hope and
Partners in Housing

October 28, 2013

To Whom It May Concern:

Please find attached the independent audit report for Partners in Housing, Inc. for the fiscal year ended June 30, 2013.

For purposes of clarity, we would like to emphasize that PIH ended FY12/13 with an operating income over expense of $99,287. The loss of $197,050 shown on page 4, Statement of Activities, reflects $137,556 in depreciation, $144,851 as a pledge receivable expensed during the fiscal year for use of property, and a cumulative loss from related LLC's of $13,937.

($197,050)	Total Change in Net Assets, Audit Page 4
+ $13,937	LLC Losses, Audit Page 4 & Note 5 on Page 9
+ $144,851	In-Kind donation of rent, Audit Page 5 & Note 2 Page 9 (Note: $170,559 In-Kind Rent with Interest - $25,708 Interest on Rent = $144,851 In-Kind Rent)
<u>+ $137,556</u>	Depreciation, Audit Page 5 and Note 4 on Page 9
= $99,287	Unadjusted Net Operating Income over Expense (not specifically listed in audit)

The pledge receivable for use of property is explained in Note 2 (Page 9) – PIH rents office space and transitional housing from the Myron Stratton Home at a discounted rate of $1 per year, and this note explains how that transaction is accounted. Note 5 (pages 9 & 10) details PIH's collaborative LLC's. The losses sustained by these LLC's were all due to depreciation rather than operating deficits.

PIH would like to reiterate that we are in a sound financial position and that the negative ending balance for FY12/13 was strictly related to depreciation and in-kind revenue recognition.

Please contact me at (719) 325-5831 if there are any questions that may arise from the review of this audit report.

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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LLP

PARTNERS IN HOUSING, INC.

Financial Statements

For the Year Ended June 30, 2013

And

Independent Auditors' Report

PARTNERS IN HOUSING, INC.

TABLE OF CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Partners in Housing, Inc.

We have audited the accompanying financial statements of Partners in Housing, Inc. (a non-profit organization) which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013 and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Partners in Housing, Inc.'s 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 23, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Stockman Kast Ryan & Co., LLP

October 21, 2013

PARTNERS IN HOUSING, INC.

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013 (with comparative totals for 2012)

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 217,181	$ 160,934
Pledge receivable for use of property, net	148,075	144,851
Accounts receivable	112,258	121,193
Total current assets	477,514	426,978
PLEDGE RECEIVABLE FOR USE OF PROPERTY, NET	481,414	629,488
NOTE RECEIVABLE	32,000	32,000
PROPERTY AND EQUIPMENT, NET	2,196,392	2,263,416
INVESTMENTS IN COLLABORATIVE ENTITIES	685,494	699,431
RESTRICTED CASH – TENANTS' SECURITY DEPOSITS	22,808	22,865
TOTAL ASSETS	$ 3,895,622	$ 4,074,178
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 49,582	$ 27,677
Accrued expenses	36,983	37,762
Current portion of note payable	2,653	2,575
Total current liabilities	89,218	68,014
NOTES PAYABLE	1,439,822	1,442,475
TENANTS' SECURITY DEPOSITS	22,808	22,865
TOTAL LIABILITIES	1,551,848	1,533,354
NET ASSETS		
Unrestricted	1,710,290	1,754,899
Temporarily restricted	633,484	785,925
Total net assets	2,343,774	2,540,824
TOTAL LIABILITIES AND NET ASSETS	$ 3,895,622	$ 4,074,178

See notes to financial statements.

PARTNERS IN HOUSING, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013 (with comparative totals for 2012)

	2013			2012
	Unrestricted	**Temporarily Restricted**	**Total**	**Total**
REVENUE				
Government grants	$ 538,005		$ 538,005	$ 592,094
Contributions and private grants	528,592		528,592	383,534
In-kind donations	318,388		318,388	1,005,460
Program service fees	281,767		281,767	244,715
Special events	31,211		31,211	39,052
Other revenue	14,596		14,596	5,057
Loss on investment in collaborative entities	(8,592)		(8,592)	(8,681)
Net assets released from restrictions	152,441	$ (152,441)		
Total revenue	1,856,408	(152,441)	1,703,967	2,261,231
EXPENSES				
Program services:				
Transitional housing costs	721,961		721,961	692,542
Client services	711,909		711,909	667,813
Affordable housing costs	171,116		171,116	121,558
Home buyers program				39,052
Total program services	1,604,986	—	1,604,986	1,520,965
Support services:				
General and administrative	143,281		143,281	150,762
Development department	152,750		152,750	140,521
Total support services	296,031	—	296,031	291,283
Total expenses	1,901,017	—	1,901,017	1,812,248
CHANGE IN NET ASSETS	(44,609)	(152,441)	(197,050)	448,983
NET ASSETS, Beginning of year	1,754,899	785,925	2,540,824	2,091,841
NET ASSETS, End of year	$ 1,710,290	$ 633,484	$ 2,343,774	$ 2,540,824

See notes to financial statements.

