Consolidated Financial Statements
June 30, 2024 and 2023

Housing Resources of Western Colorado

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, 2024 and 2023, 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 (the financial statements).

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2024 and 2023, 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 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 December 5, 2024 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 financial statements as a whole. The consolidating statement of financial position information and the consolidating statement of activities information are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS and *Government Auditing Standards.* 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
December 5, 2024

	2024	2023
Assets		
Cash and cash equivalents	$ 2,296,895	$ 2,711,663
Certificate of deposit	381,372	364,919
Accounts receivable, net	61,294	65,049
Grants receivable, net	1,440,600	676,443
Inventory	220,510	165,080
Prepaid expenses and other assets	84,443	228,447
Property held for development, rehabilitation and sale	1,480,172	647,972
Restricted cash	923,415	892,178
Loans receivable		
Amortizing loans receivable, net of allowance for credit losses of $128,146 and $188,150 at 2024 and 2023, respectively	459,677	847,384
Programmatic loans receivable, net of allowance for credit losses of $0 at 2024 and 2023; present value discount of $797,759 and $408,452 at 2024 and 2023, respectively	3,204,311	1,567,387
Property and equipment, net	5,912,178	5,935,838
Total assets	$ 16,464,867	$ 14,102,360
Liabilities and Net Assets		
Accounts payable and accrued expenses	$ 810,784	$ 508,841
Refundable advance	744,211	81,246
Tenant deposits and other liabilities	89,754	77,635
Notes payable, net of unamortized issuance costs	2,656,663	2,839,356
Total liabilities	4,301,412	3,507,078
Net assets		
Without donor restrictions	6,155,420	6,312,312
With donor restrictions	6,008,035	4,282,970
Total net assets	12,163,455	10,595,282
Total liabilities and net assets	$ 16,464,867	$ 14,102,360

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Grant revenue			
Federal	$ 1,110,084	$ 1,823,838	$ 2,933,922
State	4,205,176	-	4,205,176
Foundations	68,000	-	68,000
Contributions	8,927	-	8,927
Rental income	2,042,571	-	2,042,571
Gain on sale of assets	22,096	-	22,096
Interest and other income	424,494	-	424,494
Net assets released from restrictions	98,773	(98,773)	-
Total revenue, support, and gains	7,980,121	1,725,065	9,705,186
Expenses			
Program services	7,263,248	-	7,263,248
Supporting services			
Management and general	722,757	-	722,757
Resource development	151,008	-	151,008
Total supporting services	873,765	-	873,765
Total expenses	8,137,013	-	8,137,013
Change in Net Assets	(156,892)	1,725,065	1,568,173
Net Assets, Beginning of Year	6,312,312	4,282,970	10,595,282
Net Assets, End of Year	$ 6,155,420	$ 6,008,035	$ 12,163,455

	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	1,944,990	-	1,944,990
Gain on sale of assets	144,328	-	144,328
Interest and other income	464,914	-	464,914
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

	Program Services							
	Housing Preservation	Real Estate Development	Property Management	Housing Counseling and Education	Total	Management and General	Resource Development	Total
Salaries and wages	$ 1,464,750	$ 228,504	$ 432,705	$ 145,978	$ 2,271,937	$ 204,332	$ 73,304	$ 2,549,573
Contract labor	1,000,299	2,152	224,403	-	1,226,854	3,425	403	1,230,682
Program materials and supplies	1,002,209	11,267	10,863	-	1,024,339	22,256	280	1,046,875
Payroll taxes and employee benefits	456,774	78,582	105,385	43,732	684,473	147,196	22,935	854,604
Depreciation and amortization	64,056	-	352,573	-	416,629	6,824	-	423,453
Occupancy and property taxes	4,184	13,259	278,162	-	295,605	2,582	-	298,187
Contribution expense for discount and credit loss expense	285,067	-	-	-	285,067	-	-	285,067
Professional services	121,357	33,274	30,650	-	185,281	64,485	4,505	254,271
Office expenses and information technology	36,725	3,535	26,455	-	66,715	174,194	1,604	242,513
Repairs and maintenance	37,422	852	192,458	-	230,732	8,004	1,841	240,577
Insurance	101,897	8,009	80,283	-	190,189	38,040	3,230	231,459
Travel and meals	115,916	2,420	6,399	248	124,983	2,133	190	127,306
Interest	-	-	109,631	-	109,631	-	-	109,631
Equipment rental	51,890	5,225	3,368	2,600	63,083	26,761	6,435	96,279
Training and development	24,221	18,365	950	5,201	48,737	14,376	5,259	68,372
Advertising and marketing	621	1,248	453	-	2,322	2,836	28,874	34,032
Miscellaneous	9,945	1,175	-	-	11,120	5,313	2,148	18,581
Bad debt expense for rent	-	-	17,528	-	17,528	-	-	17,528
Client assistance payments	-	-	-	8,023	8,023	-	-	8,023
Total expenses	$ 4,777,333	$ 407,867	$ 1,872,266	$ 205,782	$ 7,263,248	$ 722,757	$ 151,008	$ 8,137,013

