



Homeword

Sustainable Communities for All

HOMEWORD, INC. AND AFFILIATES

INDEPENDENT AUDITOR'S REPORTS and CONSOLIDATED FINANCIAL STATEMENTS

**For the Years Ended
June 30, 2023 and 2022**

HOMEWORD, INC. AND AFFILIATES

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Peterson CPA Group, P.C.

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Homeword, Inc. (a nonprofit organization) and Affiliates, which comprise the consolidated statements of financial position as of June 30, 2023 and 2022 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.

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, 2023 and 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Homeword, Inc. and Affiliates and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Homeward, Inc. and Affiliate's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Homeward, Inc. and Affiliate's ability to continue as a going concern for a reasonable period of time.

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

Supplementary 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 42 to 51, the consolidating statements of activities on pages 52 to 61 and the schedule of expenditures of federal awards on page 62, 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 October 30, 2023, on our consideration of Homeword, Inc. and Affiliate'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. and Affiliate'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. and Affiliate's internal control over financial reporting and compliance.

Peterson CPA Group, P.C.
Peterson CPA Group, P.C.
Missoula, Montana
October 31, 2023

FINANCIAL STATEMENTS

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of June 30, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|--|----------------------|----------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 2,542,773 | \$ 3,275,302 |
| Accounts Receivable, net | 686,308 | 353,369 |
| Prepays | <u>110,192</u> | <u>104,605</u> |
| TOTAL CURRENT ASSETS | <u>3,339,273</u> | <u>3,733,276</u> |
| NON-CURRENT ASSETS | | |
| Restricted Cash | 1,995,770 | 1,898,386 |
| Developer Fee Receivable - tax credit partnerships, net | 914,499 | 681,606 |
| Management Fee Receivable - tax credit partnerships, net | 188,980 | 171,522 |
| Property and Equipment, net | <u>38,462,486</u> | <u>39,525,788</u> |
| TOTAL NON-CURRENT ASSETS | <u>41,561,735</u> | <u>42,277,302</u> |
| OTHER ASSETS | | |
| Long-Term Loans Receivable - tax credit partnerships | 14,580,974 | 13,466,074 |
| Interest Receivable - tax credit partnerships | 1,973,466 | 1,645,367 |
| Miscellaneous Long-Term Assets | 4,463 | 2,500 |
| Developments in Process | 82,125 | 220,240 |
| Investment in Tax Credit Partnerships and Other Entities | <u>717,966</u> | <u>728,536</u> |
| TOTAL OTHER ASSETS | <u>17,358,994</u> | <u>16,062,717</u> |
| TOTAL ASSETS | <u>\$ 62,260,002</u> | <u>\$ 62,073,295</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 FINANCIAL POSITION, Continued
As of June 30, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|---|-----------------------------|-----------------------------|
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 185,599 | \$ 183,969 |
| Accrued Liabilities | 329,068 | 305,573 |
| Deferred Revenue | 82,102 | 101,381 |
| Current Portion of Long-Term Debt | <u>1,141,225</u> | <u>404,145</u> |
| TOTAL CURRENT LIABILITIES | <u>1,737,994</u> | <u>995,068</u> |
| LONG-TERM LIABILITIES | | |
| Other | 3,426,555 | 3,525,958 |
| Long-Term Debt, net of current portion and issuance costs of \$191,212 in 2023 and \$200,611 in 2022 | <u>23,952,416</u> | <u>25,326,121</u> |
| TOTAL LONG-TERM LIABILITIES | <u>27,378,971</u> | <u>28,852,079</u> |
| TOTAL LIABILITIES | <u>29,116,965</u> | <u>29,847,147</u> |
| NET ASSETS WITHOUT DONOR RESTRICTION | | |
| Noncontrolling Interest | 176,842 | 166,717 |
| Without Donor Restriction and Undesignated | <u>32,966,195</u> | <u>32,059,431</u> |
| TOTAL NET ASSETS | <u>33,143,037</u> | <u>32,226,148</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 62,260,002</u></u> | <u><u>\$ 62,073,295</u></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, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|--------------------------------------|--------------------|--------------------|
| NET ASSETS WITHOUT DONOR RESTRICTION | | |
| OPERATING REVENUE | | |
| Housing Development Grants and Fees | \$ 688,825 | \$ 910,600 |
| Interest | 388,894 | 507,018 |
| Services | 404,738 | 306,724 |
| Contributions | 102,756 | 128,117 |
| Other | 495,587 | 666,091 |
| Investment Income | 9,286 | 4,980 |
| TOTAL OPERATING REVENUE | <u>2,090,086</u> | <u>2,523,530</u> |
| OPERATING EXPENSES | | |
| Program | | |
| Housing Development | 445,688 | 372,981 |
| Asset Management | 320,041 | 245,891 |
| Home Ownership Center | 276,596 | 279,930 |
| Property Management | <u>6,642,747</u> | <u>5,748,632</u> |
| Total Program | <u>7,685,072</u> | <u>6,647,434</u> |
| Supporting | | |
| Management & General | 80,759 | 109,935 |
| Communication & Fund-raising | <u>118,338</u> | <u>81,568</u> |
| Total Supporting | <u>199,097</u> | <u>191,503</u> |
| TOTAL OPERATING EXPENSES | <u>7,884,169</u> | <u>6,838,937</u> |
| Change in Net Assets from Operations | <u>(5,794,083)</u> | <u>(4,315,407)</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, Continued
For the Years Ended June 30, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|---|----------------------|----------------------|
| NON-OPERATING REVENUE | | |
| Rents | 5,345,967 | 4,664,400 |
| Grants | 1,373,155 | 5,858,577 |
| Equity Income (Expense) from Affiliates | <u>(2,900)</u> | <u>2,053,144</u> |
| TOTAL NON-OPERATING REVENUE | <u>6,716,222</u> | <u>12,576,121</u> |
| CHANGE IN NET ASSETS | <u>922,139</u> | <u>8,260,714</u> |
| NET ASSETS WITHOUT DONOR RESTRICTION | | |
| Beginning of Year | 32,226,148 | 23,965,434 |
| Distributions | <u>(5,250)</u> | <u>-</u> |
| End of Year | <u>\$ 33,143,037</u> | <u>\$ 32,226,148</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, 2023

| | Program Services | | | | Supporting Services | | |
|------------------------------------|------------------------|---------------------|-----------------------------|------------------------|-------------------------|--------------------------------|---------------------|
| | Housing Development | Asset Management | Home Ownership Center | Property Management | Management & General | Communication & Fundraising | Total |
| Revenues Without Donor Restriction | | | | | | | |
| Grants | \$ 1,223,897 | \$ 32,113 | \$ 101,145 | \$ - | \$ 16,000 | \$ - | \$ 1,373,155 |
| Interest | 16,013 | 279,820 | - | 92,784 | 277 | - | 388,894 |
| Services | 12,000 | 91,420 | 301,318 | - | - | - | 404,738 |
| Contributions | 700 | 400 | 17,676 | - | - | 83,980 | 102,756 |
| Developer Fees | 688,825 | - | - | - | - | - | 688,825 |
| Rental Income | - | - | - | 5,345,967 | - | - | 5,345,967 |
| Other | (130) | - | - | 495,717 | - | - | 495,587 |
| Investment Income | 4,444 | 4,842 | - | - | - | - | 9,286 |
| Equity Loss from Affiliates | (16) | (22,962) | - | - | 20,078 | - | (2,900) |
| Total | <u>\$ 1,945,733</u> | <u>\$ 385,633</u> | <u>\$ 420,139</u> | <u>\$ 5,934,468</u> | <u>\$ 36,355</u> | <u>\$ 83,980</u> | <u>\$ 8,806,308</u> |
| Expenses | | | | | | | |
| Salaries and Fringe Benefits | \$ 402,779 | \$ 223,989 | \$ 232,016 | \$ - | \$ 37,148 | \$ 106,777 | \$ 1,002,709 |
| Contract Services | 21,165 | 22,955 | 12,965 | - | 15,656 | - | 72,741 |
| Rent and Utilities | (568) | 3,901 | 4,017 | 804,738 | 9,398 | - | 821,486 |
| Office Supplies and Related | 2,913 | 3,179 | 2,009 | - | 1,497 | - | 9,598 |
| Operations and Maint. | - | - | - | 1,095,828 | - | - | 1,095,828 |
| Travel and Training | 8,223 | 13,158 | 5,547 | - | 2,179 | - | 29,107 |
| Insurance and Taxes | 1,173 | 670 | 838 | 527,686 | 670 | - | 531,037 |
| Printing and Copying | 1,277 | 729 | 750 | - | 600 | - | 3,356 |
| Outreach | 4,529 | 2,139 | 6,416 | - | - | 11,561 | 24,645 |
| Dues and Publications | 2,336 | 1,878 | 1,123 | - | 2,328 | - | 7,665 |
| Depreciation and Amort. | - | - | - | 1,620,141 | 1,707 | - | 1,621,848 |
| Interest | (2,708) | 44,772 | - | 936,251 | - | - | 978,315 |
| Technology Purchases | 4,359 | 2,418 | 3,450 | - | 5,393 | - | 15,620 |
| Administrative Support | 202 | 171 | 7,054 | 1,089,203 | 2,393 | - | 1,099,023 |
| Management and Other | - | - | - | 349,454 | - | - | 349,454 |
| Furn/Fixture Replacement | - | - | - | 205,135 | - | - | 205,135 |
| Other | 8 | 83 | 411 | - | 1,790 | - | 2,292 |
| Total | <u>\$ 445,688</u> | <u>\$ 320,042</u> | <u>\$ 276,596</u> | <u>\$ 6,642,747</u> | <u>\$ 80,759</u> | <u>\$ 118,338</u> | <u>\$ 7,884,170</u> |
| | 5.65% | 4.06% | 3.51% | 84.25% | 1.02% | 1.50% | 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, 2022

| | Program Services | | | | Supporting Services | | |
|------------------------------------|------------------------|---------------------|-----------------------------|------------------------|-------------------------|--------------------------------|----------------------|
| | Housing Development | Asset Management | Home Ownership Center | Property Management | Management & General | Communication & Fundraising | Total |
| Revenues Without Donor Restriction | | | | | | | |
| Grants | \$ 5,698,967 | \$ - | \$ 156,610 | \$ - | \$ 3,000 | \$ - | \$ 5,858,577 |
| Interest | 16,015 | 401,541 | - | 89,461 | 1 | - | 507,018 |
| Services | 58,727 | 133,948 | 114,049 | - | - | - | 306,724 |
| Contributions | - | - | 30,117 | - | - | 98,000 | 128,117 |
| Developer Fees | 910,600 | - | - | - | - | - | 910,600 |
| Rental Income | - | - | - | 4,664,400 | - | - | 4,664,400 |
| Other | 65 | 152 | - | 402,948 | 262,926 | - | 666,091 |
| Investment Income | - | 4,980 | - | - | - | - | 4,980 |
| Equity Loss from Affiliates | (32) | 2,033,100 | - | - | 20,076 | - | 2,053,144 |
| Total | <u>\$ 6,684,342</u> | <u>\$ 2,573,721</u> | <u>\$ 300,776</u> | <u>\$ 5,156,809</u> | <u>\$ 286,003</u> | <u>\$ 98,000</u> | <u>\$ 15,099,651</u> |
| Expenses | | | | | | | |
| Salaries and Fringe Benefits | \$ 334,453 | \$ 188,974 | \$ 241,069 | \$ - | \$ 50,628 | \$ 78,833 | \$ 893,957 |
| Contract Services | 11,091 | 12,166 | 8,236 | - | 12,890 | - | 44,383 |
| Rent and Utilities | 4,384 | 2,350 | 2,938 | 677,603 | 2,470 | - | 689,745 |
| Office Supplies and Related | 6,273 | 1,187 | 11,489 | - | 9,529 | - | 28,478 |
| Operations and Maint. | - | - | - | 1,114,144 | - | - | 1,114,144 |
| Travel and Training | 9,094 | 3,583 | 2,673 | - | 2,123 | - | 17,473 |
| Insurance and Taxes | - | 153 | - | 446,664 | 4,257 | - | 451,074 |
| Printing and Copying | 1,300 | 759 | 917 | - | 1,479 | - | 4,455 |
| Outreach | 2,526 | 1,271 | 4,624 | - | - | 2,735 | 11,156 |
| Dues and Publications | 1,350 | 1,054 | 1,042 | - | 1,514 | - | 4,960 |
| Depreciation and Amort. | - | - | - | 1,344,264 | 1,707 | - | 1,345,971 |
| Interest | (2,911) | 31,382 | - | 917,526 | 12,099 | - | 958,096 |
| Technology Purchases | 4,990 | 2,692 | 5,100 | - | 5,622 | - | 18,404 |
| Administrative Support | 371 | 215 | 1,320 | 789,652 | 3,182 | - | 794,740 |
| Management and Other | - | - | - | 305,416 | - | - | 305,416 |
| Furn/Fixture Replacement | - | - | - | 153,363 | - | - | 153,363 |
| Other | 60 | 105 | 522 | - | 2,435 | - | 3,122 |
| Total | <u>\$ 372,981</u> | <u>\$ 245,891</u> | <u>\$ 279,930</u> | <u>\$ 5,748,632</u> | <u>\$ 109,935</u> | <u>\$ 81,568</u> | <u>\$ 6,838,937</u> |
| | 5.45% | 3.60% | 4.09% | 84.06% | 1.61% | 1.19% | 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, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|--|-----------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in Net Assets | \$ 922,139 | \$ 8,260,714 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities: | | |
| Depreciation | 1,621,848 | 1,345,971 |
| Changes in Operating Assets and Liabilities: | | |
| Receivables | (332,939) | 35,407 |
| Prepays | (5,587) | (31,536) |
| Accounts Payable | 1,630 | (19,363) |
| Accrued Liabilities | 23,495 | 14,838 |
| Deferred Revenue | (19,279) | 26,547 |
| Total Adjustments | <u>1,289,168</u> | <u>1,371,864</u> |
| Net Cash Flows from Operating Activities | <u>\$ 2,211,307</u> | <u>\$ 9,632,578</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Additions to Loans Receivable | \$ (1,114,900) | \$ (4,393,881) |
| Additions to Accrued Interest | (328,099) | (465,154) |
| Collection of Developer Fees Receivable | (232,893) | (480,971) |
| Additions to Management Fees Receivable | (17,458) | (131,668) |
| Cash Paid for Building Improvements and Equipment, net | (558,546) | 1,867,782 |
| Cash Paid for Construction in Progress | - | (1,382,079) |
| Additions to Miscellaneous Long-Term Assets | (1,963) | 32,140 |
| Reductions in Developments in Process | 138,115 | (11,816) |
| Investment in Tax Credit Partnerships and Other Entities | 10,570 | (737,241) |
| Additions in Other Long-Term Liabilities | (99,403) | (3,269,430) |
| Net Cash Flows from Investing Activities | <u>\$ (2,204,577)</u> | <u>\$ (8,972,318)</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 CASH FLOWS, Continued
For the Years Ended June 30, 2023 and 2022

