Consolidated Financial Statements
June 30, 2022

Housing Resources of Western Colorado

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Independent Auditor's Report

Board of Directors
Housing Resources of Western Colorado
Grand Junction, Colorado

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Housing Resources of Western Colorado, which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of Housing Resources of Western Colorado as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and our 2022 audit in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States *(Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Housing Resources of Western Colorado and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities of the Audit of the Consolidated 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 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 consolidated 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 consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the 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 Housing Resources of Western Colorado'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 Housing Resources of Western Colorado'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2022 on our consideration of Housing Resources of Western Colorado'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 Housing Resources of Western Colorado'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 Housing Resources of Western Colorado's internal control over financial reporting and compliance.

Eide Bailly LLP

Grand Junction, Colorado
November 3, 2022

Assets	
Cash and cash equivalents	$ 2,027,874
Certificate of deposit	361,390
Accounts receivable, net	104,013
Grants receivable, net	593,070
Inventory	141,665
Prepaid expenses and other assets	151,645
Property held for development, rehabilitation and sale	1,458,698
Restricted cash	1,344,431
Loans receivable	
Amortizing loans receivable, net	816,419
Programmatic loans receivable, net	1,009,584
Property and equipment, net	6,115,871
Total assets	$ 14,124,660
Liabilities and Net Assets	
Accounts payable and accrued expenses	$ 570,159
Tenant deposits	75,512
Prepaid rent	2,108
Notes payable, net of issuance costs	3,306,671
Total liabilities	3,954,450
Net assets	
Without donor restrictions	
Undesignated	6,351,717
Noncontrolling interest	169,745
	6,521,462
With donor restrictions	
Purpose restrictions	3,648,748
	3,648,748
Total net assets	10,170,210
Total liabilities and net assets	$ 14,124,660

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Grant revenue			
Federal	$ 2,512,044	$ 196,778	$ 2,708,822
State	1,096,634	-	1,096,634
Foundations	126,040	28,960	155,000
Contributions	25,860	-	25,860
Rental income	1,690,688	-	1,690,688
Interest income	32,974	-	32,974
Other income	351,864	-	351,864
Inherent contribution	2,042,625	-	2,042,625
Net assets released from restrictions	15,859	(15,859)	-
Total revenue, support, and gains	7,894,588	209,879	8,104,467
Expenses			
Program services expense	5,409,406	-	5,409,406
Supporting services expense			
Management and general	573,738	-	573,738
Resource development	113,352	-	113,352
Total supporting services expense	687,090	-	687,090
Total expenses	6,096,496	-	6,096,496
Change in net assets	1,798,092	209,879	2,007,971
Net Assets, Beginning of Year	4,723,370	3,438,869	8,162,239
Net Assets, End of Year	$ 6,521,462	$ 3,648,748	$ 10,170,210

	Program Services								
	Housing Preservation	Real Estate Development	Property Management	Housing Counseling and Education	Community Building and Engagement	Total	Management and General	Resource Development	Total
Salaries and wages	$ 859,696	$ 150,651	$ 331,778	$ 158,648	$ 114,542	$ 1,615,315	$ 205,795	$ 45,380	$ 1,866,490
Contract labor	753,124	4,680	196,517	-	-	954,321	4,296	2,100	960,717
Payroll taxes and employee benefits	269,377	57,537	91,644	41,216	28,485	488,259	72,853	13,454	574,566
Program materials and supplies	545,722	10,447	5,388	9	1,389	562,955	1,461	-	564,416
Depreciation and amortization	45,309	-	364,912	-	-	410,221	5,509	-	415,730
Occupancy	20,930	24,792	245,950	-	-	291,672	153	-	291,825
Client assistance payments	-	-	-	229,443	54,195	283,638	-	-	283,638
Professional services	69,115	13,833	46,871	1,605	1,235	132,659	91,699	18,254	242,612
Insurance	24,636	2,083	85,470	-	1,700	113,889	62,218	-	176,107
Office expenses and information technology	27,963	4,321	15,136	6,601	6,459	60,480	87,604	9,475	157,559
Repairs and maintenance	21,359	444	114,707	1,028	299	137,837	13,819	330	151,986
Interest	-	15,974	121,161	-	-	137,135	-	-	137,135
Travel and meals	75,392	367	4,957	1,374	858	82,948	691	-	83,639
Training and development	46,359	1,816	125	6,533	2,537	57,370	5,690	4,797	67,857
Equipment rental	22,930	5,110	2,520	2,400	4,860	37,820	18,840	1,080	57,740
Advertising and marketing	6,544	691	367	8,089	615	16,306	130	18,482	34,918
Miscellaneous	11,461	-	2,396	-	-	13,857	2,980	-	16,837
Bad debt expense	9,842	-	2,882	-	-	12,724	-	-	12,724
Total expenses	$ 2,809,759	$ 292,746	$ 1,632,781	$ 456,946	$ 217,174	$ 5,409,406	$ 573,738	$ 113,352	$ 6,096,496

