Homewise, Inc.

Financial Statements and
Supplementary Information

March 31, 2014 and 2013

Certified Public Accountants
and Business Advisors LLC

HOMEWISE, INC.

OFFICIAL ROSTER
MARCH 31, 2014

Board of Directors

Teresa Leger de Fernandez	Chairwoman
Andrew Spingler	Vice Chairman
David Hofmann	Treasurer
Ann Lockhart	Secretary
Sam Baca	Member
Frank Mathew	Member
Dave Delgado	Member
Erika Campos	Member

Administration Official

Michael Loftin	Chief Executive Officer

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HOMEWISE, INC.

Certified Public Accountants
and Business Advisors LLC

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Homewise, Inc.

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, 2014 and 2013, and 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2014 and 2013, 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 Matters

Other 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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 11, 2014, on our consideration of Homewise, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Homewise Inc.'s internal control over financial reporting and compliance.

Axiom

Albuquerque, New Mexico
June 11, 2014

HOMEWISE, INC.
STATEMENTS OF FINANCIAL POSITION
March 31, 2014 and 2013

ASSETS		2014	2013
Current assets			
Cash and cash equivalents	$	**5,461,927**	4,568,758
Broker receivables		**1,827,959**	1,434,460
Grants receivable		**75,802**	115,467
Amortizing mortgage loans receivable, current portion		**1,078,250**	871,918
Inventory		**18,343**	44,331
Development costs		**4,471,390**	4,443,782
Total current assets		**12,933,671**	11,478,716
Property and equipment, net		**2,669,360**	1,827,961
Mortgage loans receivable			
Amortizing		**35,683,102**	29,045,578
Allowance on amortizing loans		**(877,241)**	(842,690)
Total amortizing		**34,805,861**	28,202,888
Deferred		**17,510,225**	17,014,340
Allowance on deferred loans		**(4,929,800)**	(5,436,800)
Total deferred		**12,580,425**	11,577,540
Total mortgage loans receivable		**47,386,286**	39,780,428
Other real estate owned		**253,518**	234,224
Mortgage servicing rights		**961,181**	691,924
Development costs, net of current		**9,161,795**	9,893,453
Infrastructure deposits		**140,130**	140,130
Other assets		**660,585**	592,368
Total assets	$	**74,166,526**	64,639,204

See Notes to Financial Statements.

HOMEWISE, INC.
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
March 31, 2014 and 2013

LIABILITIES AND NET ASSETS	**2014**	2013
Current liabilities		
Accounts payable and accrued expenses	$ **489,648**	1,393,698
Notes payable, community investment, current portion	**5,000**	-
Escrows and deposits	**898,810**	712,497
Lines of credit	**2,337,529**	2,736,572
Notes payable, current portion	**2,870,471**	1,579,044
Total current liabilities	**6,601,458**	6,421,811
Long-term liabilities		
Notes payable, long-term, net of current portion and unamortized discount	**27,947,496**	22,700,410
Notes payable, equity equivalent investment, net of unamortized discount	**887,408**	250,000
Notes payable, community investment, net of current portion and unamortized discount	**1,203,376**	291,460
Deferred grants revenue	**46,591**	-
Due to grantor agency	**1,315,805**	1,430,305
Total long-term liabilities	**31,400,676**	24,672,175
Total liabilities	**38,002,134**	31,093,986
Net assets		
Unrestricted	**22,980,279**	20,630,317
Temporarily restricted	**9,545,484**	9,176,272
Permanently restricted	**3,638,629**	3,738,629
Total net assets	**36,164,392**	33,545,218
Total liabilities and net assets	$ **74,166,526**	64,639,204

See Notes to Financial Statements.

