Partners in hope and Housing

January 4, 2017

To Whom It May Concern:

Please find attached the independent audit report for Partners in Housing, Inc. for the fiscal year ended June 30, 2016.

For purposes of clarity, we would like to emphasize that PIH ended FY15/16 with an operating income over expense of $12,880. The loss of $250,016 shown on page 4, Statement of Activities, reflects $137,691 in depreciation and loss on disposal, $160,386 as a pledge receivable expensed during the fiscal year for use of property, $8,000 recorded as a pledge allowance, and a cumulative loss from related LLC's of $28,145. We have also not included the $71,326 gain on the sale of a co-owned property in the total income.

	($250,016)	Total Change in Net Assets, Audit Page 4
+	$28,145	LLC Losses, Audit Page 4 & Note 5 on Pages 9 & 10
+	$160,386	In-Kind donation of rent, Audit Page 5 & Note 2 Page 9
+	$137,691	Depreciation and loss on disposal, Audit Page 5 and Note 4 on Page 9
+	8,000	Allowance for pledge
-	71,326	Gain on sale of co-owned property
=	$12,880	Unadjusted Net Operating Income over Expense (not specifically listed in audit)

The pledge receivable for use of property is explained in Note 2 (Page 9) – PIH rents office space and transitional housing from the Myron Stratton Home at a discounted rate of $1 per year, and this note explains how that transaction is accounted. Note 5 (pages 9 & 10) details PIH's collaborative LLC's. The losses sustained by these LLC's were all due to depreciation rather than operating deficits.

PIH would like to reiterate that we are in a sound financial position and that the negative ending balance for FY15/16 was strictly related to depreciation and in-kind revenue recognition.

Please contact me at (719) 325-5831 if there are any questions that may arise from the review of this audit report.

Respectfully,
Mary Stegner
Executive Director

Providing homeless families with children the hope and opportunity for self-sufficiency through supportive services and transitional housing

455 Gold Pass Heights ▪ Colorado Springs, Colorado 80906
719.473.8890 ▪ Fax 719.635.9360 ▪ www.PartnersInHousing.org

stockman kast ryan + co LLP

PARTNERS IN HOUSING, INC.
AND AFFILIATE

Consolidated Financial Statements

For the Year Ended June 30, 2016

And

Independent Auditors' Report

PARTNERS IN HOUSING, INC.

TABLE OF CONTENTS

stockman kast ryan + CO
LLP

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Partners in Housing, Inc.

We have audited the accompanying consolidated financial statements of Partners in Housing, Inc. and affiliate (a non-profit organization) which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities, functional expenses and cash flows for the year 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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.

Certified Public Accountants and Business Advisors | 102 N. Cascade Avenue, Suite 400, Colorado Springs, CO 80903
www.skrco.com
telephone: (719) 630-1186
facsimile: (719) 630-1187

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Partners in Housing, Inc. and affiliate as of June 30, 2016 and the change in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Partners in Housing, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 22, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Stockman Kast Ryan & Co., LLP

January 4, 2017

PARTNERS IN HOUSING, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016 (with comparative totals for 2015)

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 196,385	$ 161,000
Pledge receivable for use of property, net	166,920	160,386
Accounts receivable	117,187	121,524
Total current assets	480,492	442,910
PLEDGE RECEIVABLE FOR USE OF PROPERTY, NET		166,920
NOTE RECEIVABLE	32,000	32,000
PROPERTY AND EQUIPMENT, NET	2,654,416	2,017,141
INVESTMENTS IN COLLABORATIVE ENTITIES	51,606	638,356
RESTRICTED CASH – TENANTS' SECURITY DEPOSITS	26,387	24,772
TOTAL ASSETS	$ 3,244,901	$ 3,322,099
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 29,434	$ 31,998
Accrued expenses	37,190	40,906
Current portion of notes payable - serviceable	2,903	2,817
Total current liabilities	69,527	75,721
NOTES PAYABLE - SERVICEABLE	190,592	193,505
NOTES PAYABLE - FORGIVABLE AND NON-SERVICEABLE	1,302,576	1,240,766
CONDITIONAL GRANT	118,500	
TENANTS' SECURITY DEPOSITS	26,387	24,772
TOTAL LIABILITIES	1,707,582	1,534,764
NET ASSETS		
Unrestricted	1,325,898	1,427,278
Temporarily restricted	211,421	360,057
Total net assets	1,537,319	1,787,335
TOTAL LIABILITIES AND NET ASSETS	$ 3,244,901	$ 3,322,099

See notes to consolidated financial statements.

