



Homeword

Sustainable Communities for All

HOMWORD, INC. AND AFFILIATES

**INDEPENDENT AUDITOR'S REPORT and
CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended
June 30, 2019**

HOMWORD, INC. AND AFFILIATES

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Peterson CPA Group, P.C.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Homeward, Inc.
Missoula, Montana

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Homeward, Inc. (a nonprofit organization) and Affiliates, which comprise the consolidated statement of financial position as of June 30, 2019 and the related consolidated statements of activities, functional revenue and 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 from 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 financial position of Homeward, Inc. and Affiliates as of June 30, 2019, 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 Supplementary Information

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating statement of financial position on pages 36 to 39 and the consolidating statement of activities on pages 40 to 43 are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Peterson CPA Group, P.C.

Peterson CPA Group, P.C.
Missoula, Montana
October 31, 2019

FINANCIAL STATEMENTS

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of June 30, 2019

ASSETS

CURRENT ASSETS

Cash	\$ 787,473
Accounts Receivable, net	821,751
Inventory	5,097
Prepays	<u>67,549</u>

TOTAL CURRENT ASSETS 1,681,870

NON-CURRENT ASSETS

Restricted Cash	1,587,375
Developer Fee Receivable - tax credit partnerships, net	361,224
Management Fee Receivable - tax credit partnerships, net	388,817
Property and Equipment, net	<u>29,035,051</u>

TOTAL NON-CURRENT ASSETS 31,372,467

OTHER ASSETS

Long-Term Loans Receivable - tax credit partnerships	8,879,139
Interest Receivable - tax credit partnerships	2,374,025
Miscellaneous Long-Term Assets	44,906
Developments in Process	447,946
Investment in Tax Credit Partnerships and Other Entities	<u>796,388</u>

TOTAL OTHER ASSETS 12,542,404

TOTAL ASSETS \$ 45,596,741

The accompanying notes to the consolidated financial statements is an integral part of this statement.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, Continued
As of June 30, 2019

LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable	\$ 161,520
Accrued Liabilities	468,737
Funds Held in Trust	8,423
Line of Credit	59,000
Deferred Revenue	24,911
Current Portion of Long-Term Debt	<u>363,847</u>
TOTAL CURRENT LIABILITIES	<u>1,086,438</u>
LONG-TERM LIABILITIES	
Other	124,730
Long-Term Debt, net of current portion and issuance costs of \$216,271	<u>24,418,375</u>
TOTAL LONG-TERM LIABILITIES	<u>24,543,105</u>
TOTAL LIABILITIES	<u>25,629,543</u>
NET ASSETS WITHOUT DONOR RESTRICTION	
Noncontrolling Interest in RBSB	179,877
Without Donor Restriction and Undesignated	<u>19,787,321</u>
TOTAL NET ASSETS	<u>19,967,198</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 45,596,741</u></u>

The accompanying notes to the consolidated financial statements is an integral part of this statement.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

NET ASSETS WITHOUT DONOR RESTRICTION	
OPERATING REVENUE	
Housing Development Grants and Fees	\$ 97,425
Interest	313,966
Services	263,073
Contributions	162,736
Other	219,293
Investment Income	19,236
TOTAL OPERATING REVENUE	1,075,729
OPERATING EXPENSES	
Program	
Housing Development	442,689
Asset Management	183,884
Home Ownership Center	211,674
Property Management	3,522,585
Total Program	4,360,832
Supporting	
Management & General	70,651
Communication & Fund-raising	65,693
Total Supporting	136,344
TOTAL OPERATING EXPENSES	4,497,176
Change in Net Assets from Operations	(3,421,447)
NON-OPERATING REVENUE	
Rents	2,809,341
Grants	668,386
Equity Income from Affiliates	389,985
TOTAL NON-OPERATING REVENUE	3,867,712
CHANGE IN NET ASSETS	446,265
NET ASSETS WITHOUT DONOR RESTRICTION	
Beginning of Year	19,520,933
End of Year	\$ 19,967,198

The accompanying notes to the consolidated financial statements is an integral part of this statement.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

CONSOLIDATED STATEMENT OF FUNCTIONAL REVENUE AND EXPENSES
For the Year Ended June 30, 2019

	Program Services				Supporting Services		Total
	Housing Development	Asset Management	Home Ownership Center	Property Management	Management & General	Communications & Fundraising	
Revenues Without Donor Restriction							
Grants	\$ 571,236	\$ -	\$ 97,150	\$ -	\$ -	\$ -	\$ 668,386
Interest	986	248,198	-	64,782	-	-	313,966
Services	58,723	89,174	114,176	-	1,000	-	263,073
Contributions	74,252	-	35,139	-	-	53,345	162,736
Developer Fees	97,425	-	-	-	-	-	97,425
Rental Income	-	-	-	2,809,341	-	-	2,809,341
Other	328	1,217	1,000	213,971	2,777	-	219,293
Investment Income	(840)	-	-	20,076	-	-	19,236
Equity Loss from Affiliates	(331,290)	(779,912)	-	1,503,879	(2,692)	-	389,985
Total	<u>\$ 470,820</u>	<u>\$ (441,323)</u>	<u>\$ 247,465</u>	<u>\$ 4,612,049</u>	<u>\$ 1,085</u>	<u>\$ 53,345</u>	<u>\$ 4,943,441</u>
Expenses							
Salaries and Fringe Benefits	\$ 324,118	\$ 151,336	\$ 186,204	\$ -	\$ 29,437	\$ 56,981	\$ 748,076
Contract Services	49,544	6,241	7,801	-	18,341	-	81,927
Rent and Utilities	3,265	6,805	15	359,361	809	-	370,255
Office Supplies and Related	16,736	6,580	2,383	-	1,755	-	27,454
Operations and Maintenance	-	-	-	460,108	-	-	460,108
Travel and Training	20,099	2,760	2,829	-	1,044	-	26,732
Insurance and Taxes	3,679	228	-	411,879	1,269	-	417,055
Printing and Copying	2,783	1,438	1,871	-	2,571	-	8,663
Outreach	3,152	1,694	2,790	-	-	8,712	16,348
Dues and Publications	6,923	1,186	896	-	1,012	-	10,017
Depreciation and Amortization	-	-	-	842,678	1,707	-	844,385
Interest	2,891	2,129	1,377	759,577	1,107	-	767,081
Technology Purchases	2,766	1,575	2,074	-	4,283	-	10,698
Administrative Support	1,310	289	950	353,232	3,297	-	359,078
Management and Other Fees	-	-	-	168,425	-	-	168,425
Furniture/Fixture Replacement	-	-	-	108,355	-	-	108,355
Loss on Disposal of Assets	-	-	-	23,515	-	-	23,515
Other	5,423	1,623	2,484	35,455	4,019	-	49,004
Total	<u>\$ 442,689</u>	<u>\$ 183,884</u>	<u>\$ 211,674</u>	<u>\$ 3,522,585</u>	<u>\$ 70,651</u>	<u>\$ 65,693</u>	<u>\$ 4,497,176</u>
	9.84%	4.09%	4.71%	78.33%	1.57%	1.46%	100.00%

The accompanying notes to the consolidated financial statements is an integral part of this statement.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	\$ 446,265
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities:	
Depreciation	844,385
Loss on Disposal of Assets	23,515
Changes in Operating Assets and Liabilities:	
Receivables	(46,732)
Inventory	(5,097)
Prepays	(55,906)
Restricted Cash	(1,034,553)
Accounts Payable	67,704
Accrued Liabilities	185,225
Funds Held in Trust	2
Deferred Revenue	<u>(6,999)</u>
Total Adjustments	<u>(28,456)</u>
Net Cash Flows from Operating Activities	\$ <u>417,809</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Additions to Loans Receivable	\$ (515,022)
Additions to Accrued Interest	(274,338)
Collection of Developer Fees Receivable	99,074
Additions to Management Fees Receivable	(21,896)
Collections of Management Fees Receivable	-
Cash Paid for Building Improvements and Equipment	(93,860)
Additions to Miscellaneous Long-Term Assets	(39,791)
Additions to Developments in Process	156,342
Investment in Tax Credit Partnerships and Other Entities	701,513
Additions in Other Long-Term Liabilities	<u>39,231</u>
Net Cash Flows from Investing Activities	\$ <u>51,253</u>

The accompanying notes to the consolidated financial statements is an integral part of this statement.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

CONSOLIDATED STATEMENT OF CASH FLOWS, Continued
For the Year Ended June 30, 2019

CASH FLOWS FROM FINANCING ACTIVITIES:	
Cash Received from Loan Borrowings	\$ 59,000
Cash Paid for Loan Repayments	<u>(408,381)</u>
Net Cash Flows from Financing Activities	<u>\$ (349,381)</u>
Net Change in Cash and Cash Equivalents	119,681
Cash and Cash Equivalents	
Beginning of Year	<u>667,792</u>
End of Year	<u><u>\$ 787,473</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH PAYMENTS	
Cash Paid for Interest	<u><u>\$ 720,727</u></u>
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS	
OPERATING ACTIVITIES	
Acquisition of Reserve Accounts (restricted cash) from the Consolidation of new Affiliates	<u><u>\$ 504,567</u></u>
INVESTING ACTIVITIES	
Investment in TCP's and Other Entities from the Acquisition of new Affiliates	<u><u>\$ (710,435)</u></u>
Additions of Property and Equipment from new Affiliates	<u><u>\$ 7,547,570</u></u>
FINANCING ACTIVITIES	
Acquisition of Affiliates and Assets from Debt Financing	<u><u>\$ 7,753,438</u></u>

The accompanying notes to the consolidated financial statements is an integral part of this statement.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 1. ORGANIZATION, AFFILIATES, REPORTING UNIT, AND PRINCIPLES OF CONSOLIDATION

Homeword, Inc. (Homeword) is a 501(c)(3) nonprofit organization whose purpose is to strengthen communities through safe, healthy homes people can afford and empower them through homebuyer and financial counseling and education. Homeword's activities range throughout the State of Montana. Homeword is a Community Housing Development Organization as defined by the U.S. Department of Housing and Urban Development.

hW-Confluence, Inc. (Confluence) was formed in April 2010 as a title holding 501(c)(2) nonprofit corporation for the benefit of Homeword. Confluence was formed for the sole purpose of holding and/or leasing certain commercial rental property developed utilizing New Markets Tax Credits and remitting all net rental income to Homeword. Confluence's board of directors is the Executive Committee of Homeword's board of directors. Homeword's board of directors appoints Confluence's board of directors.

