

YES HOUSING, INC. AND AFFILIATES
Albuquerque, New Mexico

FINANCIAL STATEMENTS
June 30, 2013

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**YES HOUSING, INC. AND AFFILIATES
OFFICIAL ROSTER
June 30, 2013**

Board of Directors

Orlando Vigil, Chairman

Robert J. Avila, Vice Chairman

William M. Knauf, Secretary/Treasurer

Dr. Beverlee McClure, Member

Lawrence Chavez, Member

Augustine C. Baca, Member

Joseph R. Ortega, Member

Executive Staff

Augustine C. Baca, YES President/CEO

Joseph R. Ortega, Executive Vice President/COO

Clyde "Skip" Skinner, Senior Vice President/CFO



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Independent Auditors' Report

To the Board of Directors of
YES Housing, Inc. and Affiliates
Albuquerque, New Mexico

Report on the Financial Statements

We have audited the accompanying consolidated statement of financial position of YES Housing, Inc. and Affiliates (the Organization) as of June 30, 2013, and the related consolidated statements of activities, changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements, which collectively comprise the Organization's consolidated financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 applicable to 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 consolidated financial statements.

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

Opinions

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2013, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding a Correction of an Error

As discussed in Note 13 to the consolidated financial statements, certain errors resulting from an incorrect consolidation methodology were discovered by management of the entity during the current year. Accordingly, amounts reported for beginning net assets and non-controlling interest have been restated in the 2013 consolidated financial statements now presented, and an adjustment has been made to reduce net assets as of June 30, 2012 by \$5,996,407 and non-controlling interest was increased by \$16,549,204 to correct the error. Our opinion is not modified with respect to that matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements that collectively comprise the Organization's consolidated financial statements. The consolidating financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is also presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements.

The consolidating financial statements and schedules listed in the table of contents and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the basic consolidated 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 basic consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2014 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with

Government Auditing Standards in considering the Organization's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Albuquerque, New Mexico
January 31, 2014

YES HOUSING, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2013

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,468,059
Restricted cash and cash equivalents	915,760
Earnest deposits	10,000
Construction costs receivable	1,022
Rents and miscellaneous receivables	163,874
Prepaid expenses and deposit	214,905
Work in progress	<u>4,895</u>

Total current assets 2,778,515

PROPERTY, FURNITURE AND EQUIPMENT, net 65,193,643

OTHER ASSETS

Debt-issue costs and tax credit monitoring fees, net of accumulated amortization	1,956,027
Predevelopment costs	196,596
Receivables - affiliates	22,211
Notes receivable - affiliates	2,216,231
Investments in limited partnerships	51
Investments in marketable securities	2,527,235
Development fees receivable	125,000
Restricted cash and cash equivalents	<u>3,617,642</u>

Total other assets 10,660,993

TOTAL ASSETS \$ 78,633,151

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Long-term debt - current maturities	\$ 3,051,810
Accrued interest payable	180,266
Accounts payable	252,842
Accrued salaries and payroll taxes	124,311
Tenant prepaid rent	13,957
Other accrued expenses	583,906
Pension plan liability	292,178
Security deposits	242,858
Deferred revenue	<u>86,513</u>
Total current liabilities	<u>4,828,641</u>

LONG-TERM LIABILITIES

Deferred AHP revenue	240,000
Development fee payable	755,625
Asset management fee payable	42,016
Accrued interest payable - long-term	845,847
Long-term debt, less current maturities	<u>42,407,904</u>
Total long-term liabilities	<u>44,291,392</u>
Total liabilities	<u>49,120,033</u>

NET ASSETS

Unrestricted	9,082,813
Partners' capital	<u>980,575</u>
Net assets attributable to YES Housing, Inc. and Affiliates	10,063,388
Noncontrolling interest	<u>19,449,730</u>
Total net assets	<u>29,513,118</u>

TOTAL LIABILITIES AND NET ASSETS **\$ 78,633,151**

The accompanying notes are an integral part of the consolidated financial statements.

YES HOUSING, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

UNRESTRICTED NET ASSETS:

SUPPORT AND REVENUE

Rent	\$ 8,050,325
Grant revenue	1,436,381
Program income	386,063
Development fees	125,931
Interest	126,488
Net unrealized/realized gain on investments	235,031
Other revenue	<u>126,491</u>

Total revenue	<u>10,486,710</u>
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EXPENSES

Program	12,767,487
General and administrative	<u>927,758</u>

Total expenses	<u>13,695,245</u>
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TOTAL CHANGE IN UNRESTRICTED NET ASSETS	(3,208,535)
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CHANGE IN UNRESTRICTED NET ASSETS ATTRIBUTABLE TO NON-CONTROLLING INTEREST	<u>(2,153,666)</u>
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CHANGE IN UNRESTRICTED NET ASSETS ATTRIBUTABLE TO YES HOUSING, INC.	<u>\$ (1,054,869)</u>
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The accompanying notes are an integral part of the consolidated financial statements.

YES HOUSING, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2013

	<u>Unrestricted</u>	<u>Non-controlling Interest</u>	<u>Total</u>
BALANCES, JUNE 30, 2012, RESTATED	\$ 11,654,123	\$ 16,549,204	\$ 28,203,327
Capital contributions	-	5,054,192	5,054,192
Distributions	(535,866)	-	(535,866)
Change in net assets	<u>(1,054,869)</u>	<u>(2,153,666)</u>	<u>(3,208,535)</u>
BALANCES, JUNE 30, 2013	<u>\$ 10,063,388</u>	<u>\$ 19,449,730</u>	<u>\$ 29,513,118</u>

The accompanying notes are an integral part of the consolidated financial statements.

YES HOUSING, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from rents	\$ 8,062,857
Cash received from grantors	1,537,602
Cash received from program income	472,576
Interest received	126,488
Cash received from development fees	3,318,412
Cash received from management fees	61,158
Other cash receipts	868,925
Interest paid	(2,129,699)
Cash paid to suppliers and employees	<u>(7,900,820)</u>
Net cash provided by operating activities	<u>4,417,499</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Advances on notes receivable	42,016
Proceeds from sales of investments	852,443
Purchases of investments	(83,051)
Additions to restricted cash balances	(951,767)
Work in process, net	532,438
Payments on development fee payable	542,665
Purchases of property and equipment	<u>(9,921,432)</u>
Net cash used in investing activities	<u>(8,986,688)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Debt issuance costs	(161,310)
Proceeds from loans	272,963
Capital contribution	5,054,192
Distribution	<u>(535,866)</u>
Net cash provided by financing activities	<u>4,629,979</u>

**NET INCREASE IN CASH AND
CASH EQUIVALENTS**

60,790

**CASH AND CASH EQUIVALENTS,
BEGINNING OF YEAR (Unrestricted)**

1,407,269

**CASH AND CASH EQUIVALENTS,
END OF YEAR (Unrestricted)**

\$ 1,468,059

YES HOUSING, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended June 30, 2013

INCREASE IN CASH AND CASH EQUIVALENTS

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (1,054,869)
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**ADJUSTMENTS TO RECONCILE CHANGE IN
NET ASSETS TO NET CASH PROVIDED
BY OPERATING ACTIVITIES**

Loss on disposal of assets	63,599
Depreciation and amortization	2,500,703
Net realized and unrealized gain on investments	(235,031)
Non-controlling interest	(2,153,666)

Increase (decrease) in:

Earnest deposits	42,000
Grant receivable	100,351
Accounts receivable - affiliates	(18,357)
Construction costs receivable	(1,022)
Rents and miscellaneous receivables	(137,677)
Prepaid expenses and deposit	(76,950)
Predevelopment costs	4,029,786
Development fees receivable	403,922

Increase (decrease) in:

Accrued interest payable	463,845
Accounts payable	85,660
Accrued salaries and payroll taxes	13,413
Tenant prepaid rent	1,270
Other accrued expenses	299,721
Deferred revenue	86,513
Security deposits	<u>4,288</u>

Total adjustments	<u>5,472,368</u>
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**NET CASH PROVIDED BY
OPERATING ACTIVITIES**

	<u>\$ 4,417,499</u>
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The accompanying notes are an integral part of the consolidated financial statements.

