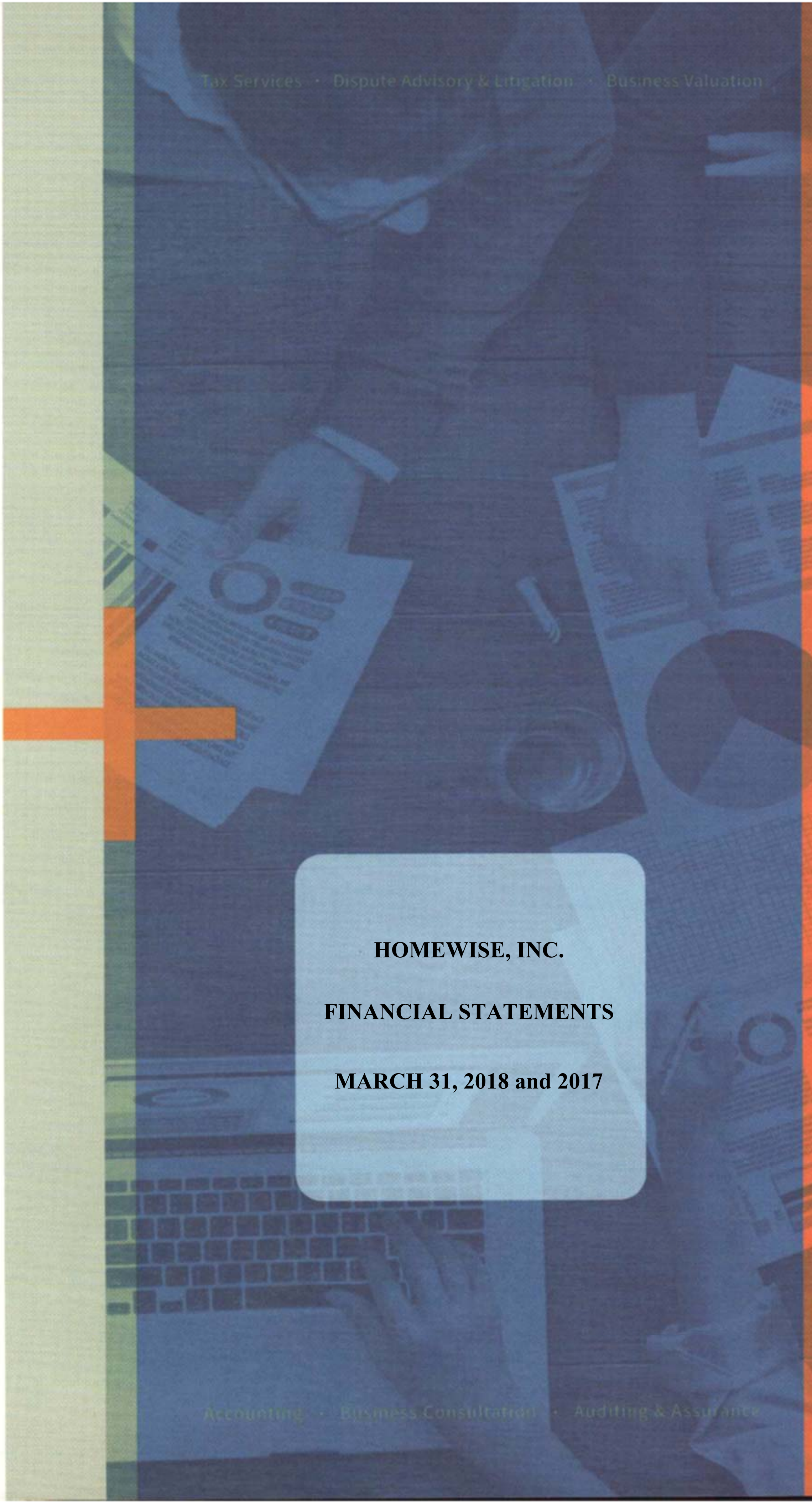
RICCI & COMPANY

Service plus value, it all adds up.

6200 Uptown Blvd., NE Suite 400

Albuquerque, NM 87110

505 338 0800 *office* riccicpa.com



HOMEWISE, INC.

FINANCIAL STATEMENTS

MARCH 31, 2018 and 2017

HOMEWISE, INC.

OFFICIAL ROSTER
MARCH 31, 2018

Board of Directors

Erika Campos	Chair
Debra (Dee) Walsh	Vice Chair
Teresa Leger de Fernandez	Member
Andrew Spingler	Treasurer
Shelle VanEtten de Sanchez	Member
Anne Messbarger-Eguia	Secretary
Agnes Noonan	Member
Paul Vogel	Member

Administration Official

Michael Loftin	Chief Executive Officer
David Brasier, CPA, CMA	Director of Finance

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, 2018 and 2017, the related statements of activities and cash flows for the years 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 audits. We conducted our audits 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 audits 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.

