



November 22, 2021

To Whom It May Concern:

Please find attached the independent audit report for Partners in Housing, Inc. for the fiscal year ended June 30, 2021.

For purposes of clarity, we would like to emphasize PIH ended FY20/21 with an adjusted net operating income over expense of \$127,083. **The loss of \$111,352 shown on page 4 Statement of Activities reflects non-cash entries including in-kind rent expense, LLC income and depreciation.** In-kind entry is a rental expense for the fiscal year of \$160,386 for use of property for the fiscal year. A detailed breakdown of the adjustments to PIH's net operating income is as follows:

\$ (111,352)	Total Change in Net Assets, Audit Page 4
\$ 160,386	In-Kind expense of rent for the fiscal year, Audit Page 5 and Note 4 page 10
\$ ( 4,999)	In-Kind asset donated
\$ (95,854)	LLC equity income, not including cash received from LLC for operations Audit Page 5 and Note 7 Page 11
\$ 178,902	Depreciation, Audit Page 5 and Note 6 on Page 10
=====	
\$ 127,083	Adjusted Net Operating Income over Expense (not specifically listed in audit)

The pledge receivable for use of property is explained in Note 4 (Page 10) – Partners in Housing rents office space and transitional housing from the Myron Stratton Home at a discounted rate of \$1 per year, and this note explains the accounting for the transaction.

Partners in Housing would like to reiterate we are in a sound financial position and the negative ending balance for FY20/21 was strictly related to in-kind expense recognition, LLC equity, 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

**OUR MISSION.** Partners in Housing guides families in housing crisis from insecurity to stability, self-reliance and prosperity.



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

**Consolidated Financial Statements**

**For the Year Ended June 30, 2021**

**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, 2021, 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, 2021 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 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 25, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*Stockman Kast Ryan + Co. LLP*

November 22, 2021

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

## **CONSOLIDATED STATEMENT OF FINANCIAL POSITION** **JUNE 30, 2021 (with comparative totals for 2020)**

	2021	2020
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 471,382	\$ 399,073
Pledge receivable for use of property, net	166,920	160,386
Accounts receivable	171,792	149,880
Security deposits		<u>2,381</u>
Total current assets	810,094	711,720
PLEDGE RECEIVABLE FOR USE OF PROPERTY, NET		166,920
NOTE RECEIVABLE	22,950	22,950
PROPERTY AND EQUIPMENT, NET	2,389,667	2,402,448
INVESTMENTS IN COLLABORATIVE ENTITIES	114,137	109,618
RESTRICTED CASH – TENANTS' SECURITY DEPOSITS	<u>26,359</u>	<u>34,965</u>
TOTAL ASSETS	<u>\$ 3,363,207</u>	<u>\$ 3,448,621</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 53,065	\$ 24,316
Accrued expenses	55,484	53,337
Current portion of notes payable - serviceable	<u>3,272</u>	<u>75,032</u>
Total current liabilities	111,821	152,685
NOTES PAYABLE - SERVICEABLE	368,309	292,901
NOTES PAYABLE - FORGIVABLE AND NON-SERVICEABLE	1,311,837	1,311,837
CONDITIONAL GRANT	118,500	118,500
TENANTS' SECURITY DEPOSITS	<u>26,359</u>	<u>34,965</u>
Total liabilities	<u>1,936,826</u>	<u>1,910,888</u>
<b>NET ASSETS</b>		
Without donor restriction	1,214,104	1,119,013
With donor restriction	<u>212,277</u>	<u>418,720</u>
Total net assets	<u>1,426,381</u>	<u>1,537,733</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,363,207</u>	<u>\$ 3,448,621</u>

See notes to consolidated financial statements.