Operating Activities	
Receipts from contracts, grants, and contributions	$ 3,812,704
Program rental payments received	1,662,623
Employee Retention Credit payments received	160,146
Other cash receipts	354,265
Interest received	32,974
Payments for salaries, contract labor, benefits and taxes	(3,387,612)
Payments to vendors	(1,952,940)
Interest paid	(137,135)
Property taxes paid	(107,496)
Net Cash from Operating Activities	437,529
Investing Activities	
Purchase of certificate of deposit	361,390
Maturity of certificate of deposit	(361,427)
Purchases of property and equipment	(9,312)
Proceeds from sales of land investments held for sale	186,730
Loans receivable issued	(832,598)
Loans receivable payments received	212,736
Acquisition of ComAct cash	975,410
Net Cash from Investing Activities	532,929
Financing Activities	
Principal payments on notes payable	(267,164)
Net Cash used for Financing Activities	(267,164)
Net Change in Cash, Cash Equivalents, and Restricted Cash	703,294
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	2,669,011
Cash, Cash Equivalents, and Restricted Cash, End of Year	$ 3,372,305
Supplemental Disclosure of Non-Cash Investing and Financing Activity	
Acquisition of ComAct	
Certificate of deposit	$ 361,353
Prepaid expenses and other assets	1,481
Loan receivable	8,841
Property held for development, rehabilitation and sale	697,057
Accrued expenses	(1,517)
	$ 1,067,215
Cash and cash equivalents	$ 2,027,874
Restricted cash	1,344,431
Total cash, cash equivalents, and restricted cash	$ 3,372,305

Note 1 - Principal Activity and Significant Accounting Policies

Organization

Housing Resources of Western Colorado (the Organization, we, us, our), is a private nonprofit organization that was formed for the purpose of promoting the wise and sustainable use of the earth's resources. The Organization has expanded its mission and scope to include more affordable housing related activities, such as low- and moderate-income housing rehabilitations, rental housing, homeownership promotion, low-income energy conservation programs and the purchase and management of multifamily units.

Housing Preservation
Housing Preservation combines both the Weatherization Program and Housing Rehabilitation Loan Program. Since 1988, the Weatherization Program has provided cost-effective, energy-efficient home improvements to homeowners and renters. Weatherization services are free to income qualified residents in 12 Western Colorado counties. Since 1991, the Housing Rehabilitation Loan Program has provided income qualifying homeowners in Mesa, Garfield, and Rio Blanco counties access to low interest-rate loans to repair and maintain their homes. The program is designed to finance essential repairs to improve health, safety, energy conservation, major and/or minor deficiencies, and accessibility modifications.

Real Estate Development
In the last 4 years, we have primarily focused our development resources for single-family development through the Self-Help Housing Program including the development of the Butner Neighborhood 40 home community. Started in 1997, the Self-Help Housing Program is a homeownership sweat equity program that gives income qualified families the means to construct their own homes. Participating families perform approximately 65% of the construction labor, under qualified supervision, on each other's homes. The USDA Rural Development provides a subsidized interest rate on the participants' construction financing and their permanent financing. The combination of the subsidized interest rate and the contribution of labor substantially reduces the cost of each home and provides the owners with an equity boost from the outset of their ownership tenure.