CASH FLOWS FROM FINANCING ACTIVITIES:

| | | |
|---|---------------------|---------------------|
| Cash Received from Loan Borrowings | \$ 76,679 | \$ 369,399 |
| Cash Paid for Loan Repayments | (713,304) | (357,070) |
| Distributions | <u>(5,250)</u> | <u>-</u> |
| Net Cash Flows from Financing Activities | \$ <u>(641,875)</u> | \$ <u>12,329</u> |
| Net Change in Cash, Cash Equivalents, and Restricted Cash | (635,145) | 672,589 |
| Cash, Cash Equivalents, and Restricted Cash | | |
| Beginning of Year | <u>5,173,688</u> | <u>4,501,099</u> |
| End of Year | <u>\$ 4,538,543</u> | <u>\$ 5,173,688</u> |

Presented on the Consolidated Balance Sheet as:

| | | |
|--|---------------------|---------------------|
| Cash and cash equivalents - operations | \$ 2,542,773 | \$ 3,275,302 |
| Restricted cash | <u>1,995,770</u> | <u>1,898,386</u> |
| | <u>\$ 4,538,543</u> | <u>\$ 5,173,688</u> |

SUPPLEMENTAL DISCLOSURE OF CASH PAYMENTS

| | | |
|------------------------|-------------------|---------------------|
| Cash Paid for Interest | <u>\$ 920,834</u> | <u>\$ 1,142,709</u> |
|------------------------|-------------------|---------------------|

SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS

INVESTING ACTIVITIES

| | | |
|---|-------------|---------------------|
| Acquisition of Loans Receivable and Accrued Interest | | |
| from new Affiliates | <u>\$ -</u> | <u>\$ 1,018,631</u> |
| Acquisition of Developer and Management Fees Receivable | | |
| from new Affiliates | <u>\$ -</u> | <u>\$ 117,154</u> |
| Investment in TCP's from Acquisition of Affiliates | <u>\$ -</u> | <u>\$ 779,786</u> |
| Additions of Property and Equipment from new Affiliates | <u>\$ -</u> | <u>\$ 5,070,932</u> |
| Additions of Long-Term Debt from new Affiliates | <u>\$ -</u> | <u>\$ 148,100</u> |

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

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

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.

Southern Lights, LLC (Southern) is a single member Montana Limited Liability Company (LLC) formed in 2022. Homeword is the sole member. Homeword became the sole member once it acquired the ownership interest of the original Limited Partner when Southern Lights Limited Partnership was converted to an LLC. The purpose of Southern is to own and operate 20 rental homes people living on 60% or less of the Area Median Income can afford in Billings, Montana. This LLC will terminate on December 31, 2054, 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, 2023 and 2022

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 along 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 along 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.

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.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

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

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 24 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.

Southern Lights, LLC (Southern) is a single member Montana Limited Liability Company (LLC) formed in 2022. Homeword is the sole member. Homeword became the sole member once it acquired the ownership interest of the original Limited Partner when Southern Lights Limited Partnership was converted to an LLC. The purpose of Southern is to own and operate 20 rental homes people living on 60% or less of the Area Median Income can afford in Billings, 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, Orchard, and Southern are consolidated into Homeword's financial statements and are collectively referred to as the "Organization."

All significant inter-organization balances and transactions were eliminated in the consolidation process. The non-controlling interest in RBSB and Ouellette represents the equity interest of the minority member and is reflected separately in unrestricted net assets.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

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. Adoption of New Accounting Standard

The Organization adopted ASU 2016-02: *Leases (Topic 842)*, inclusive of ASU 2021-05 *Leases (Topic 842): Lessors – Certain Leases with Variable Lease Payments*, effective July 1, 2022, using the modified retrospective method under ASU 2018-11: *Leases (Topic 842): Targeted Improvements*. The modified retrospective transition method allows entities to apply the transition requirements at the effective date rather than at the beginning of the earliest comparative period presented. The Organization's reporting for comparative periods was not recast and is presented in accordance with FASB ASC 840. Adoption of the new accounting standard resulted in the recording of a right-of-use asset totaling \$71,805 and a lease liability of \$80,248 at June 30, 2023. The adoption of the new accounting standard did not have a material impact on the Organization's statements of activities or cash flows. The Organization elected to use the transition package of three practical expedients, which among other things, allowed the Organization to carry forward the historical lease classification. The Organization also elected to use its incremental borrowing rate on the date of adoption using the remaining lease term on the date of adoption.

C. Programs

After 29 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, Kalispell, Bozeman, 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 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 19,500 people.

HOMESWORD, INC. AND AFFILIATES

Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the Years Ended June 30, 2023 and 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

C. Programs, continued

The Organization operates the following programs:

Project Development

Project Development provides homes that people living on low and moderate incomes can afford to rent or buy through development of new or rehabilitated homes. Homeward develops projects where it serves as the sole general partner and partners with nonprofit and for-profit companies in its real estate projects. Homeward develops new construction and rehabilitation projects while also acquiring existing properties to preserve homes that people can afford. Homeward 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, Homeward 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, Homeward occasionally provides information to other nonprofits seeking to develop facilities to support their missions. Homeward also provides limited consulting services for organizations, jurisdictions and municipalities working on local housing and economic issues.

Asset Management

Homeward contracts daily property management activities with qualified third-party property management companies. Homeward 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

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

Home Ownership Center

The HOC provides first-time homebuyer and financial education classes, and one-on-one housing and financial counseling, as well as advocacy and outreach on behalf of clients. In FY2023, Homeward's HomeOwnership Center empowered 1,060 people through education and coaching. Participants included 42 veterans, 61 seniors, the parents of 616 children, and 44 people living with a disability. Of the empowered by our financial skill building and education programs, 38% were living on or below 80% Area Median Income (\$48,400 for one person).

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

C. Programs, continued

Home Ownership Center, continued

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 and financial skill building education.

These programs benefit participants by empowering them to make informed 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.

D. Net Asset Classification

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

Grants from governmental and nongovernmental organizations are classified as contributions if the resource provider does not receive commensurate value.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions.

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.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

E. Cash and Cash Equivalents

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

From time to time, certain bank accounts that are subject to coverage by the Federal Deposit Insurance Corporation (FDIC) may exceed their insured limits. At June 30, 2023 and 2022, bank balances from three separate entities totaling approximately \$1,003,000 and \$1,665,000, respectively, were not fully insured by the FDIC. The Organization as a whole 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 \$60,692 and \$50,448 at June 30, 2023 and 2022, 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.

F. Receivables

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

Management determined an allowance account of \$103,710 was appropriate for the year ended June 30, 2023 and \$188,206 for the year ended June 30, 2022 after reviewing the various performance factors of each affiliate in light of the current economic conditions and other relevant factors. This estimate is subject to change annually based on operating results of the various tax credit partnerships and their ability to pay the Organization based on the individual waterfall schedules in the partnership agreements and other factors. Because of the inherent uncertainties in estimating the allowance for uncollectible receivables, it is at least reasonably possible that the estimates used will change in the near term.

G. Property and Equipment

Property and equipment are recorded at cost. Donated property and equipment are recorded at fair value on the date of the donation. There was no donated property or equipment in fiscal years 2023 or 2022. 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.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

G. Property and Equipment, continued

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.

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

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

Loans are placed on nonaccrual status when management believes the loans are impaired. There were no loans on nonaccrual status at June 30, 2023 or 2022.

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

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

I. Investment in Tax Credit Partnerships and Other Entities

The Organization is the 0.01% managing general partner in three tax credit partnerships, co-general managing partner sharing the 0.01% interest in three additional tax credit partnerships, a 90% general partner in one tax credit partnership, and the sole member of eleven single purpose entities engaged in operating former tax credit partnerships at June 30, 2023 and 2022.

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, 2023 and 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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

J. 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 842, *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.

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.

In fiscal year 2022 revenue was impacted by the world-wide COVID-19 pandemic and related economic conditions and legislation related to rent moratoriums, tenant evictions, lockdowns, and other restrictions. There were no significant economic factors impacting revenue recognition in fiscal year 2023.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

K. Revenue Recognition, continued

The Organization's significant revenue streams, timing of revenue recognition, and amounts recognized in fiscal years 2023 and 2022 are as follows:

| Revenue Stream | Timing | 2023 | 2022 | Standard |
|---------------------|---------------|--------------|--------------|-----------|
| | | Amount | Amount | |
| Housing Development | Over time | \$ 688,825 | \$ 910,600 | Topic 606 |
| Program Services | Point in time | \$ 404,738 | \$ 306,724 | Topic 606 |
| Interest | Over time | \$ 388,894 | \$ 507,018 | Topic 606 |
| Contributions | Point in time | \$ 102,756 | \$ 128,117 | Topic 958 |
| Other | Point in time | \$ 495,587 | \$ 666,091 | Topic 606 |
| Grants | Point in time | \$ 1,373,155 | \$ 5,858,577 | Topic 958 |
| Rents | Over time | \$ 5,345,967 | \$ 4,664,400 | ASC 842 |

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, 2023, 2022, and 2021 are as follows:

| | 2023 | 2022 | 2021 |
|--------------------------|------------|------------|------------|
| Accounts receivable, net | \$ 686,308 | \$ 353,369 | \$ 388,776 |

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 is 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 in fiscal years 2023 and 2022 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.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

M. Advertising Costs & Outreach

The Organization expenses the cost of advertising when it is first incurred. Advertising expenses totaled \$24,645 and \$11,156 for the years ended June 30, 2023 and 2022, 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.

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, 2023 and 2022.

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, 2023 and 2022, 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.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

P. Income Tax Status, continued

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.

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.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

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.

Southern 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. Southern 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 2023 or 2022.

Q. Recent Accounting Pronouncements

The FASB issued Accounting Standard Update (ASU) 2016-13: *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, in June 2016. This ASU and amendments affect how loans, debt securities, trade receivables, and other financial assets are reported, how an allowance account is determined, and requires additional, new disclosures. This ASU is effective for fiscal years beginning after December 15, 2022. The Organization adopted this ASU on July 1, 2023 with no significant impact on its financial statements.

R. Reclassifications

Certain reclassifications have been made to the 2022 consolidated financial statement presentation to correspond to the 2023 format. Total net assets and change in net assets for 2022 are unchanged due to these reclassifications.

S. Subsequent Events

Management has evaluated subsequent events through October 31, 2023, the date which the financial statements were available for issue.

Subsequent to year end, Homeword, Inc. renewed its \$750,000 note payable to US Bancorp Community Development Corporation for another year under substantially the same terms.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

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, 2023 and 2022, respectively:

| <u>June 30, 2023</u> | <u>Homeword</u> | <u>Affiliates</u> | <u>Total</u> |
|--------------------------|---------------------|-----------------------|---------------------|
| Cash in Banks | \$ 709,255 | \$ 1,833,518 | \$ 2,542,773 |
| Receivables | 631,219 | 55,089 | 686,308 |
| | <u>\$ 1,340,474</u> | <u>\$ 1,888,607</u> | <u>\$ 3,229,081</u> |
| <u>June 30, 2022</u> | <u>Homeword</u> | <u>Affiliates</u> | <u>Total</u> |
| Cash in Banks | \$ 1,498,437 | \$ 1,776,865 | \$ 3,275,302 |
| Receivables | 286,009 | 67,360 | 353,369 |
| | <u>\$ 1,784,446</u> | <u>\$ 1,844,225</u> | <u>\$ 3,628,671</u> |

Homeword had additional designated funds in a bank account totaling \$60,692 and \$50,448 at June 30, 2023 and 2022, respectively, that could be used if management and/or the board of directors determined necessary. Additionally, affiliates had reserve accounts totaling \$1,956,485 at June 30, 2023 and \$1,924,927 at June 30, 2022 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 because management believes the loans are fully collectible at June 30, 2023 and 2022. No losses were recognized in 2023 or 2022. None of the loans have been restructured. No impairment has been recognized in 2023 or 2022. 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, 2023 or 2022.

