HOMEWISE, INC.

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2021

MOSSADAMS

HOMEWISE, INC.

OFFICIAL ROSTER
(Unaudited)
MARCH 31, 2021

Board of Directors

David Delgado	Chair
Erika Campos	Vice-Chair
Anne Messbarger-Eguia	Secretary
Katherine Ulibarri	Treasurer
Andrew Spingler	Member
Agnes Noonan	Member
Shelle VanEtten de Sanchez	Member
Paul Vogel	Member
Paul Aguilar	Member

Administration Official

Michael Loftin	Chief Executive Officer
Clay Simmons	Chief Financial Officer

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Report of Independent Auditors

The Board of Directors
Homewise, Inc.

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

Emphasis of Matter

Restatement of Net Assets

As discussed in Note 2 to the consolidated financial statements, management discovered errors in the classification of with donor restricted funds resulting in a restatement of previously reported balances. Accordingly, adjustments to without donor restrictions of $13,945,384 and with donor restrictions of $13,945,384 have been made to correct this error. Our opinion is not modified with respect to this matter.

Change in Accounting Estimate

As discussed in Note 7 to the consolidated financial statements, management changed its estimate related to the allowance for loan loss reserve resulting in an adjustment of $2,538,884. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2021 on our consideration of Homewise, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Homewise, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Homewise, Inc.'s internal control over financial reporting and compliance.

Moss Adams LLP

Albuquerque, New Mexico
June 23, 2021

Homewise, Inc.
Consolidated Statement of Financial Position

ASSETS

	Year Ended March 31, 2021
CURRENT ASSETS	
Cash and cash equivalents	$ 15,852,234
Other restricted cash and interest-bearing deposits in banks	6,810,731
Broker receivables and other accounts receivable	9,372,836
Grants receivable	1,079,084
Amortizing mortgage loans receivable, current portion	1,864,292
Inventory	21,263
Other real estate owned	355,911
Development costs, current portion	8,641,555
Total current assets	43,997,906
Property and equipment, net	10,948,580
MORTGAGE LOANS RECEIVABLE	
Amortizing, net of current portion	75,752,263
Allowance on amortizing loans	(1,552,331)
Total amortizing mortgage loans receivable	74,199,932
Deferred mortgage loans receivable	29,035,296
Allowance on deferred loans	(3,217,709)
Total deferred mortgage loans receivable	25,817,587
Total long-term mortgage loans receivable	100,017,519
Mortgage servicing rights	3,626,309
Development costs, net of current portion	8,265,571
Qualified low income community investment	9,533,718
Other assets	944,912
Total assets	$ 177,334,515

 See accompanying notes.

LIABILITIES AND NET ASSETS

	Year Ended March 31, 2021
CURRENT LIABILITIES	
Accounts payable	$ 4,065,916
Accrued expenses	1,451,346
Escrows and deposits	3,773,761
Lines of credit	4,091,074
Lending notes payable, current portion	8,421,832
Other notes payable, current portion	110,867
Notes payable community investment, current portion	2,208,153
Total current liabilities	24,122,949
LONG-TERM LIABILITIES	
Line of credit, net of current portion	812,661
Lending notes payable, net of current portion	53,614,390
Real estate development notes payable, net of current portion	12,675,000
Community development notes payable, net of current portion	750,000
Other notes payable, net of current portion	3,206,409
Notes payable, equity equivalent investment	3,300,000
Notes payable, community investment, net of current portion	4,550,259
Deferred grant revenue	2,675,519
Due to grantor agency	882,592
Total long-term liabilities	82,466,830
Total liabilities	106,589,779
NET ASSETS	
Without donor restriction	68,160,562
With donor restriction	2,584,174
Total net assets	70,744,736
Total liabilities and net assets	$ 177,334,515

See accompanying notes.

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND SUPPORT			
Home development sales	$ 24,289,902	$ -	$ 24,289,902
Loan origination fees	6,386,900	-	6,386,900
Real estate sales commissions	2,388,377	-	2,388,377
Loan portfolio interest	4,393,105	-	4,393,105
Loan servicing fees	1,084,868	-	1,084,868
Amortization of mortgage servicing rights, net	1,489,244	-	1,489,244
Loan capital grants and contributions	2,218,138	-	2,218,138
Operating grants and contributions	7,882,827	-	7,882,827
Gain on sale of asset	71,014	-	71,014
Other revenue	670,950	-	670,950
Released from restrictions	782,589	(782,589)	-
Total revenues, gains, and support	51,657,914	(782,589)	50,875,325
Cost of home development sales	19,124,742	-	19,124,742
EXPENSES			
Program	14,931,688	-	14,931,688
Administrative	2,920,262	-	2,920,262
Fundraising	600,631	-	600,631
Total expenses	18,452,581	-	18,452,581
CHANGE IN NET ASSETS	14,080,591	(782,589)	13,298,002
Net assets at beginning of year	40,134,587	17,312,147	57,446,734
Restatement (Note 2)	13,945,384	(13,945,384)	-
NET ASSETS AT END OF YEAR	$ 68,160,562	$ 2,584,174	$ 70,744,736

 See accompanying notes.

