



HOMEWORD, INC. AND AFFILIATES

INDEPENDENT AUDITOR'S REPORTS and CONSOLIDATED FINANCIAL STATEMENTS

**For the Years Ended
June 30, 2021 and 2020**

HOMESWORD, 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 statements of financial position as of June 30, 2021 and 2020 and the related consolidated statements of activities, functional revenue and expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 Homeword, Inc. and Affiliates as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position on pages 43 to 51, the consolidating statements of activities on pages 52 to 60 and the schedule of expenditures of federal awards on page 61, as required by Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2021, on our consideration of Homeword, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Homeword, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Homeword, Inc.'s internal control over financial reporting and compliance.

Peterson CPA Group, P.C.

Peterson CPA Group, P.C.

Missoula, Montana

December 3, 2021

FINANCIAL STATEMENTS

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of June 30, 2021 and 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash	\$ 2,870,262	\$ 1,836,296
Accounts Receivable, net	388,776	514,618
Inventory	6,909	4,211
Prepays	66,160	62,642
TOTAL CURRENT ASSETS	3,332,107	2,417,767
NON-CURRENT ASSETS		
Restricted Cash	1,630,837	1,277,794
Developer Fee Receivable - tax credit partnerships, net	200,635	330,347
Management Fee Receivable - tax credit partnerships, net	157,008	424,719
Property and Equipment, net	36,286,530	28,260,609
TOTAL NON-CURRENT ASSETS	38,275,010	30,293,469
OTHER ASSETS		
Long-Term Loans Receivable - tax credit partnerships	9,733,093	10,987,414
Interest Receivable - tax credit partnerships	1,537,944	2,642,549
Miscellaneous Long-Term Assets	34,640	34,636
Developments in Process	208,424	1,325,896
Investment in Tax Credit Partnerships and Other Entities	771,081	786,902
TOTAL OTHER ASSETS	12,285,182	15,777,397
TOTAL ASSETS	\$ 53,892,299	\$ 48,488,633

The accompanying notes to the consolidated financial statements are an integral part of these statements.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION, Continued
As of June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 203,332	\$ 133,702
Accrued Liabilities	290,735	439,368
Funds Held in Trust	-	8,380
Deferred Revenue	74,834	46,950
Current Portion of Long-Term Debt	<u>517,928</u>	<u>1,439,525</u>
TOTAL CURRENT LIABILITIES	<u>1,086,829</u>	<u>2,067,925</u>
LONG-TERM LIABILITIES		
Other	3,611,727	221,662
Refundable Advance	183,600	168,400
Long-Term Debt, net of current portion and issuance costs of \$210,010 in 2021 and \$208,799 in 2020	<u>25,044,709</u>	<u>24,305,054</u>
TOTAL LONG-TERM LIABILITIES	<u>28,840,036</u>	<u>24,695,116</u>
TOTAL LIABILITIES	<u>29,926,865</u>	<u>26,763,041</u>
NET ASSETS WITHOUT DONOR RESTRICTION		
Noncontrolling Interest	166,615	179,754
Without Donor Restriction and Undesignated	<u>23,798,819</u>	<u>21,545,838</u>
TOTAL NET ASSETS	<u>23,965,434</u>	<u>21,725,592</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 53,892,299</u>	<u>\$ 48,488,633</u>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

CONSOLIDATED STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2021 and 2020

	2021	2020
NET ASSETS WITHOUT DONOR RESTRICTION		
OPERATING REVENUE		
Housing Development Grants and Fees	\$ 304,640	\$ 387,505
Interest	287,556	292,184
Services	256,616	208,138
Contributions	107,927	154,437
Other	541,872	415,623
Investment Income	(113,116)	25,413
TOTAL OPERATING REVENUE	1,385,495	1,483,300
OPERATING EXPENSES		
Program		
Housing Development	407,737	400,240
Asset Management	207,616	280,650
Home Ownership Center	261,930	241,129
Property Management	4,581,706	4,764,014
Total Program	5,458,989	5,686,033
Supporting		
Management & General	87,767	73,986
Communication & Fund-raising	64,105	68,554
Total Supporting	151,872	142,540
TOTAL OPERATING EXPENSES	5,610,861	5,828,573
Change in Net Assets from Operations	(4,225,366)	(4,345,273)

The accompanying notes to the consolidated financial statements are an integral part of these statements.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

CONSOLIDATED STATEMENTS OF ACTIVITIES, Continued
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
NON-OPERATING REVENUE		
Rents	4,207,185	4,032,494
Grants	1,705,279	2,520,437
Equity Income (Expense) from Affiliates	<u>568,727</u>	<u>(443,804)</u>
TOTAL NON-OPERATING REVENUE	<u>6,481,191</u>	<u>6,109,127</u>
CHANGE IN NET ASSETS	<u>2,255,825</u>	<u>1,763,854</u>
NET ASSETS WITHOUT DONOR RESTRICTION		
Beginning of Year	21,725,592	19,967,198
Distributions	<u>(15,983)</u>	<u>(5,460)</u>
End of Year	<u>\$ 23,965,434</u>	<u>\$ 21,725,592</u>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

CONSOLIDATED STATEMENT OF FUNCTIONAL REVENUE AND EXPENSES
For the Year Ended June 30, 2021

	Program Services				Supporting Services		Total
	Housing Development	Asset Management	Home Ownership Center	Property Management	Management & General	Communication & Fundraising	
Revenues Without Donor Restriction							
Grants	\$ 1,538,703	\$ 2,000	\$ 90,076	\$ -	\$ 74,500	\$ -	\$ 1,705,279
Interest	16,023	182,278	-	89,250	5	-	287,556
Services	5,000	101,126	150,490	-	-	-	256,616
Contributions	-	-	30,481	-	-	77,446	107,927
Developer Fees	304,640	-	-	-	-	-	304,640
Rental Income	-	-	-	4,207,185	-	-	4,207,185
Other	-	7,867	-	355,255	178,750	-	541,872
Investment Income	(113,116)	-	-	-	-	-	(113,116)
Equity Loss from Affiliates	10,841	557,886	-	-	-	-	568,727
Total	\$ 1,762,091	\$ 851,157	\$ 271,047	\$ 4,651,690	\$ 253,255	\$ 77,446	\$ 7,866,686
Expenses							
Salaries and Fringe Benefits	\$ 348,305	\$ 153,688	\$ 235,646	\$ -	\$ 45,988	\$ 61,846	\$ 845,473
Contract Services	13,947	6,554	8,239	-	12,116	-	40,856
Rent and Utilities	3,738	1,587	1,984	612,594	1,707	-	621,610
Office Supplies and Related	3,248	5,797	1,049	-	2,020	-	12,114
Operations and Maint.	-	-	-	637,608	-	-	637,608
Travel and Training	15,378	516	545	-	1,180	-	17,619
Insurance and Taxes	-	-	-	314,666	3,146	-	317,812
Printing and Copying	641	365	472	-	1,324	-	2,802
Outreach	1,341	1,253	4,411	-	-	2,259	9,264
Dues and Publications	1,637	1,086	983	-	1,256	-	4,962
Depreciation and Amort.	-	-	-	1,124,949	1,707	-	1,126,656
Interest	7,990	31,383	-	851,426	4,351	-	895,150
Technology Purchases	11,157	5,067	6,633	-	7,674	-	30,531
Administrative Support	344	164	184	674,284	3,478	-	678,454
Management and Other	-	-	-	283,366	-	-	283,366
Furn/Fixture Replacement	-	-	-	82,813	-	-	82,813
Other	11	156	1,784	-	1,820	-	3,771
Total	\$ 407,737	\$ 207,616	\$ 261,930	\$ 4,581,706	\$ 87,767	\$ 64,105	\$ 5,610,861
	7.27%	3.70%	4.67%	81.66%	1.56%	1.14%	100.00%

The accompanying notes to the consolidated financial statements are an integral part of these statements.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

CONSOLIDATED STATEMENT OF FUNCTIONAL REVENUE AND EXPENSES
For the Year Ended June 30, 2020

	Program Services				Supporting Services		Total
	Housing Development	Asset Management	Home Ownership Center	Property Management	Management & General	Communication & Fundraising	
Revenues Without Donor Restriction							
Grants	\$ 2,377,910	\$ -	\$ 142,527	\$ -	\$ -	\$ -	\$ 2,520,437
Interest	16,567	211,808	-	63,809	-	-	292,184
Services	39,000	96,114	73,024	-	-	-	208,138
Contributions	20,000	-	58,130	-	-	-	78,130
Developer Fees	387,505	-	-	-	-	76,307	463,812
Rental Income	-	-	-	4,032,494	-	-	4,032,494
Other	207	5,190	-	410,226	-	-	415,623
Investment Income	-	-	-	25,413	-	-	25,413
Equity Loss from Affiliates	(454,456)	(9,424)	-	-	20,076	-	(443,804)
Total	\$ 2,386,733	\$ 303,688	\$ 273,681	\$ 4,531,942	\$ 20,076	\$ 76,307	\$ 7,592,427
Expenses							
Salaries and Fringe Benefits	\$ 324,229	\$ 170,212	\$ 213,346	\$ -	\$ 41,259	\$ 59,862	\$ 808,908
Contract Services	18,371	6,930	7,882	-	12,479	-	45,662
Rent and Utilities	272	1,999	5,988	596,370	1,886	-	606,515
Office Supplies and Related Operations and Maint.	2,196	6,473	2,622	-	1,544	-	12,835
Travel and Training	-	-	-	639,756	-	-	639,756
Insurance and Taxes	23,655	850	1,219	-	781	-	26,505
Printing and Copying	3,276	290	-	576,333	676	-	580,575
Outreach	2,035	1,055	1,485	-	3,940	-	8,515
Dues and Publications	3,472	1,844	3,597	-	-	8,692	17,605
Depreciation and Amort.	2,979	1,343	1,028	-	668	-	6,018
Interest	-	-	-	999,111	1,682	-	1,000,793
Technology Purchases	16,107	37,628	125	875,321	67	-	929,248
Administrative Support Management and Other	3,102	1,694	1,828	-	3,974	-	10,598
Furn/Fixture Replacement	526	50,244	562	645,188	3,007	-	699,527
Other	-	-	-	291,574	-	-	291,574
	-	-	-	140,360	-	-	140,360
	20	88	1,447	-	2,024	-	3,579
Total	\$ 400,240	\$ 280,650	\$ 241,129	\$ 4,764,013	\$ 73,987	\$ 68,554	\$ 5,828,573
	6.87%	4.82%	4.14%	81.74%	1.27%	1.18%	100.00%

The accompanying notes to the consolidated financial statements are an integral part of these statements.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 2,255,825	\$ 1,763,854
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation	1,126,656	1,000,793
Changes in Operating Assets and Liabilities:		
Receivables	125,842	307,133
Inventory	(2,698)	886
Prepays	(3,518)	4,907
Accounts Payable	69,630	(27,818)
Accrued Liabilities	(148,633)	(29,369)
Funds Held in Trust and Reserve Accounts	(8,380)	(43)
Deferred Revenue	27,884	22,039
Total Adjustments	1,186,783	1,278,528
Net Cash Flows from Operating Activities	\$ 3,442,608	\$ 3,042,382
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to Loans Receivable	\$ (322,916)	\$ (2,108,275)
Additions to Accrued Interest	(296,130)	(268,524)
Collection of Developer Fees Receivable	38,952	30,877
Additions to Management Fees Receivable	(29,347)	(35,902)
Cash Paid for Building Improvements and Equipment, net	(7,350)	(26,781)
Cash Paid for Construction in Progress	(949,591)	(199,571)
Additions to Miscellaneous Long-Term Assets	(4)	10,270
Reductions in Developments in Process	1,117,472	329,550
Investment in Tax Credit Partnerships and Other Entities	(92,609)	9,486
Additions in Other Long-Term Liabilities	89,496	96,932
Net Cash Flows from Investing Activities	\$ (452,027)	\$ (2,161,938)

