



October 26, 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, 2017.

For purposes of clarity, we would like to emphasize PIH ended FY16/17 with an adjusted net operating income over expense of \$25,999. **The gain of \$631,441 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 pledge of \$774,339 for use of property for a 5-year term, less \$166,920 expensed during the fiscal year for use of property. Non-operating activities include the gain on the sale of property and loan forgiveness or adjustment. A detailed breakdown of the adjustments to PIH's net operating income is as follows:

\$ 631,441	Total Change in Net Assets, Audit Page 4
(\$ 774,339)	In-Kind donation pledge of rent for 5-year term, Audit Page 5 & Note 2 Page 9
\$ 166,920	In-Kind expense of rent for the fiscal year, Audit Page 5 and Note 2 Page 9
(\$ 26,496)	In-Kind contributions of property and equipment
\$ 155,903	Depreciation, Audit Page 5 and Note 4 on Page 9
(\$ 112,206)	Gain on sale of property
(\$ 34,685)	Loan forgiveness and adjustment
<u>\$ 19,461</u>	<u>LLC Losses due to depreciation, Audit Page 4 & Note 5 on Pages 9 & 10</u>
\$ 25,999	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 (pages 9 & 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 six-figure positive ending balance for FY16/17 was strictly related to in-kind revenue recognition, the gain on a sale of property less depreciation, and LLC loss. 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, 2017

And

Independent Auditors' Report

PARTNERS IN HOUSING, INC. AND AFFILIATE

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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, 2017, 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, 2017 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 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated January 4, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Stockman Kast Ryan & Co., LLP

October 19, 2017

PARTNERS IN HOUSING, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION JUNE 30, 2017 (with comparative totals for 2016)

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 243,419	\$ 196,385
Pledge receivable for use of property, net	144,851	166,920
Accounts receivable	<u>133,703</u>	<u>112,737</u>
Total current assets	521,973	476,042
PLEDGE RECEIVABLE FOR USE OF PROPERTY, NET	629,488	
NOTE RECEIVABLE	22,950	32,000
PROPERTY AND EQUIPMENT, NET	2,655,315	2,654,416
INVESTMENTS IN COLLABORATIVE ENTITIES	36,595	56,056
RESTRICTED CASH – TENANTS' SECURITY DEPOSITS	<u>22,326</u>	<u>26,387</u>
TOTAL ASSETS	<u>\$ 3,888,647</u>	<u>\$ 3,244,901</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 36,344	\$ 29,434
Accrued expenses	40,614	37,190
Current portion of notes payable - serviceable	<u>2,991</u>	<u>2,903</u>
Total current liabilities	79,949	69,527
NOTES PAYABLE - SERVICEABLE	187,611	190,592
NOTES PAYABLE - FORGIVABLE AND NON-SERVICEABLE	1,311,501	1,302,576
CONDITIONAL GRANT	118,500	118,500
TENANTS' SECURITY DEPOSITS	<u>22,326</u>	<u>26,387</u>
Total liabilities	<u>1,719,887</u>	<u>1,707,582</u>
NET ASSETS		
Unrestricted	1,349,921	1,325,898
Temporarily restricted	<u>818,839</u>	<u>211,421</u>
Total net assets	<u>2,168,760</u>	<u>1,537,319</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,888,647</u>	<u>\$ 3,244,901</u>

See notes to consolidated financial statements.