YES HOUSING, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2013

	<u>Program</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 1,846,254	\$ 433,066	\$ 2,279,320
Payroll taxes	161,791	28,211	190,002
Employee benefits	<u>213,948</u>	<u>164,796</u>	<u>378,744</u>
Total personnel expenses	<u>2,221,993</u>	<u>626,073</u>	<u>2,848,066</u>
Depreciation and amortization	2,455,168	45,535	2,500,703
Donations expense	-	2,600	2,600
Duplication and publishing	9,389	1,308	10,697
Equipment	9,187	16,053	25,240
Insurance	320,608	19,587	340,195
Interest	2,468,019	8,111	2,476,130
Loss on disposal of assets	63,599	-	63,599
Other expenses	649,239	38,995	688,234
Predevelopment costs	1,545,899	-	1,545,899
Professional fees	213,986	118,847	332,833
Property management	279,629	-	279,629
Property taxes	342,345	-	342,345
Rent	42,335	24,447	66,782
Repairs and maintenance	612,531	9,414	621,945
Social services	192,435	-	192,435
Telephone and utilities	1,255,376	10,951	1,266,327
Training	48,567	5,351	53,918
Travel	<u>37,182</u>	<u>486</u>	<u>37,668</u>
Total other expenses	<u>10,545,494</u>	<u>301,685</u>	<u>10,847,179</u>
TOTAL EXPENSES	<u>\$ 12,767,487</u>	<u>\$ 927,758</u>	<u>\$ 13,695,245</u>

The accompanying notes are an integral part of the consolidated financial statements.

YES HOUSING, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Definition of Reporting Entity

YES Housing, Inc. (YES) was incorporated in the State of New Mexico in 1990. The purpose of YES is to provide housing; housing counseling; economic development; and opportunities for youth, families and the elderly nationwide; and to participate in such activities, ventures, sales, leases, loans and investments as may be expected to provide capital or other benefits in furtherance of the above-mentioned activities. YES develops, owns and manages multi-family communities to provide a better quality of life to those served.

On August 20, 2002, YES Housing of Arizona, Inc. (a wholly owned subsidiary) incorporated under the Arizona Nonprofit Corporation Act in order to relieve the burdens on the poor, distressed, elderly and handicapped through the provision of affordable housing.

Principles of Consolidation

The consolidated financial statements include the accounts of YES and YES Housing of Arizona, Inc., and its 100% owned entities, Yes 6900 Gonzales, LLC; YES La Hacienda LLC and YES NSP LLC. Additionally, YES owns limited liability companies whose sole activity consists of General Partner ownership interests of .01% or less of various limited partnerships, which are also consolidated as they meet the consolidation requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 810-20-25. These GP investments are: Wildewood Apartments LP, Brentwood Garden Apartments LP, Montana Meadows Apartments LP, Los Tres Apartments LP, Vista Grande Apartments LP, Apple Ridge Apartments LP, Bella Vista Townhomes LP, Mesa Del Norte Apartments LP, YES Deming Mountain View Apartments LP, Otero Village Apartments LP, and Roswell Summit Apartments LP. All material intercompany transactions have been eliminated.

Use of Estimates in Preparing Financial Statements

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 and expenses during the reporting period. Significant estimates include the methods and lives used to compute depreciation expense, and the allowance for uncollectible accounts. Accordingly, actual results could differ from those estimates.

Financial Statement Presentation

Financial statement presentation follows the recommendations of ASC 958, *Not-for-Profit Entities*. Under ASC 958, YES is required to report information regarding its consolidated financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. In addition, YES is required to present a consolidated statement of cash flows. No temporarily or permanently restricted assets were held during the years ended June 30, 2013 and, accordingly, these consolidated financial statements do not reflect any activity related to these classes of net assets.

YES HOUSING, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The accompanying consolidated financial statements have been prepared using the accrual method of accounting. Under the accrual method of accounting, revenues are recognized when earned rather than received, and expenses are recognized when the related liability is incurred rather than when paid.

Cash and Cash Equivalents

For purposes of preparing the consolidated statement of cash flows, YES considers all undesignated interest-bearing accounts and debt instruments with an original maturity date of three months or less to be cash equivalents. Cash and cash equivalents may be held in separate accounts for purposes related to notes, for the purchase of various apartment complexes or board designation.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. 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.

At June 30, 2013, there were no amounts recorded in the allowance for doubtful accounts and no amounts past due 90 days or longer. Historical uncollectible receivables have not been material to the financial statements.

Property, Furniture and Equipment

Property, furniture and equipment is stated at cost or, if donated, at the approximate fair value at the date of donation. Assets costing \$500 or more are capitalized. Depreciation is provided utilizing the straight-line method over the estimated useful lives of the respective assets, as follows:

Computer equipment and software	3 – 5 years
Furniture and equipment	3 – 12 years
Automobiles	5 years
Buildings and improvements	10 – 40 years

Assets purchased with funds from grant sources are expensed in the year of purchase as title to these assets remains with the grant sources.

Debt-Issue Costs and Tax Credit Monitoring Fees

Costs related to the financing of apartment complexes and monitoring of tax credits are being amortized over the term of the related loans or tax credit life using the effective interest method.

YES HOUSING, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-lived Assets

YES reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of, if any, are reported at the lower of the carrying amount or the fair value less costs to sell. There was no impairment of long-lived assets at June 30, 2013.

Predevelopment Costs

YES capitalizes all costs associated with the predevelopment of a project. Any cost reimbursed as part of closing will be included as part of the initial building cost. Amounts not reimbursed are expensed at that time.

Investments in Marketable Securities

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Investment income or loss (including gain or losses on investment, interest and dividends) is included in the statement of activities as an increase or decrease in unrestricted net assets unless income or loss is restricted by donor or law.

Investments consist principally of marketable debt and equity securities. Fair value of investments in securities is based on the last reported sales price as of June 30, 2013.

Donated Services and Materials

YES recognizes significant contributions of services if the services create or enhance financial assets, require specialized skills, and would have been purchased had they not been provided as a contribution. Recognized contributed services are recorded at the fair value of the services on the date of donation. Significant donations of materials are recorded at their fair value on the date of donation.

Support

YES reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets are subject to donor-imposed restrictions that may or will be met by the occurrence of a specific event or the passage of time. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

YES HOUSING, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

All entities of YES and YES Housing of Arizona are non-profit corporations and qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code (IRC) and are classified as other than private foundations. As such, their normal activities do not result in any income tax liability. YES did not incur any unrelated business taxable income for the years ended June 30, 2013. As a result, YES did not recognize federal and state income tax for the years ended June 30, 2013.

YES would recognize accrued interest related to unrecognized tax benefits in interest expense and penalties in operating expenses. There was no such interest or penalties recorded for the years ended June 30, 2013.

YES files informational tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, YES is subject to examination by federal, state, local and foreign jurisdictions, where applicable. As of June 30, 2013, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the year ended June 30, 2010 and forward.

Functional Allocation of Expense

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events

Management evaluated subsequent events through January 31, 2014, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2013, but prior to January 31, 2014, that provided additional evidence about conditions that existed at June 30, 2013, have been recognized in the consolidated financial statements for the year ended June 30, 2013. Events or transactions that provided evidence about conditions that did not exist at June 30, 2013, but arose before the consolidated financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2013.

NOTE 2 - DESIGNATED AND RESTRICTED CASH AND CASH EQUIVALENTS

YES maintains its cash in bank deposit accounts which, at times, may exceed the federally insured limits. YES has not experienced any losses in such accounts and believes it is not exposed to any significant credit risks on cash or cash equivalents.

YES HOUSING, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 - DESIGNATED AND RESTRICTED CASH AND CASH EQUIVALENTS
(CONTINUED)

Amounts included in cash and cash equivalents that are designated and restricted as of June 30, 2013 consist of the following:

Replacement reserve	\$ 1,154,654
Debt service reserve	1,110,534
Operating deficit reserve	831,193
Trustee account	519,917
Property tax and insurance escrow	318,033
Security deposits	257,924
Homeowners reserve	23,963
Interest reserve	18,962
Other	<u>904</u>
Total	<u>\$ 4,236,084</u>

A money market fund was also established during the fiscal year ended June 30, 2008. The use of the funds is subject to the Board of Directors' approval. At June 30, 2013, the balance was \$2,037.

Additionally, there is restricted cash in the amount of \$3,103 as of June 30, 2013, related to Bent Tree and Park Terrace, which were sold during the year ended June 30, 2007. Under a Statement of Understanding between YES and the City of Albuquerque, YES is required to set aside a portion of sales proceeds with restrictions detailed in the Statement of Understanding (see Note 11). This restriction expired during fiscal year 2013.

Restricted cash also includes \$292,178 as of June 30, 2013 for the 457(b) Retirement Plan (see Note 10).

Restricted funds are held in bank accounts and money market accounts, some of which invest in federal treasury obligations which market value approximates cost.

