HOMEWISE, INC.

FINANCIAL STATEMENTS

MARCH 31, 2016 and 2015

Ricci & Company

Certified Public Accountants & Business Advisors

HOMEWISE, INC.

OFFICIAL ROSTER
MARCH 31, 2016

Board of Directors

Teresa Leger de Fernandez	Chair
Andrew Spingler	Vice Chair
David Hofmann	Treasurer
Erika Campos	Secretary
Frank Mathew	Member
Dave Delgado	Member
Anne Messbarger-Eguia	Member
Debra (Dee) Walsh	Member
Martha Acosta	Member

Administration Official

Michael Loftin	Chief Executive Officer

HOMEWISE, INC.

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Independent Auditor's Report

To the Board of Directors of
Homewise, Inc.
Santa Fe, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of Homewise, Inc. (a nonprofit organization) which comprise the statements of financial position as of March 31, 2016 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 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 financial statements referred to above present fairly, in all material respects, the financial position of Homewise, Inc. of March 31, 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Homewise, Inc. as of March 31, 2015, were audited by other auditors whose report dated June 16, 2015, expressed an unmodified opinion on those statements.

Ricci & Company LLC

Albuquerque, New Mexico
July 7, 2016

HOMEWISE, INC.
STATEMENTS OF FINANCIAL POSITION
March 31, 2016 and 2015

		2016	2015
ASSETS			
Current Assets			
Cash and cash equivalents	$	**5,953,592**	6,719,128
Broker and other accounts receivable		**567,936**	1,816,435
Grants receivable		**72,000**	144,876
Amortizing mortgage loans receivable, current portion		**1,301,797**	1,250,451
Inventory		**39,990**	7,120
Development costs, current portion		**4,992,717**	5,796,000
Total current assets		**12,928,032**	15,734,010
Property and equipment, net		**2,451,053**	2,589,739
Mortgage loans receivable			
Amortizing, net of current portion		**50,924,312**	45,428,606
Allowance on amortizing loans		**(1,102,111)**	(1,084,173)
Total amortizing		**49,822,201**	44,344,433
Deferred		**18,117,919**	17,365,622
Allowance on deferred loans		**(3,623,584)**	(3,973,848)
Total deferred		**14,494,335**	13,391,774
Total long-term mortgage loans receivable		**64,316,536**	57,736,207
Other real estate owned		**367,611**	549,105
Mortgage servicing rights		**1,465,399**	1,185,675
Development costs, net of current portion		**9,463,512**	9,926,808
Infrastructure deposits		**27,920**	107,232
Other assets		**263,966**	552,448
Total assets	$	**91,284,029**	88,381,224

See Notes to Financial Statements.

HOMEWISE, INC.
STATEMENTS OF FINANCIAL POSITION
March 31, 2016 and 2015

		2016	2015
LIABILITIES			
Current liabilities			
Accounts payable	$	**2,914,142**	998,265
Accrued expenses		**276,610**	241,643
Escrows and deposits		**1,524,757**	1,102,928
Lines of credit		**3,682,558**	4,016,185
Notes payable, current portion		**4,324,891**	2,432,291
Notes payable, community investment, and current portion		**69,138**	1,061,393
Total current liabilities		**12,792,096**	9,852,705
Long-term liabilities			
Notes payable, net of current portion and unamortized discount		**35,681,574**	37,317,482
Notes payable, equity equivalent investment, net of unamortized discount		**900,514**	899,918
Notes payable, community investment, net of current portion and unamortized discount		**1,798,383**	991,306
Deferred grants revenue		**85,668**	81,747
Due to grantor agency		**1,031,281**	1,203,305
Total long-term liabilities		**39,497,420**	40,493,758
Total liabilities		**52,289,516**	50,346,463
Net assets			
Unrestricted		**27,662,413**	27,074,576
Temporarily restricted		**8,273,975**	7,871,556
Permanently restricted		**3,058,125**	3,088,629
Total net assets		**38,994,513**	38,034,761
Total liabilities and net assets	$	**91,284,029**	88,381,224

See Notes to Financial Statements.

HOMEWISE, INC.
STATEMENT OF ACTIVITIES
Year Ended March 31, 2016

		Unrestricted	Temporarily Restricted	Permanently Restricted	**Total**
Revenues					
Home development sales	$	14,576,023	-	-	**14,576,023**
Loan origination fees		1,548,669	-	-	**1,548,669**
Real estate sales commissions		1,245,173	-	-	**1,245,173**
Loan portfolio interest		2,616,307	36,770	104,684	**2,757,761**
Loan servicing income		466,841	-	-	**466,841**
Amortization and valuation of mortgage servicing rights		465,345	-	-	**465,345**
Government grants		421,638	202,107	450,000	**1,073,745**
Other grants					
Contributions and grants		581,018	85,000	-	**666,018**
Bank interest		2,609	-	-	**2,609**
Loss on sale of asset		(53,673)	-	-	**(53,673)**
Other revenue		241,736	778	479	**242,993**
Release from restrictions		507,903	77,764	(585,667)	-
Total revenues		22,619,589	402,419	(30,504)	**22,991,504**
Expenses					
Cost of home development sales		12,830,846	-	-	**12,830,846**
Program		7,175,504	-	-	**7,175,504**
Administrative		1,676,195	-	-	**1,676,195**
Fundraising		349,207	-	-	**349,207**
Total expenses		22,031,752	-	-	**22,031,752**
Change in net assets		587,837	402,419	(30,504)	**959,752**
Net assets at beginning of year		27,074,576	7,871,556	3,088,629	**38,034,761**
Net assets at end of year	$	27,662,413	8,273,975	3,058,125	**38,994,513**

See Notes to Financial Statements.

