

**PARTNERS IN HOUSING DEVELOPMENT  
CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2010**

PARTNERS IN HOUSING DEVELOPMENT CORPORATION  
AND SUBSIDIARIES

YEAR ENDED DECEMBER 31, 2010

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Independent Auditors' Report

To the Board of Directors  
Partners In Housing Development Corporation  
Indianapolis, Indiana

We have audited the accompanying consolidated statement of financial position of Partners In Housing Development Corporation and subsidiaries as of December 31, 2010 and the related consolidated statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. 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 and the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 that 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 consolidated financial position of Partners In Housing Development Corporation and subsidiaries as of December 31, 2010, and the consolidated results of their activities and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated September 14, 2011 on our consideration of Partners In Housing Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

September 14, 2011



PARTNERS IN HOUSING DEVELOPMENT CORPORATION  
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2010

ASSETS

Real estate investments:

Land	\$ 880,842
Buildings	15,641,560
Equipment	<u>1,073,807</u>
	17,596,209
Allowance for depreciation	<u>( 5,608,599)</u>
	11,987,610
Cash and cash equivalents	83,802
Operating reserves (Note 6)	140,871
Other restricted reserves and deposits (Note 6)	632,228
Tenant receivables	86,134
Accounts receivable – grants (Note 14)	165,829
Unamortized costs and other assets, net of accumulated amortization of \$180,574	<u>33,511</u>
	<u>\$ 13,129,985</u>

LIABILITIES AND NET ASSETS

Liabilities:

Mortgage loans payable (Note 3)	\$ 4,608,430
Other notes payable (Note 3)	22,000
Accounts payable and accrued expenses	75,833
Accrued development costs (Note 14)	165,829
Accrued interest (Note 3)	481,907
Deposit and other liabilities	<u>66,719</u>
	5,420,718
Minority interests in operating partnerships (Note 5)	2,665,201
Commitments and contingencies (Notes 3 and 4)	
Unrestricted net assets	<u>5,044,066</u>
	<u>\$ 13,129,985</u>

See notes to consolidated financial statements.

PARTNERS IN HOUSING DEVELOPMENT CORPORATION  
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CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2010

Income:

Real estate operations:

Rental and other revenue	\$ 2,221,548
Real estate operating expenses	<u>(2,204,846)</u>
Net operating income from real estate operations	16,702
Contributions and grants	3,652,072
Interest income and other	<u>2,329</u>
	<u>3,671,103</u>

Expenses:

General and administrative	739,174
Supportive services	402,816
Interest	306,118
Depreciation and amortization	<u>618,303</u>
	<u>2,066,411</u>

Change in net assets from operations before minority interests in operating partnerships	1,604,692
Minority interests in operating partnerships	<u>207,326</u>
Change in net assets from operations	1,812,018
Unrestricted net assets, beginning	<u>3,232,048</u>
Unrestricted net assets, ending	<u>\$ 5,044,066</u>

See notes to consolidated financial statements.

PARTNERS IN HOUSING DEVELOPMENT CORPORATION  
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CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2010

Operating activities:	
Change in net assets from operations	\$ 1,812,018
Adjustments to reconcile change in net assets from operations to net cash provided by operating activities:	
Depreciation and amortization	618,303
Minority interests	( 207,326)
Changes in operating assets and liabilities:	
Accounts receivable and prepaid expenses	( 256,338)
Account payable and accrued expenses	( 67,736)
Deposit and other liabilities	1,027
	1,899,948
Net cash provided by operating activities	
Investing activities:	
Net change in restricted reserves and deposits	( 29,037)
Development expenditures and other additions to property and equipment	( 1,419,881)
	( 1,448,918)
Net cash used in investing activities	
Financing activities:	
Principal payments on mortgage loans and other notes payable	( 1,035,515)
Net change in cash and cash equivalents	
	( 584,485)
Cash, balance at beginning of year	668,287
Cash, balance at end of year	\$ 83,802
Supplemental disclosure:	
Interest paid	\$ 268,436

See notes to consolidated financial statements.

PARTNERS IN HOUSING DEVELOPMENT CORPORATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

1. Organization and summary of significant accounting policies:

Organization:

Partners In Housing Development Corporation ("Partners or the Company") was formed as a nonprofit organization pursuant to Internal Revenue Code Section 501(c)(3) to sponsor, develop and own affordable housing for persons with special needs with operations beginning in January, 1995.

The Company is the sole shareholder of the general partner in five limited partnerships (Burton Apartments, L.P., Blue Triangle, L.P., Mozingo Place, L.P., Colonial Park, L.P. and Guerin Place, L.P.), each of which owns one apartment community as its principal asset. As the sole general partner, the Company has full, exclusive and complete responsibility and discretion in the management and control of each of the partnerships.

Control is demonstrated by the ability of the general partner to manage day-to-day operations without the consent of the limited partners and the inability of the limited partners to replace the general partner. Interests held by limited partners in the real estate partnerships are reflected as minority interests in operating partnerships. Effective January 1, 2010, the Company purchased the minority (limited partner) interests in the Guerin Place limited partnership. In addition, effective April 15, 2011, the Company purchased the minority (limited partner) interests in the Burton Apartments, L.P. and is pursuing the purchase of the Blue Triangle, L.P. minority interests.

The residential rental properties owned and controlled by the Company are managed under agreements with the Company. The agreements provide for management fees based on gross rental collections.

The Company purchased Linwood Manor Apartments and Gladstone Apartments in 2005, Mapleton Park Apartments in 2007, Crown Pointe Apartments in 2008 and the Orleans and St. George Apartments in 2009. All of the properties are located in Indianapolis, Indiana. The Company has actively been completing the planned renovation of each community.

The following is a summary of significant accounting policies followed in the preparation of these financial statements:

Financial statement presentation:

The financial statements are in conformity with the provisions required by the Not-for-Profit Entities Presentation of Financial Statements topic of the FASB *Accounting Standards Codification* (ASC) 958-205. This statement established standards for external financial reporting for Not-for-Profit Organizations.

The Not-for-Profit Entities Presentation of Financial Statements topic of the FASB *Accounting Standards Codification* primarily affects the display of the financial statements and requires that the amounts for each of three classes of net assets - unrestricted, temporarily restricted and permanently restricted - be displayed in an aggregate

PARTNERS IN HOUSING DEVELOPMENT CORPORATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

1. Organization and summary of significant accounting policies (continued):

Financial statement presentation (continued):

statement of financial position and the amounts of change in each of those classes of net assets be displayed in a statement of changes in net assets. All assets held by the Company at December 31, 2010 are classified as unrestricted.