YES HOUSING, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2013

NOTE 3 – PROPERTY, FURNITURE AND EQUIPMENT

At June 30, 2013, property, furniture and equipment consisted of the following:

Buildings	\$ 50,951,958
Building/land improvements	21,342,763
Furniture and equipment	<u>2,177,468</u>
	74,472,189
Less accumulated depreciation	<u>(20,008,307)</u>
	54,463,882
Construction in process	3,134,238
Land	<u>7,595,523</u>
Total property, furniture and equipment	<u>\$ 65,193,643</u>

Depreciation expense for the year ended June 30, 2013 totaled \$2,448,826.

NOTE 4 - DEBT-ISSUE COSTS AND TAX CREDIT MONITORING FEES

Costs related to the financing of apartment complexes and tax credit monitoring are being amortized over the term of the related loans and tax credits. Debt-issue costs and tax credit monitoring fees and related accumulated amortization as of June 30, 2013 are as follows:

Debt-issue costs	\$ 2,579,555
Tax credit monitoring fees	249,330
Less accumulated amortization	<u>(872,858)</u>
Total	<u>\$ 1,956,027</u>

Amortization expense for the year ended June 30, 2013 totaled \$51,877.

NOTE 5 - NOTES AND DEVELOPMENT FEES RECEIVABLES – RELATED PARTIES

The following related party development fee income is due to YES from an investment owned in part by YES and included in the development fees receivable total presented on the statement of financial position as of June 30, 2013:

Casitas de Colores, Limited Partnership	<u>\$ 24,500</u>
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YES HOUSING, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2013

NOTE 6 - FAIR VALUE OF FINANCIAL INSTRUMENTS

In determining fair value, YES uses various valuation approaches within the ASC 820 fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability. ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. ASC 820 defines levels within the hierarchy based on the reliability of inputs as follows:

- Level 1 - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 – Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

Except for certificates of deposit, investments are measured at fair value using Level 1 inputs. The fair values are based on quoted market prices at the reporting date. Certificates of Deposit are carried at cost, which in management's opinion approximates fair market value.

The following table presents assets and liabilities measured at fair value by classification within the fair value hierarchy as of June 30, 2013.

	Fair Value Measurement Using			Total	Cost Basis
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Mutual Funds:					
Growth Funds	\$ 1,198,058	\$ -	\$ -	\$ 1,198,058	\$ 921,615
Bond Funds	899,646	-	-	899,646	909,127
Value Funds	338,067	-	-	338,067	300,935
Emerging Markets	<u>91,464</u>	<u>-</u>	<u>-</u>	<u>91,464</u>	<u>75,464</u>
Total	<u>\$ 2,527,235</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,527,235</u>	<u>\$ 2,207,141</u>

A summary of return on investments consists of the following for the years ended June 30:

Net realized gain	\$ 63,335
Net unrealized gain	<u>171,696</u>
Total	<u>\$ 235,031</u>

YES HOUSING, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2013

NOTE 7 - LONG-TERM DEBT

At June 30, 2013, long-term debt consisted of the following:

<p>Los Tres - Series 2005 Multifamily Housing Revenue Bonds payable, bearing interest at 6.62%; monthly interest-only payments until July 1, 2014, after which monthly principal and interest payments of \$47,292, secured by deed of trust, matures on January 1, 2038.</p>	<p>\$ 7,607,418</p>
<p>Brentwood Gardens - Note payable to Regional III Housing Authority, New Mexico, bearing interest at 6.85%; interest due semi-annually on June 1 and December 1; principal payment due December 1, secured by deed of trust, matures on December 1, 2031.</p>	<p>4,270,000</p>
<p>Vista Grande - Note payable to Wells Fargo Multi-Family Capital, bearing interest at 5.45%, insured by HUD under Section (d)(4) of the National Housing Act, secured by first deed of trust, matures in March 2045.</p>	<p>3,885,995</p>
<p>Apple Ridge – Note payable to San Juan County, New Mexico, bearing interest at 7.25%, interest due semiannually on June 1 and December 1, principal payment due December 1, secured by deed of trust, matures on December 1, 2031.</p>	<p>2,980,000</p>
<p>Solar Villas - Note payable to Bernalillo County, New Mexico, Subordinate Series 1997G note, interest only payments until October 15, 2027, at which time payment of principal is due; with interest at 8.75%, secured with real estate, furniture and equipment.</p>	<p>2,600,000</p>
<p>Mesa Del Norte - Construction loan payable to Bank of America, N.A., bearing interest at LIBOR plus 2.25% (2.44% at June 30, 2013), matures on the lesser of twenty-four months after the Closing Date or the date on which the loan converts into a permanent loan, which will bear interest at 5.91% and will mature 216 months after its closing date, payments payable monthly.</p>	<p>2,365,501</p>
<p>YES La Hacienda - New Mexico Mortgage Finance Authority, 0% interest, maturity date March 2031. Repayments are made from excess cash-flows and remaining balance to be forgiven upon satisfactory completion of affordability period.</p>	<p>2,337,268</p>

YES HOUSING, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2013

NOTE 7 - LONG-TERM DEBT (CONTINUED)

YES - City of Albuquerque Home Funds, non-interest bearing, secured by the property, matures on January 1, 2045.	2,216,281
Montana Meadows - Note payable to Dona Ana County, New Mexico, bearing interest at 7%; interest due semi-annually on June 1 and December 1; principal payment due December 1, secured by deed of trust, matures on December 1, 2030.	2,185,000
Wildewood - Note payable to Regional Housing Authority for Region VI, New Mexico, bearing interest at 7.5%; interest due semi-annually on June 1 and December 1; principal payment due December 1, secured by deed of trust, matures on December 1, 2030.	2,040,000
Los Tres - Notes payable to City of Phoenix, Arizona, bearing interest at 4%; annual payments of interest and principal due from available cash flow, secured by a subordinate deed of trust, matures on May 2, 2046.	1,800,000
Gonzales/Charter School - Raza Development Fund, Inc., monthly principal and interest payments of \$9,455 through December 14, 2016, with interest at 6.50%, secured by real estate.	1,227,808
Solar Villas – Note payable to Bernalillo County, New Mexico, Senior Series 1997F note, bearing interest at 7.25%, interest due semiannually on April 15 and October 15, principal payment due October 15, secured with real estate, furniture and equipment, matures on October 15, 2022.	1,120,000
Roswell Summit - Mortgage payable to New Mexico Mortgage Finance Authority in monthly installments, bearing interest at 6%, matures on December 1, 2043.	813,120
YES Mountain View Deming - Loan payable to USDA, Rural Development, bearing interest at 3.5%, however, a subsidy agreement entered into with RD which effectively lowers interest rate to 1%, secured by the apartment project, matures December 1, 2041.	667,616
Bella Vista - Mortgage loan payable to Pacific Life Insurance Company, bearing interest at 7.93%, monthly payments due until maturity on August 1, 2027.	660,554

YES HOUSING, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2013

NOTE 7 - LONG-TERM DEBT (CONTINUED)

<p>Otero Village - Note payable to New Mexico Mortgage Finance Authority in monthly installments of \$4,535, bearing interest at 7.89%, secured by deed of trust, matures on November 1, 2041.</p>	<p>615,873</p>
<p>YES Mountain View Deming - Mortgage loan payable to the New Mexico Mortgage Finance Authority through a HOME agreement, bearing interest at 3%, amortizing loan with a 378 month term due at the earlier of sale or refinance of the Project or on maturity at May 1, 2043.</p>	<p>540,000</p>
<p>Mesa Del Norte - Housing Trust Fund Loan payable to the New Mexico Mortgage Finance Authority, bearing interest at 3%, interest only payments until February 1, 2014, principal and interest payments thereafter, secured by a third mortgage and a Land Use Restriction Agreement against the Project, matures on May 1, 2044.</p>	<p>500,000</p>
<p>Los Tres - Note payable to State of Arizona, Arizona Department of Housing, bearing interest at 4%; annual payments of interest and principal due from available cash flow, secured by a subordinate deeds of trust, matures on June 30, 2050.</p>	<p>500,000</p>
<p>YES Mountain View Deming - Housing Trust Fund Loan payable to the New Mexico Mortgage Finance Authority, bearing interest at 3%, monthly payments of principal and interest are due, any outstanding principal and interest are due on February 1, 2043.</p>	<p>496,525</p>
<p>Roswell Summit - Mortgage loan payable to the New Mexico Mortgage Finance Authority through a HOME agreement, bearing interest at 4.63%, non-amortizing loan with a 480 month term due at the earlier of sale or refinance of the Project or until maturity at December 12, 2042.</p>	<p>490,000</p>
<p>Mesa Del Norte - Mortgage loan payable to the New Mexico Mortgage Finance Authority through a HOME agreement, non-interest bearing for the first 18 months, monthly payments to begin on June 1, 2014, secured by the mortgage encumbering the Project, matures on May 1, 2054.</p>	<p>450,000</p>