	Year Ended March 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 32,630,430
Cash received from grants and contributions	7,828,853
Cash paid to suppliers	(19,362,001)
Cash paid to employees	(10,006,395)
Cash paid for interest	(2,469,908)
Net cash flows provided by operating activities	8,620,979
CASH FLOWS FROM INVESTING ACTIVITIES	
Property and equipment acquisitions	(1,609,179)
Qualified low income community investment	(69,373)
Net increase in mortgage loans	(5,392,831)
Net cash flows used in investing activities	(7,071,383)
CASH FLOWS FROM FINANCING ACTIVITIES	
Long-term borrowings	12,037,825
Payments on long-term borrowings	(7,369,123)
Borrowings on bank lines of credit	1,132,804
Net cash flows provided by financing activities	5,801,506
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,351,102
Cash and cash equivalents, beginning of year	11,894,187
Other restricted cash and interest-bearing deposits in banks, beginning of year	3,417,674
CASH, AND CASH EQUIVALENTS, beginning of year	15,311,861
Cash and cash equivalents, end of year	15,852,234
Other restricted cash and interest-bearing deposits in banks, end of year	6,810,731
CASH, AND CASH EQUIVALENTS, end of year	$ 22,662,965
Reconciliation of decrease in net assets to net cash and cash equivalents provided by operations	
Change in net assets	$ 13,298,002
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:	
Depreciation	503,883
Amortization of mortgage servicing rights	939,722
Amortization of discount on low income housing investment	33,429
Bad debt recovery	(64,536)
Loan loss recovery	(2,538,884)
Gain on sale of an asset	(71,014)
Change in assets and liabilities	
Broker and other accounts receivable	(7,046,053)
Grants receivable	(981,611)
Inventory	(339)
Development costs	1,685,256
Other real estate owned	(355,911)
Mortgage servicing rights	(1,489,244)
Other assets	(537,887)
Accounts payable and accrued expenses	2,366,840
Escrows and deposits	462,381
Deferred grant revenue	2,445,331
Due to grantor agency	(28,386)
Net cash provided by operating activities	$ 8,620,979

Note 1 – Summary of Significant Accounting Policies

Organization

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

Principles of Consolidation

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

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

All intercompany transactions and balances have been eliminated in consolidation.

Basis of Accounting

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

Basis of Presentation

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

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

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

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

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

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

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

Mortgage Loans Receivable
Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated as unpaid principal balances less allowance for loan losses. Interest earned on loans is recognized only when collected, as uncollected accrued interest is not considered material to the consolidated financial statements at March 31, 2021.

Provision for Loan Losses
Management considers a loan to be impaired when, based on current information and events, it is determined that they will not be able to collect all amounts due according to the original terms of the note.

Note 1 – Summary of Significant Accounting Policies (continued)

Loans are reported as troubled debt restructurings when the Organization, for economic or legal reasons related to the borrower's financial difficulties, grants concessions to a borrower that it would not otherwise consider. The concessions may be granted in various forms, including reduction in the stated interest rate, reduction in the loan balance or accrued interest, and extension of the maturity date. As a result of these concessions, restructured loans are impaired as the Organization will not collect all amounts due, both principal and interest, in accordance with the terms of original loan agreement. Impairment reserves on non-collateral dependent restructured loans are measured by comparing the present value of expected future cash flows on the restructured loans, discounted at the interest rate of the original loan agreement, to the loan's carrying value. These impairment reserves are recognized as a specific component to be provided for in the allowance for credit losses. Large groups of smaller balance homogenous loans are collectively evaluated for impairment. The Organization accounts for impaired loans in accordance with FASB ASC No. 310-10-35.

Subsequent Measurement of Receivables

The standard indicates that a creditor should evaluate the collectability of both contractual interest and principal when assessing the need for a loss accrual. Loans are determined to be delinquent if they are not timely paid based on the contractual terms of the respective loan agreement.

The allowance for loan losses is established through a provision charged to loan losses expense. The allowance is an amount that management believes will be adequate to absorb estimated losses on existing loans that may become uncollectible, based on an evaluation of the collectability of loans and prior loss experience.

This evaluation also takes into consideration such factors as overall portfolio quality, review of specific problem loans, and current economic conditions that may affect the borrowers' ability to pay. The allowance is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions.

While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions. When all or a portion of a loan balance is deemed uncollectible, or not recoverable through sale of collateral, such amount is charged to the allowance for loan losses.

Deferred Mortgage Loans Receivable

Deferred mortgage loans receivable are loans that are due at an unknown future date. They include: (1) loans, which are due upon sale, transfer, vacating of, or refinance of the related home and (2) forgivable loans that do not bear interest and are forgiven if the owner lives in the home for a specified period.

Note 1 – Summary of Significant Accounting Policies (continued)

If the funds are to be returned to a grantor upon collection, the full amount is included in due to grantor agency liability on the consolidated statement of financial position. If the Organization is to retain the collections, the loan is booked net of applicable loan loss allowance.

Inventory

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

Home Development Sales and Development Costs

Homebuilding revenue and related profit are generally recognized at a point in time of the closing-of-the sale, when title to and possession of the property are transferred to the buyer. Acquisition rehab properties, are properties, which require repair and maintenance before sale. During construction, all direct material and labor costs, and those indirect costs related to the acquisition and construction, are capitalized as development costs, and all customer deposits are treated as liabilities until closing. Capitalized costs are charged to the cost of home sales upon completion. Costs incurred in connection with completed homes and selling, general, and administrative costs are charged to expense as incurred.

Property, Equipment and Depreciation

Property and equipment are stated at cost. Donated assets are recorded at estimated fair market value at date of receipt. Expenditures for maintenance and repairs are charged to expense as incurred while major betterments are capitalized. Depreciation is calculated using the straight-line method over the useful life of an asset. The Organization capitalizes assets that cost more than $1,000 and have a service life of more than one year. Estimated useful lives of the assets are as follows:

Land improvements	15 years
Building and improvements	27.5 years
Software	3–5 years
Furniture and equipment	3–7 years
Leasehold improvements	35 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 year ended March 31, 2021.

