

# **Way Finders, Inc. and Subsidiaries**

Consolidating Financial Statements  
and  
Independent Auditors' Reports

June 30, 2019

# Way Finders, Inc. and Subsidiaries

## *Table of Contents*

	<i>Page</i>
Independent Auditors' Report	1
Consolidating Statement of Financial Position	3
Consolidating Statement of Activities	5
Consolidating Statement of Changes in Net Assets/(Deficit)	7
Consolidating Statement of Functional Expenses	8
Consolidating Statement of Cash Flows	11
Notes to Consolidating Financial Statements	13
Supplemental Information	68
Schedule of Expenditures of Federal Awards	75
Reports on Internal Control and on Compliance	82
Schedule of Findings and Questioned Costs	86
Summary Schedule of Prior Audit Findings	88



**DANIEL DENNIS & Co**  
Certified Public Accountants

*Independent Auditors' Report*

The Board of Directors of  
**Way Finders, Inc.**

**Report on the Financial Statements**

We have audited the accompanying consolidating financial statements of Way Finders, Inc., (a nonprofit organization) and subsidiaries (collectively, the Organization) which comprise the consolidating statement of financial position as of June 30, 2019, and the related consolidating statements of activities, changes in net assets/(deficit), functional expenses, and cash flows for the year then ended, and the related notes to the consolidating financial statements.

***Management's Responsibility for the Consolidating Financial Statements***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidating financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidating financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidating financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk of material misstatement of the consolidating financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidating financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidating financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the consolidating financial statements referred to above present fairly, in all material respects, the financial position of Way Finders, Inc. and subsidiaries as of June 30, 2019, 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.

### ***Emphasis of Matter***

As discussed in Note 2 to the financial statements, the Organization has adopted Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements for Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

Our audit was conducted the purpose of forming an opinion on the consolidating financial statements as a whole. The accompanying supplementary information shown on pages 68 to 73 is presented for the purpose of additional analysis and is not a required part of the consolidating financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is also presented for the purpose of additional analysis and is not a required part of the consolidating 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 consolidating financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidating financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidating financial statements or to the consolidating financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidating financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated November 8, 2019, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Audit Standards* in considering the Organization's internal control over financial reporting and compliance.

*Daniel Dennis & Company LLP*

November 8, 2019

**Way Finders, Inc. and Subsidiaries**  
**Consolidating Statement of Financial Position**  
**June 30, 2019**

*Assets*

	Way Finders	Common Capital	Affordable Housing Subsidiaries	Other Subsidiaries	Eliminations	Consolidated
<i>Current Assets</i>						
Cash and cash equivalents	\$ 2,542,420	\$ 481,220	\$ 1,848,937	\$ 1,429,044	\$ -	\$ 6,301,621
Restricted cash	7,911,315	-	-	64,481	-	7,975,796
Accounts receivable	2,264,996	37,308	147,871	452,506	(98,248)	2,804,433
Contribution receivable	674,685	473,996	-	-	-	1,148,681
Related party receivables	4,062,924	-	-	-	(4,062,924)	-
Small business loans receivable, net	-	656,043	-	-	(8,318)	647,725
Other loans receivable, net	106,193	-	-	-	-	106,193
Interest receivable	-	14,713	-	-	-	14,713
Investments	-	-	194,108	-	-	194,108
Prepaid expenses and other assets	320,421	1,374	269,612	-	-	591,407
Total current assets	<u>17,882,954</u>	<u>1,664,654</u>	<u>2,460,528</u>	<u>1,946,031</u>	<u>(4,169,490)</u>	<u>19,784,677</u>
<i>Property and Equipment</i>						
Land	170,000	-	8,376,959	369,000	(322,871)	8,593,088
Buildings and improvements	2,561,740	-	118,520,816	2,820	(6,280,772)	114,804,604
Furniture and equipment	1,886,086	38,084	692,871	20,768	82,177	2,719,986
Software	406,736	29,950	-	-	-	436,686
Less: accumulated depreciation	<u>(2,713,249)</u>	<u>(64,763)</u>	<u>(25,918,029)</u>	<u>(12,207)</u>	<u>(47,500)</u>	<u>(28,755,748)</u>
Total property and equipment	<u>2,311,313</u>	<u>3,271</u>	<u>101,672,617</u>	<u>380,381</u>	<u>(6,568,966)</u>	<u>97,798,616</u>
<i>Other Assets</i>						
Investments	641,510	38,658	(136,566)	109,755	(563,189)	90,168
Contribution receivable	562,780	-	-	-	-	562,780
Restricted cash	855,939	822,038	5,649,900	8,532,862	-	15,860,739
Restricted investments	71,005	-	152,709	-	-	223,714
Work in progress	457,406	-	1,370,586	12,072,104	(34,909)	13,865,187
Small business loans receivable, net	-	4,137,081	-	-	(615,936)	3,521,145
Other loans receivable, net	19,079,179	10,000	81,150	-	(643,429)	18,526,900
Intangible assets, net	<u>-</u>	<u>-</u>	<u>438,002</u>	<u>200</u>	<u>-</u>	<u>438,202</u>
Total other assets	<u>21,667,819</u>	<u>5,007,777</u>	<u>7,555,781</u>	<u>20,714,921</u>	<u>(1,857,463)</u>	<u>53,088,835</u>
Total assets	<u>\$ 41,862,086</u>	<u>\$ 6,675,702</u>	<u>\$ 111,688,926</u>	<u>\$ 23,041,333</u>	<u>\$ (12,595,919)</u>	<u>\$ 170,672,128</u>

*See accompanying notes to consolidating financial statements.*

**Way Finders, Inc. and Subsidiaries**  
**Consolidating Statement of Financial Position – *Continued***  
**June 30, 2019**

*Liabilities and Net Assets*

	Way Finders	Common Capital	Affordable Housing Subsidiaries	Other Subsidiaries	Eliminations	Consolidated
<i>Current Liabilities</i>						
Accounts payable	\$ 937,559	\$ 25,134	\$ 1,880,971	\$ 1,512,643	\$ -	\$ 4,356,307
Related party payables	-	30,630	999,371	3,032,923	(4,062,924)	-
Accrued expenses	1,925,388	90,783	930,181	227,468	(98,248)	3,075,572
Contract advances	4,940,612	-	-	-	-	4,940,612
Mortgages and notes payable	571,300	717,796	11,519,658	1,150,000	(8,318)	13,950,436
Non-amortizing notes payable	53,540	-	-	1,100,000	-	1,153,540
Deferred revenue	196,649	5,000	656,515	250	-	858,414
Total current liabilities	<u>8,625,048</u>	<u>869,343</u>	<u>15,986,696</u>	<u>7,023,284</u>	<u>(4,169,490)</u>	<u>28,334,881</u>
<i>Noncurrent Liabilities</i>						
Amortizing notes payable	10,130,797	1,519,834	10,102,624	15,567,500	(615,936)	36,704,819
Non-amortizing notes payable	619,933	-	36,748,673	-	(9,659,107)	27,709,499
Escrow liabilities	575,316	20,000	442,437	-	-	1,037,753
Contract advances	9,709,492	-	-	-	-	9,709,492
Deferred revenue	-	-	3,386,304	-	-	3,386,304
Accrued interest	-	-	7,477,537	-	(2,032,374)	5,445,163
Total noncurrent liabilities	<u>21,035,538</u>	<u>1,539,834</u>	<u>58,157,575</u>	<u>15,567,500</u>	<u>(12,307,417)</u>	<u>83,993,030</u>
Total liabilities	<u>29,660,586</u>	<u>2,409,177</u>	<u>74,144,271</u>	<u>22,590,784</u>	<u>(16,476,907)</u>	<u>112,327,911</u>
<i>Net Assets</i>						
Non-controlling interest	-	-	27,389,471	-	-	27,389,471
Without donor restrictions						
Board designated for affordable housing program	3,304,252	-	-	-	-	3,304,252
Undesignated	5,426,942	3,866,525	(317,782)	(5,331)	4,336,868	13,307,222
With donor restrictions	3,470,306	400,000	10,472,966	455,880	(455,880)	14,343,272
Total net assets	<u>12,201,500</u>	<u>4,266,525</u>	<u>37,544,655</u>	<u>450,549</u>	<u>3,880,988</u>	<u>58,344,217</u>
Total liabilities and net assets	<u>\$ 41,862,086</u>	<u>\$ 6,675,702</u>	<u>\$ 111,688,926</u>	<u>\$ 23,041,333</u>	<u>\$ (12,595,919)</u>	<u>\$ 170,672,128</u>

*See accompanying notes to consolidating financial statements.*

**Way Finders, Inc. and Subsidiaries**  
**Consolidating Statement of Activities**  
**For the Year Ended June 30, 2019**

	Way Finders	Common Capital	Affordable Housing Subsidiaries	Other Subsidiaries	Eliminations	Consolidated
<b>Changes in Net Assets Without Donor Restrictions</b>						
<i>Revenue and Support</i>						
Contributions	\$ 4,798,492	\$ 270,358	\$ -	\$ -	\$ (28,816)	\$ 5,040,034
Capital campaign	602,763	-	-	-	-	602,763
Contract assistance payments	50,704,505	-	-	-	-	50,704,505
Grants - Neighbor Works America	413,890	-	-	-	-	413,890
Fee for service, contract administration fees	16,308,573	145,761	771,395	-	-	17,225,729
Program fees	490,375	5,503	114,396	818,811	(155,746)	1,273,339
Property and asset management fees	638,678	-	-	-	(534,081)	104,597
Developer fees	957,686	-	-	-	(937,233)	20,453
Lending interest income and fees	102,836	313,953	-	-	(94,569)	322,220
Investment income	124,478	2,280	39,065	25,258	-	191,081
Royalties	-	73,638	-	-	-	73,638
Rental income	434,048	-	6,073,697	-	-	6,507,745
Gain on sale of property	65,884	-	-	-	-	65,884
Gain on sale of Massachusetts tax credits	3,875,000	-	-	-	-	3,875,000
Release from restriction	195,789	371,184	122,062	-	(371,184)	317,851
	<u>79,712,997</u>	<u>1,182,677</u>	<u>7,120,615</u>	<u>844,069</u>	<u>(2,121,629)</u>	<u>86,738,729</u>
<i>Expenses</i>						
Rental assistance	47,392,678	-	-	-	-	47,392,678
Client services	16,961,061	-	-	-	(19,166)	16,941,895
Small business lending	-	598,042	-	-	-	598,042
Home ownership services	665,550	-	-	-	-	665,550
Real estate development & property management	8,235,646	-	-	751,522	(4,648,780)	4,338,388
Rental properties	420,638	-	10,091,640	-	(783,910)	9,728,368
Fundraising	1,056,799	-	-	-	(455,880)	600,919
General and administrative	2,592,354	541,623	706,824	93,880	(579,901)	3,354,780
	<u>77,324,726</u>	<u>1,139,665</u>	<u>10,798,464</u>	<u>845,402</u>	<u>(6,487,637)</u>	<u>83,620,620</u>
Change in net assets without donor restrictions	<u>2,388,271</u>	<u>43,012</u>	<u>(3,677,849)</u>	<u>(1,333)</u>	<u>4,366,008</u>	<u>3,118,109</u>

*See accompanying notes to consolidating financial statements.*

**Way Finders, Inc. and Subsidiaries**  
 Consolidating Statement of Activities – *Continued*  
 For the Year Ended June 30, 2019

	Way Finders	Common Capital	Affordable Housing Subsidiaries	Other Subsidiaries	Eliminations	Consolidated
<b>Changes in Net Assets With Donor Restrictions</b>						
Contributions	\$ 190,071	\$ 400,000	\$ -	\$ 455,880	\$ (455,880)	\$ 590,071
Capital campaign	1,237,465	-	-	-	-	1,237,465
Release from restriction	<u>(195,789)</u>	<u>(371,184)</u>	<u>(122,062)</u>	<u>-</u>	<u>371,184</u>	<u>(317,851)</u>
Change in net assets with donor restrictions	<u>1,231,747</u>	<u>28,816</u>	<u>(122,062)</u>	<u>455,880</u>	<u>(84,696)</u>	<u>1,509,685</u>
Change in net assets	3,620,018	71,828	(3,799,911)	454,547	4,281,312	4,627,794
Less amounts attributed to noncontrolling interest	<u>-</u>	<u>-</u>	<u>3,592,909</u>	<u>-</u>	<u>-</u>	<u>3,592,909</u>
Change in net assets, controlling interest	<u>\$ 3,620,018</u>	<u>\$ 71,828</u>	<u>\$ (207,002)</u>	<u>\$ 454,547</u>	<u>\$ 4,281,312</u>	<u>\$ 8,220,703</u>

*See accompanying notes to consolidating financial statements.*

**Way Finders, Inc. and Subsidiaries**  
 Consolidating Statement of Changes in Net Assets/(Deficit)  
 For the Year Ended June 30, 2019

	Way Finders	Common Capital	Affordable Housing Subsidiaries	Other Subsidiaries	Eliminations	Consolidated
Net assets at beginning of year	\$ 8,581,482	\$ 4,194,697	\$ 36,449,671	\$ (3,998)	\$ (400,324)	\$ 48,821,528
Capital contribution	-	-	4,986,347	-	-	4,986,347
Syndication costs	-	-	(91,452)	-	-	(91,452)
Change in net assets	<u>3,620,018</u>	<u>71,828</u>	<u>(3,799,911)</u>	<u>454,547</u>	<u>4,281,312</u>	<u>4,627,794</u>
Net assets at end of year	<u>\$ 12,201,500</u>	<u>\$ 4,266,525</u>	<u>\$ 37,544,655</u>	<u>\$ 450,549</u>	<u>\$ 3,880,988</u>	<u>\$ 58,344,217</u>

*See accompanying notes to consolidating financial statements.*

**Way Finders, Inc. and Subsidiaries**  
**Consolidating Statement of Functional Expenses**  
**For the Year Ended June 30, 2019**

	Way Finders					Common Capital	Affordable Housing Subsidiaries	Other Subsidiaries		Eliminations	Consolidated Program Services
	Rental Assistance	Client Services	Home Ownership	Real Estate Development & Property Mgmt.	Rental Properties	Small Business Lending	Rental Properties	Real Estate Development & Property Mgmt.			
<b>Expenses:</b>											
Salaries	\$ 2,459,225	\$ 3,433,613	\$ 373,632	\$ 1,044,612	\$ 67,439	\$ 304,020	\$ 824,025	\$ 478,245	\$ (605,389)	\$ 8,379,422	
Payroll tax and fringe benefits	667,871	986,338	92,721	213,509	20,039	51,550	234,219	75,002	(118,373)	2,222,876	
Employee training	562	10,739	14,862	12,409	81	2,650	11,491	-	-	52,794	
Professional services	98,115	32,687	16,005	4,354	-	43,497	89,169	8,636	(19,166)	273,297	
Contract services	122,084	670,493	8,464	18,500	9,541	1,260	15,309	216	-	845,867	
Communications	16,530	62,580	4,767	3,453	6,344	850	81,388	-	-	175,912	
Postage	64,032	14,913	2,780	3,286	449	1,187	4,331	-	-	90,978	
Materials production	41,238	35,176	17,733	12,811	482	-	11,257	703	-	119,400	
Program expense	25,117	3,267,905	1,667	50,243	-	8,321	3,837	-	-	3,357,090	
Office supplies	28,203	40,437	3,488	10,738	74	11,875	15,738	-	-	110,553	
Licenses, dues and fees	11,794	6,257	17,809	5,247	241	2,638	3,925	-	-	47,911	
Travel	38,882	44,796	12,497	26,927	3,504	5,414	27,005	-	-	159,025	
Audit expense	36,493	39,605	3,708	26,919	-	-	-	-	-	106,725	
Legal expense	-	-	-	-	6,708	-	66,852	-	-	73,560	
Insurance	-	39,360	188	2,529	14,025	-	263,485	4,066	-	323,653	
Bad debt expense	-	-	-	6,520,172	3,639	85,082	31,195	-	(4,061,598)	2,578,490	
Repairs and maintenance	303	124	-	21,845	56,026	-	1,112,644	-	-	1,190,942	
Utilities	-	4,128	-	2,407	62,415	-	819,823	2,715	-	891,488	
Recruitment	455	1,154	595	1,188	-	-	5,096	-	-	8,488	
Other taxes	-	355	-	4,710	41,328	-	427,964	-	-	474,357	
Interest	2,081	27,337	-	49,542	58,213	50,353	1,919,424	13,799	(448,588)	1,672,161	
Provider reimbursement	59,054	-	-	-	-	-	-	-	-	59,054	
Other expenses	8,097	(25,049)	258	2,178	-	3,410	79,832	543	-	69,269	
Depreciation and amortization	-	2,694	-	1,784	64,873	2,191	3,983,430	-	(198,742)	3,856,230	
Contract assistance disbursed	43,136,443	7,558,062	10,000	-	-	-	-	-	-	50,704,505	
Computer operations	178,172	259,135	23,930	92,529	4,101	117	47,051	2,577	-	607,612	
Occupancy	332,467	344,023	43,612	86,447	-	23,145	-	28,440	-	858,134	
Marketing and outreach	65,460	99,391	16,834	17,307	-	482	-	-	-	199,474	
Loss on impairment	-	-	-	-	-	-	-	136,580	-	136,580	
Other administrative expenses	-	4,808	-	-	1,116	-	13,150	-	-	19,074	
<b>Total expenses</b>	<b>\$ 47,392,678</b>	<b>\$ 16,961,061</b>	<b>\$ 665,550</b>	<b>\$ 8,235,646</b>	<b>\$ 420,638</b>	<b>\$ 598,042</b>	<b>\$ 10,091,640</b>	<b>\$ 751,522</b>	<b>\$ (5,451,856)</b>	<b>\$ 79,664,921</b>	

*See accompanying notes to consolidating financial statements.*

**Way Finders, Inc. and Subsidiaries**  
**Consolidating Statement of Functional Expenses – *Continued***  
**For the Year Ended June 30, 2019**

