



Consolidated Financial Statements
June 30, 2015 and 2014

Simpson Housing Services Inc.

Simpson Housing Services Inc.
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June 30, 2015 and 2014

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Independent Auditor's Report

To the Board of Directors
Simpson Housing Services Inc.
Minneapolis, Minnesota

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Simpson Housing Services Inc., which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Simpson Housing Services Inc. as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Eide Bailly LLP

Minneapolis, Minnesota
November 23, 2015

Simpson Housing Services Inc.
Consolidated Statements of Financial Position
June 30, 2015 and 2014

	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	\$ 674,164	\$ 555,336
Restricted cash - other	176,886	178,529
Restricted cash - escrow and reserves	160,319	121,840
Temporary investments	205,356	204,742
Accounts receivable, net	1,320	4,581
Promises to give, net	20,500	18,000
Grants receivable, net	105,184	175,780
Prepaid expenses	6,276	13,923
Total current assets	1,350,005	1,272,731
Property and Equipment, Net	1,806,950	2,006,571
Total assets	\$ 3,156,955	\$ 3,279,302
Liabilities and Net Assets		
Current Liabilities		
Current portion of debt	\$ 21,229	\$ 20,196
Accounts payable	8,445	19,633
Accrued salaries payable	70,978	56,547
Accrued vacation payable	82,120	64,290
Accrued interest	36,811	33,811
Accrued expenses - security deposits	16,251	18,850
Other accrued expenses	32,545	30,133
Total current liabilities	268,379	243,460
Long-Term Liabilities		
Debt, net of current portion	1,194,255	1,215,484
Total liabilities	1,462,634	1,458,944
Net Assets		
Unrestricted	1,534,662	1,640,455
Temporarily restricted	159,659	179,903
Total net assets	1,694,321	1,820,358
Total liabilities and net assets	\$ 3,156,955	\$ 3,279,302

	2015		
	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Contributions	\$ 1,105,687	\$ 36,357	\$ 1,142,044
In-kind contributions	323,965	-	323,965
Government contracts	3,534,781	-	3,534,781
Contract income	506,254	-	506,254
United Way	212,001	-	212,001
Rental income	279,753	-	279,753
Gross special event revenue	162,172	-	162,172
Less cost of direct benefits to donors	(64,144)	-	(64,144)
Net special events revenue	<u>98,028</u>	<u>-</u>	<u>98,028</u>
Other income	22,553	-	22,553
Net assets released from restrictions	56,601	(56,601)	-
Total support and revenue	<u>6,139,623</u>	<u>(20,244)</u>	<u>6,119,379</u>
Expenses			
Program services			
Shelters	1,011,545	-	1,011,545
Family housing	2,831,895	-	2,831,895
Single adult housing	1,784,142	-	1,784,142
Total program services	<u>5,627,582</u>	<u>-</u>	<u>5,627,582</u>
Support services			
Management and general	346,180	-	346,180
Fundraising	271,654	-	271,654
Total support services	<u>617,834</u>	<u>-</u>	<u>617,834</u>
Total expenses	<u>6,245,416</u>	<u>-</u>	<u>6,245,416</u>
Change in Operating Net Assets	<u>(105,793)</u>	<u>(20,244)</u>	<u>(126,037)</u>
Non-Operating Activity			
In-kind contributions	256,230	-	256,230
In-kind expense	(256,230)	-	(256,230)
Total non-operating activity	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	(105,793)	(20,244)	(126,037)
Net Assets, Beginning of Year	<u>1,640,455</u>	<u>179,903</u>	<u>1,820,358</u>
Net Assets, End of Year	<u>\$ 1,534,662</u>	<u>\$ 159,659</u>	<u>\$ 1,694,321</u>

See Notes to Consolidated Financial Statements

Simpson Housing Services Inc.
Consolidated Statements of Activities
For the Years Ended June 30, 2015 and 2014

2014		
Unrestricted	Temporarily Restricted	Total
\$ 984,352	\$ 169,965	\$ 1,154,317
286,259	-	286,259
3,023,492	-	3,023,492
547,706	-	547,706
212,000	-	212,000
273,393	-	273,393
145,093	-	145,093
(53,338)	-	(53,338)
<u>91,755</u>	<u>-</u>	<u>91,755</u>
52,813	-	52,813
40,039	(40,039)	-
<u>5,511,809</u>	<u>129,926</u>	<u>5,641,735</u>
952,690	-	952,690
2,559,945	-	2,559,945
1,530,393	-	1,530,393
<u>5,043,028</u>	<u>-</u>	<u>5,043,028</u>
366,851	-	366,851
188,729	-	188,729
<u>555,580</u>	<u>-</u>	<u>555,580</u>
5,598,608	-	5,598,608
(86,799)	129,926	43,127
267,020	-	267,020
(267,020)	-	(267,020)
<u>-</u>	<u>-</u>	<u>-</u>
(86,799)	129,926	43,127
<u>1,727,254</u>	<u>49,977</u>	<u>1,777,231</u>
<u>\$ 1,640,455</u>	<u>\$ 179,903</u>	<u>\$ 1,820,358</u>

