hope and
Partners in Housing

October 23, 2012

To Whom It May Concern:

Please find attached the independent audit report for Partners in Housing, Inc. for the fiscal year ended June 30, 2012.

For purposes of clarity, we would like to emphasize that PIH ended FY11/12 with an operating income over expense of $6,973. The change in net assets of $448,983 reflects the following contributions and losses.

PIH rents our administrative offices and 12 transitional housing apartments from the Myron Stratton Home foundation for $1 per year. In FY11/12, we signed a new five year lease for the property, which represents a pledge receivable of $774,339 in donated value by the Myron Stratton Home. This pledge is shown under temporarily restricted assets and is part of the in-kind contributions of $1,005,460 listed in the Statement of Activities.

In FY 11/12 PIH had losses of $332,329 shown on the Statement of Activities, including $138,805 in depreciation on PIH properties, $166,919 as a rent receivable for the use of the Myron Stratton Property during FY11/12, and a loss from related LLC's of $26,605 (also due to depreciation, not operating deficits).

PIH would like to reiterate that we are in a sound financial position. Please let us know if there are any questions that may arise from the review of these financials.

Respectfully,

Mary Stegner

Mary Stegner
Executive Director

Providing homeless families with children the hope and opportunity for self-sufficiency through supportive services and transitional housing

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stockman kast ryan + co LLP

PARTNERS IN HOUSING, INC.

Financial Statements

For the Year Ended June 30, 2012

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, 2012 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 2011 financial statements, and in our opinion dated October 25, 2011, 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, 2012 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 financial statements as a whole. The schedule of functional expenses on page 11 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Stockman Kast Ryan + Co, LLP

October 23, 2012

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PARTNERS IN HOUSING, INC.

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012 (with comparative totals for 2011)

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 160,934	$ 193,798
Pledge receivable for use of property, net	144,851	166,919
Accounts receivable – net of allowance	121,193	131,875
Total current assets	426,978	492,592
PLEDGE RECEIVABLE FOR USE OF PROPERTY, NET	629,488	
NOTE RECEIVABLE	32,000	32,000
PROPERTY AND EQUIPMENT, NET	2,263,416	2,382,755
INVESTMENTS IN COLLABORATIVE ENTITIES	699,431	726,036
RESTRICTED CASH – TENANTS' SECURITY DEPOSITS	22,865	19,550
TOTAL ASSETS	$ 4,074,178	$ 3,652,933
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 27,677	$ 48,433
Accrued expenses	37,762	45,560
Total current liabilities	65,439	93,993
NOTES PAYABLE	1,445,050	1,447,549
TENANTS' SECURITY DEPOSITS	22,865	19,550
TOTAL LIABILITIES	1,533,354	1,561,092
NET ASSETS		
Unrestricted	1,754,899	1,918,326
Temporarily restricted	785,925	173,515
Total net assets	2,540,824	2,091,841
TOTAL LIABILITIES AND NET ASSETS	$ 4,074,178	$ 3,652,933

See notes to financial statements.

PARTNERS IN HOUSING, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012 (with comparative totals for 2011)

	2012			2011
	Unrestricted	**Temporarily Restricted**	**Total**	**Total**
REVENUE				
In-kind donations	$ 231,121	$ 774,339	$ 1,005,460	$ 211,520
Government grants	592,094		592,094	637,673
Contributions and private grants	375,944	7,590	383,534	481,110
Program service fees	244,715		244,715	226,545
Special events	39,052		39,052	27,755
Other revenue	5,057		5,057	8,157
Loss on investment in collaborative entities	(8,681)		(8,681)	(12,867)
Net assets released from restrictions	169,519	(169,519)		
Total revenue	1,648,821	612,410	2,261,231	1,579,893
EXPENSES				
Program services:				
Transitional housing costs	692,542		692,542	744,433
Client services	667,813		667,813	639,136
Affordable housing costs	121,558		121,558	117,070
Home buyers program	39,052		39,052	112,801
Total program services	1,520,965		1,520,965	1,613,440
Support services:				
General and administrative	150,762		150,762	173,337
Development department	140,521		140,521	139,995
Total support services	291,283		291,283	313,332
Total expenses	1,812,248		1,812,248	1,926,772
CHANGE IN NET ASSETS	(163,427)	612,410	448,983	(346,879)
NET ASSETS, Beginning of year	1,918,326	173,515	2,091,841	2,438,720
NET ASSETS, End of year	$ 1,754,899	$ 785,925	$ 2,540,824	$ 2,091,841

See notes to financial statements.

