

**Montana HomeOwnership Network, Inc.
dba NeighborWorks Montana**

Great Falls, Montana

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORTS

September 30, 2023



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Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Montana HomeOwnership Network, Inc.
dba NeighborWorks Montana
Great Falls, Montana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Montana HomeOwnership Network, Inc. dba NeighborWorks Montana, a nonprofit organization (NWMT), which comprise the statement of financial position as of September 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of NWMT as of September 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of NWMT and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITORS' REPORT

(Continued)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS 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 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 NWMT. 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about NWMT'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.

INDEPENDENT AUDITORS' REPORT

(Continued)

Report on Summarized Comparative Information

We have previously audited NWMT's September 30, 2022, financial statements, and we expressed an unmodified opinion on those audited financial statements in our reported dated March 7, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the 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 March 26, 2024, on our consideration of NWMT'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 NWMT'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 NWMT's internal control over financial reporting and compliance.

KCoe Jam, LLP

March 26, 2024
Great Falls, Montana

FINANCIAL SECTION

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana
STATEMENT OF FINANCIAL POSITION (WITH COMPARATIVE TOTALS FOR 2022)

September 30	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 6,327,076	\$ 9,522,008
Miscellaneous receivables	121,009	162,933
Grant receivables	228,114	313,527
Current portion of notes receivable	1,603,998	1,149,004
Current portion of loans receivable	478,178	479,629
Real estate property held for sale	147,638	139,384
Prepaid expenses	31,275	16,851
Total Current Assets	8,937,288	11,783,336
Property and Equipment		
Building	163,853	163,853
Furniture and office equipment	104,193	104,193
Accumulated depreciation	(166,167)	(152,936)
Property and Equipment - Net	101,879	115,110
Other Assets		
Cash - endowment	2,903	2,900
Cash - loan loss reserve	142,925	141,975
Cash - NSP CLT	3,410	39,859
Cash - LIFT	74,100	47,400
Investments	429,893	429,802
Notes receivable - net of allowance and current portion	13,843,785	11,237,754
Loans receivable - net of allowance - current portion - and NHTSA buyback discount	20,565,225	18,982,191
Total Other Assets	35,062,241	30,881,881
TOTAL ASSETS	\$ 44,101,408	\$ 42,780,327

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

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

STATEMENT OF FINANCIAL POSITION (WITH COMPARATIVE TOTALS FOR 2022)

(Continued)

September 30	2023	2022
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 264,727	\$ 397,107
Refundable advance	-	829,485
Deferred revenue	603,261	1,159,067
Current portion of long-term debt	1,299,853	633,750
Total Current Liabilities	2,167,841	3,019,409
Mortgage Escrow and Trust Accounts	3,742,445	4,143,361
Long-Term Debt		
Notes payable - net of current portion	8,231,354	9,041,207
Total Liabilities	14,141,640	16,203,977
Net Assets		
Without donor restrictions:		
Undesignated	12,272,932	11,022,559
With donor restrictions:		
Purpose and time restrictions	17,686,836	15,553,791
Total Net Assets	29,959,768	26,576,350
TOTAL LIABILITIES AND NET ASSETS	\$ 44,101,408	\$ 42,780,327

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

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana
STATEMENT OF ACTIVITIES (WITH COMPARATIVE TOTALS FOR 2022)

Years Ended September 30	Without Donor Restrictions	With Donor Restrictions	2023	Totals 2022
Revenue and Other Support				
Grants	\$ 3,295,367	\$ 2,645,782	\$ 5,941,149	12,058,010
Contributions	5,577	-	5,577	48,887
Interest - loans	669,204	-	669,204	656,771
Interest - deposits	144,153	-	144,153	12,514
Loan fees	53,000	-	53,000	53,106
Conference revenue	127,197	-	127,197	64,123
Contract revenue	603,747	-	603,747	772,906
Other revenue	211,803	-	211,803	186,271
Net assets released from restrictions:				
Satisfaction of program restrictions	512,737	(512,737)	-	-
Total Revenue and Other Support	5,622,785	2,133,045	7,755,830	13,852,588
Expenses				
Program services	3,681,635	-	3,681,635	2,915,388
Supporting services	690,777	-	690,777	693,921
Total Expenses	4,372,412	-	4,372,412	3,609,309
Change in Net Assets	1,250,373	2,133,045	3,383,418	10,243,279
Net Assets - Beginning of Year	11,022,559	15,553,791	26,576,350	16,333,071
Net Assets - End of Year	\$ 12,272,932	\$ 17,686,836	\$ 29,959,768	\$ 26,576,350

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

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

STATEMENT OF FUNCTIONAL EXPENSES (WITH COMPARATIVE TOTALS FOR 2022)

Years Ended September 30	Supporting Services				Totals 2023	Totals 2022
	Program Services	Management and General	Resource Development	Total Supporting Services		
Salaries, benefits, and taxes	\$ 888,144	\$ 450,137	\$ 116,199	\$ 566,336	\$ 1,454,480	\$ 1,337,096
Audit	18,359	1,941	-	1,941	20,300	14,000
Bad debt expense	218,845	-	-	-	218,845	26,836
Insurance	10,622	6,913	602	7,515	18,137	17,641
Computer support	34,596	4,699	4,408	9,107	43,703	34,260
Depreciation	9,275	2,588	1,368	3,956	13,231	18,435
Marketing	5,210	334	13,912	14,246	19,456	28,282
Meeting expense	8,907	3,247	229	3,476	12,383	10,638
Miscellaneous	5,535	2,440	77	2,517	8,052	6,104
HQS/Environmental/HOME	1,246	-	-	-	1,246	713
Interest expense	225,471	-	-	-	225,471	227,426
Loan processing expense	15,095	-	-	-	15,095	12,372
Repairs and maintenance	5,520	4,211	2,161	6,372	11,892	15,952
Real estate taxes	305	250	121	371	676	688
Office rent	13,071	18,017	-	18,017	31,088	30,667
Office supplies	6,511	2,456	1,309	3,765	10,276	14,215
Outside services	28,319	5,659	901	6,560	34,879	45,247
Legal professional services	14,734	5,223	-	5,223	19,957	7,470
Partner conference expenses	106,126	-	-	-	106,126	21,142
Postage	3,697	550	208	758	4,455	2,766
Subscriptions/dues	26,076	8,574	4,244	12,818	38,894	55,532
Telephone	8,312	4,069	1,634	5,703	14,015	11,078
Training	22,791	7,808	701	8,509	31,300	22,024
Training - partners	69,834	-	-	-	69,834	47,637
Travel	45,196	6,444	4,135	10,579	55,775	43,256
Parking	1,945	950	575	1,525	3,470	3,150
Utilities	1,266	1,117	366	1,483	2,749	2,549
Credit reports	340	-	-	-	340	240
Grant expense	623,899	-	-	-	623,899	488,246
Distribution to partners	1,262,388	-	-	-	1,262,388	1,063,647
Totals	\$ 3,681,635	\$ 537,627	\$ 153,150	\$ 690,777	\$ 4,372,412	\$ 3,609,309

