homewise®

1301 Siler Road, Building D • Santa Fe, New Mexico 87507
505-983-WISE (9473) • www.homewise.org

Supplement to
Community Investment Note Prospectus dated August 30, 2022

The following information supplements and updates the Community Investment Note Prospectus of Homewise, Inc. ("Homewise") dated August 30, 2022 (as previously supplemented, the "Prospectus") relating to the sale of Community Investment Notes by Homewise. Capitalized terms used in this Supplement that are not defined in this Supplement have the meanings given to them in our Prospectus. You should read this Supplement in connection with the more detailed information about Homewise and its offering of Notes, including the Risk Factors, set forth in the Prospectus. Please keep this Supplement with your Prospectus for future reference.

The date of this Supplement is March 29, 2023.

Changes to Senior Leadership Team

Daniel Slavin has been promoted to Chief Financial Officer from his previous position as Deputy Chief Financial Officer and Chief Real Estate Development Officer of Homewise. Mr. Slavin's promotion coincided with the departure of Clay Simmons from his position as Chief Financial Officer. As Chief Financial Officer, Mr. Slavin will lead Homewise's financial strategy through complex financial analysis, including raising and structuring capital, income, profitability, liquidity, and asset and liability management. Mr. Slavin has over twenty years of experience in accounting, investments, housing, and health care. Before joining Homewise six years ago, he served as Director of Finance at Anchorum St. Vincent, the nonprofit co-owner of the Christus St. Vincent Regional Medical Center, for eight years. Prior to that, he served as a senior accountant at Low Income Housing Institute in Seattle, Washington. Mr. Slavin earned a Bachelors of Science in Finance from John Carroll University.

Rathi Casey has joined Homewise as Chief Creative Officer. In her new role, Ms. Casey will perform many of the functions previously held by Chief Communications Officer Lina Page, who recently departed Homewise. Ms. Casey has over twelve years of diverse experience in the creative industry, with expertise that includes graphic design, communications, website development, and architecture. She will be responsible for the visual brand and communications at Homewise, providing specific expertise and direction in the areas of design, brand messaging, marketing, outreach, and community building. Ms. Casey holds a Bachelors' of Architecture Degree from Rice University and has previously held positions in Paris, New York, Hong Kong, and San

Francisco. In 2019, she founded UKUU Creative, a design agency in Albuquerque, New Mexico, serving as Chief Executive Officer until she joined Homewise . She previously worked as an Architectural Designer at FBT Architects in Albuquerque, New Mexico, and before that, as an Architectural Designer at Davidclovers in Hong Kong. Ms. Casey serves on the Boards of Directors of Explora Museum, Cottonwood Classical Preparatory School, Excellent Schools New Mexico, Urban Land Institute NM, and CREW NM.

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The date of this Supplement is December 16, 2022.

Appointment of New Director

Jade Rivera has joined the Homewise Board of Director as a Board Member At Large. Ms. Rivera is the Founder and Executive Director of Albuquerque Collegiate Charter School, which she opened in 2018. Ms. Rivera is a native New Mexican, and solidified her commitment to education after joining Teach for America in Las Vegas, Nevada. She later served as a Policy Administrator in the Public Education Department of the State of New Mexico, directing innovative programs and professional development opportunities for educators across the state. Ms. Rivera was a member of the 2016 class of the Building Excellent Schools Fellowship, a year-long leadership training program focused on the demanding and urgent work of leading high-achieving, college preparatory charter schools. Ms. Rivera earned a Bachelor of Arts degree from the University of New Mexico, and a Masters of Education degree in Elementary Education from the University of Nevada, Las Vegas. She serves on the Boards of Directors for the Hispano Philanthropic Society, the Solare Collegiate Foundation, and Public Charter Schools of New Mexico.

Changes to Senior Leadership Team

Effective as of December 16, 2022, Laura Altomare has resigned from her position as President of Homewise. Ms. Altomare's duties as President will be performed by other members of the Homewise senior leadership team. Michael Loftin, Chief Executive Officer, will continue to drive the long-term vision, strategy, and financial well-being of Homewise. He will also continue to advance Homewise's HomeWisdom thought leadership initiative. Mr. Loftin has served as Chief

Executive Officer of Homewise since 1992. Clay Simmons, who has served as Chief Financial Officer of Homewise since 2020, will continue his service in that role.

In connection with a re-alignment of leadership responsibilities following Ms. Altomare's departure, certain senior leadership team members have been promoted to new roles within the organization. Elena Gonzales, formerly Senior Director, Policy and Resource Development, has been promoted to Chief Operating Officer. Johanna Gilligan, formerly Senior Director, Community Development, has been promoted to Chief External Affairs Officer. Daniel Slavin, formerly Senior Director, Real Estate Development, has been appointed to Deputy Chief Financial Officer and Chief Real Estate Development Officer. Lina Page, formerly Senior Director, Communications, has been promoted to Chief Communications Officer.

In addition, two new individuals have joined the Homewise executive leadership team.

Lois Page has joined Homewise as Chief Information Officer, with responsibility to provide information technology leadership and support ongoing advancements to Homewise's enterprise-level system architecture and data management. Prior to Homewise, Ms. Page served as Business Relationship Management Director for Republic Finance. Previous positions include IT PMO Director for Santander Consumer USA Holdings and Technical Project/Senior Technical Program Manager for Wells Fargo Bank. Ms. Page joined Wachovia in 1995, and over 24 years with the organization through various mergers and acquisitions (including Wachovia's merger with Wells Fargo), she managed the technology build-out and divestiture of branches, corporate officers, and data centers across the United States. She earned a Bachelors of Science degree in Business Management from the University of Phoenix, and an Associate of Arts degree in Computer Science from Wayne Community College in North Carolina.

Kelly O'Donnell has been promoted to Chief Research and Policy Officer, after joining Homewise in 2021 as the Director of HomeWisdom. Before she joined Homewise, Kelly was a research faculty member at the University of New Mexico and a private economic and public finance consultant for governments and nonprofit organizations in New Mexico and nationwide. Prior to that, Ms. O'Donnell held a series of senior leadership roles in the state government of New Mexico, including Director of Tax Policy, Deputy Cabinet Secretary for Economic Development, and Superintendent of the New Mexico Regulation and Licensing Department. She also served as research director for New Mexico Voices for Children. Ms. O'Donnell holds a Ph.D. in Economics from the University of New Mexico.

Community Investment Note Prospectus

Up to $5,000,000

August 30, 2022

Term/Maturity:	1, 3, 5, 10 and 15 Years as Selected by Investor
Rate:	0.50%, 1.00%, 1.50%, 2.50%, or 3.00% - Depending On Term of Note - Interest Rates Increase with Term
Minimum Investment:	$1,000 with additional increments of $100.00

This prospectus contains essential information about Homewise, Inc. Community Investment Notes (individually, a "Note" and, collectively, the "Notes"), unsecured debt securities that raise capital to secure affordable housing in New Mexico. The Notes are issued by Homewise, Inc., a tax exempt 501(c)(3) New Mexico nonprofit corporation (referred to as "Homewise," "we," "our," or "us"). Prospective investors are advised to read this prospectus carefully prior to making any decisions to invest in the Notes. Homewise's headquarters are located at 1301 Siler Road, Building D, Santa Fe, New Mexico 87507 and 500 2nd Street SW, Albuquerque, NM, 87102. Homewise's telephone number is (505) 983-9473.

This prospectus is intended to provide potential investors with information necessary to make an informed investment decision. However, nothing contained herein is intended as legal, accounting, tax, or investment advice, and it should not be taken as such. A prospective investor should consult his or her own legal counsel and/or financial advisor concerning potential investments in the Notes. An investor must rely on his or her own evaluations of Homewise, the Notes, and the terms of this offering, including the merits and risks involved.

The Note is a high-risk investment that cannot easily be liquidated. Descriptions of some of the risk factors associated with an investment in the Notes can be found in this prospectus beginning on page 3. However, there can be no assurance that this list is comprehensive. Unforeseen risk factors not included in this prospectus may adversely affect Homewise's operations in the future. Furthermore, the Notes are subject to restrictions on transferability and resale and may be transferred or resold only with Homewise's prior approval and pursuant to a registration under the Securities Act of 1933, as amended (the "Securities Act"), the Securities Exchange Act of 1934, as amended (the "Exchange Act") and applicable state securities laws, or pursuant a valid exemption therefrom. Investors should be aware that they may be required to bear the financial risks of a high-risk investment for an indefinite period of time and should expect to hold the Note until maturity.

The repayment of the funds of any prospective purchaser is dependent upon the financial condition of Homewise. From a financial point of view, the Notes should not be a primary investment in relation to the overall size of an investor's portfolio. An investor in the Notes should be able to lose up to his or her entire investment without suffering financial hardship. Investors are encouraged to consider the concept of investment diversification when determining the amount of Notes that would be appropriate for them in relation to their overall investment portfolio and personal financial needs.

A date has not been set for the termination of this offering. Homewise reserves the right to suspend the sale of the Notes for a period of time or to reject any specific Subscription Agreement, with or without a reason. Homewise may accept subscriptions for less than the minimum amount specified in its sole discretion. Payment from each investor is due upon or before acceptance of the Subscription Agreement from the investor.

The expenses of this offering are paid from our operating funds. This offering is not underwritten and no commissions are paid for the sale of the Notes. As a result, we receive 100% of the proceeds from this offering. We offer and sell the Notes only through our officers and employees and there are no outside selling agents involved in this offering. See the "Distribution" section of this prospectus, beginning on page 21.

This prospectus contains all of the representations by Homewise concerning this offering. Investors are advised to read this prospectus and the Subscription Agreement form carefully prior to making any decision to purchase the Notes. Investors are cautioned not to rely on any information not expressly set forth in this prospectus. No person has been authorized to give any information or to make any representation in connection with this offering other than those contained in this prospectus, and if given or made, such information or representations must not be relied upon as having been made by Homewise.

THE NOTES ARE BEING OFFERED UNDER AN EXEMPTION FROM FEDERAL REGISTRATION PURSUANT TO SECTION 3(A)(4) OF THE SECURITIES ACT AND SECTION 3(C)(10) OF THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). THE SECURITIES AND EXCHANGE COMMISSION HAS NOT MADE AN INDEPENDENT DETERMINATION THAT THESE SECURITIES ARE EXEMPT FROM REGISTRATION. THE NOTES ARE NOT EXEMPT IN EVERY JURISDICTION IN THE UNITED STATES; SOME JURISDICTIONS' SECURITIES LAWS (THE "BLUE SKY LAWS") MAY REQUIRE A FILING AND A FEE TO SECURE THE NOTES' EXEMPTION FROM REGISTRATION. THE NOTES WILL NOT BE LISTED ON ANY SECURITIES EXCHANGE.

INVESTORS SHOULD CAREFULLY READ THIS PROSPECTUS IN CONJUNCTION WITH THE DISCLOSURES IN THE COMMUNITY INVESTMENT NOTE SUBSCRIPTION

AGREEMENT FORM FOUND IN APPENDIX B BEFORE INVESTING. THIS FORM MAY ALSO BE OBTAINED FREE OF CHARGE BY CONTACTING HOMEWISE USING THE CONTACT INFORMATION PROVIDED IN THIS PROSPECTUS.

THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY FROM ANY PERSON IN ANY STATE OR ANY OTHER POLITICAL JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION MAY NOT LAWFULLY BE MADE. FEDERAL AND STATE SECURITIES LAWS MAY AFFECT HOMEWISE'S ABILITY TO CONTINUE TO SELL NOTES IN CERTAIN STATES.

THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT DETERMINED THE ACCURACY, ADEQUACY, TRUTHFULNESS, OR COMPLETENESS OF THIS DOCUMENT AND HAVE NOT PASSED UPON THE MERIT OR VALUE OF THESE SECURITIES, OR APPROVED, DISAPPROVED OR ENDORSED THE OFFERING. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE NOTES ARE NOT AND WILL NOT BE INSURED OR GUARANTEED BY ANY BANK, THE FEDERAL DEPOSIT INSURANCE COMPANY (FDIC), THE SECURITIES INVESTMENT PROTECTION CORPORATION (SIPC), OR ANY OTHER AGENCY. THE PAYMENT OF PRINCIPAL AND INTEREST TO AN INVESTOR IN THE NOTES IS DEPENDENT UPON OUR FINANCIAL CONDITION AND OPERATIONS. ANY PROSPECTIVE INVESTOR IS ENTITLED TO REVIEW OUR FINANCIAL STATEMENTS, WHICH SHALL BE FURNISHED AT ANY TIME DURING BUSINESS HOURS UPON REQUEST.

THESE SECURITIES ARE BEING OFFERED PURSUANT TO SECTION 3(A)(4) OF THE SECURITIES ACT, WHICH EXEMPTS FROM THE REGISTRATION PROVISIONS OF THE SECURITIES ACT "ANY SECURITY ISSUED BY A PERSON ORGANIZED AND OPERATED EXCLUSIVELY FOR . . . CHARITABLE . . . PURPOSES AND NOT FOR PECUNIARY PROFIT, AND NO PART OF THE NET EARNINGS OF WHICH INURES TO THE BENEFIT OF ANY PERSON, PRIVATE STOCK- HOLDER OR INDIVIDUAL . . . .".THESE SECURITIES ARE BEING OFFERED PURSUANT TO NEW MEXICO STATUTES SECTION 58-13B-201(G), WHICH EXEMPTS FROM REGISTRATION UNDER THE NEW MEXICO UNIFORM SECURITIES ACT "A SECURITY ISSUED BY A PERSON ORGANIZED AND OPERATED EXCLUSIVELY FOR . . . CHARITABLE . . . PURPOSES . . . , AND NOT FOR PECUNIARY PROFIT, NO PART OF THE NET EARNINGS OF WHICH INURES TO THE BENEFIT OF A PRIVATE STOCK- HOLDER OR OTHER PERSON . . . ."

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF HOMEWISE AND THE TERMS OF THE OFFERING, INCLUDING THE DISCLOSURE, MERITS, AND RISKS INVOLVED. INVESTORS ARE ENCOURAGED TO CONSIDER THE CONCEPT OF INVESTMENT DIVERSIFICATION WHEN DETERMINING THE AMOUNT OF THE NOTES THAT WOULD BE APPROPRIATE FOR THEM IN RELATION TO THEIR OVERALL INVESTMENT PORTFOLIO AND PERSONAL FINANCIAL NEEDS.

STATE SPECIFIC INFORMATION

FOR RESIDENTS OF OREGON AND CALIFORNIA ONLY

In order to remain in compliance with policies established within Oregon and California, automatic rollover at maturity (as discussed on page 22) will not be offered to Note holders residing in these states. Homewise will require positive affirmation from Oregon and California Note holders at or prior to the maturity of their investment, and in the absence of such positive affirmation the Note will be closed and the principal of the Note, together with any interest payable, will be returned to the investor.

FOR RESIDENTS OF WASHINGTON ONLY

In Washington, these securities are offered or sold only (i) to persons who, prior to their solicitation for the purchase of the securities, were members of, or contributors to, or listed as participants in, Homewise or their relatives, (ii) to institutional investors, (iii) to existing security holders or (iv) pursuant to other applicable exemption under RCW 21.20.310 or 21.20.320.

"Relatives" include a member's spouse and the following relatives of the member or the member's spouse: parents, grandparents, natural or adopted children, aunts and uncles and first cousins.

"Institutional investor" includes a bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or a broker-dealer, whether the purchaser is acting for itself or in some fiduciary capacity. "Institutional investor" also includes (a) a corporation, business trust, or partnership, or wholly owned subsidiary of such an entity, which has been operating for at least 12 months and which has a net worth on a consolidated basis of at least $10 million as determined by the entity's most recent audited financial statements, such statements to be dated within 16 months of the sale of the securities; (b) any tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code of 1986 which has a total endowment or trust funds of $5 million or more according to its most recent audited financial statements, such statements to be dated within 16 months of the sale of the securities; and (c) any wholly-owned subsidiary of a bank, savings institution, insurance company, or investment company as defined by the Investment Company Act of 1940. "Institutional investor" does not include a natural person, individual retirement account (IRA), Keogh account, or other self-directed pension plan.

ANY PROSPECTIVE PURCHASER IS ENTITLED TO REVIEW FINANCIAL STATEMENTS OF THE ISSUER WHICH SHALL BE FURNISHED UPON REQUEST. THE RETURN OF THE FUNDS OF THE PURCHASE IS DEPENDENT UPON THE FINANCIAL CONDITION OF THE ORGANIZATION. RECEIPT OF NOTICE OF EXEMPTION BY THE WASHINGTON ADMINISTRATOR OF SECURITIES DOES NOT SIGNIFY THAT THE ADMINISTRATOR OF SECURITIES HAS APPROVED OR RECOMMENDED THESE SECURITIES, NOR THAT THE ADMINISTRATOR HAS PASSED UPON THE OFFERING. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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Appendix A – Consolidated Financial Statements of Homewise, Inc. for the years ended March 31, 2022, 2021, and 2020.

Appendix B – Subscription Agreement Form

Appendix C – Form of Note

KEY INVESTMENT TERMS

Issuer:	Homewise, Inc., a New Mexico nonprofit corporation that is a tax-exempt 501(c)(3) public charity.
Securities Offered:	Up to $5,000,000 of unsecured Notes constituting general obligation debt of the Issuer.
Authorized Denominations:	Minimum investments of $1,000 with increases in increments of $100.
Term of Investments:	Notes may be purchased for terms of 1, 3, 5, 10 and 15 years.
Interest Rates and Payment Options:	Interest rates range from 0.50% to 3.00% depending on the maturity selected. Interest rates increase with term.
Offering Period:	No termination date has been set for this offering.
Rating:	The Notes have not been rated.
Use of Proceeds:	Proceeds of the offering will be used for Homewise's general corporate purposes. Homewise's mission is to help create successful homeowners and strengthen neighborhoods so that individuals and families can improve their long-term financial wellbeing and quality of life. Homewise provides financial counseling, property development, government program administration, fixed-rate mortgages, home improvement loans, refinance loans, real estate sales, and community development.
Distribution and Administration of Notes:	The Notes will be offered by Homewise through our Chief Executive Officer, President and/or our Chief Financial Officer depending on the state where the investor is located.
Interest Accrual:	Interest begins to accrue upon the date that investor funds are received. Accruals are calculated on the basis of twelve 30-day months and a 360 day year.
Ranking:	The Notes constitute unsecured general obligations of Homewise. Homewise has secured obligations that rank senior to the Notes and has other unsecured general obligations of equal rank with the Notes.
Redemption at Investor's Request:	Not available.

Redemption at Homewise's Option:	Homewise may, at its election, call and redeem any or all of the Notes in whole or in part at any time prior to maturity at a price of the principal amount redeemed plus any accrued and unpaid interest calculated on a 30/360 day basis.
Renewal Options:	If permitted by the Note holder's state of residency, a Note holder may elect to automatically renew Notes upon maturity at the interest rate prevailing in the current prospectus at the maturity date, for a term closest in duration to the term of the maturing Notes.
Covenants:	The Notes are not subject to any indenture or other covenant.
Risk Factors:	Investment in the Notes carries risks. Please see "Risk Factors" section in this prospectus beginning on page 3.
Tax Aspects:	The purchase of Notes by an investor is not deductible for federal tax purposes. Any interest accrued on the Notes is taxable. Please see "Tax Aspects" section in this prospectus, beginning on page 24, for further information.

RISK FACTORS

An investment in the Notes involves various material risks, including the loss of principal. Prior to any investment, and in consultation with their financial and legal advisors, investors should carefully consider, among other matters, the following risk factors. There can be no assurance that the following list of risks associated with an investment in a Note is comprehensive. Additional risks not presently known to Homewise or that are currently deemed immaterial could also materially and adversely affect Homewise's financial condition, results of operations, activities, and prospects.

General

The discussion herein of risks is not intended as dispositive, comprehensive or definitive, but rather is to summarize certain matters that could affect payment of principal of and interest on the Notes. The order in which such risks are presented does not necessarily reflect the relative importance of such risks or the likelihood that any of the events or circumstances described below will occur or exist.

Risks Associated with COVID-19 Pandemic

The outbreak of the novel coronavirus, COVID-19, significantly disrupted societal operations, the economy and financial markets in the United States and globally. The unprecedented nature of the pandemic and the uncertainty and fluidity of this situation precludes any prediction as to its ultimate adverse impact, the coronavirus outbreak represents a material uncertainty and risk with respect to our activities, financial condition, results of operations and/or cash flows. Please see Note 19 to our audited financial statements for the year ending March 31, 2022, which are included as an Appendix to this Prospectus (the "**Audited Financial Statements**") as well "Impact of the COVID-19 Pandemic," below, for more information concerning the impact of COVID-19 on our operations.

The lingering effects of the COVID-19 pandemic and the possibility of secondary outbreaks of any variants may cause Homewise to experience adverse consequences that have yet to materialize, including, among other risks, a material increase in requests for payment extensions from our borrowers; a material adverse impact on the financial condition of our borrowers, making it more difficult for our borrowers to repay loans and/or requiring us to increase our allowance for loan and lease losses; a decreased demand for new loans; a decrease in housing values in New Mexico, which could cause the value of collateral securing our loans to decrease; an unusually large number of our investors electing not to renew their Notes upon maturity and/or a decline in sales of new Notes; less productive operations due to our personnel missing work; negative impact on our ability to access capital on attractive terms or at all; and/or a decrease in our liquidity. These effects could have a material adverse impact on our activities, financial condition, results of operations and/or cash flows, which could negatively affect our ability to meet our payment obligations under the Notes.