The accompanying notes to the consolidated financial statements are an integral part of these statements.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

CONSOLIDATED STATEMENTS OF CASH FLOWS, Continued
For the Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash Received from Loan Borrowings	\$ 173,633	\$ 168,400
Cash Paid for Loan Repayments	(1,761,222)	(245,142)
Cash Paid for Repayments of Lines of Credit	-	(59,000)
Distributions	<u>(15,983)</u>	<u>(5,460)</u>
Net Cash Flows from Financing Activities	<u>\$ (1,603,572)</u>	<u>\$ (141,202)</u>
Net Change in Cash, Cash Equivalents, and Restricted Cash	1,387,009	739,242
Cash, Cash Equivalents, and Restricted Cash		
Beginning of Year	<u>3,114,090</u>	<u>2,374,848</u>
End of Year	<u>\$ 4,501,099</u>	<u>\$ 3,114,090</u>
 Presented on the Consolidated Balance Sheet as:		
Cash and cash equivalents - operations	\$ 2,870,262	\$ 1,836,296
Restricted cash	<u>1,630,837</u>	<u>1,277,794</u>
	<u>\$ 4,501,099</u>	<u>\$ 3,114,090</u>
 SUPPLEMENTAL DISCLOSURE OF CASH PAYMENTS		
Cash Paid for Interest	<u>\$ 772,713</u>	<u>\$ 925,764</u>
 SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS		
INVESTING ACTIVITIES		
Writedown of Fully Depreciated Assets, net	<u>\$ -</u>	<u>\$ 1,891,823</u>
Acquisition of Loans Receivable and Accrued Interest from new Affiliates	<u>\$ 2,977,972</u>	<u>\$ -</u>
Acquisition of Developer and Management Fees Receivable from new Affiliates	<u>\$ 387,818</u>	<u>\$ -</u>
Investment in TCP's from Acquisition of Affiliates	<u>\$ 108,430</u>	<u>\$ -</u>
Additions of Property and Equipment from new Affiliates	<u>\$ 8,195,636</u>	<u>\$ -</u>
Acquisition of Deferred Revenue - Exchange Funds from from new Affiliates	<u>\$ 3,300,569</u>	<u>\$ -</u>
Additions of Long-Term Debt from new Affiliates	<u>\$ 1,420,847</u>	<u>\$ -</u>
 FINANCING ACTIVITIES		
Acquisition of Assets from Debt Financing	<u>\$ -</u>	<u>\$ 1,207,500</u>

The accompanying notes to the consolidated financial statements are an integral part of these statements.

HOMEWOR, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

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 an 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 Years Ended June 30, 2021 and 2020

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 an 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 an 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 an 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 Years Ended June 30, 2021 and 2020

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.

Ouellette Place Limited Partnership (Ouellette) remains a Montana partnership after the Co-General Partners purchased the Limited Partner equity so as the proportion of ownership reflected the initial Co-General partner equity split of 90%/10%. Homeword, Inc retains 90% controlling interest. The purpose of Ouellette is to own and operate 20 rental homes people living on 60% or less of the Area Median Income can afford in Lewistown, Montana. This partnership will terminate on December 31, 2026, unless terminated or dissolved sooner in accordance with its Second Amended & Restated Agreement of Limited Partnership.

Orchard Gardens, LLC (Orchard) is a single member Montana Limited Liability Company (LLC) formed in 2020. Homeword is the sole member. Homeword became the sole member once it acquired the ownership interest of the original Limited Partner when Orchard Gardens Limited Partnership was converted to an LLC. The purpose of Orchard is to own and operate 35 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, 2054, 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, Sage, Ouellette, and Orchard are consolidated into Homeword's financial statements and are collectively referred to as the "Organization".

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

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

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).

B. Programs

After 27 years of operation, Homeword is regionally and nationally recognized for its innovative programming and creation of homes Montanans can afford. Homeword works statewide from its office in Missoula, where its Regional HomeOwnership Center is located, with properties operating in Missoula, Lewistown, Anaconda, Butte, Great Falls, Malta, Havre, Billings, Cut Bank, Bozeman and Bigfork, Livingston, and Whitefish. As a Community Housing Development Organization, Homeword participates in local and state planning and policy to expand resources and initiatives that strengthen Montana communities.

Homeword has several award-winning projects in its portfolio which have received recognition for design, green building and innovative financing. Since 1994, Homeword has developed or rehabilitated a total of 32 properties totaling 1,319 homes people can afford to rent or buy in 13 Montana communities.

Homeword's HomeOwnership Center is a leader in the statewide NeighborWorks Montana network and has received praise from the Department of Housing and Urban Development on best practices. Since 1997, the walk-in HomeOwnership Center (HOC) at Homeword has served over 17,500 people.

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. Homeword promotes sustainable development and business practices.

HOMEWORD, INC. AND AFFILIATES
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

B. Programs, continued

The Organization operates the following programs:

Project Development

Project Development provides homes that people with lower incomes can afford to rent or buy through development of new or rehabilitated homes. Homeword develops projects where it serves as the sole general partner and partners with nonprofit and for-profit companies in its real estate projects. 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-apartment home project owned by the Housing Authority of Billings.

Project 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. Additionally, Homeword has developed four (4) mixed-use properties. 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 Project Development has completed construction and development of the properties.

Property Management

Homeword contracts daily property management activities for all its residential properties with qualified third-party property management companies. Property management includes various properties owned by Homeword providing rental homes for people living on low and moderate incomes. Homeword and the property management company jointly manage the commercial rentals that are part of the mixed-use properties.

HOMEWORD, INC. AND AFFILIATES
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

B. Programs, continued

Home Ownership Center

The HOC provides first-time homebuyer and financial education programs, renter education and counseling, one-on-one housing and financial counseling, advocacy and outreach. In FY2021, Homeword's HomeOwnership Center empowered 1,441 people through education and coaching, including 37 Veterans, 66 seniors, the parents of 1,156 children and 73 people living with a disability. Of the people empowered by our financial skill building and renter education programs, 80% were living on or below 80% Area Median Income (\$42,150 for one person); 62% were living on or below 50% Area Median Income (\$26,350 for one person) or below; and 58% were women, many of whom were single parents

Education and counseling are low-cost or free, childcare and snacks are provided for participants of in-person classes and Homeword partners with other social service providers to complement their case management through financial counseling, financial skill building education and counseling.

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 HomeOwnership 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.

C. 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 Years Ended June 30, 2021 and 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

C. Net Asset Classification, continued

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.

D. 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, 2021 and 2020, there were bank balances of approximately \$1,030,00 and \$494,000, respectively, 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 by management to be used for future operations totaling \$48,734 and \$72,187 at June 30, 2021 and 2020, respectively.

Restricted cash, some of which is required to be kept in separate bank accounts, includes monies held for security deposits, reserve accounts, and other monies that are restricted by agreements for certain types of expenditures.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

E. 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 \$136,772 was appropriate for the year ended June 30, 2021 and \$105,988 for the year ended June 30, 2020 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.

F. 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 years 2021 or 2020. 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
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

G. 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, 2021 or 2020.

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.

H. Investment in Tax Credit Partnerships and Other Entities

The Organization is the 0.01% managing general partner in four tax credit partnerships, co-general managing partner sharing the 0.01% interest in three additional tax credit partnerships, and the sole member of ten single purpose entities engaged in operating former tax credit partnerships at June 30, 2021 and 2020.

Additionally, the Organization is a co-general partner in eight other 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 Years Ended June 30, 2021 and 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

H. 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.

I. Funds Held In Trust

The Organization was the fiscal agent for an employer-assisted down payment program. These funds were maintained in a separate accounting totaling \$0 at June 30, 2021 and \$8,380 at June 30, 2020. During fiscal year 2021, this program was terminated and the funds were assimilated into other accounts accordingly.

J. 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.

K. Revenue Recognition

Rental income is recognized following guidance of FASB ASC 840, *Leases*, recognizing revenue on the straight-line basis, which is not materially different than if it were recorded when due from tenants and recognized monthly as it was earned. Residential lease terms are typically one year or less. Commercial lease terms vary ranging from one year to five years. Non-rental related income, which is not considered material to the Organization's financial statements, is recognized following guidance of Topic 606.

Contributions and grants are recognized following guidance of FASB ASU 2018-08: *Not-for-Profit Entities (Topic 958)*. Distinguishing between contributions and exchange transactions determines whether revenue is recognized in accordance with Topic 958 for Topic 606 (see below). Contribution revenue is recognized following guidance of Topic 958 while revenue from exchange transactions is recognized following guidance of Topic 606.

HOMEWORD, INC. AND AFFILIATES
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

K. Revenue Recognition, continued

Contributions that are restricted by the donor are reported as increases in net assets without restrictions if the restrictions expire (that is, when a stipulated time restriction ends or a purpose restriction is accomplished) in the same reporting period in which the revenue is recognized.

All other revenue is recognized following guidance of FASB ASU 2014-09: *Revenue from Contracts with Customers (Topic 606)*. Revenue is recognized when evidence of a contract exists, the performance obligations have been identified and satisfied, the transaction price is determinable, and collection is reasonably assured.

The Organization's significant revenue streams, timing of revenue recognition, and amounts recognized in fiscal years 2021 and 2020 are as follows:

Revenue Stream	Timing	2021 Amount	2020 Amount	Standard
Housing Development	Over time	\$ 304,640	\$ 387,505	Topic 606
Program Services	Point in time	\$ 256,616	\$ 208,138	Topic 606
Interest	Over time	\$ 287,556	\$ 292,184	Topic 606
Contributions	Point in time	\$ 107,927	\$ 154,437	Topic 958
Other	Point in time	\$ 541,872	\$ 415,623	Topic 606
Grants	Point in time	\$ 1,705,279	\$ 2,520,437	Topic 958
Rents	Over time	\$ 4,207,185	\$ 4,032,494	ASC 840

In fiscal years 2021 and 2020, revenue was impacted by the world-wide coronavirus and related economic conditions and legislation related to rent moratoriums, tenant evictions, lockdowns, and other restrictions.

The timing of revenue recognition, billings, and collections results in billed receivables on the statements of financial position. The balances of receivables for the fiscal years ended June 30, 2021, 2020, and 2019 are as follows:

	2021	2020	2019
Accounts receivable, net	\$ 388,776	\$ 514,618	\$ 821,751

HOMEWORD, INC. AND AFFILIATES
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

K. Revenue Recognition, continued

Ouellette utilized funding under Section 1602 of the American Recovery and Reinvestment Act of 2009 (the Exchange Program or TCEP) to fund construction of the rental property. U.S. GAAP did not provide specific guidance on accounting for TCEP funds. Industry practice as to follow International Accounting Standards Board International Accounting Standard IAS 20 – *Accounting for Government Grants and Disclosure of Government Assistance*. Following this guidance, TCEP funds are reported as deferred revenue and are amortized on a straight-line basis over the useful life of the rental property, which is 39 years. Amortization totaled \$116,909 and is expected to be this amount for the next five years.

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. Costs associated with Property Management represent activities of Affiliates and are all charged directly to Property Management. Depreciation for Affiliates is directly charged to Property Management and non-affiliate depreciation is charged to Management and General. All other costs are allocated among program services and supporting services based on a historical analysis of employee time.

