

Homewise, Inc. and Subsidiaries

**Consolidated Financial Statements with Report of Independent Auditors
March 31, 2026 and 2025**

HOMEWISE, INC. AND SUBSIDIARIES
OFFICIAL ROSTER (UNAUDITED)
March 31, 2026

BOARD OF DIRECTORS

Marissa Ruyle	Chair
Shelle VanEtten de Sanchez	Vice-Chair
Sean Harris	Secretary
Amanda Kocon	Treasurer
Joseph Kunkel	Member
Agnes Noonan	Member
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Monique Fragua	Member
Bianca Ortiz Wertheim	Member
Alex Montano	Member
Jay Newton-Small	Member
Daniel Hernandez	Member

ADMINISTRATION OFFICIALS

Michael Loftin	Chief Executive Officer
Daniel Slavin	Chief Financial Officer

HOMEWISE, INC. AND SUBSIDIARIES

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Report of Independent Auditors

To the Board of Directors of
Homewise, Inc. and Subsidiaries:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Homewise, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as of March 31, 2026 and 2025, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Homewise, Inc. and Subsidiaries as of March 31, 2026 and 2025, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Homewise, Inc. and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 consolidated 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, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated 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 auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards 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, Inc. and Subsidiaries' 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, Inc. and Subsidiaries' 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 Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated June 26, 2026, on our consideration of Homewise, Inc. and Subsidiaries' internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Homewise, Inc. and Subsidiaries' 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, Inc. and Subsidiaries' internal control over financial reporting and compliance.

Novogardac & Company LLP

Malvern, Pennsylvania
June 26, 2026

HOMEWISE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2026 AND 2025

	<u>2026</u>	<u>2025</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 19,270,349	\$ 30,485,759
Other restricted cash and interest-bearing deposits in banks, current portion	19,598,716	12,312,143
Broker receivables and other accounts receivable	5,820,133	3,872,454
Grants receivable	247,972	963,308
Amortizing mortgage loans receivable, current portion	3,359,390	2,900,719
Real estate held for sale	2,970,908	-
Development costs, current portion	<u>10,877,917</u>	<u>14,701,487</u>
Total current assets	62,145,385	65,235,870
PROPERTY, PLANT AND EQUIPMENT		
Property and equipment, net	25,087,010	16,094,190
MORTGAGE LOANS RECEIVABLE		
Amortizing, net of current portion	148,344,681	122,269,027
Allowance for credit losses on amortizing loans	<u>(1,534,532)</u>	<u>(1,268,102)</u>
Total amortizing mortgage loans receivable, net of allowance	<u>146,810,149</u>	<u>121,000,925</u>
Deferred mortgage loans receivable	48,188,550	43,380,689
Allowance for credit losses on deferred loans	<u>(6,458,401)</u>	<u>(5,710,288)</u>
Total deferred mortgage loans receivable, net of allowance	<u>41,730,149</u>	<u>37,670,401</u>
Total long-term mortgage loans receivable, net of allowance	<u>188,540,298</u>	<u>158,671,326</u>
OTHER NONCURRENT ASSETS		
Other restricted cash and interest-bearing deposits in banks, net of current portion	785,078	659,627
Mortgage servicing rights, net	5,166,724	4,832,092
Development costs, net of current portion	17,666,321	24,138,792
Qualified low-income community investment	17,433,464	16,470,412
Right-of-use asset, operating	159,553	441,567
Other assets	<u>1,906,427</u>	<u>1,165,055</u>
Total other noncurrent assets	<u>43,117,567</u>	<u>47,707,545</u>
Total assets	<u><u>\$ 318,890,260</u></u>	<u><u>\$ 287,708,931</u></u>

See accompanying notes

HOMEWISE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
MARCH 31, 2026 AND 2025

	<u>2026</u>	<u>2025</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 3,820,574	\$ 3,576,978
Accrued expenses	973,187	812,625
Escrows and deposits	7,137,479	6,131,602
Current portion of operating lease liability	43,442	282,014
Lines of credit	3,553,132	3,009,276
Lending notes payable, current portion	7,359,977	5,729,015
Other notes payable, current portion	537,862	119,755
Notes payable, community investment, current portion	773,965	2,228,890
	<u>24,199,618</u>	<u>21,890,155</u>
LONG-TERM LIABILITIES		
Operating lease liability, net of current portion	129,178	170,991
Lines of credit, net of current portion	3,000,000	3,000,000
Lending notes payable, net of current portion	103,352,725	85,660,219
Real estate development notes payable	22,890,530	22,050,000
Community development notes payable, net of current portion	750,000	4,942,500
Other notes payable, net of current portion	2,583,839	3,213,007
Notes payable, equity equivalent investment	27,300,000	21,300,000
Notes payable, community investment, net of current portion	4,014,640	3,057,944
Deferred grant revenue	6,920,447	6,050,271
Due to grantor agency	475,606	475,606
	<u>171,416,965</u>	<u>149,920,538</u>
Total long-term liabilities	<u>171,416,965</u>	<u>149,920,538</u>
Total liabilities	<u>195,616,583</u>	<u>171,810,693</u>
NET ASSETS		
Without donor restrictions	120,544,062	113,008,015
Without donor restrictions, attributable to non-controlling interest	500	500
With donor restrictions	2,729,115	2,889,723
	<u>123,273,677</u>	<u>115,898,238</u>
Total net assets	<u>123,273,677</u>	<u>115,898,238</u>
Total liabilities and net assets	<u>\$ 318,890,260</u>	<u>\$ 287,708,931</u>

See accompanying notes

HOMEWISE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED MARCH 31, 2026 AND 2025

	2026			2025		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND SUPPORT						
Home development sales	\$ 18,286,430	\$ -	\$ 18,286,430	\$ 18,264,995	\$ -	\$ 18,264,995
Loan origination fees	3,654,019	-	3,654,019	3,084,896	-	3,084,896
Real estate sales commissions	2,936,445	-	2,936,445	2,865,427	-	2,865,427
Loan portfolio interest	8,886,054	-	8,886,054	7,511,683	-	7,511,683
Loan servicing fees	1,801,704	-	1,801,704	1,710,175	-	1,710,175
Gain on sale of loans, mortgage servicing rights	970,176	-	970,176	938,236	-	938,236
Loan capital grants and contributions	3,914,256	4,745,116	8,659,372	29,925,298	2,064,390	31,989,688
(Loss) gain on sale of asset	178,992	-	178,992	(30,331)	-	(30,331)
Rental income	1,195,257	-	1,195,257	758,269	-	758,269
Other revenue	4,174,886	-	4,174,886	996,336	-	996,336
Gain on cancellation of debt	2,432,700	-	2,432,700	1,520,988	-	1,520,988
Released from restrictions	4,905,724	(4,905,724)	-	1,991,682	(1,991,682)	-
Total revenues, gains, and support	53,336,643	(160,608)	53,176,035	69,537,654	72,708	69,610,362
Cost of home development sales	15,787,366	-	15,787,366	15,247,701	-	15,247,701
EXPENSES						
Program	23,983,885	-	23,983,885	20,731,807	-	20,731,807
Administrative	4,902,094	-	4,902,094	3,969,166	-	3,969,166
Fundraising	1,127,251	-	1,127,251	1,371,877	-	1,371,877
Total expenses	30,013,230	-	30,013,230	26,072,850	-	26,072,850
CHANGE IN NET ASSETS	7,536,047	(160,608)	7,375,439	28,217,103	72,708	28,289,811
Net assets at beginning of year	113,008,515	2,889,723	115,898,238	84,791,412	2,817,015	87,608,427
Change in net assets, attributable to non-controlling interest	-	-	-	-	-	-
NET ASSETS AT END OF YEAR	\$ 120,544,562	\$ 2,729,115	\$ 123,273,677	\$ 113,008,515	\$ 2,889,723	\$ 115,898,238

See accompanying notes

HOMEWISE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED MARCH 31, 2026 AND 2025

