

**MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS OF
NEW MEXICO SMALL BUSINESS INVESTMENT CORP.**

September 24, 2021

A meeting of the New Mexico Small Business Investment Corporation was called to order on this date at 9:00 a.m. via teleconference. A quorum was established.

Members Present

Mr. Joseph H. Badal, Chair
Mr. Guadalupe Garcia, Vice Chair
Mr. Steven E. Morgan, Secretary/Treasurer [signing off at 9:05 a.m.]
Ms. Heather Benavidez, designee of Hon. Tim Eichenberg, NM State Treasurer

Members Excused:

Ms. Roxanna Meyers
Mr. Alan Fowler

Financial Adviser to Board

Mr. Russell Cummins

Board Legal Counsel

Mr. Randy McDonald

Recording Secretary

Ms. Charmaine Clair

Guests Present

Mr. Jake Pulakos, Partner, Pulakos CPAs
Mr. Ryan Thorpe, Assurance Manager, Pulakos CPAs
Ms. Dee Brescia
Ms. Anne Beckett
Mr. Robert Valdiviez
Mr. Joshua Smith

REVIEW AND ACCEPTANCE OF AGENDA

Mr. Garcia moved acceptance of the agenda, as published. Ms. Benavidez seconded the motion, which passed unanimously by roll call vote.

[Mr. Morgan signed off from the meeting.]

BOARD MINUTES FOR AUGUST 27, 2021

Mr. Garcia moved acceptance of the minutes of the August 27, 2021, meeting, as presented. Ms. Benavidez seconded the motion, which passed unanimously by roll call vote.

PULAKOS CPAS: JAKE DOPSON, PARTNER; RYAN THORPE, ASSURANCE MANAGER

- **Pulakos CPAs Audit Presentation**
- **Letter to Those Charged with Governance**
- **Communication of No Material Weakness**
- **Letters to New Mexico Government Officials**

Mr. Cummins introduced Messrs. Dopson and Thorpe. Both have prepared the NMSBIC audit for several years, now, and they always do a great job. He noted that the NMSBIC's year-end is June 30, but it doesn't typically receive the reports from its equity partners until August 31. This gives Pulakos a very tight turnaround time in getting the audit and audited financials done, because the NMSBIC is required to get its audited financial statements and annual report to the Governor and Legislative Finance Committee by October 1.

Mr. Dopson presented an overview of the audit process and responsibilities, as well as the audit results.

Chairman Badal asked Mr. Dopson if Pulakos reviewed the NMSBIC's cash disbursements policy or how monies are transferred from one account to another. Mr. Dopson responded they reviewed that as part of their general internal control evaluation. Chairman Badal asked if Pulakos had any recommendations for money transfers, or did they feel that the NMSBIC's controls were at least satisfactory. Mr. Dopson responded that the control structure the NMSBIC has in place for every transaction is probably the most transparent of any organization they audit.

Mr. Cummins added that, every time NMSBIC does a disbursement, it receives two approvals from authorized board members by email. In each instance, Mr. Dopson receives a copy of the email along with a copy of the capital call. He considers this to be a part of the NMSBIC's continuous audit process that Pulakos performs throughout the year.

In reviewing the Loan Cooperative Activity page, Mr. Dopson noted that the lending program increased substantially by the end of FY2020 to almost \$62.5 million and that remained steady throughout 2021, with a slight decrease to \$62 million at year-end in FY 2021. Mr. Cummins added that, during the current fiscal year ending June 30, 2021, outstanding loan balances rose to about \$72.5 million, but starting in June this year, money started flowing back to the NMSBIC related to forgiveness of PPP loans.

NMSBIC DRAFT AUDITED FINANCIAL STATEMENTS

Mr. Garcia moved acceptance of the NMSBIC Draft Audited Financial Statements, as presented. Ms. Benavidez seconded the motion, which passed unanimously by roll call vote.

NMSBIC DRAFT ANNUAL REPORT

Chairman Badal encouraged everyone to read the annual report and keep it on hand as a ready reference.

Responding to a suggestion by Chairman Badal, Mr. Cummins said he would include mention of the No Material Weakness letter in the cover letter.

Responding to Ms. Beckett, Mr. Cummins said the Annual Report, along with the audited financial statements and No Material Weakness letter, is delivered to the Governor and Legislative Finance Committee as part of the NMSBIC's statutory requirements. As a courtesy, these documents are also sent to the State Investment Council and Department of Finance and Administration.

Mr. Cummins added that the NMSBIC makes presentations before various interim legislative committees. The key committee it reports to is the Investments & Pensions and Oversight Committee (IPOC). About two years ago, the NMSBIC's report to IPOC was well received and the committee was complimentary of the organization. Over the years, he has seen a positive change in how the NMSBIC's presentations have been received by IPOC.

Ms. Benavidez moved acceptance of the NMSBIC Annual Report, as presented, with the change to Chairman Badal's cover letter to highlight the letter of No Material Weakness. Mr. Garcia seconded the motion, which passed unanimously by roll call vote.

APPOINTMENT OF NEW NMSBIC DIRECTORS UPDATE

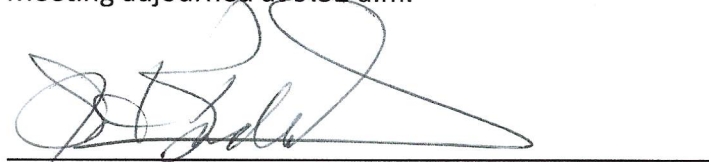
Mr. Cummins reported that he contacted the Governor's Office again last week, and received the response that they are still waiting on approval to appoint. He plans to continue following up on a regular basis.

In response to a question previously raised by Mr. Garcia, Mr. Cummins said Mr. McDonald reviewed the statutes and the New Mexico Constitution regarding the timing of how the appointments work. His analysis is that the Governor has the ability to appoint board members on an interim basis, and those interim board members have the authority to take actions until they are confirmed by the Senate during the next legislative session.

Mr. McDonald added that there needs to be a vacancy, so if the new board members are approved, Ms. Meyers and Mr. Garcia would be asked to resign so the new members can take their place.

ADJOURNMENT

Meeting adjourned at 9:52 a.m.



Joseph Badal, Chairman

11/15/21
Date