



October 26, 2023

To Whom It May Concern:

Please find attached the independent audit report for Partners in Housing, Inc. for the fiscal year ended June 30, 2023.

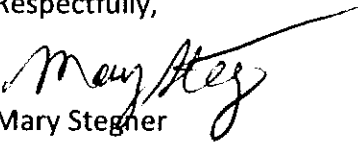
For purposes of clarity, we would like to emphasize PIH ended FY22/23 with an adjusted net operating income over expense of \$24,229. **The loss of \$95,034 shown on page 4 Statement of Activities reflects non-cash entries including in-kind rent expense, LLC income, and depreciation.** In-kind entry is a rental expense for the fiscal year of 144,851 for use of property as part of the previous five year pledge. A detailed breakdown of the adjustments to PIH's net operating income is as follows:

\$ (95,034)	Total Change in Net Assets, Audit Page 4
\$ 144,851	In-Kind expense of rent for the fiscal year, Audit Page 5 and Note 3 page 10
\$ (217,921)	LLC equity gain, Note 6 Page 10 and loan forgiveness Note 7 Page 12
\$ 192,333	Depreciation, Audit Page 5 and Note 5 on Page 10
=====	
\$ 24,229	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 loss shown in the ending balance for FY22/23 was strictly related to in-kind rent expense, LLC equity, loan forgiveness, 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.

455 Gold Pass Heights, Colorado Springs, CO 80906 | 719-473-8890 | [PARTNERSINHOUSING.ORG](https://partnersinhousing.org)



Partners in Housing

PARTNERS IN HOUSING, INC.

AND

AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED JUNE 30, 2023

ERICKSON, BROWN & KLOSTER, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Management of
Partners In Housing, Inc.
and Affiliate
Colorado Springs, Colorado

Opinion

We have audited the accompanying consolidated financial statements of Partners In Housing, Inc. and Affiliate (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2023, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Partners In Housing, Inc. and Affiliate as of June 30, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Partners In Housing, Inc. and Affiliate and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Partners In Housing, Inc. and Affiliate's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

INDEPENDENT AUDITORS' REPORT

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Partners In Housing, Inc. and Affiliate's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Partners In Housing, Inc. and Affiliate's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

The consolidated financial statements of Partners In Housing, Inc. and Affiliate as of June 30, 2022, were audited by other auditors whose report dated November 28, 2022 expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Erickson, Brown & Kloster, LLC

Colorado Springs, Colorado
October 18, 2023

PARTNERS IN HOUSING, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023
With Summarized Comparative Totals for 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Current Assets		
Cash and Cash Equivalents	\$ 254,839	\$ 375,117
Pledge Receivable for Use of Property, Net	144,850	144,850
Accounts Receivable	169,739	209,419
Security Deposits	2,381	2,381
Total Current Assets	<u>571,809</u>	<u>731,767</u>
Non-Current Assets		
Pledge Receivable for Use of Property, Net	484,638	629,488
Note Receivable	22,950	22,950
Property and Equipment, Net	2,321,171	2,334,151
Investments in Collaborative Entities	217,993	79,649
Restricted Cash - Tenants' Security Deposits	32,210	33,097
	<u>3,078,962</u>	<u>3,099,335</u>
Total Assets	<u>\$ 3,650,771</u>	<u>\$ 3,831,102</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts Payable	\$ 46,523	\$ 47,725
Accrued Expenses	59,160	59,306
Current Portion of Notes Payable - Serviceable	3,589	3,474
Total Current Liabilities	<u>109,272</u>	<u>110,505</u>
Non-Current Liabilities		
Notes Payable - Serviceable	72,357	75,955
Notes Payable - Forgivable and Non-Serviceable	1,218,758	1,298,337
Conditional Grant	118,500	118,500
Tenants' Security Deposits	32,210	33,097
Total Liabilities	<u>1,551,097</u>	<u>1,636,394</u>
Net Assets		
Without Donor Restriction	1,379,362	1,339,490
With Donor Restriction	720,312	855,218
Total Net Assets	<u>2,099,674</u>	<u>2,194,708</u>
Total Liabilities and Net Assets	<u>\$ 3,650,771</u>	<u>\$ 3,831,102</u>

