Report of Independent Auditors
and Consolidated Financial Statements
with Supplementary Information

Homewise, Inc. and Subsidiaries

March 31, 2024 and 2023

Homewise, Inc. and Subsidiaries
OFFICIAL ROSTER
(unaudited)
March 31, 2024 and 2023

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 Officials

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, 2024 and 2023, 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, 2024 and 2023, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2024, 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
June 27, 2024

Consolidated Financial Statements

Homewise, Inc. and Subsidiaries
Consolidated Statements of Financial Position
March 31, 2024 and 2023

ASSETS

	2024	2023
CURRENT ASSETS		
Cash and cash equivalents	$ 6,610,315	$ 10,638,171
Other restricted cash and interest-bearing deposits in banks, current portion	7,656,469	15,852,177
Broker receivables and other accounts receivable	4,438,652	2,558,477
Grants receivable	1,331,622	1,343,567
Amortizing mortgage loans receivable, current portion	2,633,160	2,279,871
Real estate held for sale	1,142,003	4,499,402
Development costs, current portion	24,155,794	16,959,227
Total current assets	47,968,015	54,130,892
Property and equipment, net	15,216,634	10,409,804
MORTGAGE LOANS RECEIVABLE		
Amortizing, net of current portion	109,440,336	96,290,288
Allowance for credit losses on amortizing loans	(1,680,908)	(1,478,552)
Total amortizing mortgage loans receivable, net of allowance	107,759,428	94,811,736
Deferred mortgage loans receivable	37,506,613	33,905,584
Allowance for credit losses on deferred loans	(4,374,847)	(3,960,249)
Total deferred mortgage loans receivable, net of allowance	33,131,766	29,945,335
Total long-term mortgage loans receivable, net of allowance	140,891,194	124,757,071
Other restricted cash and interest-bearing deposits in banks, net of current portion	2,667,750	-
Mortgage servicing rights, net	4,464,882	4,250,809
Development costs, net of current portion	8,846,562	13,606,730
Qualified low income community investment	20,112,182	20,312,843
Other assets	1,766,373	1,079,118
Total assets	$ 241,933,592	$ 228,547,267

See accompanying notes.

Homewise, Inc. and Subsidiaries
Consolidated Statements of Financial Position
March 31, 2024 and 2023

LIABILITIES AND NET ASSETS

	2024	2023
CURRENT LIABILITIES		
Accounts payable	$ 3,701,610	$ 3,743,080
Accrued expenses	1,093,321	902,556
Escrows and deposits	4,959,040	4,638,880
Lines of credit	2,984,967	1,124,501
Lending notes payable, current portion	4,614,403	7,580,488
Other notes payable, current portion	138,384	121,494
Notes payable community investment, current portion	1,074,278	2,632,734
Total current liabilities	18,566,003	20,743,733
LONG-TERM LIABILITIES		
Lines of credit, net of current portion	3,000,000	3,000,000
Lending notes payable, net of current portion	78,717,240	71,703,115
Real estate development notes payable	26,925,000	26,925,000
Community development notes payable, net of current portion	4,942,500	1,000,000
Other notes payable, net of current portion	3,322,056	3,465,016
Notes payable, equity equivalent investment	10,300,000	10,300,000
Notes payable, community investment, net of current portion	4,511,282	4,444,093
Deferred grant revenue	3,505,565	5,244,911
Due to grantor agency	535,519	565,519
Total long-term liabilities	135,759,162	126,647,654
Total liabilities	154,325,165	147,391,387
NET ASSETS		
Without donor restriction	84,790,912	78,096,493
Without donor restriction, attributable to non-controlling interest	500	500
With donor restriction	2,817,015	3,058,887
Total net assets	87,608,427	81,155,880
Total liabilities and net assets	$ 241,933,592	$ 228,547,267

See accompanying notes.

Homewise, Inc. and Subsidiaries
Consolidated Statements of Activities
Years Ended March 31, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND SUPPORT						
Home development sales	$ 27,686,100	$ -	$ 27,686,100	$ 31,375,657	$ -	$ 31,375,657
Loan origination fees	2,433,459	-	2,433,459	2,299,962	-	2,299,962
Real estate sales commissions	2,833,689	-	2,833,689	2,141,660	-	2,141,660
Loan portfolio interest	6,562,902	-	6,562,902	5,555,316	-	5,555,316
Loan servicing fees	1,510,694	-	1,510,694	1,349,956	-	1,349,956
Gain on sale of loans, mortgage servicing rights	710,435	-	710,435	756,111	-	756,111
Loan capital grants and contributions	4,376,663	5,053,126	9,429,789	2,298,102	1,964,612	4,262,714
Operating grants and contributions	754,563	-	754,563	1,259,890	400,000	1,659,890
Gain (loss) on sale of asset	87,831	-	87,831	(1,874)	-	(1,874)
Rental Income	253,769	-	253,769	219,180	-	219,180
In kind contributions	112,000	-	112,000	-	-	-
Other earned income	358,739	-	358,739	204,559	6	204,565
Released from restrictions	5,294,998	(5,294,998)	-	1,565,248	(1,565,248)	-
Total revenues, gains, and support	52,975,842	(241,872)	52,733,970	49,023,767	799,370	49,823,137
Cost of home development sales	22,236,103	-	22,236,103	24,648,123	-	24,648,123
EXPENSES						
Program	18,754,625	-	18,754,625	16,196,166	-	16,196,166
Administrative	4,230,756	-	4,230,756	4,580,187	-	4,580,187
Fundraising	1,059,939	-	1,059,939	955,475	-	955,475
Total expenses	24,045,320	-	24,045,320	21,731,828	-	21,731,828
CHANGE IN NET ASSETS	6,694,419	(241,872)	6,452,547	2,643,816	799,370	3,443,186
Net assets at beginning of year	78,096,993	3,058,887	81,155,880	75,452,677	2,259,517	77,712,194
Change in net assets, attributable to non-controlling interest	-	-	-	500	-	500
NET ASSETS AT END OF YEAR	$ 84,791,412	$ 2,817,015	$ 87,608,427	$ 78,096,993	$ 3,058,887	$ 81,155,880

