HOMEWISE, INC. and SUBSIDIARY

Consolidated Financial Statements and Supplementary Information

March 31, 2013 and 2012

AXIOM

Certified Public Accountants and Business Advisors LLC

HOMEWISE, INC.
and SUBSIDIARY

OFFICIAL ROSTER
MARCH 31, 2013

Board of Directors

Teresa Leger de Fernandez	President
Andrew Spingler	Vice President
David Hofmann	Treasurer
Ann Lockhart	Secretary
Sam Baca	Member
Frank Mathew	Member
Steve Kopelman	Member
Sandra Wechsler	Member
Dave Delgado	Member
Erika Campos	Member

Administration Official

Michael Loftin	Executive Director

TABLE OF CONTENTS

HOMEWISE, INC. and SUBSIDIARY

TABLE OF CONTENTS (CONTINUED)

HOMEWISE, INC. and SUBSIDIARY

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and Business Advisors LLC

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Homewise, Inc. and Subsidiary (a nonprofit organization) which comprise the consolidated statements of financial position as of March 31, 2013 and 2012, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility 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; 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 financial position of Homewise, Inc. and Subsidiary as of March 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules, as listed in the table of contents, are presented for purposes of additional analysis and are 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.

Axiom

Albuquerque, New Mexico
June 18, 2013

HOMEWISE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
March 31, 2013 and 2012

ASSETS		2013	2012
Current assets			
Cash and cash equivalents	$	**4,568,758**	3,692,317
Broker receivables		**1,434,460**	2,186,180
Grants receivable		**115,467**	43,498
Amortizing mortgage loans receivable, current portion		**871,918**	765,953
Inventory		**44,331**	46,556
Development costs		**4,443,782**	3,554,466
Total current assets		**11,478,716**	10,288,970
Property and equipment, net		**1,827,961**	1,920,436
Mortgage loans receivable			
Amortizing		**29,045,578**	25,638,886
Allowance on amortizing loans		**(842,690)**	(694,336)
Total amortizing		**28,202,888**	24,944,550
Deferred		**17,014,340**	17,128,542
Allowance on deferred loans		**(5,436,800)**	(6,011,400)
Total deferred		**11,577,540**	11,117,142
Total mortgage loans receivable		**39,780,428**	36,061,692
Other real estate owned		**234,224**	152,709
Mortgage servicing rights		**691,924**	-
Development costs		**9,893,453**	3,569,575
Infrastructure deposits		**140,130**	201,316
Other assets		**592,368**	286,636
Total assets	$	**64,639,204**	52,481,334

See Notes to Consolidated Financial Statements.

HOMEWISE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
March 31, 2013 and 2012

LIABILITIES AND NET ASSETS		**2013**	2012
Current liabilities			
Accounts payable and accrued expenses	$	**1,393,698**	560,246
Community investment deposits		**-**	44,961
Escrows and deposits		**712,497**	395,925
Lines of credit		**2,736,572**	1,953,106
Notes payable, current portion		**1,579,044**	1,330,000
Total current liabilities		**6,421,811**	4,284,238
Long-term liabilities			
Notes payable, long-term, net		**22,950,410**	17,428,052
Community investment deposits		**291,460**	230,156
Deferred revenue on home development sales		**-**	244,648
Deferred grants revenue		**-**	376,094
Due to grantor agency		**1,430,305**	1,449,428
Total long-term liabilities		**24,672,175**	19,728,378
Total liabilities		**31,093,986**	24,012,616
Net assets			
Unrestricted		**20,630,317**	16,092,870
Temporarily restricted		**9,176,272**	8,883,724
Permanently restricted		**3,738,629**	3,492,124
Total net assets		**33,545,218**	28,468,718
Total liabilities and net assets	$	**64,639,204**	52,481,334

See Notes to Consolidated Financial Statements.

HOMEWISE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	**Total**
Support and Revenues				
Home development sales	$ 8,241,955	-	-	**8,241,955**
Government grants	2,122,395	301,712	246,505	**2,670,612**
Loan portfolio interest	1,645,219	107,626	-	**1,752,845**
Real estate sales commissions	626,349	-	-	**626,349**
Loan origination fees	1,585,418	-	-	**1,585,418**
Contributions and grants	1,721,130	-	-	**1,721,130**
Bank interest	7,764	-	-	**7,764**
Amortization and valuation of mortgage servicing rights	691,924	-	-	**691,924**
Other revenue	438,673	2,978	-	**441,651**
Net asset transfers	119,768	(119,768)	-	**-**
Total support and revenues	17,200,595	292,548	246,505	**17,739,648**
Expenses				
Program	4,482,932	-	-	**4,482,932**
Cost of home development sales	6,761,220	-	-	**6,761,220**
Administrative	1,179,018	-	-	**1,179,018**
Fundraising	239,978	-	-	**239,978**
Total expenses	12,663,148	-	-	**12,663,148**
Change in net assets	4,537,447	292,548	246,505	**5,076,500**
Net assets at beginning of year	16,092,870	8,883,724	3,492,124	**28,468,718**
Net assets at end of year	$ 20,630,317	9,176,272	3,738,629	**33,545,218**

See Notes to Consolidated Financial Statements.

HOMEWISE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	**Total**
Support and Revenues				
Home development sales	$ 10,421,055	-	-	**10,421,055**
Government grants	868,975	174,383	1,059,375	**2,102,733**
Loan portfolio interest	1,473,279	43,233	-	**1,516,512**
Real estate sales commissions	465,308	-	-	**465,308**
Loan origination fees	1,128,614	-	-	**1,128,614**
Contributions and grants	78,241	50,000	-	**128,241**
Bank interest	5,033	14	-	**5,047**
Other revenue	238,178	5,590	-	**243,768**
Net asset transfers	943,085	(604,085)	(339,000)	**-**
Net assets released from restrictions	947,994	-	(947,994)	**-**
Total support and revenues	16,569,762	(330,865)	(227,619)	**16,011,278**
Expenses				
Program	4,729,718	-	-	**4,729,718**
Cost of home development sales	8,745,349	-	-	**8,745,349**
Administrative	939,888	-	-	**939,888**
Fundraising	190,888	-	-	**190,888**
Total expenses	14,605,843	-	-	**14,605,843**
Change in net assets	1,963,919	(330,865)	(227,619)	**1,405,435**
Net assets at beginning of year	14,128,951	9,214,589	3,719,743	**27,063,283**
Net assets at end of year	$ 16,092,870	8,883,724	3,492,124	**28,468,718**

See Notes to Consolidated Financial Statements.