Note 1 – Summary of Significant Accounting Policies (continued)

Mortgage Servicing Rights

Rights to service mortgage loans for others are recognized as an asset after origination and sale of each loan. These servicing rights are initially measured at fair value. The carrying amount of mortgage servicing rights, and the amortization thereon, is periodically evaluated in relation to estimated fair value. The mortgage loan portfolio is stratified by certain risk characteristics, such as loan type, interest rate, and maturity, for purposes of measuring impairment. Estimation of the fair value of each stratum is accomplished by calculating the discounted present value of future net servicing income based on management's best estimate of remaining loan lives. The carrying value of mortgage servicing rights is amortized in proportion to, and over the period of, estimated net servicing revenues.

Qualified Low Income Community Investment

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

Paid Time Off Accruals

Employees accrue paid time off based on their tenure. The liability, calculated by applying the employees' current pay rates to paid time off hours accrued, is recognized as accrued expenses in the consolidated statement of financial position.

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.

Note 1 – Summary of Significant Accounting Policies (continued)

Community Investment Notes Payable

Community investment notes represent obligations of the Organization related to individuals and trusts investing in notes issued by the Organization. The total aggregate offering price amounts to $5,000,000 and is offered with a minimum investment of $1,000 plus additional increments of $100 bearing interest at a rate of 1% to 4%. Cash generated from issuance of these deposits is utilized to fund operations. At March 31, 2021, the balance recorded as community investment notes amounted to $6,758,412.

Income Taxes

The Organization is a tax-exempt organization and is not subject to federal or state income taxes, except unrelated business income, in accordance with Section 501(c)(3) of the Internal Revenue Code. Unrelated business income tax, if any, is insignificant and no tax provision has been made in the accompanying consolidated financial statements. The Organization recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

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

Allocation of Functional Expenses

The Organization allocates expenses not applicable to a single activity to the appropriate activities based on the estimated percentage of time employees spend on each of the programs or on administrative or fundraising activities.

Fair Value of Financial Instruments and Derivative Financial Instruments

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

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.

Note 1 – Summary of Significant Accounting Policies (continued)

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.

Real Estate Sales Commissions

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

Advertising and Marketing Costs

The Organization expenses the cost of advertising and marketing as the expense is incurred. Advertising and marketing costs were $358,275 for the year ended March 31, 2021.

Subsequent Events

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

Management has evaluated subsequent events for potential recognition and disclosure through June 23, 2021, which is the date the consolidated financial statements were available to be issued.

New Pronouncements

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

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

Note 2 – Restatement of Beginning Net Assets

The Organization made an adjustment to reclassify amortizing and deferred loans receivable classified as with donor restrictions to without donor restrictions. The rationale being that once funds with donor restrictions have been deployed for their intended use in the form of loans, they are no longer restricted, as they have met the purpose of their restriction. This restatement resulted a $13,945,384 increase to beginning net assets without donor restrictions and a corresponding decrease to beginning net assets with donor restrictions. There was no effect on the 2020 change in net assets. See Note 12.

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

Note 3 – Liquidity and Availability of Financial Assets

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

Assets at year end	$ 177,334,515
Less amounts not available to be used within one year:	
Amortizing mortgage loans receivable, net of current portion	(74,199,932)
Deferred mortgage loans receivable	(25,817,587)
Mortgage servicing rights	(3,626,309)
Development costs, net of current portion	(8,265,571)
Qualified low income community investment	(9,533,718)
Inventory	(21,263)
Other real estate owned	(355,911)
Other assets	(944,912)
	(122,765,203)
Total financial assets	54,569,312
Less amounts not available to be used within one year due to:	
Restricted cash	(6,810,731)
Add available funds per notes and lines of credit	23,322,132
Financial assets available to meet cash needs for general expenditures within one year	$ 71,080,713

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

Note 4 – Broker and Other Accounts Receivable

Broker and other accounts receivable consist of the following:

Due from employee/customer	$ 23,666
Due from Fannie Mae	2,029,609
Due from Self Help Credit Union	6,338,898
Due from Title company	948,046
Other miscellaneous accounts receivable	32,617
Total Broker and Other Accounts Receivable	$ 9,372,836

Note 5 – Grants Receivable

Grants receivable consist of the following:

Non-Federal, City of Santa Fe	$ 65,975
Community Development Block Grant Neighborhood Stabilization Program (pass through from New Mexico Mortgage Finance Authority for Rehab home sales - restricted)	739,327
Community Development Block Grant (pass through from the City of Albuquerque for home improvement and home purchase principal reduction loans)	265,000
NM Collaborative Zone Grant, for Santa Fe Housing Action Coalition staffing	8,782
Total Grants Receivable	$ 1,079,084

Note 6 – Development Costs

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

Project:

Tessera	$ 4,961,972
Oshara	459,537
Aldea	209,370
Desert Sage	2,763,262
El Camino Crossing	2,395,696
Vista Serena	2,342,879
Fairly	570,292
1705 Paseo de Peralta	1,192,075
Acquisition Rehab	876,455
Other developments	1,135,588
Total development costs	16,907,126
Less: current development costs	(8,641,555)
Development costs, net of current portion	$ 8,265,571

Tessera subdivision in the County of Santa Fe is a residential development comprised of three phases. Phase 1 is outside the city limits and consists of 77 residential lots with an average lot size of approximately one half acre. Currently, all lots have been sold. Phase 2 is comprised of 78 entitled lots averaging about one half acre. Currently, 44 have sold and 31 are under construction, with 3 lots available to build. Phase 3 is 92.3 acres located south of the Route 599 bypass in what is called the “presumptive city limits”, which means it is scheduled to be annexed into the city limits.

Note 6 – Development Costs (continued)

Oshara consists of 43 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, 38 have sold and 2 under construction, with 3 lots available to build.

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

Desert Sage in Santa Fe consists of 26.8 acres of undeveloped land. Plans for the 82-unit subdivision have been approved by the City. Currently Site Development work is projected to be complete this July 2021.

