

Montana HomeOwnership Network, Inc.
dba NeighborWorks Montana

Great Falls, Montana

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORTS

September 30, 2024



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Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Montana HomeOwnership Network, Inc. dba NeighborWorks Montana, a nonprofit organization (NWMT), which comprise the statement of financial position as of September 30, 2024; the related statements of activities, functional expenses, and cash flows for the year then ended; and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of NWMT as of September 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

INDEPENDENT AUDITORS' REPORT

(Continued)

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

INDEPENDENT AUDITORS' REPORT

(Continued)

Report on Summarized Comparative Information

We have previously audited NWMT's September 30, 2023, financial statements, and we expressed an unmodified opinion on those audited financial statements in our reported dated March 26, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2025, on our consideration of NWMT's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NWMT's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NWMT's internal control over financial reporting and compliance.

KCoe Jam, LLP

January 28, 2025
Great Falls, Montana

FINANCIAL SECTION

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana
STATEMENT OF FINANCIAL POSITION (WITH COMPARATIVE TOTALS FOR 2023)

September 30	2024	2023
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 6,405,971	\$ 6,327,076
Miscellaneous receivables	193,414	121,009
Grants receivable	339,514	228,114
Current portion of notes receivable	1,934,380	1,603,998
Current portion of loans receivable	431,811	478,178
Real estate property held for sale	124,837	147,638
Prepaid expenses	20,617	31,275
Total Current Assets	9,450,544	8,937,288
Property and Equipment		
Building	163,853	163,853
Furniture and office equipment	100,523	104,193
Accumulated depreciation	(164,732)	(166,167)
Property and Equipment - Net	99,644	101,879
Other Assets		
Cash - endowment	2,929	2,903
Cash - loan loss reserve	144,026	142,925
Cash - NSP CLT	410	3,410
Cash - LIFT	-	74,100
Investments	429,773	429,893
Notes receivable - net of allowance for credit losses and current portion	18,567,659	13,843,785
Loans receivable - net of allowance for credit losses - current portion - and NHSA buyback discount	21,103,969	20,565,225
Total Other Assets	40,248,766	35,062,241
TOTAL ASSETS	\$ 49,798,954	\$ 44,101,408

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

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana
STATEMENT OF FINANCIAL POSITION (WITH COMPARATIVE TOTALS FOR 2023)
(Continued)

September 30	2024	2023
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 653,387	\$ 264,727
Deferred revenue	477,876	603,261
Current portion of long-term debt	900,000	1,299,853
Total Current Liabilities	2,031,263	2,167,841
Mortgage Escrow and Trust Accounts	3,216,789	3,742,445
Long-Term Debt		
Notes payable - net of current portion	11,956,207	8,231,354
Total Liabilities	17,204,259	14,141,640
Net Assets		
Without donor restrictions:		
Undesignated	13,765,249	12,272,932
With donor restrictions:		
Purpose and time restrictions	18,829,446	17,686,836
Total Net Assets	32,594,695	29,959,768
TOTAL LIABILITIES AND NET ASSETS	\$ 49,798,954	\$ 44,101,408

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

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana
STATEMENT OF ACTIVITIES (WITH COMPARATIVE TOTALS FOR 2023)

Years Ended September 30	Without Donor Restrictions	With Donor Restrictions	2024	Totals 2023
Revenue and Other Support				
Grants	\$ 3,505,723	\$ 1,168,405	\$ 4,674,128	\$ 5,941,149
Contributions	5,729	-	5,729	5,577
Interest - loans	913,685	-	913,685	669,204
Interest - deposits	163,914	-	163,914	144,153
Loan fees	103,203	-	103,203	53,000
Conference revenue	181,747	-	181,747	127,197
Contract revenue	385,312	-	385,312	603,747
Other revenue	388,156	-	388,156	211,803
Net assets released from restrictions:				
Satisfaction of program restrictions	25,795	(25,795)	-	-
Total Revenue and Other Support	5,673,264	1,142,610	6,815,874	7,755,830
Expenses				
Program services	3,699,601	-	3,699,601	3,681,635
Supporting services	481,346	-	481,346	690,777
Total Expenses	4,180,947	-	4,180,947	4,372,412
Change in Net Assets	1,492,317	1,142,610	2,634,927	3,383,418
Net Assets - Beginning of Year	12,272,932	17,686,836	29,959,768	26,576,350
Net Assets - End of Year	\$ 13,765,249	\$ 18,829,446	\$ 32,594,695	\$ 29,959,768

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

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

STATEMENT OF FUNCTIONAL EXPENSES (WITH COMPARATIVE TOTALS FOR 2023)

Years Ended September 30	Supporting Services				2024	Totals 2023
	Program Services	Management and General	Resource Development	Total Supporting Services		
Salaries, benefits, and taxes	\$ 1,048,246	\$ 259,394	\$ 120,904	\$ 380,298	\$ 1,428,544	\$ 1,454,480
Audit	12,450	2,200	-	2,200	14,650	20,300
Provision for credit losses	238,933	-	-	-	238,933	218,845
Insurance	11,480	7,776	590	8,366	19,846	18,137
Computer support	107,159	1,566	3,993	5,559	112,718	43,703
Depreciation	6,650	2,113	1,673	3,786	10,436	13,231
Marketing	15,784	866	3,392	4,258	20,042	19,456
Meeting expense	19,932	2,779	225	3,004	22,936	12,383
Miscellaneous	15,994	2,026	137	2,163	18,157	8,052
HQS/Environmental/HOME	2,252	-	-	-	2,252	1,246
Interest expense	273,527	-	-	-	273,527	225,471
Loan processing expense	32,937	-	-	-	32,937	15,095
Repairs and maintenance	10,740	4,671	2,406	7,077	17,817	11,892
Real estate taxes	379	198	144	342	721	676
Office rent	8,338	11,800	-	11,800	20,138	31,088
Office supplies	9,880	4,887	1,233	6,120	16,000	10,276
Outside services	38,754	2,397	1,422	3,819	42,573	34,879
Legal professional services	1,021	(1,238)	-	(1,238)	(217)	19,957
Partner conference expenses	134,171	-	-	-	134,171	106,126
Postage	4,369	573	11	584	4,953	4,455
Subscriptions/Dues	27,208	9,650	5,541	15,191	42,399	38,894
Telephone	9,030	2,722	1,447	4,169	13,199	14,015
Training	13,268	8,713	932	9,645	22,913	31,300
Training - partners	60,738	-	-	-	60,738	69,834
Travel	46,655	7,766	3,114	10,880	57,535	55,775
Parking	1,200	600	600	1,200	2,400	3,470
Utilities	1,711	661	462	1,123	2,834	2,749
Credit reports	240	-	-	-	240	340
Loss on disposition of real estate property for sale	54,784	-	-	-	54,784	-
Grant expense	864,284	1,000	-	1,000	865,284	623,899
Distribution to partners	627,487	-	-	-	627,487	1,262,388
Totals	\$ 3,699,601	\$ 333,120	\$ 148,226	\$ 481,346	\$ 4,180,947	\$ 4,372,412