HOMEWISE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended March 31, 2013 and 2012

		2013	2012
Cash Flows From Operating Activities			
Cash received from customers	$	12,966,051	13,536,536
Cash received from grants and contributions		4,319,773	2,230,974
Cash paid to suppliers		(15,083,318)	(10,659,421)
Cash paid to employees		(3,208,642)	(2,595,611)
Cash paid for interest		(690,700)	(631,023)
Net cash (used) provided by operating activities		(1,696,836)	1,881,455
Cash Flows From Investing Activities			
Equipment acquisitions		(216,200)	(154,678)
Proceeds from disposal of property and equipment		27,869	3,890
Net increase in loans		(3,824,701)	(1,233,304)
Net cash flows used by investing activities		(4,013,032)	(1,384,092)
Cash Flows From Financing Activities			
Long-term borrowings		7,739,232	2,352,001
Payments on long-term borrowings		(1,952,732)	(1,712,011)
Issuances (redemptions) of community investment deposits		16,343	70,117
Net draws (payments) on bank lines of credit		783,466	107,848
Net cash flows provided by financing activities		6,586,309	817,955
Net increase in cash and cash equivalents		876,441	1,315,318
Cash and cash equivalents, beginning of year		3,692,317	2,376,999
Cash and cash equivalents, end of year	$	4,568,758	3,692,317

Reconciliation of increase in net assets to net cash and cash equivalents provided by operations

		2013	2012
Change in net assets	$	5,076,500	1,405,435
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:			
Depreciation		255,771	263,349
Amortization of discount on below market notes payable		(15,098)	15,763
Loss on sale of property and equipment		25,035	-
Mortgage servicing rights		(691,924)	-
Change in assets and liabilities			
Broker receivables		751,720	(308,965)
Infrastructure deposits		61,186	106,565
Grants receivable		(71,969)	204,145
Prepaid expenses and other assets		(305,732)	86,494
Inventory		2,225	19,295
Development costs		(7,213,194)	971,756
Accounts payable and accrued liabilities		833,452	91,068
Escrows and deposits		316,572	277,986
Due to grantor agency		(19,123)	(89,749)
Deferred grant revenue		(376,094)	(380,409)
Deferred development revenue		(244,648)	(703,569)
Other real estate owned		(81,515)	(77,709)
Net cash flows (used) provided by operating activities	$	(1,696,836)	1,881,455

See Notes to Consolidated Financial Statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization. Homewise, Inc. is a 501(c)(3) not-for-profit corporation created to secure affordable housing in the Santa Fe and Northern New Mexico area. The mission of Homewise is to help working New Mexicans become successful homeowners in order to achieve financial security, strengthen families and increase the economic and social vitality of its communities. Homewise provides financial counseling, property development, government program administration, low-interest fixed rate mortgages, home improvement loans, refinance loans and real estate sales.

The accompanying consolidated financial statements include the accounts of the Homewise, Inc.'s wholly-owned for-profit subsidiary, Homewise Mortgage, LLC. Homewise Mortgage, a New Mexico limited liability company, was formed on March 25, 2011, under the New Mexico Limited Liability Company Act. Homewise Mortgage will exist for a perpetual period of time unless dissolved by Homewise, Inc.

Basis of Consolidation. The accompanying consolidated financial statements include the accounts of Homewise, Inc. and Homewise Mortgage, LLC, collectively referred to as Organization. All significant 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.

Accounting Standards Codification. the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) is the single authoritative source for nongovernmental U.S. generally accepted accounting principles (GAAP). The ASC supersedes all previous authoritative GAAP applicable to the Organization and subsidiary and was followed by the Organization and subsidiary for the years ended March 31, 2013 and 2012.

Home Development Revenue and Cost Recognition. Homebuilding revenue and related profit are generally recognized at the time of the closing of the sale, when title to and possession of the property are transferred to the buyer. In situations where the buyer's financing is originated by Homewise and the buyer has not made an adequate initial or continuing investment as required by ASC 360-20, the profit on such sales is deferred. 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 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grant Revenue, Grant Receivable and Deferred Grant Revenue. Grant revenue is recognized when earned. The earnings process is considered complete when the authorized expenditure has been made. Grant funds received in excess of earned amounts are classified as deferred revenue on the consolidated statements of financial position. Earned amounts in excess of collections are classified as grant receivables.

Basis of Presentation. The Organization is designated as a Community Development Financial Institution (CDFI). As such, the Organization is required to present its financial statements in a classified format. The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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:

> *Unrestricted net assets* – net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the board of directors.
>
> *Temporarily restricted net assets* – net assets that are subject to donor-imposed stipulations that are met by the occurrence of a specific event or the passage of time. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.
>
> *Permanently restricted net assets* – net assets required to be maintained in perpetuity, with only the income used for operating activities, due to donor-imposed restrictions.

Cash, Cash Equivalents and Concentrations. For purposes of the consolidated statements of cash flows, cash and cash equivalents consist of deposits held in financial institutions. The Organization maintains deposits in financial institutions that at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). Management believes that there is not a significant risk with respect to these deposits.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 $500 and have a service life of more than one year. Estimated useful lives of the assets are as follows:

Building and improvements	27.5 years
Software	3 years
Furniture and equipment	3-7 years
Autos	5 years

Paid Time Off Accruals. Employees accrue paid time off at their applicable pay rate. The liability, calculated by applying the employee's current pay rate to paid time off hours accrued, is recognized in the financial statements.

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

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 to be material to the consolidated financial statements at March 31, 2013 and 2012.

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. 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 of time.

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

Broker Receivables. Broker receivables represent amounts due from mortgage brokers for mortgage loans sold by the Organization, 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, 2013 and 2012.

Notes Payable at Below Market Interest Rates. Financial institutions have made loans to the Organization at below market interest rates, resulting in debt discounts that are being amortized over the remaining lives of the loans. The initial discount is accounted for as a contribution. The amortization expense recognized for the year ended March 31, 2013 and 2012 was $34,017 and $40,780, 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 financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Organization adopted the provisions of ASC No. 740-10, *Income Taxes*, relating to accounting for uncertain tax positions on April 1, 2009, which had no financial statement impact to the Organization. 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. See Note 14 for additional details.

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 adopted ASC 825-10-50, *Disclosure of Financial Instruments*, which allows the disclosure requirements for fair value of financial and derivative financial instruments to be optional for nonpublic entities with total assets less than $100 million who have not held or issued any derivative financial instruments other than loan commitments. The Organization's policy is to not engage in derivative financial instruments. The Organization did not disclose fair value information for the years ended March 31, 2013 and 2012.

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

Advertising Costs. The Organization expenses the cost of advertising as the expense is incurred. Advertising costs were $373,008 and $244,858 at March 31, 2013 and 2012, respectively.

Other Real Estate Owned. Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value at the date of foreclosure less estimated selling cost, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or net realizable value less cost to sell. Revenue and

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

expenses from operations and changes in valuation allowance are included in net expense, whereas costs relating to improvement of the property are capitalized.

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.

Community Investment Deposits. Community investment deposits represent obligations of the Organization related to individuals investing in securities in the form of certificates of deposit. 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%. All principal balances are guaranteed by letter of credit. Cash generated from issuance of these deposits is utilized to fund operations. At March 31, 2013 and 2012 the balance recorded as community investment deposits amounted to $291,460 and $275,117, respectively.

Reclassifications. Certain accounts relating to the prior year have been restated to conform to current year's presentation. The reclassifications have no effect on change in net assets.

Subsequent Events. Subsequent events are events or transactions that occur after the consolidated statements of financial position date but before 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 consolidated financial statements are available to be issued. The Organization has

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

evaluated subsequent events through June 18, 2013, which is the date the consolidated financial statements were available to be issued and, as a result of evaluation, there were no subsequent events that required disclosure.