	2026				2025			
	Program	Administrative	Fundraising	Total	Program	Administrative	Fundraising	Total
Personnel services and benefits	\$ 9,569,185	\$ 2,126,396	\$ 643,122	\$ 12,338,703	\$ 9,302,335	\$ 1,379,569	\$ 731,844	\$ 11,413,748
Client support services	1,066,910	-	-	1,066,910	902,671	-	-	902,671
Interest expense	5,040,078	-	-	5,040,078	4,070,985	-	-	4,070,985
Occupancy	356,774	294,585	80,505	731,864	285,371	236,149	63,357	584,877
Carrying costs and other repairs	169,186	-	-	169,186	182,569	-	-	182,569
Professional services	233,127	722,433	75,726	1,031,286	310,293	326,286	291,935	928,514
Administrative expenses	390,326	897,446	35,423	1,323,195	383,286	1,021,460	44,406	1,449,152
Advertising and marketing expenses	77,182	7,662	281,089	365,933	52,123	-	237,924	290,047
Professional development	83,406	85,834	11,386	180,626	83,788	60,733	2,411	146,932
Depreciation and amortization	1,598,292	294,065	-	1,892,357	1,012,101	458,441	-	1,470,542
Insurance	-	473,673	-	473,673	-	486,528	-	486,528
Provision for credit losses	1,014,543	-	-	1,014,543	922,635	-	-	922,635
Bad debt expense	-	-	-	-	5,883	-	-	5,883
Capital grant expense	4,384,876	-	-	4,384,876	3,217,767	-	-	3,217,767
Total functional expenses	<u>\$ 23,983,885</u>	<u>\$ 4,902,094</u>	<u>\$ 1,127,251</u>	<u>\$ 30,013,230</u>	<u>\$ 20,731,807</u>	<u>\$ 3,969,166</u>	<u>\$ 1,371,877</u>	<u>\$ 26,072,850</u>

See accompanying notes

HOMEWISE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2026 AND 2025

	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 40,719,473	\$ 40,306,067
Cash received from grants and contributions	4,274,496	28,712,008
Cash paid to suppliers	(13,743,844)	(25,019,512)
Cash paid to employees	(12,137,269)	(11,279,864)
Cash paid for interest	(4,779,127)	(4,202,713)
Net cash provided by operating activities	<u>14,333,729</u>	<u>28,515,986</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(10,565,503)	(3,378,796)
Proceeds from sale of property and equipment	585,861	1,488,209
Net increase in mortgage loans	(31,342,186)	(18,970,326)
Qualified low income community investment	(1,054,051)	3,566,438
Net cash used in investing activities	<u>(42,375,879)</u>	<u>(17,294,475)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long term borrowings	37,194,780	23,089,207
Payments on long-term borrowings	(13,499,872)	(7,812,032)
Borrowings on bank lines of credit, net	543,856	24,309
Net cash provided by financing activities	<u>24,238,764</u>	<u>15,301,484</u>
Net change in cash, cash equivalents and restricted cash	(3,803,386)	26,522,995
Cash, cash equivalents and restricted cash at beginning of year	<u>43,457,529</u>	<u>16,934,534</u>
Cash, cash equivalents and restricted cash at end of year	<u>\$ 39,654,143</u>	<u>\$ 43,457,529</u>
Cash and cash equivalents	\$ 19,270,349	\$ 30,485,759
Restricted cash	<u>20,383,794</u>	<u>12,971,770</u>
Total cash, cash equivalents and restricted cash	<u>\$ 39,654,143</u>	<u>\$ 43,457,529</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Increase in right of use asset and liability - operating lease	<u>\$ -</u>	<u>\$ 519,106</u>

See accompanying notes

HOMEWISE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED MARCH 31, 2026 AND 2025

	<u>2026</u>	<u>2025</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 7,375,439	\$ 28,289,811
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,165,814	824,184
Amortization of mortgage servicing rights	635,544	571,026
Amortization of discount on low income housing investment	90,999	75,332
Amortization of right of use asset, operating	282,014	-
Bad debt expense	-	5,883
Provision for credit losses	1,014,543	922,635
(Gain) loss on sale of asset	(178,992)	30,331
Gain on cancellation of debt	(2,432,700)	(1,520,988)
Change in assets and liabilities		
Broker and other accounts receivable	(1,947,679)	560,315
Grants receivable	715,336	368,314
Development costs	10,296,041	(5,837,923)
Real estate held for sale	(2,970,908)	1,142,003
Mortgage servicing rights	(970,176)	(938,236)
Other assets	(741,372)	601,318
Accounts payable	243,596	(124,632)
Accrued expenses	160,562	(110,742)
Escrows and deposits	1,005,877	1,172,562
Operating lease liability	(280,385)	-
Deferred grant revenue	870,176	2,544,706
Due to grantor agency	-	(59,913)
	<u>-</u>	<u>(59,913)</u>
Net cash provided by operating activities	<u>\$ 14,333,729</u>	<u>\$ 28,515,986</u>

See accompanying notes

HOMEWISE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2026 AND 2025

1. Organization

Homewise, Inc. (“Homewise”) and Subsidiaries is a 501(c) (3) not-for-profit corporation (the “Organization”) formed in 1986, 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.

2. Summary of significant accounting policies

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.

HOMEWISE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2026 AND 2025

2. Summary of significant accounting policies (continued)

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
- ACCS Excellence in Education, LLC
- Voz Excellence in Education, LLC
- TC Phase 3A, LLC
- Encantado en Escondido LLC
- HW Magnolia, LLC
- Siler-Clark, LLC

All intercompany transactions and balances have been eliminated in consolidation.

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, 2026 and 2025.

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.

HOMEWISE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2026 AND 2025

2. Summary of significant accounting policies (continued)

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 7 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 of the allowance for credit losses on unfunded commitments uses essentially the same factors and assumptions as used for the allowance for credit losses on loans in the respective loan portfolios.

HOMEWISE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2026 AND 2025

2. Summary of significant accounting policies (continued)

Real estate held for sale

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

Home development sales and development costs

Home building 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 \$5,000 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, 2026 and 2025.

Right-of-use assets

The Organization determines if an arrangement is a lease at inception. An arrangement is a lease if the arrangement conveys a right to direct the use of and to obtain substantially all of the economic benefits from the use of an asset for a period of time in exchange for consideration.

Operating lease right-of use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Organization uses its incremental borrowing rate or a risk-free rate at the commencement date in determining the present value of lease payments.

HOMEWISE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2026 AND 2025

2. Summary of significant accounting policies (continued)

Right-of-use assets (continued)

The operating lease right-of-use asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. The lease agreement does not contain any material residual value guarantees or material restrictive covenants. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

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.

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.

HOMEWISE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2026 AND 2025

2. Summary of significant accounting policies (continued)

Qualified low-income community investment

The New Markets 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. In 2017, the Organization recorded its 33.33%, non-controlling investment in HPN Leverage I, LLC. In 2018, the Organization recorded its 53.93%, non-controlling investment in HPN Leverage III, LLC. In 2021, the Organization recorded its 25% investment in HPN Leverage VII, LLC. In 2026, the Organization recorded its 33.33% investment in HPN Leverage X, 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 Barelás Regeneration Initiative in the Barelás 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. In 2025, the Organization invested in a HPN Leverage X, LLC to take advantage of NMTC financing. NMTC financing allows an entity to receive a loan or investment capital from outside investors, who will receive new markets tax credits to be applied against their federal tax liability. As a result, the Organization invested \$6,227,100 and was able to secure a 20-year loan in the amount of \$8,730,000 payable to a community development entity. The loan proceeds are to be used solely for the purpose of acquiring, rehabbing and/or constructing single-family homes in qualified census tracts and selling at least 20% of such homes to low-income persons. See Note 10.

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 1% to 4%. Cash generated from issuance of these deposits is utilized to fund operations. At March 31, 2026 and 2025, the balance recorded as community investment notes amounted to \$4,788,605 and \$5,286,834, 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. Federal and state authorities generally have the right to examine and audit the previous three years of tax returns filed.

HOMEWISE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2026 AND 2025

2. Summary of significant accounting policies (continued)

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.

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.

Advertising and marketing costs

The Organization expenses the cost of advertising and marketing as the expense is incurred. For the years ended March 31, 2026 and 2025, advertising and marketing costs were \$365,933 and \$290,047, respectively.

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 Homewise realtors in selling these homes and are recognized in the form of an internal sales commission at a point in time at closing and reported on the consolidated statements of activities.

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.