HOMEWISE, INC.
STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	**Total**
Support and Revenues				
Home development sales	$ 12,154,458	-	-	**12,154,458**
Government grants	1,143,093	142,651	1,100,000	**2,385,744**
Loan portfolio interest	2,048,509	22,563	-	**2,071,072**
Real estate sales commissions	880,957	-	-	**880,957**
Loan origination fees	1,103,599	-	-	**1,103,599**
Contributions and grants	80,508	-	-	**80,508**
Bank interest	3,017	-	-	**3,017**
Amortization and valuation of mortgage servicing rights	376,190	-	-	**376,190**
Other revenue	431,505	3,998	-	**435,503**
Net asset transfers	1,000,000	200,000	(1,200,000)	**-**
Total support and revenues	19,221,836	369,212	(100,000)	**19,491,048**
Expenses				
Program	4,926,016	-	-	**4,926,016**
Cost of home development sales	10,221,384	-	-	**10,221,384**
Administrative	1,438,861	-	-	**1,438,861**
Fundraising	285,613	-	-	**285,613**
Total expenses	16,871,874	-	-	**16,871,874**
Change in net assets	2,349,962	369,212	(100,000)	**2,619,174**
Net assets at beginning of year	20,630,317	9,176,272	3,738,629	**33,545,218**
Net assets at end of year	$ 22,980,279	9,545,484	3,638,629	**36,164,392**

See Notes to Financial Statements.

HOMEWISE, INC.
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 Financial Statements.

HOMEWISE, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended March 31, 2014 and 2013

		2014	2013
Cash Flows From Operating Activities			
Cash received from customers	$	17,954,476	12,966,051
Cash received from grants and contributions		2,505,917	4,319,773
Cash paid to suppliers		(13,809,939)	(15,034,203)
Cash paid to employees		(3,675,059)	(3,208,642)
Cash paid for interest		(834,644)	(690,700)
Net cash provided (used) by operating activities		2,140,751	(1,647,721)
Cash Flows From Investing Activities			
Property and equipment acquisitions		(1,090,835)	(216,200)
Proceeds from disposal of property and equipment		-	27,869
Net increase in loans		(7,812,190)	(3,824,701)
Net cash flows used by investing activities		(8,903,025)	(4,013,032)
Cash Flows From Financing Activities			
Long-term borrowings		13,372,242	7,755,575
Capitalization of below market long-term borrowings		(187,940)	(49,115)
Payments on long-term borrowings		(5,129,816)	(1,952,732)
Net draws (payments) on bank lines of credit		(399,043)	783,466
Net cash flows provided by financing activities		7,655,443	6,537,194
Net increase in cash and cash equivalents		893,169	876,441
Cash and cash equivalents, beginning of year		4,568,758	3,692,317
Cash and cash equivalents, end of year	$	5,461,927	4,568,758

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

		2014	2013
Change in net assets	$	2,619,174	5,076,500
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:			
Depreciation		249,436	255,771
Amortization of discount on below market notes payable		38,351	34,017
Loss on sale of property and equipment		-	25,035
Mortgage servicing rights		(269,257)	(691,924)
Change in assets and liabilities			
Broker receivables		(393,499)	751,720
Infrastructure deposits		-	61,186
Grants receivable		39,665	(71,969)
Prepaid expenses and other assets		(68,217)	(305,732)
Inventory		25,988	2,225
Development costs		704,050	(7,213,194)
Accounts payable and accrued liabilities		(904,050)	833,452
Escrows and deposits		186,313	316,572
Due to grantor agency		(114,500)	(19,123)
Deferred grant revenue		46,591	(376,094)
Deferred development revenue		-	(244,648)
Other real estate owned		(19,294)	(81,515)
Net cash flows provided (used) by operating activities	$	2,140,751	(1,647,721)

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 the Santa Fe, Albuquerque and Northern New Mexico area. 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, 2014 and 2013.

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 $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

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2014 and 2013.

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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

If the funds are to be returned to a grantor upon collection, the full amount is included in the 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, 2014 and 2013.

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, 2014 and 2013 was $38,351 and $34,017, 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 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.

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, 2014 and 2013.

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 $355,093 and $373,008 at March 31, 2014 and 2013, 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 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.