	Program Services			Total Program Services
	Shelters	Family Housing	Single Adult Housing	
Salaries	\$ 445,241	\$ 1,110,089	\$ 517,358	\$ 2,072,688
Employee benefits	81,040	178,361	92,558	351,959
Payroll taxes	35,157	85,325	40,692	161,174
Total salaries and related expenses	561,438	1,373,775	650,608	2,585,821
Rental assistance and housing support	237,480	942,761	1,026,593	2,206,834
Shelter rent expense	62,271	-	-	62,271
Supplies	29,204	16,343	4,048	49,595
Interest expense	-	136,922	-	136,922
Transportation	1,498	50,710	16,635	68,843
Insurance	6,578	27,594	7,112	41,284
Professional fees	4,626	32,625	5,860	43,111
Office space	2,987	8,033	18,155	29,175
Telephone and utilities	7,896	26,074	11,389	45,359
Repairs and maintenance	4,762	37,397	6,581	48,740
Program events	7,541	34,234	434	42,209
Printing and postage	37	1,097	28	1,162
Dues and subscriptions	717	1,759	500	2,976
Professional development and recruitment	359	1,846	906	3,111
Bank charges	12	-	-	12
Special events	-	-	-	-
Miscellaneous	2,038	18,891	16,629	37,558
Total operating expenses excluding depreciation	929,444	2,710,061	1,765,478	5,404,983
Depreciation	82,101	121,834	18,664	222,599
	1,011,545	2,831,895	1,784,142	5,627,582
Less expenses included with revenues on the Statement of Activities	-	-	-	-
Total operating expenses	1,011,545	2,831,895	1,784,142	5,627,582
Non-operating in-kind expense	104,404	78,061	73,765	256,230
Total expenses	\$ 1,115,949	\$ 2,909,956	\$ 1,857,907	\$ 5,883,812

See Notes to Consolidated Financial Statements

Simpson Housing Services Inc.
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2015

Support Services			
Management and General	Fundraising	Total Support Services	Total Expenses
\$ 199,824	\$ 182,194	\$ 382,018	\$ 2,454,706
30,841	13,330	44,171	396,130
14,872	13,672	28,544	189,718
245,537	209,196	454,733	3,040,554
-	-	-	2,206,834
-	-	-	62,271
766	2,482	3,248	52,843
-	-	-	136,922
1,034	123	1,157	70,000
4,274	954	5,228	46,512
47,722	21,757	69,479	112,590
2,060	497	2,557	31,732
2,544	712	3,256	48,615
9,916	6,321	16,237	64,977
1,915	19	1,934	44,143
3,670	24,377	28,047	29,209
2,311	374	2,685	5,661
855	1,353	2,208	5,319
3,678	-	3,678	3,690
16,629	47,515	64,144	64,144
9,332	227	9,559	47,117
352,243	315,907	668,150	6,073,133
10,566	3,262	13,828	236,427
362,809	319,169	681,978	6,309,560
(16,629)	(47,515)	(64,144)	(64,144)
346,180	271,654	617,834	6,245,416
-	-	-	256,230
<u>\$ 346,180</u>	<u>\$ 271,654</u>	<u>\$ 617,834</u>	<u>\$ 6,501,646</u>

	Program Services			Total Program Services
	Shelters	Family Housing	Single Adult Housing	
Salaries	\$ 420,537	\$ 965,433	\$ 478,610	\$ 1,864,580
Employee benefits	79,749	139,402	70,787	289,938
Payroll taxes	33,349	72,547	37,128	143,024
Total salaries and related expenses	533,635	1,177,382	586,525	2,297,542
Rental assistance and housing support	209,946	896,647	852,412	1,959,005
Shelter rent expense	58,741	-	-	58,741
Supplies	23,174	15,266	5,265	43,705
Interest expense	-	133,146	-	133,146
Transportation	2,362	45,369	14,553	62,284
Insurance	8,157	25,222	5,876	39,255
Professional fees	5,158	36,790	5,993	47,941
Office space	3,805	6,212	15,043	25,060
Telephone and utilities	9,118	25,265	11,951	46,334
Repairs and maintenance	7,210	36,102	6,049	49,361
Program events	8,535	35,911	195	44,641
Printing and postage	100	568	63	731
Dues and subscriptions	575	1,526	500	2,601
Professional development and recruitment	579	3,585	1,304	5,468
Bank charges	-	-	-	-
Special events	-	-	-	-
Miscellaneous	2,467	11,314	6,001	19,782
Total operating expenses excluding depreciation	873,562	2,450,305	1,511,730	4,835,597
Depreciation	79,128	109,640	18,663	207,431
	952,690	2,559,945	1,530,393	5,043,028
Less expenses included with revenues on the Statement of Activities	-	-	-	-
Total operating expenses	952,690	2,559,945	1,530,393	5,043,028
Non-operating in-kind expense	142,887	98,676	25,457	267,020
Total expenses	\$ 1,095,577	\$ 2,658,621	\$ 1,555,850	\$ 5,310,048