HOMEWISE, INC.
STATEMENT OF ACTIVITIES
Year Ended March 31, 2015

		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues					
Home development sales	$	7,887,721	-	-	7,887,721
Loan origination fees		1,367,363	-	-	1,367,363
Real estate sales commissions		1,086,729	-	-	1,086,729
Loan portfolio interest		2,242,526	38,166	-	2,280,692
Loan servicing income		377,207	-	-	377,207
Amortization and valuation of mortgage servicing rights		354,658	-	-	354,658
Government grants		2,319,507	68,567	450,000	2,838,074
Contributions and grants		351,633	-	-	351,633
Bank interest		2,211	-	-	2,211
Other revenue		65,847	312	-	66,159
Release from restrictions		2,780,973	(1,780,973)	(1,000,000)	-
Total revenues		18,836,375	(1,673,928)	(550,000)	16,612,447
Expenses					
Cost of home development sales		7,422,864	-	-	7,422,864
Program		5,774,248	-	-	5,774,248
Administrative		1,287,471	-	-	1,287,471
Fundraising		257,495	-	-	257,495
Total expenses		14,742,078	-	-	14,742,078
Change in net assets		4,094,297	(1,673,928)	(550,000)	1,870,369
Net assets at beginning of year		22,980,279	9,545,484	3,638,629	36,164,392
Net assets at end of year	$	27,074,576	7,871,556	3,088,629	38,034,761

HOMEWISE, INC.
STATEMENTS OF CASH FLOWS
Years Ended March 31, 2016 and 2015

		2016	2015
Cash Flows From Operating Activities	$		
Cash received from customers		**22,538,781**	15,027,510
Cash received from grants and contributions		**1,739,763**	3,120,633
Cash paid to suppliers		**(11,668,789)**	(12,215,054)
Cash paid to employees		**(4,917,583)**	(4,154,804)
Cash paid for interest		**(1,623,559)**	(1,212,103)
Net cash provided by operating activities		**6,068,613**	566,182
Cash Flows From Investing Activities			
Property and equipment acquisitions		**(75,544)**	(221,273)
Net increase in loans		**(6,455,597)**	(10,522,122)
Net cash used by investing activities		**(6,531,141)**	(10,743,395)
Cash Flows From Financing Activities			
Long-term borrowings		**3,465,000**	16,489,770
Capitalization of below market long-term borrowings		**(145,127)**	(66,053)
Payments on long-term borrowings		**(3,289,254)**	(5,208,000)
Net draws (payments) on bank lines of credit		**(333,627)**	218,697
Net cash (used) provided by financing activities		**(303,008)**	11,434,414
Net (decrease) increase in cash and cash equivalents		**(765,536)**	1,257,201
Cash and cash equivalents, beginning of year		**6,719,128**	5,461,927
Cash and cash equivalents, end of year	$	**5,953,592**	6,719,128
Reconciliaton of change in net assets to net cash and cash equivalents provided by operations			
Change in net assets	$	**959,752**	1,870,369
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:			
Depreciaton		**214,230**	300,894
Amortization of discount on below market notes payable		**41,491**	32,881
Bad debt and reserve for loan loss		**(176,078)**	-
Loss on sale of asset		**53,673**	-
Mortgage servicing rights		**(279,724)**	(224,494)
Change in assets and liabilities			
Broker and other accounts receivables		**1,248,499**	44,297
Infrastructure deposits		**79,312**	32,898
Grants receivable		**72,876**	(69,074)
Other assets		**288,482**	75,364
Inventory		**(32,870)**	11,223
Development costs		**1,266,579**	(2,089,623)
Accounts payable and accrued liabilities		**1,950,844**	750,260
Escrows and deposits		**421,829**	204,118
Due to grantor agency		**(172,024)**	(112,500)
Deferred grant revenue		**3,921**	35,156
Other real estate owned		**127,821**	(295,587)
Net cash flows provided by operating activities	$	**6,068,613**	566,182

See Notes to Financial Statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization. Homewise, Inc. is a 501(c)(3) not-for-profit corporation created to secure affordable housing in Santa Fe, Albuquerque and Northern New Mexico. The mission of Homewise is to help create successful homeowners so that they improve their financial wellbeing and contribute to the vitality of our communities. Homewise provides financial counseling, property development, government program administration, low-interest fixed rate mortgages, home improvement loans, refinance loans and real estate sales.

Basis of Accounting. The accompanying financial statements have been prepared using the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Accounting Standards Codification. The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) is the single authoritative source for nongovernmental U.S. generally accepted accounting principles (GAAP). The ASC supersedes all previous authoritative GAAP applicable to the Organization and was followed by the Organization for the years ended March 31, 2016 and 2015.

Home Development Revenue and Cost Recognition. Homebuilding revenue and related profit are generally recognized at the time of the closing-of-the sale, when title to and possession of the property are transferred to the buyer. In situations where the buyer's financing is originated by Homewise and the buyer has not made an adequate initial or continuing investment as required by ASC 360-20, the profit on such sales is deferred. During construction, all direct material and labor costs and those indirect costs related to the acquisition and construction are capitalized as development costs, and all customer deposits are treated as liabilities until closing. Capitalized costs are charged to cost of home sales upon completion. Costs incurred in connection with completed homes and selling, general, and administrative costs are charged to expense as incurred.

Grant Revenue, Grant Receivable and Deferred Grant Revenue. Grant revenue is recognized when earned. The earnings process is considered complete when the authorized expenditure has been made. Grant funds received in excess of earned amounts are classified as deferred revenue on the statements of financial position. Earned amounts in excess of collections are classified as grant receivables.

Basis of Presentation. The Organization is designated as a Community Development Financial Institution (CDFI). As such, the Organization is required to present its financial statements in a classified format. The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

> Unrestricted net assets – net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the board of directors.
>
> Temporarily restricted net assets – net assets that are subject to donor-imposed stipulations that are met by the occurrence of a specific event or the passage of time. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.
>
> Permanently restricted net assets – net assets required to be maintained in perpetuity, with only the income used for operating activities, due to donor imposed restrictions.

Cash, Cash Equivalents and Concentrations. For purposes of the statements of cash flows, cash and cash equivalents consist of deposits held in financial institutions. The Organization maintains deposits in financial institutions that at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). Management believes that there is not a significant risk with respect to these deposits.