Asset and Property Management
Our assets include 180 rental units with a variety of bedroom types and units, 16 lots intended for Self Help development (8 in Mesa County and 8 in Montrose County), 4 lots intended for affordable rental units in Mesa County, and land in Mesa County of approximately 14 acres intended for future affordable housing development. Our rental properties have healthy debt ratios, allowing us to keep our rents low. The Asset Management Plan outlines housing preservation projects funded through grants and replacement reserves through a watch list of repairs to ensure safe and healthy properties. The Property Management Program provides rental housing to qualified residents. Our property rental rates vary depending upon the market and the Board Asset Management Committee evaluation.

Housing Counseling and Education
The services provided through the Housing Counseling and Education Program include financial coaching, financial capability workshops, homebuyer education classes, pre-purchase counseling, post-purchase coaching, rental counseling, rental and mortgage assistance, and foreclosure prevention. We are a HUD-approved counseling agency.

Community Building and Engagement
Our Community Building and Engagement Program builds local vital communities that provide equitable opportunities for people to thrive. We strive to reach our vision by connecting people, places, and local community systems. The program provides community organizing activities that help residents and other area stakeholders come together to develop and provide leadership to build a strong community. The Community Building and Engagement Program facilitates the Montrose Housing Network.

Business Combination

Effective July 1, 2021 (acquisition date), the Organization entered into an agreement with ComAct Housing Corporation (ComAct) in which the Organization will have control, management, and operations of ComAct through a change in the Board of Directors. ComAct's organizational mission is to support homeownership for those who are not well served by the traditional home purchase market. This mission aligns well with our affordable housing related initiatives, and combining our organizations will allow us to leverage and integrate each other's strengths, assets, and programing in order to more effectively provide housing opportunities and resources to low and moderate income individuals and families. The assets of ComAct at the time of acquisition date consist primarily of various checking, savings, and CD accounts, three properties which it has leased to its clients, and a mortgage loan (loan receivable) to one of its clients secured by the home owned by the client.

As a result of this agreement, ComAct’s activities are included in the Organization’s operations beginning on July 1, 2021. The consolidated statement of cash flows summarizes the fair values of the assets acquired and liabilities assumed at the acquisition date. As there was no cash consideration paid for ComAct, an inherent contribution of $2,042,625 is recognized for the fair value of the assets and liabilities assumed at the acquisition date within the consolidated statement of activities.

Principles of Consolidation

The consolidated financial statements include the accounts of Housing Resources of Western Colorado, GVAH Limited Partnership, Grand Valley Apartments Limited Partnership (dba Grand Valley Apartments), Phoenix, LLP, and ComAct because Housing Resources of Western Colorado has both control and an economic interest in those organizations. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as “Housing Resources, the Organization, we, us or our”.

Cash and Cash Equivalents

We consider all cash and highly liquid financial instruments with original maturities of three months or less, to be cash and cash equivalents. Cash received for tenant security deposits and cash held in escrow reserves are excluded from this definition.

Restricted Cash

Amounts classified as restricted represent cash held in escrow for tax, lots, insurance, and other fees and expenses related to operating our properties, cash held for the revolving loan fund, as well as cash held for tenant security deposits.

Certificate of Deposit

We hold a certificate of deposit (the CD) in a local financial institution that is initially recorded at cost. Thereafter, the CD is reported at its fair value in the consolidated statement of financial position. Net investment return/(loss) is reported in the consolidated statement of activities and consists of interest income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due for rent. We determine the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. The allowance totaled $10,105 at June 30, 2022.

Receivables from contracts with customers are reported as accounts receivable, net in the accompanying consolidated statement of financial position. Receivables from contracts consist of $104,013 and $84,366 at June 30, 2022 and July 1, 2021, respectively. Contract liabilities are reported as prepaid rent in the accompanying consolidated statement of financial position. Contract liabilities consist of $0 and $10,526 at June 30, 2022 and July 1, 2021, respectively.

Grants Receivable

Grants receivable consist primarily of noninterest-bearing amounts due from federal, state, and local granting agencies in accordance with grant terms. We determine the allowance for uncollectable grants receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Grants receivable are written off when deemed uncollectable. At June 30, 2022, no allowance was deemed necessary.