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

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. as of March 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2018, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Ricci & Company LLC
Albuquerque, New Mexico
June 21, 2018

HOMEWISE, INC.
STATEMENTS OF FINANCIAL POSITION
March 31, 2018 and 2017

	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	$ **13,132,227**	7,953,687
Broker and other accounts receivable	**2,038,579**	1,834,714
Grants receivable	**6,500**	71,236
Amortizing mortgage loans receivable, current portion	**1,412,675**	1,371,930
Inventory	**30,995**	71,618
Development costs, current portion	**4,990,419**	7,507,709
Total current assets	**21,611,395**	18,810,894
Property and equipment, net	**4,147,519**	2,666,780
Mortgage loans receivable		
Amortizing, net of current portion	**55,772,559**	52,938,664
Allowance on amortizing loans	**(1,370,928)**	(1,181,722)
Total amortizing	**54,401,631**	51,756,942
Deferred mortgage loans receivable	**22,999,350**	18,741,083
Allowance on deferred loans	**(4,600,000)**	(3,749,000)
Total deferred	**18,399,350**	14,992,083
Total long-term mortgage loans receivable	**72,800,981**	66,749,025
Other real estate owned	**171,040**	870,789
Real estate held for investment - rehab properties	**402,355**	79,511
Mortgage servicing rights	**2,251,615**	1,860,750
Development costs, net of current portion	**8,271,356**	7,391,882
Qualified low income community investment	**3,795,897**	-
Other assets	**429,269**	277,835
Total assets	$ **113,881,427**	98,707,466

See Notes to Financial Statements.

HOMEWISE, INC.
STATEMENTS OF FINANCIAL POSITION - CONTINUED
March 31, 2018 and 2017

		2018	2017
LIABILITIES			
Current liabilities			
Accounts payable	$	**1,419,599**	2,368,608
Accrued expenses		**650,536**	511,584
Escrows and deposits		**2,327,972**	1,908,331
Lines of credit, current portion		**2,888,050**	2,245,276
Notes payable, current portion		**5,964,694**	3,235,429
Notes payable and community investment, current portion		**1,228,741**	711,149
Security deposits		**7,977**	-
Total current liabilities		**14,487,569**	10,980,377
Long-term liabilities			
Lines of credit, net of current portion		**298,605**	-
Notes payable, net of current portion and unamortized discount		**41,854,104**	37,518,253
Notes payable, equity equivalent investment, net of unamortized discount		**1,893,301**	913,014
Notes payable, community investment, net of current portion and unamortized discount		**2,300,512**	2,047,926
Deferred grants revenue		**4,300,656**	4,198,602
Due to grantor agency		**962,907**	992,502
Total long-term liabilities		**51,610,085**	45,670,297
Total liabilities		**66,097,654**	56,650,674
Net assets			
Unrestricted		**35,329,933**	31,181,230
Temporarily restricted		**10,619,090**	8,356,471
Permanently restricted		**1,834,750**	2,519,091
Total net assets		**47,783,773**	42,056,792
Total liabilities and net assets	$	**113,881,427**	98,707,466

See Notes to Financial Statements.

HOMEWISE, INC.
STATEMENT OF ACTIVITIES
Year Ended March 31, 2018

		Unrestricted	Temporarily Restricted	Permanently Restricted	**Total**
Revenues					
Home development sales	$	19,497,906	-	-	**19,497,906**
Loan origination fees		2,594,880	-	-	**2,594,880**
Real estate sales commissions		1,918,519	-	-	**1,918,519**
Loan portfolio interest		3,225,086	26,287	-	**3,251,373**
Loan servicing income		699,243	-	-	**699,243**
Amortization and valuation of mortgage servicing rights		740,821	-	-	**740,821**
Government grants		774,446	395,393	-	**1,169,839**
Contributions and grants		3,401,067	-	-	**3,401,067**
Bank interest		1,954	-	-	**1,954**
Gain on sale of asset		215,341	-	-	**215,341**
Other revenue		1,195,976	-	-	**1,195,976**
Release from restrictions		(1,156,598)	1,840,939	(684,341)	**-**
Total revenues		33,108,641	2,262,619	(684,341)	**34,686,919**
Expenses					
Cost of home development sales		16,452,167	-	-	**16,452,167**
Program		9,719,742	-	-	**9,719,742**
Administrative		2,238,717	-	-	**2,238.717**
Fundraising		549,312	-	-	**549,312**
Total expenses		28,959,938	-	-	**28,959,938**
Change in net assets		4,148,703	2,262,619	(684,341)	**5,726,981**
Net assets at beginning of year		31,181,230	8,356,471	2,519,091	**42,056,792**
Net assets at end of year	$	35,329,933	10,619,090	1,834,750	**47,783,773**

See Notes to Financial Statements.