Property, Equipment and Depreciation. Property and equipment are stated at cost. Donated assets are recorded at estimated fair market value at date of receipt. Expenditures for maintenance and repairs are charged to expense as incurred while major betterments are capitalized. Depreciation is calculated using the straight-line method over the useful life of an asset. The Organization capitalizes assets that cost more than $1,000 and have a service life of more than one year. Estimated useful lives of the assets are as follows:

Land improvements	15 years
Building and improvements	27.5 years
Software	3–5 years
Furniture and equipment	3–7 years

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Paid Time Off Accruals. Employees accrue paid time off based on their tenure. The liability, calculated by applying the employees' current pay rates to paid time off hours accrued, is recognized in the financial statements.

Inventories. Inventories are stated at cost on the first-in, first-out (FIFO) method and consist primarily of building fixtures held for use in real estate development and home improvement operations.

Mortgage Loans Receivable. Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated as unpaid principal balances less allowance for loan losses. Interest earned on loans is recognized only when collected, as uncollected accrued interest is not considered to be material to the financial statements at March 31, 2016 and 2015.

Provision for Loan Losses. Management considers a loan to be impaired when, based on current information and events, it is determined that they will not be able to collect all amounts due according to the original terms of the note. The Organization accounts for impaired loans in accordance with FASB ASC No. 310-10-35.

Subsequent Measurement of Receivables. The standard indicates that a creditor should evaluate the collectability of both contractual interest and principal when assessing the need for a loss accrual. Loans are determined to be delinquent if they are not timely paid based on the contractual terms of the respective loan agreement.

The allowance for loan losses is established through a provision charged to loan losses expense. The allowance is an amount that management believes will be adequate to absorb estimated losses on existing loans that may become uncollectible, based on an evaluation of the collectability of loans and prior loss experience. This evaluation also takes into consideration such factors as overall portfolio quality, review of specific problem loans, and current economic conditions that may affect the borrowers' ability to pay. The allowance is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions. When all or a portion of a loan balance is deemed uncollectible, or not recoverable through sale of collateral, such amount is charged to the allowance for loan losses.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Mortgage Loans Receivable. Deferred mortgage loans receivable are loans that are due at an unknown future date. They include: (1) loans which are due upon sale, transfer, vacating of or refinance of the related home and (2) forgivable loans that do not bear interest and are forgiven if the owner lives in the home for a specified period of time.

If the funds are to be returned to a grantor upon collection, the full amount is included in due to grantor agency liability on the statements of financial position. If the Organization is to retain the collections, the loan is booked net of applicable loan loss allowance.

Broker Receivables. Broker receivables represent amounts due from mortgage brokers for mortgage loans sold by the Organization, and are carried at their estimated collectible amounts. The Organization periodically evaluates the collectability of broker receivables and believes that they are fully collectible as of March 31, 2016 and 2015.

Notes Payable at Below Market Interest Rates. Financial institutions have made loans to the Organization at below market interest rates, resulting in debt discounts that are being amortized over the remaining lives of the loans. The initial discount is accounted for as a contribution. The amortization expense recognized for the year ended March 31, 2016 and 2015 was $53,616 and $32,881, respectively.

Income Taxes. The Organization is a tax-exempt organization and is not subject to federal or state income taxes, except unrelated business income, in accordance with Section 501(c)(3) of the Internal Revenue Code. Unrelated business income tax, if any, is insignificant and no tax provision has been made in the accompanying financial statements.

The Organization recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. See Note 14 for additional details.

Allocation of Functional Expenses. The Organization allocates expenses not applicable to a single activity to the appropriate activities based on the estimated percentage of time employees spend on each of the programs or on administrative or fundraising activities.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments and Derivative Financial Instruments. The Organization has adopted ASC 825-10-50, Disclosure of Financial Instruments, which allows the disclosure requirements for fair value of financial and derivative financial instruments to be optional for nonpublic entities with total assets less than $100 million who have not held or issued any derivative financial instruments other than loan commitments. The Organization's policy is to not engage in derivative financial instruments. The Organization did not disclose fair value information for the years ended March 31, 2016 and 2015.

Use of 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, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising Costs. The Organization expenses the cost of advertising as the expense is incurred. Advertising costs were $199,564 and $235,214 at March 31, 2016 and 2015, respectively.

Other Real Estate Owned. Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value at the date of foreclosure less estimated selling cost, establishing a new cost basis. Subsequent to acquisition or through direct purchase, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or net realizable value less cost to sell. Revenue and expenses from operations and changes in valuation allowance are included in net expense, whereas costs relating to improvement of the property are capitalized.

Mortgage Servicing Rights. Rights to service mortgage loans for others are recognized as an asset after origination and sale of each loan. These servicing rights are initially measured at fair value.

The carrying amount of mortgage servicing rights, and the amortization thereon, is periodically evaluated in relation to estimated fair value. The mortgage loan portfolio is stratified by certain risk characteristics, such as loan type, interest rate and maturity, for purposes of measuring impairment. Estimation of the fair value of each stratum is accomplished by calculating the discounted present value of future net servicing income based on management's best estimate of remaining loan lives. The carrying value of mortgage servicing rights is amortized in proportion to, and over the period of, estimated net servicing revenues.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Community Investment Notes Payable. Community investment notes represent obligations of the Organization related to individuals and trusts investing in notes issued by the Organization. The total aggregate offering price amounts to $5,000,000 and is offered with a minimum investment of $1,000 plus additional increments of $100 bearing interest at a rate of 1% to 4%. Cash generated from issuance of these deposits is utilized to fund operations. At March 31, 2016 and 2015 the balance recorded as community investment notes amounted to $1,867,521 and $2,052,699, respectively.

Reclassifications. Certain accounts relating to the prior year have been restated to conform to current year's presentation. The reclassifications have no effect on change in net assets.

Subsequent Events. Subsequent events are events or transactions that occur after the statements of financial position date but before financial statements are available to be issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statements of position, including the estimates inherent in the process of preparing the financial statements. The Organization's financial statements do not recognize subsequent events that provide evidence about conditions that exist at the date of the statements of financial position but arose after the statements of financial position date and before financial statements are available to be issued.

The Organization has evaluated subsequent events through June 15, 2016, which is the date the financial statements were available to be issued and, as a result of evaluation, the Organization received $2,000,000 in grant funding on June 7, 2016. The funds were related to award notification received September 10, 2015. The conditions for recognizing this grant were not met as of March 31, 2016. The conditions have subsequently been met and the award received.