See accompanying notes.

Homewise, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended March 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 40,079,339	$ 44,784,127
Cash received from grants and contributions	5,311,687	5,379,465
Cash received from operating	-	59,465
Cash paid to suppliers	(25,447,694)	(33,400,616)
Cash paid to employees	(11,187,404)	(11,924,922)
Cash paid for interest	(3,413,231)	(3,057,530)
Net cash flows from operating activities	5,342,697	1,839,989
CASH FLOWS FROM INVESTING ACTIVITIES		
Property and equipment acquisitions	(6,333,190)	(379,917)
Property and equipment disposals	303,294	-
Qualified low income community investment	-	(5,489,550)
Net increase in mortgage loans	(17,102,284)	(20,421,463)
Net cash flows from investing activities	(23,132,180)	(26,290,930)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	17,938,414	18,996,851
Payments on long-term borrowings	(11,565,211)	(9,154,770)
Borrowings on bank lines of credit, net	1,860,466	4,124,501
Net cash flows from financing activities	8,233,669	13,966,582
NET DECREASE IN CASH AND CASH EQUIVALENTS	(9,555,814)	(10,484,359)
Cash and cash equivalents, beginning of year	10,638,171	26,943,905
Other restricted cash and interest-bearing deposits in banks, beginning of year	15,852,177	10,030,802
CASH, AND CASH EQUIVALENTS, beginning of year	26,490,348	36,974,707
Cash and cash equivalents, end of year	6,610,315	10,638,171
Other restricted cash and interest-bearing deposits in banks, end of year	10,324,219	15,852,177
CASH, AND CASH EQUIVALENTS, end of year	$ 16,934,534	$ 26,490,348

See accompanying notes.

Homewise, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended March 31, 2024 and 2023

	2024	2023
Change in net assets	$ 6,452,547	$ 3,443,186
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	547,176	505,983
Amortization of mortgage servicing rights	496,362	589,480
Amortization of discount on low income housing investment	73,434	60,038
Bad debt recovery	(2,083)	(29,263)
Noncash contribution revenue	(112,000)	-
Provision for credit losses	616,823	547,772
(Gain) loss on sale of an asset	(87,831)	1,874
Change in assets and liabilities		
Broker and other accounts receivable	(1,880,175)	1,191,807
Grants receivable	11,945	(543,787)
Inventory	-	13,672
Development costs	(1,439,402)	(1,371,193)
Real estate held for sale	3,357,399	(4,185,351)
Mortgage servicing rights	(710,435)	(756,111)
Other assets	(681,302)	(587,438)
Accounts payable and accrued expenses	149,426	1,038,415
Escrows and deposits	320,160	505,488
Deferred grant revenue	(1,739,346)	1,454,416
Due to grantor agency	(30,001)	(38,999)
Net cash from operating activities	$ 5,342,697	$ 1,839,989

See accompanying notes.

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
- ACCS Excellence in Education, LLC
- Voz Excellence in Education, 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, 2024 and 2023.

Grant revenue, grants receivable, and deferred grant revenue – Grant revenue is recognized in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (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.

Adoption of new accounting pronouncement – On April 1, 2023, the Organization adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326)*: *Measurement of Credit Losses on Financial Instruments*, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables.

The Company adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost. Results for reporting periods beginning after April 1, 2023, are presented under ASC 326, while prior amounts continue to be reported in accordance with previously applicable GAAP. The adoption resulted in no change to the allowance for credit losses on loans or the beginning balance of net assets.

Amortizing 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 credit losses. Interest income on loans is accrued over the term of the loans based upon the principal outstanding. The accrual of interest on loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due.

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 credit loss allowance.