Amortizing Loans Receivable

Amortizing loans receivable consist of amounts outstanding to low- and moderate-income families for purposes of home rehabilitation. Interest rates range from 0% to 3% with monthly payment terms of principal and/or interest. The loans are secured by real property. Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding principal balances adjusted for the allowance for loan losses.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses and reported as bad debt within the consolidated statement of functional expenses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to other income.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of allocated and general components. The allocated component relates to loans that are classified as impaired. For those loans that are classified as impaired, an allowance is established when the discounted cash flows of the impaired loan is lower than the carrying value of that loan. The general component covers non classified loans and is based on historical charge-off experience and expected loss given default derived from management's research and judgement. Other adjustments may be made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss or risk rating data.

A loan is considered impaired when, based on current information and events, it is probable that we will be unable to collect the scheduled payments of principal and interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed.

Groups of loans with similar risk characteristics are collectively evaluated for impairment based on the group's historical loss experience adjusted for changes in trends, conditions and other relevant factors that affect repayment of the loans. Generally, management considers loans with past due payments exceeding 6 months to be impaired.

Programmatic Loans Receivable

Programmatic loans receivable are loans that bear 0% interest, require no monthly payments, and either have no maturity date or greater than 30 years from the initial loan closing date. They include loans which are due upon sale, transfer, vacating of, or refinance of the related home. The loans are secured by real property. Programmatic loans are measured at fair value at inception to determine if a contribution element exists. Programmatic loans are recorded net of the discount (if a contribution element exists) and/or a reasonable allowance for loan losses. The discount represents the inherent contribution made by us from issuing programmatic loans at below market rate interest. The discount is amortized over the life the loan using the effective interest method and is included in contribution revenue in the consolidated statement of activities. At June 30, 2022, no allowance for loan losses for programmatic loans receivable was deemed necessary.

Property Held for Development, Rehabilitation, and Sale

We currently hold various plots of land that we intend to sell in the near future or are held for development for our Self-Help Housing Program and other programs. Lots held for sale are classified as such when the land is not planned to be held for use and is expected to qualify for recognition as completed sale within one year.

Inventory

Inventory is comprised of materials for the Weatherization program and is stated at the lower of cost or net realizable value. Cost is determined on an average cost basis. At June 30, 2022, no allowance for inventory obsolescence was deemed necessary.

Property and Equipment

We record property and equipment additions over $5,000 at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from five to forty years. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the consolidated statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

We review the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2022.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

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

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor (or certain grantor) 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. We report conditional and unconditional contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or 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 restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are released from restrictions when the assets are placed in service.

Revenue and Revenue Recognition

We recognize contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. A portion of our revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Consequently, at June 30, 2022, conditional contributions approximating $2,797,000, for which no amounts had been received in advance, have not been recognized in the accompanying consolidated financial statements. Amounts received are recognized as revenue when we have incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statement of financial position. We received no advanced payments of grants at June 30, 2022.

Housing units are rented under operating lease agreements with terms of one year or less. Rent income from tenants is recognized in the month in which it is earned rather than received. Any rent received prior to the month of occupancy is reported as a liability and is allocated to income when earned. Contractually due but unpaid rents are included in accounts receivable.

In-Kind Contributions

In-kind contributions include donated professional services, donated equipment, and other in-kind contributions which are recorded at the respective fair values of the goods or services received. We do not sell donated gifts-in-kind. In addition to in-kind contributions, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. No significant contributions of such goods or services were received during the year ended June 30, 2022.

Debt Issuance Costs

Debt issuance costs are amortized over the period the related obligation is outstanding using the effective interest method. Debt issuance costs are included within long-term debt in the consolidated statement of financial position. Amortization of debt issuance costs is included in interest expense in the accompanying consolidated financial statements.

Advertising Costs

Advertising costs are expensed as incurred, and approximated $17,183 during the year ended June 30, 2022.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages and payroll taxes and employee benefits, which are allocated on the basis of estimates of time and effort.

Income Taxes

Housing Resources of Western Colorado is organized as a Colorado nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction, and has been determined not to be a private foundation. Housing Resources of Western Colorado ownership in two partnerships, treated as disregarded entities for tax purposes, is incorporated into our tax filings. Phoenix, LLP activities are directly related to the organization's charitable purposes and therefore, is not considered to be taxable. Housing Resources of Western Colorado is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, we are subject to income tax on net income that is derived from business activities that are unrelated to our exempt purposes. Housing Resources of Western Colorado files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income.