Risk Level of Unsecured, Uninsured Investments; No Trust Indenture or Sinking Fund

The Notes are unsecured general obligations of Homewise and are not deposits or obligations of, or guaranteed or endorsed by, any bank or other party. You will not be a secured creditor of Homewise or have priority recourse against any of our assets. You must depend solely upon our financial condition and operations for repayment of principal and interest. Homewise has other outstanding unsecured general obligations, as well as secured obligations. Please see Note 11 to our Audited Financial Statements, which are included as an Appendix to this Prospectus, for details regarding our borrowed indebtedness, including outstanding amounts, security, interest rates, and lenders.

The Notes are not insured by any federal or state agency, including the FDIC or SIPC. Payment of principal and interest will depend solely upon the financial condition of Homewise. Without such insurance or protection, an investment in our Notes is subject to investment risks, including the potential to lose the entire principal amount you invest.

No sinking fund or other similar deposit has been or will be established by Homewise to secure repayment of the principal of the Notes or to secure payment of accrued interest. As a result, our ability to repay the principal and interest on the Notes will depend on the success of our operations and the availability of other capital.

Additionally, no trust indenture has been or will be established to provide for the repayment of the Notes and no trustee has been or will be appointed. Debt, such as the obligations represented by the Notes, is often issued pursuant to a trust indenture, such as the type required for many debt offerings by the Trust Indenture Act of 1939. These indentures provide covenants and procedures to protect debt owners and appoint a trustee to act for the benefit of all debt holders, to exercise their remedies collectively, and to protect their interests. However, the Notes issued pursuant to this prospectus are not currently governed by any indenture and there is no trustee. The Notes are being issued pursuant to an exemption from the Trust Indenture Act, and the provisions of that Act designed to protect debt owners are not applicable to our Note holders. No trustee monitors our affairs on behalf of Note holders, no agreement provides for joint action by Note holders in the event we default on the Notes and you do not have the other protections a trust indenture would provide. Accordingly, in the event of a default under the Notes, each holder will have to seek available remedies on an individual basis, which is likely to be expensive and may not be economically practicable. Other than our covenant to pay principal and interest, we are making only limited covenants, representations or warranties to investors.

Therefore, the relative risk level may be higher for the Notes than for other similar securities for which a trust indenture or sinking fund is established.

Payment of Debt Service; Revenue Sources

Payment of the Notes depends on the ability of Homewise to generate revenues or raise capital sufficient to cover debt service on the Notes and all other indebtedness of Homewise while meeting its operating expenses and other cash requirements. No representation can be made or assurance given that revenues will be realized by Homewise in amounts sufficient to make the payments necessary to meet the obligations of Homewise and to make debt service payments on the Notes as they become due.

Homewise's net revenues are subject to a variety of economic and non-economic circumstances, many of which are not within Homewise's control. Examples of these factors include, but are not limited to, collection of loan receivables, ability to raise capital, exposure to interest rate movements, success of real property sales, loan volumes originated and fees collected, real estate sales volumes and commissions earned, ability to secure grants, and the impact of federal laws on nonprofit and charitable organizations such as Homewise. Any of these factors could adversely affect Homewise's ability to make the debt service payments on the Notes.

Homewise receives significant revenues from the City of Santa Fe, the City of Albuquerque, federal agencies, private foundations, and other private sources. A loss of one of these funding sources, or a significant decrease in funding available from one or more of these sources, could impair Homewise's financial condition and/or its ability to meet its obligations to Note holders. A significant portion of Homewise's revenue is derived from grants, which are neither guaranteed nor renewable. Large grants are often associated with lengthy and stringent application processes, which can make them difficult to obtain. In addition, periods of economic hardship can cause a decrease in revenue from grants as contributors adopt more conservative financial practices. A significant portion of Homewise's grant revenue consists of federal loan capital grants. Changes in federal policy or appropriations with regard to these grants could significantly impact Homewise. Because of the uncertain nature of grants as revenue sources, there is a risk that a sudden reduction in grants could occur, which could potentially impair Homewise's ability to meet its obligations to Note holders. For more information concerning Homewise's grant funding, see Notes 13 and 16 to our Audited Financial Statements, which are included as an appendix to this Prospectus.

Availability of Funding and Capital

We already owe substantial sums to other lenders and have secured such debt with a significant portion of our assets. (Please see Notes 10 and 11 to our Audited Financial Statements, which are included as an Appendix to this Prospectus, for details regarding our borrowed indebtedness, including outstanding amounts, security, interest rates, and lenders.) Depending on the aggregate balance of Notes that we ultimately issue pursuant to this Offering and subsequent similar offerings, the amount of our other debt obligations (including, without limitation, secured debt senior to the Notes), and the rate of delinquencies and defaults by our borrowers, our reserves may not be sufficient to cover cash shortfalls that we may periodically experience, which could adversely impact our ability to pay principal and interest on the Notes as they become due. Our most significant revenue sources include home development sales, grants and contributions, loan origination fees and interest, and real estate commissions. If our funding sources reduce their support or if we suffer unexpected defaults and losses in our loan portfolio, we could experience financial difficulties that might jeopardize our ability to pay the interest and principal due from time to time on the Notes.

Additional Indebtedness; Liens on Assets

Homewise may issue additional indebtedness, secured or unsecured, and grant liens or encumbrances on any of its property. The incurrence by Homewise of additional indebtedness, secured or unsecured, may adversely affect Homewise's ability to make payments required on the Notes. The Notes are not secured by a lien on any fixed asset of Homewise. The granting of mortgages, deeds of trust, security interests and other liens on its properties to secure other obligations of Homewise may hinder or preclude realization from such properties of amounts sufficient to pay the Notes if Homewise should encounter financial difficulties.

Maintenance of Tax-Exempt Status

Homewise has received a letter from the Internal Revenue Service ("IRS") confirming its status as a tax-exempt organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). To maintain such status, Homewise must conduct its operations in a manner consistent with representations previously made to the IRS and with current and future provisions of the Code, IRS regulations and rulings governing tax-exempt charitable organizations.

The maintenance of the federal tax-exempt status of an organization is contingent on compliance with general rules promulgated in the Code and related regulations regarding the organization and operation of tax-exempt entities, including their operation for charitable purposes and their avoidance of transactions which may cause their earnings or assets to inure to the benefit of private individuals. One of the tools available to the IRS to discipline a tax-exempt entity for private inurement or unlawful private benefit is revocation of the entity's tax-exempt status. If the IRS were to make a finding of private inurement or unlawful private benefit, it could revoke Homewise's tax exempt status.

In recent years, the IRS and members of Congress have expressed the view that there should exist more restrictive rules governing the tax-exempt status of 501(c)(3) organizations generally. Future regulations and rulings of the IRS could adversely affect the ability of Homewise to charge and collect revenues, finance and refinance certain of its indebtedness, or otherwise generate revenues necessary to provide for payment of the Notes. If Homewise should fail to meet any of the requirements specified by the Code and regulations thereunder as necessary to maintain its tax-exempt status, Homewise, its property, and its revenues could become subject to federal, state and local taxation, and such loss of tax-exempt status would likely have a significant adverse effect on Homewise and its operations.

Liquidity of Assets

More than half of our assets are portfolio loans that are difficult to sell to third parties because they do not meet the purchasers' underwriting standards. They are secured by junior mortgages, or they are deferred mortgage loans (due when the house securing the loan is sold, refinanced, or vacated by the owner). For amortizing loans, we maintain an Allowance for Loan and Lease Losses (ALLL) that is the larger of 2% of the outstanding loan balance or the results from our proprietary expected loss model which reserves 0.68% of the balance of loans that are "current" or 30 days or less past due, 3.44% of the outstanding balance for loans that are 31 to 60 days past due, 11.52%

of the outstanding balance for loans that are 61 to 90 days past due, and 53.90% of the outstanding loan balance for loans that are more than 90 days past due. The Homewise expected loss model calculates the appropriate ALLL for each product type based on its delinquency status (current, 31-60, 61-90 and more than 90 days) by multiplying the estimated severity for each product by the estimated Constant Default Rate (CDR) for the respective product and delinquency status combinations. For deferred loans, we calculate the ALLL as follows: (a) any deferred loan that is subordinate to a delinquent first or second loan is reserved at 100% loss and (b) the prepayment adjusted cash flows of the deferred loans behind amortizing mortgages that are all current are discounted at the weighted average interest spread between the yield of amortizing loans and the cost of Homewise debt to estimate the lost economic opportunity. The identified opportunity cost in (b) is added to the reserves calculated in (a) to comprise the ALLL for deferred loans.

Some of the capital raised by the Notes may be used to purchase and develop real property for resale. As a result, these investments are inherently illiquid. There can be no guarantee that Homewise will be able to sell the property in a timely or profitable manner. As a result, Homewise may not have enough cash on hand to repay Note holders on time or at all.

Federal and State Regulations

Future changes in federal or state laws, rules, or regulations governing the sale of securities by religious, charitable, or other nonprofit organizations, or the policies, practices and procedures under which regulators review registration materials or exemption applications, may make it more difficult or costly for Homewise to offer the Notes. Such an occurrence could result in a decrease in the amount of the Notes sold by Homewise, which could potentially affect Homewise's operations and its ability to meet its obligations to Note holders. If Homewise does not continue to qualify the Notes in any particular state, holders in such states may not be able to reinvest at maturity.

Interest Rates

Investors may select an interest rate from among those offered by Homewise. Interest rates for the Note currently range from 0.50% to 3.00%, depending on the maturity date of the Note. Once a Note is issued with the selected rate, the interest rate will remain fixed for the duration of the Note. However, Homewise may change the rates offered for newly issued Notes at any time. Should commercial rates rise relative to the rates established in this offering, Homewise is not legally obligated to redeem the principal or make a partial redemption of an outstanding Note prior to its maturity. If commercial rates fall relative to those established in this offering, Homewise may call and redeem some or all of the Notes prior to maturity, and investors whose Notes are redeemed may be unable to reinvest at higher interest rates. Interest rates offered for the Notes may not be as high as those offered by other institutions for similar securities. Furthermore, risks of investment in the Notes may be greater than implied by the relatively low interest rates on the Notes. To further Homewise's nonprofit mission and community development objectives, Homewise offers the Notes at relatively low interest rates and upon other terms generally favorable to Homewise. Accordingly, you should consider the Notes to offer a low rate of return and generally less favorable terms when compared to other investments of comparable risk.

Inflation

The United States has recently experienced elevated levels of inflation. Continued levels of inflation could have complex effects on Homewise's results of operations and financial condition, some of which could be materially adverse. For example, inflation-driven increases in non-interest expenses could negatively impact Homewise's results of operations. Continued elevated levels of inflation could also cause increased volatility and uncertainty in the markets we serve, which could adversely affect loan demand and the ability of Homewise's borrowers to repay indebtedness. The duration and severity of the current inflationary period cannot be estimated with precision.

Risks Associated with Environmental Contamination

We do not typically conduct an environmental audit before approving a loan. If environmental pollution or other contamination is found on or near property owned by Homewise or securing a loan made by Homewise, our security for the loan could be impaired, or in some cases, we could face environmental liability. In addition, changes in environmental regulations could require the borrower to incur substantial unexpected expenses to comply with such regulations, and this could impair both the value of the collateral and the borrower's ability to repay us.

Additionally, if environmental contamination were discovered on land owned or sold by Homewise, governmental authorities could require a clean-up of the site, and Homewise could be required to pay all or a part of such clean-up costs, which could be substantial. Homewise has no reason to believe that any land owned by it has environmental problems of a material nature. However, there can be no assurances that all of its land is free of liability for environmental concerns.

No Early Redemption at the Request of a Note Holder

The interest rates on the Notes are lower than commercial rates and may be lower than the rates offered by banks and other financial institutions for federally guaranteed debt instruments. If commercial rates rise, there is no provision that would allow Note holders to seek early repayment of their Notes in order to reinvest the proceeds in investments having a higher return. This risk is heightened, especially for longer term Notes, because there is no trading market for the Notes. Interest rates offered for the Notes also may not be as high as those offered by other charitable organizations for similar securities. Furthermore, the risks of investment in the Notes may be greater than implied by the relatively low interest rates on the Notes.

Key Personnel

Homewise's operations are and will remain dependent upon the services and skills of senior management personnel, who are expected to continue to devote their time to its activities. If Homewise loses the services of these key personnel, it could have a negative impact on Homewise's activities because of their skills, years of industry experience and the difficulty of promptly finding qualified replacement personnel. The services of Michael Loftin, Homewise's Chief Executive Officer, Laura Altomare, Homewise's President, and Clay Simmons, Homewise's Chief Financial Officer, would be particularly difficult to replace. If any of these executives becomes unable to execute his or her responsibilities, or if Homewise is unable to attract and retain skilled management personnel, its activities, results of operations, and ability to repay the Notes could be adversely affected.

Uninsured Deposits

At March 31, 2022, Homewise held deposits with multiple banks that individually exceeded the Federal Deposit Insurance Coverage (FDIC) limit of $250,000. Management has taken action to mitigate the credit risk associated with its uninsured, uncollateralized or under-collateralized funds, which had an aggregate balance of $19,714,828 as of March 31, 2022, by depositing with well-known and reputable institutions.

Public and Secondary Markets

The nature of this offering does not afford the opportunity of a public or secondary market. Consequently, the purchase of a Note should be viewed as an illiquid investment to be held to maturity.

Difficulty of Achieving and/or Measuring Results

While Homewise prides itself on achieving tangible, lasting results in creating affordable and sustainable housing, all activities, including those funded by the proceeds of this offering, are by nature difficult to achieve and often may not be measurable for years after implementation. There is no guarantee of success or outcome, despite the best efforts of Homewise staff and partners working on such projects or activities. You should consider the social investment that the purchase of a Note represents and the potential benefits to the community of the loans funded in part from the proceeds of the Notes. The value to each investor of this community benefit is a subjective matter dependent upon your own personal evaluation of the benefits of the activities carried out by Homewise and our impact on the community as a whole. There can be no assurance that the intended community benefits of particular projects we finance will be achieved.

Change in Operations, Non-Profit, or Tax Exempt Status

Federal and New Mexico state authorities have determined that we are exempt from federal and state income taxation on the basis of our charitable purpose. This determination rests upon a number of conditions and assumptions that must continue to be met on an ongoing basis. If we fail to comply with any of these conditions or assumptions, we could lose our non-profit, tax exempt status and be subjected to federal and/or state income taxation. In addition, we are not obligated to continue our current operations or existence as a non-profit entity. If we became subject to federal or state income taxation, this could negatively impact our financial viability and cash flow, and our ability to sell Notes pursuant to exemptions for non-profit charitable organizations, all of which could ultimately negatively impact our ability to meet our obligations under the Notes.

No Minimum Offering

The sale of the Note is not subject to a minimum offering amount. A low sales volume will not necessarily prompt a cancellation of this offering or an early redemption of any outstanding Notes. Because there is no minimum amount of the offering, the estimated proceeds of the offering cannot be determined.

Bankruptcy

The Notes are subject to bankruptcy, insolvency, moratorium, reorganization and other state and federal laws affecting the enforcement of creditors' rights. Bankruptcy proceedings by Homewise could have adverse effects on Note holders that might eliminate, reduce, or delay payments on the Notes.

Competition for Contributions

Homewise competes for the contributions of donors against other housing organizations and other non-profit entities dedicated to a variety of charitable, social, educational, or religious purposes. Competitors range in size from international organizations to small community-based projects. Other organizations may be more effective in soliciting donations, obtaining grants, and raising capital. Homewise's ability to repay the Notes could be adversely affected if it is unable to successfully compete for charitable contributions and other sources of revenue.

Lending Criteria and Risks of Loan Default

Our lending criteria used in determining whether a loan should be made may be more lenient than the criteria used by banks and other commercial lenders. We are a nonprofit organization. Most of our loans are made to finance home ownership by low- and moderate-income households. In many cases, our borrowers would not have been able to obtain an equivalent amount of financing or equivalent terms from a bank or other conventional lender. Additionally, in view of the relationship we have with our borrowers, we have been willing, in certain instances in the past, to accommodate late payments to an extent greater than a commercial lender may be willing to do. We may continue to do this in the future. Historically, delinquency rates have been lower than the average delinquency rates on loans by other lenders. See "Additional Information about Homewise - Due Diligence and Underwriting Standards" section in this prospectus on page 26. Nevertheless, for the reasons above, repayment of our loans generally has greater risk of loss than traditional loan financing by conventional financial institutions.

Real Estate Development Operations

Homewise both acquires homes for rehabilitation and develops and builds new homes for sale to its customers. Whenever we acquire and rehabilitate or build a home, we risk not being able to sell it, which would significantly impact our overall operating margin and burden us with carrying costs on the significant amount of land and improvements that we own. We mitigate this risk for the vast majority of new homes we build, by waiting to start construction until we have a purchase contract in place. Nevertheless, a risk still exists that buyers may cancel their contracts after construction has begun. We cannot guarantee that we will be able to sell these homes with a sufficient profit margin, and we cannot guarantee that we will be able to secure loans for construction, acquisition or rehabilitation financing. The occurrence of any of these events could have an adverse effect upon us and our ability to repay the Notes when due.

Potential Inadequacy of Foreclosure as a Remedy

If a borrower defaults on a loan, it has been our practice not to foreclose immediately on the loan, but instead to work with the borrower to try to resolve the borrower's difficulties. In some circumstances, this may involve restructuring or refinancing the loan. In other circumstances, we may take a deed to the property in lieu of foreclosure. We generally maintain our legal right to foreclose at any time during the workout or restructuring process. If we make a loan that defaults, there can be no assurance that the value of the real property that secures the loan will be adequate to fully repay the loan. If a default occurs, there may be substantial periods of time during which we will receive no payments in satisfaction of the loan. These events could affect our ability to make payments on our Notes.

Geographic Concentration of Loans

Homewise extends loans to low- and moderate-income residents of New Mexico. Although loans are collateralized by the borrowers' property, a risk exists that property values may fall below the loan values creating a concentration of credit risk. The majority of our loans are to borrowers in the Santa Fe and Albuquerque, New Mexico areas. Adverse economic conditions, reduction in population and the loss of purchasing power by residents in the Santa Fe or Albuquerque areas specifically or in New Mexico generally could adversely affect the ability of our borrowers to repay their loans. If real estate values decline in the Santa Fe or Albuquerque areas or New Mexico in general due to the above factors, wildfires, earthquakes, floods, droughts, other acts of nature, acts of terrorism, or any other reason, the decline could adversely affect the value of the properties serving as collateral for our loans. Due to the geographic concentration of our loans in New Mexico and the Santa Fe and Albuquerque areas specifically, adverse economic and other conditions generally affecting residents and businesses in those areas could have an adverse effect upon us and our ability to repay the Notes when due.

Limitations on Foreclosure of Collateral

Our remedies as a creditor upon default by any of our borrowers are subject to limitations and borrower protections imposed under various laws, regulations and legal principles that provide protections to borrowers. Our legal and contractual remedies, including those specified in our promissory notes and mortgages typically require judicial actions, which are often subject to discretion and delay. Under existing law (including, without limitation, the Federal Bankruptcy Code), the remedies specified by our promissory notes and mortgages may not be readily available or may be limited. A court may refuse to order the specific performance of the covenants contained in the promissory notes and mortgages. In addition, the laws of a particular jurisdiction may change or make it impractical or impossible to enforce specific covenants in the loan agreements.

Impairment of Collateral

The various security interests established under our mortgages and deeds of trust may be subject to other claims and interests. Examples of these claims and interests are rights arising from mortgages that are senior to Homewise's mortgages; statutory liens; rights arising in favor of the United States, or any agency thereof; constructive trusts or equitable liens otherwise imposed or conferred by any state or federal court or court of competent jurisdiction in any foreign country, including the exercise of its equitable jurisdiction; and federal bankruptcy laws or bankruptcy laws of another jurisdiction affecting amounts earned by the borrower after institution of bankruptcy proceedings by or against the borrower.

No Right to Participate in Management of Homewise

Control of Homewise is exercised by our Board of Directors. The purchase of a Note does not entitle you to participate in our management or any decision making.

Interest Rate Changes

Interest rate changes may negatively affect our profitability. Our loans receivable have an average term to maturity that is significantly longer than the average maturity term of our indebtedness, including the Notes. As a result, if interest rates vary in the future, the average interest rate we pay on Notes and other indebtedness could increase more quickly than the average interest rate we receive on loans. It is Homewise's practice to mitigate this risk by seeking to maintain a strong net asset position to enable us to lend in a rising interest rate environment. Nevertheless, there may be periods of time when we are unable to obtain an average return on our investments and loans that is greater than our average interest payment obligations. This could have an adverse impact on our ability to repay our Notes when due.

Additional Notes to be Sold

We expect to sell additional Notes in this and other offerings. The total amount of $5,000,000 to be sold in this offering is not a limitation on the amount of Notes or other debt securities we may sell in other offerings we may conduct. We have sold our Notes in other offerings in prior years and anticipate that we will continue to sell additional Notes or other debt securities as part of a continuous offering process.

Homewise's Right to Redeem

We have the right to redeem any or all Notes at any time without advance notice, and without your consent. Interest will be paid to the date of redemption.

Right to Change Policies

We reserve the right to change our policies. At various points in this prospectus, we describe our policies, such as our loan policies and our investment policies. These descriptions are intended to help you understand our current operations. We reserve the right to change our policies and procedures generally, including our loan and investment policies.

Litigation

Homewise is involved in litigation in the ordinary course of its operations. Litigation can be time consuming and costly, and there can be no assurance that Homewise will not become involved in litigation that could have a material adverse effect on its activities or its ability to repay the Notes when due or at all.