HOMEWISE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2026 AND 2025

3. Liquidity and availability of financial assets

Financial assets available for general expenditure that are without donor or other restrictions limiting their use within one year of the consolidated statements of financial position date of March 31, 2026 and 2025, are comprised of the following:

	2026	2025
Assets at year end	\$ 318,890,260	\$ 287,708,931
Less amounts not available to be used within one year		
Property and equipment, net	(25,087,010)	(16,094,190)
Real estate held for sale	(2,970,908)	-
Amortizing mortgage loans receivable, net of current portion	(146,810,149)	(121,000,925)
Deferred mortgage loans receivable	(41,730,149)	(37,670,401)
Mortgage servicing rights, net	(5,166,724)	(4,832,092)
Right-of-use asset, operating	(159,553)	(441,567)
Development costs	(28,544,238)	(38,840,279)
Qualified low-income community investment	(17,433,464)	(16,470,412)
Other assets	(1,906,427)	(1,165,055)
Total less amounts not available	(269,808,622)	(236,514,921)
Total financial assets	49,081,638	51,194,010
Less amounts not available to be used within one year due to restricted cash	(20,383,794)	(12,971,770)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 28,697,844</u>	<u>\$ 38,222,240</u>

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 \$33,626,898 and \$46,977,357 as of March 31, 2026 and 2025, 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.

HOMEWISE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2026 AND 2025

4. Broker receivables and other accounts receivable

Broker receivables and other accounts receivable consist of the following as of March 31:

	2026	2025
Due from employees/customer	\$ 6,077	\$ 9,056
Due from brokers	3,469,407	3,085,036
Due from title company	301,077	1,387
Real estate commissions receivable	87,288	24,560
Other miscellaneous accounts receivable	1,956,284	752,415
Total broker and other accounts receivable	\$ 5,820,133	\$ 3,872,454

5. Grants receivable

Grants receivable consist of amounts due from grantors related to program activities. As of March 31, 2026 and 2025, grants receivable were \$247,972 and \$963,308, respectively, and primarily relate to miscellaneous grant reimbursements. No amounts were outstanding related to the Community Development Block Grant program as of March 31, 2026 or 2025.

6. Development costs

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

	2026	2025
Oshara	\$ -	\$ 729,815
Aldea	168,627	166,516
Desert Sage	478,083	1,826,698
El Camino Crossing	381,017	681,947
Miraflores	2,887,697	7,186,967
1705 Paseo de Peralta (Casa Pacifica)	-	558,160
Senderos Area 599	933,259	856,921
Rufina and Clark	1,339,942	1,333,503
En Vuelo	1,672,833	882,728
South Meadows (Los Prados)	1,927,958	2,662,536
Los Prados Community Park	925,429	-
Sombra del Oeste	7,360,411	2,529,689
Los Canales	1,985,362	2,375,703

HOMEWISE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2026 AND 2025

6. Development costs (continued)

	2026	2025
Calle Mirasol	\$ 162,046	\$ 135,697
Barelas Complex	-	6,312,319
Albuquerque Collegiate Charter School	-	1,655,589
Tierra Contenta Phase 3A	3,875,768	3,486,242
Acquisition Rehab	742,509	1,729,047
Other developments	3,703,297	3,730,202
Total development costs	28,544,238	38,840,279
Less: current development costs	(10,877,917)	(14,701,487)
Development costs, net of current portion	\$ 17,666,321	\$ 24,138,792

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, 44 have sold, with 3 homes completed and available for sale.

Aldea

Aldea consists of 20 developed lots in the County of Santa Fe in the Aldea development. Currently, 17 have sold, with 3 townhomes being designed and permitted for construction in FY27.

Desert Sage

In Santa Fe, consists of a 26.8-acre, 82-unit subdivision. Currently 81 homes have sold, and with the final home currently under contract, the project will soon be complete.

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 has 13 condo units, 20 live/work units, and 2 commercial-only buildings. Currently, all 13 condo units and 20 live-work units have sold. The first of the 2 commercial-only buildings is complete and occupied by a restaurant, and design of the final commercial-only building is under way.

Miraflores

Consists of a 56-unit subdivision on Fairly Road in Santa Fe. To date, 40 homes have sold, 3 more are under contract, and 2 completed homes are available for sale. There are an additional 11 homes under construction, which are anticipated to be completed in FY27.

1705 Paseo de Peralta

Consists of 5 attached condo units located near Railyard District in Santa Fe, New Mexico. This property is also known as Casa Pacifica. All 5 units have been completed. 4 units have been sold with 1 available for sale.

HOMEWISE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2026 AND 2025

6. Development costs (continued)

Senderos

Previously named Tessera Phase 3, Senderos consists of 250 acres within “Area 1B” in northwest Santa Fe. Formerly located within the presumptive City limits, the land will soon revert to Santa Fe County jurisdiction, as directed by a recently passed joint City-County resolution. A community-driven visioning process was conducted in early 2026, resulting in a draft conceptual site plan, which will set the stage for future master planning and development.

Rufina Centro

Consists of a 2.4-acre undeveloped site located at Rufina Street and Clark Road in Santa Fe. A previously approved development plan for 60 for-sale dwelling units and 13,000 square feet of commercial space has been determined to be financially infeasible, and site planning has begun for a new development concept for the site.

En Vuelo

Consists of 10.6 acres on Rufina Street in the Traditional Village of Agua Fria, County of Santa Fe. Infrastructure construction is currently underway on this 30-home subdivision, with vertical construction of model homes anticipated to begin in late summer 2026.

Los Prados

Consists of 22 acres on South Meadows Road in the City of Santa Fe, purchased April 30, 2022. Now branded Los Prados, a General Plan amendment, rezone, and a master plan were approved in 2023. Phase 1 consists of a 14.41-acre, 96-unit subdivision and a 5.12-acre public park. Infrastructure construction is anticipated to begin in June 2026, and park construction is expected to start in fall of 2026. The 2.66-acre Phase 2 is slated for future development.

Sombra del Oeste

Consists of 11 acres of vacant land on Gibson Boulevard in Albuquerque. The project consists of 72 townhomes currently under construction, with the first homes expected to be completed in June 2026.

Los Canales

A 2-acre infill site located in Santa Fe. Eight of the nine existing rental units have been converted to homeownership, and the new triplex and duplex units are expected to be completed in June and July 2026, respectively. All five newly constructed homes will be sold affordably to households at or below 120% AMI, as have all of the units in the development.

Barelas Complex

A commercial development at the corner of 4th Street and Barelas Road in Albuquerque's Barelas neighborhood. The project focuses on economic development and cultural preservation, supporting local entrepreneurs while honoring the neighborhood's heritage.

Albuquerque Collegiate Charter School

A collegiate charter school located in southwest Albuquerque, which opened in 2019 focuses on providing education to minority and economically disadvantaged students.

HOMEWISE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2026 AND 2025

6. Development costs (continued)

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. Upon further analysis, it was concluded that it is not feasible to develop these lots given the high cost of infrastructure and construction for these lots. Homewise intends to sell the lots and use proceeds from the sale to subsidize another affordable housing projects.

Tierra Contenta Phase 3A

In November 2024, Homewise purchased Tierra Contenta Phase 3A, becoming the master developer for this 216-acre property which will add approximately 1500 new homes (rental and homeownership) to Santa Fe's housing supply. The Master Plat, design standards, and backbone infrastructure design for this third and final phase of a large master-planned community in southwest Santa Fe were approved by the City of Santa Fe in November 2025. Project financing is being finalized, and infrastructure construction is expected to begin in late summer 2026.

Las Estrellas, Tract 6A

Consists of approximately 20 acres of undeveloped land in Santa Fe's Northwest Quadrant. Land was donated by the City of Santa Fe, this transaction closed in April 2026. Site planning is under way.

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 either purchased, is under contract to purchase, or has been donated for future residential and community development. Homewise owns a 0.9-acre vacant infill site in Albuquerque's Baretas 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 Baretas 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. The City of Santa and Homewise are negotiating a donation agreement.