The Company has received various grant and other funding awards that require certain affordability restrictions on the related properties. Given the nature of the Company's purpose and missions, management does not consider the terms and conditions of the various grant agreements to be more restrictive than the covenants of the Company. As such, the Company has not reflected these amounts as restricted net assets.

Principles of consolidation:

The accompanying consolidated financial statements include the accounts of the Company, and its controlled subsidiaries, including the operating partnerships controlled by the Company. All significant intercompany balances and transactions have been eliminated in consolidation.

Not-for-profit status:

The Company is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code. As such, the organization is not subject to federal and state income taxes.

Public support and revenue:

Annual campaign contributions are generally available for unrestricted use in the related campaign year unless specifically restricted by the donor. Promises to give are recognized when the promise becomes, in substance, unconditional. Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year end.

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

PARTNERS IN HOUSING DEVELOPMENT CORPORATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

1. Organization and summary of significant accounting policies (continued):

Public support and revenue (continued):

During the year ended December 31, 2010, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization at the residents' facilities, but these services do not meet the criteria for recognition as contributed services.

Tenant receivable and bad debt policy:

Tenant rent charges for the current month are due on the first of the month. Tenants who are evicted or move-out are charged with damages or cleaning fees, if applicable. Tenant receivables consist of amounts due for rental income, security deposit or the charges for damages and cleaning fees. The Company does not accrue interest on the tenant receivable balances.

Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not material to the financial statements for the year ended December 31, 2010.

Fundraising costs:

Fundraising costs are expensed as incurred. Total costs incurred and expensed in 2010 were \$75,544.

Property taxes:

Property taxes are expensed in the year of the lien on the property such that twelve months of expense is charged to operations during each year.

Property and equipment:

Property and equipment are stated at cost or estimated value at time of contribution. Depreciation is computed by the straight-line method over the estimated useful lives of the assets. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Certain property has been restated at net realizable value which is less than the carrying amount.

The Company is subject to the provisions of the Impairment or Disposal of Long-Lived Assets topic of the FASB *Accounting Standards Codification* (ASC) 360-10-35. Impairment or Disposal of Long-Lived Assets has no retroactive impact on the Company's financial statements. The standard requires impairment losses to be recorded on long-lived assets when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets (excluding interest) are less than the carrying amount of the assets.

PARTNERS IN HOUSING DEVELOPMENT CORPORATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

1. Organization and summary of significant accounting policies (continued):

Property and equipment (continued):

In such cases, the carrying value of assets to be held and used are adjusted to their estimated fair value and assets held for sale are adjusted to their estimated fair value less selling expenses. No impairment losses were recognized during the year ended December 31, 2010.

Unamortized costs:

The costs incurred to organize the Partnerships in the total amount of \$169,378 were amortized on a straight-line basis over five years. Financing costs in the amount of \$15,200 are being amortized over the term of the related debt financing.

Cash and cash equivalents:

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Accounting for Uncertainty in Income Taxes:

The Company adopted the Income Taxes topic of the FASB *Accounting Standards Codification* (ASC) 740, which provides guidance for how uncertain income tax positions should be recognized, measured, presented and disclosed in the financial statements. The Company is required to evaluate the income tax positions taken or expected to be taken to determine whether the positions are "more-likely-than-not" to be sustained upon examination by the applicable tax authority. The Company has determined that the application of Income Taxes standard does not impact the operations of the Company and that no provision for income tax is required in the Company's financial statements. There has been no interest or penalties recognized in the financial statements for the year ended December 31, 2010. As of December 31, 2010, the Federal and Indiana State income tax returns for the years ended December 31, 2008 through 2010 remain open.

Fair value:

The Company adopted the Fair Value Measurement topic of the FASB *Accounting Standards Codification* (ASC) 820 which provides guidance for assets and liabilities which are required to be measured at fair value and requires expanded disclosure for fair value measurement. The standard applies whenever other standards require or permit assets or liabilities to be measured at fair value and does not require any new fair value measurements. The implementation of Fair Value Measurement did not have a material impact on the Company's financial statements for the year ended December 31, 2010.

PARTNERS IN HOUSING DEVELOPMENT CORPORATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

1. Organization and summary of significant accounting policies (continued):

Fair value (continued):

The standard establishes a fair value hierarchy based on three levels:

Level 1 – Quoted prices in active markets for identical assets or liabilities

Level 2 – Quoted prices for similar assets or liabilities in active markets

Level 3 – Unobservable inputs for the asset or liability based on the best available information

Affordable housing projects operate in a heavily regulated environment which typically includes restrictions such as land use restrictions, rent restrictions, government subsidies in the form of rental assistance through either rent subsidy or tenant vouchers, subsidized mortgage interest rates, and restrictions on selling or transferring the projects.

A summary of the methods and significant assumptions used to estimate the fair values of financial instruments is as follows:

Short-term financial instruments – The fair value of short-term financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate the carrying value in the accompanying financial statements due to the short maturity of such instruments.

Long-term liabilities – The fair value of long-term liabilities approximates the carrying value in the accompanying financial statements based on current borrowing rates.

2. Related Party Transactions:

The Company is the sole shareholder of the General Partner of the Burton Apartments, L.P., the Blue Triangle, L.P., Mazingo Place, L.P., and Colonial Park, L.P. which were formed to develop and own affordable housing. As General Partner and developer, Partners has various transactions with such Partnerships.

The Partnerships entered into development agreements with the Company to provide services relating to the supervision of the development of each of the Communities. For such services, the Company has earned development fees based upon a percentage of the related development costs.

Applicable inter-company transactions are eliminated upon consolidation.

3. Financing:

Revolving Note:

The Company entered into a revolving note agreement with Fifth Third Bank in the amount of \$200,000 with a balance of \$22,000 as of December 31, 2010. The note was fully repaid on January 22, 2011 upon maturity.

PARTNERS IN HOUSING DEVELOPMENT CORPORATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

3. Financing (continued):

The revolving note agreement provided, among other things, for the following:

- a. interest at a floating rate per annum equal to the Prime Rate plus 0.5%; and
- b. monthly payments of interest only until the maturity date.

On January 28, 2011, the Company entered into a revolving draw loan agreement with the National Bank of Indianapolis. The agreement provides for a maximum note amount of \$500,000, interest at 5% per annum and a maturity date of January 27, 2012.