HW-RB SB Lending, LLC (RBSB) was formed in May 2012 for the purpose of providing loans to fund the construction of rental homes people living on 60% or less of the Area Median Income can afford, jointly entered into by Homeword and the Montana Homeownership Network doing business as NeighborWorks Montana (NeighborWorks). Homeword owns 79% and NeighborWorks owns 21% of RBSB. This Limited Liability Company will terminate on December 31, 2062, unless terminated or dissolved sooner in accordance with its Articles of Organization or Operating Agreement.

hW-Phillips Street, LLC (Phillips) is a single member Montana Limited Liability Company formed in 2012. Homeword is the sole member. The purpose of Phillips is to own and operate 8 rental homes people living on 60% or less of the Area Median Income can afford at 1805 Phillips Street in Missoula, Montana. This Limited Liability Company will terminate on December 31, 2052, unless terminated or dissolved sooner in accordance with its Articles of Organization or Operating Agreement.

Fireweed Court, LLC (Fireweed Court) is a single member Montana Limited Liability Company (LLC) formed in 2014. Homeword is the sole member. Homeword became the sole member once it acquired the ownership interest of the original Limited Partner when Fireweed Court Limited Partnership was converted to a LLC. The purpose of Fireweed Court is to own and operate 12 rental homes people living on 60% or less of the Area Median Income can afford in Missoula, Montana. This LLC will terminate on December 31, 2045, unless terminated or dissolved sooner in accordance with its Articles of Organization or Operating Agreement.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 1. ORGANIZATION, AFFILIATES, REPORTING UNIT, AND PRINCIPLES OF CONSOLIDATION, continued

Lenox Flats, LLC, (Lenox Flats) is a single member Montana Limited Liability Company (LLC) formed in 2014. Homeword is the sole member. Homeword became the sole member once it acquired the ownership interest of the original Limited Partner when Lenox Flats Limited Partnership was converted to a LLC. The purpose of Lenox Flats is to own and operate 10 rental homes people living on 60% or less of the Area Median Income can afford with commercial office space in Missoula, Montana. This LLC will terminate on December 31, 2045, unless terminated or dissolved sooner in accordance with its Articles of Organization or Operating Agreement.

Gold Dust, LLC (Gold Dust) is a single member Montana Limited Liability Company (LLC) formed in 2016. Homeword is the sole member. Homeword became the sole member once it acquired the ownership interest of the original Limited Partner when Gold Dust Limited Partnership was converted to a LLC. The purpose of Gold Dust is to own and operate 18 rental homes people living on 60% or less of the Area Median Income can afford in Missoula, Montana. This LLC will terminate on December 31, 2045, unless terminated or dissolved sooner in accordance with its Articles of Organization or Operating Agreement.

Acme Historic Hotel, LLC (Acme) is a single member Montana Limited Liability Company (LLC) formed in 2017. Homeword is the sole member. Homeword became the sole member once it acquired the ownership interest of the original Limited Partner when Acme Limited Partnership was converted to a LLC. The purpose of Acme is to own and operate 19 rental homes people living on 60% or less of the Area Median Income can afford with commercial space in Billings, Montana. This LLC will terminate on December 31, 2047, unless terminated or dissolved sooner in accordance with its Articles of Organization or Operating Agreement.

HW Investment Fund, LLC (Investment Fund) is a single member Montana Limited Company (LLC) formed in 2017. Homeword is the sole member. The purpose of the Investment Fund is to hold the assets and liabilities from the unwinding of the New Markets Tax Credits entities involved with Confluence. This LLC will terminate on December 31, 2066, unless terminated or dissolved sooner in accordance with its Articles of Organization or Operating Agreement.

Creekside Apartments, LLC (Creekside) is a single member Montana Limited Company (LLC) formed in 2017. Homeword is the sole member. The purpose of Creekside is to own and operate 161 rental homes people living on 60% or less of the Area Median Income can afford in Missoula, Montana. This LLC will expire on December 31, 2066, unless terminated or dissolved sooner in accordance with its Articles of Organization or Operating Agreement.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 1. ORGANIZATION, AFFILIATES, REPORTING UNIT, AND PRINCIPLES OF CONSOLIDATION, continued

Hearthstone, LLC (Hearthstone) is a single member Montana Limited Company (LLC) formed in 2018. Homeword is the sole member. The purpose of Hearthstone is to own and operate 74 rental homes seniors living on 60% or less of the Area Median Income can afford in Anaconda, Montana. This LLC will expire on December 31, 2066, unless terminated or dissolved sooner in accordance with its Articles of Organization or Operating Agreement.

Fraser Tower, LLC (Fraser) is a single member Montana Limited Company (LLC) formed in 2018. Homeword is the sole member. The purpose of Fraser is to own and operate 64 rental homes seniors living on 60% or less of the Area Median Income can afford in Billings, Montana. This LLC will expire on December 31, 2066, unless terminated or dissolved sooner in accordance with its Articles of Organization or Operating Agreement.

Sage Tower, LLC (Sage) is a single member Montana Limited Company (LLC) formed in 2018. Homeword is the sole member. The purpose of Sage is to own and operate 81 rental homes seniors living on 60% or less of the Area Median Income can afford in Billings, Montana. This LLC will expire on December 31, 2066, unless terminated or dissolved sooner in accordance with its Articles of Organization or Operating Agreement.

Confluence, RBSB, Phillips, Fireweed Court, Lenox Flats, Gold Dust, Acme, Investment Fund, Creekside, Hearthstone, Fraser, and Sage are consolidated into Homeword's financial statements and are collectively referred to as the "Organization". All significant inter-organization balances and transactions were eliminated in the consolidation process. The non-controlling interest in RBSB represents the equity interest of the minority member and is reflected separately in unrestricted net assets.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The Organization's consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as codified by the Financial Accounting Standards Board (FASB).

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

B. Adoption of Accounting Standard

The FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities on August 18, 2016. This update addressed the complexity and understandability of the classification of net assets, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization implemented ASU 2016-14 in fiscal year 2019 and has adjusted the presentation of the consolidated financial statements accordingly. Total net assets at July 1, 2018 were not changed from implementing this ASU.

C. Programs

After 25 years of operation, Homeword is regionally and nationally recognized for its innovative programming and development of homes Montanans can afford. Homeword works statewide from its office in Missoula, where its Regional Home Ownership Center is located, with development projects in Missoula, Lewistown, Anaconda, Butte, Great Falls, Malta, Havre, Billings, Cut Bank, Bozeman, and Bigfork among others. Housing Development provides homes that Montanans with lower incomes can afford to rent or buy through development and/or preservation of new or rehabilitated homes. Through joint venture partnerships, Homeword will improve the social, health and economic outcomes for Montanans living with lower incomes and increase local capacity to address housing needs and issues of poverty across the State.

Since 1994, Homeword has developed or rehabilitated a total of 25 properties totaling 1,108 homes people can afford to rent or buy in 11 Montana communities. Homeword develops projects where it serves as the sole general partner and partners with nonprofit and for-profit companies. Homeword develops new construction and rehabilitation projects while also acquiring existing properties to preserve homes that people can afford. Homeword developed one new construction property for another entity, a 16-home project owned by the Housing Authority of Billings. Homeword develops both rental and home ownership projects.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

C. Programs, continued

Homeword has several award-winning projects in its portfolio which have received recognition for design, green building and innovative financing. Homeword's Home Ownership Center program is a leader in the state-wide NeighborWorks Montana network and received praise from the Department of Housing and Urban Development on best practices. Homeword is a recipient of the Missoula Job Service Employer's Council 2014 Small Employer of Choice award and the United Way of Missoula County's 2016 and 2017 Gold Standard Award as well as recognized as one of the Missoulian's 2018 Western Montana Business Top 10 Workplaces. In 2019, Homeword's Sweetgrass Commons project in Missoula won a Merit Award from the American Institute of Architects Montana chapter.