NOTE 2. GRANTS RECEIVABLE

Grants receivable consist of the following at March 31:

	2016	2015
Non-Federal		
City of Santa Fe	**$ 72,000**	69,881
New Mexico Mortgage Finance Authority	-	74,995
Total grants receivable	**$ 72,000**	144,876

NOTE 3. DEVELOPMENT COSTS

Project costs (such as land acquisition and construction) are separately tracked or allocated and recorded on the financial statements as development costs. Project costs at March 31, 2016 and 2015 are as follows:

Project	**2016**	2015
Tessera	**$ 5,400,453**	6,278,172
Oshara	**2,010,150**	1,226,477
Las Palomas	**1,816,454**	2,699,142
Aldea	**1,757,885**	1,635,342
Desert Sage	**1,287,431**	1,284,352
Corazon Santo	**837,616**	798,571
Vista Serena	**815,059**	721,278
Fairly	**419,582**	419,582
Rincon Del Sol	**89,671**	637,963
Palomita	**21,928**	21,929
Total development costs	**$14,456,229**	15,722,808

Tessera subdivision in the County of Santa Fe is a residential development comprised of three phases. Phase 1 is outside the city limits and consists of 77 residential lots with an average lot size of approximately one half acre. Of the 77 lots, 31 have sold, leaving 46 lots. Of the 46 lots there are currently 19 under construction and 1 completed model, leaving 26 lots available for purchase. Phase 2 is comprised of 78 entitled, but undeveloped, lots averaging about one half acre. Phase 3 is 92.3 acres located south of the Route 599 bypass in what is called the “presumptive city limits”, which means it is scheduled to be annexed into the city limits.

Oshara consists of 40 developed lots in the County of Santa Fe. Oshara is a mixed use development with several product types and price points of homes. The 40 lots were zoned for work/live. The master plan was approved to convert 32 of the lots to townhomes. Four homes have been completed, two models and two inventory. The Grand Opening event is in May 2016.

Las Palomas consists of 46 lots located in Tract 48, Phase 2A, Unit 2 of Tierra Contenta, in Santa Fe, New Mexico. Of the 46 lots, 23 have closed, 10 are under construction, and 2 are completed models, leaving 11 lots available for purchase.

Aldea consists of 19 developed lots in the County of Santa Fe in the Aldea development. Currently 5 have sold and 3 are in inventory leaving 10 to be built and 1 currently under construction.

NOTE 3. DEVELOPMENT COSTS (CONTINUED)

Desert Sage in Santa Fe consists of 26.8 acres of undeveloped land. Plans for the 80 unit subdivision have been approved by the City.

Corazon Santo is a mixed use development with several product types and price points of homes. The majority of the lots, 40, are townhouse lots and 14 are planned to be live/work units.

Vista Serena consists of approximately 12.7 acres of undeveloped land that the Organization purchased with the intent of building a 50 unit subdivision consisting of a combination of single family detached units as well as town home units. The project continued in its design phase as of March 31, 2016.

Fairly consists of two parcels of land, Lot 1 is 6.26 acres and Lot 2 is 3.787 acres off of Fairly Road in the County of Santa Fe also known as T.J. Henry Tract for a total of 60 lots. These parcels are located between two existing residential developments in the Master Plan Community of Tierra Contenta for future development.

Rincon Del Sol consists of 38 developed lots in the Rincon Del Sol Subdivision located in Tierra Contenta. The subdivision consists of a total of 62 lots, 24 of which were built by the original developer/builder. As of March 31, 2016, 37 have sold and closed, and 1 is under construction.

Palomita consists of one single family lot in Taos.

NOTE 4. MORTGAGE LOANS RECEIVABLE

To assist low-income households with home purchases or repairs, the Organization has originated amortizing mortgage loans bearing interest rates from 1.0% to 7.75%, for periods of up to 30 years.

The Organization has also originated deferred mortgage loans. These are loans that have no required periodic payments and bear no interest, but are due in full upon sale, transfer, vacating of, or refinance of the related home. A portion of these deferred loans are forgivable if the owner lives in the home for a specified period of time. All amounts collected on the forgivable deferred loans are to be returned to a grantor and all amounts forgiven reduce the amount due to the grantor. The full amount of forgivable deferred loans and other deferred loans for which the funds are to be returned to a grantor upon collection are included in the "Due to grantor agency" liability on the balance sheet. Deferred mortgage loans are made to improve the affordability of homes to the Organization's customers. The Customer buys the house at a fair market price, but the deferred loan results in a reduction in the down payment required and the monthly mortgage payments. As a result, the customer obtains a more affordable house, but doesn't get a windfall by buying the house at a below-market price. As of March 31, 2016, 84% of deferred loans were funded through grants (55%) and contributions (29%) made to the Organization for this specific purpose. Of the remaining 16% of deferred loans that were funded by the Organization, the vast majority was provided on homes built by the Organization and was funded from the proceeds of the home sale.

NOTE 4. MORTGAGE LOANS RECEIVABLE (CONTINUED)

Both amortizing and deferred mortgage loans are secured by a recorded perfected interest in the subject property.

At March 31, 2016 and 2015, the total gross amount of amortizing and deferred mortgage loans receivable is summarized as follows:

	2016	2015
Amortizing	**$ 52,226,109**	46,679,057
Deferred	**18,117,919**	17,365,622
Total loans receivable	**$ 70,344,028**	64,044,679

The Organization provides for potentially uncollectible loans as described in Note 1. As of March 31, 2016, the Organization had the following delinquent amortizing loans:

	Number	Payment Due	Loan Amount
31-60 days	8	$ 5,602	274,238
61-90 days	4	7,345	231,983
> 90 days	4	2,757	216,633
	16	$ 15,704	722,853

The total amount 31 or more days past due was equivalent to 1.4% of the gross outstanding amortizing mortgage loans receivable balance at March 31, 2016.

