HOMEWISE, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

HOMEWISE, INC. AND SUBSIDIARIES

OFFICIAL ROSTER
(unaudited)
March 31, 2023 and 2022

Board of Directors

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

Administration Official

Michael Loftin	Chief Executive Officer
Daniel Slavin	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. and Subsidiaries (Homewise), which comprise the consolidated statements of financial position as of March 31, 2023 and 2022, 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. and Subsidiaries as of March 31, 2023 and 2022, 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 July 17, 2023 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, 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's internal control over financial reporting and compliance.

Moss Adams LLP

Albuquerque, New Mexico
July 17, 2023

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ASSETS

	March 31, 2023	March 31, 2022
CURRENT ASSETS		
Cash and cash equivalents	$ 10,638,171	$ 26,943,905
Other restricted cash and interest-bearing deposits in banks	15,852,177	10,030,802
Broker receivables and other accounts receivable	2,558,477	3,750,284
Grants receivable	1,343,567	799,780
Amortizing mortgage loans receivable, current portion	2,279,871	1,994,690
Inventory	-	13,672
Real estate held for sale	4,499,402	314,051
Development costs, current portion	16,959,227	20,441,709
Total current assets	54,130,892	64,288,893
Property and equipment, net	10,409,804	10,535,870
MORTGAGE LOANS RECEIVABLE		
Amortizing, net of current portion	96,290,288	80,407,746
Allowance on amortizing loans	(1,478,552)	(1,648,049)
Total amortizing mortgage loans receivable, net of allowance	94,811,736	78,759,697
Deferred mortgage loans receivable	33,905,584	29,622,581
Allowance on deferred loans	(3,960,249)	(3,240,710)
Total deferred mortgage loans receivable, net of allowance	29,945,335	26,381,871
Total long-term mortgage loans receivable, net of allowance	124,757,071	105,141,568
Mortgage servicing rights, net	4,250,809	4,084,178
Development costs, net of current portion	13,606,730	8,753,055
Qualified low income community investment	20,312,843	14,882,832
Other assets	1,079,118	493,554
Total assets	$ 228,547,267	$ 208,179,950

See accompanying notes.

LIABILITIES AND NET ASSETS

	March 31, 2023	March 31, 2022
CURRENT LIABILITIES		
Accounts payable	$ 3,743,080	$ 2,422,369
Accrued expenses	902,556	1,187,123
Escrows and deposits	4,638,880	4,133,392
Lines of credit	1,124,501	-
Lending notes payable, current portion	7,580,488	5,252,795
Community development notes payable, current portion	-	250,000
Other notes payable, current portion	121,494	117,438
Notes payable community investment, current portion	2,632,734	1,773,285
Total current liabilities	20,743,733	15,136,402
LONG-TERM LIABILITIES		
Lines of credit, net of current portion	3,000,000	-
Lending notes payable, net of current portion	71,703,115	76,802,147
Real estate development notes payable	26,925,000	19,500,000
Community development notes payable, net of current portion	1,000,000	500,000
Other notes payable, net of current portion	3,465,016	3,586,492
Notes payable, equity equivalent investment	10,300,000	5,300,000
Notes payable, community investment, net of current portion	4,444,093	5,247,702
Deferred grant revenue	5,244,911	3,790,495
Due to grantor agency	565,519	604,518
Total long-term liabilities	126,647,654	115,331,354
Total liabilities	147,391,387	130,467,756
NET ASSETS		
Without donor restriction	78,096,493	75,452,677
Without donor restriction, attributable to non-controlling interest	500	-
With donor restriction	3,058,887	2,259,517
Total net assets	81,155,880	77,712,194
Total liabilities and net assets	$ 228,547,267	$ 208,179,950

Homewise, Inc. and Subsidiaries
Consolidated Statements of Activities

	Years Ended March 31					
	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND SUPPORT						
Home development sales	$ 31,375,657	$ -	$ 31,375,657	$ 23,613,332	$ -	$ 23,613,332
Loan origination fees	2,299,962	-	2,299,962	4,667,756	-	4,667,756
Real estate sales commissions	2,141,660	-	2,141,660	2,690,373	-	2,690,373
Loan portfolio interest	5,555,316	-	5,555,316	4,412,860	-	4,412,860
Loan servicing fees	1,349,956	-	1,349,956	1,226,715	-	1,226,715
Gain on sale of loans, mortgage servicing rights	756,111	-	756,111	1,236,831	-	1,236,831
Loan capital grants and contributions	2,298,102	1,964,612	4,262,714	4,292,465	901,600	5,194,065
Operating grants and contributions	1,259,890	400,000	1,659,890	1,885,672	212,501	2,098,173
(Loss) gain on sale of asset	(1,874)	-	(1,874)	79,821	-	79,821
Rental Income	219,180	-	219,180	251,733	-	251,733
Other earned income	204,559	6	204,565	635,659	-	635,659
Released from restrictions	1,565,248	(1,565,248)	-	1,438,758	(1,438,758)	-
Total revenues, gains, and support	49,023,767	799,370	49,823,137	46,431,975	(324,657)	46,107,318
Cost of home development sales	24,648,123	-	24,648,123	18,376,389	-	18,376,389
EXPENSES						
Program	16,196,166	-	16,196,166	16,516,573	-	16,516,573
Administrative	4,580,187	-	4,580,187	3,567,757	-	3,567,757
Fundraising	955,475	-	955,475	679,141	-	679,141
Total expenses	21,731,828	-	21,731,828	20,763,471	-	20,763,471
CHANGE IN NET ASSETS	2,643,816	799,370	3,443,186	7,292,115	(324,657)	6,967,458
Net assets at beginning of year	75,452,677	2,259,517	77,712,194	68,160,562	2,584,174	70,744,736
Change in net assets attributable to non-controlling interest	500	-	500	-	-	-
NET ASSETS AT END OF YEAR	$ 78,096,993	$ 3,058,887	$ 81,155,880	$ 75,452,677	$ 2,259,517	$ 77,712,194

See accompanying notes.