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, 2014 and 2013 the balance recorded as community investment notes amounted to $1,208,376 and $291,460, 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 11, 2014, which is the date the 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:

		2014	2013
Non-Federal			
City of Santa Fe	$	**75,802**	94,468
Other grants receivable		**-**	20,999
Total grants receivable	$	**75,802**	115,467

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, 2014 and 2013 are as follows:

Project	2014	2013
Tessera	**$ 4,368,249**	4,056,177
Las Palomas	**2,752,301**	1,439,822
Aldea	**1,486,525**	977,366
Desert Sage	**1,284,345**	1,239,455
Oshara	**1,147,607**	1,117,271
Rincon del Sol	**1,078,600**	1,339,856
Vista Serena	**719,309**	719,309
Fairly	**419,582**	302,123
Piñon Ridge	**323,219**	1,153,203
Old Las Vegas	**31,519**	324,571
Palomita	**21,929**	21,929
	$ 13,633,185	14,337,235

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 have sold leaving 74 lots available for purchase and the construction of two model homes is in process. Phase 2 is comprised of 78 entitled, but undeveloped, lots also averaging about one half acre. Phase 3 is 92.3 acres located south of the bypass in what is called the "presumptive city limit" which means it is scheduled to be annex into the city limits.

Las Palomas (formerly El Nido) consists of 45 lots located in Tract 48, Phase 2A, Unit 2 of Tierra Contenta, Santa Fe New Mexico. 9 homes are under construction, 2 have sold, 2 are models leaving 32 remaining to be sold and built.

Aldea consists of 19 developed lots in the County of Santa Fe in the Aldea development. Currently 3 have been pre-sold (with 2 of these under construction) and 1 has closed.

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; however, the Organization is currently working with the city on possible relocation of the entrance to the development. The project is currently on hold for 2 years.

NOTE 3. DEVELOPMENT COSTS (CONTINUED)

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 (32) are townhouse lots and were planned by the developer to be live/work units. Construction on the model is expected to commence in the Summer of 2014.

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, 2014 construction on the 26th home was in progress, 24 of the homes to be developed by the Organization have sold and three spec homes are available for sale.

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, 2014.

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 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.

Piñon Ridge subdivision consists of 39 custom lots. As of March 31, 2014 all the lots have been sold and the Organization is currently working on fully closing out the development.

Old Las Vegas Place (formerly Old Las Vegas Highway) in Santa Fe County consists of tracts of land that were donated to the Organization for affordable housing. The balance includes the costs of land and some remaining improvements. Vertical construction began in 2010 in this 50-unit development and as of March 31, 2014 all have been sold.

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 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, 2014, ninety percent of deferred loans were funded through grants (58%) and contributions (32%) made to the Organization for this specific purpose. Of the remaining 10% 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, 2014 and 2013, the total gross amount of amortizing and deferred mortgage loans receivable are summarized as follows:

		2014	2013
Amortizing	$	**36,761,352**	29,917,496
Deferred		**17,510,225**	17,014,340
Total loan receivable	$	**54,271,577**	46,931,836

NOTE 4. MORTGAGE LOANS RECEIVABLE (CONTINUED)

The Organization provides for potentially uncollectible loans as described in Note 1. As of March 31, 2014, the Organization had the following delinquent amortizing loans:

	Number	Payment Due	Loan Amount
31-60 days	10	$ 7,713	390,685
61-90 days	6	8,901	309,168
> 90 days	6	4,904	104,246
	22	$ 21,518	804,099

The total amount 31 or more days past due was equivalent to 2.2% of the gross outstanding amortizing mortgage loans receivable balance at March 31, 2014.

As of March 31, 2013, the Organization had the following delinquent amortizing 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 total amount 31 or more days past due was equivalent to 3.2% of the gross outstanding amortizing mortgage loans receivable balance at March 31, 2013.

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.

