Small Business Investment Corporation

FINANCIAL STATEMENTS

June 30, 2014 and 2013

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Small Business Investment Corporation

We have audited the accompanying financial statements of Small Business Investment Corporation, also known as the New Mexico Small Business Investment Corporation (NMSBIC), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and changes in net assets 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.

Auditors' 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. 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 auditors' 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 NMSBIC'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 NMSBIC'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 NMSBIC as of June 30, 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.

Emphasis-of-Matter Regarding Investments
As discussed in Note 1 and Note 7, these financial statements include investments in partnerships valued by the general partner of each partnership in the absence of readily ascertainable market values. At June 30, 2014 and 2013, that portion of NMSBIC's investments was $14,810,398 and $15,652,588, respectively, which represents 41% and 44% of NMSBIC's net assets at those dates. Because of the inherent uncertainty of valuation of these investments, the estimate by each general partner of these values may differ significantly from values that would have been used had a ready market for those investments existed, and the difference could be material. Our opinion is not modified with respect to this matter.

Other Matter
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of activity of debt cooperative agreements and the schedule of activity of equity cooperative agreements on pages 15 and 16 are presented for purposes of additional analysis and are 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.

Pulakos CPAs, PC

September 19, 2014

Pulakos CPAs, PC

Small Business Investment Corporation

STATEMENTS OF FINANCIAL POSITION

June 30, 2014 and 2013

Assets		**2014**		**2013**
Current assets				
Cash and cash equivalents	$	3,307,669	$	6,219,243
Certificates of deposit		6,025,076		4,004,808
Interest and dividends receivable		7,270		630
Equity fund receivable		95,683		-
Prepaid expenses		4,201		3,923
Debt funding receivable		-		874,466
Total current assets		9,439,899		11,103,070
Equity investments in New Mexico entities		14,810,398		15,652,588
Cooperative loan agreements, net of allowance for losses		11,856,410		9,113,189
	$	36,106,707	$	35,868,847

Liabilities and Net Assets				
Current liabilities				
Accounts payable	$	197	$	-
Capital calls payable		-		120,000
Debt funding payable		31,552		-
Total current liabilities		31,749		120,000
Temporarily restricted net assets		36,074,958		35,748,847
	$	36,106,707	$	35,868,847

Small Business Investment Corporation

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended June 30, 2014 and 2013

	2014			2013		
	Unrestricted	**Temporarily Restricted**	**Total**	**Unrestricted**	**Temporarily Restricted**	**Total**
Revenues and other support:						
Interest and dividend income	$ -	$ 293,411	$ 293,411	$ -	$ 272,284	$ 272,284
Realized gain (loss) on investments	-	224,788	224,788	-	(509,721)	(509,721)
Investment valuation adjustments	-	194,795	194,795	-	1,294,651	1,294,651
Net assets released from restrictions	386,883	(386,883)	-	568,319	(568,319)	-
Total revenues and other support	386,883	326,111	712,994	568,319	488,895	1,057,214
Expenses:						
Program services						
Equity investment operating expense, net	152,820	-	152,820	228,121	-	228,121
Provision for loan losses	(5,347)	-	(5,347)	101,807	-	101,807
Other program services	114,143	-	114,143	117,469	-	117,469
Total program services	261,616	-	261,616	447,397	-	447,397
Management and general	125,267	-	125,267	120,922	-	120,922
Total expenses	386,883	-	386,883	568,319	-	568,319
Change in net assets	-	326,111	326,111	-	488,895	488,895
Net assets at beginning of year	-	35,748,847	35,748,847	-	35,259,952	35,259,952
Net assets at end of year	$ -	$ 36,074,958	$ 36,074,958	$ -	$ 35,748,847	$ 35,748,847

See Notes to Financial Statements and Independent Auditors' Report.