	Years Ended March 31, 2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 44,784,127	$ 43,900,096
Cash received from grants and contributions	5,379,465	6,645,606
Cash received from operating	59,465	-
Cash paid to suppliers	(33,400,616)	(36,068,144)
Cash paid to employees	(11,924,922)	(11,779,965)
Cash paid for interest	(3,057,530)	(2,096,704)
Net cash flows from operating activities	1,839,989	600,889
CASH FLOWS FROM INVESTING ACTIVITIES		
Property and equipment acquisitions	(379,917)	(150,178)
Qualified low income community investment	(5,489,550)	(5,403,890)
Net increase in mortgage loans	(20,421,463)	(5,324,294)
Net cash flows from investing activities	(26,290,930)	(10,878,362)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term borrowings	18,996,851	36,366,857
Payments on long-term borrowings	(9,154,770)	(6,873,907)
Borrowings (payments) on bank lines of credit, net	4,124,501	(4,903,735)
Net cash flows from financing activities	13,966,582	24,589,215
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(10,484,359)	14,311,742
Cash and cash equivalents, beginning of year	26,943,905	15,852,234
Other restricted cash and interest-bearing deposits in banks, beginning of year	10,030,802	6,810,731
CASH, AND CASH EQUIVALENTS, beginning of year	36,974,707	22,662,965
Cash and cash equivalents, end of year	10,638,171	26,943,905
Other restricted cash and interest-bearing deposits in banks, end of year	15,852,177	10,030,802
CASH, AND CASH EQUIVALENTS, end of year	$ 26,490,348	$ 36,974,707
Reconciliation of decrease in net assets to net cash and cash equivalents from operations		
Change in net assets	$ 3,443,186	$ 6,967,458
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	505,983	562,888
Amortization of mortgage servicing rights	589,480	778,962
Amortization of discount on low income housing investment	60,038	54,776
Bad debt recovery	(29,263)	(26,164)
Loan loss provision	547,772	141,428
Loss (gain) on sale of an asset	1,874	(79,821)
Change in assets and liabilities		
Broker and other accounts receivable	1,191,807	5,622,552
Grants receivable	(543,787)	279,304
Inventory	13,672	7,590
Development costs	(1,371,193)	(11,825,145)
Real estate held for sale	(4,185,351)	(314,051)
Other real estate owned	-	419,485
Mortgage servicing rights	(756,111)	(1,236,831)
Other assets	(587,438)	5,112
Accounts payable and accrued expenses	1,038,415	(1,953,187)
Escrows and deposits	505,488	359,631
Deferred grant revenue	1,454,416	1,114,976
Due to grantor agency	(38,999)	(278,074)
Net cash from operating activities	$ 1,839,989	$ 600,889

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
Homewise Leverage I, 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.

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, 2023 and 2022.

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 statements 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, 2023 and 2022.

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.

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 paid timely 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.

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 statements 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, 2023 and 2022.

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. In 2022, the Organization formed Homewise Leverage I, LLC, a special purpose entity for the purpose of taking advantage of the NMTC program. Anchorum LLSPE, LLC is a partner of Homewise Leverage I, LLC with a 5% non-controlling interest. Homewise Leverage I, LLC was formed to make a loan which loan proceeds, in addition to capital contributions made by Homewise will be used to finance Homewise’s Barelas Regeneration Initiative in the Barelas neighborhood in Albuquerque, New Mexico. In June 2022, Homewise Leverage I, LLC recorded its investment in EBT NMTC Investment Fund IV, LLC at the cost of $5,277,000. See Note 9.

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 statements of financial position.

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 annually 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, 2023 and 2022, the balance recorded as community investment notes amounted to $7,076,827 and $7,020,987, 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, 2023 and 2022.

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 statements 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 statements 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 $451,338 and $407,514 for the years ended March 31, 2023 and 2022, respectively.

Reclassification
Certain amounts in the prior period financial statement have been reclassified to conform to the presentation of the current period financial statements. These reclassifications had no effect on the previously reported total change in net assets.

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 July 17, 2023, which is the date the consolidated financial statements were available to be issued.

Upcoming 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.

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.

New Pronouncements
On April 1, 2022, the Organization adopted ASU No. 2016-02, *Leases* (Topic 842), which would require the Organization to recognize most leases on the consolidated statements of financial position. However, the Organization did not have leases under this standard that required the recording of any material right-of-use assets and related lease liability.

Note 2 – 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 statements of financial position date of March 31, 2023 and 2022, are comprised of the following:

	2023	2022
Assets at year end	$ 228,547,267	$ 208,179,950
Less amounts not available to be used within one year		
Property and equipment, net	(10,409,804)	(10,535,870)
Amortizing mortgage loans receivable, net of current portion	(94,811,736)	(78,759,697)
Deferred mortgage loans receivable	(29,945,335)	(26,381,871)
Mortgage servicing rights	(4,250,809)	(4,084,178)
Development costs, net of current portion	(13,606,730)	(8,753,055)
Qualified low income community investment	(20,312,843)	(14,882,832)
Inventory	-	(13,672)
Other assets	(1,079,118)	(493,554)
	(174,416,375)	(143,904,729)
Total financial assets	54,130,892	64,275,221
Less amounts not available to be used within one year due to restricted cash	(15,852,177)	(10,030,802)
Add available funds per notes and lines of credit	28,306,872	24,843,491
Financial assets available to meet cash needs for general expenditures within one year	$ 66,585,587	$ 79,087,910

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 3 – Broker and Other Accounts Receivable

Broker and other accounts receivable consist of the following:

	2023	2022
Due from employee/customer	$ 1,768	$ 16,027
Due from Fannie Mae	1,561,250	3,658,423
Due from Self Help Credit Union	388,806	20,273
Due from Title Company	125,789	454
Real Estate commissions receivable	-	7,500
Other miscellaneous accounts receivable	480,864	47,607
Total broker and other accounts receivable	$ 2,558,477	$ 3,750,284

Note 4 – Grants Receivable

Grants receivable consist of the following:

	2023	2022
Non-Federal, City of Santa Fe	$ 265,223	$ 176,927
Community Development Block Grant (pass through from the City of Albuquerque for home improvement and home purchase principal reduction loans)	360,000	589,411
CDFI Fund Financial Assistance award	660,000	-
Other miscellaneous grants receivable	58,344	33,442
Total grants receivable	$ 1,343,567	$ 799,780

Note 5 – 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:	2023	2022
Tessera	$ 662,262	$ 4,200,340
Oshara	884,936	841,160
Aldea	-	214,357
Desert Sage	9,380,505	6,577,870
El Camino Crossing	401,635	5,698,315
Vista Serena	-	505,055
Fairly (Miraflores)	5,229,973	1,456,210
1705 Paseo de Peralta	1,921,953	1,331,176
Palladium Townhomes	2,147,166	2,324,157
Senderos Area 599	-	550,960
Rufina	201,010	-
South Meadows	2,047,121	-
Sombra del Oeste	462,221	-
Los Canales	189,382	-
Calle Mirasol	47,659	-
Acquisition Rehab	2,118,452	3,537,404
Other developments	4,871,682	1,957,760
Total development costs	30,565,957	29,194,764
Less: current development costs	(16,959,227)	(20,441,709)
Development costs, net of current portion	$ 13,606,730	$ 8,753,055

Tessera subdivision in the County of Santa Fe is a residential development comprised of three phases. Phase 1 is outside the city limits and consists of 77 residential lots with an average lot size of approximately one half acre. Phase 2 is comprised of 78 entitled lots averaging about one half acre. Currently, all lots have been sold, the final home closed 4/2023.

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, 42 have sold, with 1 home for sale, and 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. Currently 37 homes have sold, 23 homes are under construction and 22 lots are available lots.

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 9 of the 20 live/work units have sold, with 11 available for sale.

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. All 50 homes have been sold.

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. Infrastructure completed, 50 lots available for sale, and 6 homes under construction.

1705 Paseo de Peralta consists of 5 attached condo units located near Railyard District in Santa Fe, New Mexico. This property is also known as Casa Pacifica, all 5 units are under construction. Construction should be complete July 2023.

Palladium Townhomes consists of 16 townhomes, 8 complete and 8 under construction. 6 units have sold, with 2 units available for sale.

Senderos Area 599 – Previously named Tessera Phase 3, this tract of land consists of 90 acres of land within the presumptive City limits. Initial design work has started on the initial tract of land. Homewise acquired 53 additional acres in the area in fiscal year 2023 and approximately 50 more are under contract to close in fiscal year 2024.

Rufina is a mixed-use project located in Santa Fe. The project is made up of 60 for-sale dwelling units in a range of housing types, sizes and price points, and 13,000 square feet of commercial space. A rezone and development plan was approved in fiscal year 2023. The infrastructure design is currently under review with the City of Santa Fe.

South Meadows consists of 22 acres within the City of Santa Fe, purchased April 30, 2022. Now branded Los Prados, the South Meadows property was approved for a General Plan amendment, rezone, and a master plan that will entitle future development. The Phase 1 platting process is currently underway. This phase of development will include several product types and price points of homes with a total of 97 units.

Sombra del Oeste consists of 11 acres of vacant land on Gibson Boulevard in Albuquerque. The 2022 recorded plat subdivided the property into 75 townhome lots and 6 tracts of land. The site work RFP is planned for release in fiscal year 2024.

Los Canales is a 2-acre infill site located in Santa Fe. It contains 9 existing rental units that are planned to be converted to homeownership. The property was rezoned from R5 to R7 and a development plan was approved to entitle 5 new homeownership units. The 14 total units in the project will be sold affordably to households at or below 120% AMI.

Calle Mirasol also known as Estancias del Norte, is located off of Hyde Park Road in Santa Fe. This project consists of 9 donated affordable lots. The homes for these lots are currently being designed.

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 in Santa Fe and Albuquerque Homewise has purchased or has been donated for future residential and community development. Homewise owns a 0.9-acre vacant infill site in Albuquerque's Barelas neighborhood, which is currently being considered for development subsidy to support a 50-unit mixed-use project called Railyard Square. Last, the City of Albuquerque awarded Homewise six scattered infill lots in Albuquerque's Barelas neighborhood for future development where 16 homeownership units are anticipated to be built.

Note 6 – 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 9.125%, 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:

	2023			2022		
	Loan Number	Payment Due	Loan Amount	Loan Number	Payment Due	Loan Amount
31 – 60 Days	19	$ 20,798	$ 977,883	16	$ 9,886	$ 451,612
61 – 90 Days	4	3,878	163,678	3	2,280	54,376
>90 Days	17	73,333	710,318	8	45,150	486,670
Total		$ 98,009	$ 1,851,879		$ 57,316	$ 992,658

The total amount 31 or more days past due was equivalent to 1.88% and 1.20% of the gross outstanding amortizing mortgage loans receivable balance at March 31, 2023 and 2022, respectively.

At March 31, 2023 and 2022, amortizing mortgage loans receivable are reserved for at 0.71%, 2.24%, 8.40%, and 49.10%; and 0.68%, 3.44%, 11.52%, and 53.90% 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 1.5% 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.

For the year ended March 31, 2022, the allowance for loan losses for amortizing loans was 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 $1,648,049, or 2% of the loan balance. This change resulted in a $118,427 loan loss reserve expense.

In fiscal year 2023, the Allowance for Loan Loss (ALLL) methodology was revised based on continued excellent credit performance of the loan portfolio evidenced by past loss history and delinquency in both deferred and amortizing product sets, the reduced ALLL still far exceeds the estimated credit losses inherent in the portfolio.

For the year ended March 31, 2023, based on the new estimate, the allowance for loan losses for amortizing loans is $1,478,552, or 1.5% of the loan balance, versus $1,971,243, or 2% of the loan balance, by the previous methodology. Homewise's amortizing loans receivable are subject to a loan covenant that previously required the allowance to be no less than 2% of the outstanding balance; however, a historical review of actual losses allowed for a loan covenant revision from 2% to 1.5%. This change resulted in a $169,496 loan loss reserve recovery.