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

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana
STATEMENT OF CASH FLOWS (WITH COMPARATIVE TOTALS FOR 2023)

Years Ended September 30	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,634,927	\$ 3,383,418
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision for credit losses	238,933	218,845
Depreciation	10,436	13,231
Amortization of NHTSA buyback discount	(287)	(385)
Loss on disposition of real estate property held for sale	54,784	-
Distribution from RB SB Lending, LLC	5,460	5,250
Changes in:		
Receivables	(183,805)	125,723
Prepaid expenses	10,658	(14,424)
Accounts payable and accrued liabilities	388,660	(132,380)
Refundable advance	-	(829,485)
Deferred revenue	(125,385)	(555,806)
Mortgage escrow and trust accounts	(525,656)	(400,916)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,508,725	1,813,071
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from real estate property held for sale	96,766	-
Purchase of real estate property held for sale	(128,749)	(8,254)
Cash paid for property and equipment	(8,201)	-
Purchase of investments	(5,340)	(5,341)
Payments received on loans and notes receivable	2,988,167	1,815,588
Additional funds issued on loans and notes receivable	(8,773,446)	(6,675,042)
NET CASH USED IN INVESTING ACTIVITIES	(5,830,803)	(4,873,049)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from new debt	3,375,000	50,000
Payments on debt	(50,000)	(193,750)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	3,325,000	(143,750)
Net Change in Cash, Cash Equivalents, and Restricted Cash	2,922	(3,203,728)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	6,550,414	9,754,142
Cash, Cash Equivalents, and Restricted Cash - End of Year	\$ 6,553,336	\$ 6,550,414

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

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

STATEMENT OF CASH FLOWS (WITH COMPARATIVE TOTALS FOR 2023)

(Continued)

Years Ended September 30	2024	2023
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 273,527	\$ 225,471
SCHEDULE OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
Cash - operating	\$ 6,405,971	\$ 6,327,076
Cash - endowment	2,929	2,903
Cash - loan loss reserve	144,026	142,925
Cash - NSP CLT	410	3,410
Cash - LIFT	-	74,100
Totals	\$ 6,553,336	\$ 6,550,414

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES

During the years ended September 30, 2024 and 2023, there were \$327,000 and \$345,500 of LIFT loans receivable forgiven, respectively. Forgiveness was granted in accordance with the terms and conditions of the program.

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

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

Net Assets Without Donor Restrictions: Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Designated amounts represent those net assets that the Board has set aside for a particular purpose and shall be segregated in the accounting records as “board-designated” funds. There were no board-designated funds at September 30, 2024.

Net Assets With Donor Restrictions: Net assets that are subject to donor or certain grantor-imposed stipulations. Some donor or grantor restrictions are temporary in nature, such as those that will be met by passage of time or other events specified by the donor or grantor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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

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

Comparative Data The amounts shown for the year ended September 30, 2023, in the accompanying financial statements are included to provide a basis for comparison with 2024 and present summarized totals only. Accordingly, the 2023 totals are not intended to present all information necessary for a fair presentation in conformity with GAAP. Such information should be read in conjunction with NWMT’s financial statements for the year ended September 30, 2023, from which the summarized information was derived.

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

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Implementation of New Accounting Standards On October 1, 2023, NWMT adopted FASB Accounting Standards 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 that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including notes receivable and loans receivable. It also applies to off-balance sheet (OBS) credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor in accordance with Topic 842 on leases.

NWMT adopted FASB Accounting Standards Codification (ASC) 326 using a modified retrospective method for all financial assets measured at amortized cost and OBS credit exposures. Results for reporting periods beginning after October 1, 2023, are presented under FASB ASC 326, while prior-period amounts continue to be reported in accordance with previously applicable GAAP. NWMT recorded a net change to net assets of \$0 as of October 1, 2023, for the cumulative effect of adopting FASB ASC 326. NWMT's methodology to calculate the allowance for credit losses prior to October 1, 2023, complied with the expected loss methodology required by CECL.

As NWMT adopted FASB ASU 2016-13 in 2024, in 2023 the calculation for the allowance was referred to as the "Loan Loss Reserve." For ease of use, the financial statements have been updated to read "Allowance for Credit Losses" throughout.

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

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

Notes Receivable and Allowance for Credit Losses NWMT's calculation for the allowance for credit losses involves procedures to appropriately consider the unique risk characteristics of its notes receivable portfolio. Each note is measured for impairment on an individual basis annually. The calculation of the allowance for credit losses on impaired notes is described below. The remainder of the notes receivable portfolio's allowance for credit losses is calculated between 4% and 6% of the ending principal balances at September 30, 2024.

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Impaired Notes Receivable Allowance for Credit Losses Methodology The allowance for credit losses for notes receivable is determined using the probability of default methodology. This methodology uses a probably of default calculation as a percentage averaged with the loss given default rate which is multiplied by the ending note balance at September 30, 2024, to estimate the allowance for credit losses on the impaired notes receivable. Both the probability of default and loss given default rates utilize both historical factors and forecasted trends that are rated using the following quantitative and qualitative factors:

Probability of Default

- Historical past-due status and length of nonaccrual status
- Changes due to note restructuring, deferrals, and forbearances in place
- New maturity dates executed
- Current debt service coverage ratio
- Existence of reserves

Loss Given Default Rate

- Borrower communication
- Borrower payments in current year
- Changes in past due status
- Borrower willingness to receive assistance
- Lienholder agreement to restructuring note
- Borrower status with any prior lienholders
- Capacity of borrower management or board
- Level of technical assistance required
- Outside economic factors (flood zone, sewer, etc.)
- Other market factors

It is NWMT's policy to review notes receivable that exceed 120 days past due. While there are circumstances that may warrant exemptions, the general practice is to write off such past due amounts within a year. As of September 30, 2024, NWMT did not record any write-offs for past due notes receivable.

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

NWMT has elected to exclude interest income from the calculation of the allowance for credit losses for notes receivable. This accounting policy choice may affect the reported amount of interest revenue and the allowance for credit losses in the financial statements. The exclusion of interest income from these calculations is intended to provide a more focused measure of expected credit losses on outstanding notes receivable.

Loans Receivable and Allowance for Credit Losses NWMT originates loans for financing single-family home purchases and carries them on NWMT's books at the remaining loan principal balance, reduced by an allowance for credit losses.

NWMT maintains an allowance for credit losses at a level estimated to be adequate to absorb credit losses inherent in outstanding loans receivable. NWMT primarily utilizes historical loss rates to determine the allowance, but also considers recent collection and delinquency trends. NWMT calculates the allowance for credit losses for loans receivable using historical data. The calculation involves determining the total number of loans written off and the total amounts written off for single-family amortizing and single-family deferred loans. NWMT then uses the highest of the four rates (number of loans written off and dollar amount written off as a percentage of the total outstanding principal balance for single-family amortizing and single-family deferred loans). This rate is subsequently used to calculate the allowance.