	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	$ 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 and property taxes	13,562	12,521	355,308	20	-	381,411	35,518	-	416,929
Bad debt present value adjustment	237,147	-	-	-	-	237,147	-	-	237,147
Professional services	81,194	38,197	28,616	120	-	148,127	111,310	28,661	288,098
Office expenses and information technology	34,280	4,643	25,653	6,131	1,684	72,391	90,894	3,221	166,506
Repairs and maintenance	47,567	1,371	182,865	-	635	232,438	11,582	-	244,020
Insurance	63,411	2,786	75,540	-	2,062	143,799	60,463	-	204,262
Travel and meals	109,447	3,047	8,333	1,410	2,309	124,546	1,479	67	126,092
Interest	-	3,318	145,678	-	-	148,996	-	-	148,996
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
Advertising and marketing	7,416	57	559	-	62	8,094	320	4,301	12,715
Miscellaneous	39	10,728	4,711	-	-	15,478	10,778	-	26,256
Bad debt expense for rent	-	-	21,331	-	-	21,331	-	-	21,331
Client assistance payments	-	-	-	43,224	-	43,224	-	-	43,224
Total expenses	$ 4,215,845	$ 351,093	$ 1,931,730	$ 238,827	$ 95,367	$ 6,832,862	$ 660,688	$ 69,503	$ 7,563,053

	2024	2023
Operating Activities		
Receipts from grants and contributions	$ 7,114,833	$ 5,531,520
Program rental payments received	2,046,326	1,992,989
Interest and other cash receipts	458,709	600,222
Payments for salaries, contract labor, benefits and taxes	(4,523,063)	(4,059,096)
Payments to vendors	(2,309,733)	(2,798,664)
Interest paid	(109,631)	(148,996)
Property taxes paid	(127,294)	(120,137)
Net Cash from Operating Activities	2,550,147	997,838
Investing Activities		
Purchase of and reinvested interest on certificate of deposit	(381,372)	(364,919)
Maturity of certificate of deposit	364,919	361,390
Purchases of property and equipment	(610,651)	(55,820)
Purchases of property held for development, rehabilitation and sale	(992,551)	-
Proceeds from sales of property held for development, rehabilitation and sale	398,922	760,757
Loans receivable issued	(1,747,553)	(886,112)
Loans receivable payments received	222,918	72,248
Purchase of ownership interest	-	(181,000)
Net Cash used for Investing Activities	(2,745,368)	(293,456)
Financing Activities		
Proceeds from issuance of notes payable	-	366,658
Principal payments on notes payable	(188,310)	(839,504)
Net Cash used for Financing Activities	(188,310)	(472,846)
Net Change in Cash, Cash Equivalents, and Restricted Cash	(383,531)	231,536
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	3,603,841	3,372,305
Cash, Cash Equivalents, and Restricted Cash, End of Year	$ 3,220,310	$ 3,603,841
Cash and cash equivalents	$ 2,296,895	$ 2,711,663
Restricted cash	923,415	892,178
Total cash, cash equivalents, and restricted cash	$ 3,220,310	$ 3,603,841

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.

Weatherization
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. The program also provides immediate intervention services to residents facing no-heat emergencies during the cold weather months. Weatherization is recognized within housing preservation in the consolidated statements of functional expenses.

Lending and Critical Home Repair
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. In addition, when funding is available, we assist with small scale emergency home repairs, such as water heater replacement, roof leaks, and pest control. The lending Program added a new initiative in 2024, offering downpayment assistance loans for new homebuyers. Funded from grants, these loans have low or no interest and typically offer deferred payments in order to lower the monthly cost and upfront cash associated with home purchase. Lending and Critical Home Repair is recognized within housing preservation in the consolidated statements of functional expenses.