Linwood Manor Apartments:

Bank Loans:

In connection with the acquisition and renovation of Linwood Manor Apartments, the Company entered into loan agreements with the National Bank of Indianapolis in the original amounts of \$490,000 and \$140,000. The loan agreements provided for an interest rate of 5% per annum and interest only payment until maturity.

As of December 31, 2009, the loans had a combined outstanding balance of \$541,743 and were fully repaid on April 12, 2010.

On April 12, 2010, the Company entered into a loan agreement with the National Bank of Indianapolis in the original amount of \$265,000. The loan agreement provides, among other things, for the following:

- a. an interest rate of 7% per annum;
- b. monthly principal and interest payments of \$2,070; and
- c. a maturity date of April 12, 2015.

Future annual principal payments are estimated as follows:

2011	\$	6,766
2012		7,255
2013		7,779
2014		8,342
2015		<u>230,780</u>
	\$	<u>260,922</u>

Gladstone Apartments:

Bank Loan:

On January 9, 2007, the Company entered into a loan agreement with the National Bank of Indianapolis (NBI loan) in the original amount of \$730,000.

The loan agreement provides, among other things, for the following:

- a. an interest rate of 7.55% per annum;
- b. monthly principal and interest payments of \$5,952; and
- c. a maturity date of January 9, 2012.

PARTNERS IN HOUSING DEVELOPMENT CORPORATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

3. Financing (continued):

Future annual principal payments on the NBI loan are estimated as follows:

2011	\$ 22,671
2012	634,721
	<u>\$ 657,392</u>

Mapleton Park Apartments:

Merchants Bank Loan:

On March 25, 2008, the Company entered into a loan agreement with Merchants Bank of Indiana in the amount of \$200,000. The Merchants Bank loan agreement provides among other things, for the following:

- a. an interest rate of 8.25% per annum;
- b. monthly principal and interest payments of \$1,503; and
- c. a maturity date of March 1, 2023.

The principal payments on the Merchants Bank loan for the next five years and thereafter are estimated as follows:

2011	\$ 2,034
2012	2,209
2013	2,348
2014	2,525
2015	2,715
Thereafter	184,223
	<u>\$ 196,054</u>

Crown Pointe Apartments:

Bank Loan:

On October 13, 2009, the Company entered into a loan agreement with the National Bank of Indianapolis (NBI loan) in the original amount of \$55,000. The loan agreement provides among other things, for the following:

- a. an interest rate of 7.130% per annum;
- b. monthly principal and interest payments of \$645; and
- c. a maturity date of March 1, 2019.

The principal payments on the loan for the next five years and thereafter are estimated as follows:

2011	\$ 4,287
2012	4,603
2013	4,942
2014	5,306
2015	5,693
Thereafter	25,588
	<u>\$ 50,419</u>

PARTNERS IN HOUSING DEVELOPMENT CORPORATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

3. Financing (continued):

St. George Apartments:

Seller note payable:

In connection with the acquisition of St. George Apartments, the Company entered into a promissory note agreement in the amount of \$600,000 with the seller of the project. The note bore interest at the Wall Street Journal published prime rate of interest plus .50% per annum, but not less than 4.50%. The note provided for monthly payments of interest only and was fully repaid on February 17, 2010.

The Orleans Apartments:

Bank Loan:

On December 30, 2009, in connection with the acquisition of the Orleans Apartments, the Company entered into a loan agreement with the National Bank of Indianapolis in the original amount of \$1,200,000. The loan agreement provides, among other things, for the following:

- a. an interest rate of 5% per annum through January 27, 2011 and 5.50% beginning January 28, 2011;
- b. monthly payments of interest only until maturity; and
- c. a maturity date of January 31, 2012.

Burton Apartments, L.P.:

Bank Loan:

On August 24, 1995, Burton Apartments, L.P. entered into a loan agreement with Fifth Third Bank in the original loan amount of \$125,000. The loan agreement provides, among other things, for the following:

- a. an interest rate of 5% per annum;
- b. monthly principal and interest payments of \$736; and
- c. a maturity date of May 1, 2021.

The principal payments for the next five years and thereafter are estimated as follows:

2011	\$	5,363
2012		5,634
2013		5,919
2014		6,218
2015		6,533
Thereafter		42,422
		<u>\$ 72,089</u>

HOME Loan:

Burton Apartments, L.P. has entered into a loan agreement with the City of Indianapolis in connection with certain funds received by the City of Indianapolis from HUD pursuant to the Home Investment Partnerships Program (HOME). Such agreement provided for loan proceeds to the Partnership in the total amount of \$225,000.

PARTNERS IN HOUSING DEVELOPMENT CORPORATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

3. Financing (continued):

The HOME loan agreement provides, among other things, for the following:

- a. a repayment portion of \$156,000;
- b. an interest rate of 6.56% per annum on the repayment portion;
- c. a term of eighteen (18) years through June 30, 2014; and
- d. quarterly payments of interest only from available cash flow.

Unpaid interest in the amount of \$148,393 has accrued on the HOME loan as of December 31, 2010. Also, see Note 15 - subsequent events.

Blue Triangle, L.P.:

HOME Loan:

Blue Triangle, L.P. obtained a HOME loan from the City of Indianapolis, Indiana in the amount of \$300,000. The HOME loan provides, among other things, for the following:

- a. a repayment portion in the total amount of \$300,000;
- b. a term of eighteen (18) years through January 8, 2016;
- c. an interest rate of 6.13% per annum; and
- d. payments of principal and interest from available cash flow or to the extent unpaid upon sale or refinancing of the Community.

Unpaid interest in the amount of \$220,680 has accrued on the HOME loan as of December 31, 2010.

PNC Bank (f/k/a National City Bank) Mortgage Loan:

The mortgage loan agreement provides, among other things, for the following:

- a. an original loan amount of \$347,989;
- b. a maturity date of December 25, 2013;
- c. an interest rate of 7.18% per annum; and
- d. monthly principal and interest payments of \$4,250.

Future annual principal payments on the PNC Bank mortgage loan are estimated as follows:

2011	\$	30,964
2012		33,261
2013		<u>228,841</u>
	\$	<u>293,066</u>

Mozingo Place, L.P.:

Bank Loan:

On June 25, 2002, Mozingo Place, L.P. entered into a loan agreement with Regions Bank (f/k/a Union Planters Bank) for a loan in the original amount of \$180,000.