PARTNERS IN HOUSING, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016 (with comparative totals for 2015)

	2016			
	Unrestricted	Temporarily Restricted	Total	2015 Total
REVENUE				
Government grants	$ 503,739	$ 44,500	$ 548,239	$ 587,824
Contributions and private grants	527,217		527,217	498,023
In-kind donations	385,083		385,083	297,109
Program service fees	316,673		316,673	325,472
Special events	23,150		23,150	35,381
Loss on investments in collaborative entities	(21,155)		(21,155)	(3,403)
Other revenue	102,756		102,756	26,488
Net assets released from restrictions	193,136	(193,136)		
Total revenue	2,030,599	(148,636)	1,881,963	1,766,894
EXPENSES				
Program services:				
Client services	843,203		843,203	705,173
Transitional housing	721,710		721,710	703,431
Affordable housing	193,181		193,181	211,888
Homeless prevention and rapid rehousing	91,416		91,416	138,946
Total program services	1,849,510	—	1,849,510	1,759,438
Support services:				
Development department	160,421		160,421	152,335
General and administrative	122,048		122,048	143,382
Total support services	282,469	—	282,469	295,717
Total expenses	2,131,979	—	2,131,979	2,055,155
CHANGE IN NET ASSETS	(101,380)	(148,636)	(250,016)	(288,261)
NET ASSETS, Beginning of year	1,427,278	360,057	1,787,335	2,075,596
NET ASSETS, End of year	$ 1,325,898	$ 211,421	$ 1,537,319	$ 1,787,335

See notes to consolidated financial statements.

PARTNERS IN HOUSING, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016 (with comparative totals for 2015)

	2016								
	Program Services					Support Services			
	Client Services	Transitional Housing	Affordable Housing	Homeless Prevention and Rapid Rehousing	Total	Development Department	General and Administrative	Total	2015 Total
Wages and related benefits:									
Salaries and employment taxes	$ 396,967	$ 180,824	$ 48,145	$ 30,763	$ 656,699	$ 74,731	$ 35,309	$ 766,739	$ 759,035
Employee benefits	105,187	42,790	8,754	6,405	163,136	17,371	19,357	199,864	162,964
Total wages and related benefits	502,154	223,614	56,899	37,168	819,835	92,102	54,666	966,603	921,999
Other expenses:									
Depreciation		76,098	55,345		131,443		408	131,851	132,360
Repairs and maintenance	1,144	53,119	29,406		83,669		7,546	91,215	135,674
Telephone and utilities	4,087	64,539	10,656	600	79,882	1,300	8,602	89,784	98,010
Contribution to others	4,000	51,100			55,100			55,100	48,800
Security and maintenance - Myron Stratton Campus	6,200	36,672		2,200	45,072	2,536	4,977	52,585	50,865
Counseling and direct client services	6,170			42,630	48,800			48,800	96,584
Public relations, meetings and awards	2,847	99	560		3,506	20,347	2,613	26,466	10,782
Insurance	4,896	14,963	4,258		24,117		1,548	25,665	21,287
Computer services and supplies	5,900	9,233	1,400	1,000	17,533	3,011	2,720	23,264	22,756
Office supplies and printing	4,166	2,058		650	6,874	6,139	2,593	15,606	13,728
Legal and accounting	4,600	614	2,363	1,200	8,777		5,693	14,470	17,782
Property taxes and licenses		4,885	8,601		13,486		371	13,857	16,745
Consulting and other fees	4,707			48	4,755	8,418		13,173	3,996
Loss on disposal of property and equipment		5,840			5,840			5,840	
Travel	2,033	1,415	798		4,246	244	477	4,967	4,907
Interest		500	2,992		3,492		281	3,773	3,773
Dues and subscriptions			260		260	275	1,357	1,892	1,457
Miscellaneous			212		212		1,388	1,600	2,434
Total other expenses	50,750	321,135	116,851	48,328	537,064	42,270	40,574	619,908	681,940
In-kind:									
Rent	52,496	98,736		5,920	157,152	12,832	17,154	187,138	179,815
Donated goods and services	163,003				163,003			163,003	64,486
Volunteer services	64,200	39,711			103,911	8,617	5,654	118,182	116,318
Interest expense		32,000	19,431		51,431			51,431	51,431
Diocesan computer support	10,600	6,514			17,114	4,600	4,000	25,714	39,166
Total in-kind	290,299	176,961	19,431	5,920	492,611	26,049	26,808	545,468	451,216
Total expenses	$ 843,203	$ 721,710	$ 193,181	$ 91,416	$ 1,849,510	$ 160,421	$ 122,048	$ 2,131,979	
Percentage of totals	40%	34%	9%	4%	87%	7%	6%	100%	
Comparative totals - 2015	$ 705,173	$ 703,431	$ 211,888	$ 138,946	$ 1,759,438	$ 152,335	$ 143,382		$ 2,055,155
Percentage of totals - 2015	34%	34%	10%	8%	86%	7%	7%		100%