NOTE 2. GRANTS RECEIVABLE

Grants receivable consist of the following at March 31:

	2013	2012
Non-Federal		
City of Santa Fe	$ **94,468**	18,500
Other grants receivable	**20,999**	24,998
Total grants receivable	$ **115,467**	43,498

NOTE 3. 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 at March 31, 2013 and 2012 are as follows:

Project	**2013**	2012
Tessera	$ **4,056,177**	-
Piñon Ridge	**2,779,356**	1,153,203
Las Palomas	**1,439,822**	1,245,650
Rincon Del Sol	**1,339,856**	2,088,867
Desert Sage	**1,239,455**	1,227,500
Oshara	**1,117,271**	-
Aldea	**997,366**	-
Vista Serena	**719,309**	714,454
Old Las Vegas Place	**324,571**	661,931
Fairly	**302,123**	-
Palomita	**21,929**	21,929
Alta Vista SFPS	**-**	10,507
	$ 14,337,235	7,124,041

NOTE 3. DEVELOPMENT COSTS (CONTINUED)

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 88 residential lots with an average lot size of approximately one half acre. Of the 88 lots, 14 were sold prior to Organization's acquisition of the property leaving 74 lots available for purchase. The construction of the model home is scheduled to commence next fiscal year. Phase 2 is comprised of an approved master plan for 78 undeveloped lots, also averaging about one half acre. Phase 3 is 92.3 acres located in what is called the "presumptive city limit" which means it is scheduled to be annexed into the city limits.

Piñion Ridge subdivision consists of 39 custom lots. As of March 31, 2013 15 were closed and 23 were pre-sold. There is only 1 remaining lot left to be sold.

Las Palomas (formerly El Nido) consists of lots 35 through 66 and lots 71 through 98 located in Tract 48, Phase 2A, Unit 2 of Tierra Contenta, Santa Fe New Mexico. Construction on three model homes began in March 2013.

Rincon Del Sol consists of 38 developed lots in the Rincon del Sol Subdivision located in Tierra Contenta. The subdivision consists of a total of 62 lots, 24 of which were built by the original developer/builder. As of March 31, 2013 15 homes were sold during the year, two spec homes were available for sale, and construction had begun on one additional home.

Desert Sage in Santa Fe (Formerly the Greer Project or Tract 4), consists of 26.8 acres of undeveloped land. Plans for the 80 unit subdivision have been approved by the City with a recorded plat; however, the Organization is currently working with the city on possible relocation of the entrance to the development. The project is currently on hold.

Oshara consists of 40 developed lots in the County of Santa Fe. Oshara is a mixed use development with several different product types and price points of homes. The majority of the lots (26) were planned by the original developer to be live/work units. Homewise is in the process with the County of Santa Fe to change the master plan from live/work to townhouse lots. The balance of the lots are single family lots.

Aldea consists of 16 developed lots in the County of Santa Fe in the Aldea development. Work on design and marketing began March 2013.

Vista Serena consists of approximately 12.7 acres of undeveloped land that the Organization purchased with the intent of building a 60 unit subdivision consisting of a combination of single family detached units as well as town home units. The project continued in its design phase as of March 31, 2013.

NOTE 3. DEVELOPMENT COSTS (CONTINUED)

Old Las Vegas Place (formerly Old Las Vegas Highway) in Santa Fe County consists of unsold tracts of land that were donated to the Organization for affordable housing. The balance includes the costs of land, improvements and construction in progress. Vertical construction began in 2010 in this 50-unit development and as of March 31, 2013 there was one remaining home to sell.

Fairly is two parcels of land consisting of Lot 1, 6.26 acres, and Lot 2, 3.787 acres, off of Fairly Road in the County of Santa Fe also known as the T.J. Henry Tract, for an estimated total of 60 lots. These parcels are sandwiched between two existing residential developments in the Master Plan Community of Tierra Contenta for future development.

Palomita consists of one single family lot in Taos.

Alta Vista SFPS is a 0.22 acre lot held for future development. During the fiscal year ending March 31, 2013, the Organization sold this lot to Habitat for Humanity.

NOTE 4. MORTGAGE LOANS RECEIVABLE

To assist low-income households with home purchases or repairs, the Organization has originated amortizing mortgage loans bearing interest rates from 0% to 7.75%, for periods of up to 30 years. The notes are secured by a recorded perfected interest in the subject property. The Organization provides for potentially uncollectible loans as described in Note 1.

As of March 31, 2013, the Organization had the following delinquent loans:

	Number	Payment Due	Loan Amount
31-60 days	7	$ 8,239	330,112
61-90 days	6	6,028	279,099
> 90 days	14	9,882	353,595
	27	$ 24,149	962,806

The amount 31 or more days past due was equivalent to 3.2% of the outstanding amortizing mortgage loans receivable balance at March 31, 2013.

NOTE 4. MORTGAGE LOANS RECEIVABLE (CONTINUED)

As of March 31, 2012, the Organization had the following delinquent loans:

	Number	Payment Due	Loan Amount
31-60 days	8	$ 1,293	180,951
61-90 days	12	5,608	339,521
> 90 days	7	4,811	237,439
	27	$ 11,712	757,911

The amount 31 or more days past due was equivalent to 2.9% of the outstanding amortizing mortgage loans receivable balance at March 31, 2012.

Amortizing mortgage loans receivable are reserved for at 2%, 10%, and 20% of the loan balance for current and delinquent loans less than 30 days past due, delinquencies of 31 to 60 days, and delinquencies of 61 to 90 days, respectively. For loans greater than 90 days delinquent, management reserves 100% of the outstanding principal balance less specifically identified amounts they would expect to recover based on supported information obtained during the collection process. Deferred mortgage loans are allowed for based on the calculated amount that would be expected to be paid based primarily on trends in home values between the date of the loan and the date of valuation.

At March 31, 2013 and 2012, amortizing and deferred mortgage loans receivable had the following general and specific allowances applied against principal due:

	2013		2012	
	Amortizing	**Deferred**	Amortizing	Deferred
General allowance	**$ 842,690**	**4,155,518**	598,042	4,500,037
Specific allowance	**-**	**1,281,282**	96,294	1,511,363
Total allowance	**$ 842,690**	**5,436,800**	694,336	6,011,400

NOTE 4. MORTGAGE LOANS RECEIVABLE (CONTINUED)

Changes in the allowance for loan losses at March 31, 2013 and 2012 are summarized as follows:

	Amortizing	Deferred	Total
Balance, March 31, 2011	$ 732,317	5,123,500	5,855,817
Provision for loan losses	303,083	1,028,490	1,331,573
Loans charged off, net of recoveries	(341,064)	(140,590)	(481,654)
Balance, March 31, 2012	694,336	6,011,400	6,705,736
Provision for loan losses	453,631	(307,675)	145,956
Loans charged off, net of recoveries	(305,277)	(266,925)	(572,202)
Balance, March 31, 2013	$ 842,690	5,436,800	6,279,490

Deferred loans that are expected to be forgiven at the end of a fixed term totaled $609,343 and $613,466 at March 31, 2013 and 2012, respectively.

Loans to related parties amounted to $349,566 and $61,214 at March 31, 2013 and 2012, respectively. 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.