NWMT has elected to exclude interest income from the calculation of the allowance for credit losses for loans receivable. This accounting policy choice may affect the reported amount of interest revenue and the allowance for credit losses in the financial statements. The exclusion of interest income from these calculations is intended to provide a more focused measure of expected credit losses on outstanding loans receivable.

Management believes that the historical loss information it has compiled is a reasonable base on which to determine expected credit losses for loans receivable held at September 30, 2024, because the composition of the loans receivable at that date is consistent with that used in developing the historical credit-loss percentages (i.e., the similar risk characteristics of its customers and its lending practices have not changed significantly over time).

It is NWMT's policy to review loans receivable that exceed 120 days past due. While there are circumstances that may warrant exemptions, the general practice is to write off such past due amounts within a year.

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

Depreciation is provided over the estimated useful lives of the assets using straight-line depreciation. Total depreciation expense for the year ended September 30, 2024, was \$10,436. Estimated useful lives are as follows:

Building	27.5 years
Furniture and office equipment	3–7 years

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Revenue Recognition All fee and contract revenue related to performance obligations satisfied at a point in time are recognized when services are provided. Performance obligations are determined based on the nature of the services provided by NWMT. Transaction prices are based on agreed-upon charges for services provided or approved transaction prices set by other agencies. Loan service fee revenue and loan origination fees are recorded as earned. See notes 3 and 4 for revenue recognition of interest income on notes and loans receivable.

Functional Allocation of Expenses The financial statements report certain expense categories that are attributable to more than one program service or support function. Therefore, expenses require an allocation on a reasonable basis that is consistently applied. Such allocations are determined by management on an equitable basis. The expenses that are allocated include salaries and benefits which are allocated based on estimates of time and effort, and occupancy costs which are allocated on a square-footage percentage basis.

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

Evaluation of Subsequent Events NWMT has evaluated subsequent events through January 28, 2025, the date the financial statements were available to be issued.

2. LIQUIDITY AND AVAILABILITY

Financial assets expected to be available to support NWMT within one year of the statement of financial position date consisted of the following:

September 30, 2024

Cash and cash equivalents	\$ 6,553,336
Receivables	532,928
Notes receivable	20,502,039
Loans receivable	21,535,780
Total Financial Assets	49,124,083
Financial assets not available:	
Long-term notes receivable	(18,567,659)
Long-term loans receivable	(21,103,969)
Restricted cash	(147,365)
Financial Assets Available to Meet General Expenditures Within One Year	\$ 9,305,090

Financial assets include cash and cash equivalents, certificates of deposit and accounts and grants receivable, and the current portion of notes and loans receivable as reported on the statement of financial position. As of September 30, 2024, NWMT had working capital of \$7,419,281 and 292 days cash on hand. Days cash on hand does not include cash designated by management for projects or deferred revenue items.

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

- Grants
- Interest income from loans and notes receivable

In addition, NWMT has a \$1 million line of credit, as discussed in more detail in note 10. As of September 30, 2024, \$1 million remained available on NWMT's line of credit.

3. NOTES AND ALLOWANCE FOR CREDIT LOSSES

NWMT makes loans to nonprofit multi-family housing developers to encourage the development and preservation of affordable rentals. Loan policies are approved by the Real Estate Development and Acquisition Committee of NWMT's Board of Directors. Notes receivable are carried at the unpaid principal balance. Interest on notes receivable is accrued using the simple interest method, based on the unpaid principal balance. Interest income is recognized over the contractual life of the note receivable. Accrued interest receivable amounting to \$141,617 at September 30, 2024, was reported in miscellaneous receivables in the statement of financial position and is excluded from the estimate of credit losses.

Notes are placed on nonaccrual status when management believes the notes are impaired or collection of interest is doubtful. Notes receivable are considered impaired if full principal or interest payments are not anticipated to be received in accordance with the terms of the note. It is NWMT's practice to charge off any note, or portion of a note, when management feels it will be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition, or for other reasons.

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

Notes Receivable	Current	30–59 days	60–89 days	Over 90 days	Past Due	Total	Interest
					Past Due	Notes Receivable	Accrued on Nonaccrual Status
September 30, 2024	\$ 21,207,015	\$ -	\$ -	\$ 552,142	\$ 552,142	\$ 21,759,157	\$ -
September 30, 2023	\$ 15,925,652	\$ -	\$ -	\$ 552,142	\$ 552,142	\$ 16,477,794	\$ -

Credit Risk Policies

NWMT utilizes a process for calculating loan loss reserves on impaired notes receivable. All notes are evaluated for impairment on an individual basis. As of September 30, 2024, there were three impaired notes receivable with a total unpaid principal balance of \$552,142 in nonaccrual status and a loan loss reserve of \$244,769 which were more than 90 days past due. NWMT's recorded investment and average recorded investment in the impaired notes receivable was \$552,142 as of September 30, 2024.

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

	Nonaccrual Financial Assets Without Credit Loss		Nonaccrual Financial Assets With Credit Loss		Total Nonaccrual Financial Assets		Interest Income on Nonaccrual Financial Assets			
September 30, 2024	\$	-	\$	552,142	\$	552,142	\$	(244,769)	\$	-
September 30, 2023	\$	-	\$	552,142	\$	552,142	\$	(244,769)	\$	-

Upon classifying a note receivable as being on non-accrual status, the accrual of interest is discontinued and any accrued but previously uncollected interest that had previously been recognized as interest income is reversed.

Notes receivable consisted of the following:

September 30, 2024

A note receivable from Homeword, Inc. to incorporate environmentally friendly aspects into the Equinox II condominium complex in Missoula, Montana. There is a zero interest rate and no stated due date on this note. Due at time of sale if property is sold.	\$	45,000
A note receivable from Confluence-Homeword, Inc. for predevelopment expenses of a low-income project in Missoula, Montana. There is a zero interest note with no stated due date. Due at time of sale if property is sold.		115,000
A note receivable from Trailer Terrace for infrastructure development financing for the Trailer Terrace park residence in Great Falls, Montana. The note receivable is amortizing with monthly installments through February 28, 2028, including interest at a rate of 5.00%. The note is secured by a lien on the property.		257,398
A note receivable from Missouri Meadows Community for acquisition financing a manufactured home park residence in Great Falls, Montana. This note is amortizing at zero interest and due December 15, 2037. The note is secured by a trust indenture agreement. This note was on nonaccrual status through December 31, 2024.		256,343
A note receivable from Missouri Meadows Community for acquisition financing a manufactured home park residence in Great Falls, Montana. The note receivable is amortizing and due on January 15, 2045. Interest is due monthly at a rate of 3.00%. The note is secured by a trust indenture agreement. This note was on nonaccrual status through December 31, 2024.		113,204
Balance Forward	\$	786,945