See notes to consolidated financial statements

PARTNERS IN HOUSING, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS
JUNE 30, 2016 (with comparative totals for 2015)

	2016	2015
OPERATING ACTIVITIES		
Change in net assets	$ (250,016)	$ (288,261)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	131,851	132,360
Loss on investment in collaborative entities	21,155	3,403
Other	840	
Distributions received from investment in collaborative entity in a loss position	(30,000)	(30,000)
Changes in operating assets and liabilities:		
Accounts receivable	4,337	25,027
Pledge receivable for use of property	160,386	154,107
Accounts payable and accrued expenses	(6,280)	(33,846)
Net cash provided by (used in) operating activities	32,273	(7,210)
INVESTING ACTIVITIES		
Purchases of property and equipment	(31,061)	(56,467)
Distributions received from investments in collaborative entities	37,000	48,356
Net cash provided by (used in) investing activities	5,939	(38,111)
FINANCING ACTIVITIES		
Net cash used in financing activities — Payment on notes payable	(2,827)	(2,734)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	35,385	(48,055)
CASH AND CASH EQUIVALENTS, Beginning of year	161,000	209,055
CASH AND CASH EQUIVALENTS, End of year	$ 196,385	$ 161,000
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 3,773	$ 3,773
NON CASH INVESTING AND FINANCING ACTIVITIES		
Transfer of property and equipment from a related party	$ 743,905	
Transfer of notes payable and conditional grant from a related party	$ 185,310	

See notes to consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business — Partners in Housing, Inc. was established in 1991 to provide homeless families with children, living in the Pikes Peak region, the hope and opportunity to achieve self-sufficiency through supportive services and transitional housing. Partners in Housing, Inc. provides varied services to these families who possess the willingness and the potential capabilities to improve their situation with transitional housing and temporary supportive services. This program provides one year of transitional housing, case management, life skills training and budget counseling to help homeless households get back on their feet. The length of time in the program can be extended up to another year if program goals are being met, but the family still needs more time to reach self-sufficiency. Partners in Housing, Inc. caseworkers assess need and help the families to set goals and progress toward independence. Community churches and organizations provide household furnishings and other forms of support. Workshops for money management, self-esteem, nutrition, and other life skills are available. In addition, Partners in Housing, Inc. provides affordable rental housing to non-program low and very low income families and individuals.

Sources of revenue include property rentals, internal program revenue and contributions. Grants are received from various government agencies and private foundations.

Partners in Housing, LLC was formed during the year ended June 30, 2016 for the purpose of holding certain buildings and building improvements.

Principles of Consolidation –The consolidated financial statements include the accounts of Partners in Housing, Inc. and Partners in Housing, LLC (collectively, PIH). All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation — PIH reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, which represents the expendable resources that are available for operations at management's discretion; temporarily restricted net assets, which represents resources restricted by donors as to purpose or by the passage of time; and permanently restricted net assets, which represents resources whose use by PIH is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of PIH. PIH currently has no permanently restricted net assets as of June 30, 2016.

The accompanying financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with PIH's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

Cash and Cash Equivalents — PIH considers all highly liquid investments with a maturity of three months or less at the purchase date to be cash and cash equivalents.

Contributions — Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor-stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized and is reported as contribution revenue.

Donated Goods and Services — Donated goods and services are recorded as both a revenue and expenditure in the accompanying statements of activities and changes in net assets at their estimated values. Contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations.

Many individuals volunteer their time and perform a variety of tasks that assist PIH, but are not recognized as contributions in the financial statements because they do not meet the aforementioned criteria. PIH received approximately 168 and 240 volunteer hours during the fiscal year ended June 30, 2016 and 2015, respectively with an estimated value of $3,958 and $5,537, respectively.

Accounts Receivable — Accounts receivable are stated at the invoice amount. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. There is no allowance as of June 30, 2016 and 2015.