See Notes to Consolidated Financial Statements

Simpson Housing Services Inc.
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2014

Support Services			
Management and General	Fundraising	Total Support Services	Total Expenses
\$ 234,401	\$ 119,403	\$ 353,804	\$ 2,218,384
27,180	11,280	38,460	328,398
18,450	9,098	27,548	170,572
280,031	139,781	419,812	2,717,354
-	-	-	1,959,005
-	-	-	58,741
4,100	639	4,739	48,444
-	-	-	133,146
1,089	1,408	2,497	64,781
3,401	1,059	4,460	43,715
37,155	598	37,753	85,694
1,455	494	1,949	27,009
2,669	624	3,293	49,627
3,104	6,159	9,263	58,624
3,177	-	3,177	47,818
11,854	34,210	46,064	46,795
2,597	-	2,597	5,198
440	71	511	5,979
3,381	-	3,381	3,381
10,438	42,900	53,338	53,338
4,728	424	5,152	24,934
369,619	228,367	597,986	5,433,583
7,670	3,262	10,932	218,363
377,289	231,629	608,918	5,651,946
(10,438)	(42,900)	(53,338)	(53,338)
366,851	188,729	555,580	5,598,608
-	-	-	267,020
<u>\$ 366,851</u>	<u>\$ 188,729</u>	<u>\$ 555,580</u>	<u>\$ 5,865,628</u>

Simpson Housing Services Inc.
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2015 and 2014

	2015	2014
Operating Activities		
Change in net assets	\$ (126,037)	\$ 43,127
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	236,427	218,363
Changes in operating assets and liabilities		
Accounts receivable, net	3,261	(3,746)
Promises to give, net	(2,500)	(18,000)
Grants receivable, net	70,596	(76,488)
Prepaid expenses	7,647	(1,040)
Accounts payable	(11,188)	(4,859)
Accrued payroll and related liabilities	32,261	14,493
Accrued interest	3,000	3,000
Accrued expenses - security deposits	(2,599)	1,129
Other accrued expenses	2,412	(2,719)
Net Cash from Operating Activities	213,280	173,260
Investing Activities		
Purchase of property and equipment	(36,806)	(104,815)
Change in restricted cash - escrows and reserves	(38,479)	23,458
Purchase of investments (CDs)	(205,356)	(204,742)
Redemption of investments (CDs)	204,742	203,976
Net Cash used for Investing Activities	(75,899)	(82,123)
Financing Activities		
Payments on notes payable	(20,196)	(19,213)
Net Change in Cash and Cash Equivalents	117,185	71,924
Cash and Cash Equivalents, Beginning of Year	733,865	661,941
Cash and Cash Equivalents, End of Year	\$ 851,050	\$ 733,865
Supplemental Disclosures		
Cash paid for interest	\$ 8,139	\$ 9,122

Note 1 - Nature of Activities and Summary of Significant Accounting Policies

Simpson Housing Services Inc. (the Organization) was incorporated on July 26, 1993, pursuant to the Minnesota Nonprofit Corporation Act. The Organization is dedicated to providing shelter and affordable housing with support services to homeless or imminently homeless families, men, women and children, to assist them in their efforts to improve their life situation and to advocate for their human and civil rights. The mission is to house, support and advocate for people experiencing homelessness. The Organization's program activities are:

Shelters

- The Emergency Shelter provides overnight shelter accommodations for up to 44 single men and 22 single women. The shelter also provides hot meals, shower and laundry facilities, toiletries, as well as individual advocacy and mental and physical health services. Guests are offered a 28-day stay. Five beds for women are given on a first-come, first-serve basis nightly. The shelter has a Savings Program in which guests are encouraged to save money to apply toward more stable housing when they leave the shelter.

Family Housing

- Rapid Rehousing Program – To provide up to two years of rental subsidy and case management services for 16 homeless families. Program emphasis is on locating permanent housing, continued education and employment.
- Transitions – To provide up to two years of rental subsidy and case management services for 15 homeless families. Program emphasis is on locating permanent housing, continued education and employment.
- THP (Transitional Housing Program) – To provide up to two years rental subsidy and case management services for 13 homeless families. Program emphasis is on locating permanent housing, continued education and employment.
- Passages Community Housing, LLC – Simpson Housing Services Inc. owned, 17-unit apartment building, providing transitional housing and case management to resident families. Program emphasis is on locating permanent housing, continued education and employment.
- Young Parent Program – To provide a short term rental subsidy and case management services for 24 homeless families. Parents must be between the ages of 18 and 24. Program emphasis is on locating permanent housing, continued education and employment.
- Cedar View – A supportive housing project for young parent homeless families. Case-management services are provided for ten families at an affordable housing project owned by Beacon Interfaith Housing Collaborative in South Minneapolis.
- RAP (Rental Assistance Program) – To provide long-term rental assistance and limited support services for 27 homeless families. The program is designed to provide housing stability.