Allowance for credit losses – The allowance for credit losses (ACL) is an estimate of the expected credit losses on financial assets measured at amortized cost, which is measured using relevant information about past events, including historical credit loss experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the remaining cash flows over the contractual term of the financial assets. Loans are charged off against the ACL when management's assessment of the current status of an individual loan results in anticipation that the loan will be partially or fully uncollectible.

The Organization has elected the probability default loss given default method for the amortizing mortgage loans receivable portfolio and the discounted cash flow method for the deferred mortgage loans receivable portfolio. The probability default loss given default methodology calculates an expected credit loss by applying an estimated credit default rate for loans receivable based on their current loan to value ratio and lien position. The discounted cash flow method calculated an expected credit loss by applying a discount rate based on prepayment assumptions in the portfolio. In addition to the methodologies described, management also includes qualitative factors that include relevant internal loan information and trends and external sources that provide guidance for current economic conditions.

The allowance for credit losses is established through a provision charged to credit losses expense. The allowance is an amount that management believes will be adequate to absorb future expected losses on existing loans that may become uncollectible.

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 credit losses.

See Note 6 for further description of the Organization's loan portfolio, the estimated allowance for credit losses, and past due loan amounts.

Allowance for credit losses on unfunded commitments – The estimate uses essentially the same factors and assumptions as used for the allowance for credit losses on loans in the respective loan portfolios.

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, 2024 and 2023.

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 2022, Homewise Leverage I, LLC recorded its 95%, controlling 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, 2024 and 2023, the balance recorded as community investment notes amounted to $5,585,560 and $7,076,827, 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, 2024 and 2023.

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 $308,188 and $451,338 for the years ended March 31, 2024 and 2023, respectively.

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.

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

Management has evaluated subsequent events for potential recognition and disclosure through June 27, 2024, which is the date the consolidated financial statements were available to be issued.

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, 2024 and 2023, are comprised of the following:

	2024	2023
Assets at year end	$ 241,933,592	$ 228,547,267
Less amounts not available to be used within one year		
Property and equipment, net	(15,216,634)	(10,409,804)
Real estate held for sale	(1,142,003)	(4,499,402)
Amortizing mortgage loans receivable, net of current portion	(107,759,428)	(94,811,736)
Deferred mortgage loans receivable	(33,131,766)	(29,945,335)
Mortgage servicing rights	(4,464,882)	(4,250,809)
Development costs, net of current portion	(8,846,562)	(13,606,730)
Qualified low income community investment	(20,112,182)	(20,312,843)
Other assets	(1,766,373)	(1,079,118)
Total less amounts not available	(192,439,830)	(178,915,777)
Total financial assets	49,493,762	49,631,490
Less amounts not available to be used within one year due to restricted cash	(10,324,219)	(15,852,177)
Financial assets available to meet cash needs for general expenditures within one year	$ 39,169,543	$ 33,779,313

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. The Organization has available funds per notes payable and lines of credit totaling $14,700,678 and $28,306,872 for the years ending March 31, 2024 and 2023, respectively. 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:

	2024	2023
Due from employee/customer	$ 5,384	$ 1,768
Due from brokers	3,280,051	1,561,250
Due from Title Company	80,700	125,789
Real Estate commissions receivable	18,248	-
Other miscellaneous accounts receivable	1,054,269	869,670
Total broker and other accounts receivable	$ 4,438,652	$ 2,558,477

Note 4 – Grants Receivable

Grants receivable consist of the following:

	2024	2023
Non-Federal, City of Santa Fe	$ -	$ 265,223
Community Development Block Grant (pass through from the City of Albuquerque for home improvement and home purchase principal reduction loans)	330,000	360,000
CDFI Fund Financial Assistance award	-	660,000
Other miscellaneous grants receivable	1,001,622	58,344
Total grants receivable	$ 1,331,622	$ 1,343,567

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:

	2024	2023
Tessera	$ -	$ 662,262
Oshara	478,416	884,936
Desert Sage	4,807,395	9,380,505
El Camino Crossing	116,682	401,635
Fairly (Miraflores)	6,538,176	5,229,973
Casa Pacifica	2,378,107	1,921,953
Palladium Townhomes	-	2,147,166
Rufina	2,047,057	201,010
Los Prados	2,350,168	2,047,121
Sombra del Oeste	521,027	462,221
Los Canales	259,233	189,382
Calle Mirasol	80,015	47,659
1113 Paseo Corazon	1,366,998	-
Acquisition Rehab	7,677,603	2,118,452
Other developments	4,381,479	4,871,682
Total development costs	33,002,356	30,565,957
Less: current development costs	(24,155,794)	(16,959,227)
Development costs, net of current portion	$ 8,846,562	$ 13,606,730

Tessera – A subdivision in the County of Santa Fe which 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, 43 have sold, with 2 homes under construction, and 2 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 65 homes have sold and 17 homes are under construction.

El Camino Crossing (formerly known as Corazon Santo*)* – 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 14 of the 20 live/work units have sold, with 6 available for sale.

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, 26 lots available for sale, and 30 homes under construction.

Casa Pacifica – Consists of five attached condo units located near Railyard District in Santa Fe, New Mexico. All 5 units have been completed, 3 units have been sold and 2 are available for sale.