M. Advertising Costs & Outreach

The Organization expenses the cost of advertising when it is first incurred. Advertising expenses totaled \$9,264 and \$17,605 for the years ended June 30, 2021 and 2020, respectively, 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.

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.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 years ended June 30, 2021 and 2020.

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 years ended June 30, 2021 and 2020, 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
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

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.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

P. Income Tax Status, continued

Orchard 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. Orchard 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 2021 or 2020.

Q. Recent Accounting Pronouncements

The FASB issued Accounting Standards Update (ASU) 2016-02: *Leases (Topic 842)* 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.

On June 3, 2020, the FASB issued ASU 2020-05: *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842) Effective Dates for Certain Entities*. This ASU defers the effective date of Topic 606 and Topic 842 for certain entities that had not yet issued their financial statements to support and assist stakeholders as they cope with the challenges and hardships related to the COVID-19 pandemic. The Organization has elected to defer adoption of Topic 842 until fiscal year 2022 as permitted under ASU 2020-05 while it evaluates the impact of Topic 842 to its financial statements.

R. Reclassifications

Certain reclassifications have been made to the 2020 consolidated financial statement presentation to correspond to the 2021 format. Total net assets and change in net assets for 2020 are unchanged due to these reclassifications.

S. Subsequent Events

Management has evaluated subsequent events through December 3, 2021, the date which the financial statements were available for issue.

The Refundable Advance was fully forgiven in October 2021 (Note 7).

Subsequent to year end, Homeword increased the amount borrowed under the SBA EIDL loan from \$150,000 to \$500,000 with the same interest rate and maturity date.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

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 comprised the following at June 30, 2021 and 2020, respectively:

<u>June 30, 2021</u>	<u>Homeword</u>	<u>Affiliates</u>	<u>Total</u>
Cash in Banks	\$ 1,076,867	\$ 1,793,395	\$ 2,870,262
Receivables	(3,661)	117,573	113,912
	<u>\$ 1,073,206</u>	<u>\$ 1,910,968</u>	<u>\$ 2,984,174</u>
<u>June 30, 2020</u>	<u>Homeword</u>	<u>Affiliates</u>	<u>Total</u>
Cash in Banks	\$ 607,466	\$ 1,228,830	\$ 1,836,296
Receivables	44,571	71,441	116,012
	<u>\$ 652,037</u>	<u>\$ 1,300,271</u>	<u>\$ 1,952,308</u>

Homeword had additional designated funds in a bank account totaling \$48,734 and \$72,187 at June 30, 2021 and 2020, respectively, that could be used if management and/or the board of directors determined necessary. Additionally, affiliates had reserve accounts totaling \$1,436,952 at June 30, 2021 and \$945,652 at June 30, 2020 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, 2021 and 2020. No losses were recognized in 2021 or 2020. None of the loans have been restructured. No impairment has been recognized in 2021 or 2020. 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, 2021 or 2020.

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.

HOMEWORD, INC. AND AFFILIATES
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 4. LONG-TERM LOANS RECEIVABLE, continued

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.

Long-term loans receivable consisted of the following at June 30, 2021 and 2020:

	2021	2020
Orchard Gardens Limited Partnership	\$ -	\$ 1,577,237
Southern Lights Limited Partnership	660,900	660,900
Equinox Development Limited Partnership	2,309,122	2,309,122
Solstice Development Limited Partnership	1,436,845	1,436,845
Sweet Grass Commons, LLLP	2,290,274	1,950,274
Soroptimist Village, LLLP	431,645	431,645
Larkspur Commons, LLLP	200,000	200,000
Alpenglow Apartments	1,492,307	1,321,287
Bluebunch Flats, LLLP	912,000	1,100,104
Total	\$ 9,733,093	\$ 10,987,414

The change in long-term loans receivable for the years ended June 30, 2021 and 2020, is as follows:

Long-Term Loans Receivable at June 30, 2019	\$ 8,879,139
New Loans	2,108,275
Long-Term Loans Receivable at June 30, 2020	10,987,414
New Loans	511,020
Repayments	(188,104)
Effect of change in ownership	(1,577,237)
Long-Term Loans Receivable at June 30, 2021	\$ 9,733,093

HOMEWORD, INC. AND AFFILIATES
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 5. INVESTMENT IN TAX CREDIT PARTNERSHIPS AND OTHER ENTITIES

The Organization's investment in various tax credit partnerships and other entities totaled \$771,081 at June 30, 2021 and \$786,902 at June 30, 2020. The Organization accounts for these investments under the equity method.

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Land	\$ 2,650,427	\$ 2,242,749
Buildings	44,310,537	32,503,815
Equipment	379,103	379,100
Leasehold Improvements	16,890	16,890
Furniture and Fixtures	<u>305,464</u>	<u>194,041</u>
	47,662,421	35,336,595
Accumulated Depreciation	<u>(12,399,552)</u>	<u>(7,275,557)</u>
	35,262,869	28,061,038
Construction in Progress	<u>1,023,661</u>	<u>199,571</u>
Net Property and Equipment	<u>\$ 36,286,530</u>	<u>\$ 28,260,609</u>

Depreciation expense for the fiscal years ended June 30, 2021 and 2020 totaled \$1,126,656 and \$1,000,793, respectively.

HOMEWORD, INC. AND AFFILIATES
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 7. NOTES PAYABLE

Notes payable by entity at June 30, 2021 and 2020 consisted of the following:

<u>Entity</u>	<u>Description</u>	<u>2021</u>	<u>2020</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.	\$ 22,127	\$ 22,144
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.	73,253	78,209
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, 2023; unsecured.	750,000	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.	64,425	66,506
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	80,000
Homeword	Note payable to First Security Bank of Missoula for the Small Homes Project, interest at 4.5% until April 2018, then converted to 1.00% over the Prime Rate published in the Wall Street Journal, which was 3.25% at June 30, 2021 and June 30, 2020, for a rate of 4.25% at June 30, 2021 and June 30, 2020, paid monthly, due May 2022; secured by five Champion mobile homes.	161,103	161,103

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 7. NOTES PAYABLE, continued

<u>Entity</u>	<u>Description</u>	<u>2021</u>	<u>2020</u>
Homeword	Note payable to NeighborWorks Montana for the Bluebunch Flats 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 Lenox Flats property.	920,000	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.	1,525,026	1,587,541
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.	136,008	139,529
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.	-	263,462
Acme	Note payable to First Security Bank refinancing the US Bank, N.A. loan; interest is variable at 3.50% fixed through April 2031, then variable at 2.50% over the Federal Home Loan Bank of Des Moines Five Year Long-Term Fixed-Rate Advance (1.25% at June 30, 2021); monthly principal and interest payments of \$1,296; followed by 180 payments estimated at \$1,319; due April 2046; secured by Acme property.	257,839	-

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 7. NOTES PAYABLE, continued

<u>Entity</u>	<u>Description</u>	<u>2021</u>	<u>2020</u>
Creekside	Note payable to NeighborWorks Montana for the acquisition of Creekside; interest at 2.5%; quarterly interest payments of \$43,771; final balance due at maturity on August 31, 2027; secured by Creekside property.	3,687,500	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; 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 monthly 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 \$101,363 and \$105,236 at June 30, 2021 and 2020, respectively.	10,057,315	10,207,264
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.	15,930	16,745
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	1,241,710

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 7. NOTES PAYABLE, continued

<u>Entity</u>	<u>Description</u>	<u>2021</u>	<u>2020</u>
Fraser	Note payable to Western Security Bank of Billings (County of Yellowstone Multifamily Housing Revenue Bonds Series 2018) for the acquisition of the Fraser Tower Apartments Project; \$2,883,500 face value; 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 \$92,009 and \$95,355 at June 30, 2021 and 2020, respectively.	2,791,491	2,788,145
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 \$7,958 and \$8,208 at June 30, 2021 and 2020, respectively.	2,207,100	2,244,105
Homeword	Note payable to various investors for the Cooley project; interest accrues at 2% annually with all principal and interest due on August 1, 2021; secured by real estate.	-	352,500
Homeword	Note payable to Clearwater Credit Union for the Cooley project; monthly interest only payments are due at 4% annually; all remaining principal and interest due on August 28, 2022; secured by the real estate.	-	855,000
Homeword	Note payable to the Small Business Administration bearing interest at a fixed rate of 2.75%, no payments are due until June 2022 then repayment in 349 monthly principal and interest payments of \$641; maturity is June 26, 2050. This loan is secured by business assets.	150,000	-

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 7. NOTES PAYABLE, continued

<u>Entity</u>	<u>Description</u>	<u>2021</u>	<u>2020</u>
Ouellette	Note payable to Lewistown Community Development Corporation bearing interest at a fixed rate of 0.50%, payment of accrued interest and unpaid principal is due December 31, 2025. This note is secured by real property.	555,709	-
Ouellette	Note payable to the Montana Board of Housing through U.S. Bank bearing interest at a fixed rate of 3.50% payable in monthly principal and interest payments of \$1,347 with the unpaid balance due December 1, 2048. This note is secured by real property and is reported less unamortized loan issuance costs of \$8,680 at June 30, 2021.	276,540	-
Orchard	Note payable to First Security Bank refinancing the US Bank, N.A. loan; interest is variable at 3.50% fixed through April 2031, then variable at 2.50% over the Federal Home Loan Bank of Des Moines Five Year Long-Term Fixed-Rate Advance (1.25% at June 30, 2021); monthly principal and interest payments of \$2,964; followed by 180 payments estimated at \$3,015; due April 2046; secured by Acme property.	589,561	-
	Total long-term debt	\$ 25,562,637	\$ 25,744,579
	Less: current portion	(517,928)	(1,439,525)
	Long-term portion	<u>\$ 25,044,709</u>	<u>\$ 24,305,054</u>

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 \$7,472 in 2021 and \$3,874 in 2020.

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.

Interest expense totaled \$895,150 for the year ended June 30, 2021 and \$929,248 for the year ended June 30, 2020.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 7. NOTES PAYABLE, continued

Acme's note payable contains certain financial covenants. Acme was in compliance with the covenants at June 30, 2021 and 2020. The note contains certain penalties for prepayment.

Orchard's note payable to U.S. Bank, N.A. contains certain financial covenants. Orchard was in compliance with the covenants at June 30, 2021. This note contains certain penalties for prepayment.

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, 2021 and 2020. The note contains 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>	
2022	\$ 517,928
2023	397,660
2024	1,141,275
2025	2,209,109
2026	347,249
Thereafter	<u>20,949,416</u>
	<u>\$ 25,562,637</u>

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 treated this transaction as grant revenue at inception.

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 treated this transaction as grant revenue at inception.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 7. NOTES PAYABLE, continued

The Refundable Advance is comprised of a loan under the Paycheck Protection Program (PPP) with a \$10,000 advance under the SBA Emergency Injury Disaster Loan. Homeword has elected to account for this loan following guidance of FASB ASC 958-605. The advance is uncollateralized and fully guaranteed by the Federal government. In fiscal year 2020, Homeword applied for and received a PPP loan totaling \$158,400 that was fully forgiven during fiscal year 2021. The forgiveness is reported on the statement of activities under grant revenue.

Homeword applied for and received \$173,600 under the second round of PPP financing. This loan carries interest at 1.00%, is unsecured, and is fully guaranteed by the Federal government. This loan is due in February 2026 and is repayable in monthly installments of \$3,981 if not forgiven. Homeword applied for forgiveness subsequent to year end. This loan was fully forgiven in October 2021.