PARTNERS IN HOUSING, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013 (with comparative total for 2012)

	2013								
	Program Services					Supporting Services			
	Transitional Housing Costs	Client Services	Affordable Housing Costs	Home Buyers Program	Total	Development Department	General and Administrative	Total	2012 Total
Wages and related benefits:									
Salaries and employment taxes	$ 184,533	$ 357,643	$ 53,598		$ 595,774	$ 65,059	$ 62,986	$ 723,819	$ 733,097
Employee benefits	35,406	71,114	9,632		116,152	14,392	19,134	149,678	183,535
Total wages and related benefits	219,939	428,757	63,230	-	711,926	79,451	82,120	873,497	916,632
Other expenses:									
Repairs and maintenance	84,169	22,684	23,913		130,766	2,524	8,162	141,452	121,908
Depreciation	97,054		37,500		134,554		3,002	137,556	138,805
Telephone and utilities	88,003	4,852	12,758		105,613	1,300	5,617	112,530	104,838
Counseling and direct client services	746	32,974			33,720			33,720	22,526
Contribution to others	26,226				26,226			26,226	19,280
Insurance	10,019	4,530	3,756		18,305		2,244	20,549	19,491
Computer services and supplies	5,183	5,969	2,281		13,433	2,652	3,295	19,380	16,252
Office supplies and printing	1,964	4,343	498		6,805	7,025	3,099	16,929	15,009
Property taxes and licenses	5,035		9,899		14,934		166	15,100	14,707
Legal and accounting	739	3,500	1,000		5,239		5,877	11,116	8,804
Public relations, meetings and awards	200	5,133			5,333	2,831	1,568	9,732	5,734
Consulting and other fees						8,506	1,037	9,543	9,187
Travel	1,158	2,430	340		3,928		108	4,036	3,284
Interest	500		3,243		3,743		151	3,894	4,025
Dues and subscriptions		678			678	129	586	1,393	1,390
Miscellaneous						509	616	1,125	(6,565)
Total other expenses	320,996	87,093	95,188	-	503,277	25,476	35,528	564,281	498,675
In-kind:									
Rent	91,408	52,068			143,476	10,598	16,485	170,559	166,919
Volunteer services	36,971	59,981			96,952	13,725	3,148	113,825	66,811
Donated goods and services	3,500	65,510			69,010	17,000		86,010	73,639
Interest expense	38,733		12,698		51,431			51,431	51,431
Diocesan computer support	10,414	18,500			28,914	6,500	6,000	41,414	38,141
Total in-kind	181,026	196,059	12,698	-	389,783	47,823	25,633	463,239	396,941
Total expenses	$ 721,961	$ 711,909	$ 171,116	$ -	$ 1,604,986	$ 152,750	$ 143,281	$ 1,901,017	
Percentage of totals	38%	38%	9%	0%	85%	8%	7%	100%	
Comparative totals - 2012	$ 692,542	$ 667,813	$ 121,558	$ 39,052	$ 1,520,965	$ 140,521	$ 150,762		$ 1,812,248
Percentage of totals - 2012	38%	37%	7%	2%	84%	8%	8%		100%

PARTNERS IN HOUSING, INC.

STATEMENT OF CASH FLOWS
JUNE 30, 2013 (with comparative totals for 2012)

	2013	2012
OPERATING ACTIVITIES		
Change in net assets	$ (197,050)	$ 448,983
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	137,556	138,805
Loss on investment in collaborative entities	8,592	8,681
Changes in operating assets and liabilities:		
Accounts receivable	8,935	10,682
Pledge receivable for use of property	144,850	(607,420)
Accounts payable and accrued expenses	21,126	(28,554)
Net cash provided by (used in) operating activities	124,009	(28,823)
INVESTING ACTIVITIES		
Purchases of property and equipment	(70,532)	(19,466)
Distributions received from investments in collaborative entities	5,345	17,924
Net cash used in investing activities	(65,187)	(1,542)
FINANCING ACTIVITIES		
Net cash used in financing activities — Payment on note payable	(2,575)	(2,499)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	56,247	(32,864)
CASH AND CASH EQUIVALENTS, Beginning of year	160,934	193,798
CASH AND CASH EQUIVALENTS, End of year	$ 217,181	$ 160,934
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 3,894	$ 4,025

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, 2013.

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, 2012, 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 Goods and Services — Donated goods and services 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 240 volunteer hours during the fiscal year ended June 30, 2013 with an estimated value of $6,280.

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. There is no allowance as of June 30, 2013 and 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. PIH's tax returns for the years ended June 30, 2010 through the current period remain open to examination by state and federal taxing authorities.

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 21, 2013, 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 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 $170,559 and $166,919 for the years ended June 30, 2013 and 2012, 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:

	2013	2012
Buildings	$ 2,395,551	$ 2,395,551
Building improvements	893,328	822,796
Land	261,687	261,687
Furniture and equipment	71,095	71,095
	3,621,661	3,551,129
Less accumulated depreciation	1,425,269	1,287,713
Total	$ 2,196,392	$ 2,263,416

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:

	2013	2012
Colorado House and Resource Center, LLC	$ 635,152	$ 650,086
GPR Properties, LLC	44,795	49,345
GPR Properties II, LLC	5,547	
Total	$ 685,494	$ 699,431

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 $355,981 and $341,714 at June 30, 2013 and 2012, 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 cumulative losses for 2009 through June 30, 2012 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 at June 30, 2012. The equity method of accounting was resumed in the current year as a profit was recognized.

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:

	2013	**2012**
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.	106,709	109,284
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

	2013	2012
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	$ 1,442,475	$ 1,445,050

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, 2013 and 2012.

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are for the following as of June 30:

	2013	2012
Pledge receivable for use of property	$ 629,488	$ 774,339
Women in Technology	3,996	3,996
Other		7,590
Total	$ 633,484	$ 785,925

8. CONCENTRATIONS

Approximately 26% 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 2013 and 2012.

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. RETIREMENT PLAN

PIH is a member of 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, 2013 and 2012 were $39,205 and $40,357, 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.