PARTNERS IN HOUSING, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017 (with comparative totals for 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
In-kind donations	\$ 332,463	\$ 774,339	\$ 1,106,802	\$ 385,083
Government grants	588,324	44,500	632,824	548,239
Contributions and private grants	626,917		626,917	527,217
Program service fees	282,744		282,744	316,673
Gain on sale of property and equipment	112,206		112,206	
Special events	12,887		12,887	23,150
Loss on investments in collaborative entities	(19,461)		(19,461)	(21,155)
Other revenue	25,245		25,245	102,756
Net assets released from restrictions	<u>211,421</u>	<u>(211,421)</u>		
Total revenue	<u>2,172,746</u>	<u>607,418</u>	<u>2,780,164</u>	<u>1,881,963</u>
EXPENSES				
Program services:				
Client services	756,476		756,476	843,203
Transitional housing	708,918		708,918	721,710
Affordable housing	200,179		200,179	193,181
Homeless prevention and rapid rehousing	<u>188,274</u>		<u>188,274</u>	<u>91,416</u>
Total program services	<u>1,853,847</u>	<u>—</u>	<u>1,853,847</u>	<u>1,849,510</u>
Support services:				
Development department	175,222		175,222	160,421
General and administrative	<u>119,654</u>		<u>119,654</u>	<u>122,048</u>
Total support services	<u>294,876</u>	<u>—</u>	<u>294,876</u>	<u>282,469</u>
Total expenses	<u>2,148,723</u>	<u>—</u>	<u>2,148,723</u>	<u>2,131,979</u>
CHANGE IN NET ASSETS	24,023	607,418	631,441	(250,016)
NET ASSETS, Beginning of year	<u>1,325,898</u>	<u>211,421</u>	<u>1,537,319</u>	<u>1,787,335</u>
NET ASSETS, End of year	<u>\$ 1,349,921</u>	<u>\$ 818,839</u>	<u>\$ 2,168,760</u>	<u>\$ 1,537,319</u>

See notes to consolidated financial statements.

PARTNERS IN HOUSING, INC. A ND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2017 (with comparative totals for 2016)

	2017						
	Program Services			Support Services			
	Client Services	Transitional Housing	Affordable Housing	Homeless Prevention and Rapid Rehousing	Total	Development Department	General and Administrative
Wages and related benefits:							
Salaries and employment taxes	\$ 383,934	\$ 183,855	\$ 38,443	\$ 36,546	\$ 642,778	\$ 82,676	\$ 44,824
Employee benefits	88,024	41,597	5,206	12,971	147,798	16,470	12,994
Total wages and related benefits	471,958	225,452	43,649	49,517	790,576	99,146	57,818
Other expenses:							
Depreciation		98,911	54,439		153,350		2,553
Counseling and direct client services	10,007	405	4,962	124,879	140,253		
Repairs and maintenance	14,328	60,698	21,391		96,417		6,371
Telephone and utilities	9,793	61,266	12,059	1,100	84,218	1,739	7,727
Security and maintenance - Myron Stratton Campus	6,200	36,672		2,500	45,372	2,412	4,577
Contribution to others		41,477			41,477		
Insurance	2,126	18,530	7,548		28,204	709	810
Computer services and supplies	9,310	4,283	1,085	1,000	15,678	8,195	4,363
Public relations, meetings and awards	2,651	255	242		3,148	13,842	4,430
Consulting and other fees	3,139	14	8,892		12,045	9,223	21,268
Office supplies and printing	5,027	2,549	1,647	700	8,276	9,987	1,253
Legal and accounting	4,600	2,429	1,328	1,200	9,876	200	4,178
Travel	2,378	1,307	1,328		5,013		397
Property taxes and licenses		3,205	1,545		4,750		647
Interest		500	2,925		3,425		1,303
Dues and subscriptions	175		280		455		1,907
Miscellaneous							
Total other expenses	69,734	332,501	118,343	131,379	651,957	46,307	40,516
In-kind:							
Rent	52,470	103,070		7,378	162,918	12,826	18,320
Volunteer services	79,773	11,153	20,326		111,252	13,343	
Donated goods and services	73,941				73,941		
Interest expense		31,800	17,861		49,661		
Diocesan computer support	8,600	4,942			13,542	3,600	
Total in-kind	214,784	150,965	38,187	7,378	411,314	29,769	21,320
Total expenses	\$ 756,476	\$ 708,918	\$ 200,179	\$ 188,274	\$ 1,853,847	\$ 175,222	\$ 119,654
Percentage of totals	35%	33%	9%	9%	86%	7%	7%
Comparative totals - 2016	\$ 843,203	\$ 721,710	\$ 193,181	\$ 91,416	\$ 1,849,510	\$ 160,421	\$ 122,048
Percentage of totals - 2016	40%	34%	9%	4%	87%	7%	6%
							\$ 2,131,979
							100%

See notes to consolidated financial statements.