NOTE 8. RELATED PARTIES

The Organization entered into a lease agreement with Confluence, a wholly owned subsidiary, for office space in October 2017. The lease term extended through 2024. Homeword paid \$75,859 in rent and parking fees to Confluence for the year ended June 30, 2021 under the agreement and paid \$75,596 in rent for the year ended June 30, 2020. These amounts are eliminated in the consolidated financial statements.

At June 30, 2021 and 2020, the Organization had loaned a total of \$9,733,093 and \$10,987,414, respectively, 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. New loans totaled \$606,031 and \$2,108,272 in 2021 and 2020, respectively, and repayments totaled \$283,116 in 2021 and \$0 in 2020.

Interest receivable from these loans totaled \$1,537,944 and \$2,642,549 at June 30, 2021 and 2020, respectively. Accrued unpaid interest on these loans totaled \$185,310 in 2021 and \$268,525 in 2020.

At June 30, 2021 and 2020, the Organization had additional receivables from these tax credit partnerships and other entities totaling \$746,419 and \$1,269,684, respectively, for deferred developer fees, management fees, loans and advances receivable, accounts receivable, and expenses paid by the Organization on behalf of these tax credit partnerships. During the year ended June 30, 2021, advances totaled \$340,666 and repayments totaled \$362,591. During the year ended June 30, 2020, advanced totaled \$405,579 and repayments totaled \$704,927.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

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 \$304,640 and \$387,505 in 2021 and 2020, respectively. Collections of developer fees that had been deferred totaled \$44,685 in 2021 and \$30,877 in 2020.

The Organization is a General Partner in various entities in which it has an ownership interest, but the Limited Partner(s) have significant participation rights and 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, 2021 and 2020 audited financial statements.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 8. RELATED PARTIES, continued

December 31, 2020

Partnership	Total Assets	Total Liabilities	Partners' Capital	Total Revenue	Total Expenses
Equinox Development Limited Partnership	\$5,255,354	\$3,197,440	\$2,057,914	\$314,992	\$513,539
Solstice Development Limited Part.	5,831,939	3,661,084	2,170,855	366,838	503,058
Soroptimist Village LLLP	5,581,985	2,820,425	2,761,560	344,888	622,114
Southern Lights Limited Partnership	3,556,300	1,276,659	2,279,641	164,887	321,311
Sweetgrass Commons LLLP	5,461,460	2,232,760	3,228,700	217,211	431,632
MT Glacier GMD HW LLC	1,010,161	1,700,239	(690,268)	399,167	307,625
MT Preservation HV LLLP	5,332,786	1,732,154	3,600,632	573,265	646,053
MT Larkspur LLLP	18,563,874	13,028,609	5,535,265	1,510,423	2,353,058
MT Preservation LJ LLLP	3,195,465	1,409,405	1,786,060	258,828	425,468
MT Preservation CV LLLP	3,056,676	1,153,009	1,903,667	437,620	450,304
MT Preservation SB RB LLLP	6,235,132	5,150,499	1,084,633	1,015,927	1,099,221

December 31, 2019

Partnership	Total Assets	Total Liabilities	Partners' Capital	Total Revenue	Total Expenses
Equinox Development Limited Partnership	\$5,459,745	\$3,203,284	\$2,256,461	\$310,553	\$559,456
Orchard Gardens Limited Partnership	4,650,892	3,721,386	929,506	308,452	530,354
Ouellette Place Limited Partnership	4,414,551	4,546,853	(132,302)	304,124	299,895
Solstice Development Limited Part.	6,081,850	3,774,775	2,307,075	379,457	481,612
Soroptimist Village LLLP	5,727,779	2,688,993	3,038,786	347,665	603,203
Southern Lights Limited Partnership	3,701,172	1,265,107	2,436,065	169,585	318,498
Sweetgrass Commons LLLP	5,598,999	2,155,878	3,443,121	200,048	453,890
MT Glacier GMD HW LLC	1,045,195	1,737,005	(691,810)	399,579	345,702
MT Preservation HV LLLP	5,498,146	1,824,726	3,673,420	554,403	745,196
MT Larkspur LLLP	19,660,976	13,283,076	6,377,900	1,506,952	2,586,751
MT Preservation LJ LLLP	3,387,925	1,429,735	1,958,190	257,725	462,719
MT Preservation CV LLLP	3,172,737	1,242,648	1,930,089	413,722	457,138
MT Preservation SB RB LLLP	6,412,617	5,234,028	1,178,589	989,138	1,107,458

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

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 \$20,292 for the year ended June 30, 2021 and \$19,073 for the year ended June 30, 2020.

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 \$664 for the year ended June 30, 2021 and \$707 for the year ended June 30, 2020.

Concentrations

The Organization has loaned approximately \$11.3 million, including accrued interest receivable, to 15 tax credit partnerships as of June 30, 2021 and approximately \$13.6 million, including accrued interest receivable to 13 tax credit partnerships as of June 30, 2020. 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 \$357,643 and \$755,066 in receivables from various tax credit partnerships for deferred developer fees and management fees at June 30, 2021 and 2020, respectively.

The Organization receives significant funding from multiple federal and state grants, which can fluctuate significantly from year to year. Grant revenue comprised approximately 22% and 33% of total revenue in fiscal year 2021 and 2020, respectively. The Organization periodically receives significant federal grants from the Department of Housing and Urban Development.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 10. COMMITMENTS AND CONTINGENCIES, continued

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 treated this transaction as grant revenue at inception.

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 treated this transaction as grant revenue at inception.

Leases

The Organization leases its Missoula, Montana offices from Confluence under a Master Lease agreement and subleases unused space to other organizations. The rent to Confluence for Homeword's offices and parking of \$75,859 and \$75,596 in the years ended June 30, 2021 and 2020, respectively, is eliminated in consolidation.

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.

Future minimum expected rents for fiscal years 2021, 2022, 2023, and 2024 are anticipated to be approximately \$76,000 per year.

NOTE 11. PROJECT DEVELOPMENTS

Homeword has five projects in production as of June 30, 2021 under some form of construction or acquisition.

- 1) The previously acquired Hearthstone project started rehabilitation in fall of 2020. Hearthstone was acquired via a Transfer of Physical Assets (TPA) from HUD in the spring of 2019. Conditions of the transfer required substantial upkeep to the original 1974 building. Elements include replacement of the aging roof, upgrading to energy efficient windows, new flooring, new heating systems installation among other cosmetic enhancements to living quarters. Estimated to be completed in March 2022.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 11. PROJECT DEVELOPMENTS, continued

2) The Trinity Project started construction in spring of 2021 and is a collaboration between Homeword, Missoula Housing Authority, and BlueLine Development. This 202-home project will be located on two sites in Missoula, Montana. One of the parcels, the Mullan Road site, was donated by the County of Missoula and will house 130 of the 202 apartment homes.

Those 130 apartment homes will be comprised of 30 Permanent Supportive Housing (PSH) homes for those experiencing chronic homelessness. On-site wrap around services will be provided 24 hours a day to help PSH residents maintain the security of their homes. The other 100 apartments will be workforce homes. The Project will also include a navigation center on the Mullan Road 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.

3) Crowley Flats will be 16 affordable apartments financed with Housing Tax Credits, Historic Tax Credits, and private and public grants. The apartments will be created from the adaptive re-use of the Crowley Block building in downtown Lewistown. It is a collaborative project with One Health, Lewistown's Federally Qualified Health Center. One Health is building their health clinic on the first floor and mezzanine. While not in technical partnership together, One Health and Homeword have collaborated to coordinate financing and certain building system design elements to make for a more cohesive build out. The uses are separate condominiums – one containing the clinic and the other containing the 16 apartments. The financial closing will occur in late 2021 with a spring 2022 construction start.

4) The Junegrass Place in Kalispell is a partnership project with GMD Development. Junegrass is intended to be a "twinned" or "hybrid" 4% and 9% Housing Tax Credit project and will contain 144 affordable apartments. GMD has secured the land and project design is underway. As of June 2021, GMD and Homeword submitted a Letter of Intent to the Montana Board of Housing and was selected by the Board to submit a full application in August 2021 for the competitive 9% Housing Credits.

5) Baatz Block Apartments in Great Falls is a project in partnership with NeighborWorks Great Falls (NWGF). It will create 25 apartments in the historic downtown structure to allow for 24 Permanent Supportive Homes and social service space on the first floor, to serve people experiencing homelessness. As of June 2021, Homeword and NWGF submitted a Letter of Intent to the Montana Board of Housing and was selected by the Board to submit a full application in August 2021 for the competitive 9% Housing Credits.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 12. NON-CONTROLLING INTEREST

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

	RBSB		Ouellette		TOTAL
	Total	Non-controlling Interest Amount	Total	Non-controlling Interest Amount	Non-controlling Interest Amount
Net Assets on July 1, 2019	\$ 832,156	\$ 179,877	\$ -	\$ -	\$ 179,877
Distributions	(26,000)	(5,460)	-	-	(5,460)
Net income	25,413	5,337	-	-	5,337
Net Assets on June 30, 2020	831,569	179,754	-	-	179,754
Acquired capital position	-	-	(145,445)	(14,544)	(14,544)
Distributions	(25,000)	(5,250)	-	-	(5,250)
Net income	25,413	5,336	13,194	1,319	6,655
Net Assets on June 30, 2021	\$ 831,982	\$ 179,840	\$ (132,251)	\$ (13,225)	\$ 166,615

NOTE 13. FUNDRAISING ACTIVITIES

The Organization has a dedicated staff member for Fundraising – the Communications and Fundraising 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 our properties or participants of our HomeOwnership Center programs.

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 activity expenses are reported on the Consolidated Schedule of Functional Revenue and Expenses under Communications and Fundraising. Fundraising expenses totaled \$64,105 and \$68,554 for the years ended June 30, 2021 and 2020, respectively. Fundraising expenses were 1.14% of total expenses for the year ended June 30, 2021 and 1.18% of total expenses for the year ended June 30, 2020.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

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 \$0 in the year ended June 30, 2021 and \$200 in the year ended June 30, 2020.

NOTE 15. ECONOMIC CONDITIONS

The Organization's operations and activities have been negatively impacted by the effects of the world-wide coronavirus pandemic subsequent to year-end. The Organization is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these consolidated financial statements, the full impact to the Organization's consolidated financial position is unknown and cannot reasonably be estimated.