HOMEWISE, INC.
STATEMENT OF ACTIVITIES
Year Ended March 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Home development sales	$ 16,585,578	-	-	16,585,578
Loan origination fees	2,033,490	-	-	2,033,490
Real estate sales commissions	1,548,429	-	-	1,548,429
Loan portfolio interest	3,019,858	28,847	-	3,048,705
Loan servicing income	558,251	-	-	558,251
Amortization and valuation of mortgage servicing rights	647,734	-	-	647,734
Government grants	309,818	2,052,998	25,000	2,387,816
Other grants				
Contributions and grants	362,048	-	-	362,048
Bank interest	1,667	-	-	1,667
Gain on sale of asset	40,846	-	-	40,846
Other revenue	429,574	651	-	430,225
Release from restrictions	2,564,034	(2,000,000)	(564,034)	-
Total revenues	28,101,327	82,496	(539,034)	27,644,789
Expenses				
Cost of home development sales	14,532,502	-	-	14,532,502
Program	7,841,840	-	-	7,841,840
Administrative	1,753,150	-	-	1,753,150
Fundraising	455,018	-	-	455,018
Total expenses	24,582,510	-	-	24,582,510
Change in net assets	3,518,817	82,496	(539,034)	3,062,279
Net assets at beginning of year	27,662,413	8,273,975	3,058,125	38,994,513
Net assets at end of year	$ 31,181,230	8,356,471	2,519,091	42,056,792

See Notes to Financial Statements.

HOMEWISE, INC.
STATEMENTS OF CASH FLOWS
Years Ended March 31, 2018 and 2017

		2018	2017
Cash Flows From Operating Activities	$		
Cash received from customers		**29,383,604**	23,622,705
Cash received from grants and contributions		**4,737,696**	2,749,864
Cash paid to suppliers		**(17,843,640)**	(13,942,647)
Cash paid to employees		**(6,013,347)**	(6,228,726)
Cash paid for interest		**(2,584,040)**	(1,508,380)
Net cash provided by operating activities		**7,680,273**	4,692,816
Cash Flows From Investing Activities			
Property and equipment acquisitions		**(1,673,885)**	(404,071)
Qualified low income community investment		**(3,815,036)**	-
Net increase in loans		**(7,174,459)**	(2,918,559)
Purchase of real estate held for investment - rehab properties		**(322,844)**	(79,511)
Net cash used by investing activities		**(12,986,224)**	(3,402,141)
Cash Flows From Financing Activities			
Long-term borrowings		**12,601,857**	10,857,536
Capitalization of below market long-term borrowings		**188,114**	(379,522)
Payments on long-term borrowings		**(3,246,859)**	(8,331,311)
Net borrowings on bank lines of credit		**941,379**	(1,437,283)
Net cash provided by financing activities		**10,484,491**	709,420
Net increase in cash and cash equivalents		**5,178,540**	2,000,095
Cash and cash equivalents, beginning of year		**7,953,687**	5,953,592
Cash and cash equivalents, end of year	$	**13,132,227**	7,953,687
Reconciliaton of change in net assets to net cash and cash equivalents provided by operations			
Change in net assets	$	**5,726,981**	3,062,279
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:			
Depreciaton		**193,146**	188,344
Amortization of discount on below market notes payable		**(727,531)**	(495,437)
Amortization of discount on low income housing investment		**19,139**	-
Bad debt and reserve for loan loss		**1,081,758**	415,936
Gain/Loss on sale of asset		**(215,341)**	(40,846)
Mortgage servicing rights		**(390,865)**	(395,351)
Change in assets and liabilities			
Broker and other accounts receivable		**(203,865)**	(1,266,778)
Infrastructure deposits		**-**	27,920
Grants receivable		**64,736**	761
Other assets		**(151,444)**	(13,862)
Inventory		**40,623**	(31,627)
Development costs		**1,637,816**	(443,362)
Accounts payable and accrued liabilities		**(810,055)**	(310,557)
Security deposits		**7,977**	-
Escrows and deposits		**419,641**	383,574
Due to grantor agency		**(29,587)**	(38,779)
Deferred grant revenue		**102,054**	4,112,933
Other real estate owned		**915,090**	(462,332)
Net cash flows provided by operating activities	$	**7,680,273**	4,692,816

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, 2018 and 2017.

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

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.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2018 and 2017.

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.

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, 2018 and 2017.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2018 and 2017 was $188,114 and $104,734 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.

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, 2018 and 2017.

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 $297,675 and $196,841 for the years ended March 31, 2018 and 2017, respectively.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Real Estate Owned. Assets acquired through, or in lieu of, loan foreclosure, totaled $171,040 at March 31, 2018 and $870,789 at March 31, 2017. These assets are held for sale and are initially recorded at fair value at the date of acquisition 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.

Real Estate Held for Investment – Rehab Properties. These are properties which require repair and maintenance before sale. The Rehab Properties, valued at acquisition cost, were $402,355 at March 31, 2018 and $79,511 at March 31, 2017.

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.

