Consolidated Financial Statements
June 30, 2023 and 2022

Housing Resources of Western Colorado

EideBailly®

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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 (the Organization), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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 the Organization as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and our 2023 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 the Organization 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 the Organization'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 for 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 the Organization'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 the Organization'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 October 26, 2023 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 the Organization's internal control over financial reporting and compliance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information is presented for the purposes 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 the audits 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 financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Eide Bailly LLP

Grand Junction, Colorado
October 26, 2023

	2023	2022
Assets		
Cash and cash equivalents	$ 2,711,663	$ 2,027,874
Certificate of deposit	364,919	361,390
Accounts receivable, net	65,049	104,013
Grants receivable, net	676,443	593,070
Inventory	165,080	141,665
Prepaid expenses and other assets	228,447	151,645
Property held for development, rehabilitation and sale	609,936	1,458,698
Restricted cash	892,178	1,344,431
Loans receivable		
Amortizing loans receivable, net	847,384	816,419
Programmatic loans receivable, net	1,567,387	1,009,584
Property and equipment, net	5,973,874	6,115,871
Total assets	$ 14,102,360	$ 14,124,660
Liabilities and Net Assets		
Accounts payable and accrued expenses	$ 508,841	$ 570,159
Refundable advance	81,246	-
Tenant deposits and other liabilities	77,635	77,620
Notes payable, net of issuance costs	2,839,356	3,306,671
Total liabilities	3,507,078	3,954,450
Net assets		
Without donor restrictions		
Undesignated	6,312,312	6,351,717
Noncontrolling interest	-	169,745
	6,312,312	6,521,462
With donor restrictions		
Purpose restrictions	4,282,970	3,648,748
	4,282,970	3,648,748
Total net assets	10,595,282	10,170,210
Total liabilities and net assets	$ 14,102,360	$ 14,124,660

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Grant revenue			
Federal	$ 3,416,829	$ 626,678	$ 4,043,507
State	1,393,205	-	1,393,205
Foundations	139,621	23,379	163,000
Contributions	15,181	-	15,181
Rental income	1,954,025	-	1,954,025
Gain on sale of assets	144,328	-	144,328
Interest and other income	455,879	-	455,879
Net assets released from restrictions	15,835	(15,835)	-
Total revenue, support, and gains	7,534,903	634,222	8,169,125
Expenses			
Program services	6,832,862	-	6,832,862
Supporting services			
Management and general	660,688	-	660,688
Resource development	69,503	-	69,503
Total supporting services	730,191	-	730,191
Total expenses	7,563,053	-	7,563,053
Change in net assets before ownership interest acquired	(28,150)	634,222	606,072
Ownership interest acquired	(181,000)	-	(181,000)
Change in net assets	(209,150)	634,222	425,072
Net Assets, Beginning of Year	6,521,462	3,648,748	10,170,210
Net Assets, End of Year	$ 6,312,312	$ 4,282,970	$ 10,595,282