7. Mortgage loans receivable

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

	2026	2025
Amortizing mortgage loans	\$ 151,704,071	\$ 125,169,746
Deferred mortgage loans	48,188,550	43,380,689
Gross loans outstanding	199,892,621	168,550,435
Allowance for credit losses on amortizing loans	(1,534,532)	(1,268,102)
Allowance for credit losses on deferred loans	(6,458,401)	(5,710,288)
	<u>\$ 191,899,688</u>	<u>\$ 161,572,045</u>

HOMEWISE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2026 AND 2025

7. Mortgage loans receivable (continued)

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

Balance, March 31, 2024	\$	1,680,908
Provision for credit loss		<u>(412,806)</u>
Balance, March 31, 2025		1,268,102
Recapture of credit loss		<u>266,430</u>
Balance, March 31, 2026	<u>\$</u>	<u>1,534,532</u>

The Organization had the following delinquent amortizing loans:

As of March 31, 2026						
	30-59 Days <u>Past Due</u>	60-89 Days <u>Past Due</u>	90+ Days <u>Past Due</u>	Total <u>Past Due</u>	<u>Current</u>	Total <u>Loans</u>
Amortizing mortgage loans	\$1,026,080	\$631,404	\$1,000,560	\$2,658,044	\$149,046,027	\$151,704,071

As of March 31, 2025						
	30-59 Days <u>Past Due</u>	60-89 Days <u>Past Due</u>	90+ Days <u>Past Due</u>	Total <u>Past Due</u>	<u>Current</u>	Total <u>Loans</u>
Amortizing mortgage loans	\$919,240	\$367,394	\$350,347	\$1,636,981	\$123,532,765	\$125,169,746

The total amount 31 or more days past due was equivalent to 1.75% and 1.31% of the gross outstanding amortizing mortgage loans receivable balance at March 31, 2026 and 2025, respectively. No commercial loans were over 90 days past due.

	March 31, 2026	March 31, 2025
	Amortizing Mortgage Loans	Amortizing Mortgage Loans
Performing	\$ 150,703,511	\$ 124,819,399
Nonperforming	<u>1,000,560</u>	<u>350,347</u>
Total	<u>\$ 151,704,071</u>	<u>\$ 125,169,746</u>

HOMEWISE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2026 AND 2025

7. Mortgage loans receivable (continued)

Nonaccrual loans

The following table presents the amortized cost basis of loans on nonaccrual status as of March 31, 2026:

	Nonaccrual with no Allowance for Credit Losses	Nonaccrual with Allowance for Credit Losses	Total Nonaccrual	Loans Past Due Over 90 Days Still Accruing
Amortizing mortgage loans	\$ 1,000,560	\$ -	\$ 1,000,560	\$ -

The following table presents the amortized cost basis of loans on nonaccrual status as of March 31, 2025:

	Nonaccrual with no Allowance for Credit Losses	Nonaccrual with Allowance for Credit Losses	Total Nonaccrual	Loans Past Due Over 90 Days Still Accruing
Amortizing mortgage loans	\$ 350,347	\$ -	\$ 350,347	\$ -

The following table presents the amortized cost basis of collateral-dependent loans, which were all on nonaccrual status as of:

	March 31, 2026 Real Estate	March 31, 2025 Real Estate
Amortizing mortgage loans	\$ 1,000,560	\$ 350,347

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 the years ended March 31, 2026 and 2025, the Organization did not have any modified loans to borrowers.

HOMEWISE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2026 AND 2025

7. Mortgage loans receivable (continued)

Repurchase reserves

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

Changes in the repurchase reserves are summarized as follows:

Balance, March 31, 2024	\$ 20,308
Adjustment to repurchase reserve	<u>(1,033)</u>
Balance, March 31, 2025	19,275
Adjustment to repurchase reserve	<u>(1,268)</u>
Balance, March 31, 2026	<u>\$ 18,007</u>

The loans to related parties amounted to \$1,755,559 and \$1,653,175, respectively, at March 31, 2026 and 2025. 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. As of March 31, 2026 and 2025, 60% and 42%, respectively, of deferred loans were funded through grants and contributions made to the Organization for this specific purpose. Of the remaining 40% and 58% of deferred loans funded by the Organization as of March 31, 2026 and 2025, respectively, the vast majority in both years 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.

HOMEWISE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2026 AND 2025

7. Mortgage loans receivable (continued)

Deferred mortgage loans (continued)

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

Balance, March 31, 2024	\$ 4,374,847
Provision for credit loss	<u>1,335,441</u>
Balance, March 31, 2025	5,710,288
Provision for credit loss	<u>748,113</u>
Balance, March 31, 2026	<u>\$ 6,458,401</u>

Deferred loans that are expected to be forgiven at the end of a fixed term totaled \$591,566 and \$587,926, respectively at March 31, 2026 and 2025.

As of March 31, 2026 and 2025, the allowance for credit losses for deferred loans was \$6,458,401 (13.40% of the loan balance) and \$5,710,288 (13.16% of the loan balance), respectively.

The Organization applies a distinct valuation methodology to reflect the unpredictability and unscheduled nature of the deferred loan payments. Given that the deferred loans do not accrue interest, the net present value (NPV) of deferred loans is determined through a discounted cash flow approach, which accounts for the expected future cash flows from the loans, factoring in prepayment assumptions and historical patterns of deferred loan payment based on past experience. The NPV is calculated utilizing a discount rate of 1%.

8. Property and equipment

Property and equipment consist of the following as of March 31:

	2026	2025
Land	\$ 496,089	\$ 236,484
Land improvements	19,700	19,700
Buildings and improvements	6,846,288	6,747,032
Rental properties	21,416,380	11,755,533
Software	2,067,276	2,067,276
Furniture and equipment	1,009,024	992,443
Trademark	8,000	21,539
Real estate held for sale	<u>2,970,908</u>	<u>-</u>
Total property and equipment	34,833,665	21,840,007
Less: accumulated depreciation	<u>(6,775,747)</u>	<u>(5,745,817)</u>
Property and equipment, net	<u>\$ 28,057,918</u>	<u>\$ 16,094,190</u>

Depreciation expense for the years ended March 31, 2026 and 2025 was \$1,165,814 and \$824,184, respectively.

HOMEWISE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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9. 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, is summarized as follows:

	<u>2026</u>	<u>2025</u>
Mortgage loan portfolios serviced for:		
Federal National Mortgage Association (FNMA)	\$ 578,582,386	\$ 541,067,532
Other investors	<u>116,648,014</u>	<u>97,348,212</u>
 Total	 <u>\$ 695,230,400</u>	 <u>\$ 638,415,744</u>

During the years ended March 31, 2026 and 2025, substantially all of the loans serviced for others had a contractual servicing fee of 0.25% per annum of the unpaid principal balance, resulting in servicing fees totaling \$1,801,704 and \$1,710,175, respectively.

An analysis of changes in mortgage servicing rights is as follows as of March 31:

	<u>2026</u>	<u>2025</u>
Balance at beginning of period	\$ 4,832,092	\$ 4,464,882
Servicing rights originated and capitalized	970,176	938,236
Amortization	<u>(635,544)</u>	<u>(571,026)</u>
 Total	 <u>\$ 5,166,724</u>	 <u>\$ 4,832,092</u>

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, 2026 and 2025, there was no impairment.

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9. Mortgage servicing rights (continued)

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

	2026	2025
Discount rate	9.00%	10.00%
Earnings rates:		
Principal and Interest Payoffs	3.87%	3.92%
Escrows	3.87%	3.92%
Advances	6.37%	6.42%

10. Qualified low-income community investment

Investment in HPN Leverage I, LLC

The Organization previously held a noncontrolling investment in HPN Leverage I, LLC in connection with a New Markets Tax Credit (NMTC) transaction entered into in 2017. During the year ended March 31, 2025, the NMTC structure was unwound following the exercise of a put option by the counterparty, resulting in the settlement of the related note and elimination of the Organization's investment. Accordingly, the Organization's investment balance was \$0 at March 31, 2026 and 2025.

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 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) exercised its put option. Under the terms of the put option agreement, HPN Leverage III, LLC purchased 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 \$0 and \$5,367,300, respectively, at March 31, 2026 and 2025.

Long-term debt – Long-term debt consists of the following: HPN NMTC III, LLC \$0 and \$7,800,000 as of March 31, 2026 and 2025, respectively. 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 was exercisable April 2025. On April 29, 2025, put option was exercised, which triggered a purchase agreement with the USB Fund to sell their interest for the purchase price of \$1,000 upon the closing date of May 20, 2025.

HOMEWISE, INC. AND SUBSIDIARIES
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10. Qualified low-income community investment (continued)

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 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 \$5,050,305 and \$5,075,653, respectively, at March 31, 2026 and 2025.

Long-term debt – Long-term debt consists of the following: HPN NMTC VII, LLC loan \$6,825,000 as of both March 31, 2026 and 2025. 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 in June 2028.

Investment in HPN Leverage X, LLC

In 2025, 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. A tax credit recapture is required if compliance requirements are not met over a seven-year period.