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at March 31:

	2013	2012
Buildings and improvements	**$ 1,989,228**	1,989,228
Software	**837,477**	696,577
Furniture and equipment	**419,827**	396,930
Autos	**-**	14,995
	3,246,532	3,097,730
Less: Accumulated depreciation	**(1,418,571)**	(1,177,294)
Net value of depreciable property and equipment	**$ 1,827,961**	1,920,436

Depreciation expense for the years ended March 31, 2013 and 2012 was $255,771 and $263,349, respectively.

NOTE 6. MORTGAGE SERVICING RIGHTS

Mortgage loans serviced for others are not included in the accompanying consolidated statement of financial position. The unpaid balance of these loans as of March 31, 2013 and 2012 is summarized as follows:

	2013	2012
Mortgage loan portfolios serviced for:		
Federal National Mortgage Association (FNMA)	**$ 99,669,348**	49,416,468
Other investors	**1,074,723**	904,626
	$ 100,744,071	50,321,094

During 2013 and 2012, 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 $253,558 and $72,932 during 2013 and 2012, respectively. These fees are included as other revenue on the consolidated statement of activities.

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

	2013	2012
Balance at beginning of period	**$ -**	-
Servicing rights originated and capitalized	**691,924**	-
Amortization	**-**	-
Balance at end of period	**$ 691,924**	-

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, 2013, the Organization capitalized the fair value of mortgage servicing rights; therefore, management considered there to be no impairment at the date of capitalization.

NOTE 6. MORTGAGE SERVICING RIGHTS (CONTINUED)

The following assumptions were used to calculate the market value of the mortgage servicing rights as of March 31, 2013 and 2012:

	2013	2012
Public Securities Association (PSA) speed	**183%**	-
Discount rate	**12%**	-
Earnings rate	**0.92%**	-

NOTE 7. LINES OF CREDIT AND NOTES PAYABLE

Lines of credit and notes payable at March 31 consisted of the following:

	2013	2012
Lines of credit		
Bank, warehouse line of credit of $3,000,000 at 5.00% variable interest collateralized by land, matured April 2013	**$ -**	809,380
Bank, line of credit of $2,175,000 at 5.25% variable interest collateralized by land, matures August 2013	**39,474**	716,250
Bank, line of credit of $1,900,000 at 5.25% variable interest collateralized by land, matures January 2014	**79,307**	236,007
Bank, line of credit of $1,000,000 at 5.50% variable interest collateralized by land, vertical construction of homes, matured March 2013	**-**	188,644
Bank, line of credit of $2,000,000 at 5.25% variable interest collateralized by land, matures January 2014	**1,117,791**	2,825
Bank, line of credit of $2,000,000 at 5.50% variable interest collateralized by second mortgages, matures August 2013	**1,500,000**	-
Total lines of credit	**$ 2,736,572**	1,953,106

NOTE 7. LINES OF CREDIT AND NOTES PAYABLE (CONTINUED)

	2013	2012
Notes payable		
Opportunity Finance Network, unsecured at 3.00% interest, the principal balance is due at and matures February 2019	**$ 2,500,000**	2,500,000
Opportunity Finance Network, unsecured at 4.25% interest, the principal balance is due at and matures December 2015	**1,000,000**	1,000,000
Bank, at 5.06% interest collateralized by security agreements, due in principal and interest payments on the 19th day of each month beginning March 2008 and maturing February 2028	**1,664,113**	1,737,218
Bank, at 5.25% interest collateralized by the mortgage on Homewise headquarters building, due in principal and interest payments on the 13th day of each month beginning July 2007 and maturing June 2037	**1,392,835**	1,420,757
New Mexico Mortgage Finance Authority, at 3.00% interest, collateralized by Desert Sage property, the principal balance is due at and matures September 2014	**748,025**	848,025
Social Investment Foundation, unsecured at 4.50% interest, the principal balance and final interest payment is due at and matures September 2016	**1,500,000**	1,500,000
U.S. Department of the Treasury—Community Development Financial Institutions (CDFI) unsecured at 1.60% interest, the principal balance is due at and matured July 2012	**-**	580,000
Bank, at 3.00% interest collateralized by $500,000 of second mortgages, the principal balance is due at and matures December 2017	**500,000**	500,000

NOTE 7. LINES OF CREDIT AND NOTES PAYABLE (CONTINUED)

	2013	2012
Notes payable (Continued)		
U.S. Department of the Treasury—Community Development Financial Institutions (CDFI) unsecured at 3.00% interest, the principal balance is due at and matured April 2013	**$ 350,000**	350,000
Bank, at 2.00% interest unsecured, the principal balance is due at and matures March 2014	**250,000**	250,000
Bank, at 3.00% interest collateralized by a commercial security and pledge agreement, the principal balance is due at and matures January 2014	**250,000**	250,000
U.S. Department of the Treasury—Community Development Financial Institutions (CDFI) unsecured at 3.00% interest, the principal balance is due at and matures July 2014	**250,000**	250,000
Bank, at 3.00% interest collateralized by $655,000 of second mortgages, the principal balance is due at and matures September 2022	**500,000**	250,000
U.S. Department of the Treasury—Community Development Financial Institutions (CDFI) unsecured at 1.60% interest, the principal balance is due at and matured July 2012	**-**	150,000
Bank, loan for home improvement projects at 3.50% interest collateralized by $622,000 of second mortgages, the principal balance is due at and matures January 2017	**500,258**	100,000
Religious Communities Investment, unsecured at 2.00% interest, the principal balance is due at and matures November 2014	**150,000**	150,000

NOTE 7. LINES OF CREDIT AND NOTES PAYABLE (CONTINUED)

	2013	2012
Notes payable (Continued)		
Bank, at 5.00% interest collateralized by security agreement of mortgage notes receivable and other inventory and equipment, due in principal and interest payments on the 23rd day of each month beginning September 2010 and maturing August 2015	**$ 2,203,741**	2,681,100
Bank, at 4.25% interest collateralized by Las Palomas development, the principal balance is due at and matures September 2015	**977,287**	1,050,000
Mercy Investment Services, Inc, unsecured at 3.00% interest, the principal balance is due at and matures June 2015	**300,000**	300,000
Seton Enablement Fund, unsecured at 3.00% interest, the principal balance is due at and matures July 2015	**93,990**	133,657
Bank, at 3.00% interest collateralized by $500,000 of second mortgages, the principal balance is due at and matures February 2021	**500,000**	500,000
Christus Health, $1,000,000 note with interest at 3.00% payable quarterly with any unpaid principal balance due at maturity date of March 2017. Collateralized by assignment of mortgages	**1,000,000**	1,000,000
Bank, at 3.00% interest collateralized by assignment of mortgage notes receivable, the principal balance is due at and matures February 2022	**500,000**	500,000
New Mexico Mortgage Finance Authority, at 1.00% interest, collateralized by Rincon del Sol property, the principal balance is due at and matures November 2014	**519,000**	852,000
Seton Enablement Fund, unsecured at 3.00% interest, the principal balance is due at and matures October 2017	**127,000**	-

NOTE 7. LINES OF CREDIT AND NOTES PAYABLE (CONTINUED)