As of March 31, 2015, the Organization had the following delinquent amortizing loans:

Payment	Loan		
	Number	Due	Amount
31-60 days	12	$ 12,616	584,209
61-90 days	3	4,298	123,977
> 90 days	9	14,951	332,197
	24	$ 31,865	1,040,383

NOTE 4. MORTGAGE LOANS RECEIVABLE

The total amount 31 or more days past due was equivalent to 2.2% of the gross outstanding amortizing mortgage loans receivable balance as at March 31, 2015.

Amortizing mortgage loans receivable are reserved for at 2%, 10%, and 20% of the loan balance for current and delinquent loans less than 31 days past due, delinquencies of 31 to 60 days, and delinquencies of 61 to 90 days, respectively. For loans greater than 90 days delinquent, management reserves 100% of the outstanding principal balance less specifically identified amounts they would expect to recover based on supported information obtained during the collection process. Deferred mortgage loans are allowed for based on the calculated amount that would be expected to be paid based primarily on trends in home values between the date of the loan and the date of valuation, subject to a loan covenant that requires the allowance to be no less than 20% of the outstanding balance.

At March 31, 2016 and 2015, amortizing and deferred mortgage loans receivable had the following general and specific allowances applied against principal due:

	2016		2015	
	Amortizing	Deferred	Amortizing	Deferred
General allowance	**$ 1,102,111**	**3,623,584**	$ 1,084,173	3,973,848
Total allowance	**$ 1,102,111**	**3,623,584**	$ 1,084,173	3,973,848

Changes in the allowance for loan losses at March 31, 2016 and 2015 are summarized as follows:

		Amortizing	Deferred	Total
Balance, March 31, 2014	$	877,241	4,929,800	5,807,041
Provision (recovery) for loan losses		401,774	(809,468)	(407,694)
Loans charged off, net of recoveries		(194,842)	(146,484)	(341,326)
Balance, March 31, 2015		1,084,173	3,973,848	5,058,021
Provision (recovery) for loan losses		233,569	(409,678)	(176,109)
Loans charged off, net of recoveries		(215,631)	59,414	(156,217)
Balance, March 31, 2016	**$**	**1,102,111**	**3,623,584**	**4,725,695**

Deferred loans that are expected to be forgiven at the end of a fixed term totaled $463,068 and $506,956 at March 31, 2016 and 2015, respectively.

NOTE 4. MORTGAGE LOANS RECEIVABLE (CONTINUED)

Loans to related parties amounted to $799,007 and $823,201 at March 31, 2016 and 2015, respectively. These loans were issued to employees of the Organization who qualified to participate in the Homewise lending program. Each loan was issued in accordance with the Organization's policy.

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at March 31:

	2016	2015
Land	**$ 887,649**	887,649
Land improvements	**47,451**	47,451
Buildings and improvements	**1,989,228**	1,989,228
Software	**1,146,939**	1,130,903
Furniture and equipment	**553,794**	494,287
Leasehold improvements	**9,123**	9,123
Total property and equipment	**4,634,184**	4,558,641
Less: accumulated depreciation	**(2,183,131)**	(1,968,902)
Net value of property and equipment	**$ 2,451,053**	2,589,739

Depreciation expense for the years ended March 31, 2016 and 2015 was $214,230 and $300,894, respectively.

NOTE 6. MORTGAGE SERVICING RIGHTS

Mortgage loans serviced for others are not included in the accompanying statements of financial position. Not all loans serviced for others include non-cancellable servicing rights. The unpaid balance of loans with non-cancellable servicing rights as of March 31, 2016 and 2015 is summarized as follows:

	2016	2015
Mortgage loan portfolios serviced for:		
Federal National Mortgage Association (FNMA)	**$201,310,853**	167,645,853
Other investors	**2,300,225**	1,372,037
Total	**$203,611,078**	169,017,890

During 2016 and 2015, substantially all of the loans serviced for others had a contractual servicing fee of 0.25% per annum of the unpaid principal balance. These servicing fees totaled $466,841 and $377,207 during 2016 and 2015, respectively. These fees are included as other revenue on the statement of activities.

NOTE 6. MORTGAGE SERVICING RIGHTS (CONTINUED)

An analysis of changes in mortgage servicing rights is as follows:

	2016	2015
Balance at beginning of period	**$1,185,675**	961,181
Servicing rights originated and capitalized	**465,345**	354,658
Amortization	**(185,621)**	(130,164)
Balance at end of period	**$1,465,399**	1,185,675

The primary risk characteristics of the underlying loans used to stratify the servicing assets for the purposes of measuring impairment are interest rate and original term. The valuation allowance is used to recognize impairments of the mortgage servicing rights. A mortgage servicing right is impaired when the fair value of the mortgage servicing right is below the amortized book value of the mortgage servicing right. The mortgage servicing rights are accounted by risk tranche, with the interest rate and term of the underlying loan being the primary strata used in distinguishing the tranches. Each tranche is evaluated separately for impairment. At March 31, 2016 and 2015 there was no impairment.

The following assumptions were used to calculate the market value of the mortgage servicing rights as of March 31, 2016 and 2015:

	2016	2015
Public Securities Association (PSA) speed	**168%**	152%
Discount rate	**9.52%**	9.5%
Earnings rates:		
P&I Payoffs	**1.05%**	1.18%
Escrows	**1.31%**	1.61%
Advances	**1.55%**	1.68%

NOTE 7. LINES OF CREDIT, NOTES PAYABLE, EQUITY EQUIVALENT INVESTMENT AND COMMUNITY INVESTMENT NOTES

At March 31, Homewise had lines of credit, notes payable, equity equivalent investment and community investment notes outstanding of:

		2016	2015
Current			
Lines of credit	**$**	**3,682,558**	4,016,185
Notes payable, net of unamortized discount		**4,324,891**	2,432,291
Notes payable, community investment		**69,138**	1,061,393
Total current		**8,076,587**	7,509,869
Long-term			
Notes payable, net of amortized discount		**35,681,574**	37,317,482
Notes payable, equity equivalent investment, net of unamortized discount		**900,514**	899,918
Notes payable, community investments, net of unamortized discount		**1,798,383**	991,306
Total long-term, net		**38,380,471**	39,208,706
Total	**$**	**46,457,058**	46,718,575