Small Business Investment Corporation

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Change in net assets	$ 326,111	$ 488,895
Adjustments to reconcile change in net assets		
to net cash provided (used) by operating activities		
Provision for loan losses	(5,346)	101,807
Net gain on investments and investment fees	(266,763)	(556,809)
Changes in operating assets and liabilities		
Interest and dividends receivable	(6,640)	8,892
Equity fund receivable	(95,683)	-
Debt funding receivable	874,466	(778,857)
Prepaid expenses	(278)	6,436
Accounts payable	197	-
Debt funding payable	31,552	(161,520)
Capital call payable	(120,000)	120,000
Cash provided (used) by operating activities	737,616	(771,156)
Cash flows from investing activities:		
(Purchase) maturity of certificates of deposit	(2,020,268)	8,515,870
Investments in New Mexico entities	(1,628,922)	(2,621,550)
Cash (used) provided by investing activities	(3,649,190)	5,894,320
Change in cash and cash equivalents	(2,911,574)	5,123,164
Cash and cash equivalents, beginning of year	6,219,243	1,096,079
Cash and cash equivalents, end of year	$ 3,307,669	$ 6,219,243

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Small Business Investment Corporation, also known as the New Mexico Small Business Investment Corporation (NMSBIC), is a nonprofit, independent, public corporation established by the New Mexico Small Business Investment Act, §58-29-1 et. Seq., NMSA1978, as amended (the Act). NMSBIC was formed to create new job opportunities by making equity investments in land, buildings or infrastructure for facilities to support new or expanding businesses in the State of New Mexico and to otherwise make debt investments and equity investments to create new job opportunities to support new or expanding businesses. NMSBIC's sole funding source is the New Mexico Severance Tax Permanent Fund.

NMSBIC seeks to establish programmatic, contractual relationships with existing and newly created providers of financial services to efficiently and effectively deliver capital for the purpose of creating new job opportunities and economic growth in the State of New Mexico. NMSBIC accomplishes this by providing capital for equity investments or loans for land, buildings or infrastructure to support new or expanded businesses, or equity investments or loans to New Mexico small businesses, to help support economic growth and job creation, and to otherwise enhance economic development objectives of the State of New Mexico.

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 and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual events and results could differ from those assumptions and estimates. The most significant estimates involve the fair value of debt and equity securities. Because of inherent uncertainty in valuing these investments, the estimated fair value may differ from the values that would have been used had a ready market for the investments existed.

Income Taxes

NMSBIC is a nonprofit charitable corporation and has been recognized as tax-exempt under Section 501(c)(4) of the Internal Revenue Code. NMSBIC has adopted accounting principles generally accepted in the United States of America as they relate to uncertain tax positions, and has evaluated its tax positions taken for open tax years. Currently, the 2011, 2012 and 2013 tax years are open and subject to examination by the Internal Revenue Service and New Mexico Taxation and Revenue Department. Management believes that the activities of NMSBIC are within their tax-exempt purpose, and that there are no uncertain tax positions.

Cash Equivalents

Cash and cash equivalents at June 30, 2014 and 2013, consist of demand deposit accounts and money market deposit accounts held at New Mexico branches of state and national banks.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investments

NMSBIC reports gains and losses on investments in the Statements of Activities and Changes in Net Assets as increases or decreases in temporarily restricted net assets unless their use is permanently restricted by explicit donor stipulations or by law.

For purposes of making equity investments in accordance with the Act, NMSBIC enters into limited partnership agreements (Cooperative Agreements) as a limited partner. Investments are carried at market value as determined in good faith by the general partner of each such limited partnership, in accordance with Cooperative Agreements. The general partners of these limited partnerships determine market value based upon fair value of the underlying investments of the limited partnerships, as there is no ready market for these investments. Realized gains and losses are recorded on a specific identification method upon the sale or write-off of investment assets of the limited partnerships. Investment valuation adjustments are determined by general partners based on an increase or impairment in value in underlying investments during the investment-holding period. Management and operating fees of equity investments are determined by the general partners in accordance with the Cooperative Agreements and are reflected as a decrease in partner capital accounts.

A loan receivable is considered to be past due if any portion of the receivable balance is unpaid and outstanding for more than one month. For the years ended June 30, 2014 and 2013, allowances have been established for loan losses incurred as a result of debt investments made under Cooperative Agreements are as follows:

	2014	2013
Allowance for loan losses, beginning	$ 260,434	$ 195,710
Loan losses incurred in current period	(24,453)	(37,083)
Provision for loan losses	(5,346)	101,807
Allowance for loan losses, ending	$ 230,635	$ 260,434

Certificates of deposit are carried at their face value.

NMSBIC may only make debt and equity investments in New Mexico businesses and in accordance with restrictions imposed by the Act.

Net Asset Classifications

NMSBIC classifies net assets and revenues, expenses, gains and losses based on the existence, or absence, of donor-imposed restrictions. Unrestricted net assets have no donor-imposed restrictions. Revenues that are donor restricted are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Other Program Services

Other program services are comprised of an allocation of management and general expenses directly related to delivery of program services.