In 2025 the Organization recorded its 33.33% investment in HPN Leverage X, LLC at the cost of \$6,227,100. In April 2032, Twain Investment Fund 891, LLC (the Fund), and the upstream effective owner of Housing Partnership Network NMTC X, LLC (holder of the promissory notes due from the Organization) is expected to exercise its put option. Under the terms of the option agreement HPN Leverage X, LLC is expected to purchase the ownership interest of the Fund. Exercise of the option will effectively allow the Organization to extinguish its outstanding debt owed to the Fund. The Organization’s investment balance was \$6,227,100 and \$0, respectively, at March 31, 2026 and 2025.

Long term debt - Long-term debt consists of the following: Housing Partnership Network NMTC X, LLC \$8,730,000. Debt requires interest only payments until April 2032 at 0.713371%. The loan matures in April 2045. 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 2032.

HOMEWISE, INC. AND SUBSIDIARIES
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10. Qualified low-income community investment (continued)

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, 2026 and 2025.

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 on the 5th of each March, June, September, and December beginning September 5, 2022. On June 30, 2029, a principal payment 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, 2026 and 2025, the total principal amount outstanding was \$7,425,000.

11. Right-of-use assets

As of March 31, 2025, the Organization held one active lease. During the year ended March 31, 2026, the Organization entered into an additional leasing agreement. Both active leasing agreements are related to different locations. Each of the two locations are leased under separate agreements and have been classified as operating leases. The terms of each lease are as follows:

In 2020, the Organization entered into a solar photovoltaic system power purchase agreement with Zia Solar Holdings II, LLC, to design, install, own, operate and maintain a solar photovoltaic electric generating system on the premises of a property located in Albuquerque, New Mexico. The initial term of the lease is from the effective date of August 11, 2020 through August 11, 2040, with the option to renew the lease for an additional four or five-year extensions period. The Organization is required to pay an annual fee based on price per kilowatt-hour (“kWh”). The initial annual price per kWh is \$0.132 and increases 2% annually. The estimated annual energy output per kWh is 84,815 and is expected to decrease 0.50% annually. The present value of the lease payments is \$190,271 using a discount rate of 3.07%. As of March 31, 2026 and 2025, the right-of-use asset amounted to \$128,312 and \$140,326, respectively. As of March 31, 2026 and 2025, the leasing liability amounted to \$12,201 and \$151,763, respectively.

HOMEWISE, INC. AND SUBSIDIARIES
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11. Right-of-use assets (continued)

In 2024, the Organization entered into a triple net leasing agreement with Sawmill Bellamah Properties, LLC, to lease a building and parking lot situated in Albuquerque, New Mexico. The initial term of the lease is from the commencement date of April 15, 2024 through May 30, 2026, with the option to renew the lease on a month-to-month basis. Monthly base rent is \$22,500 throughout the term of the lease. The present value of the lease payments is \$523,108 using a discount rate of 3.07%. As of March 31, 2026 and 2025, the right-of-use asset amounted to \$31,241 and \$301,241, respectively. As of March 31, 2026 and 2025, the leasing liability amounted to \$31,241 and \$301,242, respectively.

As of March 31, 2026 and 2025, the operating lease liability consisted of the following:

	2026	2025
Total undiscounted cash flows	\$ 224,207	\$ 519,980
Less: imputed interest	(51,587)	(66,975)
Present value of the lease obligation	<u>\$ 172,620</u>	<u>\$ 453,005</u>

Total rent expense under the operating leases was \$282,014 and \$236,055 for the years ended March 31, 2026 and 2025, respectively, and is included in occupancy expense on the accompanying consolidated statements of functional expenses.

Future expected minimum lease payments are as follows:

Year ending March 31,	Amount
2027	\$ 43,442
2028	12,386
2029	12,569
2030	12,750
2031	12,928
Thereafter	130,132
Total	<u>\$ 224,207</u>

The weighted average remaining lease term and weighted average discount rate for the operating leases as of March 31, were as follows:

	2026	2025
Weighted-average remaining lease term	151 months	196 months
Weighted-average discount rate	3.07%	3.07%

HOMEWISE, INC. AND SUBSIDIARIES
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12. 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, 2026.

At March 31, 2026 and 2025, Homewise had lines of credit, notes payable, equity equivalent investment, and community investment notes outstanding of:

	2026	2025
Current		
Lines of credit	\$ 3,553,132	\$ 3,009,276
Lending notes payable	7,359,977	5,729,015
Other notes payable	537,862	119,755
Notes payable, community investment	773,965	2,228,890
Total current, net	12,224,936	11,086,936
Long-Term		
Lines of credit	3,000,000	3,000,000
Lending notes payable	103,352,725	85,660,219
Real estate development notes payable	22,890,530	22,050,000
Community development notes payable	750,000	4,942,500
Other notes payable	2,583,839	3,213,007
Notes payable, equity equivalent investment	27,300,000	21,300,000
Notes payable, community investments	4,014,640	3,057,944
Total long-term, net	163,891,734	143,223,670
Total	\$ 176,116,670	\$ 154,310,606

HOMEWISE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2026 AND 2025

12. Lines of credit, notes payable, equity equivalent investment, and community investment notes (continued)

Lines of credit at March 31:

	<u>2026</u>	<u>2025</u>
Texas Capital Bank, line of credit of \$4,000,000 at 3.25% variable interest, collateralized by the mortgages, matured November 2025. During March 2026, the line of credit was refinanced, with the interest rate adjusted to 5.50% and the maturity extended to October 2026.	\$ 3,418,268	\$ 2,889,750
Scale Bank, N.A., line of credit of \$4,000,000 at 6.50% variable interest, collateralized by mortgages, matured October 2025. During March 2026, the line of credit was extended to October 2026.	134,864	119,526
Sunflower Bank, line of credit of \$3,000,000 at 2.50% interest, unsecured, matures September 2032.	<u>3,000,000</u>	<u>3,000,000</u>
Total lines of credit	6,553,132	6,009,276
Less current maturities	<u>(3,553,132)</u>	<u>(3,009,276)</u>
Total lines of credit, net of current portion	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>

Notes payable at March 31:

	<u>2026</u>	<u>2025</u>
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.	2,227,607	2,298,054
Opportunity Finance Network, at 3.26% interest, collateralized by mortgages, principal, and interest due in quarterly payments and matures March 2047.	5,986,369	6,182,620
Opportunity Finance Network, at 2.39% interest, collateralized by mortgages, principal, and interest due in quarterly payments and matures March 2047.	3,452,647	3,578,180

HOMEWISE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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12. Lines of credit, notes payable, equity equivalent investment, and community investment notes (continued)

	2026	2025
Opportunity Finance Network, at 1.42% interest, collateralized by mortgages, principal and interest due in quarterly payments and matures March 2047.	\$ 708,409	\$ 737,195
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
Los Alamos National Bank, at 3.75% interest collateralized by mortgages, due in monthly payments and maturing February 2028.	273,185	407,592
Los Alamos National Bank, at 8.50% interest, collateralized by the Homewise headquarters building, due in monthly payments and maturing June 2037.	788,126	880,858
Washington Federal Bank, at 5.75% interest, collateralized by the Orpheum Community Hub, due in monthly payments and maturing October 2029.	1,865,512	1,968,799
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 matured October 2025. The note and outstanding interest was repaid in full during the year ended March 31, 2026.	-	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 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	500,000

HOMEWISE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2026 AND 2025

12. Lines of credit, notes payable, equity equivalent investment, and community investment notes (continued)

	2026	2025
UBS Bank USA, 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, five draws maturing September 2026, October 2026, November 2026, March 2030, and March 2030.	\$ 7,354,695	\$ 7,582,288
United Business Bank, unsecured at 5.00% interest, the principal balance is due at and matures December 2028.	5,685,960	6,269,817
Religious Communities Impact Fund, unsecured at 3.00% interest, the principal balance is due at and matures November 2029.	300,000	300,000
Mercy Investment Services, Inc., unsecured at 3.00% interest, the principal balance was due at and matured June 2025. During March 2026, the loan was refinanced, with the interest rate adjusted to 4.00%, the maturity extended to April 2030, and the principal balance increased by \$500,000.	1,500,000	1,000,000
Sachs Foundation, unsecured at 2.50% interest, the principal balance is due at and matures September 2026.	750,000	750,000
New Mexico Bank & Trust, 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.	794,666	910,397
New Mexico Bank & Trust, at 3.00% interest, collateralized by mortgages, the principal balance was due and matured December 2024. During the year ended March 31, 2025, the loan was extended to June 30, 2025. The note and outstanding interest was repaid in full during the year ended March 31, 2026.	-	1,000,000
New Mexico Bank & Trust, 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.	453,249	507,238