At June 30, 2019, the Organization operated the following programs:

Housing Development

Housing Development provides homes that people with lower incomes can afford to rent or buy through development of new or rehabilitated homes. Housing Development is responsible for the formation of tax credits partnerships and other types of ownership entities using financing that enables the development of homeownership and rental homes. Costs include pre-development expenses associated with new and/or rehabilitated homes and construction project management. Given its successful history of developing homes Montanans can afford, Homeword occasionally provides information to other nonprofits seeking to develop facilities to support their missions. Homeword also provides limited consulting services for organizations, jurisdictions and municipalities working on local housing and economic issues.

Asset Management

Homeword contracts daily property management activities with qualified third-party property management companies. Homeword oversees the asset management of the developed properties including regulatory compliance and financial management once Housing Development has completed construction and development of the properties.

HOMWORD, INC. AND AFFILIATES

Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

C. Programs, continued

Property Management

Homeword contracts daily property management activities with qualified third-party property management companies. Property management includes various properties owned by Homeword providing rental homes for people living on 60% or less of the Median Area Income can afford.

Home Ownership Center

Since 1997, the walk-in Home Ownership Center (HOC) at Homeword has served over 15,000 people. Homeword empowered 1,182 families, including the parents of more than 625 children in the last year. In FY19, 87% of renter education participants were living on 80% of the Area Median Income or less (\$41,420 for one person/\$58,640 for a family of four and 81% were living on 50% of the Area Median Income (\$25,700 for one person/\$36,650 for a family of four). Education and counseling are low-cost or free to clients, child care and snacks are provided for participants and Homeword partners with other social service providers to complement their case management with financial counseling, financial skill building education and counseling. Specifically, the HOC provides first-time homebuyer and financial education programs, renter education and counseling, one-on-one housing and financial counseling, advocacy, and outreach.

These programs benefit participants by empowering them to make healthy financial choices to achieve stability in their lives with limited resources. Homeword is one of only three Regional Home Ownership Centers in Montana and is the only HUD-approved Housing Counseling Agency offering a full continuum of housing counseling and educational services in Western Montana.

D. Net Asset Classification

The Organization receives a significant amount of its funding under cost-reimbursement grants and contracts where the Organization is a direct recipient or sub-recipient of various federal and state funds. Contracts in which the funding agency receives commensurate value are classified as exchange transactions and are reported as unrestricted support.

Grants from governmental and nongovernmental organizations are classified as contributions if the resource provider does not receive commensurate value. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

D. Net Asset Classification, continued

Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (when a stipulated time restriction ends or a purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restriction.

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

From time to time, certain bank accounts that are subject to coverage by the Federal Deposit Insurance Corporation (FDIC) may exceed their insured limits. At June 30, 2019 there were bank balances of approximately \$143,000 that were not fully insured by the FDIC. The Organization does not believe it is exposed to any significant credit risk on its cash balances as no losses have been incurred.

Monies have been set aside in separate accounts to be used for future operations totaling \$74,991 at June 30, 2019.

Restricted cash, some of which is required to be kept in separate bank accounts, includes monies held as a fiscal agent for an employer-assisted down payment program, security deposits, reserve accounts, and other monies that are restricted by agreements for certain types of expenditures. Restricted cash also includes proceeds from certain properties acquired, rehabilitated, and sold using a Neighborhood Stabilization Program grant.

HOMEWORD, INC. AND AFFILIATES

Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

F. Receivables

Receivables consist of amounts due from expenses paid on behalf of project developments and tax credit partnerships, management fees, deferred developer fees, and amounts due from tenants. Receivables are stated at unpaid principal balances. Management assesses the collectability of these receivables annually by reviewing each receivable under current circumstances.

Management determined an allowance account of \$60,253 was appropriate for fiscal year 2019 after reviewing the various performance factors of each affiliate in light of the current economic conditions and other relevant factors. This estimate is subject to change annually based on operating results of the various tax credit partnerships and their ability to pay the Organization based on the individual waterfall schedules in the partnership agreements and other factors. Because of the inherent uncertainties in estimating the allowance for uncollectible receivables, it is at least reasonably possible that the estimates used will change in the near term.

G. Property and Equipment

Property and equipment are recorded at cost. Donated property and equipment are recorded at fair value on the date of the donation. There was no donated property or equipment in fiscal year 2019. Depreciation is provided using the straight-line method over the useful lives of the assets as follows for Homeword:

Property	40 years
Equipment	3 - 7 years

The Affiliates use the straight-line method of depreciation; however, their useful lives for property range from 27.5 years to 39 years. The estimated useful life of the assets for depreciation purposes may be different than their actual economic useful lives. Repairs and maintenance are expensed and betterments that cost more than \$5,000 are generally capitalized for Homeword and costs exceeding \$4,000 are generally capitalized for the Affiliates.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

H. Long-Term Loans and Interest Receivable (Financing Receivables)

Long-term loan receivables are carried at unpaid principal balances and are tested annually for impairment. It is the Organization's policy to recognize impairment loss in the year a loan is determined to be impaired. Loans are generally considered impaired if the loan receivable plus accrued interest is less than the book value of the property, unless the rental property generates positive net operating income.

Loans are placed on nonaccrual status when management believes the loans are impaired. There were no loans on nonaccrual status at June 30, 2019.

Interest on the loans is recognized over the term of the loan and is calculated using the simple-interest method on outstanding principal amounts.

The long-term loans receivable and related accrued interest receivable from the various tax credit partnerships may not be collected in cash; however, at the end of the tax credit period, the Organization may take the properties back as settlement of the loans and accrued interest or otherwise acquire the Limited Partner's interest in the entity and continue to operate them as homes people can afford.

I. Investment in Tax Credit Partnerships and Other Entities

The Organization is the 0.01% managing general partner in five tax credit partnerships, co-general managing partner sharing the 0.01% interest in four additional tax credit partnerships, and the sole member of nine single purpose entities engaged in operating former tax credit partnerships at June 30, 2019.

The Organization is a co-general partner in eight additional tax credit projects, but does not retain management authority.

Management has determined that consolidation of these entities is not required under GAAP because the limited partners have substantial participating rights. The Organization's investments in these entities are initially recorded at cost and are adjusted annually for its share of the current year income or loss (equity method).

These tax credit partnerships are limited partnerships formed under the laws of the state of Montana for the purpose of developing, owning, and operating homes people living on 60% or less of the Area Median Income can afford.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

I. Investment in Tax Credit Partnerships and Other Entities, continued

The tax credit partnerships qualify for low-income housing tax credits under the Internal Revenue Code Section 42 (the Code), which regulates the use of the buildings as to occupant eligibility and gross unit rents, among other things. The tax credit partnerships must maintain compliance with the Code for 15 consecutive years in order to remain qualified to receive tax credits for the benefit of the Limited Partners. The Organization also invests in other entities consistent with its mission to develop homes people can afford in the State of Montana.

J. Funds Held In Trust

The Organization is the fiscal agent for an employer-assisted down payment program. These funds are maintained in a separate account totaling \$8,423 at June 30, 2019.

K. Contributed Services

Contributed services that create or enhance nonfinancial assets or are of a specialized nature are reported as revenue in the statements of activities. Contributed services that do not meet these criteria are not recorded.

L. Functional Allocation of Expenses

The costs of program and supporting service activities have been summarized on a functional basis in the statement of activities. The statement of functional revenue and expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on a historical analysis of employee time.

M. Advertising Costs & Outreach

The Organization expenses the cost of advertising as incurred. Advertising expenses totaled \$16,348 in 2019 and are included in the Schedule of Functional Revenue and Expenses under Outreach.

N. Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

O. Risks and Uncertainties

The Organization faces a number of risks including loss or damage to property and general liability. Commercial insurance policies are purchased for loss or damage to property and for general liability.

P. Income Tax Status

Homeword is exempt from income tax under provisions of Section 501(c)(3) of the Internal Revenue Code. This code enables the Organization to accept donations that qualify as charitable contributions to the donor. Income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. Homeword did not have any income tax related to unrelated business income for the year ended June 30, 2019.

Confluence is exempt from income tax under provisions of Section 501(c)(2) of the Internal Revenue Code. It maintains its tax-exempt status so long as it distributes all of its net income to Homeword. Unrelated business income from debt-financed rental property is allowed, but other sources of unrelated business income are limited to no more than 10% of Confluence's gross income. For the year ended June 30, 2019, Confluence did not have any income tax related to unrelated business income.

RBSB is a Montana Limited Liability Company. Income or losses are passed through to the members in proportion to their respective ownership interests. Homeword's share of income or loss from RBSB is generally not taxable because it consists of either investment income or exempt-purpose income.

Phillips is a single member limited liability company owning and operating rental homes people living on 60% or less of the Area Median Income can afford. Phillips is a disregarded entity for income tax purposes and its income or loss is included in Homeword's.

Fireweed Court is a single member limited liability company owning and operating rental homes people living on 60% or less of the Area Median Income can afford. Fireweed Court is a disregarded entity for income tax purposes and its income or loss is included in Homeword's.

Lenox Flats is a single member limited liability company owning and operating rental homes people living on 60% or less of the Area Median Income can afford. Lenox Flats is a disregarded entity for income tax purposes and its income or loss is included in Homeword's.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

P. Income Tax Status, continued

Gold Dust is a single member limited liability company owning and operating rental homes people living on 60% or less of the Area Median Income can afford. Gold Dust is a disregarded entity for income tax purposes and its income or loss is included in Homeword's.

Acme is a single member limited liability company owning and operating rental homes people living on 60% or less of the Area Median Income can afford. Acme is a disregarded entity for income tax purposes and its income or loss is included in Homeword's.

