MFPH ACQUISITIONS LLC
(A Component Unit of Boulder County Housing Authority, Colorado)

BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

For the Years Ended December 31, 2011 and 2010

MFPH ACQUISITIONS LLC
(A Component Unit of Boulder County Housing Authority, Colorado)

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CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

Independent Auditor's Report

Board of Directors
MFPH Acquisitions LLC
Boulder County, Colorado

We have audited the accompanying basic financial statements of MFPH Acquisitions LLC, a component unit of Boulder County Housing Authority, Colorado, as of and for the years ended December 31, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of MFPH Acquisitions LLC's management. Our responsibility is to express an opinion on these 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MFPH Acquisitions LLC as of December 31, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

CliftonLarsonAllen LLP

Greenwood Village, Colorado
June 7, 2012

MFPH ACQUISITIONS LLC
(A Component Unit of Boulder County Housing Authority, Colorado)

Balance Sheets

December 31, 2011 and 2010

	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	$ 21,248	$ 252,811
Restricted cash and cash equivalents - tenant security deposits	11,846	11,281
Accounts receivable - tenants, net of allowance of $0 and $202	2,076	-
Total current assets	35,170	264,092
Noncurrent assets		
Nondepreciable capital assets	655,069	655,069
Capital assets, net of accumulated depreciation	1,745,389	1,805,207
Total noncurrent assets	2,400,458	2,460,276
Total assets	$ 2,435,628	$ 2,724,368
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 8,627	$ 5,723
Tenant prepaid rents	2,149	498
Due to primary government	4,506	5,827
Tenant security deposits	11,846	11,281
Total current liabilities	27,128	23,329
Net assets:		
Invested in capital assets	2,400,458	2,460,276
Unrestricted	8,042	240,763
Total net assets	2,408,500	2,701,039
Total liabilities and net assets	$ 2,435,628	$ 2,724,368

See accompanying notes to basic financial statements.

MFPH ACQUISITIONS LLC
(A Component Unit of Boulder County Housing Authority, Colorado)

Statements of Revenues, Expenses and Changes in Net Assets

For the Years Ended December 31, 2011 and 2010

	2011	2010
Operating revenues		
Tenant rental income	$ 194,510	$ 167,511
Rental subsidies	195,854	223,776
Other	7,499	6,895
Total operating revenues	397,863	398,182
Operating expenses		
Administrative	113,921	85,754
Utilities	39,464	39,202
Maintenance and operations	86,348	86,590
General Operating	11,981	9,617
Depreciation	66,112	64,168
Total operating expenses	317,826	285,331
Operating income	80,037	112,851
Nonoperating revenues		
Interest income	90	123
Total nonoperating revenue	90	123
Change in fund equity before transfers	80,127	112,974
Transfers to primary government	(372,666)	(78,114)
Change in net assets	(292,539)	34,860
Net assets, beginning of period	2,701,039	2,666,179
Net assets, end of period	$ 2,408,500	$ 2,701,039

See accompanying notes to basic financial statements.

MFPH ACQUISITIONS LLC

(A Component Unit of Boulder County Housing Authority, Colorado)

Statements of Cash Flows

For the Years Ended December 31, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Cash received from tenants and others	$ 398,003	$ 397,249
Cash payments to suppliers	(250,131)	(223,179)
Net cash provided by operating activities	147,872	174,070
Cash flows from noncapital financing activites:		
Transfers to primary government	(372,666)	(78,114)
Net cash used by noncapital financing activities	(372,666)	(78,114)
Cash flows from capital and related financing activities:		
Purchases of capital assets	(6,294)	(19,444)
Net cash used by capital and related financing activities	(6,294)	(19,444)
Cash flows from investing activities:		
Interest received	90	123
Net cash provided by investing activities	90	123
Net increase (decrease) in cash and cash equivalents	(230,998)	76,635
Cash and cash equivalents, beginning of year	264,092	187,457
Cash and cash equivalents, end of year	$ 33,094	264,092
Reconciliation of operating income to net cash used in operating activities		
Net income from operations	$ 80,037	$ 112,851
Adjustments to reconcile net income from operations to net cash provided by operating activities:		
Depreciation	66,112	64,168
(Increase) decrease in accounts receivable	(2,076)	53
Increase (decrease) in accounts payable	2,904	(4,632)
Increase (decrease) in due to primary government	(1,321)	2,616
Increase (decrease) in tenant security deposits	565	1,062
Increase (decrease) in tenant prepaid rents	1,651	(2,048)
Net cash provided by operating activities	$ 147,872	$ 174,070

See accompanying notes to basic financial statements.