At March 31, 2023 and 2022, amortizing mortgage loans receivable had the following general and specific allowances applied against principal due:

	2023		2022	
	Loan Number		Loan Number	
Amortizing gross mortgage loans, current portion		$ 2,279,871		$ 1,994,690
Amortizing gross mortgage loans, net of current portion		96,290,288		80,407,746
Allowance for loan losses	2,132	(1,459,548)	2,012	(1,638,036)
Allowance for loan losses, commercial loans	12	(16,890)	6	(7,400)
Allowance for loan losses, troubled debt restructurings	1	(2,114)	1	(2,613)
		$ 97,091,607		$ 80,754,387

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

Balance, March 31, 2021	$ 1,552,331
Provision for loan loss	95,718
Balance, March 31, 2022	1,648,049
Provision for loan recoveries	(169,497)
Balance, March 31, 2023	$ 1,478,552

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, 2021	$ -
Repurchase reserve	22,709
Balance, March 31, 2022	22,709
Adjustment to repurchase reserve	(2,270)
Balance, March 31, 2023	$ 20,439

Loans to related parties amounted to $570,000 and $1,087,705 at March 31, 2023 and 2022. 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 statements 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, 2023 and 2022, 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.

The deferred mortgage loans allowance includes a discount to bring the deferred mortgage loan balance to net present value.

In the case of deferred loans, management has identified two sources of allowances. The first is (a.) default risk and the second is the (b.) opportunity cost risk of loaning money to a borrower on a deferred basis requiring no periodic payments of principal or interest. The proposed deferred loan ALLL method addresses both of the identified risks as follows: (a.) any deferred loan that is behind a delinquent first or second is reserved at 100% sensitivity with the same credit default rate of amortizing subordinates; 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 of amortizing loans to estimate the lost economic opportunity of deferred loans.

Accordingly, the Homewise ALLL model calculates the appropriate reserve for each product type based on its delinquency status (current, 30+, 60+, and 90+) by multiplying the estimated severity for each product by the estimated CDR for the respective product and delinquency status combinations.

For the year ended March 31, 2023, the allowance for loan losses for deferred loans is $3,960,249, or 11.68% of the loan balance.

For the year ended March 31, 2022, the allowance for loan losses for deferred loans is $3,240,710, or 10.94% of the loan balance.

At March 31, 2023 and 2022, deferred mortgage loans receivable had the following general and specific allowances applied against principal due:

	2023 Loan Number	2023	2022 Loan Number	2022
Deferred mortgage loans		$ 33,905,584		$ 29,622,581
Allowance for loan losses	1,750	(3,942,932)	1,661	(3,230,686)
Allowance for loan losses, troubled debt restructuring	1	(17,317)	1	(10,024)
		$ 29,945,335		$ 26,381,871

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

Balance, March 31, 2021	$ 3,217,709
Provision for loan loss	23,001
Balance, March 31, 2022	3,240,710
Provision for loan loss	719,539
Balance, March 31, 2023	$ 3,960,249

Deferred loans that are expected to be forgiven at the end of a fixed term totaled $410,730 at March 31, 2023.

Note 7 – Property and Equipment

Property and equipment consist of the following:	2023	2022
Land	$ 1,158,768	$ 1,233,768
Land improvements	67,151	52,467
Buildings and improvements	6,939,260	6,518,758
Rental properties	4,187,388	4,293,588
Software	1,486,513	1,486,513
Furniture and equipment	1,214,157	1,103,006
Trademark	11,710	8,000
Leasehold improvements	9,123	9,123
Total property and equipment	15,074,070	14,705,223
Less: accumulated depreciation	(4,664,266)	(4,169,353)
Property and equipment, net	$ 10,409,804	$ 10,535,870

Depreciation expense for the years ended March 31, 2023 and 2022 was $505,983 and $562,888, respectively.

Note 8 – Mortgage Servicing Rights

Mortgage loans serviced for others are not included in the accompanying consolidated statements of financial position. Not all loans serviced for others include non-cancellable servicing rights. The unpaid balance of loans with non-cancellable servicing rights at March 31, 2023 and 2022 is summarized as follows:

	2023	2022
Mortgage loan portfolios serviced for:		
Federal National Mortgage Association (FNMA)	$ 488,630,325	$ 461,541,855
Other investors	61,278,410	52,905,913
Total	$ 549,908,735	$ 514,447,768

During 2023, 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 $1,349,956 during 2023. 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.

	2023	2022
An analysis of changes in mortgage servicing rights is as follows:		
Balance at beginning of period	$ 4,084,178	$ 3,626,309
Servicing rights originated and capitalized	756,111	1,236,831
Amortization	(589,480)	(778,962)
Balance at end of period	$ 4,250,809	$ 4,084,178

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, 2023 and 2022, there was no impairment.

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

	2023	2022
Discount rate	9.61%	9.10%
Earnings rates:		
Principal and Interest Payoffs	3.87%	1.76%
Escrows	3.87%	1.76%
Advances	6.37%	4.26%

Note 9 – 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, 2023 and 2022.

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, 2023 and 2022.

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, 2023.

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.

Investment in EBT NMTC Investment Fund IV, LLC
In 2022, the Organization participated in a NMTC program. The program provides funds to eligible qualified active low-income community business (QALICB) for investment in "qualified low-income communities". Program compliance requirements included creation of a promissory note and qualified equity investment in a community development entity. Tax credit recapture is possible if compliance requirements are not met over the seven-year compliance period.

In 2022, the Organization formed Homewise Leverage I, LLC, a special purpose entity for the purpose of taking advantage of the NMTC program. Anchorum LLSPE, LLC is a partner of Homewise Leverage I, LLC with a 5% non-controlling interest. Homewise Leverage I, LLC was formed to make a loan which loan proceeds, in addition to capital contributions made by Homewise will be used to finance Homewise's Barelas Regeneration Initiative in the Barelas neighborhood in Albuquerque, New Mexico. In June 2022, Homewise Leverage I, LLC recorded its investment in EBT NMTC Investment Fund IV, LLC at the cost of $5,277,000.