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, 2023 and 2022

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, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|--|-----------------------------|-----------------------------|
| Equinox Development Limited Partnership | \$ 2,309,122 | \$ 2,309,122 |
| Solstice Development Limited Partnership | 1,436,845 | 1,436,845 |
| Sweet Grass Commons, LLLP | 1,950,274 | 1,950,274 |
| Soroptimist Village, LLLP | 431,645 | 431,645 |
| Larkspur Commons, LLLP | 200,000 | 200,000 |
| Alpenglow Apartments | 1,772,307 | 1,772,307 |
| Bluebunch Flats, LLLP | 1,772,000 | 1,772,000 |
| Trinity Apartments LLLP | 3,601,381 | 3,593,881 |
| Crowley Flats LLLP | <u>1,107,400</u> | <u>-</u> |
| Total | <u><u>\$ 14,580,974</u></u> | <u><u>\$ 13,466,074</u></u> |

The change in long-term loans receivable for the years ended June 30, 2023 and 2022, is as follows:

| | |
|---|-----------------------------|
| Long-Term Loans Receivable at June 30, 2021 | <u>\$ 9,733,093</u> |
| New Loans | 4,733,881 |
| Effect of change in ownership | <u>(1,000,900)</u> |
| Long-Term Loans Receivable at June 30, 2022 | <u><u>\$ 13,466,074</u></u> |
| New Loans | <u>1,114,900</u> |
| Long-Term Loans Receivable at June 30, 2023 | <u><u>\$ 14,580,974</u></u> |

HOMEWORD, INC. AND AFFILIATES
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 5. INVESTMENT IN TAX CREDIT PARTNERSHIPS AND OTHER ENTITIES

The Organization's investment in various tax credit partnerships and other entities totaled \$717,966 at June 30, 2023 and \$728,536 at June 30, 2022. The Organization accounts for these investments under the equity method.

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2023 and 2022 are as follows:

| | <u>2023</u> | <u>2022</u> |
|----------------------------|-----------------------------|-----------------------------|
| Land | \$ 2,699,427 | \$ 2,699,427 |
| Buildings | 52,187,849 | 49,296,117 |
| Equipment | 430,867 | 415,455 |
| Leasehold Improvements | 16,890 | 16,890 |
| Furniture and Fixtures | <u>305,464</u> | <u>305,464</u> |
| | 55,640,497 | 52,733,353 |
| Accumulated Depreciation | <u>(17,178,011)</u> | <u>(15,602,701)</u> |
| | 38,462,486 | 37,130,652 |
| Construction in Progress | <u>-</u> | <u>2,395,136</u> |
| Net Property and Equipment | <u><u>\$ 38,462,486</u></u> | <u><u>\$ 39,525,788</u></u> |

Depreciation expense for the fiscal years ended June 30, 2023 and 2022 totaled \$1,621,848 and \$1,368,526, respectively.

Construction in progress related to Hearthstone was completed during fiscal year 2023 and the costs were reclassified to buildings.

HOMEWORD, INC. AND AFFILIATES
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 7. NOTES PAYABLE

Notes payable by entity at June 30, 2023 and 2022 consisted of the following:

| Entity | Description | 2023 | 2022 |
|---------------|---|-------------|-------------|
| 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. | \$ - | \$ 22,108 |
| 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. | 62,884 | 68,146 |
| 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. | - | 62,281 |
| 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 4.75% and 3.25% at June 30, 2022 and June 30, 2021, for a rate of 5.75% and 4.25% at June 30, 2022 and June 30, 2021, paid monthly, due May 2022; secured by five Champion modular homes. | - | 161,103 |

HOMEWORD, INC. AND AFFILIATES
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 7. NOTES PAYABLE, continued

| Entity | Description | 2023 | 2022 |
|---------------|---|-------------|-------------|
| Homeward | 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 |
| Homeward | Note payable to the Small Business Administration bearing interest at a fixed rate of 2.75%, no payments are due until January 2023 then repayment in 330 monthly principal and interest payments of \$2,210; maturity is June 26, 2050. This loan is secured by business assets. | 510,000 | 510,000 |
| 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. | 1,391,142 | 1,459,494 |
| 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. | 128,472 | 132,324 |
| 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 (4.35% and 3.42% at June 30, 2023 and 2022, respectively); monthly principal and interest payments of \$1,296; followed by 180 payments estimated at \$1,319; due April 2046; secured by Acme property. | 244,331 | 251,203 |

HOMEWORD, INC. AND AFFILIATES
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 7. NOTES PAYABLE, continued

| Entity | Description | 2023 | 2022 |
|---------------|---|-------------|-------------|
| 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 \$93,615 and \$97,489 at June 30, 2023 and 2022, respectively. | 9,629,698 | 9,848,199 |
| 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. | 14,143 | 15,063 |
| 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
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 7. NOTES PAYABLE, continued

| Entity | Description | 2023 | 2022 |
|---------------|---|-------------|-------------|
| 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 \$85,317 and \$88,663 at June 30, 2023 and 2022, respectively. | 2,773,644 | 2,794,837 |
| 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 \$7,459 and \$7,708 at June 30, 2023 and 2022, respectively. | 2,129,068 | 2,168,771 |
| 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 | 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 \$4,822 and \$6,751 at June 30, 2023 and 2022, respectively. | 267,609 | 272,186 |

HOMEWORD, INC. AND AFFILIATES
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 7. NOTES PAYABLE, continued

| Entity | Description | 2023 | 2022 |
|---------------|---|----------------------|----------------------|
| 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 (4.35% and 3.42% at June 30, 2023 and 2022, respectively); monthly principal and interest payments of \$2,964; followed by 180 payments estimated at \$3,015; due April 2046; secured by Acme property. | 558,946 | 574,332 |
| Southern | Note payable to Montana Board of Housing bearing interest at a fixed rate of 5.25% payable in monthly principal and interest payments of \$1,209 with the unpaid balance due April 2038. This loan is secured by real property. | 148,785 | 155,300 |
| | Total long-term debt | \$ 25,093,641 | \$ 25,730,266 |
| | Less: current portion | (1,141,225) | (404,145) |
| | Long-term portion | <u>\$ 23,952,416</u> | <u>\$ 25,326,121</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 \$9,399 in 2023 and \$9,399 in 2022.

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. This note was paid in full on June 30, 2023.

Interest expense totaled \$978,315 for the year ended June 30, 2023 and \$917,292 for the year ended June 30, 2022.

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, 2023 and 2022. The note contains certain penalties for prepayment.

HOMEWORD, INC. AND AFFILIATES
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 7. NOTES PAYABLE, continued

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> | |
|-----------------|----------------------|
| 2024 | \$ 1,141,225 |
| 2025 | 1,653,330 |
| 2026 | 903,208 |
| 2027 | 362,184 |
| 2028 | 377,439 |
| Thereafter | <u>20,656,255</u> |
| | <u>\$ 25,093,641</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.

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 \$83,165 in rent and parking fees to Confluence for the year ended June 30, 2023 under the agreement and paid \$76,995 in rent for the year ended June 30, 2022. These amounts are eliminated in the consolidated financial statements.

At June 30, 2023 and 2022, the Organization had loaned a total of \$14,580,974 and \$13,466,074, 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 \$1,114,900 and \$4,703,881 in 2023 and 2022, respectively, and repayments totaled \$-0- in 2023 and \$340,000 in 2022. Interest receivable from these loans totaled \$1,537,163 and \$1,367,398 at June 30, 2023 and 2022, respectively. Accrued unpaid interest on these loans totaled \$169,765 in 2023 and \$162,964 in 2022.

HOMEWORD, INC. AND AFFILIATES
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 8. RELATED PARTIES, continued

At June 30, 2023 and 2022, the Organization had additional receivables from these tax credit partnerships and other entities totaling \$1,789,787 and \$1,206,497 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, 2023, advances totaled \$371,405 and repayments totaled \$88,512. During the year ended June 30, 2022, advances totaled \$948,130 and repayments totaled \$551,625.

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 \$688,825 and \$910,600 in 2023 and 2022, respectively. Collections of developer fees that had been deferred totaled \$88,512 in 2023 and \$62,890 in 2022. Developer fees receivable from new projects totaled \$371,405 in 2023 and \$543,861 in 2022.

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, 2023 and 2022 audited financial statements.

| December 31, 2022 | | | | | |
|--|--------------|-------------------|-------------------|---------------|----------------|
| Partnership | Total Assets | Total Liabilities | Partners' Capital | Total Revenue | Total Expenses |
| Equinox Development Limited Partnership | \$4,797,523 | \$3,314,481 | \$1,483,042 | \$278,572 | \$573,942 |
| Solstice Development Limited Partnership | 5,371,267 | 3,420,111 | 1,951,156 | 424,138 | 253,566 |
| Soroptimist Village LLLP | 5,294,282 | 3,091,951 | 2,202,331 | 365,047 | 662,639 |
| Sweetgrass Commons LLLP | 507,901 | 2,359,316 | 2,719,685 | 230,228 | 469,202 |
| Alpenglow Apartments, LLP | 8,064,876 | 2,958,310 | 5,106,566 | 334,403 | 820,245 |
| Bluebunch Flats, LLLP | 8,713,989 | 2,783,819 | 5,930,170 | 264,679 | 672,152 |
| MT Glacier GMD HW LLC | 2,171,366 | 2,838,866 | (667,500) | 468,702 | 424,922 |
| MT Preservation HV LLLP | 4,910,284 | 1,654,242 | 3,256,042 | 596,489 | 713,184 |
| MT Larkspur LLLP | 16,818,815 | 12,279,814 | 4,539,001 | 1,627,580 | 1,937,197 |
| MT Preservation LJ LLLP | 2,868,158 | 1,366,511 | 1,501,547 | 273,519 | 380,333 |
| MT Preservation CV LLLP | 2,830,973 | 954,130 | 1,876,843 | 452,848 | 452,132 |
| MT Preservation SB RB LLLP | 5,728,535 | 4,944,731 | 783,804 | 1,034,377 | 1,181,718 |
| MT Heights Senior 4% LLLP | 17,297,683 | 11,349,138 | 5,948,544 | 1,040,425 | 1,651,077 |
| MT Heights Senior 9% LLLP | 6,363,171 | 2,414,036 | 3,949,135 | 303,907 | 515,560 |

HOMEWORD, INC. AND AFFILIATES
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 8. RELATED PARTIES, continued

| December 31, 2021 | | | | | |
|--|-----------------|----------------------|----------------------|------------------|-------------------|
| Partnership | Total Assets | Total Liabilities | Partners' Capital | Total Revenue | Total Expenses |
| Equinox Development Limited Partnership | \$5,030,181 | \$3,251,769 | \$1,778,412 | \$257,773 | \$537,275 |
| Solstice Development Limited Partnership | 5,595,133 | 3,544,549 | 2,050,584 | 412,954 | 533,225 |
| Soroptimist Village LLLP | 5,432,073 | 2,932,150 | 2,499,923 | 357,004 | 618,641 |
| Sweetgrass Commons LLLP | 5,250,919 | 2,292,260 | 2,958,659 | 218,565 | 488,606 |
| Alpenglow Apartments, LLP | 7,648,223 | 5,104,410 | 2,543,813 | 254,780 | 759,663 |
| Bluebunch Flats, LLLP | 8,135,370 | 2,058,929 | 6,076,441 | 257,145 | 663,193 |
| MT Glacier GMD HW LLC | 950,449 | 2,871,159 | (1,920,710) | 415,632 | 323,324 |
| MT Preservation HV LLLP | 5,055,759 | 1,680,240 | 3,375,519 | 587,707 | 762,507 |
| MT Larkspur LLLP | 17,559,345 | 12,710,727 | 4,848,618 | 1,558,737 | 2,245,384 |
| MT Preservation LJ LLLP | 3,001,434 | 1,387,553 | 1,613,881 | 258,921 | 425,558 |
| MT Preservation CV LLLP | 2,938,890 | 1,046,884 | 1,892,006 | 452,075 | 448,369 |
| MT Preservation SB RB LLLP | 5,974,406 | 5,043,261 | 931,145 | 1,013,142 | 1,166,630 |
| MT Heights Senior 4% LLLP | 18,027,548 | 11,468,352 | 6,559,196 | 1,024,809 | 1,726,904 |
| MT Heights Senior 9% LLLP | 6,597,285 | 2,436,497 | 4,160,788 | 295,721 | 505,972 |

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 \$23,010 for the year ended June 30, 2023 and \$20,078 for the year ended June 30, 2022.