# PARTNERS IN HOUSING, INC. AND AFFILIATE

## CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2021 (with comparative totals for 2020)

	2021			2020
	Without Donor Restriction	With Donor Restriction	Total	Total
REVENUE				
Contributions and private grants	\$ 750,561	\$ 12,200	\$ 762,761	\$ 860,017
Government grants	437,338	51,891	489,229	315,539
In-kind donations	385,136		385,136	314,665
Program service fees	371,951		371,951	398,940
Gain on investments in collaborative entities	95,854		95,854	156,737
Special events	26,469		26,469	25,024
Other revenue	190,134		190,134	350
Net assets released from restrictions	<u>270,534</u>	<u>(270,534)</u>		
Total revenue	<u>2,527,977</u>	<u>(206,443)</u>	<u>2,321,534</u>	<u>2,071,272</u>
EXPENSES				
Program services:				
Client services	1,079,461		1,079,461	908,380
Transitional housing	686,888		686,888	719,497
Affordable housing	219,521		219,521	230,461
Homeless prevention and rapid rehousing	<u>198,360</u>		<u>198,360</u>	<u>129,740</u>
Total program services	<u>2,184,230</u>	<u>—</u>	<u>2,184,230</u>	<u>1,988,078</u>
Support services:				
Development department	136,472		136,472	136,050
General and administrative	<u>112,184</u>		<u>112,184</u>	<u>125,486</u>
Total support services	<u>248,656</u>	<u>—</u>	<u>248,656</u>	<u>261,536</u>
Total expenses	<u>2,432,886</u>	<u>—</u>	<u>2,432,886</u>	<u>2,249,614</u>
CHANGE IN NET ASSETS	95,091	(206,443)	(111,352)	(178,342)
NET ASSETS, Beginning of year	<u>1,119,013</u>	<u>418,720</u>	<u>1,537,733</u>	<u>1,716,075</u>
NET ASSETS, End of year	<u>\$ 1,214,104</u>	<u>\$ 212,277</u>	<u>\$ 1,426,381</u>	<u>\$ 1,537,733</u>

See notes to consolidated financial statements.

## PARTNERS IN HOUSING, INC. AND AFFILIATE

### CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2021 (with comparative totals for 2020)

	2021									2020 Total
	Program Services					Support Services				
	Client Services	Transitional Housing	Affordable Housing	Homeless Prevention and Rapid Rehousing	Total	Development Department	General and Administrative	Total		
Wages and related benefits:										
Salaries and employment taxes	\$ 547,059	\$ 115,739	\$ 62,799	\$ 37,440	\$ 763,037	\$ 71,039	\$ 43,078	\$ 877,154	\$ 856,026	
Employee benefits	87,091	34,189	14,121	8,822	144,223	12,962	11,277	168,462	163,514	
Other employee costs	1,141	53			1,194		231	1,425	1,188	
Total wages and related benefits	635,291	149,981	76,920	46,262	908,454	84,001	54,586	1,047,041	1,020,728	
Other expenses:										
Depreciation	-	118,721	57,748		176,469		2,433	178,902	174,349	
Counseling and direct client services	28,392	234	411	136,956	165,993		223	166,216	87,313	
Repairs and maintenance	19,371	95,665	18,810		133,846	400	9,629	143,875	139,082	
Telephone and utilities	13,583	52,620	25,777	1,400	93,380	1,900	2,958	98,238	88,489	
Security and maintenance - Myron Stratton Campus	11,100	41,205			52,305	2,600	2,828	57,733	57,640	
Computer services and supplies	19,006	9,839	2,900	1,600	33,345	6,959	3,441	43,745	44,057	
Insurance	6,440	19,073	10,919	337	36,769	650	585	38,004	34,695	
Contributions to others		28,500			28,500			28,500	37,000	
Office supplies and printing	4,904	2,232		508	7,644	12,019	2,518	22,181	16,929	
Legal and accounting	4,200	2,749	2,934	500	9,483		7,554	17,037	11,813	
Public relations, meetings and awards	762	311	197		1,270	7,612	2,808	11,690	13,645	
Property taxes and licenses		4,810	2,659		7,469			7,469	17,115	
Consulting and other fees	4,711			274	4,985		70	5,055	21,121	
Travel	1,337	1,435	566	145	3,483	99	33	3,615	5,801	
Interest		500	2,538		3,038		138	3,176	3,191	
Dues and subscriptions	10		320		330	200	875	1,405	1,572	
Miscellaneous		12,339			12,339	2,629	3,515	18,483	13,402	
Total other expenses	113,816	390,233	124,879	141,720	770,648	35,068	39,608	845,324	767,214	
In kind:										
Donated goods and services	185,993				185,993			185,993	98,798	
Rent	41,800	90,658		6,328	138,786	8,800	12,800	160,386	154,107	
Volunteer services	80,491	3,482			83,973	3,177		87,150	102,589	
Donated interest expense	7,470	47,592	17,722	1,050	73,834	1,826	2,608	78,268	76,840	
Donated Diocesan computer support	14,600	4,942		3,000	22,542	3,600	2,582	28,724	29,338	
Total in kind	330,354	146,674	17,722	10,378	505,128	17,403	17,990	540,521	461,672	
Total expenses	\$ 1,079,461	\$ 686,888	\$ 219,521	\$ 198,360	\$ 2,184,230	\$ 136,472	\$ 112,184	\$ 2,432,886		
Percentage of totals	44%	28%	9%	8%	90%	5%	6%	100%		
Comparative totals - 2020	\$ 908,380	\$ 719,497	\$ 230,461	\$ 129,740	\$ 1,988,078	\$ 136,050	\$ 125,486		\$ 2,249,614	
Percentage of totals - 2020	40%	32%	10%	6%	88%	7%	5%	100%		