Long-Term Debt
Long-term debt consists of the following: Enterprise Sub-CDE 32, LLC QLICI loan A (Loan A) $5,277,000 and QLICI loan B (Loan B) $2,148,000. The Enterprise loans mature June 30, 2052 and bear interest at a fixed rate of 1.27% with interest payments due quarterly, the 5th of each March, June, September, and December beginning September 5, 2022. On June 30, 2029, a principal on Loan B of $56,250 is due. Thereafter, quarterly payments of principal and interest are due in an amount sufficient to fully amortize the remaining balance of each Enterprise loan over the remaining period of 23 years. At maturity, the entire outstanding principal balances plus all accrued and unpaid interest are due and payable in full. The loans are secured by the mortgage containing provisions for future advances and future obligations and substantially all the assets acquired by the Organization from the project loan proceeds. As of March 30, 2023 and 2022, the total principal amount outstanding was $7,425,000.

Note 10 – 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 all covenants at March 31, 2023 with the exception of a requirement that Homewise maintain a debt service coverage ratio in excess of 1.2 to 1.0 calculated as borrower's net operating income divided by annual debt service and evaluated as of fiscal year-end using audited consolidated financial statements. As of March 31, 2023, Homewise's annual debt service coverage ratio is 0.72. This instance of noncompliance is due to the timing of cash inflows and outflows. Homewise received waivers from each required lender for this instance of noncompliance related to the annual debt service coverage ratio. Homewise was in compliance with all other covenants at March 31, 2023 and 2022. At March 31, 2023 and 2022, Homewise had lines of credit, notes payable, equity equivalent investment, and community investment notes outstanding of:

	2023	2022
Current		
Lines of credit	$ 1,124,501	$ -
Lending notes payable	7,580,488	5,252,795
Community development notes payable	-	250,000
Other notes payable	121,494	117,438
Notes payable, community investment	2,632,734	1,773,285
Total	$ 11,459,217	$ 7,393,518
Long-Term		
Lines of credit	$ 3,000,000	$ -
Lending notes payable	71,703,115	76,802,147
Real estate development notes payable	26,925,000	19,500,000
Community development notes payable	1,000,000	500,000
Other notes payable	3,465,016	3,586,492
Notes payable, equity equivalent investment	10,300,000	5,300,000
Notes payable, community investments	4,444,093	5,247,702
Total long-term, net	120,837,224	110,936,341
Total	$ 132,296,441	$ 118,329,859

Lines of credit at March 31, 2023 and 2022:

	2023	2022
Bank, line of credit of $10,000,000 at 3.25% variable interest, collateralized by mortgages, matures October 2023.	$ 1,124,501	$ -
Bank, line of credit of $3,000,000 at 2.50% interest, unsecured, matures September 2032.	3,000,000	-
Total lines of credit	4,124,501	-
Less current maturities	(1,124,501)	-
Total lines of credit, net of current portion	$ 3,000,000	$ -

Notes payable at March 31, 2023 and 2022:

	2023	2022
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.	2,430,564	2,493,712
Opportunity Finance Network, at 3.26% interest, collateralized by mortgages, principal, and interest due in quarterly payments and matures March 2047.	6,553,764	6,731,319
Opportunity Finance Network, at 2.39% interest, collateralized by mortgages, principal, and interest due in quarterly payments and matures March 2047.	3,819,291	3,935,969

	2023	2022
Opportunity Finance Network, at 1.42% interest, collateralized by mortgages, principal and interest due in quarterly payments and matures March 2047.	$ 793,412	$ 820,972
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	5,000,000
Bank, at 3.75% interest collateralized by mortgages, due in monthly payments and maturing February 2028.	661,736	781,855
Bank, at 4.25% interest, collateralized by the Homewise headquarters building, due in monthly payments and maturing June 2037.	985,977	1,035,293
Bank, at 2.98% interest, collateralized by the Orpheum Community Hub, due in monthly payments and maturing October 2029.	2,100,533	2,168,637
Albuquerque Community Foundation, at 3.00% interest, Interest only due in quarterly payments, principal and all outstanding interest due and matured on October 2022.	-	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
Albuquerque Community Foundation, at 2.75% interest, Interest only due in quarterly payments, principal and all outstanding interest due and matures August 2029.	500,000	-
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.	9,243,308	9,610,587

	2023	2022
Bank, unsecured at 2.75% interest, the principal balance is due at and matures December 2023.	$ 2,384,156	$ 2,770,664
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.	1,131,494	1,237,148
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.	609,982	658,898
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.	2,547,792	2,918,098
Bank, at 2.50% interest, collateralized by mortgages, the principal balance is due and matures August 2031.	5,000,000	5,000,000
Bank, at 2.50% interest, collateralized by mortgages, the principal balance is due and matures October 2030.	5,000,000	5,000,000
Neighborworks Capital Corporation, unsecured at 3.00% interest, the principal balance is due and matures July 2023.	1,500,000	1,500,000

	2023	2022
Monarch Community Fund, unsecured at 3.00% interest, the principal balance is due at and matures July 2027.	$ 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 2030.	300,000	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.	1,000,000	2,000,000
Bank, at 3.00% interest, collateralized by mortgages, annual principal payments began September 2018 and the remaining balance due on maturity in September 2027.	2,150,000	2,330,000
Anchorum St. Vincent, at 3.50 % interest, collateralized by mortgages, quarterly payments are amortized over 20 years and due in full in March 2030.	1,436,935	1,519,797
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	5,000,000
Anchorum St. Vincent, at 2.50% interest, unsecured, the principal balance is due and payable August 2036.	1,230,000	1,230,000
Anchorum St. Vincent, at 2.50% interest, unsecured, the principal balance is due and payable November 2036.	750,000	750,000
Bank, at 3.75% interest, collateralized mortgages, quarterly payments are amortized over 20 years and due in full in March 2030.	34,749	242,006
Bank, 3.50% interest, collateralized mortgages, quarterly payments are amortized over 20 years and due in full in October 2030.	793,823	1,396,996