YES HOUSING, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2013

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Penn Building - U.S. Bank, monthly principal and interest payments of \$4,500 through May 2023, bearing interest of 4.31% through May 2018 and 3.0% plus a premium thereafter, secured by real estate.	420,815
Otero Village - Note payable to New Mexico Mortgage Finance Authority, interest only payments due monthly at 1%, secured by deed of trust, matures on January 10, 2041.	400,000
YES - Wells Fargo Community Development Corporation, quarterly interest only payments equal to 2% on outstanding principal through June 22, 2015. Loan automatically extends for two years upon maturity unless lender is notified in writing thirty days prior to maturity date. Upon extension, quarterly interest payments equal to 2% on outstanding principal plus eight equal principal installments, commencing on September 22, 2015 through June 22, 2017.	400,000
Stinson - U.S. Bank, monthly principal and interest payments of \$3,466 through June 10, 2018, with interest at 6.5%, with real estate, pledged as collateral.	387,941
Bella Vista - Mortgage loan payable to the New Mexico Mortgage Finance Authority through a HOME agreement, bearing interest at 4.37%, non-amortizing loan with a 480 month term due at the earlier of sale or refinance of the Project or until maturity at January 1, 2048.	366,000
Montana Meadows - Note payable to Dona Ana County, New Mexico, bearing interest at 8.5%; interest due semi-annually on June 1 and December 1; principal payment due December 1, secured by deed of trust, matures on December 1, 2015.	262,000
Mesa Del Norte – Promissory note payable to YES, assigned through the Federal Home Loan Bank, bearing interest at 1%, compounded annually. Matures on December 31, 2032.	252,000
Hobbs - Raza Development Fund, Inc., monthly interest only payments of \$1,249 through December 17, 2015, with interest at 6.75%, secured by real estate.	222,000

YES HOUSING, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2013

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Apple Ridge – Note payable to San Juan County, New Mexico, bearing interest at 8.75%, interest due semi-annually on June 1 and December 1, principal payment due December 1, secured by deed of trust, matures on December 1, 2016. 158,000

Wildewood - Note payable to Regional Housing Authority for Region VI, New Mexico, bearing interest at 8.75%; interest due semi-annually on June 1 and December 1; principal payment due December 1, secured by deed of trust, matures on December 1, 2020. 162,999

Montana Meadows - Note payable to Dona Ana County, New Mexico, bearing interest at 8.5%; interest due semi-annually on June 1 and December 1; secured by deed of trust, principal to be paid at maturity on December 1, 2021. 59,000

Total 45,459,714

Less current maturities (3,051,810)

Total long-term debt **\$ 42,407,904**

Aggregate maturities of long-term debt as of June 30, 2013 are as follows:

Years ended June 30:

2014	\$ 3,051,809
2015	802,656
2016	8,763,705
2017	2,014,731
2018	699,549
2019 and thereafter	<u>30,127,264</u>
Total	<u>\$ 45,459,714</u>

Interest expense incurred related to these notes for the year ended June 30, 2013 totaled \$2,346,024.

YES HOUSING, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2013

NOTE 8 – RENTAL REVENUE

In June 2010, YES entered into an agreement to lease one of its buildings. The lease began April 2011 and terminated in June 2013, with monthly rent of \$5,833. Rental revenue for the years ended June 30, 2013 and was approximately \$70,000.

In June 2013, YES entered into an agreement to lease one of its buildings. The lease began June 2013 and expires June 2018, with monthly rent of \$8,384. Future rental income to be received as of June 30, 2013 is as follows:

Year Ended June 30:

2014	\$ 100,608
2015	100,608
2016	100,608
2017	100,608
2018	<u>100,608</u>
Total	<u>\$ 503,040</u>

NOTE 9 - RENTAL REVENUE, RELATED PARTIES

In May 2001, YES entered into an agreement to lease one of its buildings to a related party (see Note 12), which expires in April 2014. Rental revenue related to this lease for the year ended June 30, 2013 was \$117,130. Rental payments due under the leases are to be adjusted each year by the lesser of the Consumer Price Index or 3%.

In January 2008, YES entered into an agreement to lease another of its buildings to a related party (see Note 12), which expires in December 2015. Rental revenue related to this lease for the year ended June 30, 2013 was \$16,200.

Future expected rent revenue from related parties at June 30, 2013 is as follows:

Year Ended June 30:

2014	\$ 110,020
2015	16,200
2016	<u>8,100</u>
Total	<u>\$ 134,320</u>

NOTE 10 - RETIREMENT PLAN

Full-time regular employees of YES can participate in a retirement plan designed to comply with the requirements of Section 403(b) of the Internal Revenue Code. This plan is classified as a defined contribution plan. The employee contributions to the plan are considered a reduction of salary for federal income tax purposes.

YES HOUSING, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2013

NOTE 10 - RETIREMENT PLAN (CONTINUED)

All full-time regular employees are eligible to participate in this plan on their first day of employment. After six months of service, YES makes a 10% (effective July 1, 2007) matching contribution of the employee's gross salary to the plan, if the employee contributes at least 3% of their bi-weekly gross salary. YES contributed \$97,580 to the retirement plan during the year ended June 30, 2013.

During fiscal year 2007, YES adopted a 457(b) Retirement Plan wherein the employer contributes 10% of eligible participants' bi-weekly gross pay, which is accrued on YES' balance sheet until the employee is eligible for retirement. Designated members of Senior Management (Chief Executive Officer, Executive Vice President/Chief Operations Officer and Senior Vice President/Chief Financial Officer) are eligible employees for participation in this plan. This plan is subject to credit risk. YES contributed \$41,763 to the retirement plan during the year ended June 30, 2013.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Rent Increases

Under U.S. Department of Housing and Urban Development (HUD) agreements, YES may not increase rents charged to tenants residing in Housing Assistance Payment Program properties without prior approval.

Operating Leases

YES leases equipment and office space under non-cancelable operating leases that expire at various dates through August 2017. YES entered into an agreement to lease office space from a related party (see Note 12). The lease runs through August 31, 2017. Rental payments due under this lease are to be adjusted each year by 3% and currently are \$5,489 per month.

Future rent expense under all non-cancelable operating leases is expected to be as follows:

Year Ended June 30:

2014	\$	70,856
2015		71,713
2016		73,780
2017		75,993
2018		<u>12,727</u>
Total	\$	<u>305,069</u>

Lease payments related to all leases for the year ended June 30, 2013 totaled \$74,953.

YES HOUSING, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2013

NOTE 11 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Economic Dependence

YES receives support from federal grants. During the year ended June 30, 2013, revenues earned from federal grants amounted to \$1,542,433 and represented 15% of total revenues and other support (net of unrealized and realized loss on investments) for the year ended June 30, 2013.

Conditions of Sale

During the 2007 fiscal year, YES sold Bent Tree and Park Terrace and, as a condition of the sale, the City of Albuquerque and YES entered into a Statement of Understanding. The conditions of the statement are that the City of Albuquerque would release the Property Use Restrictions Agreement under the following conditions:

1. YES will agree to encumber the City share (the outstanding balance of the City loans) and such funds would be invested into a mutually agreed upon affordable housing development in the City of Albuquerque, with priority preference given to the southeast area (see Note 2).
2. YES will work with City staff, other non-profit organizations and others to develop at least 34 units of affordable rental housing within 3 to 5 years of the sale of the properties.

All conditions have been met as of June 30, 2013.

NOTE 12 - RELATED PARTIES

The President and Chief Executive Officer of YES Housing, Inc. is also the President of Youth Development Inc. (YDI).

YES leases office space from YDI and rent expense under such lease was \$67,519 in 2013 (see Note 11).

YDI leases commercial office space from YES, and rental revenue under such lease was \$117,130 in 2013 (see Note 9). Additionally, YDI leases Chama Apartments from YES, and rental revenue under such lease was \$16,200 in 2013.

NOTE 13 – PRIOR PERIOD ADJUSTMENT

The net assets beginning balance has been restated for a prior period adjustment. The June 30, 2012 financial statements did not include the consolidation of the Limited Partner investments. As a result, beginning net asset balances were reduced by \$5,996,407 and increased by non-controlling interest balances of \$16,549,204.