	2013	2012
Notes payable (Continued)		
Bank, at 3.00% interest collateralized by second mortgages, the principal balance is due at and matures October 2022	**$ 500,000**	-
Mercy Investment Services, Inc, unsecured at 3.00% interest, the principal balance is due at and matures December 2017	**700,000**	-
Bank, at 3.00% interest collateralized by assignment of mortgage notes receivable, the principal balance is due at and matures January 2018	**489,239**	-
Sachs Foundation, unsecured at 3.00% interest, the principal balance is due at and matures September 2017	**250,000**	-
Opportunity Finance Network, at 3.00% interest collateralized by second mortgages, the principal balance is due at and matures June 2022	**1,000,000**	-
Social Investment Foundation, unsecured at 4.00% interest, the principal balance and final interest payment is due at and matures July 2022	**350,000**	-
Adrian Dominican Sisters, unsecured at 3.00% interest, the principal balance and final interest payment is due at and matures October 2017	**100,000**	-
Bank, at 4.00% interest collateralized by Tessera development, the principal balance is due at and matures September 2027	**3,473,769**	-
Total notes payable	**24,639,257**	18,852,757
Less current maturities	**(1,579,044)**	(1,330,000)
Less unamortized discount	**(109,803)**	(94,705)
Total notes payable, less current portion and unamortized discount	**$ 22,950,410**	17,428,052

NOTE 7. LINES OF CREDIT AND NOTES PAYABLE (CONTINUED)

At March 31, 2013, scheduled future principal payments due on the notes payable and lines of credit are as follows:

Year ending March 31,	
2014	$ 4,277,084
2015	1,910,815
2016	3,825,170
2017	3,297,590
2018	1,990,760
Thereafter	12,074,410
	$27,375,829

Homewise is in compliance with all financial debt covenants as of March 31, 2013 and 2012.

NOTE 8. PERMANENTLY RESTRICTED NET ASSETS

Unrestricted net assets include $4,588,672 designated for loans in the Homewise Loan Fund, a fund created by the Board of Directors for originating portfolio loans. Temporarily restricted net assets of $9,176,272 are available for affordable housing programs.

Permanently restricted net assets are restricted to NeighborWorks America (NWA) and Santa Fe Land Trust (SFLT). Summarized activity in the two funds at March 31, 2013 follows:

	NWA	SFLT	Total
Cash	$ 190,786	53,231	**244,017**
Mortgage notes receivable	3,322,385	184,881	**3,507,266**
Accounts and escrows payable	(12,654)	-	**(12,654)**
Net assets	$ 3,500,517	238,112	**3,738,629**
Permanently restricted net assets beginning of year	$ 3,254,012	238,112	**3,492,124**
Grants of loan funds	246,505	-	**246,505**
Permanently restricted net assets end of year	$ 3,500,517	238,112	**3,738,629**

NOTE 8. PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)

Summarized activity in the funds at March 31, 2012 follows:

	NWA	SFLT	AHTF	Total
Cash	$ (89,740)	40,308	-	**(49,432)**
Mortgage notes receivable	3,602,127	197,804	-	**3,799,931**
Deferred revenue	(246,505)	-	-	**(246,505)**
Accounts and escrows payable	(11,870)	-	-	**(11,870)**
Net assets	$ 3,254,012	238,112	-	**3,492,124**
Permanently restricted net assets beginning of year	$ 3,142,631	238,112	339,000	**3,719,743**
Grants of loan funds	1,059,375	-	-	**1,059,375**
Transfer	-	-	(339,000)	**(339,000)**
Released from restrictions	(947,994)	-	-	**(947,994)**
Permanently restricted net assets end of year	$ 3,254,012	238,112	-	**3,492,124**

NOTE 9. GOVERNMENT GRANTS

Government grants for the year ended March 31, 2013 consisted of:

	Unrestricted	Temporarily Restricted	Permanently Restricted	**Total**
State and local awards				
City of Santa Fe – Administration of housing programs	$ 38,138	100,000	-	**138,138**
Total non-federal awards	38,138	100,000	-	**138,138**
Federal awards				
New Mexico Mortgage Finance Authority (NMMFA) – HOME	53,112	-	-	**53,112**
Community Development Block Grant	-	201,712	-	**201,712**
Community Development Financial Institution Program	1,583,395	-	-	**1,583,395**
Other federal appropriations Through NWA	447,750	-	246,505	**694,255**
Total federal Awards	2,084,257	201,712	246,505	**2,532,474**
	$ 2,122,395	301,712	246,505	**2,670,612**

NOTE 9. GOVERNMENT GRANTS (CONTINUED)

Government grants for the year ended March 31, 2012 consisted of:

	Unrestricted	Temporarily Restricted	Permanently Restricted	**Total**
State and local awards				
City of Santa Fe – Administration of housing programs	$ 143,723	42,126	-	185,849
Total non-federal awards	143,723	42,126	-	185,849
Federal awards				
New Mexico Mortgage Finance Authority (NMMFA) – HOME	56,168	-	-	56,168
Community Development Block Grant	-	132,257	-	132,257
Community Development Financial Institution Program	232,234	-	-	232,234
Other federal appropriations Through NWA	436,850	-	1,059,375	1,496,225
Total federal Awards	725,252	132,257	1,059,375	1,916,884
	$ 868,975	174,383	1,059,375	2,102,733

NOTE 10. FUNCTIONAL EXPENSES

For the year ended March 31, 2013, program, administrative and fundraising expenses were composed of the following:

	Program	Administrative	Fundraising	**Total**
Personnel services and benefits	$2,310,222	737,988	160,432	**3,208,642**
Client support	79,650	25,443	5,531	**110,624**
Interest	690,700	-	-	**690,700**
Occupancy	192,479	61,486	13,367	**267,332**
Professional services	170,691	54,526	11,854	**237,071**
Administrative	249,906	80,831	17,355	**348,092**
Marketing	268,566	85,792	18,650	**373,008**
Professional development	105,681	41,098	-	**146,779**
Depreciation	184,155	58,827	12,789	**255,771**
Insurance	84,926	33,027	-	**117,953**
Bad debt, net of recoveries	145,956	-	-	**145,956**
	$4,482,932	1,179,018	239,978	**5,901,928**

For the year ended March 31, 2012, program, administrative and fundraising expenses were composed of the following:

	Program	Administrative	Fundraising	Total
Personnel services and benefits	$1,868,840	596,990	129,781	2,595,611
Client support	48,185	15,392	3,346	66,923
Interest	631,023	-	-	631,023
Occupancy	138,751	44,323	9,636	192,710
Professional services	143,226	45,753	9,946	198,925
Administrative	183,873	58,737	12,769	255,379
Marketing	176,298	56,317	12,243	244,858
Professional development	80,157	31,172	-	111,329
Depreciation	189,611	60,571	13,167	263,349
Insurance	78,771	30,633	-	109,404
Bad debt, net of recoveries	1,190,983	-	-	1,190,983
	$4,729,718	939,888	190,888	5,860,494

NOTE 11. 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 $144,406 and $126,925 for the years ended March 31, 2013 and 2012, respectively.

NOTE 12. CONCENTRATIONS OF REVENUE SOURCES AND CREDIT RISKS

The Organization receives significant operating revenues from the City of Santa Fe, several private foundations and NeighborWorks America.