Real Estate Development
In our most recent strategic plan, we set the goal to increase our Real Estate Development activity to create more affordable homes for-sale and for-rent in our service territory. The Real Estate Development program works with various funding sources to acquire property, develop plans, and build new units that add to the affordability of our local housing stock. We are a Community Housing Development Organization. Our current assets include 8 lots intended for homeownership development in Montrose County, 4 lots in Mesa County for the same purpose, and approximately 12 acres of raw land in Mesa County intended for future affordable rental development.

Self Help Homeownership
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. The savings they achieve by doing much of the work, combined with specialized financing available from United States Department of Agriculture, result in monthly payments that are affordable to low income families. Self Help Homeownership is recognized within real estate development in the consolidated statements of functional expenses.

Property Management
Our assets include 181 rental units with a variety of bedroom types and units. 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.

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 and subsequently repurposed to our Community Outreach and Resource Development as described below.

Management & Administration and Community Outreach and Resource Development
To support the mission-related work of the organization, the Management & Administration function provides support services such as accounting and finance, human resources, I&T, and general oversight. The Community Outreach and Resource Development team provide marketing and outreach services to help eligible clients learn of our services, as well as securing important resources through grant writing and fundraising. These supporting services are recognized within management and general and resource development in the consolidated statements of functional expenses.

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 Housing Corporation (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.

Adoption of New Accounting Standard

On July 1, 2023, we adopted Accounting Standard Update (ASU) 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which replaces the incurred loss methodology with an expected loss methodology referred to as current expected credit losses (CECL). The measurement of expected losses under the CECL methodology is applicable to our financial assets measured at amortized cost, including loans and off-balance sheet credit exposures. CECL requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This standard provides financial statement users with more decision-useful information about the expected losses on financial instruments.

We adopted ASU 2016-13 using the modified retrospective review method and did not recognize any cumulative effects on our net assets. The adoption of the new standard did not materially impact our consolidated statements of activities or cash flows. Results for reporting periods beginning after July 1, 2023, are presented under Topic 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP.

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 $9,965 and $9,381 at June 30, 2024 and 2023, respectively.

Receivables from contracts with customers are reported as accounts receivable, net in the accompanying consolidated statements of financial position. At July 1, 2022, we had receivables from contracts totaling $104,013. Contract liabilities are reported as prepaid rent within tenant deposits and other liabilities in the accompanying consolidated statements of financial position. At July 1, 2022, we had prepaid rent from contracts totaling $2,108.

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, 2024 and 2023, no allowance was deemed necessary.

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, 2024 and 2023, no allowance for inventory obsolescence was deemed necessary.

Property Held for Development, Rehabilitation, and Sale

We currently hold various lots and property 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 and property is not planned to be held for operational use.

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.

Impairment on Long-Live Assets

We review the carrying values of property and equipment and property held for development, rehabilitation and sale 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, 2024 and 2023.

Amortizing Loans Receivable

Amortizing loans receivable consist of amounts outstanding to low- and moderate-income families for purposes of home rehabilitation. Terms of the contract require funds from repayment of these loans are to be used for further rehabilitation loans. Interest rates range from 0% to 3% with monthly payment terms of principal and/or interest. After a loan is executed, funds are expended for each homeowner according to an approved scope of work. The loans are secured by real property, considered residential loans, and a concentration of credit risk. 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 credit losses.

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 20 years from the initial loan closing date. They include loans which are due upon maturity, sale, transfer, vacating of, or refinance of the related home. The loans are secured by real property, considered residential loans, and a concentration of credit risk. Programmatic loans are measured at fair value at inception to determine if a contribution element exists and recorded net of a present value discount. The discount uses the effective interest method commensurate with the risk inherent in the expected cash flows that would be unaffordable by the borrower and represents the inherent contribution made by us from issuing programmatic loans at below market rate interest. The discount is amortized and is included in contribution revenue in the consolidated statements of activities. We assess the programmatic loans, except for the contribution element, for the allowance for credit losses.