Fair Value Measurements

Accounting Standards Codification Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical investments that NMSBIC has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly. These inputs may include quoted prices for the identical instrument in an inactive market, inputs other than observable quoted prices, or inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Financial Instruments

The carrying amounts of cash and cash equivalents, receivables, payables, and other liabilities approximate fair value due to the short maturity periods of these instruments.

Financial Statement Presentation

Certain reclassifications were made to the 2013 financial statements to conform with the 2014 presentation.

Subsequent Events

NMSBIC has evaluated all events occurring subsequent to June 30, 2014 and through September 19, 2014, which is the date that the financial statements were issued, and has disclosed or recorded any events occurring during this period require either recognition or disclosure in the accompanying financial statements.

NOTE 2 – CONCENTRATIONS

Concentration of Funding

NMSBIC receives 100% of its funding from the New Mexico Severance Tax Permanent Fund.

Concentration of Credit Risk

NMSBIC maintains its cash and cash equivalent balances in New Mexico branches of state and national financial institutions. The amounts on deposit with these financial institutions are insured by the Federal Deposit Insurance Corporation, are 100% collateralized by government-backed securities, or are 100% secured by a letter of credit from the Federal Home Loan Bank of Cincinnati. In 2011, NMSBIC had placed Certificates of Deposit into a CDARS® program where certificate of deposits were placed with a number of FDIC-insured depository institutions in amounts fully insured by the FDIC. In 2012, these CDARS® accounts were transferred into CDs that are 100% collateralized by government-backed securities. NMSBIC has not experienced, and believes it is not exposed, to significant credit risk from these deposits.

NMSBIC enters into Cooperative Agreements with parties that have demonstrated the ability to provide business assistance to new and expanding businesses and that are primarily engaged in the business of providing business services and debt and equity capital to new and expanding businesses. Under Cooperative Agreements with lenders, the lenders use their own funds and funds provided by NMSBIC to make loans to new and expanding businesses. Concentrations of credit risk arise from a number of loans made by such third parties utilizing NMSBIC funds to start up businesses. The lenders with which NMSBIC has entered into Cooperative Agreements have discretion as to whether or not to require, and the amount of, collateral taken, on the loans.

NOTE 3 – FAIR VALUE MEASUREMENT

The following table presents the fair value hierarchy for assets measured at fair value on a recurring basis as of June 30, 2014:

Assets at Fair Value

Description	Total	Level 1	Level 2	Level 3
Cooperative loan agreements	$ 11,856,410	$ -	$ 11,856,410	$ -
Equity investments in New Mexico entities	14,810,398	-	-	14,810,398
Certificates of deposit	6,025,076	-	6,025,076	-
	$ 32,691,884	$ -	$ 17,881,486	$ 14,810,398

NOTE 3 – FAIR VALUE MEASUREMENT - CONTINUED

The following table presents the fair value hierarchy for assets measured at fair value on a recurring basis as of June 30, 2013:

Assets at Fair Value

Description	Total	Level 1	Level 2	Level 3
Cooperative loan agreements	$ 9,113,189	$ -	$ 9,113,189	$ -
Equity investments in New Mexico entities	15,652,588	-	-	15,652,588
Certificates of deposit	4,004,808	-	4,004,808	-
	$ 28,770,585	$ -	$ 13,117,997	$ 15,652,588

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used.

Cooperative loan agreements: Valued at the net asset value of debt investment at year-end.

Equity investments in New Mexico entities: Valued at market value as determined in good faith by the general partner of each such limited partnership.

Certificates of Deposit: Valued at face value plus accrued earnings, which approximate fair value.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Level 3 Investments

The following tables present NMSBIC's activities for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2014 and 2013:

	2014	2013
Balance, beginning of year	$ 15,652,588	$ 12,455,423
Total gains or losses (realized/unrealized) included in earnings	419,583	784,930
Operating expenses and management fees	(152,820)	(228,121)
Purchases and settlements, net	(1,108,953)	2,640,356
Balance, end of year	$ 14,810,398	$ 15,652,588

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for funding debt or equity investments in accordance with the Act.