NOTE 4. MORTGAGE LOANS RECEIVABLE (CONTINUED)

At March 31, 2014 and 2013, amortizing and deferred mortgage loans receivable had the following general and specific allowances applied against principal due:

	2014		2013	
	Amortizing	**Deferred**	Amortizing	Deferred
General allowance	**$ 877,241**	**3,597,339**	842,690	4,155,518
Specific allowance	**-**	**1,332,461**	-	1,281,282
Total allowance	**$ 877,241**	**4,929,800**	842,690	5,436,800

Changes in the allowance for loan losses at March 31, 2014 and 2013 are summarized as follows:

	Amortizing	Deferred	Total
Balance, March 31, 2012	$ 694,336	6,011,400	6,705,736
Provision (recovery) 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
Provision (recovery) for loan losses	115,354	(466,000)	(350,646)
Loans charged off, net of recoveries	(80,803)	(41,000)	(121,803)
Balance, March 31, 2014	$ 877,241	4,929,800	5,807,041

Deferred loans that are expected to be forgiven at the end of a fixed term totaled $591,956 and $609,343 at March 31, 2014 and 2013, respectively.

Loans to related parties amounted to $299,163 and $349,566 at March 31, 2014 and 2013, 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:

	2014	2013
Land	**$ 894,460**	-
Buildings and improvements	**1,989,228**	1,989,228
Software	**1,003,361**	837,477
Furniture and equipment	**441,194**	419,827
Leasehold Improvements	**9,123**	-
	4,337,366	3,246,532
Less: Accumulated depreciation	**(1,668,006)**	(1,418,571)
Net value of depreciable property and equipment	**$ 2,669,360**	1,827,961

Depreciation expense for the years ended March 31, 2014 and 2013 was $249,436 and $255,771, respectively.

NOTE 6. MORTGAGE SERVICING RIGHTS

Mortgage loans serviced for others are not included in the accompanying statement of financial position. The unpaid balance of these loans as of March 31, 2014 and 2013 is summarized as follows:

	2014	2013
Mortgage loan portfolios serviced for:		
Federal National Mortgage Association (FNMA)	**$ 138,416,969**	99,669,348
Other investors	**1,258,889**	1,074,723
	$ 139,675,858	100,744,071

During 2014 and 2013, 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 $411,059 and $253,558 during 2014 and 2013, respectively. These fees are included as other revenue on the statement of activities.

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

	2014	2013
Balance at beginning of period	**$ 691,924**	-
Servicing rights originated and capitalized	**376,190**	691,924
Amortization	**(106,933)**	-
Balance at end of period	**$ 961,181**	691,924

NOTE 6. MORTGAGE SERVICING RIGHTS (CONTINUED)

The primary risk characteristics of the underlying loans used to stratify the servicing assets for the purposes of measuring impairment are interest rate and original term. The valuation allowance is used to recognize impairments of the mortgage servicing rights. A mortgage servicing right is impaired when the fair value of the mortgage servicing right is below the amortized book value of the mortgage servicing right. The mortgage servicing rights are accounted by risk tranche, with the interest rate and term of the underlying loan being the primary strata used in distinguishing the tranches. Each tranche is evaluated separately for impairment. At March 31, 2014, there was no 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.

The following assumptions were used to calculate the market value of the mortgage servicing rights as of March 31, 2014 and 2013:

	2014	2013
Public Securities Association (PSA) speed	**119%**	183%
Discount rate	**10%**	12%
Earnings rate	**0.98%**	0.92%

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:

	2014	2013
Current		
Lines of credit	$ **2,337,529**	2,736,572
Notes payable	**2,870,471**	1,579,044
Notes payable, community investment	**5,000**	-
Total current	**5,213,000**	4,315,616
Long-term		
Notes payable	**28,044,897**	22,810,213
Notes payable, equity equivalent investments	**1,000,000**	250,000
Notes payable, community investments	**1,252,775**	291,460
Less unamortized discount	**(259,392)**	(109,803)
Total long-term, net	**30,038,280**	23,241,870
Total	$ **35,251,280**	27,557,486

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

Lines of credit at March 31 consist of the following:

	2014	2013
Lines of credit		
Bank, line of credit of $2,175,000 at 5.25% variable interest collateralized by land, matures August 2013	$ -	39,474
Bank, line of credit of $1,900,000 at 5.25% variable interest collateralized by land, matures January 2015	**282,413**	79,307
Bank, line of credit of $2,000,000 at 5.25% variable interest collateralized by land, matures January 2014	-	1,117,791
Assignment of Construction Contracts of $2,150,000 For various loans at 4.25% interest, collateralized By lot mortgages, maturing March 2015	**855,116**	-
Bank, line of credit of $2,000,000 at 5.50% variable interest collateralized by second mortgages, matures August 2014	**1,200,000**	1,500,000
Total lines of credit	**$ 2,337,529**	2,736,572

At March 31, 2014 there were three additional lines of credit available to draw on which carried a zero balance. These lines of credit included a Construction Master Line for $5,000,000, collateralized by land and vertical construction of homes; a Warehouse Line of Credit for $3,000,000 at 5.00% variable interest collateralized by mortgages and maturing April 2014; and a line of credit for $1,000,000 at 5.50% variable interest, collateralized by land and maturing March 2015.

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

Notes payable at March 31 consist of the following:

		2014	2013
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		**1,587,415**	1,664,113
Bank, at 5.25% interest collateralized by the Homewise headquarters building, due in principal and interest payments on the 13th day of each month beginning July 2007 and maturing June 2037		**1,363,579**	1,392,835
New Mexico Mortgage Finance Authority, at 3.00% interest, collateralized by Desert Sage property, the principal balance is due at and matures September 2014		**648,025**	748,025
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
Revolving credit with $5,000,000 available for drawdown until August 2014 at the ten (10) year LIBOR rate fixed at time of drawdown, collateralized by mortgages, payments are amortized over 30 years and due in full 10 years from initial drawdown		**5,000,000**	-

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

Notes Payable (Continued)	**2014**	2013
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
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
Bank, at 3.44% interest collateralized by a commercial security and pledge agreement, the principal balance is due at and matures January 2019	**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**	500,000
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	**485,498**	500,258
Religious Communities Investment, unsecured at 2.00% interest, the principal balance is due at and matures November 2014	**150,000**	150,000
Seton Enablement Fund, unsecured at 3.00% interest, the principal balance is due at and matures October 2017	**97,007**	127,000

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

	2014	2013
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
Bank, at 4.25% interest collateralized by Las Palomas development, the principal balance is due at and matures September 2015	**640,268**	977,287
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	**63,168**	93,990
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	**75,000**	519,000
Bank, at 3.00% interest collateralized by second mortgages, the principal balance is due at and matures October 2022	**500,000**	500,000

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

Notes Payable (Continued)	**2014**	2013
Mercy Investment Services, Inc, unsecured at 3.00% interest, the principal balance is due at and matures December 2017	**$ 700,000**	700,000
Bank, at 3.00% interest collateralized by assignment of mortgage notes receivable, the principal balance is due at and matures January 2018	**449,085**	489,239
Sachs Foundation, unsecured at 3.00% interest, the principal balance is due at and matures September 2017	**250,000**	250,000
Opportunity Finance Network, at 3.00% interest collateralized by second mortgages, the principal balance was paid in full during fiscal year 2014	**-**	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**	350,000
Adrian Dominican Sisters, unsecured at 3.00% interest, the principal balance and final interest payment is due at and matures October 2017	**250,000**	100,000
Santa Fe Community Foundation, unsecured at 2.50% interest, the principal balance and final interest payment is due at and matures April 2021.	**250,000**	-
Bank, collateralized by pledged amortizing portfolio loans at 3.50% interest due quarterly with 3 principal payments of $1,000,000 due in 2022, 2023, and maturing and due February 2024	**3,000,000**	-
Bank, collateralized by portfolio loans at 4.50% interest, with amortizing monthly payments maturing in September 2018	**1,812,925**	-