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, 2018 and 2017 the balance recorded as community investment notes amounted to $3,633,116 and $2,844,425, 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Investment in Leverage Lender –The Organization has evaluated subsequent events through June 21, 2018, which is the date the financial statements were available to be issued and, as a result of evaluation, On April 30, 2018 the Organization (Homewise, Inc.), along with Develop Detroit, Inc., invested in a Leverage Lender for the purpose of taking advantage of the New Markets Tax Credit (NMTC) program. The NMTC program provides tax credit incentives to investors who invest in low-income communities and is administered by the U.S. Treasury Department. The Organization's investment in the Leverage Lender totaled $5,367,300 and represents a 53.93% ownership stake. The investment was comprised of cash in the amount of $4,553,551 and Reimbursement of costs $813,749. As part of the arrangement, the Organization secured a 20-year loan from a community development entity which received tax credit allocation. The loan is in the amount of $7,800,000. The loan proceeds are to be used solely for the purpose of constructing and selling qualified housing properties to low income residents. The loan will bear interest at a rate of 0.702983% per year. Semi-annual payments of interest only are due in years 1 through 7 with fully amortizing semi-annual payments of principal and interest due in years 8 through 20.

In connection with this arrangement, the members of the Leverage Lender have the option to buy back the Organization's ownership interest. Exercise of this option will effectively allow the Organization to extinguish its debt owed to the community development entity.

New Pronouncements. FASB has issued ASU No. 2016-02, *Leases (Topic 842).* The amendments in this update were issued to increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The main difference between previous GAAP and Topic 842 is the recognition of lease assets and lease liabilities for those leases classified as operating leases under previous GAAP. The amendments in this update are effective for fiscal years beginning after December 15, 2020. Early application is permitted, however, Goodwill has not yet adopted Topic 842.

FASB has issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958).* The amendments in this update were issued to improve the current net asset classification requirements and the information presented in Not-for-Profit financial statements and notes. The update simplifies the Statement of Financial Position by requiring only two net

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

asset classifications: net assets with donor restrictions and net assets without donor restrictions. The amendments in this update are effective for fiscal years beginning after December 15, 2018. Early application is permitted. Management has evaluated the amendments in this update and has determined that they will not have a significant impact on the Company's financial statements.

NOTE 2. GRANTS RECEIVABLE

Grants receivable consist of the following at March 31:

	2018	2017
Non-Federal, City of Santa Fe	**$ 6,500**	71,236

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, 2018 and 2017 are as follows:

Project	**2018**	2017
Tessera	**$ 4,983,457**	5,151,171
Oshara	**1,476,580**	2,962,977
Las Palomas	**-**	1,590,770
Aldea	**470,280**	1,167,345
Desert Sage	**1,287,431**	1,287,431
El Camino Crossing	**3,323,325**	1,427,740
Vista Serena	**875,564**	870,647
Fairly	**419,582**	419,582
Palomita	**21,928**	21,928
Orpheum	**17,673**	-
Ruppe Building	**2,688**	-
Albuquerque Renovation	**365,798**	-
Santa Fe Renovation	**17,469**	-
Total development costs	**$13,261,775**	14,899,591

NOTE 3. DEVELOPMENT COSTS (CONTINUED)

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. Phase 2 is comprised of 78 entitled, but undeveloped, lots averaging about one half acre. Phase 2 construction to began in FY18. 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.

Aldea consists of 19 developed lots in the County of Santa Fe in the Aldea development. Currently 9 have sold and 2 are in inventory leaving 8 lots available.

Orpheum is the Albuquerque Homeownership Center and Community Hub. It is currently undergoing renovation and will include a community classroom/performance space, artist studios, apartments, gallery space, and offices for the Homewise Albuquerque Homeownership Center.

Ruppe is a historic pharmacy building located in the Barelas community of Albuquerque. It will be renovated/refreshed and leased to the Barelas Community Coalition and could possibly be utilized as a cafe/store/community gathering and education center.

Albuquerque Renovation consists of distressed homes in Albuquerque that are purchased, renovated, and resold to support and restore neighborhoods.

Santa Fe Renovation consists of distressed homes in Santa Fe that are purchased, renovated, and resold to support and restore neighborhoods.

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.

El Camino Crossing (formerly known as 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.

NOTE 3. DEVELOPMENT COSTS (CONTINUED)

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, 2018.

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.

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, 2018, 81% of deferred loans were funded through grants (49%) and contributions (30%) made to the Organization for this specific purpose. Of the remaining 19% 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. Both amortizing and deferred mortgage loans are secured by a recorded perfected interest in the subject property.