PARTNERS IN HOUSING, INC.

STATEMENT OF CASH FLOWS
JUNE 30, 2012 (with comparative totals for 2011)

	2012	2011
OPERATING ACTIVITIES		
Change in net assets	$ 448,983	$ (346,879)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	138,805	140,250
Loss on investment in collaborative entities	8,681	12,867
Changes in operating assets and liabilities:		
Accounts receivable	10,682	24,153
Pledge receivable for use of property	(607,420)	160,386
Accounts payable and accrued expenses	(28,554)	(87,759)
Net cash used in operating activities	(28,823)	(96,982)
INVESTING ACTIVITIES		
Purchases of property and equipment	(19,466)	(15,851)
Distributions received from investments in collaborative entities	17,924	25,415
Net cash provided by (used in) investing activities	(1,542)	9,564
FINANCING ACTIVITIES		
Net cash used in financing activities — Payment on note payable	(2,499)	(2,425)
DECREASE IN CASH AND CASH EQUIVALENTS	(32,864)	(89,843)
CASH AND CASH EQUIVALENTS, Beginning of year	193,798	283,641
CASH AND CASH EQUIVALENTS, End of year	$ 160,934	$ 193,798
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 4,025	$ 3,934

See 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. This program provides one year of transitional housing, case management, life skills training, and budget counseling to help homeless households get back on their feet. The length of time in the program can be extended up to another year if program goals are being met, but the family still needs more time to reach self-sufficiency. 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, 2012.

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, 2011, 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.

Many individuals volunteer their time and perform a variety of tasks that assist PIH, but are not recognized as contributions in the financial statements because they do not meet the aforementioned criteria. PIH received approximately 1,163 volunteer hours during the fiscal year ended June 30, 2012 with an estimated value of $25,342.

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 were recorded net of an allowance for uncollectible accounts of $11,820 as of June 30, 2011. There is no allowance as of June 30, 2012.

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.

PIH believes that it does not have any uncertain tax positions that are material to the financial statements.

Rental Income — Rental income is recorded as collected because rental payments are not consistent from program tenants and 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 23, 2012, 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. This lease was renewed for an additional five years starting July 2012. During the year ended June 30, 2012 PIH recognized $774,339 for the free use of facilities for this additional five years 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 $166,919 and $160,386 for the years ended June 30, 2012 and 2011, respectively, associated with the below market annual rents.

3. NOTE 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:

	2012	**2011**
Buildings	$ 2,395,551	$ 2,395,551
Building improvements	822,796	804,430
Land	261,687	261,687
Furniture and equipment	71,095	69,995
	3,551,129	3,531,663
Less accumulated depreciation	1,287,713	1,148,908
Total	$ 2,263,416	$ 2,382,755

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:

	2012	**2011**
Colorado House and Resource Center, LLC	$ 650,086	$ 673,222
GPR Properties, LLC	49,345	52,814
Total	$ 699,431	$ 726,036

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 $341,714 and $335,737 at June 30, 2012 and 2011, respectively.

GPR Properties II, LLC — GPR Properties II, LLC was formed in 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 $5,264 and $16,417 at June 30, 2012 and 2011, 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:

	2012	**2011**
42 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	$ 1,144,919
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.	109,284	111,783
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.	90,885	90,885
Note with El Paso County Colorado Housing Authority at 1% interest, interest payments due annually, principal due September 2017 or when sold or transferred if earlier, secured by real property.	50,000	50,000

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 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
Total	$ 1,445,050	$ 1,447,549

Interest expense and a related in-kind contribution is calculated at 4.0% of the outstanding zero percent interest notes, amounting to $51,431 as of June 30, 2012 and 2011.

