HOMEWISE, INC.

FINANCIAL STATEMENTS

MARCH 31, 2017 AND 2016

RICCI & COMPANY

Service plus value, it all adds up.

HOMEWISE, INC.

OFFICIAL ROSTER
MARCH 31, 2017

Board of Directors

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Frank Mathew	Member
Dave Delgado	Member
Anne Messbarger-Eguia	Member
Debra (Dee) Walsh	Member
Martha Acosta	Member

Administration Official

Michael Loftin	Chief Executive Officer
Lisa Wilson, CPA	Chief Financial Officer

HOMEWISE, INC.

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Independent Auditor's Report

To the Board of Directors of
Homewise, Inc.
Santa Fe, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of Homewise, Inc. (a nonprofit organization) which comprise the statements of financial position as of March 31, 2017 and 2016, the related statements of activities and cash flows for the years 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 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 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Homewise, Inc. as of March 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

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, 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 5, 2017, on our consideration of the Organization'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 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 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 the Organization's internal control over financial reporting and compliance.

Ricci & Company LLC

Albuquerque, New Mexico
June 19, 2017

HOMEWISE, INC.
STATEMENTS OF FINANCIAL POSITION
March 31, 2017 and 2016

	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents	$ **7,953,686**	5,953,592
Broker and other accounts receivable	**1,834,714**	567,936
Grants receivable	**71,236**	72,000
Amortizing mortgage loans receivable, current portion	**1,371,930**	1,301,797
Inventory	**71,617**	39,990
Development costs, current portion	**7,507,709**	4,992,717
Total current assets	**18,810,892**	12,928,032
Property and equipment, net	**2,666,780**	2,451,053
Mortgage loans receivable		
Amortizing, net of current portion	**52,938,665**	50,924,312
Allowance on amortizing loans	**(1,181,722)**	(1,102,111)
Total amortizing	**51,756,943**	49,822,201
Deferred	**18,741,083**	18,117,919
Allowance on deferred loans	**(3,749,000)**	(3,623,584)
Total deferred	**14,992,083**	14,494,335
Total long-term mortgage loans receivable	**66,749,026**	64,316,536
Other real estate owned	**870,789**	367,611
Real estate held for investment - rehab properties	**79,511**	-
Mortgage servicing rights	**1,860,750**	1,465,399
Development costs, net of current portion	**7,391,882**	9,463,512
Infrastructure deposits	**-**	27,920
Other assets	**277,828**	263,966
Total assets	$ **98,707,458**	91,284,029

See Notes to Financial Statements.

HOMEWISE, INC.
STATEMENTS OF FINANCIAL POSITION
March 31, 2017 and 2016

		2017	2016
LIABILITIES			
Current liabilities			
Accounts payable	$	**2,368,607**	2,914,142
Accrued expenses		**511,584**	276,610
Escrows and deposits		**1,908,331**	1,524,757
Lines of credit		**2,245,275**	3,682,558
Notes payable, current portion		**3,235,429**	4,324,891
Notes payable and community investment, current portion		**711,149**	69,138
Total current liabilities		**10,980,375**	12,792,096
Long-term liabilities			
Notes payable, net of current portion and unamortized discount		**37,518,251**	35,681,574
Notes payable, equity equivalent investment, net of unamortized discount		**913,014**	900,514
Notes payable, community investment, net of current portion and unamortized discount		**2,047,926**	1,798,383
Deferred grants revenue		**4,198,601**	85,668
Due to grantor agency		**992,502**	1,031,281
Total long-term liabilities		**45,670,294**	39,497,420
Total liabilities		**56,650,669**	52,289,516
Net assets			
Unrestricted		**31,181,227**	27,662,413
Temporarily restricted		**8,356,471**	8,273,975
Permanently restricted		**2,519,091**	3,058,125
Total net assets		**42,056,789**	38,994,513
Total liabilities and net assets	$	**98,707,458**	91,284,029

See Notes to Financial Statements.

HOMEWISE, INC.
STATEMENT OF ACTIVITIES
Year Ended March 31, 2017

		Unrestricted	Temporarily Restricted	Permanently Restricted	**Total**
Revenues					
Home development sales	$	16,585,578	-	-	**16,585,578**
Loan origination fees		2,033,489	-	-	**2,033,489**
Real estate sales commissions		1,548,429	-	-	**1,548,429**
Loan portfolio interest		3,019,857	28,847	-	**3,048,704**
Loan servicing income		558,251	-	-	**558,251**
Amortization and valuation of mortgage servicing rights		647,734	-	-	**647,734**
Government grants		309,818	2,052,998	25,000	**2,387,816**
Contributions and grants		362,048	-	-	**362,048**
Bank interest		1,667	-	-	**1,667**
Gain on sale of asset		40,846	-	-	**40,846**
Other revenue		429,573	651	-	**430,224**
Release from restrictions		2,564,034	(2,000,000)	(564,034)	**-**
Total revenues		28,101,324	82,496	(539,034)	**27,644,786**
Expenses					
Cost of home development sales		14,532,502	-	-	**14,532,502**
Program		7,841,840	-	-	**7,841,840**
Administrative		1,753,150	-	-	**1,753,150**
Fundraising		455,018	-	-	**455,018**
Total expenses		24,582,510	-	-	**24,582,510**
Change in net assets		3,518,814	82,496	(539,034)	**3,062,276**
Net assets at beginning of year		27,662,413	8,273,975	3,058,125	**38,994,513**
Net assets at end of year	$	31,181,227	8,356,471	2,519,091	**42,056,789**

See Notes to Financial Statements.