(1) Summary of Significant Accounting Policies

The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles. A summary of the significant accounting policies of MFPH Acquisitions LLC (the Corporation) applied in the preparation of these financial statements follows.

(a) *Reporting Entity*

The Corporation is a component unit of Boulder County Housing Authority (the Authority), a blended component unit of the County of Boulder Colorado, a political subdivision organized in 1861 under the statutes of the State of Colorado. The Sole Member of the Corporation is the Boulder County Housing Authority. The Authority's governing body is its Board of Directors (the Board). The Board is comprised of the three-member Board of County Commissioners for Boulder County. Each commissioner is elected at-large by the voters of the County and must reside in the district for which he or she is elected.

Operations of the Corporation commenced in 2008. The Corporation was created for the purpose of receiving certain affordable housing units from the Boulder County Housing Authority and will hold, manage, and at a future time determined by the Corporation, will sell the units through a negotiated sale at fair market value.

In accordance with GASB Statement No. 14, *The Financial Reporting Entity*, the definition of the financial reporting entity consists of:

(a) the primary government

(b) organizations for which the primary government is financially accountable, and

(c) other organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Authority is included in the Authority's reporting entity because of the significance of its operational and financial relationship with the Authority in accordance with GASB Statement No. 14.

As the Authority is the Sole Member of the Corporation, the Authority's Board of Directors is able to impose its will on the Corporation.

The Corporation has considered the possibility of inclusion of additional entities in its financial statements. Financial accountability exists if the Corporation appoints a voting majority of the organization's governing body and is able to impose its will on that organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government.

Financial accountability may also exist if an organization is fiscally dependent on the Corporation regardless of whether the organization has a separately elected governing board. Based on the application of these criteria, the Corporation does not include additional organizations within its reporting entity and the accompanying basic financial statements include only the operations of the Corporation.

The financial activities of the Corporation are recorded in business units established in connection with the administration of the Corporation's programs. Fund accounting is used internally to demonstrate legal compliance to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. These funds are combined into a single fund for financial reporting purposes.

The financial statements of the Corporation are presented on the basis of the proprietary fund accounting concept.

(b) Measurement Focus, Basis of Accounting, and Basis of Presentation

Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

Revenue and expenses are recognized on an accrual basis. The Corporation distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Corporation's ongoing operations. The principal operating revenues of the Corporation are from rental operations, which include tenant rental income and rent subsidies. The Corporation recognized other revenues, which include tenant charges such as laundry facility revenues, work order charges and late fees. Operating expenses consist of: administrative expenses, including management fees and other administrative costs; utilities; maintenance and operations, including maintenance salaries and benefits, maintenance contracts, related materials and non-capital equipment, and non-routine maintenance charges; general operating, including insurance and bad debt expense; and depreciation.

All revenues and expenses not meeting the operational criteria are reported as non-operating revenues and expenses. The only nonoperating revenue is interest income.

The Corporation reports its fund financial statements following all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins. Proprietary funds are given the option whether or not to apply all FASB Statements and Interpretations issued after November 30, 1989. The Authority has elected not to apply any applicable FASB pronouncements subsequent to November 30, 1989 in accounting and reporting for this enterprise fund.

(c) Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with an original maturity of three months or less from the date of acquisition.

(d) Restricted Cash

Restricted cash is comprised of amounts to be used for specific purposes. Specific purposes include amounts held for tenant security deposits.

(e) Accounts Receivable

Revenues are recorded when earned and are reported as accounts receivable until collected. Accounts receivable are expensed as bad debts at the time they are determined to be uncollectible. Management has established an allowance for doubtful accounts for accounts that may not be collectible in the future. Receivables are reported net of the related allowance.

(f) Capital Assets

Capital assets are recorded at historical cost or at estimated cost if actual historical cost is not available. Contributed assets are valued at estimated fair market value at the date of donation, except for donations from within the same financial reporting entity, which are recorded at the carrying value of the transferor. The Corporation defines capital assets as those with an initial, individual cost of $5,000 or greater and a useful life of more than one year.