HOMEWISE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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12. Lines of credit, notes payable, equity equivalent investment, and community investment notes (continued)

	2026	2025
New Mexico Bank & Trust, 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.	\$ 1,361,096	\$ 1,769,812
Enterprise Bank & Trust, at 2.50% interest, collateralized by mortgages, the principal balance is due and matures October 2030.	5,000,000	5,000,000
New Mexico Bank & Trust, at 2.50% interest, collateralized by mortgages, the principal balance is due and matures August 2031.	5,000,000	5,000,000
Monarch Community Fund, unsecured at 3.00% interest, the principal balance is due at and matures July 2027.	350,000	350,000
Santa Fe Community Foundation, unsecured at 2.50% interest, the principal balance is due at and matures April 2028.	250,000	250,000
Santa Fe Community Foundation, unsecured at 2.50% interest, the principal balance is due at and matures January 2030.	300,000	300,000
Santa Fe Community Foundation, unsecured at 2.00% interest, the principal balance is due at and matured February 2026. The note and outstanding interest was repaid in full during the year ended March 31, 2026.	-	250,000
Banc of America Community Development Corporation, at 3.00% interest, collateralized by mortgages, annual principal payments began September 2018 and the remaining balance due on maturity in September 2027.	1,200,000	1,775,000
Anchorum St. Vincent, at 3.50 % interest, collateralized by mortgages, quarterly payments are amortized over 20 years and due in full in March 2030.	1,282,046	1,335,555

HOMEWISE, INC. AND SUBSIDIARIES
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12. Lines of credit, notes payable, equity equivalent investment, and community investment notes (continued)

	2026	2025
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
Ally Bank, revolving loan with \$15,000,000, at the ten (10) year Libor rate plus 1.75% at the time of drawdown, collateralized by mortgages, quarterly payments are amortized over 20 years and due in full 10 years from initial drawdown, three draws maturing October 2030, March 2032, and March 2033.	5,771,845	6,438,134
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.	15,475,548	7,992,944
Illinois No. 3 Foundation, at 2.00% interest, unsecured, the principal balance is due and matured February 2026. Extension of the loan is currently underway.	100,000	100,000
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
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

HOMEWISE, INC. AND SUBSIDIARIES
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12. Lines of credit, notes payable, equity equivalent investment, and community investment notes (continued)

	2026	2025
HPN NMTC X, LLC at 0.71% interest, secured by substantially all assets acquired by the Organization from the loan proceeds, interest only monthly payments and due in full April 2045.	\$ 8,640,530	\$ -
Seaton 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.	79,955	99,408
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.	468,063	483,105
Sisters of Charity of the Incarnate Word at 2.00% interest, annual interest only payments began March 2026, with a final principal and interest payment due April 2029.	300,000	300,000
Adrian Dominican Sisters at 3.00% interest, quarterly interest payments began October 2026, with a final principal and interest payment due July 2029.	250,000	250,000
Housing Partnership Network at 4.50% interest, monthly interest payments began September 2024, with a quarterly principal payment equal to 25% of the original principal due starting November 2023 and final payment due July 2031.	3,000,000	3,000,000
NeighborWorks Capital, at 4.50% interest, interest only payments and due in full November 2031.	1,000,000	1,000,000
Clearinghouse Community Development Financial Institution, unsecured at 5.00% interest, the principal balance is due at and matures January 2029.	800,000	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

HOMEWISE, INC. AND SUBSIDIARIES
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12. Lines of credit, notes payable, equity equivalent investment, and community investment notes (continued)

	<u>2026</u>	<u>2025</u>
FHLB Canopy at 3.00% interest, quarterly interest payments and due in full December 2034.	\$ 6,500,000	\$ 6,500,000
Sunflower Bank, N.A., unsecured at 4.00% interest, the principal balance is due at and matures April 2030.	7,000,000	-
PNC Bank, National Association, unsecured at 5.64% interest, the principal balance is due at and matures July 2030.	3,000,000	-
The Annie E. Casey Foundation, Inc., unsecured at 3.00% interest, the principal balance is due at and matures September 2035.	3,000,000	-
United Business Bank, unsecured at 4.00% interest, the principal balance is due at and matures February 2031.	<u>2,850,425</u>	<u>-</u>
Total notes payable	137,474,933	121,714,496
Less current maturities	<u>(7,897,839)</u>	<u>(5,848,770)</u>
Total notes payable, net of current portion	<u>\$ 129,577,094</u>	<u>\$ 115,865,726</u>

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

	<u>2026</u>	<u>2025</u>
Wells Fargo, unsecured at 2.00% interest, the principal balance is due at and matures July 2036.	\$ 5,000,000	\$ 5,000,000
American Express National Bank, unsecured at 2.75% interest, quarterly the principal balance is due at and matures March 2033.	5,000,000	5,000,000
Compass Bank, unsecured at 2.25% interest, the principal balance is due at and matures November 2027.	2,300,000	2,300,000
New Mexico Bank & Trust, at 1.50% interest, unsecured, the principal balance is due at and matures December 2031.	5,000,000	5,000,000

HOMEWISE, INC. AND SUBSIDIARIES
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12. Lines of credit, notes payable, equity equivalent investment, and community investment notes (continued)

	<u>2026</u>	<u>2025</u>
Bank of the West, at 2.50% interest, unsecured, the principal balance is due at and matures September 2028.	\$ 1,000,000	\$ 1,000,000
Washington Federal Bank, at 3.50% interest, unsecured, the principal balance is due at and matures March 2035.	3,000,000	3,000,000
PNC Community Development Company, LLC, at 3.00% interest, unsecured, the principal balance is due at and matures July 2030	<u>6,000,000</u>	<u>-</u>
Total notes payable, equity equivalent investment	<u>\$ 27,300,000</u>	<u>\$ 21,300,000</u>

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

	<u>2026</u>	<u>2025</u>
Individuals and trusts, ten notes at 1.00% to 2.50% interest, maturing from April 2026 to March 2027.	\$ 773,965	\$ 2,228,890
Individuals and trusts, eight notes at 1.50% to 4.00% interest, maturing from April 2027 to March 2028.	365,916	769,340
Individuals and trusts, fourteen notes at 1.50% to 3.00% interest, maturing from April 2028 to March 2029.	753,248	365,785
Individuals and trusts, thirteen notes at 1.00% to 4.00% interest, maturing from April 2029 to March 2030.	897,576	517,506
Individuals and trusts, twelve notes at 2.00% to 4.00% interest, maturing from April 2030 to March 2031.	1,658,225	726,541
Individuals and trusts, nine notes at 2.50% to 4.00% interest, from maturing April 2031 to March 2037.	<u>339,675</u>	<u>678,772</u>
Total notes payable, community investment	4,788,605	5,286,834
Less current maturities	<u>(773,965)</u>	<u>(2,228,890)</u>
Total notes payable, community investment, net of current portion	<u>\$ 4,014,640</u>	<u>\$ 3,057,944</u>

HOMEWISE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2026 AND 2025

12. Lines of credit, notes payable, equity equivalent investment, and community investment notes (continued)

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

Year ending March 31,	
2027	\$ 12,224,936
2028	12,604,962
2029	11,637,605
2030	16,141,702
2031	18,677,659
Thereafter	<u>104,829,806</u>
Total	<u>\$ 176,116,670</u>

13. Net assets with donor restrictions

Net assets restricted by purpose or time consist of the following at March 31:

	2026		
	Beginning Net Assets	Net Released from Restrictions	Ending Net Assets
Purpose Restricted			
Project Reinvest	\$ 2,719,500	\$ (84,000)	\$ 2,635,500
Community Development Block Grant City of Santa Fe pass through funds	<u>170,223</u>	<u>(76,608)</u>	<u>93,615</u>
Net assets with donor restrictions	<u>\$ 2,889,723</u>	<u>\$ (160,608)</u>	<u>\$ 2,729,115</u>
	2025		
	Beginning Net Assets	Net Released from Restrictions	Ending Net Assets
Purpose Restricted			
Project Reinvest	\$ 2,793,000	\$ (73,500)	\$ 2,719,500
Community Development Block Grant City of Santa Fe pass through funds	<u>24,015</u>	<u>146,208</u>	<u>170,223</u>
Net assets with donor restrictions	<u>\$ 2,817,015</u>	<u>\$ 72,708</u>	<u>\$ 2,889,723</u>