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

September 30, 2024

Balance Brought Forward	\$	786,945
<p>A note receivable from Highland Manor 4 Residences, LLLP for acquisition financing of a low-income housing tax credit project located in Havre, Montana. The note receivable has a maturity date of October 31, 2054. Interest is charged on principal at a yearly rate of 2.68% paid in interest-only quarterly payments for 24 months and will convert to monthly amortized payments calculated on a 30-year amortization period beginning on October 1, 2024. The note is secured by a trust indenture agreement.</p>		239,104
<p>A note receivable from Mountain Springs Villa for construction financing for a manufactured home park residence in Red Lodge, Montana. This is a zero interest note. No payments were due until December 1, 2021, after which monthly payments of \$750 are made until November 1, 2031. The note is secured by a trust indenture agreement.</p>		79,500
<p>A note receivable from Spruce Grove, LLLP for construction of an affordable rental housing project to be rehabilitated in Laurel and Joliet, Montana. The note receivable has a maturity date of October 31, 2051. Principal and interest payments are due monthly beginning on October 1, 2023, at a rate of 2.68%. The note is secured by a trust indenture agreement.</p>		500,000
<p>A note receivable from Spruce Grove, LLLP for construction of an affordable rental housing project in Laurel and Joliet, Montana. The note receivable was nonamortizing and due on December 31, 2024. Interest was due quarterly at a rate of 6.00%. The note was secured by a trust indenture agreement.</p>		157,520
<p>A note receivable from View Vista Apartments, Inc. and View Vista Community, Inc. for repair and improvement financing of the View Vista Community in Livingston, Montana. The note matures on February 28, 2030. Interest is charged on principal at a yearly rate of 0.00% with all payments of principal and interest deferred until a balloon payment is due at maturity. The note is unsecured.</p>		57,060
<p>A note receivable from Human Resource Development Council of District IX for land acquisition in Gardiner, Montana. The note receivable is nonamortizing and due on December 31, 2025. Interest is due quarterly at a rate of 6.50%. The note is secured by a lien on the property.</p>		220,000
Balance Forward	\$	2,040,129

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

September 30, 2024

Balance Brought Forward	\$ 2,040,129
A note receivable from Northwood Community in Ronan, Montana. The note matured on November 5, 2024. The note was amortized monthly with interest at a rate of 4.00%. The note was secured by a lien on the property. This note was on nonaccrual status through December 31, 2024.	182,595
A note receivable from Morning Star Community in Kalispell, Montana, for acquisition of property. The note is due on June 6, 2027. The note is amortized monthly with interest at a rate of 5.50%. The note is secured by trust indenture on the property.	135,289
A note receivable from the YWCA in Helena, Montana, for renovation of a housing shelter. The note matures on December 31, 2036, and interest accrues at a rate of 4.50%. The note is secured by a lien on the YWCA's main building.	55,923
A note receivable from Creekside Apartments in Missoula, Montana, for acquisition funding. The note matures on August 31, 2027, and interest accrues at a rate of 2.50%. The note is secured by a second lien behind the first mortgage.	3,687,500
A note receivable from Human Resource Development Council of District IX, Inc. for the acquisition of land for the Belgrade Trailer Court project located in Belgrade, Montana. The note matures on February 9, 2026. Interest accrues at a rate of 6.00% per annum calculated on the amount of funds advanced pursuant to the note. The note is secured by trust indenture on the property.	320,000
A note receivable from Northwest Montana Community Land Trust Inc. (CLT) for acquisition financing of land for development of a CLT home in Columbia Falls, Montana. The note matures on March 12, 2025. Interest accrues at 8.50% per annum calculated on the amount of funds advanced pursuant to the note. The note is secured by a trust indenture agreement.	308,378
A note receivable from Country Court Community, Inc. for acquisition financing a manufactured home park residence in Kalispell, Montana. The note matures on June 29, 2028. The note is amortized monthly with interest at 1.00%. The note is secured by a lien on the property.	159,961
Balance Forward	\$ 6,889,775

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

September 30, 2024

Balance Brought Forward	\$ 6,889,775
<p>A note receivable from Country Court Community, Inc. for acquisition financing a manufactured home park residence in Kalispell, Montana. The note matures on July 1, 2028. The note is amortized monthly with interest at 2.50%. The note is secured by a lien.</p>	59,454
<p>A note receivable from Libby Creek Community, Inc. for acquisition financing. The note matures on September 30, 2028. The note is amortized monthly with interest at 5.25%. The note is secured by a lien on the property.</p>	151,544
<p>A note receivable from Libby Creek Community, Inc. for acquisition financing. The note matures on October 1, 2028. The note is amortized monthly with interest at 1.00%. The note is secured by a lien on the property.</p>	59,132
<p>A note receivable from Bonnie's Place for acquisition financing for a manufactured home community in Missoula, Montana. The note matures on April 30, 2033. Interest is charged on principal at a yearly rate of 0.00% deferred until a balloon payment of the remaining amount is due at maturity. The note is secured by a trust indenture agreement.</p>	615,000
<p>A note receivable from Fraser Tower, LLC for acquisition financing. The note matures on December 31, 2028, and interest accrues at a rate of 2.75%. The note is secured by a lien on the property.</p>	1,241,710
<p>A note receivable from Habitat for Humanity of Gallatin Valley, Inc. for acquisition financing for a five-home, homeownership-oriented development using the Habitat for Humanity model in Ennis, Montana. The note matures on January 31, 2026, and interest accrues at a rate of 6.50%. The note is secured by a lien on the property.</p>	225,000
<p>A note receivable from C & C Community, Inc. for acquisition financing. Monthly payments are calculated on a 35-year amortized period at an interest rate of 6.00% with a balloon payment due on March 31, 2029. The note is secured by a lien on the property.</p>	146,966
<p>A note receivable from C & C Community, Inc. for acquisition financing. The note matures on March 31, 2029. The note is amortized monthly with interest at 5.25%. The note is secured by a lien on the property.</p>	274,194
Balance Forward	\$ 9,662,775

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

September 30, 2024

Balance Brought Forward	\$ 9,662,775
A note receivable from Homeword, Inc. for acquisition financing for the Lenox Flats Apartments. The note matures on April 16, 2029, and interest accrues at a rate of 3.25%. The note is secured by a lien on the property.	920,000
A note receivable from View Vista Apartments, Inc. and View Vista Community, Inc. for acquisition financing of the View Vista Community in Livingston, Montana. The note matures on February 28, 2030, and interest accrues at a rate of 5.50%. The note is secured by a lien on the property.	372,683
A note receivable from View Vista Apartments, Inc. and View Vista Community, Inc. for acquisition financing of the View Vista Community in Livingston, Montana. The note matures on February 28, 2030, and interest accrues at a rate of 4.00%. The note is secured by a lien on the property.	456,592
A note receivable from NWGF Golden Valley Homes, LLC for acquisition financing of the real property known as Golden Valley Homes in Belt, Montana. The note matures on May 1, 2050. The note is amortized monthly with interest at 3.36%. The note is secured by a lien on the property.	68,241
A note receivable from NWGF Quiet Day Manor, LLC for acquisition financing of the real property known as Quiet Day Manor in Cascade, Montana. The note matures on May 1, 2050. The note is amortized monthly with interest at 3.40%. The note is secured by a lien on the property.	68,280
A note receivable from Human Resource Development Council of District IX, Inc. for acquisition financing of the real property known as Livingston Land Trust Cottages in Livingston, Montana. The note matures on October 1, 2050. The note is amortized monthly with interest at 4.00%. The note is secured by a lien on the property.	185,365
A note receivable from Pleasant Park Community, Inc. for acquisition financing of the real property known as Pleasant Park Community in Great Falls, Montana. The note matures on September 30, 2030. The note is amortized monthly with interest at 5.35%. The note is secured by a lien on the property.	237,746
Balance Forward	\$ 11,971,682

