



New Mexico
Small Business Investment Corporation

June 30, 2026
Annual Report

September 17, 2026

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Joshua L. Smith
Board Chair and President
New Mexico Small Business
Investment Corporation



September 17, 2026

The Honorable Michelle Lujan Grisham
Office of the Governor
490 Old Santa Fe Trail, Suite 400
Santa Fe, New Mexico 87501

Dear Governor Lujan Grisham:

On behalf of the members of the Board of Directors of the Small Business Investment Corporation, doing business as the New Mexico Small Business Investment Corporation (“NMSBIC”), I want to thank you for entrusting us to represent this important organization and giving us the opportunity to serve our state.

NMSBIC was formed in 2001 by the Small Business Investment Act, NMSA 58-29-1 et. seq., to create new job opportunities and to support the small business community statewide. It is funded by an allocation from the severance tax permanent fund pursuant to NMSA 7-27-5.15. Upon receipt of the independent audited financial statements, NMSBIC’s Board of Directors is charged with reporting the organization’s financial results to you in accordance with the provisions of the Act. The enclosed report is intended to serve that purpose. A copy of the independent auditors’ report, including a Report on Internal Controls over Financial Reporting and Other Matters, for NMSBIC’s fiscal year ended June 30, 2026, is also enclosed.

NMSBIC’s Board of Directors (the “Board”) is appointed by the Governor and confirmed by the State Senate, except for the State Treasurer who holds a permanent seat on the Board. Three members were appointed in 2022 (Joshua Smith, Anne Beckett, and Robert Valdiviez), two members were appointed in 2023 (Sayuri Yamada and Kristina Alley), and one member was appointed in 2024 (Joshua Grassham). Treasurer Laura M. Montoya began serving on the Board at the beginning of 2023. The Board members have reviewed the organization’s investment history and implemented a strategy focused on expanding NMSBIC’s lending program. The enclosed report includes observations regarding past activities and actions taken by the Board to strengthen and grow NMSBIC. Highlights of the report are as follows:

- The organization continues to focus on expanding its lending program. Through its lending partners, NMSBIC delivers proven results in creating new jobs, as reported in a 2025 impact analysis report from the Bureau of Business and Economic Research. As loans are repaid, the funds are recycled and loaned to other small businesses, which, in turn, create more new jobs.
- Since inception, NMSBIC has supported 26,602 jobs in New Mexico, with 7,456 loans to small businesses, in 32 out of 33 New Mexico counties.

- During the most recent twelve months, 57% of NMSBIC's loans were made to minority-owned businesses, and 30% were made to women-owned businesses.
- The change in net assets for the year was a positive \$40.2 million and consisted of:
 - \$39.9 million contribution from the severance tax permanent fund; plus
 - \$4.8 million operating income; less
 - \$4.5 million in net excess funds, which will be returned to the severance tax permanent fund no later than October 31, 2026.
- NMSBIC's Board has been successful in implementing a strategy to achieve and maintain self-sufficiency through expanding its lending program, with interest income from loans exceeding operating expenses, as evidenced by \$4.8 million in operating income noted above.
- NMSBIC's funding is based on 2% of the balance of the severance tax permanent fund. Growth in the severance tax permanent fund will result in growth of NMSBIC's assets. The Board is being proactive in making plans to deploy additional funding in a responsible manner that will continue to stimulate the economy and support the growth of small businesses and jobs in New Mexico.

On behalf of the members of the Board, I am pleased to report on the actions we have taken to continue to move the organization forward in a positive direction. We are committed to building a viable and sustainable structure to enable NMSBIC to fulfill its mission of stimulating the state's economy and sustaining and creating jobs throughout New Mexico, while preserving NMSBIC's capital.

Respectfully submitted,

Joshua L. Smith
Board Chair and President



Joshua L. Smith
Board Chair and President
New Mexico Small Business
Investment Corporation



September 17, 2026

Mr. Charles Sallee, Director
New Mexico Legislative Finance Committee
325 Don Gaspar, Suite 101
Santa Fe, NM 87501

Dear Director Sallee:

On behalf of the members of the Board of Directors of the Small Business Investment Corporation, doing business as the New Mexico Small Business Investment Corporation ("NMSBIC"), I want to express our appreciation for having the opportunity to serve our state.

NMSBIC was formed in 2001 by the Small Business Investment Act, NMSA 58-29-1 et. seq., to create new job opportunities and to support the small business community statewide. It is funded by an allocation from the severance tax permanent fund pursuant to NMSA 7-27-5.15. Upon receipt of the independent audited financial statements, NMSBIC's Board of Directors is charged with reporting the organization's financial results to you in accordance with the provisions of the Act. The enclosed report is intended to serve that purpose. A copy of the independent auditors' report, including a Report on Internal Controls over Financial Reporting and Other Matters, for NMSBIC's fiscal year ended June 30, 2026, is also enclosed.

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On behalf of the members of the Board, I am pleased to report on the actions we have taken to continue to move the organization forward in a positive direction. We are committed to building a viable and sustainable structure to enable NMSBIC to fulfill its mission of stimulating the state's economy and sustaining and creating jobs throughout New Mexico, while preserving NMSBIC's capital.

Respectfully submitted,

Joshua L. Smith
Board Chair and President

NMSBIC HIGHLIGHTS

2026 FISCAL YEAR

JOB'S SUPPORTED

26,602

LIFE-TO-DATE

796

YEAR-TO-DATE

57%

LOANS TO
MINORITY-OWNED
BUSINESSES

30%

LOANS TO
WOMEN-OWNED
BUSINESSES

32

OUT OF 33
NEW MEXICO
COUNTIES SERVED

INCREASED FROM
\$109M TO

\$136M

LOANS
OUTSTANDING

LOANS ORIGINATED

\$324M

LIFE-TO-DATE

\$46M

YEAR-TO-DATE

INCREASED FROM
\$190M TO

\$226M

TOTAL ASSETS

\$40.2M

INCREASE IN NET
POSITION

FUNDS RETURNED
TO SEVERANCE TAX
PERMANENT FUND

\$4.5M

NET EXCESS FUNDS

Small Business Success Stories

NMSBIC, through its lending partners, made 128 loans to small businesses throughout the state during the 2026 fiscal year, totaling \$46 million and supporting 796 jobs. The following are examples of New Mexico small businesses that benefited from working with NMSBIC's lending partners.

A Sweeter Future for Pop Pop's Italian Ice

Pop Pop's Italian Ice first opened in 1997 near Eldorado High School in Albuquerque. In late 2018, new business partners brought a vision to continue growing the brand while honoring its legacy. At the time, opening a new retail location wasn't financially feasible. Instead, they invested in a single mobile trailer and spent weekends traveling New Mexico, serving customers at community events and gatherings.

Those humble beginnings have grown into a statewide brand, serving communities through retail locations, food trucks, concession stands, and countless events. Today, Pop Pop's Italian Ice employs more than 40 people, operates eight mobile units, three retail locations, and three concession stands.



But growth presented new challenges. The company's 2,000-square-foot facility could no longer support the business.

With support from the nonprofit lender Homewise, Pop Pop's has been able to purchase a new 10,000-square-foot headquarters that allows the company to improve operations, increase storage capacity, enhance product quality, expand offerings, and create more efficient systems throughout the organization.

"The Homewise team did an excellent job guiding us through every step of the financing process," said Pop Pop's partner Dominic Maestas. "Their communication, transparency, and support helped make the entire process feel seamless from start to finish." Learn more about Pop Pop's Italian Ice at www.poppopsice.com and Homewise at www.homewise.org.



Loan and Resources Keep Aviation Business in the Air



Two years after launching High Country Air Service in Albuquerque, Dave Jesurun was faced with potential business grounding by the COVID pandemic. Jesurun recalled a business conference he attended a few years before when a DreamSpring loan officer gave a presentation about Community Development Financial Institutions (CDFIs). "My mind immediately went to, 'I bet a CDFI can help me out,'" he said.

Paycheck Protection Program (PPP) loans from the nonprofit lender DreamSpring kept the company in the air and forged a new relationship that would take it to new heights later when Jesurun wanted to expand the business.

"I didn't even know I could have spelled CDFI seven years ago," said Jesurun. "But now I'm like a little walking billboard for CDFIs." Learn more about High Country Air Service at www.highcountryairservice.com and DreamSpring at www.dreamspring.org.



DreamSpring

Ballet Academy Stays on Pointe

Megan Yackovich founded Ballet Taos Academy in 2016 to help young dancers develop their passion for this classical art form. A former professional dancer who previously operated an academy in Colorado Springs, Yackovich fell in love with Taos while traveling through and decided to stay. Small business loans and assistance from the nonprofit lender The Loan Fund helped anchor Yackovich and her nonprofit academy in New Mexico. Since its launch, more than 100 Ballet Taos Academy students have gone on to professional dance companies or prestigious advanced training programs nationwide.



Yackovich credits The Loan Fund with helping her learn the business side of art and giving her advice that helped the academy thrive.

"I've never felt like The Loan Fund cared about me any less than their largest client," she said. "Everyone I've worked with there makes you feel like a priority." Learn more about Ballet Taos Academy at www.ballettaos.com and The Loan Fund at www.loanfund.org.

\$4.4M Construction Loan for Charter School in Gallup



Clearinghouse CDFI (CCDFI) is supporting public education for Navajo and minority students in New Mexico with a \$4,400,000 loan for Middle College High School in Gallup.

Middle College High School is an early college high school that helps bridge the gap between traditional learning and students who are looking to accelerate their future. It focuses on career and technical education for disadvantaged and underrepresented students. Middle College High School has been utilizing temporary trailers in lieu of a school building. CCDFI funding is allowing construction of a new school building.

Learn more about Middle College High School at www.mchsgallup.com and Clearinghouse CDFI at www.clearinghousecdfi.com.



New Community Hospital in Farmington

Exceptional Community Hospital opened its new facility in Farmington in February 2026. The state-of-the-art facility brings Exceptional Healthcare's signature model of efficient, compassionate, and accessible care to the Four Corners region.

"We are excited to open our first hospital in New Mexico and to serve the Farmington community," said Saeed Mahboubi, Chief Executive Officer of Exceptional Healthcare. "Our mission has always been to provide exceptional medical care with a personal touch. As a family-owned organization, we prioritize treating every patient with dignity, respect, and compassion while delivering 24/7 emergency and inpatient services in a modern, welcoming environment."



Patients visiting Exceptional Community Hospital – Farmington can expect significantly reduced wait times compared to traditional hospital settings, made possible by streamlined admissions, efficient care coordination, and a thoughtfully designed clinical workflow. Beyond speed, the hospital places a strong emphasis on delivering a concierge-style, personalized patient experience where individuals are treated with attentiveness, respect, and compassion at every step of their visit.