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

	2014	2013
Notes Payable (Continued)		
Bank, collateralized by portfolio loans at 3.50% interest, with 119 regular principal and interest payments and 1 irregular payment on maturity date of September 2023	**$ 982,523**	-
Bank, collateralized by portfolio loans at 4.25% interest, the principal balance is due at and and matures September 2014	**256,383**	-
Bank, at 4.00% interest collateralized by Tessera development, the principal balance is due at and matures September 2027	**3,204,491**	3,473,769
Total notes payable	**30,915,368**	24,389,257
Less current maturities	**(2,870,471)**	(1,579,044)
Less unamortized discount	**(97,401)**	(109,803)
Total notes payable, less current portion and unamortized discount	**$ 27,947,496**	22,700,410

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

	2014	2013
Notes Payable - Equity Equivalent Investment		
During fiscal year 2014 and 2013, the Organization Entered into an equity equivalent ("EQ2") investment agreement with Wells Fargo Community Investment Holdings. The agreement bears interest at a fixed rate of 2.00%. The agreement is unsecured and the principal balance is due at and matures March 2024	**$ 1,000,000**	250,000
Less unamortized discount	**(112,592)**	-
Total notes payable - equity equivalent investment less unamortized discount	**$ 887,408**	250,000

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

There is no current portion due for equity equivalent investments at March 31, 2014 or 2013.

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

	2014	2013
Notes Payable - Community Investment		
Individual, note at 1.50% interest, maturing April 2014 to March 2015	**$ 5,206**	5,126
Individuals and trusts, notes at 1.25% to 2.00% interest, maturing April 2015 to March 2016	**928,652**	219,295
Individuals and trusts, notes at 1.50% to 2.00% Interest, maturing April 2016 to March 2017	**69,032**	15,000
Individuals and trusts, notes at 1.00% to 2.50% interest, maturing April 2017 to March 2018	**127,082**	52,039
Individuals and trusts, notes at 1.00% to 2.50% interest, maturing April 2018 to March 2019	**127,803**	-
Total notes payable, community investment	**1,257,775**	291,460
Less current maturities	**(5,000)**	-
Less unamortized discount	**(49,399)**	-
Total notes payable, community investment less current portion and unamortized discount	**$ 1,203,376**	291,460

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

At March 31, 2014, scheduled future principal payments, gross of unamortized discount, due on the notes payable and lines of credit are as follows:

Year ending March 31,	
2015	$ 5,213,000
2016	1,492,000
2017	3,327,000
2018	3,906,000
2019	2,932,000
Thereafter	18,640,672
	$35,510,672

Homewise is in compliance with all financial debt covenants as of March 31, 2014 and 2013.

NOTE 8. PERMANENTLY RESTRICTED NET ASSETS

Unrestricted net assets include $3,504,069 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 $9,545,484 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, 2014 follows:

		NWA	SFLT	Total
Cash	$	(175,784)	81,880	**(93,904)**
Mortgage notes receivable		3,585,393	158,207	**3,743,600**
Accounts and escrows payable		(9,092)	(1,975)	**(11,067)**
Net assets	$	3,400,517	238,112	**3,638,629**
Permanently restricted net assets beginning of year	$	3,500,517	238,112	**3,738,629**
Grants of loan funds		1,100,000	-	**1,100,000**
Released from Restriction		(1,200,000)	-	**(1,200,000)**
Permanently restricted net assets end of year	$	3,400,517	238,112	**3,638,629**

NOTE 8. PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)

Summarized activity in the 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	$	3,500,517	238,112	**3,738,629**

NOTE 9. GOVERNMENT GRANTS

Government grants for the year ended March 31, 2014 consisted of:

	Unrestricted	Temporarily Restricted	Permanently Restricted	**Total**
State and local awards				
City of Santa Fe – Administration of housing programs	$ 208,038	-	-	**208,038**
Total non-federal awards	208,038	-	-	**208,038**
Federal awards				
New Mexico Mortgage Finance Authority (NMMFA) – HOME	42,255	-	-	**42,255**
Community Development Block Grant	-	142,651	-	**142,651**
Community Development Financial Institution Program	597,000	-	-	**597,000**
Other federal appropriations Through NWA	295,800	-	1,100,000	**1,395,800**
Total federal Awards	935,055	142,651	1,100,000	**2,177,706**
	$ 1,143,093	142,651	1,100,000	**2,385,744**