ComAct is organized as a Colorado nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(c)(4) of the Internal Revenue Code. ComAct is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, ComAct is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. ComAct has determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

We believe that each entity has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements. We would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. Our Forms 990, 990-T and other income tax filings required by state, local, or non-U.S. tax authorities are no longer subject to tax examination for years before 2019.

Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Financial Instruments and Credit Risk

We manage deposit concentration risk by placing cash and a certificate of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, we have not experienced losses in any of these accounts. Credit risk associated with accounts receivable, grants receivable, and loans receivable is considered to be limited due to high historical collection rates.

Subsequent Events

We have evaluated subsequent events through November 3, 2022, the date the consolidated financial statements were available to be issued.

Note 2 - Liquidity and Availability

We operate on a balanced budget and regularly monitor liquidity to meet our operating needs and other contractual commitments while also striving to maximize our available funds.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following as of June 30, 2022:

Cash and cash equivalents	$ 1,936,644
Certificate of deposit	361,390
Accounts receivable, net	104,013
Grants receivable, net	593,070
Loans receivable, net, within one year	271,132
	$ 3,266,249

Note 3 - Fair Value Measurements and Disclosures

Certain assets are reported at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available.

A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset.

We invest in a certificate of deposit traded in the financial markets which is valued by the custodian of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions and is classified within Level 2. We held $361,390 in a certificate of deposit at June 30, 2022.

Note 4 - Loans Receivable

Amortizing Loans Receivable

Amortizing loans receivable consist of loans bearing 0-3% interest made from funding pools to low-to-moderate income individuals for purposes of home rehabilitation. After a loan is executed, funds are expended for each homeowner according to an approved scope of work. Terms of the contract require funds from repayment of these loans are to be used for further rehabilitation loans. The loans receivable to low- and moderate-income families are considered residential loans and a concentration of credit risk.

Amortizing loans receivable consist of the following at June 30, 2022:

Principal balance	$ 978,491
Less allowance for individually evaluated for impairment	(116,842)
Less general allowance on remaining loans	(45,230)
	$ 816,419

As discussed in Note 1, the allowance consists of allocated and general components. Loans past due by 6 months or more and considered to be impaired and are specifically allowed for. We estimate the allowance of the remaining amortizing loans receivable balance to be 5% of the respective balances. We believe this is reasonable based on our security interests in the properties and the minimal historical write offs.

We had the following aging of past due amortizing loans as of June 30, 2022:

	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days Past Due	Total Past Due	Current	Total Loans
Principal balance	$ 11,370	$ 12,430	$ 135,874	$ 159,674	$ 818,817	$ 978,491

Of the past due loans, a balance of $116,842 was past due by 6 months or more and considered to be impaired and are specifically allowed for. All loans past due over 90 days are still accruing.

As of June 30, 2022, we had $260,301 in unfunded commitments to low- and moderate-income families.

Programmatic Loans Receivable

Programmatic loans receivable consist of the following at June 30, 2022:

Principal balance	$ 1,216,399
Less discount	(206,815)
	$ 1,009,584

Note 5 - Property and Equipment

Property and equipment consists of the following at June 30, 2022:

Land and improvements	$ 1,292,865
Buildings and improvements	11,807,702
Equipment, furniture and fixtures	563,983
Vehicles	975,599
	14,640,149
Less accumulated depreciation	(8,524,278)
	$ 6,115,871

Note 6 - Notes Payable

Notes payable consist of the following at June 30, 2022:

4.75% note payable, due in monthly installments of $2,403 including interest to December 30, 2022, secured by real estate	$ 249,561
6.75% note payable, due in monthly installments of $1,135 including interest to October 1, 2030, secured by property	86,477
1.00% note payable, due in monthly installments of $434 including interest to October 1, 2030, secured by property	41,794
4.65% promissory note, due in monthly installments of $11,315 including interest to April 2039, effective interest rate over the life of the note is 5.45%, secured by property	1,579,825
3.50% promissory note, due in monthly installments of $10,947 including interest to June 2032, effective interest rate of the life of the note is 6.46%, secured by property	1,114,713
5.00% construction loan payable due in monthly installments of interest only payments, which are drawn from the loan not to exceed $130,622, to July 1, 2022, secured by property	296,474
	3,368,844
Less unamortized debt issuance costs	(62,173)
	$ 3,306,671