Global Asset
Management

NMSBIC participated in the loan, through its partnership with **RBC Global Asset Management**, with a \$1.5 million investment representing 10% of the \$15 million USDA guaranteed loan.

Introduction

The Small Business Investment Corporation, doing business as the New Mexico Small Business Investment Corporation (“NMSBIC”), was formed by the Small Business Investment Act in 2001 to enhance the economic development objectives of the state, to create new job opportunities, and to support small businesses in communities statewide. NMSBIC is funded by an allocation from the Severance Tax Permanent Fund.

Investment Overview

NMSBIC invests in New Mexico businesses through cooperative agreements with its lending partners.

In 2011, NMSBIC’s Board of Directors (“Board”) changed the organization’s strategic direction away from venture capital investments and toward expanding NMSBIC’s lending program. Reasons for the change included:

- There was a shortage of traditional bank loans available to small businesses in New Mexico, made worse by the recession that started in 2008.
- NMSBIC experienced significant losses from a previous large concentration of high-risk venture capital investments.

NMSBIC continues to focus on expanding its lending program. It is actively engaging with existing lending partners, and adding new partners, to expand the lending program in a way that is responsible, supports and sustains existing jobs, and increases the number of jobs created throughout the state.

The Board follows the Prudent Investor Rule as a basis for all loans and investments. NMSBIC loans and investments are underwritten in a way that balances yield, safety, diversification, and economic development, with a focus on creating and sustaining jobs and preserving taxpayer funds.

¹<https://www.bls.gov/sae/data/home.htm>, current employment statistics (CES), total nonfarm, all employees, seasonally adjusted.

² *New Mexico Labor Market Review*, New Mexico Department of Workforce Solutions, July 28, 2026.

New Mexico Employment

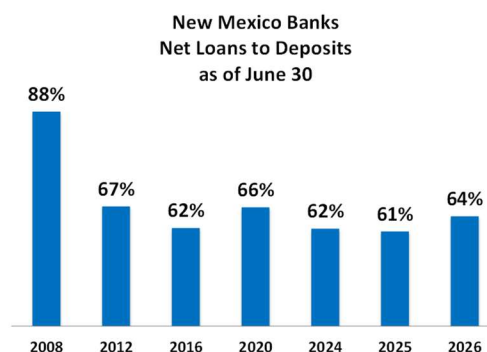
Employment in New Mexico was 896,100 as of June 30, 2026, an increase from 892,400 the prior year.¹

New Mexico’s unemployment rate was 4.8% as of June 30, 2026, an increase from 4.0% the prior year. Among all states, New Mexico had the 11th highest unemployment rate in the country. Washington D.C. had the highest (6.0%) while South Dakota had the lowest (2.0%).²

There continues to be a critical need for funding to help create and grow small businesses, protect existing jobs, and promote job growth. NMSBIC believes the continued expansion of its lending program is an effective way to deliver funding to New Mexico businesses that don’t have access to traditional bank loans. Continued expansion of the lending program enables NMSBIC to preserve capital and increase the turnover of that capital, thereby benefiting more small businesses and employees in our state.

Lending Gap

Beginning with the 2008 recession, a tightening of bank lending to small businesses occurred in the state. The loan-to-deposit ratio for New Mexico-based banks was 88% in 2008. The ratio dropped during the 2008 recession and has not recovered. The bank loan-to-deposit ratio for New Mexico based banks was 64% as of June 30, 2026.³ This provides an opportunity for NMSBIC to continue expanding its lending program and help fill the lending gap, especially for start-up and small expanding businesses.



³ <https://www.fdic.gov>

Lending Program

NMSBIC's lending program provides funding to small businesses throughout the state through its lending partners.

NMSBIC Lending Partners

NMSBIC is an important source of funding for nonprofit organizations engaged in micro-lending and small business lending in New Mexico. It has actively engaged with its original lending partners, including DreamSpring (formerly Accion), New Mexico Community Development Loan Fund ("The Loan Fund"), the New Mexico Mortgage Finance Authority ("MFA"), and WESST Corp. Beginning in 2019, to further expand NMSBIC's lending program and increase statewide job creation, NMSBIC began adding new lending partners including: Homewise, Clearinghouse CDFI, LiftFund, RBC GAM, RCAC, Ventana Fund, Raza Development Fund (RDF), and B:Side Fund.

NMSBIC's lending partners are primarily community development financial institutions ("CDFIs"). CDFIs are typically non-profit corporations and receive their CDFI designation from the U.S. Treasury. They receive some loans, grants, and charitable contributions – however, the funding they receive is substantially inadequate as compared to the demand for small business loans. In New Mexico, NMSBIC and CDFIs have partnered to help fill a gap for small business loans.



"With The Loan Fund, it's been very easy ... I would absolutely recommend them to other people."

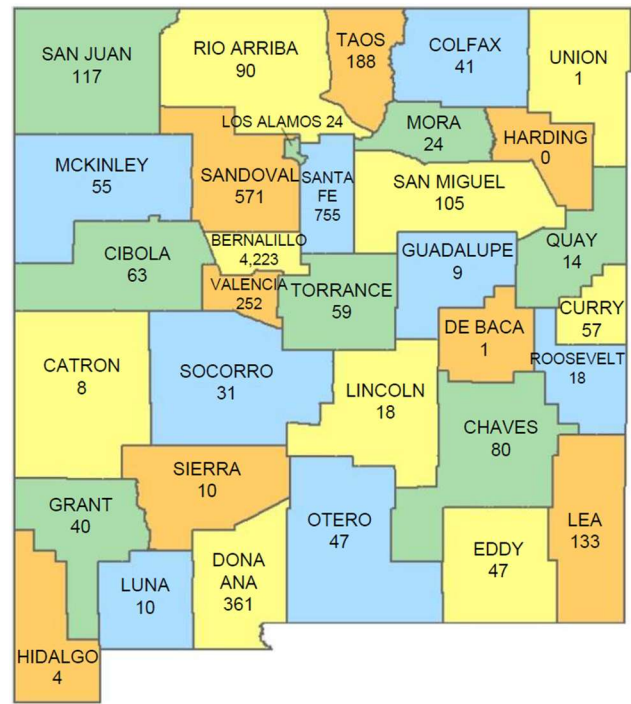
- Luis A. Perea Nunez
Owner, 377 Towing

NMSBIC Lending Partners

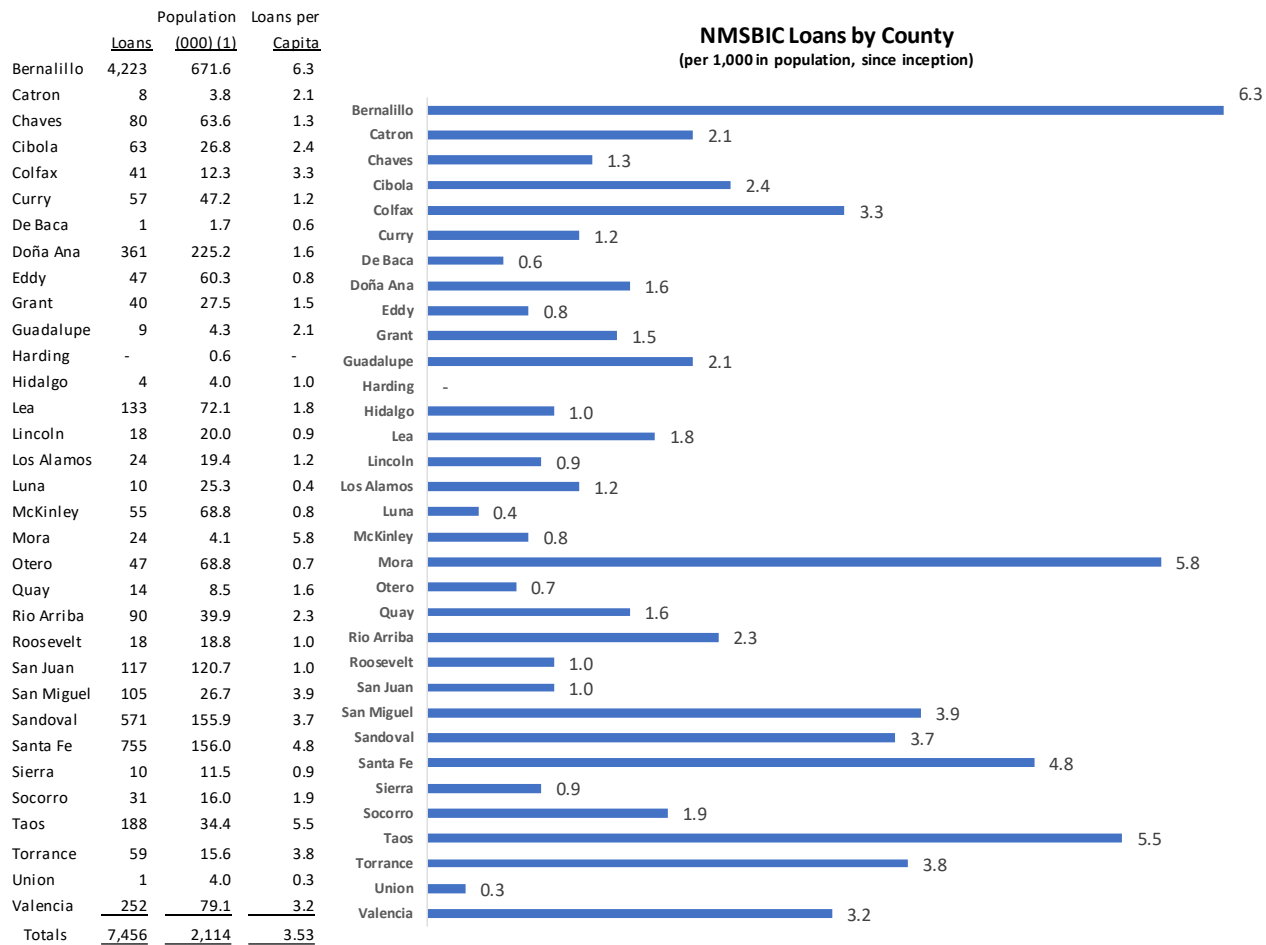


Communities and Jobs Supported

Since its inception, and in connection with its lending partners, NMSBIC has funded 7,456 loans to New Mexico start-up and small businesses, in 32 of 33 New Mexico counties, supporting 26,602 jobs throughout New Mexico. In many cases, NMSBIC's funding for small businesses has preserved jobs that would have been eliminated without access to capital. Since 2001, \$324 million in loans have been originated for businesses that likely would not have had access to funding from other sources.



Through its lending partners, NMSBIC has provided funds for 7,456 loans in 32 of 33 counties in New Mexico.