	2023	2022
Bank, 3.61% interest, collateralized mortgages, quarterly payments are amortized over 20 years and due in full in March 2032.	$ 6,966,843	$ 7,714,313
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.	3,488,672	1,772,608
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	6,825,000
Enterprise Sub-CDE 32, LLC QLICI Loan A at 1.27% interest, secured by substantially all assets acquired by the Organization from the loan proceeds, interest only monthly payments and due in full June 2052.	5,277,000	-
Enterprise Sub-CDE 32, LLC QLICI Loan B at 1.27% interest, secured by substantially all assets acquired by the Organization from the loan proceeds, interest only monthly payments and due in full June 2052.	2,148,000	-
Seton Enablement Fund, unsecured at 3.00% interest, the interest payments began July 2021, principal and interest payments began July 2022, with a final payment of $75,000 due April 2026.	132,082	150,000

	2023	2022
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	$ 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	200,000
Total notes payable	110,795,113	106,008,872
Less current maturities	(7,701,982)	(5,620,233)
Total notes payable, net of current portion	$ 103,093,131	$ 100,388,639

Notes payable – Equity equivalent investment (EQ2) at March 31, 2023 and 2022:

	2023	2022
Bank, unsecured at 2.50% interest, the principal balance is due at and matures September 2028.	$ 1,000,000	$ 1,000,000
Bank, unsecured at 2.75% interest, quarterly the principle balance is due at and matures March 2033.	5,000,000	-
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
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	$ 10,300,000	$ 5,300,000

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

	2023	2022
Individuals and trusts, twenty-nine notes at 0.50% to 2.00% Interest, maturing April 2022 to March 2023.	$ -	$ 1,773,285
Individuals and trusts, thirty-four notes at 0.50% to 2.00% Interest, maturing April 2023 to March 2024.	2,632,774	-
Individuals and trusts, nineteen notes at 1.00% to 3.50% Interest, maturing April 2024 to March 2025.	1,032,674	1,098,114
Individuals and trusts, twenty notes at 1.00% to 2.50% Maturing April 2025 to March 2026.	2,168,135	1,022,882
Individuals and trusts, eight notes at 1.50% to 3.50% interest, Maturing April 2026 to March 2027.	537,715	2,118,058
Individuals and trusts, eight notes at 1.50% to 4.00% interest, Maturing April 2027 to March 2028.	213,094	537,295
Individuals and trusts, eight notes at 2.50% to 4.00% interest, Maturing April 2028 to March 2029.	492,435	471,353
Total notes payable, community investment	7,076,827	7,020,987
Less current maturities	(2,632,734)	(1,773,285)
Total notes payable, community investment, long-term	$ 4,444,093	$ 5,247,702

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

Years Ending March 31,	
2024	$ 11,459,217
2025	10,776,566
2026	15,124,614
2027	6,692,715
2028	10,704,387
Thereafter	77,538,942
Total future principal payments	$ 132,296,441

Note 11 – Net Assets with Donor Restrictions

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

	2023			2022		
	Beginning Net Assets	Release from Restrictions	Ending Net Assets	Beginning Net Assets	Release from Restrictions	Ending Net Assets
Purpose Restricted						
Santa Fe Land Trust	$ -	$ -	$ -	$ 238,776	$ (238,776)	$ -
Santa Fe Community Housing Trust	-	10,000	10,000	171,120	(171,120)	-
Santa Fe Affordable Housing Trust Fund	292,100	435,091	727,191	238,953	53,147	292,100
Land Title Trust Fund	-	-	-	16,159	(16,159)	-
Watersmart	-	-	-	223,219	(223,219)	-
Anchorum St. Vincent	47,878	114,850	162,728	32,467	15,411	47,878
Project Reinvest	1,528,244	200,093	1,728,337	1,339,180	189,064	1,528,244
Community Development Block Grant, City of Santa Fe pass through funds	391,295	39,336	430,631	324,300	66,995	391,295
Net assets with donor restrictions	$ 2,259,517	$ 799,370	$ 3,058,887	$ 2,584,174	$ (324,657)	$ 2,259,517

Note 12 – Grants and Contributions

	2023			2022		
	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	$ -	$ 1,586,308	$ 1,586,308	$ -	$ 790,600	$ 790,600
HUD, Community Development Block Grant, pass through from City of Santa Fe	52,206	-	52,206	-	-	-
HUD, Community Development Block Grant, pass through from City of Albuquerque	760,000	-	760,000	1,205,200	-	1,205,200
Department of the Treasury, American Plan Act (ARPA) pass through from the City of Rio Rancho	3,244	-	3,244	-	-	-
Department of the Treasury, American Rescue Plan Act (ARPA CSLFR funds), pass through from the City Albuquerque	4,652	-	4,652	-	-	-
CDFI Rapid Response Program	-	-	-	1,826,265	-	1,826,265
CDFI Financial Assistance	660,000	-	660,000	690,000	-	690,000
Other Federal Appropriations through NWA	720,000	-	720,000	-	-	-
Total federal loan capital grants	2,200,102	1,586,308	3,786,410	3,721,465	790,600	4,512,065
Nonfederal loan capital grants and contributions						
City of Santa Fe - home purchase and home improvement assistance	28,000	-	28,000	46,000	111,000	157,000
Other nonfederal loan capital grants and contributions	70,000	378,304	448,304	525,000	-	525,000
Project LIFT	-	-	-	-	-	-
Total nonfederal loan capital grants and contributions	98,000	378,304	476,304	571,000	111,000	682,000
Total loan capital grants and contributions	$ 2,298,102	$ 1,964,612	$ 4,262,714	$ 4,292,465	$ 901,600	$ 5,194,065