		2016	2015
Lines of credit:			
Bank, Line of credit of $2,150,000 for various loans at 4.25% interest, collateralized by lot mortgages, matures September 2016	**$**	**462,439**	607,984
Bank, Line of credit of $7,000,000 for various loans at 4.25% interest, collateralized by lot mortgages, matures January 2017		**2,011,205**	2,486,692
Bank, line of credit of $2,000,000 at 5.25% variable interest, collateralized by mortgages, matures October 2016		**1,000,000**	-
Bank, line of credit of $3,000,000 at 5.00% interest, collateralized by mortgages, matures August 2016		**208,914**	921,509
Total lines of credit	**$**	**3,682,558**	4,016,185

NOTE 7. LINES OF CREDIT, NOTES PAYABLE, EQUITY EQUIVALENT INVESTMENT AND COMMUNITY INVESTMENT NOTES (CONTINUED)

	2016	2015
Notes payable:		
Opportunity Finance Network, unsecured at 3.00% interest, the principal balance is due at and matures February 2019	**$2,500,000**	2,500,000
Opportunity Finance Network, at 3.00% interest, collateralized by mortgages, with 3 principal payments of $250,000 each due in March 2019, March 2020, and March 2021 and the remaining balance due on maturity in March 2022	**1,250,000**	1,250,000
Opportunity Finance Network, at 3.00% interest, collateralized by mortgages, with 16 quarterly principal payments of $62,500 each beginning in September 2018 and continuing until maturity in June 2022	**1,000,000**	1,000,000
Bank, at 3.75% interest collateralized by mortgages, due in monthly payments and maturing February 2028	**1,415,475**	1,506,745
Bank, at 4.00% interest, collateralized by the Homewise headquarters building, due in monthly payments and maturing June 2037	**1,295,914**	1,332,751
Bank, at 4.00% interest, collateralized by Tessera development, due in monthly payments and maturing September 2027	**1,088,343**	2,144,488
Bank, at 4.25% interest, collateralized by land, the principal balance is due at and matures March 2032	-	305,180
New Mexico Mortgage Finance Authority, at 3.00% interest, collateralized by Desert Sage property, with 2 principal payments of $125,000 each due in December 2016 and December 2017 and the remaining balance due on maturity in December 2018	**398,025**	523,025

NOTE 7. LINES OF CREDIT, NOTES PAYABLE, EQUITY EQUIVALENT INVESTMENT AND COMMUNITY INVESTMENT NOTES (CONTINUED)

	2016	2015
Calvert Social Investment Foundation, unsecured at 4.5% interest, the principal balance is due at and matures September 2016	**1,500,000**	1,500,000
Bank, revolving credit with $5,000,000 available for drawdown until October 2016 at the ten (10) year LIBOR rate plus 1.25% at time of drawdown, collateralized by mortgages, quarterly payments are amortized over 20 years and due in full 10 years from initial drawdown	**4,899,564**	5,000,000
Bank, at 3.00% interest, collateralized by mortgages, the principal balance is due at and matures December 2017	**500,000**	500,000
Bank, at 3.00% interest, collateralized by mortgages, the principal balance is due at and matures February 2021	**500,000**	500,000
Bank, at 3.00% interest, collateralized by mortgages, the principal balance is due at and matures September 2022	**500,000**	500,000
Bank, at 3.44% interest, collateralized by mortgages, due in quarterly payments and maturing in January 2019	**155,182**	215,204
Bank, 3.50% interest, collateralized by mortgages, quarterly payments are amortized over 30 years and due in full in March 2017	**467,915**	478,131
Religious Communities Investment Fund, unsecured at 2.00% interest, the principal balance is due at and matures November 2019	**350,000**	350,000
Seton Enablement Fund, unsecured at 3.00% interest, the principal balance is due at and matures October 2017	**150,000**	65,871

NOTE 7. LINES OF CREDIT, NOTES PAYABLE, EQUITY EQUIVALENT INVESTMENT AND COMMUNITY INVESTMENT NOTES (CONTINUED)

	2016	2015
Seton Enablement Fund, unsecured at 3.00% interest, the principal balance is due at and matures July 2015	-	10,726
Mercy Investment Services, Inc., unsecured at 3.00% interest, the principal balance is due at and matures June 2020	**1,000,000**	700,000
Mercy Investment Services, Inc., unsecured at 3.00% interest, the principal balance is due at and matures June 2015	-	300,000
Christus Health, at 3.00% interest, collateralized by mortgages, the principal balance is due at and matures March 2017	**1,000,000**	1,000,000
Bank, at 3.00% interest, collateralized by mortgages, monthly payments are amortized over 10 years and due in full in January 2018	**357,553**	404,005
Sachs Foundation, unsecured at 3.00% interest, the principal balance is due at and matures September 2017	**250,000**	250,000
Bank, at 4.25% interest collateralized by Las Palomas development, the principal balance is due at and matures September 2015	-	234,479
Bank, at 4.50% interest, collateralized by mortgages, monthly payments are amortized over 15 years and due in full in September 2018	**1,561,954**	1,690,199
Bank, at 3.00% interest, collateralized by mortgages, the principal balance is due and matures February 2022	**500,000**	500,000
Bank, at 3.00% interest, collateralized by mortgages, the principal balance is due and matures October 2022	**500,000**	500,000
Bank, at 3.50% interest, collateralized by mortgages, monthly payments are amortized over 20 years and due in full in September 2023	**910,130**	946,923

NOTE 7. LINES OF CREDIT, NOTES PAYABLE, EQUITY EQUIVALENT INVESTMENT AND COMMUNITY INVESTMENT NOTES (CONTINUED)