HOMEWISE, INC.
STATEMENT OF ACTIVITIES
Year Ended March 31, 2016

		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues					
Home development sales	$	14,576,023	-	-	14,576,023
Loan origination fees		1,548,669	-	-	1,548,669
Real estate sales commissions		1,245,173	-	-	1,245,173
Loan portfolio interest		2,616,307	36,770	104,684	2,757,761
Loan servicing income		466,841	-	-	466,841
Amortization and valuation of mortgage servicing rights		465,345	-	-	465,345
Government grants		421,638	202,107	450,000	1,073,745
Other grants					
Contributions and grants		581,018	85,000	-	666,018
Bank interest		2,609	-	-	2,609
Loss on sale of asset		(53,673)	-	-	(53,673)
Other revenue		241,736	778	479	242,993
Release from restrictions		507,903	77,764	(585,667)	-
Total revenues		22,619,589	402,419	(30,504)	22,991,504
Expenses					
Cost of home development sales		12,830,846	-	-	12,830,846
Program		7,175,504	-	-	7,175,504
Administrative		1,676,195	-	-	1,676,195
Fundraising		349,207	-	-	349,207
Total expenses		22,031,752	-	-	22,031,752
Change in net assets		587,837	402,419	(30,504)	959,752
Net assets at beginning of year		27,074,576	7,871,556	3,088,629	38,034,761
Net assets at end of year	$	27,662,413	8,273,975	3,058,125	38,994,513

See Notes to Financial Statements.

HOMEWISE, INC.
STATEMENTS OF CASH FLOWS
Years Ended March 31, 2017 and 2016

		2017	2016
Cash Flows From Operating Activities	$		
Cash received from customers		**23,622,705**	22,538,781
Cash received from grants and contributions		**2,749,864**	1,739,763
Cash paid to suppliers		**(13,942,647)**	(11,668,789)
Cash paid to employees		**(6,228,726)**	(4,970,674)
Cash paid for interest		**(1,508,380)**	(1,570,468)
Net cash provided (used) by operating activities		**4,692,816**	6,068,613
Cash Flows From Investing Activities			
Property and equipment acquisitions		**(404,071)**	(75,544)
Net increase in loans		**(2,918,559)**	(6,455,597)
Purchase of real estate held for investment - rehab properties		**(79,511)**	-
Net cash used by investing activities		**(3,402,141)**	(6,531,141)
Cash Flows From Financing Activities			
Long-term borrowings		**10,857,535**	3,465,000
Capitalization of below market long-term borrowings		**(379,522)**	(145,127)
Payments on long-term borrowings		**(8,331,311)**	(3,289,254)
Net payments on bank lines of credit		**(1,437,283)**	(333,627)
Net cash (used) provided by financing activities		**709,419**	(303,008)
Net increase (decrease) in cash and cash equivalents		**2,000,094**	(765,536)
Cash and cash equivalents, beginning of year		**5,953,592**	6,719,128
Cash and cash equivalents, end of year	$	**7,953,686**	5,953,592

Reconciliaton of change in net assets to net cash and cash equivalents provided by operations

		2017	2016
Change in net assets	$	**3,062,276**	959,752
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:			
Depreciaton		**188,344**	214,230
Amortization of discount on below market notes payable		**(495,437)**	41,491
Bad debt and reserve for loan loss		**415,936**	(176,078)
Gain/Loss on sale of asset		**(40,846)**	53,673
Mortgage servicing rights		**(395,351)**	(279,724)
Change in assets and liabilities			
Broker and other accounts receivable		**(1,266,778)**	1,248,499
Infrastructure deposits		**27,920**	79,312
Grants receivable		**764**	72,876
Other assets		**(13,862)**	288,482
Inventory		**(31,627)**	(32,870)
Development costs		**(443,362)**	1,266,579
Accounts payable and accrued liabilities		**(310,557)**	1,950,844
Escrows and deposits		**383,574**	421,829
Due to grantor agency		**(38,779)**	(172,024)
Deferred grant revenue		**4,112,933**	3,921
Other real estate owned		**(462,332)**	127,821
Net cash flows provided by operating activities	$	**4,692,816**	6,068,613

See Notes to 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 Santa Fe, Albuquerque and Northern New Mexico. The mission of Homewise is to help create successful homeowners so that they improve their financial wellbeing and contribute to the vitality of our communities. Homewise provides financial counseling, property development, government program administration, low-interest fixed rate mortgages, home improvement loans, refinance loans and real estate sales.