Other Risks

The paragraphs above discuss certain Note holders' risks, but are not intended to be a complete enumeration of all risks associated with the purchase or holding of the Notes. Unforeseen circumstances affecting the operations of Homewise may affect revenues and payments of principal of and interest on the Notes.

Important Information Regarding Forward-Looking Statements

If and when included in this prospectus, the words "expects," "forecasts," "plans," "believes," "projects," "intends," "anticipates," "estimates" and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of Homewise. These forward-looking statements speak only as of the date of this prospectus. Homewise disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in Homewise's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

About Homewise

Homewise, Inc. is a 501(c)(3) not-for-profit corporation created to secure affordable housing in New Mexico. Homewise's mission is to help create successful homeowners and strengthen neighborhoods so that individuals and families can improve their long-term financial wellbeing and quality of life. Homewise provides financial counseling, property development, government program administration, fixed-rate mortgages, home improvement loans, refinance loans, real estate sales, and community development.

Homewise's principal activities are:

- Providing financial literacy classes, homebuyer education classes, and individual financial counseling;

- Assisting homebuyers to locate and purchase a suitable, affordable home;

- Lending money to low- and moderate-income households to purchase, improve or repair their homes;

- Developing, constructing and selling affordable, environmentally sustainable homes; and

- Community development and revitalization of disinvested neighborhoods through residential and commercial real estate development, acquisition and rehabilitation.

Homewise is a chartered member of NeighborWorks® America, a national network of community-based organizations, and a member of the Opportunity Finance Network, a national network of private financial intermediaries with a proven expertise in lending. Homewise is certified as a Community Development Financial Institution[1] by the U.S. Department of Treasury's Community Development Financial Institution Fund.

Homewise has six wholly-owned for-profit subsidiaries: Homewise Mortgage, LLC, Homewise Orpheum, LLC, Homewise Ruppe, LLC, HW Coronado Complex, LLC, Big Sky Santa Fe, LLC, and Buckman Development, LLC. Homewise Orpheum, LLC is a single-purpose entity that owns the building that houses our Albuquerque Homeownership Center and Community Hub. Homewise Ruppe, LLC is a single-purpose entity that owns the historical Ruppe pharmacy building, which was redeveloped as a rental property for community use. Homewise Mortgage, LLC is a single-purpose entity that provides capital for mortgage lending and supports economically and environmentally healthy communities, especially those with low incomes. HW Coronado Complex, LLC is a single-purpose entity that owns the buildings located at 1411 - 1417 4th SW in Albuquerque, which are being redeveloped for commercial and residential occupancy. Big Sky Santa Fe, LLC is a single-purpose entity that owns a tract of land in Santa Fe, held for future development. Buckman Development, LLC is a single-purpose entity that owns a tract of land in Santa Fe, held for future development.

Homewise is rated by Aeris™ (formerly CARS®). Aeris™ is a comprehensive, third-party analysis of community development finance institutions that aids investors and donors to make informed investment decisions. As of March 2020, the Homewise Aeris Impact Performance rating was "4 stars" (the highest rating) indicating a clear alignment of mission, strategies, activities and data that guide programs and planning. The Homewise Aeris rating for Financial Strength and Performance was "AA" (the third highest rating) as of March 2021, indicating that Homewise exhibits very strong financial strength, performance and risk management practices relative to our size, complexity and risk profile. Homewise has maintained its Aeris Financial Strength and Performance Rating of "AA-" or better since March 2017. The Aeris Impact Performance rating

[1] A Community Development Financial Institution ("CDFI") is a non-governmental entity whose primary mission is community development and whose purpose is to provide credit, financial, and other services to underserved markets or populations. The certification of Homewise by the Treasury Department as a CDFI qualifies it to receive certain grants, loans, and support.

and Aeris Financial Strength and Performance Rating are not ratings of the Notes or the suitability of or risk associated with an investment in the Notes.

The ultimate goal of every service Homewise provides is to further the long-term financial success of the customer. Each service is designed to bolster other services, thereby maximizing the benefits and achieving the ultimate goal of financial security for the customer and the community. Because the goal is long-term, *how* a person buys a home is just as important as *whether* he or she buys a home. If achieved the wrong way, homeownership can actually put a homeowner on a downward spiral that results in financial insecurity or even foreclosure. But achieved the right way, homeownership starts owners on an upward spiral that enables them to continually improve their financial situation and provides them with long-term security.

Since inception, Homewise has helped more than 6,000 people purchase homes by providing financial counseling, down payment and closing cost assistance, and below-market loans. Homewise has also helped more than 2,300 people maintain or upgrade their homes and reduce operating costs by providing financial assistance for home improvements and repairs, particularly in the area of energy and water conservation. Since the refinancing program began in 2009, Homewise has also refinanced over 1,200 mortgage loans. In addition, more than 17,700 people have completed the Homewise Financial Fitness and/or Home Buyer Education counseling programs, which teach prospective home buyers how to establish financial goals, prepare and follow a budget, pay down debt and build savings. Homewise has also developed more than 900 energy and water efficient homes in the Santa Fe and Albuquerque areas.

Targeted Programs and Investments

Homewise offers an umbrella of products and services consistent with our mission to help create successful homeowners and strengthen neighborhoods so that individuals and families can improve their long-term financial wellbeing and quality of life. Under that umbrella, Homewise offers three targeted programs aimed to serve specific underserved populations: a Community Catalyst Program, a New American Lending Program, and Energy-Efficiency and Solar Lending Programs.

<u>Community Catalyst Program</u>

Our Community Catalyst Program advances high impact and much-needed community development initiatives in Northern New Mexico by financing affordable housing and mixed-use developments, creating new homeowners, helping homeowners make home improvements, creating low-impact rental housing through casitas and guest houses, and helping seniors make necessary home modifications to age in place. Community Catalyst Program initiatives are intended to benefit the entire community by catalyzing development projects and creating new financial products and tools to make these development projects affordable and accessible, positioning New Mexico communities to make a meaningful and lasting impact on affordable housing while helping to create a healthier and more equitable future.

The New American Lending Program

Many of those in the immigrant population do not have a Social Security number and most have limited credit history. With most banks and mortgage lenders, this often disqualifies them from obtaining an affordable mortgage loan. Often the only creditors who will lend to these borrowers are those with portfolio products offering high interest rates and unfavorable terms. Without access to affordable financing, homeownership remains an out-of-reach dream. Homewise offers a special New American Lending Program for clients with an ITIN (Individual Tax Identification number) instead of a Social Security number, helping to break down barriers to homeownership for this underserved population.

Energy-efficiency and Solar Lending Programs

Homewise provides special lending programs that help make energy-efficient home improvements feasible for low- and moderate-income homeowners who historically have not had adequate access to credit, capital, and financial services. These loans are focused on energy and water saving improvements and repairs to address the rising cost of energy and the conservation of natural resources in our community. Additionally, Homewise offers loan programs to help make solar energy affordable and accessible to low- and moderate-income homeowners. Homewise finances the up-front costs of converting to solar electricity including system purchase and installation with fixed-rate, long-term financing. The program is designed to remove barriers that exist in the current marketplace that prevent many homeowners from reducing their use of non-renewable energy sources by converting to solar. These existing barriers are especially burdensome for low- and moderate-income homeowners who lack the liquid savings to pay the upfront equipment and installation costs associated with converting to solar energy.

At our discretion, we may allow investors to request that their investment be used to support the Community Catalyst Program, the New American Lending Program, or the Energy-efficiency and Solar Lending Programs by indicating their preference on the Subscription Agreement form. Investors may also elect their investment to be used for Homewise's general purposes in support of its mission to promote and support successful homeownership in New Mexico. Our acceptance of investments that are targeted in this way represents our commitment to use reasonable efforts to make or maintain loans or other investments within the specified target area or in support of the specified target cause in amounts equal to or greater than the amount of the outstanding Notes targeted to that area or cause from time to time. However, investors indicating their desire to support these targeted programs should understand that, due to variability in the availability and timing of appropriate projects and loans, and differences between the terms to maturity of loans and targeted Notes, there may be variations from time to time between the amount of outstanding Notes targeted to a specific area or cause and loans outstanding to that area or cause, and we do not track specific Notes to specific loans. An investor's indicated preference with respect to targeting their investment does not require Homewise to use that investor's funds in accordance with the targeting preference, and we reserve the right to un-target funds from time to time at our discretion.

The following is a summary of Homewise's financial position, revenues and expenses as of the end of each of the past three fiscal years, as derived from the Audited Financial Statements. They are not the same as our Audited Financial Statements. Investors should carefully read the complete audited financial statements and independent auditor's report attached as an Appendix to this Prospectus to gain a full understanding of our financial condition.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

March 31, 2022, 2021, and 2020

		As of March 31,	
ASSETS	**2022**	**2021**	**2020**
Current assets			
Cash and cash equivalents	$ 26,943,905	$ 15,852,234	$ 11,894,187
Other restricted cash and interest-bearing deposits	10,030,802	6,810,731	3,417,673
Broker and other accounts receivable	3,750,284	9,372,836	2,326,782
Grants receivable	799,780	1,079,084	97,473
Amortizing mortgage loans receivable, current portion	1,994,690	1,864,292	1,730,942
Inventory	13,672	21,263	20,923
Real estate held for sale	314,051	-	-
Other real estate owned	-	355,911	-
Development costs, current portion	20,441,709	8,641,555	9,911,986
Total current assets	64,288,893	43,997,906	29,399,967
Property and equipment, net	10,535,870	10,948,580	9,843,284
Mortgage loans receivable			
Amortizing, net of current portion	80,407,746	75,752,263	70,908,893
Allowance on amortizing loans	(1,648,049)	(1,552,331)	(1,597,993)
Total amortizing, net of allowance	78,759,697	74,199,932	69,310,900
Deferred mortgage loans receivable	29,622,581	29,035,296	28,554,651
Allowance on deferred loans	(3,240,710)	(3,217,709)	(5,710,931)
Total deferred, net of allowance	26,381,871	25,817,587	22,843,720
Total mortgage loans receivable, net of allowance	105,141,568	100,017,519	92,154,620
Mortgage servicing rights	4,084,178	3,626,309	3,076,787
Development costs, net of current portion	8,753,055	8,728,064	8,615,130
Qualified low income community Investment	14,882,832	9,533,718	9,497,773
Other assets	493,554	482,419	401,278
Total assets	$ 208,179,950	$ 177,334,515	$ 152,988,839

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(CONTINUED)
March 31, 2022, 2021, and 2020

LIABILITIES AND NET ASSETS	**2022**	**2021**	**2020**
Current liabilities			
Accounts payable	$ 2,422,369	$ 4,065,916	$ 1,720,069
Accrued expenses	1,187,123	1,451,346	1,430,352
Escrows and deposits	4,133,392	3,773,761	3,311,380
Lines of credit	-	4,091,074	3,770,930
Notes payable, long-term, current portion	5,620,233	8,532,699	4,893,306
Notes payable, community investment, current portion	1,773,285	2,208,153	2,559,113
Total current liabilities	$ 15,136,402	$ 24,122,949	$ 17,685,150
Long-term liabilities			
Lines of credit, net of current portion	-	812,661	-
Notes payable, long-term, net of current portion and unamortized discount	102,388,639	70,245,799	70,518,082
Notes payable, equity equivalent investment, net of unamortized discount	3,300,000	3,300,000	3,300,000
Notes payable, community investment, net of current portion and unamortized discount	5,247,702	4,550,259	2,897,707
Deferred grants revenue	3,790,495	2,675,519	230,188
Due to grantor agency	604,518	882,592	910,978
Total long-term liabilities	$ 115,331,354	$ 82,466,830	$ 77,856,955
Total liabilities	$ 130,467,756	$ 106,589,779	$ 95,542,105
Net assets			
Without donor restriction*	75,452,677	68,160,562	40,134,587
With donor restriction*	2,259,517	2,584,174	17,312,147
Total net assets	77,712,194	70,744,736	57,446,734
Total liabilities and net assets	$ 208,179,950	$ 177,334,515	$ 152,988 839

*We made an adjustment to reclassify amortizing and deferred loans receivable classified as with donor restrictions to without donor restrictions at March 31, 2020. Our rationale for this change is that once funds with donor restrictions have been deployed for their intended use in the form of loans, they are no longer restricted, as they have met the purpose of their restriction. This restatement resulted a $13,945,384 increase to beginning net assets without donor restrictions and a corresponding decrease to beginning net assets with donor restrictions. Giving effect to the reclassification did not affect our compliance with our loan covenants , and there was no effect on the 2021 or 2022 net assets. See Note 2 to our audited financial statements for the year ending March 31, 2022, attached.

Summary of Revenue and Expenses

For the Years Ended March 31, 2022, 2021, and 2020

	2022	2021	2020
Support and Revenue			
Home development sales	$ 23,613,332	$ 24,289,902	$ 16,702,610
Loan origination fees	4,667,756	6,386,900	2,875,678
Real estate sales commissions	2,690,373	2,388,377	2,006,541
Loan portfolio interest	4,412,860	4,393,105	4,074,411
Loan servicing income	1,226,715	1,084,868	983,371
Amortization and value of mortgage servicing rights	1,236,831	1,489,244	773,611
Grants and contributions	7,292,238	10,100,965	5,983,505
Gain (loss) on sale of asset	79,821	71,014	(79,679)
Other Revenue	887,392	670,950	531,461
Total Revenues	46,107,318	50,875,325	33,851,509
Expenses:			
Cost of Home Development Sales	18,376,389	19,124,742	13,705,027
Program	16,516,573	14,931,688	12,806,279
Administrative	3,567,757	2,920,262	2,859,127
Fundraising	679,141	600,631	274,802
Total Expenses	39,139,860	37,577,323	29,645,235
Change in net assets	6,967,458	13,298,002	4,206,274
Net Assets at beginning of year	70,744,736	57,446,734	52,839,022
Cumulative effect of accounting change	-	-	401,438
Net Assets at end of year	$ 77,712,194	$ 70,744,736	$ 57,446,734

Overview of the Community Investment Note

This section provides detail on the legal and financial terms of the Notes. Before deciding to purchase any Notes, investors should read the more detailed information appearing elsewhere in this document, including the Subscription Agreement Form in Appendix B and form of Note set forth in Appendix C.

The Community Investment Note is an unsecured promissory note issued by Homewise that helps promote successful homeownership in New Mexico. The Notes allow investors to obtain a financial return while their invested dollars make positive social, economic, and environmental impacts in New Mexico communities. The Notes pay an interest rate of between 0.50% and 3.00% and can be purchased with terms of 1 to 15 years, as set forth below.

Note Series	Maturity	Interest Rate
A	1 Year	0.50%
B	3 Years	1.00%
C	5 Years	1.50%
D	10 Years	2.50%
E	15 Years	3.00%

Use of Proceeds

The Note proceeds will be used for Homewise's general corporate purposes, including the promotion of its mission to promote successful homeownership in New Mexico. Homewise intends to use the proceeds from the Community Investment Notes to develop new residential property, issue fixed-rate mortgages, and issue home improvement loans. Proceeds from sales of the Notes will not be segregated and may also be used to pay outstanding Notes or other indebtedness and cover our general operating expenses.

Seniority; Security

The Notes are unsecured general obligations of Homewise. Homewise has other outstanding obligations, including unsecured general obligations and secured obligations. (Please see Note 11 to our Audited Financial Statements, which are included as an Appendix to this Prospectus, for details regarding our borrowed indebtedness, including outstanding amounts, security, interest rates, and lenders.) Moreover, Homewise is not restricted from incurring additional indebtedness. Such additional indebtedness, if issued, may be either secured or unsecured and may be entitled to payment prior to payment on the Notes. The Notes are not guaranteed or backed by a letter of credit.

Who Can Invest

The Notes are offered to individual investors, institutional investors, and other investors who reside in states in which our Notes are registered or exempt from registration.

Minimum Investment

The minimum investment for the Notes is $1,000, with minimum additional increments of $100.

Distribution

Homewise, as the issuer of the Notes, is offering the Notes directly. Homewise is either registered to sell the Notes or is exempt from registration in those states where the Notes are offered for sale. Certain Homewise employees are authorized to disseminate information about Homewise and about the Notes.

We are offering Notes in the principal amount of up to $5 million pursuant to this prospectus, which are expected to be offered on a continuous basis without an expected termination date. No underwriting agreement exists for the offer and sale of the Notes and no commissions are paid for the sale of the Notes. As a result, we receive 100% of the proceeds from this offering. No minimum amount of the overall offering of $5 million must be sold in order for us to accept investments.

How to Invest

After reading this Prospectus and accompanying materials carefully, an investor should complete the Subscription Agreement form and mail, email or deliver it with a check or wire transfer of funds to:

Homewise, Inc.
Homewise Community Investment Fund
1301 Siler Road, Building D
Santa Fe, NM 87507
invest@homewise.org

All purchases must be made in U.S. dollars and may be made by check or wire transfer. All checks must be drawn on U.S. banks. We reserve the right to suspend the sale of our Community Investment Notes for a period of time, discontinue the offering, or reject any specific subscription.

We generally send to the investor a confirmation of the investment, countersigned Subscription Agreement, and a certificate representing the Note after we have received the Investor's signed Subscription Agreement form and the payment has cleared the bank. All instructions for transactions and changes of address must be transmitted to Homewise in writing. Address changes and assignments may require a signature guarantee from a bank or other eligible institution. Investors may verify a transaction or change of address by calling Homewise at 505-983-WISE (9473) and asking for the Community Investment Fund Manager.

Settlement Method

Transactions of Notes are settled with Homewise acting as registrar and paying agent.

Interest Payments

The Notes are interest-only until maturity. A Note holder will be paid simple interest only, on the last day of June and December of each year, until the maturity date of the Note, unless the Note holder elects to have their interest reinvested automatically by checking the appropriate box on the Subscription Agreement.

Interest will accrue from the date of issue set forth on the Subscription Agreement, on the basis of a 360-day year of twelve 30-day months. Unless the investor has elected to reinvest principal upon maturity (as described further in "Options at Maturity" below), all principal will be repaid on the maturity date together with all accrued but unpaid interest.

Interest rates range from 0.5% to 3.0%, based on the term of the Note, with longer-term notes bearing higher interest rates. Homewise reserves the right to increase or decrease the interest rate of Notes being sold in this offering at any time by issuing a Pricing Supplement to this Prospectus, but no such changes will be retroactive for Notes that have already been issued. The interest rate applicable to each Note is fixed at the time of issue and will remain fixed for the duration of the Note.

If an investor wishes to put more Homewise dollars to work in the community or keep his or her investment dollars working longer, he or she may agree to:

- accept a lower rate of interest;
- donate the interest to Homewise;
- reinvest the Note principal upon maturity (subject to certain conditions);
- reinvest the interest paid on the Notes (subject to certain conditions); or
- include forgiveness of the Note in his or her estate plan.

Options at Maturity

Approximately 30 days prior to a Note's maturity, it is our practice to notify each Note holder that in lieu of receiving repayment of the Note's outstanding principal and accrued but unpaid interest, he or she may renew the investment in a new Note, that he or she may include the unpaid interest accrued through the maturity date in such renewal (or have the interest paid out and only the principal reinvested), and the interest rate that will apply upon such renewal. The Note holder has until the maturity date to respond with his or her instructions.

If the Note holder does not reply before the maturity date, but checked the "Automatic Renewal" box on their Subscription Agreement, then we apply the principal of the maturing Note to the purchase of a new Note in the Series with the same (or closest) term to maturity as the maturing Note at the then-current interest rate for Notes in such Series, and pay the Note holder all accrued but unpaid interest. If the Note holder has not made such an election to reinvest in a new Note, whether on the Subscription Agreement or in response to our 30-day maturity notice, then we redeem the Note and pay the face amount of the Note plus all accrued but unpaid interest.

The new Note will be issued at the prevailing rate of interest then being offered for Homewise Community Investment Notes of the same maturity, which may be higher or lower than the interest rate on the maturing Note. We will notify the investor of the new rate at least 60 days prior to the automatic rollover. Even if the investor checks the "Automatic Renewal" box, the investor may change his or her mind by notifying us, in writing, prior to the maturity date of the Note that the investor wishes to have the Note redeemed rather than renewed.

See "State Specific Information" beginning on page iv for information regarding states where automatic reinvestment is not available.

Early Redemption by Homewise at its Option

Homewise may, at its election and in its sole discretion, call and redeem any or all of the Notes in whole or in part at any time prior to maturity at a price of the principal amount being redeemed plus any accrued and unpaid interest. There is no penalty for any redemption by Homewise at its option.

Early Redemption at the Request of a Note holder

The Notes are not redeemable at the option or request of investor Note holder. Because we will use the proceeds from the sale of our Notes to fund loans and build affordable housing, we need to be able to budget the repayment of the Notes according to a fixed schedule of repayments. Consequently, partial withdrawals and early redemptions are not allowed. However, where automatic renewal is allowed by state law, an investor may "Opt Out" of an automatic renewal at any time until 30 days prior to the renewal date or an automatic reinvestment of interest at any time until 30 days prior to the interest payment date.

Financial Reporting

Our audited financial statements for the years ended March 31, 2022, 2021 and 2020 and the related notes thereto, attached as Appendix A to this prospectus, have been audited by Moss Adams, LLP. It is Homewise's policy to make subsequent audited financial statements available to investors upon written request, and to also provide our "Annual Report to Investors," which includes highlights of our most recently audited financial statements. In addition, it is our policy to send investors regular informational reports, at least semi-annually.

Certificated Securities

It is Homewise's policy to issue to Note holders a certificate evidencing their Notes. See Appendix C for the form of Note. Homewise reserves the right to issue Notes in uncertificated form.