	Way Finders	Common Capital	Affordable Housing Subsidiaries	Other Subsidiaries	Eliminations	Consolidated Administration	Way Finders		Consolidated Fundraising
	<i>Administration</i>	<i>Administration</i>	<i>Administration</i>	<i>Administration</i>			<i>Fundraising</i>	<i>Eliminations</i>	
<b>Expenses:</b>									
Salaries	\$ 2,022,431	\$ 194,326	\$ -	\$ -	\$ -	\$ 2,216,757	\$ 161,668	\$ -	\$ 161,668
Payroll tax and fringe benefits	391,104	51,810	-	-	-	442,914	26,689	-	26,689
Employee training	21,412	450	-	1,875	-	23,737	-	-	-
Professional services	156,551	7,561	-	-	-	164,112	158,436	-	158,436
Contract services	61,610	3,450	-	-	-	65,060	3,588	-	3,588
Contract termination	-	157,290	-	-	-	157,290	-	-	-
Communications	77,639	3,598	-	4,042	-	85,279	1,950	-	1,950
Postage	3,102	476	-	2,199	-	5,777	2,799	-	2,799
Materials production	58,136	334	-	-	-	58,470	12,099	-	12,099
Management fees	-	65,768	561,491	60,271	(655,049)	32,481	-	-	-
Program expense	6,749	-	-	-	-	6,749	997	-	997
Office supplies	9,277	173	-	2,669	-	12,119	3,404	-	3,404
Licenses, dues and fees	143,226	13,025	16,847	12,151	-	185,249	5,576	-	5,576
Travel	15,742	956	-	3,298	-	19,996	1,231	-	1,231
Audit expense	72	-	112,434	7,200	-	119,706	704	-	704
Legal expense	-	11,509	-	-	-	11,509	-	-	-
Insurance	61,464	11,959	-	-	-	73,423	-	-	-
Bad debt expense	-	8,782	-	-	-	8,782	-	-	-
Repairs and maintenance	37,624	-	-	-	-	37,624	3,280	-	3,280
Utilities	5,489	-	-	-	-	5,489	-	-	-
Recruitment	38,187	-	-	175	-	38,362	-	-	-
Other taxes	71,102	-	-	-	-	71,102	-	-	-
Interest	85,369	13	-	-	(17,004)	68,378	200,410	-	200,410
Other expenses	50,610	1,953	-	-	-	52,563	63	-	63
Depreciation and amortization	196,337	1,242	-	-	-	197,579	-	-	-
Computer operations	(435,807)	370	-	-	-	(435,437)	5,710	-	5,710
Occupancy	(224,196)	4,465	-	-	-	(219,731)	10,094	-	10,094
Grant expense	28,816	-	-	-	(28,816)	-	455,880	(455,880)	-
Marketing and outreach	(187,047)	521	-	-	-	(186,526)	2,221	-	2,221
Other administrative expenses	(102,645)	1,592	16,052	-	120,968	35,967	-	-	-
<b>Total expenses</b>	<b>\$ 2,592,354</b>	<b>\$ 541,623</b>	<b>\$ 706,824</b>	<b>\$ 93,880</b>	<b>\$ (579,901)</b>	<b>\$ 3,354,780</b>	<b>\$ 1,056,799</b>	<b>\$ (455,880)</b>	<b>\$ 600,919</b>

*See accompanying notes to consolidating financial statements.*

**Way Finders, Inc. and Subsidiaries**  
Consolidating Statement of Functional Expenses – *Continued*  
For the Year Ended June 30, 2019

	<i>Total Program Services</i>	<i>Total Administration</i>	<i>Total Fundraising</i>	<i>Eliminations</i>	<i>Consolidated</i>
<b>Expenses:</b>					
Salaries	\$ 8,984,811	\$ 2,216,757	\$ 161,668	\$ (605,389)	\$ 10,757,847
Payroll tax and fringe benefits	2,341,249	442,914	26,689	(118,373)	2,692,479
Employee training	52,794	23,737	-	-	76,531
Professional services	292,463	164,112	158,436	(19,166)	595,845
Contract services	845,867	65,060	3,588	-	914,515
Contract termination	-	157,290	-	-	157,290
Communications	175,912	85,279	1,950	-	263,141
Postage	90,978	5,777	2,799	-	99,554
Materials production	119,400	58,470	12,099	-	189,969
Management fees	-	687,530	-	(655,049)	32,481
Program expense	3,357,090	6,749	997	-	3,364,836
Office supplies	110,553	12,119	3,404	-	126,076
Licenses, dues and fees	47,911	185,249	5,576	-	238,736
Travel	159,025	19,996	1,231	-	180,252
Audit expense	106,725	119,706	704	-	227,135
Legal expense	73,560	11,509	-	-	85,069
Insurance	323,653	73,423	-	-	397,076
Bad debt expense	6,640,088	8,782	-	(4,061,598)	2,587,272
Repairs and maintenance	1,190,942	37,624	3,280	-	1,231,846
Utilities	891,488	5,489	-	-	896,977
Recruitment	8,488	38,362	-	-	46,850
Other taxes	474,357	71,102	-	-	545,459
Interest	2,120,749	85,382	200,410	(465,592)	1,940,949
Provider reimbursement	59,054	-	-	-	59,054
Other expenses	69,269	52,563	63	-	121,895
Depreciation and amortization	4,054,972	197,579	-	(198,742)	4,053,809
Contract assistance disbursed	50,704,505	-	-	-	50,704,505
Computer operations	607,612	(435,437)	5,710	-	177,885
Occupancy	858,134	(219,731)	10,094	-	648,497
Grant expense	-	28,816	455,880	(484,696)	-
Marketing and outreach	199,474	(186,526)	2,221	-	15,169
Loss on impairment	136,580	-	-	-	136,580
Other administrative expenses	19,074	(85,001)	-	120,968	55,041
	<u>\$ 85,116,777</u>	<u>\$ 3,934,681</u>	<u>\$ 1,056,799</u>	<u>\$ (6,487,637)</u>	<u>\$ 83,620,620</u>
Total expenses					

*See accompanying notes to consolidating financial statements.*

**Way Finders, Inc. and Subsidiaries**  
**Consolidating Statement of Cash Flows**  
**For the Year Ended June 30, 2019**

	Way Finders	Common Capital	Affordable Housing Subsidiaries	Other Subsidiaries	Eliminations	Consolidated
<i>Cash Flows From Operating Activities:</i>						
Change in net assets	\$ 3,620,018	\$ 71,828	\$ (3,799,911)	\$ 454,547	\$ 4,281,312	\$ 4,627,794
Adjustments to reconcile change in net assets to net cash provided by/(used in) operating activities:						
Depreciation and amortization	265,688	3,433	3,983,430	-	(198,742)	4,053,809
Non-cash contributions	(2,458,574)	-	-	-	-	(2,458,574)
Contributions restricted for long-term assets	(1,237,465)	-	-	-	-	(1,237,465)
Gain on sale of property	(65,884)	-	-	-	-	(65,884)
Gain on sale of Massachusetts tax credits	(3,875,000)	-	-	-	-	(3,875,000)
Loss on impairment	-	-	-	136,580	-	136,580
Bad debt expense	6,523,811	93,864	31,195	-	(4,061,598)	2,587,272
Recognition of imputed interest	45,789	-	136,692	-	-	182,481
Amortization of financing costs charged as interest expense	-	-	22,743	-	-	22,743
(Increase)/decrease in operating assets:						
Accounts receivable	(599,143)	91,337	31,806	185,868	93,280	(196,852)
Contribution receivable	(1,237,465)	(27,812)	-	-	(421,184)	(1,686,461)
Related party receivable	482,196	-	-	-	(482,196)	-
Small business loans receivable	-	(948,675)	-	-	391,682	(556,993)
Other loans receivable	(1,170,549)	-	-	-	-	(1,170,549)
Interest receivable	-	4,746	-	-	-	4,746
Prepaid expenses and other assets	(177,018)	(715)	(9,044)	-	-	(186,777)
Increase/(decrease) in operating liabilities:						
Accounts payable	114,233	7,224	36,416	3,195	-	161,068
Grants payable	(421,184)	-	-	-	421,184	-
Related party payable	-	30,630	(482,466)	(166,940)	618,776	-
Accrued expenses	102,562	22,007	41,947	(3,284)	(15,667)	147,565
Contract advances	1,898,576	-	-	-	-	1,898,576
Deferred revenue	93,886	5,000	(579,077)	-	-	(480,191)
Escrow liabilities	127,295	-	84,639	-	-	211,934
Accrued interest	-	-	1,094,275	(8,867)	(405,932)	679,476
Net cash provided by/(used in) operating activities	<u>2,031,772</u>	<u>(647,133)</u>	<u>592,645</u>	<u>601,099</u>	<u>220,915</u>	<u>2,799,298</u>

*See accompanying notes to consolidating financial statements.*

**Way Finders, Inc. and Subsidiaries**  
**Consolidating Statement of Cash Flows – *Continued***  
**For the Year Ended June 30, 2019**

	Way Finders	Common Capital	Affordable Housing Subsidiaries	Other Subsidiaries	Eliminations	Consolidated
<i>Cash Flows From Investing Activities:</i>						
Purchase of investments	(1,460)	-	(1,433)	-	-	(2,893)
Proceeds from sale of investments	-	-	-	-	-	-
Proceeds from sale of tax credits	5,149,000	-	-	-	-	5,149,000
Proceeds paid on loans receivable	(15,362,876)	-	-	-	3,925,018	(11,437,858)
Payments received on loans receivable	36,193	-	-	-	(30,000)	6,193
Proceeds from sale of real estate	110,261	-	-	-	-	110,261
Purchase of real estate	-	-	(69,887)	-	-	(69,887)
Payment of work in progress costs	(507,782)	-	(11,201,242)	(3,319,624)	170,767	(14,857,881)
Purchase of fixed assets	(173,341)	-	(165,376)	(2,732)	-	(341,449)
Net cash provided by/(used in) investing activities	<u>(10,750,005)</u>	<u>-</u>	<u>(11,437,938)</u>	<u>(3,322,356)</u>	<u>4,065,785</u>	<u>(21,444,514)</u>
<i>Cash Flows From Financing Activities:</i>						
Contributions restricted for long-term assets	1,237,465	-	-	-	-	1,237,465
Payments on financing fees and other intangible assets	-	-	(219,716)	-	-	(219,716)
Proceeds from mortgages and notes payable	10,310,000	464,373	15,860,769	15,204,917	(4,325,022)	37,515,037
Payments on mortgages and notes payable	(2,460,457)	(287,371)	(6,210,129)	(3,084,564)	38,322	(12,004,199)
Contributed capital	-	-	3,712,028	-	-	3,712,028
Payments on syndication costs	-	-	(91,452)	-	-	(91,452)
Net cash provided by financing activities	<u>9,087,008</u>	<u>177,002</u>	<u>13,051,500</u>	<u>12,120,353</u>	<u>(4,286,700)</u>	<u>30,149,163</u>
Net increase/(decrease) in cash	<u>368,775</u>	<u>(470,131)</u>	<u>2,206,207</u>	<u>9,399,096</u>	<u>-</u>	<u>11,503,947</u>
Cash at beginning of year	<u>10,940,899</u>	<u>1,773,389</u>	<u>5,292,630</u>	<u>627,291</u>	<u>-</u>	<u>18,634,209</u>
Cash at end of year	<u>\$ 11,309,674</u>	<u>\$ 1,303,258</u>	<u>\$ 7,498,837</u>	<u>\$ 10,026,387</u>	<u>\$ -</u>	<u>\$ 30,138,156</u>
<i>Supplementary Disclosure of Cash Flow Information</i>						
Cash paid for interest (net of \$490,423 of capitalized interest)	<u>\$ 372,496</u>	<u>\$ 49,110</u>	<u>\$ 548,686</u>	<u>\$ 13,799</u>	<u>\$ (59,660)</u>	<u>\$ 924,431</u>
Cash paid for income taxes	<u>\$ 182</u>	<u>\$ -</u>	<u>\$ 456</u>	<u>\$ 4,104</u>	<u>\$ -</u>	<u>\$ 4,742</u>
<i>Noncash Investing and Financing Activities</i>						
Purchase of real estate in exchange for note payable	-	-	340,000	-	-	340,000
Capital contribution received through conversion of note payable	-	-	1,274,319	-	-	1,274,319
Total noncash investing and financing activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,614,319</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,614,319</u>

*See accompanying notes to consolidating financial statements.*

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements  
June 30, 2019

**1. *The Organization***

Way Finders, Inc. (Way Finders), formerly HAP, Inc., was incorporated in November 1972, under the provisions of Chapter 180 of the General Laws of the Commonwealth of Massachusetts for the purpose of assisting the social welfare of low and moderate-income persons. Way Finders' initial activity was the administration of an experimental, federally funded housing allowance project in the metropolitan Springfield area, in cooperation with the Commonwealth of Massachusetts. Since 1981, Way Finders' Articles of Organization requires that Way Finders' activities be exclusively charitable and educational within the meaning of section 501(c)(3) of the Internal Revenue Code of 1954, as amended. During 2017, Way Finders changed its name from HAP, Inc. to reflect the expanded services Way Finders and its subsidiaries provide in the community. Way Finders' activities are conducted through both the charitable organization and subsidiaries which are described below.

Way Finders was chartered as a NeighborWorks® organization in October 2008. The affiliation with NeighborWorks® requires ongoing reporting and regular management reviews. It also provides opportunities for grants, capital funding and technical assistance, along with training slots for NeighborWorks® training institutes.

Way Finders, its subsidiaries and controlled entities (the Organization) provide assistance to the community under the following programs:

*Rental Assistance*

Rental assistance programs provide rent supplements to qualified low-income households under programs subsidized by federal and state funds. A variety of supportive services are provided to rental assistance participants.

*Client Services*

Client services include temporary shelter and supportive services for the homeless and transitional housing and supportive services for victims of domestic violence and other formerly homeless families. Way Finders provides a wide variety of information and referral services, housing counseling and education services for tenants, as well as access to financial assistance to help families and individuals avoid homelessness. The services are funded through federal and state programs and private grants and donations.

*Small Business Lending*

Small business lending programs stimulate the local economy by providing small business loans and business assistance primarily to low and moderate-income residents of Western Massachusetts who lack access to traditional financing arrangements.

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

**1. *The Organization – Continued***

*Home Ownership Services*

Home ownership services include education and counseling for first-time homebuyers, post-purchase and foreclosure prevention counseling, and educational services for rental property owners. Way Finders also provides access to financial resources for down payment and closing costs, to address lead-paint hazards in the home, and for home modification loans for the disabled.

*Real Estate Development & Property Management*

Real estate development services include both new construction and purchase and rehabilitation of properties to provide affordable individual, single family and multi-family rental housing and affordable owner occupied housing. These activities are financed by accessing federal and state programs and private lenders. Property management services are provided to various affordable housing projects. Way Finders and its subsidiaries own a direct or indirect interest in most of the projects developed by Way Finders. These efforts are aimed at ensuring that the properties meet the needs of their low to moderate income residents as well as maintaining the financial viability of these properties in the future.

*Rental Properties*

Rental properties provide affordable housing to eligible tenants under short-term operating leases. Rental properties include properties wholly owned by Way Finders and its subsidiaries as well as partnerships that are controlled by Way Finders and its subsidiaries through general partner interests.

*Principles of Consolidation*

The Organization includes the following:

*Common Capital, Inc.*

Common Capital, Inc. was organized as a non-profit corporation to provide small business loans and business assistance to companies owned by low and moderate-income residents. Effective April, 1, 2017, the Organization acquired Common Capital, Inc. as a result of Way Finders becoming the sole member of Common Capital, Inc. through a strategic alliance agreement.

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

**1. *The Organization – Continued***

*Affordable Housing Subsidiaries*

HAP Community Housing Services, Inc. (HAP-CHS) is a wholly-owned subsidiary of Way Finders. HAP-CHS is a for-profit corporation, formed in August 1982 for the purpose of developing and operating affordable housing. HAP-CHS owns and operates Mountain View Apartments, an affordable housing apartment complex located in Hadley, Massachusetts. Additionally, HAP-CHS is a general partner in Dwight Clinton Joint Venture, which owns and operates Dwight Clinton Apartments. HAP-CHS's stock has no par value with 1,000 shares authorized and 700 shares issued and outstanding.

Southampton Housing for the Elderly, Inc. was organized in 1983 as a non-profit corporation, to provide elderly and disabled persons of low to very low income with housing facilities and services specifically designed to meet their needs in Southampton, Massachusetts. Southampton Housing for the Elderly, Inc.'s Board of Directors is made up of Way Finders' employees.

Stevens Senior Housing of Ludlow, Inc. was organized in 2010 as a non-profit corporation, to provide elderly persons of low income with housing facilities in Ludlow, Massachusetts. The majority of Stevens Senior Housing of Ludlow, Inc.'s Board of Directors is made up of members of Way Finders' Board of Directors and Way Finders' employees.

Butternut Properties Limited Partnership was formed on February 21, 2003, as a limited partnership to build, own, maintain and operate an affordable housing apartment complex located in Amherst, Massachusetts. The Partnership consists of one general partner, Butternut Housing, Inc. with a .01% share and one limited partner, Whitcombs Walnut LLC with a 99.99% share.

Dwight Clinton Joint Venture was formed in July 1987 as a joint venture to acquire, rehabilitate and operate a transitional and low income family apartment building in Holyoke, Massachusetts. Way Finders and HAP-CHS each own a 50% interest in Dwight Clinton Joint Venture.

Library Commons Limited Partnership was formed on May 23, 2019, as a limited partnership to build, own, maintain and operate an affordable housing apartment complex located in Holyoke, Massachusetts. The Partnership consists of one general partner, Library Commons LLC with a .01% share and one limited partner, Way Finders with a 99.99% share.

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

**1. *The Organization – Continued***

Lumber Master LLC was formed June 25, 2019, as a limited liability company to maintain and operate 5,451 of commercial/retail/office real estate located in Northampton Massachusetts. The Partnership consists of two members: Way Finders as the managing member has a 51% share and Valley Community Development Corporation (Valley CDC) has a 49% share.

Paradise Pond, LLC was formed as a single member LLC, owned by Way Finders, in May 2005 to acquire, rehabilitate and operate an affordable housing apartment complex located in Northampton, Massachusetts.

Sergeant House Limited Partnership was formed on September 21, 2018, as a limited partnership to build, own, maintain and operate an affordable housing apartment complex located in Northampton, Massachusetts. The Partnership consists of one general partner, Sergeant House GP LLC with a .01% share and one limited partner, Way Finders with a 99.99% share.

The following entities were formed for the purpose of acquiring, rehabilitating and operating affordable housing properties in Western Massachusetts and are controlled by Way Finders though its subsidiary interests in general partner/managing member interests. The limited partner/member interests are reflected as non-controlling interests in the net assets section of the consolidating financial statements.

- CBA Housing Limited Partnership
- Church Street School Limited Partnership
- KenQuad Limited Partnership
- Live Pleasant Limited Partnership
- Lumber Yard Northampton Limited Partnership
- NewCourt Terrace LLC
- Olympia Amherst Limited Partnership
- Parsons Limited Partnership
- Verano Apartments Limited Partnership

*Other Subsidiaries*

1780 HCHQ, Inc. (HCHQ) was organized in 2018 as a non-profit corporation, to support the functions of and carry out the purposes of Way Finders. During 2018, HCHQ acquired property on Main Street in Springfield, Massachusetts which is being developed into Way Finders' new housing center and headquarters.

**Way Findes, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

**1. *The Organization – Continued***

MBL Housing and Development LLC (MBL) is a wholly owned subsidiary of Way Finders. MBL was acquired on July 1, 2015 and converted from an S Corporation to a single member LLC in August 2015. MBL provides consulting services to developers of affordable housing projects.

HAP Revitalization LLC was formed as a single member LLC, owned by Way Finders, in March 2009 for the purpose of acquiring real estate for neighborhood revitalization programs.

Neighborhood Collaborative LLC (the Collaborative) was originally formed as a single member LLC in April 2005 owned by Way Finders. In 2006, additional members were admitted. Way Finders remains the managing member and 51% owner. The Collaborative acquires real property in target areas to be developed by members of the Collaborative.

Chicopee Kendall LLC was formed as a sole member LLC, owned by Way Finders, in December 2008 for the purpose of acquiring the limited partnership interests in syndicated limited partnerships at the end of their tax credit compliance period. Additionally, Chicopee Kendall LLC acquires real estate property for the development of future affordable housing apartment complexes. At June 30, 2019, Chicopee Kendall LLC owns properties located on Mill Street in Agawam, Massachusetts and on Chestnut Street and Essex Street in Holyoke, Massachusetts.