Basis of Accounting. The accompanying 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 was followed by the Organization for the years ended March 31, 2017 and 2016.

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.

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 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 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.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 financial statements at March 31, 2017 and 2016.

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 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 due to grantor agency liability on the 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, 2017 and 2016.

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, 2017 and 2016 was $104,734 and $53,616, 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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2017 and 2016.

Use of Estimates. The preparation of 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 $196,841 and $199,564 at March 31, 2017 and 2016, respectively.

Other Real Estate Owned. Assets acquired through, or in lieu of, loan foreclosure, totaled $870,789 at March 31, 2017 and $367,611 at March 31, 2016. These assets are held for sale and are initially recorded at fair value at the date of acquisition less estimated selling cost, establishing a new cost basis. Subsequent to acquisition or through direct purchase, 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 expenses from operations and changes in valuation allowance are included in net expense, whereas costs relating to improvement of the property are capitalized.

Real Estate Held for Investment – Rehab Properties. These are properties which require repair and maintenance before sale. The Rehab Properties, valued at acquisition cost, were $79,512 at March 31, 2017. There were no rehab properties at March 31, 2016.

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.

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, 2017 and 2016 the balance recorded as community investment notes amounted to $2,844,425 and $1,867,521, 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 statements of financial position date but before financial statements are available to be issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statements of position, including the estimates inherent in the process of preparing the financial statements. The Organization's financial statements do not recognize subsequent events that provide evidence about conditions that exist at the date of the statements of financial position but arose after the statements of financial position date and before financial statements are available to be issued.

The Organization has evaluated subsequent events through June 19, 2017, which is the date the financial statements were available to be issued and, as a result of evaluation, On May, 25, 2017, the Organization (Homewise, Inc.) invested, along with one other Housing Partnership Network, Inc. affiliate, in a joint venture (HPN Leverage I, LLC) with 33.33% ownership to take advantage of New Markets Tax Credit (NMTC) financing. NMTC financing allows an entity to receive a loan or investment capital from outside investors, who will receive new markets tax credits to be applied against their federal tax liability. As a result, the Organization has invested $3,354,012 and was able to secure a 20-year loan in the amount of $4,875,000 payable to a community development entity.

NOTE 2. GRANTS RECEIVABLE

Grants receivable consist of the following at March 31:

	2017	2016
Non-Federal, City of Santa Fe	**$ 71,236**	**72,000**

NOTE 3. DEVELOPMENT COSTS

Project costs (such as land acquisition and construction) are separately tracked or allocated and recorded on the financial statements as development costs. Project costs at March 31, 2017 and 2016 are as follows:

Project	**2017**	2016
Tessera	**$ 5,151,171**	5,400,453
Oshara	**2,962,977**	2,010,150
Las Palomas	**1,590,770**	1,816,454
Aldea	**1,167,345**	1,757,885
Desert Sage	**1,287,431**	1,287,431
El Camino Crossing	**1,427,740**	837,616
Vista Serena	**870,647**	815,059
Fairly	**419,582**	419,582
Rincon Del Sol	**-**	89,671
Palomita	**21,928**	21,928
Total development costs	**$14,899,591**	14,456,229

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. Of the 77 lots, 52 have sold, leaving 25 lots. Of the 25 lots there are currently 17 under construction including 1 model and 3 spec houses. There are 17 homes under contract and 3 specs permitted and waiting to begin construction, leaving 1 lot available for purchase. Phase 2 is comprised of 78 entitled, but undeveloped, lots averaging about one half acre. Phase 2 is in process of permitting with construction to begin in FY18. 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.

Oshara consists of 40 developed lots in the County of Santa Fe. Oshara is a mixed use development with several product types and price points of homes. The 40 lots were zoned for work/live. The master plan was approved to convert 32 of the lots to townhomes. Of the 40 lots, 4 have closed, 7 are completed homes comprised of 2 models and 5 specs with 2 homes under contract, leaving 27 available lots.

Las Palomas consists of 46 lots located in Unit 2 of Tierra Contenta, in Santa Fe, New Mexico. Of the 46 lots, 38 have closed, and the remaining 8 are available for sale. As of May 31, 2017, 6 of the 8 are under contract.

Aldea consists of 19 developed lots in the County of Santa Fe in the Aldea development. Currently 9 have sold and 2 are in inventory leaving 8 lots available.

NOTE 3. DEVELOPMENT COSTS (CONTINUED)

Desert Sage in Santa Fe consists of 26.8 acres of undeveloped land. Plans for the 80 unit subdivision have been approved by the City.

El Camino Crossing (formerly known as Corazon Santo) is a mixed use development with several product types and price points of homes. The majority of the lots, 40, are townhouse lots and 14 are planned to be live/work units.

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 a combination of single family detached units as well as town home units. The project continued in its design phase as of March 31, 2017.