SUPPLEMENTAL SCHEDULES

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

SCHEDULE 1
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

As of June 30, 2021

	<u>Homeword</u>	<u>Confluence</u>	<u>RBSB</u>	<u>Phillips</u>
ASSETS				
CURRENT ASSETS				
Cash	\$ 1,076,867	\$ 378,903	\$ 1,617	\$ 10,761
Accounts Receivable, net	452,052	768	-	553
Inventory	-	-	-	-
Prepays	1,029	2,014	-	708
TOTAL CURRENT ASSETS	<u>1,529,948</u>	<u>381,685</u>	<u>1,617</u>	<u>12,022</u>
NON-CURRENT ASSETS				
Restricted Cash	43,864	63,075	-	46,227
Developer Fee Receivable - tax credit partnerships, net	432,970	-	-	-
Management Fee Receivable - tax credit partnerships, net	906,223	-	-	-
Property and Equipment, net	43,413	3,042,279	-	390,967
TOTAL NON-CURRENT ASSETS	<u>1,426,470</u>	<u>3,105,354</u>	<u>-</u>	<u>437,194</u>
OTHER ASSETS				
Long-Term Receivable - tax credit partnerships	17,939,909	-	-	-
Interest Receivable - tax credit partnerships	5,610,665	-	-	-
Miscellaneous Long-Term Assets	34,640	-	-	-
Developments in Process	208,424	-	-	-
Investment in Tax Credit Partnerships and Other Entities	(343,554)	-	830,365	-
TOTAL OTHER ASSETS	<u>23,450,084</u>	<u>-</u>	<u>830,365</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 26,406,502</u>	<u>\$ 3,487,039</u>	<u>\$ 831,982</u>	<u>\$ 449,216</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable	\$ 94,582	\$ 127,678	\$ -	\$ 1,222
Accrued Liabilities	112,401	29,343	-	1,237
Funds Held in Trust	-	-	-	-
Deferred Revenue	-	-	-	278
Current Portion of Long-Term Debt	168,372	65,369	-	3,684
TOTAL CURRENT LIABILITIES	<u>375,355</u>	<u>222,390</u>	<u>-</u>	<u>6,421</u>
LONG-TERM LIABILITIES				
Other	-	203,558	-	90,137
Refundable Advance	183,600	-	-	-
Long-Term Debt, Net of Current Portion and Issuance Costs	2,052,535	3,889,479	-	486,749
TOTAL LONG-TERM LIABILITIES	<u>2,236,135</u>	<u>4,093,037</u>	<u>-</u>	<u>576,886</u>
TOTAL LIABILITIES	<u>2,611,490</u>	<u>4,315,427</u>	<u>-</u>	<u>583,307</u>
NET ASSETS WITHOUT DONOR RESTRICTION				
Noncontrolling Interest	-	-	831,982	-
Without Donor Restriction and Undesignated	23,795,012	(828,388)	-	(134,091)
TOTAL NET ASSETS	<u>23,795,012</u>	<u>(828,388)</u>	<u>831,982</u>	<u>(134,091)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 26,406,502</u>	<u>\$ 3,487,039</u>	<u>\$ 831,982</u>	<u>\$ 449,216</u>

See Independent Auditor's Report

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

SCHEDULE 1
CONSOLIDATING STATEMENT OF FINANCIAL POSITION, Continued

As of June 30, 2021

	Fireweed Court	Lenox Flats	Gold Dust	Investment Fund
ASSETS				
CURRENT ASSETS				
Cash	\$ 105,921	\$ 26,505	\$ 57,120	\$ -
Accounts Receivable, net	2,837	457	1,383	-
Inventory	-	-	-	-
Prepays	1,467	2,825	3,348	-
TOTAL CURRENT ASSETS	110,225	29,787	61,851	-
NON-CURRENT ASSETS				
Restricted Cash	74,547	67,542	115,697	-
Developer Fee Receivable - tax credit partnerships, net	-	-	-	-
Management Fee Receivable - tax credit partnerships, net	-	-	-	-
Property and Equipment, net	386,123	547,694	1,074,137	-
TOTAL NON-CURRENT ASSETS	460,670	615,236	1,189,834	-
OTHER ASSETS				
Long-Term Receivable - tax credit partnerships	-	-	-	2,429,822
Interest Receivable - tax credit partnerships	-	-	-	184,285
Miscellaneous Long-Term Assets	-	-	-	-
Developments in Process	-	-	-	-
Investment in Tax Credit Partnerships and Other Entities	-	-	-	-
TOTAL OTHER ASSETS	-	-	-	2,614,107
TOTAL ASSETS	\$ 570,895	\$ 645,023	\$ 1,251,685	\$ 2,614,107
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable	\$ 1,041	\$ 1,127	\$ 3,779	\$ -
Accrued Liabilities	1,951	9,680	2,733	-
Funds Held in Trust	-	-	-	-
Deferred Revenue	4,724	6,294	1,295	-
Current Portion of Long-Term Debt	-	-	-	-
TOTAL CURRENT LIABILITIES	7,716	17,101	7,807	-
LONG-TERM LIABILITIES				
Other	143,167	532,201	561,588	578,498
Refundable Advance	-	-	-	-
Long-Term Debt, Net of Current Portion and Issuance Costs	533,412	609,764	629,600	1,327,942
TOTAL LONG-TERM LIABILITIES	676,579	1,141,965	1,191,188	1,906,440
TOTAL LIABILITIES	684,295	1,159,066	1,198,995	1,906,440
NET ASSETS WITHOUT DONOR RESTRICTION				
Noncontrolling Interest	-	-	-	-
Without Donor Restriction and Undesignated	(113,400)	(514,043)	52,690	707,667
TOTAL NET ASSETS	(113,400)	(514,043)	52,690	707,667
TOTAL LIABILITIES AND NET ASSETS	\$ 570,895	\$ 645,023	\$ 1,251,685	\$ 2,614,107

See Independent Auditor's Report

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

SCHEDULE 1
CONSOLIDATING STATEMENT OF FINANCIAL POSITION, Continued

As of June 30, 2021

	Acme	Creekside	Hearthstone	Fraser Tower
ASSETS				
CURRENT ASSETS				
Cash	\$ 40,174	\$ 276,685	\$ 316,889	\$ 259,377
Accounts Receivable, net	27,691	57,578	18,607	12,113
Inventory	-	-	6,909	-
Prepays	5,749	16,681	28,707	6,541
TOTAL CURRENT ASSETS	73,614	350,944	371,112	278,031
NON-CURRENT ASSETS				
Restricted Cash	97,792	285,639	180,882	81,649
Developer Fee Receivable - tax credit partnerships, net	-	-	-	-
Management Fee Receivable - tax credit partnerships, net	-	-	-	-
Property and Equipment, net	2,087,705	12,590,263	1,507,608	3,672,974
TOTAL NON-CURRENT ASSETS	2,185,497	12,875,902	1,688,490	3,754,623
OTHER ASSETS				
Long-Term Receivable - tax credit partnerships	-	-	-	-
Interest Receivable - tax credit partnerships	-	-	-	-
Miscellaneous Long-Term Assets	-	-	-	-
Developments in Process	-	-	-	-
Investment in Tax Credit Partnerships and Other Entities	-	-	-	-
TOTAL OTHER ASSETS	-	-	-	-
TOTAL ASSETS	\$ 2,259,111	\$ 13,226,846	\$ 2,059,602	\$ 4,032,654
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable	\$ 42,510	\$ 2,792	\$ 115,733	\$ 1,029
Accrued Liabilities	10,045	58,320	22,836	11,236
Funds Held in Trust	-	-	-	-
Deferred Revenue	1,381	32,167	4,032	5,660
Current Portion of Long-Term Debt	6,636	212,990	840	-
TOTAL CURRENT LIABILITIES	60,572	306,269	143,441	17,925
LONG-TERM LIABILITIES				
Other	1,221,457	126,096	171,380	20,403
Refundable Advance	-	-	-	-
Long-Term Debt, Net of Current Portion and Issuance Costs	1,014,603	13,531,825	2,426,126	4,033,201
TOTAL LONG-TERM LIABILITIES	2,236,060	13,657,921	2,597,506	4,053,604
TOTAL LIABILITIES	2,296,632	13,964,190	2,740,947	4,071,529
NET ASSETS WITHOUT DONOR RESTRICTION				
Noncontrolling Interest	-	-	-	-
Without Donor Restriction and Undesignated	(37,521)	(737,344)	(681,345)	(38,875)
TOTAL NET ASSETS	(37,521)	(737,344)	(681,345)	(38,875)
TOTAL LIABILITIES AND NET ASSETS	\$ 2,259,111	\$ 13,226,846	\$ 2,059,602	\$ 4,032,654

See Independent Auditor's Report

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

SCHEDULE 1
CONSOLIDATING STATEMENT OF FINANCIAL POSITION, Continued

As of June 30, 2021

	Sage Tower	Orchard Gardens	Ouellette
ASSETS			
CURRENT ASSETS			
Cash	\$ 132,997	\$ 84,852	\$ 101,594
Accounts Receivable, net	7,570	-	1,687
Inventory	-	-	-
Prepays	30,163	8,179	6,457
TOTAL CURRENT ASSETS	170,730	93,031	109,738
NON-CURRENT ASSETS			
Restricted Cash	316,708	154,367	102,848
Developer Fee Receivable - tax credit partnerships, net	-	-	-
Management Fee Receivable - tax credit partnerships, net	-	-	-
Property and Equipment, net	2,747,731	4,209,491	3,986,145
TOTAL NON-CURRENT ASSETS	3,064,439	4,363,858	4,088,993
OTHER ASSETS			
Long-Term Receivable - tax credit partnerships	-	-	-
Interest Receivable - tax credit partnerships	-	-	-
Miscellaneous Long-Term Assets	-	-	-
Developments in Process	-	-	-
Investment in Tax Credit Partnerships and Other Entities	-	-	-
TOTAL OTHER ASSETS	-	-	-
TOTAL ASSETS	\$ 3,235,169	\$ 4,456,889	\$ 4,198,731
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable	\$ 41,685	\$ 4,420	\$ 96,996
Accrued Liabilities	21,281	5,228	4,444
Funds Held in Trust	-	-	-
Deferred Revenue	3,397	15,444	162
Current Portion of Long-Term Debt	38,580	15,174	6,283
TOTAL CURRENT LIABILITIES	104,943	40,266	107,885
LONG-TERM LIABILITIES			
Other	80,475	1,629,697	3,397,130
Refundable Advance	-	-	-
Long-Term Debt, Net of Current Portion and Issuance Costs	2,168,520	2,151,624	825,967
TOTAL LONG-TERM LIABILITIES	2,248,995	3,781,321	4,223,097
TOTAL LIABILITIES	2,353,938	3,821,587	4,330,982
NET ASSETS WITHOUT DONOR RESTRICTION			
Noncontrolling Interest	-	-	(132,251)
Without Donor Restriction and Undesignated	881,231	635,302	-
TOTAL NET ASSETS	881,231	635,302	(132,251)
TOTAL LIABILITIES AND NET ASSETS	\$ 3,235,169	\$ 4,456,889	\$ 4,198,731

See Independent Auditor's Report

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

SCHEDULE 1
CONSOLIDATING STATEMENT OF FINANCIAL POSITION, Continued

As of June 30, 2021

	Eliminating Entries	Consolidated Balance
ASSETS		
CURRENT ASSETS		
Cash	\$ -	\$ 2,870,262
Accounts Receivable, net	(194,520)	388,776
Inventory	-	6,909
Prepays	(47,708)	66,160
TOTAL CURRENT ASSETS	(242,228)	3,332,107
NON-CURRENT ASSETS		
Restricted Cash	-	1,630,837
Developer Fee Receivable - tax credit partnerships, net	(232,335)	200,635
Management Fee Receivable - tax credit partnerships, net	(749,215)	157,008
Property and Equipment, net	-	36,286,530
TOTAL NON-CURRENT ASSETS	(981,550)	38,275,010
OTHER ASSETS		
Long-Term Receivable - tax credit partnerships	(10,636,638)	9,733,093
Interest Receivable - tax credit partnerships	(4,257,006)	1,537,944
Miscellaneous Long-Term Assets	-	34,640
Developments in Process	-	208,424
Investment in Tax Credit Partnerships and Other Entities	284,270	771,081
TOTAL OTHER ASSETS	(14,609,374)	12,285,182
TOTAL ASSETS	\$ (15,833,152)	\$ 53,892,299
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ (331,262)	\$ 203,332
Accrued Liabilities	-	290,735
Funds Held in Trust	-	-
Deferred Revenue	-	74,834
Current Portion of Long-Term Debt	-	517,928
TOTAL CURRENT LIABILITIES	(331,262)	1,086,829
LONG-TERM LIABILITIES		
Other	(5,144,060)	3,611,727
Refundable Advance	-	183,600
Long-Term Debt, Net of Current Portion and Issuance Costs	(10,636,638)	25,044,709
TOTAL LONG-TERM LIABILITIES	(15,780,698)	28,840,036
TOTAL LIABILITIES	(16,111,960)	29,926,865
NET ASSETS WITHOUT DONOR RESTRICTION		
Noncontrolling Interest	(533,116)	166,615
Without Donor Restriction and Undesignated	811,924	23,798,819
TOTAL NET ASSETS	278,808	23,965,434
TOTAL LIABILITIES AND NET ASSETS	\$ (15,833,152)	\$ 53,892,299