Fuller Future LLC was formed as a single member LLC, owned by Way Finders, in October 2015 for the purpose of acquiring and developing property located on Fuller Street in Ludlow, Massachusetts.

LC2 Holyoke LLC was formed as a single member LLC, owned by Way Finders, in June 2018 for the purpose of acquiring and developing properties located on Appleton Street, Elm Street and Chestnut Street in Holyoke, Massachusetts.

Whitcombs Walnut LLC was formed as a single member LLC, owned by Way Finders, in January 2010 for the purpose of acquiring the limited partnership interest in Butternut Properties Limited Partnership.

Butternut Housing, Inc. is a wholly owned subsidiary of HAP-CHS. Butternut Housing, Inc. is a for-profit corporation formed in February 2003 for the purpose of developing and operating affordable housing through its role as general partner in a limited partnership. Butternut Housing, Inc. is the general partner of Butternut Properties Limited Partnership with a 0.01% interest. Butternut Housing, Inc.'s stock has no par value with 15,000 shares authorized and 79 shares issued and outstanding.

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

**1. *The Organization – Continued***

CBA Charlton Housing, Inc. is a wholly owned subsidiary of Way Finders. CBA Charlton Housing, Inc. is a for-profit corporation formed in November 2008 for the purpose of developing and operating affordable housing through its role as general partner in a limited partnership. CBA Charlton Housing, Inc. is the general partner of CBA Housing Limited Partnership with a 0.01% interest. CBA Charlton Housing, Inc.'s stock has no par value with 1,000 shares authorized and 79 shares issued and outstanding.

Kibbe Court, Inc. is a wholly owned subsidiary of HAP-CHS. Kibbe Court, Inc. is a for-profit corporation formed in July 2002 for the purpose of developing and operating affordable housing through its role as managing member in a limited liability company. Kibbe Court, Inc. is the managing member of NewCourt Terrace LLC with a 0.01% interest. Kibbe Court, Inc.'s stock has no par value with 15,000 shares authorized and 79 shares issued and outstanding.

Verano, Inc. is a wholly owned subsidiary of HAP-CHS. Verano, Inc. is a for-profit corporation formed in September 2004 for the purpose of developing and operating affordable housing through its role as general partner in a limited partnership. Verano, Inc. is the general partner of Verano Apartments Limited Partnership with a 0.01% interest. Verano, Inc.'s stock has no par value with 1,000 shares authorized and 79 shares issued and outstanding.

Belmont Byers LLC is a 79% owned subsidiary of Way Finders. Belmont Byers LLC was formed in November 2014 for the purpose of developing and operating affordable housing through its role as general partner in a limited partnership. Belmont Byers LLC is the general partner of KenQuad Limited Partnership with a 0.01% interest.

Greenville Park LLC was originally formed as a single member LLC in April 2007, owned by Way Finders. An additional member was admitted in June 2009. Way Finders remains the managing member and 79% owner. Greenville Park LLC is the general partner of Church Street School Limited Partnership with a 0.01% interest.

Library Commons LLC is a wholly owned subsidiary of Way Finders. Library Commons LLC was formed in May 2019 for the purpose of developing and operating affordable housing through its role as general partner in a limited partnership. Library Commons LLC is the general partner of Library Commons Limited Partnership with a 0.01% interest.

Lumber Yard 256 LLC is a 51% owned subsidiary of Way Finders. Lumber Yard 256 LLC was formed in September 2017 for the purpose of developing and operating affordable housing through its role as general partner in a limited partnership. Lumber Yard 256 LLC is the general partner of Lumber Yard Northampton Limited Partnership with a 0.01% interest.

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

**1. *The Organization – Continued***

Olympia Drive 85 LLC is a 79% owned subsidiary of Way Finders, Inc. Olympia Drive 85 LLC was formed in May 2013 for the purpose of developing and operating affordable housing through its role as general partner in a limited partnership. Olympia Drive 85 LLC is the general partner of Olympia Amherst Limited Partnership with a 0.01% interest.

Parsons Village LLC is a 51% owned subsidiary of Way Finders. Parsons Village LLC was formed in January 2014 for the purpose of developing and operating affordable housing through its role as general partner in a limited partnership. Parsons Village LLC is the general partner of Parsons Limited Partnership with a 0.01% interest.

Pleasant Crossings LLC is a 79% owned subsidiary of Way Finders. Pleasant Crossings LLC was formed in August 2016 for the purpose of developing and operating affordable housing through its role as general partner in a limited partnership. Pleasant Crossings LLC is the general partner of Live Pleasant Limited Partnership with a 0.01% interest.

Sergeant House GP LLC is a 51% owned subsidiary of Way Finders. Sergeant House GP LLC was formed in September 2018 for the purpose of developing and operating affordable housing through its role as general partner in a limited partnership. Sergeant House GP LLC is the general partner of Sergeant House Limited Partnership with a 0.01% interest.

**2. *Summary of Significant Accounting Policies***

*Accounting Method*

The Organization uses the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

*New Accounting Pronouncement*

During 2019, the Organization adopted the provisions of Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements for Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. Net assets previously reported as unrestricted net assets at June 30, 2018 have been reclassified to net assets without donor restrictions. Net assets previously reported as temporarily restricted net assets and permanently restricted net assets at June 30, 2018 have been reclassified to net assets with donor restrictions.

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

2. ***Summary of Significant Accounting Policies – Continued***

*Revenue Recognition*

Revenue is recognized from fixed price or unit based contracts when services have been rendered. Revenue is recognized from cost reimbursement agreements when expenses are incurred up to the contract award. Contract proceeds in advance of being earned are recorded as contract advances or deferred income. Amounts earned in excess of contract proceeds are recorded as accounts receivable. Expenses are recognized when services or goods are incurred or received, respectively.

Way Finders also manages the day-to-day operations of various federal and state subsidy programs on behalf of local landlords and tenants. Way Finders bills each federal and state agency monthly and, in turn, distributes these funds to the landlords. Funds which are received in advance of the month to which they apply are recorded as contract advances in the accompanying consolidating financial statements.

Way Finders recognizes revenue from services provided to real estate projects under development. Development overhead reimbursements are recognized in the amount of reimbursable costs incurred discounted for the risk the project will not receive financing to pay for the services. Development fees are recognized based on the ratio of development costs incurred to total budgeted development costs starting when a development services agreement is executed.

Rental income, principally from short-term leases on apartment units, is recognized on a monthly basis as the rents become due. Rental payments received in advance are deferred until earned. All leases between the Organization and its tenants are operating leases.

*Net Asset Classification*

Net assets of the Organization are classified into two categories based on the existence or absence of donor-imposed restrictions as follows:

*Net Assets Without Donor Restrictions*

Net assets without donor restrictions are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

*Net Assets With Donor Restrictions*

Net assets with donor restrictions are subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

2. ***Summary of Significant Accounting Policies – Continued***

*Contributions, Gifts and Grants*

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

Grant income from interest-free and below market rate loans is recorded as an increase in net assets with donor restrictions and recognized at the amount by which the principal loan exceeds the net present value of the amount due at maturity. The related net assets with donor restrictions is amortized to interest expense over the life of the loan using the effective interest rate method.

*Cash and Cash Equivalents*

Cash and cash equivalents consist of funds in the Organization's cash accounts and all highly liquid investments with an original maturity of three months or less.

Restricted cash and cash equivalents consists of cash received under contracts with contract imposed restrictions, revolving loan funds, capital project funds, client funds held in trust, and mortgagor restricted escrows and funded reserves. All restricted cash is required to be held in separate accounts.

*Accounts Receivable*

Accounts receivable are presented net of the allowance for doubtful accounts. Management's periodic evaluation of the adequacy of the allowance is based on its past experience and accounts receivable are charged off when deemed uncollectible. At June 30, 2019, the Organization has not established any allowance for uncollectible accounts because, based upon past experience, all amounts are considered collectible.

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

2. ***Summary of Significant Accounting Policies – Continued***

*Loans Receivable*

Loans receivable are carried at unpaid principal balances, less an allowance for loan losses. The allowance for loan losses is increased by charges to bad debt expense and decreased by charge-offs, net of recoveries. Management's periodic evaluation of the adequacy of the allowance is based on the Organization's past loan loss experience, specific impaired loans, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and current economic conditions. Past due status is determined based on loan terms. Loans are considered impaired if full principal or interest payments are not anticipated in accordance with the loan terms. The Organization's practice is to charge off any loan or portion of a loan when the loan is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition, the depreciation of the underlying collateral or for other reasons.

Loans are placed on non-accrual status when management believes, after considering economic conditions, business conditions, and collection efforts, that the loans are impaired or collection of interest is doubtful. Uncollected interest previously accrued is charged off or an allowance is established by a charge to interest income. Interest income on non-accrual loans is recognized only to the extent cash payments are received. Costs and fees associated with the issuance of loans are expensed in the period incurred.

*Investments*

The Organization accounts for its investments in non-controlled entities with voting rights using the equity method of accounting. Under the equity method, the investment is carried at cost and adjusted for the Organization's share of income, losses, additional investments, and cash distributions from the entities. The Organization ceases recognition of losses for financial statement purposes once the cost of the investment is reduced to zero. Changes in the value of the investments, which are other than temporary, are recognized as necessary.

Other investments in non-controlled entities are accounted for using the cost method. Changes in the value of the investments, which are other than temporary, are recognized as necessary.

Certificates of deposits (CD's) are investments that are not debt or equity securities and are recorded at cost. CD's with an original maturity less than one year are classified as current assets on the consolidating statement of financial position.

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

2. ***Summary of Significant Accounting Policies – Continued***

*Fixed Assets*

Fixed assets are carried at cost less accumulated depreciation. The Organization capitalizes all expenditures for furniture, equipment, and leasehold improvements with a useful life of more than one year and a cost of over \$1,000. Depreciation expense totaled \$3,874,810 for the year ended June 30, 2019. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

Estimated useful lives are as follows:

Building	20 – 40 years
Improvements	5 – 40 years
Furniture & equipment	3 – 10 years
Software	3 years

Long lived assets, such as buildings are reviewed on an ongoing basis for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flow expected to be generated by the asset including any estimated proceeds from the eventual disposition of the asset. If the asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds its fair value. As of June 30, 2019, management has determined that there has been no impairment of the long lived assets.

Management uses the direct expense method to account for planned major maintenance activities, under which actual costs incurred are expensed directly when maintenance is performed.

*Work in Progress*

In connection with its real-estate development activities, the Organization capitalizes all pre-acquisition, acquisition, development and construction costs as work in progress.

The Organization follows the policy of capitalizing interest on notes financing the construction of projects as a component of work in progress. If a project is abandoned, the costs are charged to expense in the year of abandonment. During 2019, the Organization recorded an impairment loss of \$136,580 for costs that will not be recovered for one of its projects under development. At June 30, 2019, work in progress of \$13,865,187 is reflected at cost, which approximates net realizable value. Work in progress is pledged as collateral for the related loans (Note 11).

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

2. ***Summary of Significant Accounting Policies – Continued***

*Amortization*

Costs associated with Way Finders' strategic plan and its subsidiaries' acquisition of the tax credits totaling \$1,093,521 are recorded at cost and amortized over their estimated useful lives. Amortization expense for the year ended June 30, 2019 was \$178,999. Estimated amortization expense for the next five years is:

<i>Fiscal Year</i>	<i>Amount</i>
2020	\$100,139
2021	\$32,046
2022	\$32,046
2023	\$32,046
2024	\$30,101

*Financing Costs*

Financing costs, net of accumulated amortization, are reported as a direct reduction of the obligation to which such costs relate. Amortization of financing costs is reported as a component of interest expense and is computed using the straight-line method over the related mortgage notes terms.

*Advertising Costs*

The Organization expenses advertising costs when they are incurred.

*Below Market Loans*

Section 42 of the Internal Revenue Code governs the administration of the Low Income Housing Tax Credit (LIHTC), a tax incentive created to foster a legislated public policy directive of the United States of America to create affordable low income housing. Some of Way Finders' subsidiaries were formed in order to create low income housing in order to generate LIHTC.

Other governmental entities having a similar policy have lent money to these subsidiaries at advantageous terms. These subsidiaries have not discounted their below market interest rate loans as they were made at arm's length and to preserve the integrity of costs eligible for the LIHTC.

Way Finders and its subsidiaries discount below market loans to their present value when proceeds are received. The excess of proceeds over their present value are recognized as grant income. The discounts on below market loans are amortized to interest expense over the lives of the loans.

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

2. ***Summary of Significant Accounting Policies – Continued***

*Income Taxes*

Way Finders, Common Capital, Inc., 1780 HCHQ, Inc., Southampton Housing for the Elderly, Inc., and Stevens Senior Housing of Ludlow, Inc. are exempt from income taxes as non-profit corporations under Section 501(c)(3) of the U.S. Internal Revenue Code and are also exempt from state income taxes, except for income taxes on unrelated business income, if any. Way Finders has determined that it is subject to unrelated business income tax on certain fringe benefits provided to its employees. For the year ended June 30, 2019, Way Finders estimated a tax liability of \$656. The other non-profit subsidiaries had no unrelated business income. Way Finders' for-profit subsidiaries file separate income tax returns.

Way Finders' for-profit corporate subsidiaries account for income taxes, whereby deferred taxes are recognized using the liability method. This method calculates deferred tax assets and liabilities based on tax rates that are expected to apply when temporary differences reverse.

Regarding Way Finders' partnership subsidiaries, no provision has been made for Federal or state income taxes since each partner or member includes its pro-rata share of net income or loss in its return.

The Organization evaluates tax positions taken or expected to be taken in its tax returns and in its subsidiaries' tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. At June 30, 2019, Way Finders believes that it has no uncertain tax positions within its tax returns or within any of its subsidiaries' open tax returns (2016-2018).

*Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

*Functional Expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs based on direct charges, personnel time estimates, space utilization and number of housing units administered.

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

**3. *Restricted Cash and Restricted Investments***

Restricted cash and restricted investments consist of the following:

	<i>Cash</i>	<i>Investments</i>
Federal rental assistance	\$ 4,016,413	\$ -
State rental assistance	1,885,050	-
Capital projects fund	923,717	-
Unadvanced loan program proceeds	1,080,436	-
Client deposits held in trust	972,397	-
Undisbursed construction funds	8,400,369	-
Mortgage escrows and reserves	5,736,115	223,714
Small business lending and revolving loan fund	<u>822,038</u>	<u>-</u>
Total	<u>\$23,836,535</u>	<u>\$ 223,714</u>

**4. *Investments***

*Equity Method Investments*

Common Capital, Inc.’s investment in CTI Energy Services, LLC is accounted for using the equity method because Common Capital, Inc. has voting rights on CTI Energy Services, LLC’s Management Board. Common Capital initially contributed \$50,000 for a 2.34% ownership interest. Common Capital, Inc.’s share of net loss for the year ended June 30, 2019 was \$326. At June 30, 2019, the investment in CTI Energy Services, LLC was \$26,208.

*Cost Method Investment*

The Organization holds several CD’s with original maturities greater than three months. The CD’s accrue interest at rates ranging from 0.03% to 2.25% and mature between July 2, 2019 and March 16, 2020. At June 30, 2019, the CD’s balance was \$418,620.

Way Finders invested \$51,510 for a 1% subscriber’s interest in HPI Holding Company, Inc. (HPI). Way Finders along with various other unrelated entities entered into a contractual agreement to form HPI, a Vermont insurance company. Way Finders purchases its liability insurance through HPI. The investment in HPI Holding, Inc. is valued at cost due to the lack of information that can be used to approximate the fair value. Management annually receives audited financial statements and performs an assessment of any possible impairment. As of June 30, 2019, management has determined that no such impairment exists.

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

4. ***Investments – Continued***

Common Capital, Inc. purchased 498 shares of Real Pickle Cooperative Inc.’s preferred stock for \$12,450. At June 30, 2019, the investment is carried at its original cost of \$12,450.

5. ***Contributions Receivable***

Contributions receivable consist of the following:

In one year or less	\$ 1,148,681
Between one year and five years	<u>575,273</u>
Gross contributions receivable	1,723,954
Unamortized discount	<u>(12,493)</u>
Net contributions receivable	<u><u>\$ 1,711,461</u></u>

Contributions to be received beyond one year have been discounted to the anticipated net present value of the future cash flows at a rate of 2.12%.

6. ***Accounts Receivable***

Accounts receivable consist of the following:

<i>Description</i>	<i>Amount</i>
HomeBase program	\$ 567,210
Continuum of care program	108,266
Family shelter services program	707,412
Development consulting	454,902
Tenant and subsidy rental income	124,699
Federal rental assistance programs	235,428
Small business lending program	37,308
Safe step program	38,768
Property and asset management services	9,581
Housing consumer education center program	43,127
Other	<u>477,732</u>
Total	<u><u>\$2,804,433</u></u>

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

**7. *Small Business Loans Receivable***

At June 30, 2019, Common Capital, Inc. has \$4,449,242 of notes receivable (net of eliminations totaling \$624,254) less an allowance for loan losses of \$280,372. The loans accrue interest at rates between 2% and 10% and mature at various times through October 2034. Loan balances totaling \$1,167,487 are pledged as security for Common Capital, Inc.’s notes payable described in Note 11.

The following table presents informative data by portfolio regarding the age of small business loans receivable at June 30, 2019:

Current	\$4,439,088
Past due:	
30-60 days	19,368
61-90 days	-
> 90 days	<u>185,464</u>
Total past due	<u>204,832</u>
Total small business loans receivable	<u><u>\$4,643,920</u></u>

At June 30, 2019, no small business loans are deemed to be impaired.

*Allowance for Loan Losses*

Common Capital, Inc. uses an internal risk rating and loan loss reserve methodology to better measure the impact of changes in market conditions, borrower capacity and collateral condition in order to calculate its annual loan loss reserve amount. The reported loan loss reserve for the year ended June 30, 2019 reflects this methodology. All loans are evaluated individually. Each class of loan requires judgment to determine the estimation method that fits the credit risk characteristics within the portfolio. There were no changes in Common Capital, Inc.’s accounting policies and practices during the year.

Common Capital, Inc. estimates loan losses using an internally developed risk review method applied to all performing loans which considers the loan-to-value, lien priority, historical loss experience, or other factors that could impact the probability of default and potential loss. Management applies judgment to develop its own view of loss probability within the portfolios with the objective of establishing an allowance for the losses within the portfolios as of the reporting date.

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

7. ***Small Business Loans Receivable – Continued***

Reflected in the portions of the allowance is an amount for uncertainty and imprecision in determining allowance valuations. It is the practice of Common Capital, Inc. to charge off any loan when the loan is determined to be uncollectible due to the borrower’s failure to meet repayment terms, the borrower’s continued deteriorating financial position, the loan to value has changed significantly, the underlying collateral has depleted, or for other subjective factors. No single statistic or measurement determines the adequacy of the allowance for loan losses. Changes in the allowance for loan losses and the related provision expense can have a material impact on the change in net assets.