YES HOUSING, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2013

NOTE 14 – CONSOLIDATION

The consolidated presentation of YES Housing, Inc. and Affiliates arises due to YES's position as general partner in eleven limited partnerships which hold real estate. These are consolidated in accordance with ASC 810-20-25, Consolidations. As a result, certain income items earned by YES and paid to YES by the limited partnerships have been eliminated. For 2013, development fees of \$561,439, property management fees of \$469,120, interest revenue of \$155,491, construction management fees of \$139,492 and additional smaller amounts have been eliminated. Additionally, YES's notes receivable from these partnerships (\$9,852,798), development fees receivable (\$2,572,811) and other receivables (\$1,012,775) have also been eliminated. Additionally, equity of \$7,274,240; property, furniture and equipment of \$6,437,525; and various expense amounts attributable to the partnerships have been eliminated.

This information is an integral part of the accompanying consolidated financial statements.

SUPPLEMENTARY INFORMATION

YES HOUSING, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2013

	General Fund	Payroll	Development Services	Asset Management	Social Services	Solar Villas Brentwood Gardens Grant	Roswell Service Summit Service Coordinator Grant	Neighborhood Stabilization Program I	Neighborhood Stabilization Program II
ASSETS									
CURRENT ASSETS									
Cash and cash equivalents	\$ 240,143	\$ 10,357	\$ 580,112	\$ -	\$ -	\$ 4,769	\$ 1,912	\$ -	\$ 938
Restricted cash and cash equivalents	-	-	-	-	-	-	-	-	-
Earnest deposits	-	-	10,000	-	-	-	-	-	-
Accounts receivable - affiliates	-	-	-	-	30,497	-	-	-	-
Construction costs receivable	-	-	1,022	-	-	-	-	-	-
Rents and miscellaneous receivables	138	-	439	317	-	-	-	-	89,335
Prepaid expenses and deposits	6,593	-	5,706	120	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-
Interfund receivables	-	71,215	-	6,993	-	-	-	-	-
Total current assets	246,874	81,572	597,279	7,430	30,497	4,769	1,912	-	90,273
PROPERTY, FURNITURE AND EQUIPMENT, NET									
	62,425	-	1,433,496	-	-	-	-	-	-
DEBT-ISSUE COSTS AND TAX CREDIT MONITORING FEES, NET									
	-	-	7,477	-	-	-	-	-	-
PREDEVELOPMENT COSTS									
	-	-	196,596	-	-	-	-	-	-
RECEIVABLES - AFFILIATES									
	424,653	-	23,791	-	-	-	-	-	-
NOTES RECEIVABLE - AFFILIATES									
	8,415,594	-	568,182	-	-	-	-	-	-
INVESTMENTS IN LIMITED PARTNERSHIPS									
	1,110,259	-	-	-	-	-	-	-	-
INVESTMENTS IN MARKETABLE SECURITIES									
	2,527,235	-	-	-	-	-	-	-	-
DEVELOPMENT FEES RECEIVABLE									
	2,082,583	-	615,228	-	-	-	-	-	-
RESTRICTED CASH AND CASH EQUIVALENTS									
	297,318	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 15,166,941	\$ 81,572	\$ 3,442,049	\$ 7,430	\$ 30,497	\$ 4,769	\$ 1,912	\$ -	\$ 90,273
LIABILITIES AND NET ASSETS									
CURRENT LIABILITIES									
Long-term debt - current maturities	\$ -	\$ -	\$ 41,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued interest payable	-	-	4,349	-	-	-	-	-	-
Accounts payable	11,159	612	52,913	253	5,001	756	881	-	-
Accrued salaries and payroll taxes	41,311	59,827	7,774	8,230	7,169	-	-	-	-
Tenant prepaid rent	-	-	-	-	-	-	-	-	-
Other accrued expenses	-	21,133	9,099	-	-	-	-	-	-
Pension plan liability	292,178	-	-	-	-	-	-	-	-
Security deposits	-	-	-	-	-	-	-	-	-
Short term promissory notes payable	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	86,513
Interfund payables	51,439	-	457	-	7,868	7,998	3,322	-	-
Total current liabilities	396,087	81,572	115,592	8,483	20,038	8,754	4,203	-	86,513
LONG-TERM LIABILITIES									
Due to affiliates	-	-	-	-	-	-	-	-	-
Deferred AHP revenue	-	-	-	-	-	-	-	-	-
Development fee payable	-	-	-	-	-	-	-	-	-
Asset management fee payable	-	-	-	-	-	-	-	-	-
Accrued interest payable - long-term	-	-	-	-	-	-	-	-	-
Long-term debt, less current maturities	2,868,281	-	1,117,034	-	-	-	-	-	-
Total long-term liabilities	2,868,281	-	1,117,034	-	-	-	-	-	-
Total liabilities	3,264,368	81,572	1,232,626	8,483	20,038	8,754	4,203	-	86,513
NET ASSETS									
Unrestricted	11,902,573	-	2,050,645	(1,053)	10,459	(3,985)	(2,291)	-	3,760
Capital contribution	-	-	158,778	-	-	-	-	-	-
Partners' capital	-	-	-	-	-	-	-	-	-
Net assets attributable to YES Housing, Inc. and Affiliates	11,902,573	-	2,209,423	(1,053)	10,459	(3,985)	(2,291)	-	3,760
Noncontrolling interest	-	-	-	-	-	-	-	-	-
Total net assets	11,902,573	-	2,209,423	(1,053)	10,459	(3,985)	(2,291)	-	3,760
TOTAL LIABILITIES AND NET ASSETS	\$ 15,166,941	\$ 81,572	\$ 3,442,049	\$ 7,430	\$ 30,497	\$ 4,769	\$ 1,912	\$ -	\$ 90,273

Charter School	901 Pennsylvania	La Hacienda	Solar Villas Apartments	Transitional Living	YES of Arizona, Inc.	Wildewood Apartments Limited Partnership	Brentwood Garden Apartments Limited Partnership	Montana Meadows Apartments Limited Partnership	Los Tres Apartments L.P.	Vista Grande Limited Partnership
\$ -	\$ 27,998	\$ 66,555	\$ 41,384	\$ 9,763	\$ 3,953	\$ 28,221	\$ 36,079	\$ 49,030	\$ 7,104	\$ 35,821
-	-	-	-	-	-	83,997	202,991	137,476	147,873	58,548
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
5,978	-	2,596	2,804	4,400	-	4,268	805	2,956	9,893	16,014
5,057	174	3,247	-	253	-	1,373	2,768	1,823	96,611	42,164
-	4,895	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
<u>11,035</u>	<u>33,067</u>	<u>72,398</u>	<u>44,188</u>	<u>14,416</u>	<u>3,953</u>	<u>117,859</u>	<u>242,643</u>	<u>191,285</u>	<u>261,481</u>	<u>152,547</u>
1,407,601	503,026	1,839,314	3,862,034	329,162	-	2,482,692	5,335,843	3,391,364	18,661,196	4,006,337
9,272	5,898	1,838	37,437	-	-	147,392	164,233	129,953	583,213	364,855
-	-	-	-	-	180,451	-	-	-	-	-
-	-	-	-	-	586,542	-	-	-	-	-
-	-	-	-	-	3,085,253	-	-	-	-	-
-	-	-	-	-	(273,541)	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	285,690	467,085	-	-	349,699	564,206	319,673	74,854	123,330
<u>\$ 1,427,908</u>	<u>\$ 541,991</u>	<u>\$ 2,199,240</u>	<u>\$ 4,410,744</u>	<u>\$ 343,578</u>	<u>\$ 3,582,658</u>	<u>\$ 3,097,642</u>	<u>\$ 6,306,925</u>	<u>\$ 4,032,275</u>	<u>\$ 19,580,744</u>	<u>\$ 4,647,069</u>
\$ 19,193	\$ 33,379	\$ -	\$ 70,000	\$ -	\$ -	\$ 67,000	\$ 105,000	\$ 140,000	\$ -	\$ 46,997
3,682	1,511	-	26,396	-	-	13,939	24,375	15,020	41,207	17,751
393	6,206	1,145	22,865	1,297	1,713	7,968	3,483	10,440	17,445	89,963
-	-	-	-	-	-	-	-	-	-	-
-	-	756	667	622	-	-	91	-	7,125	3,582
7,029	4,588	1,956	4,237	-	-	16,256	34,916	24,201	311,518	30,115
-	-	-	-	-	-	-	-	-	-	-
-	-	5,050	23,186	3,000	-	13,533	29,314	18,195	49,543	27,485
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	7,053	71	-	-	-	-	-
<u>30,297</u>	<u>45,684</u>	<u>8,907</u>	<u>147,351</u>	<u>11,972</u>	<u>1,784</u>	<u>118,696</u>	<u>197,179</u>	<u>207,856</u>	<u>426,838</u>	<u>215,893</u>
-	-	-	-	-	2,986,731	109,264	-	6,945	6,668,289	929,218
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	2,382,000	374,158
-	-	-	-	-	-	-	-	-	-	42,016
-	-	-	-	-	-	-	-	-	616,410	-
660,522	387,436	2,337,268	3,650,000	-	-	2,135,999	4,165,000	2,366,000	9,907,418	3,838,998
<u>660,522</u>	<u>387,436</u>	<u>2,337,268</u>	<u>3,650,000</u>	<u>-</u>	<u>2,986,731</u>	<u>2,245,263</u>	<u>4,165,000</u>	<u>2,372,945</u>	<u>19,574,117</u>	<u>5,184,390</u>
690,819	433,120	2,346,175	3,797,351	11,972	2,988,515	2,363,959	4,362,179	2,580,801	20,000,955	5,400,283
737,089	108,871	(146,935)	613,393	331,606	594,143	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	733,683	1,944,746	1,451,474	(420,211)	(753,214)
737,089	108,871	(146,935)	613,393	331,606	594,143	733,683	1,944,746	1,451,474	(420,211)	(753,214)
-	-	-	-	-	-	-	-	-	-	-
737,089	108,871	(146,935)	613,393	331,606	594,143	733,683	1,944,746	1,451,474	(420,211)	(753,214)
<u>\$ 1,427,908</u>	<u>\$ 541,991</u>	<u>\$ 2,199,240</u>	<u>\$ 4,410,744</u>	<u>\$ 343,578</u>	<u>\$ 3,582,658</u>	<u>\$ 3,097,642</u>	<u>\$ 6,306,925</u>	<u>\$ 4,032,275</u>	<u>\$ 19,580,744</u>	<u>\$ 4,647,069</u>