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 \$685 for the year ended June 30, 2023 and \$661 for the year ended June 30, 2022.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 10. COMMITMENTS AND CONTINGENCIES, continued

Concentrations

The Organization has loaned approximately \$16.6 million, including accrued interest receivable, to 16 tax credit partnerships as of June 30, 2023 and approximately \$15.1 million, including accrued interest receivable to 15 tax credit partnerships as of June 30, 2022. 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 \$1,103,479 and \$853,128 in receivables from various tax credit partnerships for deferred developer fees and management fees at June 30, 2023 and 2022, respectively.

The Organization receives significant funding from multiple federal and state grants, which can fluctuate significantly from year to year. Grant revenue comprised approximately 16% and 41% of total revenue in fiscal year 2023 and 2022, respectively. The Organization periodically receives significant federal grants from the Department of Housing and Urban Development.

Loans/Grants

Homeword entered into a \$45,000 unsecured promissory note with no interest with NeighborWorks Montana in 2009 financing the construction of Equinox Development, LP, whose purpose is to own and operate 35 rental homes people living on 60% or less of the Area Median Income can afford in Missoula, Montana. The note has a 0% interest rate, is unsecured, and will be forgiven as long as Homeword does not sell the property or change its Mission. Homeword 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 enters into certain agreements as a lessor under which it rents office space to conduct its operations. If any of the following are met, the Organization classifies the lease as a financing lease (as a lessee) or as a direct financing lease or sales-type lease (both as a lessor).

- The lease transfers ownership of the underlying asset to the lessee by the end of the lease term;
- The lease grants the lessee an option to purchase that is reasonably certain to be exercised;
- The lease term is for 75% or more of the economic life of the underlying asset, unless the commencement date falls within the last 25% of the economic life of the underlying asset;
- The present value of the sum of the lease payments equals or exceeds 90% of the fair value of the underlying asset; or
- The underlying asset is of such a specialized nature that it is expected to have no alternative used to the lessor at the end of the lease term.

HOMEWORD, INC. AND AFFILIATES
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 10. COMMITMENTS AND CONTINGENCIES, continued

Leases, continued

Leases that do not meet any of the above criteria are accounted for as an operating lease. All of the Organization's leases are classified as operating leases. The Organization combines lease and non-lease components for new and reassessed leases. The Organization does not recognize right-of-use assets or lease liabilities for short-term leases (i.e., those with a term of twelve months or less) and recognizes lease expense on a straight-line basis over the lease term, as applicable.

The Organization's leases generally range from three years to seven years. Payment terms are based on amounts in the lease agreements, including reimbursements for common area costs. None of the Organization's lease agreements contain material residual value guarantees or restrictive covenants.

The Organization recognizes a right-of-use asset and lease liability in its consolidated statements of financial position for leases with a term greater than twelve months. Options to extend or terminate a lease are included in the Organization's right-of-use asset and lease liability when it is reasonably certain that such options will be exercised.

In 2023, the Organization leased office space under terms of a commercial lease agreement that expires June 30, 2024. The annual cost of this lease is reported as operating lease costs. The lease is not reported on the consolidated statements of financial position as "Operating Lease Building Right-of-Use Asset" as the lease is eliminated in the consolidation process.

Lease agreements not presented on the consolidated statement of financial position for the year ended June 30, 2023 are as follows:

| | |
|--|------------------|
| Operating Lease Building Right-of-Use Asset | \$ 357,120 |
| Less amortization | <u>(285,315)</u> |
| Operating Lease Building Right-of-Use Asset, net | <u>\$ 71,805</u> |
| Operating Lease Liability - Current Portion | \$ 59,604 |
| Operating Lease Liability - Noncurrent Portion | <u>20,644</u> |
| Lease Liability | <u>\$ 80,248</u> |

The Organization's minimum fixed lease obligations under the office space lease agreement as a lessee, as of June 30, 2023, are summarized as follows:

| | |
|---|------------------|
| Minimum lease payments for years ending June 30, | |
| 2024 | \$ 61,650 |
| 2025 | <u>20,754</u> |
| Total | 82,404 |
| Interest | <u>(2,156)</u> |
| Present Value of Operating Lease Building Liability | <u>\$ 80,248</u> |

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 10. COMMITMENTS AND CONTINGENCIES, continued

Leases, continued

The following table summarizes the amount of lease costs incurred and cash paid by the Organization for the year ended June 30, 2023 excluding common area maintenance charges:

| | |
|----------------------------------|------------------|
| Minimum Fixed Lease Costs: | |
| Operating Lease Costs - building | \$ 60,541 |
| Total | <u>\$ 60,541</u> |

The following summarizes the weighted-average remaining lease term and weighted-average discount rate for the Organization's operating lease for the office space:

| | |
|--|------------------|
| Weighted-average remaining lease term: | <u>15 months</u> |
| Weighted-average discount rate: | <u>4.25%</u> |

Lease expense for the year ended June 30, 2022 totaled \$76,995 and was reported following guidance of FASB ASC 840. Future minimum lease payments under this agreement for fiscal years 2023, 2024, and 2025 were expected to be approximately \$78,000 per year, including estimated common area maintenance charges.

NOTE 11. PROJECT DEVELOPMENTS

Homeword has five projects in production as of June 30, 2023 under some form of construction or acquisition.

1) The Trinity Project started construction in spring of 2021 and is a collaboration among 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.

The 130 apartment homes at the Mullan Road location is comprised of 30 Permanent Supportive Housing (PSH) homes, named Blue Heron Place, for those experiencing, or at risk of chronic homelessness. On-site wrap around services will be provided 24 hours a day to PSH residents to help in maintaining their support and the security of their homes. The other 100 apartments, called Maple Street Flats, are workforce homes. The Mullan Road site will also include a navigation center that provides homeless supportive services to all community members, especially those experiencing houselessness. 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.

HOMEWORD, INC. AND AFFILIATES

Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

NOTE 11. PROJECT DEVELOPMENTS, continued

This project is 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.

2) Crowley Flats is 16 affordable apartments financed with 9% Low Income Housing Tax Credits, Historic Tax Credits, and private and public grants. The apartments were 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 build 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. Estimated completion date of September 2023 with full occupancy by the end of October of 2023.

3) Junegrass Place in Kalispell is a partnership project with GMD Development. Junegrass is a “twinned” or “hybrid” 4% and 9% Housing Tax Credit project and will contain 138 affordable apartments. Construction is underway. The Montana Board of Housing awarded tax credits to the 9% portion of the project in October 2022. The 4% bond portion will be issued as construction progresses. Estimated completion in 2024.

4) Baatz Block Apartments in Great Falls is a project in partnership with NeighborWorks Great Falls (NWGF). It will create 24 apartments in an historic downtown structure to allow for 24 Permanent Supportive Homes and social service space on the first floor, to serve people experiencing, or at risk of chronic homelessness. The Montana Board of Housing awarded 9% tax credits to this project in October 2022. Project closing anticipated for October 2023 with construction starting in late October or November. Estimated completion in late 2024.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

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 June 30, 2021 | \$ 831,982 | \$ 179,840 | \$ (132,251) | \$ (13,225) | \$ 166,615 |
| Distributions | (26,000) | (5,460) | - | - | (5,460) |
| Net income | 25,412 | 5,336 | 2,264 | 226 | 5,562 |
| Net Assets on June 30, 2022 | <u>\$ 831,394</u> | <u>\$ 179,716</u> | <u>\$ (129,987)</u> | <u>\$ (12,999)</u> | <u>\$ 166,717</u> |
| Distributions | (25,000) | (5,250) | - | - | (5,250) |
| Net income | 25,414 | 5,337 | 7,660 | 10,038 | 15,375 |
| Net Assets on June 30, 2023 | <u>\$ 831,808</u> | <u>\$ 179,803</u> | <u>\$ (122,327)</u> | <u>\$ (2,961)</u> | <u>\$ 176,842</u> |

NOTE 13. FUNDRAISING ACTIVITIES

The Organization has a dedicated staff member for Fundraising – the Fundraising Manager – who is charged with overseeing the Donor Program and all donor outreach and donor communications. The Organization receives grant funds from private and public sources as well as individual donor contributions and corporate sponsorships. 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.

Communication and fundraising expenses totaled \$118,338 and \$81,568 for the years ended June 30, 2023 and 2022, respectively. Fundraising expenses were 1.50% of total expenses for the year ended June 30, 2023 and 1.19% of total expenses for the year ended June 30, 2022.

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 \$1,480 in the year ended June 30, 2023 and \$1,500 in the year ended June 30, 2022.

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2023 and 2022

NOTE 15. ECONOMIC CONDITIONS

Rising interest rates, inflation, supply chain challenges, and volatility in the financial markets, along with other factors, may have a negative impact on the Organization's financial condition in fiscal year 2023; however, the impact is currently unknown and cannot reasonably be estimated at this time. Management and the board of directors are closely monitoring these metrics to minimize the potential impact to the Organization's financial condition.

SUPPLEMENTAL SCHEDULES

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

SCHEDULE 1
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

As of June 30, 2023

| | Homeword | Confluence | RBSB | Phillips |
|---|----------------------|---------------------|-------------------|-------------------|
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash | \$ 709,256 | \$ 416,756 | \$ 1,444 | \$ 34,983 |
| Accounts Receivable, net | 631,219 | 1,282 | - | 105 |
| Prepays | 2,142 | (117) | - | 1,075 |
| TOTAL CURRENT ASSETS | 1,342,617 | 417,921 | 1,444 | 36,163 |
| NON-CURRENT ASSETS | | | | |
| Restricted Cash | 35,580 | 66,788 | - | 51,486 |
| Developer Fee Receivable - tax credit partnerships, net | 1,196,834 | - | - | - |
| Management Fee Receivable - tax credit partnerships, net | 1,331,396 | - | - | - |
| Property and Equipment, net | 40,000 | 2,863,485 | - | 366,459 |
| TOTAL NON-CURRENT ASSETS | 2,603,810 | 2,930,273 | - | 417,945 |
| OTHER ASSETS | | | | |
| Long-Term Receivable - tax credit partnerships | 25,185,821 | - | - | - |
| Interest Receivable - tax credit partnerships | 7,033,812 | - | - | - |
| Miscellaneous Long-Term Assets | 4,463 | - | - | - |
| Developments in Process | 82,125 | - | - | - |
| Investment in Tax Credit Partnerships and Other Entities | (820,453) | - | 830,365 | - |
| TOTAL OTHER ASSETS | 31,485,768 | - | 830,365 | - |
| TOTAL ASSETS | \$ 35,432,195 | \$ 3,348,194 | \$ 831,809 | \$ 454,108 |
| LIABILITIES AND NET ASSETS | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts Payable | \$ 23,695 | \$ 123,345 | \$ - | \$ 688 |
| Accrued Liabilities | 127,891 | 16,200 | - | 2,445 |
| Deferred Revenue | - | - | - | 1,114 |
| Current Portion of Long-Term Debt | 755,422 | 71,305 | - | 4,030 |
| TOTAL CURRENT LIABILITIES | 907,008 | 210,850 | - | 8,277 |
| LONG-TERM LIABILITIES | | | | |
| Other | - | 298,906 | - | 112,925 |
| Refundable Advance | - | - | - | - |
| Long-Term Debt, Net of Current Portion and Issuance Costs | 1,567,462 | 3,749,659 | - | 414,442 |
| TOTAL LONG-TERM LIABILITIES | 1,567,462 | 4,048,565 | - | 527,367 |
| TOTAL LIABILITIES | 2,474,470 | 4,259,415 | - | 535,644 |
| NET ASSETS WITHOUT DONOR RESTRICTION | | | | |
| Noncontrolling Interest | - | - | 831,809 | - |
| Without Donor Restriction and Undesignated | 32,957,725 | (911,221) | - | (81,536) |
| TOTAL NET ASSETS | 32,957,725 | (911,221) | 831,809 | (81,536) |
| TOTAL LIABILITIES AND NET ASSETS | \$ 35,432,195 | \$ 3,348,194 | \$ 831,809 | \$ 454,108 |