Activity in the allowance for loan losses is as follows:

Balance on July 1, 2018	\$ 349,210
Provision for losses	85,082
Recoveries	7,200
Loans charged off	<u>(161,120)</u>
Balance on June 30, 2019	<u>\$ 280,372</u>

*Credit Quality Information*

Risk ratings are used to assess individual credit risk and as a tool in assessing overall portfolio risk. Risk ratings are used by Common Capital, Inc. to capture business risk and viability. Historical financial performance and collateral protection are not considered material drivers of risk rating until such time as a loan appears to have reduced viability. In the event of a question of viability, the loan loss reserve may be set separately from the risk rating in order to capture loss potential. The internal risk ratings are as follows:

<u>Rating</u>	<u>Description of Creditworthiness</u>	<u>Assigned Loan Loss Percentage</u>
1	Viability of collection is very high	3%
2	Viability of collection is high	6%
3	Viability of collection is good but subject to external factors	12%
4	Viability of collection is subject to external factors	20%
5	Reasonable chance of effecting a turnover or restructuring	50%
6	Probability of turnaround is low	75%
7	Loss status; business assets liquidated	100%

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

**7. *Small Business Loans Receivable – Continued***

The recorded small business loans receivable by credit quality indicator as of June 30, 2019 is as follows:

Risk rating 1	\$ 1,876,175
Risk rating 2	2,243,374
Risk rating 3	108,768
Risk rating 4	178,922
Risk rating 5	40,220
Risk rating 6	<u>1,783</u>
 Total small business loans receivable	 <u><u>\$ 4,449,242</u></u>

The information used to internally rate the small business loans was updated as of June 30, 2019. As necessary, adjustments are made to Common Capital, Inc.’s method of estimating the allowance for loan losses.

**8. *Other Loans Receivable***

*Home Modification Loan Program*

Way Finders has an agreement with the Community Economic Development Assistance Corporation (CEDAC) to administer a home modification loan program (HMLP) which offers loans of \$50,000 or less to eligible property owners. Under HMLP, loans are made to finance modifications to homes to provide for the needs of elders or persons with disabilities. The loans are secured by promissory notes and mortgages on borrower’s homes and carry annual interest rates of 0% to 3%. The majority of these loans are interest-free, with repayment required when the property is sold or the title is transferred. Amortized loans do not require monthly payments, with repayment required between 5 and 15 years depending on the loan amount.

Proceeds from repayment of loans will be used to make new loans under HMLP. Upon termination of the HMLP contract, all assets of HMLP are to be returned to CEDAC.

At June 30, 2019, Way Finders was servicing \$8,408,392 of outstanding HMLP loans with 275 homeowners and \$1,080,436 of program funds were in a restricted cash account for future lending. At June 30, 2019, the total program assets under the HMLP was \$9,488,828.

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

**8. *Other Loans Receivable – Continued***

*NMTC Leverage Loan*

On December 20, 2018, under the new Market Tax Credit (NMTC) structure, Way Finders entered into a leverage loan agreement with COCRF Investor 140, LLC (Investment Fund), in the amount of \$10,044,800, funded in two tranches of \$9,550,364 and \$494,436, secured by the Investment Fund's interest in certain limited liability companies. The Investment Fund used the proceeds to make equity contributions to NMTC investors who, in a combination with investor equity, provided NMTC loans to 1780 HCHQ, Inc. (see Note 11). The leverage loans are payable in quarterly installments of interest only at a rate of 1.377% through December 2026, and thereafter, in quarterly installments of principal and interest of \$95,555 and \$42,352, respectively, through December 2046.

*Hunter Place Apartments Limited Partnership*

The rights to Hunter Place Apartments Limited Partnership's Massachusetts low-income housing tax credits were donated to Way Finders in 2016. Way Finders sold these tax credits to Clocktower Tax Credits, LLC for \$1,350,186. Way Finders subsequently loaned the sales proceeds back to Hunter Place Apartments Limited Partnership. The note is secured by the apartment complex, accrues interest at 0.01% compounded annually, and matures on December 31, 2054. At June 30, 2019, the outstanding loan balance was \$1,350,186. Way Finders has fully allowed against the outstanding loan balance and has not recognized accrued interest income due to the length of the maturity period and the loan's repayment priority.

*Chapin School Veterans Housing LLC*

The rights to Chapin School Veterans Housing LLC's Massachusetts low-income housing tax credits and Massachusetts historic tax credits were donated to Way Finders in 2017. Way Finders sold these low-income and historic tax credits to Quincy Mutual Fire Insurance Company for \$760,000 and \$890,000, respectively. Way Finders subsequently loaned sales proceeds of \$730,000 and \$890,000 back to Chapin School Veterans Housing LLC. The notes are secured by the apartment complex, accrue interest at 0.01% compounded annually, and mature on December 31, 2055. At June 30, 2019, the outstanding loan balances were \$730,000 and \$890,000. Way Finders has fully allowed against the outstanding loan balances and has not recognized accrued interest income due to the length of the maturity period and the loans' repayment priority.

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

**8. *Other Loans Receivable – Continued***

*Agawam Veterans Housing, LLC*

The rights to Agawam Veterans Housing, LLC's Massachusetts low-income housing tax credits and Massachusetts historic tax credits were donated to Way Finders in 2018. Way Finders sold these low-income and historic tax credits to Stratford Agawam Investors Limited Partnership for \$1,050,167 and \$2,047,000, respectively. Way Finders subsequently loaned sales proceeds of \$1,050,167 and \$2,047,000 back to Agawam Veterans Housing, LLC. The notes are secured by the apartment complex, accrue no interest, and mature on December 31, 2057. At June 30, 2019, the outstanding loan balances were \$1,050,167 and \$2,047,000. Way Finders has fully allowed against the outstanding loan balances due to the length of the maturity period and the loans' repayment priority.

*St. James Common Apartments LLC*

The rights to St. James Common Apartments LLC's Massachusetts historic tax credits were donated to Way Finders in 2019. Way Finders sold these tax credits to Apple, Inc. for \$1,316,000. Way Finders subsequently loaned the sales proceeds of \$1,274,000 back to St. James Common Apartments LLC. The note is secured by the apartment complex, accrues interest at 2.82% compounded annually, and matures on December 31, 2057. At June 30, 2019, the outstanding loan balance was \$1,274,000. Way Finders has fully allowed against the outstanding loan balance and has not recognized accrued interest income due to the length of the maturity period and the loan's repayment priority.

*Kendall Apartments LLC*

The rights to Kendall Apartments LLC's Massachusetts low-income tax credits were donated to Way Finders in 2019. Way Finders sold these tax credits to RSEP Holdings, LLC for \$1,184,574. Way Finders subsequently loaned the sales proceeds of \$1,184,574 back to Kendall Apartments LLC. The note is secured by the apartment complex, accrues interest at 2% compounded annually, and matures on October 8, 2048. At June 30, 2019, the outstanding loan balance was \$1,184,574. Way Finders has fully allowed against the outstanding loan balance and has not recognized accrued interest income due to the length of the maturity period and the loan's repayment priority.

*Iglesia de Dios Pentecostal El Sinari*

On August 3, 2015, Way Finders sold a parcel of land on Union Street in Springfield, Massachusetts to Iglesia de Dios Pentecostal El Sinari (the Church) for \$40,000. The Church paid \$10,000 in cash and financed the remaining amount with a \$30,000 note payable to Way Finders. Payments of principal plus interest at 4% per annum began in September 2015. Any unpaid principal and accrued interest is due upon the note's maturity on August 1, 2020. At June 30, 2019, the outstanding loan receivable balance was \$7,543.

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

**8. *Other Loans Receivable – Continued***

*Community Development Corporation of South Berkshire, Inc.*

On June 27, 2018, Way Finders provided financing to Community Development Corporation of South Berkshire, Inc. (CDCSB) approved up to \$100,000 in the form of a note receivable. The proceeds from the note will be used by CDCSB to acquire real estate located at 910 Main Street in Great Barrington, Massachusetts. The note accrues interest at 4.25% per annum and payment of outstanding principal and interest are due upon the closing of construction financing but no later than June 30, 2021. The note is secured by the real estate located at 910 Main Street in Great Barrington, Massachusetts. At June 30, 2019, the outstanding loan receivable balance was \$62,358.

*Valley Housing Development Corporation*

Way Finders provided financing through a line of credit to Valley Housing Development Corporation. The line is being used for the rehabilitation of an apartment complex owned by Valley Housing Development Corporation. The line is unsecured, accrues interest at 4.25% per annum and is due upon closing on construction financing for the apartment complex. At June 30, 2019, the outstanding balance on the line of credit was \$100,000.

*Pioneer Valley Grows Investment Fund, Inc.*

Common Capital has invested \$10,000 with Pioneer Valley Grows Investment Fund, Inc. in the form of an unsecured loan receivable. The proceeds of the loan are being used by Pioneer Valley Grows Investment Fund, Inc. to invest in local community farms and farmland. The loan accrues interest at 2% per annum and matures December 2, 2020. At June 30, 2019, the outstanding balance on the loan receivable was \$10,000.

**9. *Contract Advances***

Contract advances consist of the following:

<i>Description</i>	<i>Amount</i>
Federal rental assistance programs	\$ 3,322,780
Massachusetts rental assistance programs	362,540
Home modification loan program	9,493,817
Evacuee assistance program	1,107,005
Other	<u>363,962</u>
Total contract advances	<u><u>\$ 14,650,104</u></u>

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

**10. *Deferred Revenue***

Deferred revenue consists of the following:

<i>Description</i>	<i>Amount</i>
Tax credit exchange funds	\$ 3,966,820
Foreclosure prevention counseling and assistance	116,930
Supportive housing program	76,370
Other	<u>84,598</u>
Total deferred revenue	<u>\$ 4,244,718</u>

**11. *Mortgages and Notes Payable***

Mortgages and notes payable consist of the following at June 30, 2019:

	<i>Amortizing</i>	<i>Non-amortizing</i>
<i>Way Finders, Inc.:</i>		
<i>Operations:</i>		
Line of credit to Cooperative Fund of New England, maximum loan amount is \$1,000,000, interest accrues at 5.5% and is payable monthly through November 15, 2020. The line of credit is secured by real property on Prospect Street in Springfield, Massachusetts, certain equipment and accounts receivable.	\$ 788,279	\$ -
Way Finders entered into an agreement with Massachusetts Development Finance Agency to borrow \$6,960,000 funded by Way Finders Issue, Series 2018 Revenue Bonds. The note bears interest at a fixed rate of 4.02% per annum through December 2028. In January 2029, the interest rate adjusts to the sum of Federal Home Loan Bank plus 2.25% basis points multiplied by 0.6886. Monthly payments of interest only are due to Peoples Bank, the registered owner of the bonds, through July 2020. Thereafter, monthly payments of principal and interest in the amount of \$37,042 will be made to Peoples Bank. The note is secured by the undisbursed construction funds held by Peoples bank, a first priority interest in the NMTC leverage loan receivable, and leasehold improvements in the property located at 1780 Main Street in Springfield, Massachusetts. The outstanding principal balance at September 30, 2019 was \$6,960,000.	6,960,000	-

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

**11. Mortgages and Notes Payable – Continued**

	<i>Amortizing</i>	<i>Non-amortizing</i>
<p>Note payable to Coastal Enterprises, Inc. for \$850,000 bearing interest 7.132% per annum. Monthly payments of interest only are required under the note through June 2021. Thereafter, monthly payments of principal and interest in the amount of \$6,711 will be made. The note is secured by a second priority interest in the NMTC leverage loan receivable and matures December 2025. Common Capital, Inc. is participating in this note and has a \$150,000 share at June 30, 2019, which has been eliminated the consolidating financial statements.</p>	\$ 700,000	\$ -
<p>Note payable to the Trustees for the Diocese of Western Massachusetts, bearing interest at 4% and payable in quarterly payments of interest only. The principal and all accrued but unpaid interest shall be due in full on December 1, 2020.</p>	350,000	-
<p>Note payable to the former president and owner of MBL, bearing interest at 3%. The note is payable in annual principal installments of \$62,500 and interest accrued during the year. Any unpaid principal and interest shall be due in full in June 2019.</p>	62,500	-
<p>Note payable to The Housing Partnership Fund, Inc. approved up to \$1,500,000 bearing interest 5.5% per annum. Monthly payments of interest only are required under the note. The principal and all unpaid interest shall be due in full on March 26, 2021.</p>	1,000,000	-
<p>Line of credit to MHIC approved up to \$500,000 bearing interest at the Wall Street Journal prime rate (5.5% at June 30, 2019) plus 2.5%. The line of credit is secured by certain assets of Way Finders and matures December 1, 2019.</p>	300,000	-
<p>Note payable to CEDAC approved up to \$400,000. Interest accrues at 7% and is payable along with the outstanding principal balance upon obtaining permanent financing. Proceeds have been used to fund the predevelopment costs at NewCourt Terrace in Springfield, Massachusetts.</p>	-	53,540

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

**11. Mortgages and Notes Payable – Continued**

	<i>Amortizing</i>	<i>Non-amortizing</i>
<i>Earle Street Apartments:</i>		
Mortgage note payable to Massachusetts Housing Partnership Fund, payable in monthly installments of \$1,690, including principal and interest at 7.25% and matures on December 31, 2026. The note is secured by the apartment complex.	\$ 167,064	\$ -
Mortgage note payable to Massachusetts Housing Partnership Fund. The note is non-interest bearing requiring no payments until December 31, 2027 and is secured by the apartment complex. The note is reflected net of unamortized discount of \$38,038 (effective rate of 4.41%) with a face amount of \$121,864.	-	83,826
Mortgage note payable to CEDAC, non-interest bearing, payable annually to the extent that cash receipts exceed 105% of cash disbursements. Any remaining unpaid principal is due and payable on January 7, 2037. The note is secured by the apartment complex and assignment of certain leases and rents. The note is reflected net of unamortized discount of \$108,689 (effective rate of 4.41%) with a face amount of \$202,345.	-	93,656
<i>The Lorraine:</i>		
Mortgage note payable to CEDAC under the Housing Innovations Fund II Program. The note is non-interest bearing and will be repaid out of surplus cash. The unpaid balance and accrued interest are due upon the sale or refinancing of the underlying property but no later than March 8, 2030. The note is secured by the apartment complex and an assignment of leases and rents. The note is reflected net of unamortized discount of \$310,311 (effective rate of 9.05%) with a face amount of \$500,000.	-	189,689
Mortgage note payable to the Commonwealth of Massachusetts Department of Housing and Community Development (DHCD) under the Housing Stabilization Fund Program. The note is non-interest bearing requiring no payments until April 24, 2030, provided the intended use of the property does not change. The note is secured by the apartment complex and an assignment of leases and rents. The note is reflected net of unamortized discount of \$311,732 (effective rate of 9.05%) with a face amount of \$500,000.	-	188,268

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

**11. *Mortgages and Notes Payable – Continued***

	<i>Amortizing</i>	<i>Non-amortizing</i>
<p>Mortgage note payable to the City of Northampton, due March 14, 2030, with an option for a ten year extension. The note is non-interest bearing, does not require any payments until the due date, and is secured by the apartment complex. The note is reflected net of unamortized discount of \$105,506 (effective rate of 9.05%) with a face amount of \$170,000.</p>	\$ -	\$ 64,494
 <i>Common Capital, Inc.:</i>		
<p>Line of credit with TD Bank with a maximum loan amount of \$1,500,000 and interest accrues at the Wall Street Journal prime rate (5.5% at June 30, 2019). Funds from this line are to be used to issue small business loans which serve as collateral to secure the line. The line is due on demand except that any outstanding balances on loans issued from this line shall be repaid as the loans are repaid to Common Capital, Inc.</p>	264,847	-
<p>Line of credit with Freedom Credit Union with a maximum loan amount of \$250,000 and interest accrues at 6% per annum. Funds from this line are to be used to issue small business loans which serve as collateral to secure the line. The line is due on demand except that any outstanding balances on loans issued from this line shall be repaid as the loans are repaid to Common</p>	221,416	-
<p>Note payable to U.S. Small Business Administration, payable in monthly installments of \$5,439 including interest of 1.125%, and matures February 4, 2020. Interest is reviewed periodically and adjusted to either 2.375% or 1.125% based on the loan portfolio balances held by Common Capital, Inc. The note is secured by an interest in the micro loans issued and by the funds held in Microloan Revolving Loan Funds.</p>	43,292	-
<p>Note payable to U.S. Small Business Administration, payable in monthly installments of \$3,569 including interest of 0.5%, and matures November 10, 2024. Interest is reviewed periodically and adjusted to either 1.75% or 0.5% based on the loan portfolio balances held by Common Capital, Inc. The note is secured by an interest in the micro loans issued and by the funds held in Microloan Revolving Loan Funds.</p>	230,930	-

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

**11. *Mortgages and Notes Payable – Continued***

	<i>Amortizing</i>	<i>Non-amortizing</i>
<p>Note payable to U.S. Small Business Administration, payable in monthly installments of \$3,402 including interest of 0.5%, and matures August 8, 2027. Interest is reviewed periodically and adjusted to either 1.75% or 0.5% based on the loan portfolio balances held by Common Capital, Inc. The note is secured by an interest in the micro loans issued and by the funds held in Microloan Revolving Loan Funds.</p>	\$ 560,303	\$ -
<p>Note payable to the Sisters of Charity of St. Elizabeth, bearing interest at 1% and payable in annual payments of interest only. The principal and all accrued but unpaid interest shall be due in full on March 30, 2021.</p>	25,000	-
<p>Note payable to the Trustees for the Diocese of Western Massachusetts, bearing interest at 4% and payable in quarterly payments of interest only. The principal and all accrued but unpaid interest shall be due in full on April 1, 2021.</p>	100,000	-
<p>Notes payable consisting of loans from various organizations, trusts and individuals. These parties have chosen to lend to Common Capital, Inc. to support the Community First Fund. Interest of 2% is due and payable semi-annually. Principal is due and payable on the third anniversary of the date of the agreements, unless the lender elects to renew the loan for an additional three year term or donate the principal and/or interest to Common Capital, Inc. These notes are unsecured.</p>	791,842	-
<i>Affordable Housing Subsidiaries:</i>		
<i>Butternut Properties Limited Partnership:</i>		
<p>Mortgage note payable to DHCD under the HOME Investment Partnership Program. The note is non-interest bearing requiring no payments until March 8, 2041 and is secured by the apartment complex. The note is reflected net of unamortized discount of \$533,389 (effective rate of 7%) with a face amount of \$683,073.</p>	-	149,684