NOTE 4. MORTGAGE LOANS RECEIVABLE (CONTINUED)

At March 31, 2018 and 2017, the total gross amount of amortizing and deferred mortgage loans receivable is summarized as follows:

	2018	2017
Amortizing	**$ 57,185,234**	54,310,594
Deferred	**22,999,350**	18,741,083
Total loans receivable	**$ 80,184,584**	73,051,677

The Organization provides for potentially uncollectible loans as described in Note 1. As of March 31, 2018, the Organization had the following delinquent amortizing loans:

	Loan Number	Payment Due	Loan Amount
31-60 days	6	$ 2,695	132,639
61-90 days	4	6,671	218,485
> 90 days	6	16,343	400,987
	16	$ 25,709	752,111

The total amount 31 or more days past due was equivalent to 1.32% of the gross outstanding amortizing mortgage loans receivable balance at March 31, 2018.

As of March 31, 2017, the Organization had the following delinquent amortizing loans:

	Loan Number	Payment Due	Loan Amount
31-60 days	9	$ 2,240	317,790
61-90 days	3	3,396	248,882
> 90 days	12	15,850	620,734
	24	$ 21,486	1,187,406

The total amount 31 or more days past due was equivalent to 2.19% of the gross outstanding amortizing mortgage loans receivable balance at March 31, 2017.

NOTE 4. MORTGAGE LOANS RECEIVABLE (CONTINUED)

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, 2018 and 2017, amortizing and deferred mortgage loans receivable had the following general and specific allowances applied against principal due:

	2018		2017	
	Amortizing	Deferred	Amortizing	Deferred
General allowance	**$ 1,370,928**	**4,600,000**	$ 1,181,722	3,749,000
Total allowance	**$ 1,370,928**	**4,600,000**	$ 1,181,722	3,749,000

Changes in the allowance for loan losses at March 31, 2018 and 2017 are summarized as follows:

	Amortizing	Deferred	Total
Balance, March 31, 2016	$ 1,102,111	3,623,584	4,725,695
Provision (recovery) for loan losses	132,502	283,434	415,936
Loans charged off, net of recoveries	(52,891)	(158,018)	(210,909)
Balance, March 31, 2017	1,181,722	3,749,000	4,930,722
Provision (recovery) for loan losses	209,635	851,000	1,060,635
Loans charged off, net of recoveries	(20,429)	-	(20,429)
Balance, March 31, 2018	**$ 1,370,928**	**4,600,000**	**5,970,928**

Deferred loans that are expected to be forgiven at the end of a fixed term totaled $480,568 and $423,068 at March 31, 2018 and 2017, respectively.

Loans to related parties amounted to $705,730 and $409,089 at March 31, 2018 and 2017, 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:

	2018	2017
Land	**$1,233,768**	887,649
Land improvements	**47,451**	47,451
Buildings and improvements	**2,899,616**	2,060,864
Software	**1,486,513**	1,146,939
Furniture and equipment	**693,219**	549,216
Work in process	**342,874**	329,013
Trademark	**8,000**	8,000
Leasehold improvements	**9,123**	9,123
Total property and equipment	**6,720,564**	5,038,255
Less: accumulated depreciation	**(2,573,045)**	(2,371,475)
Net value of property and equipment	**$ 4,147,519**	2,666,780

Depreciation expense for the years ended March 31, 2018 and 2017 was $193,146 and $188,344, 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, 2018 and 2017 is summarized as follows:

	2018	2017
Mortgage loan portfolios serviced for:		
Federal National Mortgage Association (FNMA)	**$287,091,341**	243,973,159
Other investors	**27,094,796**	12,315,910
Total	**$314,186,137**	**256,292,069**

During 2018 and 2017, 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 $740,821 and $647,734 during 2018 and 2017, respectively. These fees are included as an element of other revenue on the statement of activities.

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

	2018	2017
Balance at beginning of period	**$1,860,750**	1,465,399
Servicing rights originated and capitalized	**740,821**	647,734
Amortization	**(349,956)**	(252,383)
Balance at end of period	**$2,251,615**	$1,860,750

NOTE 6. MORTGAGE SERVICING RIGHTS (CONTINUED)

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, 2018 and 2017 there was no impairment.

The following assumptions were used to calculate the market value of the mortgage servicing rights as of March 31, 2018 and 2017:

	2018	2017
Public Securities Association (PSA) speed	**N/A**	127%
Discount rate	**9.08%**	9.52%
Earnings rates:		
P&I Payoffs	**1.88%**	1.74%
Escrows	**1.88%**	2.01%
Advances	**2.38%**	2.24%

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:

		2018	2017
Current			
Lines of credit	**$**	**2,888,050**	2,245,276
Notes payable, net of unamortized discount		**5,964,694**	3,235,429
Notes payable, community investment		**1,228,741**	711,149
Total current		**10,081,485**	6,191,854
Long-term			
Lines of credit		**298,605**	-
Notes payable, net of unamortized discount		**41,854,104**	37,518,253
Notes payable, equity equivalent investment, net of unamortized discount		**1,893,301**	913,014
Notes payable, community investments, net of unamortized discount		**2,300,512**	2,047,926
Total long-term, net		**46,346,522**	40,479,193
Total	**$**	**56,428,007**	46,671,047