- Child and Youth Services – To provide an educational support program designed to affect positive change in family dynamics and child educational success by providing parenting support and direct children's services.
- ZOOM House – A permanent supportive housing project for chronically homeless families with a disabled family member. Case-management services are provided for ten families at an affordable housing project owned by Zion Lutheran Church in South Minneapolis.
- FRA (Family Roots Alliance) – A permanent supportive housing collaboration between Lutheran Social Service and Simpson. Forty long-term homeless families live in scattered-site housing in the West Metro and are provided rental assistance and case-management services.
- Third Avenue Townhomes – A permanent supportive housing project for homeless families with a disabled family member. Case-management services are provided for five families at a Section 8 affordable housing project owned by Beacon Interfaith Housing Collaborative in South Minneapolis.
- Housing First – A permanent supportive housing project for long-term homeless families with a disabled family member. Families live in site-based and scattered-site housing in Hennepin County and are provided rental assistance and case-management services. The program has a capacity of 42 families.
- Elliot Park Apartments – A permanent supportive housing project for long-term homeless families. Case-management services are provided for eight families at a Section 8 affordable housing project owned by Community Housing Development Corporation in the Elliot Park neighborhood near downtown Minneapolis.
- Riverside Plaza – A permanent supportive housing project for long-term homeless families. Case-management services are provided for 15 families at a Section 8 affordable housing project owned by Sherman Associates in the West Bank neighborhood of Minneapolis.

Single Adult Housing

- WHP (Women's Housing Partnership) and SARA (Single Adult Rental Assistance) – To provide 50 single adults with rental subsidy, services and support they need to obtain permanent housing after experiencing long-term homelessness. The primary focus of the program is to assist the most frequent guests at the Simpson Women's Shelter to locate and maintain permanent housing. The program includes intensive support services and weekly meetings with an advocate.
- COHR (Collaboration of Housing Resources) – A collaboration between Simpson Housing Services, RESOURCE chemical and mental health and St. Stephen's Human Services. Through a variety of funding sources, over 300 adults, who have experienced long-term homelessness, are assisted in finding an apartment, a housing subsidy, and offered ongoing assistance to maintain housing. The teams seek to serve those who have experienced the longest time of homelessness and those who are more vulnerable or have more serious barriers to getting and maintaining housing.

- Opportunity Housing Partnership (OHP) – A collaboration between Simpson Housing Services, Aeon, and RESOURCE chemical and mental health. The partnership provides resident support to residents at Aeon’s OHP properties. OHP is a set of Aeon buildings that provides 143 formerly homeless adults with a safe and permanent home and provides support services to help residents regain and maintain stability in their lives, homes and the community.

Principles of Consolidation

The consolidated financial statements include the Organization’s wholly owned subsidiary, Passages Community Housing, LLC, because Simpson Housing Services, Inc. has both control of and economic interest in Passages Community Housing, LLC. All material intercompany transactions have been eliminated. Unless otherwise noted, the consolidated entities are hereinafter referred to as the Organization.

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Restricted cash – other is considered to be cash and cash equivalents.

Restricted Cash – Escrows and Reserves

Passages Community Housing, LLC has specific agreements which require the establishment of tax and insurance escrows, replacement reserves, residual receipts and development cost escrows. Restricted cash related to these items is not considered to be cash and cash equivalents.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment gain is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing promises to give and grants receivable. Management determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. There was no allowance recorded at June 30, 2015 or 2014.

Promises to Give

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. All promises to give are current and due within one year. There was no allowance recorded at June 30, 2015 or 2014.

Property and Equipment

Property and equipment additions over \$1,500 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Compensated Absences

Under the Organization's policies and procedures, employees are granted vacation leave based on the number of years of experience they have at the Organization. Employees may accumulate a maximum of 80 hours of their earned paid time off (PTO) leave benefit. Unused accumulated PTO, up to 80 hours, is paid to employees upon termination.

Net Assets

Net assets and revenues, gains, and losses are classified based on donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted – Net assets available for use in general operations.

Temporarily Restricted – Net assets subject to donor restrictions that may or will be met by expenditures or actions of the Organization and/or the passage of time.

The Organization reports contributions restricted by donors as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a 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.

Permanently Restricted – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of Organization. The restrictions stipulate that resources be maintained permanently but permit the Organization to expend the income generated in accordance with the provisions of the agreements.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Contributed Property and Services

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization. Property, services and other non-cash donations are recorded as in-kind contributions at their estimated market value at the date of donation.