Palladium Townhomes – Consists of 16 townhomes. All units have been sold.

Rufina – 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.

Los Prados – 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. Homewise is currently revising the plat, which will result in 72 townhomes. The site improvement work will begin in fiscal year 2025.

Los Canales – 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) – 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.

1113 Paseo Corazon – A commercial development in El Camino Crossing, Homewise's mixed use development in Santa Fe. Escondido, a locally owned and operated restaurant has signed a long-term lease with Homewise and will open in August 2024.

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

Other developments – Consists of land in Santa Fe and Albuquerque which 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 on which it plans to develop a mixed use community and a 3.1 acre site in Santa Fe on which it plans to develop a residential community. The City of Albuquerque awarded Homewise six scattered infill lots in Albuquerque’s Barelas neighborhood for future development where 12-14 homeownership units are anticipated to be built. In February 2024, the City of Santa Fe awarded Las Estrellas Tract 6A, a 20 acre site that can support approximately 58 homes.

Note 6 – Mortgage Loans Receivable

Major classifications of loans are summarized as follows at March 31:

	2024	2023
Amortizing mortgage loans	$ 112,073,496	$ 98,570,159
Deferred mortgage loans	37,506,613	33,905,584
Gross loans outstanding	149,580,109	132,475,743
Allowance for credit losses on amortizing loans	(1,680,908)	(1,478,552)
Allowance for credit losses on deferred loans	(4,374,847)	(3,960,249)
	$ 143,524,354	$ 127,036,942

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 9.375%, 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. Changes in the allowance for credit losses for amortizing mortgage loans are summarized as follows:

Balance, March 31, 2022	$ 1,648,049
Recapture of credit loss	(169,497)
Balance, March 31, 2023	1,478,552
Impact of adopting ASC 326	-
Provision for credit loss	202,356
Balance, March 31, 2024	$ 1,680,908

The Organization had the following delinquent amortizing loans:

	As of March 31, 2024					
	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Loans
Amortizing mortgage loans	$ 873,329	$ 266,008	$ 280,134	$ 1,419,471	$ 110,654,025	$ 112,073,496

	As of March 31, 2023					
	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total Past Due	Current	Total Loans
Amortizing mortgage loans	$ 977,883	$ 163,678	$ 710,318	$ 1,851,879	$ 96,718,280	$ 98,570,159

The total amount 31 or more days past due was equivalent to 1.27% and 1.88% of the gross outstanding amortizing mortgage loans receivable balance at March 31, 2024 and 2023, respectively.

At March 31, 2024 and 2023, amortizing mortgage loans receivable are subject to a loan covenant that requires the allowance to be no less than 1.50% of the outstanding balance. No commercial loans were over 90 days past due.

The following table presents the recorded investments in amortizing mortgage loans based on payment activity:

	March 31, 2024 Amortizing Mortgage Loans	March 31, 2023 Amortizing Mortgage Loans
Performing	$ 111,793,362	$ 97,859,841
Nonperforming	280,134	710,318
Total	$ 112,073,496	$ 98,570,159

Nonaccrual loans – The following table presents the amortized cost basis of loans on nonaccrual status as of March 31, 2024:

	Nonaccrual with no Allowance for Credit Losses	Nonaccrual with Allowance for Credit Losses	Total Nonaccrual	Loans Past Due Over 89 Days Still Accruing
Amortizing mortgage loans	$ 280,134	$ -	$ 280,134	$ -

Nonaccrual balances are presented below as of March 31, 2023:

	Total Nonaccrual	Loans Past Due Over 89 Days Still Accruing
Amortizing mortgage loans	$ 710,318	$ -

The following table presents the amortized cost basis of collateral-dependent loans, which were all on nonaccrual status as of March 31, 2024 and 2023.

	March 31, 2024 Real Estate	March 31, 2023 Real Estate
Amortizing mortgage loans	$ 280,134	$ 710,318

Loan modification – Occasionally, the Organization modifies loans to borrowers in financial distress by providing principal forgiveness, term extension, an other-than-insignificant payment delay or interest rate reduction. When principal forgiveness is provided, the amount of forgiveness is charged off against the allowance for credit losses. In some cases, the Organization provides multiple types of concessions on one loan. Typically, one type of concession, such as term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted. During 2023 and 2024, the Organization did not have any modified loans to borrowers.

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 reserves are summarized as follows:

Balance, March 31, 2022	$	22,709
Adjustment to repurchase reserve		(2,270)
Balance, March 31, 2023		20,439
Adjustment to repurchase reserve		(131)
Balance, March 31, 2024	$	20,308

Loans to related parties amounted to $1,446,566 and $570,000, respectively, at March 31, 2024 and 2023. 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, 2024 and 2023, 45% of deferred loans were funded through grants and contributions made to the Organization for this specific purpose. Of the remaining 55% 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 ACL 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.