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

**11. Mortgages and Notes Payable – Continued**

	<i>Amortizing</i>	<i>Non-amortizing</i>
<p>Mortgage note payable to DHCD administered by the Massachusetts Housing Finance Agency (MHFA) under the Affordable Housing Trust Fund Program. The note is non-interest bearing requiring no payments until March 8, 2041 and is secured by the apartment complex. The note is reflected net of unamortized discount of \$781,043 (effective rate of 7%) with a face amount of \$1,000,000.</p>	\$ -	\$ 218,957
<i>Dwight Clinton Joint Venture:</i>		
<p>Mortgage note payable to DHCD under the Housing Stabilization Fund Program. The note is non-interest bearing requiring no payments until May 13, 2029. The note is secured by the apartment complex and assignment of certain leases and rents. The note is reflected net of unamortized discount of \$290,622 (effective rate of 8.81%) with a face amount of \$500,000.</p>	-	209,378
<p>Mortgage note payable to DHCD under the HOME Investment Partnership Program. The non-interest bearing loan requires no payments until August 2035, at which time the outstanding balance is due. The loan is reflected net of unamortized discount of \$75,699 (effective rate of 9.86%) with a face amount of \$95,151. The note is secured by the apartment complex and assignment of certain leases and rents.</p>	-	19,452
<i>Mountain View Apartments of HAP-CHS:</i>		
<p>Mortgage notes payable to the United States Department of Agriculture (USDA), Rural Development Agency, bearing interest at 8.5%, payable in monthly installments of \$8,359 to maturity, June 1, 2037. The notes are secured by a mortgage on the apartment complex and assignment of certain leases and rents. The Project receives a monthly interest subsidy in the amount of \$5,899, for a reduced monthly loan payment of \$2,460.</p>	921,660	-
<p>Mortgage note payable to Massachusetts Housing Partnership Fund Board under Housing Stabilization Fund Program. The note is non-interest bearing with no payments due until the maturity date of April 28, 2033. The note is carried net of unamortized discount of \$428,516 (effective rate of 9.05%) with a face amount of \$600,000. The note is secured by the apartment complex and assignments of certain leases and rents.</p>	-	171,484

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

**11. Mortgages and Notes Payable – Continued**

	<i>Amortizing</i>	<i>Non-amortizing</i>
<i>Paradise Pond LLC:</i>		
Mortgage note payable to Massachusetts Housing Partnership Fund, payable in monthly installments of \$650, including interest at 6.1%, and matures October 31, 2026. The loan is secured by the apartment complex.	\$ 68,450	\$ -
Mortgage note payable to Massachusetts Housing Partnership Fund, bearing interest at 2%, payable in monthly interest payments only. The note is due October 31, 2026, and is secured by the apartment complex.	134,263	-
Mortgage note payable to DHCD administered by MHFA under the Affordable Housing Trust Fund Program. The note is non-interest bearing requiring no payments until August 15, 2035. The note is secured by the apartment complex and assignment of certain leases and rents. The note is reflected net of unamortized discount of \$543,603 (effective rate of 7.5%) with a face amount of \$775,000.	-	231,397
Mortgage note payable to DHCD under the Housing Stabilization Fund Program. The note is non-interest bearing requiring no payments until August 15, 2055. The note is secured by the apartment complex and assignment of certain leases and rents. The note is reflected net of unamortized discount of \$667,143 (effective rate of 7.5%) with a face amount of \$715,000.	-	47,857
Mortgage note payable to CEDAC, non-interest bearing, payable annually to the extent that cash receipts exceed 105% of cash disbursements. Any remaining unpaid principal is due and payable on August 15, 2035. The note is secured by the apartment complex and assignment of certain leases and rents. The note is reflected net of unamortized discount of \$596,209 (effective rate of 7.5%) with a face amount of \$850,000.	-	253,791

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

**11. Mortgages and Notes Payable – Continued**

	<i>Amortizing</i>	<i>Non-amortizing</i>
<i>Southampton Housing for the Elderly, Inc.:</i>		
<p>The Organization has a thirty-five year 2.6% HUD insured mortgage note payable to Walker and Dunlop LLC. The note requires monthly payments for principal and interest of \$11,881. The final payment is due February 1, 2032. The note is secured by the apartment complex and assignment of certain leases and rents. The outstanding principal balance at June 30, 2019 was \$2,873,346.</p>		
<p>Financing costs of \$140,307 are being amortized using the straight-line rate method. The effective interest rate on the loan approximates to 2.89%. Accumulated amortization at June 30, 2018 was \$35,964.</p>	\$ 2,769,003	\$ -
<i>Stevens Senior Housing of Ludlow, Inc.:</i>		
<p>Mortgage note payable to DHCD under the HOME Investment Partnership Program. The note is non-interest bearing requiring no payments until September 25, 2044. The note is secured by the apartment complex and assignment of certain leases and rents. The note is reflected net of unamortized discount of \$285,137 (effective rate of 4.61%) with a face amount of \$415,000.</p>		
<p>Financing costs of \$14,302 are being amortized using the straight-line rate method. The effective interest rate on the loan approximates to 5.37%. Accumulated amortization at June 30, 2019 was \$2,265.</p>	-	117,826
<p>Mortgage note payable to DHCD under the Housing Stabilization Fund Program. The note is non-interest bearing requiring no payments until September 25, 2064. The note is secured by the apartment complex and assignment of certain leases and rents. The note is reflected net of unamortized discount of \$871,702 (effective rate of 4.61%) with a face amount of \$994,743.</p>		
<p>Financing costs of \$34,282 are being amortized using the straight-line rate method. The effective interest rate on the loan approximates to 5.27%. Accumulated amortization at June 30, 2019 was \$3,258.</p>	-	92,017

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

**11. *Mortgages and Notes Payable – Continued***

	<i>Amortizing</i>	<i>Non-amortizing</i>
<p>Mortgage note payable to DHCD administered by MHFA under the Affordable Housing Trust Fund Program. The note is non-interest bearing requiring no payments until September 25, 2054. The note is secured by the apartment complex and assignment of certain leases and rents. The note is reflected net of unamortized discount of \$802,479 (effective rate of 4.61%) with a face amount of \$1,000,000.</p> <p>Financing costs of \$34,462 are being amortized using the straight-line rate method. The effective interest rate on the loan approximates to 5.5%. Accumulated amortization at June 30, 2019 was \$4,094.</p>	\$ -	\$ 167,153
<p>Mortgage note payable to CEDAC, non-interest bearing, payable annually to the extent that cash receipts exceed 105% of cash disbursements. Any remaining unpaid principal is due and payable on September 25, 2044. The note is secured by the apartment complex and assignment of certain leases and rents. The note is reflected net of unamortized discount of \$206,123 (effective rate of 4.61%) with a face amount of \$300,000.</p> <p>Financing costs of \$10,339 are being amortized using the straight-line rate method. The effective interest rate on the loan approximates to 5.37%. Accumulated amortization at June 30, 2019 was \$1,638.</p>	-	85,176
<i>CBA Housing Limited Partnership:</i>		
<p>Mortgage note payable to USDA Rural Development is payable in monthly installments of \$2,876, net of a monthly subsidy of \$3,164 and bears interest at 4.875% per annum. The agreement provides for an interest subsidy making the effective rate 1% over the life of the note. Final payment is due in January 22, 2060, or upon the occurrence of an event of default or the sale or other transfer of the Project. The apartment complex is pledged as collateral for the mortgage.</p>	1,279,594	-

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

**11. *Mortgages and Notes Payable – Continued***

	<i>Amortizing</i>	<i>Non-amortizing</i>
<p>Mortgage note payable to DHCD under the HOME Investment Partnership Program, accrues no interest except on delinquent payments. The note is payable on November 21, 2040, or upon the occurrence of an event of default or the sale or other transfer of the Project. The apartment complex is pledged as collateral for the mortgage. The outstanding principal balance at June 30, 2019 was \$715,000.</p> <p>Financing costs of \$13,028 are being amortized using the straight-line rate method. The effective interest rate on the loan approximates to 0.06%. Accumulated amortization at June 30, 2019 was \$3,981.</p>	<p>\$ -</p>	<p>\$ 705,953</p>
<p>Mortgage note payable to DHCD administered by MHFA under the Affordable Housing Trust Fund Program, accrues no interest except on delinquent payments. All interest and principal due under this note are payable on November 21, 2040, or upon the occurrence of an event of default or the sale or other transfer of the Project. The apartment complex is pledged as collateral for the mortgage. The outstanding principal balance at June 30, 2019 was \$1,000,000.</p> <p>Financing costs of \$18,222 are being amortized using the straight-line rate method. The effective interest rate on the loan approximates to 0.06%. Accumulated amortization at June 30, 2019 was \$5,567.</p>	<p>-</p>	<p>987,345</p>
<i>Church Street School Limited Partnership:</i>		
<p>Mortgage note payable to USDA Rural Development is payable in monthly installments of \$2,123, net of a monthly subsidy of \$2,691 and bears interest at 5.375% per annum. The agreement provides for an interest subsidy making the effective rate 1% over the life of the note. Final payment is due on October 1, 2038, or upon the occurrence of an event of default or the sale or other transfer of the Project. The apartment complex is pledged as collateral for the mortgage.</p>	<p>941,454</p>	<p>-</p>

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

**11. *Mortgages and Notes Payable – Continued***

	<i>Amortizing</i>	<i>Non-amortizing</i>
<p>Mortgage note payable to DHCD under the HOME Investment Partnership Program, accrues interest at a rate of 7.50% compounded annually. All interest and principal due under this note are payable on May 24, 2038, or upon the occurrence of an event of default or the sale or other transfer of the Project. The note is secured by a mortgage on the apartment complex and assignment of certain leases and rents.</p>	\$ -	\$ 243,890
<p>Mortgage note payable to DHCD administered by MHFA under the Affordable Housing Trust Fund, accrues interest at a rate of 7.50% compounded annually. All interest and principal due under this note are payable on May 24, 2038, or upon the occurrence of an event of default or the sale or other transfer of the Project. The note is secured by a mortgage on the apartment complex and assignment of certain leases and rents.</p>	-	733,960
<i>KenQuad Limited Partnership:</i>		
<p>A mortgage note payable to MHP is secured by the real estate and personal property in the original amount of \$650,000. Monthly payments of interest at a rate equal to the LIBOR daily floating rate plus 2.25% are due through the July 1, 2017. Thereafter, the note requires monthly principal and interest payments of \$3,470, bears an interest rate of 4.95% per annum, and matures in June 2034. The outstanding principal balance at June 30, 2019 was \$631,024.</p>		
<p>Financing costs of \$76,257 are being amortized using the straight-line rate method. The effective interest rate on the loan approximates to 3.24%. Accumulated amortization at June 30, 2019 was \$8,864.</p>	563,631	-
<p>Mortgage note payable under the HOME Investments Partnership Program through DHCD and the City of Springfield bearing simple interest at a rate of 1% interest per annum. The note and accrued interest are due and payable in full on June 16, 2047, net of amortized discount of \$426,672 (effective rate of 2.5%) with a face amount of \$1,127,000. The note is secured by the apartment complex and assignment of certain leases and rents.</p>	-	700,328

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

**11. *Mortgages and Notes Payable – Continued***

	<i>Amortizing</i>	<i>Non-amortizing</i>
<p>Mortgage note payable under the HOME Investments Partnership Program through DHCD and the City of Springfield bearing simple interest at a rate of 1% interest per annum. The note and accrued interest are due and payable in full on June 16, 2047, net of amortized discount of \$164,688 (effective rate of 2.5%) with a face amount of \$435,000. The note is secured by the apartment complex and assignment of certain leases and rents.</p>	\$ -	\$ 270,312
<p>Mortgage note payable to Valley CDC funded through the sale of the Project's Massachusetts low-income housing tax credits. The note bears interest at 2.5% compounded annually. Unpaid principal and interest is due December 2065. The note is secured by a mortgage on the apartment complex.</p>	-	1,128,125
<p>Mortgage note payable to Valley CDC funded through the sale of the Project's Massachusetts historic rehabilitation tax credits. The note bears interest at 2.5% compounded annually. Unpaid principal and interest is due December 2065. The note is secured by a mortgage on the apartment complex.</p>	-	1,979,731
<i>Live Pleasant Limited Partnership</i>		
<p>Easthampton Savings Bank provided construction funding of \$8,480,710 with interest at a rate of 4% per annum fixed for the construction period. On December 16, 2018, the construction period ended and the interest rate was set at 5.93% per annum. The note required interest only payments thru the construction period. At the end of the construction period a principal payment was made to reduce the principal balance to \$2,314,310 with monthly payments of principal and interest required for the subsequent 30 years thereafter. The apartment complex is pledged as collateral for the mortgage. The outstanding principal balance at June 30, 2019 was \$2,300,121.</p>		
<p>Financing costs of \$48,962 are being amortized using the straight-line rate method. The effective interest rate on the loan approximates to 6.13%. Accumulated amortization at June 30, 2019 was \$809.</p>	2,251,968	-

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

**11. *Mortgages and Notes Payable – Continued***

	<i>Amortizing</i>	<i>Non-amortizing</i>
<p>Mortgage note payable to DHCD under the Housing Stabilization Fund Program and accrues interest at a rate of 1% compounded annually. All interest and principal due under this note are payable on December 16, 2066, or upon the occurrence of an event of default or the sale or other transfer of the Project. The note is secured by a mortgage on the apartment complex and assignment of certain leases and rents.</p>	\$ -	\$ 500,000
<p>Mortgage note payable to DHCD administered by MHFA under the Affordable Housing Trust Fund, accrues interest at a rate of 1% compounded annually. All interest and principal due under this note are payable on December 16, 2046, or upon the occurrence of an event of default or the sale or other transfer of the Project. The note is secured by a mortgage on the apartment complex and assignment of certain leases and rents.</p>	-	1,083,000
<p>Mortgage note payable to CEDAC under the Housing Preservation and Stabilization Trust Fund Program and accrues interest at a rate of 1% compounded annually. All interest and principal due under this note are payable on February 16, 2048, or upon the occurrence of an event of default or the sale or other transfer of the Project. The note is secured by a mortgage on the apartment complex and assignment of certain leases and rents.</p>	-	1,500,000
<p>Mortgage note payable to CEDAC under the Housing Innovations Fund Program and accrues interest at a rate of 1% compounded annually. All interest and principal due under this note are payable on February 16, 2048, or upon the occurrence of an event of default or the sale or other transfer of the Project. The note is secured by a mortgage on the apartment complex and assignment of certain leases and rents.</p>	-	1,000,000
<p>Mortgage note payable to CEDAC under the Facilities Consolidation Fund Program and accrues interest at a rate of 1% compounded annually. All interest and principal due under this note are payable on February 16, 2048, or upon the occurrence of an event of default or the sale or other transfer of the Project. The note is secured by a mortgage on the apartment complex and assignment of certain leases and rents.</p>	-	707,000

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

**11. Mortgages and Notes Payable – Continued**

	<i>Amortizing</i>	<i>Non-amortizing</i>
<i>Lumber Yard Northampton Limited Partnership</i>		
TD Bank provided a construction line of credit authorized up to \$10,000,000 to fund construction costs. The line of credit bears interest at LIBOR plus 2.5% based on a 360-day year with interest only payments due monthly. The line matures December 19, 2019. The apartment complex is pledged as collateral for the mortgage.	\$ 8,832,327	\$ -
TD Bank provided construction funding of \$2,500,000 with interest at a rate of 5.53% per annum fixed for the term of the loan. The note requires interest only payments and matures December 19, 2019. If the "Permanent Loan Term Extension Conditions" are satisfied, the maturity date will be extended to December 19, 2039, with monthly payments of principal and interest required based on a 30 year amortization schedule. The apartment complex is pledged as collateral for the mortgage.		
Financing costs of \$66,733 will be amortized using the straight-line method. Amortization of the costs is expected to occur over the permanent loan term.	2,433,267	-
Mortgage note payable to DHCD under the Housing Stabilization Fund Program, accrues no interest except on delinquent payments. The note is payable on February 19, 2069, or upon the occurrence of an event of default or the sale or other transfer of the Project. The apartment complex is pledged as collateral for the mortgage.	-	899,000
Mortgage note payable to DHCD administered by MHFA under the Affordable Housing Trust Fund Program, accrues no interest except on delinquent payments. All interest and principal due under this note are payable on February 19, 2049 or upon the occurrence of an event of default or the sale or other transfer of the Project. The apartment complex is pledged as collateral for the mortgage.	-	1,000,000

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

**11. Mortgages and Notes Payable – Continued**

	<i>Amortizing</i>	<i>Non-amortizing</i>
<p>Mortgage note payable to DHCD under the Commercial Area Transit Node Housing Program, accrues no interest except on delinquent payments. The note is payable on February 19, 2049, or upon the occurrence of an event of default or the sale or other transfer of the Project. The apartment complex is pledged as collateral for the mortgage.</p>	\$ -	\$ 900,000
<p>Mortgage note payable to CEDAC under the Community Based Housing Program, accrues no interest except on delinquent payments. The note is payable on February 19, 2049, or upon the occurrence of an event of default or the sale or other transfer of the Project. The apartment complex is pledged as collateral for the mortgage.</p>	-	308,750
<p>Mortgage note payable to Valley CDC accruing interest at 3.5% compounded annually. All interest and principal due under this note are payable on December 19, 2049 or upon the occurrence of an event of default or the sale or other transfer of the Project. The apartment complex is pledged as collateral for the mortgage.</p>	-	600,000
<i>New Court Terrace LLC:</i>		
<p>Mortgage note payable to DHCD under the HOME Investment Partnership Program, accrues interest compounded annually at a rate of 5.75% per annum. All interest and principal due under this note are payable on October 2, 2033, or upon the occurrence of an event of default, as specified in the loan agreement. The apartment complex is pledged as collateral for the mortgage.</p>	-	550,000
<p>Mortgage note payable to the City of Springfield Office of Housing and Neighborhood Services under the Lead Hazard Abatement Program, accrues interest at a rate of 5.75% per annum. All interest and principal due under this note are payable October 2, 2023, or on demand if the premises are not used as required in Section 3 of the loan agreement. The apartment complex is pledged as collateral for the mortgage.</p>	-	220,000

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

**11. *Mortgages and Notes Payable – Continued***

	<i>Amortizing</i>	<i>Non-amortizing</i>
<p>Mortgage note payable to the City of Springfield Community Development Department under the HOME Investment Partnership Program, accrues interest thereon compounded annually at a rate of 6.5% per annum. All interest, principal, and other payments due under this note are payable July 25, 2042, or upon sale or refinance of the Project. The apartment complex is pledged as collateral for the mortgage.</p>	\$ -	\$ 450,000
<p>Mortgage note payable to DHCD administered by MHFA under the Affordable Housing Trust Fund Program, accrues interest at a rate of 5% per annum. All interest and principal due under this note are payable on October 1, 2033, or upon the occurrence of an event of default or the sale or other transfer of the Project. Under these circumstances, the note becomes immediately payable and due. The apartment complex is pledged as collateral for the mortgage.</p>	-	667,612
<i>Olympia Amherst Limited Partnership:</i>		
<p>Massachusetts Housing Partnership Fund has provided funding in the amount of \$535,000. The loan bears interest at 6.97% and is payable in monthly installments of principal and interest of \$3,549 through April 2035. The note is secured by the apartment complex. The outstanding principal balance at June 30, 2019 was \$510,077.</p>		
<p>Financing costs of \$99,823 are being amortized using the straight-line rate method. The effective interest rate on the loan approximates to 9.28%. Accumulated amortization at June 30, 2019 was \$20,797.</p>	431,051	-
<p>Mortgage note payable to DHCD under the Housing Stabilization Fund Program, accrues interest at 1% per annum. The note is payable on September 5, 2063, or upon the occurrence of an event of default or the sale or other transfer of the Project. The apartment complex is pledged as collateral for the mortgage.</p>	-	1,715,000

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

**11. Mortgages and Notes Payable – Continued**

	<i>Amortizing</i>	<i>Non-amortizing</i>
<p>Mortgage note payable to DHCD administered by MHFA under the Affordable Housing Trust Fund Program, accrues interest at 1% per annum. All interest and principal due under this note are payable on September 5, 2044 or upon the occurrence of an event of default or the sale or other transfer of the Project. The apartment complex is pledged as collateral for the mortgage.</p>	\$ -	\$ 1,000,000

*Parsons Limited Partnership:*

Easthampton Savings Bank provided construction funding of \$4,656,447 with interest at a rate of 3.75% per annum fixed for the term of the loan. The note requires interest only payments through the construction period. At the end of the construction period a \$750,000 principal payment is due with monthly payments of principal and interest for the subsequent 30 years required thereafter. The apartment complex is pledged as collateral for the mortgage. The outstanding principal balance at June 30, 2019 was \$705,074.