PARTNERS IN HOUSING DEVELOPMENT CORPORATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

3. Financing (continued):

Mozingo Place, L.P. (continued):

The loan agreement provides, among other things, for the following:

- a. an interest rate of 8.54% per annum (through June 25, 2012);
- b. monthly principal and interest payments of \$1,350; and
- c. a maturity date of July 1, 2027.

The principal payments for the next five years and thereafter are estimated as follows:

2011	\$ 2,854
2012	3,108
2013	3,384
2014	3,667
2015	3,973
Thereafter	<u>140,989</u>
	<u>\$ 157,975</u>

Colonial Park, L.P.:

Mortgage loan:

On December 5, 2003, Colonial Park, L.P. entered into a loan agreement with Regions Bank in the original loan amount of \$1,200,000. The loan agreement provides, among other things, for the following:

- a. an initial interest rate of 5.65% per annum (through December 5, 2008);
- b. an adjusted rate of 4.564% per annum beginning December 5, 2008;
- c. the interest rate shall be adjusted every 60 months based upon the LIBOR plus 2%;
- d. monthly principal and interest payments of \$8,129 (beginning December 5, 2008);
- e. the monthly principal and interest payments shall be adjusted every 60 months based upon the interest rate and a twenty year amortization period; and
- f. a maturity date of December 5, 2023.

The principal payments on the mortgage loan for the next five years and thereafter are estimated as follows:

2011	\$ 54,869
2012	57,426
2013	60,102
2014	62,903
2015	65,719
Thereafter	<u>661,551</u>
	<u>\$ 962,570</u>

PARTNERS IN HOUSING DEVELOPMENT CORPORATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

3. Financing (continued):

Guerin Place, L.P.:

HOME Loan:

Guerin Place, L.P. obtained a HOME loan from the City of Indianapolis, Indiana in the amount of \$301,943. The HOME loan provides, among other things, for the following:

- a. a maturity date of May 1, 2026;
- b. an interest rate of 3% per annum; and
- c. payments of principal and interest from available cash flow or to the extent unpaid upon sale or refinancing of the Community.

Unpaid interest in the amount of \$112,834 has accrued on the HOME loan as of December 31, 2010. Also, see Note 15 – subsequent events.

Aggregate maturities:

The combined aggregate principal payments on the mortgage loans of the Company (and subsidiaries) for the next five years and thereafter are estimated as follows:

2011	\$ 129,808
2012	1,948,217
2013	313,315
2014	244,961
2015	315,413
Thereafter	<u>1,656,716</u>
	<u>\$ 4,608,430</u>

4. Commitments and contingencies:

General Partner Obligations:

Management has determined that Blue Triangle Apartments will require HVAC system and fire panel capital expenditures in the near future. The total cost of such expenditures has been estimated to range from \$80,000 (for repairs) to \$350,000 (for replacements). Currently, Blue Triangle, L.P. does not have the financial resources to fund such capital needs and anticipates relying upon advances from the Company.

As the general partner of limited partnerships which develop and own affordable housing, the Company has various ongoing guarantee and fiduciary responsibilities. The total potential amount of related guarantees cannot be reasonably estimated; however, the Company is not aware of any expected or currently pending obligations other than as disclosed above.

PARTNERS IN HOUSING DEVELOPMENT CORPORATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

4. Commitments and contingencies (continued):

Grant Agreements:

The Company has received various grant funds from the City of Indianapolis and the Indiana Housing & Community Development Authority pursuant to certain HUD sponsored and other programs and has received grant funds from the U.S. Department of Veterans Affairs. The related grant agreements have ongoing compliance requirements including affordability restrictions, cost allocations and matching funds.

Defined contribution plan:

The Company has a defined contribution plan and matches eligible employee contributions at 3%. The total matching expense for 2010 was \$11,994.

Concentrations of risk:

The Company's operations are concentrated in the affordable housing market. In addition, the Company operates in a heavily regulated environment. The operations of the Company are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, if any, to comply with a change. In addition, given the nature of the Company's operations, liquidity difficulties may arise from time to time requiring the reliance on additional borrowings or fund-raising activities to meet its recurring obligations.

The Company deposits its cash in financial institutions. At times, deposits may exceed federally insured limits. The Company has not experienced any losses in such accounts.

5. Capital contributions and allocations of operating partnerships

Limited Partner capital contributions in the total amount of \$10,123,078 (net of related costs) have been received by the operating partnerships as of December 31, 2010.

The Partnership agreements provide for a reduction of capital contributions by the limited partners if the historic rehabilitation and the annual low income housing tax credits to be allocated to the limited partners are less than certain projected amounts. Based upon the development costs incurred and the leasing of apartment units to qualifying tenants, the resulting credits to be allocated to the limited partners are expected to exceed such thresholds. As such, there has been no reduction in capital contributions as of December 31, 2010.

Allocations of annual income (loss), tax credits and cash flow from operations of the Partnerships range from 99% to 99.99% for the Limited Partners (minority interests) and .01% to 1% for the General Partner (the Company). Cash flow from operations is first used to repay loans and deferred development fees due the General Partner.

PARTNERS IN HOUSING DEVELOPMENT CORPORATION  
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

6. Restricted deposits and reserves:

The Partnership agreements of Blue Triangle, L.P., Mozingo Place, L.P. and Colonial Park, L.P. require operating reserves which were funded from the final installments of capital contributions. During 2010, net deposits of \$31,447 were made to the operating reserves.

Other restricted deposits and reserves include required reserves for development or replacement of property and tenant security deposits.

7. Shelter Plus Care Program:

The Company has entered into agreements with the City of Indianapolis to provide project-based rental assistance pursuant to the Shelter Plus Care Program which requires the Company to provide supportive permanent housing for certain special needs persons. During 2010, the Company recognized income of \$496,848 related to the Shelter Plus Care Program for rental assistance. The Company must meet certain compliance requirements including ongoing affordability restrictions (see Note 10).

8. The Home Investment Partnerships Program:

The Company has entered into grant agreements with the City of Indianapolis in connection with certain funds received from HUD pursuant to the Home Investment Partnerships Program (HOME). During 2010, the Company recognized income of \$144,829 related to the HOME Program for project renovations. The Company must meet certain compliance requirements including ongoing affordability restrictions (see Note 10).