NOTE 9. GOVERNMENT GRANTS (CONTINUED)

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 10. FUNCTIONAL EXPENSES

For the year ended March 31, 2014, program, administrative and fundraising expenses were composed of the following:

	Program	Administrative	Fundraising	**Total**
Personnel services and benefits	$2,646,042	845,264	183,753	**3,675,059**
Client support	134,709	43,032	9,355	**187,096**
Interest	842,305	-	-	**842,305**
Occupancy	293,540	93,770	20,385	**407,695**
Professional services	270,747	86,489	18,802	**376,038**
Administrative	332,515	106,220	23,091	**461,826**
Marketing	255,667	81,671	17,755	**355,093**
Professional development	137,992	53,664	-	**191,656**
Depreciation	179,594	57,370	12,472	**249,436**
Insurance	106,559	41,439	-	**147,998**
Amortization	76,992	29,942	-	**106,934**
Bad debt, net of recoveries	(350,646)	-	-	**(350,646)**
	$4,926,016	1,438,861	285,613	**6,650,490**

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**

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 $157,801 and $144,406 for the years ended March 31, 2014 and 2013, 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 exists that property values may fall below the loan values creating a concentration of credit risk.

At March 31, 2014, 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 $3,755,687 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, 2014, the Organization had five available letters of credit issued by financial institutions in the aggregate amount of $2,522,776 related to the Las Palomas, Desert Sage, Piñon Ridge and Old Las Vegas Place developments. At March 31, 2013, the aggregate amount available on these letters of credit was $2,675,025.

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, 2014 and 2013. The Organization files an exempt organization return in the U.S. federal jurisdiction and with the New Mexico Taxation and Revenue Department.

HOMEWISE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
March 31, 2014

	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	$ 42,255
			42,255
Community Development Block Grants			
(pass through from City of Santa Fe)			
Down payment assistance	07-0635	14.218	142,651
Total U.S. Department of Housing and Urban Development			184,906
U.S. Department of Treasury			
Community Development Financial Institution			
from Treasury Department			
Program Loan Capital	101FA008765	21.020	597,000
			597,000
NeighborWorks America			
Revolving loan fund	None	21.000	1,100,000
Operating – general support	None	21.000	295,800
			1,395,800
Total U.S. Department of Treasury			1,992,800
Total all funding agencies			$ 2,177,706

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 financial statements.

NOTE 2. RECONCILIATION TO THE FINANCIAL STATEMENTS

Expenditures of federal awards	$ 2,177,706
Non-federal expenses	14,694,168
Total expenses	$ 16,871,874

NOTE 3. FEDERAL LOANS

At March 31, 2014, Homewise had one outstanding loan payable to the U.S. Department of Treasury for a total of $250,000. See details at Note 7 to the 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.

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 of financial position as of March 31, 2014, 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 11, 2014.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Homewise, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 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 11, 2014

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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.

Report on Compliance for Each Major Federal Program

We have audited Homewise, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Homewise, Inc.'s major federal programs for the year ended March 31, 2014. Homewise, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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.'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.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Homewise, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2014.

Report on Internal Control Over Compliance

Management of Homewise, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Homewise, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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.'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Axiom

Albuquerque, New Mexico
June 11, 2014

HOMEWISE, INC.
STATUS OF PRIOR YEAR FINDINGS
For the Year Ended March 31, 2014

There were no prior year audit findings

HOMEWISE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended March 31, 2014

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued — Unmodified

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: Unmodified

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
21.000	NeighborWorks America Revolving

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

Auditee qualified as low-risk auditee? — Yes

HOMEWISE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended March 31, 2014

B. FINANCIAL STATEMENT FINDINGS

None.

C. FEDERAL AWARD FINDINGS

None.