

MINUTES OF THE

NEW MEXICO SMALL BUSINESS INVESTMENT CORP.

September 25, 2017

A meeting of the New Mexico Small Business Investment Corporation was called to order on this date at 9:00 a.m. in the conference room of WESST Enterprise Center, 609 Broadway Boulevard, N.E., Albuquerque, New Mexico. A quorum was present.

Members Present

Mr. Alan Fowler, Chair [by telephone]

Mr. Guadalupe Garcia [by telephone]

Mr. Joseph H. Badal, Past Board Chair [by telephone]

The Hon. Tim Eichenberg, New Mexico State Treasurer

Ms. Roxanna Meyers, Secretary/Treasurer [by telephone]

Members Excused

Mr. Steven E. Morgan

Financial Adviser to Board

Mr. Russell Cummins

Board Legal Counsel:

Mr. Randy McDonald [by telephone]

Recording Secretary

Ms. Judith Beatty [by telephone]

Guests Present:

Mr. Jake Dopson, Pulakos CPAs

Mr. Ryan Thorpe, Pulakos CPAs

REVIEW AND ACCEPTANCE OF AGENDA

Mr. Garcia moved acceptance of the agenda, as published. Mr. Badal seconded the motion, which passed unanimously by voice vote.

REVIEW AND ACCEPTANCE OF JULY 21, 2017 BOARD MINUTES

It was pointed out that Roxanna Meyers had replaced Steve Morgan as Secretary/Treasurer.

Mr. Badal moved acceptance of the July 21, 2017, minutes, as corrected. Mr. Garcia seconded the motion, which passed unanimously by voice vote.

**PULAKOS CPAS, AUDITOR COMMUNICATIONS TO THE NMSBIC BOARD:
JAKE DOPSON, PARTNER, PULAKOS CPAS;
RYAN THORPE, ASSURANCE MANAGER, PULAKOS CPAS**

Mr. Cummins thanked Dee Brescia and Pulakos CPAS for doing a great job. He commented that this was a very successful audit both in terms of getting the audited financial statements done, and turned around in a tight timeframe.

Mr. Dopson presented an overview of the audit, with the following highlights:

-- There was a change in the basis of accounting this year for the NMSBIC, and the financial statements have been prepared using the AICPA Financial Reporting Framework for Small and Medium Sized Entities (FRF for SMEs) instead of GAAP. Nothing has changed in the financial statements in any way, except that references to GAAP have been replaced by AICPA FRF for SMEs.

Mr. Cummins stated that the NMSBIC is technically required to use GASB standards because its board is appointed by a government. GASB standards do not make sense for the NMSBIC, however, because under GASB, equity investments made by nonprofit organizations are carried at cost rather than fair value.

Mr. Dopson added that the Accounting Standards Boards (FASB and GASB) are trying to be accommodating to everybody in helping them meet the new regulations, including the NMSBIC.

-- Pulakos CPAS encountered no significant difficulties in dealing with management in performing and completing the audit, and there were no disagreements with management.

-- No audit adjustments were necessary.

-- No material weaknesses in internal controls were identified.

-- Pulakos has issued an unmodified financial opinion on the financial statements.

NMSBIC DRAFT AUDITED FINANCIAL STATEMENTS

Mr. Cummins reviewed loan cooperative activity and equity cooperative activity, with the following highlights:

-- Loans, net of loan loss allowance, were \$18.4 million on 6/30/17, up from \$16.8 million on 6/30/16. This shift is consistent with the NMSBIC's strategy to expand the loan program.

-- Total assets dropped from over \$41 million in 2016 down to \$38 million this year. This drop was primarily because of a payout to the Severance Tax Permanent Fund for Net Excess Funds from the previous fiscal year, that was paid in this fiscal year.

Mr. Cummins reviewed the Statement of Activities and Changes and noted that, during the fiscal year, NMSBIC had \$1.1 million in negative investment valuation adjustments on the equity funds, and realized gains of \$184,000, for a net loss of about \$870,000. This generated a total loss for the year of about \$578,000. Were it not for the changes in value of the NMSBIC's equity investments, it would have had a profit of about \$300,000.

Mr. Cummins also stated that there were no Net Excess Funds this year, so no money would be paid to the Severance Tax Permanent Fund.

Mr. Badal moved to approve the audited financial statements, as presented. Mr. Garcia seconded the motion, which passed unanimously by voice vote.

NMSBIC DRAFT ANNUAL REPORT

Mr. Cummins reviewed the draft annual report. Board members made suggestions for changes.

Mr. Garcia moved approval of the annual report, with the changes, as discussed. Mr. Eichenberg seconded the motion, which passed unanimously by voice vote.

ADJOURNMENT

Its business completed, the NMSBIC Board adjourned the meeting at 9:55 a.m.



Alan Fowler, Chairman

10/27/17

Date