Depreciation of assets is computed using the straight-line method. Estimated useful lives for asset types are as follows:

Buildings and improvements	10-45 years

(g) Restricted and Unrestricted Resources

Application of restricted and unrestricted resources is made on a case-by-case basis by management, depending on the overall program resources. Generally, management applies restricted resources then unrestricted resources when both restricted and unrestricted resources are available to pay an expense.

(h) Risk Management

The Corporation is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Corporation carries commercial insurance for these risks of loss. Insurance settlements have not exceeded insurance coverage for the past three years.

(i) Use of Estimates

The preparation of financial statement 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 revenue and expenses during the reported period. Actual results could differ from those estimates.

(2) Cash and Cash Equivalents

(a) Book Value of Cash and Cash Equivalents

As of December 31, 2011 and 2010, the carrying amount of the Corporation's cash and cash equivalents was as follows**:**

	2011	2010
Unrestricted cash and cash equivalents	$ 21,248	$ 252,811
Restricted cash – Tenant security deposits	11,846	11,281
Total	$ 33,094	$ 264,092

(b) Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories, with eligibility determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral determined by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The fair market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

(3) Restricted Cash and Cash Equivalents

At December 31, 2011 and 2010, cash held for tenant security deposits is restricted in the amount of $11,846 and $11,281, respectively, with an offsetting liability for tenant security deposits in the same amount.

(4) Change in Capital Assets

Detailed information on property and equipment and the related accumulated depreciation is displayed in the following tables:

	Balance December 31, 2010	Additions	Disposals	Balance December 31, 2011
Nondepreciable assets:				
Land	$ 655,069	$ -	$ -	$ 655,069
Total capital assets, not being depreciated	655,069	-	-	655,069
Depreciable assets:				
Buildings and Improvements	2,809,393	6,294	-	2,815,687
Total Buildings and Improvements	2,809,393	6,294	-	2,815,687
Accumulated depreciation:				
Buildings and Improvements	(1,004,186)	(66,112)	-	(1,070,298)
Total accumulated depreciation	(1,004,186)	(66,112)	-	(1,070,298)
Total capital assets being depreciated	1,805,207	(59,818)	-	1,745,389
Total capital assets, net	$ 2,460,276	$ (59,818)	$ -	$ 2,400,458

	Balance December 31, 2009	Additions	Disposals	Balance December 31, 2010
Nondepreciable assets:				
Land	$ 655,069	$ -	$ -	$ 655,069
Total capital assets, not being depreciated	655,069	-	-	655,069
Depreciable assets:				
Buildings and Improvements	2,789,949	19,444	-	2,809,393
Total Buildings and Improvements	2,789,949	19,444	-	2,809,393
Accumulated depreciation:				
Buildings and Improvements	(940,018)	(64,168)	-	(1,004,186)
Total accumulated depreciation	(940,018)	(64,168)	-	(1,004,186)
Total capital assets being depreciated	1,849,931	(44,724)	-	1,805,207
Total capital assets, net	$ 2,505,000	$ (44,724)	$ -	$ 2,460,276

On December 31, 2011 and 2010, the Corporation owned a total of 42 rental units.

(5) Commitments and Contingencies

Management Agreement

The Corporation has a management agreement with Boulder County Housing Authority for contracted services. Under the terms of this agreement, the Authority contracts for administrative salaries, benefits, supplies, etc. The contracted services have been classified as functional expenses for reporting purposes. For the years ended December 31, 2011 and 2010, the Corporation paid or accrued $87,800 and $69,048, respectively, in fees under this agreement.

Disposition of Property

During 2008, the Authority obtained approval to dispose of public housing units owned by the Authority. The net proceeds from the disposition will be used for the replacement of the scattered sites with larger, affordable rental housing projects, which will equal the number of units approved for disposition. During 2010, the Authority requested an extension of the disposal timeline. HUD approved the request and extended the disposal timeline to December 31, 2013.

(6) Related Party Transactions

In addition to the management fees discussed in Note 5 above, in accordance with its Operating Agreement with Boulder County Housing Authority, the Corporation made transfers of profits of $372,666 and $78,114 to Boulder County Housing Authority during the years ended December 31, 2011 and 2010, respectively. The Corporation also paid $25,740 and $30,796 during the years ended December 31, 2011 and 2010, respectively, to Boulder County Housing Authority for salaries and benefits of maintenance workers.