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services. Total volunteer hours for 2015 and 2014 were approximately 35,600 and 36,700, respectively.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

Simpson Housing Services Inc. (Simpson) is organized as a Minnesota nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under Section 509(a)(1). Passage Community Housing, LLC maintains exempt status under Simpson's exemption since Simpson is the sole member of Passage Community Housing, LLC. Simpson is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, Simpson is subject to income tax on net income that is derived from business activities that are unrelated to the exempt purposes. Simpson has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Simpson believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. Simpson would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Financial Instruments and Credit Risk

The Organization manages deposit concentration risk by placing cash and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with accounts receivable, promises to give, and grants receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies and nonprofit organizations supportive of the Organization's mission.

Subsequent Events

The Organization has evaluated subsequent events through November 23, 2015, the date which the consolidated financial statements were available to be issued.

Note 2 - Fair Value Measurements and Disclosures

Certain assets and liabilities are reported at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Organization develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Organization's assessment of the quality, risk or liquidity profile of the asset or liability.

The Organization's investment assets are classified within Level 1 because they are comprised of certificates of deposit with readily determinable fair values based on daily redemption values.

The following table presents assets measured at fair value on a recurring basis, except those measured at cost as identified below, at June 30, 2015 and 2014:

	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>June 30, 2015</u>				
Short-term investments				
Certificates of deposit	\$ 205,356	\$ 205,356	\$ -	\$ -
<u>June 30, 2014</u>				
Short-term investments				
Certificates of deposit	\$ 204,742	\$ 204,742	\$ -	\$ -

Note 3 - Restricted Cash

Certain cash balances are restricted as of June 30, 2015 and 2014 for the following purposes:

	<u>2015</u>	<u>2014</u>
Transitional housing	\$ 128,107	\$ 129,833
Shelter guest savings	32,208	29,743
Security deposits (Passages)	16,571	18,953
Escrows and reserves (Passages)	160,319	121,840
	<u>\$ 337,205</u>	<u>\$ 300,369</u>

Real Estate Tax and Insurance Escrow

The Minnesota Housing Finance Agency (MHFA) mortgage agreement requires the establishment of a property tax and insurance escrow. These amounts are held by MHFA. Amounts consisted of \$59 and \$14,472, respectively, as of June 30, 2015, and \$207 and \$11, respectively, as of June 30, 2014, for property tax and insurance escrow.

Replacement Reserve

The MHFA mortgage agreement requires a certain amount to be set aside for maintenance work on the property. These amounts are held by MHFA. As of June 30, 2015 and 2014, the replacement reserve balance totaled \$60,216 and \$50,631, respectively.

Development Cost Escrow

The MHFA mortgage agreement requires a certain amount to be set aside in the event the Organization cannot meet debt service requirements. These amounts are held by MHFA. As of June 30, 2015 and 2014, the development cost escrow balance totaled \$13,998 and \$14,004, respectively.

Residual Receipts

The MHFA mortgage agreement requires a certain amount to be set aside for excess cash payments made among other escrow and reserve accounts. These amounts are held by MHFA. As of June 30, 2015 and 2014, the replacement reserve balance totaled \$71,574 and \$56,987, respectively.

Note 4 - Property and Equipment

Property and equipment as of June 30, 2015 and 2014 consists of the following:

	2015	2014
Land	\$ 260,500	\$ 260,500
Building	1,369,500	1,369,500
Vehicles	48,967	48,967
Building improvements	1,073,449	1,066,674
Furniture and equipment	104,689	74,658
	2,857,105	2,820,299
Less accumulated depreciation	1,050,155	813,728
	\$ 1,806,950	\$ 2,006,571

Note 5 - Notes and Mortgage Payable

The Organization has various debt agreements for interest bearing and non-interest bearing loans. The following schedule of debt reflects the balance of outstanding loans at June 30, 2015 and 2014:

	2015	2014
5% mortgage note payable to Minnesota Housing Finance Agency (MHFA). Payable in monthly amounts of \$2,631, including interest, with the last payment due September 2021. Secured by assets of Passages Community Housing, LLC. Lien Priority 1	\$ 151,754	\$ 171,950
0% installment note payable to MHFA is due if units are not used for low income housing through September 2021. If the Organization is not in default of the loan through that date, the note is due in one lump sum in September 2021. Secured by assets of Passages Community Housing, LLC. Lien Priority 2	35,000	35,000
0% installment note payable to City Finance Agency is due if units are not used for low income housing through September 2021. If the Organization is not in default of the loan through that date, the note is due in one lump sum in September 2021. Secured by assets of Passages Community Housing, LLC. Lien Priority 3	425,730	425,730
1% installment note payable to City Finance Agency is due if units are not used for low income housing through July 2033. If the Organization is not in default of the loan through that date, the note is due in one lump sum, including interest, in July 2033. Secured by assets of Passages Community Housing, LLC. Lien Priority 4	300,000	300,000
0% installment note payable to MHFA is due if units are not used for low income housing through September 2021. If the Organization is not in default of the loan through that date, the note is due in one lump sum in September 2021. Secured by assets of Passages Community Housing, LLC. Lien Priority 5	148,500	148,500
0% installment note payable to MHFA is due if units are not used for low income housing through September 2021. If the Organization is not in default of the loan through that date, the note is due in one lump sum, in September 2021. Secured by assets of Passages Community Housing, LLC. Lien Priority 6	120,500	120,500