9. The Community Development Block Grant Program:

The Company has entered into grant agreements with the City of Indianapolis in connection with certain funds received by the City of Indianapolis from HUD pursuant to the Community Development Block Grant (CDBG) Program. During 2010, the Company recognized total income of \$384,573 related to the CDBG Program for project renovations. The Company must meet certain compliance requirements including ongoing affordability restrictions (see Note 10).

10. Land use restriction agreements:

As discussed in Note 5, the Partnerships qualify for low income housing tax credits pursuant to Internal Revenue Code Section 42. In connection with the low income tax credits, the Partnerships were required to enter into Land Use Restriction Agreements which provide for 100% of the apartment units to be rented to persons with income equal to or less than 50% of the median income of Marion County, Indiana. In addition, the Agreements provide, among other things, for the tenant portion of the rents for such restricted units to be equal to or less than 30% of such maximum income limits.

PARTNERS IN HOUSING DEVELOPMENT CORPORATION  
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

10. Land use restriction agreements (continued):

In addition, as discussed in other notes to the financial statements, the Company and subsidiaries have been awarded certain funds in connection with various programs that require ongoing affordability restrictions. Such restrictions are consistent with the requirements as set forth above for the low income housing tax credits.

11. VA Homeless Domiciliary Program:

Blue Triangle, L.P. entered into a Master Lease Agreement with the U.S. Department of Veterans Affairs in connection with the Homeless Domiciliary Residential Rehabilitation and Treatment Program (VA Homeless Domiciliary Program). The agreement is for an initial term of 10 years beginning September 15, 2008 and provides, among other things, for the rental of 50 units at an annual rental rate of \$328,778 (adjusted annually based upon the Consumer Price Index) and a renewal option for 5 additional years.

12. Indianapolis Housing Trust Fund:

The Company has entered into a grant agreement with the City of Indianapolis in connection with certain funds received from the City of Indianapolis Housing Trust Fund. The Company received \$497,660 in 2010 from the Housing Trust Fund in connection with the renovation of St. George Apartments and Guerin Place Apartments and for the development of a local land bank.

13. Affordable Housing Program:

On August 26, 2009, the Company received direct subsidy grants in connection with the Federal Home Loan Bank Affordable Housing Program (AHP) for the renovation of Crown Pointe Apartments and St. George Apartments in the amounts of \$665,200 and \$550,000, respectively all of which had been received as of December 31, 2010. In addition, on February 1, 2010, the Company received an AHP direct subsidy grant in the amount of \$750,000 in connection with the renovation of Linwood Manor Apartments of which \$604,375 had been received as of December 31, 2010. During 2010, the Company recognized total income of \$1,544,269 related to the AHP Program for project renovations.

The AHP Program required the Company to enter into fifteen year restricted-use agreements whereby units of each project are set-aside for low and moderate income persons. Noncompliance with the restricted-use agreements could result in the required repayment of the direct subsidy grants.

PARTNERS IN HOUSING DEVELOPMENT CORPORATION  
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2010

14. Promises to give:

As of December 31, 2010, the Company had received funding awards pursuant to various grant programs in the total amount of \$942,179 for funding project renovations. In addition, as of December 31, 2010, \$165,829 of such awards had, in substance, become unconditional and recorded as receivable for related costs incurred. No present value discounts or allowances for uncollectible promises were recorded at December 31, 2010 as such receivable amounts were all collected in early 2011 as expected.

15. Subsequent events:

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes. Management evaluated the activity of the Company through September 14, 2011 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements. However, the following paragraphs describe subsequent events that Management concluded should be disclosed.

On February 24, 2011, the Company received notification of a reservation award for an allocation of low income housing tax credits for the proposed acquisition and rehabilitation of Burton Apartments. As part of the application process, an "as is" appraisal was obtained and reflected a fair market value of \$420,000. The proposed transaction is contingent upon many factors included debt and equity financing.

The Company has been pursuing conversions (to grants) or cancellation of the HOME loans on Burton Apartments and Guerin Place Apartments in connection with the acquisition of the minority interests. The Company received releases of the mortgage agreements on May 5, 2011. Any income (or loss) relative to the planned tax credit development of Burton Apartments and cancellation of indebtedness on Burton Apartments and Guerin Place Apartments will be reflected upon final resolution and consummation of such transactions.

Effective February 1, 2011, the Company received an additional award in the amount of \$340,000 pursuant to the CDBG Program relative to the renovation of St. George Apartments.

Independent Auditors' Report on Schedule of  
Expenditures of Federal Awards

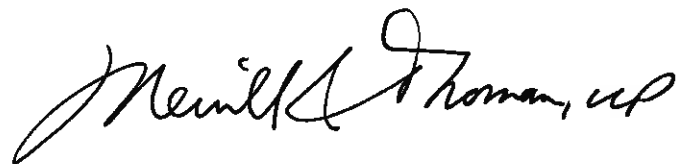
Board of Directors  
Partners In Housing Development Corporation  
Indianapolis, Indiana

We have audited the financial statements of Partners In Housing Development Corporation for the year ended December 31, 2010, and have issued our report thereon dated September 14, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. 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 that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the financial statements of Partners In Housing Development Corporation taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying 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.

September 14, 2011



PARTNERS IN HOUSING DEVELOPMENT CORPORATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED DECEMBER 31, 2010

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Major Program</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development/City of Indianapolis:			
Home Investment Partnerships Program	14.239	No	\$ 144,829
Shelter Plus Care	14.238	Yes	496,848
Community Development Block Grant - Disaster Relief	14.225	Yes	384,573
U.S. Department of Veterans Affairs:			
VA Homeless Veterans Providers Grant and Per Diem Program	64.024	No	<u>369,834</u>
Total			<u>\$ 1,396,084</u>

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Partners In Housing Development Corporation and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Independent Auditors' Report on Compliance With Requirements  
That Could Have a Direct and Material Effect on Each Major Program and  
Internal Control Over Compliance in Accordance  
With OMB Circular A-133

Board of Directors  
Partners In Housing Development Corporation  
Indianapolis, Indiana

Compliance

We have audited the compliance of Partners In Housing Development Corporation with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2010. Partners In Housing Development Corporation's major federal programs are identified in the Schedule of Expenditures of Federal Awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Partners In Housing Development Corporation's management. Our responsibility is to express an opinion on Partners In Housing Development Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Partners In Housing Development Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Partners In Housing Development Corporation's compliance with those requirements.