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

September 30, 2024

Balance Brought Forward	\$ 11,971,682
<p>A note receivable from Clear Creek Court Community, Inc. for acquisition financing of the real property in Havre, Montana. The note matures on December 31, 2029. The note is amortized monthly with interest at 5.00%. The note is secured by a trust indenture agreement.</p>	398,718
<p>A note receivable from Centennial Trail Community, Inc. for acquisition financing of the real property in Stillwater County, Montana. The note matures on October 31, 2032. The note is amortized monthly with interest at 2.50%. The note is secured by a trust indenture agreement.</p>	437,139
<p>Two notes receivable from Hideaway Community for financing of the purchase of a resident-owned community in Columbia Falls, Montana. The notes receivable are amortizing with principal and interest due monthly beginning March 1, 2022, at an interest rate of 2.50%. The note is secured by a lien on the property.</p>	191,788
<p>A note receivable from GMD Development, LLC for predevelopment financing of an affordable rental housing project in Kalispell, Montana. The note receivable was nonamortizing and due September 30, 2024. Interest was due quarterly at a rate of 6.50%. The note was secured by a personal guaranty from the developer.</p>	481,726
<p>A note receivable from Wolf Avenue Collective, Inc. for acquisition financing for a cooperative housing model in Missoula, Montana. The note matures on June 1, 2033. Interest is charged on principal at a yearly rate of 0.00% with all payments of principal and interest deferred until a balloon payment is due at maturity. The note is secured by a trust indenture agreement.</p>	15,000
<p>A note receivable from Country Court REDA for infrastructure and capital improvement financing for a manufactured home community in Kalispell, Montana. The note matures on February 1, 2032. Interest is charged on principal at a yearly rate of 0.00% deferred until a balloon payment of the remaining amount is due at maturity.</p>	26,800
<hr/> Balance Forward	<hr/> \$ 13,522,853

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

September 30, 2024

Balance Brought Forward	\$ 13,522,853
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A note receivable from Family Promise for acquisition financing for temporary and emergency shelter housing space in Bozeman, Montana. The note matures on July 31, 2026, and accrues interest at 3.50% The note is secured by collateral of the borrower.

1,000,000

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

650,607

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

196,591

A note receivable from Wolf Avenue Collective, Inc. for acquisition financing for a cooperative housing model located in Missoula, Montana. The note receivable is amortizing with principal and interest due monthly beginning June 1, 2023. Interest is charged on principal at a yearly rate of 3.00% calculated on a 40-year amortization period with a balloon payment of the remaining amount due May 30, 2033. The note is secured by a trust indenture agreement.

555,547

A note receivable from Mitchell Court, LLLP for the acquisition and construction of affordable rental housing located in Billings, Montana. The note matured on December 31, 2024. Interest accrued at a rate of 7.00% per annum calculated on the amount of funds advanced pursuant to the note. The note was secured by a personal guaranty.

522,156

Balance Forward	\$ 16,447,754
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Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

September 30, 2024

Balance Brought Forward	\$ 16,447,754
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A note receivable from United Housing Partners, LLC for the acquisition and construction of affordable rental housing known as Twin Creek located in Helena, Montana. The note matures on February 28, 2025. Interest accrues at a rate of 7.00% per annum calculated on the amount of funds advanced pursuant to the note. The note is secured by a personal guaranty from the developer.

135,740

A note receivable from North 3RD Apartments, LLC for the development and construction expenses incurred for the construction of affordable housing project known as North 3rd Apartments located in Bozeman, Montana. The note matures on September 30, 2041. Interest accrues at an annual rate of 3.50% compounded annually. The note is secured by a trust indenture agreement.

1,500,000

A note receivable from 14th & Patrick LP for the development and construction expenses incurred for the construction of affordable housing project known as Lumberyard Apartments located in Bozeman, Montana. The note matures on January 1, 2045. Interest accrues at an annual rate of 2.50% compounded annually. The note is secured by a trust indenture agreement.

2,500,000

A note receivable from Old Hellgate Village Community, Inc. for predevelopment costs related to the pending purchase of Old Hellgate Village Community in Missoula, Montana. The note matures at the time of conversion to a resident-owned community. Interest is charged on principal at a yearly rate of 6.50% calculated on the amount of funds advanced. The note is unsecured.

7,700

A note receivable from Two Rivers Community, Inc. for acquisition of property known as Two Rivers Community in Lolo, Montana. The note matures on February 28, 2034. Interest is charged on principal at a yearly rate of 3.50% paid in monthly interest-only payments with a balloon payment of the remaining amount due at maturity. Monthly interest-only payments began on March 1, 2024. The note is secured by a trust indenture agreement.

150,000

Balance Forward	\$ 20,741,194
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Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

September 30, 2024

Balance Brought Forward	\$ 20,741,194
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A note receivable from Riverview Apartments, LLLP for development of property known as Riverview Apartments in Big Sky, Montana. The note matures on August 1, 2064. Interest is charged on principal at a yearly rate of 3.50% with amortizing payments based on a 40-year amortization schedule. The first installment was due on July 1, 2024. The note is secured by a trust indenture agreement.

500,000

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

517,963

Total	21,759,157
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Current portion	(1,934,380)
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Notes Receivable - Net of Current Portion	19,824,777
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Allowance for credit losses	(1,257,118)
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Total Notes Receivable - Net of Allowance for Credit Losses and Current Portion	\$ 18,567,659
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Maturities of notes receivable are as follows:

Years Ending September 30

2025	\$ 1,934,380
2026	653,860
2027	4,796,360
2028	108,860
2029	2,270,570
Thereafter	11,995,127
Total	\$ 21,759,157

NWMT has set aside a certificate of deposit for \$63,815 in connection with the Missouri Meadows loan. A six-month reserve was required by resident-owned community (ROC) in their acquisition loan for the park in case of flooding. NWMT provided the guaranty. This was a 15-year loan commencing October 3, 2011.