Transferability

Transfer of the Notes is permitted, subject to prior notice and approval by Homewise and compliance with applicable securities laws. Investors are cautioned that any such transfer must be done in compliance with applicable federal and state securities laws. In particular, the Notes may not be transferred or resold except as permitted under the Securities Act, the Securities Exchange Act, and applicable state securities laws, or pursuant to registration or exemption therefrom. As discussed below, there is not a significant secondary trading market for the Notes, nor do we expect such a market to develop.

Secondary Market

The nature of this program does not currently afford the opportunity of a secondary market. Consequently, the Note should be viewed as an investment to be held to maturity.

Retirement Accounts

A self-directed IRA can invest in the Notes if the IRA is held by a custodian that permits such investments. (A self-directed IRA is an individual retirement account created to allow the IRA holder the option of selecting, either directly or through an investment advisor or other financial representative, investments for the IRA.) You should consider whether the Notes are in accordance with the documents and instruments governing your IRA or whether the investment in the Notes could constitute a non-exempted prohibited transaction under applicable law. You should also consider whether there is sufficient liquidity in your IRA after investing in the Notes should you or your beneficiary need to take a mandatory distribution. Notes purchased in an IRA or other tax deferred account will be subject to the tax rules applicable to the account, and consultation with a competent financial and tax adviser is recommended.

Internet

We have established a website that can be accessed at www.homewise.org. Except for this Prospectus and the Subscription Agreement that we may post on our website, the information available on the internet, or that can be accessed through our website, is not part of this Prospectus. The reference to this website does not incorporate the contents of the website into the Prospectus.

Tax Aspects

This discussion of federal income tax consequences was written to support the promotion or marketing of the Notes and is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding tax penalties. You are advised to consult your own tax counsel or advisor to determine the particular federal, state, local or foreign income or other tax consequences particular to your investment in our Notes.

By purchasing a Note, you may be subject to certain income tax provisions of the Code. Some of the significant federal income tax consequences of purchasing a Note include the following:

- Although we are a 501(c)(3) organization, you will not be entitled to a charitable deduction for the Note you purchase. If you donate earned interest or principal to us, we will provide you an acknowledgment of the donation in accordance with Code Section 501(c)(3) charitable contribution requirements. However, you may not be entitled to a charitable contribution tax deduction depending on your individual tax circumstances.

- Unless you hold your Note through an IRA or other tax deferred account, any interest on your Note will be taxed as ordinary income in the year it accrues regardless of whether interest is paid or reinvested in the Notes.
- Notes purchased in an IRA or other tax deferred account will be subject to the tax rules applicable to the account, and consultation with a competent financial and tax adviser is recommended.
- Unless you hold your Note through an IRA or other tax deferred account, we will provide you with a Federal Income Tax Form 1099-INT or the comparable form by the date mandated by the IRS of each year indicating the interest paid on your Note(s) during the previous year
- You will not be taxed on the return of any principal amount of your Note or on the payment of interest that was previously taxed.
- Payments of principal and interest may be subject to "backup withholding" of federal income tax (currently at the rate of 24%) if you fail to furnish us with a correct social security number or other tax identification number, or if you or the IRS have informed us you are subject to backup withholding.

In addition, if you (or you and your spouse together) have invested or loaned more than $250,000 in the aggregate with or to us and other charitable organizations that control, are controlled by or under common control with us, you may be deemed to receive additional taxable interest under Section 7872 of the Code if the interest paid to you is below the applicable federal rate. In that situation, the Internal Revenue Service may impute income up to that applicable federal rate. If you believe this applies to you, you should consult your tax advisor.

If the law creating the tax consequences described in this summary changes, this summary could become inaccurate. This summary is based on the Code, the regulations promulgated under the Code and administrative interpretations and court decisions existing as of the date of this prospectus. These authorities could be changed either prospectively or retroactively by future legislation, regulations, administrative interpretations, or court decisions. Accordingly, this summary may not accurately reflect the tax consequences of an investment in our Notes after the date of this prospectus.

Finally, this summary does not address every aspect of tax law that may be significant to your particular circumstances. For instance, it does not address special rules that may apply if you are a financial institution or tax-exempt organization, or if you are not a citizen or resident of the United States. Nor does it address any aspect of state or local tax law that may apply to you. You are encouraged to consult with your tax advisor as to the particular tax consequences to you of an investment in the Notes.

Additional Information About Homewise

Homewise Credit History

We have been generating residential mortgage loans since 1986 and have been developing and selling affordable housing since 1994. Homewise's activities have been financed in part by national foundations, federal, state and local government grants, and lines of credit, equity equivalent investments, and other secured and unsecured borrowings from financial institutions, community foundations, business development companies, impact investors (including holders of our community investment notes), and other funders. We have never defaulted upon nor been delinquent in the repayment of any funds that we have borrowed.

Due Diligence and Underwriting Standards

We originate both home purchase and home improvement/repair loans and have established limits on the combined loan-to-value ratio, the total debt ratio of the borrower (the monthly payment of the new loan plus all existing debt payments compared to gross monthly household income), and the minimum credit score of the borrower. We augment our standards with financial and home ownership counseling and maintain regular contact with borrowers. As a result, delinquency rates on Homewise loans have historically been lower than the average delinquency rates on loans by other lenders. In its National Delinquency Survey, the Mortgage Bankers Association reported delinquency rates over 30 days on United States mortgage loans (calculated as the number of loans 31 or more days past due, divided by the total number of outstanding loans surveyed) as of March 31, 2022 as follows: All 1-4 unit residential loans 4.11%; Conventional Loans 3.03%; VA Loans 4.86%, FHA Loans 9.58%, and Homewise Loans 1.20%.[2] The aggregate amount of Homewise loan payments 31 or more days past due as of March 31, 2022, $57,316, represents approximately 0.07% of Homewise's amortizing loan portfolio (net of allowance) as of that date. The aggregate loan amount of loans for which payment was 31 or more past days due as of March 31, 2022, $992,658, represents approximately 1.20% of Homewise's net amortizing loan portfolio as of that date. Please also see Note 7 to our Audited Financial Statements and our discussion on delinquency rates below in the sections entitled, "Impaired and Delinquent Loans" and "Delinquent Loans."

Only Fixed-Rate Mortgages

We have never originated the types of sub-prime and interest-only mortgage loans that have put many homeowners at risk (such as high-interest-rate loans, interest-only loans, stated-income loans, adjustable-rate or "balloon" mortgages, etc.). Our borrowers know what their monthly payments will be, and we do not encourage them to borrow more than they can afford to repay or purchase "more home" than they can afford. Credit and budget counseling is a pre-condition to every Homewise home purchase loan. We augment this financial counseling with advice on how the borrower can operate and maintain the home to insure that the asset maintains its value.

Elimination of Unnecessary Borrowing Costs

We do not seek to profit from the loans we make through charging additional fees and costs to the borrower. Rather, it is our mission to help clients achieve financial security through responsible home ownership and healthy savings and spending habits. Towards this end, we: (1) help our

[2] The delinquency rates on Homewise loans discussed in this paragraph take into account only portfolio loans for which Homewise remains the lender. Loans that Homewise has originated and sold to third parties, but for which Homewise continues to provide servicing, are not included in these calculations. For more information concerning Homewise's mortgage servicing, please see Note 9 to our audited financial statements for the fiscal year ended March 31, 2022, attached.

customers find the most affordable homes available; (2) help potential borrowers learn to budget properly and understand how much debt they can afford to incur; (3) help potential borrowers

finance their homes as efficiently as possible by using down payment assistance programs, obtaining a fixed interest rate, working to avoid costly mortgage insurance and other unnecessary closing costs that can add significantly to the borrower's financial obligations; and (4) endeavor to restructure loans when borrowers face difficulties, such as job loss or medical crisis, rather than foreclosing quickly.

Outstanding Debt

As of March 31, 2022, Homewise had $118,329,859 in outstanding lines of credit, notes payable, equity equivalent investments, and community investment notes. Please see Note 11 to our Audited Financial Statements, which are included as an Appendix to this Prospectus, for details regarding our notes payable, including outstanding amounts, security, interest rates, and lenders.

Financial Covenants

Under the terms of our loan agreements with our lenders, we are required to satisfy the following ongoing financial requirements. Although these covenants are not included in the Homewise Community Investment Notes, the financial strength that results from maintaining our financial condition in compliance with these financial covenants benefits all of our creditors, including investors in this Offering:

- Income – Maintain a net increase in unrestricted net assets for the current year and the prior year;

- Capital Requirements – Maintain net assets in an amount equal to or exceeding 35% of the total assets. (Net assets are total assets less total liabilities). Maintain unrestricted net assets in an amount equal or exceeding 25% of the total assets:

- Liquidity – The sum of Homewise's cash and cash equivalents shall not be less than six (6) months of operating expenses;

- Debt Service Coverage – Maintain an annual debt service coverage ratio (net income plus depreciation, amortization and other similar non-cash expenses divided by debt service) of more than 1.2 to 1.0;

- Allowance for Loan and Lease Losses – The loan loss allowance shall be calculated in accordance with Generally Accepted Accounting Principles (GAAP).

Resale Market for Loans

We sell the vast majority of the loans that we originate. The turmoil in recent years in the sub-prime lending and other credit markets did not affect our ability to sell loans into the secondary market since they are underwritten to standards that are acceptable to organizations such as Fannie

Mae. However, we cannot make any guarantees regarding the future viability of the secondary market for home mortgage loans.

Discussion and Analysis of Recent Financial Performance

Total support and revenues for the fiscal year ended March 31, 2022 totaled approximately $46.1 million, a decrease of approximately $4.8 million, or 9.4% versus the prior year. This decrease was primarily due to lower loan origination fees and grant and contribution revenue, which were, respectively, approximately $1.7 million and $2.8 million lower than the prior year.

Total expenses were approximately $20.8 million, an increase of approximately $2.3 million, or 12.5% compared to the prior year. This was driven in large part by increases in program costs of approximately $1.6 million and administrative costs of approximately $0.6 million.

Overall, Homewise's net assets at March 31, 2022 were approximately $77.7 million, which was an increase of approximately $7.0 million or 9.8% over net assets at March 31, 2021.

<u>Changes in Consolidated Financial Position</u>

For the fiscal year ended March 31, 2022, total assets increased by approximately $30.8 million over the prior fiscal year to approximately $208.2 million, which was due primarily to an increase in cash and cash equivalents of approximately $11.1 million, or 70.0% over the prior fiscal year, an increase in other restricted cash and interest-bearing deposits of approximately $3.2 million, or 47.3% over the prior fiscal year, an increase in capitalized development costs of approximately $11.8 million, or 68.1% over the prior fiscal year, an increase in amortizing mortgage loans receivable of approximately $4.6 million, or 6.1% over the prior fiscal year, and an increase in deferred mortgage loans receivable of approximately $5.1 million, or 5.1% over the prior fiscal year.

Total liabilities increased by approximately $23.9 million to approximately $130.5 million, driven primarily by an increase in notes payable of approximately $29.5 million, and an increase in deferred grants revenue of approximately $1.1 million. Homewise's unrestricted net assets increased by approximately $7.3 million, or 10.7%, over the prior year, and total net assets increased by approximately $7.0 million, or 9.8%, over the prior year.

<u>Mortgage Loans Receivable</u>

Homewise has originated amortizing mortgage loans bearing interest rates from 0% to 8.5% for periods of up to 30 years. The loans are secured by an interest in the subject property. We also originate deferred mortgage loans, which are loans that are due at an unknown future date. They include:

- Loans that are due on the sale, transfer, refinance, or vacating of the related home; and
- Forgivable loans that do not bear interest and are forgiven if the owner lives in the home for a specified period of time.

A summary of our mortgage loans receivable, including the current portion, is as follows:

	2022	2021	2020
Amortizing	$ 82,402,436	$ 77,616,555	$ 72,639,835
Allowance on Amortizing Loans	(1,648,049)	(1,552,331)	(1,597,993)
Deferred	29,622,581	29,035,296	28,554,651
Allowance on Deferred Loans	(3,240,710)	(3,217,709)	(5,710,931)
Total Mortgage Loans Receivable, net of allowance	$ 107,136,258	$ 101,881,811	$ 93,885,562

Deferred loans that are expected to be forgiven at the end of a fixed term totaled $2,084,290 and $2,808,770 at March 31, 2022 and 2021, respectively.

Impaired and Delinquent Loans

A loan is classified as delinquent if it is not timely paid based on the contractual terms of the loan agreement. Management considers a loan to be impaired when, based on current information and events, it is determined that we will not be able to collect all amounts due according to the original terms of the note.

The allowance for loan and lease losses (ALLL) is established by estimating the expected losses on the loan portfolio for the life of the loans. (Please see the discussion under the heading “Liquidity of Assets” on pages 6 and 7 for further discussion of our ALLL.) The provision for loan losses is an expense through which the ALLL is adjusted to be congruent with the current estimated losses. The ALLL is an amount management believes is adequate to absorb estimated losses on existing loans that may become uncollectible. Additionally, when all or a portion of a specific loan is deemed uncollectible, or recoverable through a sale of collateral, the uncollectible amount for that specific loan is added to the ALLL through the provision for loan losses.

The following tables set forth our loan delinquencies and write-offs for the past three fiscal years:

Delinquent Loans

As of March 31, 2022, we had the following delinquent loans:

	Number	Payment Due	Loan Amount
31-60 days	16	$ 9,886	451,612
61-90 days	3	2,280	54,376
>90 days	8	45,150	486,670
	27	$ 57,316	992,658

The amount 31 or more days past due was equivalent to 1.20% of the gross outstanding amortizing mortgage loans receivable balance at March 31, 2022.

As of March 31, 2021, we had the following delinquent loans:

	Number	Payment Due	Loan Amount
31-60 days	13	$ 13,066	681,221
61-90 days	5	4,206	127,106
>90 days	12	36,502	567,962
	30	$ 53,774	1,376,289

The amount 31 or more days past due was equivalent to 1.77% of the gross outstanding amortizing mortgage loans receivable balance at March 31, 2021.

As of March 31, 2020, we had the following delinquent loans:

	Number	Payment Due	Loan Amount
31-60 days	29	$ 15,294	774,458
61-90 days	14	14,385	516,412
>90 days	4	29,011	380,156
	47	$ 56,690	1,671,026

The amount 31 or more days past due was equivalent to 2.3% of the gross outstanding amortizing mortgage loans receivable balance at March 31, 2020.

Loan and Lease Loss Allowance

Changes in the allowance for loan and lease losses for the years ending March 31, 2022, 2021, and 2020 are summarized as follows:

	Amortizing	**Deferred**	**Total**
Balance, March 31, 2020	$ 1,597,993	$ 5,710,931	$ 7,308,924
Provision for loan recoveries	(45,662)	(2,493,222)	(2,538,884)
Loans charged off, net of recoveries	-	-	-
Balance, March 31, 2021	1,552,331	3,217,709	4,770,040
Provision for loan loss	95,718	23,001	118,719
Loans charged off, net of recoveries	-	-	-
Balance, March 31, 2022	$ 1,648,049	$ 3,240,710	$ 4,888,759

Fundraising Results

For fiscal years ending March 31, 2020, 2021 and 2022, our income from grants and contributions was as follows:

Year ending March 31,	Total Income from Grants and Contributions
2020	$ 5,983,505
2021	$ 10,100,965
2022	$ 7,292,238

For more information, please see Note 13 to our audited financial statements for the year ending March 31, 2022.

Impact of the COVID-19 Pandemic

The COVID-19 pandemic significantly impacted market conditions, interest rates, supply chains, and business operations both within the United States and throughout the world. We continue to actively identify and mitigate financial, operational, liquidity and impact-related risks attributable to the pandemic. As of the date of this Prospectus, Homewise has experienced an increase in loan origination transactions for new home purchases, despite the outbreak. Specifically, our loan origination fees for new home purchases were $3.306 million for the fiscal year ending March 31, 2022, compared to $3.465 million for the fiscal year ending March 31, 2021. Notably, this decrease has been accompanied by a decrease in refinance loan originations as the low interest rate environment began experiencing rate increases. Our fees for refinance loan originations were $1.347 million for the fiscal year ending March 31, 2022, compared to $2.906 million for the fiscal year ending March 31, 2021. In the aggregate our loan origination fees for all mortgage and home improvement loans were $4,667,756 and $6,386,900 for the years ending March 31, 2022 and 2021, respectively.

Understanding that layoffs, furloughs, unemployment, and underemployment impacted numerous homeowners throughout the country, we took proactive steps to work with borrowers who experienced adverse financial circumstances as a result of the pandemic. In certain circumstances, we provided for forbearance of repayment obligations. In total, we offered forbearance of repayment obligations for 65 loans, with a principal amount of $10,167,082.42 subject to forbearance. As of the date of this Prospectus, 63 loans are now current, and 2 are in a repayment plan and 0 remain subject to some form of forbearance or other modifications. Despite the impact of the COVID-19 pandemic, the delinquency rate with respect to Homewise's loan portfolio has declined (from 1.77% as of March 31, 2021 to 1.20% as of March 31, 2022). The delinquency rate has increased slightly since March 31, 2022, and is 1.50% as of the date of the prospectus.

We continue to proactively work with our borrowers, as well as actively monitor our allowance for loan and lease losses in light of our borrowers' financial circumstances. During the fourth quarter of 2022, we performed a comprehensive, well-documented, and consistently applied analysis of our amortizing loan portfolio and re-examined our allowance for loan losses in light of this analysis. As of March 31, 2022, our allowance for loan losses was $1.648 million, or 2.0% of the balance of our amortizing loan portfolio as of that date. Please see Note 7 to our audited financial statements for the year ending March 31, 2022, attached, for further discussion.

Homewise also received a loan under the Paycheck Protection Program (PPP) of the U.S. Small Business Administration (SBA). We were granted a PPP loan in the amount of $1,486,700 on April 13, 2020. We used the proceeds of this loan for purposes consistent with the PPP, and the loan was forgiven.

On June 24, 2020, the Organization executed the standard loan documents required for securing a loan (the EIDL Loan) from the United States SBA under its Economic Injury Disaster Loan assistance program in light of the impact of the COVID-19 pandemic on the Organization's business. The principal amount of the EIDL Loan was originally $150,000 but was increased to $500,000, with proceeds to be used for working capital purposes.

Recent Transaction to Receive the Benefit of New Markets Tax Credit

Homewise formed Homewise Leverage I, LLC, a special purpose entity leverage lender in 2022 for the 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. Homewise contributed a total of $5,276,500 to the leverage lender in the form of an equity investment and a member loan. Homewise owns 95% of the leverage lender. As part of the arrangement, Homewise secured a 30-year loan from a community development entity which received a tax credit allocation. The loan is in the amount of $7,425,000. The loan proceeds are to be used solely for the purpose of redeveloping commercial buildings and renting them to local businesses and entrepreneurs for the purpose of providing affordable work spaces, creating jobs, promoting cultural activities that enhance social cohesion, and giving an economic boost to a distressed area. The loan accrues interest at a rate of 1.268360% per year. Semi-annual payments of interest only are due in years 1 through 7 with fully amortizing quarterly payments of principal and interest due in years 8 through 30.

At the end of the compliance period, in connection with this arrangement, the members of the leverage lender hold, and have agreed to exercise, an option to purchase the community development entity's ownership interest in the investment fund which includes the NMTC compliant assets that were acquired with the loan from the leverage lender. The exercise of this option is a critical component of the transaction that will effectively allow Homewise to extinguish its debt owed to the community development entity. For more information on this and another outstanding investment in connection with the NMTC program, please see Note 10 to our audited financial statements for the year ended March 31, 2022, attached to this prospectus.

Governance and Administration

Homewise is governed by its Board of Directors (the "Board") and an Executive Committee of four officers. The Board is responsible for the oversight of all policies, property, affairs and funds of Homewise. Under our Bylaws, Board must consist of no fewer than seven and no more than fifteen Directors; currently we have twelve Directors.

Executive Committee and Board Members at Large

Executive Committee Member	**Principal Occupation**	**Address**
Katherine Ulibarri, Board Chair	Self Employed. Provides executive management consulting services	Albuquerque, New Mexico
Anne Messbarger-Eguia, Board Vice Chair	Chief Operating Officer, Culinary Health Education for Families	San Antonio, Texas
Joseph Kunkel, Board Treasurer	Principal & Director, MASS Design Group	Santa Fe, New Mexico
Marissa Ruyle, Board Secretary	Strategic Business Manager, Tremco Roofing & Building Maintenance, Inc.	Santa Fe, New Mexico
Member at Large	**Principal Occupation**	**Address**
Shelle Sanchez, Ph.D.	Director, Cultural Services Dept., City of Albuquerque	Albuquerque, New Mexico
Agnes Noonan	President, Women's Economic Self-Sufficiency Team	Albuquerque, New Mexico
Paul Vogel	Consultant in commercial real estate; formerly Senior VP of SiteWorks Retail Real Estate Services	Santa Fe, New Mexico
Erika Campos,	President, NM Hospital Services Corporation	Santa Fe, New Mexico
Josue Olivares	Executive Director, Rio Grande Community Development Corporation	Albuquerque, NM
Amanda Kocon	Chief Strategy Officer, Edmentum	Santa Fe, New Mexico
David Delgado	Retired	Santa Fe, New Mexico
Andrew Spingler	Owner and Founder, The Focal Point, LLC – marketing and communications firm.	Santa Fe, New Mexico

Leadership Team:

***Michael Loftin**, Chief Executive Officer*
Mr. Loftin provides strategic leadership for the company by working with the board of directors and the executive management team to drive the long-term vision, strategy, goals, and financial well-being of Homewise. Mr. Loftin has been in the community development field for over 35 years and the CEO of Homewise since 1992. Mr. Loftin is the public face for external affairs, and reports to the Board of Directors. Mr. Loftin earned a B.A. from Northwestern University.