	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 and other income	384,838	-	384,838
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	5,409,406	-	5,409,406
Supporting services			
Management and general	573,738	-	573,738
Resource development	113,352	-	113,352
Total supporting services	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	Assst and Property Management	Housing Counseling and Education	Community Building and Engagement	Total	Management and General	Resource Development	Total
Salaries and wages	$ 1,214,151	$ 158,372	$ 380,028	$ 136,301	$ 62,824	$ 1,951,676	$ 165,393	$ 23,588	$ 2,140,657
Contract labor	942,658	7,320	219,573	-	736	1,170,287	9,757	-	1,180,044
Program materials and supplies	906,563	14,326	7,956	-	331	929,176	6,955	168	936,299
Payroll taxes and employee benefits	430,729	62,291	105,895	41,863	18,170	658,948	114,115	8,417	781,480
Depreciation and amortization	46,391	16,883	367,139	-	-	430,413	5,268	-	435,681
Occupancy	13,562	12,521	355,308	20	-	381,411	35,518	-	416,929
Professional services	81,194	38,197	28,616	120	-	148,127	111,310	28,661	288,098
Repairs and maintenance	47,567	1,371	182,865	-	635	232,438	11,582	-	244,020
Bad debt present value adjustment	237,147	-	-	-	-	237,147	-	-	237,147
Insurance	63,411	2,786	75,540	-	2,062	143,799	60,463	-	204,262
Office expenses and information technology	34,280	4,643	25,653	6,131	1,684	72,391	90,894	3,221	166,506
Interest	-	3,318	145,678	-	-	148,996	-	-	148,996
Travel and meals	109,447	3,047	8,333	1,410	2,309	124,546	1,479	67	126,092
Equipment rental	54,176	4,260	2,520	2,400	4,891	68,247	18,840	1,080	88,167
Training and development	27,114	10,973	25	7,358	1,663	47,133	18,016	-	65,149
Client assistance payments	-	-	-	43,224	-	43,224	-	-	43,224
Miscellaneous	39	10,728	4,711	-	-	15,478	10,778	-	26,256
Bad debt expense	-	-	21,331	-	-	21,331	-	-	21,331
Advertising and marketing	7,416	57	559	-	62	8,094	320	4,301	12,715
Total expenses	$ 4,215,845	$ 351,093	$ 1,931,730	$ 238,827	$ 95,367	$ 6,832,862	$ 660,688	$ 69,503	$ 7,563,053

	Program Services								
	Housing Preservation	Real Estate Development	Assst and 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
Program materials and supplies	545,722	10,447	5,388	9	1,389	562,955	1,461	-	564,416
Payroll taxes and employee benefits	269,377	57,537	91,644	41,216	28,485	488,259	72,853	13,454	574,566
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
Professional services	69,115	13,833	46,871	1,605	1,235	132,659	91,699	18,254	242,612
Repairs and maintenance	21,359	444	114,707	1,028	299	137,837	13,819	330	151,986
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
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
Equipment rental	22,930	5,110	2,520	2,400	4,860	37,820	18,840	1,080	57,740
Training and development	46,359	1,816	125	6,533	2,537	57,370	5,690	4,797	67,857
Client assistance payments	-	-	-	229,443	54,195	283,638	-	-	283,638
Miscellaneous	11,461	-	2,396	-	-	13,857	2,980	-	16,837
Bad debt expense	9,842	-	2,882	-	-	12,724	-	-	12,724
Advertising and marketing	6,544	691	367	8,089	615	16,306	130	18,482	34,918
Total expenses	$ 2,809,759	$ 292,746	$ 1,632,781	$ 456,946	$ 217,174	$ 5,409,406	$ 573,738	$ 113,352	$ 6,096,496

	2023	2022
Operating Activities		
Receipts from grants and contributions	$ 5,531,520	$ 3,812,704
Program rental payments received	1,992,989	1,662,623
Employee Retention Credit payments received	-	160,146
Interest and other cash receipts	600,222	387,239
Payments for salaries, contract labor, benefits and taxes	(4,059,096)	(3,387,612)
Payments to vendors	(2,798,664)	(1,952,940)
Interest paid	(148,996)	(137,135)
Property taxes paid	(120,137)	(107,496)
Net Cash from Operating Activities	997,838	437,529
Investing Activities		
Purchase of certificate of deposit	(364,919)	(361,390)
Maturity of certificate of deposit	361,390	361,353
Purchases of property and equipment	(55,820)	(9,312)
Purchase of ownership interest	(181,000)	-
Proceeds from sales of land investments held for sale	760,757	186,730
Loans receivable issued	(886,112)	(832,598)
Loans receivable payments received	72,248	212,736
Acquisition of ComAct cash	-	975,410
Net Cash from (used for) Investing Activities	(293,456)	532,929
Financing Activities		
Proceeds from issuance of notes payable	366,658	-
Principal payments on notes payable	(839,504)	(267,164)
Net Cash used for Financing Activities	(472,846)	(267,164)
Net Change in Cash, Cash Equivalents, and Restricted Cash	231,536	703,294
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	3,372,305	2,669,011
Cash, Cash Equivalents, and Restricted Cash, End of Year	$ 3,603,841	$ 3,372,305
Cash and cash equivalents	$ 2,711,663	$ 2,027,874
Restricted cash	892,178	1,344,431
Total cash, cash equivalents, and restricted cash	$ 3,603,841	$ 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

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 11 Western Colorado counties. Since 1991, the Housing Rehabilitation Loan Program has provided income qualifying homeowners 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. 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. In our most recent strategic plan, we set the goal to increase our Real Estate Development activity beyond the Self-Help Program with new construction and the acquisition/preservation of existing units.