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

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana
STATEMENT OF CASH FLOWS (WITH COMPARATIVE TOTALS FOR 2022)

Years Ended September 30	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,383,418	\$ 10,243,279
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:		
Bad debt expense	218,845	26,836
Depreciation	13,231	18,435
Amortization of NHTSA buyback discount	(385)	(429)
Distribution from RB SB Lending, LLC	5,250	5,250
Changes in:		
Receivables	125,723	112,184
Prepaid expenses	(14,424)	(1,267)
Accounts payable and accrued liabilities	(132,380)	180,684
Refundable advance	(829,485)	829,485
Deferred revenue	(555,806)	716,150
Mortgage escrow and trust accounts	(400,916)	(441,069)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	1,813,071	11,689,538
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from real estate held for sale	-	54,107
Purchase of real estate held for sale	(8,254)	(79,313)
Purchase of investments	(5,341)	(5,336)
Payments received on loans and notes receivable	1,815,588	4,401,338
Additional funds issued on loans and notes receivable	(6,675,042)	(11,289,696)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(4,873,049)	(6,918,900)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from new debt	50,000	237,102
Payments on debt	(193,750)	(375,000)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(143,750)	(137,898)
Net Change in Cash and Cash Equivalents	(3,203,728)	4,632,740
Cash and Cash Equivalents - Beginning of Year	9,754,142	5,121,402
Cash and Cash Equivalents - End of Year	\$ 6,550,414	\$ 9,754,142

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

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

STATEMENT OF CASH FLOWS (WITH COMPARATIVE TOTALS FOR 2022)

(Continued)

Years Ended September 30	2023	2022
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 225,471	\$ 227,426
SCHEDULE OF CASH AND CASH EQUIVALENTS		
Cash - operating	\$ 6,327,076	\$ 9,522,008
Cash - endowment	2,903	2,900
Cash - loan loss reserve	142,925	141,975
Cash - NSP CLT	3,410	39,859
Cash - LIFT	74,100	47,400
Totals	\$ 6,550,414	\$ 9,754,142

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES

During the years ended September 30, 2023 and 2022, there were \$345,500 and \$349,000 of LIFT loans receivable forgiven, respectively. Forgiveness was granted in accordance with the terms and conditions of the program.

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

1. ORGANIZATION

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana (NWMT) is a nonprofit corporation dedicated to increasing home ownership and preserving affordable housing for low-income families throughout Montana. Revenue is mainly from earned income and government grants, supplemented by contributions. NWMT partners with other nonprofit agencies through service agreements, contracts and loans to provide services, encourage development, and finance construction. These agencies are commonly referred to as “partners”, but the use of the term in no way suggests a formal, legal partnership exists between NWMT and the individual agencies.

The services provided by NWMT are segregated in the following program categories:

Homebuyer Education and Housing Counseling – includes the operation of a statewide partner network of local agencies which provide individual homeownership planning services to homebuyers so they are knowledgeable of all aspects of the home buying process to create successful homeownership for the long term. Foreclosure mitigation services provide counseling, loan servicer negotiations, and foreclosure prevention loans to homeowners of all income levels. These services are contracted by NWMT with local agencies.

Lending and Loan Servicing – provides down payment loans to low-and moderate-income families to allow them to become homeowners. Deferred mortgages bridge the gap between the home price and an affordable mortgage for the family, while amortizing mortgages allow families to reduce their down payment and avoid mortgage insurance premiums. For current homeowners, NWMT offers foreclosure mitigation loans to allow them to retain homeownership.

Real Estate Development and Acquisition Program (REDA) – provides loans on projects for pre-development, land, or building acquisition; bridge funds for equity; and other structures crafted to serve the needs of development partners. As a Community Development Financial Institution (CDFI), NWMT can leverage grant funds with loans from numerous sources and offer financing to help housing developers complete their financing packages.

Housing and Real Estate – encompasses new home development using factory-built homes, replacement home development using manufactured homes, and conversion of manufactured housing communities into resident-owned cooperatives. Manufactured housing is Montana’s largest unsubsidized form of affordable housing. This line of business works to preserve and enhance the assets of manufactured housing homeowners.

Partner Support – provides funding to the statewide network of local agencies that offer homebuyer education, housing counseling, matched savings accounts, and housing land trust development. Expenses in this program function are pass-through funds to third parties for services provided to homebuyers and homeowners throughout the state.

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation The financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP), as codified by the Financial Accounting Standards Board (FASB). Under GAAP, NWMT is required to report information regarding its financial position and activities according to two classes of net assets:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Designated amounts represent those net assets that the Board has set aside for a particular purpose and shall be segregated in the accounting records as “board-designated” funds. There were no board-designated funds at September 30, 2023.
- *Net Assets With Donor Restrictions* – Net assets that are subject to donor or certain grantor-imposed stipulations. Some donor or grant restrictions are temporary in nature such as those that will be met by passage of time or other events specified by the donor or grantor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restriction.

Net Assets With Donor Restrictions

Purpose or Time Restrictions – NWMT has received grants from the state and federal governments that are to be used for neighborhood revitalization to increase home ownership, increase the availability of affordable rentals among low-income individuals, and preserve affordable homes. These grants are reflected as net assets with donor-imposed restrictions due to restrictions as to their purpose and/or usage over time.

Comparative Data The amounts shown for the year ended September 30, 2022, in the accompanying financial statements are included to provide a basis for comparison with 2023 and present summarized totals only. Accordingly, the 2022 totals are not intended to present all information necessary for a fair presentation in conformity with GAAP. Such information should be read in conjunction with NWMT’s financial statements for the year ended September 30, 2022, from which the summarized information was derived.

Income Tax Status NWMT is a nonprofit organization as described in Section 501(c)(3) of the *Internal Revenue Code* and is exempt from federal and state income taxes.

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Implementation of New Accounting Standards In 2023, NWMT adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02, *Leases*. This FASB ASU requires NWMT to recognize on the statement of financial position the asset and liability for the rights and obligations created by leases with a term of more than 12 months. NWMT elected several available practical expedients, including to not reassess the classification of existing leases, any initial direct costs associated with the leases, or whether any existing contracts are or contain leases. NWMT adopted the provisions of the update using a modified retrospective approach for all lease contracts which had no impact on NWMT's statement of financial position, statement of activities, or statement of cash flows.