See Independent Auditor's Report

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

SCHEDULE 1
CONSOLIDATING STATEMENT OF FINANCIAL POSITION, Continued

As of June 30, 2020

	<u>Homeword</u>	<u>Confluence</u>	<u>RBSB</u>	<u>Phillips</u>
ASSETS				
CURRENT ASSETS				
Cash	\$ 607,466	\$ 342,490	\$ 1,204	\$ 21,072
Accounts Receivable, net	584,442	933	-	475
Inventory	-	-	-	-
Prepays	986	2,077	-	373
TOTAL CURRENT ASSETS	<u>1,192,894</u>	<u>345,500</u>	<u>1,204</u>	<u>21,920</u>
NON-CURRENT ASSETS				
Restricted Cash	88,942	63,071	-	43,750
Developer Fee Receivable - tax credit partnerships, net	487,466	-	-	-
Interest Receivable - developer fee, net	142,247	-	-	-
Management Fee Receivable - tax credit partnerships, net	830,415	-	-	-
Property and Equipment, net	45,120	3,131,677	-	403,222
TOTAL NON-CURRENT ASSETS	<u>1,594,190</u>	<u>3,194,748</u>	<u>-</u>	<u>446,972</u>
OTHER ASSETS				
Long-Term Receivable - tax credit partnerships	16,808,634	-	-	-
Interest Receivable - tax credit partnerships	5,029,896	-	-	-
Miscellaneous Long-Term Assets	34,635	-	-	-
Developments in Process	1,325,896	-	-	-
Investment in Tax Credit Partnerships and Other Entities	(551,036)	-	830,365	-
TOTAL OTHER ASSETS	<u>22,648,025</u>	<u>-</u>	<u>830,365</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 25,435,109</u>	<u>\$ 3,540,248</u>	<u>\$ 831,569</u>	<u>\$ 468,892</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable	\$ 39,169	\$ 124,603	\$ -	\$ 993
Accrued Liabilities	104,748	15,474	-	1,471
Funds Held in Trust	8,380	-	-	-
Deferred Revenue	-	-	-	164
Current Portion of Long-Term Debt	918,157	62,516	-	3,522
TOTAL CURRENT LIABILITIES	<u>1,070,454</u>	<u>202,593</u>	<u>-</u>	<u>6,150</u>
LONG-TERM LIABILITIES				
Other	-	173,882	-	79,089
Refundable Advance	168,400	-	-	-
Long-Term Debt, Net of Current Portion and Issuance Costs	2,650,421	3,954,847	-	492,513
TOTAL LONG-TERM LIABILITIES	<u>2,818,821</u>	<u>4,128,729</u>	<u>-</u>	<u>571,602</u>
TOTAL LIABILITIES	<u>3,889,275</u>	<u>4,331,322</u>	<u>-</u>	<u>577,752</u>
NET ASSETS WITHOUT DONOR RESTRICTION				
Noncontrolling Interest in RBSB	-	-	831,569	-
Without Donor Restriction and Undesignated	21,545,834	(791,074)	-	(108,860)
TOTAL NET ASSETS	<u>21,545,834</u>	<u>(791,074)</u>	<u>831,569</u>	<u>(108,860)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 25,435,109</u>	<u>\$ 3,540,248</u>	<u>\$ 831,569</u>	<u>\$ 468,892</u>

See Independent Auditor's Report

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

SCHEDULE 1
CONSOLIDATING STATEMENT OF FINANCIAL POSITION, Continued

As of June 30, 2020

	Fireweed Court	Lenox Flats	Gold Dust	Investment Fund
ASSETS				
CURRENT ASSETS				
Cash	\$ 61,201	\$ 27,464	\$ 41,926	\$ -
Accounts Receivable, net	2,892	-	3,887	-
Inventory	-	-	-	-
Prepays	703	1,403	1,343	-
TOTAL CURRENT ASSETS	64,796	28,867	47,156	-
NON-CURRENT ASSETS				
Restricted Cash	70,195	61,537	106,714	-
Developer Fee Receivable - tax credit partnerships, net	-	-	-	-
Interest Receivable - developer fee, net	-	-	-	-
Management Fee Receivable - tax credit partnerships, net	-	-	-	-
Property and Equipment, net	428,094	611,094	1,160,496	-
TOTAL NON-CURRENT ASSETS	498,289	672,631	1,267,210	-
OTHER ASSETS				
Long-Term Receivable - tax credit partnerships	-	-	-	2,429,822
Interest Receivable - tax credit partnerships	-	-	-	154,610
Miscellaneous Long-Term Assets	-	1	-	-
Developments in Process	-	-	-	-
Investment in Tax Credit Partnerships and Other Entities	-	-	-	-
TOTAL OTHER ASSETS	-	1	-	2,584,432
TOTAL ASSETS	\$ 563,085	\$ 701,499	\$ 1,314,366	\$ 2,584,432
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable	\$ 744	\$ 1,334	\$ 1,788	\$ -
Accrued Liabilities	1,714	9,276	2,430	-
Funds Held in Trust	-	-	-	-
Deferred Revenue	2,142	4,282	3,948	-
Current Portion of Long-Term Debt	-	-	-	-
TOTAL CURRENT LIABILITIES	4,600	14,892	8,166	-
LONG-TERM LIABILITIES				
Other	128,757	496,262	518,595	543,502
Refundable Advance	-	-	-	-
Long-Term Debt, Net of Current Portion and Issuance Costs	533,412	609,764	634,556	1,327,942
TOTAL LONG-TERM LIABILITIES	662,169	1,106,026	1,153,151	1,871,444
TOTAL LIABILITIES	666,769	1,120,918	1,161,317	1,871,444
NET ASSETS WITHOUT DONOR RESTRICTION				
Noncontrolling Interest in RBSB	-	-	-	-
Without Donor Restriction and Undesignated	(103,684)	(419,419)	153,049	712,988
TOTAL NET ASSETS	(103,684)	(419,419)	153,049	712,988
TOTAL LIABILITIES AND NET ASSETS	\$ 563,085	\$ 701,499	\$ 1,314,366	\$ 2,584,432

See Independent Auditor's Report

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

SCHEDULE 1
CONSOLIDATING STATEMENT OF FINANCIAL POSITION, Continued

As of June 30, 2020

	Acme	Creekside	Hearthstone	Fraser Tower
ASSETS				
CURRENT ASSETS				
Cash	\$ 62,262	\$ 155,196	\$ 251,593	\$ 176,403
Accounts Receivable, net	2,631	39,521	11,886	5,179
Inventory	-	-	4,211	-
Prepays	2,352	5,946	27,744	2,251
TOTAL CURRENT ASSETS	67,245	200,663	295,434	183,833
NON-CURRENT ASSETS				
Restricted Cash	89,265	237,813	154,516	62,430
Developer Fee Receivable - tax credit partnerships, net	-	-	-	-
Interest Receivable - developer fee, net	-	-	-	-
Management Fee Receivable - tax credit partnerships, net	-	-	-	-
Property and Equipment, net	2,174,570	12,927,477	722,846	3,809,774
TOTAL NON-CURRENT ASSETS	2,263,835	13,165,290	877,362	3,872,204
OTHER ASSETS				
Long-Term Receivable - tax credit partnerships	-	-	-	-
Interest Receivable - tax credit partnerships	-	-	-	-
Miscellaneous Long-Term Assets	-	-	0	-
Developments in Process	-	-	-	-
Investment in Tax Credit Partnerships and Other Entities	-	-	-	-
TOTAL OTHER ASSETS	-	-	-	-
TOTAL ASSETS	\$ 2,331,080	\$ 13,365,953	\$ 1,172,796	\$ 4,056,037
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable	4,131	\$ 3,185	10,260	\$ 7,007
Accrued Liabilities	12,465	164,060	57,336	17,219
Funds Held in Trust	-	-	-	-
Deferred Revenue	2,216	22,111	3,766	1,705
Current Portion of Long-Term Debt	263,462	153,822	792	-
TOTAL CURRENT LIABILITIES	282,274	343,178	72,154	25,931
LONG-TERM LIABILITIES				
Other	1,207,589	103,811	159,426	36,593
Refundable Advance	-	-	-	-
Long-Term Debt, Net of Current Portion and Issuance Costs	763,400	13,740,942	1,611,593	4,029,855
TOTAL LONG-TERM LIABILITIES	1,970,989	13,844,753	1,771,019	4,066,448
TOTAL LIABILITIES	2,253,263	14,187,931	1,843,173	4,092,379
NET ASSETS WITHOUT DONOR RESTRICTION				
Noncontrolling Interest in RBSB	-	-	-	-
Without Donor Restriction and Undesignated	77,817	(821,978)	(670,377)	(36,342)
TOTAL NET ASSETS	77,817	(821,978)	(670,377)	(36,342)
TOTAL LIABILITIES AND NET ASSETS	\$ 2,331,080	\$ 13,365,953	\$ 1,172,796	\$ 4,056,037

See Independent Auditor's Report

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

SCHEDULE 1
CONSOLIDATING STATEMENT OF FINANCIAL POSITION, Continued

As of June 30, 2020

	Sage Tower	Eliminating Entries	Consolidated Balance
ASSETS			
CURRENT ASSETS			
Cash	\$ 88,019	\$ -	\$ 1,836,296
Accounts Receivable, net	4,037	(141,265)	514,618
Inventory	-	-	4,211
Prepays	29,098	(11,634)	62,642
TOTAL CURRENT ASSETS	121,154	(152,899)	2,417,767
NON-CURRENT ASSETS			
Restricted Cash	299,561	-	1,277,794
Developer Fee Receivable - tax credit partnerships, net	-	(157,119)	330,347
Interest Receivable - developer fee, net	-	(142,247)	-
Management Fee Receivable - tax credit partnerships, net	-	(405,696)	424,719
Property and Equipment, net	2,846,239	-	28,260,609
TOTAL NON-CURRENT ASSETS	3,145,800	(705,062)	30,293,469
OTHER ASSETS			
Long-Term Receivable - tax credit partnerships	-	(8,251,042)	10,987,414
Interest Receivable - tax credit partnerships	-	(2,541,957)	2,642,549
Miscellaneous Long-Term Assets	-	-	34,636
Developments in Process	-	-	1,325,896
Investment in Tax Credit Partnerships and Other Entities	-	507,573	786,902
TOTAL OTHER ASSETS	-	(10,285,426)	15,777,397
TOTAL ASSETS	\$ 3,266,954	\$ (11,143,387)	\$ 48,488,633
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable	\$ 1,738	\$ (61,250)	\$ 133,702
Accrued Liabilities	53,175	-	439,368
Funds Held in Trust	-	-	8,380
Deferred Revenue	6,616	-	46,950
Current Portion of Long-Term Debt	37,254	-	1,439,525
TOTAL CURRENT LIABILITIES	98,783	(61,250)	2,067,925
LONG-TERM LIABILITIES			
Other	112,824	(3,338,668)	221,662
Refundable Advance	-	-	168,400
Long-Term Debt, Net of Current Portion and Issuance Costs	2,206,851	(8,251,042)	24,305,054
TOTAL LONG-TERM LIABILITIES	2,319,675	(11,589,710)	24,695,116
TOTAL LIABILITIES	2,418,458	(11,650,960)	26,763,041
NET ASSETS WITHOUT DONOR RESTRICTION			
Noncontrolling Interest in RBSB	-	(651,815)	179,754
Without Donor Restriction and Undesignated	848,496	1,159,388	21,545,838
TOTAL NET ASSETS	848,496	507,573	21,725,592
TOTAL LIABILITIES AND NET ASSETS	\$ 3,266,954	\$ (11,143,387)	\$ 48,488,633