Asset and Property Management
Our assets include 181 rental units with a variety of bedroom types and units, 8 lots intended for Self-Help development in Montrose County, 4 lots intended for affordable rental units in Mesa County, and land in Mesa County of approximately 12 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, the source of assistance, and our evaluation of each property.

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.

Homeownership Promotion
Homeownership Promotion provides low and moderate income households with assistance to secure stable, affordable housing through home purchase. Building off our existing lending capacity, we offer purchase assistance loans with 0% interest and deferred payments to help reduce a household's monthly mortgage payment and meet their downpayment requirements. The loan product is provided in close coordination with Housing Counseling and Education to ensure that future homeowners are prepared for long-term success.

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. This program has ended operations during the year ended June 30, 2023.

Business Combination

Effective July 1, 2021 (acquisition date), the Organization entered into an agreement with ComAct Housing Corporation (ComAct) in which the Organization has 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 allows 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 statements 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 statements 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 (100% and 51% ownership for the year-ended June 30, 2023 and 2022, respectively), 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".

During the year ended June 30, 2023, Housing Resources of Western Colorado purchased 49% ownership of Phoenix, LLP, resulting in 100% ownership, for $181,000. As a result, the controlling interest and a net asset transfer to Housing Resources of Western Colorado was recorded.

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 statements of financial position. Net investment return/(loss) is reported in the consolidated statements 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 $9,381 and $10,105 at June 30, 2023 and 2022, respectively.

Receivables from contracts with customers are reported as accounts receivable, net in the accompanying consolidated statements of financial position. Receivables from contracts consist of $65,049, $104,013, and $84,366 at June 30, 2023, June 30, 2022, and July 1, 2021, respectively. Contract liabilities are reported as prepaid rent within tenant deposits and other liabilities in the accompanying consolidated statements of financial position.

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, 2023 and 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 statements 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 statements of activities. At June 30, 2023 and 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, 2023 and 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 statements 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 years ended June 30, 2023 and 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) 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 statements 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, 2023 and 2022, conditional contributions approximating $2,923,000 and $2,797,000, respectively, 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 statements of financial position. Refundable advances of $81,246 and $0 have been recognized the consolidated statements of financial position as of June 30, 2023 and 2022, respectively.

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 years ended June 30, 2023 and 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 statements of financial position. Amortization of debt issuance costs is included in interest expense in the accompanying consolidated financial statements.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements 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 three partnerships, treated as disregarded entities for tax purposes, is incorporated into our tax filings. 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 or local tax authorities are no longer subject to tax examination for years before 2020.

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.

We maintain our cash in bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor, per insured bank, for each account ownership category. At June 30, 2023 and 2022, we had approximately $2,125,000 and $1,510,000 in excess of FDIC-insured limits.

Subsequent Events

We have evaluated subsequent events through October 26, 2023, 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 statements of financial position date, comprise the following as of June 30, 2023 and 2022:

	2023	2022
Cash and cash equivalents	$ 2,612,890	$ 1,936,644
Certificate of deposit	364,919	361,390
Accounts receivable, net	65,049	104,013
Grants receivable, net	676,443	593,070
Loans receivable, net, within one year	66,745	271,132
	$ 3,786,046	$ 3,266,249

At June 30, 2023 and 2022, cash and cash equivalents exclude donor restricted funds of $98,773 and $91,230.

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 $364,919 and $361,390 in a certificate of deposit at June 30, 2023 and 2022, respectively.