7. NET ASSETS

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

	2012	**2011**
Pledge receivable for use of property	$ 774,339	$ 166,919
Women in Technology	3,996	3,996
Other	7,590	2,600
Total	$ 785,925	$ 173,515

8. CONCENTRATIONS

Approximately 23% and 35%, respectively, of PIH's revenue and other support was received under contracts with the U.S. Department of Housing and Urban Development in 2012 and 2011.

9. COMMITMENTS AND CONTINGENCIES

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:

	2012	2011
Expenses:		
Services (advertising, repair work, catering and computer consulting)	$ 43,142	$ 56,010
Volunteer hours	66,811	65,821
Interest	51,431	51,431
Household and personal items	68,638	38,258
Total expenses	230,022	211,520
Pledge receivable for use of property	774,339	
Property and equipment	1,099	
Total	$ 1,005,460	$ 211,520

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, 2012 and 2011 were $40,357 and $44,734, 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 are 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, 2012 (with comparative total for 2011)

	2012								
	Program Services					Supporting Services			
	Transitional Housing Costs	Client Services	Affordable Housing Costs	Home Buyers Program	Total	General and Administrative	Development Department	Total	2011 Total
Wages and related benefits:									
Salaries and employment taxes	$ 212,745	$ 346,871	$ 16,126	$ 17,287	$ 593,029	$ 69,046	$ 71,022	$ 733,097	$ 818,242
Employee benefits	52,939	90,253	2,426	2,235	147,853	18,515	16,485	182,853	190,139
Other employee costs		164		63	227	455		682	576
Total wages and related benefits	265,684	437,288	18,552	19,585	741,109	88,016	87,507	916,632	1,008,957
Other expenses:									
Depreciation	96,641		35,439		132,080	6,725		138,805	140,250
Repairs and maintenance	70,665	16,121	22,173	2,500	111,459	7,952	2,497	121,908	99,198
Telephone and utilities	77,205	4,150	13,887	1,600	96,842	6,696	1,300	104,838	108,998
Counseling and direct client services	1,265	21,261			22,526			22,526	56,367
Insurance	10,211	3,450	2,500		16,161	3,330		19,491	20,177
Contribution to others	19,280				19,280			19,280	20,694
Computer services and supplies	3,745	5,857	300		9,902	5,390	960	16,252	16,414
Office supplies and printing	1,323	5,780		904	8,007	2,512	4,490	15,009	11,150
Property taxes and licenses	5,281		9,074		14,355	352		14,707	14,571
Consulting and other fees						861	8,326	9,187	3,415
Legal and accounting	517	3,300	600	500	4,917	3,887		8,804	8,886
Public relations, meetings and awards	19	1,895		370	2,284	1,121	2,329	5,734	5,688
Interest	520		3,319		3,839	186		4,025	3,934
Travel	740	2,171	16	355	3,282	2		3,284	4,330
Dues and subscriptions	165				165	1,026	199	1,390	1,203
Miscellaneous						(8,483)	1,918	(6,565)	30,633
Total other expenses	287,577	63,985	87,308	6,229	445,099	31,557	22,019	498,675	545,908
In-kind:									
Rent	76,783	46,800		12,000	135,583	23,836	7,500	166,919	160,386
Donated goods and services		68,639			68,639		5,000	73,639	48,483
Volunteer services	16,624	34,101		1,238	51,963	2,353	12,495	66,811	65,822
Interest expense	38,733		12,698		51,431			51,431	51,431
Diocesan computer support	7,141	17,000	3,000		27,141	5,000	6,000	38,141	45,785
Total in-kind	139,281	166,540	15,698	13,238	334,757	31,189	30,995	396,941	371,907
Total expenses	$ 692,542	$ 667,813	$ 121,558	$ 39,052	$ 1,520,965	$ 150,762	$ 140,521	$ 1,812,248	
Percentage of totals	38%	37%	7%	2%	84%	8%	8%	100%	
Comparative totals - 2011	$ 744,433	$ 639,136	$ 117,070	$ 112,801	$ 1,613,440	$ 173,337	$ 139,995		$ 1,926,772
Percentage of totals - 2011	39%	33%	6%	6%	84%	7%	9%		100%