Temporarily restricted net assets are restricted for the following purposes:

	2014	2013
Cumulative severance tax permanent fund capital contributions	$ 47,042,781	$ 47,042,781
Cumulative expenses in excess of other revenues	(10,967,823)	(11,293,934)
	$ 36,074,958	$ 35,748,847

Temporarily restricted net assets were released as follows:

	2014	2013
Satisfaction of purpose restrictions	$ 386,884	$ 568,320

NOTE 5 – STATE INVESTMENT OFFICER COMMITMENT

Prior to July 1, 2007, Section 7-27-5.15 NMSA 1978 required that the State Investment Officer make a commitment to NMSBIC pursuant to the Act to invest three-fourths of one percent of the market value of the New Mexico Severance Tax Permanent Fund. If at any time the commitment fell below that level, further commitments must be made until the invested capital is equal to three-fourths one percent of the market value of the fund. Effective July 1, 2007, the commitment was increased to one percent. However, during fiscal years 2014 and 2013, no funding was received from the State Investment Officer due to the net market value of the New Mexico Severance Tax Permanent Fund.

NOTE 6 – NET EXCESS FUNDS

Pursuant to Section 58-29-7 NMSA 1978, the NMSBIC shall return to the Severance Tax Permanent Fund an amount equal to the net excess funds held by the NMSBIC. "Net excess funds" are calculated as the return on investments to the corporation in the amount of dividends and interest actually received plus any capital gains actually realized, less the operating expenses of the NMSBIC and less amounts reasonably reserved for losses. As of June 30, 2014, NMSBIC has not generated cumulative net excess funds that would require funds to be returned to the Severance Tax Permanent Fund.

NOTE 6 – NET EXCESS FUNDS - CONTINUED

NMSBIC's calculations of net excess fund balances as of June 30, 2014 and 2013 are as follows:

	2014	2013
Interest and dividends received, cash basis	$ 282,210	$ 243,696
Operating expenses, net of loan losses	(392,230)	(466,514)
Accumulated reserve for debt and equity losses	(1,707,437)	(1,694,404)
Capital gains (losses) realized	224,788	(509,721)
Net (deficient) excess funds	$ (1,592,669)	$(2,426,943)

NOTE 7 – INVESTMENTS IN NEW MEXICO ENTITIES

Cooperative Loan Agreements

NMSBIC is party to two loan participation Cooperative Agreements with New Mexico non-profit corporations (ACCION and WESST Corp.). Under these agreements, NMSBIC has made capital commitments to provide revolving funding for loans to be made by these corporations to New Mexico small businesses. For each loan made, these corporations provide 25% of the funding and NMSBIC provides the remaining 75%. Under the participation agreement with WESST Corp., the NMSBIC shares in 75% of loan losses and recoveries. In November 2013, NMSBIC terminated its loan participation agreement with ACCION and entered into a new participation agreement. Loans outstanding under the terminated participation agreement will run off in the normal course of business. The NMSBIC shares in 75% of loan losses and recoveries under the terminated participation agreement. The new agreement limits loan losses that can be passed through to NMSBIC to 1% of the outstanding loan balance during any fiscal year. The terms, pricing, and size of any loan are subject to the discretion of these corporations. These corporations make non-traditional loans. Collateral for the loans may also be non-traditional, or in some cases no collateral at all.

The loans are considered risky and may have a higher rate of default than traditional loans. Loan amounts made under the program are limited under the agreements. These corporations undertake good faith efforts to make loans outside the Albuquerque metropolitan area. Loans are serviced by these corporations, with monthly reports and principal and interest remittances provided to NMSBIC. NMSBIC's agreements with these corporations have no maturity date, but may be terminated by either party upon ninety days written notice, with any loans outstanding at the time of termination handled in the ordinary course of business until the loans are collected or written off. During the years ended June 30, 2014 and 2013, $109,948 and $77,793, respectively, of interest income was recognized related to these investments. See supplementary schedules for detail on these agreements.

NOTE 7 – INVESTMENTS IN NEW MEXICO ENTITIES – CONTINUED

In December 2013, NMSBIC entered into an unsecured line-of-credit agreement with a New Mexico nonprofit corporation (New Mexico Mortgage Finance Authority, or NMMFA) to provide funds for the development of affordable housing in areas of New Mexico where job growth is restricted by a shortage of such housing. Under this agreement, NMSBIC provides a revolving, unsecured loan to this corporation, which matures in November 2018. NMSBIC does not share in any loan losses or recoveries. Loans are serviced by the corporation, with quarterly reports and principal and interest remittances provided to NMSBIC. The agreement contains provisions that the corporation agrees to maintain a certain level of net assets, and agrees to undertake good faith efforts to make loans outside the Albuquerque metropolitan area. During the year ended June 30, 2014 the corporation did not draw on the line-of-credit, resulting in a zero balance at June 30, 2014, and zero interest income recognized for the fiscal year ended June 30, 2014.