NWMT has retrospectively adopted the provisions of FASB ASU 2020-07, *Not-for-Profit Entities: Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This FASB ASU was intended to provide for more transparency about the measurement of contributed nonfinancial assets and the amounts of these contributions used in programs and other activities. There were no financial impacts or significant changes to disclosures necessary upon adoption of this FASB ASU.

Cash and Cash Equivalents For purposes of the statement of cash flows, NWMT considers all short-term investments with a maturity of three months or less, and all certificates of deposit, to be cash equivalents.

Concentration of Credit Risk for Cash Deposits NWMT maintains deposits in various financial institutions located in Montana. The deposits are insured by federal agencies for up to \$250,000 per bank. NWMT maintains a repurchase account where large cash balances would be on deposit for more than 30 days.

Property and Equipment Property and equipment are recorded at cost for purchased assets and fair value as of the date of contribution for contributed assets. Those assets over \$2,500 are capitalized. In the absence of donor stipulations regarding how long the contributed assets must be used, contributions of property and equipment are recorded as net assets without donor restrictions.

Depreciation is provided over the estimated useful lives of the assets using straight-line depreciation. Total depreciation expense for the year ended September 30, 2023, is \$13,231. Estimated useful lives are as follows:

Building	27.5 years
Furniture and office equipment	3–7 years

Revenue Recognition All fee and contract revenue related to performance obligations satisfied at a point in time and are recognized when services are provided. Performance obligations are determined based on the nature of the services provided by NWMT. Transaction prices are based on agreed-upon charges for services provided or approved transaction prices set by other agencies. Loan service fee revenue and loan origination fees are recorded as earned. See notes 4 and 5 for revenue recognition of interest income on notes and loans receivable.

Functional Allocation of Expenses The financial statements report certain expense categories that are attributable to more than one program service or support function. Therefore, expenses require an allocation on a reasonable basis that is consistently applied. Such allocations are determined by management on an equitable basis.

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

The expenses that are allocated include salaries and benefits which are allocated based on estimates of time and effort, and occupancy costs which are allocated on a square-footage percentage basis.

Estimates The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Evaluation of Subsequent Events NWMT has evaluated subsequent events through March 26, 2024, which is the date the financial statements were available to be issued.

3. LIQUIDITY AND AVAILABILITY

Financial assets expected to be available to support NWMT consist of the following:

September 30, 2023

Cash and cash equivalents	\$	6,550,414
Receivables		349,123
Notes receivable		15,447,783
Loans receivable		21,043,403
Total Financial Assets		43,390,723
Less: Financial assets not available		
Long-term notes receivable		(13,843,785)
Long-term loans receivable		(20,565,225)
Restricted cash		(223,338)
Financial Assets Available Within One Year	\$	8,758,375

Financial assets include cash and cash equivalents, certificates of deposit and accounts and grants receivable and the current portion of notes and loans receivable as reported on the statement of financial position. As of September 30, 2023, NWMT has working capital of \$6,769,447 and 311 days cash on hand. Days cash on hand does not include cash designated by management for projects or deferred revenue items.

As part of NWMT's liquidity management plan, NWMT's annual operating budget anticipates receiving funds throughout the year from the following sources, typically allowing them to operate with a positive cash flow position:

- Grants
- Interest income from loans and notes receivable

In addition, NWMT has a \$1 million line of credit, as discussed in more detail in note 12. As of September 30, 2023, \$1 million remained available on NWMT's line of credit.

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

4. NOTES RECEIVABLE

NWMT makes loans to nonprofit multi-family housing developers to encourage the development and preservation of affordable rentals. Loan policies are approved by the Real Estate Development and Acquisition Committee of NWMT's Board of Directors. Notes receivable are carried at the unpaid principal balance. Interest on notes receivable is accrued using the simple interest method, based on the unpaid principal balance. Interest income is recognized over the contractual life of the note receivable. Notes are placed on nonaccrual status when management believes the notes are impaired or collection of interest is doubtful. Notes receivable are considered impaired if full principal or interest payments are not anticipated to be received in accordance with the terms of the note. It is NWMT's practice to charge off any note, or portion of a note, when management feels it will be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition, or for other reasons.

Credit Risk Policies

NWMT utilizes a process for calculating loan loss reserves on impaired notes receivable. All notes are evaluated for impairment on an individual basis. As of September 30, 2023, there were three impaired notes receivable with a total unpaid principal balance of \$552,142 in nonaccrual status and a loan loss reserve of \$244,769. NWMT's recorded investment and average recorded investment in the impaired notes receivable was \$552,142 as of September 30, 2023.

Notes receivable consist of the following:

September 30, 2023

A note receivable from Homeword, Inc. to incorporate environmentally friendly aspects into the Equinox II condominium complex in Missoula, Montana. There is a zero interest rate and no stated due date on this note. Due at time of sale if property is sold.	\$ 45,000
A note receivable from Confluence-Homeword, Inc. for predevelopment expenses of a low-income project in Missoula, Montana. There is a zero interest note with no stated due date. Due at time of sale if property is sold.	115,000
A note receivable from Trailer Terrace for infrastructure development financing for the Trailer Terrace park residence in Great Falls, Montana. The note receivable is amortizing with monthly installments through February 28, 2028, including interest at a rate of 5.0%. The note is secured by a lien on the property.	263,049
Balance Forward	\$ 423,049

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

September 30, 2023

Balance Brought Forward	\$	423,049
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A note receivable from Missouri Meadows Community for acquisition financing a manufactured home park residence in Great Falls, Montana. This note is amortizing at zero interest and due December 15, 2037. The note is secured by a trust indenture agreement. This note is on nonaccrual status through December 31, 2024.

256,343

A note receivable from Missouri Meadows Community for acquisition financing a manufactured home park residence in Great Falls, Montana. The note receivable is amortizing and due on January 15, 2045. Interest is due monthly at a rate of 3.00%. The note is secured by a trust indenture agreement. This note is on nonaccrual status through December 31, 2024.

113,204

A note receivable from Highland Manor 4 Residences, LLLP for acquisition financing of a LIHTC project located in Havre, Montana. The note receivable has a maturity date of October 31, 2054. Interest is charged on principal at a yearly rate of 2.68% paid in interest only quarterly payments for 24 months and will convert to monthly amortized payments calculated on a 30-year amortization period beginning on October 1, 2024. The note is secured by a trust indenture agreement.

239,104

A note receivable from Mountain Springs Villa for construction financing for a manufactured home park residence in Red Lodge, Montana. This is a zero interest note. No payments were due until December 1, 2021, after which monthly payments of \$750 are made until November 1, 2031. The note is secured by a trust indenture agreement.

88,500

A note receivable from Spruce Grove, LLLP for construction of an affordable rental housing project to be rehabilitated in Laurel and Joliet, Montana. The note receivable has a maturity date of October 31, 2051. Principal and interest payments are due monthly beginning on October 1, 2023, at a rate of 2.68%. The note is secured by a trust indenture agreement.