See Independent Auditor's Report

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

SCHEDULE 1
CONSOLIDATING STATEMENT OF FINANCIAL POSITION, Continued

As of June 30, 2023

| | Fireweed Court | Lenox Flats | Gold Dust | Investment Fund |
|---|-------------------|-------------------|---------------------|---------------------|
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash | \$ 114,831 | \$ 30,768 | \$ 97,536 | \$ - |
| Accounts Receivable, net | 231 | - | 4,794 | - |
| Prepays | 1,820 | 3,325 | 3,844 | - |
| TOTAL CURRENT ASSETS | <u>116,882</u> | <u>34,093</u> | <u>106,174</u> | <u>-</u> |
| NON-CURRENT ASSETS | | | | |
| Restricted Cash | 82,801 | 80,759 | 134,350 | - |
| Developer Fee Receivable - tax credit partnerships, net | - | - | - | - |
| Management Fee Receivable - tax credit partnerships, net | - | - | - | - |
| Property and Equipment, net | 302,181 | 515,072 | 886,547 | - |
| TOTAL NON-CURRENT ASSETS | <u>384,982</u> | <u>595,831</u> | <u>1,020,897</u> | <u>-</u> |
| OTHER ASSETS | | | | |
| Long-Term Receivable - tax credit partnerships | - | - | - | 2,429,822 |
| Interest Receivable - tax credit partnerships | - | - | - | 272,111 |
| Miscellaneous Long-Term Assets | - | - | - | - |
| Developments in Process | - | - | - | - |
| Investment in Tax Credit Partnerships and Other Entities | - | - | - | - |
| TOTAL OTHER ASSETS | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,701,933</u> |
| TOTAL ASSETS | <u>\$ 501,864</u> | <u>\$ 629,924</u> | <u>\$ 1,127,071</u> | <u>\$ 2,701,933</u> |
| LIABILITIES AND NET ASSETS | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts Payable | \$ 766 | \$ 3,043 | \$ 1,675 | \$ - |
| Accrued Liabilities | 2,431 | 10,123 | 4,062 | - |
| Deferred Revenue | 6,325 | 8,833 | 1,096 | - |
| Current Portion of Long-Term Debt | - | - | - | - |
| TOTAL CURRENT LIABILITIES | <u>9,522</u> | <u>21,999</u> | <u>6,833</u> | <u>-</u> |
| LONG-TERM LIABILITIES | | | | |
| Other | 131,349 | 607,131 | 646,233 | 680,716 |
| Refundable Advance | - | - | - | - |
| Long-Term Debt, Net of Current Portion and Issuance Costs | 533,412 | 719,294 | 619,230 | 1,327,942 |
| TOTAL LONG-TERM LIABILITIES | <u>664,761</u> | <u>1,326,425</u> | <u>1,265,463</u> | <u>2,008,658</u> |
| TOTAL LIABILITIES | <u>674,283</u> | <u>1,348,424</u> | <u>1,272,296</u> | <u>2,008,658</u> |
| NET ASSETS WITHOUT DONOR RESTRICTION | | | | |
| Noncontrolling Interest | - | - | - | - |
| Without Donor Restriction and Undesignated | (172,419) | (718,500) | (145,225) | 693,275 |
| TOTAL NET ASSETS | <u>(172,419)</u> | <u>(718,500)</u> | <u>(145,225)</u> | <u>693,275</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 501,864</u> | <u>\$ 629,924</u> | <u>\$ 1,127,071</u> | <u>\$ 2,701,933</u> |

See Independent Auditor's Report

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

SCHEDULE 1
CONSOLIDATING STATEMENT OF FINANCIAL POSITION, Continued

As of June 30, 2023

| | Acme | Creekside | Hearthstone | Fraser Tower |
|---|---------------------|----------------------|---------------------|---------------------|
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash | \$ 31,238 | \$ 478,044 | \$ 53,705 | \$ 160,218 |
| Accounts Receivable, net | 10,134 | 22,914 | 11,185 | 17,088 |
| Prepays | 6,161 | 933 | 48,257 | 8,142 |
| TOTAL CURRENT ASSETS | <u>47,533</u> | <u>501,891</u> | <u>113,147</u> | <u>185,448</u> |
| NON-CURRENT ASSETS | | | | |
| Restricted Cash | 109,058 | 392,585 | 205,997 | 134,498 |
| Developer Fee Receivable - tax credit partnerships, net | - | - | - | - |
| Management Fee Receivable - tax credit partnerships, net | - | - | - | - |
| Property and Equipment, net | 1,913,978 | 11,922,084 | 3,021,271 | 3,399,431 |
| TOTAL NON-CURRENT ASSETS | <u>2,023,036</u> | <u>12,314,669</u> | <u>3,227,268</u> | <u>3,533,929</u> |
| 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 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL ASSETS | <u>\$ 2,070,569</u> | <u>\$ 12,816,560</u> | <u>\$ 3,340,415</u> | <u>\$ 3,719,377</u> |
| LIABILITIES AND NET ASSETS | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts Payable | \$ 48,667 | \$ 574 | \$ 9,839 | \$ 8,242 |
| Accrued Liabilities | 11,421 | 65,949 | 24,339 | 12,652 |
| Deferred Revenue | 1,178 | 34,088 | 2,736 | 7,840 |
| Current Portion of Long-Term Debt | 7,104 | 232,174 | - | - |
| TOTAL CURRENT LIABILITIES | <u>68,370</u> | <u>332,785</u> | <u>36,914</u> | <u>28,734</u> |
| LONG-TERM LIABILITIES | | | | |
| Other | 1,364,972 | 165,511 | 370,556 | 24,703 |
| Refundable Advance | - | - | - | - |
| Long-Term Debt, Net of Current Portion and Issuance Costs | 1,000,627 | 13,085,024 | 4,127,574 | 4,015,353 |
| TOTAL LONG-TERM LIABILITIES | <u>2,365,599</u> | <u>13,250,535</u> | <u>4,498,130</u> | <u>4,040,056</u> |
| TOTAL LIABILITIES | <u>2,433,969</u> | <u>13,583,320</u> | <u>4,535,044</u> | <u>4,068,790</u> |
| NET ASSETS WITHOUT DONOR RESTRICTION | | | | |
| Noncontrolling Interest | - | - | - | - |
| Without Donor Restriction and Undesignated | (363,400) | (766,760) | (1,194,629) | (349,413) |
| TOTAL NET ASSETS | <u>(363,400)</u> | <u>(766,760)</u> | <u>(1,194,629)</u> | <u>(349,413)</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 2,070,569</u> | <u>\$ 12,816,560</u> | <u>\$ 3,340,415</u> | <u>\$ 3,719,377</u> |

See Independent Auditor's Report

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

SCHEDULE 1
CONSOLIDATING STATEMENT OF FINANCIAL POSITION, Continued

As of June 30, 2023

| | Sage Tower | Orchard Gardens | Ouellette |
|---|---------------------|---------------------|---------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash | \$ 165,708 | \$ 62,155 | \$ 163,589 |
| Accounts Receivable, net | 9,095 | 13,526 | 2,502 |
| Prepays | 49,033 | 7,968 | 6,642 |
| TOTAL CURRENT ASSETS | <u>223,836</u> | <u>83,649</u> | <u>172,733</u> |
| NON-CURRENT ASSETS | | | |
| Restricted Cash | 272,907 | 186,626 | 118,192 |
| Developer Fee Receivable - tax credit partnerships, net | - | - | - |
| Management Fee Receivable - tax credit partnerships, net | - | - | - |
| Property and Equipment, net | 2,572,838 | 3,883,705 | 3,705,189 |
| TOTAL NON-CURRENT ASSETS | <u>2,845,745</u> | <u>4,070,331</u> | <u>3,823,381</u> |
| 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 | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL ASSETS | <u>\$ 3,069,581</u> | <u>\$ 4,153,980</u> | <u>\$ 3,996,114</u> |
| LIABILITIES AND NET ASSETS | | | |
| CURRENT LIABILITIES | | | |
| Accounts Payable | \$ 29,827 | \$ 3,525 | \$ 4,781 |
| Accrued Liabilities | 31,514 | 9,076 | 5,824 |
| Deferred Revenue | 12,761 | 984 | 1,928 |
| Current Portion of Long-Term Debt | 41,373 | 16,244 | 6,738 |
| TOTAL CURRENT LIABILITIES | <u>115,475</u> | <u>29,829</u> | <u>19,271</u> |
| LONG-TERM LIABILITIES | | | |
| Other | 135,854 | 1,831,750 | 3,170,091 |
| Refundable Advance | - | - | - |
| Long-Term Debt, Net of Current Portion and Issuance Costs | 2,087,696 | 2,119,939 | 929,080 |
| TOTAL LONG-TERM LIABILITIES | <u>2,223,550</u> | <u>3,951,689</u> | <u>4,099,171</u> |
| TOTAL LIABILITIES | <u>2,339,025</u> | <u>3,981,518</u> | <u>4,118,442</u> |
| NET ASSETS WITHOUT DONOR RESTRICTION | | | |
| Noncontrolling Interest | - | - | (122,328) |
| Without Donor Restriction and Undesignated | 730,556 | 172,462 | - |
| TOTAL NET ASSETS | <u>730,556</u> | <u>172,462</u> | <u>(122,328)</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 3,069,581</u> | <u>\$ 4,153,980</u> | <u>\$ 3,996,114</u> |

See Independent Auditor's Report

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

SCHEDULE 1
CONSOLIDATING STATEMENT OF FINANCIAL POSITION, Continued

As of June 30, 2023

| | Southern Lights | Eliminating Entries | Consolidated Balance |
|---|---------------------|------------------------|-------------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash | \$ 22,542 | \$ - | \$ 2,542,773 |
| Accounts Receivable, net | 7,525 | (45,292) | 686,308 |
| Prepays | 8,873 | (37,906) | 110,192 |
| TOTAL CURRENT ASSETS | <u>38,940</u> | <u>(83,198)</u> | <u>3,339,273</u> |
| NON-CURRENT ASSETS | | | |
| Restricted Cash | 124,143 | - | 1,995,770 |
| Developer Fee Receivable - tax credit partnerships, net | - | (282,335) | 914,499 |
| Management Fee Receivable - tax credit partnerships, net | - | (1,142,416) | 188,980 |
| Property and Equipment, net | 3,070,246 | - | 38,462,486 |
| TOTAL NON-CURRENT ASSETS | <u>3,194,389</u> | <u>(1,424,751)</u> | <u>41,561,735</u> |
| OTHER ASSETS | | | |
| Long-Term Receivable - tax credit partnerships | - | (13,034,669) | 14,580,974 |
| Interest Receivable - tax credit partnerships | - | (5,332,457) | 1,973,466 |
| Miscellaneous Long-Term Assets | - | - | 4,463 |
| Developments in Process | - | - | 82,125 |
| Investment in Tax Credit Partnerships and Other Entities | - | 708,054 | 717,966 |
| TOTAL OTHER ASSETS | <u>-</u> | <u>(17,659,072)</u> | <u>17,358,994</u> |
| TOTAL ASSETS | <u>\$ 3,233,329</u> | <u>\$ (19,167,021)</u> | <u>\$ 62,260,002</u> |
| LIABILITIES AND NET ASSETS | | | |
| CURRENT LIABILITIES | | | |
| Accounts Payable | \$ 10,130 | \$ (83,198) | \$ 185,599 |
| Accrued Liabilities | 5,141 | - | 329,068 |
| Deferred Revenue | 3,219 | - | 82,102 |
| Current Portion of Long-Term Debt | 6,835 | - | 1,141,225 |
| TOTAL CURRENT LIABILITIES | <u>25,325</u> | <u>(83,198)</u> | <u>1,737,994</u> |
| LONG-TERM LIABILITIES | | | |
| Other | 530,566 | (6,644,708) | 3,426,555 |
| Refundable Advance | - | - | - |
| Long-Term Debt, Net of Current Portion and Issuance Costs | 802,851 | (13,147,169) | 23,952,416 |
| TOTAL LONG-TERM LIABILITIES | <u>1,333,417</u> | <u>(19,791,877)</u> | <u>27,378,971</u> |
| TOTAL LIABILITIES | <u>1,358,742</u> | <u>(19,875,075)</u> | <u>29,116,965</u> |
| NET ASSETS WITHOUT DONOR RESTRICTION | | | |
| Noncontrolling Interest | - | (532,639) | 176,842 |
| Without Donor Restriction and Undesignated | 1,874,587 | 1,240,693 | 32,966,195 |
| TOTAL NET ASSETS | <u>1,874,587</u> | <u>708,054</u> | <u>33,143,037</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 3,233,329</u> | <u>\$ (19,167,021)</u> | <u>\$ 62,260,002</u> |

See Independent Auditor's Report

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

SCHEDULE 1
CONSOLIDATING STATEMENT OF FINANCIAL POSITION, Continued

As of June 30, 2022

| | Homeword | Confluence | RBSB | Phillips |
|---|---------------|--------------|------------|------------|
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash | \$ 1,498,437 | \$ 396,817 | \$ 1,030 | \$ 17,521 |
| Accounts Receivable, net | 286,009 | 1,062 | - | 844 |
| Prepays | 1,042 | 2,052 | - | 708 |
| TOTAL CURRENT ASSETS | 1,785,488 | 399,931 | 1,030 | 19,073 |
| NON-CURRENT ASSETS | | | | |
| Restricted Cash | 39,102 | 63,081 | - | 49,006 |
| Developer Fee Receivable - tax credit partnerships, net | 913,941 | - | - | - |
| Management Fee Receivable - tax credit partnerships, net | 1,149,249 | - | - | - |
| Property and Equipment, net | 41,707 | 2,952,882 | - | 378,713 |
| TOTAL NON-CURRENT ASSETS | 2,143,999 | 3,015,963 | - | 427,719 |
| OTHER ASSETS | | | | |
| Long-Term Receivable - tax credit partnerships | 23,683,200 | - | - | - |
| Interest Receivable - tax credit partnerships | 6,377,697 | - | - | - |
| Miscellaneous Long-Term Assets | 2,500 | - | - | - |
| Developments in Process | 220,240 | - | - | - |
| Investment in Tax Credit Partnerships and Other Entities | 540,325 | - | 830,365 | - |
| TOTAL OTHER ASSETS | 30,823,962 | - | 830,365 | - |
| TOTAL ASSETS | \$ 34,753,449 | \$ 3,415,894 | \$ 831,395 | \$ 446,792 |
| LIABILITIES AND NET ASSETS | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts Payable | \$ 3,722 | \$ 125,166 | \$ - | \$ 831 |
| Accrued Liabilities | 125,925 | 16,182 | - | 2,031 |
| Funds Held in Trust | - | - | - | - |
| Deferred Revenue | - | - | - | 3,798 |
| Current Portion of Long-Term Debt | 33,141 | 68,352 | - | 3,853 |
| TOTAL CURRENT LIABILITIES | 162,788 | 209,700 | - | 10,513 |
| LONG-TERM LIABILITIES | | | | |
| Other | - | 254,383 | - | 101,571 |
| Refundable Advance | - | - | - | - |
| Long-Term Debt, Net of Current Portion and Issuance Costs | 2,540,497 | 3,820,964 | - | 480,753 |
| TOTAL LONG-TERM LIABILITIES | 2,540,497 | 4,075,347 | - | 582,324 |
| TOTAL LIABILITIES | 2,703,285 | 4,285,047 | - | 592,837 |
| NET ASSETS WITHOUT DONOR RESTRICTION | | | | |
| Noncontrolling Interest in RBSB | - | - | 831,395 | - |
| Without Donor Restriction and Undesignated | 32,050,164 | (869,153) | - | (146,045) |
| TOTAL NET ASSETS | 32,050,164 | (869,153) | 831,395 | (146,045) |
| TOTAL LIABILITIES AND NET ASSETS | \$ 34,753,449 | \$ 3,415,894 | \$ 831,395 | \$ 446,792 |