(1) https://www.newmexico-demographics.com/counties_by_population, 2023 Population Estimates

NMSBIC Actions to Assist Small Businesses Impacted by the COVID-19 Crisis

Beginning in March 2020, NMSBIC’s board of directors made the following changes to its lending programs to support its lending partners and small businesses in New Mexico impacted by the COVID-19 crisis.

- **COVID-19 Lending Program.** In March 2020, NMSBIC introduced a COVID-19 Lending Program, under which NMSBIC provided funds to lending partners at an interest rate of 0% for up to thirty-six months, provided that the lending partner’s loan was to a business impacted by the COVID-19 crisis, and the interest rate to the small business was at 3.75% or less. The program ended on September 30, 2022, for new or modified loans. Through its partnership with The Loan Fund, 179 loans totaling \$13.5 million were originated, supporting 1,005 jobs. As of June 30, 2026, there were \$2.7 million in loans remaining. The program will remain active for existing loans through 2027.
- **PPP Lending Program.** In April 2020, NMSBIC partnered with DreamSpring to provide funds for loans under the Small Business Administration’s (SBA) Paycheck Protection Program (PPP). Under this lending program, NMSBIC provided funds to DreamSpring at an interest rate of zero percent (0%) for PPP loans made to New Mexico businesses. The PPP loans were forgiven by SBA if certain conditions were met.

“In a matter of days, NMSBIC made additional liquidity available to DreamSpring to channel into PPP loans. As a result of the partnership, NMSBIC and DreamSpring saved thousands of New Mexico small businesses, jobs and livelihoods.”

- Anne Haines, DreamSpring’s Former President/CEO

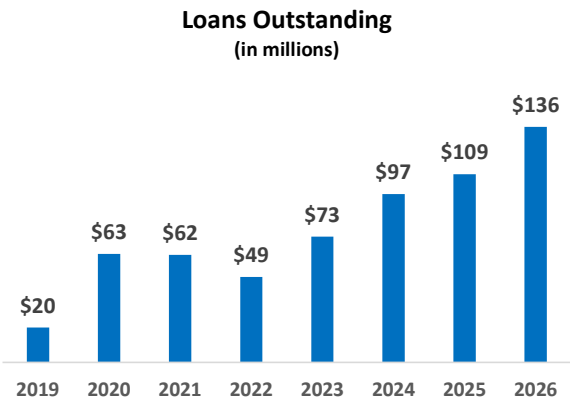
When SBA announced the PPP program, many traditional banks prioritized existing customers or larger customers for their PPP loans. This resulted in many smaller businesses, including minority- and women-owned businesses, not having access to PPP loans. Through its

partnership with DreamSpring, 1,524 PPP totaling \$49 million were originated, supporting 7,576 jobs. As of June 30, 2026, NMSBIC’s outstanding PPP loan balance with DreamSpring was fully repaid.

- **Reduced Interest Rates.** To support lending partners with loan loss reserves and with increased costs associated with originating COVID-19 and PPP loans, NMSBIC lowered the interest rate it charges by one percent (1%) for a period of twelve months on all outstanding loans originated under its traditional lending program, for lending partners that participated in the COVID-19 or PPP lending programs. Due to The Loan Fund’s active participation in NMSBIC’s COVID-19 Lending Program, NMSBIC further lowered The Loan Fund’s interest rate to 0.50% and extended the reduced rate through December 2028.

Lending Volume and Jobs Supported

In 2026, NMSBIC lending partners experienced growth in traditional lending programs, with outstanding loans increasing to \$136 million.



Since NMSBIC's inception in 2001, and through June 30, 2026, NMSBIC has funded the following volume of loans through its lending partners:

Lending Partner	Number of Loans	Amount	Jobs Supported
DreamSpring	6,058	\$98,882,554	17,175
The Loan Fund	1,100	90,113,573	6,556
Ventana Fund	95	49,870,796	360
Clearinghouse CDFI	10	30,882,000	590
RBC GAM	68	25,868,238	253
Homewise	26	19,749,420	595
MFA	7	5,000,000	450
RCAC	3	1,831,554	31
WESST	76	1,134,124	534
Rio Vista Growth Capital	1	750,000	16
LiftFund	10	181,221	36
B:Side Fund	<u>2</u>	<u>85,000</u>	<u>6</u>
Total	<u>7,456</u>	<u>\$324,348,479</u>	<u>26,602</u>

For the twelve months ending June 30, 2026, NMSBIC funded the following volume of loans through its lending partners:

Lending Partner	Number of Loans	Amount	Jobs Supported
RBC GAM	27	\$12,054,584	66
Homewise	10	10,968,759	184
Ventana Fund	16	8,243,243	61
Clearinghouse CDFI	2	6,400,000	58
The Loan Fund	37	4,303,998	146
RCAC	3	1,831,554	31
Housing New Mexico-MFA	1	1,000,000	70
DreamSpring	24	794,127	57
WESST	6	146,234	117
B:Side Fund	<u>2</u>	<u>85,000</u>	<u>6</u>
Total	<u>128</u>	<u>\$45,827,498</u>	<u>796</u>

As of June 30, 2026, NMSBIC had the following loans outstanding (before allowance for loan losses) through its lending partners:

Lending Partner	Number of Loans	Amount	Jobs Supported
Ventana Fund	57	\$38,445,229	207
The Loan Fund	101	26,078,348	797
The Loan Fund (COVID-19)	18	2,669,531	155
Clearinghouse CDFI	8	26,000,000	548
RBC GAM	68	20,093,466	253
Homewise	23	17,199,028	524
DreamSpring	120	3,922,139	411
Housing New Mexico-MFA	1	1,000,000	70
RCAC	3	439,142	31
B:Side Fund	2	75,512	6
WESST	<u>10</u>	<u>71,950</u>	<u>35</u>
Total	<u>411</u>	<u>\$135,994,345</u>	<u>3,037</u>

Commitments

As of June 30, 2026, NMSBIC had the following amounts committed, loans outstanding, and remaining commitments.

	Amount Committed	Loans Outstanding	Remaining Commitment
Ventana Fund	\$41,500,000	\$38,445,229	\$3,054,771
The Loan Fund	37,500,000	28,747,879	8,752,121
Homewise	31,000,000	17,199,028	13,800,972
Clearinghouse CDFI	30,000,000	26,000,000	4,000,000
RBC GAM	25,000,000	20,093,466	4,906,534
DreamSpring	7,750,000	3,922,139	3,827,861
Raza Devel. Fund-RDF	5,000,000	-	5,000,000
Housing New Mexico -MFA	3,500,000	1,000,000	2,500,000
RCAC	3,000,000	439,142	2,560,858
LiftFund	1,000,000	-	1,000,000
B:Side Fund	500,000	75,512	424,488
WESST	<u>375,000</u>	<u>71,950</u>	<u>303,050</u>
Totals	<u>\$186,125,000</u>	<u>\$135,994,345</u>	<u>\$50,130,655</u>

The above tables show that \$324 million in loans have been funded with committed funds of \$186 million as of June 30, 2026. As loans are repaid, the funds are loaned to other small businesses, sustaining and/or creating additional new jobs. This recycling of loan funds provides positive leverage of NMSBIC's capital.

Net Interest Income and Loan Charge-Offs

NMSBIC has approved revolving lines of credit to The Loan Fund, Ventana Fund, Clearinghouse CDFI, Homewise, MFA, LiftFund, RCAC, RDF, and B:Side Fund. Under these loan agreements, no loan losses are passed through to NMSBIC. The interest rate on these revolving lines of credit is typically 2.0% annually.

NMSBIC has an agreement with RBC Global Asset Management (RBC GAM) to source SBA and USDA loans focused on BIPOC (black, indigenous, and people of color) borrowers and communities in New Mexico. The loans are guaranteed by SBA or USDA, with no loan losses passed through to NMSBIC. NMSBIC earns a market yield on SBA pools that adjusts quarterly.

NMSBIC has loan participation agreements with DreamSpring and WESST, whereby NMSBIC purchases 75% of the principal balance of loans, with the following terms:

- DreamSpring. NMSBIC earns interest of 3.0% annually. Loan charge-offs passed through to NMSBIC are capped at 1% per year, with NMSBIC earning a net interest rate of no less than 2.0%

annually. During the 2026 fiscal year, \$37,441 in charge-offs were passed through to NMSBIC.

- WESST. NMSBIC earns interest of 3.0% annually. 75% of loan charge-offs may be passed through to NMSBIC. During the 2026 fiscal year, \$29,061 in charge-offs were passed through to NMSBIC.

Lending program interest income, charge-offs, and net interest income were as follows for the fiscal year ended June 30, 2026.

	Interest Income	Charge-Offs	Net Interest Income
Ventana Fund	\$727,208	\$0	\$727,208
Clearinghouse CDFI	422,556	0	422,556
RBC GAM	400,778	0	400,778
Homewise	284,804	0	284,804
The Loan Fund	124,645	0	124,645
DreamSpring	112,322	37,441	74,881
Housing New Mexico - MFA	10,020	0	10,020
B:Side Fund	1,296	0	1,296
RCAC	392	0	392
WESST	3,512	29,061	-25,549
LiftFund	0	0	0
Totals	<u>\$2,087,533</u>	<u>\$66,502</u>	<u>\$2,021,031</u>

For the fiscal year ended June 30, 2026, net interest income of \$2,021,031 more than offset NMSBIC's operating expenses of \$444,972 comprised of economic development program services of \$210,611 and other operating expenses of \$234,361. Maintaining organizational self-sufficiency, with interest income on loans exceeding operating expenses, is a key part of NMSBIC's strategy.

Equity Program

In 2011, NMSBIC's board changed its investment strategy. NMSBIC's focus has since been on expanding its lending program and is no longer focused on making venture capital equity investments.

Equity investments in New Mexico were virtually unheard of prior to 2000, but the efforts of the State Investment Council and NMSBIC attracted funds and investment professionals to New Mexico. Prior to 2004, there were no equity fund organizations headquartered in New Mexico and no organizations that focused their capital and expertise exclusively on New Mexico companies. It was NMSBIC's capital and early commitments that led to investments in venture capital funds based in New Mexico.

Beginning in 2004, NMSBIC committed capital to Flywheel Ventures, Mesa Capital Partners, New Mexico Community Capital, New Mexico Mezzanine Partners, and Verge Fund to address the need for capital access for local start-ups, technology transfer licensees, and other small businesses looking to expand. With these five partners, NMSBIC participated in ten venture capital partnerships.

NMSBIC's investment history has provided valuable experience and revealed significant challenges regarding venture capital investing as follows:

- Venture capital equity investments were high-risk with limited diversification and resulted in significant investment losses;
- Management fees paid to equity fund managers over several years reduced investment returns;
- Equity investments were typically long-term, which reduced the ability to turn over capital into additional new small businesses;
- Equity investments did not provide current income to offset NMSBIC's operating expenses;
- Equity investments were geographically concentrated, with limited funding outside the Rio Grande Corridor;
- Equity investments did not generate significant job creation during their initial phases of development; and
- In some cases, successful equity investments required later-stage investments from out-of-state investors that required the enterprise to relocate outside New Mexico.