See Notes to Consolidated Financial Statements

PARTNERS IN HOUSING, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
JUNE 30, 2023
With Summarized Comparative Totals for 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	
			<u>2023</u>	<u>2022</u>
Revenue and Other Support				
In-Kind Donations	\$ 401,763	\$ -	\$ 401,763	\$ 1,202,780
Contributions and Private Grants	1,058,889	-	1,058,889	1,101,109
Program Service Fees	496,585	-	496,585	426,954
Government Grants	300,993	90,824	391,817	413,724
Special Events	18,070	-	18,070	19,283
Gain (Loss) on Investments in Collaborative Entities	288,121	-	288,121	(46,202)
Other Revenue	496	-	496	304,165
Net Assets Released from Restrictions	225,730	(225,730)	-	-
Total Revenue and Other Support	<u>2,790,647</u>	<u>(134,906)</u>	<u>2,655,741</u>	<u>3,421,813</u>
Expense				
Program Activities				
Transitional Housing	846,602	-	846,602	840,357
Affordable Housing	311,906	-	311,906	304,642
Client Services	1,270,990	-	1,270,990	1,212,186
Total Program Activities	<u>2,429,498</u>	<u>-</u>	<u>2,429,498</u>	<u>2,357,185</u>
Support Activities				
General and Administrative	196,763	-	196,763	173,794
Development Department	124,514	-	124,514	122,507
Total Support Activities	<u>321,277</u>	<u>-</u>	<u>321,277</u>	<u>296,301</u>
Total Expense	<u>2,750,775</u>	<u>-</u>	<u>2,750,775</u>	<u>2,653,486</u>
Changes in Net Assets	39,872	(134,906)	(95,034)	768,327
Beginning Net Assets	<u>1,339,490</u>	<u>855,218</u>	<u>2,194,708</u>	<u>1,426,381</u>
Ending Net Assets	<u>\$ 1,379,362</u>	<u>\$ 720,312</u>	<u>\$ 2,099,674</u>	<u>\$ 2,194,708</u>

See Notes to Consolidated Financial Statements

PARTNERS IN HOUSING, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
JUNE 30, 2023
With Summarized Comparative Totals for 2022

	Program Activities				Support Services		Total	
	Transitional Housing	Affordable Housing	Client Services	Program Total	Development Department	General and Administrative	2023 Total	2022 Total
Wages and Related Benefits								
Salaries and Employment Taxes	\$ 181,407	\$ 103,955	\$ 639,084	\$ 924,446	\$ 110,033	\$ 46,782	\$ 1,081,261	\$ 1,018,903
Employee Benefits	57,064	21,155	132,126	210,345	21,583	14,928	246,856	200,033
Other Employee Costs	171	-	1,005	1,176	-	88	1,264	1,487
Total Wages and Related Benefits	238,642	125,110	772,215	1,135,967	131,616	61,798	1,329,381	1,220,423
Other Expenses								
Depreciation	94,557	96,793	-	191,350	-	983	192,333	183,872
Counseling and Direct Client Services	1,675	7,282	49,746	58,703	-	30	58,733	60,543
Repairs and Maintenance	122,522	21,252	17,855	161,629	-	12,367	173,996	187,693
Telephone and Utilities	87,987	19,550	14,950	122,487	2,200	4,939	129,626	122,534
Security and Maintenance								
- Myron Stratton Campus	65,400	3,500	11,000	79,900	3,200	4,481	87,581	74,017
Computer Services and Supplies	8,039	4,236	11,892	24,167	9,985	1,432	35,584	30,702
Insurance	25,726	9,941	9,336	45,003	1,069	725	46,797	42,258
Contributions to Others	36,000	-	-	36,000	-	-	36,000	31,000
Office Supplies and Printing	1,953	-	7,711	9,664	14,357	2,954	26,975	21,749
Legal and Accounting	5,187	2,045	3,600	10,832	-	5,581	16,413	21,601
Public Relations, Meetings and Awards	1,513	-	7,487	9,000	11,739	4,986	25,725	23,575
Property Taxes and Licenses	3,360	1,696	-	5,056	-	-	5,056	4,080
Consulting and Other Fees	-	108	14,182	14,290	-	-	14,290	5,441
Travel	1,263	3,229	5,454	9,946	442	959	11,347	7,537
Interest	500	2,335	-	2,835	-	39	2,874	3,108
Dues and Subscriptions	-	345	20	365	639	2,002	3,006	1,604
Miscellaneous	8,784	-	-	8,784	3,855	804	13,443	16,387
Total Other Expenses	464,466	172,312	153,233	790,011	47,486	42,282	879,779	837,701
In-Kind								
Donated Goods and Services	-	-	154,574	154,574	335	-	154,909	164,401
Rent	93,829	-	48,970	142,799	11,326	16,434	170,559	194,628
Volunteer Services	7,849	-	129,673	137,521	-	-	137,521	190,033
Donated Interest Expense	31,816	14,484	-	46,300	-	-	46,300	46,300
Donated Diocesan Computer Support	10,000	-	12,325	22,325	6,000	4,000	32,325	-
Total In-Kind	143,494	14,484	345,542	503,520	17,661	20,434	541,615	595,362
Total Expenses	\$ 846,602	\$ 311,906	\$ 1,270,990	\$ 2,429,498	\$ 196,763	\$ 124,514	\$ 2,750,775	
Percentage of Totals	31%	11%	46%	88%	7%	5%	100%	
Comparative Totals - 2022	\$ 840,357	\$ 304,642	\$ 1,212,186	\$ 2,357,185	\$ 173,794	\$ 122,507		\$ 2,653,486
Percentage of Totals - 2022	32%	11%	46%	89%	6%	5%	100%	