Allowance for Credit Losses – Loans

The allowance for credit losses (ACL) is established as losses are estimated to have occurred through a provision for credit losses and reported as credit loss within the consolidated statements of functional expenses. Credit losses are charged against the ACL when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the ACL. Prior to July 1, 2023, the valuation allowance (Allowance for Loan Losses) was established for probable and inherent credit losses.

The ACL 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, expected prepayments when appropriate, and estimated value of any underlying collateral. The allowance estimate considers relevant, available information from internal and external sources relating to past events, current conditions, and reasonable and supportable forecasts. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

We measure the expected credit losses for loans on a collective pooled basis when similar risk characteristics exist. These loan pools consist of amortizing loans and programmatic loans. Relevant risk characteristics of loan pools include program participants, funding source, payment schedule and status, collateral value, and the probability of collecting scheduled principal and interest payments when due. 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. We use aging categories to calculate a loss rate that combines the pool's risk characteristics, historical loss experience, and reasonable and supportable future economic forecasts to project lifetime losses.

Loans that do not share similar risk characteristics are evaluated on an individual basis and are excluded from the collective measurement. This is based on current information, events, and probability 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. Generally, this occurs when past due payments exceed 6 months. Loans that experience insignificant payment delays and payment shortfalls generally are not individually evaluated. 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. For loans individually evaluated, an allowance is established when the discounted cash flows of the loan are lower than the carrying value of that loan.

Expected credit losses for unfunded commitments are estimated over the contractual period in which we are exposed to credit risk through the commitment adjusted for anticipated prepayments when appropriate and also considers the likelihood that funding will occur. The ACL on unfunded commitments is adjusted through a provision for credit losses on the consolidated statements of activities. The risks associated with unfunded commitments are essentially the same as loans and therefore we use the same ACL process as loans to estimate the allowance.

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 grantor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor or grantor restrictions. Some donor or 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, 2024 and 2023, conditional contributions approximating $3,387,000 and $2,923,000, 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 $744,211 and $81,246 have been recognized on the consolidated statements of financial position as of June 30, 2024 and 2023, 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, 2024 and 2023.

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 2021.

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, 2024 and 2023, we had approximately $1,672,000 and $2,125,000 in excess of FDIC-insured limits.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

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, 2024 and 2023:

	2024	2023
Cash and cash equivalents	$ 1,652,684	$ 2,612,890
Certificate of deposit	381,372	364,919
Accounts receivable, net	61,294	65,049
Grants receivable, net	1,440,600	676,443
Loans receivable, net, within one year	55,155	66,745
	$ 3,591,105	$ 3,786,046

At June 30, 2024, cash and cash equivalents exclude refundable advances of $644,211 which are restricted for our revolving loan funds for down payment assistance (Note 7). At June 30, 2023, cash and cash equivalents exclude donor restricted funds of $98,773.

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 $381,372 and $364,919 in a certificate of deposit at June 30, 2024 and 2023, respectively.

Note 4 - Loans and Allowance for Credit Losses

Amortizing Loans Receivable

Amortizing loans receivable consist of the following at June 30, 2024 and 2023:

	2024	2023
Principal balance	$ 587,823	$ 1,035,534
Less allowance for individually evaluated	(99,045)	(131,017)
Less general allowance on remaining loans	(29,101)	(57,133)
	$ 459,677	$ 847,384

As discussed in Note 1, the allowance consists of loans on a pooled basis and those individually evaluated. Loans past due by 6 months or more are considered to be individually evaluated and an allowance applied. We estimate the allowance of the remaining amortizing loans receivable 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.

Changes in the allowance for credit losses for amortizing loans are as follows for the year ended June 30, 2024:

Allowance for Credit Losses, Beginning of Year	$ 188,150
Charge-offs	(28,941)
Recoveries	73,177
Provision (reversals) for credit losses	(104,240)
Allowance for Credit Losses, End of Year	$ 128,146

We had the following aging of past due amortizing loans as of June 30, 2024:

	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days Past Due	Total Past Due	Current	Total Loans
Principal balance	$ 16,287	$ -	$ 99,045	$ 115,332	$ 472,491	$ 587,823

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

Of the past due loans as of June 30, 2024 and 2023, a balance of $99,045 and $116,842, respectively, was past due by 6 months or more and are fully included in the allowance. All loans past due over 90 days are still accruing interest.