	2016	2015
Bank, at 4.50% interest, collateralized by mortgages, monthly payments are amortized over 15 years and due in full in September 2024	**4,642,302**	4,884,764
Bank, at 5.00% interest, collateralized by land, the principal balance is due and matures September 2019	**-**	389,447
Monarch Community Fund, unsecured at 4.00% interest, the principal balance is due at and matures July 2022	**350,000**	350,000
Adrian Dominican Sisters, unsecured at 3.00% interest, the principal balance is due at and matures October 2018	**250,000**	250,000
Santa Fe Community Foundation, unsecured at 2.50% interest, the principal balance is due at and matures April 2021	**250,000**	250,000
Santa Fe Community Foundation, unsecured at 2.50% interest, the principal balance is due at and matures January 2023	**165,000**	-
Sisters of Charity of the Incarnate Word, unsecured at 1.00% interest, the principal balance is due at and matures February 2021	**150,000**	-
Bank, at 3.50% interest, collateralized by mortgages, with 2 principal payments of $1,000,000 each due in February 2022 and February 2023 and the remaining balance due on maturity in February 2024	**3,000,000**	3,000,000
SVHsupport, at 2.50% interest, collateralized by mortgages, quarterly payments are amortized over 20 years and due in full in March 2023	**2,000,000**	-
Bank, at 3.75% interest, collateralized mortgages, quarterly payments are amortized over 20 years and due in full in March 2030	**2,892,634**	3,000,000

NOTE 7. LINES OF CREDIT, NOTES PAYABLE, EQUITY EQUIVALENT INVESTMENT AND COMMUNITY INVESTMENT NOTES (CONTINUED)

	2016	2015
Bank, at 3.75% interest, collateralized mortgages, quarterly payments are amortized over 20 years and due in full in March 2030	**1,448,816**	1,500,000
Bank, at 3.75% interest, collateralized mortgages, quarterly payments are amortized over 20 years and due in full in September 2030	**983,023**	-
Total notes payable	**40,181,830**	39,831,938
Less current maturities	**(4,324,891)**	(2,432,291)
Less unamortized discount	**(175,365)**	(82,165)
Total notes payable, less current portion and unamortized discount	**$35,681,574**	37,317,482

Notes payable, equity equivalent investment, at March 31 consist of the following:

	2016	**2015**
Notes payable – Equity Equivalent Investment ("EQ2")		
Wells Fargo Community Investment Holdings, unsecured at 2.00% interest, the principal balance is due at and matures March 2024	**$1,000,000**	1,000,000
Less unamortized discount	**(99,486)**	(100,082)
Total notes payable – Equity Equivalent Investment less unamortized discount	**$ 900,514**	899,918

There is no current portion due for equity equivalent investments at March 31, 2016, and 2015.

NOTE 7. LINES OF CREDIT, NOTES PAYABLE, EQUITY EQUIVALENT INVESTMENT AND COMMUNITY INVESTMENT NOTES (CONTINUED)

Notes payable, community investment at March 31 were unsecured investments made by individuals and trusts to the Organization and consist of the following:

	2016	2015
Notes Payable – Community Investment		
Individuals and trusts, notes at 1.25% to 2.00% Interest, maturing April 2015 to March 2016	-	1,055,456
Individuals and trusts, notes at 1.50% to 2.00% Interest, maturing April 2016 to March 2017	**69,138**	69,092
Individuals and trusts, notes at 1.00% to 2.50% Interest, maturing April 2017 to March 2018	**694,172**	142,688
Individuals and trusts, notes at 1.00% to 2.50% Interest, maturing April 2018 to March 2019	**109,585**	228,817
Individuals and trusts, notes at 1.00% to 2.50% Interest, maturing April 2019 to March 2020	**280,101**	280,033
Individuals and trusts, notes at 2.00% to 3.50% Interest maturing after April 2020	**786,475**	337,531
Total notes payable, community investment	**1,939,471**	2,113,617
Less current maturities	**(69,138)**	(1,061,393)
Less unamortized discount	**(71,950)**	(60,918)
Total notes payable, community investment less current portion and unamortized discount	**$1,798,383**	991,306

NOTE 7. LINES OF CREDIT, NOTES PAYABLE, EQUITY EQUIVALENT INVESTMENT AND COMMUNITY INVESTMENT NOTES (CONTINUED)

At March 31, 2016 scheduled future principal payments, gross of unamortized discount, due on the notes payable and lines of credit are as follows:

Year ending March 31,	
2017	$ 8,076,587
2018	3,276,106
2019	5,453,701
2020	1,700,461
2021	3,191,240
Thereafter	24,758,963
Total future principal payments	$ 46,457,058

At March 31, 2016 the Organization was not in compliance with a Debt Service Coverage Ratio for three lenders. The lenders issued waivers related to the non-compliant covenant. Homewise is in compliance with all other financial covenants.

NOTE 8. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted to NeighborWorks America (NWA) and Santa Fe Land Trust (SFLT). Summarized activity in the two funds at March 31, 2016 follows:

	NWA	SFLT	Total
Cash	$ 822,466	123,752	946,218
Mortgage notes receivable	2,000,559	116,256	2,116,815
Accounts and escrows payable	(3,012)	(1,896)	(4,908)
Net assets	$ 2,820,013	283,112	3,058,125
Permanently restricted net assets, beginning of year	$ 2,850,517	283,112	3,088,629
Grants of loan funds	450,000	-	450,000
Released from restriction	(480,504)	-	(480,504)
Permanently restricted net assets, end of year	**$ 2,820,013**	**238,112**	**3,058,125**

NOTE 8. PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)

Summarized activity in the funds at March 31, 2015 follows:

		NWA	SFLT	Total
Cash	$	(8,815)	118,235	109,420
Mortgage notes receivable		2,869,932	121,903	2,991,835
Accounts and escrows payable		(10,600)	(2,026)	(12,626)
Net assets	$	2,850,517	238,112	3,088,629
Permanently restricted net assets, beginning of year	$	3,400,517	238,112	3,638,629
Grants of loan funds		450,000	-	450,000
Released from restriction		(1,000,000)	-	(1,000,000)
Permanently restricted net assets, end of year	$	2,850,517	238,112	3,088,629

NOTE 9. GRANTS

Government Grants
Government grants for the year ended March 31, 2016 consist of:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
State and local awards				
City of Santa Fe – Administration of Housing programs	$ 186,138	171,152	-	357,290
Total non-federal awards	186,138	171,152	-	357,290
Federal awards				
Community Development Block grant	-	30,954	-	30,954
Community Development Financial Institution program	-	-	-	-
Other federal appropriations Through NWA	235,500	-	450,000	685,500
Total federal awards	235,500	30,954	450,000	716,454
Total government grants	**$ 421,638**	**202,107**	**450,000**	**1,073,745**