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Notes receivable consisted of the following:

September 30	2024	2023
Notes receivables - accrual	\$ 21,207,015	\$ 15,925,652
Notes receivables - nonaccrual	552,142	552,142
Subtotals	21,759,157	16,477,794
Allowance for credit losses	(1,257,118)	(1,030,011)
Totals	\$ 20,502,039	\$ 15,447,783

Changes in the allowance for credit losses were as follows:

September 30	2024	2023
Beginning Balance	\$ 1,030,011	\$ 815,953
Provision for credit losses	238,933	218,845
Write-offs	(11,826)	(4,787)
Ending Balance	\$ 1,257,118	\$ 1,030,011

4. LOANS AND ALLOWANCE FOR CREDIT LOSSES

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

Loans receivable of \$21,535,780, for which NWMT has the intent and the ability to hold for the foreseeable future or until either maturity or earlier prepayment, are stated at face value, and are net of the allowance for credit losses of \$176,603 and a purchase discount of \$1,953. Management's views regarding the foreseeable future and, consequently, the intent with respect to holding these loans receivables may change due to changes in business strategies, the economic environments of the markets in which NWMT operates, general market conditions, and the availability of various government programs in which NWMT participates. Loans receivable are tested annually for impairment. Loans receivable are considered impaired if the face value plus accrued interest is less than the book value of the property collateralizing the mortgage.

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Interest on the loans receivable is accrued based on the outstanding principal balance. Interest income is recognized over the contractual life of the loan receivable using the simple interest method, which results in a constant effective yield over the contractual life of the loan. Amortizing loans are interest bearing at rates ranging between 0.00% and 6.36% per annum. Federal HOME funds are used for deferred mortgages for low-to moderate-income homebuyers below 80.00% of median income. The deferred mortgages are made at zero interest and require the borrower to repay the loan when the home is sold. Loans receivable are placed on nonaccrual status when management believes the loans are impaired. There were no loans receivable not accruing interest because of impairment at September 30, 2024.

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

Loans Receivable	Current	30–59 days	60–89 days	Over 90 days	Past Due	Total
					Past Due	Loans Receivable
September 30, 2024	\$ 21,662,814	\$ 17,402	\$ -	\$ 34,120	\$ 51,522	\$ 21,714,336
September 30, 2023	\$ 21,122,072	\$ 35,872	\$ 52,476	\$ -	\$ 88,348	\$ 21,210,420

Credit Risk Policies

Loans receivable are considered past due and delinquent when payments are 30 days late. There were no loans receivable that were past due 90 days or over and still accruing interest as of September 30, 2024. A loan that is 120 days past due is written off as uncollectible.

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

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

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

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Allowance for credit losses for loans receivable was as follows:

Beginning of Year - October 1, 2022	\$	161,604
Loans written off		(1,614)
Provision for credit losses		4,787
End of Year - September 30, 2023	\$	164,777
Beginning of Year - October 1, 2023	\$	164,777
Provision for credit losses		11,826
End of Year - September 30, 2024	\$	176,603

NHSA Loan Buy Back

In 2010, Neighborhood Housing Services of America (NHS) sold loans back to NWMT that they had previously purchased from NWMT. The total principal of the loans as of September 30, 2024, was \$4,018 with a purchase discount of \$1,953 for a net purchase of \$2,065. The discount is amortized to interest income over the life of the loans, effectively increasing the interest rate earned on the loans. The net purchase amount was included in the loans receivable balance at September 30, 2024.

Glacier Affordable Housing

NWMT operates a revolving loan fund of \$3,296,721 made up of grants assigned to Glacier Affordable Housing between 1995 and 2005. NWMT has no liability for these grants. Of this amount, \$2,925,843 and \$370,878 was in loans and notes receivable, respectively, at September 30, 2024.

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Maturities of loans receivable are as follows:

Years Ending September 30	Loans Receivable
2025	\$ 431,811
2026	210,955
2027	108,735
2028	106,674
2029	104,968
Thereafter	20,751,193
Total	21,714,336
Current portion	(431,811)
Loans Receivable - Net of Current Portion	21,282,525
NHSA loan buy back discount	(1,953)
Allowance for credit losses	(176,603)
Total Loans Receivable - Net of Allowance for Credit Losses and Current Portion	\$ 21,103,969

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

5. REAL ESTATE PROPERTY HELD FOR SALE

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

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

Beginning of Year - October 1, 2023	\$ 147,638
Net expenses	128,749
Sales and resident-owned community (ROC) park infill proceeds	(96,766)
Loss on disposition of real estate property for sale	(54,784)
End of Year - September 30, 2024	\$ 124,837

6. CASH - LOAN LOSS RESERVE

NWMT currently maintains a cash reserve of \$144,026 in an account at D.A. Davidson for potential loan losses.

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

7. CASH - NSP

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

8. INVESTMENTS

In July 2012, NWMT invested \$179,500 into RB SB Lending, LLC to partner with Homeword, Inc. in Missoula to fund the development and renovation of housing units in Missoula. NWMT's investment in this entity was initially recorded at cost and is adjusted annually for its 21.0% share of the current-year income or loss (equity method). The current balance as of September 30, 2024, was \$179,773.

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

September 30, 2024

Current assets	\$	1,300
Noncurrent assets		830,364
Equity	\$	831,664
Net Income	\$	25,415
Distributions	\$	26,000

In August 2021, NWMT invested \$250,000 into a participation investment in the Great Falls North Apartments, LLC to fund the development of affordable housing in Great Falls, Montana. The participation investment is an undivided 4.87% interest in the outstanding balance of principal and interest of the loan funding the project. NWMT holds a pro-rata share of the interest in the collateral. The loan matured on November 1, 2024, and accrued interest at 7.50%. As of the date of these financial statements, the loan is past due. NWMT expects payment from Great Falls North Apartments, LLC by January 31, 2025.

9. DEFERRED REVENUE

NWMT has received funds from NeighborWorks America (\$78,500), Northwest Montana Community Land Trust (\$66,656), Montana Community Foundation (\$28,500) US Bank (\$25,000), and Montana Department of Commerce Homeowner Assistance Fund (\$279,220), but had not yet used all those funds for their intended purpose as of September 30, 2024. These unused funds are reported as deferred revenue until used by NWMT.

10. LINE OF CREDIT

NWMT has a line of credit with Stockman Bank for up to \$1,000,000. The interest rate is fixed at 7.50%. There was no outstanding balance on the line of credit at September 30, 2024. The line of credit matures on June 10, 2025.

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

11. ENDOWMENT

In December of 2010, the NeighborWorks Great Falls Board of Directors voted to permanently restrict certain memorial contributions received to create the NeighborWorks Endowment. The endowment was established to preserve funds for future operations and out of the total, \$2,929 was designated for NWMT. Funds have been passed back to NWMT and will be carried in a Certificate of Deposit until the organization decides on a course of action. NWMT also owns an insurance policy, the proceeds of which are designated to the endowment.