Equity Fund Termination Dates

Many of NMSBIC's equity investments, most of which were made between 2004 and 2009, reached the partnership end-date and were terminated. Remaining investments are as follows:

- New Mexico Gap Fund I was terminated in 2021. Prior to termination, NMSBIC owned 92.4% of the limited partnership. NMSBIC purchased minority interests of 7.6% at a discounted price of 25% to obtain full control of the assets, consisting of two convertible notes. The convertible notes remain outstanding with total principal and accrued interest as of June 30, 2026, of \$773,290.

- Investments in Verge I, Verge I.5, Verge II, and Verge II.5 were combined into Verge I II Combined (Verge) in 2021. Verge was terminated in 2025. Shares of common stock in four companies were distributed by Verge to NMSBIC. NMSBIC is carrying the common shares at historical cost totaling \$1,473,781.
- New Mexico Mezzanine Partners (NMMP) reached the end of its partnership agreement and is in the process of winding-up operations. As of June 30, 2025, NMSBIC recorded \$688,800 in other than temporary impairment for its investment in NMMP, bringing NMSBIC's investment balance to \$0.

Equity Investments Reported Using Cost Method

In accordance with GASB Statement No. 72, paragraph B74, equity investments held primarily to further economic development are reported using the cost method. Equity investments are carried at cost, less capital distributions received, management fees, operating expenses, and any impairment loss. Impairment loss is recognized if the fair value of the asset has declined below the carrying value and the decline is determined not to be temporary in nature. Additional detail is provided in the supplementary schedules to the audited financial statements.

NMSBIC Holdings, LLC

In 2026 NMSBIC created a wholly owned subsidiary, NMSBIC Holdings, LLC. As of June 30, 2026, NMSBIC was in the process of transferring assets to NMSBIC Holdings, LLC, consisting of its interest in NMMP, common shares distributed from Verge, and two convertible notes acquired from New Mexico Gap Fund I. All balances and transactions of NMSBIC Holdings, LLC are included in the financial statements of NMSBIC.

NMSBIC Impact

The following provides information regarding the impact of NMSBIC's lending and equity programs on

New Mexico small businesses and jobs, and costs of delivering these services.

The Importance of Small Businesses

NMSBIC's lending program supports small businesses in New Mexico. Small businesses are vitally important to both the New Mexico and national economies.

According to the Small Business Administration, a small business has 500 or fewer employees. In New Mexico, small business employment accounts for 53.3% of total employment. The number of small businesses in New Mexico is as follows⁴:

- 138,557 small businesses with no employees
- 33,556 employer establishments

Nationally, small businesses comprise⁵:

- 99.9% of all firms
- 99.7% of firms with paid employees
- 97.2% of exporters (270,014 businesses)
- 45.9% of private sector employees (62.3 million workers)
- 43.5% of gross domestic product
- 38.7% of private sector payroll (\$3.5 trillion)
- 35.0% of private sector receipts (\$17.8 trillion)
- 33.0% of known export value (\$588 billion)

Nationally, small businesses have accounted for 61% of net new job creation since 1995.⁶

Jobs Supported

A common measure used by CDFI's and by the Small Business Administration (SBA) is total jobs at the time a loan is originated, referred to as "jobs supported." In the table on page 14, *Equity and Lending Programs Costs and Benefits*, information is provided regarding New Mexico jobs supported by NMSBIC's equity and lending programs. Jobs supported are self-reported by NMSBIC's equity and lending partners.

- From 2004 to 2009, NMSBIC committed over \$32 million for venture capital equity investments. Equity program life-to-date results show a loss of

⁴ *New Mexico 2025 Small Business Profile* U.S. Small Business Administration Office of Advocacy, based on 2022 Census data.

⁵ *Frequently Asked Questions, February 2026*, U.S. Small Business Administration Office of Advocacy

⁶ *Frequently Asked Questions, February 2026*, U.S. Small Business Administration Office of Advocacy

\$16.5 million, with 348 jobs reported, resulting in an estimated cost per job of \$47,313. Equity investments are long-term in nature, therefore year-to-date results are not considered meaningful.

- Lending program life-to-date results show positive net interest income (after loan losses) of \$9.7 million, with 26,602 jobs supported, for an estimated *profit* per job of \$363. For the twelve months ending June 30, 2026, net interest income was \$2,021,031, with 3,037 jobs supported, for an estimated *profit* per job of \$665.

BBER Impact Analysis

NMSBIC engaged the Bureau of Business and Economic Research (BBER) to conduct an impact analysis, which was completed in 2025. This was an update to a previous BBER study completed in 2017. Key changes to NMSBIC's operations since 2017 were noted and included: (i) NMSBIC's expansion into financing for affordable housing, and (ii) NMSBIC's reduced income related to COVID-19 and PPP lending programs.

In 2025 and 2017, BBER calculated opportunity costs per job for NMSBIC's lending program and compared results to New Mexico's Job Training Incentive Program (JTIP) and Local Economic Development Act (LEDA) program. BBER compared NMSBIC's interest income on loans (typically 2% but lowered for pandemic lending programs) to the 6.75% targeted return for the severance tax permanent fund. Results were as follows:

Opportunity Costs Per Job		
	<u>2025</u>	<u>2017</u>
NMSBIC	\$18,059	\$4,717
JTIP	\$13,658	\$5,941
LEDA	\$13,937	\$4,255

The following observations were noted:

- Opportunity costs per job increased for all programs from 2017 to 2025.
- NMSBIC's opportunity cost increased more than JTIP or LEDA. NMSBIC's cost was impacted by the

0% interest rate on COVID-19 and PPP pandemic lending programs.

- BBER calculated NMSBIC's 2025 adjusted opportunity cost, which took into account fiscal impacts (income, property, and gross receipts taxes paid). This reduced NMSBIC's opportunity cost to \$9,860 per job. This is not shown in the above table because comparable data was not available for JTIP or LEDA.
- NMSBIC's 2025 opportunity cost did not reflect the benefit of affordable housing units provided.

BBER reported that for the two years ending June 30, 2025, NMSBIC's costs and benefits were as follows:⁷

	<u>2024-2025</u>
Output	\$68,213,260
Opportunity Cost	<u>-\$12,845,727</u>
Output, Net of Opportunity Cost	<u>\$55,367,533</u>
New jobs created	<u>411</u>
New housing units	67
Renovated housing units	<u>493</u>
Total housing units	<u>560</u>

The full BBER report is available at www.nmsbic.org.

Minority and Women-Owned Businesses

Of loans originated during the twelve months ending June 30, 2026, with NMSBIC funds:

- 57% were made to minority-owned small businesses.
- 31% were made to women-owned small businesses.

⁷ Output is the addition to New Mexico's Gross Domestic Product (GDP).

Equity and Lending Programs, Jobs Supported and Cost per Job

Equity Program Costs and Benefits, Life-to-Date, June 30, 2026 (1):					Profit (Cost)
	Net Investment	Fair Market Value	Gain (Loss)	Jobs Supported (2)	per Job Supported
Santa Fe Windows and Doors (3)	(\$25,000)	\$0	\$25,000	n/a	n/a
Flywheel Ventures, 2 funds	\$2,956,754	\$0	(\$2,956,754)	50	(\$59,135)
NM Community Capital	\$1,604,078	\$0	(\$1,604,078)	204	(\$7,863)
Mesa NM Growth Funds, 2 funds	\$10,257,750	\$0	(\$10,257,750)	18	(\$569,875)
NM Mezzanine Ptrs	\$1,688,976	\$0	(\$1,688,976)	10	(\$168,898)
Verge Fund, 4 funds (4)	\$2,900,104	\$2,917,572	\$17,468	136	\$128
Adjustment for multiple funds invested in the same company (4 companies)				-70	
Total Equity Program (5)	\$19,382,662	\$2,917,572	(\$16,465,090)	348	(\$47,313)

(1) Equity fund investments are long-term investments. Life-to-date results are considered more meaningful than year-to-date information.

(2) Jobs reported at December 31, 2025, or as of the date when a company was sold.

(3) Santa Fe Windows and Doors was originated in 2003 and repaid in full in 2007. This was the only direct investment made by the NMSBIC.

(4) Investments in Verge I, Verge I.5, Verge II and Verge II.5 were combined into Verge III Combined on January 1, 2021.

Verge III Combined terminated December 31, 2025 and shares in four companies were distributed to NMSBIC.

(5) \$32.52 million was invested and \$13.14 million was returned, resulting in net investment of \$19.38 million.

Lending Program Costs and Benefits:					Profit (Cost)
	Interest Income	Loan Charge Offs	Net Interest Income (Loss)	Jobs Supported (8)	per Job Supported
Since Inception					
B:Side Fund	\$1,296	\$0	\$1,296	6	\$216
Clearinghouse CDFI	\$1,311,723	\$0	\$1,311,723	590	\$2,223
DreamSpring 2003 Prior Agreement (6)	\$1,013,665	(\$1,258,310)	(\$244,645)	4,516	(\$54)
DreamSpring 2013 Participation Agreement	\$1,735,132	(\$408,741)	\$1,326,391	5,065	\$262
DreamSpring 2020 PPP Participation Agreement	\$0	\$0	\$0	7,594	-
Homewise	\$633,447	\$0	\$633,447	595	\$1,065
LiftFund PPP and COVID-19 Lending Program	\$97	\$0	\$97	36	-
New Mexico Mortgage Finance Authority	\$120,789	\$0	\$120,789	450	\$268
The Loan Fund Participation Agreement (7)	\$77,631	(\$11,518)	\$66,113	-	-
The Loan Fund	\$3,018,497	\$0	\$3,018,497	5,949	\$507
The Loan Fund COVID-19 Lending Program	\$0	\$0	\$0	607	-
RBC Global Asset Management	\$1,111,521	\$0	\$1,111,521	253	\$4,393
Rio Vista Growth Capital Line of Credit (9)	\$155,217	\$0	\$155,217	16	\$9,701
Rural Communities Assistance Corp (RCAC)	\$392	\$0	\$392	31	\$13
Ventana Fund	\$2,154,094	\$0	\$2,154,094	360	\$5,984
WESST Participation Agreement	\$49,141	(\$46,756)	\$2,385	534	\$4
Total Lending Program	\$11,382,642	(\$1,725,325)	\$9,657,317	26,602	\$363

12 months ended June 30, 2026

B:Side Fund	\$1,296	\$0	\$1,296	6	\$216
Clearinghouse CDFI	\$422,556	\$0	\$422,556	548	\$771
DreamSpring 2013 Participation Agreement	\$112,322	(\$37,441)	\$74,881	411	\$182
Homewise	\$284,804	\$0	\$284,804	524	\$544
Housing New Mexico - MFA	\$10,020	\$0	\$10,020	70	\$143
RBC Global Asset Management	\$400,778	\$0	\$400,778	253	\$1,584
Rural Communities Assistance Corp (RCAC)	\$392	\$0	\$392	31	\$13
The Loan Fund	\$124,645	\$0	\$124,645	952	\$131
Ventana Fund	\$727,208	\$0	\$727,208	207	\$3,513
WESST Participation Agreement	\$3,512	(\$29,061)	(\$25,549)	35	(\$730)
Total Lending Program	\$2,087,533	(\$66,502)	\$2,021,031	3,037	\$665

(6) The DreamSpring 2003 prior participation agreement was terminated as of November 2013. Loans outstanding as of the termination date were repaid in the normal course of business. All loans were repaid as of January 2022.