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, 2023 and 2022:

	2023	2022
Principal balance	$ 1,035,534	$ 978,491
Less allowance for individually evaluated for impairment	(131,017)	(116,842)
Less general allowance on remaining loans	(57,133)	(45,230)
	$ 847,384	$ 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, 2023:

	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days Past Due	Total Past Due	Current	Total Loans
Principal balance	$ -	$ 5,833	$ 131,017	$ 136,850	$ 898,684	$ 1,035,534

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	$ 656,745	$ 816,419

Of the past due loans as of June 30, 2023 and 2022, a balance of $131,017 and $116,842, respectively, was past due by 6 months or more and considered to be impaired and are fully included in the allowance. All loans past due over 90 days are still accruing.

As of June 30, 2023 and 2022, we had $175,126 and $260,301, respectively, in unfunded commitments to low- and moderate-income families.

Programmatic Loans Receivable

Programmatic loans receivable consist of the following at June 30, 2023 and 2022:

	2023	2022
Principal balance	$ 1,975,839	$ 1,216,399
Less discount	(408,452)	(206,815)
	$ 1,567,387	$ 1,009,584

Note 5 - Property and Equipment

Property and equipment consists of the following at June 30, 2023 and 2022:

	2023	2022
Land and improvements	$ 1,292,865	$ 1,292,865
Buildings and improvements	12,068,582	11,807,702
Equipment, furniture and fixtures	558,623	563,983
Vehicles	990,448	975,599
	14,910,518	14,640,149
Less accumulated depreciation	(8,936,644)	(8,524,278)
	$ 5,973,874	$ 6,115,871

Note 6 - Notes Payable

Notes payable consist of the following at June 30, 2023 and 2022:

	2023	2022
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	$ 1,510,978	$ 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	1,025,268	1,114,713
3.00% note payable, due in monthly installments of $2,052 including interest to December 30, 2032, secured by real estate	359,752	-
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
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
	2,895,998	3,368,844
Less unamortized debt issuance costs	(56,642)	(62,173)
	$ 2,839,356	$ 3,306,671

Future maturities of notes payable, less deferred issuance costs, are as follows:

Years Ending June 30,	Total
2024	$ 177,662
2025	184,703
2026	192,030
2027	199,655
2028	215,369
Thereafter	1,926,579
Less unamortized issuance costs	(56,642)
	$ 2,839,356

Note 7 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at June 30, 2023 and 2022:

	2023	2022
Time restricted with affordability requirement	$ 800,000	$ 800,000
Subject to expenditure for specified purpose		
Montrose housing operations	94,798	71,420
Pollution and air quality enhancement	1,019	16,854
Rehabilitation projects	2,956	2,956
	98,773	91,230
Perpetual in nature		
Community Development Block Grants	3,384,197	2,757,518
	$ 4,282,970	$ 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 years ended June 30, 2023 and 2022:

	2023	2022
Satisfaction of purpose restrictions		
Pollution and air quality enhancement	$ 15,835	$ -
Rehabilitation projects	-	362
Housing counseling	-	10,000
Executive director search - leadership transition	-	3,000
Eviction prevention and mortgage assistance	-	2,497
	$ 15,835	$ 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 years ended June 30, 2023 and 2022, we contributed $44,434 and $36,275, respectively.

Supplementary Information
June 30, 2023

Housing Resources of Western Colorado

	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	$ 808,510	$ 472,713	$ 45,800	$ 67,042	$ 1,317,598	$ -	$ 2,711,663
Certificate of deposit	-	-	-	-	364,919	-	364,919
Accounts receivable, net	425,555	29,780	8,958	-	17	(399,261)	65,049
Grants receivable, net	676,443	-	-	-	-	-	676,443
Inventory	165,080	-	-	-	-	-	165,080
Due from affiliates	213,230	14,184	34,743	931	-	(263,088)	-
Prepaid expenses and other assets	169,747	35,581	21,789	-	1,330	-	228,447
Property held for development, rehabilitation and sale	609,936	-	-	-	-	-	609,936
Restricted cash	636,384	214,894	40,600	-	300	-	892,178
Investment deficit in partnerships	(179,852)	-	-	-	-	179,852	-
Loans receivable							
Amortizing loans receivable, net	2,797,006	-	-	-	174,697	(2,124,319)	847,384
Programmatic loans receivable, net	1,567,387	-	-	-	-	-	1,567,387
Accrued interest	453,323	-	-	-	-	(453,323)	-
Property and equipment, net	1,510,377	3,295,214	862,475	305,808	-	-	5,973,874
Total assets	$ 9,853,126	$ 4,062,366	$ 1,014,365	$ 373,781	$ 1,858,861	$ (3,060,139)	$ 14,102,360