HOMEWISE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2026 AND 2025

14. Grants and contributions

	2026			2025		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Federal loan capital grants:						
Capital Magnet Fund	\$ -	\$ 2,274,702	\$ 2,274,702	\$ -	\$ 1,179,090	\$ 1,179,090
HUD, Community Development Block Grant, passthrough from City of Santa Fe	-	-	-	19,131	-	19,131
HUD, Community Development Block Grant, pass through from City of Albuquerque	2,287,051	-	2,287,051	1,421,200	-	1,421,200
HUD, Economic Development Initiative (EDI), Community Project Funding (CPF), and Miscellaneous Grants	-	150,000	150,000	-	600,000	600,000
Department of the Treasury, American Rescue Plan Act (ARPA) pass through from the City of Rio Rancho	100,009	-	100,009	504,521	-	504,521
Department of the Treasury, American Rescue Plan Act (ARPA CSLFR funds), pass through from the City of Albuquerque	-	-	-	573,684	-	573,684
Other Federal Appropriations through NWA	-	-	-	315,000	-	315,000
Total federal loan capital grants and contributions	<u>2,387,060</u>	<u>2,424,702</u>	<u>4,811,762</u>	<u>2,833,536</u>	<u>1,779,090</u>	<u>4,612,626</u>
Nonfederal loan capital grants and contributions:						
City of Santa Fe - home purchase and home improvement assistance	409,416	-	409,416	657,250	-	657,250
Other nonfederal loan capital grants and contributions	-	2,320,414	2,320,414	-	285,300	285,300
Total nonfederal loan capital grants and contributions	<u>409,416</u>	<u>2,320,414</u>	<u>2,729,830</u>	<u>657,250</u>	<u>285,300</u>	<u>942,550</u>
Net assets with donor restrictions	<u>\$ 2,796,476</u>	<u>\$ 4,745,116</u>	<u>\$ 7,541,592</u>	<u>\$ 3,490,786</u>	<u>\$ 2,064,390</u>	<u>\$ 5,555,176</u>
Federal operating capital grants:						
Department of the Treasury, American Rescue Plan Act (ARPA) pass through from the City of Rio Rancho	\$ 5,856	\$ -	\$ 5,856	\$ 67,335	\$ -	\$ 67,335
Department of the Treasury, American Rescue Plan Act (ARPA CSLFR funds), pass through from the City of Albuquerque	38,226	-	38,226	87,876	-	87,876
Other Federal Appropriations through NWA	<u>520,000</u>	<u>-</u>	<u>520,000</u>	<u>271,200</u>	<u>-</u>	<u>271,200</u>
Total federal operating capital grants	<u>564,082</u>	<u>-</u>	<u>564,082</u>	<u>426,411</u>	<u>-</u>	<u>426,411</u>
Nonfederal operating capital grants and contributions:						
City of Santa Fe - Administration of housing programs	107,185	-	107,185	143,954	-	143,954
State of New Mexico - Financial Program Administration to the Energy Conservation and Management Division	161,104	-	161,104	-	-	-
Other nonfederal operating contributions	<u>285,409</u>	<u>-</u>	<u>285,409</u>	<u>25,864,147</u>	<u>-</u>	<u>25,864,147</u>
Total nonfederal operating capital grants and contributions	<u>553,698</u>	<u>-</u>	<u>553,698</u>	<u>26,008,101</u>	<u>-</u>	<u>26,008,101</u>
Total operating grants and contributions	<u>1,117,780</u>	<u>-</u>	<u>1,117,780</u>	<u>26,434,512</u>	<u>-</u>	<u>26,434,512</u>
Total grants and contributions	<u>\$ 3,914,256</u>	<u>\$ 4,745,116</u>	<u>\$ 8,659,372</u>	<u>\$ 29,925,298</u>	<u>\$ 2,064,390</u>	<u>\$ 31,989,688</u>

HOMEWISE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2026 AND 2025

14. Grants and contributions (continued)

	2026			2025		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Federal operating capital grants:						
Department of the Treasury, American Rescue Plan Act (ARPA) pass through from the City of Rio Rancho	\$ 5,856	\$ -	\$ 5,856	\$ 67,335	\$ -	\$ 67,335
Department of the Treasury, American Rescue Plan Act (ARPA CSLFR funds), pass through from the City of Albuquerque	38,226	-	38,226	87,876	-	87,876
Other Federal Appropriations through NWA	520,000	-	520,000	271,200	-	271,200
Total federal operating capital grants	<u>564,082</u>	<u>-</u>	<u>564,082</u>	<u>426,411</u>	<u>-</u>	<u>426,411</u>
Nonfederal operating capital grants and contributions:						
City of Santa Fe - Administration of housing programs	107,185	-	107,185	143,954	-	143,954
State of New Mexico - Financial Program Administration to the Energy Conservation and Management Division	161,103	-	161,103	-	-	-
Other nonfederal operating contributions	285,410	-	285,410	25,864,147	-	25,864,147
Total nonfederal operating capital grants and contributions	<u>553,698</u>	<u>-</u>	<u>553,698</u>	<u>26,008,101</u>	<u>-</u>	<u>26,008,101</u>
Total operating grants and contributions	<u>1,117,780</u>	<u>-</u>	<u>1,117,780</u>	<u>26,434,512</u>	<u>-</u>	<u>26,434,512</u>
Total grants and contributions	<u>\$ 3,914,256</u>	<u>\$ 4,745,116</u>	<u>\$ 8,659,372</u>	<u>\$ 29,925,298</u>	<u>\$ 2,064,390</u>	<u>\$ 31,989,688</u>

HOMEWISE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2026 AND 2025

15. Employee benefit plans

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 \$588,591 and \$558,480 for the years ended March 31, 2026 and 2025, respectively, and is included in the total personnel services and benefits on the accompanying consolidated statements of functional expenses.

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 Organization 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 years ended March 31, 2026 and 2025, no contributions were made.

16. Concentrations of revenue sources and credit risks

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

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

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

At March 31, 2026 and 2025, 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 \$8,795,423 and \$14,119,680, at March 31, 2026 and 2025, respectively, by depositing with well-known and highly reputable institutions. If any of the financial institutions with whom the Organization does business were to be placed into receivership, it may be unable to access the cash on deposit with such institutions. If the Organization is unable to access its cash and cash equivalents as needed, its financial position and ability to operate its business could be adversely affected.

HOMEWISE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2026 AND 2025

17. Commitments and contingencies

Grants and contracts

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

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.

18. Related party transactions

The Organization has investments from both Homewise Employees and Homewise Board Members in Homewise Community Investment Notes. Related party investments totaled \$102,607 and \$102,058 for years ended March 31, 2026 and 2025, respectively. See also: loans to related parties, Note 7 – Repurchase Reserves.

19. Subsequent events

Subsequent events have been evaluated through June 26, 2026, which is the date the consolidated financial statements were available to be issued. The following subsequent events require disclosure:

On June 5, 2026, the Organization closed on a \$10.6 million loan from the Public Projects Revolving Fund at the New Mexico Finance Authority for the construction of spine infrastructure within Tierra Contenta Phase 3A. The loan is to be utilized to provide low-cost, long-term capital for public infrastructure projects.