Simpson Housing Services Inc.
Notes to Consolidated Financial Statements
June 30, 2015 and 2014

	2015	2014
0% installment note payable to Wells Fargo Bank Minnesota, NA is due if units are not used for low income housing through September 2021. If the Organization is not in default of the loan through that date, the note is due in one lump sum, in September 2021. Secured by assets of Passages Community Housing, LLC. Lien Priority 7	\$ 34,000	\$ 34,000
	1,215,484	1,235,680
Less current portion	21,229	20,196
Long-term portion	\$ 1,194,255	\$ 1,215,484

Order of lien priority was agreed upon in the Management and Assumption Agreement between Minnesota Housing Finance Agency and Passages Community Housing, LLC.

Future principal payments required are as follows:

Years Ending June 30,	Amount
2016	\$ 21,229
2017	22,315
2018	23,457
2019	24,657
2020 and thereafter	1,123,826
	\$ 1,215,484

In-kind interest expense of \$120,850 for below-market loans has been recorded as an in-kind contribution and included in interest expense for the year ended June 30, 2015 and 2014.

Note 6 - Leases

The Organization leases office space and office equipment under non-cancelable operating leases.

Minimum future rental payments under the non-cancelable leases for each year during the remaining lease terms are as follows:

Years Ending June 30,	Office Space	Office Equipment	Total
2016	\$ 42,430	\$ 16,488	\$ 58,918
2017	-	16,488	16,488
2018	-	16,488	16,488
2019	-	16,488	16,488
2020 and thereafter	-	14,154	14,154
	\$ 42,430	\$ 80,106	\$ 122,536

Lease expense for the year ended June 30, 2015 and 2014 was \$94,358 and \$69,838, respectively.

Note 7 - Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following as June 30, 2015 and 2014:

	2015	2014
SOAR	\$ 115	\$ 12,630
Shelter	14,000	9,938
Heading Home Minnesota Partners Fund	7,357	5,203
Emerson Legacy Fund	123,187	125,000
Time restricted for general operations	15,000	-
Young Parent Program	-	27,132
	\$ 159,659	\$ 179,903

Temporarily restricted net assets released from restrictions for the year ended June 30, 2015 and 2014 consist of the following:

	2015	2014
SOAR	\$ 12,515	\$ 12,252
Shelter	9,938	15,832
Heading Home Minnesota Partners Fund	5,203	1,955
Emerson Legacy Fund	1,813	-
Young Parent Program	27,132	-
Strategic Planning	-	10,000
	\$ 56,601	\$ 40,039

Note 8 - Donated Materials and Interest

The fair value of donated materials included as supporting services expenses for the years ended June 30, 2015 and 2014, totaled \$46,723 and \$42,900, respectively. The fair value of donated materials included as non-operating revenue and expense for the years ended June 30, 2015 and 2014 totaled \$256,230 and \$267,020, respectively. The fair value of donated materials (primarily meals) included as program service expense for the years ended June 30, 2015 and 2014 totaled \$185,115 and \$165,409.

The estimated value of donated interest expense on non-interest bearing or below market mortgages and notes payable has been included as program services expenses for the years ended June 30, 2015 and 2014. For the years ended June 30, 2015 and 2014, this totaled to \$120,850 for both years.

Note 9 - Retirement Plan

The Organization has a Simple IRA plan for all eligible employees. The annual employer's matching contribution is mandatory. The contributions made by the Organization totaled \$55,468 and \$51,216 for the years ended June 30, 2015 and 2014, respectively.

Note 10 - Related Party Contributions

During 2015 and 2014, Board members contributed \$36,797 and \$34,088 to the Organization, respectively, of which \$0 and \$246 were in-kind contributions.

Note 11 - Contingencies

During the year ended June 30, 2014, the Organization received a \$81,132 grant from the City of Minneapolis. This grant provided funding for certain building improvements at Passages Community Housing, LLC. Under the terms of the grant, the Organization must continue to operate Passages Community Housing, LLC as an emergency or transitional housing shelter through July 14, 2016 or must repay the grant.

During the year ended June 30, 2013, the Organization received a \$320,000 grant from the City of Minneapolis. This grant provided funding for certain building improvements at Passages Community Housing, LLC. Under the terms of the grant, the Organization must continue to operate Passages Community Housing, LLC as an emergency or transitional housing shelter through June 30, 2016 or must repay the grant.