500,000

A note receivable from Spruce Grove, LLLP for construction of an affordable rental housing project in Laurel and Joliet, Montana. The note receivable is nonamortizing and due on April 7, 2024. Interest is due quarterly at a rate of 6.00%. The note is secured by a trust indenture agreement.

250,000

Balance Forward	\$	1,870,200
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Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

September 30, 2023

Balance Brought Forward	\$ 1,870,200
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A note receivable from Buena Vista in Missoula, Montana for infrastructure improvements. The note maturated on November 27, 2023, and interest accrues at a rate of 6.00%. The note is secured by a lien on the property.

	60,882
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A note receivable from Human Resource Development Council of District IX for land acquisition in Gardiner, Montana. The note receivable is nonamortizing and due on December 31, 2025. Interest is due quarterly at a rate of 6.50%. The note is secured by a lien on the property.

	220,000
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A note receivable from Northwood Community in Ronan, Montana. The note matures on November 5, 2024. The note is amortized monthly with interest at a rate of 4.00%. The note is secured by a lien on the property. This note is on nonaccrual status through December 31, 2024.

	182,595
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A note receivable from Morning Star Community in Kalispell, Montana for acquisition of property. The note is due on June 6, 2027. The note is amortized monthly with interest at a rate of 5.50%. The note is secured by trust indenture on the property.

	138,196
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A note receivable from the YWCA in Helena, Montana for renovation of a housing shelter. The note matures on December 31, 2036, and interest accrues at a rate of 4.50%. The note is secured by a lien on the YMCA's main building.

	59,298
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A note receivable from Creekside Apartments in Missoula, Montana for acquisition funding. The note matures on August 31, 2027, and interest accrues at a rate of 2.50%. The note is secured by a second lien behind the first mortgage.

	3,687,500
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A note receivable from Echo Enterprises, LLC for the acquisition and rehabilitation of an affordable rental housing project in Havre, Montana. The note was nonamortizing and due on December 31, 2023. Interest is due quarterly at a rate of 6.50%. The note is secured by a personal guaranty from the developer.

	400,000
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A note receivable from Northwest Montana Community Land Trust Inc. for acquisition financing of land for development of a CLT home in Columbia Falls, Montana. The note matures on March 31, 2024. Interest accrues at 6.50% per annum calculated on the amount of funds advanced pursuant to the note. The note is secured by a trust indenture agreement.

	122,000
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Balance Forward	\$ 6,740,671
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Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

September 30, 2023

Balance Brought Forward	\$ 6,740,671
A note receivable from Country Court Community, Inc. for acquisition financing a manufactured home park residence in Kalispell, Montana. The note matures on June 29, 2028. The note is amortized monthly with interest at 1.00%. The note is secured by a lien on the property.	163,915
A note receivable from Country Court Community, Inc. for acquisition financing a manufactured home park residence in Kalispell, Montana. The note matures on July 1, 2028. The note is amortized monthly with interest at 2.50%. The note is secured by a lien.	60,952
A note receivable from Libby Creek Community, Inc. for acquisition financing. The note matures on September 30, 2028. The note is amortized monthly with interest at 5.25%. The note is secured by a lien on the property.	154,572
A note receivable from Libby Creek Community, Inc. for acquisition financing. The note matures on September 30, 2028. The note is amortized monthly with interest at 1.00%. The note is secured by a lien on the property.	60,581
A note receivable from Bonnie's Place for acquisition financing for a manufactured home community in Missoula, Montana. The note matures on April 30, 2033. Interest is changes on principal at a yearly rate of 0.00% deferred until a balloon payment of the remaining amount is due at maturity. The note is secured by a trust indenture agreement.	600,000
A note receivable from Fraser Tower, LLC for acquisition financing. The note matures on December 31, 2028, and interest accrues at a rate of 2.75%. The note is secured by a lien on the property.	1,241,710
A note receivable from Habitat for Humanity of Gallatin Valley, Inc. for acquisition financing for a 10-home, homeownership-oriented development using the Habitat for Humanity model in Ennis, MT. The note matured on January 31, 2024, and interest accrues at a rate of 5.25%. The note is secured by a lien on the property.	225,000
Balance Forward	\$ 9,247,401

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

September 30, 2023

Balance Brought Forward	\$ 9,247,401
A note receivable from C & C Community, Inc. for acquisition financing. Monthly payments are calculated on a 35-year amortized period at an interest rate of 6.00% with a balloon payment due on March 31, 2029. The note is secured by a lien on the property.	148,366
A note receivable from C & C Community, Inc. for acquisition financing. The note matures on March 31, 2029. The note is amortized monthly with interest at 5.25%. The note is secured by a lien on the property.	279,525
A note receivable from Homeword, Inc. for acquisition financing for the Lenox Flats Apartments. The note matures on April 16, 2029, and interest accrues at a rate of 3.25%. The note is secured by a lien on the property.	920,000
A note receivable from View Vista Apartments, Inc. and View Vista Community, Inc. for acquisition financing of the View Vista Community in Livingston, Montana. The note matures on February 28, 2030, and interest accrues at a rate of 5.50%. The note is secured by a lien on the property.	379,242
A note receivable from View Vista Apartments, Inc. and View Vista Community, Inc. for acquisition financing of the View Vista Community in Livingston, Montana. The note matures on February 28, 2030, and interest accrues at a rate of 4.00%. The note is secured by a lien on the property.	466,752
A note receivable from NWGF Golden Valley Homes, LLC for acquisition financing of the real property known as Golden Valley Homes in Belt, Montana. The note matures on May 1, 2050. The note is amortized monthly with interest at 3.36%. The note is secured by a lien on the property.	69,889
A note receivable from NWGF Quiet Day Manor, LLC for acquisition financing of the real property known as Quiet Day Manor in Cascade, Montana. The note matures on May 1, 2050. The note is amortized monthly with interest at 3.40%. The note is secured by a lien on the property.	69,920
Balance Forward	\$ 11,581,095

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

September 30, 2023

Balance Brought Forward	\$ 11,581,095
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A note receivable from Human Resource Development Council of District IX, Inc. for acquisition financing of the real property known as Livingston Land Trust Cottages in Livingston, Montana. The note matures on October 1, 2050. The note is amortized monthly with interest at 4.00%. The note is secured by a lien on the property.

189,322

A note receivable from Pleasant Park Community, Inc. for acquisition financing of the real property known as Pleasant Park Community in Great Falls, Montana. The note matures on September 30, 2030. The note is amortized monthly with interest at 5.35%. The note is secured by a lien on the property.