(7) The Loan Fund 2004 participation agreement was terminated as of July 13, 2007.

(8) Jobs reported at the time the loan was originated.

(9) The Rio Vista Growth Capital line of credit was terminated as of September 30, 2018.

Finance New Mexico

NMSBIC helped to create and continues to support a statewide business financial literacy resource called *Finance New Mexico* (see www.financenewmexico.org). The organization was selected in 2009 as the Albuquerque Chamber of Commerce Small Business Advocate of the Year. Business-related articles are published and circulated electronically to businesses and economic development organizations throughout the state. Finance New Mexico plays an important role in publicizing NMSBIC's programs and lending partners across all areas of the state.

Board Engagement

NMSBIC's board members have actively engaged in various activities to support the organization. NMSBIC's board members are qualified professionals who apply their collective and diverse business experience in reviewing activities and making sound decisions. The board members have demonstrated their dedication and commitment to strengthening and improving NMSBIC.

Strategic Plan

NMSBIC's strategic plan is to create and support jobs in New Mexico by continuing to expand its lending program throughout the entire state. NMSBIC is focused on maintaining organizational self-sufficiency where interest income from loans exceeds operational expenses. NMSBIC's funding is based on 2% of the balance of the severance tax permanent fund. Projected growth in the severance tax permanent fund will result in growth of NMSBIC's assets. The Board is being proactive in making plans to deploy additional funding in a responsible manner that will continue to stimulate the economy and support the growth of small businesses and jobs in New Mexico.

Statutory Requirements

The following information is provided in accordance with NMSA 58-29-6(B) and 58-29-7.

Audited Financial Statements

NMSBIC's independently audited financial statements for the years ended June 30, 2026, and 2025 are attached to this report.

Rate of Return

For the fiscal year ending June 30, 2026, NMSBIC had a positive change in net assets of \$40.2 million, with average net assets of \$198.3 million, and an annual return of 20.3%.

After subtracting the contribution from the severance tax permanent fund of \$39.9 million and adding back funds returned to the severance tax permanent fund of \$4.5 million, operating income was \$4.8 million, which was an annual return of 2.4%.

Desired Changes in the Corporation

NMSBIC's Board of Directors does not recommend changes to the corporation.

Continued Operation of the Corporation

NMSBIC's Board of Directors recommends continued operation of the corporation, with a focus on expanding lending programs to address gaps in available financing for New Mexico small businesses as described in this report.

Severance Tax Permanent Fund Distribution

Under NMSA 58-29-7, NMSBIC is charged with making a distribution of "net excess funds" to the severance tax permanent fund, calculated as 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 corporation and less amounts reasonably reserved for losses. For the fiscal year ended June 30, 2026, net excess funds due to the severance tax permanent fund were \$4,532,262. A calculation of net excess funds is included in Note 8 of the attached audited financial statements.

Conclusion

NMSBIC is grateful for the support of the Governor, State Legislators, the State Investment Council, and its financial partners. Through the creation and expansion of NMSBIC, New Mexico has created a unique delivery system of loans and investment capital for new and growing businesses.

NMSBIC has played a critical role during the COVID-19 crisis, making loan funds available to New Mexico small businesses that in many cases would not have had access to loans from traditional banks.

Lending partners have provided 7,456 loans to businesses in communities statewide, in many cases preserving jobs that would have been eliminated without access to capital and creating jobs that would not exist without NMSBIC funds. Through its lending program, NMSBIC has provided over \$324 million in loans to businesses that would likely not have had access to capital, supporting 26,602 jobs throughout the state.

While equity program losses since NMSBIC's inception have been substantial, there are several new companies that are growing and prospering with equity provided by NMSBIC. The impact NMSBIC has had in helping to create a venture community has been positive, but the role NMSBIC was asked to play in this arena did not adequately support the mission that NMSBIC's enabling legislation assigned it. NMSBIC's Board of Directors intends to allow these high-risk assets to run off and continue focusing on expansion of NMSBIC's lending program.

Access to loans continues to be challenging for many small businesses in New Mexico. NMSBIC, through its lending partners, plays an important role in helping to fill that void. This program, created by the legislature, continues to be a valuable state resource focused on investing taxpayer dollars in New Mexico businesses, creating jobs for New Mexicans, and

having a positive impact on our state's economic health.

Respectfully Submitted,

Joshua L. Smith
Board Chair & President

NMSBIC Board of Directors



Joshua Smith (since 2022)
NMSBIC Board Chair and President
New Mexico Regional President, WaFd Bank
Cedar Crest, New Mexico



Sayuri Yamada (since 2023)
Chief Executive Officer, Anchorum Health Foundation
Santa Fe, New Mexico



Robert Valdiviez (since 2022)
NMSBIC Secretary/Treasurer
Retired Banking Executive
Albuquerque, New Mexico



The Honorable Laura M. Montoya (since 2023)
State Treasurer
Santa Fe, New Mexico



Anne Beckett (since 2022)
NMSBIC Vice Chair and Vice President
Retired Financial Services Executive
Santa Fe, New Mexico



Kristina Alley (since 2023)
Principal, Santa Fe Advisors, LLC
Santa Fe, New Mexico



Joshua Grassham (since 2024)
Chief Executive Officer, Lea County State Bank
Hobbs, New Mexico

NMSBIC Executive Director/Investment Advisor



Russell Cummins (since 2012)
Owner, RDC Advisors, LLC
Tijeras, New Mexico



New Mexico Small Business Investment Corporation
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www.nmsbic.org
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EXHIBIT A

Independently Audited Financial Statements
as of and for the years ended
June 30, 2026 and 2025

**Small Business Investment Corporation
(A Component Unit of the State of New Mexico)**

FINANCIAL STATEMENTS

June 30, 2026 and 2025

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Management
New Mexico Small Business Investment Corporation
Albuquerque, New Mexico

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Small Business Investment Corporation, also known as the New Mexico Small Business Investment Corporation, (NMSBIC), a component unit of the State of New Mexico, as of and for the years ended June 30, 2026 and 2025, and the related notes to the financial statements which collectively comprise NMSBIC's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of NMSBIC, as of June 30, 2026 and 2025, and the respective changes in financial position and cash flows thereof, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of NMSBIC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about NMSBIC's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore, is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about NMSBIC's ability to continue as a going concern for a reasonable period-of-time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Emphasis of Matter

As discussed in Note 2, the financial statements of NMSBIC are intended to present the financial position, and the changes in financial position and cash flows, of only that portion of its business-type activities that are attributable to the transactions of NMSBIC. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2026 and 2025, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. NMSBIC's financial statements are included in the financial statements of the State of New Mexico.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Other Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise NMSBIC's basic financial statements. Supporting Schedules 1 and 2 are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The supporting Schedules 1 and 2 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supporting Schedules 1 and 2 are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 17, 2026 on our consideration of NMSBIC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of this 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 NMSBIC's internal control over financial reporting and compliance.

PULAKOS CPAs, PC

September 17, 2026

Pulakos CPAs, PC



MANAGEMENT'S DISCUSSION AND ANALYSIS

**Small Business Investment Corporation
(A Component Unit of the State of New Mexico)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2026 and 2025

The Small Business Investment Corporation, doing business as the New Mexico Small Business Investment Corporation (NMSBIC), was formed by the Small Business Investment Act in 2001 to create new job opportunities in communities statewide, and is funded by an allocation from the Severance Tax Permanent Fund.

This section of NMSBIC's annual financial report presents management's discussion and analysis of financial position and changes in financial position for the fiscal years ended June 30, 2026 and 2025, respectively. This information is presented to provide additional information regarding the activities of NMSBIC and to meet the disclosure requirements of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34) and GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*. NMSBIC is engaged in business-type activities and is considered a special-purpose government in accordance with GASB Statement No. 34. The financial statements present information required for enterprise funds and report on all of the activities of NMSBIC. This analysis should be read in conjunction with the independent auditors' report, audited financial statements and accompanying notes.

Overview of the Financial Statements

The basic financial statements consist of the Statements of Net Position; the Statements of Revenues, Expenses and Changes in Net Position; the Statements of Cash Flows; and the notes thereto. NMSBIC follows enterprise fund accounting. The financial statements offer information about NMSBIC's activities and operations.

The Statements of Net Position include all NMSBIC's assets and liabilities, presented in order of liquidity. The resulting net position presented in these statements is restricted for use only as allowed by §58-29-1 NMSA 1978 et. seq.

All of NMSBIC's current year revenues and expenses are recorded in the Statements of Revenues, Expenses and Changes in Net Position. These statements measure the activities of NMSBIC's operations over the past year and present the resulting change in net position.

The final required financial statements are the Statements of Cash Flows. The primary purpose of these statements is to provide information about NMSBIC's cash receipts and cash payments during the reporting period. These statements report cash receipts, cash payments and net changes in cash resulting from operating, noncapital financing, capital and related financing and investing activities. These statements also provide information regarding the sources and uses of cash and the change in the cash balance during the reporting period.

The notes to the financial statements provide additional information that is essential for a full understanding of the information provided in the financial statements.

Small Business Investment Corporation
(A Component Unit of the State of New Mexico)

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2026 and 2025

Required and other supplementary information is presented following the notes to financial statements to provide selected supplemental information for NMSBIC's programs.

In 2026, NMSBIC formed a single member limited liability company (LLC), NMSBIC Holdings, LLC. NMSBIC previously made investments in various limited partnerships (LPs) that made venture capital equity investments and loans. Upon termination of two LPs, New Mexico Gap Fund I LP, and Verge I II Combined LP, NMSBIC acquired direct ownership of assets from the limited partnerships. NMSBIC is in the process of transferring these assets to NMSBIC Holdings, LLC. NMSBIC also transferred its interest in the only remaining LP, New Mexico Mezzanine Partners LP, to NMSBIC Holdings, LLC. All balances and transactions of NMSBIC Holdings LLC are included in the financial statements of NMSBIC.