See Independent Auditor's Report

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

SCHEDULE 1
CONSOLIDATING STATEMENT OF FINANCIAL POSITION, Continued

As of June 30, 2022

| | Fireweed Court | Lenox Flats | Gold Dust | Investment Fund |
|---|--------------------------|--------------------------|----------------------------|----------------------------|
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash | \$ 99,577 | \$ 30,953 | \$ 77,107 | \$ - |
| Accounts Receivable, net | 5,524 | 10,432 | 2,707 | - |
| Prepays | 1,467 | 2,842 | 3,348 | - |
| TOTAL CURRENT ASSETS | <u>106,568</u> | <u>44,227</u> | <u>83,162</u> | <u>-</u> |
| NON-CURRENT ASSETS | | | | |
| Restricted Cash | 78,589 | 75,548 | 124,831 | - |
| Developer Fee Receivable - tax credit partnerships, net | - | - | - | - |
| Management Fee Receivable - tax credit partnerships, net | - | - | - | - |
| Property and Equipment, net | 344,152 | 484,295 | 980,342 | - |
| TOTAL NON-CURRENT ASSETS | <u>422,741</u> | <u>559,843</u> | <u>1,105,173</u> | <u>-</u> |
| OTHER ASSETS | | | | |
| Long-Term Receivable - tax credit partnerships | - | - | - | 2,429,822 |
| Interest Receivable - tax credit partnerships | - | - | - | 231,285 |
| Miscellaneous Long-Term Assets | - | - | - | - |
| Developments in Process | - | - | - | - |
| Investment in Tax Credit Partnerships and Other Entities | - | - | - | - |
| TOTAL OTHER ASSETS | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,661,107</u> |
| TOTAL ASSETS | <u><u>\$ 529,309</u></u> | <u><u>\$ 604,070</u></u> | <u><u>\$ 1,188,335</u></u> | <u><u>\$ 2,661,107</u></u> |
| LIABILITIES AND NET ASSETS | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts Payable | \$ 1,060 | \$ 1,182 | \$ 2,579 | \$ - |
| Accrued Liabilities | 1,752 | 9,447 | 4,179 | - |
| Funds Held in Trust | - | - | - | - |
| Deferred Revenue | 2,775 | 7,159 | 5,424 | - |
| Current Portion of Long-Term Debt | - | - | - | - |
| TOTAL CURRENT LIABILITIES | <u>5,587</u> | <u>17,788</u> | <u>12,182</u> | <u>-</u> |
| LONG-TERM LIABILITIES | | | | |
| Other | 136,618 | 569,844 | 603,473 | 631,843 |
| Refundable Advance | - | - | - | - |
| Long-Term Debt, Net of Current Portion and Issuance Costs | 533,412 | 609,764 | 624,493 | 1,327,942 |
| TOTAL LONG-TERM LIABILITIES | <u>670,030</u> | <u>1,179,608</u> | <u>1,227,966</u> | <u>1,959,785</u> |
| TOTAL LIABILITIES | <u>675,617</u> | <u>1,197,396</u> | <u>1,240,148</u> | <u>1,959,785</u> |
| NET ASSETS WITHOUT DONOR RESTRICTION | | | | |
| Noncontrolling Interest in RBSB | - | - | - | - |
| Without Donor Restriction and Undesignated | (146,308) | (593,326) | (51,813) | 701,322 |
| TOTAL NET ASSETS | <u>(146,308)</u> | <u>(593,326)</u> | <u>(51,813)</u> | <u>701,322</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 529,309</u></u> | <u><u>\$ 604,070</u></u> | <u><u>\$ 1,188,335</u></u> | <u><u>\$ 2,661,107</u></u> |

See Independent Auditor's Report

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

SCHEDULE 1
CONSOLIDATING STATEMENT OF FINANCIAL POSITION, Continued

As of June 30, 2022

| | Acme | Creekside | Hearthstone | Fraser Tower |
|---|----------------------------|-----------------------------|----------------------------|----------------------------|
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash | \$ 55,817 | \$ 338,158 | \$ 114,525 | \$ 258,238 |
| Accounts Receivable, net | 25,773 | 8,090 | 12,039 | 21,868 |
| Prepays | 5,749 | 8,445 | 44,038 | 4,035 |
| TOTAL CURRENT ASSETS | <u>87,339</u> | <u>354,693</u> | <u>170,602</u> | <u>284,141</u> |
| NON-CURRENT ASSETS | | | | |
| Restricted Cash | 106,692 | 341,153 | 179,842 | 115,162 |
| Developer Fee Receivable - tax credit partnerships, net | - | - | - | - |
| Management Fee Receivable - tax credit partnerships, net | - | - | - | - |
| Property and Equipment, net | 2,000,842 | 12,253,049 | 2,839,753 | 3,536,174 |
| TOTAL NON-CURRENT ASSETS | <u>2,107,534</u> | <u>12,594,202</u> | <u>3,019,595</u> | <u>3,651,336</u> |
| 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 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL ASSETS | <u><u>\$ 2,194,873</u></u> | <u><u>\$ 12,948,895</u></u> | <u><u>\$ 3,190,197</u></u> | <u><u>\$ 3,935,477</u></u> |
| LIABILITIES AND NET ASSETS | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts Payable | \$ 32,304 | \$ 10,330 | \$ 35,799 | \$ 16,020 |
| Accrued Liabilities | 11,663 | 58,258 | 23,023 | 14,235 |
| Funds Held in Trust | - | - | - | - |
| Deferred Revenue | 2,038 | 49,720 | 3,030 | 4,237 |
| Current Portion of Long-Term Debt | 6,873 | 222,375 | 893 | - |
| TOTAL CURRENT LIABILITIES | <u>52,878</u> | <u>340,683</u> | <u>62,745</u> | <u>34,492</u> |
| LONG-TERM LIABILITIES | | | | |
| Other | 1,293,125 | 149,970 | 237,816 | 22,356 |
| Refundable Advance | - | - | - | - |
| Long-Term Debt, Net of Current Portion and Issuance Costs | 1,007,730 | 13,313,324 | 3,781,868 | 4,036,547 |
| TOTAL LONG-TERM LIABILITIES | <u>2,300,855</u> | <u>13,463,294</u> | <u>4,019,684</u> | <u>4,058,903</u> |
| TOTAL LIABILITIES | <u>2,353,733</u> | <u>13,803,977</u> | <u>4,082,429</u> | <u>4,093,395</u> |
| NET ASSETS WITHOUT DONOR RESTRICTION | | | | |
| Noncontrolling Interest in RBSB | - | - | - | - |
| Without Donor Restriction and Undesignated | (158,860) | (855,082) | (892,232) | (157,918) |
| TOTAL NET ASSETS | <u>(158,860)</u> | <u>(855,082)</u> | <u>(892,232)</u> | <u>(157,918)</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 2,194,873</u></u> | <u><u>\$ 12,948,895</u></u> | <u><u>\$ 3,190,197</u></u> | <u><u>\$ 3,935,477</u></u> |

See Independent Auditor's Report

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

SCHEDULE 1
CONSOLIDATING STATEMENT OF FINANCIAL POSITION, Continued

As of June 30, 2022

| | Sage Tower | Orchard Gardens | Ouellette |
|---|---------------------|---------------------|---------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash | \$ 146,569 | \$ 35,636 | \$ 125,013 |
| Accounts Receivable, net | 28,137 | 1,175 | 9,018 |
| Prepays | 45,636 | 8,213 | 6,457 |
| TOTAL CURRENT ASSETS | <u>220,342</u> | <u>45,024</u> | <u>140,488</u> |
| NON-CURRENT ASSETS | | | |
| Restricted Cash | 328,265 | 170,562 | 110,102 |
| Developer Fee Receivable - tax credit partnerships, net | - | - | - |
| Management Fee Receivable - tax credit partnerships, net | - | - | - |
| Property and Equipment, net | 2,650,015 | 4,046,598 | 3,845,667 |
| TOTAL NON-CURRENT ASSETS | <u>2,978,280</u> | <u>4,217,160</u> | <u>3,955,769</u> |
| 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 | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL ASSETS | <u>\$ 3,198,622</u> | <u>\$ 4,262,184</u> | <u>\$ 4,096,257</u> |
| LIABILITIES AND NET ASSETS | | | |
| CURRENT LIABILITIES | | | |
| Accounts Payable | \$ 50,470 | \$ 5,938 | \$ 5,057 |
| Accrued Liabilities | 20,780 | 7,582 | 6,350 |
| Funds Held in Trust | - | - | - |
| Deferred Revenue | 6,667 | 9,655 | 616 |
| Current Portion of Long-Term Debt | 39,952 | 15,714 | 6,506 |
| TOTAL CURRENT LIABILITIES | <u>117,869</u> | <u>38,889</u> | <u>18,529</u> |
| LONG-TERM LIABILITIES | | | |
| Other | 87,664 | 1,730,379 | 3,282,828 |
| Refundable Advance | - | - | - |
| Long-Term Debt, Net of Current Portion and Issuance Costs | 2,128,818 | 2,135,855 | 924,888 |
| TOTAL LONG-TERM LIABILITIES | <u>2,216,482</u> | <u>3,866,234</u> | <u>4,207,716</u> |
| TOTAL LIABILITIES | <u>2,334,351</u> | <u>3,905,123</u> | <u>4,226,245</u> |
| NET ASSETS WITHOUT DONOR RESTRICTION | | | |
| Noncontrolling Interest in RBSB | - | - | (129,988) |
| Without Donor Restriction and Undesignated | 864,271 | 357,061 | - |
| TOTAL NET ASSETS | <u>864,271</u> | <u>357,061</u> | <u>(129,988)</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 3,198,622</u> | <u>\$ 4,262,184</u> | <u>\$ 4,096,257</u> |

See Independent Auditor's Report

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

SCHEDULE 1
CONSOLIDATING STATEMENT OF FINANCIAL POSITION, Continued

As of June 30, 2022

| | Southern Lights | Eliminating Entries | Consolidated Balance |
|---|---------------------|------------------------|-------------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash | \$ 79,904 | \$ - | \$ 3,275,302 |
| Accounts Receivable, net | 11,603 | (70,912) | 353,369 |
| Prepays | 6,772 | (36,199) | 104,605 |
| TOTAL CURRENT ASSETS | <u>98,279</u> | <u>(107,111)</u> | <u>3,733,276</u> |
| NON-CURRENT ASSETS | | | |
| Restricted Cash | 116,451 | - | 1,898,386 |
| Developer Fee Receivable - tax credit partnerships, net | - | (232,335) | 681,606 |
| Management Fee Receivable - tax credit partnerships, net | - | (977,727) | 171,522 |
| Property and Equipment, net | 3,171,599 | - | 39,525,788 |
| TOTAL NON-CURRENT ASSETS | <u>3,288,050</u> | <u>(1,210,062)</u> | <u>42,277,302</u> |
| OTHER ASSETS | | | |
| Long-Term Receivable - tax credit partnerships | - | (12,646,948) | 13,466,074 |
| Interest Receivable - tax credit partnerships | - | (4,963,615) | 1,645,367 |
| Miscellaneous Long-Term Assets | - | - | 2,500 |
| Developments in Process | - | - | 220,240 |
| Investment in Tax Credit Partnerships and Other Entities | - | (642,154) | 728,536 |
| TOTAL OTHER ASSETS | <u>-</u> | <u>(18,252,717)</u> | <u>16,062,717</u> |
| TOTAL ASSETS | <u>\$ 3,386,329</u> | <u>\$ (19,569,890)</u> | <u>\$ 62,073,295</u> |
| LIABILITIES AND NET ASSETS | | | |
| CURRENT LIABILITIES | | | |
| Accounts Payable | \$ 626 | \$ (107,115) | \$ 183,969 |
| Accrued Liabilities | 4,166 | - | 305,573 |
| Funds Held in Trust | - | - | - |
| Deferred Revenue | 6,262 | - | 101,381 |
| Current Portion of Long-Term Debt | 6,486 | - | 404,145 |
| TOTAL CURRENT LIABILITIES | <u>17,540</u> | <u>(107,115)</u> | <u>995,068</u> |
| LONG-TERM LIABILITIES | | | |
| Other | 494,258 | (6,070,170) | 3,525,958 |
| Refundable Advance | - | - | - |
| Long-Term Debt, Net of Current Portion and Issuance Costs | 809,714 | (12,750,448) | 25,326,121 |
| TOTAL LONG-TERM LIABILITIES | <u>1,303,972</u> | <u>(18,820,618)</u> | <u>28,852,079</u> |
| TOTAL LIABILITIES | <u>1,321,512</u> | <u>(18,927,733)</u> | <u>29,847,147</u> |
| NET ASSETS WITHOUT DONOR RESTRICTION | | | |
| Noncontrolling Interest | - | (534,690) | 166,717 |
| Without Donor Restriction and Undesignated | 2,064,817 | (107,467) | 32,059,431 |
| TOTAL NET ASSETS | <u>2,064,817</u> | <u>(642,157)</u> | <u>32,226,148</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 3,386,329</u> | <u>\$ (19,569,890)</u> | <u>\$ 62,073,295</u> |