***Laura Altomare**, President*
Ms. Altomare joined Homewise in 2014. As President, she leads the executive team to set and implement organizational strategy and direction while ensuring the organization is achieving its mission in a highly impactful and organizationally sustainable way. Laura has over 20 years of experience in leadership roles in the financial services industry overseeing strategic planning, communications, marketing, capital raising, public relations, and human resources. Laura earned a B.A. from Colorado State University and a Certificate in Fund Raising Management (CFRM) from the Indiana University Lilly Family School of Philanthropy.

***Clay Simmons**, Chief Financial Officer*
Mr. Simmons joined Homewise in 2020. As CFO, he leads the organization's financial stability strategy through a full array of complex financial analyses that include raising and structuring capital, income, profitability, liquidity, leverage, and asset and liability management. Clay also leads the mortgage lending operations and policies with a focus on managing and mitigating risk in the mortgage loan portfolio. Clay has more than 25 years of experience in the financial services industry, with particular expertise in banking and mortgage lending. Clay earned a B.A. in Biochemistry from Bowdoin College and an MBA in Finance from State University of New York.

***Daniel Slavin**, Senior Director of Real Estate Development*
Mr. Slavin joined Homewise in 2017. Daniel has over 20 years of experience with a background in accounting, investments, housing and the health care sector. He currently leads the real estate development strategy to develop new and rehabilitated homes in communities that meet the needs of the next generation of homebuyer; including affordability, quality, energy and water efficiency, live/work, and access to transportation, and mixed uses. Daniel earned a B.S.B.A. in Finance from John Carroll University.

***Elena Gonzales**, Senior Director, Policy and Resource Development*
Ms. Gonzales joined Homewise in 2014. Elena has over 25 years of experience managing non-profit, service-oriented organizations including affordable housing providers. She is responsible for leading the organization's effort to build relationships with underserved communities to create meaningful impact, and oversees public policy work to positively affect Homewise, its mission, and its clients. Elena serves on the board of Opportunity Finance Network. Elena earned a B.B.A. from the University of New Mexico.

***Johanna Gilligan**, Senior Director of Community Development*
Ms. Gilligan joined Homewise in 2018 and leads the organization's community development strategy to engage in strategic, catalytic development projects focused on economic development, education, and health that foster revitalization without displacement. These efforts increase the ownership opportunities for residents, thereby ensuring they participate in and benefit from redevelopment efforts. Johanna has a B.A. in American Studies from Tulane University and was awarded a Loeb Fellowship at Harvard's Graduate School of Design.

***Lina Page**, Senior Director of Communications*
Ms. Page joined Homewise in 2022. As Senior Director of Communications Lina provides specific expertise in the areas of strategic communications, marketing and outreach, and public relations. She is responsible for supporting a visibility and engagement strategy to position Homewise with key stakeholders and to build the brand among potential clients. Previously Lina served as the Executive Vice President of Strategic Communications at Opportunity Finance Network (OFN) for 17 years. At OFN Lina helped to amplify the CDFI brand to a national audience. She has prior leadership experience in marketing communications for a broad range of industries. Lina serves on the board of Fahe, a nonprofit organization and mortgage lender encouraging homeownership and empowering residents and communities of Appalachian region. Lina holds a B.A. in English from the University of Pennsylvania and a Certificate in Branding from the Kellogg School at Northwestern University.

Remuneration

None of our Directors were paid any remuneration for serving as a Director. For the fiscal year 2022, the aggregate remuneration for Homewise executive officers (CEO, President, and CFO) was approximately $755,062, which includes salaries, bonuses, health or other insurance, and retirement plan contributions. Total remuneration is expected to be generally the same for the next 12 months.

Retirement Plan

Homewise 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 deferral. Our contribution was $536,981 and $454,984 for the years ended March 31, 2022 and 2021, respectively.

Employees

Homewise has approximately 135 employees, who work primarily in Santa Fe and Albuquerque, New Mexico. Homewise's employees are critical to its overall success and are skilled in a variety of areas including, lending, construction, real estate development, and financial and home purchase advising. Homewise considers its employee relations to be good, and has no collective bargaining agreement. An organizational chart and resumes of key personnel and staff are available upon request.

Related Party Transactions

Homewise has four notes payable to Anchorum St. Vincent (ASV) with an outstanding principal balance of approximately $8,500,000 as of March 31, 2022. At the time of the first loan, which had an outstanding principal balance of approximately $1,520,000 as of March 31, 2022 and is secured by certain of Homewise's mortgage loans, a Homewise board member was the President of ASV and a board member of Christus St. Vincent Regional Medical Center (CSVRMC). At the time of the second loan, which had an outstanding principal balance of $5,000,000 as of March 31, 2022 and is secured by certain of Homewise's real properties, this individual continues to serve on Homewise's board of directors, but has retired from his role as President of ASV and no longer serves on the board of CSVRMC. Homewise has a continuing relationship with CSVRMC related to an Employee Affordable Housing Program. The purpose of this program is to help CSVRMC retain employees by providing financial assistance to employees who meet the program guidelines for the purchase of a home. Homewise received a $400,000 and a $250,000 Affordable Housing contribution from CSVRMC during 2019 and 2022, respectively, which Homewise uses to provide down payment assistance in the form of deferred loans and matched savings account funding. In addition Homewise has two unsecured loan facilities from ASV with an outstanding aggregate principal amount of approximately $1,980,000 as of March 31, 2022, for Homewise to provide secondary mortgage loans to CSVRMC employees. One Homewise Board member, Ms. Campos, was employed by CSVRMC at the time these loans were originated.

Homewise Directors, officers, and employees have invested in the Notes. Related party investments in the Notes totaled $118,760 and $104,118 for 2022 and 2021, respectively.

Loans to other related parties amounted to $1,087,705 and $1,180,660 at March 31, 2022 and 2021, respectively. These loans were issued to employees of Homewise who qualified to participate in the Homewise lending program. Each loan was issued in accordance with Homewise's lending policy.

Litigation and Other Material Transactions

As of the date of this prospectus, we are not subject to any adverse order, judgment or decree of any court, governmental authority or administrative body, and we are not a defendant in any present, pending or (to our knowledge) threatened material legal proceedings.

HOMEWISE, INC.

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2022 and 2021

HOMEWISE, INC.

OFFICIAL ROSTER
(unaudited)
March 31, 2022 and 2021

Board of Directors

David Delgado	Chair
Andrew Spingler	Vice-Chair
Anne Messbarger-Eguia	Secretary
Katherine Ulibarri	Treasurer
Erika Campos	Member
Agnes Noonan	Member
Shelle VanEtten de Sanchez	Member
Paul Vogel	Member
Marissa Ruyle	Member
Josue Olivares	Member
Amanda Kocon	Member
Joseph Kunkel	Member

Administration Official

Michael Loftin	Chief Executive Officer
Clay Simmons	Chief Financial Officer

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Report of Independent Auditors

The Board of Directors
Homewise, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Homewise, Inc. (Homewise), which comprise the statements of financial position as of March 31, 2022 and 2021, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Homewise, Inc. as of March 31, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 27, 2022 on our consideration of Homewise's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Homewise's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Homewise internal control over financial reporting and compliance.

Moss Adams LLP

Albuquerque, New Mexico
June 27, 2022

Homewise, Inc.
Consolidated Statements of Financial Position

ASSETS

	Years Ended March 31, 2022	2021
CURRENT ASSETS		
Cash and cash equivalents	$ 26,943,905	$ 15,852,234
Other restricted cash and interest-bearing deposits in banks	10,030,802	6,810,731
Broker receivables and other accounts receivable	3,750,284	9,372,836
Grants receivable	799,780	1,079,084
Amortizing mortgage loans receivable, current portion	1,994,690	1,864,292
Inventory	13,672	21,263
Real estate held for sale	314,051	-
Other real estate owned	-	355,911
Development costs, current portion	20,441,709	8,641,555
Total current assets	64,288,893	43,997,906
Property and equipment, net	10,535,870	10,948,580
MORTGAGE LOANS RECEIVABLE		
Amortizing, net of current portion	80,407,746	75,752,263
Allowance on amortizing loans	(1,648,049)	(1,552,331)
Total amortizing mortgage loans receivable, net of allowance	78,759,697	74,199,932
Deferred mortgage loans receivable	29,622,581	29,035,296
Allowance on deferred loans	(3,240,710)	(3,217,709)
Total deferred mortgage loans receivable, net of allowance	26,381,871	25,817,587
Total long-term mortgage loans receivable, net of allowance	105,141,568	100,017,519
Mortgage servicing rights	4,084,178	3,626,309
Development costs, net of current portion	8,753,055	8,728,064
Qualified low income community investment	14,882,832	9,533,718
Other assets	493,554	482,419
Total assets	$ 208,179,950	$ 177,334,515

See accompanying notes.

LIABILITIES AND NET ASSETS

	Years Ended March 31, 2022	2021
CURRENT LIABILITIES		
Accounts payable	$ 2,422,369	$ 4,065,916
Accrued expenses	1,187,123	1,451,346
Escrows and deposits	4,133,392	3,773,761
Lines of credit	-	4,091,074
Lending notes payable, current portion	5,252,795	8,421,832
Community development notes payable, current portion	250,000	-
Other notes payable, current portion	117,438	110,867
Notes payable community investment, current portion	1,773,285	2,208,153
Total current liabilities	15,136,402	24,122,949
LONG-TERM LIABILITIES		
Line of credit, net of current portion	-	812,661
Lending notes payable, net of current portion	78,802,147	53,614,390
Real estate development notes payable, net of current portion	19,500,000	12,675,000
Community development notes payable, net of current portion	500,000	750,000
Other notes payable, net of current portion	3,586,492	3,206,409
Notes payable, equity equivalent investment	3,300,000	3,300,000
Notes payable, community investment, net of current portion	5,247,702	4,550,259
Deferred grant revenue	3,790,495	2,675,519
Due to grantor agency	604,518	882,592
Total long-term liabilities	115,331,354	82,466,830
Total liabilities	130,467,756	106,589,779
NET ASSETS		
Without donor restriction	75,452,677	68,160,562
With donor restriction	2,259,517	2,584,174
Total net assets	77,712,194	70,744,736
Total liabilities and net assets	$ 208,179,950	$ 177,334,515

Homewise, Inc.
Consolidated Statements of Activities

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND SUPPORT						
Home development sales	$ 23,613,332	$ -	$ 23,613,332	$ 24,289,902	$ -	$ 24,289,902
Loan origination fees	4,667,756	-	4,667,756	6,386,900	-	6,386,900
Real estate sales commissions	2,690,373	-	2,690,373	2,388,377	-	2,388,377
Loan portfolio interest	4,412,860	-	4,412,860	4,393,105	-	4,393,105
Loan servicing fees	1,226,715	-	1,226,715	1,084,868	-	1,084,868
Gain on sale of loans, mortgage servicing rights	1,236,831	-	1,236,831	1,489,244	-	1,489,244
Loan capital grants and contributions	4,292,465	901,600	5,194,065	2,218,138	-	2,218,138
Operating grants and contributions	1,885,672	212,501	2,098,173	7,882,827	-	7,882,827
Gain on sale of asset	79,821	-	79,821	71,014	-	71,014
Rental Income	251,733	-	251,733	191,689	-	191,689
Other earned income	635,659	-	635,659	479,261	-	479,261
Released from restrictions	1,438,758	(1,438,758)	-	782,589	(782,589)	-
Total revenues, gains, and support	46,431,975	(324,657)	46,107,318	51,657,914	(782,589)	50,875,325
Cost of home development sales	18,376,389	-	18,376,389	19,124,742	-	19,124,742
EXPENSES						
Program	16,516,573	-	16,516,573	14,931,688	-	14,931,688
Administrative	3,567,757	-	3,567,757	2,920,262	-	2,920,262
Fundraising	679,141	-	679,141	600,631	-	600,631
Total expenses	20,763,471	-	20,763,471	18,452,581	-	18,452,581
CHANGE IN NET ASSETS	7,292,115	(324,657)	6,967,458	14,080,591	(782,589)	13,298,002
Net assets at beginning of year	68,160,562	2,584,174	70,744,736	40,134,587	17,312,147	57,446,734
Restatement (Note 2)	-	-	-	13,945,384	(13,945,384)	-
NET ASSETS AT END OF YEAR	$ 75,452,677	$ 2,259,517	$ 77,712,194	$ 68,160,562	$ 2,584,174	$ 70,744,736

See accompanying notes.

	Years Ended March 31, 2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 43,900,096	$ 32,630,430
Cash received from grants and contributions	6,645,606	7,828,853
Cash paid to suppliers	(36,068,144)	(19,362,001)
Cash paid to employees	(11,779,965)	(10,006,395)
Cash paid for interest	(2,096,704)	(2,469,908)
Net cash flows provided by operating activities	600,889	8,620,979
CASH FLOWS FROM INVESTING ACTIVITIES		
Property and equipment acquisitions	(150,178)	(1,609,179)
Qualified low income community investment	(5,403,890)	(69,373)
Net increase in mortgage loans	(5,324,294)	(5,392,831)
Net cash flows used in investing activities	(10,878,362)	(7,071,383)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term borrowings	36,366,857	12,037,825
Payments on long-term borrowings	(6,873,908)	(7,369,123)
(Payments) borrowings on bank lines of credit	(4,903,735)	1,132,804
Net cash flows provided by financing activities	24,589,214	5,801,506
NET INCREASE IN CASH AND CASH EQUIVALENTS	14,311,741	7,351,102
Cash and cash equivalents, beginning of year	15,852,234	11,894,187
Other restricted cash and interest-bearing deposits in banks, beginning of year	6,810,731	3,417,674
CASH, AND CASH EQUIVALENTS, beginning of year	22,662,965	15,311,861
Cash and cash equivalents, end of year	26,943,905	15,852,234
Other restricted cash and interest-bearing deposits in banks, end of year	10,030,802	6,810,731
CASH, AND CASH EQUIVALENTS, end of year	$ 36,974,707	$ 22,662,965
Reconciliation of decrease in net assets to net cash and cash equivalents provided by operations		
Change in net assets	$ 6,967,458	$ 13,298,002
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:		
Depreciation	562,888	503,883
Amortization of mortgage servicing rights	778,962	939,722
Amortization of discount on low income housing investment	54,776	33,429
Bad debt recovery	(26,164)	(64,536)
Loan loss provision (recovery)	141,428	(2,538,884)
Gain on sale of an asset	(79,821)	(71,014)
Change in assets and liabilities		
Broker and other accounts receivable	5,622,552	(7,046,053)
Grants receivable	279,304	(981,611)
Inventory	7,590	(339)
Development costs	(11,825,145)	1,685,256
Real estate held for sale	(314,051)	-
Other real estate owned	419,485	(355,911)
Mortgage servicing rights	(1,236,831)	(1,489,244)
Other assets	5,112	(537,887)
Accounts payable and accrued expenses	(1,953,187)	2,366,840
Escrows and deposits	359,631	462,381
Deferred grant revenue	1,114,976	2,445,331
Due to grantor agency	(278,074)	(28,386)
Net cash provided by operating activities	$ 600,889	$ 8,620,979

Note 1 – Summary of Significant Accounting Policies

Organization

Homewise, Inc. (Homewise) is a 501(c) (3) not-for-profit corporation (the Organization) created to secure affordable housing in New Mexico. The mission of Homewise is to help create successful homeowners and strengthen neighborhoods so that individuals and families can improve their long-term financial wellbeing and quality of life. Homewise provides financial counseling, property development, government program administration, low-interest fixed rate mortgages, home improvement loans, refinance loans, mortgage loan servicing, and real estate sales.

Principles of Consolidation

The accompanying consolidated financial statements include the assets, liabilities, net assets, and financial activities of Homewise, Inc. and its wholly owned subsidiaries:

Homewise Orpheum, LLC
Homewise Ruppe, LLC
Homewise Mortgage, LLC
HW Coronado Complex, LLC
Big Sky Santa Fe, LLC
Buckman Development, LLC

All intercompany transactions and balances have been eliminated in consolidation.

Basis of Accounting

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

Basis of Presentation

The Organization is designated as a Community Development Financial Institution (CDFI). As such, the Organization is required to present its consolidated financial statements in a classified format. The Organization reports information regarding its consolidated financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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:

Net assets without donor restrictions – net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors.

Note 1 – Summary of Significant Accounting Policies (continued)

Net assets with donor restrictions – net assets that are subject to donor-imposed stipulations that may or will be met by the occurrence of a specific event or the passage of time, or that are subject to donor imposed stipulations that they be maintained in perpetuity, with only the income used for operating activities, due to donor imposed restrictions. When a donor restriction expires, net assets with donor-imposed restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Cash and Cash Equivalents
For purposes of the statements of cash flows, cash, and cash equivalents consist of deposits held in financial institutions.

Other Restricted Cash and Interest Bearing Deposits
Certain grant and loan agreements require cash to be held in separate interest bearing-accounts. Management believes that there is not a significant risk with respect to these deposits in excess of federally insured limits.

Broker Receivables and Other Accounts Receivable
Broker receivables and other accounts receivable represent amounts due from mortgage brokers for mortgage loans sold by the Organization and various other parties such as customers, title companies, etc. and are carried at their estimated collectible amounts. The Organization periodically evaluates the collectability of broker receivables and believes that they are fully collectible at March 31, 2022 and 2021.

Grant Revenue, Grants Receivable, and Deferred Grant Revenue
Grant revenue is recognized in accordance with Financial Accounting Standards Board Accounting Standards Update, FASB ASU, 2018-08, *Non-Profit Entities (Topic 928): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contribution Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The unspent portion of conditional grant funds are reported as deferred grant revenue in the consolidated statement of financial position.

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 material to the consolidated financial statements at March 31, 2022 and 2021.

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.

Note 1 – Summary of Significant Accounting Policies (continued)

Loans are reported as troubled debt restructurings when the Organization, for economic or legal reasons related to the borrower's financial difficulties, grants concessions to a borrower that it would not otherwise consider. The concessions may be granted in various forms, including reduction in the stated interest rate, reduction in the loan balance or accrued interest, and extension of the maturity date. As a result of these concessions, restructured loans are impaired as the Organization will not collect all amounts due, both principal and interest, in accordance with the terms of original loan agreement. Impairment reserves on non-collateral dependent restructured loans are measured by comparing the present value of expected future cash flows on the restructured loans, discounted at the interest rate of the original loan agreement, to the loan's carrying value. These impairment reserves are recognized as a specific component to be provided for in the allowance for credit losses. Large groups of smaller balance homogenous loans are collectively evaluated for impairment. 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.

Note 1 – Summary of Significant Accounting Policies (continued)

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 consolidated statement of financial position. If the Organization is to retain the collections, the loan is booked net of applicable loan loss allowance.

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.

Home Development Sales and Development Costs
Homebuilding revenue and related profit are generally recognized at a point in time of the closing-of-the sale when title to and possession of the property are transferred to the buyer. Acquisition rehab properties are properties which require repair and maintenance before sale. 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 the 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.

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
Rental properties	27.5 years
Software	3–5 years
Furniture and equipment	3–7 years
Leasehold improvements	15 years

Long-Lived Assets and Impairment
Long-lived assets to be held and used are recorded at cost. Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amounts of such assets may not be recoverable. Recoverability of these assets is determined by comparing the cost to the forecasted, undiscounted net cash flows of operation. No impairment losses on real estate or other long-lived assets were recognized during the years ended March 31, 2022 and 2021.

Note 1 – Summary of Significant Accounting Policies (continued)

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Organization – put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Organization does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

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.

Qualified Low Income Community Investment

The New Market Tax Credit Program (NMTC) provides investors with credits against federal income tax in exchange for capital investments in businesses and commercial projects in low-income communities. The U.S. Treasury CDFI fund Awards NMTCs to certified Community Development Entities (CDE) to make qualified low-income investments (QLICI) into qualified low-income businesses (QLICB). In 2017, the Organization recorded its 33.33%, non-controlling investment in HPN Leverage I, LLC. In 2018, the Organization has recorded its 53.93%, non-controlling investment in HPN Leverage III, LLC. In 2021, the Organization has recorded its 25% investment in HPN Leverage VII, LLC. The initial investment is accounted for using the equity method and will decrease by loan servicing of the associated QLICI loan and increase by the Leverage Lender’s K-1 income allocation annually. Other fees, closing costs, and compliance period costs are capitalized and amortized accordingly, as they relate to the compliance period, or the expected life of the associated QLICI loan. See Note 10.

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 as accrued expenses in the consolidated statement of financial position.

Note 1 – Summary of Significant Accounting Policies (continued)

Escrows and Deposits

The Organization requires that tax and insurance escrows be collected on first amortizing loans. If the Organization is in first position on a deferred loan, escrows may not be required upon the approval of Chief Lending Officer. If an amortizing loan is in a subordinate position and the first mortgage lender does not escrow, the Organization requires the escrow of taxes and insurance. Where an insurance escrow account is maintained, insurance is paid annually from the escrow account. Payment records and escrow account balances are maintained in the loan servicing system. Where a real estate tax escrow account is maintained, taxes are paid twice yearly from the escrow accounts at the appropriate times. Payment records and escrow account balances are maintained in the loan servicing system.

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 0.5% to 4%. Cash generated from issuance of these deposits is utilized to fund operations. At March 31, 2022 and 2021, the balance recorded as community investment notes amounted to $7,020,987 and $6,758,412, 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 consolidated 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.