241,860

A note receivable from Clear Creek Court Community, Inc. for acquisition financing of the real property in Havre, Montana. The note matures on December 31, 2029. The note is amortized monthly with interest at 5.00%. The note is secured by a trust indenture agreement.

358,000

A note receivable from Centennial Trail Community, Inc. for acquisition financing of the real property in Stillwater County, Montana. The note matures on October 30, 2052. The note is amortized monthly with interest at 5.50%. The note is secured by a trust indenture agreement.

443,926

Two notes receivable from Hideaway Community for financing of the purchase of a resident-owned community in Columbia Falls, Montana. The notes receivable are amortizing with principal and interest due monthly beginning March 1, 2022, at an interest rate of 2.50%. The note is secured by a lien on the property.

194,866

A note receivable from GMD Development, LLC for predevelopment financing of an affordable rental housing project in Kalispell, Montana. The note receivable is nonamortizing and due September 30, 2024. Interest is due quarterly at a rate of 6.50%. The note is secured by a personal guaranty from the developer.

481,726

Balance Forward	\$ 13,490,795
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Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

September 30, 2023

Balance Brought Forward	\$ 13,490,795
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A note receivable from Wolf Avenue Collective, Inc. for acquisition financing for a cooperative housing model in Missoula, Montana. The note matures on June 1, 2033. Interest will be charged on principal at a yearly rate of 0.00% with all payments of principal and interest deferred until a balloon payment is due at maturity. The note is secured by a trust indenture agreement. 15,000

A note receivable from Country Court REDA for infrastructure and capital improvement financing for a manufactured home community in Kalispell, Montana. The note matures on February 1, 2032. Interest is charged on principal at a yearly rate of 0.00% deferred until a balloon payment of the remaining amount is due at maturity. 26,800

A note receivable from Family Promise for acquisition financing for temporary and emergency shelter housing space in Bozeman, Montana. The note matures on July 31, 2026, and accrued interest at 3.50% The note is secured by collateral of the borrower. 1,000,000

A note receivable from Sleeping Giant Community for acquisition financing for a manufactured home community in Livingston, Montana. The note matures on February 28, 2033. Interest is charged on principal at a yearly rate of 3.50% paid in monthly amortized payments calculated on a 40-year amortization period with a balloon payment of the remaining amount due at maturity. Monthly amortized payments began on March 1, 2023. The note is secured by a trust indenture agreement. 658,597

A note receivable from Bonnie's Place, Inc. for acquisition financing for a manufactured home community in Missoula, Montana. The note matures on April 30, 2033. Interest is charged on principal at a yearly rate of 4.50% paid in monthly amortized payments calculated on a 40-year amortization period with a balloon payment of the remaining amount due at maturity. Monthly amortized payments began on May 1, 2023. The note is secured by a trust indenture agreement. 198,488

Balance Forward	\$ 15,389,680
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Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

September 30, 2023

Balance Brought Forward	\$ 15,389,680
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A note receivable from Wolf Avenue Collective, Inc. for acquisition financing for a cooperative housing model located in Missoula, Montana. The note receivable is amortizing with principal and interest due monthly beginning May 30, 2033.

Interest is charged on principal at a yearly rate of 3.00% calculated on a 40-year amortization period with a balloon payment of the remaining amount due May 30, 2023. The note is secured by a trust indenture agreement.

563,114

A note receivable from River Rocks Cooperative for acquisition financing for a cooperative housing model located in Missoula, Montana. The note matures on September 30, 2033. Interest is charged on principal at a yearly rate of 4.25% paid in monthly amortized payments calculated on a 40-year amortization period with a balloon payment of the remaining amount due at maturity. Monthly amortized payments began on October 1, 2023. The note is secured by a trust indenture agreement.

525,000

Total	16,477,794
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Current portion	(1,603,998)
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Notes Receivable - Net of Current Portion	14,873,796
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Allowance for loan loss reserve	(1,030,011)
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Total Notes Receivable - Net of Allowance and Current Portion	\$ 13,843,785
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Maturities of notes receivable are as follows:

Years Ended September 30

2024	\$ 1,603,998
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2025	135,132
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2026	1,355,132
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2027	3,822,632
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2028	135,132
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Thereafter	9,425,768
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Total	\$ 16,477,794
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NWMT has a reserve for loss on notes receivable in the amount of \$1,030,011.

NWMT has set aside a certificate of deposit for \$63,215 in connection with the Missouri Meadows loan. A six-month reserve was required by Resident-Owned Community (ROC) in their acquisition loan for the park in case of flooding. NWMT provided the guaranty. This was a 15-year loan commencing October 3, 2011.

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

5. LOANS RECEIVABLE

NWMT grants credit to low-to moderate-income home owners, all of whom are in Montana. The Board of Directors approves all loan policies and procedures. The Board is also responsible for the review and approval of eligible loan applications and the interest rate and repayment terms of loans that fall outside of the designated parameters.

Loans receivable of \$20,043,403, for which NWMT has the intent and the ability to hold for the foreseeable future or until either maturity or earlier prepayment, are stated at face value, and are net of the allowance for uncollectible loans of \$164,777 and a purchase discount of \$2,240. Management’s views regarding the foreseeable future and, consequently, the intent with respect to holding these loans receivables may change due to changes in business strategies, the economic environments of the markets in which NWMT operates, general market conditions, and the availability of various government programs in which NWMT participates. Loans receivable are tested annually for impairment. Loans receivable are considered impaired if the face value plus accrued interest is less than the book value of the property collateralizing the mortgage. No loans receivable were considered to be impaired at September 30, 2023.

Interest on the loans receivable is accrued based on the outstanding principal balance. Interest income is recognized over the contractual life of the loan receivable using the simple interest method, which results in a constant effective yield over the contractual life of the loan. Amortizing loans are interest bearing at rates ranging between 0.0% and 6.36% per annum. Federal HOME funds are used for deferred mortgages for low-to moderate-income homebuyers below 80% of median income. The deferred mortgages are made at zero interest and require the borrower to repay the loan when the home is sold. Loans receivable are placed on nonaccrual status when management believes the loans are impaired. There were no loans receivable not accruing interest because of impairment at September 30, 2023.

The following table presents informative data of loans receivable regarding their age:

September 30, 2023					Past due	Total
	Current	30–59 days	60–89 days	Over 90 days	Total Past Due	Loans Receivable
Loans receivable	\$ 21,122,072	\$ 35,872	\$ 52,476	\$ -	\$ 88,348	\$ 21,210,420

Credit Risk Policies

Loans receivable are considered past due and delinquent when payments are 30 days late. There were no loans receivable that were past due 90 days or over and still accruing interest as of September 30, 2023. A loan that is 120 days past due is written off as uncollectible.