See Notes to Consolidated Financial Statements
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PARTNERS IN HOUSING, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF CASH FLOW
JUNE 30, 2023
With Summarized Comparative Totals for 2022

	<u>2023</u>	<u>2022</u>
Operating Activities		
Change in Net Assets	\$ (95,034)	\$ 768,327
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (used in) Operating Activities:		
Depreciation	192,333	183,872
(Gain) Loss on Investments in Collaborative Entities	(163,344)	46,202
Loan Forgiveness	(79,579)	(305,777)
Changes in Operating Assets and Liabilities:		
Pledge Receivable for Use of Property	144,850	(607,418)
Accounts Receivable	39,680	(70,422)
Tenants' Security Deposits	(887)	(2,381)
Accounts Payable and Accrued Expenses	(1,348)	1,956
Net Cash Provided by Operating Activities	<u>36,671</u>	<u>14,359</u>
Investing Activities		
Distributions Received from Investments in Collaborative Entities	25,000	27,320
Investment in Collaborative Entities	-	(6,239)
Purchases of Property and Equipment	(179,353)	(128,356)
Net Cash Used in Investing Activities	<u>(154,353)</u>	<u>(107,275)</u>
Financing Activities		
Payment on Notes Payable	(3,483)	(3,349)
Net Cash Used in Financing Activities	<u>(3,483)</u>	<u>(3,349)</u>
Net Change in Cash and Cash Equivalents and Restricted Cash	(121,165)	(89,527)
Beginning Cash and Cash Equivalents and Restricted Cash	<u>408,214</u>	<u>497,741</u>
Ending Cash and Cash Equivalents and Restricted Cash	<u>\$ 287,049</u>	<u>\$ 408,214</u>
Supplemental Cash Flow Information		
Cash Paid For Interest	<u>\$ 2,336</u>	<u>\$ -</u>

See Notes to Consolidated Financial Statements

**PARTNERS IN HOUSING, INC.
AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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 extend 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 furnishing 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 consolidated 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, 2022 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.

**PARTNERS IN HOUSING, INC.
AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 consolidated 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 consolidated 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 consolidated financial statements because they do not meet the aforementioned criteria. PIH received approximately 335 and 360 volunteer hours during the fiscal years ended June 30, 2023 and 2022, respectively, with an estimated value of \$10,033 and \$10,274, 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, 2023 and 2022.

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.

At June 30, 2023, PIH believes that it does not have any uncertain tax positions that are material to the financial statements.

**PARTNERS IN HOUSING, INC.
AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Use of Estimates – The preparation of consolidated 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 consolidated 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 on the consolidated financial statements have been reclassified to conform with the current year presentation. The statement of cash flows was reclassified to include restricted cash for tenants security deposits with cash and cash equivalents.

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

NOTE 1 – LIQUIDITY AND AVAILABILITY

Financial assets available within one year, for general expenditures include cash and cash equivalents of \$254,839 and accounts receivable of \$169,739.

As part of its liquidity management, PIH 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 to evaluate monthly expenses and compare with amounts forecasted to determine if draws on its line of credit or other measures should be taken. PIH manages its cash flow for a one-year cycle from the consolidated statement of financial position.