	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	$ 398,046	$ 713,808	$ 196,270	$ 2,450	$ 50,851	$ (852,584)	$ 508,841
Refundable advance	-	-	-	-	81,246	-	81,246
Tenant deposits and other liabilities	26,532	9,790	35,458	5,855	-	-	77,635
Due to affiliates	200,026	62,095	515	200	252	(263,088)	-
Notes payable, net of issuance costs	359,752	2,949,468	1,654,455	-	-	(2,124,319)	2,839,356
Total liabilities	984,356	3,735,161	1,886,698	8,505	132,349	(3,239,991)	3,507,078
Net assets							
Without donor restrictions							
Undesignated	4,585,800	-	-	-	1,726,512	-	6,312,312
Partners' capital (deficit)	-	327,205	(872,333)	365,276	-	179,852	-
	4,585,800	327,205	(872,333)	365,276	1,726,512	179,852	6,312,312
With donor restrictions	4,282,970	-	-	-	-	-	4,282,970
Total net assets	8,868,770	327,205	(872,333)	365,276	1,726,512	179,852	10,595,282
Total liabilities and net assets	$ 9,853,126	$ 4,062,366	$ 1,014,365	$ 373,781	$ 1,858,861	$ (3,060,139)	$ 14,102,360

	Housing Resources of Western Colorado	GVAH Limited Partnership	Grand Valley Apartments L.P.	Phoenix, LLP	ComAct Housing Corporation	Eliminations and Reclassifications	Total
Revenue, Support, and Gains							
Grant revenue							
Federal	$ 4,043,507	$ -	$ -	$ -	$ -	$ -	$ 4,043,507
State	1,349,451	-	-	-	43,754	-	1,393,205
Foundations	143,000	-	-	20,000	-	-	163,000
Contributions	240,531	-	-	-	-	(225,350)	15,181
Rental income	302,845	1,217,351	427,742	56,309	5,518	(55,740)	1,954,025
Management fees	313,681	-	-	-	-	(313,681)	-
Loss on investments in partnership	(183,530)	-	-	-	-	183,530	-
Gain (loss) on sale of assets	193,916	-	-	-	(49,588)	-	144,328
Interest and other income	461,253	1,142	8,088	368	19,803	(34,775)	455,879
Total revenue, support, and gains	6,864,654	1,218,493	435,830	76,677	19,487	(446,016)	8,169,125
Expenses and Losses							
Program services	5,196,184	1,214,550	642,160	57,820	351,694	(629,546)	6,832,862
Supporting services							
Management and general	660,688	-	-	-	-	-	660,688
Resource development	69,503	-	-	-	-	-	69,503
Total supporting services	730,191	-	-	-	-	-	730,191
Total expenses	5,926,375	1,214,550	642,160	57,820	351,694	(629,546)	7,563,053
Change in net assets before partnership distributions, contributions, and ownership interest acquired	938,279	3,943	(206,330)	18,857	(332,207)	183,530	606,072
Distributions	-	(27,723)	-	-	-	27,723	-
Contributions	-	14,586	-	-	-	(14,586)	-
Ownership interest acquired	(11,255)	-	-	-	-	(169,745)	(181,000)
Change in net assets	927,024	(9,194)	(206,330)	18,857	(332,207)	26,922	425,072
Net Assets, Beginning of Year	7,941,746	336,399	(666,003)	346,419	2,058,719	152,930	10,170,210
Net Assets, End of Year	$ 8,868,770	$ 327,205	$ (872,333)	$ 365,276	$ 1,726,512	$ 179,852	$ 10,595,282