



October 25, 2018

To Whom It May Concern:

Please find attached the independent audit report for Partners in Housing, Inc. for the fiscal year ended June 30, 2018.

For purposes of clarity, we would like to emphasize PIH ended FY17./18 with an adjusted net operating income over expense of \$114,846. **The loss of \$179,372 shown on page 4 Statement of Activities reflects non-cash entries including in-kind and depreciation as well as entries from non-operating activities.** In-kind entries include a rental expense for the fiscal year of \$144,851 for use of property. A detailed breakdown of the adjustments to PIH's net operating income is as follows:

\$ (179,372)	Total Change in Net Assets, Audit Page 4
\$ 144,851	In-Kind expense of rent for the fiscal year, Audit Page 5 and Note 2 Page 9
\$ (5,600)	In-Kind contributions of property and equipment
\$ 169,749	Depreciation, Audit Page 5 and Note 4 on Page 10
\$ (4,800)	Loan forgiveness and adjustment
<u>\$ (9,982)</u>	<u>LLC changes , Audit Page 4 & Note 5 on Page 10</u>
\$ 114,946	Adjusted 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 the transaction is accounted for. Note 5 (page 10) details PIH's collaborative LLC's. The losses sustained by these LLC's were due to depreciation rather than operating deficits.

PIH would like to reiterate we are in a sound financial position and the negative ending balance for FY17/18 was strictly related to in-kind expense recognition and depreciation. 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*

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**PARTNERS IN HOUSING, INC.
AND AFFILIATE**

Consolidated Financial Statements

For the Year Ended June 30, 2018

And

Independent Auditors' Report

PARTNERS IN HOUSING, INC. AND AFFILIATE

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7

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, 2018, 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.

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, 2018 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 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 19, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Stockman Kast Ryan + Co. LLP

October 17, 2018

PARTNERS IN HOUSING, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION JUNE 30, 2018 (with comparative totals for 2017)

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 282,778	\$ 243,419
Pledge receivable for use of property, net	148,075	144,851
Accounts receivable	<u>124,247</u>	<u>133,703</u>
Total current assets	555,100	521,973
PLEDGE RECEIVABLE FOR USE OF PROPERTY, NET	481,413	629,488
NOTE RECEIVABLE	22,950	22,950
PROPERTY AND EQUIPMENT, NET	2,588,597	2,655,315
INVESTMENTS IN COLLABORATIVE ENTITIES	46,577	36,595
RESTRICTED CASH – TENANTS' SECURITY DEPOSITS	<u>25,157</u>	<u>22,326</u>
TOTAL ASSETS	<u>\$ 3,719,794</u>	<u>\$ 3,888,647</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 42,140	\$ 36,344
Accrued expenses	36,954	40,614
Current portion of notes payable - serviceable	<u>3,082</u>	<u>2,991</u>
Total current liabilities	82,176	79,949
NOTES PAYABLE - SERVICEABLE	184,276	187,611
NOTES PAYABLE - FORGIVABLE AND NON-SERVICEABLE	1,320,297	1,311,501
CONDITIONAL GRANT	118,500	118,500
TENANTS' SECURITY DEPOSITS	<u>25,157</u>	<u>22,326</u>
Total liabilities	<u>1,730,406</u>	<u>1,719,887</u>
NET ASSETS		
Unrestricted	1,238,021	1,349,921
Temporarily restricted	<u>751,367</u>	<u>818,839</u>
Total net assets	<u>1,989,388</u>	<u>2,168,760</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,719,794</u>	<u>\$ 3,888,647</u>

See notes to consolidated financial statements.

PARTNERS IN HOUSING, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018 (with comparative totals for 2017)

	2018			2017 Total
	Unrestricted	Temporarily Restricted	Total	
REVENUE				
Contributions and private grants	\$ 580,215	\$ 50,000	\$ 630,215	\$ 626,917
Government grants	502,265	71,879	574,144	632,824
Program service fees	336,311		336,311	282,744
In-kind donations	309,654		309,654	1,106,802
Special events	26,686		26,686	12,887
Gain on sale of property and equipment				112,206
Gain (Loss) on investments in collaborative entities	9,982		9,982	(19,461)
Other revenue	26,877		26,877	25,245
Net assets released from restrictions	<u>189,351</u>	<u>(189,351)</u>		
Total revenue	<u>1,981,341</u>	<u>(67,472)</u>	<u>1,913,869</u>	<u>2,780,164</u>
EXPENSES				
Program services:				
Client services	741,482		741,482	756,476
Transitional housing	740,852		740,852	708,918
Affordable housing	192,752		192,752	200,179
Homeless prevention and rapid rehousing	<u>142,520</u>		<u>142,520</u>	<u>188,274</u>
Total program services	<u>1,817,606</u>	<u>—</u>	<u>1,817,606</u>	<u>1,853,847</u>
Support services:				
Development department	156,717		156,717	175,222
General and administrative	<u>118,918</u>		<u>118,918</u>	<u>119,654</u>
Total support services	<u>275,635</u>	<u>—</u>	<u>275,635</u>	<u>294,876</u>
Total expenses	<u>2,093,241</u>	<u>—</u>	<u>2,093,241</u>	<u>2,148,723</u>
CHANGE IN NET ASSETS	(111,900)	(67,472)	(179,372)	631,441
NET ASSETS, Beginning of year	<u>1,349,921</u>	<u>818,839</u>	<u>2,168,760</u>	<u>1,537,319</u>
NET ASSETS, End of year	<u>\$ 1,238,021</u>	<u>\$ 751,367</u>	<u>\$ 1,989,388</u>	<u>\$ 2,168,760</u>

See notes to consolidated financial statements.