Fairly 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 County of Santa Fe also known as T.J. Henry Tract for a total of 60 lots. These parcels are located between two existing residential developments in the Master Plan Community of Tierra Contenta for future development.

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, 2017, all 38 have sold and closed.

Palomita consists of one single family lot in Taos.

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 1.0% to 7.75%, for periods of up to 30 years.

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 balance sheet. 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 doesn't get a windfall by buying the house at a below-market price. As of March 31, 2017, 81% of deferred loans were funded through grants (49%) and contributions (30%) made to the Organization for this specific

NOTE 4. MORTGAGE LOANS RECEIVABLE (CONTINUED)

purpose. Of the remaining 19% 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. Both amortizing and deferred mortgage loans are secured by a recorded perfected interest in the subject property.

At March 31, 2017 and 2016, the total gross amount of amortizing and deferred mortgage loans receivable is summarized as follows:

	2017	2016
Amortizing	**$ 54,310,595**	52,226,109
Deferred	**18,741,083**	18,117,919
Total loans receivable	**$ 73,051,678**	70,344,028

The Organization provides for potentially uncollectible loans as described in Note 1. As of March 31, 2017, the Organization had the following delinquent amortizing loans:

	Number	Payment Due	Loan Amount
31-60 days	9	$ 2,240	317,790
61-90 days	3	3,396	248,882
> 90 days	12	15,850	620,734
	24	$ 21,487	1,187,406

The total amount 31 or more days past due was equivalent to 2.19% of the gross outstanding amortizing mortgage loans receivable balance at March 31, 2017.

As of March 31, 2016, the Organization had the following delinquent amortizing loans:

Payment	Loan Number	Due	Amount
31-60 days	8	$ 5,602	274,238
61-90 days	4	7,345	231,983
> 90 days	4	2,757	216,633
	16	$ 15,704	722,853

NOTE 4. MORTGAGE LOANS RECEIVABLE

The total amount 31 or more days past due was equivalent to 1.4% of the gross outstanding amortizing mortgage loans receivable balance as at March 31, 2016.

Amortizing mortgage loans receivable are reserved for at 2%, 10%, and 20% of the loan balance for current and delinquent loans less than 31 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, subject to a loan covenant that requires the allowance to be no less than 20% of the outstanding balance.

At March 31, 2017 and 2016, amortizing and deferred mortgage loans receivable had the following general and specific allowances applied against principal due:

	2017		2016	
	Amortizing	Deferred	Amortizing	Deferred
General allowance	**$ 1,181,722**	**3,749,000**	$ 1,102,111	3,623,584
Total allowance	**$ 1,181,722**	**3,749,000**	$ 1,102,111	3,623,584

Changes in the allowance for loan losses at March 31, 2017 and 2016 are summarized as follows:

	Amortizing	Deferred	Total
Balance, March 31, 2015	$ 1,084,173	3,973,848	5,058,021
Provision (recovery) for loan losses	233,569	(409,678)	(176,109)
Loans charged off, net of recoveries	(215,631)	59,414	(156,217)
Balance, March 31, 2016	1,102,111	3,623,584	4,725,695
Provision (recovery) for loan losses	132,502	283,434	415,936
Loans charged off, net of recoveries	(52,891)	(158,018)	210,909
Balance, March 31, 2017	**$ 1,181,722**	**3,749,000**	**4,930,722**

Deferred loans that are expected to be forgiven at the end of a fixed term totaled $423,068 and $463,068 at March 31, 2017 and 2016, respectively.

NOTE 4. MORTGAGE LOANS RECEIVABLE (CONTINUED)

Loans to related parties amounted to $409,089 and $799,007 at March 31, 2017 and 2016, 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 consist of the following at March 31:

	2017	2016
Land	**$ 887,649**	887,649
Land improvements	**47,451**	47,451
Buildings and improvements	**2,060,864**	1,989,228
Software	**1,146,939**	1,146,939
Furniture and equipment	**549,216**	545,794
Work in process	**329,013**	-
Trademark	**8,000**	8,000
Leasehold improvements	**9,123**	9,123
Total property and equipment	**5,038,255**	4,634,184
Less: accumulated depreciation	**(2,371,475)**	(2,183,131)
Net value of property and equipment	**$ 2,666,780**	2,451,053

Depreciation expense for the years ended March 31, 2017 and 2016 was $188,344 and $214,230, respectively.

NOTE 6. MORTGAGE SERVICING RIGHTS

Mortgage loans serviced for others are not included in the accompanying statements of financial position. Not all loans serviced for others include non-cancellable servicing rights. The unpaid balance of loans with non-cancellable servicing rights as of March 31, 2017 and 2016 is summarized as follows:

	2017	2016
Mortgage loan portfolios serviced for:		
Federal National Mortgage Association (FNMA)	**$243,973,159**	201,310,853
Other investors	**12,315,910**	2,300,225
Total	**$256,292,069**	203,611,078

NOTE 6. MORTGAGE SERVICING RIGHTS (CONTINUED)

During 2017 and 2016, 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 $647,734 and $466,841 during 2017 and 2016, respectively. These fees are included as other revenue on the statement of activities.