Management's Discussion and Analysis

This section contains management's discussion and analysis of the financial position and results of operations as of and for the years ended June 30, 2026 and 2025, respectively. The section helps the reader focus on significant financial matters and provides additional information regarding our activities. For best understanding, read this information with the Independent Auditors' Report, the audited financial statements and the accompanying notes.

Financial Highlights

NMSBIC's total net position at June 30, 2026 and 2025 was \$221.1 and \$181.0 million, respectively. The change in net position for the years ended June 30, 2026 and 2025 was positive \$40.2 and \$28.5 million, respectively.

Financial Analysis

The following is a summary of NMSBIC's total assets, liabilities and net position at June 30, 2026 and 2025, respectively.

	<u>2026</u>	<u>2025</u>
Assets:		
Current assets	\$ 87,476,981	\$ 79,134,506
Noncurrent assets	<u>138,190,683</u>	<u>110,933,741</u>
Total assets	<u>\$ 225,667,664</u>	<u>\$ 190,068,247</u>
Liabilities:		
Current liabilities	<u>\$ 4,557,562</u>	<u>\$ 9,117,064</u>
Total liabilities	4,557,562	9,117,064
Net position:		
Restricted net assets	<u>221,110,102</u>	<u>180,951,183</u>
Total liabilities and net position	<u>\$ 225,667,664</u>	<u>\$ 190,068,247</u>

Small Business Investment Corporation
(A Component Unit of the State of New Mexico)

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2026 and 2025

Current assets increased by \$8.3 million at June 30, 2026, compared to June 30, 2025, and are detailed as follows:

	<u>2026</u>	<u>2025</u>
Cash and cash equivalents	\$ 20,396	\$ 28,467
Investment held with New Mexico State Investment Council	11,496,788	10,891,819
Investment held with New Mexico State Treasurer's Office		
Local Government Investment Pool	70,379,486	52,575,397
Other investments	5,055,455	15,267,391
Debt funding receivable	97,322	-
Other current assets	<u>427,534</u>	<u>371,432</u>
 Total current assets	 <u><u>\$ 87,476,981</u></u>	 <u><u>\$ 79,134,506</u></u>

- **Cash and cash equivalents** decreased by \$8,071 during the year. Management's target is for the balance of cash and cash equivalents to be \$500,000 or less, to provide immediate liquidity. Funds in excess of this target balance are invested with the New Mexico State Investment Council or the State Treasurer's Office Local Government Investment Pool.
- **Debt funding receivable, net** increased by \$97,322 during the year. This represents net funds due from lending partners as of the fiscal year-end primarily related to new loans to their customers, for which funds were drawn from NMSBIC after the fiscal year-end. In 2025, there was a debt funding payable of \$5,608,660, which is shown in current liabilities below.
- **Investment held with New Mexico State Investment Council** increased by \$604,969 during the year. The increase was due to reinvested interest income, plus realized gains. Investments held with the New Mexico State Investment Council can be withdrawn as of the first business day of each month.
- **Investment held with New Mexico State Treasurer's Local Government Investment Pool (LGIP)** increased by \$17.8 million during the year. The increase was primarily due to a \$39.9 million contribution from the State of New Mexico Severance Tax Permanent Fund, less funds used to provide advances to lending partners. LGIP funds can be withdrawn with one business day notice.
- **Other investments** decreased by \$10.2 million during the year. Other investments are managed by RBC Global Asset Management (RBC GAM) and are invested in a federal money market fund. The decrease in other investments was primarily due to the use of federal money market funds to purchase investments in Small Business Administration (SBA) loan pools, SBA loan certificates, and United States Department of Agriculture (USDA) loan certificates. Payments received from SBA and USDA investments are reinvested in other investments.

Small Business Investment Corporation
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MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2026 and 2025

- **Other current assets** changed by minor amounts, and are comprised of interest and dividends receivable, and prepaid expenses.
- **Noncurrent assets** increased by \$27.3 million during the year and are detailed as follows:

	<u>2026</u>	<u>2025</u>
Equity investments in New Mexico entities	\$ 1,473,781	\$ 1,551,538
Cooperative loan agreements, net of allowance for losses	135,943,612	108,670,165
Notes receivable including accrued interest	<u>773,290</u>	<u>712,038</u>
Total noncurrent assets	<u>\$ 138,190,683</u>	<u>\$ 110,933,741</u>

- **Equity investments in New Mexico entities** decreased by \$77,757 during the year. The change was due to a cash equity distribution received by NMSBIC during the year. Equity investments are carried at cost in accordance with GASB Statement No. 72, paragraph B74. Impairment loss is recognized if the fair value of the asset has declined below the carrying value and the decline is determined not to be temporary in nature. Equity investment balances have been declining in recent years. They were a major focus of NMSBIC from 2001 through 2009, with total cumulative investments of over \$32 million. Equity investments are no longer an investment focus for NMSBIC. The history of making equity investments provided valuable experience, and revealed significant challenges that included:
 - NMSBIC's asset size and requirement to invest in New Mexico small businesses resulted in limited diversification;
 - High risk with limited diversification contributed to significant losses during the 2008 economic downturn;
 - Management fees paid over several years to equity fund managers reduced returns;
 - Equity investments are typically long-term, which reduces the ability to turn-over funds into new small businesses;
 - Equity investments do not provide current income to offset NMSBIC's operating expenses;
 - Equity investments were geographically concentrated, with limited funding in rural areas of New Mexico.

**Small Business Investment Corporation
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MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2026 and 2025

- **Cooperative loan agreements, net of allowance for loan losses** increased by \$27.3 million during the year. The increase was due to NMSBIC's continued focus on expanding its lending program, with funds provided to New Mexico small businesses through lending partners. NMSBIC's lending partners include the New Mexico Community Development Loan Fund (The Loan Fund), Clearinghouse CDFI, DreamSpring (formerly Accion), RBC GAM, WESST, LiftFund, Ventana Fund, Homewise, RCAC, B:Side Fund, Raza Development Fund, and the New Mexico Mortgage Finance Authority. With the exception of RBC GAM and the New Mexico Mortgage Finance Authority, NMSBIC's lending partners are designated as Community Development Financial Institutions (CDFIs) by the U.S. Treasury. CDFIs have a mission of providing financing in low-income communities and to people who lack access to traditional financing. NMSBIC began a focus of expanding its lending program in 2011. Since that time, cooperative loan agreements have increased from \$8.9 million to \$135.9 million. This growth has resulted in interest income from cooperative loan agreements that is greater than NMSBIC's economic development program expenses and other operating expenses, resulting in NMSBIC being a self-sustaining organization.

Outstanding loan balances for NMSBIC's COVID-19 Lending Program, NMSBIC's PPP Lending Program, and NMSBIC's traditional lending program, were as follows:

	<u>2026</u>	<u>2025</u>
NMSBIC PPP lending program	\$ -	\$ 5,298
NMSBIC COVID-19 lending program	2,669,531	9,318,593
Traditional lending program, net	<u>133,274,081</u>	<u>99,346,274</u>
Total cooperative agreement loans, net	<u>\$ 135,943,612</u>	<u>\$ 108,670,165</u>

- **NMSBIC PPP lending program** provided funds to lending partners for loans originated under the Small Business Administration's (SBA) Paycheck Protection Program (PPP), under which NMSBIC provides funds to lending partners at an interest rate of zero percent (0%) for PPP loans that lending partners made to New Mexico businesses. No new PPP loans were originated in 2026 or 2025. The balance was fully repaid in 2026 as loans were forgiven by the SBA, repaid, or as default claims were paid by the SBA.
- **NMSBIC COVID-19 lending program** provides funds to lending partners at an interest rate of zero percent (0%) for up to five years for loans that lending partners made during the pandemic, at a rate of three and three-quarters percent (3.75%) or less, to businesses impacted by the COVID-19 crisis. The program ended on September 30, 2022, for new loan originations. NMSBIC COVID-19 lending program loans can be renewed or modified by lending partners at a rate of 6.75% or less, for up to five years from when the original NMSBIC COVID-19 lending program loan was made. Outstanding loans are scheduled to be repaid by 2027.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2026 and 2025

Traditional lending program is comprised of revolving lines-of-credit, investment in pools of SBA loans, and participation agreements with lending partners. Lending partners use the funds to make loans to New Mexico small businesses. Details of the agreements with lending partners are provided in the notes to the financial statements.

- **Notes receivable including accrued interest** increased by \$61,252 during the year, entirely due to accrued interest. This is comprised of two notes transferred to NMSBIC related to the termination of the New Mexico Gap Fund I limited partnership in 2021. Prior to termination NMSBIC owned 92.4% of the limited partnership. NMSBIC purchased minority interests totaling 7.6% of the fund at a deeply discounted price of 25% to have full control of the two notes receivable that were transferred to NMSBIC.

Current liabilities decreased by \$4.6 million at June 30, 2026, compared to June 30, 2025, and are detailed as follows:

	<u>2026</u>	<u>2025</u>
Accounts payable	\$ 25,300	\$ 28,693
Due to the State of New Mexico Severance Tax Permanent Fund pursuant to §5-29-7 NMSA 1978	4,532,262	3,479,711
Debt funding payable, net	<u>-</u>	<u>5,608,660</u>
Total current liabilities	<u>\$ 4,557,562</u>	<u>\$ 9,117,064</u>

- **Accounts payable** decreased by \$3,393.
- **Due to the State of New Mexico Severance Tax Permanent Fund pursuant to §5-29-7 NMSA 1978** increased by \$1,052,551. This is comprised of net excess funds to be returned to the State of New Mexico Severance Tax Permanent Fund. There was \$4.5 million in net excess funds as of June 30, 2026, compared with \$3.5 million in net excess funds as of June 30, 2025.
- **Debt funding payable/receivable, net** decreased by \$5.6 million during the year. This represents net funds due to lending partners as of the fiscal year-end primarily related to new loans to their customers, for which funds were drawn from NMSBIC after the fiscal year-end. In 2026, there was a debt funding receivable of \$97,322 which is shown in current assets above.

Net position restricted for economic development increased by \$40.2 million at June 30, 2026, compared to June 30, 2025.

	<u>2026</u>	<u>2025</u>
Net position restricted for economic development	<u>\$ 221,110,102</u>	<u>\$ 180,951,183</u>

- The \$40.2 increase was primarily due to a \$39.9 million contribution received from the State of New Mexico Severance Tax Permanent Fund.

Small Business Investment Corporation
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MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2026 and 2025

The following are NMSBIC's operating revenues and expenses, and net nonoperating revenue for the years ended June 30, 2026 and 2025.