In our opinion, Partners In Housing Development Corporation complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

## Internal Control Over Compliance

The management of the entity is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the entity's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

September 14, 2011

A handwritten signature in black ink, appearing to read "Merrill A. Thomas, CPA". The signature is written in a cursive style with a large, stylized initial "M".

Independent Auditors' Report on Internal Control Over  
Financial Reporting and on Compliance and  
Other Matters based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards

Board of Directors  
Partners In Housing Development Corporation  
Indianapolis, Indiana

We have audited the financial statements of Partners In Housing Development Corporation (the Organization) as of and for the year ended December 31, 2010 and have issued our report thereon dated September 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the entity is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered the entity's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements of the entity's financial statements on a timely basis. A material weakness over financial reporting is a deficiency, or combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purposes described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Partners In Housing Development Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

September 14, 2011

A handwritten signature in black ink, reading "Kenneth A. Roman, CPA". The signature is written in a cursive style with a large, stylized initial "K".

PARTNERS IN HOUSING DEVELOPMENT CORPORATION  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED DECEMBER 31, 2010

**Section I - Summary of Auditors' Results:**

Financial Statements:

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_yes    X no
- Significant deficiency(s) identified that are not considered to be material weaknesses? \_\_\_yes    X none reported

Noncompliance material to financial statements noted?

\_\_\_yes    X no

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified? \_\_\_yes    X no
- Significant deficiency(s) identified that are not considered to be material weaknesses? \_\_\_yes    X none reported

Type of auditors' report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

\_\_\_yes    X no

Identification of major programs:

U.S. Department of Housing and Urban Development – Shelter Plus Care  
U.S. Department of Housing and Urban Development – CDBG

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low risk auditee?

X yes    \_\_\_ no

**Section II - Financial Statement Findings:**

None.

**Section III - Federal Awards and Questioned Costs:**

None.

**Merrill & Thoman, LLP**

Certified Public Accountants

9449 Priority Way West Drive, Suite 130

Indianapolis, Indiana 46240

Phone: (317) 705-2070

Fax: (317) 705-2069

Independent Auditors' Report on Accompanying Information

To the Board of Directors  
Partners In Housing Development Corporation  
Indianapolis, Indiana

We conducted our audit to form an opinion on the basic financial statements of Partners In Housing Development Corporation and subsidiaries taken as a whole. The accompanying supplementary information on pages 28 and 31 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying 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.

September 14, 2011

A handwritten signature in black ink, appearing to read "Merrill & Thoman, LLP". The signature is written in a cursive, flowing style.

PARTNERS IN HOUSING DEVELOPMENT  
COMBINING FINANCIAL SCHEDULES  
YEAR ENDED DECEMBER 31, 2010

CONTROLLED PARTNERSHIPS:

DESCRIPTION	CONTROLLED PARTNERSHIPS:							COMBINED BEFORE ADJUST	COMBINING ENTRIES #	2010 COMBINED FINANCIAL STATEMENTS	2009 COMBINED FINANCIAL STATEMENTS
	PARTNERS	COLONIAL	MOZINGO	BURTON	BLUJE TRIANGLE						
<b>STATEMENT OF FINANCIAL POSITION</b>											
<b>ASSETS</b>											
<b>PROPERTY AND EQUIPMENT:</b>											
Land	655,700	150,000	10,000	10,000	55,142		880,842		880,842	880,842	
Buildings & improvements	7,431,326	3,390,685	1,278,183	850,934	2,690,432		15,641,560		15,641,560	14,286,467	
Furniture & equipment	336,978	297,263	67,441	33,608	338,517		1,073,807		1,073,807	1,018,132	
Accumulated depreciation	8,424,004	3,837,948	1,355,624	894,542	3,084,091		17,596,209	0	17,596,209	16,185,441	
	(1,254,240)	(871,167)	(865,792)	(487,213)	(2,130,187)		(5,608,599)		(5,608,599)	(4,992,044)	
	7,169,764	2,966,781	489,832	407,329	953,904		11,987,610	0	11,987,610	11,193,397	
<b>CURRENT ASSETS:</b>											
Cash	47,821	13,677	4,212	6,650	11,442		83,802		83,802	668,287	
Accounts receivable - third parties	208,064	8,450	3,067	744	31,638		251,963		251,963	19,636	
Accounts receivable - controlled partnerships	32,167						32,167	(32,167)	(5)	0	0
OTHER ASSETS:											
Investments in controlled partnerships	(38,041)						(38,041)		(4)	0	0
Loans receivable - controlled partnerships	68,527						68,527	(68,527)	(1)	0	0
Devel fee receivables - controlled partnerships	91,066						91,066	(91,066)	(2)	0	0
Restricted reserves and deposits	510,144	171,166	44,065	44,820	2,904		773,099			744,062	
Unamortized costs and prepaid expenses	24,011	5,540	3,960				33,511			11,248	
<b>TOTAL ASSETS</b>	<b>8,113,523</b>	<b>3,165,614</b>	<b>545,136</b>	<b>459,543</b>	<b>999,888</b>		<b>13,283,704</b>	<b>(153,719)</b>		<b>13,129,985</b>	<b>12,636,630</b>
<b>LIABILITIES AND NET ASSETS</b>											
<b>CURRENT LIABILITIES:</b>											
Accounts payable & accrued expenses	227,140	7,924	2,811	1,532	34,422		273,829	(32,167)	(5)	241,662	191,871
Deferred income	11,353	5,838	590	210	628		18,619			18,619	14,726
Tenant security deposits liability	29,400	9,200	2,000	4,600	2,900		48,100			48,100	50,966
LONG-TERM LIABILITIES:											
Mortgage loans payable - long term	2,666,730	962,570	157,975	228,089	593,066		4,608,430			4,608,430	5,548,385
Deferred income - controlled partnerships							0			0	0
Notes payable	22,000						22,000			22,000	117,560
Accrued interest	112,834			148,393	220,680		481,907			481,907	444,225
General partner loans				68,527			68,527	(68,527)	(1)	0	0
Deferred developer fees		75,000	16,066				91,066	(91,066)	(2)	0	0
Minority interest in controlled partnerships	5,044,066	2,114,097	365,684	7,925	177,495		2,665,201			2,665,201	3,036,849
<b>NET ASSETS</b>	<b>5,044,066</b>	<b>(9,015)</b>	<b>10</b>	<b>267</b>	<b>(29,303)</b>		<b>5,006,025</b>	<b>35,020</b>	<b>(4)</b>	<b>5,044,066</b>	<b>3,232,048</b>
Net income adjustments							3,021				
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>8,113,523</b>	<b>3,165,614</b>	<b>545,136</b>	<b>459,543</b>	<b>999,888</b>		<b>13,283,704</b>	<b>(153,719)</b>		<b>13,129,985</b>	<b>12,636,630</b>

