hope and
Partners in Housing

November 4, 2014

To Whom It May Concern:

Please find attached the independent audit report for Partners in Housing, Inc. for the fiscal year ended June 30, 2014.

For purposes of clarity, we would like to emphasize that PIH ended FY13/14 with an operating income over expense of $46,310. The loss of $268,178 shown on page 4, Statement of Activities, reflects $141,036 in depreciation, $148,076 as a pledge receivable expensed during the fiscal year for use of property, and a cumulative loss from related LLC's of $25,379.

	($268,178)	Total Change in Net Assets, Audit Page 4
+	$25,379	LLC Losses, Audit Page 4 & Note 5 on Page 9
+	$148,073	In-Kind donation of rent, Audit Page 5 & Note 2 Page 9 (Note: $170,557 In-Kind Rent with Interest - $22,484 Interest on Rent = $148,073 In-Kind Rent)
+	$141,036	Depreciation, Audit Page 5 and Note 4 on Page 9
=	$46,310	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 FY13/14 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

stockman kast ryan + co
LLP

PARTNERS IN HOUSING, INC.

Financial Statements

For the Year Ended June 30, 2014

And

Independent Auditors' Report

PARTNERS IN HOUSING, INC.

TABLE OF CONTENTS

stockman kast ryan + co LLP

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, 2014, 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.

Certified Public Accountants and Business Advisors | 102 N. Cascade Avenue, Suite 400, Colorado Springs, CO 80903
www.skrco.com telephone: (719) 630-1186
facsimile: (719) 630-1187

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, 2014 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 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 21, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Stockman Kast Ryan & Co., LLP

October 23, 2014

PARTNERS IN HOUSING, INC.

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014 (with comparative totals for 2013)

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 209,055	$ 217,181
Pledge receivable for use of property, net	154,107	148,075
Accounts receivable	146,551	112,258
Total current assets	509,713	477,514
PLEDGE RECEIVABLE FOR USE OF PROPERTY, NET	327,306	481,414
NOTE RECEIVABLE	32,000	32,000
PROPERTY AND EQUIPMENT, NET	2,093,034	2,196,392
INVESTMENTS IN COLLABORATIVE ENTITIES	660,115	685,494
RESTRICTED CASH – TENANTS' SECURITY DEPOSITS	25,702	22,808
TOTAL ASSETS	$ 3,647,870	$ 3,895,622
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 66,413	$ 49,582
Accrued expenses	40,337	36,983
Current portion of note payable	2,734	2,653
Total current liabilities	109,484	89,218
NOTES PAYABLE	1,437,088	1,439,822
TENANTS' SECURITY DEPOSITS	25,702	22,808
TOTAL LIABILITIES	1,572,274	1,551,848
NET ASSETS		
Unrestricted	1,589,687	1,710,290
Temporarily restricted	485,909	633,484
Total net assets	2,075,596	2,343,774
TOTAL LIABILITIES AND NET ASSETS	$ 3,647,870	$ 3,895,622

See notes to financial statements.

PARTNERS IN HOUSING, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014 (with comparative totals for 2013)

	2014			2013
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Government grants	$ 632,577		$ 632,577	$ 538,005
Contributions and private grants	477,414	$ 4,495	481,909	528,592
In-kind donations	317,805		317,805	318,388
Program service fees	314,093		314,093	281,767
Special events	31,181		31,181	31,211
Other revenue	4,642		4,642	14,596
Loss on investment in collaborative entities	(9,879)		(9,879)	(8,592)
Net assets released from restrictions	152,070	(152,070)		
Total revenue	1,919,903	(147,575)	1,772,328	1,703,967
EXPENSES				
Program services:				
Transitional housing costs	693,346		693,346	721,961
Client services	689,207		689,207	711,909
Affordable housing costs	203,639		203,639	171,116
Homeless prevention and rapid rehousing program	154,988		154,988	
Total program services	1,741,180	—	1,741,180	1,604,986
Support services:				
General and administrative	156,118		156,118	143,281
Development department	143,208		143,208	152,750
Total support services	299,326	—	299,326	296,031
Total expenses	2,040,506	—	2,040,506	1,901,017
CHANGE IN NET ASSETS	(120,603)	(147,575)	(268,178)	(197,050)
NET ASSETS, Beginning of year	1,710,290	633,484	2,343,774	2,540,824
NET ASSETS, End of year	$ 1,589,687	$ 485,909	$ 2,075,596	$ 2,343,774

See notes to financial statements.

PARTNERS IN HOUSING, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014 (with comparative totals for 2013)