See Independent Auditor's Report

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

SCHEDULE 2
CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2023

| | Homeword | Confluence | RBSB | Phillips |
|--------------------------------------|---------------|--------------|------------|-------------|
| NET ASSETS WITHOUT DONOR RESTRICTION | | | | |
| OPERATING REVENUE | | | | |
| Developer Fees | \$ 688,825 | \$ - | \$ - | \$ - |
| Interest | 704,719 | 260 | 25,414 | 9 |
| Services | 597,898 | - | - | - |
| Contributions | 102,756 | - | - | - |
| Other | (130) | - | - | - |
| Investment Income (Loss) | 9,286 | - | - | - |
| TOTAL OPERATING REVENUE | 2,103,354 | 260 | 25,414 | 9 |
| OPERATING EXPENSES | | | | |
| Program | | | | |
| Housing Development | 474,795 | - | - | - |
| Asset Management | 336,675 | - | - | - |
| Home Ownership Center | 297,387 | - | - | - |
| Property Management | - | 321,728 | - | 71,832 |
| Total Program | 1,108,857 | 321,728 | - | 71,832 |
| Supporting | | | | |
| Management & General | 97,392 | - | - | - |
| Communications & Fund-raising | 118,338 | - | - | - |
| Total Supporting | 215,730 | - | - | - |
| TOTAL OPERATING EXPENSES | 1,324,587 | 321,728 | - | 71,832 |
| Change in Net Assets from Operations | 778,767 | (321,468) | 25,414 | (71,823) |
| NON-OPERATING REVENUE | | | | |
| Rents | - | 279,400 | - | 136,332 |
| Grants | 1,373,155 | - | - | - |
| Equity Income (Loss) from Affiliates | (1,244,361) | - | - | - |
| TOTAL NON-OPERATING REVENUE | 128,794 | 279,400 | - | 136,332 |
| CHANGE IN NET ASSETS | 907,561 | (42,068) | 25,414 | 64,509 |
| NET ASSETS WITHOUT DONOR RESTRICTION | | | | |
| Beginning of Year | 32,050,164 | (869,153) | 831,395 | (146,045) |
| Distributions to Members | - | - | (25,000) | - |
| Member Contributions | - | - | - | - |
| End of Year | \$ 32,957,725 | \$ (911,221) | \$ 831,809 | \$ (81,536) |

See Independent Auditor's Report

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

SCHEDULE 2
CONSOLIDATING STATEMENT OF ACTIVITIES, Continued

For the Year Ended June 30, 2023

| | Fireweed Court | Lenox Flats | Gold Dust | Investment Fund |
|--------------------------------------|-------------------|----------------|--------------|--------------------|
| NET ASSETS WITHOUT DONOR RESTRICTION | | | | |
| OPERATING REVENUE | | | | |
| Developer Fees | \$ - | \$ - | \$ - | \$ - |
| Interest | 79 | 16 | 82 | 63,175 |
| Services | - | - | - | - |
| Contributions | - | - | - | - |
| Other | - | 40,456 | - | - |
| Investment Income (Loss) | - | - | - | - |
| TOTAL OPERATING REVENUE | 79 | 40,472 | 82 | 63,175 |
| OPERATING EXPENSES | | | | |
| Program | | | | |
| Housing Development | - | - | - | - |
| Asset Management | - | - | - | - |
| Home Ownership Center | - | - | - | - |
| Property Management | 145,678 | 252,419 | 285,381 | 71,222 |
| Total Program | 145,678 | 252,419 | 285,381 | 71,222 |
| Supporting | | | | |
| Management & General | - | - | - | - |
| Communications & Fund-raising | - | - | - | - |
| Total Supporting | - | - | - | - |
| TOTAL OPERATING EXPENSES | 145,678 | 252,419 | 285,381 | 71,222 |
| Change in Net Assets from Operations | (145,599) | (211,947) | (285,299) | (8,047) |
| NON-OPERATING REVENUE | | | | |
| Rents | 119,488 | 86,773 | 191,887 | - |
| Grants | - | - | - | - |
| Equity Income (Loss) from Affiliates | - | - | - | - |
| TOTAL NON-OPERATING REVENUE | 119,488 | 86,773 | 191,887 | - |
| CHANGE IN NET ASSETS | (26,111) | (125,174) | (93,412) | (8,047) |
| NET ASSETS WITHOUT DONOR RESTRICTION | | | | |
| Beginning of Year | (146,308) | (593,326) | (51,813) | 701,322 |
| Distributions to Members | - | - | - | - |
| Member Contributions | - | - | - | - |
| End of Year | \$ (172,419) | \$ (718,500) | \$ (145,225) | \$ 693,275 |

See Independent Auditor's Report

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

SCHEDULE 2
CONSOLIDATING STATEMENT OF ACTIVITIES, Continued

For the Year Ended June 30, 2023

| | Acme | Creekside | Hearthstone | Fraser Tower |
|--------------------------------------|--------------|--------------|----------------|-----------------|
| NET ASSETS WITHOUT DONOR RESTRICTION | | | | |
| OPERATING REVENUE | | | | |
| Developer Fees | \$ - | \$ - | \$ - | \$ - |
| Interest | 71 | 417 | 75 | 602 |
| Services | - | - | - | - |
| Contributions | - | - | - | - |
| Other | 40,219 | - | 230,242 | - |
| Investment Income (Loss) | - | - | - | - |
| TOTAL OPERATING REVENUE | 40,290 | 417 | 230,317 | 602 |
| OPERATING EXPENSES | | | | |
| Program | | | | |
| Housing Development | - | - | - | - |
| Asset Management | - | - | - | - |
| Home Ownership Center | - | - | - | - |
| Property Management | 381,175 | 1,703,501 | 1,100,115 | 722,156 |
| Total Program | 381,175 | 1,703,501 | 1,100,115 | 722,156 |
| Supporting | | | | |
| Management & General | - | - | - | - |
| Communications & Fund-raising | - | - | - | - |
| Total Supporting | - | - | - | - |
| TOTAL OPERATING EXPENSES | 381,175 | 1,703,501 | 1,100,115 | 722,156 |
| Change in Net Assets from Operations | (340,885) | (1,703,084) | (869,798) | (721,554) |
| NON-OPERATING REVENUE | | | | |
| Rents | 136,345 | 1,845,406 | 567,401 | 565,059 |
| Grants | - | - | - | - |
| Equity Income (Loss) from Affiliates | - | - | - | - |
| TOTAL NON-OPERATING REVENUE | 136,345 | 1,845,406 | 567,401 | 565,059 |
| CHANGE IN NET ASSETS | (204,540) | 142,322 | (302,397) | (156,495) |
| NET ASSETS WITHOUT DONOR RESTRICTION | | | | |
| Beginning of Year | (158,860) | (855,082) | (892,232) | (157,918) |
| Distributions to Members | - | (54,000) | - | (35,000) |
| Member Contributions | - | - | - | - |
| End of Year | \$ (363,400) | \$ (766,760) | \$ (1,194,629) | \$ (349,413) |

See Independent Auditor's Report

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

SCHEDULE 2
CONSOLIDATING STATEMENT OF ACTIVITIES, Continued

For the Year Ended June 30, 2023

| | Sage Tower | Orchard Gardens | Ouellette |
|--------------------------------------|-------------------|--------------------|---------------------|
| NET ASSETS WITHOUT DONOR RESTRICTION | | | |
| OPERATING REVENUE | | | |
| Developer Fees | \$ - | \$ - | \$ - |
| Interest | 1,038 | 145 | 1,001 |
| Services | - | - | - |
| Contributions | - | - | - |
| Other | 67,910 | (18) | 116,908 |
| Investment Income (Loss) | - | - | - |
| TOTAL OPERATING REVENUE | <u>68,948</u> | <u>127</u> | <u>117,909</u> |
| OPERATING EXPENSES | | | |
| Program | | | |
| Housing Development | - | - | - |
| Asset Management | - | - | - |
| Home Ownership Center | - | - | - |
| Property Management | 947,397 | 529,917 | 331,320 |
| Total Program | <u>947,397</u> | <u>529,917</u> | <u>331,320</u> |
| Supporting | | | |
| Management & General | - | - | - |
| Communications & Fund-raising | - | - | - |
| Total Supporting | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL OPERATING EXPENSES | <u>947,397</u> | <u>529,917</u> | <u>331,320</u> |
| Change in Net Assets from Operations | (878,449) | (529,790) | (213,411) |
| NON-OPERATING REVENUE | | | |
| Rents | 744,734 | 345,191 | 221,071 |
| Grants | - | - | - |
| Equity Income (Loss) from Affiliates | - | - | - |
| TOTAL NON-OPERATING REVENUE | <u>744,734</u> | <u>345,191</u> | <u>221,071</u> |
| CHANGE IN NET ASSETS | (133,715) | (184,599) | 7,660 |
| NET ASSETS WITHOUT DONOR RESTRICTION | | | |
| Beginning of Year | 864,271 | 357,061 | (129,988) |
| Distributions to Members | - | - | - |
| Member Contributions | - | - | - |
| End of Year | <u>\$ 730,556</u> | <u>\$ 172,462</u> | <u>\$ (122,328)</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, 2023

| | Southern Lights | Eliminations | Consolidated Total |
|--------------------------------------|--------------------|--------------|-----------------------|
| NET ASSETS WITHOUT DONOR RESTRICTION | | | |
| OPERATING REVENUE | | | |
| Developer Fees | \$ - | \$ - | \$ 688,825 |
| Interest | 400 | (408,609) | 388,894 |
| Services | - | (193,160) | 404,738 |
| Contributions | - | - | 102,756 |
| Other | - | - | 495,587 |
| Investment Income (Loss) | - | - | 9,286 |
| TOTAL OPERATING REVENUE | 400 | (601,769) | 2,090,086 |
| OPERATING EXPENSES | | | |
| Program | | | |
| Housing Development | - | (29,107) | 445,688 |
| Asset Management | - | (16,634) | 320,041 |
| Home Ownership Center | - | (20,791) | 276,596 |
| Property Management | 380,675 | (601,769) | 6,642,747 |
| Total Program | 380,675 | (668,301) | 7,685,072 |
| Supporting | | | |
| Management & General | - | (16,633) | 80,759 |
| Communications & Fund-raising | - | - | 118,338 |
| Total Supporting | - | (16,633) | 199,097 |
| TOTAL OPERATING EXPENSES | 380,675 | (684,934) | 7,884,169 |
| Change in Net Assets from Operations | (380,275) | 83,165 | (5,794,083) |
| NON-OPERATING REVENUE | | | |
| Rents | 190,045 | (83,165) | 5,345,967 |
| Grants | - | - | 1,373,155 |
| Equity Income (Loss) from Affiliates | - | 1,241,461 | (2,900) |
| TOTAL NON-OPERATING REVENUE | 190,045 | 1,158,296 | 6,716,222 |
| CHANGE IN NET ASSETS | (190,230) | 1,241,461 | 922,139 |
| NET ASSETS WITHOUT DONOR RESTRICTION | | | |
| Beginning of Year | 2,064,817 | (642,157) | 32,226,148 |
| Distributions to Members | - | 108,750 | (5,250) |
| Member Contributions | - | - | - |
| End of Year | \$ 1,874,587 | \$ 708,054 | \$ 33,143,037 |