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

Line of Credit	**2018**	2017
Bank, Line of credit of $3,000,000 for various loans at 4.25% interest, collateralized by lot mortgages, matures December 2017	**-**	561,892
Bank, Line of credit of $7,000,000 for various loans at 4.25% interest, collateralized by lot mortgages, matures May 2019	**298,605**	1,367,744
Bank, Line of credit of $3,000,000 at 4.25% variable interest, collateralized by mortgages, matures October 2018	**2,500,000**	-
Bank, Line of credit of $3,000,000 at 4.75% interest, collateralized by lot mortgages, matures November 2017	**388,050**	315,640
Total Lines of Credit	**$3,186,655**	$2,245,276

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, principal balance is due at and matures March 2022	**750,000**	750,000
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

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

	2018	2017
Bank, at 3.75% interest collateralized by mortgages, due in monthly payments and maturing February 2028	**1,219,786**	1,319,406
Bank, at 4.00% interest, collateralized by the Homewise headquarters building, due in monthly payments and maturing June 2037	**1,215,267**	1,256,339
Bank, unsecured at 4.50% interest, due in monthly payments, principal balance is due and matures June 2024	**894,501**	-
Albuquerque Community Foundation, at 3.00% interest, Interest only due in quarterly payments, principal and all outstanding interest due and matures June 2022	**250,000**	-
Bank, at 4.25% interest, collateralized by El Camino, Crossing development, the principal balance is due at and maturing May 2019	**479,808**	296,878
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	**148,025**	273,025
Calvert Social Investment Foundation, unsecured at 4.5% interest, with principal payments of $500,000 each due in March 2018 and March 2019 with the final payment due at maturity in March 2020	**999,195**	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	**4,861,103**	4,968,210

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

	2018	2017
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, unsecured at 2.75% interest, the principal balance Is due at and matures December 2022	**1,960,734**	500,000
Bank, at 3.44% interest, collateralized by mortgages, due in quarterly payments and maturing in January 2019	**53,548**	105,255
Bank, at 3.00% interest, collateralized by mortgages, the principal balance is due at and matures December 2017	**-**	500,000
Bank, 3.50% interest, collateralized by mortgages, quarterly payments are amortized over 30 years and due in full in March 2022	**368,028**	460,035
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 payments beginning February 2017 with a final payment of $75,000 due January 2021	**127,588**	145,579
Mercy Investment Services, Inc., unsecured at 3.00% interest, the principal balance is due at and matures June 2020	**1,000,000**	1,000,000
Christus Health, at 3.00% interest, collateralized by mortgages, the principal balance is due at and matures March 2020	**1,000,000**	1,000,000

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

	2018	2017
Bank, at 3.00% interest, collateralized by mortgages, monthly payments are amortized over 10 years and due in full in January 2018	**-**	309,689
Sachs Foundation, unsecured at 3.25% interest, the principal balance is due at and matures September 2021	**750,000**	750,000
Bank, at 4.50% interest, collateralized by mortgages, monthly payments are amortized over 15 years and due in full in September 2018	**1,286,834**	1,427,521
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, unsecured at 3.00% interest, the principal balance is due and matures July 2023	**1,500,000**	1,500,000
Bank, at 3.50% interest, collateralized by mortgages, monthly payments are amortized over 20 years and due in full in September 2023	**832,326**	871,916
Bank, at 4.50% interest, collateralized by mortgages, monthly payments are amortized over 15 years and due in full in September 2024	**4,121,751**	4,387,952
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

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

	2018	2017
Santa Fe Community Foundation, unsecured at 2.50% interest, the principal balance is due at and matures January 2023	**165,000**	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**	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
Bank, at 3.00% interest, collateralized by mortgages, with 2 principal payments of $1,000,000 each due in February 2025 and February 2026 and the remaining balance due on maturity in February 2027	**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	**1,849,400**	1,925,825
Bank, at 3.75% interest, collateralized mortgages, quarterly payments are amortized over 20 years and due in full in March 2030	**2,169,348**	2,438,622
Bank, at 3.75% interest, collateralized mortgages, quarterly payments are amortized over 20 years and due in full in March 2030	**928,672**	1,337,982
Bank, at 3.75% interest, collateralized mortgages, quarterly payments are amortized over 20 years and due in full in September 2030	**633,646**	834,018

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

	2018	2017
Housing Partnership Network NMTC I at 0.688% interest, secured by substantially all assets acquired by the organization from the loan proceeds, interest only monthly payments and due in full May 2024.	**4,875,000**	-
Total notes payable	**48,539,561**	41,123,252
Less current maturities	**(5,964,694)**	(3,235,429)
Less unamortized discount	**(720,763)**	(369,570)
Total notes payable, less current portion and unamortized discount	**$41,854,104**	37,518,253

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

Notes payable – Equity Equivalent Investment ("EQ2")

	2018	2017
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
Compass Bank, unsecured at 2.25% interest, the principal balance is due at and matures November 2027	**1,150,000**	-
Total notes payable – equity equivalent investment	**2,150,000**	1,000,000
Less unamortized discount	**(256,699)**	(86,986)
Total notes payable – Equity Equivalent Investment less unamortized discount	**$1,893,301**	**913,014**

There is no current portion due for equity equivalent investments at March 31, 2018, and 2017.