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

Balance, March 31, 2022	$ 3,240,710
Provision for credit loss	719,539
Balance, March 31, 2023	3,960,249
Impact of adopting ASC 326	-
Provision for credit loss	414,598
Balance, March 31, 2024	$ 4,374,847

Deferred loans that are expected to be forgiven at the end of a fixed term totaled $635,443 at March 31, 2024. Off balance sheet deferred loans expected to be forgiven at the end of a fixed term totaled $336,800 at March 31, 2024. Total loans expected to be forgiven in subsequent years following March 31, 2024, is $972,243.

For the year ended March 31, 2024, the allowance for credit losses for deferred loans is $4,374,847, or 11.66% of the loan balance.

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

Note 7 – Property and Equipment

Property and equipment consist of the following for the years ended March 31:

	2024	2023
Land	$ 236,484	$ 1,158,768
Land improvements	19,700	67,151
Buildings and improvements	6,895,090	6,939,260
Rental properties	10,244,589	4,187,388
Software	1,627,019	1,486,513
Furniture and equipment	1,293,590	1,214,157
Trademark	21,539	11,710
Leasehold improvements	-	9,123
Total property and equipment	20,338,011	15,074,070
Less: accumulated depreciation	(5,121,377)	(4,664,266)
Property and equipment, net	$ 15,216,634	$ 10,409,804

Depreciation expense for the years ended March 31, 2024 and 2023 was $547,176 and $505,983, 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, 2024 and 2023, is summarized as follows:

	2024	2023
Mortgage loan portfolios serviced for:		
Federal National Mortgage Association (FNMA)	$ 516,341,936	$ 488,630,325
Other investors	70,854,323	61,278,410
Total	$ 587,196,259	$ 549,908,735

During 2024, 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 $1,510,694 during 2024. 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.

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

	2024	2023
Balance at beginning of period	$ 4,250,809	$ 4,084,178
Servicing rights originated and capitalized	710,435	756,111
Amortization	(496,362)	(589,480)
Balance at end of period	$ 4,464,882	$ 4,250,809

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, 2024 and 2023, there was no impairment.

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

	2024	2023
Discount rate	10.12%	9.61%
Earnings rates:		
Principal and Interest Payoffs	4.22%	3.87%
Escrows	4.22%	3.87%
Advances	6.72%	6.37%

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 June 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) exercised its put option. On June 4, 2024, HPN 1 NMTC, LLC put option was executed and closed. Fund 231 executed the put option to sell their interest into the Leverage Lender in turn cancelling the payable and receivable associated with HPN 1 NMTC, LLC as it impacts Homewise. The Organization's investment balance was $3,354,012 at March 31, 2024 and 2023.

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. Effective June 4, 2024, this note payable was cancelled as Fund 231 exercised its put option and Homewise recognized $4,875,000 as extinguishment of debt.

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, 2024 and 2023.

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, 2024 and 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. The Organization’s investment balance was $5,277,000 at March 31, 2024 and 2023.

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 31, 2024 and 2023, 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 credit losses, and leverage levels. Homewise is in compliance with all covenants at March 31, 2024.

At March 31, 2024 and 2023, Homewise had lines of credit, notes payable, equity equivalent investment, and community investment notes outstanding of:

	2024	2023
Current		
Lines of credit	$ 2,984,967	$ 1,124,501
Lending notes payable	4,614,403	7,580,488
Other notes payable	138,384	121,494
Notes payable, community investment	1,074,278	2,632,734
Total current, net	8,812,032	11,459,217
Long-Term		
Lines of credit	3,000,000	3,000,000
Lending notes payable	78,717,240	71,703,115
Real estate development notes payable	26,925,000	26,925,000
Community development notes payable	4,942,500	1,000,000
Other notes payable	3,322,056	3,465,016
Notes payable, equity equivalent investment	10,300,000	10,300,000
Notes payable, community investments	4,511,282	4,444,093
Total long-term, net	131,718,078	120,837,224
Total	$ 140,530,110	$ 132,296,441

Lines of credit at March 31, 2024 and 2023:

	2024	2023
Bank, line of credit of $4,000,000 at 3.25% variable interest, collateralized by mortgages, matures October 2024.	$ 2,230,985	$ 1,124,501
Bank, line of credit of $4,000,000 at 3.75% variable interest, collateralized by mortgages, matures October 2024.	753,982	-
Bank, line of credit of $3,000,000 at 2.50% interest, unsecured, matures September 2032.	3,000,000	3,000,000
Total lines of credit	5,984,967	4,124,501
Less current maturities	(2,984,967)	(1,124,501)
Total lines of credit, net of current portion	$ 3,000,000	$ 3,000,000

Notes payable at March 31, 2024 and 2023:

	2024	2023
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.	2,365,368	2,430,564
Opportunity Finance Network, at 3.26% interest, collateralized by mortgages, principal, and interest due in quarterly payments and matures March 2047.	6,370,922	6,553,764
Opportunity Finance Network, at 2.39% interest, collateralized by mortgages, principal, and interest due in quarterly payments and matures March 2047.	3,700,050	3,819,291
Opportunity Finance Network, at 1.42% interest, collateralized by mortgages, principal and interest due in quarterly payments and matures March 2047.	765,489	793,412
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.	537,096	661,736
Bank, at 4.25% interest, collateralized by the Homewise headquarters building, due in monthly payments and maturing June 2037.	934,625	985,977
Bank, at 2.98% interest, collateralized by the Orpheum Community Hub, due in monthly payments and maturing October 2029.	2,030,511	2,100,533
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	500,000
The Domestic and Foreign Missionary Society of the Protestant Episcopal Church in the United States of America, at 3.00% interest, unsecured, the principal balance is due and matures November 2028.	500,000	-

	2024	2023
Bank, revolving loan with $12,000,000, 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, March 2030, and March 2030.	$ 8,988,679	$ 9,243,308
Bank, unsecured at 5.00% interest, the principal balance is due at and matures December 2028.	6,824,990	2,384,156
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.	1,022,667	1,131,494
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.	559,480	609,982
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.	2,197,561	2,547,792
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 was due and matured July 2023.	-	1,500,000
Monarch Community Fund, unsecured at 3.00% interest, the principal balance is due at and matures July 2027.	350,000	350,000

	2024	2023
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	300,000
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 February 2024.	-	1,000,000
Bank, at 3.00% interest, collateralized by mortgages, annual principal payments began September 2018 and the remaining balance due on maturity in September 2027.	1,965,000	2,150,000
Anchorum St. Vincent, at 3.50 % interest, collateralized by mortgages, quarterly payments are amortized over 20 years and due in full in March 2030.	1,387,207	1,436,935
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, the principal balance was due and paid on October 2023.	-	34,749
Bank, 3.50% interest, collateralized mortgages, the principal balance is due and payable October 2024.	516,071	793,823
Bank, 3.61% interest, collateralized mortgages, the principal balance is due and payable October 2024.	6,652,557	6,966,843
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 was due and matured September 2023.	-	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 September 2031.	5,329,454	3,488,672

	2024	2023
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	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	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.	118,288	132,082
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.	495,304	500,000
Sisters of Charity of the Incarnate Word, unsecured at 2.00% interest, the principal balance was due at and matured March 2024.	-	200,000
Bank, 6.17% interest, collateralized mortgages, the principal balance is due and payable October 2024.	1,625,764	-
Clearinghouse Community Development Financial Institution, unsecured at 5.00% interest, the principal balance is due at and matures January 2029.	800,000	-
Raza Development Fund, Inc., unsecured at 7.18% interest, the principal balance is due at and matures November 2028.	3,320,000	-
Raza Development Fund, Inc., unsecured at 7.18% interest, the principal balance is due at and matures November 2028.	622,500	-
Total notes payable	118,659,583	110,795,113
Less current maturities	(4,752,787)	(7,701,982)
Total notes payable, net of current portion	$ 113,906,796	$ 103,093,131

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

	2024	2023
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	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	$ 10,300,000

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

	2024	2023
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, twenty four notes at 0.50% to 3.50% Interest, maturing April 2024 to March 2025.	1,074,278	1,032,674
Individuals and trusts, twenty one notes at 1.00% to 2.50% Maturing April 2025 to March 2026.	2,218,198	2,168,135
Individuals and trusts, eleven notes at 1.00% to 3.50% interest, Maturing April 2026 to March 2027.	743,833	537,715
Individuals and trusts, five notes at 1.50% to 4.00% interest, Maturing April 2027 to March 2028.	213,178	213,094
Individuals and trusts, nine notes at 1.50% to 3.00% interest, Maturing April 2028 to March 2029.	492,506	492,435
Individuals and trusts, eleven notes at 2.50% to 4.00% interest, Maturing April 2029 to March 2035.	843,567	-
Total notes payable, community investment	5,585,560	7,076,827
Less current maturities	(1,074,278)	(2,632,734)
Total notes payable, community investment, long-term	$ 4,511,282	$ 4,444,093

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

Years Ending March 31,	
2025	$ 8,812,032
2026	6,904,562
2027	6,447,006
2028	11,913,453
2029	15,040,619
Thereafter	91,412,438
Total future principal payments	$ 140,530,110

Note 11 – Net Assets with Donor Restrictions

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

	2024			2023		
	Beginning Net Assets	Release from Restrictions	Ending Net Assets	Beginning Net Assets	Release from Restrictions	Ending Net Assets
Purpose Restricted						
Santa Fe Community Housing Trust	$ 10,000	$ (10,000)	$ -	$ -	$ 10,000	$ 10,000
Santa Fe Affordable Housing Trust Fund	727,191	(727,191)	-	292,100	435,091	727,191
Anchorum St. Vincent	162,728	(162,728)	-	47,878	114,850	162,728
Project Reinvest	1,728,337	1,064,663	2,793,000	1,528,244	200,093	1,728,337
Community Development Block Grant						
City of Santa Fe pass through funds	430,631	(406,616)	24,015	391,295	39,336	430,631
Net assets with donor restrictions	$ 3,058,887	$ (241,872)	$ 2,817,015	$ 2,259,517	$ 799,370	$ 3,058,887