12. NOTES PAYABLE

Notes payable consisted of the following:

September 30, 2024

Notes payable of varying amounts with nine financial institutions for the EQ2 loan program to promote community and economic development. Interest-only payments are due quarterly at rates varying between 2.00% and 3.00%. The agreements will reach maturity at staggered intervals through 2038. \$ 7,774,210

Notes payable of varying amounts with five financial institutions for the Gallatin Fund Investment program to promote community and economic development. Interest-only payments are due quarterly at 2.00%. The agreements will reach maturity at staggered intervals through 2038. 2,175,000

A line of credit with Clearwater Credit Union for the Gallatin Fund Investment program to promote community and economic development. The line of credit matures on December 28, 2038. Interest-only payments are due quarterly at 2.00%, with the entire balance owing in a single balloon payment after 58 payments. 500,000

A noninterest-bearing note with a private investor for the Gallatin Fund Investment program to promote community and economic development. The agreement will reach maturity on January 10, 2034. 100,000

A note with Opportunity Finance Network for loan funds. The note matures on December 31, 2026. Interest at 4.00% is paid quarterly. 500,000

Balance Forward **\$ 11,049,210**

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

September 30, 2024

Balance Brought Forward	\$ 11,049,210
A note as a private offering for loan funds. The note matures on April 1, 2025. Interest at 2.00% is paid annually.	10,000
A note as a private offering for loan funds. The note matures on October 25, 2028. Interest at 2.00% is paid annually.	9,853
A note as a private offering for loan funds. The note matures on August 25, 2026. Interest at 2.00% is paid quarterly.	9,772
A note as a private offering for loan funds. The note matures on June 30, 2028. Interest at 3.00% is paid quarterly.	26,270
A note as a private offering for loan funds. The note matures on December 20, 2026. Interest at 2.00% is paid quarterly.	49,000
A note as a private offering for loan funds. The note matures on July 25, 2029. Interest at 3.00% is paid quarterly.	10,000
A note as a private offering for loan funds. The note matures on July 7, 2025. Interest at 2.00% is paid quarterly.	50,000
A note as a private offering for loan funds. The note matures on January 30, 2025. Interest at 2.00% is paid quarterly.	100,000
A note as a private offering for loan funds. The note matures on July 19, 2028. Interest at 3.00% is paid quarterly.	50,000
A note as a private offering for loan funds. The note matures on July 23, 2028. Interest at 3.00% is paid quarterly.	50,000
A note as a private offering for loan funds. The note matures on July 25, 2025. Interest at 1.00% is paid quarterly.	15,000
A note as a private offering for loan funds. The note matures on February 1, 2028. Interest at 2.00% is paid quarterly.	50,000
Balance Forward	\$ 11,479,105

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

September 30, 2024

Balance Brought Forward	\$ 11,479,105
A note as a private offering for loan funds. The note matures on October 8, 2031. Interest at 3.00% is paid quarterly.	10,000
A note as a private offering for loan funds. The note matures on March 1, 2032. Interest at 3.00% is paid quarterly.	50,000
A note as a private offering for loan funds. The note matures on July 31, 2028. Interest at 3.00% is paid quarterly.	50,000
A note as a private offering for loan funds. The note matures on September 25, 2028. Interest at 3.00% is paid quarterly.	50,000
A note as a private offering for loan funds. The note matures on October 22, 2028. Interest at 3.00% is paid annually.	40,000
A note with The Community Development Financial Institutions Fund for loan funds. The note matures on July 18, 2035. Interest at 3.00% is paid quarterly.	77,102
A note with Community Benefit Financial Company, LLC for loan funds. The note matures on January 22, 2026. Interest at 2.00% is paid annually.	500,000
A note with Missoula County, for loan funds. The note matures on February 27, 2034. Interest at 5.00% annually is paid if defaulted.	100,000
A note with IHC Health Services, Inc., for loan funds. The note matures on July 1, 2029. Interest at 3.96% is paid annually.	500,000
Total	12,856,207
Current portion	(900,000)
Total Long-Term Debt - Net of Current Portion	\$ 11,956,207

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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

Years Ending September 30

2025	\$	900,000
2026		609,772
2027		4,236,500
2028		276,271
2029		3,221,563
Thereafter		3,612,102
Total	\$	12,856,207

The notes owed by NWMT are all unsecured. Notes payable include notes referenced as private offerings. NWMT filed for an exemption under Montana law to offer investments in its loan fund in 2014. The Commissioner of Securities and Insurance (Office of the State Auditor) issued a letter stating the offer and sale of these investments is exempt by virtue of 30-10-104(1) and/or (8), MCA. The Circular is updated annually. The Investment Circular is provided to potential investors and is available upon request from NWMT. Each investment is structured as a term loan with NWMT paying periodic interest from 1.00% to 3.00%, depending on the term. NWMT anticipates additional investments in its loan pool through this structure.

13. NET ASSETS WITH DONOR RESTRICTIONS

Net Assets With Donor-Imposed Purpose and Time Restrictions

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

September 30, 2024

Down payment and purchase assistance for first-time homebuyers	\$	5,541,243
REDA lending		13,128,203
Improvement of properties		160,000
Total	\$	18,829,446

Net assets of \$25,795 were released from donor restrictions by incurring expenses satisfying the purpose and time of restrictions specified by donors. These releases consisted of \$25,795 to cover soft costs on new HOME-assisted single-family loans.

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

14. LEASE OBLIGATIONS

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

September 30, 2024

Short-term leases	\$	22,538
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15. PENSION PLAN

NWMT maintains a 401(k) plan administered by D.A. Davidson and Company covering all full-time employees. Employee contributions are matched as made. NWMT will match up to 5.00% on a one-for-one basis. Total match expense for fiscal year ended September 30, 2024, was \$42,696.

16. RELATED-PARTY TRANSACTIONS

During the fiscal year, NWMT engaged in several transactions with related parties:

One of NWMT’s board members is the Executive Director of Homeword, a NWMT partner agency as described in note 1. For the year ended September 30, 2024, NWMT provided \$249,039 to Homeword consisting of two months rent for the Missoula office, partnership distributions, and two homes purchased and placed at Northwood. Additionally, there are three notes receivable due from Homeword. The terms of these notes are described in note 3.

One of NWMT's board members serves as the Executive Director of Montana Board of Housing (MBOH). MBOH provided \$156,017 to NWMT during the year ended September 30, 2024.

One of NWMT's board members is a member of management at Human Resource Development Council (HRDC) of District IX, Inc. During the year ended September 30, 2024, HRDC IX received \$79,244 from NWMT.

17. SUBSEQUENT EVENTS

Subsequent to September 30, 2024, the following significant events occurred:

In October, NWMT entered into a \$3,000,000 Equity Equivalent (EQ2) investment agreement with First Security Bank. NeighborWorks Montana will use the \$3,000,000 investment to support economic and community development in Montana, including affordable housing and job creation. The investment has a fixed yield of 3.25% per annum, with potential adjustments after five years. Funds will be drawn over one year in up to four installments, with quarterly yield payments. Conditions include maintaining CDFI status and providing quarterly reports. First Security Bank can accelerate maturity if NeighborWorks Montana ceases normal operations or fails to meet specified conditions. Additionally, First Security Bank representatives may attend board meetings and inspect properties.