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

	2017	2016
Balance at beginning of period	**$1,465,399**	1,185,675
Servicing rights originated and capitalized	**647,734**	465,345
Amortization	**(252,383)**	(185,621)
Balance at end of period	**$1,860,750**	1,465,399

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, 2017 and 2016 there was no impairment.

The following assumptions were used to calculate the market value of the mortgage servicing rights as of March 31, 2017 and 2016:

	2017	2016
Public Securities Association (PSA) speed	**127%**	168%
Discount rate	**9.52%**	9.52%
Earnings rates:		
P&I Payoffs	**1.74%**	1.05%
Escrows	**2.01%**	1.31%
Advances	**2.24%**	1.55%

NOTE 7. LINES OF CREDIT, NOTES PAYABLE, EQUITY EQUIVALENT INVESTMENT AND COMMUNITY INVESTMENT NOTES

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

		2017	2016
Current			
Lines of credit	$	**2,245,275**	3,682,558
Notes payable, net of unamortized discount		**3,235,429**	4,324,891
Notes payable, community investment		**711,149**	69,138
Total current		**6,191,853**	8,076,587
Long-term			
Notes payable, net of amortized discount		**37,518,251**	35,681,574
Notes payable, equity equivalent investment, net of unamortized discount		**913,014**	900,514
Notes payable, community investments, net of unamortized discount		**2,047,926**	1,798,383
Total long-term, net		**40,479,191**	38,380,471
Total	$	**46,671,044**	46,457,058

NOTE 7. LINES OF CREDIT, NOTES PAYABLE, EQUITY EQUIVALENT INVESTMENT AND COMMUNITY INVESTMENT NOTES (CONTINUED)

		2017	2016
Lines of credit:			
Bank, Line of credit of $3,000,000 for various loans at 4.25% interest, collateralized by lot mortgages, matures December 2017	$	**561,891**	462,439
Bank, Line of credit of $7,000,000 for various loans at 4.25% interest, collateralized by lot mortgages, matures September 2017		**1,367,744**	2,011,205
Bank, line of credit of $3,000,000 at 4.50% variable interest, collateralized by mortgages, matures September 2017		**-**	1,000,000
Bank, line of credit of $3,000,000 at 4.75% interest, collateralized by mortgages, matures November 2017		**-**	-
Bank, line of credit of $3,000,000 at 5.00% interest, collateralized by mortgages, matures September 2017		**315,640**	208,914
Total lines of credit	**$**	**2,245,275**	3,682,558

NOTE 7. LINES OF CREDIT, NOTES PAYABLE, EQUITY EQUIVALENT INVESTMENT AND COMMUNITY INVESTMENT NOTES (CONTINUED)

	2017	2016
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, at 3.00% interest, collateralized by mortgages, with 3 principal payments of $250,000 each due in March 2019, March 2020, and March 2021 and the remaining balance due on maturity in March 2022	**1,250,000**	1,250,000
Opportunity Finance Network, at 3.00% interest, collateralized by mortgages, principal balance is due at and matures March 2022	**750,000**	-
Opportunity Finance Network, at 3.00% interest, collateralized by mortgages, with 16 quarterly principal payments of $62,500 each beginning in September 2018 and continuing until maturity in June 2022	**1,000,000**	1,000,000
Bank, at 3.75% interest collateralized by mortgages, due in monthly payments and maturing February 2028	**1,319,406**	1,415,475
Bank, at 4.00% interest, collateralized by the Homewise headquarters building, due in monthly payments and maturing June 2037	**1,256,339**	1,295,914
Bank, at 4.00% interest, collateralized by Tessera development, due in monthly payments and maturing September 2027	**-**	1,088,343
Bank, at 4.25% interest, collateralized by El Camino, Crossing development, the principal balance is due at and maturing May 2019	**296,878**	-

NOTE 7. LINES OF CREDIT, NOTES PAYABLE, EQUITY EQUIVALENT INVESTMENT AND COMMUNITY INVESTMENT NOTES (CONTINUED)

	2017	2016
New Mexico Mortgage Finance Authority, at 3.00% interest, collateralized by Desert Sage property, with 2 principal payments of $125,000 each due in December 2016 and December 2017 and the remaining balance due on maturity in December 2018	**273,025**	398,025
Calvert Social Investment Foundation, unsecured at 4.5% interest, with principal payments of $500,000 each due in March 2018 and March 2019 with the final payment due at maturity in March 2020	**1,500,000**	1,500,000
Bank, revolving credit with $5,000,000 available for drawdown until October 2016 at the ten (10) year LIBOR rate plus 1.25% at time of drawdown, collateralized by mortgages, quarterly payments are amortized over 20 years and due in full 10 years from initial drawdown	**4,968,210**	4,899,564
Bank, at 3.00% interest, collateralized by mortgages, the principal balance is due at and matures December 2017	**500,000**	500,000
Bank, at 3.00% interest, collateralized by mortgages, the principal balance is due at and matures February 2021	**500,000**	500,000
Bank, at 3.00% interest, collateralized by mortgages, the principal balance is due at and matures September 2022	**500,000**	500,000
Bank, unsecured at 2.50% interest, the principal balance Is due at and matures August 2018	**500,000**	-
Bank, at 3.44% interest, collateralized by mortgages, due in quarterly payments and maturing in January 2019	**105,255**	155,182