	2023			2022		
	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
HUD, Community Development Block Grant, State Neighborhood Stabilization Program (NSP), pass through from New Mexico Mortgage Finance Authority	163,944	-	163,944	507,415	-	507,415
Department of the Treasury, American Rescue Plan Act (ARPA) pass through from the City of Rio Rancho	59,817	-	59,817	-	-	-
Department of the Treasury, American Rescue Plan Act (ARPA CSLFR FUNDS) pass through from the City of Albuquerque	59,388	-	59,388	-	-	-
Capital Magnet Fund	-	150,000	150,000	-	-	-
Dept of Commerce, EDA Buildwise Technical Assistance Program	94,650	-	94,650	84,186	-	84,186
PPP - Loan Forgiveness	-	-	-	-	-	-
Other Federal Appropriations through NWA	464,000	-	464,000	56,500	-	56,500
Total federal operating capital grants	841,799	150,000	991,799	719,915	-	719,915
Nonfederal Operating Grants and Contributions						
City of Santa Fe - Administration of housing programs	93,870	-	93,870	179,019	-	179,019
City of Santa Fe - Emergency Mortgage Assistance Fund	1,738	-	1,738	148,262	-	148,262
Other nonfederal operating contributions	322,483	250,000	572,483	838,476	212,501	1,050,977
Total nonfederal operating grants and contributions	418,091	250,000	668,091	1,165,757	212,501	1,378,258
Total operating grants and contributions	1,259,890	400,000	1,659,890	1,885,672	212,501	2,098,173
Total grants and contributions	$ 3,557,992	$ 2,364,612	$ 5,922,604	$ 6,178,137	$ 1,114,101	$ 7,292,238

Note 13 – Functional Expenses

A breakdown of expenses by natural classification and function follows:

	2023				2022			
	Program	Administrative	Fundraising	Total	Program	Administrative	Fundraising	Total
Personnel Services and Benefits	$ 8,834,506	$ 2,081,158	$ 726,963	$ 11,642,627	$ 8,976,679	$ 2,065,518	$ 428,127	$ 11,470,324
Client Support Services	751,267	-	-	751,267	912,720	-	344	913,064
Interest Expense	2,941,384	116,146	-	3,057,530	1,959,199	137,505	-	2,096,704
Occupancy	122,767	104,863	28,134	255,764	139,435	118,637	32,319	290,391
Carrying Costs and other repairs	192,582	7,185	-	199,767	225,349	-	-	225,349
Professional Services	114,223	280,502	32,587	427,312	210,999	222,058	44,071	477,128
Administrative Expenses	228,558	909,655	28,684	1,166,897	423,645	279,316	50,873	753,834
Advertising & Marketing Expenses	320,450	-	130,888	451,338	291,257	-	116,257	407,514
Professional Development	64,458	94,929	8,219	167,606	125,234	51,564	7,150	183,948
Depreciation & Amortization	653,696	501,805	-	1,155,501	1,095,880	300,746	-	1,396,626
Insurance	-	483,944	-	483,944	-	392,413	-	392,413
Loan Loss Provision	547,772	-	-	547,772	141,428	-	-	141,428
Bad Debt Recovery	(29,265)	-	-	(29,265)	(26,164)	-	-	(26,164)
Capital Grant Expense	1,453,768	-	-	1,453,768	2,040,912	-	-	2,040,912
Total functional expenses	$ 16,196,166	$ 4,580,187	$ 955,475	$ 21,731,828	$ 16,516,573	$ 3,567,757	$ 679,141	$ 20,763,471

Note 14 – 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 $561,637 and $536,981 for the years ended March 31, 2023 and 2022, 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, 2023 and 2022, no contributions were made.

Note 15 – 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, 2023 and 2022, the Organization held deposits with multiple banks that individually exceeded the Federal Deposit Insurance Coverage (FDIC) limit of $250,000. One bank pledged collateral covering the remainder of the uninsured balance. Funds for two cash accounts are held in overnight sweep accounts. Management has taken action to mitigate the credit risk of the remaining uninsured and uncollateralized balance of $6,642,426 and $19,714,828, at March 31, 2023 and 2022, respectively, by depositing with well-known and highly reputable institutions. If any of the financial institutions with whom we do business were to be placed into receivership, we may be unable to access the cash we have on deposit with such institutions. If we are unable to access our cash and cash equivalents as needed, our financial position and ability to operate our business could be adversely affected.

Note 16 – 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, 2023, the Organization had two available letters of credit issued by financial institutions in the aggregate amount of $2,378,768 related to the Miraflores and Desert Sage developments maturing on November 2023 and May 2023, respectively.

Litigation

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 17 – Related Party Transactions

The Organization has investments from both Homewise Employees and Homewise Board Members in Homewise Community Investment Notes. Related party investments totaled $113,378 and $116,260 for 2023 and 2022, respectively. Also see loans to related parties – Note 6.

Note 18 – Subsequent Events

In April 2023, Homewise was awarded a US Treasury CDFI Fund Equitable Recovery Program (CDFI ERP) award in the amount of $2,478,839. These funds are intended to strengthen the ability of CDFIs to help low- and moderate-income communities recover from the COVID-19 pandemic and invest in long-term prosperity. Provide funding to Certified CDFIs to expand lending, grant making and investment activities in low- to moderate-income communities and to borrowers with significant unmet capital and financial services needs that have experienced disproportionate economic impacts from the COVID-19 pandemic. Catalyze growth in the financial and organizational capacity of CDFIs for the purpose of carrying out equitable recovery activities.

In May 2023, Homewise entered into an agreement to build a $1.7 million-dollar commercial building in El Camino Crossing.

On May 17, 2023, Homewise was awarded 6 vacant parcels of land from the City of Albuquerque's Children and Family Services department through a competitive Affordable Homeownership Development Project bid. This will allow Homewise to build 16 infill homes in the downtown area of Albuquerque.