See notes to consolidated financial statements.



## PARTNERS IN HOUSING, INC. AND AFFILIATE

### CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2021 (with comparative totals for 2020)

	2021	2020
OPERATING ACTIVITIES		
Change in net assets	\$ (111,352)	\$ (178,342)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	178,902	174,349
Gain on investments in collaborative entities	(95,854)	(156,737)
Contribution of property and equipment	(4,999)	(7,100)
Loan forgiveness	(186,844)	
Other	(34,577)	27,860
Changes in operating assets and liabilities:		
Accounts receivable	(21,912)	(24,977)
Pledge receivable for use of property	160,386	160,140
Security deposits	2,381	(24)
Accounts payable and accrued expenses	<u>30,896</u>	<u>(37,672)</u>
Net cash used in operating activities, as restated	<u>(82,973)</u>	<u>(42,503)</u>
INVESTING ACTIVITIES		
Distributions received from investments in collaborative entities	125,912	96,904
Purchases of property and equipment	<u>(161,122)</u>	<u>(74,498)</u>
Net cash provided by (used in) investing activities	<u>(35,210)</u>	<u>22,406</u>
FINANCING ACTIVITIES		
Proceeds from issuance of notes payable	197,277	186,844
Payment on notes payable	<u>(6,785)</u>	<u>(3,180)</u>
Net cash provided by financing activities	<u>190,492</u>	<u>183,664</u>
INCREASE IN CASH AND CASH EQUIVALENTS	72,309	163,567
CASH AND CASH EQUIVALENTS, Beginning of year	<u>399,073</u>	<u>235,506</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 471,382</u>	<u>\$ 399,073</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 3,176</u>	<u>\$ 3,191</u>

See notes to consolidated financial statements.

# PARTNERS IN HOUSING, INC. AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 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 two classes of net assets: net assets without donor restrictions, which represent the expendable resources that are available for operations at management's discretion; and net assets with donor restrictions, which represent resources restricted by donors as to purpose or by the passage of time and resources for which 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.

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, 2020, 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 revenue and net assets without donor restriction. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restriction. When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction 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 revenue and net assets without donor restriction.

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. Conditional gifts, that is, those with a measurable performance or other barrier, and right of return, are not recognized until the conditions on which they depend have been substantially met.

**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 350 volunteer hours during the fiscal years ended June 30, 2021 and 2020, respectively, with an estimated value of \$10,274 and \$8,900, 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, 2021 and 2020.

**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.

**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. LIQUIDITY AND AVAILABILITY

The following table reflects PIH's financial assets as of June 30, 2021 and 2020, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor restrictions.

	2021	2020
Cash and cash equivalents	\$ 471,382	\$ 399,073
Accounts receivable	<u>171,792</u>	<u>149,880</u>
Total financial assets	<u>643,174</u>	<u>548,953</u>
Less amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with time	<u>51,891</u>	<u>91,414</u>
Total financial assets available to management to meet cash needs for general expenditures within one year	<u>\$ 591,283</u>	<u>\$ 457,539</u>

As part of PIH's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. PIH's policy to manage an emergency cash flow need is evaluate monthly expenses and compare with amounts forecasted to determine if draws on the line of credit or other measures should be taken. PIH manages its cash flow for a one-year cycle from the balance sheet date.