	<u>2026</u>	<u>2025</u>
Operating revenues:		
Interest and dividends on investments	\$ 3,086,571	\$ 2,816,545
Interest income on cooperative loan agreements	2,087,533	1,732,386
Interest income on notes receivable	61,253	56,227
Realized gain on investment held with New Mexico		
State Investment Council	19,143	230,526
Impairment of value on equity investments in New Mexico entities	-	(688,800)
Total operating revenues	<u>5,254,500</u>	<u>4,146,884</u>
Operating expenses:		
Provision for loan losses	37,711	33,436
Economic development program services	210,611	202,283
Other operating expenses	<u>234,361</u>	<u>236,405</u>
Total operating expenses	<u>482,683</u>	<u>472,124</u>
Operating income	4,771,817	3,674,760
Nonoperating revenue (expense):		
Contribution from the State of New Mexico Severance Tax		
Permanent Fund pursuant to §7-27-5.15(F) NMSA 1978	39,919,364	28,348,712
Return to the State of New Mexico Severance Tax		
Permanent Fund pursuant to §5-29-7 NMSA 1978	<u>(4,532,262)</u>	<u>(3,479,711)</u>
Total nonoperating revenue	<u>35,387,102</u>	<u>24,869,001</u>
Change in net position	40,158,919	28,543,761
Total net position, beginning of year	<u>180,951,183</u>	<u>152,407,422</u>
Total net position, end of year	<u>\$ 221,110,102</u>	<u>\$ 180,951,183</u>

Operating revenues increased by \$1,107,616 during the year ended June 30, 2026, compared to June 30, 2025.

- **Interest and dividends on investments** increased by \$270,026 primarily due to higher invested balances.
- **Interest income on cooperative loan agreements** increased by \$355,147 during the year, due primarily to an increase in outstanding cooperative loan agreement balances.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2026 and 2025

- **Interest income on notes receivable** increased by \$5,026 during the year. This is interest income on two notes transferred to NMSBIC in 2021, related to the termination of the New Mexico Gap Fund I limited partnership.
- **Realized gain on investment held with New Mexico State Investment Council** decreased by \$211,383 during the year. Gains are due to changes in market value for the Credit Plus Bond Pool.
- **Impairment of value on equity investments in New Mexico entities** decreased by \$688,800 during the year. As of June 30, 2025, NMSBIC recorded \$688,800 in other than temporary impairment for its investment in New Mexico Mezzanine Partners Limited Partnership (NMMP) that reduced NMSBIC's book value to \$0. NMMP has passed its termination date and is in a winding-up period.

Total operating expenses increased by \$10,559 during the year ended June 30, 2026, compared to June 30, 2025.

- **Provision for loan losses** increased by a minor amount as compared to the prior year.
- **Economic development program services** increased by a minor amount as compared to the prior year.
- **Other operating expenses** decreased by a minor amount as compared to the prior year.

Operating income increased by \$1.1 million during the year as detailed in the operating revenue and operating expense sections above.

Nonoperating revenue increased by \$10.5 million during the year, detailed as follows:

- **Contribution received from the State of New Mexico severance tax permanent fund pursuant to §7-27-5.15(F) NMSA 1978** increased by \$11.6 million during the year. There was a \$39,919,364 contribution during the year ended June 30, 2026, compared to a \$28,348,712 contribution during the year ended June 30, 2025. The contribution was received from the State of New Mexico Severance Tax Permanent Fund pursuant to §7-27-5.15(F) NMSA 1978, which indicates the state investment officer shall make a commitment to NMSBIC equal to two percent (2.0%) of the market value of the severance tax permanent fund. The contributions received in 2026 and 2025 were based on growth in the Severance Tax Permanent Fund during the twelve months ended June 30, 2025 and June 30, 2024, respectively.

**Small Business Investment Corporation
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MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2026 and 2025

- **Return to the State of New Mexico severance tax permanent fund pursuant to §58-29-7 NMSA 1978** was \$4.5 million for the year ended June 30, 2026, compared to \$3.5 million for the year ended June 30, 2025. These are net excess of funds as defined by §58-29-7 NMSA 1978 and are to be returned to the State of New Mexico severance tax permanent fund no later than October 31st of any given year.

Change in net position was \$40.2 million in 2026 as compared to \$28.5 million the prior year. The 2026 change in net position was primarily due to the contribution from the State of New Mexico severance tax permanent fund pursuant to §7-27-5.15(F) NMSA 1978.

Budgets and Budgetary Accounting

NMSBIC's annual budget process is not subject to legal or State approval. Therefore, there is no established process for obtaining approval of NMSBIC's annual budget from any regulatory body. Given NMSBIC's annual budget is not subject to legal or State approval, no budgetary statements are included in Management's Discussion and Analysis.

Economic Outlook

The following New Mexico review and outlook is from the UNM Bureau of Business and Economic Research's *New Mexico Economic Snapshot* as of August 2026.

New Mexico Review

After increasing by 13,500 jobs (1.6%) in 2019, employment in New Mexico declined sharply in 2020, falling by 54,000 jobs (-6.5%) due to the coronavirus pandemic. Since then, the economy has rebounded, adding 15,500 jobs in 2021 (2.0%), 36,000 jobs in 2022 (4.5%), and 23,400 jobs in 2023 (2.8%). Employment expanded by another 13,700 jobs (1.6%) in 2024. Growth slowed considerably in 2025, with employment increasing by approximately 4,500 jobs (0.5%).

Quarterly Census of Employment and Wages (QCEW) data through the fourth quarter of 2025 indicate that employment weakened substantially late in the year. According to these data, statewide employment declined by approximately 1,200 jobs (-0.1%) year-over-year in the fourth quarter, marking the first year-over-year decline since 2021Q1. Current Employment Statistics (CES) data through June 2026 suggest that employment remains roughly 4% above its pre-pandemic peak. While CES estimates indicate modest job gains in the second quarter of 2026, employment growth has generally flattened and appears considerably weaker than in recent years.

According to the Bureau of Economic Analysis (BEA), total personal income increased by 8.1% (\$7.4 billion) in 2020 compared with the previous year. This increase was driven almost entirely by a 32.7% (\$7.1 billion) increase in transfer payments associated with federal pandemic relief programs. Income growth continued in 2021, with total personal income increasing by \$9.0 billion (9.2%). Growth remained positive in 2022, increasing by 4.3% (\$4.6 billion), accelerated to 4.8% (\$5.4 billion) in 2023, and strengthened further to 5.5% in 2024. Wage and salary growth (6.3%) and other labor income growth (8.0%) were the primary drivers of growth in 2024, although most income components increased.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2026 and 2025

Strong income growth continued in 2025, with personal income increasing by approximately \$7.0 billion (5.7%). Growth was driven primarily by increases in wages and salaries (\$2.4 billion, 4.2%), transfer payments (\$3.6 billion, 11.4%), other labor income (\$580 million, 4.5%), and dividends, interest, & rent (\$470 million, 2.0%). Most other income components also contributed positively to growth. Income growth remained strong in the first quarter of 2026, increasing 5.3% year-over-year.

According to the BEA, New Mexico's real gross state product (GSP) declined by 2.3% in 2020 before rebounding with growth of 3.6% in 2021, 2.7% in 2022, and a strong 9.4% increase in 2023. GSP expanded by 4.4% in 2024 before slowing to 1.5% in 2025. Growth strengthened again in the first quarter of 2026, increasing 2.9%. New Mexico remains among the leading states nationally in post pandemic GSP growth, although this performance continues to be driven largely by the mining sector, particularly oil and gas extraction.

Drilling activity moderated in 2025, with rig counts averaging approximately 94 for the year. Activity weakened during the second half of the year, averaging about 91 rigs. Drilling activity picked up modestly in the first quarter of 2026, when rig counts averaged 96, before easing to approximately 92 rigs in the second quarter.

Crude oil production has continued to reach record levels. Output increased from 340 million barrels in 2019 to 383 million barrels in 2020, rose to 471 million barrels in 2021, and accelerated to 598 million barrels in 2022. Production reached 682 million barrels in 2023, climbed to 752 million barrels in 2024, and increased again to nearly 810 million barrels in 2025. Production remained robust in the first quarter of 2026, exceeding 813 million barrels on an annualized basis.

New Mexico's Economic Outlook

After losing approximately 54,000 jobs in 2020 due to the COVID-19 pandemic, New Mexico recovered those losses and continued expanding through 2024. Employment growth slowed substantially in 2025, increasing by only 4,500 jobs (0.5%), and recent data suggest that momentum weakened considerably during the second half of the year.

As discussed in prior forecast narratives, broader macroeconomic softness, slower population growth, reduced immigration, trade uncertainty, and continued labor market weakness are expected to constrain employment growth over the near term. As a result, New Mexico employment is projected to remain essentially flat in 2026 (0.0%) before increasing by approximately 1,700 jobs (0.2%) in 2027. Growth is expected to improve modestly thereafter, averaging roughly 0.3% to 0.4% annually through the remainder of the forecast period. By 2031, employment is projected to be approximately 55,000 jobs above its 2019 level.

Healthcare & social assistance is expected to remain the state's leading source of job growth. Following gains of approximately 4,400 jobs (3.7%) in 2025, the industry is projected to add about 2,800 jobs (2.2%) in 2026. Growth is expected to slow in 2027 before strengthening again later in the forecast period. Given its size and long-term growth trajectory, healthcare will continue to be the state's largest source of net new jobs.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2026 and 2025

Accommodation and food services, after declining by nearly 775 jobs (0.9%) in 2025, is expected to recover modestly, adding approximately 370 jobs (0.4%) in 2026 and 570 jobs (0.6%) in 2027. However, employment is expected to trend downward later in the forecast period, leaving the industry slightly below its 2019 level by 2031.

Mining is expected to remain supported by strong oil production, although employment gains are projected to be limited. Despite continued growth in oil output, mining employment is expected to remain below pre-pandemic levels throughout the forecast horizon and is projected to end 2031 with roughly 1,000 fewer jobs than in 2019.

Over the long term, through 2031, several industries are projected to provide meaningful support to employment growth, including transportation & warehousing, construction, and professional & technical services. Transportation & warehousing is expected to remain particularly strong, ending the forecast period with employment approximately 28% above pre-pandemic levels.

Construction is projected to finish approximately 17% above its 2019 level by 2031, while professional & technical services is expected to resume growth following recent weakness.

Several sectors are expected to underperform over the long term. Information employment is projected to remain nearly 13% below pre-pandemic levels by 2031 due to continued consolidation and structural change within telecommunications, publishing, and related activities. Manufacturing is also expected to remain modestly below its pre-pandemic employment level despite several announced expansion projects throughout the state. Retail trade is projected to resume its long-term pattern of gradual decline following several years of recovery and stabilization.

Turning to government employment, state government added approximately 1,200 jobs (2.4%) in 2025 and is projected to continue growing in 2026, although at a slower pace. Local government employment is expected to soften slightly in 2026 before returning to modest growth thereafter.