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

A \$500,000 investment agreement was signed with Clearwater Credit Union in December. The term of the credit line will mature on December 28, 2034. Interest will be charged at 2.00% annually. The regular payments will be the amount of the accrued interest and will be due quarterly. At the end of the term, NWMT will be required to pay the entire balance owed in a single balloon payment.

The Montana Healthcare Foundation made a \$4,000,000 investment in NWMT in December. The loan proceeds are only to be used for promoting community and economic development by increasing access to capital for affordable housing projects serving low-income families and individuals in the state of Montana. Therefore, the proceeds may only be used for funding program loans to program borrowers in accordance with the program requirements, and/or to deposit into the investment account. Interest will be charged at a rate of 4.00% annually. NWMT may decide when to terminate or wind down the program with notification to the Montana Healthcare Foundation. At the effective termination date, NWMT will repay Montana Healthcare Foundation the full unpaid principal amount of the loan plus all unpaid accrued interest no later than 30 days after the termination date.

A commitment letter for a \$1,000,000 investment was received from the Montana Community Foundation in November to support the Homeownership Program. The loan has a term of seven years and accrues interest at a rate of 2.00% annually.

Additionally, a \$5,078,185 gift was received from a private donor in October. The funds will be used for Missoula Impact Housing Fund per the donor's wishes.

On January 27, 2025, the federal government announced a freeze on federal funding for non-profit organizations. Subsequently, on January 28, 2025, a federal judge issued a temporary administrative stay prohibiting the implementation on the freeze. As of the date of these financial statements, the status of future federal funding is unknown. This funding freeze could potentially impact the financial position, results of operations, and cash flows of NWMT as a result of significant disruptions to anticipated federal program payments. The full scope and duration of the freeze are currently unknown. NWMT is actively assessing the potential impacts on its operations and is exploring alternative funding sources and operational adjustments.

SUPPLEMENTARY INFORMATION SECTION

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2024

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Total Federal Award	Grant Revenues	Federal Expenditures	Passed Through to Subrecipients
Neighborhood Reinvestment Corporation Public Law 115-141						
U.S. Department of Treasury - NeighborWorks America						
Capital Grants	N/A	N/A	\$ 170,000	\$ 170,000	\$ 170,000	-
Expendable Grants	N/A	N/A	411,000	411,000	332,500	-
Housing Stability Counseling Program	99.U19	N/A	937,971	67,474	67,474	-
Total U.S. Department of Treasury - NeighborWorks America			1,518,971	648,474	569,974	-
U.S. Department of Housing and Urban Development						
HUD Counseling Grant (FY 2022)	14.169	HC220011029	625,423	347,923	347,923	268,089
HUD Counseling Grant (FY 2023)	14.169	HC230011004	335,009	239,286	239,286	190,841
Enterprise Community Partners	14.252	B-21-CB-MD-0001	45,000	27,826	27,826	-
Community Development Block Grant Program Pass Through From:						
Lake County	14.218	MT-CDBG-17HSP-01	230,000	106,000	106,000	-
City of Missoula	14.218	N/A	310,000	310,000	310,000	-
HOME Investment Partnership Program Pass Through From:						
Montana Department of Commerce	14.239	MT-HOME-HBA-21-01	1,400,000	381,934	588,068	-
Montana Department of Commerce	14.239	MT-HOME-21RD-02	1,789,704	34,794	34,794	-
Montana Department of Commerce	14.239	MT-HOME-21RD-03	665,000	12,300	12,300	-
Total U.S. Department of Housing and Urban Development			5,400,136	1,460,063	1,666,197	458,930
U.S. Department of Treasury						
Community Development Financial Institutions (Rapid Response Program)	21.024	N/A	560,000	260,000	260,000	-
Community Development Financial Institutions (Capital Magnet Fund)	21.011	N/A	2,000,000	-	500,000	-
Coronavirus State and Local Recovery Funds Pass Through From:						
Montana Department of Commerce	21.023	23-742-001	2,250,000	683,280	295,780	257,200
Total U.S. Department of Treasury			4,810,000	943,280	1,055,780	257,200
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 11,729,107	\$ 3,051,817	\$ 3,291,951	\$ 716,130

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

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. BASIS OF PRESENTATION

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule of expenditures of federal awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. INDIRECT COST RATE

NWMT has elected not to use the 10.00% de minimis indirect cost rate from the Uniform Guidance.

4. UNKNOWN ASSISTANCE LISTING NUMBER

The Neighborhood Reinvestment Corporation, doing business as NeighborWorks America, is a congressionally chartered nonprofit organization that received direct federal appropriations. They have not been issued an Assistance Listing (AL) number for federal appropriations. Public Law number 115.141 was issued for the appropriations awarded for the year ended September 30, 2024.

OTHER REPORTS SECTION



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Montana HomeOwnership Network, Inc. dba NeighborWorks Montana, a nonprofit organization (NWMT), which comprise the statement of financial position as of September 30, 2024; the related statements of activities, functional expenses, and cash flows for the year then ended; and the related notes to the financial statements, and have issued our report thereon dated January 28, 2025.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether NWMT's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NWMT's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NWMT's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KCoe Jam, LLP

January 28, 2025
Great Falls, Montana



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Montana HomeOwnership Network, Inc. dba NeighborWorks Montana, a nonprofit organization (NWMT)'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of NWMT's major federal programs for the year ended September 30, 2024. NWMT's major federal programs are identified in the Summary of Auditors' Results section of the accompanying schedule of findings and questioned costs.

In our opinion, NWMT complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

(Continued)

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding NWMT's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of NWMT's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of NWMT's internal control over compliance. Accordingly, no such opinion is expressed.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

(Continued)

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

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

KCae Jnom, LLP

January 28, 2025
Great Falls, Montana

FINDINGS AND QUESTIONED COSTS SECTION

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

September 30, 2024

**SECTION I
SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of Auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	None
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements?	None

Federal Awards

Internal control over major programs:	
Material weakness identified?	None
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of Auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	None

The major programs for the year ended September 30, 2024, were as follows:

<u>Program:</u>	<u>AL #</u>
Community Development Block Grant	14.218
HOME Investment Partnership Program	14.239
Community Development Financial Institutions Capital Magnet Fund	21.011
Dollar threshold for Type A programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

September 30, 2024

(Continued)

SECTION II

FINANCIAL STATEMENT FINDINGS

None.

SECTION III

FEDERAL AWARDS AUDIT COMPLIANCE FINDINGS

None.

Montana HomeOwnership Network, Inc. dba NeighborWorks Montana

SUMMARY SCHEDULE OF PRIOR-AUDIT FINDINGS

September 30, 2024

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

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

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

Current Status: No exceptions noted during the current audit.