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

If repayment of a past due loan is expected to be obtained solely from the proceeds of selling the property that is collateral for the loan, the loan is designated as being collateral dependent. When a collateral-dependent loan is over 120 days past due, a fair value assessment of the property that is pledged as collateral for the loan is initiated. NWMT considers the sufficiency of a loan's collateral by comparing the estimated fair value of the collateral less an estimate to cover potential expenses of foreclosure to the recorded investment in the loan, adjusted for any superior liens to which the collateral is subject.

If the estimated fair value of the collateral, net of estimated foreclosure-related expenses equals or exceeds the adjusted recorded investment in the loan, the loan is judged to be sufficiently collateralized. NWMT recognizes the allowance for uncollectible loans in an amount believed to be sufficient to absorb losses inherent in the loan portfolio, including those losses not yet specifically identifiable.

Neighborhood Reinvestment Corporation will allow NWMT to use net assets with donor restrictions to supplement its loan loss reserves. Loans receivable are evaluated for impairment on a collective basis. An allowance for uncollectible loans has been established based on review of loans that are in default. The allowance is established at the three-year average plus one percent of each year-end pool balance.

September 30, 2023

Loan Reserve Balance - Beginning of Year - October 1, 2022	\$	161,604
Loans written off		(1,614)
Reserve deployed		4,787
Loan Reserve Balance - End of Year - September 30, 2023	\$	164,777

NHSA Loan Buy Back

In 2010, Neighborhood Housing Services of America (NHSA) sold loans back to NWMT that they had previously purchased from NWMT. The total principal of the loans as of September 30, 2023, was \$4,344 with a purchase discount of \$2,240 for a net purchase of \$2,104. The discount is amortized to interest income over the life of the loans effectively increasing the interest rate earned on the loans. The net purchase amount was included in the loans receivable balance at September 30, 2023.

Glacier Affordable Housing

NWMT operates a revolving loan fund of \$3,492,797 made up of grants assigned to Glacier Affordable Housing between 1995 and 2005. NWMT has no liability for these grants. Of this amount, \$3,053,980 and \$378,329 is in loans and notes receivable, respectively, at September 30, 2023.

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Maturities of loans receivable are as follows:

Years Ended September 30		Loans Receivable
2024	\$	478,178
2025		459,577
2026		129,367
2027		95,588
2028		87,156
Thereafter		19,960,554
Total		21,210,420
Current portion		(478,178)
Loans Receivable - Net of Current Portion		20,732,242
NHSA Loan Buy Back Discount		(2,240)
Allowance for loan loss reserve		(164,777)
Total Notes Receivable - Net of Allowance and Current Portion	\$	20,565,225

Included in the "Thereafter" category are loans that are due on sale of the customers' home.

6. REAL ESTATE PROPERTY HELD FOR SALE

NWMT has purchased properties with the intention of selling them to qualifying buyers in accordance with NWMT's mission. All costs associated with the property including pre-acquisition, acquisition, development, and construction costs are capitalized and included in the total cost of the property. The real estate property held for sale is stated at the lower of the carrying value or fair value.

The reconciliation of the changes in the real estate property is as follows:

September 30, 2023		
Beginning of Year - October 1, 2022	\$	139,384
Net expenses		8,254
End of Year - September 30, 2023	\$	147,638

7. CASH – LOAN LOSS RESERVE

NWMT currently maintains a cash reserve of \$142,925 in an account at D.A. Davidson for potential loan losses.

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

8. CASH – NSP

NWMT currently maintains a cash reserve of \$3,410 in an account at Stockman Bank for program income that is being administered for the Northwest Montana Community Land Trust, Inc. in Kalispell.

9. CASH – LIFT

NWMT currently maintains a cash reserve of \$74,100 for the Wells Fargo Neighborhood LIFT Down Payment Assistance Loan Program. The reserve will be utilized to fund additional down payment assistance grants and program delivery costs.

10. INVESTMENTS

In July 2012, NWMT invested \$179,500 into RB SB Lending, LLC to partner with Homeword, Inc. in Missoula to fund the development and renovation of housing units in Missoula. NWMT's investment in this entity was initially recorded at cost and is adjusted annually for its 21.0% share of the current year income or loss (equity method). The current balance as of September 30, 2023, was \$179,893.

Condensed financial information reported by RB SB Lending, LLC is as follows:

September 30, 2023

Current assets	\$	1,871
Noncurrent assets		830,365
Equity	\$	832,236
Net Income	\$	25,427
Distributions	\$	25,000

In August 2021, NWMT invested \$250,000 into a participation investment in the Great Falls North Apartments, LLC to fund the development of affordable housing in Great Falls, Montana. The participation investment is an undivided 4.87% interest in the outstanding balance of principal and interest of the loan funding the project. NWMT holds a pro-rata share of the interest in the collateral. The loan will mature on May 1, 2024, and accrues interest at 7.50%.

11. DEFERRED REVENUE

NWMT has received funds from NeighborWorks America (\$157,554), City of Kalispell Neighborhood Stabilization Program (\$194,582), Wells Fargo (\$42,500), US Bank (\$10,000), Montana Department of Commerce Homeowner Assistance Fund (\$187,500), and Park County (\$11,125), but had not yet used all those funds for their intended purpose as of September 30, 2023. These unused funds are reported as deferred revenue until used by NWMT.

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

12. LINE OF CREDIT

NWMT has a line of credit with Stockman Bank for up to \$1,000,000. The interest rate is fixed at 7.50%. There was no outstanding balance on the line of credit at September 30, 2023. The line of credit matures on June 10, 2024.

13. ENDOWMENT

In December of 2010, the NeighborWorks Great Falls Board of Directors voted to permanently restrict certain memorial contributions received to create the NeighborWorks Endowment. The endowment was established to preserve funds for future operations and out of the total, \$2,903 was designated for NWMT. Funds have been passed back to NWMT and will be carried in a Certificate of Deposit until the organization decides on a course of action. NWMT also owns an insurance policy, the proceeds of which are designated to the endowment.