The Organization targets loans to low and moderate income individuals for home repair and home buyer assistance. The Organization has a recorded perfected interest on amortizing mortgage 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, 2013, 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. Management has taken action to mitigate the credit risk of the remaining uninsured and uncollateralized balance of $2,442,040 by depositing with well-known and highly reputable institutions.

NOTE 13. 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 the conditions of its grants and contracts and no significant liability, if any, will result from an audit.

Letters of Credit

At March 31, 2013, the Organization had four available letters of credit issued by financial institutions in the aggregate amount of $2,675,025 related to the Las Palomas, Desert Sage, Piñon Ridge and Old Las Vegas Place developments. At March 31, 2012, the aggregate amount available on these letters of credit was $2,884,785.

NOTE 13. COMMITMENTS AND CONTINGENCIES (CONTINUED)

At March 31, 2013, the Organization had a $5,000,000 letter of credit issued by a financial institution to secure its community investment deposits reflected within the consolidated statements of financial position. The Organization is additionally required to hold 10% of the deposits in a cash lock box with the financial institution.

NOTE 14. INCOME TAXES

The Organization had no unrecognized tax benefits which would require an adjustment to the April 1, 2009 beginning balance of net assets and had no unrecognized tax benefits at March 31, 2013 and 2012. The Organization files an exempt organization return in the U.S. federal jurisdiction and with the New Mexico Taxation and Revenue Department.

HOMEWISE, INC. AND SUBSIDIARY
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
March 31, 2013

ASSETS	Homewise, Inc.	Homewise Mortgage, LLC	Elimination	Total
Current assets				
Cash and cash equivalents	$ 4,318,758	250,000	-	**4,568,758**
Broker receivables	1,434,460	-	-	**1,434,460**
Grants receivable	115,467	-	-	**115,467**
Amortizing mortgage loans receivable, current portion	871,918	-	-	**871,918**
Inventory	44,331	-	-	**44,331**
Development costs	4,443,782	-	-	**4,443,782**
Total current assets	11,228,716	250,000	-	**11,478,716**
Property and equipment, net	1,827,961	-	-	**1,827,961**
Mortgage loans receivable				
Amortizing	29,045,578	-	-	**29,045,578**
Allowance on amortizing loans	(842,690)	-	-	**(842,690)**
Total amortizing	28,202,888	-	-	**28,202,888**
Deferred	17,014,340	-	-	**17,014,340**
Allowance on deferred loans	(5,436,800)	-	-	**(5,436,800)**
Total deferred	11,577,540	-	-	**11,577,540**
Total mortgage loans receivable	39,780,428	-	-	**39,780,428**
Other real estate owned	234,224	-	-	**234,224**
Mortgage servicing rights	691,924	-	-	**691,924**
Development costs	9,893,453	-	-	**9,893,453**
Infrastructure deposits	140,130	-	-	**140,130**
Investment in Homewise Mortgage, LLC	251,000	-	(251,000)	**-**
Other assets	592,368	-	-	**592,368**
Total assets	$ 64,640,204	250,000	(251,000)	**64,639,204**

HOMEWISE, INC. AND SUBSIDIARY
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION (CONTINUED)
March 31, 2013

LIABILITIES AND NET ASSETS	Homewise, Inc.	Homewise Mortgage, LLC	Elimination	**Total**
Current liabilities				
Accounts payable and accrued expenses	$ 1,393,698	-	-	**1,393,698**
Escrows and deposits	712,497	-	-	**712,497**
Lines of credit	2,736,572	-	-	**2,736,572**
Notes payable, current portion	1,579,044	-	-	**1,579,044**
Total current liabilities	6,421,811	-	-	**6,421,811**
Long-term liabilities				
Notes payable, long-term, net	22,950,410	-	-	**22,950,410**
Community investment deposits	291,460	-	-	**291,460**
Due to grantor agency	1,430,305	-	-	**1,430,305**
Total long-term liabilities	24,672,175	-	-	**24,672,175**
Total liabilities	31,093,986	-	-	**31,093,986**
Net assets				
Unrestricted	20,631,317	250,000	(251,000)	**20,630,317**
Temporarily restricted	9,176,272	-	-	**9,176,272**
Permanently restricted	3,738,629	-	-	**3,738,629**
Total net assets	33,546,218	250,000	(251,000)	**33,545,218**
Total liabilities and net assets	$ 64,640,204	250,000	(251,000)	**64,639,204**

HOMEWISE, INC. AND SUBSIDIARY
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
March 31, 2012

ASSETS	Homewise, Inc.	Homewise Mortgage, LLC	Elimination	**Total**
Current assets				
Cash and cash equivalents	$ 3,691,317	1,000	-	**3,692,317**
Broker receivables	2,186,180	-	-	**2,186,180**
Grants receivable	43,498	-	-	**43,498**
Amortizing mortgage loans receivable, current portion	765,953	-	-	**765,953**
Inventory	46,556	-	-	**46,556**
Development costs	3,554,466	-	-	**3,554,466**
Total current assets	10,287,970	1,000	-	**10,288,970**
Property and equipment, net	1,920,436	-	-	**1,920,436**
Mortgage loans receivable				
Amortizing	25,638,886	-	-	**25,638,886**
Allowance on amortizing loans	(694,336)	-	-	**(694,336)**
Total amortizing	24,944,550	-	-	**24,944,550**
Deferred	17,128,542	-	-	**17,128,542**
Allowance on deferred loans	(6,011,400)	-	-	**(6,011,400)**
Total deferred	11,117,142	-	-	**11,117,142**
Total mortgage loans receivable	36,061,692	-	-	**36,061,692**
Other real estate owned	152,709	-	-	**152,709**
Development costs	3,569,575	-	-	**3,569,575**
Infrastructure deposits	201,316	-	-	**201,316**
Investment in Homewise Mortgage, LLC	1,000	-	(1,000)	**-**
Other assets	286,636	-	-	**286,636**
Total assets	$ 52,481,334	1,000	(1,000)	**52,481,334**

HOMEWISE, INC. AND SUBSIDIARY
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION (CONTINUED)
March 31, 2012

LIABILITIES AND NET ASSETS	Homewise, Inc.	Homewise Mortgage, LLC	Elimination	Total
Current liabilities				
Accounts payable and accrued expenses	$ 560,246	-	-	**560,246**
Community investment deposits	44,961	-	-	**44,961**
Escrows and deposits	395,925	-	-	**395,925**
Lines of credit	1,953,106	-	-	**1,953,106**
Notes payable, current portion	1,330,000	-	-	**1,330,000**
Total current liabilities	4,284,238	-	-	**4,284,238**
Long-term liabilities				
Notes payable, long-term, net	17,428,052	-	-	**17,428,052**
Community investment deposits	230,156	-	-	**230,156**
Deferred revenue on home development sales	244,648	-	-	**244,648**
Deferred grants revenue	376,094	-	-	**376,094**
Due to grantor agency	1,449,428	-	-	**1,449,428**
Total long-term liabilities	19,728,378	-	-	**19,728,378**
Total liabilities	24,012,616	-	-	**24,012,616**
Net assets				
Unrestricted	16,092,870	1,000	(1,000)	**16,092,870**
Temporarily restricted	8,883,724	-	-	**8,883,724**
Permanently restricted	3,492,124	-	-	**3,492,124**
Total net assets	28,468,718	1,000	(1,000)	**28,468,718**
Total liabilities and net assets	$ 52,481,334	1,000	(1,000)	**52,481,334**

