hope and
Partners in Housing

November 19, 2020

To Whom It May Concern:

Please find attached the independent audit report for Partners in Housing, Inc. for the fiscal year ended June 30, 2020.

For purposes of clarity, we would like to emphasize PIH ended FY19/20 with an adjusted net operating income over expense of $57,037. **The loss of $178,342 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 $154,107 for use of property for the fiscal year. A detailed breakdown of the adjustments to PIH's net operating income is as follows:

$ (178,342)	Total Change in Net Assets, Audit Page 4
$ 154,107	In-Kind expense of rent for the fiscal year, Audit Page 5 and Note 4 page 10
$ (93,077)	LLC equity income, not including cash received from LLC for operations Audit Page 5 and Note 7 Page 11
$ 174,349	Depreciation, Audit Page 5 and Note 6 on Page 11
==========	
$ 57,037	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 FY19/20 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

Mary Stegner
Executive Director

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

STOCKMAN KAST RYAN + COMPANY

PARTNERS IN HOUSING, INC.
AND AFFILIATE

Consolidated Financial Statements

For the Year Ended June 30, 2020

And

Independent Auditors' Report

CPAs + BUSINESS ADVISORS

PARTNERS IN HOUSING, INC. AND AFFILIATE

TABLE OF CONTENTS

skr+co
STOCKMAN KAST RYAN + COMPANY

102 N. Cascade Avenue, Suite 400
Colorado Springs, CO 80903
T: 719.630.1186
F: 719.630.1187
skrco.com

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, 2020, 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, 2020 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 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 19, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Stockman Kast Ryan + Co, LLP

November 16, 2020

PARTNERS IN HOUSING, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020 (with comparative totals for 2019)

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 399,073	$ 235,506
Pledge receivable for use of property, net	160,386	154,107
Accounts receivable	149,880	130,936
Security deposits	2,381	2,357
Total current assets	711,720	522,906
PLEDGE RECEIVABLE FOR USE OF PROPERTY, NET	166,920	327,306
NOTE RECEIVABLE	22,950	22,950
PROPERTY AND EQUIPMENT, NET	2,402,448	2,495,199
INVESTMENTS IN COLLABORATIVE ENTITIES	109,618	81,305
RESTRICTED CASH – TENANTS' SECURITY DEPOSITS	34,965	32,044
TOTAL ASSETS	$ 3,448,621	$ 3,481,710
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 24,316	$ 68,564
Accrued expenses	53,337	46,761
Current portion of notes payable - serviceable	75,032	3,176
Total current liabilities	152,685	118,501
NOTES PAYABLE - SERVICEABLE	292,901	181,093
NOTES PAYABLE - FORGIVABLE AND NON-SERVICEABLE	1,311,837	1,315,497
CONDITIONAL GRANT	118,500	118,500
TENANTS' SECURITY DEPOSITS	34,965	32,044
Total liabilities	1,910,888	1,765,635
NET ASSETS		
Without donor restriction	1,119,013	1,129,976
With donor restriction	418,720	586,099
Total net assets	1,537,733	1,716,075
TOTAL LIABILITIES AND NET ASSETS	$ 3,448,621	$ 3,481,710

See notes to consolidated financial statements.

PARTNERS IN HOUSING, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020 (with comparative totals for 2019)

	2020			
	Without Donor Restriction	With Donor Restriction	Total	2019 Total
REVENUE				
Contributions and private grants	$ 838,017	$ 22,000	$ 860,017	$ 739,968
Program service fees	398,940		398,940	397,761
Government grants	224,125	91,414	315,539	384,572
In-kind donations	314,665		314,665	355,295
Gain on investments in collaborative entities	156,737		156,737	45,987
Special events	25,024		25,024	42,106
Other revenue	350		350	
Net assets released from restrictions	280,793	(280,793)	—	
Total revenue	2,238,651	(167,379)	2,071,272	1,965,689
EXPENSES				
Program services:				
Client services	908,380		908,380	853,514
Transitional housing	719,497		719,497	732,047
Affordable housing	230,461		230,461	204,667
Homeless prevention and rapid rehousing	129,740		129,740	165,751
Total program services	1,988,078	—	1,988,078	1,955,979
Support services:				
Development department	136,050		136,050	169,047
General and administrative	125,486		125,486	113,976
Total support services	261,536	—	261,536	283,023
Total expenses	2,249,614	—	2,249,614	2,239,002
CHANGE IN NET ASSETS	(10,963)	(167,379)	(178,342)	(273,313)
NET ASSETS, Beginning of year	1,129,976	586,099	1,716,075	1,989,388
NET ASSETS, End of year	$ 1,119,013	$ 418,720	$ 1,537,733	$ 1,716,075

See notes to consolidated financial statements.