El Camino Crossing (formerly known as Corazon Santo) is a mixed use development with several product types and price points of homes. Phase 1 consist of a 40 lot single family home subdivision. All 40 have sold and Phase 1 is complete. Phase 2 is a Mixed Use tract that will have 13 condo units, 20 live/work units, and 2 commercial-only buildings. Currently, 13 condo units have been sold and the 20 live/work units are projected to be completed this September 2021.

Vista Serena consists of approximately 12.7 acres of undeveloped land that the Organization purchased with the intent of building a 50-unit subdivision consisting of single family detached homes within the Master Plan Community of Tierra Contenta. Currently, 26 homes have been sold and the remaining 24 lots are under construction.

Fairly (Miraflores) consists of two parcels of land, Lot 1 is 6.26 acres and Lot 2 is 3.787 acres off of Fairly Road in the City of Santa Fe and is also known as Miraflores. The 2021 plat, once recorded, will subdivide the property into a total of 57 lots. This has been approved at the Planning Commission and is expected to be recorded in fiscal year 2022 (FY22). Site Development work will also start in FY22.

1705 Paseo de Peralta consists 5 attached condo units located near Railyard District in Santa Fe, New Mexico. We plan to design, rehab the units to be ready to sell beginning FY22.

2190 West Alameda (Los Canales) consists of 2 acres and a total of 9 units located along the River District in Santa Fe, New Mexico. We plan start an entitlement review this FY22.

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

Other developments consist of land Santa Fe purchased for future residential and community development.

Note 7 – Mortgage Loans Receivable

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

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

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

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

Amortizing mortgage loans receivable are reserved for at 0.71%, 2.80%, 11.84%, and 56.67% of the loan balance for current and delinquent loans less than 31 days past due, delinquencies of 31 to 60 days, delinquencies of 61 to 90 days, and delinquencies greater than 90 days, respectively, and are subject to a loan covenant that requires the allowance to be no less than 2% of the outstanding balance.

During the fourth quarter of fiscal year 2021, the Organization performed an analysis on the collectability of its amortizing portfolio loans receivable in an effort to estimate the allowance for loan losses at a level that is in accordance with GAAP and covers estimated credit losses on individually evaluated seriously delinquent loans that are determined to be impaired and estimated credit losses inherent in the portfolio generally. Allowance estimates were based on a comprehensive, well-documented, and consistently applied analysis of the loan portfolio, and took into consideration all available information existing as of the financial statement date, including environmental factors such as geographical, economic, and political factors. As a result, it was determined that two parameters determine a mortgage's credit risk: the probability of default and the loss severity given default. Accordingly, the estimate calculates the appropriate reserve for each loan product type based on its delinquency status (current, 30+,60+ and 90+) by multiplying the estimated severity for each product by the estimated CDR for the respective product and delinquency status combinations. Based on the new estimate the allowance for loan losses for deferred loans is initially $891,995, or 1.51% of the loan balance, versus $2,170,179, or 2.08% of the loan balance, by the previous methodology; however because amortizing loans receivable are subject to a loan covenant that requires the allowance to be no less than 2% of the outstanding balance, the new estimate has been adjusted to $1,552,331, or 2% of the loan balance. This change resulted in a $0 loan loss reserve expense for the year ended March 31, 2021 and an adjustment of $45,662.

Note 7 – Mortgage Loans Receivable (continued)

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

Amortizing gross mortgage loans, current portion	$ 1,864,292
Amortizing gross mortgage loans, net of current portion	75,752,263
General allowance	(1,552,331)
	$ 76,064,224

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

Balance, March 31, 2020	$ 1,597,993
Provision for loan recoveries	(45,662)
Balance, March 31, 2021	$ 1,552,331

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

Deferred Mortgage Loans
The Organization has also originated deferred mortgage loans. These are loans that have no required periodic payments and bear no interest, but are due in full upon sale, transfer, vacating of, or refinance of the related home. A portion of these deferred loans are forgivable if the owner lives in the home for a specified period of time. All amounts collected on the forgivable deferred loans are to be returned to a grantor and all amounts forgiven reduce the amount due to the grantor. The full amount of forgivable deferred loans and other deferred loans for which the funds are to be returned to a grantor upon collection are included in the "Due to grantor agency" liability on the consolidated statement of financial position. Deferred mortgage loans are made to improve the affordability of homes to the Organization's customers. The Customer buys the house at a fair market price, but the deferred loan results in a reduction in the down payment required and the monthly mortgage payments. As a result, the customer obtains a more affordable house, but does not get a windfall by buying the house at a below-market price. As of March 31, 2021, 70% of deferred loans were funded through grants and contributions made to the Organization for this specific purpose. Of the remaining 30% of deferred loans that were funded by the Organization, the vast majority was provided on homes built by the Organization and was funded from the proceeds of the home sale. Deferred mortgage loans are secured by a recorded perfected interest in the subject property.

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

Note 7 – Mortgage Loans Receivable (continued)

The Organization also performed an analysis of on the collectability of its deferred loans receivable portfolio and identified two sources of loss that significantly influence the estimate: default risk and opportunity cost risk of loaning money to a borrower on a deferred basis requiring no periodic payments of principal or interest. The revised estimate addresses both of the identified risks as follows: any deferred loan that is behind a delinquent first or second is reserved at 100% despite being fully secured by a lien against the property; and the prepayment adjusted cash flows of the deferred loans behind amortizing mortgages that are all current are discounted at the weighted average interest spread of amortizing loans to estimate the lost economic opportunity of deferred loans. The identified opportunity cost in is added to the reserves calculated to comprise the ALLL for deferred loans. Based on the new estimate the allowance for loan losses for deferred loans is $3,217,709, or 13% of the loan balance, versus $5,807,059, or 20% of the loan balance, by the previous methodology. This change resulted in a $0 loan loss reserve expense for the year ended March 31, 2021 and an adjustment of $2,493,222.