Financing costs of \$38,340 are being amortized using the straight-line rate method. The effective interest rate on the loan approximates to 4.285%. Accumulated amortization at June 30, 2019 was \$4,154.

	670,888	-
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Mortgage note payable to DHCD under the Non-Federal Investment Trust Fund Program, accrues no interest except on delinquent payments. The note is payable on July 27, 2045, or upon the occurrence of an event of default or the sale or other transfer of the Project. The apartment complex is pledged as collateral for the mortgage.

	-	490,217
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Mortgage note payable to DHCD under the Housing Stabilization Fund Program, accrues no interest except on delinquent payments. The note is payable on July 27, 2065, or upon the occurrence of an event of default or the sale or other transfer of the Project. The apartment complex is pledged as collateral for the mortgage.

	-	1,000,000
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**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

**11. *Mortgages and Notes Payable – Continued***

	<i>Amortizing</i>	<i>Non-amortizing</i>
<p>Mortgage note payable to DHCD administered by MHFA under the Affordable Housing Trust Fund Program, accrues no interest except on delinquent payments. All interest and principal due under this note are payable on July 27, 2065 or upon the occurrence of an event of default or the sale or other transfer of the Project. The apartment complex is pledged as collateral for the mortgage.</p>	\$ -	\$ 1,175,000
<p>Mortgage note payable to Valley CDC, accrues no interest except on delinquent payments. All interest and principal due under this note are payable on July 28, 2065 or upon the occurrence of an event of default or the sale or other transfer of the Project. The apartment complex is pledged as collateral for the mortgage.</p>	-	300,000
<i>Sergeant House Limited Partnership:</i>		
<p>Mortgage note payable to CEDAC under the Housing Innovations Fund I Program non-interest bearing, payable annually to the extent that cash receipts exceed 105% of cash disbursements. Any remaining unpaid principal is due and payable on March 15, 2050. The note is secured by the apartment complex and assignment of certain leases and rents. The note is reflected net of amortized discount of \$170,758 (effective rate of 2.74%) with a face amount of \$240,735.</p>	-	69,977
<p>Mortgage note payable to CEDAC under the Housing Innovations Fund III Program non-interest bearing, payable annually to the extent that cash receipts exceed 105% of cash disbursements. Any remaining unpaid principal is due and payable on March 15, 2050. The note is secured by the apartment complex and assignment of certain leases and rents. The note is reflected net of amortized discount of \$257,130 (effective rate of 2.74%) with a face amount of \$362,500.</p>	-	105,370
<p>Mortgage note payable to CEDAC under the Housing Innovations Fund Program and accrues interest at a rate of 2% compounded annually. All interest and principal due under this note are payable on May 17, 2050, or upon the occurrence of an event of default or the sale or other transfer of the Project. The note is secured by a mortgage on the apartment complex and assignment of certain leases and rents.</p>	-	151,843

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

**11. Mortgages and Notes Payable – Continued**

	<i>Amortizing</i>	<i>Non-amortizing</i>
<p>Mortgage note payable to Valley CDC accruing interest at 2.1% compounded annually. All interest and principal due under this note are payable on March 1, 2065 or upon the occurrence of an event of default or the sale or other transfer of the Project. The apartment complex is pledged as collateral for the mortgage.</p>	\$ -	\$ 165,000
<p>Mortgage note payable to Bridge Street LLC, a subsidiary of Valley CDC accruing interest at 3% compounded annually. All interest and principal due under this note are payable on March 1, 2065 or upon the occurrence of an event of default or the sale or other transfer of the Project. The apartment complex is pledged as collateral for the mortgage.</p>	-	165,226
<p>Mortgage note payable to Massachusetts Housing Equity Fund XXIV LLC, accrues no interest except on delinquent payments. All interest and principal due under this note are payable on the earlier of receipt of the second equity installment payment or August 31, 2020. The apartment complex is pledged as collateral for the mortgage.</p>	-	516,405
<i>Verano Apartments Limited Partnership:</i>		
<p>Massachusetts Housing Partnership Fund has provided funding in the amount of \$415,000. The loan bears interest at 6.23% and is payable in monthly installments of principal and interest of \$2,550 through October 2036. The note is secured by the apartment complex.</p>	324,726	-
<p>Mortgage note payable to DHCD under the HOME Investment Partnership Program, accrues interest at a rate of 5.5% per annum. All interest and principal due under this note are payable on August 14, 2035, or upon the occurrence of an event of default or the sale or other transfer of the Project. Under these circumstances, the note becomes immediately payable and due. The note is secured by the apartment complex and assignment of certain leases and rents.</p>	-	550,000

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

**11. *Mortgages and Notes Payable – Continued***

	<i>Amortizing</i>	<i>Non-amortizing</i>
<p>Mortgage note payable to DHCD administered by MHFA under the Affordable Housing Trust Fund, accrues interest at a rate of 4% per annum. All interest and principal due under this note are payable on August 14, 2035, or upon the occurrence of an event of default or the sale or other transfer of the Project. Under these circumstances, the note becomes immediately payable and due. The note is secured by the apartment complex and assignment of certain leases and rents.</p>	\$ -	\$ 550,000
<p>Mortgage note payable to the City of Holyoke Office for Community Development, accrues interest at a rate of 5.5% per annum. All principal and interest payments under this note shall be payable on August 14, 2035. No payments shall be due before the maturity date. The note is secured by the apartment complex and assignment of certain leases and rents.</p>	-	100,000
<p>Self Help Shelters, Inc. and HAP CHS, doing business as the joint venture Rehab Shelters, acting by and through HAP CHS, have provided funding of \$247,500. This note bears interest compounding annually at a rate of 9%. Payment began two years after date of borrowing, and continuing every 12 months thereafter during the entire term of this note to an amount equal to the prior calendar year's net cash flow. The note is secured by the apartment complex and assignment of certain leases and rents. The entire outstanding balance of principal and unpaid interest shall be due upon the sooner of: (a) the date which is 20 years from the borrowing date, or (b) the sale or transfer of the real property comprising collateral for this note. Under these circumstances, the note becomes immediately payable and due. HAP-CHS's 45% share of principal and accrued interest have been eliminated in the consolidating financial statements.</p>	-	136,350
<i>Other Subsidiaries:</i>		
<i>MBL Housing and Development LLC:</i>		
<p>Note payable to Neighborworks Capital Corporation approved up to \$500,000, bearing interest at 3% and payable in quarterly payments only until July 1, 2018. Thereafter principal payments of \$31,250 plus interest will be made quarterly. The outstanding principal balance and all accrued but unpaid interest is payable on July 1, 2022. The loan has been guaranteed by Way Finders.</p>	375,000	-

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

**11. Mortgages and Notes Payable – Continued**

	<i>Amortizing</i>	<i>Non-amortizing</i>
<i>Chicopee Kendall LLC:</i>		
Note payable to CEDAC approved up to \$900,000. Interest accrues at 7% and is payable along with the outstanding principal balance upon obtaining permanent financing. Proceeds have been used to fund the predevelopment costs at Library Commons in Holyoke, Massachusetts.	\$ -	\$ 900,000
Note payable to CEDAC approved up to \$625,000, bearing interest at 5.5% and payable in quarterly interest payments only. The outstanding principal balance and all accrued but unpaid interest is payable upon obtaining permanent financing, but no later than July 31, 2019. Proceeds have been used to fund the acquisition of Library Commons in Holyoke, Massachusetts.	625,000	-
Note payable to CEDAC approved up to \$400,000. Interest accrues at 7% and is payable along with the outstanding principal balance upon obtaining permanent financing. Proceeds have been used to fund the predevelopment costs at 586 Mill Street in Agawam, Massachusetts.	-	200,000
Note payable to the Life Initiative approved up to \$513,000, bearing interest at 5% and payable in quarterly interest payments only. The outstanding principal balance and all accrued but unpaid interest is payable upon obtaining permanent financing, but no later than July 21, 2022. Proceeds have been used to fund the acquisition of 586 Mill Street in Agawam, Massachusetts.	513,000	-
<i>Fuller Future LLC:</i>		
Note payable to the Life Initiative approved up to \$337,500, bearing interest at 5% and payable in quarterly interest payments only. The outstanding principal balance and all accrued but unpaid interest is payable upon obtaining permanent financing, but no later than November 18, 2021. Proceeds have been used to fund the acquisition of 188 Fuller Street in Ludlow, Massachusetts.	337,500	-

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

**11. Mortgages and Notes Payable – Continued**

	<i>Amortizing</i>	<i>Non-amortizing</i>
<p>Note payable to Neighborworks Capital Corporation approved up to \$400,000, bearing interest at 4.5% and payable in quarterly interest payments only. The outstanding principal balance and all accrued but unpaid interest is payable upon obtaining permanent financing, but no later than September 30, 2019. Proceeds have been used to fund the predevelopment costs at 188 Fuller Street in Ludlow, Massachusetts.</p>	\$ 400,000	\$ -
 <i>1780 HCHQ, Inc.</i>		
<p>Note payable to 18 VRV 2008 LLC in the amount of \$2,383,562 bearing interest at 1% and payable in quarterly interest payments only through December 2025. Thereafter, quarterly payments of principal and interest of \$25,211 will commence and continue through December 2052. The note is secure by the property located at 1780 Main Street, Springfield, Massachusetts.</p>	2,383,562	-
<p>Note payable to 18 VRV 2008 LLC in the amount of \$1,056,438 bearing interest at 1% and payable in quarterly interest payments only through December 2025. Thereafter, quarterly payments of principal and interest of \$11,174 will commence and continue through December 2052. The note is secure by the property located at 1780 Main Street, Springfield, Massachusetts.</p>	1,056,438	-
<p>Note payable to 18 VRV 2008 LLC in the amount of \$1,435,000 bearing interest at 1% and payable in quarterly interest payments only through December 2025 and a \$50,000 principal payment on December 20, 2025. Thereafter, quarterly payments of principal and interest of \$14,649 will commence and continue through December 2052. The note is secure by the property located at 1780 Main Street, Springfield, Massachusetts.</p>	1,435,000	-

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

**11. *Mortgages and Notes Payable – Continued***

	<i>Amortizing</i>	<i>Non-amortizing</i>
<p>Note payable to MHIC NE CDE II Subsidiary 51 LLC in the amount of \$4,099,726 bearing interest at 1% and payable in quarterly interest payments only through December 2025. Thereafter, quarterly payments of principal and interest of \$43,363 will commence and continue through December 2052. The note is secure by the property located at 1780 Main Street, Springfield, Massachusetts.</p>	\$ 4,099,726	\$ -
<p>Note payable to MHIC NE CDE II Subsidiary 51 LLC in the amount of \$1,817,074 bearing interest at 1% and payable in quarterly interest payments only through December 2025. Thereafter, quarterly payments of principal and interest of \$19,219 will commence and continue through December 2052. The note is secure by the property located at 1780 Main Street, Springfield, Massachusetts.</p>	1,817,074	-
<p>Note payable to MHIC NE CDE II Subsidiary 51 LLC in the amount of \$2,425,200 bearing interest at 1% and payable in quarterly interest payments only through December 2025 and a \$86,000 principal payment on December 20, 2025. Thereafter, quarterly payments of principal and interest of \$24,742 will commence and continue through December 2052. The note is secure by the property located at 1780 Main Street, Springfield, Massachusetts.</p>	2,425,200	-
<p>Note payable to COCRF SubCDE 79 LLC in the amount of \$476,712 bearing interest at 1% and payable in quarterly interest payments only through December 2025. Thereafter, quarterly payments of principal and interest of \$5,042 will commence and continue through December 2052. The note is secure by the property located at 1780 Main Street, Springfield, Massachusetts.</p>	476,712	-
<p>Note payable to COCRF SubCDE 79 LLC in the amount of \$211,288 bearing interest at 1% and payable in quarterly interest payments only through December 2025. Thereafter, quarterly payments of principal and interest of \$2,235 will commence and continue through December 2052. The note is secure by the property located at 1780 Main Street, Springfield, Massachusetts.</p>	211,288	-

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

**11. *Mortgages and Notes Payable – Continued***

	<i>Amortizing</i>	<i>Non-amortizing</i>
Note payable to COCRF SubCDE 79 LLC in the amount of \$312,000 bearing interest at 1% and payable in quarterly interest payments only through December 2025. Thereafter, quarterly payments of principal and interest of \$3,300 will commence and continue through December 2052. The note is secure by the property located at 1780 Main Street, Springfield, Massachusetts.	\$ 312,000	\$ -
Total notes payable	50,655,255	28,863,039
Less current portion	<u>(13,950,436)</u>	<u>(1,153,540)</u>
Total long-term liabilities	<u>\$ 36,704,819</u>	<u>\$ 27,709,499</u>

The maturities of the mortgages and notes for the ensuing five years and thereafter are summarized as follows:

<i>Fiscal Year</i>	<i>Amount</i>
2020	\$ 15,103,976
2021	3,779,193
2022	1,017,414
2023	1,034,254
2024	748,995
Thereafter	<u>66,313,317</u>
Total note payments	87,997,149
Unamortized financing fees	(503,666)
Unamortized discount	<u>(7,975,189)</u>
Present value of note payments	<u>\$ 79,518,294</u>

Interest costs for the year ended June 30, 2019 was \$2,439,013, of which \$533,699 was capitalized. Additionally, amortized financing fees charged to interest expense for the year ended June 30, 2019 was \$22,743.

**12. *Related Party Transactions***

During 2019, a member of Way Finders' Board of Directors was an officer of Valley CDC, a Massachusetts non-profit organization.

During 2019, an employee of Way Finders was an officer of Valley Housing Development Corporation, a Massachusetts non-profit organization.

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

**12. *Related Party Transactions – Continued***

*Financing*

The Organization has five notes payable to Valley CDC and its subsidiaries and a note payable to the former president and owner of MBL Housing and Development LLC as described in Note 11.

Common Capital, Inc.'s Chief Executive Officer and members of its Board of Directors have loaned \$7,000 to Common Capital, Inc.'s Community First Fund as described in Note 11.

The Organization has provided a line of credit to Valley Housing Development Corporation as described in Note 8

*Developer Fees and Overhead*

Lumber Yard Northampton Limited Partnership has agreed to pay \$798,765 in developer fees to Valley CDC under a development agreement between Lumber Yard Northampton Limited Partnership, Way Finders, and Valley CDC. As of June 30, 2019, the Organization had paid \$383,407 and \$397,930 was owed to Valley CDC under the agreement. The remaining fee will be earned and paid in 2020.

Sergeant House Limited Partnership has agreed to pay \$417,525 in developer fees and overhead to Valley CDC under a development agreement between Sergeant House Limited Partnership, Way Finders, and Valley CDC. As of June 30, 2019, the Organization had paid \$125,257 and \$25,052 was owed to Valley CDC under the agreement. The remaining fee will be earned and paid in 2020.

**13. *Net Assets***

*Board Designated*

The Board of Directors has designated \$3,304,252 in net assets without donor restrictions to be used in support of affordable housing programs.

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

**13. Net Assets – Continued**

*Net Assets with Donor Restrictions*

The following summarizes the activity of net assets with donor restrictions for the year ended June 30, 2019:

	<i>Balance</i>	<i>Donor</i>	<i>Releases</i>	<i>Balance</i>
	<i>July 1, 2018</i>	<i>Restricted</i>	<i>from</i>	<i>June 30, 2019</i>
		<i>Contributions</i>	<i>Restriction</i>	
NeighborWorks Capital Fund	\$ 1,152,245	\$ -	\$ -	\$ 1,152,245
Capital campaign	-	1,237,465	-	1,237,465
Community health innovation	-	400,000	-	400,000
Neighborhood revitalization	95,000	-	(95,000)	-
Client services programs	-	120,071	-	120,071
Homeownership programs	-	20,000	-	20,000
Organizational development	11,250	-	-	11,250
Green energy development	10,000	-	(5,000)	5,000
Elderly supportive housing	4,391,300	-	-	4,391,300
Below market rate loans	7,123,792	-	(167,851)	6,955,941
Time restricted	50,000	50,000	(50,000)	50,000
	<u>\$ 12,833,587</u>	<u>\$ 1,827,536</u>	<u>\$(317,851)</u>	<u>\$ 14,343,272</u>
Total				

**14. Income Taxes**

Way Finders' for-profit subsidiaries had provisions for income taxes for the year ended June 30, 2019, consisting of the following:

<i>Description</i>	<i>Amount</i>
State tax expense	\$ 4,560
Federal tax expense	<u>-</u>
Total	<u>\$ 4,560</u>

As of June 30, 2019, Way Finders' for-profit subsidiaries had net operating loss carry-forwards totaling approximately \$115,105 available to offset future taxable income. Certain net operating loss carry-forwards will expire at various times between 2019 and 2038. Additionally, Way Finders' for-profit subsidiaries had net passive loss carry-forwards totaling approximately \$107,145 and passive tax credit carry-forwards totaling approximately \$2,890 available to offset future passive taxable income. It is unclear if Way Finders will realize value from these credits and loss carry-forwards; accordingly a related tax deferred asset has not been recorded.

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

**15. Retirement Plans**

*Way Finders Tax Sheltered Annuity Retirement Plan*

Way Finders provides retirement benefits for its full-time employees through its tax sheltered annuity retirement plan. This plan constitutes a defined contribution plan under section 403(b) of the Internal Revenue Code and allows for a discretionary employer match of employee contributions of up to 4% of annual compensation for employees who have completed 1.5 years of service as defined by the plan. Employer contributions for the year ended June 30, 2019 was \$167,174.

Additionally, all employees are eligible to make elective contributions in a voluntary retirement plan upon the beginning of employment.

*Common Capital SIMPLE IRA Plan*

Common Capital, Inc. has a SIMPLE IRA plan which is available to all employees who have completed 90 days of service. Employees may contribute into the plan on a tax-deferred basis. Common Capital, Inc. contributes a matching contribution on a semi-monthly basis. The amount of such contribution is equal to the amount of salary reduction employees elect to defer to a maximum of 3% of the employee's compensation. During 2017, the plan was frozen and eligible employees now are enrolled in Way Finders Tax Sheltered Annuity Retirement Plan.

**16. Rental Income Under Operating Leases**

The Organization has commercial lease agreements with tenants that expire at various times through 2039. The minimum future rental income on non-cancelable operating leases over the next five years are as follows:

<i>Fiscal Year</i>	<i>Amount</i>
2020	\$ 150,255
2021	\$ 130,686
2022	\$ 113,270
2023	\$ 69,001
2024	\$ 26,765

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

**17. Commitments**

*Leases*

The Organization leases program space and equipment under non-cancelable operating leases expiring in various years through fiscal year 2022. For the year ended June 30, 2019, expense under the various leases totaled \$592,841. The minimum payments due on the leases for the next three years are as follows:

<i>Fiscal Year</i>	<i>Amount</i>
2020	\$ 516,446
2021	175,776
2022	<u>66,559</u>
Total	<u>\$ 758,781</u>

*Construction Contract*

On August 2, 2017, Lumber Yard Northampton Limited Partnership executed a \$11,793,723 contract for the construction of the Lumber Yard Project. Through June 30, 2019, change orders were approved increasing the contract amount to \$12,737,496. At June 30, 2019, costs incurred under the contract totaled \$12,622,589. The remaining \$114,907 in construction costs under the contract will be incurred in fiscal year 2020.

On May 2, 2019, Sergeant House Limited Partnership executed a \$4,450,161 contract for the construction of the Sergeant House Expansion Project. At June 30, 2019, costs incurred under the contract totaled \$228,530. The remaining \$4,221,631 in construction costs under the contract will be incurred in fiscal year 2020.

On December 4, 2018, 1780 HCHQ, Inc. executed a \$9,000,000 contract for the construction of the new housing center and headquarters for Way Finders. Through June 30, 2019, change orders were approved increasing the contract amount to \$9,002,432. At June 30, 2019, costs incurred under the contract totaled \$2,507,010. The remaining \$6,495,422 in construction costs under the contract will be incurred in fiscal years 2020 and 2021.

*Financing Commitments*

Common Capital Inc. has a line of credit with Greenfield Cooperative Bank to a maximum of \$100,000. At June 30, 2019, there was no balance outstanding on the line of credit. Funds from this line are to be used for working capital needs. The line is secured by an assignment and pledge of a promissory note and collateral documents. Interest accrues at the Wall Street Journal's prime rate plus 0.5% and outstanding amounts on the line are payable on demand. The line expires November 6, 2019.

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

**17. Commitments – Continued**

The Organization has received various financing commitments to fund acquisition, predevelopment and construction costs related to development and renovations at several of its projects. As of June 30, 2019, the following commitments were received:

<i>Lender</i>	<i>Project</i>	<i>Commitment</i>	<i>Amount</i>	
			<i>Received</i>	<i>Outstanding</i>
TD Bank	Lumber Yard	\$ 10,000,000	\$ 8,832,327	\$ 1,167,673
DHCD	Lumber Yard	1,000,000	899,000	101,000
DHCD	Lumber Yard	1,000,000	900,000	100,000
CEDAC	Lumber Yard	325,000	308,750	16,250
Easthampton Savings Bank	Sergeant House	4,500,000	-	4,500,000
CEDAC	Sergeant House	500,000	151,843	348,157
CEDAC	Sergeant House	265,000	-	265,000
DHCD	Sergeant House	850,000	-	850,000
Valley CDC	Sergeant House	515,000	165,000	350,000
Valley CDC	Sergeant House	181,226	165,226	16,000
CEDAC	Mill Street	400,000	200,000	200,000
CEDAC	NewCourt Terrace	400,000	53,540	346,460
	Total	<u>\$ 19,936,226</u>	<u>\$ 11,675,686</u>	<u>\$ 8,260,540</u>

**18. Concentrations**

*Cash*

The Organization maintains its cash accounts in several commercial banks located in Massachusetts. Accounts at each bank are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. Additionally, deposits in excess of FDIC coverage are covered by Depositors Insurance Fund (DIF) at certain Massachusetts banks. Cash equivalents held by brokerage firms are insured by Securities Investor Protection Corporation up to \$500,000. The Organization does not believe it is exposed to significant risk as it periodically reviews the credit standings of the related institutions.

A summary of the total insured and uninsured cash balances at June 30, 2019 is as follows:

Total cash in all banks	\$ 31,007,696
Portion insured by FDIC, DIF and SIPC	<u>(28,802,501)</u>
Uninsured cash balances	<u>\$ 2,205,195</u>

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

**18. Concentrations – Continued**

*Small Business Loans Receivable*

All small business loans receivable are from businesses located in western Massachusetts. The lending policies of Common Capital, Inc. consider collateral in its underwriting. Common Capital, Inc. will obtain sufficient available collateral, but due to Common Capital, Inc.'s mission, it may approve loans which are either completely unsecured or are functionally unsecured based on the likely collateral value in a liquidation scenario. Common Capital, Inc. also recognizes that in instances where it is a subordinate lender, it will be at financial disadvantage in liquidation scenarios.

*Support*

The Organization's main source of funding is provided from contracts with DHCD, which is approximately 75% of its revenue and 64% of its accounts receivable for the year ended June 30, 2019.

*Litigation*

The Organization is defending complaints (judicial and administrative) for discrimination by a potential employee, and a claim of emotional distress due to harassment by a former client. The Organization believes it has meritorious defenses against each of the complaints and intends to vigorously contest them, and expects that the resolution of such complaints will not have a material adverse effect on its financial position. Therefore, no adjustment has been made to the 2019 financial statements.

**19. Contingencies**

*NeighborWorks Capital Grants*

NeighborWorks® has provided capital grants in prior years for making affordable loans to capital projects. These amounts are classified as net assets with donor restrictions although proceeds on capital projects, or interest earned, over and above the corpus may be transferred to net assets without donor restrictions for furthering Way Finders' mission. However, should Way Finders become defunct, all remaining grant funds, interest earnings, capital project proceeds and the loan and capital projects portfolios representing use of these funds will revert to NeighborWorks®. No capital grants were received and none of the corpus was transferred to net assets without donor restrictions during 2019. The total net assets with donor restrictions of \$1,152,245 at June 30, 2019, is restricted by NeighborWorks® for affordable loans to capital projects.

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

**19. Contingencies – Continued**

*Operations*

The Organization's real estate holdings are concentrated in the multifamily real estate market. In addition, the Organization operates in a heavily regulated environment. The operations of the Organization are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to HUD, U.S. Small Business Administration, U.S. Department of the Treasury, DHCD and MassHousing ("the Agencies"). Such administrative directives, rules and regulations are subject to change by an Act of Congress or an administrative change mandated by the Agencies. Changes may occur with little notice or inadequate funding to pay for the related costs, including the additional administrative burden, to comply with such changes.

*Grant Funding*

The Organization's various grants and contracts are subject to audit by appropriate governmental agencies. Acceptance of final costs incurred under these grants and contracts resides with these grantors. As of the date of these statements, the materiality of adjustments to final costs, if any, cannot be determined although management does not anticipate any. Therefore, no adjustment has been made to the 2019 financial statements.

*CDFI Certification Status*

On September 17, 2013, Common Capital, Inc. was re-certified by the U.S. Department of the Treasury's Community Development Financial Institution Fund as a Community Development Financial Institution. Common Capital, Inc.'s certification is subject to annual reviews by U.S. Department of the Treasury's Community Development Financial Institution Fund. Common Capital, Inc. satisfied its annual review during 2019.

*Surplus Revenue Retention*

Surplus generated under Commonwealth of Massachusetts unit rate contracts must comply with 808 CMR 1.03(7), "Surplus Revenue Retention Policy". In accordance with these requirements, Way Finders is entitled to retain surplus up to twenty percent (20%) of the total revenue of all Commonwealth programs per year as unrestricted net assets. The surplus can be used to further Way Finders' charitable purposes, but may not be used for non-reimbursable expenses as defined in 808 CMR 1.05. For the year ended June 30, 2019, the current year surplus revenue did not exceed 20% of the total revenue of all of the Commonwealth programs.

**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

**20. *Conditional Promise to Give***

Way Finders received a pledged donation to the rights on Massachusetts low-income housing tax credits for a low-income housing project. The donation is conditional upon the project qualifying for and receiving the tax credits. The credits are expected to be sold to a third party upon receipt with the proceeds loaned back to the projects.

Additionally, Way Finders received a two-year pledge from a donor. The pledge requires Way Finders to achieve certain benchmarks to receive the second year of funding under the pledge.

These conditional promises to give will be recognized in the financial statements when the conditions on which they depended are substantially met. At June 30, 2019, conditional promises to give totaled \$1,072,500.

**21. *Liquidity and Availability***

The following represents the Organization’s financial assets at June 30, 2019:

*Financial assets:*

Cash	\$ 6,301,621
Restricted cash	7,975,796
Accounts receivable	2,804,433
Contributions receivable	1,148,681
Small business loans receivable, net	647,725
Other loans receivable, net	106,193
Interest receivable	14,713
Investments	<u>194,108</u>
Total financial assets	<u>19,193,270</u>

*Less amounts not available to be used within one year*

Net assets with donor restrictions	14,343,272
Less net assets with donor restrictions invested in long term assets	(11,347,241)
Board designated net assets	3,304,252
Loan receivable repayments restricted for lending	<u>647,725</u>
	<u>6,948,008</u>

Financial assets available to meet general expenditures over the next twelve months	<u><u>\$12,245,262</u></u>
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**Way Finders, Inc. and Subsidiaries**  
Notes to Consolidating Financial Statements – *Continued*  
June 30, 2019

**21. *Liquidity and Availability – Continued***

As part of its liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. Additionally, Way Finders' affordable housing subsidiaries maintains restricted deposits and funded reserves totaling \$5,959,829 included in other assets at June 30, 2019. The ability to use these restricted deposits and funded reserves are subject to lender and investor approval. The restricted deposits and funded reserves are closely monitored by management, lenders and investors to ensure they are adequately funded to meet future expenditures.

**22. *Subsequent Events***

The Organization has performed an evaluation of subsequent events through November 8, 2019, which is the date the Organization's consolidating financial statements were available to be issued. No material subsequent events have occurred since June 30, 2019 that requires recognition or disclosure in these financial statements.

**SUPPLEMENTAL INFORMATION**

**Way Finders, Inc. and Subsidiaries**  
Schedule of Financial Position for Way Finders, Inc.  
June 30, 2019

	<i>Assets</i>				
	Operations	Assistance Payments	Rental Properties	Intra-company Eliminations	Way Finders
<i>Current Assets</i>					
Cash and cash equivalents	\$ 2,519,987	\$ -	\$ 22,433	\$ -	\$ 2,542,420
Restricted cash	3,515,463	4,395,852	-	-	7,911,315
Accounts receivable	2,135,172	120,745	9,079	-	2,264,996
Contribution receivable	674,685	-	-	-	674,685
Related party receivables	4,261,688	-	-	(198,764)	4,062,924
Loans receivable, net	106,193	-	-	-	106,193
Prepaid expenses and other assets	317,125	-	3,296	-	320,421
Total current assets	<u>13,530,313</u>	<u>4,516,597</u>	<u>34,808</u>	<u>(198,764)</u>	<u>17,882,954</u>
<i>Property and Equipment</i>					
Land	57,000	-	113,000	-	170,000
Buildings and improvements	188,760	-	2,372,980	-	2,561,740
Furniture and equipment	1,871,361	-	14,725	-	1,886,086
Software	406,736	-	-	-	406,736
Less: accumulated depreciation	(1,807,144)	-	(906,105)	-	(2,713,249)
Total property and equipment	<u>716,713</u>	<u>-</u>	<u>1,594,600</u>	<u>-</u>	<u>2,311,313</u>
<i>Other Assets</i>					
Investments	641,510	-	-	-	641,510
Contribution receivable	562,780	-	-	-	562,780
Restricted cash	-	499,908	356,031	-	855,939
Restricted investments	-	-	71,005	-	71,005
Work in progress	459,726	-	-	(2,320)	457,406
Loans receivable, net	19,189,179	-	-	(110,000)	19,079,179
Total other assets	<u>20,853,195</u>	<u>499,908</u>	<u>427,036</u>	<u>(112,320)</u>	<u>21,667,819</u>
Total assets	<u>\$ 35,100,221</u>	<u>\$ 5,016,505</u>	<u>\$ 2,056,444</u>	<u>\$ (311,084)</u>	<u>\$ 41,862,086</u>

**Way Finders, Inc. and Subsidiaries**  
Schedule of Financial Position for Way Finders, Inc. - *Continued*  
June 30, 2019

*Liabilities and Net Assets*

	Operations	Assistance Payments	Rental Properties	Intra-company Eliminations	Way Finders
<i>Current Liabilities</i>					
Accounts payable	\$ 426,471	\$ 486,520	\$ 24,568	\$ -	\$ 937,559
Related party payables	-	155,978	42,786	(198,764)	-
Accrued expenses	1,734,630	188,779	1,979	-	1,925,388
Contract advances	1,255,292	3,685,320	-	-	4,940,612
Mortgages and notes payable	562,857	-	8,443	-	571,300
Non-amortizing notes payable	53,540	-	-	-	53,540
Deferred revenue	196,649	-	-	-	196,649
Total current liabilities	<u>4,229,439</u>	<u>4,516,597</u>	<u>77,776</u>	<u>(198,764)</u>	<u>8,625,048</u>
<i>Noncurrent liabilities</i>					
Grants payables	-	-	-	-	-
Amortizing notes payable	9,972,176	-	158,621	-	10,130,797
Non-amortizing notes payable	-	-	729,933	(110,000)	619,933
Escrow liabilities	59,655	499,908	15,753	-	575,316
Contract advances	9,709,492	-	-	-	9,709,492
Total noncurrent liabilities	<u>19,741,323</u>	<u>499,908</u>	<u>904,307</u>	<u>(110,000)</u>	<u>21,035,538</u>
Total liabilities	<u>23,970,762</u>	<u>5,016,505</u>	<u>982,083</u>	<u>(308,764)</u>	<u>29,660,586</u>
<i>Net Assets</i>					
<i>Without donor restrictions</i>					
Board designated for affordable housing program	3,304,252	-	-	-	3,304,252
Undesignated	5,229,176	-	200,086	(2,320)	5,426,942
<i>With donor restrictions</i>	<u>2,596,031</u>	<u>-</u>	<u>874,275</u>	<u>-</u>	<u>3,470,306</u>
Total net assets	<u>11,129,459</u>	<u>-</u>	<u>1,074,361</u>	<u>(2,320)</u>	<u>12,201,500</u>
Total liabilities and net assets	<u>\$ 35,100,221</u>	<u>\$ 5,016,505</u>	<u>\$ 2,056,444</u>	<u>\$ (311,084)</u>	<u>\$ 41,862,086</u>

**Way Finders, Inc. and Subsidiaries**  
**Schedule of Revenue, Support and Expenses for Way Finders, Inc.**  
**June 30, 2019**

	Without Donor Restrictions			With Donor Restrictions			Way Finders
	Operations	Assistance Payments	Rental Properties	Operations	Rental Properties	Intra-company Eliminations	
<b>Revenue and Support</b>							
Contributions	\$ 4,798,492	\$ -	\$ -	\$ 190,071	\$ -	\$ -	\$ 4,988,563
Capital campaign	602,763	-	-	1,237,465	-	-	1,840,228
Contract assistance payments	-	50,704,505	-	-	-	-	50,704,505
Grants - Neighbor Works America	413,890	-	-	-	-	-	413,890
Fee for service, contract administration fees	16,308,573	-	-	-	-	-	16,308,573
Program fees	484,949	-	5,426	-	-	-	490,375
Property and asset management fees	677,833	-	-	-	-	(39,155)	638,678
Developer fees	1,015,603	-	-	-	-	(57,917)	957,686
Lending interest income and fees	102,836	-	-	-	-	-	102,836
Investment income	122,284	-	4,514	-	-	(2,320)	124,478
Rental income	73,305	-	360,743	-	-	-	434,048
Gain on sale of property	65,884	-	-	-	-	-	65,884
Gain on sale of Massachusetts tax credits	3,875,000	-	-	-	-	-	3,875,000
Release from restriction	150,000	-	45,789	(150,000)	(45,789)	-	-
<b>Total revenue and support</b>	<u>28,691,412</u>	<u>50,704,505</u>	<u>416,472</u>	<u>1,277,536</u>	<u>(45,789)</u>	<u>(99,392)</u>	<u>80,944,744</u>
<b>Expenses</b>							
Salaries	9,543,626	-	67,439	-	-	(48,445)	9,562,620
Payroll tax and fringe benefits	2,387,704	-	20,039	-	-	(9,472)	2,398,271
Employee training	59,984	-	81	-	-	-	60,065
Professional services	466,148	-	-	-	-	-	466,148
Contract services	884,739	-	9,541	-	-	-	894,280
Communications	166,919	-	6,344	-	-	-	173,263
Postage	90,912	-	449	-	-	-	91,361
Materials production	177,193	-	482	-	-	-	177,675
Management fees	-	-	39,155	-	-	(39,155)	-
Program expense	3,352,678	-	-	-	-	-	3,352,678
Office supplies	95,547	-	74	-	-	-	95,621
Licenses, dues and fees	188,866	-	1,284	-	-	-	190,150
Travel	140,075	-	3,504	-	-	-	143,579
Audit expense	107,501	-	-	-	-	-	107,501
Legal expense	-	-	6,708	-	-	-	6,708
Insurance	103,541	-	14,025	-	-	-	117,566
Bad debt expense	6,520,172	-	3,639	-	-	-	6,523,811
Repairs and maintenance	63,176	-	56,026	-	-	-	119,202
Utilities	12,024	-	62,415	-	-	-	74,439
Recruitment	41,579	-	-	-	-	-	41,579
Other taxes	76,167	-	41,328	-	-	-	117,495
Interest	364,739	-	58,213	-	-	-	422,952
Provider reimbursement	59,054	-	-	-	-	-	59,054
Other expenses	36,157	-	-	-	-	-	36,157
Depreciation and amortization	200,815	-	64,873	-	-	-	265,688
Contract assistance disbursed	-	50,704,505	-	-	-	-	50,704,505
Computer operations	123,669	-	4,101	-	-	-	127,770
Occupancy	592,447	-	-	-	-	-	592,447
Grant expense	484,696	-	-	-	-	-	484,696
Marketing and outreach	14,166	-	-	-	-	-	14,166
Other administrative expenses	(98,845)	-	2,124	-	-	-	(96,721)
<b>Total expenses</b>	<u>26,255,449</u>	<u>50,704,505</u>	<u>461,844</u>	<u>-</u>	<u>-</u>	<u>(97,072)</u>	<u>77,324,726</u>
<b>Change in net assets</b>	<u>\$ 2,435,963</u>	<u>\$ -</u>	<u>\$ (45,372)</u>	<u>\$ 1,277,536</u>	<u>\$ (45,789)</u>	<u>\$ (2,320)</u>	<u>\$ 3,620,018</u>

**Way Finders, Inc. and Subsidiaries**  
**Schedule of Financial Position for Housing Assistance Programs**  
**June 30, 2019**