Investment Fund is a single member limited liability company holding assets and liabilities related to Confluence and Homeword. The Investment Fund is a disregarded entity for income tax purposes and its income or loss is included in Homeword's.

Creekside is a single member limited liability company owning and operating rental homes people living on 60% or less of the Area Median Income can afford. Creekside is a disregarded entity for income tax purposes and its income or loss is included in Homeword's.

Hearthstone is a single member limited liability company owning and operating rental homes people living on 60% or less of the Area Median Income can afford. Hearthstone is a disregarded entity for income tax purposes and its income or loss is included in Homeword's.

Fraser is a single member limited liability company owning and operating rental homes people living on 60% or less of the Area Median Income can afford. Fraser is a disregarded entity for income tax purposes and its income or loss is included in Homeword's.

Sage is a single member limited liability company owning and operating rental homes people living on 60% or less of the Area Median Income can afford. Sage is a disregarded entity for income tax purposes and its income or loss is included in Homeword's.

No provision for income tax has been recorded in the accompanying consolidated financial statements because no significant unrelated business income was recognized for 2019.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Q. Recent Accounting Pronouncements

The FASB issued Accounting Standards Update (ASU) 2014-09: Revenue from Contracts with Customers, Topic 606, in May 2014. This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods or services, guidance on accounting for certain contracts, and contains significant new required disclosures. This ASU supersedes current revenue recognition requirements by the FASB and industry-specific guidance. The provisions of this ASU must be applied using one of two retrospective methods. This ASU is effective for annual periods beginning after December 15, 2018. Early implementation was permitted. The organization elected not to early implement and is currently evaluating transition methods. The organization does not expect the impact of this ASU on their financial statements to be significant.

The FASB issued Accounting Standards Update (ASU) 2016-02: Leases in February 2016. This ASU requires the recognition of lease assets and liabilities in the financial statements as a “right-of-use” asset and a lease liability. This ASU supersedes lease accounting requirements of the FASB and requires new, additional disclosures. Lessees and Lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The provisions of this ASU are effective for annual periods beginning after December 15, 2020. Early implementation is permitted. The organization has elected not to early implement and is currently evaluated the impact of this ASU to its financial statements.

The FASB issued Accounting Standards Update (ASU) 2016-18: Restricted Cash in November 2016. This ASU requires an entity to include amounts generally described as restricted cash and restricted cash equivalents, along with cash and cash equivalents, when reconciling beginning and ending balances on the statement of cash flows. Provisions of this ASU must be applied retrospectively. The provisions of this ASU are effective for annual periods beginning after December 15, 2019. Early implementation is permitted. The organization has elected not to early implement and does not expect the impact of this ASU on its financial statements to be significant.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 3. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditures, without donor or other restrictions limiting their use, within one year of the statement of financial position date comprise the following:

	<u>Homeword</u>	<u>Affiliates</u>
Bank Accounts	\$ 71,922	\$ 635,814
Receivables	<u>108,601</u>	<u>116,773</u>
	<u>\$ 180,523</u>	<u>\$ 752,587</u>

Homeword had additional designated funds in a bank account totaling \$74,991 at June 30, 2019 that could be used if management and/or the board of directors determined necessary. Additionally, affiliates had reserve accounts totaling \$1,018,695 at June 30, 2019 that can be used for building repairs, maintenance, or other facility-related costs subject to various limitations contained in operating agreements.

NOTE 4. LONG-TERM LOANS RECEIVABLE

Loans receivable are carried at unpaid principal balances. An allowance for loan losses is not considered necessary as management believes the loans are fully collectible at June 30, 2019. No losses were recognized in 2019. None of the loans have been restructured. No impairment has been recognized in 2019. No loans have been placed on nonaccrual status. Loans receivable are considered past due if not repaid in accordance with existing terms. No loans were considered past due at June 30, 2019.

Loan terms require interest to accrue over the life of the loan. Typically, the life of the loan is 40 years and interest is calculated using the simple-interest method on outstanding principal amounts. These loans bear interest at rates ranging from 0.25% to 6.5%. Repayment of principal and interest is deferred until the borrowers (Tax Credit Partnerships) have sufficient net cash flows as defined in various loan agreements. Because of the uncertainty of future net cash flows, the loans receivable, including accrued interest, are classified as noncurrent.

The loans require the borrowers to maintain the low-income housing status for each property. A substantial portion of the loans were funded in prior years with grants to the Organization from several sources, including the U.S. Department of Housing and Urban Development's HOME Program (HOME). Under the terms of the HOME grants, loan repayments retain their status as federal funds and are subject to HOME regulations.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 4. LONG-TERM LOANS RECEIVABLE, continued

Long-term loans receivable consisted of the following at June 30:

Orchard Gardens Limited Partnership	\$ 1,577,237
Southern Lights Limited Partnership	660,900
Equinox Development Limited Partnership	2,309,122
Solstice Development Limited Partnership	1,436,845
Sweet Grass Commons, LLLP	1,950,274
Soroptimist Village, LLLP	431,645
Larkspur Commons, LLLP	200,000
Bluebunch Flats, LLLP	<u>313,116</u>
	<u>\$ 8,879,139</u>

The change in long-term loans receivable during fiscal year 2019 is as follows:

Long-Term Loans Receivable at June 30, 2018	8,364,117
Additions	<u>515,022</u>
Long-Term Loans Receivable at June 30, 2019	<u>\$ 8,879,139</u>

NOTE 5. INVESTMENT IN TAX CREDIT PARTNERSHIPS AND OTHER ENTITIES

The Organization's investment in various tax credit partnerships and other entities totaled \$796,388 at June 30, 2019. The Organization accounts for these investments under the equity method.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 6. PROPERTY AND EQUIPMENT

Depreciation expense for the fiscal year ended June 30, 2019 totaled \$844,385.

The property, equipment, furniture and fixtures, and related accumulated depreciation of Hearthstone, Fraser, and Sage were consolidated into Homeword in 2019.

A nominal amount of cash and other consideration, such as assumption of debt, was paid for these assets and the effect is represented in the “Additions” column in the following table.

Property and equipment at June 30 are as follows:

	<u>2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>2019</u>
Land	\$ 1,949,797	\$ 373,053	\$ -	\$ 2,322,850
Buildings	25,429,403	9,533,796	(49,765)	34,913,434
Equipment	233,835	567,595	-	801,430
Leasehold Improvements	16,890	-	-	16,890
Furniture and Fixtures	<u>127,041</u>	<u>-</u>	<u>-</u>	<u>127,041</u>
	27,756,966	10,474,444	(49,765)	38,181,645
Accumulated Depreciation	<u>(5,495,445)</u>	<u>(3,677,552)</u>	<u>26,403</u>	<u>(9,146,594)</u>
	<u>\$ 22,261,521</u>	<u>\$ 6,796,892</u>	<u>\$ (23,362)</u>	<u>\$ 29,035,051</u>

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 7. NOTES PAYABLE

Notes payable by entity at June 30 consisted of the following:

<u>Entity</u>	<u>Description</u>	<u>2019</u>
Homeword	Note payable to the City of Billings for the High Sierra Project, 0% stated interest rate, imputed interest of 6.5%, principal and interest payments of \$1,500 annually for fifteen years with a balloon payment due at maturity of July 1, 2023, unsecured.	\$ 22,160
Homeword	Note payable to Montana Board of Housing for the Gold Dust building; interest at 3%, monthly principal and interest payments of \$603, due July 2033; secured by Gold Dust property.	83,019
Homeword	Note payable to U.S. Bancorp Community Development Corporation for Homeword operating line; interest at 3.00% payable quarterly; principal is due on July 5, 2020; unsecured.	750,000
Homeword	Note payable to Missoula County for the Phillips building; monthly interest at 3%; principal and interest payments of \$337; balloon payment is due at maturity on March 1, 2028; secured by the Phillips property.	68,525
Homeword	Note payable to the City of Missoula for the Phillips building; interest at 1% payable monthly until June 1, 2028; then interest increases to 3% with principal and interest payments of \$551 commencing monthly through maturity of June 1, 2043; secured by the Phillips property.	80,000
Homeword	Note payable to First Security Bank of Missoula for the MOD Homes Project, interest at 4.5% until April 2018, then 1.00% over the Prime Rate published in the Wall Street Journal (5.50% at June 30, 2019) paid monthly, due March 2020; secured by five Champion mobile homes.	161,103
Homeword	Note payable to NeighborWorks Montana for the Small Homes Project; interest is at 5% payable quarterly; principal and interest due at maturity on December 31, 2020; secured by the Small Homes property.	137,183

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 7. NOTES PAYABLE, continued