PARTNERS IN HOUSING, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2018 (with comparative totals for 2017)

	2018											
	Program Services					Support Services						
	Client Services	Transitional Housing	Affordable Housing	Homeless Prevention and Rapid Rehousing	Total	Development Department	General and Administrative	Total	2017 Total			
Wages and related benefits:												
Salaries and employment taxes	\$ 372,715	\$ 164,166	\$ 40,314	\$ 57,603	\$ 634,798	\$ 81,682	\$ 50,951	\$ 767,431	\$ 770,278			
Employee benefits	77,518	33,349	7,587	14,603	133,057	12,903	11,175	157,135	177,262			
Total wages and related benefits	450,233	197,515	47,901	72,206	767,855	94,585	62,126	924,566	947,540			
Other expenses:												
Depreciation		109,898	56,960		166,858		2,891	169,749	155,903			
Repairs and maintenance	9,978	75,168	23,320		108,466	334	7,802	116,602	102,788			
Telephone and utilities	12,555	68,991	12,735	1,000	95,281	2,500	3,863	101,644	93,684			
Counseling and direct client services	11,267	1,541	5,901	57,822	76,531			76,531	140,253			
Security and maintenance - Myron Stratton Campus	6,200	36,672		2,500	45,372	2,600	4,277	52,249	52,361			
Contribution to others		48,887			48,887		1,369	48,887	41,477			
Insurance	2,031	19,852	6,369		28,252	624	3,669	30,245	29,723			
Computer services and supplies	10,114	3,314	1,000	700	15,128	8,373	3,821	27,322	28,236			
Consulting and other fees	3,810	7,051	10,861		21,722	14,800	25,661	41,268	21,268			
Office supplies and printing	6,346	125	937	793	9,377	7,038	3,129	19,904	19,516			
Legal and accounting	3,600	340	1,100	1,200	6,340	4,928	3,692	12,992	14,054			
Public relations, meetings and awards	2,798	306	2,033		5,137	4,282	337	12,658	21,420			
Property taxes and licenses		1,590	1,721		3,311	130	360	8,958	5,397			
Travel	2,848	500	5,260		8,608	6,159	360	14,927	5,610			
Interest		121	313		434	200	3,325	5,760	3,425			
Other					434			3,959	3,665			
Total other expenses	71,547	379,301	124,232	64,015	639,095	41,527	39,148	719,770	738,780			
In-kind:												
Rent	45,397	91,893			143,589	12,326	14,644	170,559	194,064			
Volunteer services	78,800	35,529	1,778		116,107	4,679		120,786	124,595			
Donated goods and services	87,905				87,905			87,905	73,941			
Interest expense		31,800	18,841		50,641			50,641	49,661			
Diocesan computer support	7,600	4,814			12,414	3,600		19,014	20,142			
Total in-kind	219,702	164,036	20,619		410,656	20,605	17,644	448,905	462,403			
Total expenses	\$ 741,482	\$ 740,852	\$ 192,752	\$ 142,520	\$ 1,817,606	\$ 156,717	\$ 118,918	\$ 2,093,241				
Percentage of totals	35%	35%	9%	7%	86%	7%	7%	100%				
Comparative totals - 2017	\$ 756,476	\$ 708,918	\$ 200,179	\$ 188,274	\$ 1,853,847	\$ 175,222	\$ 119,654	\$ 2,148,723				
Percentage of totals - 2017	35%	33%	9%	9%	86%	7%	7%	100%				

See notes to consolidated financial statements.

PARTNERS IN HOUSING, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF CASH FLOWS JUNE 30, 2018 (with comparative totals for 2017)

	2018	2017
OPERATING ACTIVITIES		
Change in net assets	\$ (179,372)	\$ 631,441
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	169,749	155,903
Gain on sale of property and equipment		(112,206)
Loss (Gain) on investments in collaborative entities	(9,982)	19,461
Contributions of property and equipment		(26,496)
Distributions received from investments in collaborative entities in a loss position	(25,500)	(41,000)
Other	8,796	(24,685)
Changes in operating assets and liabilities:		
Accounts receivable	9,456	(20,966)
Pledge receivable for use of property	144,851	(607,419)
Accounts payable and accrued expenses	<u>2,136</u>	<u>10,334</u>
Net cash provided by (used in) operating activities	<u>120,134</u>	<u>(15,633)</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	(103,031)	(74,993)
Proceeds from sale of property and equipment		122,874
Distributions received from investments in collaborative entities	<u>25,500</u>	<u>41,000</u>
Net cash provided by (used in) investing activities	<u>(77,531)</u>	<u>88,881</u>
FINANCING ACTIVITIES		
Payment received on note receivable		9,050
Payment on notes payable	<u>(3,244)</u>	<u>(35,264)</u>
Net cash used in financing activities	<u>(3,244)</u>	<u>(26,214)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	39,359	47,034
CASH AND CASH EQUIVALENTS, Beginning of year	<u>243,419</u>	<u>196,385</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 282,778</u>	<u>\$ 243,419</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 5,760</u>	<u>\$ 3,425</u>
NON CASH INVESTING AND FINANCING ACTIVITIES		
Property and equipment acquired under notes payable	<u>\$ —</u>	<u>\$ 65,981</u>

See notes to consolidated financial statements.

PARTNERS IN HOUSING, INC. AND AFFILIATE

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 in 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 has no permanently restricted net assets as of June 30, 2018.

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, 2017, 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 statement 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 statement 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 360 and 390 volunteer hours during the fiscal years ended June 30, 2018 and 2017, respectively, with an estimated value of \$8,888 and \$9,415, 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, 2018 and 2017.

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.

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 statement 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 the current year presentation.

Subsequent Events — PIH has evaluated subsequent events for 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 and was extended through June 2017 for the use of office and operations facilities for annual rental payments of \$1. During the year ended June 30, 2017, the lease was renewed for an additional five years. PIH recognized \$774,339 for the free use of facilities for this additional five years 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 \$170,559 and \$194,064 for the years ended June 30, 2018 and 2017, respectively, associated with the below market annual rents.

3. NOTE RECEIVABLE

PIH has a note receivable from a not-for-profit organization pursuant to which the counterparty will pay PIH the outstanding balance of \$22,950 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:

	2018	2017
Buildings	\$ 3,124,256	\$ 3,124,256
Building improvements	1,214,436	1,128,078
Land	261,687	261,687
Furniture and equipment	83,224	81,551
Vehicles	<u>27,143</u>	<u>12,143</u>
	4,710,746	4,607,715
Less accumulated depreciation	<u>2,122,149</u>	<u>1,952,400</u>
Total	<u>\$ 2,588,597</u>	<u>\$ 2,655,315</u>

5. INVESTMENTS IN COLLABORATIVE ENTITIES

PIH has investments in five 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:

	2018	2017
GPR Properties II, LLC	\$ 39,713	\$ 30,907
Trailside Manor Affordable Housing, LLC	4,450	4,450
Colorado House and Resource Center, LLC	<u>2,414</u>	<u>1,238</u>
Total	<u>\$ 46,577</u>	<u>\$ 36,595</u>

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.

Trailside Manor Affordable Housing, LLC — Trailside Manor Affordable Housing, LLC (Trailside) was formed in 2017 to provide affordable housing through a new construction project in Fountain, Colorado. This project will provide affordable rentals to low income households including those affected by disaster. PIH has a 49% partnership interest in the entity.

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. During the year ended June 30, 2017, PIH and RMCLT entered into a note payable with the City of Colorado Springs of up to \$160,000 for rehabilitation

costs of CHRC. Both members equally recorded the building improvements that were completed during the year ended June 30, 2018. 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. During the year ended June 30, 2017 when PIH's share of losses in GPR Properties, LLC 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 GPR Properties, LLC totaled \$45,524 and \$35,735 at June 30, 2018 and 2017, respectively.

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 \$271,836 and \$331,118 at June 30, 2018 and 2017, 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:

	2018	2017
Thirty-nine individual notes with the City of Colorado Springs with principal balances ranging from \$1,839 to \$185,000 as of June 30, 2018, at zero percent interest, due upon sale or transfer of property, secured by real property.	\$ 1,112,510	\$ 1,112,510
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.	92,358	95,602
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.	108,500	108,500
Note with the City of Colorado Springs at zero percent interest (see Note 5), 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 after five years.	79,577	65,981
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 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	11,250
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.	<u>8,460</u>	<u>13,260</u>
Total	<u>\$ 1,507,655</u>	<u>\$ 1,502,103</u>

Required annual minimum principal payments are as follows as of June 30, 2018:

2019	\$ 3,082
2020	3,176
2021	3,272
2022	3,372
2023	3,474
Thereafter	<u>170,982</u>
Total - serviceable	187,358
Notes payable - forgivable and non - serviceable	<u>1,320,297</u>
Total	<u>\$ 1,507,655</u>

Interest expense and a related in-kind contribution is calculated at 4.0% of the outstanding zero percent interest notes, amounting to \$50,641 and \$49,661 during the years ended June 30, 2018 and 2017, respectively.

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:

	2018	2017
Pledge receivable for use of property	\$ 629,488	\$ 774,339
Time restricted	71,879	44,500
Child Enrichment Center	<u>50,000</u>	<u> </u>
Total	<u>\$ 751,367</u>	<u>\$ 818,839</u>

9. CONCENTRATIONS

Approximately 21% and 16%, 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, 2018 and 2017.

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, 2018 and 2017 were \$37,755 and \$37,631, 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.