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

Deferred mortgage loans	$ 29,035,296
General allowance	(3,217,709)
	$ 25,817,587

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

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

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

Note 8 – Property and Equipment

Property and equipment consist of the following:

Land	$ 1,233,768
Land improvements	52,467
Buildings and improvements	6,513,531
Rental properties	4,268,021
Software	1,486,513
Furniture and equipment	983,622
Trademark	8,000
Leasehold improvements	9,123
Total property and equipment	14,555,045
Less: accumulated depreciation	(3,606,465)
Net value of property and equipment	$ 10,948,580

Depreciation expense for the year ended March 31, 2021 was $503,883.

Note 9 – Mortgage Servicing Rights

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

Mortgage loan portfolios serviced for:	
Federal National Mortgage Association (FNMA)	$ 424,777,328
Other investors	45,057,774
Total	$ 469,835,102

During 2021, substantially all of the loans serviced for others had a contractual servicing fee of 0.25% per annum of the unpaid principal balance. These servicing fees totaled $1,084,868 during 2021.

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

Balance at beginning of period	$ 3,076,787
Servicing rights originated and capitalized	1,489,244
Amortization	(939,722)
Balance at end of period	$ 3,626,309

Note 9 – Mortgage Servicing Rights (continued)

The primary risk characteristics of the underlying loans used to stratify the servicing assets for the purposes of measuring impairment are interest rate and original term. The valuation allowance is used to recognize impairments of the mortgage servicing rights. A mortgage servicing right is impaired when the fair value of the mortgage servicing right is below the amortized book value of the mortgage servicing right. The mortgage servicing rights are accounted by risk tranche, with the interest rate and term of the underlying loan being the primary strata used in distinguishing the tranches. Each tranche is evaluated separately for impairment. At March 31, 2021, there was no impairment.

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

Discount rate	9.10%
Earnings rates:	
Principal and Interest Payoffs	0.59%
Escrows	0.59%
Advances	2.09%

Note 10 – Investment in Leverage Lender

Investment in HPN Leverage I, LLC

In 2017, the Organization participated in a New Markets Tax Credit (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 community development entity (CDE). Tax credit recapture is required if compliance requirements are not met over a seven-year period.

In 2017, the Organization recorded its 33.33%, non-controlling investment in HPN Leverage I, LLC at the cost of $3,354,012. Atlanta Neighborhood Development Partnership, Inc. (ANDP) and Homewise, Inc. participated in this transaction. In May 2024, Twain Investment Fund 231, LLC (the Fund), and the upstream effective owner of HPN NMTC I, LLC (holder of the promissory note due from the Organization) is expected to exercise its put option. Under the terms of the put option agreement, HPN Leverage I, LLC is expected to purchase the ownership interest of the Fund. Exercise of the option will effectively allow the Organization to extinguish its outstanding debt owed to the Fund. The Organization's investment balance was $3,354,011 as of March 31, 2021.

Long-Term Debt

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

Note 10 – Investment in Leverage Lender (continued)

Investment in HPN Leverage III, LLC

In 2018, the Organization participated in a New Markets Tax Credit (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 community development entity (CDE). Tax credit recapture is required if compliance requirements are not met over a seven-year period.

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

Long-Term Debt

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

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

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

Current	
Lines of credit	$ 4,091,074
Lending notes payable	8,421,832
Other notes payable	110,867
Notes payable, community investment	2,208,153
Total current	14,831,926
Long-Term	
Lines of credit	812,661
Lending notes payable	53,614,390
Real estate development notes payable	12,675,000
Community development notes payable	750,000
Other notes payable	3,206,409
Notes payable, equity equivalent investment	3,300,000
Notes payable, community investments	4,550,259
Total long-term, net	78,908,719
Total	$ 93,740,645

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

Lines of credit at March 31, 2021:

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

Notes payable at March 31, 2021:

Opportunity Finance Network, unsecured at 3.00% interest, principal balance is due at and matures March 2022	$ 1,250,000
Opportunity Finance Network, at 3.00% interest, collateralized by mortgages, principal balance is due at and matures June 2022	1,000,000
Opportunity Finance Network, at 3.50% interest, collateralized by mortgages, principal balance is due at and matures March 2022	750,000
Opportunity Finance Network, unsecured at 3.00% interest, principal balance is due at and matures March 2022	1,875,000
Opportunity Finance Network, at 3.56% interest, collateralized by mortgages, principal and interest due in quarterly payments and matures March 2047	2,554,662

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

Opportunity Finance Network, at 3.26% interest, collateralized by mortgages, principal and interest due in quarterly payments and matures March 2047	$ 6,903,199
Opportunity Finance Network, at 2.39% interest, collateralized by mortgages, principal and interest due in quarterly payments and matures March 2047	4,049,905
Opportunity Finance Network, at 1.42% interest, collateralized by mortgages, principal and interest due in quarterly payments and matures March 2047	848,143
Bank, at 3.75% interest collateralized by mortgages, due in monthly payments and maturing February 2028	897,562
Bank, at 4.25% interest, collateralized by the Homewise headquarters building, due in monthly payments and maturing June 2037	1,082,560
Bank, at 2.98% interest, collateralized by the Orpheum Community Hub, due in monthly payments and maturing October 2029	2,234,716
Albuquerque Community Foundation, at 3.00% interest, Interest only due in quarterly payments, principal and all outstanding interest due and matures October 2022	250,000
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
Albuquerque Community Foundation, at 2.50% interest, Interest only due in quarterly payments, principal and all outstanding interest due and matures October 2025	250,000
Bank, revolving loan with $10,000,000, at the ten (10) year Libor rate plus 1.25% at the time of drawdown, collateralized by mortgages, quarterly payments are amortized over 20 years and due in full 10 years from initial drawdown, six draws maturing January 2025, September 2026, October 2026, November 2026, and March 2030	9,782,239
Bank, at 3.00% interest, collateralized by mortgages, the principal balance is due at and matures September 2022	500,000