NOTE 7. LINES OF CREDIT, NOTES PAYABLE, EQUITY EQUIVALENT INVESTMENT AND COMMUNITY INVESTMENT NOTES (CONTINUED)

	2017	2016
Bank, 3.50% interest, collateralized by mortgages, quarterly payments are amortized over 30 years and due in full in March 2022	**460,035**	467,915
Religious Communities Investment Fund, unsecured at 2.00% interest, the principal balance is due at and matures November 2019	**350,000**	350,000
Seton Enablement Fund, unsecured at 3.00% interest, the principal payments beginning February 2017 with a final payment of $75,000 due January 2021	**145,579**	150,000
Mercy Investment Services, Inc., unsecured at 3.00% interest, the principal balance is due at and matures June 2020	**1,000,000**	1,000,000
Christus Health, at 3.00% interest, collateralized by mortgages, the principal balance is due at and matures March 2017	**1,000,000**	1,000,000
Bank, at 3.00% interest, collateralized by mortgages, monthly payments are amortized over 10 years and due in full in January 2018	**309,689**	357,553
Sachs Foundation, unsecured at 3.25% interest, the principal balance is due at and matures September 2021	**750,000**	250,000
Bank, at 4.50% interest, collateralized by mortgages, monthly payments are amortized over 15 years and due in full in September 2018	**1,427,521**	1,561,954
Bank, at 3.00% interest, collateralized by mortgages, the principal balance is due and matures February 2022	**500,000**	500,000
Bank, at 3.00% interest, collateralized by mortgages, the principal balance is due and matures October 2022	**500,000**	500,000
Bank, unsecured at 3.00% interest, the principal balance is due and matures July 2023	**1,500,000**	-

NOTE 7. LINES OF CREDIT, NOTES PAYABLE, EQUITY EQUIVALENT INVESTMENT AND COMMUNITY INVESTMENT NOTES (CONTINUED)

	2017	2016
Bank, at 3.50% interest, collateralized by mortgages, monthly payments are amortized over 20 years and due in full in September 2023	**871,916**	910,130
Bank, at 4.50% interest, collateralized by mortgages, monthly payments are amortized over 15 years and due in full in September 2024	**4,387,952**	4,642,302
Monarch Community Fund, unsecured at 4.00% interest, the principal balance is due at and matures July 2022	**350,000**	350,000
Adrian Dominican Sisters, unsecured at 3.00% interest, the principal balance is due at and matures October 2018	**250,000**	250,000
Santa Fe Community Foundation, unsecured at 2.50% interest, the principal balance is due at and matures April 2021	**250,000**	250,000
Santa Fe Community Foundation, unsecured at 2.50% interest, the principal balance is due at and matures January 2023	**165,000**	165,000
Sisters of Charity of the Incarnate Word, unsecured at 1.00% interest, the principal balance is due at and matures February 2021	**150,000**	150,000
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**	3,000,000
SVHsupport, at 2.50% interest, collateralized by mortgages, quarterly payments are amortized over 20 years and due in full in March 2023	**1,925,825**	2,000,000

NOTE 7. LINES OF CREDIT, NOTES PAYABLE, EQUITY EQUIVALENT INVESTMENT AND COMMUNITY INVESTMENT NOTES (CONTINUED)

	2017	2016
Bank, at 3.75% interest, collateralized mortgages, quarterly payments are amortized over 20 years and due in full in March 2030	**2,438,622**	2,892,634
Bank, at 3.75% interest, collateralized mortgages, quarterly payments are amortized over 20 years and due in full in March 2030	**1,337,982**	1,448,816
Bank, at 3.75% interest, collateralized mortgages, quarterly payments are amortized over 20 years and due in full in September 2030	**834,019**	983,023
Total notes payable	**41,123,252**	40,181,830
Less current maturities	**(3,312,466)**	(4,324,891)
Less unamortized discount	**(292,536)**	(175,365)
Total notes payable, less current portion and unamortized discount	**$37,518,251**	35,681,574

Notes payable, equity equivalent investment, at March 31 consist of the following:

	2017	**2016**
Notes payable – Equity Equivalent Investment ("EQ2")		
Wells Fargo Community Investment Holdings, unsecured at 2.00% interest, the principal balance is due at and matures March 2024	**$1,000,000**	1,000,000
Less unamortized discount	**(86,986)**	(99,486)
Total notes payable – Equity Equivalent Investment less unamortized discount	**$ 913,014**	900,514

There is no current portion due for equity equivalent investments at March 31, 2017, and 2016.