Future maturities of notes payable, and future amortization of deferred issuance costs, are as follows:

Years Ending June 30,	Total
2023	$ 420,024
2024	176,943
2025	184,192
2026	191,754
2027	199,646
Thereafter	1,899,811
Less unamortized issuance costs	(62,173)
	$ 3,010,197

Subsequent to June 30, 2022, we repaid our 5.00% construction loan payable. As a result, future payments on the loan have been excluded above.

Note 7 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at June 30, 2022:

Time restricted with affordability requirement	$ 800,000
Subject to expenditure for specified purpose	
Montrose housing operations	71,420
Pollution and air quality enhancement	16,854
Rehabilitation projects	2,956
	91,230
Perpetual in nature	
Community Development Block Grants	2,757,518
	$ 3,648,748

Time restricted with affordability requirement above reflects funding we received to hold properties for their respective restricted purposes. The agreements placed a restriction that the property is to remain for affordable housing for 50 years, or the amounts are to be repaid.

Community Development Block Grants (CDBG) are used to make home improvement loans to low-to-moderate income individuals, and for development and rehabilitation in target areas. Capital grants received in prior years developed this fund and the interest earned on the CDBG portion of loans is restricted for this purpose along with the return of loan principal and return of principal from property sales.

Perpetually restricted CDBG funds are reduced for losses incurred on loans made with CDBG funds and for losses on property sold, where CDBG funds were used for acquisition, development, and/or rehabilitation of the property.

Net assets were released from restrictions as follows during the year ended June 30, 2022:

Satisfaction of purpose restrictions	
Housing counseling	$ 10,000
Executive director search - leadership transition	3,000
Eviction prevention and mortgage assistance	2,497
Rehabilitation projects	362
	$ 15,859

Note 8 - Employee Benefits

We sponsor a defined contribution plan under which eligible employees may elect to defer a portion of their salaries subject to current limits established by the Internal Revenue Code. The percentage matched by us is determined by the Board of Directors and is subject to change. For the year ended June 30, 2022, we contributed $36,275.

Supplementary Information
June 30, 2022

Housing Resources of Western Colorado

Independent Auditor's Report on Supplementary Information

Board of Directors
Housing Resources of Western Colorado
Grand Junction, Colorado

We have audited the consolidated financial statements of Housing Resources of Western Colorado as of and for the year ended June 30, 2022, and our report thereon dated November 3, 2022, expressed an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole.

The following supplementary information is presented for the purpose of additional analysis and is 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 our 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 taken as a whole.

Eide Bailly LLP

Grand Junction, Colorado
November 3, 2022

	Housing Resources of Western Colorado	GVAH Limited Partnership	Grand Valley Apartments L.P.	Phoenix, LLP	ComAct Housing Corporation	Eliminations	Total
Assets							
Cash and cash equivalents	$ 862,268	$ 240,227	$ 36,035	$ 39,411	$ 849,933	$ -	$ 2,027,874
Certificate of deposit	-	-	-	-	361,390	-	361,390
Accounts receivable, net	173,493	38,915	20,968	2,336	17	(131,716)	104,013
Grants receivable, net	593,070	-	-	-	-	-	593,070
Inventory	141,665	-	-	-	-	-	141,665
Due from affiliates	212,331	19,513	34,281	131	200,000	(466,256)	-
Prepaid expenses and other assets	91,874	36,622	19,597	1,598	1,954	-	151,645
Property held for development, rehabilitation and sale	948,371	-	-	-	510,327	-	1,458,698
Restricted cash	920,457	203,700	84,922	5,893	129,459	-	1,344,431
Investment deficit in partnerships	(152,930)	-	-	-	-	152,930	-
Loans receivable							
Amortizing loans receivable, net	2,931,896	-	-	-	8,841	(2,124,318)	816,419
Programmatic loans receivable, net	1,009,584	-	-	-	-	-	1,009,584
Accrued interest	418,548	-	-	-	1,742	(420,290)	-
Property and equipment, net	1,389,558	3,443,159	966,773	316,381	-	-	6,115,871
Total assets	$ 9,540,185	$ 3,982,136	$ 1,162,576	$ 365,750	$ 2,063,663	$ (2,989,650)	$ 14,124,660