The Organization files an exempt organization return in the U.S. federal jurisdiction.

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 applied certain amendments to ASC 825-10-50, *Disclosure of Financial Instruments,* per ASU 2016-01, which allows the disclosure requirements for the fair value of financial and derivative financial instruments to be optional for nonpublic business entities, including nonprofits. The Organization's policy is to not engage in derivative financial instruments. Accordingly, the Organization did not disclose fair value information for the years ended March 31, 2022 and 2021.

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Loan Origination Fees

Origination fees (points), service release premiums, underwriting fees, yield spread premiums, and other miscellaneous loan fees are determined as a percentage of the loan amount and are recognized at a point in time at closing and reported on the consolidated statement of activities. This non-GAAP policy results in merely a difference in the timing and allocation of costs actually incurred and fees actually received, with no issue of collectability or ultimate realization, and has no material financial reporting impact.

Real Estate Sales Commissions

Real estate sales commissions for homes sales other than newly constructed Homewise homes are determined as a percentage of the sales price and are recognized at a point in time at closing and reported on the consolidated statement of activities. Real estate sales commissions for newly constructed Homewise homes are earned at a flat rate of $8,000 based on an estimate of the effort put forth by our realtors in selling these homes and is recognized in the form of an internal sale commission at a point in time at closing and reported on the consolidated statement of activities.

Advertising and Marketing Costs

The Organization expenses the cost of advertising and marketing as the expense is incurred. Advertising and marketing costs were $407,514 and $358,274 for the years ended March 31, 2022 and 2021, respectively.

Subsequent Events

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

Management has evaluated subsequent events for potential recognition and disclosure through June 27, 2022, which is the date the consolidated financial statements were available to be issued.

Note 1 – Summary of Significant Accounting Policies (continued)

New Pronouncements

FASB has issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available for sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables, and held-to maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the life of the asset, rather than incurred losses.

FASB has issued ASU 2016-02, *Leases (Topic 842):* The objective of this ASU is to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements. Management has evaluated and adopted this standard for the year ended March 31, 2022 and determined it has no financial statement impact.

Subsequently, FASB has issued Codification Improvements to Topic 326, *Financial Instruments-Credit Losses*, making the ASU effective for fiscal years beginning after December 15, 2022. The Organization does not intend to early adopt. Management is currently evaluating the impact of this new guidance on its consolidated financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Organization's net assets or changes in net assets.

Note 2 – Restatement of Beginning Net Assets

The Organization made an adjustment to reclassify amortizing and deferred loans receivable classified as with donor restrictions to without donor restrictions at March 31, 2022. The rationale being that once funds with donor restrictions have been deployed for their intended use in the form of loans, they are no longer restricted, as they have met the purpose of their restriction. This restatement resulted a $13,945,384 increase to beginning net assets without donor restrictions and a corresponding decrease to beginning net assets with donor restrictions. See Note 12.

Restatement of beginning net assets	Without Donor Restrictions	With Donor Restrictions	Total
Net assets at beginning of year	$ 40,134,587	$ 17,312,147	$ 57,446,734
Restatement of the restricted status of net assets	13,945,384	(13,945,384)	-
Net assets at beginning of year, restated	$ 54,079,971	$ 3,366,763	$ 57,446,734

Note 3 – Liquidity and Availability of Financial Assets

Financial assets available for general expenditure that are without donor or other restrictions limiting their use within one year of the consolidated statement of financial position date of March 31, 2022 and 2021, are comprised of the following:

	2022	2021
Assets at year end	$ 208,179,950	$ 177,334,515
Less amounts not available to be used within one year:		
Property and equipment, net	(10,535,870)	(10,948,580)
Amortizing mortgage loans receivable, net of current portion	(78,759,697)	(74,199,932)
Deferred mortgage loans receivable	(26,381,871)	(25,817,587)
Mortgage servicing rights	(4,084,178)	(3,626,309)
Development costs, net of current portion	(8,753,055)	(8,728,064)
Qualified low income community investment	(14,882,832)	(9,533,718)
Inventory	(13,672)	(21,263)
Other real estate owned	-	(355,911)
Other assets	(493,554)	(482,419)
	(133,368,859)	(122,765,203)
Total financial assets	74,811,091	54,569,312
Less amounts not available to be used within one year due to:		
Restricted cash	(10,030,802)	(6,810,731)
Add available funds per notes and lines of credit	24,843,491	23,322,132
Financial assets available to meet cash needs for general expenditures within one year	$ 89,623,780	$ 71,080,713

Amounts with purpose based restrictions that are available to be used within one year are considered available to fund the Organization’s general operating activities. As part of its Capital Strategy and Operating Budget, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

Note 4 – Broker and Other Accounts Receivable

Broker and other accounts receivable consist of the following:

	2022	2021
Due from employee/customer	$ 16,027	$ 23,666
Due from Fannie Mae	3,658,423	2,029,609
Due from Self Help Credit Union	20,273	6,338,898
Due from Title Company	454	948,046
Real Estate Commissions Receivable	7,500	-
Other miscellaneous accounts receivable	47,607	32,617
Total broker and other accounts receivable	$ 3,750,284	$ 9,372,836

Note 5 – Grants Receivable

Grants receivable consist of the following:

	2022	2021
Non-Federal, City of Santa Fe	$ 176,927	$ 65,975
Community Development Block Grant Neighborhood Stabilization Program (pass through from New Mexico Mortgage Finance Authority for Rehab home sales - restricted)	-	739,327
Community Development Block Grant (pass through from the City of Albuquerque for home improvement and home purchase principal reduction loans)	589,411	265,000
Other miscellaneous accounts receivable	33,442	8,782
Total grants receivable	$ 799,780	$ 1,079,084

Note 6 – Development Costs

Project costs (such as land acquisition and construction) are separately tracked or allocated and recorded on the consolidated financial statements as development costs. Project costs are as follows:

Project:	2022	2021
Tessera	$ 4,200,340	$ 4,961,972
Oshara	841,160	459,537
Aldea	214,357	209,370
Desert Sage	6,577,870	2,763,262
El Camino Crossing	5,698,315	2,395,696
Vista Serena	505,055	2,342,879
Fairly	1,456,210	570,292
1705 Paseo de Peralta	1,331,176	1,192,075
Palladium Townhomes	2,324,157	157,769
Senderos Area 599	550,960	-
Acquisition Rehab	3,537,404	876,455
Other developments	1,957,760	1,440,312
Total development costs	29,194,764	17,369,619
Less: current development costs	(20,441,709)	(8,641,555)
Development costs, net of current portion	$ 8,753,055	$ 8,728,064

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. Currently, all lots have been sold. Phase 2 is comprised of 78 entitled lots averaging about one half acre. Currently, 65 have sold and 13 are under construction.

Oshara consists of 47 developed lots in the County of Santa Fe. Oshara is a mixed-use development with several product types and price points of homes. The lots are zoned for 32 Townhomes and 11 Patio Homes. Currently, 40 have sold and 3 under construction, with 4 lots available to build.

Aldea consists of 20 developed lots in the County of Santa Fe in the Aldea development. Currently, 16 have sold, with 4 lots available to build.

Desert Sage in Santa Fe consists of 26.8 acres of undeveloped land. Plans for the 82-unit subdivision have been approved by the City. Site work is complete and we currently have 0 sold homes and 44 homes under construction.

Note 6 – Development Costs (continued)

El Camino Crossing (formerly known as Corazon Santo) is a mixed-use development with several product types and price points of homes. Phase 1 consists of a 40 lot single family home subdivision. All 40 lots have sold and Phase 1 is complete. Phase 2 is a mixed-use tract that will have 13 condo units, 20 live/work units, and 2 commercial-only buildings. Currently, 13 condo units have been sold and the 20 live/work units are projected to be completed this June 2022.

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 single family detached homes within the Master Plan Community of Tierra Contenta. Currently, 48 homes have been sold and the remaining 2 lots are under construction.

Fairly (Miraflores) 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 City of Santa Fe and is also known as Miraflores. The 2021 recorded plat has the property subdivided into 57 lots. Site work started in November 2021 and is set to be complete September 2022.

1705 Paseo de Peralta consists of 5 attached condo units located near Railyard District in Santa Fe, New Mexico. We plan to design and rehab the units to be ready to sell by the end of fiscal year 2023.

Palladium Townhomes consists of 16 townhomes currently under construction with an expected completion date of September 2022.

Senderos Area 599 **–** Previously named Tessera Phase 3, this tract of land consist of 90 acres of land within the presumptive City limits. Initial design work has started.

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

Other developments consist of land Santa Fe purchased for future residential and community development. South Meadows consists of 22 acres within the City of Santa Fe, purchased 4/30/2022.

Note 7 – Mortgage Loans Receivable

Amortizing Mortgage Loans

To assist low-income households with home purchases or repairs, the Organization has originated amortizing mortgage loans bearing interest rates from 0% to 8.5%, for periods of up to 30 years. Amortizing mortgage loans are secured by a recorded perfected interest in the subject property.

The Organization provides for potentially uncollectible loans as described in Note 1. The Organization had the following delinquent amortizing loans:

	2022			2021		
	Loan Number	Payment Due	Loan Amount	Loan Number	Payment Due	Loan Amount
31 - 60 Days	16	$ 9,886	$ 451,612	13	$ 13,066	$ 681,221
61 - 90 Days	3	2,280	54,376	5	4,206	127,106
>90 Days	8	45,150	486,670	12	36,502	567,962
		$ 57,316	$ 992,658		$ 53,774	$ 1,376,289

The total amount 31 or more days past due was equivalent to 1.20% and 1.77% of the gross outstanding amortizing mortgage loans receivable balance at March 31, 2022 and 2021, respectively.

At March 31, 2022 and 2021, amortizing mortgage loans receivable are reserved for at 0.68%, 3.44%, 11.52%, and 53.90%; and 0.71%, 2.80%, 11.84%, and 56.67% of the loan balance for current and delinquent loans less than 31 days past due, delinquencies of 31 to 60 days, delinquencies of 61 to 90 days, and delinquencies greater than 90 days, respectively, and are subject to a loan covenant that requires the allowance to be no less than 2% of the outstanding balance. No commercial loans were over 90 days past due.

During the fourth quarter of fiscal year 2021, the Organization performed an analysis on the collectability of its amortizing portfolio loans receivable in an effort to estimate the allowance for loan losses at a level that is in accordance with GAAP and covers estimated credit losses on individually evaluated seriously delinquent loans that are determined to be impaired and estimated credit losses inherent in the portfolio generally. Allowance estimates were based on a comprehensive, well-documented, and consistently applied analysis of the loan portfolio, and took into consideration all available information existing as of the financial statement date, including environmental factors such as geographical, economic, and political factors. As a result, it was determined that two parameters determine a mortgage's credit risk: the probability of default and the loss severity given default. Accordingly, the estimate calculates the appropriate reserve for each loan product type based on its delinquency status (current, 30+, 60+, and 90+) by multiplying the estimated severity for each product by the estimated constant default rate (CDR) for the respective product and delinquency status combinations.

Note 7 – Mortgage Loans Receivable (continued)

For the year ended March 31, 2022, based on the new estimate, the allowance for loan losses for amortizing loans is initially $825,838, or 1.00% of the loan balance, versus $2,118,086, or 2.65% of the loan balance, by the previous methodology; however, because amortizing loans receivable are subject to a loan covenant that requires the allowance to be no less than 2% of the outstanding balance, the new estimate has been adjusted to $1,645,436, or 2% of the loan balance. This change resulted in a $118,427 loan loss reserve expense.

For the year ended March 31, 2021, based on the new estimate, the allowance for loan losses for deferred loans was initially $891,995, or 1.51% of the loan balance, versus $2,170,179, or 2.08% of the loan balance, by the previous methodology; however, because amortizing loans receivable are subject to a loan covenant that requires the allowance to be no less than 2% of the outstanding balance, the new estimate has been adjusted to $1,552,331, or 2% of the loan balance. This change resulted in a $0 loan loss reserve expense for the year ended March 31, 2021 and an adjustment of $45,662.

At March 31, 2022 and 2021, amortizing mortgage loans receivable had the following general and specific allowances applied against principal due:

	2022		2021	
	Loan Number		Loan Number	
Amortizing gross mortgage loans, current portion		$ 1,994,690		$ 1,864,292
Amortizing gross mortgage loans, net of current portion		80,407,746		75,752,263
Allowance for loan losses	2,012	(1,638,036)	2,123	(1,552,331)
Allowance for loan losses, commercial loans	6	(7,400)	1	-
Allowance for loan losses, troubled debt restructurings	1	(2,613)	-	-
		$ 80,754,387		$ 76,064,224

Changes in the allowance for loan losses are summarized as follows:

Balance, March 31, 2020	$ 1,597,993
Provision for loan recoveries	(45,662)
Balance, March 31, 2021	1,552,331
Provision for loan loss	95,718
Balance, March 31, 2022	$ 1,648,049

Note 7 – Mortgage Loans Receivable (continued)

Repurchase Reserves
Loans sold to Fannie Mae are subject to repurchase if manufacturing defects are detected during the first three years after purchase. The provision for repurchases estimates losses to be incurred on the repurchase of loans.

Changes in the Repurchase Reserve are summarized as follows:

Balance, March 31, 2020	$ -
Provision for loan loss	-
Balance, March 31, 2021	-
Provision for loan loss	22,709
Balance, March 31, 2022	$ 22,709

Loans to related parties amounted to $1,087,705 and $1,180,660 at March 31, 2022 and 2021. 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.

Deferred Mortgage Loans
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 consolidated statement of financial position. 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 does not get a windfall by buying the house at a below-market price. At March 31, 2022 and 2021, 70% of deferred loans were funded through grants and contributions made to the Organization for this specific purpose. Of the remaining 30% 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. Deferred mortgage loans are secured by a recorded perfected interest in the subject property

Deferred mortgage loans are allowed for based on the deferred loan balances of customers who have amortizing loans that are over 90 days delinquent. The allowance also includes a discount to bring the deferred mortgage loan balance to net present value.

Note 7 – Mortgage Loans Receivable (continued)

During fiscal year 2021, the Organization also performed an analysis of on the collectability of its deferred loans receivable portfolio and identified two sources of loss that significantly influence the estimate: default risk and opportunity cost risk of loaning money to a borrower on a deferred basis requiring no periodic payments of principal or interest. The revised estimate addresses both of the identified risks as follows: any deferred loan that is behind a delinquent amortizing loan either in the first or a subordinate position is reserved at 100% despite being fully secured by a lien against the property; and the prepayment adjusted cash flows of the deferred loans behind amortizing mortgages that are all current are discounted at the weighted average interest spread of amortizing loans to estimate the lost economic opportunity of deferred loans. The identified opportunity cost in is added to the reserves calculated to comprise the allowance for loan and lease losses (ALLL) for deferred loans.

For the year ended March 31, 2022, based on the new estimate, the allowance for loan losses for deferred loans is $3,230,686, or 10.93% of the loan balance, versus $5,910,516, or 20% of the loan balance, by the previous methodology. This change resulted in a $23,001 loan loss reserve expense.

For the year ended March 31, 2021, based on the new estimate, the allowance for loan losses for deferred loans is $3,217,709, or 13% of the loan balance, versus $5,807,059, or 20% of the loan balance, by the previous methodology. This change resulted in a $0 loan loss reserve expense and an adjustment of $2,493,222.

At March 31, 2022 and 2021, deferred mortgage loans receivable had the following general and specific allowances applied against principal due:

	2022		2021	
	Loan Number		Loan Number	
Deferred mortgage loans		$ 29,622,581		$ 29,035,296
Allowance for loan losses	1,661	(3,230,686)	1,679	(3,217,709)
Allowance for loan losses, troubled debt restructuring	1	(10,024)	-	-
		$ 26,381,871		$ 25,817,587

Changes in the allowance for loan losses are summarized as follows:

Balance, March 31, 2020	$ 5,710,931
Provision for loan recoveries	(2,493,222)
Balance, March 31, 2021	3,217,709
Provision for loan loss	23,001
Balance, March 31, 2022	$ 3,240,710

Deferred loans that are expected to be forgiven at the end of a fixed term totaled $2,084,290 and $2,808,770 at March 31, 2022 and 2021, respectively.

Note 8 – Property and Equipment

Property and equipment consist of the following:	2022	2021
Land	$ 1,233,768	$ 1,233,768
Land improvements	52,467	52,467
Buildings and improvements	6,518,758	6,513,531
Rental properties	4,293,588	4,268,021
Software	1,486,513	1,486,513
Furniture and equipment	1,103,006	983,622
Trademark	8,000	8,000
Leasehold improvements	9,123	9,123
Total property and equipment	14,705,223	14,555,045
Less: accumulated depreciation	(4,169,353)	(3,606,465)
Net value of property and equipment	$ 10,535,870	$ 10,948,580

Depreciation expense for the years ended March 31, 2022 and 2021 was $562,888 and $503,883, respectively.

Note 9 – Mortgage Servicing Rights

Mortgage loans serviced for others are not included in the accompanying consolidated statement of financial position. Not all loans serviced for others include non-cancellable servicing rights. The unpaid balance of loans with non-cancellable servicing rights at March 31, 2022 and 2021 is summarized as follows:

	2022	2021
Mortgage loan portfolios serviced for:		
Federal National Mortgage Association (FNMA)	$ 461,541,855	$ 424,777,328
Other investors	52,905,913	45,057,774
Total	$ 514,447,768	$ 469,835,102

During 2022, 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 $1,226,715 during 2022. During 2021, 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 $1,084,868 during 2021.

Note 9 – Mortgage Servicing Rights (continued)

	2022	2021
An analysis of changes in mortgage servicing rights is as follows:		
Balance at beginning of period	$ 3,626,309	$ 3,076,787
Servicing rights originated and capitalized	1,236,831	1,489,244
Amortization	(778,962)	(939,722)
Balance at end of period	$ 4,084,178	$ 3,626,309

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, 2022 and 2021, there was no impairment.

The following assumptions were used to calculate the market value of the mortgage servicing rights:

	2022	2021
Discount rate	9.10%	9.10%
Earnings rates:		
Principal and Interest Payoffs	1.76%	0.59%
Escrows	1.76%	0.59%
Advances	4.26%	2.09%

Note 10 – Investment in Leverage Lender

Investment in HPN Leverage I, LLC

In 2017, the Organization participated in a NMTC program. The program provides funds to eligible organizations for investment in “qualified low-income community investment.” Program compliance requirements included creation of a promissory note and investment in a qualified CDE. Tax credit recapture is required if compliance requirements are not met over a seven-year period.

In 2017, the Organization recorded its 33.33%, non-controlling investment in HPN Leverage I, LLC at the cost of $3,354,012. Atlanta Neighborhood Development Partnership, Inc. (ANDP) and Homewise, Inc. participated in this transaction. In May 2024, Twain Investment Fund 231, LLC (the Fund 231), and the upstream effective owner of HPN NMTC I, LLC (holder of the promissory note due from the Organization) is expected to exercise its put option. Under the terms of the put option agreement, HPN Leverage I, LLC is expected to purchase the ownership interest of the Fund 231. Exercise of the option will effectively allow the Organization to extinguish its outstanding debt owed to the Fund 231. The Organization’s investment balance was $3,354,012 at March 31, 2022 and 2021.

Long-Term Debt

Long-term debt consists of the following: HPN NMTC I, LLC $4,875,000. Debt requires interest-only payments until May 2024 at 0.69%. The loan matures in May 2037. The loan is secured by substantially all the assets acquired by the Organization from the project loan proceeds. Debt has a put option feature that is exercisable May 2024.

Investment in HPN Leverage III, LLC

In 2018, the Organization participated in a NMTC program. The program provides funds to eligible organizations for investment in “qualified low-income community investment.” Program compliance requirements included creation of a promissory note and investment in a qualified CDE. Tax credit recapture is required if compliance requirements are not met over a seven-year period.

In 2018, the Organization has recorded its 53.93%, noncontrolling investment in HPN Leverage III, LLC at the cost of $5,367,300. Develop Detroit, Inc. (Develop Detroit), and Homewise, Inc. participated in this transaction. In April, 2025, USBCDC Investment Fund 214, LLC (the Fund 214), and the upstream effective owner of HPN NMTC III, LLC (holder of the promissory note due from the Organization) is expected to exercise its put option. Under the terms of the put option agreement HPN Leverage III, LLC is expected to purchase the ownership interest of the Fund 214. Exercise of the option will effectively allow the Organization to extinguish its outstanding debt owed to the Fund 214. The Organization’s investment balance was $5,367,300 at March 31, 2022 and 2021.

Note 10 – Investment in Leverage Lender (continued)

Long-Term Debt
Long-term debt consists of the following: HPN NMTC III, LLC $7,800,000. Debt requires interest-only payments until April 2025 at 0.70%. The loan matures in April 2038. The loan is secured by substantially all the assets acquired by the Organization from the project loan proceeds. Debt has a put option feature that is exercisable April 2025.

Investment in HPN Leverage VII, LLC
In 2021, the Organization participated in a NMTC program. The program provides funds to eligible organizations for investment in "qualified low-income community investment". Program compliance requirements included creation of a promissory note and investment in a qualified CDE. Tax credit recapture is required if compliance requirements are not met over a seven-year period.

In 2021, the Organization has recorded its 25% investment in HPN Leverage VII, LLC at the cost of $5,075,653. In June 2028, Twain Investment Fund 554, LLC (the Fund 554), and the upstream effective owner of HPN NMTC VII, LLC (holder of the promissory note due from the Organization) is expected to exercise its put option. Under the terms of the put option agreement HPN Leverage VII, LLC is expected to purchase the ownership interest of the Fund 554. Exercise of the option will effectively allow the Organization to extinguish its outstanding debt owed to the Fund 554. The Organization's investment balance was $5,075,653 at March 31, 2022.