See Independent Auditor's Report

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

SCHEDULE 2
CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2021

	<u>Homeword</u>	<u>Confluence</u>	<u>RBSB</u>	<u>Phillips</u>
NET ASSETS WITHOUT DONOR RESTRICTION				
OPERATING REVENUE				
Developer Fees	\$ 304,640	\$ -	\$ -	\$ -
Interest	498,672	27	25,413	8
Services	416,180	-	-	-
Contributions	107,927	-	-	-
Other	186,617	-	-	-
Investment Income (Loss)	(113,116)	-	-	-
TOTAL OPERATING REVENUE	<u>1,400,920</u>	<u>27</u>	<u>25,413</u>	<u>8</u>
OPERATING EXPENSES				
Program				
Housing Development	434,287	-	-	-
Asset Management	222,788	-	-	-
Home Ownership Center	280,895	-	-	-
Property Management	-	307,703	-	84,641
Total Program	<u>937,970</u>	<u>307,703</u>	<u>-</u>	<u>84,641</u>
Supporting				
Management & General	102,939	-	-	-
Communications & Fund-raising	64,105	-	-	-
Total Supporting	<u>167,044</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>1,105,014</u>	<u>307,703</u>	<u>-</u>	<u>84,641</u>
Change in Net Assets from Operations	295,906	(307,676)	25,413	(84,633)
NON-OPERATING REVENUE				
Rents	-	270,362	-	59,402
Grants	1,705,279	-	-	-
Equity Income (Loss) from Affiliates	247,993	-	-	-
TOTAL NON-OPERATING REVENUE	<u>1,953,272</u>	<u>270,362</u>	<u>-</u>	<u>59,402</u>
CHANGE IN NET ASSETS	2,249,178	(37,314)	25,413	(25,231)
NET ASSETS WITHOUT DONOR RESTRICTION				
Beginning of Year	21,545,834	(791,074)	831,569	(108,860)
Distributions to Members	-	-	(25,000)	-
Member Contributions	-	-	-	-
End of Year	<u>\$ 23,795,012</u>	<u>\$ (828,388)</u>	<u>\$ 831,982</u>	<u>\$ (134,091)</u>

See Independent Auditor's Report

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

SCHEDULE 2
CONSOLIDATING STATEMENT OF ACTIVITIES, Continued

For the Year Ended June 30, 2021

	Fireweed Court	Lenox Flats	Gold Dust	Investment Fund
NET ASSETS WITHOUT DONOR RESTRICTION				
OPERATING REVENUE				
Developer Fees	\$ -	\$ -	\$ -	\$ -
Interest	8	6	67	63,175
Services	-	-	-	-
Contributions	-	-	-	-
Other	-	41,280	-	-
Investment Income (Loss)	-	-	-	-
TOTAL OPERATING REVENUE	8	41,286	67	63,175
OPERATING EXPENSES				
Program				
Housing Development	-	-	-	-
Asset Management	-	-	-	-
Home Ownership Center	-	-	-	-
Property Management	128,501	212,562	261,602	68,496
Total Program	128,501	212,562	261,602	68,496
Supporting				
Management & General	-	-	-	-
Communications & Fund-raising	-	-	-	-
Total Supporting	-	-	-	-
TOTAL OPERATING EXPENSES	128,501	212,562	261,602	68,496
Change in Net Assets from Operations	(128,493)	(171,276)	(261,535)	(5,321)
NON-OPERATING REVENUE				
Rents	118,777	76,652	161,176	-
Grants	-	-	-	-
Equity Income (Loss) from Affiliates	-	-	-	-
TOTAL NON-OPERATING REVENUE	118,777	76,652	161,176	-
CHANGE IN NET ASSETS	(9,716)	(94,624)	(100,359)	(5,321)
NET ASSETS WITHOUT DONOR RESTRICTION				
Beginning of Year	(103,684)	(419,419)	153,049	712,988
Distributions to Members	-	-	-	-
Member Contributions	-	-	-	-
End of Year	\$ (113,400)	\$ (514,043)	\$ 52,690	\$ 707,667

See Independent Auditor's Report

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

SCHEDULE 2
CONSOLIDATING STATEMENT OF ACTIVITIES, Continued

For the Year Ended June 30, 2021

	Acme	Creekside	Hearthstone	Fraser Tower
NET ASSETS WITHOUT DONOR RESTRICTION				
OPERATING REVENUE				
Developer Fees	\$ -	\$ -	\$ -	\$ -
Interest	10	213	35	49
Services	-	-	-	-
Contributions	-	-	-	-
Other	38,359	-	183,452	-
Investment Income (Loss)	-	-	-	-
TOTAL OPERATING REVENUE	<u>38,369</u>	<u>213</u>	<u>183,487</u>	<u>49</u>
OPERATING EXPENSES				
Program				
Housing Development	-	-	-	-
Asset Management	-	-	-	-
Home Ownership Center	-	-	-	-
Property Management	299,594	1,409,974	701,220	574,656
Total Program	<u>299,594</u>	<u>1,409,974</u>	<u>701,220</u>	<u>574,656</u>
Supporting				
Management & General	-	-	-	-
Communications & Fund-raising	-	-	-	-
Total Supporting	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>299,594</u>	<u>1,409,974</u>	<u>701,220</u>	<u>574,656</u>
Change in Net Assets from Operations	(261,225)	(1,409,761)	(517,733)	(574,607)
NON-OPERATING REVENUE				
Rents	145,887	1,494,395	506,765	572,074
Grants	-	-	-	-
Equity Income (Loss) from Affiliates	-	-	-	-
TOTAL NON-OPERATING REVENUE	<u>145,887</u>	<u>1,494,395</u>	<u>506,765</u>	<u>572,074</u>
CHANGE IN NET ASSETS	(115,338)	84,634	(10,968)	(2,533)
NET ASSETS WITHOUT DONOR RESTRICTION				
Beginning of Year	77,817	(821,978)	(670,377)	(36,342)
Distributions to Members	-	-	-	-
Member Contributions	-	-	-	-
End of Year	<u>\$ (37,521)</u>	<u>\$ (737,344)</u>	<u>\$ (681,345)</u>	<u>\$ (38,875)</u>

See Independent Auditor's Report

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

SCHEDULE 2
CONSOLIDATING STATEMENT OF ACTIVITIES, Continued

For the Year Ended June 30, 2021

	Sage Tower	Orchard Gardens	Ouellette
NET ASSETS WITHOUT DONOR RESTRICTION			
OPERATING REVENUE			
Developer Fees	\$ -	\$ -	\$ -
Interest	193	4	42
Services	-	-	-
Contributions	-	-	-
Other	33,736	-	58,428
Investment Income (Loss)	-	-	-
TOTAL OPERATING REVENUE	33,929	4	58,470
OPERATING EXPENSES			
Program			
Housing Development	-	-	-
Asset Management	-	-	-
Home Ownership Center	-	-	-
Property Management	665,347	177,084	150,256
Total Program	665,347	177,084	150,256
Supporting			
Management & General	-	-	-
Communications & Fund-raising	-	-	-
Total Supporting	-	-	-
TOTAL OPERATING EXPENSES	665,347	177,084	150,256
Change in Net Assets from Operations	(631,418)	(177,080)	(91,786)
NON-OPERATING REVENUE			
Rents	664,153	108,421	104,980
Grants	-	-	-
Equity Income (Loss) from Affiliates	-	-	-
TOTAL NON-OPERATING REVENUE	664,153	108,421	104,980
CHANGE IN NET ASSETS	32,735	(68,659)	13,194
NET ASSETS WITHOUT DONOR RESTRICTION			
Beginning of Year	848,496	-	-
Distributions to Members	-	-	-
Member Contributions	-	703,961	(145,445)
End of Year	\$ 881,231	\$ 635,302	\$ (132,251)

See Independent Auditor's Report

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

SCHEDULE 2
CONSOLIDATING STATEMENT OF ACTIVITIES, Continued

For the Year Ended June 30, 2021

	Eliminations	Consolidated Total
NET ASSETS WITHOUT DONOR RESTRICTION		
OPERATING REVENUE		
Developer Fees	\$ -	\$ 304,640
Interest	(300,366)	287,556
Services	(159,564)	256,616
Contributions	-	107,927
Other	-	541,872
Investment Income (Loss)	-	(113,116)
	(459,930)	1,385,495
TOTAL OPERATING REVENUE		
OPERATING EXPENSES		
Program		
Housing Development	(26,550)	407,737
Asset Management	(15,172)	207,616
Home Ownership Center	(18,965)	261,930
Property Management	(459,930)	4,581,706
Total Program	(520,617)	5,458,989
Supporting		
Management & General	(15,172)	87,767
Communications & Fund-raising	-	64,105
Total Supporting	(15,172)	151,872
TOTAL OPERATING EXPENSES	(535,789)	5,610,861
Change in Net Assets from Operations	75,859	(4,225,366)
NON-OPERATING REVENUE		
Rents	(75,859)	4,207,185
Grants	-	1,705,279
Equity Income (Loss) from Affiliates	320,734	568,727
TOTAL NON-OPERATING REVENUE	244,875	6,481,191
CHANGE IN NET ASSETS	320,734	2,255,825
NET ASSETS WITHOUT DONOR RESTRICTION		
Beginning of Year	507,573	21,725,592
Distributions to Members	9,017	(15,983)
Member Contributions	(558,516)	-
End of Year	\$ 278,808	\$ 23,965,434

See Independent Auditor's Report

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

SCHEDULE 2
CONSOLIDATING STATEMENT OF ACTIVITIES, Continued

For the Year Ended June 30, 2020

	<u>Homeword</u>	<u>Confluence</u>	<u>RBSB</u>	<u>Phillips</u>
NET ASSETS WITHOUT DONOR RESTRICTION				
OPERATING REVENUE				
Developer Fees	\$ 387,505	\$ -	\$ -	\$ -
Interest	495,208	72	-	10
Services	362,199	-	-	-
Contributions	154,437	-	-	-
Other	5,397	4,125	-	1,586
Investment Income (Loss)	-	-	25,413	-
TOTAL OPERATING REVENUE	<u>1,404,746</u>	<u>4,197</u>	<u>25,413</u>	<u>1,596</u>
OPERATING EXPENSES				
Program				
Housing Development	430,478	-	-	-
Asset Management	295,769	-	-	-
Home Ownership Center	256,248	-	-	-
Property Management	-	308,681	-	70,834
Total Program	<u>982,495</u>	<u>308,681</u>	<u>-</u>	<u>70,834</u>
Supporting				
Management & General	89,106	-	-	-
Communications & Fund-raising	68,554	-	-	-
Total Supporting	<u>157,660</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>1,140,155</u>	<u>308,681</u>	<u>-</u>	<u>70,834</u>
Change in Net Assets from Operations	264,591	(304,484)	25,413	(69,238)
NON-OPERATING REVENUE				
Rents	-	265,465	-	62,014
Grants	2,520,437	-	-	-
Equity Income (Loss) from Affiliates	(1,026,438)	-	-	-
TOTAL NON-OPERATING REVENUE	<u>1,493,999</u>	<u>265,465</u>	<u>-</u>	<u>62,014</u>
CHANGE IN NET ASSETS	1,758,590	(39,019)	25,413	(7,224)
NET ASSETS WITHOUT DONOR RESTRICTION				
Beginning of Year	19,787,244	(732,955)	832,156	(101,636)
Distributions to Members	-	(19,100)	(26,000)	-
Member Contributions	-	-	-	-
End of Year	<u>\$ 21,545,834</u>	<u>\$ (791,074)</u>	<u>\$ 831,569</u>	<u>\$ (108,860)</u>