HOMEWISE, INC. AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2026

Grantor /Pass-Through Grantor/Program Title	Pass-through Grantor Number or Other Identifying Number	Assistance Listing Number	Ending Balance March 31, 2025		
			Expenditures	Loans & Loan Guarantees	Total
U.S. Department of Housing and Urban Development					
CDBG - Entitlement Grants Cluster					
Community Development Block Grant (pass through from the City of Albuquerque)	POHHH-HHH0010387, POHHH-HHH0010795	14.218	\$ 1,283,333	\$ -	\$ 1,283,333
Total CDBG - Entitlement Grants Cluster			\$ 1,283,333	\$ -	\$ 1,283,333
Economic Development Initiative (EDI), Community Project Funding (CPF), and Miscellaneous Grants	B-23-CP-NM-1061	14.251	\$ 150,000	\$ 600,000	750,000
Total U.S. Department of Housing and Urban Development and Pass-through			\$ 1,433,333	\$ 600,000	\$ 2,033,333
U.S. Department of Treasury					
Community Development Financial Institution Program					
Capital Magnet Fund- loan capital	161CM020143	21.011	-	2,562,032	2,562,032
Capital Magnet Fund- loan capital	191CM053345	21.011	184,955	2,437,935	2,622,890
Capital Magnet Fund- loan capital	211CM058797	21.011	644,800	1,829,240	2,474,040
Capital Magnet Fund- loan capital	241CM066072	21.011	1,444,947	101,500	1,546,447
CDFI Bond Guarantee Program	171BG012323 / OPFNANCE 0015	21.014	-	12,796,049	12,796,049
CDFI Equitable Recovery Program	22ERP061244	21.033	-	2,397,204	2,397,204
CDFI Rapid Response Program	21RRP056387	21.024	-	1,570,196	1,570,196
CDFI Financial Assistance	211FA056264	21.020	-	659,149	659,149
CDFI Financial Assistance	221FA059748	21.020	-	640,894	640,894
Total Community Development Financial Institution Program			2,274,702	24,994,200	27,268,902
Coronavirus State and Local Fiscal Recovery Funds					
(pass through from the City of Albuquerque)	POFCS-FCS0019041, SLFRP0013	21.027	1,041,945	-	1,041,945
American Rescue Plan Act (ARPA) (pass through from the City of Rio Rancho)	RRHRP-AD2290	21.027	105,865	-	105,865
Total Coronavirus State and Local Fiscal Recovery Funds			1,147,810	-	1,147,810
Other federal appropriations through NeighborWorks America	Public Law 119-4, 119-37	21.U01	520,000	-	520,000
Total U.S. Department of Treasury			3,942,512	24,994,200	28,936,712
Total Federal Expenditures			\$ 5,375,845	\$ 25,594,200	\$ 30,970,045

HOMEWISE, INC. AND SUBSIDIARIES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2026

1. Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the expenditures of Homewise, Inc. ("Homewise") under programs of the federal government for the year ended March 31, 2026. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in the Schedule may differ from amounts presented in or used in the preparation of the consolidated financial statements. Because the Schedule presents only a selected portion of the operations of Homewise, it is not intended to and does not present the financial position, changes in net assets, functional expenses or cash flows of Homewise.

2. Summary of significant accounting policies

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

Homewise elected not to use the 15% *de minimis* indirect cost rate.

3. Loans and loan guarantees

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

	<u>2026</u>
Total 2026 expenditures per the Schedule	\$ 5,375,845
Loans and loan guarantees (ending balance March 31, 2025):	
Capital Magnet Fund (ALN #21.011)	6,930,707
CDFI Financial Assistance (ALN #21.020)	1,300,044
CDFI Rapid Response Program (ALN #21.024)	1,570,196
CDFI Bond Guarantee Program (ALN #21.014)	12,796,049
CDFI Equitable Recovery Program (ALN #21.033)	2,397,204
Economic Development Initiative, Community Project Funding, and Miscellaneous Grants (ALN #14.251)	<u>600,000</u>
Adjusted total expenditures per the Schedule	<u>\$ 30,970,045</u>

HOMEWISE, INC. AND SUBSIDIARIES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2026

4. CDFI capital magnet fund

Loans outstanding at the beginning of the year and expenditures made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at March 31, 2026, consists of:

Beginning balance, March 31, 2025	\$ 6,930,707
Loans deployed	2,323,747
Less principal payments	<u>(121,744)</u>
Ending balance, March 31, 2026	<u>\$ 9,132,710</u>

5. CDFI financial assistance

Loans outstanding at the beginning of the year and expenditures made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at March 31, 2026, consists of:

Beginning balance, March 31, 2025	\$ 1,300,044
Loans deployed	-
Less principal payments	<u>(25,663)</u>
Ending balance, March 31, 2026	<u>\$ 1,274,381</u>

6. CDFI rapid response program

Loans outstanding at the beginning of the year and expenditures made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at March 31, 2026, consists of:

Beginning balance, March 31, 2025	\$ 1,570,196
Loans deployed	-
Less principal payments	<u>(48,397)</u>
Ending balance, March 31, 2026	<u>\$ 1,521,799</u>

HOMEWISE, INC. AND SUBSIDIARIES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2026

7. CDFI bond guarantee program

Bonds outstanding at the beginning of the year and bond funding drawn during the year are included in the federal expenditures presented in the Schedule. The balance of bonds outstanding at March 31, 2026, consists of:

Beginning balance, March 31, 2025	\$ 12,796,049
Loans deployed	-
Less principal payments	<u>(421,016)</u>
Ending balance, March 31, 2026	<u>\$ 12,375,033</u>

8. CDFI equitable recovery program

Loans outstanding at the beginning of the year and expenditures made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at March 31, 2026, consists of:

Beginning balance, March 31, 2025	\$ 2,397,204
Loans deployed	-
Less principal payments	<u>(31,290)</u>
Ending balance, March 31, 2026	<u>\$ 2,365,914</u>

9. Economic Development Initiative, Community Project Funding, and Miscellaneous Grants

Loans outstanding at the beginning of the year and expenditures made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at March 31, 2026, consists of:

Beginning balance, March 31, 2025	\$ 600,000
Loans deployed	-
Less principal payments	<u>-</u>
Ending balance, March 31, 2026	<u>\$ 600,000</u>

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Homewise, Inc. and Subsidiaries

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. and Subsidiaries, which comprise the consolidated statement of financial position as of March 31, 2026, and the related consolidated statements of activities and changes in net assets, 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 26, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Homewise, Inc. and Subsidiaries' 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 of Homewise, Inc. and Subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of the organization'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 consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Homewise, Inc. and Subsidiaries' 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*.

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 organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Novogardac & Company LLP

Malvern, Pennsylvania

June 26, 2026

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Homewise, Inc. and Subsidiaries

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Homewise, Inc. and Subsidiaries' compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Homewise, Inc. and Subsidiaries' major federal programs for the year ended March 31, 2026. Homewise, Inc. and Subsidiaries' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of audit findings and questioned costs.

In our opinion, Homewise, Inc. and Subsidiaries complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2026.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control over Compliance

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

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

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

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

Novogrodac & Company LLP

Malvern, Pennsylvania

June 26, 2026

HOMEWISE, INC. AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2026

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors' report issued:	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ Yes	_____ X	No
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ Yes	_____ X	None reported
Noncompliance material to financial statements noted?	_____ Yes	_____ X	No

Federal Awards

Internal Control over major programs:			
Material weakness(es) identified?	_____ Yes	_____ X	No
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ Yes	_____ X	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified		
Audit findings required to be reported in accordance with 2 CFR section 200.516(a)?	_____ Yes	_____ X	No

Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.014	CDFI Bond Guarantee Program
21.020	CDFI Financial Assistance
21.U01	Other federal appropriations through NeighborWorks America

Dollar threshold used to distinguish between Type A and Type B programs: _____ \$1,000,000

Auditee qualified as low-risk auditee? _____ X Yes _____ No

Section II – Consolidated Financial Statement Findings

There were no findings noted.

Section III – Federal Award Findings and Questioned Costs

There were no findings noted.

HOMEWISE, INC. AND SUBSIDIARIES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED MARCH 31, 2026

Section II - Consolidated Financial Statement Findings

There were no findings noted.

Section III - Federal Award Findings and Questioned Costs

There were no findings noted.



June 29, 2026

To the Board of Directors and members of management of
Homewise, Inc. and Subsidiaries:

We have audited the consolidated financial statements of Homewise, Inc. and Subsidiaries (the "Organization") as of and for the year ended March 31, 2026, and have issued our report thereon dated June 29, 2026. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 5, 2026. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 2 to the consolidated financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2026. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the consolidated financial statements in the proper period.

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Any estimates included in the consolidated financial statements are reasonable in relation to the consolidated financial statements as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to consolidated financial statements users. The most sensitive disclosure affecting the consolidated financial statements was:

The disclosure of related party transactions in Note 18 to the consolidated financial statements are pursuant to the operating agreement.

The consolidated financial statements disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

There are no such misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the consolidated financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 29, 2026.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Organization’s consolidated financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Consolidated Financial Statements

With respect to the supplementary information accompanying the consolidated financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the consolidated financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the consolidated financial statements or to the consolidated financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of the Organization and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in blue ink that reads "Novogradac & Company LLP". The signature is written in a cursive, flowing style.

NOVOGRADAC & COMPANY LLP