Long Term Debt
Long-term debt consists of the following: HPN NMTC VII, LLC loan $6,825,000. Debt requires interest only payments until June 2028 at 0.743760%. The loan matures in June 2041. The loan is secured by substantially all the assets acquired by the Organization from the project loan proceeds. Debt has a put option feature that is exercisable June 2028.

Note 11 – Lines of Credit, Notes Payable, Equity Equivalent Investment, and Community Investment Notes

Homewise is subject to several loan covenants, which among other items, require minimum net asset, liquidity, allowance for loan losses, and leverage levels. Homewise is in compliance with these covenants at March 31, 2022 and 2021. At March 31, 2022 and 2021, Homewise had lines of credit, notes payable, equity equivalent investment, and community investment notes outstanding of:

	2022	2021
Current		
Lines of credit	$ -	$ 4,091,074
Lending notes payable	5,252,795	8,421,832
Community development notes payable	250,000	-
Other notes payable	117,438	110,867
Notes payable, community investment	1,773,285	2,208,153
Total	$ 7,393,518	$ 14,831,926
Long-Term		
Lines of credit	$ -	$ 812,661
Lending notes payable	78,802,147	53,614,390
Real estate development notes payable	19,500,000	12,675,000
Community development notes payable	500,000	750,000
Other notes payable	3,586,492	3,206,409
Notes payable, equity equivalent investment	3,300,000	3,300,000
Notes payable, community investments	5,247,702	4,550,259
Total long-term, net	110,936,341	78,908,719
Total	$ 118,329,859	$ 93,740,645

Note 11 – Lines of Credit, Notes Payable, Equity Equivalent Investment, and Community Investment Notes (continued)

Lines of credit at March 31, 2022 and 2021:

	2022	2021
Bank, line of credit of $10,000,000 at 3.50% variable interest, collateralized by mortgages, matures September 2021	$ -	$ 2,806,485
Bank, line of credit of $3,500,000 for various loans at 4.67% interest, collateralized by lot mortgages, matures May 2023	-	812,661
Bank, line of credit of $5,438,000 for various loans at 3.75% interest, collateralized by lot mortgages, matures February 2022	-	556,768
Bank, line of credit of $660,500 for various loans at 3.75% interest, collateralized by lot mortgages, matured May 2021	-	253,021
Bank, line of credit of $1,118,500 for various loans at 4.25% interest, collateralized by lot mortgages. This line of credit was paid off in April 2021.	-	474,800
Total lines of credit	-	4,903,735
Less: current maturities	-	(4,091,074)
Total notes payable, net of current portion	$ -	$ 812,661

Notes payable at March 31, 2022 and 2021:

	2022	2021
Opportunity Finance Network, at 3.50% interest, unsecured, the principal balance is due at and matures June 2027	$ 4,875,000	$ 4,875,000
Opportunity Finance Network, at 3.56% interest, collateralized by mortgages, principal, and interest due in quarterly payments and matures March 2047	2,493,712	2,554,662
Opportunity Finance Network, at 3.26% interest, collateralized by mortgages, principal, and interest due in quarterly payments and matures March 2047	6,731,319	6,903,199
Opportunity Finance Network, at 2.39% interest, collateralized by mortgages, principal, and interest due in quarterly payments and matures March 2047	3,935,969	4,049,905

Note 11 – Lines of Credit, Notes Payable, Equity Equivalent Investment, and Community Investment Notes (continued)

	2022	2021
Opportunity Finance Network, at 1.42% interest, collateralized by mortgages, principal and interest due in quarterly payments and matures March 2047	$ 820,972	$ 848,143
Opportunity Finance Network, at 3.00% interest, unsecured, interest due in quarterly payments, with 2 principal payments of $1,666,667 each due in June 2029 and June 2030 and the remaining balance due on maturity in June 2031	5,000,000	-
Bank, at 3.75% interest collateralized by mortgages, due in monthly payments and maturing February 2028	781,855	897,562
Bank, at 4.25% interest, collateralized by the Homewise headquarters building, due in monthly payments and maturing June 2037	1,035,293	1,082,560
Bank, at 2.98% interest, collateralized by the Orpheum Community Hub, due in monthly payments and maturing October 2029	2,168,637	2,234,716
Albuquerque Community Foundation, at 3.00% interest, Interest only due in quarterly payments, principal and all outstanding interest due and matures October 2022	250,000	250,000
Albuquerque Community Foundation, at 2.50% interest, Interest only due in quarterly payments, principal and all outstanding interest due and matures July 2026	250,000	250,000
Albuquerque Community Foundation, at 2.50% interest, Interest only due in quarterly payments, principal and all outstanding interest due and matures October 2025	250,000	250,000
Bank, revolving loan with $10,000,000, at the ten (10) year Libor rate plus 1.25% at the time of drawdown, collateralized by mortgages, quarterly payments are amortized over 20 years and due in full 10 years from initial drawdown, six draws maturing January 2025, September 2026, October 2026, November 2026, and March 2030	9,610,587	9,782,239
Bank, at 3.00% interest, collateralized by mortgages, the principal was paid in full in February 2022	-	500,000

Note 11 – Lines of Credit, Notes Payable, Equity Equivalent Investment, and Community Investment Notes (continued)

	2022	2021
Bank, unsecured at 2.75% interest, the principal balance is due at and matures December 2023	$ 2,770,664	$ 3,146,581
Bank, unsecured at 3.25% interest, quarterly payments are amortized over 30 years and was paid in full in March 2022	-	92,007
Religious Communities Impact Fund, unsecured at 2.00% interest, the principal balance is due at and matures November 2024	250,000	250,000
Mercy Investment Services, Inc., unsecured at 3.00% interest, the principal balance is due at and matures June 2025	1,000,000	1,000,000
Sachs Foundation, unsecured at 2.50% interest, the principal balance is due at and matures September 2026	750,000	750,000
Bank, at 3.00% interest, collateralized by mortgages, monthly principal and interest payments are amortized over the life of the loan with any remaining principal due in full in December 2029	1,237,148	1,320,178
Bank, at 3.00% interest, collateralized by mortgages, the principal balance is due and matures December 2024	1,000,000	1,000,000
Bank, at 3.25% interest, collateralized by mortgages, monthly principal and interest payments are amortized over the life of the loan with any remaining principal due in full in December 2027	658,898	704,850
Bank, at 3.25% interest, collateralized by mortgages, monthly principal and interest payments are amortized over the life of the loan with any remaining principal due in full in June 2029	2,918,098	3,246,823
Bank, at 2.50% interest, collateralized by mortgages, the principal balance is due and matures August 2031	5,000,000	-
Bank, at 2.50% interest, collateralized by mortgages, the principal balance is due and matures October 2030	5,000,000	2,000,000
Neighborworks Capital Corporation, unsecured at 3.00% interest, the principal balance is due and matures July 2023	1,500,000	1,500,000

Note 11 – Lines of Credit, Notes Payable, Equity Equivalent Investment, and Community Investment Notes (continued)

	2022	2021
Monarch Community Fund, unsecured at 4.00% interest, the principal balance is due at and matures July 2022	$ 350,000	$ 350,000
Santa Fe Community Foundation, unsecured at 2.50% interest, the principal balance is due at and matures April 2028.	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	165,000
Santa Fe Community Foundation, unsecured at 2.00% interest, the principal balance is due at and matures February 2026	250,000	250,000
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	2,000,000	3,000,000
Bank, at 3.00% interest, collateralized by mortgages, annual principal payments began September 2018 and the remaining balance due on maturity in September 2027	2,330,000	2,505,000
Anchorum St. Vincent, at 3.00 % interest, collateralized by mortgages, quarterly payments are amortized over 20 years and due in full in March 2023	1,519,797	1,605,928
Anchorum St. Vincent, at 2.50% interest, secured by mortgages, a principal payment of $2,000,000 is due and payable November 2035 and the remaining balance due in full March 2037	5,000,000	2,000,000
Anchorum St. Vincent, at 2.50% interest, unsecured, the principal balance is due and payable August 2036	1,230,000	-
Anchorum St. Vincent, at 2.50% interest, unsecured, the principal balance is due and payable November 2036	750,000	-
Bank, at 3.75% interest, collateralized mortgages, quarterly payments are amortized over 20 years and due in full in March 2030	242,006	862,760
Bank, 3.50% interest, collateralized mortgages, quarterly payments are amortized over 20 years and due in full in October 2030	1,396,996	2,826,385

Note 11 – Lines of Credit, Notes Payable, Equity Equivalent Investment, and Community Investment Notes (continued)

	2022	2021
Bank, 3.61% interest, collateralized mortgages, quarterly payments are amortized over 20 years and due in full in March 2032	$ 7,714,313	$ -
Bank, at 2.00% interest, unsecured, the principal balance is due in eight quarterly installments beginning March 2024, the maturity date, until the entire amount is repaid on March 2026, the extended maturity date.	1,000,000	1,000,000
Bank, at 2.00% interest, unsecured, the principal balance is due at and matures June 2030	1,000,000	1,000,000
The Domestic and Foreign Missionary Society of the Protestant Episcopal Church in the United States of America, at 3.00% interest, unsecured, the principal balance is due and matures September 2023	300,000	300,000
New Mexico Small Business Investment Corporation, at 2.00% interest, collateralized by assets in the NMSBIC loan portfolio, the principal balance is due and matures March 2025	1,772,608	400,000
Illinois No. 3 Foundation, at 2.00% interest, unsecured, the principal balance is due and matures February 2026	100,000	100,000
Housing Partnership Network NMTC I at 0.69% interest, secured by substantially all assets acquired by the Organization from the loan proceeds, interest only monthly payments and due in full May 2037	4,875,000	4,875,000
Housing Partnership Network NMTC III at 0.70% interest, secured by substantially all assets acquired by the Organization from the loan proceeds, interest only monthly payments and due in full April 2038	7,800,000	7,800,000
Housing Partnership Network NMTC VII at 0.74% interest, secured by substantially all assets acquired by the Organization from the loan proceeds, interest only monthly payments and due in full June 2041	6,825,000	-
Seton Enablement Fund, unsecured at 3.00% interest, the interest payments began July 2021, principal and interest payments begin July 2022, with a final payment of $75,000 due April 2026	150,000	-

Note 11 – Lines of Credit, Notes Payable, Equity Equivalent Investment, and Community Investment Notes (continued)

	2022	2021
U.S. Small Business Administration, unsecured at 2.75% interest, monthly principal and interest payments begin December 2022, with any remaining principal and interest due in full June 2050	$ 500,000	$ -
Sisters of Charity of the Incarnate Word, unsecured at 2.00% interest, the principal balance is due at and matures March 2024	200,000	-
Total notes payable	108,008,872	78,778,498
Less: current maturities	(5,620,233)	(8,532,699)
Total notes payable, net of current portion	$ 102,388,639	$ 70,245,799

Notes payable – Equity equivalent investment (EQ2) at March 31, 2022:

	2022	2021
Bank of the West, unsecured at 2.50% interest, the principal balance is due at and matures September 2028	$ 1,000,000	$ 1,000,000
Compass Bank, unsecured at 2.25% interest, the principal balance is due at and matures November 2027	2,300,000	2,300,000
Total notes payable – equity equivalent, long-term	$ 3,300,000	$ 3,300,000

Notes payable, community investment consists of unsecured investments made by individuals and trusts to the Organization.

	2022	2021
Individuals and trusts, twenty-nine notes at 0.50% to 2.00% Interest, maturing April 2021 to March 2022	$ -	$ 2,258,153
Individuals and trusts, twenty-nine notes at 0.50% to 2.00% Interest, maturing April 2022 to March 2023	1,773,285	133,547
Individuals and trusts, fourteen notes at 1.25% to 2.50% Interest, maturing April 2023 to March 2024	1,098,114	1,098,031
Individuals and trusts, nineteen notes at 1.00% to 3.50% Maturing April 2024 to March 2025	1,022,882	999,677

Note 11 – Lines of Credit, Notes Payable, Equity Equivalent Investment, and Community Investment Notes (continued)

	2022	2021
Individuals and trusts, nineteen notes at 1.75% to 2.50% interest, Maturing April 2025 to March 2026	$ 2,118,058	$ 1,868,000
Individuals and trusts, eight notes at 1.50% to 3.50% interest, Maturing April 2026 to March 2027	537,295	15,000
Individuals and trusts, eight notes at 2.50% to 4.00% interest, Maturing after April 2027	471,353	386,004
Total notes payable, community investment	7,020,987	6,758,412
Less: current maturities	(1,773,285)	(2,208,153)
Total notes payable, community investment, long-term	$ 5,247,702	$ 4,550,259

Scheduled future principal payments due on the notes payable and lines of credit are as follows:

Years Ending March 31,	
2023	$ 7,393,518
2024	8,615,772
2025	12,471,240
2026	15,119,909
2027	6,960,575
Thereafter	67,768,845
Total future principal payments	$ 118,329,859

Note 12 – Net Assets with Donor Restrictions

Net assets restricted by purpose or time consist of the following:

	2022			2021		
	Beginning Net Assets	Release from Restrictions	Ending Net Assets	Restated Beginning Net Assets	Release from Restrictions	Ending Net Assets
Purpose Restricted						
NeighborWorks America	$ -	$ -	$ -	$ 782,589	$ (782,589)	$ -
Santa Fe Land Trust	238,776	(238,776)	-	238,776	-	238,776
Santa Fe Community Housing Trust	171,120	(171,120)	-	171,120	-	171,120
Santa Fe Affordable Housing Trust Fund	238,953	53,147	292,100	238,953	-	238,953
Land Title Trust Fund	16,159	(16,159)	-	16,159	-	16,159
Watersmart	223,219	(223,219)	-	223,219	-	223,219
Anchorum St. Vincent	32,467	15,411	47,878	32,467	-	32,467
Project Reinvest	1,339,180	189,064	1,528,244	1,339,180	-	1,339,180
Community Development Block Grant, City of Santa Fe pass through funds	324,300	66,995	391,295	324,300	-	324,300
Net assets with donor restrictions	$ 2,584,174	$ (324,657)	$ 2,259,517	$ 3,366,763	$ (782,589)	$ 2,584,174

Note 13 – Grants and Contributions

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Loan Capital Grants and Contributions						
Federal loan capital grants						
Capital Magnet Fund	$ -	$ 790,600	$ 790,600	$ 500,500	$ -	$ 500,500
HUD, Community Development Block Grant, pass through from City of Santa Fe	-	-	-	92,798	-	92,798
HUD, Community Development Block Grant, pass through from City of Albuquerque	1,205,200	-	1,205,200	626,840	-	626,840
CDFI Rapid Response Program	1,826,265	-	1,826,265	-	-	-
CDFI Financial Assistance	690,000	-	690,000	620,000	-	620,000
Other Federal Appropriations through NWA	-	-	-	375,000	-	375,000
Total federal loan capital grants	3,721,465	790,600	4,512,065	2,215,138	-	2,215,138
Nonfederal loan capital grants and contributions						
City of Santa Fe - home purchase and home improvement assistance	46,000	111,000	157,000	-	-	-
Other nonfederal loan capital grants and contributions	525,000	-	525,000	-	-	-
Project LIFT	-	-	-	3,000	-	3,000
Total nonfederal loan capital grants and contributions	571,000	111,000	682,000	3,000	-	3,000
Total loan capital grants and contributions	$ 4,292,465	$ 901,600	$ 5,194,065	$ 2,218,138	$ -	$ 2,218,138

Note 13 – Grants and Contributions (continued)

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Grants						
Federal operating capital grants						
HUD, Community Development Block Grant, pass through from City of Albuquerque	$ 71,814	$ -	$ 71,814	$ 37,248	$ -	$ 37,248
HUD, Community Development Block Grant, State Neighborhood Stabilization Program (NSP), pass through from New Mexico Mortgage Finance Authority	507,415	-	507,415	1,971,141	-	1,971,141
Capital Magnet Fund	-	-	-	150,000	-	150,000
Dept of Commerce, EDA Buildwise Technical Assistance Program	84,186	-	84,186	52,426	-	52,426
PPP - Loan Forgiveness	-	-	-	1,486,700	-	1,486,700
Other Federal Appropriations through NWA	56,500	-	56,500	333,029	-	333,029
Total federal operating capital grants	719,915	-	719,915	4,030,544	-	4,030,544
Nonfederal Operating Grants and Contributions						
City of Santa Fe - Administration of housing programs	179,019	-	179,019	162,745	-	162,745
City of Santa Fe - Emergency Mortgage Assistance Fund	148,262	-	148,262	39,970	-	39,970
Other nonfederal operating contributions	838,476	212,501	1,050,977	3,649,568	-	3,649,568
Total nonfederal operating grants and contributions	1,165,757	212,501	1,378,258	3,852,283	-	3,852,283
Total operating grants and contributions	1,885,672	212,501	2,098,173	7,882,827	-	7,882,827
Total grants and contributions	$ 6,178,137	$ 1,114,101	$ 7,292,238	$ 10,100,965	$ -	$ 10,100,965

Note 14 – Functional Expenses

A breakdown of expenses by natural classification and function follows:

	2022				2021			
	Program	Administrative	Fundraising	Total	Program	Administrative	Fundraising	Total
Personnel Services and Benefits	$ 8,976,679	$ 2,065,518	$ 428,127	$ 11,470,324	$ 7,817,209	$ 1,832,950	$ 377,230	$ 10,027,389
Client Support Services	912,720	-	344	913,064	667,888	-	-	667,888
Interest Expense	1,959,199	137,505	-	2,096,704	2,469,908	-	-	2,469,908
Occupancy	139,435	118,637	32,319	290,391	102,075	106,543	29,057	237,675
Carrying Costs and other repairs	225,349	-	-	225,349	265,574	-	-	265,574
Professional Services	210,999	222,058	44,071	477,128	214,787	141,966	34,185	390,938
Administrative Expenses	423,645	279,316	50,873	753,834	607,639	215,191	50,074	872,904
Advertising & Marketing Expenses	291,257	-	116,257	407,514	258,206	-	100,068	358,274
Professional Development	125,234	51,564	7,150	183,948	187,250	41,171	10,017	238,438
Depreciation & Amortization	1,095,880	300,746	-	1,396,626	1,208,740	268,294	-	1,477,034
Insurance	-	392,413	-	392,413	-	314,147	-	314,147
Loan Loss Provision (Recovery)	141,428	-	-	141,428	(2,538,884)	-	-	(2,538,884)
Bad Debt Recovery	(26,164)	-	-	(26,164)	(64,536)	-	-	(64,536)
Capital Grant Expense	2,040,912	-	-	2,040,912	3,735,832	-	-	3,735,832
Total functional expenses	$ 16,516,573	$ 3,567,757	$ 679,141	$ 20,763,471	$ 14,931,688	$ 2,920,262	$ 600,631	$ 18,452,581

Note 15 – 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 $536,981 and $454,984 for the years ended March 31, 2022 and 2021, respectively.

The Organization has a 457(b) deferred compensation plan. The purpose of the plan is to reward designated executive employees for their service to the Organization. The plan achieves that purpose by having the Corporation set aside from year to year, and paying to the participants, after termination from employment, nonqualified deferred compensation consistent with the requirements of Internal Revenue Code 457(b). For the fiscal year ending March 31, 2022 and 2021, no contributions were made.

Note 16 – Concentrations of Revenue Sources and Credit Risks

The Organization receives significant operating revenues from the City of Santa Fe, the City of Albuquerque, federal agencies, private foundations, and other private sources.

The Organization targets loans to low and moderate-income individuals for home repair and homebuyer 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 exists that property values may fall below the loan values creating a concentration of credit risk.

At March 31, 2022 and 2021, 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. Funds for one cash account are held in an overnight sweep account. Management has taken action to mitigate the credit risk of the remaining uninsured and uncollateralized balance of $19,714,828 and $3,486,093, at March 31, 2022 and 2021, respectively, by depositing with well-known and highly reputable institutions.

Note 17 – 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, 2022, the Organization had four available letters of credit issued by financial institutions in the aggregate amount of $5,797,446 related to the Vista Serena, El Camino Crossing, Miraflores, and Desert Sage developments maturing on February 2023, December 2022, November 2023, and May 2023, respectively.

The Organization is subject to litigation in the normal and ordinary course of business, which, in the opinion of management and based upon advice of counsel, would not have a material effect on its consolidated financial position or operations.

Note 18 – Related Party Transactions

The Organization has investments from both Homewise Employees and Homewise Board Members in Homewise Community Investment Notes. Related party investments totaled $116,260 and $104,118 for 2022 and 2021, respectively.

Note 19 – COVID-19 Pandemic

In March 2020, an outbreak of a novel coronavirus (COVID-19) occurred in the United States, along with various other countries globally. On March 11, 2020, the World Health Organization assessed the novel coronavirus outbreak and characterized it as a pandemic. Subsequent to the declaration of a pandemic, a variety of federal, state, and local governments have taken actions in response to the pandemic, which have ranged by jurisdiction, but are generally expected to result in a variety of negative economic consequences, the scope of which are not currently known or quantifiable. In addition, the Federal Open Market Committee of the United States Federal Reserve System lowered the federal funds target rate by 1.50%, reduced the rate for discount window loans, and took other actions to promote the stability of the financial system.

The duration and intensity of the impact of the coronavirus to the entity is unknown. A broad-based reduction in interest rates may negatively impact the value of mortgage servicing rights. The reduction in economic output and the recession in the U.S. economy may also result in a decreased valuation of many of the entity's assets and increase in loan defaults or missed payments, which could affect liquidity.