See Independent Auditor's Report

HOMWORD, INC. AND AFFILIATES
Missoula, Montana

SCHEDULE 2
CONSOLIDATING STATEMENT OF ACTIVITIES, Continued

For the Year Ended June 30, 2020

	Fireweed Court	Lenox Flats	Gold Dust	Investment Fund
NET ASSETS WITHOUT DONOR RESTRICTION				
OPERATING REVENUE				
Developer Fees	\$ -	\$ -	\$ -	\$ -
Interest	17	13	54	63,175
Services	-	-	-	-
Contributions	-	-	-	-
Other	3,295	5,940	5,140	-
Investment Income (Loss)	-	-	-	-
TOTAL OPERATING REVENUE	<u>3,312</u>	<u>5,953</u>	<u>5,194</u>	<u>63,175</u>
OPERATING EXPENSES				
Program				
Housing Development	-	-	-	-
Asset Management	-	-	-	-
Home Ownership Center	-	-	-	-
Property Management	126,612	208,410	240,196	67,026
Total Program	<u>126,612</u>	<u>208,410</u>	<u>240,196</u>	<u>67,026</u>
Supporting				
Management & General	-	-	-	-
Communications & Fund-raising	-	-	-	-
Total Supporting	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>126,612</u>	<u>208,410</u>	<u>240,196</u>	<u>67,026</u>
Change in Net Assets from Operations	(123,300)	(202,457)	(235,002)	(3,851)
NON-OPERATING REVENUE				
Rents	106,613	116,073	160,252	-
Grants	-	-	-	-
Equity Income (Loss) from Affiliates	-	-	-	-
TOTAL NON-OPERATING REVENUE	<u>106,613</u>	<u>116,073</u>	<u>160,252</u>	<u>-</u>
CHANGE IN NET ASSETS	(16,687)	(86,384)	(74,750)	(3,851)
NET ASSETS WITHOUT DONOR RESTRICTION				
Beginning of Year	(86,997)	(333,035)	227,799	716,839
Distributions to Members	-	-	-	-
Member Contributions	-	-	-	-
End of Year	<u>\$ (103,684)</u>	<u>\$ (419,419)</u>	<u>\$ 153,049</u>	<u>\$ 712,988</u>

See Independent Auditor's Report

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

SCHEDULE 2
CONSOLIDATING STATEMENT OF ACTIVITIES, Continued

For the Year Ended June 30, 2020

	Acme	Creekside	Hearthstone	Fraser Tower
NET ASSETS WITHOUT DONOR RESTRICTION				
OPERATING REVENUE				
Developer Fees	\$ -	\$ -	\$ -	\$ -
Interest	21	180	34	80
Services	-	-	-	-
Contributions	-	-	-	-
Other	4,843	60,808	241,532	15,508
Investment Income (Loss)	-	-	-	-
TOTAL OPERATING REVENUE	<u>4,864</u>	<u>60,988</u>	<u>241,566</u>	<u>15,588</u>
OPERATING EXPENSES				
Program				
Housing Development	-	-	-	-
Asset Management	-	-	-	-
Home Ownership Center	-	-	-	-
Property Management	296,965	1,736,181	752,954	593,705
Total Program	<u>296,965</u>	<u>1,736,181</u>	<u>752,954</u>	<u>593,705</u>
Supporting				
Management & General	-	-	-	-
Communications & Fund-raising	-	-	-	-
Total Supporting	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>296,965</u>	<u>1,736,181</u>	<u>752,954</u>	<u>593,705</u>
Change in Net Assets from Operations	(292,101)	(1,675,193)	(511,388)	(578,117)
NON-OPERATING REVENUE				
Rents	187,425	1,411,566	590,305	562,197
Grants	-	-	-	-
Equity Income (Loss) from Affiliates	-	-	-	-
TOTAL NON-OPERATING REVENUE	<u>187,425</u>	<u>1,411,566</u>	<u>590,305</u>	<u>562,197</u>
CHANGE IN NET ASSETS	(104,676)	(263,627)	78,917	(15,920)
NET ASSETS WITHOUT DONOR RESTRICTION				
Beginning of Year	182,493	(430,351)	(749,394)	(20,422)
Distributions to Members	-	(128,000)	-	-
Member Contributions	-	-	100	-
End of Year	<u>\$ 77,817</u>	<u>\$ (821,978)</u>	<u>\$ (670,377)</u>	<u>\$ (36,342)</u>

See Independent Auditor's Report

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

SCHEDULE 2
CONSOLIDATING STATEMENT OF ACTIVITIES, Continued

For the Year Ended June 30, 2020

	Sage Tower	Eliminations	Consolidated Total
NET ASSETS WITHOUT DONOR RESTRICTION			
OPERATING REVENUE			
Developer Fees	\$ -	\$ -	\$ 387,505
Interest	153	(266,833)	292,184
Services	-	(154,061)	208,138
Contributions	-	-	154,437
Other	68,154	(705)	415,623
Investment Income (Loss)	-	-	25,413
TOTAL OPERATING REVENUE	68,307	(421,599)	1,483,300
OPERATING EXPENSES			
Program			
Housing Development	-	(30,238)	400,240
Asset Management	-	(15,119)	280,650
Home Ownership Center	-	(15,119)	241,129
Property Management	783,342	(420,892)	4,764,014
Total Program	783,342	(481,368)	5,686,033
Supporting			
Management & General	-	(15,120)	73,986
Communications & Fund-raising	-	-	68,554
Total Supporting	-	(15,120)	142,540
TOTAL OPERATING EXPENSES	783,342	(496,488)	5,828,573
Change in Net Assets from Operations	(715,035)	74,889	(4,345,273)
NON-OPERATING REVENUE			
Rents	645,475	(74,891)	4,032,494
Grants	-	-	2,520,437
Equity Income (Loss) from Affiliates	-	582,634	(443,804)
TOTAL NON-OPERATING REVENUE	645,475	507,743	6,109,127
CHANGE IN NET ASSETS	(69,560)	582,632	1,763,854
NET ASSETS WITHOUT DONOR RESTRICTION			
Beginning of Year	918,056	(242,599)	19,967,198
Distributions to Members	-	167,640	(5,460)
Member Contributions	-	(100)	-
End of Year	\$ 848,496	\$ 507,573	\$ 21,725,592

See Independent Auditor's Report

SINGLE AUDIT SECTION

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021

PROGRAM AWARD	GRANT NUMBER	CFDA NUMBER	AMOUNT EXPENDED
U.S. Department of Housing and Urban Development			
Home Investment Partnerships Program			
Passed through the Montana Department of Commerce			
Montana Home Investment Partnership Program	MT-HOME-17R-SGC-1	14.239	\$ 95,012
Montana Home Investment Partnership Program	MT-HOME-19RD-SGC-3	14.239	<u>37,303</u>
Total Montana Home Investment Partnership Program			<u>\$ 132,315</u>
Housing Trust Fund Program			
Passed through the Montana Department of Commerce			
Housing Trust Fund	MT-HTF-CG-17-01 & 01-A	14.275	\$ 815,397
Housing Trust Fund	MT-HTF-CG-18-04	14.275	<u>133,716</u>
Total Housing Trust Fund			<u>\$ 949,113</u>
Community Development Block Grants/Entitlement Grants Cluster			
Passed through the City of Missoula			
Community Development Block Grant	CDBG HOME 20-02	14.218	\$ 14,775
Community Development Block Grant	CDBG 20-04	14.218	13,710
Community Development Block Grant	CDBG 19-04	14.218	<u>1,878</u>
Total CDBG Entitlement Grants Cluster			<u>\$ 30,363</u>
Total U.S. Department of Housing and Urban Development Expenditures			<u>\$ 1,111,791</u>
U.S. Department of the Treasury			
Passed through the State of Montana			
COVID-19 - Coronavirus Relief Fund	N/A	21.019	\$ 110,000
COVID-19 - Coronavirus Relief Fund	N/A	21.019	<u>10,000</u>
Total U.S. Department of the Treasury			<u>\$ 120,000</u>
U.S. Small Business Administration			
Direct			
Disaster Assistance Loans	N/A	59.008	<u>\$ 150,000</u>
Total U.S. Small Business Administration			<u>\$ 150,000</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,381,791</u></u>

No funds were passed through to subrecipients in fiscal year 2021.

See accompanying notes and the Independent Auditor's Report

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Homeword, Inc. under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with requirements of Title 2 U.S. Code of Federal Regulations part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Homeword, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Homeword, Inc.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3. INDIRECT COST RATE

Homeword, Inc. has elected not to use the 10% *de minimis* indirect cost rate allowed under the Uniform Guidance.

NOTE 4. FEDERAL LOANS

Federal loans listed below are included in Homeword, Inc.’s basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of outstanding loans at June 30, 2021 consist of:

CFDA Number	Program Name	Outstanding Balance at June 30, 2021
59.008	SBA Disaster Assistance Loans	\$ 150,000



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Homeward, Inc.
1535 Liberty Lane, Suite 116A
Missoula, MT 59808

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the consolidated financial statements of Homeward, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 3, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Homeward, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Homeward, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Homeward, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Homeward, Inc.'s consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Peterson CPA Group, P.C.

Missoula, Montana
December 3, 2021



Peterson CPA Group, P.C.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Homeward, Inc.
1535 Liberty Lane, Suite 116A
Missoula, MT 59808

Report on Compliance for Each Major Federal Program

We have audited Homeward, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Homeward, Inc.'s major federal program for the year ended June 30, 2021. Homeward, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Homeward, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Homeward, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Homeward, Inc.'s compliance.

Opinion on the Major Federal Program

In our opinion, Homeword, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of Homeword, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Homeword, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Homeword, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Peterson CPA Group, P.C.

Missoula, Montana

December 3, 2021

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HOMEWORD, INC.
Missoula, Montana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

Section 1 – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? No

Significant deficiencies identified that are not considered to be material weaknesses? None Reported

Noncompliance material to the financial statements noted? No

Federal Awards

Internal control over major programs:

Material weaknesses identified? No

Significant deficiencies identified? None Reported

Type of auditor’s report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 500.516(a)? No

Identification of Major Federal Program:

U.S. Department of Housing and Urban Development
Housing Trust Fund Program CFDA No. 14.275

The dollar threshold used to distinguish between Type A and Type B programs as described in the Uniform Guidance was \$750,000.

Auditee qualified as a low-risk auditee? No

Section II – Financial Statement Findings

None reported

Section III – Federal Awards Findings and Questioned Costs

None reported

Section IV – Summary Schedule of Prior Audit Findings

None reported in the prior fiscal year