As of June 30, 2024 and 2023, we had $129,549 and $175,126, respectively, in unfunded commitments to low and moderate-income families.

Programmatic Loans Receivable

Programmatic loans receivable consist of the following at June 30, 2024 and 2023:

	2024	2023
Principal balance	$ 4,002,070	$ 1,975,839
Less discount	(797,759)	(408,452)
	$ 3,204,311	$ 1,567,387

At June 30, 2024 and 2023, no allowance of credit losses for programmatic loans was deemed necessary.

Note 5 - Property and Equipment and Property Held for Development, Rehabilitation and Sale

Property and equipment and property held for development, rehabilitation and sale consists of the following at June 30, 2024 and 2023:

	2024	2023
Land and improvements	$ 1,082,155	$ 1,254,829
Buildings and improvements	12,211,815	12,068,582
Equipment, furniture and fixtures	672,623	558,623
Vehicles	1,112,439	990,448
	15,079,032	14,872,482
Less accumulated depreciation	(9,166,854)	(8,936,644)
	$ 5,912,178	$ 5,935,838
Property held for development, rehabilitation and sale	$ 1,480,172	$ 647,972

During the year ended June 30, 2024, we purchased 10 lots of property held for redevelopment and entered into a construction contract with a contractor totaling approximately $1,434,000 to develop 5 out of the 10 lots.

As described in Note 1, we rent housing units to tenants under short-term operating lease agreements. Cost and related carrying value of land and improvements was $514,598 at June 30, 2024 and $871,035 at June 30, 2023. Cost and related carrying value of building and improvements was $11,867,531 and $4,503,928 at June 30, 2024 and $11,387,042 and $4,271,446 at June 30, 2023.

Note 6 - Notes Payable

Notes payable consist of the following at June 30, 2024 and 2023:

	2024	2023
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	$ 1,444,281	$ 1,510,978
3.50% promissory note, due in monthly installments of $10,947 including interest to June 2032, effective interest rate over the life of the note is 6.46%, secured by property	915,437	1,025,268
3.00% note payable, due in monthly installments of $2,052 including interest to December 30, 2032, secured by real estate	347,969	359,752
	2,707,687	2,895,998
Less unamortized debt issuance costs	(51,024)	(56,642)
	$ 2,656,663	$ 2,839,356

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

Years Ending June 30,	Total
2025	$ 184,703
2026	192,030
2027	199,655
2028	207,590
2029	215,848
Thereafter	1,707,861
Less unamortized issuance costs	(51,024)
	$ 2,656,663

Note 7 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at June 30, 2024 and 2023:

	2024	2023
Time restricted with affordability requirement	$ 800,000	$ 800,000
Subject to expenditure for specified purpose		
Montrose housing operations	-	94,798
Rehabilitation projects	-	2,956
Pollution and air quality enhancement	-	1,019
	-	98,773
Perpetual in nature		
Revolving Loan Funds - Home Improvement	3,938,300	3,384,197
Revolving Loan Funds - Down Payment Assistance	1,269,735	-
	5,208,035	3,384,197
	$ 6,008,035	$ 4,282,970

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.

Revolving loan funds are used to make home improvement and down payment assistance loans to low-to-moderate income individuals for development, rehabilitation, and payment assistance in target areas. These loan funds are perpetually restricted as all repaid loan funds go back into the loan pool to be redistributed to eligible participants. Perpetually restricted revolving loans funds include interest earned, return of loan principal, and reduced for losses incurred on loans.

Net assets were released from restrictions as follows during the years ended June 30, 2024 and 2023:

	2024	2023
Satisfaction of purpose restrictions		
Montrose housing operations	$ 94,798	$ -
Rehabilitation projects	2,956	-
Pollution and air quality enhancement	1,019	15,835
	$ 98,773	$ 15,835

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, 2024 and 2023, we contributed $51,278 and $44,434, respectively.

Note 9 - Subsequent Events

Subsequent to year end, we entered into a construction line of credit totaling approximately $2,644,000. The line of credit requires monthly interest only payments until maturity (March 2026) and carries a fixed rate of 8.50%. The line of credit was entered into for development of 10 lots purchased during the year-ended June 30, 2024 (Note 5).

We have evaluated subsequent events through December 5, 2024, the date the consolidated financial statements were available to be issued.