On April 13, 2020, the Organization was granted a loan from Enterprise Bank in the amount of $1,486,700, pursuant to the Paycheck Protection Program (the PPP) under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), which was enacted March 27, 2020. The PPP, established as part of the CARES Act, provides loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight to twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels.

The Organization used the proceeds for purposes consistent with the PPP and all conditions of the loan were substantially met for the loan to be forgiven. The Organization recognized the $1,486,700 as contribution revenue at March 31, 2021.

The Organization currently believes that its use of the loan proceeds met the conditions for forgiveness of the loan under the Small Business Administration's (SBA) safe harbor provisions for borrowers of less than $2 million. A safe harbor will apply to SBA's review of PPP loans for borrowers who, along with their affiliates, received PPP loans with an original principal amount of less than $2 million. The SBA will presume the borrower's required certification concerning the necessity of the loan was made in good faith under the CARES Act, Section 1102 Lender agreement. Under the agreement, the SBA has five years to audit any applicant. The Organization, at the time of submitting its application, evaluated the economic uncertainty resulting from the COVID-19 pandemic and the potential impact of that uncertainly on the ongoing operations of the business. Based on the risk of the Organization having to limit or close its operations, it was determined that the loan request was necessary.

Note 19 – COVID-19 Pandemic (continued)

On June 24, 2020, the Organization executed the standard loan documents required for securing a loan (the EIDL Loan) from the United States SBA under its Economic Injury Disaster Loan assistance program in light of the impact of the COVID-19 pandemic on the Organization's business. The principal amount of the EIDL Loan was originally $150,000 but was increased to $500,000, with proceeds to be used for working capital purposes. Interest on the EIDL Loan accrues at the rate of 2.75% per annum and installment payments, including principal and interest, are due monthly beginning twenty-four months from the date of the EIDL Loan in the amount of $2,148. The balance of principal and interest is payable thirty years from the date of the promissory note. In connection with the EIDL Loan, the Organization executed the EIDL Loan documents, which include the SBA Secured Disaster Loan Note, dated June 24, 2020, the Loan Authorization and Agreement, dated June 24, 2020, and the Security Agreement, dated June 24, 2020, the SBA First Modification of Note, dated March 18, 2022, the Amended Loan Authorization and Agreement, dated March 18, 2022, and the Amended Security Agreement, dated March 18, 2022, each between the SBA and the Organization.

Note 20 – Subsequent Events

On March 18, 2022 the Organization was notified that the Ad-hoc Review Committee from the City of Albuquerque's Department of Family and Community Services recommended for funding the Organization's application to receive $3,300,000 in response to the Neighborhood Opportunity Grants Home Rehabilitation Request for Proposals. The amount received is contingent upon approval of the award by the Mayor and City Council, acknowledgement of federal requirements, preparation of a rehab program budget and policies and procedures for the program in accordance with 2 CFR Part 200, and determination of validity and necessity of contractual services.

During the quarter ending June 30, 2022, the Organization was notified that the Office of Affordable Housing from the City of Santa Fe requested repayment of the balance of undeployed program income as of the end of the City's June 30, 2022 fiscal year end related to the U.S. Department of Housing and Urban Development's Community Development Block Grant (CDBG) program from which the Organization receives pass-through funds. As of the financial statement reporting date, the Organization had a program income balance of $160,022.

On April 25, 2022, the Organization formed Homewise Leverage I, LLC, a special purpose entity that is wholly owned by the Organization, for the purpose of taking advantage of the 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 NMTC investment is expected to close in the first half of the fiscal year ending March 31, 2023.

Grantor /Pass-Through Grantor/Program Title	Pass-through Grantor Number or Other Identifying Number	ALN	Expenditures	Loans & Loan Guarantees	Total
U.S. Department of Housing and Urban Development					
CDBG - Entitlement Grants Cluster					
Community Development Block Grant (pass through from the City of Albuquerque)	POFCS-FCS0016158, POFCS-FCS0017197	14.218	$ 1,205,200	-	$ 1,205,200
COVID-19 – CDBG-CARES Act (pass through from the City of Albuquerque)	POFCS-FCS0016254	14.218	71,814	-	71,814
Total CDBG - Entitlement Grants Cluster			$ 1,277,014	$ -	$ 1,277,014
New Mexico Mortgage Finance Authority, State Neighborhood Stabilization Program (NSP) (Subrecipient Award)	JPA #19-NSP3-2-J-01 JPA #19-NSP1-2-J-01	14.228	507,415	-	507,415
Total U.S. Department of Housing and Urban Development and Pass-through			$ 1,784,429	$ -	$ 1,784,429
U.S. Department of Treasury					
Community Development Financial Institution Program					
Capital Magnet Fund- loan capital	161CM020143	21.011	-	3,123,777	3,123,777
Capital Magnet Fund- loan capital	191CM053345	21.011	790,600	500,075	1,290,675
CDFI Bond Guarantee Program	171BG012323 / OPFNANCE 0015	21.014	-	14,355,910	14,355,910
COVID-19 CDFI Rapid Response Program	21RRP056387	21.024	1,826,265	-	1,826,265
CDFI Financial Assistance	211FA056264	21.020	690,000	-	690,000
Total Community Development Financial Institution Program			3,306,865	17,979,762	21,286,627
Other federal appropriations through NeighborWorks America	PL 116-260, 117-103	21.U01	56,500	-	56,500
Total U.S. Department of Treasury			$ 3,363,365	$ 17,979,762	$ 21,343,127
U.S. Department of Commerce					
Buildwise Technical Assistance Program (Economic Development Cluster)	08-79-05386	11.307	84,186	-	84,186
Total U.S. Department of Commerce			$ 84,186	$ -	$ 84,186
U.S. Small Business Administration					
COVID-19 Disaster Assistance Loans	3006408008	59.008	500,000	-	500,000
Total U.S. Small Business Administration			$ 500,000	$ -	$ 500,000
	Total Federal Expenditures		$ 5,731,980	$ 17,979,762	$ 23,711,742

See notes to the Schedule of Expenditures of Federal Awards.

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the expenditures of Homewise, Inc. and affiliates under programs of the federal government for the year ended March 31, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.* Therefore, some amounts presented in the Schedule may differ from amounts presented in or used in the preparation of the consolidated financial statements. Because the Schedule presents only a selected portion of the operations of Homewise, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Homewise, Inc.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed. Assistance Listing Numbers (ALN) are provided when available.

The Organization elected not to use the 10% de minimis indirect cost rate.

Note 3 – Loans and Loan Guarantees

In accordance with Title 2 U.S. *Code of Federal Regulations* Part 200,, *Uniform Administrative Requirements, Cost Principles and Audit Requirements of Federal Awards,* Homewise discloses loans and loans guarantees. The reported amount includes new loans made during the year, plus prior year loans for which the federal government imposes continuing compliance requirements. Accordingly, the total expenditures per the Schedule of Expenditures of Federal Awards is adjusted as follows:

Total expenditures per the Schedule of Expenditures of Federal Awards	$ 5,731,980
Loans and loan guarantees:	
Capital Magnet Fund (ALN #21.011)	3,334,159
CDFI Bond Guarantee Program (ALN #21.014)	13,981,972
Adjusted total expenditures per Schedule of Expenditures of Federal Awards	$ 23,048,111

Note 4 – CDFI Capital Magnet Fund

Loans outstanding at the beginning of the year and expenditures made during the year are included in the federal expenditures presented in the schedule. The balance of loans outstanding at March 31, 2022 consists of:

Beginning balance, March 31, 2021	$ 3,623,852
Add loans deployed	790,600
Less principal payments	(289,693)
Ending balance, March 31, 2022	$ 4,124,759

Note 5 – CDFI Bond Guarantee Program

Bonds outstanding at the beginning of the year and bond funding drawn during the year are included in the federal expenditures presented in the schedule. The balance of bonds outstanding at March 31, 2022 consists of:

Beginning balance, March 31, 2021	$ 14,355,910
Less principal payments	(373,937)
Ending balance, March 31, 2022	$ 13,981,972

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

The Board of Directors
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 consolidated financial statements of Homewise, Inc. (Homewise), which comprise the statement of financial position as of March 31, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 27, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss Adams LLP

Albuquerque, New Mexico
June 27, 2022

Report of Independent Auditors on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Directors
Homewise, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Homewise, Inc.'s (Homewise) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Homewise's major federal programs for the year ended March 31, 2022. Homewise's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Homewise complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Moss Adams LLP

Albuquerque, New Mexico
June 27, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ Yes ☒ No

Identification of major federal programs and type of auditor's report issued on compliance for major federal programs:

Assistance Listing Number(s)	*Name of Federal Program or Cluster*	*Type of Auditor's Report Issued on Compliance for Major Federal Programs*
21.014	CDFI Bond Guarantee Program	Unmodified
21.024	COVID-19 CDFI Rapid Response Program	Unmodified

Dollar threshold used to distinguish between type A and type B programs: $ 750,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

Section II - Financial Statement Findings

No reportable matters

Section III - Federal Award Findings and Questioned Costs

No reportable matters

Appendix B

HOMEWISE, INC. SUBSCRIPTION AGREEMENT

I wish to purchase a Homewise Promissory Note, bearing interest at a rate of ____0.00%____ per annum and having a maturity date of ________________, as set forth in that certain Homewise Promissory Note dated _____________, in the principal amount of $____________ (the "Note"). I enclose cash, certified funds or a personal check made payable to the order of **Homewise, Inc.** ("Homewise") in the principal amount of the Note.

Please check only one box per item. If you check the "**DO**" box in item 1, please do NOT check either box in item 2.

1. I ☐ DO ☐ DO NOT wish to waive the interest on the Note.
2. I ☐ DO ☐ DO NOT wish to automatically reinvest the interest on the Note.
3. I ☐ DO ☐ DO NOT wish to automatically renew the Note on the maturity date for a note bearing the interest rate then being offered by Homewise for similar notes on the maturity date of my Note on the terms as the Note. (Automatic renewal is not available in Oregon.)

Targeted Investment Option: Please check only one option below.

1. ☐ My investment is to be used for Homewise's general purposes in the promotion of its mission.
2. ☐ I wish to target my investment toward the New American Lending Program.
3. ☐ I wish to target my investment toward Energy-efficiency and Solar Lending Programs.
4. ☐ I wish to target my investment toward the Community Catalyst Program.

By signing this Agreement, each undersigned investor (the "Investor") certifies, under penalty of perjury and as required by law, that (I) the social security number or taxpayer identification number of the Investor provided on this form is the correct social security number or taxpayer identification number of the Investor, and (II) the Investor is not currently under notice from the IRS that the Investor is subject to back-up withholding.

(Please strike through #II above if the Investor is subject to backup withholding. If the Investor is subject to backup withholding, Homewise is required to withhold 28% of each interest payment. Alternatively, Homewise may decline this subscription. If you indicate that you are subject to backup withholding, Homewise is not required to obtain any other consent from you to such backup withholding.)

In addition to my investment, I would like to make a tax-deductible donation to support the mission of Homewise in the amount of: $

Investor(s) (Name in which Note is to be registered):

Investor(s) Physical Address, Phone, Email:

Investor(s) Correspondence Mailing Address (if different):

Investor(s) Social Security Number:

Investor(s) Payment Mailing Address: (if different):

Please include a copy of the relevant section(s) of the Trust Agreement and any other documentation necessary to establish the authority of the person signing this Subscription Agreement. If acceptable to the Company, you may provide certified copies of relevant portions of the Trust Agreement.

TERMS AND CONDITIONS

The Investor, by signing this Subscription Agreement ("Agreement"), applies for the purchase of the Note set forth on the first page of this Agreement and encloses cash, certified funds or a check made payable to Homewise, Inc. in the amount set forth on the first page of this Agreement.

The Investor understands that Homewise reserves the right to reject all or any part of any subscription in its sole discretion and will reject subscriptions from an Investor if exemptions from federal and state securities law registration requirements are not available for the sale of the Note to such Investor. The Investor will be notified promptly by Homewise as to whether his or her subscription has been accepted. If the Investor's subscription is not accepted, the funds tendered herewith shall be refunded promptly.

A. The Investor acknowledges that:

1. There are certain risks associated with an investment in the Note. The Note is an interest-only, fixed rate, unsecured debt instrument that may be redeemed by Homewise at its option prior to the maturity date but not upon the demand of the Investor prior to the maturity date. The Note is an unsecured obligation of Homewise, Inc. and therefore subordinate to the repayment of secured debt of Homewise, Inc. The Note is not guaranteed or insured.

2. Investor has been furnished with the Homewise Prospectus and such financial and other information concerning Homewise and the business of Homewise as Investor has requested and considers necessary, in connection with the investment by Investor in the Note.

3. Investor has carefully reviewed the Homewise Prospectus, the Note, and this Agreement and has discussed with Homewise or a person or persons acting on its behalf any questions Investor may have had with respect thereto, including:

    i. The risks involved in this offering;

    ii. The financial risks involved in this offering, including the risk of losing the entire investment made by Investor;

    iii. The lack of liquidity and restrictions on transfers of the Note; and

    iv. The tax consequences of this investment.

4. Investor has consulted with legal, accounting, tax, investment, and other advisers to Investor with respect to the tax treatment of an investment by Investor in the Note and the merits and risks of an investment in the Note to the extent that such advice is deemed appropriate by Investor.

5. Investor and the Investor's adviser(s) have had a reasonable opportunity to ask questions of and receive answers from Homewise, or a person or persons acting on its behalf, concerning the offering, and all such questions have been answered to the full satisfaction of Investor. No oral representations have been made or oral information furnished to Investor or his or her adviser(s) in connection with the offering that are in any way inconsistent with the statements made in the Prospectus, the Note, or this Agreement.

6. If Investor selects a Targeted Investment Option as set forth on the first page of this Agreement, Investor understands that: (a) targeting is discretionary on the part of Homewise and based on its reasonable efforts, (b) due to variability in the availability and timing of appropriate projects and loans, and differences between the terms to maturity of loans and targeted Notes, there may be variations from time to time between the amount of outstanding Notes targeted to specific areas and loans outstanding to that area. (c) Homewise does not track or tie specific Notes to specific loans, and (d) at its discretion, Homewise reserves the right to untarget funds from time to time.

7. No federal or state agency has made any finding or determination as to the fairness for investment in, or any recommendation or endorsement of, the Note.

B. The Investor represents and warrants to Homewise, Inc. and agrees as follows:

1. The residence of the Investor set forth on the first page of this Agreement is the true and correct primary residence of the Investor, and he or she has no present intention to become a resident or domiciliary of any other state or jurisdiction.

2. In making his or her decision to subscribe for the Note, the Investor has relied solely upon his or her review of the Homewise Prospectus and such other documents and independent investigations made by him or her (and his or her purchaser representative, if any) without the assistance of Homewise, Inc. or its officers, directors, shareholders, affiliates, employees or agents.

3. All acknowledgments, representations, warranties, covenants and certifications contained in this Agreement shall survive the acceptance of this subscription. The Investor acknowledges and agrees that this Agreement shall survive changes that are not material in the transactions, documents, and instruments described herein, and the death or disability of the Investor. This Agreement supersedes all prior agreements and discussions between Homewise, Inc. and the Investor relating to an investment in the Note.

4. This Agreement shall be construed in accordance with, and governed in all respects by, the laws of the State of New Mexico.

5. The parties agree that nothing in this Agreement shall be construed or operates as a waiver of rights of the parties hereto.

6. Any notice, demand, or other communication that any party hereto may be required, or may elect, to give to anyone hereunder shall be sufficiently given if (a) deposited, postage prepaid, in a United State mail letter box, registered or certified mail, return receipt requested, addressed to such address as may be given herein, (b) delivered personally at such address, or (c) sent by recognized overnight courier service (postage prepaid) to such address.

7. This Agreement may be executed through the use of separate signature pages or in any number of counterparts, and each of such counterparts shall, for all purposes, constitute one agreement binding on all the parties, notwithstanding that all parties are not signatories to the same counterpart.

8. Except as otherwise provided herein, this Agreement shall be binding upon and inure to the benefit of the parties and their heirs, executors, administrators, successors, legal representatives, and assigns.

9. This Agreement contains the entire agreement of the parties, and there are no representations, covenants, or other agreements except as stated or referred to herein.

SIGNATURE PAGE

Date: ________________________

Amount of Subscription: $________________

INVESTOR

☐ I would like my investment to remain anonymous

____

By: ____

ACCEPTANCE

If this Subscription is accepted, one copy of this Subscription Agreement will be returned to the Investor. If this Subscription is not accepted, the funds or check tendered herewith will be promptly returned to the Investor.

HOMEWISE, INC., a New Mexico nonprofit corporation hereby accepts the foregoing Subscription Agreement as of ________________________.

HOMEWISE, INC.

____

By: ___________________________________

Appendix C

HOMEWISE PROMISSORY NOTE

THIS NOTE IS NOT A SAVINGS ACCOUNT OR DEPOSIT AND IT IS NOT INSURED BY THE UNITED STATES OR ANY AGENCY OR FUND OF THE UNITED STATES.

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE TRANSFERRED, ASSIGNED, EXCHANGED OR CONVEYED UNLESS IT IS REGISTERED UNDER THE SECURITIES ACT OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE UNDER THE SECURITIES ACT.

Principal Amount: $____________________ US Interest Rate: __________%

Issue Date: __________________________ Maturity Date:____

Holder: ____

FOR VALUE RECEIVED, Homewise, Inc., a New Mexico nonprofit corporation with offices located at 1301 Siler Road, Building D, Santa Fe, New Mexico 87507, (“Borrower”) unconditionally promises to pay to the holder named above, or to his/her/its legal successor or assign, (“Holder”), at Holder’s address of record with Borrower, the amount of principal stated above in lawful money of the United States of America in same day or other immediately available funds, upon the terms set forth below, and to pay interest semi-annually on the principal balance until this Note is paid in full at the interest rate stated above and upon the terms and in the manner set forth below.

1. Interest:

Interest will accrue from the later of (i) the date Holder’s Subscription Agreement for the purchase of this Note is accepted by Borrower, and (ii) the date that Holder’s check has cleared Holder’s bank and the funds have been deposited to the account of Borrower. All calculations of interest shall be made on the basis of 12 months of 30 days each for the actual number of days elapsed. Interest on the outstanding principal balance shall be due and payable on the 30th day of June and the 31st day of December of each year of the term of the Note. If the Note matures prior to a regularly scheduled interest payment date, the interest that has accrued through the maturity date will be paid on the maturity date.

2. Applicable Law and Jurisdiction:

This Note shall be governed by and interpreted according to the laws of the State of New Mexico, without giving effect to conflict of laws rules. Holder irrevocably agrees and consents that any action against Homewise for collection or enforcement of this Note must be brought in any state or federal court that has subject matter jurisdiction and is located in, or whose district includes, Santa Fe, New Mexico, and that any such court shall have personal jurisdiction over Borrower for purposes of the action.

3. Prepayments:

Borrower may prepay the principal in whole or in part at any time, without premium or penalty, by delivery of payment to Holder, with written notice of such prepayment, of the principal of the Note together with all interest accrued but unpaid on the amount of principal that is subject to the prepayment. Notwithstanding the foregoing, a partial prepayment shall be in the minimum principal amount of the lesser of (i) US One Thousand Dollars ($1,000.00) or an integral multiple thereof, or (ii) the outstanding principal balance.

4. Events of Default:

Notwithstanding the foregoing, this Note shall become immediately due and payable without further notice or demand upon the occurrence of any “Event of Default”. Each of the following shall constitute an "Event of Default," whatever the reason for such event and whether or not it shall be voluntary or involuntary, or be effected by operation of law or pursuant to any judgment or order of any court or any order, rule or regulation of any governmental or non-governmental body:

(1) Borrower shall fail to pay the principal of the Note when due (whether by reason of maturity, acceleration or otherwise) and such failure is not cured within thirty (30) days;

(2) Borrower shall fail to make any interest payment when due and such failure is not cured within thirty (30) days;

(3) Borrower shall:

 (a) commence any case or proceeding for relief under the bankruptcy, insolvency or similar laws of any competent jurisdiction or shall consent to or fail to timely controvert any such action or proceeding commenced against it; or

 (b) seek or consent to the appointment of or taking of possession by a custodian, trustee, receiver or similar official of it or of all or substantially all of its assets or properties; or

 (c) make or take any action to authorize the making of a general assignment for the benefit of creditors; or

 (d) suffer the entry of an order for relief or be adjudicated a bankrupt or insolvent under the bankruptcy, insolvency, or similar laws of any competent jurisdiction; or

 (e) suffer the commencement of an involuntary case or proceeding under the bankruptcy laws, or involuntary appointment of or taking of possession by a custodian, trustee, receiver, or similar official of it or of all or substantially all of its assets or properties and any such case, proceeding, appointment or taking of possession shall remain undismissed for a period of sixty (60) days;

(4) The filing of Articles of Dissolution of Borrower, whether voluntary or involuntary.

5. Miscellaneous:

Nothing contained herein shall be deemed to establish or require the payment of a rate of interest or other charges in excess of the maximum permitted by applicable law. If the rate of interest required to be paid hereunder exceeds the maximum permitted by such law, any payments in excess of such maximum shall be credited against amounts owed by Borrower to Holder and then refunded to Borrower.

The failure of Holder to exercise any of his/her/its rights hereunder in any particular instance shall not constitute a waiver thereof in that or any subsequent instance.

Borrower agrees to pay on demand (with interest after payment is due as provided herein) all reasonable costs and expenses, including reasonable attorneys' fees, incurred in connection with the collection and enforcement of this Note.

BORROWER

Homewise, Inc.

By: