u>\$ 1,449,974</u>	<u>\$ 1,150,766</u>

Interest expense and a related in-kind contribution is calculated at 4.0% of the outstanding zero percent interest notes, amounting to \$47,731 and \$44,031 as of June 30, 2010 and 2009, respectively.

7. NET ASSETS

Net assets are temporarily restricted due for the following purposes as of June 30:

	2010	2009
Pledge receivable for use of property	\$ 327,305	\$ 481,413
Women in Technology	3,996	3,996
Successful Kids		12,000
Other	<u>2,600</u>	<u> </u>
Total	<u>\$ 333,901</u>	<u>\$ 497,409</u>

8. CONCENTRATIONS

Approximately 28% and 23%, respectively, of PIH's revenue and other support was received under contracts with the U.S. Department of Housing and Urban Development in 2010 and 2009.

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, 2010 future minimum lease payments under the operating lease are as follows:

2011	\$ 4,533
2012	<u>4,155</u>
Total	<u>\$ 8,688</u>

Rental expense for operating leases totaled \$4,533 for both of the years ended June 30, 2010 and 2009.

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:

	2010	2009
Expenses:		
Services (advertising, repair work, catering and computer consulting)	\$ 55,641	\$ 61,235
Interest	47,731	44,031
Volunteer hours	32,373	31,281
Household and personal items	<u>20,058</u>	<u>47,616</u>
Total expenses	155,803	184,163
Capital assets:		
Equipment	<u>2,286</u>	<u> </u>
Total	<u>\$ 158,089</u>	<u>\$ 184,163</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, 2010 and 2009 were \$44,800 and \$43,337, 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.

PARTNERS IN HOUSING, INC.

SUPPLEMENTAL INFORMATION

PARTNERS IN HOUSING, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2010 (with comparative total for 2009)

	2010							2009 Total
	Program Services				Supporting Services			
	Housing Costs	Client Services	Home Buyers Program	Total	General and Administrative	Development Department	Total	
Wages and related benefits:								
Salaries and employment taxes	\$ 261,923	\$ 344,763	\$ 70,630	\$ 677,316	\$ 73,672	\$ 74,511	\$ 825,499	\$ 795,055
Employee benefits	61,334	70,562	5,777	137,673	16,246	13,182	167,101	182,970
Other employee costs	<u>72</u>	<u>601</u>		<u>673</u>	<u>554</u>		<u>1,227</u>	<u>1,275</u>
Total wages and related benefits	<u>323,329</u>	<u>415,926</u>	<u>76,407</u>	<u>815,662</u>	<u>90,472</u>	<u>87,693</u>	<u>993,827</u>	<u>979,300</u>
Other expenses:								
Contribution to others	23,351	114,000		137,351			137,351	42,345
Depreciation	118,064			118,064	10,253		128,317	126,275
Telephone and utilities	94,494	5,250	2,600	102,344	4,961	1,045	108,350	105,360
Repairs and maintenance	78,854	6,813	2,760	88,427	7,872	2,547	98,846	93,767
Counseling and direct client services	1,400	49,924		51,324			51,324	15,948
Consulting and other fees	8,949	5,568	571	15,088	1,500	6,702	23,290	22,984
Insurance	15,754	4,089		19,843	408		20,251	17,885
Computer services and supplies	3,550	6,351	1,544	11,445	2,836	1,871	16,152	12,978
Property taxes and licenses	12,589			12,589	20		12,609	15,855
Office supplies and printing	1,678	3,344	1,882	6,904	1,863	1,856	10,623	14,798
Legal and accounting	204	3,500		3,704	3,500		7,204	4,800
Public relations, meetings and awards	133	1,652	713	2,498	1,252	1,056	4,806	12,409
Travel	717	1,722	100	2,539	90	140	2,769	8,645
Dues and subscriptions	95	425		520	1,570	414	2,504	1,719
Interest	1,679			1,679	20		1,699	712
Miscellaneous	<u>30</u>			<u>30</u>	<u>2,570</u>	<u>702</u>	<u>3,302</u>	<u>19,245</u>
Total other expenses	<u>361,541</u>	<u>202,638</u>	<u>10,170</u>	<u>574,349</u>	<u>38,715</u>	<u>16,333</u>	<u>629,397</u>	<u>515,725</u>
In-kind:								
Rent	70,889	43,691	10,787	125,367	21,652	7,089	154,108	148,075
Diocesan computer support	7,911	24,900	3,800	36,611	6,500	6,800	49,911	54,377
Interest expense	47,731			47,731			47,731	44,031
Volunteer services	3,336	13,715	3,190	20,241	10,799	1,333	32,373	31,281
Donated goods and services	<u>623</u>	<u>20,058</u>	<u>5,107</u>	<u>25,788</u>			<u>25,788</u>	<u>54,473</u>
Total in-kind	<u>130,490</u>	<u>102,364</u>	<u>22,884</u>	<u>255,738</u>	<u>38,951</u>	<u>15,222</u>	<u>309,911</u>	<u>332,237</u>
Total expenses	<u>\$ 815,360</u>	<u>\$ 720,928</u>	<u>\$ 109,461</u>	<u>\$ 1,645,749</u>	<u>\$ 168,138</u>	<u>\$ 119,248</u>	<u>\$ 1,933,135</u>	
Percent	<u>42%</u>	<u>37%</u>	<u>6%</u>	<u>85%</u>	<u>9%</u>	<u>6%</u>	<u>100%</u>	
Total expenses – 2009	<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 – 2009	<u>42%</u>	<u>32%</u>	<u>7%</u>	<u>81%</u>	<u>7%</u>	<u>12%</u>		<u>100%</u>