Homewise, Inc. and Subsidiaries
Schedule of Expenditures of Federal Awards

Grantor /Pass-Through Grantor/Program Title	Pass-through Grantor Number or Other Identifying Number	Assistance Listing Number	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-FCS0017197, POFCS-FCS0018806	14.218	$ 760,000	$ -	$ 760,000
CDBG - Entitlement Grants Cluster					
Community Development Block Grant (pass through from the City of Santa Fe	PO 22301699 (CDBG 21-22 Extension)	14.218	52,206	-	52,206
Total CDBG - Entitlement Grants Cluster			$ 812,206	$ -	$ 812,206
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	155,159	-	155,159
Total U.S. Department of Housing and Urban Development and Pass-through			$ 967,365	$ -	$ 967,365
U.S. Department of Treasury					
Community Development Financial Institution Program					
Capital Magnet Fund- loan capital	161CM020143	21.011	$ -	$ 2,834,084	$ 2,834,084
Capital Magnet Fund- loan capital	191CM053345	21.011	1,129,558	1,290,675	2,420,233
Capital Magnet Fund- loan capital	211CM058797	21.011	606,750	-	606,750
CDFI Bond Guarantee Program	171BG012323 / OPFNANCE 0015	21.014	-	13,981,972	13,981,972
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
CDFI Financial Assistance	221FA059748	21.020	660,000	-	660,000
Total Community Development Financial Institution Program			$ 2,396,308	$ 20,622,996	$ 23,019,304
Coronavirus State and Local Fiscal Recovery Funds					
COVID-19 American Rescue Plan Act (ARPA) (pass through from the City of Albuquerque)	POFCS-FCS0019041, SLFRP0013	21.027	$ 64,040	$ -	$ 64,040
COVID-19 American Rescue Plan Act (ARPA) (pass through from the City of Rio Rancho)	RRHRP-AD2290	21.019	358,904	-	358,904
Total Coronavirus State and Local Fiscal Recovery Funds			$ 422,944	$ -	$ 422,944
Other federal appropriations through NeighborWorks America	PL 116-260, 117-103	21.U01	1,184,000		1,184,000
Total U.S. Department of Treasury			$ 4,003,252	$ 20,622,996	$ 24,626,249
U.S. Department of Commerce					
Buildwise Technical Assistance Program	08-79-05386	11.307	$ 94,650	$ -	$ 94,650
Total U.S. Department of Commerce			$ 94,650	$ -	$ 94,650
	Total Federal Expenditures		$ 5,065,267	$ 20,622,996	$ 25,688,263

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, 2023. 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	$ 5,065,267
Loans and loan guarantees:	
Capital Magnet Fund (ALN #21.011)	5,337,218
CDFI Financial Assistance (ALN #21.020)	1,338,787
CDFI Rapid Response Program (ALN #21.024)	1,762,640
CDFI Bond Guarantee Program (ALN #21.014)	13,597,031
Adjusted total expenditures per Schedule of Expenditures of Federal Awards	$ 27,100,943

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, 2023 consists of:

Beginning balance, March 31, 2022	$ 4,124,759
Add loans deployed	1,586,308
Less principal payments	(373,849)
Ending balance, March 31, 2023	$ 5,337,218

Note 5 – CDFI Financial Assistance

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, 2023 consists of:

Beginning balance, March 31, 2022	$ 690,000
Add loans deployed	660,000
Less principal payments	(11,213)
Ending balance, March 31, 2023	$ 1,338,787

Note 6 – CDFI Rapid Response Program

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, 2023 consists of:

Beginning balance, March 31, 2022	$ 1,826,265
Less principal payments	(69,268)
Ending balance, March 31, 2023	$ 1,756,997

Note 7 – 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, 2023 consists of:

Beginning balance, March 31, 2022	$ 13,981,972
Less principal payments	(384,941)
Ending balance, March 31, 2023	$ 13,597,031

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 consolidated statements of financial position as of March 31, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated July 17, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2023-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Homewise's consolidated 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*.

Homewise's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Homewise's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Homewise's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss Adams LLP

Albuquerque, New Mexico
July 17, 2023

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, 2023. 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, 2023.

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
July 17, 2023

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
21.020	CDFI Financial Assistance	Unmodified
21.U01	Neighborhood Works America	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

2023-001 Schedule of Expenditures of Federal Awards Preparation, Significant Deficiency

Criteria

The Uniform Guidance (2 CFR 200) Section 200.510 requires an auditee to "prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by the auditee's financial statements [that]….at a minimum shall…list individual Federal programs by Federal agency… [and] provide total Federal awards expended for each individual Federal program and the ALN number or other identifying number when the ALN information is not available." In accordance with Uniform Guidance, Homewise, Inc. is required to maintain a structure of internal control to ensure compliance with applicable reporting requirements.

Condition and Context

In the process of obtaining Homewise's federal expenditures and reconciliations for the SEFA to the general ledger by grant and by program, we obtained several versions of the SEFA during our audit process. These errors were reconciled and corrected as part of the audit process and the final version of the SEFA is ultimately supported by grant documents and Homewise's general ledger detail to ensure accurate reporting.

Cause

There were changes in the Controller's office in the current year, causing some of the institutional knowledge regarding the preparation of the SEFA to be lost.

Effect

Undetected misclassification of federal expenditures could lead to errors not being caught by the auditors which may result in future corrections. In addition, it may result in additional audit costs if the misclassified information leads to changes in audit requirements.

Recommendation

We recommend the Organization review all expenditures reported on the SEFA for accuracy and completeness and ensure that all required parts are included to help prevent adjustments to the SEFA being provided to audit.

Management's Response

We're appreciative of the opportunity for improvement this finding presents. Our financial statement preparation, and the accuracy of our financial statements, is of the highest priority to Homewise. We pride ourselves on being good stewards of the grant funds we receive and work diligently to ensure compliance when expensing these funds. During the last month of our fiscal year, we received two federal grant awards which required additional time to setup and appropriately reconcile. With the annual audit starting the month immediately following fiscal year end we struggled to complete this prior to the start of the audit and as a result needed to revise our SEFA with updated information. We understand the trouble this caused as it resulted in our audit partners having to select new major programs for our single audit and negatively impacted the timing of the audit completion. We have identified challenges within our current accounting software setup that contributed to the length of time it took to fully reconcile these federal expenditures prior to the start of our annual audit. We're in the process of upgrading our accounting systems which will significantly reduce the time gap between transaction occurrence and transaction reconciliation. Our intent is that this will improve our monthly close and reconciliation process as well as our grant management process lending to a timelier completion of the SEFA in following years. Our new software will be implemented prior to 9/30/2023. The General Accounting Controller is leading this initiative and is responsible for its completion.

Section III – Federal Award Findings and Questioned Costs

No reportable matters.