

CABRINI PARTNERSHIP
AND ITS WHOLLY OWNED
SUBSIDIARY

REPORT ON AUDIT

JUNE 30, 2010



LETHERT, SKWIRA, SCHULTZ & CO. LLP
CERTIFIED PUBLIC ACCOUNTANTS ♦ BUSINESS CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors and Stockholders
Cabrini Partnership And Its Wholly Owned Subsidiary**

We have audited the accompanying consolidated statement of financial position of **Cabrini Partnership And Its Wholly Owned Subsidiary** (a Minnesota nonprofit organization) as of **June 30, 2010** and 2009, and the related consolidated statements of activities, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **Cabrini Partnership And Its Wholly Owned Subsidiary** and subsidiaries as of **June 30, 2010** and 2009, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

November 4, 2010

Lethert, Skwira, Schultz & Co. LLP

LETHERT, SKWIRA, SCHULTZ & CO. LLP

170 EAST SEVENTH PLACE ♦ SUITE 100 ♦ ST. PAUL, MINNESOTA 55101 ♦ phone (651) 224.5721 ♦ fax (651) 227.7767

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CABRINI PARTNERSHIP AND ITS WHOLLY OWNED SUBSIDIARY

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CABRINI PARTNERSHIP AND ITS WHOLLY OWNED SUBSIDIARY

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Consolidated Statement of Financial Position

June 30, 2010 and 2009

ASSETS	June 30, 2010				June 30, 2009			
	Unrestricted	Temporarily Restricted	Property and Equipment	Total	Unrestricted	Temporarily Restricted	Property and Equipment	Total
Current Assets								
Cash	\$ 501,935	\$ -	\$ -	\$ 501,935	\$ 600,567	\$ 166,273	\$ -	\$ 766,840
Certificates of deposit	291,681	587,827	-	879,508	-	618,366	-	618,366
Other receivables	55,192	-	-	55,192	26,433	-	-	26,433
Unconditional promises to give - current (Note 4)	-	12,580	-	12,580	-	14,346	-	14,346
Prepaid expenses	16,559	-	-	16,559	44,541	-	-	44,541
Other current assets	-	16,695	-	16,695	-	14,998	-	14,998
Investments (Note 5)	-	-	-	-	10,279	-	-	10,279
Total Current Assets	865,367	617,102	-	1,482,469	681,820	813,983	-	1,495,803
Property and Equipment								
Land	-	-	20,000	20,000	-	-	20,000	20,000
Building	-	-	242,288	242,288	-	-	242,288	242,288
Building improvements	-	-	862,032	862,032	-	-	614,459	614,459
Kitchen and dining room equipment	-	-	6,138	6,138	-	-	33,650	33,650
Recreation and living room equipment	-	-	5,914	5,914	-	-	78,053	78,053
Office and other furniture and equipment	-	-	98,048	98,048	-	-	128,430	128,430
Total	-	-	1,234,420	1,234,420	-	-	1,116,880	1,116,880
Less: Accumulated depreciation	-	-	432,494	432,494	-	-	604,377	604,377
Total Property and Equipment	-	-	801,926	801,926	-	-	512,503	512,503
Other Assets								
Unconditional promises to give - long-term, net of allowance for doubtful accounts, 2010, \$0 and 2009, \$0 (Note 4)	-	14,522	-	14,522	-	28,241	-	28,241
Investment in PPLCH Van Cleve Apartments East LLC, net of valuation reserve, 2010, \$249,361 and 2009, \$249,361 (Notes 5 and 12)	546	-	-	546	631	-	-	631
Total Other Assets	546	14,522	-	15,068	631	28,241	-	28,872
TOTAL ASSETS	\$ 865,913	\$ 631,624	\$ 801,926	\$ 2,299,463	\$ 682,451	\$ 842,224	\$ 512,503	\$ 2,037,178
LIABILITIES AND NET ASSETS								
Current Liabilities								
Accounts payable	21,103	-	-	21,103	25,272	-	-	25,272
Accrued payroll taxes	4,402	-	-	4,402	3,381	-	-	3,381
Accrued salaries and vacation	40,895	-	-	40,895	57,275	-	-	57,275
Security deposits and other liabilities	26,298	-	-	26,298	6,703	-	-	6,703
Total Current Liabilities	92,698	-	-	92,698	92,631	-	-	92,631
Long-Term Debt (Note 7)								
Mortgage loan payable	-	-	510,613	510,613	-	-	391,065	391,065
Net Assets (Note 8)	773,215	631,624	291,313	1,696,152	589,820	842,224	121,438	1,553,482
TOTAL LIABILITIES AND NET ASSETS	\$ 865,913	\$ 631,624	\$ 801,926	\$ 2,299,463	\$ 682,451	\$ 842,224	\$ 512,503	\$ 2,037,178

The accompanying notes are an integral part of this financial statement.

CABRINI PARTNERSHIP AND ITS WHOLLY OWNED SUBSIDIARY

Consolidated Statement of Activities

Years Ended June 30, 2010 and 2009

	June 30, 2010				June 30, 2009			
	Unrestricted	Temporarily Restricted	Property and Equipment	Total	Unrestricted	Temporarily Restricted	Property and Equipment	Total
Revenue								
Governmental Agencies								
Room and board	\$ 413,058	\$ -	\$ -	\$ 413,058	\$ 387,259	\$ -	\$ -	\$ 387,259
State of Minnesota	-	34,387	-	34,387	-	191,084	-	191,084
HUD	-	252,166	-	252,166	-	256,053	-	256,053
State of Minnesota - Housing First	-	1,023,001	-	1,023,001	-	618,837	-	618,837
Hennepin County - SHIF funding	-	18,750	-	18,750	-	23,750	-	23,750
City of Minneapolis - CPED Grant	-	120,000	-	120,000	-	-	-	-
Total Governmental Agencies	413,058	1,448,304	-	1,861,362	387,259	1,089,724	-	1,476,983
Public Support								
Foundations, businesses	119,935	-	-	119,935	53,315	35,500	-	88,815
Religious organizations	26,429	-	-	26,429	22,263	1,000	-	23,263
Individual donations	107,441	-	-	107,441	103,913	-	-	103,913
Food donations (Note 2)	109,290	-	-	109,290	99,812	-	-	99,812
Donated services (Note 2)	114,472	-	-	114,472	82,379	-	-	82,379
Capital campaign donations	-	26,760	-	26,760	-	258,011	-	258,011
Other donations	5,130	-	-	5,130	1,755	-	-	1,755
Total Public Support	482,697	26,760	-	509,457	363,437	294,511	-	657,948
Other Revenue								
Development fees	158,750	-	-	158,750	207,500	-	-	207,500
Unrealized loss on investment in PPLCH Van Cleve Apartments East LLC (Note 5)	-	-	-	-	(249,361)	-	-	(249,361)
Investment income	10,570	-	30,000	40,570	28,108	-	30,000	58,108
Loss on disposal of property	(1,037)	-	-	(1,037)	-	-	(3,093)	(3,093)
Rent revenue	16,433	43,985	-	60,418	24,618	42,089	-	66,707
Total Other Revenue	184,716	43,985	30,000	258,701	10,865	42,089	26,907	79,861
Total Revenue	1,080,471	1,519,049	30,000	2,629,520	761,561	1,426,324	26,907	2,214,792
Functional Expenses								
Program	2,240,234	-	30,000	2,270,234	1,871,760	-	30,000	1,901,760
General and administrative	69,795	-	-	69,795	72,399	-	-	72,399
Fund raising (Note 13)	99,181	-	-	99,181	105,975	-	-	105,975
Total Functional Expenses	2,409,210	-	30,000	2,439,210	2,050,134	-	30,000	2,080,134
Excess Revenue Over (Under) Functional Expenses Before Depreciation and Restrictions Satisfied by Payments	(1,328,739)	1,519,049	-	190,310	(1,288,573)	1,426,324	(3,093)	134,658
Depreciation	-	-	47,640	47,640	-	-	36,823	36,823
Restrictions Satisfied by Payments	1,729,649	(1,729,649)	-	-	1,310,977	(1,310,977)	-	-
Excess Revenue Over (Under) Functional Expenses	\$ 400,910	\$ (210,600)	\$ (47,640)	\$ 142,670	\$ 22,404	\$ 115,347	\$ (39,916)	\$ 97,835

The accompanying notes are an integral part of this financial statement.

CABRINI PARTNERSHIP AND ITS WHOLLY OWNED SUBSIDIARY

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Consolidated Statement of Changes in Net Assets

Years Ended **June 30, 2010** and 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Property and Equipment</u>	<u>Total</u>
Net assets, July 1, 2008	\$ 567,416	\$ 726,877	\$ 161,354	\$ 1,455,647
Excess revenue over (under) functional expenses for the year	<u>22,404</u>	<u>115,347</u>	<u>(39,916)</u>	<u>97,835</u>
Net assets, June 30, 2009	589,820	842,224	121,438	1,553,482
Transfer for the acquisition of property and equipment	(217,515)	-	217,515	-
Excess revenue over (under) functional expenses for the year	<u>400,910</u>	<u>(210,600)</u>	<u>(47,640)</u>	<u>142,670</u>
Net Assets, June 30, 2010	<u>\$ 773,215</u>	<u>\$ 631,624</u>	<u>\$ 291,313</u>	<u>\$ 1,696,152</u>

The accompanying notes are an integral part of this financial statement.

CABRINI PARTNERSHIP AND ITS WHOLLY OWNED SUBSIDIARY

Consolidated Statement of Cash Flows

Years Ended June 30, 2010 and 2009

	June 30, 2010				June 30, 2009			
	Unrestricted	Temporarily Restricted	Property and Equipment	Total	Unrestricted	Temporarily Restricted	Property and Equipment	Total
Cash Flows From Operating Activities								
Excess of revenue over (under) functional expenses	\$ 400,910	\$ (210,600)	\$ (47,640)	\$ 142,670	\$ 22,404	\$ 115,347	\$ (39,916)	\$ 97,835
Adjustments to reconcile excess of revenue over (under) functional expenses to net cash provided (used) by operating activities:								
Depreciation	-	-	47,640	47,640	-	-	36,823	36,823
Unrealized loss from investment in PPLCH Van Cleve Apartments East LLC	-	-	-	-	249,361	-	-	249,361
Loss from investment in PPLCH Van Cleve Apartments East LLC	85	-	-	85	8	-	-	8
Loss on disposal of property	1,037	-	-	1,037	-	-	3,093	3,093
Value of donated assets	-	-	-	-	(10,279)	-	-	(10,279)
Increase (decrease) in cash flows from:								
Other receivables	(28,759)	-	-	(28,759)	34,743	-	-	34,743
Prepaid expenses	27,982	-	-	27,982	(13,416)	-	-	(13,416)
Other current assets	-	(1,697)	-	(1,697)	-	(1,085)	-	(1,085)
Unconditional promises to give	-	15,485	-	15,485	-	72,046	-	72,046
Accounts payable	(4,169)	-	-	(4,169)	5,473	-	-	5,473
Accrued payroll taxes	1,021	-	-	1,021	(2,178)	-	-	(2,178)
Accrued salaries and vacation	(16,380)	-	-	(16,380)	7,944	-	-	7,944
Security deposits and other liabilities	19,595	-	-	19,595	5,599	-	-	5,599
Net Cash Provided (Used) by Operating Activities	401,322	(196,812)	-	204,510	299,659	186,308	-	485,967
Cash Flows From Investing Activities								
Certificates of deposit	(291,681)	30,539	-	(261,142)	-	(418,344)	-	(418,344)
Acquisition of property and equipment	(337,990)	-	-	(337,990)	-	-	-	-
Proceeds from sale of investments	10,169	-	-	10,169	-	-	-	-
Net Cash Provided (Used) by Investing Activities	(619,502)	30,539	-	(588,963)	-	(418,344)	-	(418,344)
Cash Flows Provided by Financing Activities								
Proceeds from long-term debt	119,548	-	-	119,548	-	-	-	-
Net Increase (Decrease) in Cash	(98,632)	(166,273)	-	(264,905)	299,659	(232,036)	-	67,623
Cash, Beginning of Year	600,567	166,273	-	766,840	300,908	398,309	-	699,217
Cash, End of Year	\$ 501,935	\$ -	\$ -	\$ 501,935	\$ 600,567	\$ 166,273	\$ -	\$ 766,840

Supplemental Disclosures of Cash Flows Information

During the years ended June 30, 2010 and 2009, the Organization made no interest payments.

The accompanying notes are an integral part of this financial statement.

Notes to Consolidated Financial Statements

June 30, 2010 and 2009

NOTE 1 PURPOSE OF ORGANIZATION

Cabrini Partnership provides housing and services to support homeless adults with mental illness and chemical dependency to strengthen their lives, families, and community.

HDS Transition LLC is a single member limited liability company owned entirely by Cabrini Partnership that owns the transitional housing property.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND USE OF ACCOUNTING ESTIMATES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of **Cabrini Partnership** and its wholly owned subsidiary: HDS Transition LLC. Significant intercompany transactions and balances have been eliminated in consolidation.

Financial Statement Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting.

The Organization follows standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. A description of the three net asset categories follows.

Unrestricted net assets have no donor imposed restrictions, or the donor imposed restrictions have expired. Unrestricted net assets may be designated for a specific purposes by the Board of Directors.

Temporarily restricted net assets have donor imposed restrictions that are satisfied either by the passage of time or expenditures that meet the donor specified purpose.

Permanently restricted net assets have donor imposed restrictions which do not expire.

Notes to Consolidated Financial Statements

June 30, 2010 and 2009

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
AND USE OF ACCOUNTING ESTIMATES (CONTINUED)**

Accounting Estimates

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

Statement of Cash Flows

For purposes of reporting cash flows, cash, and cash equivalents include money market accounts and any highly liquid debt instruments purchased with an original maturity of 3 months or less.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. The value assigned to investments received by gift is the market value at the date of donation.

Unrealized and realized gains and losses are included in the Statement of Activities.

Property and Equipment

Property and equipment are stated at cost for purchased assets and fair market value for donated assets. Depreciation is provided on the straight-line method over the estimated useful lives of 5 years for the individual assets. The building is depreciated using the straight-line method with an estimated useful life of 30 years.

Maintenance and repairs of property and equipment are charged to operations and major renewals are capitalized.

Notes to Consolidated Financial Statements

June 30, 2010 and 2009

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
AND USE OF ACCOUNTING ESTIMATES (CONTINUED)**

Promises to Give

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are 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.

No allowance for uncollectible contributions was considered necessary at **June 30, 2010** and 2009.

Notes to Consolidated Financial Statements

June 30, 2010 and 2009

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
AND USE OF ACCOUNTING ESTIMATES (CONTINUED)****Donated Services and Equipment**

Donated services and equipment are recorded at estimated fair value, where significant and measurable.

A substantial number of unpaid volunteers have made significant contributions of their time to develop programs. That time was spent on fund raising, legal consultation, nursing care, social work, contracted building improvements, and educational programs. The value of this contributed time is reflected in these statements at its estimated fair market value.

The Organization received in-kind donations for the years ended **June 30, 2010** and 2009, respectively, as follows:

	<u>2010</u>	<u>2009</u>
Food and supplies	\$ 109,290	\$ 99,812
Donated office space	27,514	-
Volunteer services	<u>86,958</u>	<u>82,379</u>
Total	<u>\$ 223,762</u>	<u>\$ 182,191</u>

Revenue is recognized in an amount approximating the value of interest not charged in accordance with terms of the mortgage described in Note 7. Interest expense is recorded as an offset amount to the revenue recognized.

Income Taxes

The Organization was granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code.

In July, 2006, the Financial Accounting Standards Board (FASB) issued new guidance relating to Accounting for Uncertainty in Income Taxes, which was adopted by the Organization effective July 1, 2009. The new guidance under ASC 740-10, *Income Taxes*, set a "more likely than not" criterion for recognizing the tax benefit of uncertain tax positions; it established measurement criteria for tax benefits and it established certain new disclosure requirements. The Organization has identified no such exposures. The current tax years open are 2006 through 2009. During the upcoming 12 months, the Organization expects no material changes to occur related to Accounting for Uncertainty in Income Taxes.

Notes to Consolidated Financial Statements

June 30, 2010 and 2009

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
AND USE OF ACCOUNTING ESTIMATES (CONTINUED)****Functional Expense Allocation**

Functional expenses are allocated to program and supporting services as follows:

- (a) Salaries and related expenses are allocated based on best estimates by management.
- (b) Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting services, are allocated on the best estimates of management.

NOTE 3 CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash deposited at financial institutions in excess of amounts insured by the Securities Investor Protection Corporation and the Federal Deposit Insurance Corporation. At **June 30, 2010** and 2009, amounts in excess of insured limits were approximately **\$0** and \$201,000, respectively.

NOTE 4 CONTRIBUTIONS RECEIVABLE

At **June 30, 2010** and 2009, contributors have made unconditional promises to give of **\$27,102** and \$42,587, respectively, to the Organization.

Contributions receivable at **June 30, 2010** and 2009, are measured at present value of estimated future cash flows. Collection of receivables is expected as follows:

	<u>2010</u>	<u>2009</u>
Due in one year	\$ 13,083	\$ 15,350
Due in two to five years	<u>15,913</u>	<u>34,290</u>
Total	28,996	49,640
Less: Discount to net present value	<u>(1,894)</u>	<u>(7,053)</u>
Total Contributions Receivable	\$ <u>27,102</u>	\$ <u>42,587</u>

The discount rate used for the years ended **June 30, 2010** and 2009, was **6.78%**.

CABRINI PARTNERSHIP AND ITS WHOLLY OWNED SUBSIDIARY

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Notes to Consolidated Financial Statements

June 30, 2010 and 2009

NOTE 5 FAIR VALUE MEASUREMENTS

The Organization's investments are reported at fair value in the accompanying statement of financial position.

	<u>Fair Value Measurements Using:</u>		
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
June 30, 2010			
Investment in PPLCH			
Van Cleve Apartments East LLC	\$ <u>546</u>	\$ <u>-</u>	\$ <u>546</u>
June 30, 2009			
Common stock	\$ <u>10,279</u>	\$ <u>10,279</u>	\$ <u>-</u>
Investment in PPLCH			
Van Cleve Apartments East LLC	\$ <u>631</u>	\$ <u>-</u>	\$ <u>631</u>
Total	\$ <u>10,910</u>	\$ <u>10,279</u>	\$ <u>631</u>

FASB ASC 820, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 2 inputs were available to the Organization and Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

Notes to Consolidated Financial Statements

June 30, 2010 and 2009

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

Level 1 Fair Value Measurements

The fair value of common stock is based on quoted net asset values of the shares held by the Organization at year-end.

Level 3 Fair Value Measurements

PPLCH Van Cleve Apartments East LLC is not actively traded and significant other observable inputs are not available. Thus, the fair value of the investment in PPLCH Van Cleve Apartments East LLC is based on post construction appraisals of two apartment properties owned indirectly by the partnership. Construction of the properties were completed in 2008 and 2009 and management believes that the post construction appraisals represent fair value of the properties. The following table provides further details of the Level 3 fair value measurements.

**Fair Value Measurements Using Significant Unobservable Inputs
(Level 3)**

	<u>2010</u>	<u>2009</u>
<u>Investment in PPLCH Van Cleve Apartments East LLC</u>		
Beginning balance	\$ 631	\$ 250,000
Realized losses	(85)	(8)
Unrealized losses	<u>-</u>	<u>(249,361)</u>
Ending balance	<u>\$ 546</u>	<u>\$ 631</u>

The Organization has received development fees totaling \$447,500 in conjunction with the project and made an investment of \$250,000 to attain their final ownership of the project. The total project valuation by percentage of ownership yields a value of \$631 and accordingly, the Organization has reserved an amount equal to \$249,361.

CABRINI PARTNERSHIP AND ITS WHOLLY OWNED SUBSIDIARY

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Notes to Consolidated Financial Statements

June 30, 2010 and 2009

NOTE 6 INVESTMENTS

As of **June 30, 2010** and 2009, the Organization held marketable securities as follows:

	2010			2009		
	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain</u>	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain</u>
Common Stock	\$ -	\$ -	\$ -	\$ 10,279	\$ 10,279	\$ -

It is the Organization's policy not to hold or invest in common stock and any donations of common stock received are to be immediately sold. As of June 30, 2009, the common stock held was ordered to be sold, but had yet to settle.

NOTE 7 LONG-TERM DEBT

The **Cabrini Partnership** obtained a noninterest bearing mortgage loan from The Family Housing Fund in order to purchase the building and make building improvements. Payments on the mortgage balance of \$391,065 are not currently due and will remain this way until May, 2012. At that time, the Organization will have 60 days to sign another 25 year note with the same terms. The financial statements for the years ended **June 30, 2010** and 2009, recognized revenue and interest expense of **\$30,000** and \$30,000, respectively, as offsetting amounts to reflect the donation value of the interest free loan. If the Organization decides to sell the building, the Minneapolis and St. Paul Housing Fund has an option to purchase the building at a price equal to that offered to the Organization by an interested buyer.

During the year ended **June 30, 2010**, **Cabrini Partnership** obtained a nonamortizing mortgage loan from the Minnesota Housing Finance Agency to make building improvements. The loan carries an interest rate of 0% with principal payments deferred through February 8, 2040. At **June 30, 2010**, the balance of this mortgage was **\$119,548**.

NOTE 8 RESTRICTED AND PROPERTY AND EQUIPMENT NET ASSETS

The temporarily restricted net assets as of **June 30, 2010**, in the amount of **\$631,624** consists of \$618,287 of capital campaign donations, \$1,137 for the Welcome Home fund, \$10,781 for One Homeless Person, \$481 for Shif Dundry, \$350 for GED fees, \$488 for YMCA memberships and \$100 for bus passes. Unrestricted net assets of \$380,754 have been designated by the Board of Directors for the capital campaign.

Notes to Consolidated Financial Statements

June 30, 2010 and 2009

NOTE 9 RETIREMENT PLAN

The Organization has adopted a 403(b) retirement plan that covers all eligible employees. The Organization matched employee contributions up to 1% and 3% of the employee's salary for the years ended **June 30, 2010** and 2009, respectively. Employer contributions for the years ended **June 30, 2010** and 2009, were **\$3,099** and \$10,112, respectively.

NOTE 10 CONCENTRATIONS

The Organization received approximately 71% and 67% of its unrestricted revenue from the state of Minnesota for the years ended **June 30, 2010** and 2009, respectively. If this funding were discontinued, the Organization operations could be significantly affected.

The Organization is currently running a permanent supportive housing project. This project has two major program components, the Cabrini Independent Living Program funded by HUD and the Housing First Program funded by the state of Minnesota. If this funding were discontinued, the program could be significantly affected.

NOTE 11 COMMITMENTS AND CONTINGENCIES

During the year ended June 30, 2003, the Organization received a grant from from the Minnesota Housing Finance Agency in the amount of \$320,127 to make building improvements. The grant is conditional on the property being continuously used to provide transitional housing for low income individuals until January, 2023. If the Organization fails to comply with the terms of this agreement, repayment of the grant would be required.

NOTE 12 RELATED PARTY TRANSACTIONS

The Organization has partnered with Project for Pride in Living(PPL), Inc. to form PPLCH Van Cleve Apartments East LLC (PPLCH) the general partner of Van Cleve Apartments West Limited Partnership and Van Cleve Apartments East Limited Partnership in connection with the sponsorship, development, ownership, and operation of a rental housing project. PPL is managing the business affairs and operations of the project and owns 50% of the general partnership. Cabrini Partnership owns the other 50% of the general partnership. During the years ended **June 30, 2010** and 2009, the Organization received development fees in the amount of **\$158,750** and \$207,500, respectively, from the Van Cleve Apartments East Limited Partnership.

Notes to Consolidated Financial Statements

June 30, 2010 and 2009

NOTE 13 FUND RAISING EXPENSES

During the year ended June 30, 2009, the Organization incurred \$105,975 of fund raising expenses, of which \$22,624 were related to the Capital Campaign.

NOTE 14 SUBSEQUENT EVENTS

In May, 2009, FASB issued FASB ASC 855-10-50-1, Subsequent Events, which established general accounting standards and disclosure for subsequent events. The Organization has adopted FASB ASC 855-10-50-1. In accordance with FASB ASC 855-10-50-1, the Organization has evaluated subsequent events through **November 4, 2010**, the date the financial statements were issued.

**INDEPENDENT AUDITOR'S REPORT
ON ADDITIONAL INFORMATION**

**To the Board of Directors and Stockholders
Cabrini Partnership And Its Wholly Owned Subsidiary**

Our report on our audits of the basic consolidated financial statements of **Cabrini Partnership And Its Wholly Owned Subsidiary** for **2010** and 2009, appears on the front page of our report. We conducted our audits in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The information included in the accompanying schedule on page 15 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

November 4, 2010

Lethert, Skwira, Schultz & Co. LLP

LETHERT, SKWIRA, SCHULTZ & CO. LLP

CABRINI PARTNERSHIP AND ITS WHOLLY OWNED SUBSIDIARY

Consolidated Schedule of Functional Expenses

Years Ended **June 30, 2010** and 2009

(See Independent Auditor's Report on Additional Information)

	2010				2009			
	Program	General and Administrative	Fund Raising	Total	Program	General and Administrative	Fund Raising	Total
Salaries	\$ 615,604	\$ 37,822	\$ 57,006	\$ 710,432	\$ 572,462	\$ 40,714	\$ 61,458	\$ 674,634
Volunteer services, in kind	86,958	-	-	86,958	82,379	-	-	82,379
Employee benefits	72,107	6,528	9,488	88,123	73,834	9,255	10,394	93,483
Payroll taxes	60,496	3,290	5,142	68,928	48,392	3,334	4,884	56,610
Program supplies and activities	255,366	-	-	255,366	181,595	-	-	181,595
Contract labor	115,131	2,187	3,499	120,817	84,462	2,129	3,993	90,584
Food and beverage	7,685	-	-	7,685	29,056	255	-	29,311
Food and supplies, in kind	109,290	-	-	109,290	99,812	-	-	99,812
Insurance	22,117	1,332	2,163	25,612	23,555	1,423	2,266	27,244
Maintenance and repair, building	5,167	-	-	5,167	6,080	46	-	6,126
Maintenance and repair, equipment	15,583	56	14	15,653	19,992	81	131	20,204
Cleaning and maintenance supplies	1,306	-	-	1,306	1,196	-	-	1,196
Utilities	31,499	121	188	31,808	30,204	1,017	1,699	32,920
Rent	738,846	1,743	3,023	743,612	503,645	-	-	503,645
Telephone	12,991	550	801	14,342	7,568	353	420	8,341
Office supplies	8,381	783	588	9,752	6,877	528	362	7,767
Office equipment	3,978	257	363	4,598	3,369	468	289	4,126
Printing and duplicating	7,741	1,026	10,351	19,118	8,373	863	12,364	21,600
Postage	1,427	178	600	2,205	968	464	610	2,042
General transportation	15,607	90	14	15,711	22,359	305	217	22,881
Conferences and training	4,330	2,627	336	7,293	5,099	4,585	343	10,027
Resident stipend	1,437	-	-	1,437	2,050	-	-	2,050
Other furniture and equipment	7,530	-	-	7,530	10,593	4	-	10,597
Dues and subscriptions	1,892	500	208	2,600	1,993	625	-	2,618
Professional fees	20,453	8,551	4,275	33,279	37,783	2,270	5,608	45,661
Volunteer expenses	310	-	-	310	368	15	25	408
Interest expense	30,000	-	-	30,000	30,000	-	-	30,000
Miscellaneous expense	13,104	1,572	1,122	15,798	3,561	2,575	762	6,898
Special events	1,975	582	-	2,557	1,799	1,090	150	3,039
Bad debts	1,923	-	-	1,923	2,336	-	-	2,336
Total Expenses	\$ 2,270,234	\$ 69,795	\$ 99,181	\$ 2,439,210	\$ 1,901,760	\$ 72,399	\$ 105,975	\$ 2,080,134