	<i>Federal Voucher</i>	<i>Moderate Rehab</i>	<i>MRVP</i>	<i>Other Programs</i>	<i>Total</i>
<i>Assets</i>					
Restricted cash	\$ 3,924,317	\$ 302,108	\$ 424,055	\$ 294,918	\$ 4,945,398
Accounts receivable - DHCD	134,790	-	-	154,362	289,152
Related party receivables	2,566,789	968,901	-	428,917	3,964,607
Prepaid expenses and other assets	-	-	15,472	472	15,944
Software	113,199	23,935	-	-	137,134
Less: accumulated depreciation	<u>(113,199)</u>	<u>(23,935)</u>	<u>-</u>	<u>-</u>	<u>(137,134)</u>
Total assets	<u>\$ 6,625,896</u>	<u>\$ 1,271,009</u>	<u>\$ 439,527</u>	<u>\$ 878,669</u>	<u>\$ 9,215,101</u>
<i>Liabilities</i>					
Accounts payable	\$ 4,278	\$ 153	\$ -	\$ 9,415	\$ 13,846
Accounts payable - DHCD	461,907	24,613	-	-	486,520
Related party payables	-	-	769,556	-	769,556
Accrued expenses	279,586	33,357	9,321	7,093	329,357
Escrow liabilities	499,908	-	-	-	499,908
Contract advances	<u>3,004,606</u>	<u>259,245</u>	<u>362,540</u>	<u>58,929</u>	<u>3,685,320</u>
Total liabilities	<u>4,250,285</u>	<u>317,368</u>	<u>1,141,417</u>	<u>75,437</u>	<u>5,784,507</u>
<i>Net Assets</i>					
Without donor restrictions					
Undesignated	-	-	(701,890)	803,232	101,342
Board designated for affordable housing program	2,350,611	953,641	-	-	3,304,252
With donor restrictions	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
Total net assets	<u>2,375,611</u>	<u>953,641</u>	<u>(701,890)</u>	<u>803,232</u>	<u>3,430,594</u>
Total liabilities and net assets	<u>\$ 6,625,896</u>	<u>\$ 1,271,009</u>	<u>\$ 439,527</u>	<u>\$ 878,669</u>	<u>\$ 9,215,101</u>

**Way Finders, Inc. and Subsidiaries**  
**Schedule of Revenue, Expenses, and Changes in Net Assets for Housing Assistance Programs**  
**For the Year Ended June 30, 2019**

	<i>Federal Voucher</i>	<i>Moderate Rehab</i>	<i>MRVP</i>	<i>Other Programs</i>	<i>Total</i>
<b>Revenue and Support</b>					
Contributions	\$ 25,000	\$ -	\$ -	\$ -	\$ 25,000
Contract assistance payments	33,470,866	3,823,913	5,647,186	194,478	43,136,443
Fee for service, contract administration fees	3,761,000	511,030	376,040	336,053	4,984,123
Program fees	855	-	1,581	125,142	127,578
Investment income	-	-	-	2,087	2,087
	<u>37,257,721</u>	<u>4,334,943</u>	<u>6,024,807</u>	<u>657,760</u>	<u>48,275,231</u>
Total revenue and support					
<b>Expenses</b>					
Salaries	1,745,807	281,816	256,188	175,414	2,459,225
Payroll tax and fringe benefits	480,966	73,362	60,613	52,930	667,871
Employee training	402	-	-	160	562
Professional services	71,027	-	25,898	1,190	98,115
Contract services	70,465	-	19,508	32,111	122,084
Communications	12,752	1,764	-	2,014	16,530
Postage	58,562	1,901	3,362	207	64,032
Materials production	40,936	76	59	167	41,238
Program expense	7,680	7,326	9,224	887	25,117
Office supplies	22,673	2,617	1,630	1,283	28,203
Licenses, dues and fees	8,992	-	-	2,802	11,794
Travel	31,196	4,880	1,019	1,787	38,882
Audit expense	19,361	12,815	2,607	1,710	36,493
Repairs and maintenance	303	-	-	-	303
Recruitment	438	-	-	17	455
Provider reimbursement	59,054	-	-	-	59,054
Other expenses	697	-	-	7,400	8,097
Contract assistance disbursed	33,470,866	3,823,913	5,647,186	194,478	43,136,443
Interest	1,041	1,040	-	-	2,081
Computer operations	129,645	19,752	16,134	12,641	178,172
Occupancy	244,644	34,544	28,802	24,477	332,467
Marketing and outreach	48,029	6,897	5,771	4,763	65,460
Administrative allocation	560,991	81,068	67,329	56,632	766,020
	<u>37,086,527</u>	<u>4,353,771</u>	<u>6,145,330</u>	<u>573,070</u>	<u>48,158,698</u>
Total expenses					
Change in net assets	171,194	(18,828)	(120,523)	84,690	116,533
Net assets - beginning of year	<u>2,204,417</u>	<u>972,469</u>	<u>(581,367)</u>	<u>718,542</u>	<u>3,314,061</u>
Net assets - end of year	<u>\$ 2,375,611</u>	<u>\$ 953,641</u>	<u>\$ (701,890)</u>	<u>\$ 803,232</u>	<u>\$ 3,430,594</u>

**Way Finders, Inc. and Subsidiaries**  
Schedule of Financial Position - NeighborWorks® America Capital Fund  
June 30, 2019

*Assets*

Cash	\$ 515,901
Related party receivables	227,619
Loans receivable	<u>408,725</u>
Total assets	<u><u>\$ 1,152,245</u></u>

*Liabilities and Net Assets*

Liabilities	\$ -
Net assets	<u>1,152,245</u>
Total liabilities and net assets	<u><u>\$ 1,152,245</u></u>

**Way Finders, Inc. and Subsidiaries**  
Schedule of Activities - NeighborWorks® America Capital Fund  
For the Year Ended June 30, 2019

*Revenue, Gains, Other Support and Release of Capital:*

Capital grant - NeighborWorks® America - beginning balance	\$ 1,152,245
Additions	-
Released - unrestricted	<u>-</u>
Net assets at end of year	<u><u>\$ 1,152,245</u></u>

Investment income in the amount of \$2,126 was earned on the net assets of the NeighborWorks® America Investment and Grant Agreement and was available for unrestricted use by Way Finders. There were no proceeds from capital projects in excess of the amount of funds necessary to maintain the net assets at a level disclosed in the Investment and Grant Agreement with NeighborWorks® America (\$1,152,245). Accordingly, no funds were transferred from the NeighborWorks® America Revolving Loan and Capital Projects Fund for that purpose.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Way Finders, Inc. and Subsidiaries**  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2019

<i>Federal Grantor</i>	<i>Federal</i>	<i>Federal</i>	<i>Total Federal</i>
<i>Cluster or Program Title</i>	<i>CFDA</i>	<i>Pass-through</i>	<i>Expenditures</i>
<i>Pass-through Grantor</i>	<i>Number</i>	<i>Entity Identifying</i>	
		<i>Number</i>	
<b><i>U.S. Department of Housing and Urban Development</i></b>			
Moving to Work Demonstration Program			
Passed through Massachusetts Department of Housing and Community Development (DHCD)	14.881	SCOCD264519869015MTW	\$ 36,078,447
Section 8 Project-Based Cluster:			
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation			
Passed through Massachusetts DHCD	14.856	SCOCD264019869019MRB	4,334,943
Housing Voucher Cluster			
Section 8 Housing Choice Vouchers			
Passed through Massachusetts DHCD	14.871	SCOCD264019869014HCV	391,301
Family Unification Program			
Passed through Massachusetts DHCD	14.880	SCOCD264119869016FUP	<u>403,403</u>
Total Housing Voucher Cluster			<u>794,704</u>
Supportive Housing Program			
Passed through Massachusetts DHCD	14.235	OCD810017F0707STAP20	137,729
Passed through Massachusetts DHCD	14.235	OCD810017F0708STAP20	68,865
Passed through City of Springfield	14.235	MA0459U1T041704	60,740
Passed through Hilltown Community Development Corporation	14.235	MA0072L1T071710	<u>17,067</u>
Total Supportive Housing Program			<u>284,401</u>

**Way Finders, Inc. and Subsidiaries**  
Schedule of Expenditures of Federal Awards – *Continued*  
For the Year Ended June 30, 2019

<i>Federal Grantor</i>	<i>Federal</i>	<i>Federal</i>	<i>Total Federal</i>
<i>Cluster or Program Title</i>	<i>CFDA</i>	<i>Pass-through</i>	<i>Expenditures</i>
<i>Pass-through Grantor</i>	<i>Number</i>	<i>Entity Identifying</i>	<i>Number</i>
<i>Continuum of Care Program</i>			
Passed through Massachusetts DHCD	14.267	OCD810017FCOMGRANT20	\$ 158,002
Passed through Massachusetts DHCD	14.267	OCD810018FCOMGRANT20	52,619
Passed through City of Springfield	14.267	MA0458U1T041704	<u>14,627</u>
Total Continuum of Care Program			<u>225,248</u>
<i>CDBG - Entitlement Grants Cluster</i>			
<i>Community Development Block Grants/Entitlement Grants</i>			
Passed through Massachusetts DHCD (Loan)	14.218	N/A	170,000
<i>Family Self Sufficiency Program</i>			
Passed through Massachusetts DHCD	14.896	SCOCD264019869021FSS	109,869
<i>Supportive Housing for Persons with Disabilities</i>			
Passed through Massachusetts DHCD	14.181	SCOCD264219869017MS5	88,182
<i>Housing Counseling Assistance Program</i>			
Passed through Housing Partnership Network	14.169	18-07	39,500
<i>Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii</i>			
Passed through Town of West Springfield	14.228	18-180-006	<u>2,200</u>
Total U.S. Department of Housing and Urban Development			<u>42,127,494</u>

**Way Finders, Inc. and Subsidiaries**  
Schedule of Expenditures of Federal Awards – *Continued*  
For the Year Ended June 30, 2019

<i>Federal Grantor</i>	<i>Federal</i>	<i>Pass-through</i>	<i>Total Federal</i>
<i>Cluster or Program Title</i>	<i>CFDA</i>	<i>Entity Identifying</i>	<i>Expenditures</i>
<i>Pass-through Grantor</i>	<i>Number</i>	<i>Number</i>	
<b><i>U.S. Department of Commerce</i></b>			
Economic Development Cluster			
Economic Adjustment Assistance			
Direct Program	11.307	01-79-08851	\$ 403,045
Direct Program	11.307	01-79-14260	<u>503,218</u>
Total Economic Adjustment Assistance			<u>906,263</u>
Total U.S. Department of Commerce			<u>906,263</u>
<b><i>U.S. Department of Treasury</i></b>			
NeighborWorks Grant Funds			
Passed through Neighborworks Reinvestment Corporation	21.U01	2016-8408-0014-087	25,000
Passed through Neighborworks Reinvestment Corporation	21.U01	R-SUPINT-2019-52092	9,600
Passed through Neighborworks Reinvestment Corporation	21.U01	R-SIF-2019-50365	45,000
Passed through Neighborworks Reinvestment Corporation	21.U01	R-SUPEXT-2019-53163	500
Passed through Neighborworks Reinvestment Corporation	21.U01	R-NEC-2019-51752	354,000
Passed through Neighborworks Reinvestment Corporation	21.U01	R-SUPINT-2018-50839	400
Passed through Neighborworks Reinvestment Corporation	21.U01	R-SUPEXT-2018-50583	<u>4,000</u>
Total NeighborWorks Grant Funds			<u>438,500</u>
Total U.S. Department of Treasury			<u>438,500</u>
<b><i>Small Business Administration</i></b>			
7(a) Loan Guarantees			
Direct Program (Loan Guarantees)	59.012	N/A	<u>596,480</u>

**Way Finders, Inc. and Subsidiaries**  
Schedule of Expenditures of Federal Awards – *Continued*  
For the Year Ended June 30, 2019

<i>Federal Grantor</i>	<i>Federal</i>	<i>Federal</i>	<i>Total Federal</i>
<i>Cluster or Program Title</i>	<i>CFDA</i>	<i>Pass-through</i>	<i>Expenditures</i>
<i>Pass-through Grantor</i>	<i>Number</i>	<i>Entity Identifying</i>	
		<i>Number</i>	
Microloan Program			
ARRA - Direct Program (Loan)	59.046	369-587-5004 SBA	\$ 107,648
Direct Program (Loan)	59.046	702-510-5007 SBA	272,430
Direct Program (Loan)	59.046	960-371-5003 SBA	600,000
Direct Program (Grant)	59.046	SBAHQ-17-Y-0081	<u>143,421</u>
Total Microloan Program			<u>1,123,499</u>
Total Small Business Administration			<u>1,719,979</u>
 <b><i>U.S. Department of Homeland Security</i></b>			
Emergency Food and Shelter National Board Program			
Passed through United Way of the Pioneer Valley	97.024	N/A	<u>9,760</u>
Total U.S. Department of Homeland Security			<u>9,760</u>
 <b><i>U.S. Department of Agriculture</i></b>			
SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program			
Passed through the University of Massachusetts Medical School	10.561	N/A	<u>18,658</u>
Total U.S. Department of Agriculture			<u>18,658</u>
Total expenditures of federal awards			<u>\$ 45,220,654</u>

**Way Finders, Inc. and Subsidiaries**  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2019

**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Way Finders, Inc. (Way Finders) under programs of the Federal government for the year ended June 30, 2019. The information in the Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion Way Finders' operations, it is not intended to and does not present the financial position, changes in net assets or cash flows of Way Finders.

**2. Summary of Significant Accounting Policies**

- a) Expenditures reported on the Schedule 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.
- b) The Organization has elected not to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

**3. Loan and Guarantee Assistance**

*Community Development Block Grant (CFDA #14.218)*

The Community Development Block Grant loan which was received in a prior fiscal year, is included on the Schedule at its outstanding balance as of July 1, 2018 as it includes continuing compliance requirements. During 2019, no additional proceeds were received or payments made. At June 30, 2019, the loan balance was \$170,000.

*Microloan Program (CFDA #59.046)*

Federal awards in the form of loans from the Small Business Administration (SBA) are included on the Schedule at their outstanding balances as of July 1, 2018 plus any new proceeds received during fiscal year 2019 as they include continuing compliance requirements. The activity on these loans for the year ended June 30, 2019 is as follows:

<i>Federal Award Number</i>	<i>369-587- 5004 SBA</i>	<i>702-510- 5007 SBA</i>	<i>960-371- 5003 SBA</i>
Balance July 1, 2018	\$ 107,648	\$ 272,430	\$ 400,000
Proceeds received	-	-	200,000
Payments made	<u>(64,356)</u>	<u>(41,500)</u>	<u>(39,697)</u>
Balance June 30, 2019	<u>\$ 43,292</u>	<u>\$ 230,930</u>	<u>\$ 560,303</u>

**Way Finders, Inc. and Subsidiaries**  
Notes to Schedule of Expenditures of Federal Awards – *Continued*  
For the Year Ended June 30, 2019

**3. *Loan and Guarantee Assistance – Continued***

*7(a) Loan Guarantees (CFDA #59.012)*

The SBA has guaranteed between 75% and 85% of qualifying outstanding balances on loans receivable made by Common Capital, Inc. The federal award expenditures reported on the Schedule is equal to the outstanding guarantees at July 1, 2018 plus any additional guarantees made during the year ended June 30, 2019. At June 30, 2018, the guarantees covered \$243,730 of \$298,552 qualifying loans. At June 30, 2019, the guarantees covered \$501,413 of \$625,501 qualifying loans. SBA provided an additional \$352,750 in guarantees for \$415,000 in new loans made during the year ended June 30, 2019.

**4. *Economic Adjustment Assistance (CFDA #11.307)***

In accordance with the U.S. Office of Management and Budget (OMB) *Compliance Supplement* for this program, expenditures reported on the Schedule are calculated as follows:

<i>Federal Award Number</i>	<i>01-79-14260</i>	<i>01-79-08851</i>
Revolving Loan Fund principal at June 30, 2019	\$ 507,667	\$ 676,489
Revolving Loan Fund cash and investment balances at June 30, 2019	95,974	82,466
Administrative expenses paid out of the Revolving Loan Fund during fiscal year 2019	<u>25,381</u>	<u>47,135</u>
Total program expenditures for the year ended June 30, 2019	629,022	806,090
Federal share of the Revolving Loan Fund	<u>80%</u>	<u>50%</u>
Federal expenditures for the year ended June 30, 2019	<u>\$ 503,218</u>	<u>\$ 403,045</u>

**5. *Subrecipients***

There were no pass through federal awards made to subrecipients by the Organization during 2019.

**REPORTS ON INTERNAL CONTROL  
AND COMPLIANCE**



**DANIEL DENNIS & Co**  
Certified Public Accountants

*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*

The Board of Directors of  
**Way Finders, Inc.**

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 consolidating financial statements of Way Finders, Inc. and subsidiaries (the Organization) which comprise the consolidating statement of financial position as of June 30, 2019, and the related consolidating statements of activities, changes in net assets/(deficit), functional expenses, and cash flows for the year then ended, and the related notes to the consolidating financial statements, and have issued our report thereon dated November 8, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidating financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidating financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's consolidating financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidating financial statement amounts. 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 the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Daniel Dennis & Company LLP*

*November 8, 2019*



**DANIEL DENNIS & Co**  
Certified Public Accountants

*Independent Auditors' Report on Compliance For Each Major Program and on Internal Control  
Over Compliance Required by the Uniform Guidance*

The Board of Directors of  
**Way Finders, Inc.**

**Report on Compliance for Each Major Federal Program**

We have audited Way Finders, Inc. and subsidiaries' (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2019. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The Organization's consolidating financial statements include the operations of Southampton Housing for the Elderly, Inc. and Stevens Senior Housing of Ludlow, Inc., which received \$3,366,310 and \$4,935,580, respectively, in federal awards, which are not included in the schedule of expenditures of federal awards during the year ended June 30, 2019. Our audit, as described below, did not include the operations of Southampton Housing for the Elderly, Inc. and Stevens Senior Housing of Ludlow, Inc. because their federal awards are audited within each organization's stand-alone audit performed in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 the Uniform Guidance. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the federal program. However, our audit does not provide a legal determination of the Organization's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

### **Report on Internal Control Over Compliance**

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

*Daniel Dennis & Company LLP*

November 8, 2019

**Way Finders, Inc. and Subsidiaries**  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2019

**I. SUMMARY OF AUDITORS' RESULTS**

*Financial Statements*

Type of auditor's report issued - Unmodified

*Internal control over financial reporting:*

- Material weaknesses identified? \_\_\_\_\_ yes  X  no

- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ yes  X  none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes  X  no

*Federal Awards*

Internal control over major programs:

- Material weaknesses identified? \_\_\_\_\_ yes  X  no

- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ yes  X  none reported

Type of auditor's report issued on compliance for major programs - Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? \_\_\_\_\_ yes  X  no

Identification of major programs:

CFDA Number	Name of Program
14.881	<i>Moving to Work Demonstration Program</i>

Dollar threshold used to distinguish between type A and type B programs: \$ 1,356,619

Auditee qualified as low-risk auditee?  X  yes \_\_\_\_\_ no

**Way Finders, Inc. and Subsidiaries**  
Schedule of Findings and Questioned Costs – *Continued*  
For the Year Ended June 30, 2019

**II. FINANCIAL STATEMENT FINDINGS**

**A. *Deficiencies in Internal Control over Financial Reporting***

None

**B. *Material Fraud and Noncompliance with Provisions of Laws and Regulations***

None

**C. *Material Noncompliance with Provisions of Contracts and Grants Agreements***

None

**D. *Material Abuse***

None

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None

**Way Finders, Inc. and Subsidiaries**  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2019

There were no unresolved audit findings from prior year's audits of Way Finders, Inc. and subsidiaries.