Supplementary Information
June 30, 2015 and 2014

Simpson Housing Services Inc.



Independent Auditor's Report on Supplementary Information

The Board of Directors
Simpson Housing Services Inc.
Minneapolis, Minnesota

We have audited the consolidated financial statements of Simpson Housing Services Inc. and Subsidiary as of and for the years ended June 30, 2015 and 2014, and our report thereon dated November 23, 2015, expressed an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The following supplementary information is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in our audit of the 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 consolidated financial statements or to the 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 consolidated financial statements taken as a whole.

Eide Bailly LLP

Minneapolis, Minnesota
November 23, 2015

Simpson Housing Services Inc.
Consolidating Statement of Financial Position
June 30, 2015

	Simpson Housing Services, Inc.	Passages Community Housing, LLC	Eliminations	Total
Assets				
Current Assets				
Cash and cash equivalents	\$ 671,054	\$ 3,110	\$ -	\$ 674,164
Restricted cash - other	160,315	16,571	-	176,886
Restricted cash - escrow and reserves	-	160,319	-	160,319
Temporary investments	205,356	-	-	205,356
Accounts receivable	-	1,320	-	1,320
Promises to give, net	20,500	-	-	20,500
Grants receivable	105,184	-	-	105,184
Prepaid expenses	6,276	-	-	6,276
Total current assets	<u>1,168,685</u>	<u>181,320</u>	<u>-</u>	<u>1,350,005</u>
Property and Equipment, Net	<u>631,628</u>	<u>1,175,322</u>	<u>-</u>	<u>1,806,950</u>
Total assets	<u>\$ 1,800,313</u>	<u>\$ 1,356,642</u>	<u>\$ -</u>	<u>\$ 3,156,955</u>
Liabilities and Net Assets				
Current Liabilities				
Current portion of debt	\$ -	\$ 21,229	\$ -	\$ 21,229
Accounts payable	5,622	2,823	-	8,445
Accrued salaries payable	70,978	-	-	70,978
Accrued vacation payable	82,120	-	-	82,120
Accrued interest	-	36,811	-	36,811
Accrued expenses - security deposits	-	16,251	-	16,251
Other accrued expenses	32,545	-	-	32,545
Total current liabilities	<u>191,265</u>	<u>77,114</u>	<u>-</u>	<u>268,379</u>
Long-Term Liabilities				
Debt, net of current portion	<u>-</u>	<u>1,194,255</u>	<u>-</u>	<u>1,194,255</u>
Total liabilities	<u>191,265</u>	<u>1,271,369</u>	<u>-</u>	<u>1,462,634</u>
Net Assets				
Unrestricted	1,449,389	85,273	-	1,534,662
Temporarily restricted	<u>159,659</u>	<u>-</u>	<u>-</u>	<u>159,659</u>
Total net assets	<u>1,609,048</u>	<u>85,273</u>	<u>-</u>	<u>1,694,321</u>
Total liabilities and net assets	<u>\$ 1,800,313</u>	<u>\$ 1,356,642</u>	<u>\$ -</u>	<u>\$ 3,156,955</u>

Simpson Housing Services Inc.
Consolidating Statement of Financial Position
June 30, 2014

	Simpson Housing Services, Inc.	Passages Community Housing, LLC	Eliminations	Total
Assets				
Current Assets				
Cash and cash equivalents	\$ 528,855	\$ 26,481	\$ -	\$ 555,336
Restricted cash - other	159,576	18,953	-	178,529
Restricted cash - escrow and reserves	-	121,840	-	121,840
Temporary investments	204,742	-	-	204,742
Accounts receivable	9,728	4,581	(9,728)	4,581
Promises to give, net	18,000	-	-	18,000
Grants receivable	175,780	-	-	175,780
Prepaid expenses	-	13,923	-	13,923
Total current assets	<u>1,096,681</u>	<u>185,778</u>	<u>(9,728)</u>	<u>1,272,731</u>
Property and Equipment, Net	<u>766,019</u>	<u>1,240,552</u>	<u>-</u>	<u>2,006,571</u>
Total assets	<u>\$ 1,862,700</u>	<u>\$ 1,426,330</u>	<u>\$ (9,728)</u>	<u>\$ 3,279,302</u>
Liabilities and Net Assets				
Current Liabilities				
Current portion of debt	\$ -	\$ 20,196	\$ -	\$ 20,196
Accounts payable	19,259	10,102	(9,728)	19,633
Accrued salaries payable	56,547	-	-	56,547
Accrued vacation payable	64,290	-	-	64,290
Accrued interest	-	33,811	-	33,811
Accrued expenses - security deposits	-	18,850	-	18,850
Other accrued expenses	30,133	-	-	30,133
Total current liabilities	<u>170,229</u>	<u>82,959</u>	<u>(9,728)</u>	<u>243,460</u>
Long-Term Liabilities				
Debt, net of current portion	<u>-</u>	<u>1,215,484</u>	<u>-</u>	<u>1,215,484</u>
Total liabilities	<u>170,229</u>	<u>1,298,443</u>	<u>(9,728)</u>	<u>1,458,944</u>
Net Assets				
Unrestricted	1,512,568	127,887	-	1,640,455
Temporarily restricted	<u>179,903</u>	<u>-</u>	<u>-</u>	<u>179,903</u>
Total net assets	<u>1,692,471</u>	<u>127,887</u>	<u>-</u>	<u>1,820,358</u>
Total liabilities and net assets	<u>\$ 1,862,700</u>	<u>\$ 1,426,330</u>	<u>\$ (9,728)</u>	<u>\$ 3,279,302</u>