NOTE 7. LINES OF CREDIT, NOTES PAYABLE, EQUITY EQUIVALENT INVESTMENT AND COMMUNITY INVESTMENT NOTES (CONTINUED)

Notes payable, community investment at March 31 were unsecured investments made by individuals and trusts to the Organization and consist of the following:

	2017	2016
Notes Payable – Community Investment		
Individuals and trusts, notes at 1.50% to 2.00% Interest, maturing April 2016 to March 2017	**-**	69,138
Individuals and trusts, notes at 1.00% to 2.50% Interest, maturing April 2017 to March 2018	**743,550**	694,172
Individuals and trusts, notes at 1.00% to 2.50% Interest, maturing April 2018 to March 2019	**460,632**	109,585
Individuals and trusts, notes at 1.00% to 2.50% Interest, maturing April 2019 to March 2020	**365,203**	280,101
Individuals and trusts, notes at 2.00% to 3.50% Interest, maturing April 2020 to March 2021	**650,000**	-
Individuals and trusts, notes at 2.00% to 3.50% Interest maturing after April 2021	**625,040**	786,475
Total notes payable, community investment	**2,844,425**	1,939,471
Less current maturities	**(743,550)**	(69,138)
Less unamortized discount	**(52,948)**	(71,950)
Total notes payable, community investment less current portion and unamortized discount	**$2,047,926**	1,798,383

NOTE 7. LINES OF CREDIT, NOTES PAYABLE, EQUITY EQUIVALENT INVESTMENT AND COMMUNITY INVESTMENT NOTES (CONTINUED)

At March 31, 2017 scheduled future principal payments, net of unamortized discount, due on the notes payable and lines of credit are as follows:

Year ending March 31,	
2018	$ 5,448,303
2019	6,584,205
2020	3,446,313
2021	4,853,437
2022	4,329,726
Thereafter	22,009,060
Total future principal payments	$ 46,671,044

At March 31, 2017 the Organization was in compliance with all financial loan covenants.

NOTE 8. PERMANENTLY RESTRICTED NET ASSETS

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, 2017 follows:

	NWA	SFLT	Total
Cash	$ 324,570	155,434	480,004
Mortgage notes receivable	1,958,444	84,309	2,042,753
Accounts and escrows payable	(1,879)	(1,788)	(3,666)
Net assets	$ 2,281,136	237,955	2,519,091
Permanently restricted net assets, beginning of year	$ 2,820,170	237,955	3,058,125
Grants of loan funds	25,000	-	25,000
Released from restriction	(564,034)	-	(564,034)
Permanently restricted net assets, end of year	**$ 2,281,136**	**237,955**	**2,519,091**

NOTE 8. PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)

Summarized activity in the funds at March 31, 2016 follows:

	NWA	SFLT	Total
Cash	$ 822,466	123,752	946,218
Mortgage notes receivable	2,000,559	116,256	2,116,815
Accounts and escrows payable	(3,012)	(1,896)	(4,908)
Net assets	$ 2,820,013	283,112	3,058,125
Permanently restricted net assets, beginning of year	$ 2,850,517	283,112	3,088,629
Grants of loan funds	450,000	-	450,000
Released from restriction	(480,504)	-	(480,504)
Permanently restricted net assets, end of year	**$ 2,820,013**	**283,112**	**3,058,125**

NOTE 9. GRANTS

Government Grants
Government grants for the year ended March 31, 2017 consist of:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
State and local awards				
City of Santa Fe – Administration of Housing programs	$ 261,134	34,750	-	295,884
New Mexico Finance Authority	26,500	-	-	26,500
Total non-federal awards	287,634	34,750	-	322,384
Federal awards				
Community Development Block grant	-	18,248	-	18,248
Community Development Financial Institution program	-	2,000,000	-	2,000,000
Other federal appropriations through NWA	22,184	-	25,000	47,184
Total federal awards	22,184	2,018,248	25,000	2,065,432
Total government grants	**$ 309,818**	**2,052,998**	**25,000**	**2,387,816**

NOTE 9. GRANTS (CONTINUED)

Government grants for the year ended March 31, 2016 consist of:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
State and local awards				
City of Santa Fe – Administration of Housing programs	$ 186,138	171,152	-	357,290
Total non-federal awards	186,138	171,152	-	357,290
Federal awards				
Community Development Block grant	-	30,954	-	30,954
Community Development Financial Institution program	-	-	-	-
Other federal appropriations through NWA	235,500	-	450,000	685,500
Total federal awards	235,500	30,954	450,000	716,454
Total government grants	**$ 421,638**	**202,107**	**450,000**	**1,073,745**

NOTE 10. FUNCTIONAL EXPENSES

For the year ended March 31, 2017, program, administrative and fundraising expenses were composed of the following:

	Program	Administrative	Fundraising	Total
Personnel services and benefits	$ 4,113,010	1,130,456	328,164	5,571,630
Client support	239,718	573	9	240,300
Interest	1,508,380	-	-	1,508,380
Occupancy	123,801	76,819	1,232	201,852
Real Estate Carrying Costs	373,818	-	-	373,818
Professional services	155,414	102,719	2,962	261,095
Administrative	202,951	138,302	31,628	372,881
Marketing	101,919	20,867	74,492	197,278
Professional development	149,761	45,126	12,921	207,808
Depreciation	62,154	124,307	1,883	188,344
Insurance	37,861	113,981	1,727	153,569
Amortization	357,117	-	-	357,117
Bad debt, net of recoveries	415,936	-	-	415,936
Total functional expenses	**$ 7,841,840**	**1,753,150**	**455,018**	**10,050,008**

For the year ended March 31, 2016, program, administrative and fundraising expenses were composed of the following:

	Program	Administrative	Fundraising	Total
Personnel services and benefits	$ 3,491,484	1,180,220	245,879	4,917,583
Client support	143,431	48,480	10,100	202,011
Interest	1,570,468	-	-	1,570,468
Occupancy	146,744	49,603	10,334	206,681
Real Estate Carrying Costs	583,654	-	-	583,654
Professional services	303,784	102,688	21,393	427,865
Administrative	328,430	111,021	23,130	462,581
Marketing	141,690	47,895	9,978	199,563
Professional development	152,979	51,711	10,773	215,463
Depreciation	152,103	51,415	10,711	214,229
Insurance	98,104	33,162	6,909	138,175
Amortization	238,712	-	-	238,712
Bad debt, net of recoveries	(176,079)	-	-	(176,079)
Total functional expenses	**$ 7,175,504**	**1,676,195**	**349,207**	**9,200,906**

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 $237,867 and $193,539 for the years ended March 31, 2017 and 2016, 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 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 exits that property values may fall below the loan values creating a concentration of credit risk.

At March 31, 2017, 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 $4,795,827 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 conditions of its grants and contracts and no significant liability, if any, will result from an audit.

Letters of Credit - At March 31, 2017, the Organization had four available letters of credit issued by financial institutions in the aggregate amount of $3,426,343 related to the Desert Sage, Las Palomas and El Camino Crossing developments.

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, 2017 and 2016. The Organization files an exempt organization return in the U.S. federal jurisdiction.

NOTE 15. RELATED PARTY TRANSACTIONS

The Organization has a loan with SVHsupport totaling $2,000,000. An Organization Board Member is the President of SVHsupport and a board member of Christus St. Vincent Regional Medical Center (CSVRMC).

The Organization has a continuing relationship with CSVRMC related to an Employee Affordable Housing Program. The purpose of the Program is to help CSVRMC retain employees by providing financial assistance to employees who meet the program guidelines for the purchase of a home. The Organization received a $100,000 Affordable Housing contribution from CSVRMC during 2016 used for down payment assistance in the form of deferred loans. In addition, SVHsupport provides secondary loans to CSVRMC employees under the Employee Affordable Housing Program. The Organization provides mortgage loan servicing to SVHsupport for these loans.

The Organization has investments from both Homewise Employees and Homewise Board Members in Homewise Community Investment Notes. Related party investments totaled $96,664 and $106,100 for 2017 and 2016, respectively.

HOMEWISE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
March 31, 2017

	Pass-through Grantor Number or Other Identifying Number	CFDA	Expenditures
U.S. Department of Housing and Urban Development			
Community Development Block Grants			
(pass through from City of Santa Fe)			
Down payment assistance	15-0345	14.218	$ 18,248
Total U.S. Department of Housing and Urban Development			18,248
U.S. Department of Treasury			
Community Development Financial Institution			
from Treasury Department	151FA013393	21.020	2,000,000
Program Loan Capital			2,000,000
NeighborWorks America			
Revolving loan fund	8155	21.000	47,184
Total U.S. Department of Treasury			2,047,184
Total all funding agencies			$ 2,065,432

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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.

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 financial statements of Homewise, Inc. (a nonprofit organization), which comprise the statement financial position as of and for the year ended March 31, 2017 , and the related 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 19, 2017.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Homewise, Inc.'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. 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 of 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 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 result 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.

Ricci & Company LLC

Albuquerque, New Mexico
June 19, 2017

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**Report on Compliance for Each Major Federal Program
and on Internal Control over Compliance
Required by the Uniform Guidance**

Independent Auditor's Report

To the Board of Directors of
Homewise, Inc.

Report on Compliance for Each Major Federal Program
We have audited Homewise, Inc. (a nonprofit organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended March 31, 2017. The Organization'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 the Organization'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 the Organization'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 the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization 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, 2017.

Report on Internal Control Over Compliance

Management of the Organization 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 the Organization'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 the Organization'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.

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.

Ricci & Company LLC

Albuquerque, New Mexico
June 19, 2017

HOMEWISE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended March 31, 2017

Section I— Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies reported?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies reported?	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	No

Identification of major programs:

CFDA Number	Name of Federal Program
21.020	Community Development Financial Institution

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

Section II — Financial Statements Audit Findings: None

Section III — Major Federal Program Audit Findings: None