	2014								
	Program Services					Support Services			
	Transitional Housing Costs	Client Services	Affordable Housing Costs	Homeless Prevention and Rapid Rehousing	Total	General and Administrative	Development Department	Total	2013 Total
Wages and related benefits:									
Salaries and employment taxes	$ 177,693	$ 346,888	$ 46,822	$ 51,640	$ 623,043	$ 51,109	$ 57,307	$ 731,459	$ 723,819
Employee benefits	35,807	73,808	9,320	8,140	127,075	19,981	12,262	159,318	149,678
Total wages and related benefits	213,500	420,696	56,142	59,780	750,118	71,090	69,569	890,777	873,497
Other expenses:									
Depreciation	81,402		57,438		138,840	2,196		141,036	137,556
Repairs and maintenance	61,688	18,693	36,791		117,172	6,687		123,859	93,947
Counseling and direct client services	25	17,490		80,677	98,192			98,192	33,720
Telephone and utilities	69,999	255	13,424	1,700	85,378	12,694		98,072	112,530
Contribution to others	56,000	500			56,500			56,500	26,226
Security and maintenance - Myron Stratton Campus	34,872	5,900			40,772	3,909	2,824	47,505	47,505
Insurance	10,180	4,503	3,916		18,599	2,937		21,536	20,549
Computer services and supplies	4,619	9,124	1,620	1,200	16,563	1,519	1,110	19,192	19,380
Office supplies and printing	527	1,033	82	1,700	3,342	6,608	6,422	16,372	16,929
Property taxes and licenses	5,035		9,781		14,816	380		15,196	15,100
Legal and accounting		3,400	832	1,000	5,232	9,134		14,366	11,116
Public relations, meetings and awards	269	5,602	230		6,101	2,752	1,601	10,454	9,732
Consulting and other fees						1,369	8,239	9,608	9,543
Travel	1,286	2,530	577		4,393	640	62	5,095	4,036
Interest	500		3,165		3,665	20		3,685	3,894
Dues and subscriptions		1,000	210		1,210	802	149	2,161	1,393
Miscellaneous						705	1,417	2,122	1,125
Total other expenses	326,402	70,030	128,066	86,277	610,775	52,352	21,824	684,951	564,281
In-kind:									
Rent	91,593	46,925		4,800	143,318	16,585	10,654	170,557	170,559
Volunteer services	19,437	62,612		631	82,680	10,874	10,491	104,045	113,825
Donated goods and services		73,944			73,944		24,170	98,114	86,010
Interest expense	32,000		19,431		51,431			51,431	51,431
Diocesan computer support	10,414	15,000		3,500	28,914	5,217	6,500	40,631	41,414
Total in-kind	153,444	198,481	19,431	8,931	380,287	32,676	51,815	464,778	463,239
Total expenses	$ 693,346	$ 689,207	$ 203,639	$ 154,988	$ 1,741,180	$ 156,118	$ 143,208	$ 2,040,506	
Percentage of totals	34%	34%	10%	7%	85%	8%	7%	100%	
Comparative totals - 2013	$ 721,961	$ 711,909	$ 171,116	$ -	$ 1,604,986	$ 143,281	$ 152,750		$ 1,901,017
Percentage of totals - 2013	38%	38%	9%	0%	85%	7%	8%		100%

PARTNERS IN HOUSING, INC.

STATEMENT OF CASH FLOWS
JUNE 30, 2014 (with comparative totals for 2013)

	2014	2013
OPERATING ACTIVITIES		
Change in net assets	$ (268,178)	$ (197,050)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	141,036	137,556
Loss on investment in collaborative entities	9,879	8,592
Changes in operating assets and liabilities:		
Accounts receivable	(34,293)	8,935
Pledge receivable for use of property	148,076	144,850
Accounts payable and accrued expenses	20,185	21,126
Net cash provided by operating activities	16,705	124,009
INVESTING ACTIVITIES		
Purchases of property and equipment	(59,280)	(70,532)
Distributions received from investments in collaborative entities	15,500	5,345
Insurance proceeds	21,602	
Net cash used in investing activities	(22,178)	(65,187)
FINANCING ACTIVITIES		
Net cash used in financing activities — Payment on note payable	(2,653)	(2,575)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(8,126)	56,247
CASH AND CASH EQUIVALENTS, Beginning of year	217,181	160,934
CASH AND CASH EQUIVALENTS, End of year	$ 209,055	$ 217,181
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 3,685	$ 3,894

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. 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, 2014.

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, 2013, 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 185 volunteer hours during the fiscal year ended June 30, 2014 with an estimated value of $4,171.

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, 2014 and 2013.

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, 2011 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 determined.

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 the date of the Independent Auditors' Report, which is 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 $170,557 and $170,559 for the years ended June 30, 2014 and 2013, 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:

	2014	2013
Buildings	$ 2,395,551	$ 2,395,551
Building improvements	919,427	893,328
Land	261,687	261,687
Furniture and equipment	72,921	71,095
Vehicles	9,753	
	3,659,339	3,621,661
Less accumulated depreciation	1,566,305	1,425,269
Total	$ 2,093,034	$ 2,196,392

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:

	2014	2013
Colorado House and Resource Center, LLC	$ 607,327	$ 635,152
GPR Properties, LLC	42,738	44,795
GPR Properties II, LLC	10,050	5,547
Total	$ 660,115	$ 685,494

Colorado House and Resource Center, LLC — PIH entered into a 50% partnership interest 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.

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.

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 $362,124 and $355,981 at June 30, 2014 and 2013, 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 PIH's mission. Such agreements are as follows as of June 30:

	2014	2013
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.	104,056	106,709
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

	2014	2013
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	$ 1,439,822	$ 1,442,475

Required annual minimum principal payments are as follows as of June 30:

2015	$ 2,734
2016	7,779
2017	2,903
2018	52,991
2019	3,082
Thereafter	134,529
Indeterminate	1,235,804
Total	$ 1,439,822

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, 2014 and 2013.

7. TEMPORARILY RESTRICTED NET ASSETS

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

	2014	2013
Pledge receivable for use of property	$ 481,414	$ 629,488
Other	4,495	3,996
Total	$ 485,909	$ 633,484

8. CONCENTRATIONS

Approximately 24% and 25%, respectively, of PIH's revenue and other support was received under contracts with the U.S. Department of Housing and Urban Development in 2014 and 2013.

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, 2014 and 2013 were $36,825 and $39,205, 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. PIH's portion of both accumulated vested benefits and net assets available for benefits are insignificant to the Diocese plan.