Entity	Description	2019
Homeword	Note payable to NeighborWorks Montana for project development costs; interest at 4.5% payable quarterly; principal and interest due at maturity on November 30, 2020; secured by the Lenox Flats property.	283,116
Homeword	Note payable to NeighborWorks Montana for the acquisition of Sage Tower; interest is at 3.25% payable quarterly; principal and interest due at maturity on April 16, 2029; secured by Sage Tower property.	920,000
Confluence	Note payable to U.S. Bank, N.A. for the construction of the Confluence Project; interest at 4.41%; monthly principal and interest payments of \$11,019; final payment due at maturity of October 3, 2024; secured by Confluence property.	1,647,138
Phillips	Note payable to Montana Board of Housing for the purchase of Phillips Property, interest at 4.5%, monthly principal and interest payments of \$810 due through August 1, 2043; secured by Phillips property.	142,896
Acme	Note payable to U.S. Bank, N.A. refinancing Acme loans and repairs; interest at 3.14%; monthly principal and interest payments of \$1,452; final payment due at maturity of February 8, 2021; secured by Acme property.	272,340
Creekside	Note payable to NeighborWorks Montana for the acquisition of Creekside; interest at 2.5%; quarterly principal interest payments of \$43,771; final balance due at maturity on August 31, 2027; secured by Creekside property.	3,687,500
Creekside	Note payable to First Security Bank of Missoula (City of Missoula Multifamily Housing Revenue Bonds Series 2017) for the acquisition of Creekside Apartments; \$10,312,500 face value less unamortized issuance costs of \$112,232 in 2018; proceeds used to acquire the Creekside Apartments Project; interest at an annual rate of 4.32%; interest only payments for the first three years followed by quarterly principal and interest payments of \$53,972; final payment due at maturity on September 1, 2047; secured by Creekside property; less unamortized issuance costs of \$109,110 in 2019.	10,203,390

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 7. NOTES PAYABLE, continued

<u>Entity</u>	<u>Description</u>	<u>2019</u>
Hearthstone	Note payable to Berkadia Commercial Mortgage, LLC for the Hearthstone building; \$1,368,700 face value; loan assumed in Transfer of Physical Assets process for Hearthstone Apartments Project; interest at an annual rate of 6.0%; monthly principal and interest payments of \$149; final payment due at maturity of February 1, 2034; secured by Hearthstone property.	17,515
Fraser	Note payable to NeighborWorks Montana for the acquisition of the Fraser Project; interest at 2.75% payable quarterly; principal and interest due at maturity on December 31, 2028; secured by Fraser property.	1,241,710
Fraser	Note payable to Western Security Bank of Billings (County of Yellowstone Multifamily Housing Revenue Bonds Series 2018) for the acquisition of the Fraser Project; \$2,883,500 face value less unamortized issuance costs of \$100,374 in 2019; proceeds used to acquire the Fraser Tower Apartments Project; interest at an annual rate of 4.35%; interest only payments for the first three years followed by monthly principal and interest payments of \$15,141; final payment due at maturity on December 1, 2048; secured by Fraser property; less unamortized issuance costs of \$98,701 in 2019.	2,784,799
Sage	Note payable to Hunt Mortgage Capital, LLC for the Sage Building; \$2,328,700 face value; loan assumed in Transfer of Physical Assets process for Sage Tower Apartments Project; interest at an annual rate of 3.50%; monthly principal and interest payments of \$9,624; final payment due at maturity of April 1, 2053; secured by Sage property; less unamortized debt issuance costs of \$8,460 in 2019.	<u>2,279,828</u>
		\$ 24,782,222
	Less: current portion	<u>(363,847)</u>
	Long-term portion	<u>\$ 24,418,375</u>

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 7. NOTES PAYABLE, continued

In accordance with ASU 2015-03, loan balances are reported at unpaid principal balances net of unamortized issuance costs and amortization of issuance costs is recorded as interest expense. Amortization of issuance costs totaled \$3,874 in 2019.

The note payable to the City of Billings represents a \$46,094 settlement agreement, which is recorded as long-term debt discounted to approximate present value using an imputed interest rate of 6.5%. The \$22,312 discount is amortized and reported in the statement of activities as interest expense.

The note payable to U.S. Bank, N.A. for Acme contains certain financial covenants. Acme was in compliance with the covenants at June 30, 2019.

The note payable to U.S. Bank, N.A. for Confluence contains certain financial covenants. Confluence was in compliance with the covenants at June 30, 2019.

The notes payable to U.S. Bank, N.A. for Acme and Confluence contain certain penalties for prepayment.

The Creekside note payable to First Security Bank of Missoula contains provisions restricting prepayment and contains certain penalties for any repayments prior to a prescribed time.

Annual debt maturities are as follows:

<u>June 30,</u>	
2019	\$ 363,847
2020	1,505,255
2021	420,621
2022	459,213
2023	454,112
Thereafter	<u>21,579,174</u>
	<u>\$ 24,782,222</u>

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 7. NOTES PAYABLE, continued

In 2010, Homeword entered into an unsecured promissory note with NeighborWorks Montana in the amount of \$115,000 for capital used to finance the construction of Confluence, Inc., an 8-unit commercial building also using New Market Tax Credit equity. The note has a 0% interest rate, is unsecured and will be forgiven as long as Homeword does not sell the property or change its Mission. Homeword has chosen to treat this transaction as grant revenue at inception, with a note disclosure.

In 2009, Homeword entered into an unsecured promissory note with NeighborWorks Montana in the amount of \$45,000 for capital used to finance the construction of Equinox Development, LP, whose purpose is to own and operate 35 rental homes people living on 60% or less of the Area Median Income can afford in Missoula, Montana. The note has a 0% interest rate, is unsecured and will be forgiven as long as Homeword does not sell the property or change its Mission. Homeword has chosen to treat this transaction as grant revenue at inception, with a note disclosure.

Interest expense totaled \$767,081 for the year ended June 30, 2019.

NOTE 8. RELATED PARTIES

The Organization signed a Master Lease with Confluence, a wholly owned subsidiary, in 2012 for office space that expired on January 1, 2018. Homeword entered into a sublease agreement with Confluence that expired on September 30, 2017 with an option to renew for an additional year. This lease was amended in October 2017 and extended through 2024 under similar terms. Homeword paid \$73,295 in rent to Confluence for the year ended June 30, 2019 under the sublease agreement. This amount is eliminated in the consolidated financial statements.

At June 30, 2019, the Organization had loaned a total of \$8,879,139 to tax credit partnerships for the purpose of constructing and managing certain rental homes people living on 60% or less of the Area Median Income can afford. Interest receivable from these loans totaled \$2,374,026 at June 30, 2019. No repayments were received in 2019 from these loans.

At June 30, 2019, the Organization had additional receivables from these tax credit partnerships and other entities totaling \$1,558,292 for deferred developer fees, management fees, loans and advances, and expenses paid by the Organization on behalf of these tax credit partnerships. During the year ended June 30, 2019, \$115,323 was repaid and \$38,145 was advanced.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 8. RELATED PARTIES, continued

Developer fees are earned during the normal course of project development activities. The amounts earned vary by project and, depending on project's financial performance, may be paid or deferred. Homeword has an ownership interest in these projects and any developer fees from affiliates are eliminated during consolidation of the financial statements. Developer fees recognized in income totaled \$97,425 in 2019. Developer fees, including deferred developer fees, paid to Homeword in fiscal year 2019 totaled \$196,499.

The Organization is a General Partner in various entities in which it has an ownership interest, but the Limited Partner(s) retains control. The Organization does not consolidate these entities into its financial statements accordingly.

Summarized financial information for these entities follows and was obtained from audited financial statements with the exception of MT Glacier GMD HW LLC, which was obtained from compiled financial statements. The entities have a December 31st year-end with the exception of Solstice Development Limited Partnership (Solstice), which has a June 30th year-end. Solstice is presented below using June 30, 2019 audited financial statements.

	December 31, 2018				
Partnership	Total Assets	Total Liabilities	Partners' Capital	Total Revenue	Total Expenses
Equinox Development Limited Partnership	\$ 5,732,097	\$ 3,226,733	\$ 2,505,364	\$ 226,649	\$ 527,419
Orchard Gardens Limited Partnership	4,764,720	3,613,312	1,151,408	290,858	461,829
Ouellette Place Limited Partnership	4,517,228	4,653,759	(136,531)	295,680	325,357
Solstice Development Limited Partnership	6,306,224	3,896,994	2,409,230	368,838	513,960
Soroptimist Village LLLP	5,861,575	2,567,251	3,294,324	334,069	612,157
Southern Lights Limited Partnership	3,818,345	1,233,367	2,584,978	169,583	353,186
Sweetgrass Commons LLLP	5,787,704	2,090,741	3,696,963	178,884	428,749
MT Glacier GMD HW LLC	1,102,014	1,759,101	(657,087)	397,237	331,682
MT Preservation HV LLLP	5,728,264	1,864,051	3,864,213	482,187	751,632
MT Larkspur LLLP	20,992,184	13,534,485	7,457,699	1,392,332	2,751,589
MT Preservation LJ LLLP	3,616,752	1,451,674	2,165,078	259,771	524,983
MT Preservation CV LLLP	3,323,590	1,337,278	1,986,312	394,918	453,388
MT Preservation SB RB LLLP	6,688,197	5,380,023	1,308,174	964,162	997,611

NOTE 9. RETIREMENT PLAN

The Organization maintains a simplified retirement account (Simple IRA) plan. The Organization matches up to three percent of the individuals' gross wages for qualified employees. Employer contributions to this plan totaled \$17,879 for the year ended June 30, 2019.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 10. COMMITMENTS AND CONTINGENCIES

From time to time, the Organization may be involved in litigation arising in the ordinary course of development activities. While the ultimate outcome of these matters is not presently determinable, it is the opinion of management that the resolution of any outstanding matters will not have a material adverse effect on the financial position or results of operations of the Organization.