### 3. FUNCTIONAL EXPENSES ALLOCATION METHODS

The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of PIH. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include wages and related benefits, depreciation, insurance and other expenses which are allocated on the basis of estimates of time and effort spent by personnel in the various program and supporting services.

### 4. 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 \$160,386 and \$154,107 for the years ended June 30, 2021 and 2020, respectively, associated with the below market annual rents.

### 5. 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.

### 6. PROPERTY AND EQUIPMENT

Property and equipment is as follows at June 30:

	2021	2020
Buildings	\$ 3,124,256	\$ 3,124,256
Building improvements	1,513,336	1,366,714
Land	261,687	261,687
Furniture and equipment	92,452	92,452
Vehicles	<u>46,642</u>	<u>27,143</u>
	5,038,373	4,872,252
Less accumulated depreciation	<u>2,648,706</u>	<u>2,469,804</u>
Total	<u>\$ 2,389,667</u>	<u>\$ 2,402,448</u>

## 7. 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:

	2021	2020
GPR Properties, LLC	\$ 108,665	\$ 57,606
GPR Properties II, LLC		45,119
Trailside Manor Affordable Housing, LLC	3,654	4,450
Colorado House and Resource Center, LLC	<u>1,818</u>	<u>2,443</u>
Total	<u>\$ 114,137</u>	<u>\$ 109,618</u>

**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. When PIH's share of losses in GPR Properties II, 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 II, LLC totaled \$96,781 at June 30, 2021.

**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 8 regarding the notes payable.

**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 \$511,742 and \$316,163 at June 30, 2021 and 2020, respectively.

## 8. 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:

	2021	2020
Thirty-eight individual notes with the City of Colorado Springs with principal balances ranging from \$1,839 to \$185,000 as of June 30, 2020, at zero percent interest, due upon sale or transfer of property, secured by real property.	\$ 1,112,510	\$ 1,112,510
Loan issued by a bank bearing interest at 1%, in the aggregate amount of \$193,772, pursuant to the Paycheck Protection Program (the PPP), of the CARES Act, matures on March 15, 2026 and bears interest at a rate of 1% per annum. Under the terms of the PPP, the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. During the year ended June 30, 2021, conditions were met, and the \$186,844 loan was forgiven. The amount of \$193,772, was forgiven as of August 5, 2021.	193,772	186,844
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 may be forgiven. The note has been forgiven as of August 6, 2021.	108,500	108,500
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.	82,809	86,089
Note with the City of Colorado Springs at zero percent interest (see Note 7), 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 May 31, 2023.	79,577	79,577
Note with El Paso County Colorado Housing Authority at 1% interest, interest payments due annually, principal due September 2033 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

	2021	2020
Note with the City of Colorado Springs, assumed with the transfer of building and improvements from CHRC (see Note 7), 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.	<u>11,250</u>	<u>11,250</u>
Total	<u>\$ 1,683,418</u>	<u>\$ 1,679,770</u>

Required annual minimum principal payments are as follows as of June 30, 2021:

2022	\$ 3,272
2023	3,372
2024	3,474
2025	3,580
2026	197,461
Thereafter	<u>160,422</u>
Total - serviceable	371,581
Notes payable - forgivable and non - serviceable	<u>1,311,837</u>
Total	<u>\$ 1,683,418</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 during both the years ended June 30, 2021 and 2020.

#### 9. LINE OF CREDIT

PIH has a \$300,000 line of credit that expires in February 2022. The line of credit bears interest at the prime (interest rate is 3.25% at June 30, 2021). PIH had no withdrawals or payments under the line of credit as of June 30, 2021 and 2020.

#### 10. CONDITIONAL GRANT

In connection with the transfer of property from CHRC (see Note 7), 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.



**11. NET ASSETS WITH DONOR RESTRICTION**

Net assets with donor restriction are for the following as of June 30:

	2021	2020
Pledge receivable for use of property	\$ 160,386	\$ 327,306
Time restricted	<u>51,891</u>	<u>91,414</u>
Total	<u>\$ 212,277</u>	<u>\$ 418,720</u>

**12. 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.

**13. 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, 2021 and 2020 were \$41,592 and \$38,996, 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.