	Housing Resources of Western Colorado	GVAH Limited Partnership	Grand Valley Apartments L.P.	Phoenix, LLP	ComAct Housing Corporation	Eliminations	Total
Liabilities and Net Assets							
Accounts payable and accrued expenses	$ 499,059	$ 534,296	$ 70,628	$ 13,238	$ 4,944	$ (552,006)	$ 570,159
Tenant deposits	23,414	10,905	35,300	5,893	-	-	75,512
Prepaid rent	-	2,108	-	-	-	-	2,108
Due to affiliates	401,661	63,880	515	200	-	(466,256)	-
Notes payable, net of issuance costs	674,305	3,034,548	1,722,136	-	-	(2,124,318)	3,306,671
Total liabilities	1,598,439	3,645,737	1,828,579	19,331	4,944	(3,142,580)	3,954,450
Net assets							
Without donor restrictions							
Undesignated	4,292,998	-	-	-	2,058,719	-	6,351,717
Non-controlling interest	-	-	-	-	-	169,745	169,745
	4,292,998	-	-	-	2,058,719	169,745	6,521,462
Partners' capital	-	336,399	(666,003)	346,419	-	(16,815)	-
	4,292,998	336,399	(666,003)	346,419	2,058,719	152,930	6,521,462
With donor restrictions	3,648,748	-	-	-	-	-	3,648,748
Total net assets	7,941,746	336,399	(666,003)	346,419	2,058,719	152,930	10,170,210
Total liabilities and net assets	$ 9,540,185	$ 3,982,136	$ 1,162,576	$ 365,750	$ 2,063,663	$ (2,989,650)	$ 14,124,660

	Housing Resources of Western Colorado	GVAH Limited Partnership	Grand Valley Apartments L.P.	Phoenix, LLP	ComAct Housing Corporation	Eliminations	Total
Revenue, Support, and Gains							
Grant revenue							
Federal	$ 2,708,822	$ -	$ -	$ -	$ -	$ -	$ 2,708,822
State	1,096,634	-	-	-	-	-	1,096,634
Foundations	155,000	-	-	-	-	-	155,000
Contributions	25,860	-	-	-	-	-	25,860
Rental income	287,201	962,248	414,571	50,595	31,813	(55,740)	1,690,688
Management fees	144,653	-	-	-	-	(144,653)	-
Interest income	60,578	364	65	-	9,250	(37,283)	32,974
Loss on investments in partnership	(114,894)	-	-	-	-	114,894	-
Other income	348,345	1,699	1,630	173	17	-	351,864
Inherent contribution	-	-	-	-	2,042,625	-	2,042,625
Total revenue, support, and gains	4,712,199	964,311	416,266	50,768	2,083,705	(122,782)	8,104,467
Expenses and Losses							
Program services expense	4,064,960	1,009,424	474,706	73,006	24,986	(237,676)	5,409,406
Supporting services expense							
Management and general	573,738	-	-	-	-	-	573,738
Resource development	113,352	-	-	-	-	-	113,352
Total supporting services expense	687,090	-	-	-	-	-	687,090
Total expenses	4,752,050	1,009,424	474,706	73,006	24,986	(237,676)	6,096,496
Change in net assets before partnership distributions and contributions	(39,851)	(45,113)	(58,440)	(22,238)	2,058,719	114,894	2,007,971
Distributions	-	(30,174)	-	-	-	30,174	-
Contributions	-	6,115	4,360	-	-	(10,475)	-
Change in net assets	(39,851)	(69,172)	(54,080)	(22,238)	2,058,719	134,593	2,007,971
Net Assets, Beginning of Year	7,981,597	405,571	(611,923)	368,657	-	18,337	8,162,239
Net Assets, End of Year	$ 7,941,746	$ 336,399	$ (666,003)	$ 346,419	$ 2,058,719	$ 152,930	$ 10,170,210