YES HOUSING, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
June 30, 2013

	Apple Ridge Apartments Limited Partnership	Bella Vista Townhomes L.P.	Mesa Del Norte Apartments Limited Partnership	YES Deming Mountain View Apartments, LLLP	Otero Village Apartments Limited Partnership	Roswell Summit Apartments L.P.	Eliminations	Totals
ASSETS								
CURRENT ASSETS								
Cash and cash equivalents	\$ 35,066	\$ 24,875	\$ 65,428	\$ 163,141	\$ 5,159	\$ 30,251	\$ -	\$ 1,468,059
Restricted cash and cash equivalents	143,286	42,297	4,500	59,083	10,623	25,086	-	915,760
Earnest deposits	-	-	-	-	-	-	-	10,000
Accounts receivable - affiliates	-	-	-	-	-	-	(30,497)	-
Construction costs receivable	-	-	-	-	-	-	-	1,022
Rents and miscellaneous receivables	6,474	-	8,771	7,707	979	-	-	163,874
Prepaid expenses and deposits	1,823	5,272	5,592	9,416	10,421	16,492	-	214,905
Work in progress	-	-	-	-	-	-	-	4,895
Interfund receivables	-	-	-	-	-	-	(78,208)	-
Total current assets	<u>186,649</u>	<u>72,444</u>	<u>84,291</u>	<u>239,347</u>	<u>27,182</u>	<u>71,829</u>	<u>(108,705)</u>	<u>2,778,515</u>
PROPERTY, FURNITURE AND EQUIPMENT, NET								
	3,924,615	7,837,117	5,106,136	5,868,263	1,845,711	3,734,836	(6,437,525)	65,193,643
DEBT-ISSUE COSTS AND TAX CREDIT MONITORING FEES, NET								
	130,858	63,487	140,024	90,575	31,656	47,859	-	1,956,027
PREDEVELOPMENT COSTS								
	-	-	-	-	-	-	(180,451)	196,596
RECEIVABLES - AFFILIATES								
	-	-	-	-	-	-	(1,012,775)	22,211
NOTES RECEIVABLE - AFFILIATES								
	-	-	-	-	-	-	(9,852,798)	2,216,231
INVESTMENTS IN LIMITED PARTNERSHIPS								
	-	-	-	-	-	-	(836,667)	51
INVESTMENTS IN MARKETABLE SECURITIES								
	-	-	-	-	-	-	-	2,527,235
DEVELOPMENT FEES RECEIVABLE								
	-	-	-	-	-	-	(2,572,811)	125,000
RESTRICTED CASH AND CASH EQUIVALENTS								
	259,843	241,656	-	512,516	63,853	57,919	-	3,617,642
TOTAL ASSETS	<u>\$ 4,501,965</u>	<u>\$ 8,214,704</u>	<u>\$ 5,330,451</u>	<u>\$ 6,710,701</u>	<u>\$ 1,968,402</u>	<u>\$ 3,912,443</u>	<u>\$ (21,001,732)</u>	<u>\$ 78,633,151</u>
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES								
Long-term debt - current maturities	\$ 107,000	\$ 7,862	\$ 2,370,333	\$ 28,373	\$ 6,039	\$ 9,634	\$ -	\$ 3,051,810
Accrued interest payable	19,156	4,390	-	-	4,401	4,089	-	180,266
Accounts payable	2,926	2,056	951	2,186	4,802	5,428	-	252,842
Accrued salaries and payroll taxes	-	-	-	-	-	-	-	124,311
Tenant prepaid rent	702	-	293	119	-	-	-	13,957
Other accrued expenses	16,655	25,405	18,980	23,464	13,434	22,453	(1,533)	583,906
Pension plan liability	-	-	-	-	-	-	-	292,178
Security deposits	22,909	13,750	4,500	11,797	10,630	9,966	-	242,858
Short term promissory notes payable	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	86,513
Interfund payables	-	-	-	-	-	-	(78,208)	-
Total current liabilities	<u>169,348</u>	<u>53,463</u>	<u>2,395,057</u>	<u>65,939</u>	<u>39,306</u>	<u>51,570</u>	<u>(79,741)</u>	<u>4,828,641</u>
LONG-TERM LIABILITIES								
Due to affiliates	7,296	-	253,581	6,920	106,696	-	(11,074,940)	-
Deferred AHP revenue	-	-	-	-	240,000	-	-	240,000
Development fee payable	-	-	338,256	151,972	82,050	-	(2,572,811)	755,625
Asset management fee payable	-	-	-	-	-	-	-	42,016
Accrued interest payable - long-term	-	74,418	-	-	36,138	118,881	-	845,847
Long-term debt, less current maturities	3,031,000	1,018,692	945,168	1,675,769	1,009,834	1,293,485	-	42,407,904
Total long-term liabilities	<u>3,038,296</u>	<u>1,093,110</u>	<u>1,537,005</u>	<u>1,834,661</u>	<u>1,474,718</u>	<u>1,412,366</u>	<u>(13,647,751)</u>	<u>44,291,392</u>
Total liabilities	<u>3,207,644</u>	<u>1,146,573</u>	<u>3,932,062</u>	<u>1,900,600</u>	<u>1,514,024</u>	<u>1,463,936</u>	<u>(13,727,492)</u>	<u>49,120,033</u>
NET ASSETS								
Unrestricted	-	-	-	-	-	-	(7,115,462)	9,082,813
Capital contribution	-	-	-	-	-	-	(158,778)	-
Partners' capital	1,294,321	7,068,131	1,398,389	4,810,101	454,378	2,448,507	(19,449,730)	980,575
Net assets attributable to YES Housing, Inc. and Affiliates	1,294,321	7,068,131	1,398,389	4,810,101	454,378	2,448,507	(26,723,970)	10,063,388
Noncontrolling interest	-	-	-	-	-	-	19,449,730	19,449,730
Total net assets	<u>1,294,321</u>	<u>7,068,131</u>	<u>1,398,389</u>	<u>4,810,101</u>	<u>454,378</u>	<u>2,448,507</u>	<u>(7,274,240)</u>	<u>29,513,118</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,501,965</u>	<u>\$ 8,214,704</u>	<u>\$ 5,330,451</u>	<u>\$ 6,710,701</u>	<u>\$ 1,968,402</u>	<u>\$ 3,912,443</u>	<u>\$ (21,001,732)</u>	<u>\$ 78,633,151</u>