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

Bank, unsecured at 2.75% interest, the principal balance is due at and matures December 2023	$ 3,146,581
Bank, unsecured at 4.75% interest, quarterly payments are amortized over 30 years and due in full in March 2022	92,007
Religious Communities Impact Fund, unsecured at 2.00% interest, the principal balance is due at and matures November 2024	250,000
Mercy Investment Services, Inc., unsecured at 3.00% interest, the principal balance is due at and matures June 2025	1,000,000
Sachs Foundation, unsecured at 3.25% interest, the principal balance is due at and matures September 2021	750,000
Bank, at 4.88% interest, collateralized by mortgages, monthly payments are amortized over 15 years and due in full in September 2025	1,320,178
Bank, at 3.00% interest, collateralized by mortgages, the principal balance is due and matures October 2022	500,000
Bank, at 3.00% interest, collateralized by mortgages, the principal balance is due and matures February 2022	500,000
Bank, at 3.50% interest, collateralized by mortgages, monthly payments are amortized over 20 years and due in full in September 2023	704,850
Bank, at 4.50% interest, collateralized by mortgages, monthly payments are amortized over 15 years and due in full in September 2024	3,246,823
Bank, at 2.50% interest, collateralized by mortgages, the principal balance is due and matures October 2030	2,000,000
Neighborworks Capital Corporation, unsecured at 3.00% interest, the principal balance is due and matures July 2023	1,500,000
Monarch Community Fund, unsecured at 4.00% interest, the principal balance is due at and matures July 2022	350,000

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

Santa Fe Community Foundation, unsecured at 2.50% interest, the principal balance is due at and matures April 2028.	$	250,000
Santa Fe Community Foundation, unsecured at 2.50% interest, the principal balance is due at and matures January 2023		165,000
Santa Fe Community Foundation, unsecured at 2.00% interest, the principal balance is due at and matures February 2026		250,000
Bank, at 3.50% interest, collateralized by mortgages, with 2 principal payments of $1,000,000 each due in February 2022 and February 2023 and the remaining balance due on maturity in February 2024		3,000,000
Bank, at 3.00% interest, collateralized by mortgages, annual principal payments began September 2018 and the remaining balance due on maturity in September 2027		2,505,000
Anchorum St. Vincent Support, at 3.00 % interest, collateralized by mortgages, quarterly payments are amortized over 20 years and due in full in March 2023		1,605,928
Anchorum St. Vincent, at 2.50% interest, secured by mortgages, the principal Balance is due and payable November 2035		2,000,000
Bank, at 3.75% interest, collateralized mortgages, quarterly payments are amortized over 20 years and due in full in March 2030		862,760
Bank, 3.50% interest, collateralized mortgages, quarterly payments are amortized over 20 years and due in full in October 2030		2,826,385
Bank, at 2.00% interest, unsecured, the principal balance is due in eight quarterly installments beginning March 2024, the maturity date, until the entire amount is repaid on March 2026, the extended maturity date.		1,000,000
Bank, at 2.00% interest, unsecured, the principal balance is due at and matures March 2030		1,000,000
The Domestic and Foreign Missionary Society of the Protestant Episcopal Church in the United States of America, at 3.00% interest, unsecured, the principal balance is due and matures September 2023		300,000
New Mexico Small Business Investment Corporation, at 2.00% interest, collateralized by assets in the NMSBIC loan portfolio, the principal balance is due and matures March 2025		400,000

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

Illinois No. 3 Foundation, at 2.00% interest, unsecured, the principal balance is due and matures February 2026	$ 100,000
Housing Partnership Network NMTC I at 0.69% interest, secured by substantially all assets acquired by the Organization from the loan proceeds, interest only monthly payments and due in full May 2037	4,875,000
Housing Partnership Network NMTC I 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
Total notes payable	78,778,498
Less: current maturities	(8,532,699)
Total notes payable, net of current portion	$ 70,245,799

Notes payable – Equity equivalent investment (EQ2) at March 31, 2021:

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

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

Individuals and trusts, twenty-nine notes at 1.00% to 2.50% Interest, maturing April 2021 to March 2022	$ 2,258,153
Individuals and trusts, eight notes at 1.50% to 2.00% Interest, maturing April 2022 to March 2023	133,547
Individuals and trusts, thirteen notes at 1.50% to 2.50% Interest, maturing April 2023 to March 2024	1,098,031
Individuals and trusts, fifteen notes at 1.75% to 3.50% interest, Maturing April 2024 to March 2025	999,677

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

Individuals and trusts, nineteen notes at 2.00% to 2.50% interest, Maturing April 2025 to March 2026	$ 1,868,000
Individuals and trusts, nine notes at 2.50% to 4.00% Interest maturing after April 2026	401,004
Total notes payable, community investment	6,758,412
Less: current maturities	(2,208,153)
Total notes payable, community investment, long-term	$ 4,550,259

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

Years Ending March 31,	
2022	$ 14,831,926
2023	8,539,568
2024	8,835,488
2025	11,547,173
2026	15,065,573
Thereafter	34,920,917
Total future principal payments	$ 93,740,645