Property and Equipment — All acquisitions of property and equipment in excess of $1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are depreciated over the estimated useful lives of the assets (5-30 years) on a straight-line basis. Property and equipment are recorded at cost, and donated property is recorded at fair value at the date of the gift.

Income Taxes — Partners in Housing, Inc. and Partners in Housing, LLC are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, Partners in Housing, Inc. qualifies for the charitable contribution deduction.

PIH believes that it does not have any uncertain tax positions that are material to the financial statements. PIH's tax returns for the years ended June 30, 2013 through the current period remain open to examination by state and federal taxing authorities.

Rental Income — Rental income is recorded as collected because rental payments from program tenants are not consistent and future payments cannot be reasonably determined.

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

Use of 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, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Reclassification — Certain prior year amounts have been reclassified to conform with current year presentation.

Subsequent Events — PIH has evaluated subsequent events for the recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

2. PLEDGE RECEIVABLE FOR USE OF PROPERTY

PIH entered into a five-year lease agreement which began in June 2008 for the use of office and operations facilities for annual rental payments of $1. This lease was renewed for an additional five years starting July 2012. During the year ended June 30, 2012 PIH recognized $774,339 as contribution revenue and a pledge receivable at the net present value of the fair market value of the facility in excess of the rental payments using a discount rate of 4%. PIH recognized rent expense of $187,138 and $179,815 for the years ended June 30, 2016 and 2015, respectively, associated with the below market annual rents.

Subsequent to year end, PIH entered into a renewal for an additional five years, starting July 2017.

3. NOTE RECEIVABLE

PIH has a note receivable from a not-for-profit organization pursuant to which the counterparty will pay PIH the $32,000 outstanding balance upon qualifying transfer of specific real property. The note has no other ultimate expiration and is non-interest bearing.

4. PROPERTY AND EQUIPMENT

Property and equipment is as follows at June 30:

	2016	**2015**
Buildings	$ 3,139,456	$ 2,395,551
Building improvements	986,064	973,504
Land	261,687	261,687
Furniture and equipment	81,551	72,921
Vehicles	12,143	12,143
	4,480,901	3,715,806
Less accumulated depreciation	1,826,485	1,698,665
Total	$ 2,654,416	$ 2,017,141

5. INVESTMENTS IN COLLABORATIVE ENTITIES

PIH has investments in four collaborative entities which are accounted for under the equity method of accounting. Under the equity method of accounting investments are recorded at cost and are adjusted for the proportionate share of the undistributed earnings.

Investments in collaborative entities consist of the following as of June 30:

	2016	2015
GPR Properties II, LLC	$ 25,274	$ 16,563
GPR Properties, LLC	21,806	31,313
Colorado House and Resource Center, LLC	4,526	590,480
Total	$ 51,606	$ 638,356

Colorado House and Resource Center, LLC — Partners In Housing, Inc. entered into a 50% partnership interest in 2003 with Rocky Mountain Community Land Trust (RMCLT) to create Colorado House and Resource Center, LLC, (CHRC). CHRC purchased property with grant funds to be used as transitional housing and for supportive services to the homeless. In April 2016, the building and building improvements owned by CHRC were transferred to Partners in Housing, LLC and the land was transferred to RMCLT. CHRC had notes payable and a conditional grant associated with the transferred property. The notes payable and conditional grant were transferred to the members equally. Both members recorded the transferred property at $743,905 and the transferred notes payable and conditional grant at $185,310. See Note 6 regarding the notes payable.

GPR Properties, LLC — GPR Properties, LLC was formed in 2000 to own, lease and sell real property to low-income families. PIH has a 33.3% partnership interest in GPR Properties, LLC.

GPR Properties II, LLC — GPR Properties II, LLC was formed in August 2009 to purchase property, with grant funds, to be used as affordable housing. PIH has a 33.3% partnership interest in the entity.

Park Meadows Affordable Housing, LLC — Park Meadows Affordable Housing, LLC (Park Meadows) was formed in 2002 to provide affordable housing to low and moderate income residents. PIH has a 49% partnership interest in the entity. When PIH's share of losses in Park Meadows exceeded the carrying value of its investment, the equity method of accounting was suspended, and no additional losses were charged to operations. Suspended losses in Park Meadows totaled $314,271 and $343,943 at June 30, 2016 and 2015, respectively.