YES HOUSING, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

	General Fund	Payroll	Development Services	Asset Management	Social Services	Solar Villas Brentwood Gardens Grant	Roswell Service Summit Service Coordinator Grant	Neighborhood Stablization Program I
REVENUES AND OTHER SUPPORT								
Rent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution revenue	-	-	-	-	-	-	-	-
Grant revenue	-	-	40,725	-	16,250	65,981	28,223	-
Program income	-	-	-	-	-	-	-	-
Development fees	-	-	668,198	-	-	-	-	19,172
Interest	132,821	-	24,335	-	-	-	-	-
Net unrealized/realized gain (loss) on investments	40,064	-	-	-	-	-	-	-
Other revenue	256	-	-	462,092	45,955	-	-	-
Property management fees	-	-	-	7,028	-	-	-	-
Construction management fees	-	-	139,492	-	-	-	-	-
Operating transfers, net	-	-	92,013	-	69,764	-	-	-
Total revenue and other support	<u>173,141</u>	<u>-</u>	<u>964,763</u>	<u>469,120</u>	<u>131,969</u>	<u>65,981</u>	<u>28,223</u>	<u>19,172</u>
PERSONNEL EXPENSES								
Salaries and wages	433,066	-	350,146	220,810	80,890	39,685	21,111	2,125
Payroll taxes	28,211	-	29,299	18,132	5,527	3,982	513	177
Employee benefits	164,796	-	92,091	68,069	29,253	15,563	-	641
Total personnel expenses	<u>626,073</u>	<u>-</u>	<u>471,536</u>	<u>307,011</u>	<u>115,670</u>	<u>59,230</u>	<u>21,624</u>	<u>2,943</u>
OTHER EXPENSES								
Depreciation and amortization	45,535	-	704	-	-	-	-	-
Donations expense	2,600	-	-	-	-	-	-	-
Duplication and publishing	1,308	-	435	9	-	-	-	-
Equipment	16,053	-	2,880	1,647	1,138	-	-	15
Insurance	19,587	-	4,140	2,031	212	-	-	6
Interest	8,111	-	66,887	-	-	-	-	-
Loss on disposal of assets	-	-	-	-	-	-	-	-
Other expenses	38,995	-	9,783	4,813	1,125	4,932	3,958	166
Predevelopment/development costs	-	-	104,672	-	-	-	-	-
Professional fees	118,847	-	13,238	4,230	-	-	-	51
Property management	-	-	-	-	-	-	-	-
Property taxes	-	-	13,045	-	-	-	-	-
Rent	24,447	-	21,788	13,880	5,280	-	-	143
Repairs and maintenance	9,414	-	6,712	3,743	-	-	-	2
Social services	-	-	-	-	9,981	-	-	-
Telephone and utilities	10,951	-	6,864	4,803	1,531	-	-	42
Training	5,351	-	29,380	426	1,137	2,246	1,800	-
Travel	486	-	15,207	5,150	732	3,558	3,132	10
Operating transfers, net	(12,378)	-	-	126,121	-	-	-	19,957
Total other expenses	<u>289,307</u>	<u>-</u>	<u>295,735</u>	<u>166,853</u>	<u>21,136</u>	<u>10,736</u>	<u>8,890</u>	<u>20,392</u>
Total expenses	<u>915,380</u>	<u>-</u>	<u>767,271</u>	<u>473,864</u>	<u>136,806</u>	<u>69,966</u>	<u>30,514</u>	<u>23,335</u>
CHANGE IN NET ASSETS	(742,239)	-	197,492	(4,744)	(4,837)	(3,985)	(2,291)	(4,163)
NET ASSETS AND PARTNERS' CAPITAL, BEGINNING OF YEAR								
	12,644,812	-	1,853,153	3,691	15,296	-	-	4,163
Capital contributions	-	-	158,778	-	-	-	-	-
Distributions	-	-	-	-	-	-	-	-
NET ASSETS AND PARTNERS' CAPITAL, END OF YEAR	<u>\$ 11,902,573</u>	<u>\$ -</u>	<u>\$ 2,209,423</u>	<u>\$ (1,053)</u>	<u>\$ 10,459</u>	<u>\$ (3,985)</u>	<u>\$ (2,291)</u>	<u>\$ -</u>

Neighborhood Stabilization Program II	Charter School	901 Pennsylvania	La Hacienda	Solar Villas Apartments	Transitional Living	YES of Arizona, Inc.	Wildewood Apartments Limited Partnership	Brentwood Garden Apartments Limited Partnership	Montana Meadows Apartments Limited Partnership	Los Tres Apartments L.P.
\$ -	\$ 70,000	\$ 117,130	\$ 128,369	\$ 315,395	\$ 74,456	\$ -	\$ 507,113	\$ 1,077,590	\$ 688,777	\$ 2,311,293
-	-	-	-	-	-	-	-	-	-	-
558,088	-	-	5,824	553,125	-	-	25,754	-	60,775	-
386,063	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	56	43	-	124,210	55	90	54	22
-	-	-	-	-	-	(273,202)	-	-	-	-
-	-	-	4,730	8,048	-	-	1,411	6,572	3,818	40,724
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
(48,786)	28,817	-	-	-	-	-	-	-	-	-
895,365	98,817	117,130	138,979	876,611	74,456	(148,992)	534,333	1,084,252	753,424	2,352,039
22,981	-	-	32,321	99,269	-	-	66,603	94,378	62,975	354,549
1,808	-	-	-	-	-	-	6,163	3,211	5,921	59,968
8,331	-	-	-	-	-	-	-	-	-	-
33,120	-	-	32,321	99,269	-	-	72,766	97,589	68,896	414,517
-	46,270	19,164	97,051	172,562	30,925	-	107,178	242,246	148,144	733,153
-	-	-	-	-	-	-	-	-	-	-
-	100	-	-	-	-	-	535	787	951	2,447
166	-	-	767	2,574	-	-	-	-	-	-
50	887	2,037	9,844	13,276	3,015	-	23,337	19,026	14,896	60,696
-	44,724	27,163	-	310,074	-	-	173,214	295,322	184,534	750,159
-	-	-	-	2,680	-	-	-	-	-	60,919
3,678	-	33,601	10,281	57,754	32,027	1,221	22,846	45,358	39,157	147,239
1,441,227	-	-	-	-	-	-	-	-	-	-
585	4,388	-	4,321	18,397	-	2,953	9,095	12,825	11,257	30,622
-	-	7,028	18,197	37,711	6,612	-	23,015	221,364	92,123	100,987
-	13,148	8,990	3,085	-	-	-	16,440	51,731	29,176	93,286
1,244	-	-	-	-	-	-	-	-	-	-
-	10,127	4,061	7,969	49,470	14,728	-	2,366	32,816	25,238	278,874
-	-	-	-	-	-	-	29,467	3,560	67,733	-
416	593	15,591	15,407	149,904	5,667	18	32,196	62,469	42,101	537,013
-	-	-	75	600	-	-	1,575	916	1,975	-
62	-	-	342	155	-	2,074	703	301	1,191	-
-	-	-	-	-	8,108	-	-	-	-	-
1,447,428	120,237	117,635	167,339	815,157	101,082	6,266	441,967	988,721	658,476	2,795,395
1,480,548	120,237	117,635	199,660	914,426	101,082	6,266	514,733	1,086,310	727,372	3,209,912
(585,183)	(21,420)	(505)	(60,681)	(37,815)	(26,626)	(155,258)	19,600	(2,058)	26,052	(857,873)
588,943	758,509	109,376	(86,254)	651,208	358,232	749,401	714,083	2,055,720	1,463,503	455,335
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	(108,916)	(38,081)	(17,673)
\$ 3,760	\$ 737,089	\$ 108,871	\$ (146,935)	\$ 613,393	\$ 331,606	\$ 594,143	\$ 733,683	\$ 1,944,746	\$ 1,451,474	\$ (420,211)

YES HOUSING, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES (CONTINUED)
Year Ended June 30, 2013