Note 12 – Grants and Contributions

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Federal loan capital grants						
Capital Magnet Fund	$ -	$ 524,287	$ 524,287	$ -	$ 1,586,308	$ 1,586,308
HUD, Community Development Block Grant, pass through from City of Santa Fe	324,726	-	324,726	52,206	-	52,206
HUD, Community Development Block Grant, pass through from City of Albuquerque	1,498,800	-	1,498,800	760,000	-	760,000
Department of the Treasury, American Plan Act (ARPA) pass through from the City of Rio Rancho	59,955	-	59,955	3,244	-	3,244
Department of the Treasury, American Rescue Plan Act (ARPA CSLFR funds), pass through from the City Albuquerque	1,270,367	-	1,270,367	4,652	-	4,652
CDFI Financial Assistance	-	2,478,839	2,478,839	660,000	-	660,000
Other Federal Appropriations through NWA	-	-	-	720,000	-	720,000
Total federal loan capital grants and contributions	3,153,848	3,003,126	6,156,974	2,200,102	1,586,308	3,786,410
Nonfederal loan capital grants and contributions						
City of Santa Fe - home purchase and home improvement assistance	617,250	-	617,250	28,000	-	28,000
Other nonfederal loan capital grants and contributions	605,565	2,050,000	2,655,565	70,000	378,304	448,304
Total nonfederal loan capital grants and contributions	1,222,815	2,050,000	3,272,815	98,000	378,304	476,304
Total loan capital grants and contributions	$ 4,376,663	$ 5,053,126	$ 9,429,789	$ 2,298,102	$ 1,964,612	$ 4,262,714

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Federal operating capital grants						
HUD, Community Development Block Grant, State Neighborhood Stabilization Program (NSP), pass through from New Mexico Mortgage Finance Authority	$ -	$ -	$ -	$ 163,944	$ -	$ 163,944
Department of the Treasury, American Rescue Plan Act (ARPA) pass through from the City of Rio Rancho	(683)	-	(683)	59,817	-	59,817
Department of the Treasury, American Rescue Plan Act (ARPA CSLFR FUNDS) pass through from the City of Albuquerque	125,332	-	125,332	59,388	-	59,388
Capital Magnet Fund	-	-	-	-	150,000	150,000
Dept of Commerce, EDA Buildwise Technical Assistance Program	18,738	-	18,738	94,650	-	94,650
Other Federal Appropriations through NWA	78,250	-	78,250	464,000	-	464,000
Total federal operating capital grants	221,637	-	221,637	841,799	150,000	991,799
Nonfederal Operating Grants and Contributions						
City of Santa Fe - Administration of housing programs	140,435	-	140,435	93,870	-	93,870
City of Santa Fe - Emergency Mortgage Assistance Fund	-	-	-	1,738	-	1,738
Other nonfederal operating contributions	392,491	-	392,491	322,483	250,000	572,483
Total nonfederal operating grant and contributions	532,926	-	532,926	418,091	250,000	668,091
Total operating grants and contributions	754,563	-	754,563	1,259,890	400,000	1,659,890
Total grants and contributions	$ 5,131,226	$ 5,053,126	$ 10,184,352	$ 3,557,992	$ 2,364,612	$ 5,922,604

Note 13 – Functional Expenses

A breakdown of expenses by natural classification and function follows:

	2024				2023			
	Program	Administrative	Fundraising	Total	Program	Administrative	Fundraising	Total
Personnel Services and Benefits	$ 9,045,664	$ 1,635,349	$ 697,287	$ 11,378,300	$ 8,834,506	$ 2,081,158	$ 726,963	$ 11,642,627
Client Support Services	819,260	-	-	819,260	751,267	-	-	751,267
Interest Expense	3,413,231	-	-	3,413,231	2,941,384	116,146	-	3,057,530
Occupancy	108,907	93,025	24,958	226,890	122,767	104,863	28,134	255,764
Carrying Costs and Other Repairs	141,469	-	-	141,469	192,582	7,185	-	199,767
Professional Services	302,175	356,679	128,539	787,393	114,223	280,502	32,587	427,312
Administrative Expenses	456,662	967,514	21,024	1,445,200	228,558	909,655	28,684	1,166,897
Advertising & Marketing Expenses	87,312	-	187,066	274,378	320,450	-	130,888	451,338
Professional Development	60,455	92,409	1,065	153,929	64,458	94,929	8,219	167,606
Depreciation & Amortization	559,495	557,477	-	1,116,972	653,696	501,805	-	1,155,501
Insurance	-	528,303	-	528,303	-	483,944	-	483,944
Provision for credit losses	616,823	-	-	616,823	547,772	-	-	547,772
Bad Debt Recovery	(2,083)	-	-	(2,083)	(29,265)	-	-	(29,265)
Capital Grant Expense	3,145,255	-	-	3,145,255	1,453,768	-	-	1,453,768
Total functional expenses	$ 18,754,625	$ 4,230,756	$ 1,059,939	$ 24,045,320	$ 16,196,166	$ 4,580,187	$ 955,475	$ 21,731,828

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 $568,467 and $561,637 for the years ended March 31, 2024 and 2023, 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 years ending March 31, 2024 and 2023, 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, 2024 and 2023, 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 $3,287,089 and $6,642,426, at March 31, 2024 and 2023, 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.