PARTNERS IN HOUSING DEVELOPMENT  
COMBINING FINANCIAL SCHEDULES  
YEAR ENDED DECEMBER 31, 2010

CONTROLLED PARTNERSHIPS:

DESCRIPTION	CONTROLLED PARTNERSHIPS:							COMBINED BEFORE ADJUST	COMBINING ENTRIES	AJE #	2010 COMBINED FINANCIAL STATEMENTS	2009 COMBINED FINANCIAL STATEMENTS
	PARTNERS	COLONIAL	MOZINGO	BURTON	BLUE TRIANGLE							
STATEMENT OF ACTIVITIES												
INCOME:												
Rental and other community income	1,129,139	464,317	87,199	14,800	526,093		2,221,548				2,221,548	1,812,653
Developer and consulting fees							0				0	0
Management and administrative fees:												
Third parties							0				0	0
Controlled entities	120,845						120,845	(120,845)	(6)		0	0
Contributions received	135,101						135,101				135,101	163,431
Federal grants	1,100,411	125,891	45,637	124,145			1,396,084				1,396,084	1,111,788
Private foundation and other grants	2,120,887						2,120,887				2,120,887	2,617,212
Other income	76						76				76	61,247
<b>TOTAL INCOME</b>	<b>4,606,459</b>	<b>590,208</b>	<b>132,836</b>	<b>138,945</b>	<b>526,093</b>		<b>5,994,541</b>	<b>(120,845)</b>			<b>5,873,696</b>	<b>5,766,311</b>
OPERATING EXPENSES:												
General & administrative	739,174						739,174				739,174	518,649
Supportive services	402,816						402,816				402,816	381,371
Management and accounting fees - Partners		31,463	10,839	42,904	21,639		106,845	(106,845)	(6)		0	0
Utilities	359,344	157,575	25,086	23,523	78,195		643,723				643,723	469,554
Operating & maintenance	699,339	227,874	61,763	38,267	281,129		1,308,172				1,308,172	1,212,363
Taxes & insurance	167,058	38,797	12,282	5,738	29,076		252,951				252,951	148,208
<b>TOTAL OPERATING EXPENSES</b>	<b>2,367,731</b>	<b>455,509</b>	<b>109,970</b>	<b>110,432</b>	<b>410,039</b>		<b>3,453,681</b>	<b>(106,845)</b>			<b>3,346,836</b>	<b>2,730,165</b>
<b>INCOME FROM OPERATIONS</b>	<b>2,238,728</b>	<b>134,699</b>	<b>22,866</b>	<b>28,513</b>	<b>116,054</b>		<b>2,540,860</b>	<b>(14,000)</b>			<b>2,526,860</b>	<b>3,036,146</b>
FINANCIAL REVENUE (EXPENSES):												
Interest income	1,740	156	342	15			2,253				2,253	3,226
Administrative fee - Partners	(3,021)		(4,000)	(4,000)	(10,000)		(14,000)	14,000	(6)		0	0
Income (loss) from partnerships							(3,021)	3,021	(4)		0	0
Interest expense - Partners	(193,933)	(43,508)	(13,790)	(14,027)	(40,860)		(306,118)				(306,118)	(265,560)
Interest expense - third party loans												
<b>INCOME BEFORE DEPRECIATION, AMORT. AND OTHER INCOME (EXPENSES)</b>	<b>2,043,514</b>	<b>91,347</b>	<b>9,418</b>	<b>10,501</b>	<b>65,194</b>		<b>2,219,974</b>	<b>3,021</b>			<b>2,222,995</b>	<b>2,773,812</b>
OTHER INCOME (EXPENSES):												
Cancellation of indebtedness							0				0	0
Valuation allowance							0				0	(510,000)
Depreciation & amortization	(231,496)	(99,174)	(95,686)	(32,391)	(159,556)		(618,303)				(618,303)	(591,552)
<b>CHANGE IN NET ASSETS FROM OPERATIONS BEFORE MINORITY INTEREST</b>	<b>1,812,018</b>	<b>(7,827)</b>	<b>(86,268)</b>	<b>(21,890)</b>	<b>(94,362)</b>		<b>1,601,671</b>	<b>3,021</b>			<b>1,604,692</b>	<b>1,672,260</b>
MINORITY INTEREST IN CONTROLLED PARTNERSHIPS												
		7,749	86,259	21,671	91,647		207,326				207,326	343,482
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	<b>1,812,018</b>	<b>(76)</b>	<b>(9)</b>	<b>(219)</b>	<b>(2,715)</b>		<b>1,808,997</b>	<b>3,021</b>			<b>1,812,018</b>	<b>2,015,742</b>

PARTNERS IN HOUSING DEVELOPMENT  
COMBINING FINANCIAL SCHEDULES  
WHOLLY-OWNED ENTITIES  
YEAR ENDED DECEMBER 31, 2010

WHOLLY-OWNED ENTITIES:

DESCRIPTION	WHOLLY-OWNED ENTITIES:						2010	2009
	PARTNERS	GUERIN	LINWOOD	MAPLETON	CROWN POINTE GLADSTONE	ST. GEORGE	THE ORLEANS	COMBINED FINANCIAL STATEMENTS
<b>STATEMENT OF FINANCIAL POSITION</b>								
<b>ASSETS</b>								
<b>PROPERTY AND EQUIPMENT:</b>								
Land		15,000	50,000	177,400	80,000	138,000	145,300	640,700
Buildings & improvements	30,096	961,262	809,157	710,459	942,370	1,531,395	1,499,490	5,060,999
Furniture & equipment	66,932	50,399	46,513	18,782	36,815	77,871	22,978	230,904
Accumulated depreciation	97,028 (76,352)	1,026,661 (596,023)	905,670 (122,019)	906,641 (69,191)	1,059,185 (51,733)	1,659,266 (245,738)	1,667,768 (63,029)	5,932,603 (429,120)
	20,676	430,638	783,651	837,450	1,007,452	1,413,528	1,614,739	5,503,483
<b>CURRENT ASSETS:</b>								
Cash	15,109	1,655	3,699	3,680	13,287	3,448	4,245	593,448
Accounts receivable - third parties		5,301	35,782	2,425	3,378	80,250	8,281	4,938
Accounts receivable - controlled partnerships	32,167							29,901
<b>OTHER ASSETS:</b>								
Investments in controlled partnerships	(39,526)	1,485						(36,505)
Intercompany loans receivable (payable)	4,326,905	(45,900)	(640,157)	(702,500)	(1,066,203)	(799,573)	(1,004,045)	68,527
Devel fee receivables - controlled partnerships	91,066							91,066
Restricted reserves and deposits	16,084	15,003	62,616	54,857	71,620	30,408	130,698	510,144
Unamortized costs and prepaid expenses	24,011							24,011
<b>TOTAL ASSETS</b>	<b>4,486,492</b>	<b>408,182</b>	<b>245,591</b>	<b>195,912</b>	<b>29,534</b>	<b>728,061</b>	<b>1,757,963</b>	<b>6,785,908</b>
<b>LIABILITIES AND NET ASSETS</b>								
<b>CURRENT LIABILITIES:</b>								
Accounts payable & accrued expenses	1,695	1,305	39,427	5,387	1,860	69,634	44,216	182,568
Deferred income		1,175		846	231	25	7,831	5,463
Tenant security deposits liability		1,550		1,850	6,050	400	15,250	29,417
<b>LONG-TERM LIABILITIES:</b>								
Mortgage loans payable - long term		301,943	260,922	196,054	50,419	657,392	1,200,000	3,218,832
Notes payable	22,000							117,560
Accrued interest		112,834						112,834
General partner loans								
Deferred developer fees								
Minority interest in controlled partnerships	4,462,797	(10,625)	(54,758)	(8,225)	(29,026)	610	490,666	3,232,048
<b>NET ASSETS</b>	<b>4,486,492</b>	<b>408,182</b>	<b>245,591</b>	<b>195,912</b>	<b>29,534</b>	<b>728,061</b>	<b>1,757,963</b>	<b>6,785,908</b>

PARTNERS IN HOUSING DEVELOPMENT  
 COMBINING FINANCIAL SCHEDULES  
 WHOLLY-OWNED ENTITIES  
 YEAR ENDED DECEMBER 31, 2010

WHOLLY-OWNED ENTITIES:

DESCRIPTION	PARTNERS	GUERIN	LINWOOD	MAPLETON	CROWN POINTE	GLADSTONE ST. GEORGE	THE ORLEANS	2010 COMBINED FINANCIAL STATEMENTS	2009 COMBINED FINANCIAL STATEMENTS
<b>STATEMENT OF ACTIVITIES</b>									
<b>INCOME:</b>									
Rental and other community income	(201,175)	82,826	1,723	151,539	198,624	173,978	433,879	1,129,139	674,859
Developer and consulting fees	163,885		(109,800)		(21,675)	(32,410)		0	0
Management and administrative fees:									
Third parties									
Controlled entities	120,845							120,845	131,758
Contributions received	135,101							135,101	163,431
Federal grants	1,100,411			13,952				1,100,411	813,948
Private foundation and other grants	2,106,935							2,120,887	2,617,212
Other income	76							76	61,247
<b>TOTAL INCOME</b>	<b>3,426,078</b>	<b>82,826</b>	<b>(108,077)</b>	<b>165,491</b>	<b>176,949</b>	<b>141,568</b>	<b>433,879</b>	<b>4,606,459</b>	<b>4,462,455</b>
<b>OPERATING EXPENSES:</b>									
General & administrative	702,324							739,174	804,004
Supportive services	531,859							402,816	381,371
Management and accounting fees	(60,467)		(129,043)	7,850	15,625	8,725	23,195	0	0
Utilities		5,072	32,066	40,132	53,281	47,780	114,757	359,344	197,518
Operating & maintenance		13,450	60,806	57,075	84,880	82,073	261,993	699,339	207,703
Taxes & insurance		56,806	9,277	13,448	23,259	16,926	81,887	167,058	65,271
<b>TOTAL OPERATING EXPENSES</b>	<b>1,173,716</b>	<b>82,030</b>	<b>(26,894)</b>	<b>118,505</b>	<b>177,045</b>	<b>167,770</b>	<b>481,832</b>	<b>2,367,731</b>	<b>1,655,867</b>
<b>INCOME FROM OPERATIONS</b>	<b>2,252,362</b>	<b>796</b>	<b>(81,183)</b>	<b>46,986</b>	<b>(96)</b>	<b>(26,202)</b>	<b>(47,953)</b>	<b>2,238,728</b>	<b>2,806,588</b>
<b>FINANCIAL REVENUE (EXPENSES):</b>									
Interest income	44	36	79	93	426	541	382	1,740	1,521
Administrative fee - Partners	(3,021)							(3,021)	(2,498)
Income (loss) from partnerships									
Interest expense - Partners	(25,698)	(9,058)	(21,324)	(16,468)	(3,801)	(5,775)	(60,667)	(193,933)	(138,062)
Interest expense - third party loans									
<b>INCOME BEFORE DEPRECIATION, AMORT. AND OTHER INCOME (EXPENSES)</b>	<b>2,223,687</b>	<b>(8,226)</b>	<b>(102,428)</b>	<b>30,611</b>	<b>(3,471)</b>	<b>(31,436)</b>	<b>(108,238)</b>	<b>2,043,514</b>	<b>2,667,549</b>
<b>OTHER INCOME (EXPENSES):</b>									
Cancellation of indebtedness									(510,000)
Valuation allowance	(6,151)	(2,399)	(32,596)	(25,682)	(29,879)	(23,520)	(52,677)	(231,496)	(141,807)
Depreciation & amortization									
<b>CHANGE IN NET ASSETS FROM OPERATIONS BEFORE MINORITY INTEREST</b>	<b>2,217,536</b>	<b>(10,625)</b>	<b>(135,024)</b>	<b>4,929</b>	<b>(33,350)</b>	<b>(54,956)</b>	<b>(160,915)</b>	<b>1,812,018</b>	<b>2,015,742</b>
<b>MINORITY INTEREST IN CONTROLLED PARTNERSHIPS</b>									
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	<b>2,217,536</b>	<b>(10,625)</b>	<b>(135,024)</b>	<b>4,929</b>	<b>(33,350)</b>	<b>(54,956)</b>	<b>(160,915)</b>	<b>1,812,018</b>	<b>2,015,742</b>