PARTNERS IN HOUSING, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020 (with comparative totals for 2019)

	2020								2019
	Program Services					Support Services			
	Client Services	Transitional Housing	Affordable Housing	Homeless Prevention and Rapid Rehousing	Total	Development Department	General and Administrative	Total	Total
Wages and related benefits:									
Salaries and employment taxes	$ 488,201	$ 146,954	$ 66,093	$ 37,071	$ 738,319	$ 70,216	$ 47,491	$ 856,026	$ 804,986
Employee benefits	80,580	30,187	11,044	15,049	136,860	15,929	11,913	164,702	149,875
Total wages and related benefits	568,781	177,141	77,137	52,120	875,179	86,145	59,404	1,020,728	954,861
Other expenses:									
Depreciation		117,048	54,516		171,564		2,785	174,349	173,305
Repairs and maintenance	8,519	84,104	22,462		115,085	400	23,597	139,082	111,499
Telephone and utilities	10,926	57,668	13,768	1,600	83,962	1,700	2,827	88,489	104,455
Counseling and direct client services	19,170	255	8,363	59,370	87,158		155	87,313	109,623
Security and maintenance - Myron Stratton Campus	7,800	42,560		2,600	52,960	2,100	2,580	57,640	57,361
Computer services and supplies	20,549	8,797	2,496	1,600	33,442	7,713	2,902	44,057	34,498
Contribution to others		37,000			37,000			37,000	38,000
Insurance	6,070	18,501	8,351	335	33,257	574	864	34,695	30,825
Consulting and other fees	17,422			186	17,608	1,355	2,158	21,121	21,976
Property taxes and licenses		4,885	12,230		17,115			17,115	13,490
Office supplies and printing	6,792	1,961		457	9,210	5,989	1,730	16,929	18,093
Public relations, meetings and awards	2,420	323	113		2,856	7,024	3,765	13,645	24,180
Legal and accounting	3,900	1,687	1,200	500	7,287		4,526	11,813	13,521
Rent		10,009			10,009			10,009	15,795
Interest		500	2,638		3,138		53	3,191	3,271
Other	1,478	1,173	2,345	569	5,565	2,617	2,584	10,766	10,878
Total other expenses	105,046	386,471	128,482	67,217	687,216	29,472	50,526	767,214	780,770
In-kind:									
Rent	37,000	91,779		6,328	135,107	8,000	11,000	154,107	148,075
Volunteer services	77,864	10,642	7,120		95,626	6,963		102,589	143,681
Donated goods and services	98,798				98,798			98,798	109,972
Interest expense	6,291	48,522	17,722	1,075	73,610	1,870	1,360	76,840	75,820
Diocesan computer support	14,600	4,942		3,000	22,542	3,600	3,196	29,338	25,823
Total in-kind	234,553	155,885	24,842	10,403	425,683	20,433	15,556	461,672	503,371
Total expenses	$ 908,380	$ 719,497	$ 230,461	$ 129,740	$ 1,988,078	$ 136,050	$ 125,486	$ 2,249,614	
Percentage of totals	40%	32%	10%	6%	88%	7%	5%	100%	
Comparative totals - 2019	$ 853,514	$ 732,047	$ 204,667	$ 165,751	$ 1,955,979	$ 169,047	$ 113,976		$ 2,239,002
Percentage of totals - 2019	38%	33%	9%	7%	87%	7%	6%		100%

See notes to consolidated financial statements.

PARTNERS IN HOUSING, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020 (with comparative totals for 2019)

	2020	2019
OPERATING ACTIVITIES		
Change in net assets	$ (178,342)	$ (273,313)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	174,349	173,305
Gain on investments in collaborative entities	(156,737)	(45,987)
Contribution of property and equipment	(7,100)	
Other	27,860	(3,816)
Changes in operating assets and liabilities:		
Accounts receivable	(24,977)	(6,689)
Pledge receivable for use of property	160,140	148,075
Security deposits	(24)	(2,357)
Accounts payable and accrued expenses	(37,672)	36,231
Net cash provided by (used in) operating activities, as restated	(42,503)	25,449
INVESTING ACTIVITIES		
Purchases of property and equipment	(74,498)	(213,138)
Insurance proceeds for replacement of property and equipment		133,231
Distributions received from investments in collaborative entities	96,904	43,000
Investment in collaborative entities		(32,725)
Net cash provided by (used in) investing activities	22,406	(69,632)
FINANCING ACTIVITIES		
Proceeds from issuance of notes payable	186,844	
Payment on notes payable	(3,180)	(3,089)
Net cash provided by (used in) financing activities	183,664	(3,089)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	163,567	(47,272)
CASH AND CASH EQUIVALENTS, Beginning of year	235,506	282,778
CASH AND CASH EQUIVALENTS, End of year	$ 399,073	$ 235,506
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 3,191	$ 3,271

See notes to consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Partners in Housing, LLC was formed 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, 2019, 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 350 and 380 volunteer hours during the fiscal years ended June 30, 2020 and 2019, respectively, with an estimated value of $8,900 and $9,561, 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, 2020 and 2019.