NOTE 9. GRANTS (CONTINUED)

Government grants for the year ended March 31, 2015 consist of:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
State and local awards				
City of Santa Fe –				
Administration of				
Housing programs	$ 200,813	-	-	200,813
Total non-federal awards	200,813	-	-	200,813
Federal awards				
Community Development				
Block grant	-	20,767	-	20,767
Community Development				
Financial Institution program	2,000,000	-	-	2,000,000
Other federal appropriations				
Through NWA	616,494	-	-	616,494
Total federal awards	2,616,494	20,767	-	2,637,261
Total government grants	$ 2,817,307	20,767	-	2,838,074

Other Grants

Homewise participated, with NeighborWorks and Wells Fargo Foundation, in a down payment assistance program, designed to advance the recovery of cities most impacted by the housing crisis. The program was referred to as LIFT. Homewise received a grant of $328,000 to cover administrative costs of LIFT and a pass-through grant in the amount of $3,327,211 in down payment assistance "DAP Funds". Homewise deployed 218 or $3,270,000 in forgivable loans during FY2016.

The non-federal grant is a pass-through grant with revenue and expense recognized at the deployment of each loan.

NOTE 10. FUNCTIONAL EXPENSES

For the year ended March 31, 2016, program, administrative and fundraising expenses were composed of the following:

	Program	Administrative	Fundraising	Total
Personnel services and benefits	$ 3,491,484	1,180,220	245,879	4,917,583
Client support	143,431	48,480	10,100	202,011
Interest	1,623,559	-	-	1,623,559
Occupancy	146,744	49,603	10,334	206,681
Real Estate Carrying Costs	583,654			583,654
Professional services	303,784	102,688	21,393	427,865
Administrative	328,430	111,021	23,130	462,581
Marketing	141,690	47,895	9,978	199,563
Professional development	152,979	51,711	10,773	215,463
Depreciation	152,103	51,415	10,711	214,229
Insurance	98,104	33,162	6,909	138,175
Amortization	185,621	-	-	185,621
Bad debt, net of recoveries	(176,079)	-	-	(176,079)
Total functional expenses	**$ 7,175,504**	**1,676,195**	**349,207**	**9,200,905**

For the year ended March 31, 2015, program, administrative and fundraising expenses were composed of the following:

	Program	Administrative	Fundraising	Total
Personnel services and benefits	$ 3,225,557	830,961	166,192	4,222,710
Client support	143,901	37,869	7,574	189,344
Interest	1,221,651	-	-	1,221,651
Occupancy	263,383	69,311	13,862	346,556
Professional services	228,591	60,155	12,031	300,777
Administrative	360,275	94,809	18,962	474,046
Marketing	178,762	47,043	9,409	235,214
Professional development	130,304	34,291	6,858	171,453
Depreciation	228,679	60,179	12,036	300,894
Insurance	101,915	26,820	5,364	134,099
Amortization	98,924	26,033	5,207	130,164
Bad debt, net of recoveries	(407,694)	-	-	(407,694)
Total functional expenses	$ 5,774,248	1,287,471	257,495	7,319,214

NOTE 11. RETIREMENT PLAN

The Organization has a 403(b) retirement plan for its employees. Following one year of service, Homewise makes a basic contribution of 5% of an employee's compensation plus a contribution matching up to 3% contributed by the employee through salary reduction. The Organization's contribution was $193,539 and $184,356 for the years ended March 31, 2016 and 2015, respectively.

NOTE 12. CONCENTRATIONS OF REVENUE SOURCES AND CREDIT RISKS

The Organization receives significant operating revenues from the City of Santa Fe, several private foundations and NeighborWorks America.

The Organization targets loans to low and moderate income individuals for home repair and home buyer assistance. The Organization has a recorded perfected interest on amortizing mortgage and deferred notes receivable.

The Organization extends loans to low and moderate income residents of a limited geographic area. Although loans are collateralized by the borrowers' property, a risk exits that property values may fall below the loan values creating a concentration of credit risk.

At March 31, 2016, the Organization held deposits with multiple banks that individually exceeded the Federal Deposit Insurance Coverage (FDIC) limit of $250,000. Certain banks pledged collateral covering the remainder of the uninsured balance. Management has taken action to mitigate the credit risk of the remaining uninsured and uncollateralized balance of $2,457,075 by depositing with well-known and highly reputable institutions.

NOTE 13. COMMITMENTS AND CONTINGENCIES

Grants and Contracts - Grants and contracts require the fulfillment of certain conditions as set forth in the terms of the agreements, and are subject to audit by the grantor. Failure to comply with the conditions of the agreements could result in the return of funds to the grantor. Although possible, management believes that it has complied with conditions of its grants and contracts and no significant liability, if any, will result from an audit.

Letters of Credit - At March 31, 2016, the Organization had two available letters of credit issued by financial institutions in the aggregate amount of $2,281,514 related to the Desert Sage, Las Palomas and Corazon Santo developments.

NOTE 14. INCOME TAXES

The Organization had no unrecognized tax benefits which would require an adjustment to the April 1, 2009 beginning balance of net assets and had no unrecognized tax benefits at March 31, 2016 and 2015. The Organization files an exempt organization return in the U.S. federal jurisdiction.

NOTE 15. RELATED PARTY TRANSACTIONS

The Organization has a loan with SVHsupport totaling $2,000,000. An Organization Board Member is the President of SVHsupport and a board member of Christus St. Vincent Regional Medical Center (CSVRMC).

The Organization has a continuing relationship with CSVRMC related to an Employee Affordable Housing Program. The purpose of the Program is to help CSVRMC retain employees by providing financial assistance to employees who meet the program guidelines for the purchase of a home. The Organization received a $100,000 Affordable Housing contribution from CSVRMC during 2016 used for down payment assistance in the form of deferred loans. In addition, SVHsupport provides secondary loans to CSVRMC employees under the Employee Affordable Housing Program. The Organization provides mortgage loan servicing to SVHsupport for these loans.

The Organization has investments from both Homewise Employees and Homewise Board Members in Homewise Community Investment Notes. Related party investments totaled $106,100 and $116,508 for 2016 and 2015, respectively.