Ground Lease

The Organization built two single family homes on a single tract of land and it holds the land in a Ground Lease (similar to but not the same as a Land Trust). The homes were built and sold to income eligible households.

The Organization retains title to the land and shares in the equity of the homes with the purchasers for a price based on their ability to pay. When the individuals sell the homes, they must sell either to the Organization or to other eligible buyers. Proceeds from the eventual sale would be allocated between the owner and the Organization in proportion to their equity at the time of the sale. Each owner signed a 75-year lease agreement which provides for monthly lease fees equal to the real estate taxes, insurance, and a minimal administrative fee.

The Organization charged fees totaling \$710 for the year ended June 30, 2019.

Concentrations

The Organization has loaned approximately \$11.3 million, including accrued interest receivable, to 13 tax credit partnerships. Collection of these loans is predicated on the projects generating sufficient cash flows to repay the loans. Should cash flows be insufficient, the Organization may reacquire the properties in satisfaction of the loans. The Organization also has approximately \$1.6 million in receivables from various tax credit partnerships for deferred developer fees and management fees.

The Organization receives significant funding from multiple federal and state grants, which can fluctuate significantly from year to year. Grant revenue comprised 14% of total revenue in fiscal year 2019. The Organization periodically receives significant federal grants from the Department of Housing and Urban Development.

Loans/Grants

Homeword entered into a \$45,000 unsecured promissory note with no interest with NeighborWorks Montana in 2009 financing the construction of Equinox Development, LP, whose purpose is to own and operate 35 rental homes people living on 60% or less of the Area Median Income can afford in Missoula, Montana. The note has a 0% interest rate, is unsecured, and will be forgiven as long as Homeword does not sell the property or change its Mission. Homeword has chosen to treat this transaction as grant revenue at inception, with note disclosure.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 10. COMMITMENTS AND CONTINGENCIES, continued

Loans/Grants, continued

In 2010, Homeword entered into an unsecured promissory note with NeighborWorks Montana in the amount of \$115,000 for capital used to finance the construction of Confluence, Inc., an 8-unit commercial building also using New Market Tax Credit equity. The note has a 0% interest rate, is unsecured and will be forgiven as long as Homeword does not sell the property or change its Mission. Homeword has chosen to treat this transaction as grant revenue at inception, with a note disclosure.

Leases

The Organization leases its Missoula, Montana offices from Confluence under a Master Lease agreement and subleases unused space to other organizations. The rent for Homeword's offices paid to Confluence totaling \$73,295 in the year ended June 30, 2019 is eliminated in consolidation.

Future minimum expected rents for fiscal years 2020, 2021, 2022, 2023, and 2024 are anticipated to be approximately \$75,000.

The Master lease terminated January 1, 2018 and Homeword's sublease terminated September 30, 2017. This agreement was amended in October 2017 and was extended through 2024 on similar terms.

NOTE 11. PROJECT DEVELOPMENTS

In FY 2019, Homeword completed construction of Montana Street Homes in Missoula which is the placement of six prefabricated homes on permanent foundations in a Community Land Trust project to provide home ownership opportunities for households earning less than 80% Area Median Income.

Homeword has three projects currently under construction: Bluebunch Flats is an historic adaptive re-use project creating 37 rental homes in Livingston, Montana. Bluebunch Flats is financed through Low-Income Housing Tax Credits 9% credits, HOME Investment Partnership Programs, Historic Tax Credits, a Federal Home Loan Bank AHP grant and a private foundation grant. Bluebunch Flats is expected to start lease up activities in summer 2020 with the project expected to be fully leased by December 2020.

HOMEWORD, INC. AND AFFILIATES

Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

NOTE 11. PROJECT DEVELOPMENTS, continued

Alpenglow Apartments is new construction of 38 rental homes in Whitefish, Montana in partnership with the Whitefish Housing Authority. Alpenglow Apartments is financed through Low-Income Housing Tax Credits 9% credits, HOME Investment Partnership Programs, a Federal Home Loan Bank AHP grant, a Housing Trust Fund grant from the Montana Department of Commerce and a private foundation grant. Alpenglow Apartments is expected to start lease up activities in summer 2020 with the project expected to be fully leased by December 2020.

Starner Gardens in Billings is financed with a combination of 4% tax exempt private activity bonds and 9% Low-Income Housing Tax Credits and will provide 136 homes seniors can afford to rent in the Billings Heights neighborhood. Starner Gardens is expected to be complete by March 2020. Starner Gardens is the 8th partnership with GMD Development, LLC in which Homeword serves as the Administrative General Partner.

In addition, Homeword is providing consulting services to the City of Whitefish to deliver project feasibility analysis for the design of homes on a property the City owns known as the Snow Lot.

Also achieved in FY 2019 were three significant acquisitions. Hearthstone, in Anaconda, is 74 units of senior rental homes with HUD rental assistance. This project will require rehabilitation; Housing Trust Fund and Federal Home Loan Bank Affordable Housing Program (AHP) funds have been secured for the rehabilitation. Additionally, the acquisition of Sage and Fraser Towers, two Billings senior properties with rental subsidy, were acquired in FY2019 with each property's own acquisition financing package. Sage Tower was built in 1974 and provides 81 affordable homes to seniors earning 40%, 50% and 60% of the Area Median Income. Fraser Tower was built in 1979 and provides 64 affordable homes to seniors earning 30%, 40% and 50% of the Area Median Income.

In FY 2020 Homeword acquired a large parcel in Missoula located at 1600 Cooley for Trinity Apartments. The Trinity Project is a collaboration between Homeword, the Missoula Housing Authority, and BlueLine Development. This 200-home project will be located on two sites in Missoula, Montana. The Project will also include a navigation center on site that provides intensive supportive services. Navigation centers are considered a best practice in serving people living unsheltered or in encampments, as it is a proven way to get people off the street and on a pathway to safe, healthy homes and stability. This project will be funded using 4% Low-Income Housing Tax Credits in addition to federal grant sources administered through the City of Missoula and the State of Montana. Project financing and design will be conducted in 2019 and early 2020 with construction slated to begin in fall of 2020.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 12. NON-CONTROLLING INTEREST

Changes in net assets related to the non-controlling interest in RBSB follow:

	<u>Homeword</u>	<u>Noncontrolling Interest</u>	<u>Total</u>
Net Assets, June 30, 2018	\$ 651,951	\$ 179,793	\$ 831,744
Distributions	(19,750)	(5,250)	(25,000)
Net Income	<u>20,078</u>	<u>5,334</u>	<u>25,412</u>
Net Assets, June 30, 2019	<u>\$ 652,279</u>	<u>\$ 179,877</u>	<u>\$ 832,156</u>

NOTE 13. FUNDRAISING ACTIVITIES

The Organization has a dedicated staff member for Fundraising – the Fundraising & Marketing Manager – who is charged with overseeing the Donor Program and all outreach and communications. The Organization receives grant funds from private and public sources as well as individual donor contributions and corporate sponsorships. All of these contributions assist Homeword in serving residents of affordable properties or clients utilizing the Home Ownership Center. The Organization has been building on its fundraising activities to increase the amount of unrestricted income available to provide homebuyer and education/counseling services. Fundraising activities are reported on the Consolidated Schedule of Functional Revenue and Expenses under Communications and Fundraising and totaled \$65,693 for the year ended June 30, 2019. Fundraising expenses were 1.5% of total expenses for the year ended June 30, 2019.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 14. LOBBYING EXPENDITURES

The Organization has elected to be governed by Section 501(h) of the Internal Revenue Code. Section 501(h) limits the Organizations lobbying expenditures to total spending ceilings based on a percentage of the Organization's total exempt purpose expenditures. There is an overall ceiling of \$1 million per year. The Organization incurred lobbying expenses totaling \$827 in the year ended June 30, 2019.

NOTE 15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 31, 2019, the date which the financial statements were available for issue.

Subsequent to year-end, the Organization is involved with various new projects that are discussed in Note 11.