14. NOTES PAYABLE

Notes payable consists of the following:

September 30, 2023

Notes payable of varying amounts with 10 financial institutions for the EQ2 loan program to promote community and economic development. Interest-only payments are due quarterly at rates varying between 2.00% and 3.00%. The agreements will reach maturity at staggered intervals through 2030.	\$ 7,774,210
A note with Opportunity Finance Network for loan funds. The note matured on December 31, 2023. Interest at 3.50% was paid quarterly.	500,000
A note as a private offering for loan funds. The note matures on September 15, 2024. Interest at 2.00% is paid quarterly.	50,000
A note as a private offering for loan funds. The note matures on April 1, 2025. Interest at 2.00% is paid annually.	10,000
A note as a private offering for loan funds. The note matured on October 25, 2023. Interest at 2.00% is paid annually.	9,853
A note as a private offering for loan funds. The note matures on August 25, 2026. Interest at 2.00% is paid quarterly.	9,772
Balance Forward	\$ 8,353,835

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

September 30, 2023

Balance Brought Forward	\$ 8,353,835
A note as a private offering for loan funds. The note matures on June 30, 2028. Interest at 3.00% is paid quarterly.	26,270
A note as a private offering for loan funds. The note matures on December 20, 2026. Interest at 2.00% is paid quarterly.	49,000
A note as a private offering for loan funds. The note matures on July 25, 2029. Interest at 3.00% is paid quarterly.	10,000
A note as a private offering for loan funds. The note matures on July 7, 2025. Interest at 2.00% is paid quarterly.	50,000
A note as a private offering for loan funds. The note matures on January 30, 2025. Interest at 2.00% is paid quarterly.	100,000
A note as a private offering for loan funds. The note matures on July 19, 2028. Interest at 3.00% is paid quarterly.	50,000
A note as a private offering for loan funds. The note matures on July 23, 2028. Interest at 3.00% is paid quarterly.	50,000
A note as a private offering for loan funds. The note matures on July 25, 2024. Interest at 1.00% is paid quarterly.	15,000
A note as a private offering for loan funds. The note matures on February 1, 2028. Interest at 2.00% is paid quarterly.	50,000
A note as a private offering for loan funds. The note matures on October 8, 2031. Interest at 3.00% is paid quarterly.	10,000
A note as a private offering for loan funds. The note matures on March 1, 2032. Interest at 3.00% is paid quarterly.	50,000
A note as a private offering for loan funds. The note matures on July 31, 2028. Interest at 3.00% is paid quarterly.	50,000
Balance Forward	\$ 8,864,105

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

September 30, 2023

Balance Brought Forward	\$ 8,864,105
A note as a private offering for loan funds. The note matures on September 25, 2028. Interest at 3.00% is paid quarterly.	50,000
A note as a private offering for loan funds. The note matures on October 22, 2028. Interest at 3.00% is paid annually.	40,000
A note with The Community Development Financial Institutions Fund for loan funds. The note matures on July 18, 2035. Interest at 3.00% is paid quarterly.	77,102
A note with Community Benefit Financial Company, LLC, for loan funds. The note matures on January 22, 2026. Interest at 2.00% is paid annually.	500,000
Total	9,531,207
Current portion	(1,299,853)
Total Long-Term Debt - Net of Current Portion	\$ 8,231,354

The following is a summary of estimated maturities due on notes payable:

Years Ended September 30

2024	\$ 1,299,853
2025	260,000
2026	609,772
2027	3,736,500
2028	1,517,981
Thereafter	2,107,101
Total	\$ 9,531,207

The notes payable owed by NWMT are all unsecured. Notes payable include notes referenced as private offerings. NWMT filed for an exemption under MT law to offer investments in its loan fund in 2014. The Commissioner of Securities and Insurance (Office of the State Auditor) issued a letter stating the offer and sale of these investments is exempt by virtue of 30-10-104(1) and/or (8), MCA. The Circular is updated annually. The Investment Circular is provided to potential investors and is available upon request from NWMT. Each investment is structured as a term loan with NWMT paying periodic interest from 1.0% to 3.0%, depending on the term. NWMT anticipates additional investments in its loan pool through this structure.

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

15. NET ASSETS WITH DONOR RESTRICTIONS

Net Assets with Donor-Imposed Purpose and Time Restrictions

Net assets with donor-imposed purpose and time restrictions were available for the following purposes:

September 30, 2023

Down payment and purchase assistance fo first-time homebuyers	\$	5,445,728
REDA lending		12,081,108
Improvement of properties		160,000
Total	\$	17,686,836

Net assets of \$512,737 were released from donor restrictions by incurring expenses satisfying the purpose and time of restrictions specified by donors. These releases consisted of \$277,737 of down payment assistance for first-time homebuyers and \$235,000 of REDA lending.

16. LEASE OBLIGATIONS

NWMT also rents office space and parking spots under short-term leases with durations less than 12 months, and has elected to use the short-term lease exemption, which allows for the expense to be recognized on a straight-line basis over the lease terms. The total lease expense is as follows:

September 30		2023		2022
Short-term leases	\$	34,558	\$	33,817

17. PENSION PLAN

NWMT maintains a 401(k) plan administered by D.A. Davidson and Company covering all full-time employees. Employee contributions are matched as made. NWMT will match up to 5.0% on a 1 for 1 basis. Total match expense for fiscal year ended September 30, 2023 was \$52,693.

18. RELATED-PARTY TRANSACTIONS

One of NWMT's board members is the Executive Director of Homeword, a NWMT partner agency as described in note 1. Total payment to Homeword for housing counseling programs during the year ended September 30, 2023, was \$192,642. Additionally, there are three notes receivable due from Homeword. The terms of these notes are described in note 4.

SUPPLEMENTARY INFORMATION SECTION

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2023

Funding Agency	Federal AL Number	Pass Through Grantor's Number	Total Federal Award	Grant Revenues	Expenditures	Passed Through to Subrecipients
Neighborhood Reinvestment Corporation Public Law 115-141						
U.S. Department of Treasury - NeighborWorks America						
Capital Grants	N/A	N/A	\$ 185,000	\$ 185,000	\$ 185,000	\$ -
Expendable Grants	N/A	N/A	902,894	902,894	745,894	-
Housing Stability Counseling Program	99.U19	N/A	937,971	706,734	706,180	656,998
Total U.S. Department of Treasury - NeighborWorks America			2,025,865	1,794,628	1,637,074	656,998
U.S. Department of Housing and Urban Development						
HUD Counseling Grant (FY 2021)	14.169	HC21001102	584,768	8,396	8,396	2,044
HUD Counseling Grant (FY 2022)	14.169	HC220011029	476,487	277,500	277,500	231,251
Community Development Block Grant Program Pass Through From:						
City of Billings	14.218	N/A	540,000	8,868	8,868	-
Lake County	14.218	MT-CDBG-17HSP-01	291,934	21,623	21,623	-
City of Missoula	14.218	MT- CDBG-CV-22-08	835,000	835,000	835,000	-
City of Missoula	14.218	N/A	181,550	181,550	181,550	-
HOME Investment Partnership Program Pass Through From:						
Montana Department of Commerce	14.239	MT-HOME-HBA-21-01	1,400,000	405,626	484,274	-
Montana Department of Commerce	14.239	MT-HOME-21RD-02	1,789,704	1,000	1,000	-
Montana Department of Commerce	14.239	MT-HOME-21RD-03	665,000	652,700	652,700	-
Total U.S. Department of Housing and Urban Development			6,764,443	2,392,263	2,470,911	233,295
U.S. Department of Treasury						
Community Development Financial Institutions (Rapid Response Program)	21.024	N/A	1,826,265	811,265	811,265	-
Coronavirus State and Local Recovery Funds Pass Through From:						
Montana Department of Commerce	21.027	22-747-009	2,000,000	171,129	171,129	-
Montana Department of Commerce	21.027	22-747-011	2,000,000	658,355	658,355	-
Total U.S. Department of Treasury			7,826,265	1,640,749	1,640,749	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 16,616,573	\$ 5,827,640	\$ 5,748,734	\$ 890,293

See the accompanying notes to the schedule of expenditures of federal awards.