6. NOTES PAYABLE

PIH has entered into multiple note agreements in order to purchase and rehabilitate or construct real property for purposes of fulfilling PIH's mission. Such agreements are as follows as of June 30:

	2016	2015
42 individual notes with the City of Colorado Springs with principal balances ranging from $1,839 to $185,000 as of June 30, 2016, at zero percent interest, due upon sale or transfer of property, secured by real property.	$ 1,144,881	$ 1,144,919

	2016	2015
Note with El Paso County Colorado Housing Authority at 3% interest, principal and interest due in monthly installments of $485, due February 2040 or upon the sale or transfer of property if earlier, secured by real property.	98,495	101,322
Note payable with a financial institution at zero percent interest, due upon sale or transfer of property, secured by real property. Provided property is not sold or transferred and no default has occurred regarding use of the property, the note will be forgiven on August 18, 2021.	90,885	90,885
Note with El Paso County Colorado Housing Authority at 1% interest, interest payments due annually, principal due September 2017 or when sold or transferred if earlier, secured by real property.	50,000	50,000
Four individual notes with El Paso County Colorado Housing Authority ranging from $5,625 to $28,125 at zero percent interest, due between August 2029 and March 2030, secured by real property.	45,000	45,000
Note with El Paso County Colorado Housing Authority, assumed with the transfer of building and improvements from CHRC (see note 5), at zero percent interest, due upon sale or transfer of property, secured by real property. Entire balance of note at the time of transfer from CHRC was $75,000, split evenly between PIH and RMCLT. This note was fully forgiven subsequent to June 30, 2016.	37,500	
Note with the City of Colorado Springs, assumed with the transfer of building and improvements from CHRC (see note 5), at zero percent interest, forgiven over 5 years through January 2021, secured by real property. Entire balance of note at the time of transfer from CHRC was $36,120, split evenly between PIH and RMCLT.	18,060	
Note with the City of Colorado Springs, assumed with the transfer of building and improvements from CHRC (see note 5), at zero percent interest, due upon sale or transfer of property, secured by real property. Entire balance of note at the time of transfer from CHRC was $22,500, split evenly between PIH and RMCLT.	11,250	
Note with the City of Colorado Springs at zero percent interest, forgiven during the year ended June 30, 2016.		4,962
Total	$ 1,496,071	$ 1,437,088

Required annual minimum principal payments are as follows as of June 30:

2017	$ 2,903
2018	52,991
2019	3,082
2020	3,176
2021	3,272
Thereafter	128,071
Total - serviceable	193,495
Notes payable - forgivable and non - serviceable	1,302,576
Total	$ 1,689,566

Interest expense and a related in-kind contribution is calculated at 4.0% of the outstanding zero percent interest notes, amounting to $51,431 as of June 30, 2016 and 2015.

7. CONDITIONAL GRANT

In connection with the transfer of property from CHRC (see note 5), a conditional grant associated with the property was also transferred. The conditional grant of $237,000 is from the State of Colorado Division of Housing and requires the property to be used for affordable housing for 99 years, ending in 2105. If the affordability period is not met, the funds must be returned. PIH and RMCLT equally split the obligation associated with the grant at the time of the transfer for an amount of $118,500 each.

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are for the following as of June 30:

	2016	2015
Pledge receivable for use of property	$ 166,921	$ 327,307
Time restricted	44,500	32,750
Total	$ 211,421	$ 360,057

9. CONCENTRATIONS

Approximately 21% and 23%, respectively, of PIH's revenue and other support was received under contracts with the U.S. Department of Housing and Urban Development for the years ended June 30, 2016 and 2015.

10. COMMITMENTS AND CONTINGENCIES

Federal grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill these conditions could result in the disallowance of certain expenditures. Management anticipates no disallowances of expenditures.

11. RETIREMENT PLAN

PIH is a member of the Diocese of Colorado Springs' (Diocese) defined benefit pension plan that covers substantially all lay personnel. The Diocese makes annual contributions to the plan and charges assessments to PIH for reimbursement of costs related to personnel at PIH. Reimbursement costs for the years ended June 30, 2016 and 2015 were $37,501and $37,298, respectively. The liabilities and costs are determined under aggregate funding and projected unit credit methods. These methods are among several projected benefit funding methods, which may be used to provide for the systematic accumulation of assets to cover the benefits and expenses paid less any investment return of the plan's assets. The actuarial funding method, along with the other actuarial assumptions, affects when and at what rate this true cost will be paid. PIH's portion of both accumulated vested benefits and net assets available for benefits are insignificant to the Diocese plan.