HOMEWISE, INC. AND SUBSIDIARY
CONSOLIDATING SCHEDULE OF ACTIVITIES
For the Year Ended March 31, 2013

	Homewise, Inc.			Homewise Mortgage, LLC		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	**Elimination**	**Total**
Support and Revenues						
Home development sales	$ 8,241,955	-	-	-	-	**8,241,955**
Government grants	2,122,395	301,712	246,505	-	-	**2,670,612**
Loan portfolio interest	1,645,219	107,626	-	-	-	**1,752,845**
Real estate sales commissions	626,349	-	-	-	-	**626,349**
Loan origination fees	1,585,418	-	-	-	-	**1,585,418**
Contributions and grants	1,721,130	-	-	-	-	**1,721,130**
Bank interest	7,764	-	-	-	-	**7,764**
Amortization and valuation of mortgage servicing rights	691,924	-	-	-	-	**691,924**
Other revenue	438,673	2,978	-	-	-	**441,651**
Net asset transfers	119,768	(119,768)	-	-	-	**-**
Total support and revenues	17,200,595	292,548	246,505	-	-	**17,739,648**
Expenses						
Program	4,482,932	-	-	-	-	**4,482,932**
Cost of home development sales	6,761,220	-	-	-	-	**6,761,220**
Administrative	1,178,018	-	-	1,000	-	**1,179,018**
Fundraising	239,978	-	-	-	-	**239,978**
Total expenses	12,662,148	-	-	1,000	-	**12,663,148**
Change in net assets	4,538,447	292,548	246,505	(1,000)	-	**5,076,500**
Net assets at beginning of year	16,092,870	8,883,724	3,492,124	1,000	(1,000)	**28,468,718**
Member contributions	-	-	-	250,000	(250,000)	**-**
Member distributions	-	-	-	-	-	**-**
Net assets at end of year	$ 20,631,317	9,176,272	3,738,629	250,000	(251,000)	**33,545,218**

HOMEWISE, INC. AND SUBSIDIARY
CONSOLIDATING SCHEDULE OF ACTIVITIES
For the Year Ended March 31, 2012

	Homewise, Inc.			Homewise Mortgage, LLC		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	**Elimination**	**Total**
Support and Revenues						
Home development sales	$ 10,421,055	-	-	-	-	**10,421,055**
Government grants	868,975	174,383	1,059,375	-	-	**2,102,733**
Loan portfolio interest	1,473,279	43,233	-	-	-	**1,516,512**
Real estate sales commissions	465,308	-	-	-	-	**465,308**
Loan origination fees	1,128,614	-	-	-	-	**1,128,614**
Contributions and grants	78,241	50,000	-	-	-	**128,241**
Bank interest	5,033	14	-	-	-	**5,047**
Other revenue	238,178	5,590	-	-	-	**243,768**
Net asset transfers	943,085	(604,085)	(339,000)	-	-	**-**
Net assets released from restrictions	947,994	-	(947,994)	-	-	**-**
Total support and revenues	16,569,762	(330,865)	(227,619)	-	-	**16,011,278**
Expenses						
Program	4,729,718	-	-	-	-	**4,729,718**
Cost of home development sales	8,745,349	-	-	-	-	**8,745,349**
Administrative	939,888	-	-	-	-	**939,888**
Fundraising	190,888	-	-	-	-	**190,888**
Total expenses	14,605,843	-	-	-	-	**14,605,843**
Change in net assets	1,963,919	(330,865)	(227,619)	-	-	**1,405,435**
Net assets at beginning of year	14,128,951	9,214,589	3,719,743	1,000	(1,000)	**27,063,283**
Member contributions	-	-	-	-	-	**-**
Member distributions	-	-	-	-	-	**-**
Net assets at end of year	$ 16,092,870	8,883,724	3,492,124	1,000	(1,000)	**28,468,718**

HOMEWISE, INC. AND SUBSIDIARY
CONSOLIDATING SCHEDULE OF CASH FLOWS
For the Year Ended March 31, 2013

	Homewise, Inc.	Homewise Mortgage, LLC	Elimination	**Total**
Cash Flows From Operating Activities				
Cash received from customers	$ 12,966,051	-	-	**12,966,051**
Cash received from grants and contributions	4,319,773	-	-	**4,319,773**
Cash paid to suppliers	(15,082,318)	(1,000)	-	**(15,083,318)**
Cash paid to employees	(3,208,642)	-	-	**(3,208,642)**
Cash paid for interest	(690,700)	-	-	**(690,700)**
Net cash flows used by operating activities	(1,695,836)	(1,000)	-	**(1,696,836)**
Cash Flows From Investing Activities				
Equipment and land acquisitions	(216,200)	-	-	**(216,200)**
Proceeds from sale of property and equipment	27,869	-	-	**27,869**
Net increase in loans	(3,824,701)	-	-	**(3,824,701)**
Net cash flows used by investing activities	(4,013,032)	-	-	**(4,013,032)**
Cash Flows From Financing Activities				
Long-term borrowings	7,739,232	-	-	**7,739,232**
Payments on long-term borrowings	(1,952,732)	-	-	**(1,952,732)**
Issuances (redemptions) of community investment deposits	16,343	-	-	**16,343**
Net draws on bank lines of credit	783,466	-	-	**783,466**
Member (distributions) contributions	(250,000)	250,000	-	**-**
Net cash flows provided by financing activities	6,336,309	250,000	-	**6,586,309**
Net increase in cash and cash equivalents	627,441	249,000	-	**876,441**
Cash and cash equivalents, beginning of year	3,691,317	1,000	-	**3,692,317**
Cash and cash equivalents, end of year	$ 4,318,758	250,000	-	**4,568,758**

Reconciliation of increase in net assets to net cash and cash equivalents provided by operations

	Homewise, Inc.	Homewise Mortgage, LLC	Elimination	**Total**
Change in net assets	$ 5,077,500	(1,000)	-	**5,076,500**
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:				
Depreciation	255,771	-	-	**255,771**
Amortization of discount on below market notes payable	(15,098)	-	-	**(15,098)**
Loss on sale of property and equipment	25,035	-	-	**25,035**
Mortgage servicing rights	(691,924)	-	-	**(691,924)**
Change in assets and liabilities				
Broker receivables	751,720	-	-	**751,720**
Infrastructure deposits	61,186	-	-	**61,186**
Grants receivable	(71,969)	-	-	**(71,969)**
Prepaid expenses and other assets	(305,732)	-	-	**(305,732)**
Inventory	2,225	-	-	**2,225**
Development costs	(7,213,194)	-	-	**(7,213,194)**
Accounts payable and accrued liabilities	833,452	-	-	**833,452**
Escrows and deposits	316,572	-	-	**316,572**
Due to grantor agency	(19,123)	-	-	**(19,123)**
Deferred grant revenue	(376,094)	-	-	**(376,094)**
Deferred development revenue	(244,648)	-	-	**(244,648)**
Other real estate owned	(81,515)	-	-	**(81,515)**
Net cash flows used by operating activities	$ (1,695,836)	(1,000)	-	**(1,696,836)**