Note 12 – Net Assets with Donor Restrictions

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

	Restated Beginning Net Assets	Release from Restrictions	Ending Net Assets
Purpose Restricted			
NeighborWorks America	$ 782,589	$ (782,589)	$ -
Santa Fe Land Trust	238,776	-	238,776
Santa Fe Community Housing Trust	171,120	-	171,120
Santa Fe Affordable Housing Trust Fund	238,953	-	238,953
Land Title Trust Fund	16,159	-	16,159
Watersmart	223,219	-	223,219
Anchorum St. Vincent	32,467	-	32,467
Project Reinvest	1,339,180	-	1,339,180
Community Development Block Grant, City of Santa Fe pass through funds	324,300	-	324,300
Net assets with donor restrictions	$ 3,366,763	$ (782,589)	$ 2,584,174

Note 13 – Grants and Contributions

	Without Donor Restrictions	With Donor Restrictions	Total
Loan Capital Grants and Contributions:			
Federal loan capital grants			
Capital Magnet Fund	$ 500,500	$ -	$ 500,500
HUD, Community Development Block Grant, pass through from City of Santa Fe	92,798	-	92,798
HUD, Community Development Block Grant, pass through from City of Albuquerque	626,840	-	626,840
CDFI Financial Assistance	620,000	-	620,000
Other Federal Appropriations through NWA	375,000	-	375,000
Total federal loan capital grants	2,215,138	-	2,215,138
Nonfederal loan capital grants and contributions			
Project LIFT	3,000	-	3,000
Total nonfederal loan capital grants and contributions	3,000	-	3,000
Total loan capital grants and contributions	$ 2,218,138	$ -	$ 2,218,138

Note 13 – Grants and Contributions (continued)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating grants:			
Federal operating capital grants			
HUD, Community Development Block Grant, pass through from City of Albuquerque	$ 37,248	$ -	$ 37,248
HUD, Community Development Block Grant, State Neighborhood Stabilization Program (NSP), pass through from New Mexico Mortgage Finance Authority	1,971,141	-	1,971,141
Capital Magnet Fund	150,000	-	150,000
Dept of Commerce, EDA Buildwise Technical Assistance Program	52,426	-	52,426
PPP - Loan Forgiveness	1,486,700	-	1,486,700
Other Federal Appropriations through NWA	333,029	-	333,029
Total federal operating capital grants	4,030,544	-	4,030,544
Nonfederal operating grants and contributions:			
City of Santa Fe - Administration of housing programs	162,745	-	162,745
City of Santa Fe - Emergency Mortgage Assistance Fund	39,970	-	39,970
Other nonfederal operating contributions	3,649,568	-	3,649,568
Total nonfederal operating grants and contributions	3,852,283	-	3,852,283
Total operating grants and contributions	7,882,827	-	7,882,827
Total grants and contributions	$ 10,100,965	$ -	$10,100,965

Note 14 – Functional Expenses

A breakdown of expenses by natural classification and function follows:

	Program	Administrative	Fundraising	Total
Personnel Services and Benefits	$ 7,817,209	$ 1,832,950	$ 377,230	$10,027,389
Client Support Services	667,888	-	-	667,888
Interest Expense	2,469,908	-	-	2,469,908
Occupancy	102,075	106,543	29,057	237,675
Carrying Costs and other repairs	265,574	-	-	265,574
Professional Services	214,787	141,966	34,185	390,938
Administrative Expenses	607,639	215,191	50,074	872,904
Advertising & Marketing Expenses	258,206	-	100,068	358,274
Professional Development	187,250	41,171	10,017	238,438
Depreciation & Amortization	1,208,740	268,294	-	1,477,034
Insurance	-	314,147	-	314,147
Loan Loss Recovery	(2,538,884)	-	-	(2,538,884)
Bad Debt Recovery	(64,536)	-	-	(64,536)
Capital Grant Expense	3,735,832	-	-	3,735,832
Total functional expenses	$14,931,688	$ 2,920,262	$ 600,631	$18,452,581

Note 15 – Retirement Plan

The Organization has a 403(b) retirement plan for its employees. Following one year of service, Homewise makes a basic contribution of 5% of an employee's compensation plus a contribution matching up to 3% contributed by the employee through salary reduction. The Organization's contribution was $454,984 for the year ended March 31, 2021.

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

Note 16 – Concentrations of Revenue Sources and Credit Risks

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

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

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

At March 31, 2021, the Organization held deposits with multiple banks that individually exceeded the Federal Deposit Insurance Coverage (FDIC) limit of $250,000. Certain banks pledged collateral covering the remainder of the uninsured balance. Funds for one cash account are held in an overnight sweep account. Management has taken action to mitigate the credit risk of the remaining uninsured and uncollateralized balance of $3,486,093 by depositing with well-known and highly reputable institutions.

Note 17 – Commitments and Contingencies

Grants and Contracts

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

Note 17 – Commitments and Contingencies (continued)

Letters of Credit
At March 31, 2021, the Organization had four available letters of credit issued by financial institutions in the aggregate amount of $2,911,310 related to the Vista Serena, El Camino Crossing, and Desert Sage developments maturing on August 2021, December 2021, and May 2023, respectively.

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

Note 18 – Related Party Transactions

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

Note 19 – COVID-19 Pandemic

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

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

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

Note 19 – COVID-19 Pandemic (continued)

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

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

Note 20 – Subsequent Events

Investment in Leverage Lender – On June 22, 2021 the Organization (Homewise, Inc.), invested in a Leverage Lender for the purpose of taking advantage of the New Markets Tax Credit (NMTC) program. The NMTC program provides tax credit incentives to investors who invest in low-income communities and is administered by the U.S. Treasury Department. The Organization's investment in the Leverage Lender totaled $5,076,416 and represents a 25.0041% ownership stake. As part of the arrangement, the Organization secured a 20-year loan from a community development entity which received tax credit allocation. The loan is in the amount of $6,825,000. The loan proceeds are to be used solely for the purpose of acquiring, rehabbing and/or constructing single-family homes in low-income communities and selling at least 20% of such homes to low-income person. The loan will bear interest at a rate of 0.743751% per year**.** Semi-annual payments of interest only are due in years 1 through 7 with fully amortizing quarterly payments of principal and interest due in years 8 through 20.