Simpson Housing Services Inc.
Consolidating Statement of Activities
Year Ended June 30, 2015

	Simpson Housing Services, Inc.	Passages Community Housing, LLC	Eliminations	Total
Support and Revenue				
Contributions	\$ 1,142,044	\$ -	\$ -	\$ 1,142,044
In-kind contributions	182,115	141,850	-	323,965
Government contracts	3,534,781	-	-	3,534,781
Contract income	541,834	-	(35,580)	506,254
United Way	212,001	-	-	212,001
Rental income	68,944	210,809	-	279,753
Gross special event revenue	162,172	-	-	162,172
Less cost of direct benefit to donors	(64,144)	-	-	(64,144)
Net special events revenue	98,028	-	-	98,028
Other income	20,176	2,377	-	22,553
Total support and revenue	5,799,923	355,036	(35,580)	6,119,379
Expenses				
Program services				
Shelters	1,011,545	-	-	1,011,545
Family housing	2,476,625	397,650	(42,380)	2,831,895
Single adult housing	1,784,142	-	-	1,784,142
Total program services	5,272,312	397,650	(42,380)	5,627,582
Support services				
Management and general	339,380	-	6,800	346,180
Fundraising	271,654	-	-	271,654
Total support services	611,034	-	6,800	617,834
Total expenses	5,883,346	397,650	(35,580)	6,245,416
Change in Operating Net Assets	(83,423)	(42,614)	-	(126,037)
Non-Operating Activity				
In-kind contributions	256,230	-	-	256,230
In-kind expense	(256,230)	-	-	(256,230)
Total non-operating activity	-	-	-	-
Change in Net Assets	(83,423)	(42,614)	-	(126,037)
Net Assets, Beginning of Year	1,692,471	127,887	-	1,820,358
Net Assets, End of Year	\$ 1,609,048	\$ 85,273	\$ -	\$ 1,694,321

Simpson Housing Services Inc.
Consolidating Statement of Activities
Year Ended June 30, 2014

	Simpson Housing Services, Inc.	Passages Community Housing, LLC	Eliminations	Total
Support and Revenue				
Contributions	\$ 1,154,317	\$ -	\$ -	\$ 1,154,317
In-kind contributions	165,409	120,850	-	286,259
Government contracts	2,942,360	81,132	-	3,023,492
Contract income	589,846	-	(42,140)	547,706
United Way	212,000	-	-	212,000
Rental income	53,310	220,083	-	273,393
Special event revenue	145,093	-	-	145,093
Less cost of direct benefit to donors	(53,338)	-	-	(53,338)
Net special events revenue	91,755	-	-	91,755
Other income	49,815	2,998	-	52,813
Total support and revenue	<u>5,258,812</u>	<u>425,063</u>	<u>(42,140)</u>	<u>5,641,735</u>
Expenses				
Program services				
Shelters	952,690	-	-	952,690
Family housing	2,213,706	388,379	(42,140)	2,559,945
Single adult housing	1,530,393	-	-	1,530,393
Total program services	<u>4,696,789</u>	<u>388,379</u>	<u>(42,140)</u>	<u>5,043,028</u>
Support services				
Management and general	366,851	-	-	366,851
Fundraising	188,729	-	-	188,729
Total support services	<u>555,580</u>	<u>-</u>	<u>-</u>	<u>555,580</u>
Total expenses	<u>5,252,369</u>	<u>388,379</u>	<u>(42,140)</u>	<u>5,598,608</u>
Change in Operating Net Assets	<u>6,443</u>	<u>36,684</u>	<u>-</u>	<u>43,127</u>
Non-Operating Activity				
In-kind contributions	267,020	-	-	267,020
In-kind expense	(267,020)	-	-	(267,020)
Total non-operating activity	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	6,443	36,684	-	43,127
Net Assets, Beginning of Year	<u>1,686,028</u>	<u>91,203</u>	<u>-</u>	<u>1,777,231</u>
Net Assets, End of Year	<u>\$ 1,692,471</u>	<u>\$ 127,887</u>	<u>\$ -</u>	<u>\$ 1,820,358</u>