SUPPLEMENTAL SCHEDULES

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

SCHEDULE 1
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

As of June 30, 2019

	<u>Homeword</u>	<u>Confluence</u>	<u>RBSB</u>	<u>Phillips</u>
ASSETS				
CURRENT ASSETS				
Cash	\$ 149,718	\$ 46,729	\$ 1,791	\$ 11,744
Accounts Receivable, net	802,176	2,148	-	444
Inventory	-	-	-	-
Prepays	1,309	1,595	-	340
TOTAL CURRENT ASSETS	<u>953,203</u>	<u>50,472</u>	<u>1,791</u>	<u>12,528</u>
NON-CURRENT ASSETS				
Restricted Cash	255,849	340,135	-	41,269
Developer Fee Receivable - tax credit partnerships, net	518,343	-	-	-
Interest Receivable - developer fee, net	132,820	-	-	-
Management Fee Receivable - tax credit partnerships, net	724,723	-	-	-
Property and Equipment, net	46,826	3,221,074	-	416,226
TOTAL NON-CURRENT ASSETS	<u>1,678,561</u>	<u>3,561,209</u>	<u>-</u>	<u>457,495</u>
OTHER ASSETS				
Long-Term Receivable - tax credit partnerships	14,518,144	-	-	-
Interest Receivable - tax credit partnerships	4,619,020	-	-	-
Miscellaneous Long-Term Assets	34,104	-	-	-
Developments in Process	447,946	-	-	-
Investment in Tax Credit Partnerships and Other Entities	208,622	-	830,365	-
TOTAL OTHER ASSETS	<u>19,827,836</u>	<u>-</u>	<u>830,365</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 22,459,600</u>	<u>\$ 3,611,681</u>	<u>\$ 832,156</u>	<u>\$ 470,023</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable	\$ 26,685	\$ 127,177	\$ -	\$ 604
Accrued Liabilities	73,142	121,227	-	1,309
Funds Held in Trust	8,423	-	-	-
Line of Credit	59,000	-	-	-
Deferred Revenue	-	-	-	536
Current Portion of Long-Term Debt	167,960	59,596	-	3,367
TOTAL CURRENT LIABILITIES	<u>335,210</u>	<u>308,000</u>	<u>-</u>	<u>5,816</u>
LONG-TERM LIABILITIES				
Other	-	19,272	-	67,789
Long-Term Debt, Net of Current Portion and Issuance Costs	2,337,146	4,017,364	-	498,054
TOTAL LONG-TERM LIABILITIES	<u>2,337,146</u>	<u>4,036,636</u>	<u>-</u>	<u>565,843</u>
TOTAL LIABILITIES	<u>2,672,356</u>	<u>4,344,636</u>	<u>-</u>	<u>571,659</u>
NET ASSETS WITHOUT DONOR RESTRICTION				
Noncontrolling Interest in RBSB	-	-	832,156	-
Without Donor Restriction and Undesignated	19,787,244	(732,955)	-	(101,636)
TOTAL NET ASSETS	<u>19,787,244</u>	<u>(732,955)</u>	<u>832,156</u>	<u>(101,636)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 22,459,600</u>	<u>\$ 3,611,681</u>	<u>\$ 832,156</u>	<u>\$ 470,023</u>

See Independent Auditor's Report

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

SCHEDULE 1
CONSOLIDATING STATEMENT OF FINANCIAL POSITION, Continued

As of June 30, 2019

	Fireweed Court	Lenox Flats	Gold Dust	Investment Fund
ASSETS				
CURRENT ASSETS				
Cash	\$ 53,851	\$ 23,208	\$ 42,024	\$ -
Accounts Receivable, net	1,448	3,102	1,355	-
Inventory	-	-	-	-
Prepays	624	1,291	1,192	-
TOTAL CURRENT ASSETS	55,923	27,601	44,571	-
NON-CURRENT ASSETS				
Restricted Cash	65,224	71,306	98,008	-
Developer Fee Receivable - tax credit partnerships, net	-	-	-	-
Interest Receivable - developer fee, net	-	-	-	-
Management Fee Receivable - tax credit partnerships, net	-	-	-	-
Property and Equipment, net	470,065	666,447	1,245,158	-
TOTAL NON-CURRENT ASSETS	535,289	737,753	1,343,166	-
OTHER ASSETS				
Long-Term Receivable - tax credit partnerships	-	-	-	2,429,822
Interest Receivable - tax credit partnerships	-	-	-	111,434
Miscellaneous Long-Term Assets	-	1	-	-
Developments in Process	-	-	-	-
Investment in Tax Credit Partnerships and Other Entities	-	-	-	-
TOTAL OTHER ASSETS	-	1	-	2,541,256
TOTAL ASSETS	\$ 591,212	\$ 765,355	\$ 1,387,737	\$ 2,541,256
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable	\$ 1,980	\$ 6,748	\$ 2,067	\$ -
Accrued Liabilities	1,600	6,224	2,412	-
Funds Held in Trust	-	-	-	-
Line of Credit	-	-	-	-
Deferred Revenue	1,552	1,180	2,381	-
Current Portion of Long-Term Debt	-	-	-	-
TOTAL CURRENT LIABILITIES	5,132	14,152	6,860	-
LONG-TERM LIABILITIES				
Other	139,665	474,474	513,712	496,475
Long-Term Debt, Net of Current Portion and Issuance Costs	533,412	609,764	639,366	1,327,942
TOTAL LONG-TERM LIABILITIES	673,077	1,084,238	1,153,078	1,824,417
TOTAL LIABILITIES	678,209	1,098,390	1,159,938	1,824,417
NET ASSETS WITHOUT DONOR RESTRICTION				
Noncontrolling Interest in RBSB	-	-	-	-
Without Donor Restriction and Undesignated	(86,997)	(333,035)	227,799	716,839
TOTAL NET ASSETS	(86,997)	(333,035)	227,799	716,839
TOTAL LIABILITIES AND NET ASSETS	\$ 591,212	\$ 765,355	\$ 1,387,737	\$ 2,541,256

See Independent Auditor's Report

HOMESWORD, INC. AND AFFILIATES
Missoula, Montana

SCHEDULE 1
CONSOLIDATING STATEMENT OF FINANCIAL POSITION, Continued

As of June 30, 2019

	<u>Acme</u>	<u>Creekside</u>	<u>Hearthstone</u>	<u>Fraser Tower</u>
ASSETS				
CURRENT ASSETS				
Cash	\$ 36,338	\$ 250,367	\$ 111,991	\$ 53,828
Accounts Receivable, net	3,769	27,076	33,618	63
Inventory	-	-	5,097	-
Prepays	2,131	5,017	13,447	3,091
TOTAL CURRENT ASSETS	<u>42,238</u>	<u>282,460</u>	<u>164,153</u>	<u>56,982</u>
NON-CURRENT ASSETS				
Restricted Cash	80,968	183,877	105,316	48,701
Developer Fee Receivable - tax credit partnerships, net	-	-	-	-
Interest Receivable - developer fee, net	-	-	-	-
Management Fee Receivable - tax credit partnerships, net	-	-	-	-
Property and Equipment, net	2,261,433	13,264,692	551,809	3,946,574
TOTAL NON-CURRENT ASSETS	<u>2,342,401</u>	<u>13,448,569</u>	<u>657,125</u>	<u>3,995,275</u>
OTHER ASSETS				
Long-Term Receivable - tax credit partnerships	-	-	-	-
Interest Receivable - tax credit partnerships	-	-	-	-
Miscellaneous Long-Term Assets	-	-	10,801	-
Developments in Process	-	-	-	-
Investment in Tax Credit Partnerships and Other Entities	-	-	-	-
TOTAL OTHER ASSETS	<u>-</u>	<u>-</u>	<u>10,801</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 2,384,639</u>	<u>\$ 13,731,029</u>	<u>\$ 832,079</u>	<u>\$ 4,052,257</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable	\$ 4,027	\$ 5,958	\$ 3,133	\$ 6,560
Accrued Liabilities	8,525	127,114	38,427	19,145
Funds Held in Trust	-	-	-	-
Line of Credit	-	-	-	-
Deferred Revenue	821	14,166	2,693	1,011
Current Portion of Long-Term Debt	8,855	87,408	686	-
TOTAL CURRENT LIABILITIES	<u>22,228</u>	<u>234,646</u>	<u>44,939</u>	<u>26,716</u>
LONG-TERM LIABILITIES				
Other	1,112,085	123,252	197,280	19,454
Long-Term Debt, Net of Current Portion and Issuance Costs	1,067,833	13,803,482	1,339,254	4,026,509
TOTAL LONG-TERM LIABILITIES	<u>2,179,918</u>	<u>13,926,734</u>	<u>1,536,534</u>	<u>4,045,963</u>
TOTAL LIABILITIES	<u>2,202,146</u>	<u>14,161,380</u>	<u>1,581,473</u>	<u>4,072,679</u>
NET ASSETS WITHOUT DONOR RESTRICTION				
Noncontrolling Interest in RBSB	-	-	-	-
Without Donor Restriction and Undesignated	182,493	(430,351)	(749,394)	(20,422)
TOTAL NET ASSETS	<u>182,493</u>	<u>(430,351)</u>	<u>(749,394)</u>	<u>(20,422)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,384,639</u>	<u>\$ 13,731,029</u>	<u>\$ 832,079</u>	<u>\$ 4,052,257</u>

See Independent Auditor's Report

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

SCHEDULE 1
CONSOLIDATING STATEMENT OF FINANCIAL POSITION, Continued

As of June 30, 2019

	Sage Tower	Eliminating Entries	Consolidated Balance
ASSETS			
CURRENT ASSETS			
Cash	\$ 5,884	\$ -	\$ 787,473
Accounts Receivable, net	43,750	(97,198)	821,751
Inventory	-	-	5,097
Prepays	37,512	-	67,549
TOTAL CURRENT ASSETS	87,146	(97,198)	1,681,870
NON-CURRENT ASSETS			
Restricted Cash	296,722	-	1,587,375
Developer Fee Receivable - tax credit partnerships, net	-	(157,119)	361,224
Interest Receivable - developer fee, net	-	(132,820)	-
Management Fee Receivable - tax credit partnerships, net	-	(335,906)	388,817
Property and Equipment, net	2,944,747	-	29,035,051
TOTAL NON-CURRENT ASSETS	3,241,469	(625,845)	31,372,467
OTHER ASSETS			
Long-Term Receivable - tax credit partnerships	-	(8,068,827)	8,879,139
Interest Receivable - tax credit partnerships	-	(2,356,429)	2,374,025
Miscellaneous Long-Term Assets	-	-	44,906
Developments in Process	-	-	447,946
Investment in Tax Credit Partnerships and Other Entities	-	(242,599)	796,388
TOTAL OTHER ASSETS	-	(10,667,855)	12,542,404
TOTAL ASSETS	\$ 3,328,615	\$ (11,390,898)	\$ 45,596,741
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable	\$ 32,831	\$ (56,250)	\$ 161,520
Accrued Liabilities	69,612	-	468,737
Funds Held in Trust	-	-	8,423
Line of Credit	-	-	59,000
Deferred Revenue	571	-	24,911
Current Portion of Long-Term Debt	35,975	-	363,847
TOTAL CURRENT LIABILITIES	138,989	(56,250)	1,086,438
LONG-TERM LIABILITIES			
Other	27,717	(3,066,445)	124,730
Long-Term Debt, Net of Current Portion and Issuance Costs	2,243,853	(8,025,604)	24,418,375
TOTAL LONG-TERM LIABILITIES	2,271,570	(11,092,049)	24,543,105
TOTAL LIABILITIES	2,410,559	(11,148,299)	25,629,543
NET ASSETS WITHOUT DONOR RESTRICTION			
Noncontrolling Interest in RBSB	-	(652,279)	179,877
Without Donor Restriction and Undesignated	918,056	409,680	19,787,321
TOTAL NET ASSETS	918,056	(242,599)	19,967,198
TOTAL LIABILITIES AND NET ASSETS	\$ 3,328,615	\$ (11,390,898)	\$ 45,596,741