HOMEWISE, INC. AND SUBSIDIARY
CONSOLIDATING SCHEDULE OF CASH FLOWS
For the Year Ended March 31, 2012

	Homewise, Inc.	Homewise Mortgage, LLC	Elimination	**Total**
Cash Flows From Operating Activities				
Cash received from customers	$ 13,536,536	-	-	**13,536,536**
Cash received from grants and contributions	2,230,974	-	-	**2,230,974**
Cash paid to suppliers	(10,659,421)	-	-	**(10,659,421)**
Cash paid to employees	(2,595,611)	-	-	**(2,595,611)**
Cash paid for interest	(631,023)	-	-	**(631,023)**
Net cash provided by operating activities	1,881,455	-	-	**1,881,455**
Cash Flows From Investing Activities				
Equipment and land acquisitions	(154,678)	-	-	**(154,678)**
Proceeds from sale of property and equipment	3,890	-	-	**3,890**
Net increase in loans	(1,233,304)	-	-	**(1,233,304)**
Proceeds from other real estate owned	-	-	-	**-**
Net cash flows used by investing activities	(1,384,092)	-	-	**(1,384,092)**
Cash Flows From Financing Activities				
Long-term borrowings	2,352,001	-	-	**2,352,001**
Payments on long-term borrowings	(1,712,011)	-	-	**(1,712,011)**
Issuances (redemptions) of community investment deposits	70,117	-	-	**70,117**
Net draws on bank lines of credit	107,848	-	-	**107,848**
Member (distributions) contributions	-	-	-	**-**
Net cash flows provided by financing activities	817,955	-	-	**817,955**
Net increase in cash and cash equivalents	1,315,318	-	-	**1,315,318**
Cash and cash equivalents, beginning of year	2,375,999	1,000	-	**2,376,999**
Cash and cash equivalents, end of year	$ 3,691,317	1,000	-	**3,692,317**

Reconciliation of increase in net assets to net cash and cash equivalents provided by operations				
Change in net assets	$ 1,405,435	-	-	**1,405,435**
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:				
Depreciation	263,349	-	-	**263,349**
Amortization of discount on below market notes payable	15,763	-	-	**15,763**
Change in assets and liabilities				
Broker receivables	(308,965)	-	-	**(308,965)**
Infrastructure deposits	106,565	-	-	**106,565**
Grants receivable	204,145	-	-	**204,145**
Prepaid expenses and other assets	86,494	-	-	**86,494**
Inventory	19,295	-	-	**19,295**
Development costs	971,756	-	-	**971,756**
Accounts payable and accrued liabilities	91,068	-	-	**91,068**
Escrows and deposits	277,986	-	-	**277,986**
Due to grantor agency	(89,749)	-	-	**(89,749)**
Deferred grant revenue	(380,409)	-	-	**(380,409)**
Deferred development revenue	(703,569)	-	-	**(703,569)**
Other real estate owned	(77,709)	-	-	**(77,709)**
Net cash flows provided by operating activities	$ 1,881,455	-	-	**1,881,455**

HOMEWISE, INC. and SUBSIDIARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
March 31, 2013

	Pass-through Grantor Number or Other Identifying Number	CFDA	Expenditures
U.S. Department of Housing and Urban Development			
HOME investment partnerships program (pass-through from NMMFA)			
CHDO – operating	A-125.14	14.239	$ 53,112
			53,112
Community Development Block Grants (pass through from City of Santa Fe)			
Down payment assistance	07-0635	14.218	201,712
Total U.S. Department of Housing and Urban Development			254,824
U.S. Department of Treasury			
Financial Education and Counseling Pilot			
Technical assistance (Pilot Program)	None	21.010	129,589
Program Loan Capital	101FA008765	21.020	1,453,806
			1,583,395
NeighborWorks America			
Revolving loan fund	None	21.000	246,505
Operating – general support	None	21.000	447,750
			694,255
Total U.S. Department of Treasury			2,277,650
Total all funding agencies			$ 2,532,474

See notes to schedule of expenditures of federal awards.

NOTE 1. GENERAL

The accompanying schedule of expenditures of federal awards presents the federal financial assistance programs of Homewise, Inc. It is presented using the accrual basis of accounting, which is described in Note 1 to the consolidated financial statements.

NOTE 2. RECONCILIATION TO THE FINANCIAL STATEMENTS

Expenditures of federal awards	$ 2,532,474
Non-federal expenses	10,130,674
Total expenses	$ 12,663,148

NOTE 3. FEDERAL LOANS

At March 31, 2013, Homewise had two outstanding loans payable to the U.S. Department of Treasury for a total of $600,000. See details at Note 7 to the consolidated financial statements.

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INDEPENDENT AUDITOR'S 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 Subsidiary

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 Subsidiary (a nonprofit organization), which comprise the consolidated statement of financial position as of March 31, 2013, and the related statements of activities, 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 18, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Homewise, Inc. and Subsidiary's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Homewise, Inc. and Subsidiary's 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 may exist that have not been identified.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether Homewise, Inc. and Subsidiary's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. 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.

Axiom

Albuquerque, New Mexico
June 18, 2013

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited Homewise, Inc. and Subsidiary's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Homewise, Inc. and Subsidiary's major federal programs for the year ended March 31, 2013. Homewise, Inc. and Subsidiary'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Homewise, Inc. and Subsidiary'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. and Subsidiary'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. and Subsidiary's compliance.

Opinion on Each Major Federal Program

In our opinion, Homewise, Inc. and Subsidiary 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, 2013.

Report on Internal Control Over Compliance

Management of Homewise, Inc. and Subsidiary 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. and Subsidiary'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 OMB Circular A-133, 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. and Subsidiary'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 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.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Homewise, Inc. and Subsidiary as of and for the year ended March 31, 2013, and have issued our report thereon dated June 18, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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 financial statements as a whole.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Axiom

Albuquerque, New Mexico
June 18, 2013

HOMEWISE, INC. and SUBSIDIARY
STATUS OF PRIOR YEAR FINDINGS
For the Year Ended March 31, 2013

There were no prior year audit findings

HOMEWISE, INC. and SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended March 31, 2013

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued — Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ______ Yes __x__ No
- Significant deficiency identified that are not considered to be material weakness(es)? ______ Yes __x__ None Reported

Non-compliance material to financial statements noted? ________ Yes __x____No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ______ Yes __x__ No
- Significant deficiency identified that are not considered to be material weakness(es) ______ Yes __x__ None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ______ Yes __x__ No

Identification of Major Program

CFDA Number	Name of Federal Program or Cluster
21.020	Financial Education and Counseling Pilot Program Loan Capital

Dollar threshold used to distinguish between type A and type B programs — $ 300,000

Auditee qualified as low-risk auditee? — Yes

HOMEWISE, INC. and SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended March 31, 2013

B. FINANCIAL STATEMENT FINDINGS

None.

C. FEDERAL AWARD FINDINGS

None.