See Independent Auditor's Report

HOMEWORD, INC. AND AFFILIATES
Missoula, Montana

SCHEDULE 2
CONSOLIDATING STATEMENT OF ACTIVITIES, Continued

For the Year Ended June 30, 2022

| | Homeword | Confluence | RBSB | Phillips |
|--------------------------------------|----------------------|---------------------|-------------------|---------------------|
| NET ASSETS WITHOUT DONOR RESTRICTION | | | | |
| OPERATING REVENUE | | | | |
| Developer Fees | \$ 910,600 | \$ - | \$ - | \$ - |
| Interest | 815,739 | 31 | 25,413 | 9 |
| Services | 486,007 | - | - | - |
| Contributions | 128,117 | - | - | - |
| Other | 263,143 | - | - | - |
| Investment Income (Loss) | 4,980 | - | - | - |
| TOTAL OPERATING REVENUE | <u>2,608,586</u> | <u>31</u> | <u>25,413</u> | <u>9</u> |
| OPERATING EXPENSES | | | | |
| Program | | | | |
| Housing Development | 399,928 | - | - | - |
| Asset Management | 261,290 | - | - | - |
| Home Ownership Center | 299,179 | - | - | - |
| Property Management | - | 319,525 | - | 77,785 |
| Total Program | <u>960,397</u> | <u>319,525</u> | <u>-</u> | <u>77,785</u> |
| Supporting | | | | |
| Management & General | 125,334 | - | - | - |
| Communications & Fund-raising | 81,568 | - | - | - |
| Total Supporting | <u>206,902</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL OPERATING EXPENSES | <u>1,167,299</u> | <u>319,525</u> | <u>-</u> | <u>77,785</u> |
| Change in Net Assets from Operations | 1,441,287 | (319,494) | 25,413 | (77,776) |
| NON-OPERATING REVENUE | | | | |
| Rents | - | 278,729 | - | 65,822 |
| Grants | 5,858,577 | - | - | - |
| Equity Income (Loss) from Affiliates | 955,288 | - | - | - |
| TOTAL NON-OPERATING REVENUE | <u>6,813,865</u> | <u>278,729</u> | <u>-</u> | <u>65,822</u> |
| CHANGE IN NET ASSETS | 8,255,152 | (40,765) | 25,413 | (11,954) |
| NET ASSETS WITHOUT DONOR RESTRICTION | | | | |
| Beginning of Year | 23,795,012 | (828,388) | 831,982 | (134,091) |
| Distributions to Members | - | - | (26,000) | - |
| Member Contributions | - | - | - | - |
| End of Year | <u>\$ 32,050,164</u> | <u>\$ (869,153)</u> | <u>\$ 831,395</u> | <u>\$ (146,045)</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, 2022

| | Fireweed Court | Lenox Flats | Gold Dust | Investment Fund |
|--------------------------------------|---------------------|---------------------|--------------------|--------------------|
| NET ASSETS WITHOUT DONOR RESTRICTION | | | | |
| OPERATING REVENUE | | | | |
| Developer Fees | \$ - | \$ - | \$ - | \$ - |
| Interest | 12 | 8 | 74 | 63,175 |
| Services | - | - | - | - |
| Contributions | - | - | - | - |
| Other | - | 41,280 | - | - |
| Investment Income (Loss) | - | - | - | - |
| TOTAL OPERATING REVENUE | <u>12</u> | <u>41,288</u> | <u>74</u> | <u>63,175</u> |
| OPERATING EXPENSES | | | | |
| Program | | | | |
| Housing Development | - | - | - | - |
| Asset Management | - | - | - | - |
| Home Ownership Center | - | - | - | - |
| Property Management | 148,551 | 207,764 | 285,792 | 69,520 |
| Total Program | <u>148,551</u> | <u>207,764</u> | <u>285,792</u> | <u>69,520</u> |
| Supporting | | | | |
| Management & General | - | - | - | - |
| Communications & Fund-raising | - | - | - | - |
| Total Supporting | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL OPERATING EXPENSES | <u>148,551</u> | <u>207,764</u> | <u>285,792</u> | <u>69,520</u> |
| Change in Net Assets from Operations | (148,539) | (166,476) | (285,718) | (6,345) |
| NON-OPERATING REVENUE | | | | |
| Rents | 115,631 | 87,193 | 181,215 | - |
| Grants | - | - | - | - |
| Equity Income (Loss) from Affiliates | - | - | - | - |
| TOTAL NON-OPERATING REVENUE | <u>115,631</u> | <u>87,193</u> | <u>181,215</u> | <u>-</u> |
| CHANGE IN NET ASSETS | (32,908) | (79,283) | (104,503) | (6,345) |
| NET ASSETS WITHOUT DONOR RESTRICTION | | | | |
| Beginning of Year | (113,400) | (514,043) | 52,690 | 707,667 |
| Distributions to Members | - | - | - | - |
| Member Contributions | - | - | - | - |
| End of Year | <u>\$ (146,308)</u> | <u>\$ (593,326)</u> | <u>\$ (51,813)</u> | <u>\$ 701,322</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, 2022

| | Acme | Creekside | Hearthstone | Fraser Tower |
|--------------------------------------|---------------------|---------------------|---------------------|---------------------|
| NET ASSETS WITHOUT DONOR RESTRICTION | | | | |
| OPERATING REVENUE | | | | |
| Developer Fees | \$ - | \$ - | \$ - | \$ - |
| Interest | 12 | 339 | (41) | 66 |
| Services | - | - | - | - |
| Contributions | - | - | - | - |
| Other | 39,238 | - | 163,965 | - |
| Investment Income (Loss) | - | - | - | - |
| TOTAL OPERATING REVENUE | <u>39,250</u> | <u>339</u> | <u>163,924</u> | <u>66</u> |
| OPERATING EXPENSES | | | | |
| Program | | | | |
| Housing Development | - | - | - | - |
| Asset Management | - | - | - | - |
| Home Ownership Center | - | - | - | - |
| Property Management | 311,067 | 1,790,758 | 742,814 | 621,305 |
| Total Program | <u>311,067</u> | <u>1,790,758</u> | <u>742,814</u> | <u>621,305</u> |
| Supporting | | | | |
| Management & General | - | - | - | - |
| Communications & Fund-raising | - | - | - | - |
| Total Supporting | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL OPERATING EXPENSES | <u>311,067</u> | <u>1,790,758</u> | <u>742,814</u> | <u>621,305</u> |
| Change in Net Assets from Operations | (271,817) | (1,790,419) | (578,890) | (621,239) |
| NON-OPERATING REVENUE | | | | |
| Rents | 150,478 | 1,672,681 | 368,003 | 540,946 |
| Grants | - | - | - | - |
| Equity Income (Loss) from Affiliates | - | - | - | - |
| TOTAL NON-OPERATING REVENUE | <u>150,478</u> | <u>1,672,681</u> | <u>368,003</u> | <u>540,946</u> |
| CHANGE IN NET ASSETS | (121,339) | (117,738) | (210,887) | (80,293) |
| NET ASSETS WITHOUT DONOR RESTRICTION | | | | |
| Beginning of Year | (37,521) | (737,344) | (681,345) | (38,875) |
| Distributions to Members | - | - | - | (38,750) |
| Member Contributions | - | - | - | - |
| End of Year | <u>\$ (158,860)</u> | <u>\$ (855,082)</u> | <u>\$ (892,232)</u> | <u>\$ (157,918)</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, 2022

| | Sage Tower | Orchard Gardens | Ouellette |
|--------------------------------------|-------------------|--------------------|---------------------|
| NET ASSETS WITHOUT DONOR RESTRICTION | | | |
| OPERATING REVENUE | | | |
| Developer Fees | \$ - | \$ - | \$ - |
| Interest | 253 | 19 | 89 |
| Services | - | - | - |
| Contributions | - | - | - |
| Other | 41,557 | - | 116,908 |
| Investment Income (Loss) | - | - | - |
| TOTAL OPERATING REVENUE | <u>41,810</u> | <u>19</u> | <u>116,997</u> |
| OPERATING EXPENSES | | | |
| Program | | | |
| Housing Development | - | - | - |
| Asset Management | - | - | - |
| Home Ownership Center | - | - | - |
| Property Management | 762,771 | 605,631 | 316,032 |
| Total Program | <u>762,771</u> | <u>605,631</u> | <u>316,032</u> |
| Supporting | | | |
| Management & General | - | - | - |
| Communications & Fund-raising | - | - | - |
| Total Supporting | <u>-</u> | <u>-</u> | <u>-</u> |
| TOTAL OPERATING EXPENSES | <u>762,771</u> | <u>605,631</u> | <u>316,032</u> |
| Change in Net Assets from Operations | (720,961) | (605,612) | (199,035) |
| NON-OPERATING REVENUE | | | |
| Rents | 704,001 | 327,371 | 201,298 |
| Grants | - | - | - |
| Equity Income (Loss) from Affiliates | - | - | - |
| TOTAL NON-OPERATING REVENUE | <u>704,001</u> | <u>327,371</u> | <u>201,298</u> |
| CHANGE IN NET ASSETS | (16,960) | (278,241) | 2,263 |
| NET ASSETS WITHOUT DONOR RESTRICTION | | | |
| Beginning of Year | 881,231 | 635,302 | (132,251) |
| Distributions to Members | - | - | - |
| Member Contributions | - | - | - |
| End of Year | <u>\$ 864,271</u> | <u>\$ 357,061</u> | <u>\$ (129,988)</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, 2022

| | Southern Lights | Eliminations | Consolidated Total |
|--------------------------------------|---------------------|---------------------|-----------------------|
| NET ASSETS WITHOUT DONOR RESTRICTION | | | |
| OPERATING REVENUE | | | |
| Developer Fees | \$ - | \$ - | \$ 910,600 |
| Interest | 2 | (398,182) | 507,018 |
| Services | - | (179,283) | 306,724 |
| Contributions | - | - | 128,117 |
| Other | - | - | 666,091 |
| Investment Income (Loss) | - | - | 4,980 |
| TOTAL OPERATING REVENUE | <u>2</u> | <u>(577,465)</u> | <u>2,523,530</u> |
| OPERATING EXPENSES | | | |
| Program | | | |
| Housing Development | - | (26,947) | 372,981 |
| Asset Management | - | (15,399) | 245,891 |
| Home Ownership Center | - | (19,249) | 279,930 |
| Property Management | 66,782 | (577,465) | 5,748,632 |
| Total Program | <u>66,782</u> | <u>(639,060)</u> | <u>6,647,434</u> |
| Supporting | | | |
| Management & General | - | (15,399) | 109,935 |
| Communications & Fund-raising | - | - | 81,568 |
| Total Supporting | <u>-</u> | <u>(15,399)</u> | <u>191,503</u> |
| TOTAL OPERATING EXPENSES | <u>66,782</u> | <u>(654,459)</u> | <u>6,838,937</u> |
| Change in Net Assets from Operations | (66,780) | 76,994 | (4,315,407) |
| NON-OPERATING REVENUE | | | |
| Rents | 48,027 | (76,995) | 4,664,400 |
| Grants | - | - | 5,858,577 |
| Equity Income (Loss) from Affiliates | - | 1,097,856 | 2,053,144 |
| TOTAL NON-OPERATING REVENUE | <u>48,027</u> | <u>1,020,861</u> | <u>12,576,121</u> |
| CHANGE IN NET ASSETS | (18,753) | 1,097,855 | 8,260,714 |
| NET ASSETS WITHOUT DONOR RESTRICTION | | | |
| Beginning of Year | - | 278,808 | 23,965,434 |
| Distributions to Members | - | 64,750 | - |
| Member Contributions | 2,083,570 | (2,083,570) | - |
| End of Year | <u>\$ 2,064,817</u> | <u>\$ (642,157)</u> | <u>\$ 32,226,148</u> |

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, 2023

| PROGRAM AWARD | GRANT NUMBER | ASSISTANCE LISTING 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-21RD-01L | 14.239 | \$ 1,107,400 |
| Montana Home Investment Partnership Program | MT-HOME-20RD-01 | 14.239 | <u>7,500</u> |
| Total Montana Home Investment Partnership Program | | | <u>\$ 1,114,900</u> |
| Housing Trust Fund Program | | | |
| Passed through the Montana Department of Commerce | | | |
| Housing Trust Fund | MT-HTF-CG-17-01-C | 14.275 | <u>\$ 73,497</u> |
| Total Housing Trust Fund | | | <u>\$ 73,497</u> |
| Community Development Block Grants/Entitlement Grants Cluster | | | |
| Passed through the City of Missoula | | | |
| Community Development Block Grant | CDBG 21-02 | 14.218 | \$ 3,375 |
| Community Development Block Grant | CDBG HOME-21-03 | 14.218 | <u>7,500</u> |
| Total CDBG Entitlement Grants Cluster | | | <u>\$ 10,875</u> |
| Total U.S. Department of Housing and Urban Development Expenditures | | | <u>\$ 1,199,272</u> |
| Total Expenditures of Federal Awards | | | <u><u>\$ 1,199,272</u></u> |

No funds were passed through to subrecipients during the year ended June 30, 2023.

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, 2023

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, 2022. 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.



Peterson CPA Group, P.C.

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
Homeword, 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 Homeword, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 30, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Homeword, 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 Homeword, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Homeword, 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Homeword, 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
October 31, 2023



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
Homeword, Inc.
1535 Liberty Lane, Suite 116A
Missoula, MT 59808

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Homeword, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Homeword, Inc.'s major federal program for the year ended June 30, 2023. Homeword, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2023.

Basis for Opinion on Each Major Federal Program

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) Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Homeword, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Homeword, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Homeword, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Homeward, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Homeward, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Homeward, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Homeward, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Homeward, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

October 31, 2023

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HOMEWORD, INC.
Missoula, Montana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023

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
HOME Investment Partnerships CFDA No. 14.239

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? Yes

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