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:

	2018	2017
Notes Payable – Community Investment		
Individuals and trusts, notes at 1.00% to 2.50% Interest, maturing April 2017 to March 2018	**-**	743,550
Individuals and trusts, notes at 1.00% to 2.50% Interest, maturing April 2018 to March 2019	**1,271,700**	460,632
Individuals and trusts, notes at 1.00% to 2.50% Interest, maturing April 2019 to March 2020	**393,308**	365,203
Individuals and trusts, notes at 2.00% to 3.50% Interest, maturing April 2020 to March 2021	**730,288**	650,000
Individuals and trusts, notes at 2.00% to 3.50% Interest, maturing April 2021 to March 2022	**640,469**	625,040
Individuals and trusts, notes at 2.00% to 3.50% Interest maturing after April 2022	**597,351**	-
Total notes payable, community investment	**3,633,116**	2,844,425
Less current maturities	**(1,228,741)**	(711,149)
Less unamortized discount	**(103,863)**	(85,350)
Total notes payable, community investment less current portion and unamortized discount	**$2,300,512**	2,047,926

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

At March 31, 2018 scheduled future principal payments, net of unamortized discount, due on the notes payable and lines of credit are as follows:

Year ending March 31,	
2019	$ 10,081,485
2020	4,271,189
2021	5,251,169
2022	4,748,795
2023	7,908,913
Thereafter	24,166,456
Total future principal payments	$ 56,428,007

At March 31, 2018 the Organization was in compliance with all financial loan 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, 2018 follows:

	NWA	SFLT	Total
Cash	$ 683,940	167,992	851,932
Mortgage notes receivable	912,855	71,756	984,611
Accounts and escrows payable	-	(1,793)	(1,793)
Net assets	$ 1,596,795	237,955	1,834,750
Permanently restricted net assets, beginning of year	$ 2,281,136	237,955	2,519,091
Released from restriction	(684,341)	-	(684,341)
Permanently restricted net assets, end of year	**$ 1,596,795**	**237,955**	**1,834,750**

NOTE 8. PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)

Summarized activity in the funds at March 31, 2017 follows:

	NWA	SFLT	Total
Cash	$ 324,570	155,434	480,004
Mortgage notes receivable	1,958,444	84,309	2,042,753
Accounts and escrows payable	(1,878)	(1,788)	(3,666)
Net assets	$ 2,281,136	237,955	2,519,091
Permanently restricted net assets, beginning of year	$ 2,820,170	237,955	3,058,125
Grants of loan funds	25,000	-	25,000
Released from restriction	(564,034)	-	(564,034)
Permanently restricted net assets, end of year	**$ 2,281,136**	**237,955**	**2,519,091**

NOTE 9. GRANTS

Government Grants
Government grants for the year ended March 31, 2018 consist of:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
State and local awards				
City of Santa Fe – Administration of Housing programs	$ 143,382	122,000	-	265,382
Total non-federal awards	143,382	122,000	-	265,382
Federal awards				
HUD				
Community Development Block grant	-	82,393	-	82,393
CDFI Capital Magnet Fund	-	191,000	-	191,000
Other federal appropriations through NWA	631,064	-	-	631,064
Total federal awards	631,064	273,393	-	904,457
Total government grants	**$ 774,446**	**395,393**	**-**	**1,169,839**

NOTE 9. GRANTS (CONTINUED)

Government grants for the year ended March 31, 2017 consist of:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
State and local awards				
City of Santa Fe – Administration of Housing programs	$ 261,134	34,750	-	295,884
New Mexico Finance Authority	26,500	-	-	26,500
Total non-federal awards	287,634	34,750	-	322,384
Federal awards				
HUD Community Development Block grant	-	18,248	-	18,248
CDFI Capital Magnet Fund	-	2,000,000	-	2,000,000
Other federal appropriations through NWA	22,184	-	25,000	47,184
Total federal awards	22,184	2,018,248	25,000	2,065,432
Total government grants	**$ 309,818**	**2,052,998**	**25,000**	**2,387,816**

NOTE 10. FUNCTIONAL EXPENSES

For the year ended March 31, 2018, program, administrative and fundraising expenses were composed of the following:

	Program	Administrative	Fundraising	Total
Personnel services and benefits	$ 4,534,186	1,207,918	410,195	6,152,299
Client support	333,442	3,893	60	337,395
Interest	1,668,396	-	-	1,668,396
Occupancy	138,512	119,345	1,836	259,693
Real Estate Carrying Costs	484,986	45,079	694	530,759
Professional services	157,091	188,393	2,883	348,367
Administrative	348,294	247,088	30,603	625,985
Marketing	151,177	66,915	84,130	302,222
Professional development	170,847	44,878	14,062	229,787
Depreciation	11,973	178,428	2,745	193,146
Insurance	73,448	136,780	2,104	212,332
Amortization	557,209	-	-	557,209
Loan loss reserve	1,040,206	-	-	1,040,206
Bad debt, net of recoveries	49,975	-	-	49,975
Total functional expenses	**$ 9,719,742**	**2,238,717**	**549,312**	**12,507,771**

For the year ended March 31, 2017, program, administrative and fundraising expenses were composed of the following:

	Program	Administrative	Fundraising	Total
Personnel services and benefits	$ 4,113,010	1,130,456	328,164	5,571,630
Client support	239,718	573	9	240,300
Interest	1,508,380	-	-	1,508,380
Occupancy	123,801	76,819	1,232	201,852
Real Estate Carrying Costs	373,818	-	-	373,818
Professional services	155,414	102,719	2,962	261,095
Administrative	202,951	138,302	31,628	372,881
Marketing	101,919	20,867	74,492	197,278
Professional development	149,761	45,126	12,921	207,808
Depreciation	62,154	124,307	1,883	188,344
Insurance	37,861	113,981	1,727	153,569
Amortization	357,117	-	-	357,117
Bad debt, net of recoveries	415,936	-	-	415,936
Total functional expenses	**$ 7,841,840**	**1,753,150**	**455,018**	**10,050,008**

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 $276,227 and $237,867 for the years ended March 31, 2018 and 2017, 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, 2018, 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 $10,917,274 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, 2018, the Organization had four available letters of credit issued by financial institutions in the aggregate amount of $3,186,655 related to the Desert Sage, Las Palomas and El Camino Crossing 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, 2018 and 2017. The Organization files an exempt organization return in the U.S. federal jurisdiction.

NOTE 15. RELATED PARTY TRANSACTIONS

The Organization has a loan with SVH support totaling $2,000,000. An Organization Board Member is the President of SVH support 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, SVH support provides secondary loans to CSVRMC employees under the Employee Affordable Housing Program. The Organization provides mortgage loan servicing to SVH support for these loans.

The Organization has investments from both Homewise Employees and Homewise Board Members in Homewise Community Investment Notes. Related party investments totaled $79,979 and $96,664 for 2018 and 2017, respectively.

HOMEWISE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
March 31, 2018

	Pass-through Grantor Number or Other Identifying Number	CFDA	Expenditures
U.S. Department of Housing and Urban Development			
HUD - Community Development Block Grant			
(pass through from City of Santa Fe)			
Down payment assistance	16-0319, 16-0320, and 17-0388	14.218	$ 82,393
Total U.S. Department of Housing and Urban Development			82,393
U.S. Department of Treasury			
CDFI -			
(from U.S. Department of Treasury Capital Magnet Fund)	FAW-004594	21.020	191,000
			191,000
Consolidated and Further Continuing Appropriations Act of 2015 (pass through NeighborWorks America)	8155	21.000	631,064
Total U.S. Department of Treasury			822,064
Total all funding agencies			$ 904,457

HOMEWISE, INC.
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
March 31, 2018

NOTE 1. GENERAL

The accompanying schedule of expenditures of federal awards presents the federal financial assistance programs of Homewise, Inc. It is presented using the accrual basis of accounting, which is described in Note 1 to the financial statements.

NOTE 2. RECONCILIATION TO THE FINANCIAL STATEMENTS

Expenditures of federal awards	$	904,457
Non-federal expenses		265,382
Total expenses	$	1,169,839

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Independent Auditor's Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Directors of
Homewise, 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 financial statements of Homewise, Inc. (a nonprofit organization), which comprise the statement financial position as of and for the year ended March 31, 2018 , and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 21, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Homewise, Inc.'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of Homewise, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Homewise, Inc.'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 Homewise, Inc.'s financial statements are free of 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 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 result 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.

Ricci & Company LLC

Albuquerque, New Mexico
June 21, 2018

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Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors of
Homewise, Inc.

Report on Compliance for Each Major Federal Program
We have audited Homewise, Inc. (a nonprofit organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended March 31, 2018. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (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 each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each 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 each of its major federal programs for the year ended March 31, 2018.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 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.

Ricci & Company LLC

Albuquerque, New Mexico
June 21, 2018

HOMEWISE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended March 31, 2018

Section I— Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies reported?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies reported?	No
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 section 2 CFR 200.516(a)?	No

Identification of major programs:

CFDA Number	Name of Federal Program
21.020	Community Development Financial Institution

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

Section II — Financial Statements Audit Findings: None

Section III — Major Federal Program Audit Findings: None