NOTE 2 – FUNCTIONAL EXPENSES ALLOCATION METHODS

The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting activities of PIH. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include wage 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 activities.

**PARTNERS IN HOUSING, INC.
AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 3 – PLEDGE RECEIVABLE FOR USE OF PROPERTY

PIH entered into a five-year lease agreement in 2022 for the use of office and operations facilities for annual rental payments of \$1.00. In 2022, PIH recognized \$774,339 for the free use of facilities for 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 \$144,850 and \$166,920 for the years ended June 30, 2023 and 2022, respectively, associated with the below market annual rents.

NOTE 4 – 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.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment is as follows at June 30:

	<u>2023</u>	<u>2022</u>
Buildings	\$ 3,041,456	\$ 3,124,256
Building Improvements	1,903,845	1,641,693
Land	261,687	261,687
Furniture and Equipment	92,452	92,452
Vehicles	<u>46,642</u>	<u>46,642</u>
	5,346,082	5,166,730
Less Accumulated Depreciation	<u>3,024,911</u>	<u>2,832,579</u>
Total	<u>\$ 2,321,171</u>	<u>\$ 2,334,151</u>

NOTE 6 – 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:

	<u>2023</u>	<u>2022</u>
GPR Properties, LLC	\$ 215,512	\$ 77,881
Colorado House and Resource Center, LLC	<u>2,481</u>	<u>1,768</u>
Total	<u>\$ 217,993</u>	<u>\$ 79,649</u>

**PARTNERS IN HOUSING, INC.
AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 6 – INVESTMENTS IN COLLABORATIVE ENTITIES - Continued

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 \$35,889 and \$53,531 at June 30, 2023 and 2022, respectively.

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, LC (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 \$559,088 and \$546,663 at June 30, 2023 and 2022, respectively.

**PARTNERS IN HOUSING, INC.
AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 7 – NOTES PAYABLE

PIH has entered into multiple note payable 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:

	<u>2023</u>	<u>2022</u>
Thirty-two individual notes with the City of Colorado Springs with principal balances ranging from \$1,839 to \$185,000 as of June 30, 2023, at zero percent interest, due upon sale or transfer of property, secured by real property.	\$ 1,112,508	\$ 1,112,510
Note with El Paso County Colorado Housing Authority at 3% interest, principal and interest due in monthly installments of \$485, due February 2040 or upon the sale or transfer of property if earlier, secured by real property.	75,946	79,429
Note with the City of Colorado Springs at zero percent interest (see Note 6), 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
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
Two individual notes with El Paso County Colorado Housing Authority for \$16,875 and \$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 6), 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>\$ 1,294,704</u>	<u>\$ 1,377,766</u>

**PARTNERS IN HOUSING, INC.
AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 7 – NOTES PAYABLE (Continued)

Required annual minimum principal payments are as follows as of June 30, 2023:

2024	\$ 3,589
2025	3,698
2026	3,810
2027	3,926
2028	4,046
Thereafter	<u>56,877</u>
Total Note Payable - Serviceable	75,946
Notes Payable - Forgivable and Non-Serviceable	<u>1,218,758</u>
Total	<u><u>\$ 1,294,704</u></u>

Interest expense and a related in-kind contribution is calculated at 4.0% of the outstanding zero percent interest notes, amounting to \$46,300 for the years ended June 30, 2022 and 2021.

NOTE 8 – LINE OF CREDIT

PIH has a \$300,000 line of credit that expires in February 2027. The line of credit bears interest at 0.75% plus the prime rate (interest rate is 9.0% at June 30, 2023). PIH had no draws or payments on the line of credit as of June 30, 2023 and 2022.

NOTE 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.

NOTE 10 – NET ASSETS WITH DONOR RESTRICTION

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

	<u>2023</u>	<u>2022</u>
Pledge Receivable for Use of Property	\$ 629,488	\$ 774,338
Time Restricted	<u>90,824</u>	<u>80,880</u>
Total	<u><u>\$ 720,312</u></u>	<u><u>\$ 855,218</u></u>

**PARTNERS IN HOUSING, INC.
AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 11 – COMMITMENTS AND CONTIGENCIES

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.

NOTE 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, 2023 and 2022 were \$51,929 and \$48,824, 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 accumulated vested benefits and net assets available for benefits, are insignificant to the Diocese plan.