	Vista Grande Limited Partnership	Apple Ridge Apartments Limited Partnership	Bella Vista Townhomes L.P.	Mesa Del Norte Apartments Limited Partnership	YES Deming Mountain View Apartments, LLLP	Otero Village Apartments Limited Partnership	Roswell Summit Apartments L.P.	Eliminations	Totals
REVENUES AND OTHER SUPPORT									
Rent	\$ 662,358	\$ 743,653	\$ 359,845	\$ 117,764	\$ 338,172	\$ 212,537	\$ 325,873	\$ -	\$ 8,050,325
Contribution revenue	-	-	-	-	-	-	-	-	-
Grant revenue	-	63,634	-	-	18,002	-	-	-	1,436,381
Program income	-	-	-	-	-	-	-	-	386,063
Development fees	-	-	-	-	-	-	-	(561,439)	125,931
Interest	85	48	78	-	-	16	66	(155,491)	126,488
Net unrealized/realized gain (loss) on investments	-	-	-	-	-	-	-	468,169	235,031
Other revenue	26,260	3,475	6,527	1,163	5,744	4,410	3,398	(498,092)	126,491
Property management fees	-	-	-	-	-	-	-	(7,028)	-
Construction management fees	-	-	-	-	-	-	-	(139,492)	-
Operating transfers, net	-	-	-	-	-	-	-	(141,808)	-
Total revenue and other support	<u>688,703</u>	<u>810,810</u>	<u>366,450</u>	<u>118,927</u>	<u>361,918</u>	<u>216,963</u>	<u>329,337</u>	<u>(1,035,181)</u>	<u>10,486,710</u>
PERSONNEL EXPENSES									
Salaries and wages	108,612	55,862	49,254	27,728	60,521	41,152	55,282	-	2,279,320
Payroll taxes	4,716	2,184	4,767	273	5,819	4,052	5,279	-	190,002
Employee benefits	-	-	-	-	-	-	-	-	378,744
Total personnel expenses	<u>113,328</u>	<u>58,046</u>	<u>54,021</u>	<u>28,001</u>	<u>66,340</u>	<u>45,204</u>	<u>60,561</u>	<u>-</u>	<u>2,848,066</u>
OTHER EXPENSES									
Depreciation and amortization	166,627	193,989	281,975	6,460	153,022	116,509	118,816	(179,627)	2,500,703
Donations expense	-	-	-	-	-	-	-	-	2,600
Duplication and publishing	510	398	674	576	908	561	498	-	10,697
Equipment	-	-	-	-	-	-	-	-	25,240
Insurance	30,826	14,675	23,717	14,561	36,118	13,404	33,854	-	340,195
Interest	238,701	234,322	71,585	1,581	74,954	70,445	76,660	(152,306)	2,476,130
Loss on disposal of assets	-	-	-	-	-	-	-	-	63,599
Other expenses	54,231	50,768	36,759	26,312	25,285	31,307	42,638	(36,000)	688,234
Predevelopment/development costs	-	-	-	-	-	-	-	-	1,545,899
Professional fees	17,660	9,095	11,503	11,777	30,703	9,154	12,132	-	332,833
Property management	34,549	109,650	29,419	10,140	21,673	11,895	24,386	(469,120)	279,629
Property taxes	20,930	17,217	23,584	9,964	17,163	9,635	14,951	-	342,345
Rent	-	-	-	-	-	-	-	-	66,782
Repairs and maintenance	87,798	23,345	25,412	1,243	24,743	5,924	7,960	-	621,945
Social services	-	46,098	3,152	-	28,866	-	3,578	-	192,435
Telephone and utilities	159,661	43,772	59,551	12,308	61,460	22,496	21,513	-	1,266,327
Training	1,082	729	2,101	100	800	1,650	1,975	-	53,918
Travel	295	704	504	173	420	966	1,503	-	37,668
Operating transfers, net	-	-	-	-	-	-	-	(141,808)	-
Total other expenses	<u>812,870</u>	<u>744,762</u>	<u>569,936</u>	<u>95,195</u>	<u>476,115</u>	<u>293,946</u>	<u>360,464</u>	<u>(978,861)</u>	<u>10,847,179</u>
Total expenses	<u>926,198</u>	<u>802,808</u>	<u>623,957</u>	<u>123,196</u>	<u>542,455</u>	<u>339,150</u>	<u>421,025</u>	<u>(978,861)</u>	<u>13,695,245</u>
CHANGE IN NET ASSETS	(237,495)	8,002	(257,507)	(4,269)	(180,537)	(122,187)	(91,688)	(56,320)	(3,208,535)
NET ASSETS AND PARTNERS' CAPITAL, BEGINNING OF YEAR									
Capital contributions	-	-	-	1,402,658	3,651,534	-	-	(158,778)	5,054,192
Distributions	(274,990)	(79,835)	(1,360)	-	-	-	(15,011)	-	(535,866)
NET ASSETS AND PARTNERS' CAPITAL, END OF YEAR	<u>\$ (753,214)</u>	<u>\$ 1,294,321</u>	<u>\$ 7,068,131</u>	<u>\$ 1,398,389</u>	<u>\$ 4,810,101</u>	<u>\$ 454,378</u>	<u>\$ 2,448,507</u>	<u>\$ (7,274,240)</u>	<u>\$ 29,513,118</u>

YES HOUSING, INC. AND AFFILIATES
SUPPLEMENTARY INFORMATION - SOLAR VILLAS APARTMENTS
Year Ended June 30, 2013

**SOLAR VILLAS APARTMENTS,
A PROGRAM OF YES HOUSING, INC.**

ANNUAL CASH FLOW TEST

INCOME

Total revenues	\$ 876,611
Total operating expenses (excluding interest expense, administrative charges, depreciation, and amortization)	(425,666)
Required capital replacement reserve additions	<u>(42,000)</u>

**OPERATING INCOME BEFORE DEPRECIATION
AND AMORTIZATION**

\$ 408,945

DEBT SERVICE - SENIOR NOTES

Interest expense	82,574
Note principal payments and accruals	<u>68,750</u>

TOTAL DEBT SERVICE - SENIOR NOTES

\$ 151,324

DEBT SERVICE RATIO - SENIOR NOTES

270%

REPLACEMENT RESERVE ACCOUNT

Account balance as of June 30,	<u>\$ 188,932</u>
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Expenditures in the amount of \$16,830 were made from the replacement reserve account during the year ended June 30, 2013

NOTES OUTSTANDING

Principal balances outstanding as of June 30:

Senior note	<u>\$ 1,120,000</u>
Subordinate note	<u>\$ 2,600,000</u>

Principal payments in the amount of \$65,000 were made during the year ended June 30, 2013 on the Senior note.

YES HOUSING, INC. AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Grant/ Contract Number	Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Housing Assistance Payment Programs - Special Allocation - Solar Villas	14.195	NM16-0002-002	\$ 553,892
Multifamily Housing Service Coordinator Program	14.191	NM02HS07001	28,223
Multifamily Housing Service Coordinator Program	14.191	NM02HS09001	65,981
ARRA Funds - Neighborhood Stabilization Program II	14.256	B-09-CN-AZ-0001	857,362
Home Investment Partnership Program (CHDO Grant)	14.239	10-01-YES-COP-001	<u>36,975</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>\$ 1,542,433</u>
RECONCILIATION OF GRANTS REVENUE			
Federal grants			\$ 1,542,433
Other grants and program income			<u>280,011</u>
TOTAL GRANTS REVENUE AND PROGRAM INCOME			<u>\$ 1,822,444</u>

NOTE - The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting.

**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***

To the Board of Directors of
YES Housing, Inc. and Affiliates
Albuquerque, New Mexico

We have audited, in accordance with the 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, the financial statements of YES Housing, Inc. and Affiliates (the Organization), which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 31, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* 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 on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLPThe logo for CliftonLarsonAllen LLP, featuring the company name in a stylized, cursive script font.

Albuquerque, New Mexico
January 31, 2014

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

To the Board of Directors of
YES Housing, Inc. and Affiliates
Albuquerque, New Mexico

Report on Compliance for Each Major Federal Program

We have audited YES Housing Inc. and Affiliates' (the Organization) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2013. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the Organization'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 Organization'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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP



Albuquerque, New Mexico
January 31, 2014

YES HOUSING, INC. AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2013

A - SUMMARY OF AUDITORS' RESULTS

1. The independent auditors' report expresses an unmodified opinion on the financial statements of YES Housing, Inc. and Affiliates (the Organization).
2. No significant deficiencies or material weaknesses were found during the audit of the financial statements as reported in the 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*.
3. No instances of noncompliance material to the financial statements of the Organization were identified during the audit.
4. No instances of significant deficiencies or material weaknesses were identified during the audit of the major federal award program as reported in the Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The independent auditors' report on compliance for the major federal award programs for the Organization expresses an unmodified opinion.
6. The programs tested as major programs were:
 - Housing Assistance Payment Programs:
 - Special Allocation – Solar Villas – CFDA No. 14.195
 - U.S. Department of Housing and Urban Development:
 - Neighborhood Stabilization Program II - CFDA No. 14.256
7. The threshold for distinguishing Type A and B programs was \$300,000.
8. YES Housing, Inc. and Affiliates was determined to be a low-risk auditee.

YES HOUSING, INC. AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2013

B - FINDINGS - FINANCIAL STATEMENT AUDIT

There were no findings for the year ended June 30, 2013.

**C - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

There were no findings for the year ended June 30, 2013.

YES HOUSING, INC. AND AFFILIATES
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
June 30, 2013

B - FINDINGS - FINANCIAL STATEMENT AUDIT

There were no findings for the year ended June 30, 2012.

**C - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

There were no findings for the year ended June 30, 2012.