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.

Change in Accounting Principle — In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which replaces numerous requirements in U.S. GAAP, including industry-specific requirements, and provides companies with a single revenue recognition model for recognizing revenue from contracts with customers. The core principle of the new standard is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. During the year ended June 30, 2020, management implemented ASU 2014-09 and adjusted the presentation in these financial statements accordingly. The ASU has been applied using a modified-retrospective approach during the year ended June 30, 2020, in accordance with ASU 2016-10, *Revenue from Contracts with Customers (Topic 606)*. The implementation of the ASU had no effect on the financial statements.

In June 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which provides clarity related to determination of contributions, including conditional contributions, and exchange transactions. During the year ended June 30, 2020, management implemented ASU 2018-08 and adjusted the presentation in these financial statements accordingly. The ASU has been applied using a modified-prospective approach during the year ended June 30, 2020 and had no effect on the financial statements.

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, 2020 and 2019, 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.

	2020	2019
Cash and cash equivalents	$ 399,073	$ 235,506
Accounts receivable	149,880	130,936
Total financial assets	548,953	366,442
Less amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions		18,200
Restricted by donors with time	91,414	86,486
Total amounts unavailable for general expenditures within one year	91,414	104,686
Total financial assets available to management to meet cash needs for general expenditures within one year	$ 457,539	$ 261,756

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 $154,107 and $148,075 for the years ended June 30, 2020 and 2019, 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:

	2020	2019
Buildings	$ 3,124,256	$ 3,124,256
Building improvements	1,366,714	1,285,115
Land	261,687	261,687
Furniture and equipment	92,452	92,452
Vehicles	27,143	27,143
	4,872,252	4,790,653
Less accumulated depreciation	2,469,804	2,295,454
Total	$ 2,402,448	$ 2,495,199

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:

	2020	2019
GPR Properties, LLC	$ 57,606	
GPR Properties II, LLC	45,119	$ 42,033
Trailside Manor Affordable Housing, LLC	4,450	37,245
Colorado House and Resource Center, LLC	2,443	2,027
Total	$ 109,618	$ 81,305

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 $45,073 at June 30, 2019.

During the year ended June 30, 2020 PIH's share of gains in GPR Properties, LLC exceeded the carrying value of its investment and the equity method of accounting was re-implemented.

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 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 $316,163 and $289,236 at June 30, 2020 and 2019, 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:

	2020	**2019**
Thirty-nine individual notes with the City of Colorado Springs with principal balances ranging from $1,839 to $185,000 as of June 30, 2019, at zero percent interest, due upon sale or transfer of property, secured by real property.	$ 1,112,510	$ 1,112,510

	2020	2019
Loan issued by a bank bearing interest at 1%, in the aggregate amount of $186,844, pursuant to the Paycheck Protection Program (the PPP), of the CARES Act, matures on May 5, 2022 and bears interest at a rate of 1% per annum, payable monthly commencing on December 5, 2020. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. PIH intends to use the entire Loan amount for qualifying expenses.	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 will be forgiven on August 18, 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.	86,089	89,269
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
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.	11,250	11,250

	2020	2019
Note with the City of Colorado Springs, assumed with the transfer of building and improvements from CHRC (see Note 7), 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.		3,660
Total	$ 1,679,770	$ 1,499,766

Required annual minimum principal payments are as follows as of June 30, 2020:

2021	$ 75,032
2022	118,456
2023	3,474
2024	3,474
2025	3,580
Thereafter	163,917
Total - serviceable	367,933
Notes payable - forgivable and non - serviceable	1,311,837
Total	$ 1,679,770

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, 2020 and 2019.

9. 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.

10. NET ASSETS WITH DONOR RESTRICTION

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

	2020	2019
Pledge receivable for use of property	$ 327,306	$ 481,413
Time restricted	91,414	86,486
Purchase of energy efficient appliances		18,200
Total	$ 418,720	$ 586,099

11. 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.

12. 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, 2020 and 2019 were $38,996 and $36,036, 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.

13. UNCERTAINTIES

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on PIH's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry and workforce. Given the daily evolution of the COVID-19 outbreak and the global response to curb its spread, PIH is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.