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 $33,140 and $113,378 for years ended March 31, 2024 and 2023, respectively. See also: loans to related parties, Note 6 – Repurchase Reserves.

Note 18 – Subsequent Events

In April 2024, Homewise entered a 2-year lease with the owner of 1905 Mountain Rd NW, Sawmill Bellamah Properties, and is subleasing to Albuquerque Collegiate Charter School, a New Mexico public charter school, under the same lease terms and conditions as the master lease. The master lease requires monthly payments of $22,500 and the sublease requires monthly payments of $33,083.

In April 2024, NeighborWorks notified Homewise that there is a full release of LIFT restrictions requiring redeployment of recaptured funds.

In April 2024, a new debt instrument with the Robert Wood Johnson Foundation was approved for $5 million. This is to support the Organization's working capital needs. The interest rate is 1.50% and matures December 31, 2039.

In April 2024, Homewise received a Fidelity Foundation Grant of $400,000. This grant award from Fidelity Foundation is dedicated to the development of a mobile financial application known as the Homewise Hub, a critical new digital tool that will allow customers to access the entire Homewise suite of services in one place.

In April 2024, the note payable with Sisters of Charity for $300,000 was renewed. This is an enterprise-level impact investment of $300,000 at 2% for five years from the Sisters of Charity of the Incarnate Word. The loan maturity date is March 26, 2029.

In May 2024, Homewise received a NeighborWorks Grant of $508,000. NM Round 1 Network Expendable and Capital grant Request FY24 received for $193,000 expendable and $315,000 capital award funds. The award is provided to support the organization's overall mission, while Round 1 Capital awards focus on support for real estate development and lending activities.

In May 2024, a new debt instrument with the Housing Partnership Fund, Inc. was approved for $3 million. This is to provide non-project specific enterprise capital to advance the Organization's development pipeline, land acquisition, and general organizational liquidity. The interest rate is 4.50% and has a term of 84 months.

In June 2024, an increased investment from Wells Fargo was approved. The increased investment will consolidate two existing $1 million dollar patient capital loans into a new $5 million investment with a rate of 2% and a term of 12 years.

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, 2024, 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 June 27, 2024.

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 responses as 2024-001 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
June 27, 2024

Financial Statement Findings

2024-001 Financial Close and Reporting Process, Significant Deficiency

Condition and Context

During our audit, the following issues were noted as it relates to the Organization's financial close and reporting process:

- During our testing of net assets, management noted the Organization did not properly account for redeployed loans under the Project Reinvest program resulting in a proposed adjustment of $1,371,163 to the beginning balance of restricted net assets.
- During our testing of accounts payable, we noted the Organization did not properly reconcile the real estate development accounts payable balance after completing a general ledger system conversion in November 2023 resulting in a proposed adjustment of $390,762 to decrease the balance.

Cause

Change in general ledger systems and turnover in the accounting department.

Effect

Undetected errors in financial reporting could lead to errors not being caught which may result in future corrections. In addition, it may result in additional audit costs if the misstated information leads to changes in audit requirements.

Recommendation

We recommend the Organization review its policies and procedures and implement controls to ensure all balance sheet accounts are reconciled in a timely manner to ensure accurate financial reporting. The Organization should also obtain an understanding of all grant awards and the conditions that must be met prior to releasing net assets from restrictions.

Management's Response

During this past fiscal year, we migrated to a new general ledger system to improve transparency, efficiency, and enhance reporting capabilities. Through this conversion we were able to improve our reconciliation of grants and down payment assistance programs.

We now have our restricted balance detailed at the loan level position within our accounting system which is how we were able to identify the needed adjustment to the beginning balance of the restricted net assets related to the Project Reinvest program.

Additional to the adjustment of the beginning balance of restricted net assets for Project Reinvest, there was a post migration correcting entry that was not reconciled in the new accounting system resulting in an overstatement to the real estate development payable account.

We have conducted a detailed reconciliation of the data between the old and new general ledger systems and confirmed the accuracy of all data migrated for each remaining account.

With the transition to a new general ledger system an update to our policies and procedures is already underway, and we are committed to ensuring their effective implementation. We are committed to fully addressing this deficiency and strengthening our financial close and reporting processes to ensure accuracy and compliance.

Homewise, Inc. and Subsidiaries
Summary of Prior Audit Findings
Year Ended March 31, 2024

Prior Financial Statement Findings

2023-001 Schedule of Expenditures of Federal Awards Preparation, Significant Deficiency – cleared in fiscal year 2024