NMSBIC is party to a revolving loan Cooperative Agreement with a New Mexico nonprofit corporation (New Mexico Community Development Loan Fund, or NMCDLF). Under this agreement, NMSBIC provides a revolving loan to this corporation, which in turn is fully collateralized by pledged loans. Certain delinquent loans are not eligible to be used as collateral. NMSBIC does not share in any loan losses or recoveries. The agreement includes other provisions under which the corporation has agreed to:

- Maintain certain levels of liquidity, leverage, and net assets
- Limit the maximum loan size under the program
- Restrict loan modifications on nonperforming loans
- Undertake good faith efforts to make loans outside the Albuquerque metropolitan area

Loans are serviced by the corporation, with quarterly reports and principal and interest remittances provided to NMSBIC. The outstanding principal balance of the revolving loan matures in January 2024. Either party can terminate the agreement with 90 days written notice, with the outstanding balance repaid based on balances of collateralized loans.

During the years ended June 30, 2014 and 2013, $131,298 and $148,836 of interest income was recognized related to this investment. See supplementary schedules for detail on this agreement.

Equity Cooperative Agreements

NMSBIC is party to several Subscription Agreements and Limited Partnership Agreements under which it has acquired interests during calendar years from 2004 to 2009 as a limited partner in various limited partnerships. Under these agreements, NMSBIC has made capital contribution commitments to provide funding to these limited partnerships to be used for debt or equity investments made in New Mexico small businesses. The limited partnerships have termination dates through 2019. Under the terms of the limited partnership agreements, the partnerships may be extended to dates that range from 2014 to 2022. See supplementary schedules for detail on these agreements. In November 2012 the NM Growth Fund I closed down per the terms of the equity cooperative agreement. The final cash was distributed to partners during 2013.

NOTE 8 – CAPITAL COMMITMENTS

At June 30, 2014, NMSBIC had committed approximately $41,675,000 of capital through its various Debt and Equity Agreements, of which $35,050,348 has been called, leaving a remaining commitment of $6,624,652. NMSBIC has approximately $3,310,000 of cash-on-hand to immediately handle capital calls. Additionally, NMSBIC has staggered the maturity dates of its four certificates of deposit such that $1,500,000 matures every 90 days. NMSBIC's investment policy allows for capital commitments in excess of capital.

The following table presents capital commitments for each Debt and Equity Agreement as of June 30, 2014:

	Loan and Equity Capital Commitments	Outstanding Loan Balance, Life-to-Date Equity Capital Funded	Remaining Loan and Equity Capital Commitments
Debt Cooperative Agreements			
1. ACCION	$ 5,000,000	$ 4,244,457	$ 755,543
2. NMCDLF	10,000,000	7,754,799	2,245,201
3. WESST CORP	375,000	87,789	287,211
4. NMMFA	1,500,000	-	1,500,000
	16,875,000	12,087,045	4,787,955
Equity Cooperative Agreements			
1. Flywheel	1,500,000	1,500,000	-
2. NMGF I	-	Investment closed in 2012	
3. NMCCF	7,000,000	6,555,017	444,983
4. Verge 1	1,800,000	1,800,000	-
5. Verge 1.5	3,000,000	3,000,000	-
6. NM Gap Fund I	2,000,000	2,000,000	-
7. NMGF II	3,500,000	2,987,837	512,163
8. NM Mezzanine Fund	3,000,000	2,385,000	615,000
9. Verge II	3,000,000	2,735,449	264,551
	24,800,000	22,963,303	1,836,697
	$ 41,675,000	$ 35,050,348	$ 6,624,652

NOTE 9 – SUBSEQUENT EVENT

Subsequent to June 30, 2014, NMSBIC entered into a loan agreement in the amount of $750,000 with Rio Vista Growth Capital, LLC (RVGC). Funds provided to RVGC under the terms of the loan agreement will be used to make, acquire, or maintain loans with New Mexico businesses in accordance with the mission and purpose of the NMSBIC.