See Independent Auditor's Report

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

SCHEDULE 2
CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

	<u>Homeword</u>	<u>Confluence</u>	<u>RBSB</u>	<u>Phillips</u>
NET ASSETS WITHOUT DONOR RESTRICTION				
OPERATING REVENUE				
Developer Fees	\$ 97,425	\$ -	\$ -	\$ -
Interest	502,548	302	-	15
Services	335,242	-	-	-
Contributions	162,736	-	-	-
Other	5,322	4,335	-	3,582
Investment Income (Loss)	<u>(840)</u>	<u>-</u>	<u>25,412</u>	<u>-</u>
TOTAL OPERATING REVENUE	1,102,433	4,637	25,412	3,597
OPERATING EXPENSES				
Program				
Housing Development	444,155	-	-	-
Asset Management	252,048	-	-	-
Home Ownership Center	213,873	-	-	-
Property Management	<u>-</u>	<u>323,186</u>	<u>-</u>	<u>78,115</u>
Total Program	910,076	323,186	-	78,115
Supporting				
Management & General	72,117	-	-	-
Communications & Fund-raising	<u>65,693</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Supporting	<u>137,810</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>1,047,886</u>	<u>323,186</u>	<u>-</u>	<u>78,115</u>
Change in Net Assets from Operations	54,547	(318,549)	25,412	(74,518)
NON-OPERATING REVENUE				
Rents	-	255,790	-	61,655
Grants	668,386	-	-	-
Contributions	-	-	-	-
Other	-	-	-	-
Equity Income (Loss) from Affiliates	<u>(276,836)</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL NON-OPERATING REVENUE	<u>391,550</u>	<u>255,790</u>	<u>-</u>	<u>61,655</u>
CHANGE IN NET ASSETS	446,097	(62,759)	25,412	(12,863)
NET ASSETS WITHOUT DONOR RESTRICTION				
Beginning of Year	19,341,147	(670,196)	831,744	(88,773)
Distributions to Members	-	-	(25,000)	-
Member Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
End of Year	<u>\$ 19,787,244</u>	<u>\$ (732,955)</u>	<u>\$ 832,156</u>	<u>\$ (101,636)</u>

See Independent Auditor's Report

HOMEWOR, INC. AND AFFILIATES
Missoula, Montana

SCHEDULE 2
CONSOLIDATING STATEMENT OF ACTIVITIES, Continued

For the Year Ended June 30, 2019

	Fireweed Court	Lenox Flats	Gold Dust	Investment Fund
NET ASSETS WITHOUT DONOR RESTRICTION				
OPERATING REVENUE				
Housing Development Grants and Fees	\$ -	\$ -	\$ -	\$ -
Interest	54	48	61	64,053
Services	-	-	-	-
Contributions	-	-	-	-
Other	3,577	6,180	3,758	-
Investment Income	-	-	-	-
TOTAL OPERATING REVENUE	3,631	6,228	3,819	64,053
OPERATING EXPENSES				
Program				
Housing Development	-	-	-	-
Asset Management	-	-	-	-
Home Ownership Center	-	-	-	-
Property Management	131,465	205,756	256,289	66,746
Total Program	131,465	205,756	256,289	66,746
Supporting				
Management & General	-	-	-	-
Communication & Fund-raising	-	-	-	-
Total Supporting	-	-	-	-
TOTAL OPERATING EXPENSES	131,465	205,756	256,289	66,746
Change in Net Assets from Operations	(127,834)	(199,528)	(252,470)	(2,693)
NON-OPERATING REVENUE				
Rents	106,654	108,655	163,439	-
Grants	-	-	-	-
Contributions	-	-	-	-
Other	-	-	-	-
Equity Income (Loss) from Affiliates	-	-	-	-
TOTAL NON-OPERATING REVENUE	106,654	108,655	163,439	-
CHANGE IN NET ASSETS	(21,180)	(90,873)	(89,031)	(2,693)
NET ASSETS WITHOUT DONOR RESTRICTION				
Beginning of Year	(65,817)	(242,162)	316,830	719,532
Distributions to Members	-	-	-	-
Member Contributions	-	-	-	-
End of Year	\$ (86,997)	\$ (333,035)	\$ 227,799	\$ 716,839

See Independent Auditor's Report

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

SCHEDULE 2
CONSOLIDATING STATEMENT OF ACTIVITIES, Continued

For the Year Ended June 30, 2019

	Acme	Creekside	Hearthstone	Fraser Tower
NET ASSETS WITHOUT DONOR RESTRICTION				
OPERATING REVENUE				
Housing Development Grants and Fees	\$ -	\$ -	\$ -	\$ -
Interest	59	114	14	25
Services	-	-	-	-
Contributions	-	-	-	-
Other	5,725	77,463	92,578	14,506
Investment Income	-	-	-	-
	5,784	77,577	92,592	14,531
TOTAL OPERATING REVENUE				
OPERATING EXPENSES				
Program				
Housing Development	-	-	-	-
Asset Management	-	-	-	-
Home Ownership Center	-	-	-	-
Property Management	315,822	1,728,089	302,019	309,491
Total Program	315,822	1,728,089	302,019	309,491
Supporting				
Management & General	-	-	-	-
Communication & Fund-raising	-	-	-	-
Total Supporting	-	-	-	-
TOTAL OPERATING EXPENSES	315,822	1,728,089	302,019	309,491
Change in Net Assets from Operations	(310,038)	(1,650,512)	(209,427)	(294,960)
NON-OPERATING REVENUE				
Rents	177,166	1,360,437	247,410	274,538
Grants	-	-	-	-
Contributions	-	-	-	-
Other	-	-	-	-
Equity Income (Loss) from Affiliates	-	-	-	-
TOTAL NON-OPERATING REVENUE	177,166	1,360,437	247,410	274,538
CHANGE IN NET ASSETS	(132,872)	(290,075)	37,983	(20,422)
NET ASSETS WITHOUT DONOR RESTRICTION				
Beginning of Year	315,365	(92,776)	-	-
Distributions to Members	-	(47,500)	-	-
Member Contributions	-	-	(787,377)	-
End of Year	\$ 182,493	\$ (430,351)	\$ (749,394)	\$ (20,422)

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HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

SCHEDULE 2
CONSOLIDATING STATEMENT OF ACTIVITIES, Continued

For the Year Ended June 30, 2019

	Sage Tower	Eliminations	Consolidated Total
NET ASSETS WITHOUT DONOR RESTRICTION			
OPERATING REVENUE			
Housing Development Grants and Fees	\$ -	\$ -	\$ 97,425
Interest	37	(253,364)	313,966
Services	-	(72,169)	263,073
Contributions	-	-	162,736
Other	2,267	-	219,293
Investment Income	-	(5,336)	19,236
	2,304	(330,869)	1,075,729
TOTAL OPERATING REVENUE			
OPERATING EXPENSES			
Program			
Housing Development	-	(1,466)	442,689
Asset Management	-	(68,164)	183,884
Home Ownership Center	-	(2,199)	211,674
Property Management	131,140	(325,533)	3,522,585
Total Program	131,140	(397,362)	4,360,832
Supporting			
Management & General	-	(1,466)	70,651
Communication & Fund-raising	-	-	65,693
Total Supporting	-	(1,466)	136,344
TOTAL OPERATING EXPENSES	131,140	(398,828)	4,497,176
Change in Net Assets from Operations	(128,836)	67,959	(3,421,447)
NON-OPERATING REVENUE			
Rents	126,892	(73,295)	2,809,341
Grants	-	-	668,386
Contributions	-	-	-
Other	-	-	-
Equity Income (Loss) from Affiliates	-	666,821	389,985
TOTAL NON-OPERATING REVENUE	126,892	593,526	3,867,712
CHANGE IN NET ASSETS	(1,944)	661,485	446,265
NET ASSETS WITHOUT DONOR RESTRICTION			
Beginning of Year	-	(843,961)	19,520,933
Distributions to Members	-	72,500	-
Member Contributions	920,000	(132,623)	-
End of Year	\$ 918,056	\$ (242,599)	\$ 19,967,198

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