At the end of the compliance period, in connection with this arrangement, the members of the Leverage Lender have the option to purchase USBCDC's ownership interest in the Investment Fund. Exercise of this option will effectively allow the Organization to extinguish its debt owed to the community development entity.

Notes Payable – On June 18, 2021 the Organization entered into a Credit Agreement with Opportunity Finance Network to provide a senior unsecured credit facility consisting of a term loan in an aggregate principal amount equal to $5,000,000, for the purpose of providing technical and financial assistance for community development projects and lending capital. The loan bears interest at a fixed rate of 3.00% and is payable in quarterly installments. The principal amount shall be repaid in three annual installments beginning June 19, 2029 through the June 19, 2031 maturity date.

Grantor /Pass-Through Grantor/Program Title	Pass-through Grantor Number or Other Identifying Number	CFDA	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 Santa Fe)	PO #22001905, PO #22101308, PO #22101415	14.218	$ 92,798	$ -	$ 92,798
Community Development Block Grant (pass through from the City of Albuquerque)	B-19-MC-35-0001, POFCS-FCS0016158	14.218	626,840	-	626,840
COVID-19 – CDBG-CARES Act (pass through from the City of Albuquerque)	POFCS-FCS0015465, POFCS-FCS0016254	14.218	37,248	-	37,248
Total CDBG - Entitlement Grants Cluster			$ 756,886	$ -	$ 756,886
New Mexico Mortgage Finance Authority, State Neighborhood Stabilization Program (NSP) (Subrecipient Award)	JPA #19-NSP3-2-J-01 JPA #19-NSP1-2-J-01	14.228	1,971,141	-	1,971,141
Total U.S. Department of Housing and Urban Development and Pass-through			$ 2,728,027	$ -	$ 2,728,027
U.S. Department of Treasury					
Community Development Financial Institution Program					
Capital Magnet Fund- loan capital	161CM020143	21.011	-	3,123,352	3,123,352
Capital Magnet Fund- loan capital	191CM053345	21.011	650,500	-	650,500
CDFI Bond Guarantee Program	171BG012323 / OPFNANCE 0015	21.014	-	14,355,910	14,355,910
CDFI Financial Assistance	201FA054278	21.020	620,000	-	620,000
Other federal appropriations through NeighborWorks America	PL 116-94, 116-260	21.U01	708,029	-	708,029
Total U.S. Department of Treasury			$ 1,978,529	$ 17,479,262	$ 19,457,791
U.S. Department of Commerce					
Economic Development Cluster					
Buildwise Technical Assistance Program	08-79-05386	11.307	52,426	-	52,426
Total Economic Development Cluster			$ 52,426	$ -	$ 52,426
Total U.S. Department of Commerce			$ 52,426	$ -	$ 52,426
	Total Federal Expenditures		$ 4,758,982	$ 17,479,262	$ 22,238,244

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the expenditures of Homewise, Inc. and affiliates under programs of the federal government for the year ended March 31, 2021. The information in the Schedule is presented in accordance with the requirements of *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 basic consolidated financial statements.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed. Catalogue of Federal Domestic Assistance numbers (CFDA No.) are provided when available.

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

Note 3 – Loans and Loan Guarantees

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

Total expenditures per the Schedule of Expenditures of Federal Awards	$ 4,758,982
Loans and loan guarantees:	
Capital Magnet Fund (CFDA #21.011)	3,123,352
CDFI Bond Guarantee Program (CFDA #21.014)	14,355,910
Adjusted total expenditures per Schedule of Expenditures of Federal Awards	$ 22,238,244

Note 4 – CDFI Capital Magnet Fund

Loans outstanding at the beginning of the year and expenditures made during the year are included in the federal expenditures presented in the schedule. The balance of loans outstanding at March 31, 2021 consists of:

Beginning balance, March 31, 2020	$ 3,170,661
Add loans deployed	650,500
Less principal payments	(47,309)
Ending balance, March 31, 2021	$ 3,773,852

Note 5 – CDFI Bond Guarantee Program

Bonds outstanding at the beginning of the year and bond funding drawn during the year are included in the federal expenditures presented in the schedule. The balance of bonds outstanding at March 31, 2021 consists of:

Beginning balance, March 31, 2020	$ 14,720,389
Less principal payments	(364,479)
Ending balance, March 31, 2021	$ 14,355,910

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

The Board of Directors
Homewise, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Homewise, Inc., which comprise the consolidated statement of financial position as of March 31, 2021, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 23, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss Adams LLP

Albuquerque, New Mexico
June 23, 2021

MOSSADAMS

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

The Board of Directors
Homewise, Inc.

Report on Compliance for Each Major Federal Program

We have audited Homewise, Inc's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Homewise, Inc.'s major federal programs for the year ended March 31, 2021. Homewise Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Homewise, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Homewise, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Homewise, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Homewise, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2021.

Report on Internal Control Over Compliance

Management of Homewise, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Homewise, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Homewise, Inc.'s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Moss Adams LLP

Albuquerque, New Mexico
June 23, 2021

Section I - Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major federal programs:

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

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

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

CFDA Number(s)	*Name of Federal Program or Cluster*	*Type of Auditor's Report Issued on Compliance for Major Federal Programs*
14.218	CDBG/Entitlement Grants Cluster	Unmodified
14.228	CDBG/State Programs	Unmodified
21.011	CDFI Capital Magnet Fund	Unmodified
21.014	CDFI Bond Guarantee Program	Unmodified

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

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

Section II - Financial Statement Findings

No reportable matters

Section III - Federal Award Findings and Questioned Costs

No reportable matters