SUPPLEMENTARY SCHEDULES

Small Business Investment Corporation

SCHEDULES OF ACTIVITY OF DEBT COOPERATIVE AGREEMENTS

Years Ended June 30, 2014 and 2013

	Loan Commitments	Beginning Gross Loan Balance	Loan Funding Net of Repayments	Loan Recovery (Loss), Realized	Ending Gross Loan Balance	Allowance for Loan Losses	Ending Net Loan Balance
For the year ended June 30, 2014							
1. ACCION #1*	$ -	$ 3,186,554	$ (573,990)	$ (24,453)	$ 2,588,111	$ (207,049)	$ 2,381,062
2. ACCION #2	5,000,000	-	1,656,346	-	1,656,346	(16,563)	1,639,783
3. NMCDLF	10,000,000	6,118,196	1,636,603	-	7,754,799	-	7,754,799
4. WESST CORP	375,000	68,873	18,916	-	87,789	(7,023)	80,766
5. NMMFA	1,500,000	-	-	-	-	-	-
	$ 16,875,000	$ 9,373,623	$ 2,737,875	$ (24,453)	$ 12,087,045	$ (230,635)	$ 11,856,410
For the year ended June 30, 2013							
1. ACCION #1	$ 3,500,000	$ 2,396,356	$ 827,281	$ (37,083)	$ 3,186,554	$ (254,924)	$ 2,931,630
2. NMCDLF	8,500,000	6,983,125	(864,929)	-	6,118,196	-	6,118,196
3. WESST CORP	375,000	50,031	18,842	-	68,873	(5,510)	63,363
	$ 12,375,000	$ 9,429,512	$ (18,806)	$ (37,083)	$ 9,373,623	$ (260,434)	$ 9,113,189

*The ACCION #1 commitment was terminated in 2014 and replaced by ACCION #2. Active loans under the ACCION #1 agreement will run off under their normal course.

See Independent Auditors' Report.

Small Business Investment Corporation

SCHEDULES OF ACTIVITY OF EQUITY COOPERATIVE AGREEMENTS

Years Ended June 30, 2014 and 2013

	Investment Capital Commitments	Beginning Investment Fair Value	Cumulative Capital Calls and Redemptions	Realized Gain (Loss) on Investments	Investment Valuation Adjustments	Operating Income (Expense), net	Ending Investment Fair Value
For the year ended June 30, 2014							
1. Flywheel	$ 1,500,000	$ 429,067	$ -	$ -	$ (40,324)	$ (39,471)	$ 349,272
2. NMGF I	-	-	-	-	-	-	-
3. NMCCF	7,000,000	3,697,162	(192,444)	-	217,405	(160,781)	3,561,342
4. Verge 1	1,800,000	1,619,609	(405,166)	71,314	(7,265)	(19,490)	1,259,002
5. Verge 1.5	3,000,000	2,715,001	(359,561)	18,486	(279,997)	(49,556)	2,044,373
6. NM Gap Fund I	2,000,000	1,962,610	-	(36,570)	162,193	(52,052)	2,036,181
7. NMGF II	3,500,000	403,616	(44,731)	-	(219,912)	107	139,080
8. NM Mezzanine Fund	3,000,000	1,852,976	-	-	-	217,842	2,070,818
9. Verge 2	3,000,000	2,972,547	(107,051)	171,558	362,695	(49,419)	3,350,330
	$ 24,800,000	$ 15,652,588	$ (1,108,953)	$ 224,788	$ 194,795	$ (152,820)	$ 14,810,398
For the year ended June 30, 2013							
1. Flywheel	$ 1,500,000	$ 461,001	$ -	$ -	$ -	$ (31,934)	$ 429,067
2. NMGF I	-	3,729	(2,842)	-	-	(887)	-
3. NMCCF	7,000,000	3,417,050	261,672	-	111,664	(93,224)	3,697,162
4. Verge 1	1,800,000	1,467,244	99,000	-	83,286	(29,921)	1,619,609
5. Verge 1.5	3,000,000	2,420,923	225,000	-	121,378	(52,300)	2,715,001
6. NM Gap Fund I	2,000,000	1,215,632	(64,658)	-	787,498	24,138	1,962,610
7. NMGF II	3,500,000	907,380	13,208	(509,721)	-	(7,251)	403,616
8. NM Mezzanine Fund	3,000,000	886,568	953,976	-	-	12,432	1,852,976
9. Verge 2	3,000,000	1,675,896	1,155,000	-	190,825	(49,174)	2,972,547
	$ 24,800,000	$ 12,455,423	$ 2,640,356	$ (509,721)	$ 1,294,651	$ (228,121)	$ 15,652,588

See Independent Auditors' Report.