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Montana HomeOwnership Network, Inc. dba NeighborWorks Montana (NWMT) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 US *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule of expenditures of federal awards 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.

3. INDIRECT COST RATE

NWMT has elected not to use the 10.0% de minimis indirect cost rate from Uniform Guidance.

4. UNKNOWN ASSISTANCE LISTING NUMBER

The Neighborhood Reinvestment Corporation, doing business as NeighborWorks America, is a congressionally chartered nonprofit organization that received direct federal appropriations. They have not been issued an Assistance Listing (AL) number for federal appropriations. Public Law number 115.141 was issued for the appropriations awarded for the year ended September 30, 2023.

OTHER REPORTS SECTION



INDEPENDENT AUDITORS' 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
Montana HomeOwnership Network, Inc.
dba NeighborWorks Montana
Great Falls, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Montana HomeOwnership Network, Inc. dba NeighborWorks Montana, a nonprofit organization (NWMT), which comprise the statement of financial position as of September 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 26, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered NWMT's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NWMT's internal control. Accordingly, we do not express an opinion on the effectiveness of NWMT'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 or significant deficiencies may exist that have not been identified.

INDEPENDENT AUDITORS' 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

(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether NWMT's 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 financial statements. 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 NWMT's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NWMT's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KCoe Jam, LLP

March 26, 2024
Great Falls, Montana



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE
UNIFORM GUIDANCE**

To the Board of Directors
Montana HomeOwnership Network, Inc.
dba NeighborWorks Montana
Great Falls, Montana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Montana HomeOwnership Network, Inc. dba NeighborWorks Montana (NWMT)'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of NWMT's major federal programs for the year ended September 30, 2023. NWMT's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, NWMT complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of NWMT 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 NWMT's compliance with the compliance requirements referred to above.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE
UNIFORM GUIDANCE**

(Continued)

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 NWMT's federal programs.

Auditors' 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 NWMT'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 GAAS, *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 NWMT's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 NWMT'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 NWMT'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 NWMT's internal control over compliance. Accordingly, no such opinion is expressed.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

(Continued)

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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2023-001. Our opinion on each major federal program is not modified with respect to these matters. *Government Auditing Standards* requires the auditor to perform limited procedures on NWMT's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. NWMT's response was not subjected to the other auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a material weakness.

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.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE
UNIFORM GUIDANCE**

(Continued)

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.

Government Auditing Standards requires the auditor to perform limited procedures on NWMT's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. NWMT's response was not subjected to the other auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

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.

KCoe Jrom, LLP

March 26, 2024
Great Falls, Montana

FINDINGS AND QUESTIONED COSTS SECTION

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

September 30, 2023

SECTION I

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of Auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? None

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

Noncompliance material to financial statements? None

Federal Awards

Internal control over major programs:

Material weakness identified? Yes

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

Type of Auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes

The major programs for the year ended September 30, 2023 were as follows:

AL #

HUD Counseling Program 14.169

NeighborWorks America Capital and Expendable Grants N/A

Dollar threshold for Type A programs: \$750,000

Auditee qualified as low-risk auditee? Yes

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2023
(Continued)

SECTION II
FINANCIAL STATEMENT FINDINGS

None.

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

September 30, 2023

(Continued)

SECTION II

FEDERAL AWARDS FINDINGS

#2023-001 – Grant Program: Department of Housing and Urban Development HUD Counseling Program – Assistance Listing # 14.169

Condition: As a result of our audit procedures, we noted the following exceptions with reporting submissions for the Federal Funding Accountability and Transparency Act (FFATA) reporting for fiscal year ended September 30, 2023:

Transactions Tested	Subaward Not Reported	Report Not Timely	Subaward Amount Incorrect	Subaward Missing Key Elements
4	4	0	0	0
Dollar Amount for Tested Transactions	Subaward Not Reported	Report Not Timely	Subaward Amount Incorrect	Subaward Missing Key Elements
\$201,484	\$201,484	\$0	\$0	\$0

Criteria: *The Code of Federal Regulations (2 CFR 170, Appendix A((1)(a)(2)(ii))* states a subaward must be reported in FSRS by the last day of the month following the obligation date, which is defined as the date the subaward is signed.

The Code of Federal Regulations (2 CFR 170, Appendix A(1)(b)(1)(i)) sets forth the reporting requirements of the Transparency Act that related to subawards under grants. Direct recipients of grants who make first-tier subawards equal to or exceeding \$30,000 are required to report each subaward obligating action equal to \$30,000 or more in Federal funds.

Effect: Failure to report subawards greater than \$30,000 under FFATA is considered noncompliance. Continued noncompliance could result in a loss of funding.

Context: Pass through payment to subrecipients subject to FFATA reporting was \$201,484.

Cause: NWMT was not aware of the reporting requirements.

Recommendation: We recommend that NWMT update its current practices for managing subaward reporting under FFATA to ensure applicable subawards are properly identified and the required submissions are made timely.

Management

Response: See Corrective Action Plan.

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

SUMMARY SCHEDULE OF PRIOR-AUDIT FINDINGS

September 30, 2023

There were no prior-year findings relative to federal award programs.

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

CORRECTIVE ACTION PLAN

September 30, 2023

Federal Awards Finding #2023-001 – Grant Program: Department of Housing and Urban Development HUD Counseling Program – Assistance Listing #14.169

Description of Deficiency: It is noted that NWMT failed to report subawards greater than \$30,000 under the Federal Funding Accountability and Transparency Act (FFATA) and is considered noncompliance as of September 30, 2023.

Corrective Action Proposal: NWMT will complete the reporting of the required pass through payments to subrecipients subject to FFATA reporting in the FY23 amount of \$201,484.

NWMT will also implement the necessary updated procedures to ensure all subrecipients subject to FFATA reporting are properly reported for any further federal awards through the HUD Counseling Program at time of award.

Individual(s) Responsible for Corrective Action: Hanna Tester (Homeownership Director) and Kaia Peterson (Executive Director)

Corrective Action to be Completed by: All required subjects from 10/1/2022 to present will be properly reported within the Federal Subaward Reporting System no later than June 30, 2024.