Supplementary Information
June 30, 2024

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	$ 891,736	$ 395,036	$ 65,838	$ 95,243	$ 849,042	$ -	$ 2,296,895
Certificate of deposit	-	-	-	-	381,372	-	381,372
Accounts receivable, net	474,674	57,462	7,143	-	883	(478,868)	61,294
Grants receivable, net	976,008	-	-	-	464,592	-	1,440,600
Inventory	220,510	-	-	-	-	-	220,510
Due from affiliates	-	59,132	35,461	307	1,796	(96,696)	-
Prepaid expenses and other assets	62,529	13,359	8,555	-	-	-	84,443
Property held for development, rehabilitation and sale	1,480,172	-	-	-	-	-	1,480,172
Restricted cash	744,851	100,943	77,321	-	300	-	923,415
Investment deficit in partnerships	(268,777)	-	-	-	-	268,777	-
Loans receivable							
Amortizing loans receivable, net	1,475,627	-	-	-	1,811,817	(2,827,767)	459,677
Programmatic loans receivable, net	3,204,311	-	-	-	-	-	3,204,311
Accrued interest	488,098	-	-	-	-	(488,098)	-
Property and equipment, net	1,532,019	3,306,990	777,054	296,115	-	-	5,912,178
Total assets	$ 11,281,758	$ 3,932,922	$ 971,372	$ 391,665	$ 3,509,802	$ (3,622,652)	$ 16,464,867

	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	$ 706,182	$ 784,254	$ 278,707	$ 5,623	$ 2,984	$ (966,966)	$ 810,784
Refundable advance	100,000	-	-	-	644,211	-	744,211
Tenant deposits and other liabilities	26,617	20,308	35,633	7,196	-	-	89,754
Due to affiliates	96,694	2	-	-	-	(96,696)	-
Notes payable, net of issuance costs	1,051,417	2,844,084	1,588,929	-	-	(2,827,767)	2,656,663
Total liabilities	1,980,910	3,648,648	1,903,269	12,819	647,195	(3,891,429)	4,301,412
Net assets							
Without donor restrictions							
Undesignated	3,292,813	-	-	-	2,862,607	-	6,155,420
Partners' capital (deficit)	-	284,274	(931,897)	378,846	-	268,777	-
	3,292,813	284,274	(931,897)	378,846	2,862,607	268,777	6,155,420
With donor restrictions	6,008,035	-	-	-	-	-	6,008,035
Total net assets	9,300,848	284,274	(931,897)	378,846	2,862,607	268,777	12,163,455
Total liabilities and net assets	$ 11,281,758	$ 3,932,922	$ 971,372	$ 391,665	$ 3,509,802	$ (3,622,652)	$ 16,464,867

	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	$ 2,933,922	$ -	$ -	$ -	$ -	$ -	$ 2,933,922
State	2,752,711	-	-	-	1,452,465	-	4,205,176
Foundations	58,000	-	10,000	-	-	-	68,000
Contributions	8,927	-	-	-	-	-	8,927
Rental income	328,953	1,259,757	450,190	64,056	-	(60,385)	2,042,571
Management fees	469,545	-	-	-	-	(469,545)	-
Loss on investments in partnership	(88,925)	-	-	-	-	88,925	-
Gain (loss) on sale of assets	50,446	(28,350)	-	-	-	-	22,096
Interest and other income	418,997	3,213	748	318	40,248	(39,030)	424,494
Total revenue, support, and gains	6,932,576	1,234,620	460,938	64,374	1,492,713	(480,035)	9,705,186
Expenses and Losses							
Program services	5,626,733	1,277,551	520,502	50,804	356,618	(568,960)	7,263,248
Supporting services							
Management and general	722,757	-	-	-	-	-	722,757
Resource development	151,008	-	-	-	-	-	151,008
Total supporting services	873,765	-	-	-	-	-	873,765
Total expenses	6,500,498	1,277,551	520,502	50,804	356,618	(568,960)	8,137,013
Change in Net Assets	432,078	(42,931)	(59,564)	13,570	1,136,095	88,925	1,568,173
Net Assets, Beginning of Year	8,868,770	327,205	(872,333)	365,276	1,726,512	179,852	10,595,282
Net Assets, End of Year	$ 9,300,848	$ 284,274	$ (931,897)	$ 378,846	$ 2,862,607	$ 268,777	$ 12,163,455