PARTNERS IN HOUSING, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF CASH FLOWS

JUNE 30, 2017 (with comparative totals for 2016)

	2017	2016
OPERATING ACTIVITIES		
Change in net assets	\$ 631,441	\$ (250,016)
Adjustments to reconcile change in net assets		
to net cash provided by (used in) operating activities:		
Depreciation	155,903	131,851
Gain on sale of property and equipment	(112,206)	
Loss on investments in collaborative entities	19,461	21,155
Contributions of property and equipment	(26,496)	
Distributions received from investments in collaborative entities in		
a loss position	(41,000)	(30,000)
Other	(24,685)	840
Changes in operating assets and liabilities:		
Accounts receivable	(20,966)	4,337
Pledge receivable for use of property	(607,419)	160,386
Accounts payable and accrued expenses	10,334	(6,280)
Net cash provided by (used in) operating activities	(15,633)	32,273
INVESTING ACTIVITIES		
Purchases of property and equipment	(74,993)	(31,061)
Proceeds from sale of property and equipment	122,874	
Distributions received from investments in collaborative entities	41,000	37,000
Net cash provided by investing activities	88,881	5,939
FINANCING ACTIVITIES		
Payment received on note receivable	9,050	
Payment on notes payable	(35,264)	(2,827)
Net cash used in financing activities	(26,214)	(2,827)
INCREASE IN CASH AND CASH EQUIVALENTS	47,034	35,385
CASH AND CASH EQUIVALENTS, Beginning of year	196,385	161,000
CASH AND CASH EQUIVALENTS, End of year	\$ 243,419	\$ 196,385
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 3,425	\$ 3,773
NON CASH INVESTING AND FINANCING ACTIVITIES		
Property and equipment acquired under notes payable	\$ 65,981	\$ —
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.

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 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 has no permanently restricted net assets as of June 30, 2017.

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, 2016, 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 390 and 168 volunteer hours during the fiscal years ended June 30, 2017 and 2016, respectively, with an estimated value of \$9,415 and \$3,958, 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, 2017 and 2016.

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, 2014 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 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 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 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 \$194,064 and \$187,138 for the years ended June 30, 2017 and 2016, 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:

	2017	2016
Buildings	\$ 3,124,256	\$ 3,139,456
Building improvements	1,128,078	986,064
Land	261,687	261,687
Furniture and equipment	81,551	81,551
Vehicles	<u>12,143</u>	<u>12,143</u>
	4,607,715	4,480,901
Less accumulated depreciation	<u>1,952,400</u>	<u>1,826,485</u>
Total	<u>\$ 2,655,315</u>	<u>\$ 2,654,416</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:

	2017	2016
GPR Properties II, LLC	\$ 30,907	\$ 25,274
Trailside Manor Affordable Housing, LLC	4,450	4,450
Colorado House and Resource Center, LLC	1,238	4,526
GPR Properties, LLC		21,806
Total	<u>\$ 36,595</u>	<u>\$ 56,056</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 \$150,000 for rehabilitation costs of CHRC. Both members equally recorded the building improvements that were completed during the year ended June 30, 2017. 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 \$35,735 at June 30, 2017.

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 \$331,118 and \$314,271 at June 30, 2017 and 2016, 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:

	2017	2016
39 individual notes with the City of Colorado Springs with principal balances ranging from \$1,839 to \$185,000 as of June 30, 2017, at zero percent interest, due upon sale or transfer of property, secured by real property.	\$ 1,112,510	\$ 1,144,881
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.	95,602	98,495
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	90,885
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.	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, 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.	13,260	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	11,250

	2017	2016
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 during the year ended June 30, 2017.		<u>37,500</u>
Total	<u>\$ 1,502,103</u>	<u>\$ 1,496,071</u>

Required annual minimum principal payments are as follows as of June 30, 2017:

2018	\$ 2,991
2019	3,082
2020	3,176
2021	3,272
2022	3,372
Thereafter	<u>174,709</u>
Total - serviceable	190,602
Notes payable - forgivable and non - serviceable	<u>1,311,501</u>
Total	<u>\$ 1,502,103</u>

Interest expense and a related in-kind contribution is calculated at 4.0% of the outstanding zero percent interest notes, amounting to \$49,661 and \$51,431 during the years ended June 30, 2017 and 2016, 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:

	2017	2016
Pledge receivable for use of property	\$ 774,339	\$ 166,921
Time restricted	<u>44,500</u>	<u>44,500</u>
Total	<u>\$ 818,839</u>	<u>\$ 211,421</u>

9. CONCENTRATIONS

Approximately 16% and 21%, 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, 2017 and 2016.

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, 2017 and 2016 were \$37,631 and \$37,501, 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.