Federal government employment is expected to continue declining following workforce reductions initiated by the Trump administration. FOR-UNM estimates that approximately 1,300 federal jobs (4.5%) were lost in 2025 and projects an additional loss of nearly 2,000 jobs (7.4%) in 2026. Federal employment is then expected to decline gradually over the remainder of the forecast period, ending approximately 10% below its 2019 level.

On the income side, personal income increased by 5.7% (\$7.0 billion) in 2025. Income growth is projected to slow to 3.9% (\$5.1 billion) in 2026 as overall economic activity moderates. Growth is then expected to strengthen to approximately 5.2% annually from 2027 through 2029 before easing toward 4.7% annually later in the forecast period. Private wages and salaries and transfer payments are expected to remain the primary drivers of income growth.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2026 and 2025

Gross state product (GSP) is projected to accelerate modestly from 1.5% growth in 2025 to approximately 2.2% in 2026 and 2.0% in 2027. Growth is then expected to average roughly 2.0% annually through the remainder of the forecast period, supported primarily by continued strength in oil and gas production and related activity.

While the baseline scenario is assigned a 55% probability in this forecast, FOR-UNM also presents three alternative scenarios. The Optimistic Scenario, which has a 5% probability, provides only limited upside, with employment levels finishing only slightly above the baseline and income growth marginally stronger.

The Pessimistic 1 scenario (35% probability) is characterized by a tighter energy market resulting from the continuation of the conflict in Iran and disruptions to the global supply of oil and other commodities. This scenario assumes that tighter energy markets lead to elevated energy prices and higher inflation. The uncertainty surrounding the conflict contributes to slightly weaker financial conditions and reduced economic activity, moderating consumer and business confidence. Compared with S&P Global's base forecast, this scenario results in a higher unemployment rate, an initially higher inflation path, lower equity valuations, and weaker growth.

In New Mexico, employment growth turns slightly negative (-0.1%) in 2026 before increasing by 0.1% to 0.2% in 2027 and 2028. Growth then converges with the baseline scenario in the out-years. By 2031, employment under this scenario is approximately 2,000 jobs below the baseline. Income outcomes in the pessimistic scenario are slightly weaker than in the baseline. Total personal income is approximately 0.6% below the baseline in 2031. Wage and salary income, the largest income component, is approximately 0.7% below baseline levels, while countercyclical transfer payments are slightly above baseline levels by 2031.

The Pessimistic 2 scenario, assigned a 5% probability, reflects persistent global economic weakness driven by prolonged geopolitical uncertainty, inflationary pressures associated with extended trade conflicts, and continued international instability. These forces constrain business investment, reduce consumer confidence, and suppress consumer spending. Short-term layoffs, particularly in customer-facing industries, become permanent, while aggressive consolidation in other sectors reduces long-term labor demand.

After modest to solid growth from 2021 through 2025, employment declines by 1.1% in 2026 and 0.2% in 2027 before stabilizing and growing approximately one-tenth of a percentage point slower than the baseline in each remaining year. Near-term losses and the subsequent weak recovery keep employment levels persistently depressed. By the end of the forecast period, employment under this scenario is approximately 20,000 jobs below the baseline.

Because employment losses are broadly distributed across industries, income effects are similar. Under this scenario, nominal personal income in 2031 is approximately 81% higher than in 2019, compared with a 90% increase under the baseline scenario.

FINANCIAL STATEMENTS

Small Business Investment Corporation
(A Component Unit of the State of New Mexico)

STATEMENTS OF NET POSITION

June 30, 2026 and 2025

<u>Assets</u>	<u>2026</u>	<u>2025</u>
Current assets		
Cash and cash equivalents	\$ 20,396	\$ 28,467
Investment held with NM State Investment Council	11,496,788	10,891,819
Investment held with NM State		
Treasurer's Office - LGIP	70,379,486	52,575,397
Debt funding receivable, net	97,322	-
Other investments	5,055,455	15,267,391
Interest and dividends receivable	416,300	365,491
Prepaid expenses	11,234	5,941
Total current assets	87,476,981	79,134,506
Noncurrent assets		
Notes receivable including accrued interest	773,290	712,038
Equity investments in New Mexico entities	1,473,781	1,551,538
Cooperative loan agreements, net of allowance for loan losses	135,943,612	108,670,165
Total noncurrent assets	138,190,683	110,933,741
Total assets	\$ 225,667,664	\$ 190,068,247
<u>Liabilities</u>		
Current liabilities		
Accounts payable	\$ 25,300	\$ 28,693
Due to the State of New Mexico Severance Tax		
Permanent Fund pursuant to §5-29-7 NMSA 1978	4,532,262	3,479,711
Debt funding payable, net	-	5,608,660
Total current liabilities	4,557,562	9,117,064
Total liabilities	4,557,562	9,117,064
Net position		
Restricted for:		
Economic development	221,110,102	180,951,183
Total net position	221,110,102	180,951,183
Total liabilities and net position	\$ 225,667,664	\$ 190,068,247

Small Business Investment Corporation
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STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Years Ended June 30, 2026 and 2025

	<u>2026</u>	<u>2025</u>
Operating revenues		
Interest and dividends on investments	\$ 3,147,824	\$ 2,872,772
Interest income on cooperative loan agreements	2,087,533	1,732,386
Realized gain on investment held with New Mexico Investment Council	19,143	230,526
Impairment of value on equity investments in New Mexico entities	<u>-</u>	<u>(688,800)</u>
Total operating revenues	5,254,500	4,146,884
Operating expenses		
Provision for loan losses	37,711	33,436
Economic development program services	210,611	202,283
Other operating expenses	<u>234,361</u>	<u>236,405</u>
Total operating expenses	<u>482,683</u>	<u>472,124</u>
Operating income	4,771,817	3,674,760
Nonoperating revenue (expense)		
Contribution from the State of New Mexico Severance Tax Permanent Fund pursuant to §7-27-5.15(F) NMSA 1978	39,919,364	28,348,712
Return to the State of New Mexico Severance Tax Permanent Fund pursuant to §5-29-7 NMSA 1978	<u>(4,532,262)</u>	<u>(3,479,711)</u>
Total nonoperating revenue	<u>35,387,102</u>	<u>24,869,001</u>
Change in net position	40,158,919	28,543,761
Net position - beginning of year	<u>180,951,183</u>	<u>152,407,422</u>
Net position - end of year	<u><u>\$ 221,110,102</u></u>	<u><u>\$ 180,951,183</u></u>

Small Business Investment Corporation
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STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2026 and 2025

	<u>2026</u>	<u>2025</u>
Cash flows from operating activities:		
Cash payments to suppliers for operating expenses	\$ (453,658)	\$ (429,433)
Net cash used by operating activities	(453,658)	(429,433)
Cash flows from noncapital financing activities:		
Cash received from Severance Tax Permanent Fund	39,919,364	28,348,712
Cash paid to Severance Tax Permanent Fund - net excess funds	<u>(3,479,711)</u>	<u>(3,142,669)</u>
Net cash provided by noncapital financing activities	36,439,653	25,206,043
Cash flows from investing activities:		
Purchase of other investments	(10,127,326)	4,726,627
Purchase of investment held with NM State Treasurer's Office	(15,716,768)	(21,578,712)
Investments in NM economic development activities under Cooperative Agreements, net	<u>(10,149,972)</u>	<u>(7,932,715)</u>
Net cash used by investing activities	<u>(35,994,066)</u>	<u>(24,784,800)</u>
Net changes in cash and cash equivalents	(8,071)	(8,190)
Cash and cash equivalents - beginning of year	<u>28,467</u>	<u>36,657</u>
Cash and cash equivalents - end of year	<u><u>\$ 20,396</u></u>	<u><u>\$ 28,467</u></u>
Reconciliation of operating income to net cash used by operating activities:		
Operating income	\$ 4,771,817	\$ 3,674,760
Adjustments to reconcile operating income to net cash used by operating activities:		
Provision for loan losses	37,711	33,436
Interest and dividend income reinvested	(5,203,691)	(4,130,864)
Interest and dividends receivable	(50,809)	(16,020)
Changes in assets and liabilities:		
Prepaid expenses	(5,293)	7,710
Accounts payable	<u>(3,393)</u>	<u>1,545</u>
Net cash used by operating activities	<u><u>\$ (453,658)</u></u>	<u><u>\$ (429,433)</u></u>

**Small Business Investment Corporation
(A Component Unit of the State of New Mexico)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2026 and 2025

NOTE 1 – DEFINITION OF REPORTING ENTITY

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.

In 2026, NMSBIC formed a single member limited liability company (LLC), NMSBIC Holdings, LLC. NMSBIC previously made investments in various limited partnerships (LPs) that made venture capital equity investments and loans. Upon termination of two LPs, New Mexico Gap Fund I LP, and Verge I II Combined LP, NMSBIC acquired direct ownership of assets from the limited partnerships. NMSBIC is in the process of transferring these assets to NMSBIC Holdings, LLC. NMSBIC also transferred its interest in the only remaining LP, New Mexico Mezzanine Partners LP, to NMSBIC Holdings, LLC. All balances and transactions of NMSBIC Holdings LLC are included in the financial statements of NMSBIC.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements for NMSBIC have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The following is a summary of the more significant policies:

The accompanying financial statements present NMSBIC as a business-type activity, stand-alone, special purpose government. The Board of NMSBIC is appointed by the Governor of the State of New Mexico and has the power to make and alter bylaws or rules and regulations for the management and operation of the work of NMSBIC and the control and conduct of its business and affairs, including the ability to approve its own budget.

**Small Business Investment Corporation
(A Component Unit of the State of New Mexico)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2026 and 2025

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial Reporting Entity

In evaluating how to define NMSBIC, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility.

The most significant manifestation of this ability is financial interdependency. Other manifestation of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

A third criterion used to evaluate the potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, NMSBIC has no component units, and is a component unit of the State of New Mexico. NMSBIC is not included in any other governmental "reporting entity" as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*, but would be included in a state-wide Comprehensive Annual Financial Report (CAFR) as a component unit with the criteria set forth in GASB No. 14 (as amended by GASB No. 39 and No. 61) for determining component units.

Basis of Presentation

NMSBIC is engaged in business-type activities only and is considered a special-purpose government in accordance with GASB Statement No. 34. The financial statements (the statements of net position, statements of revenues, expenses and changes in net position and the statements of cash flows) present only the financial statements required for enterprise funds, and report information on all of the activities of NMSBIC.

Small Business Investment Corporation
(A Component Unit of the State of New Mexico)

NOTES TO FINANCIAL STATEMENTS

June 30, 2026 and 2025

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation – Continued

Operating revenue consists of investment earnings, interest and dividends. Non-operating revenue consists of funding received from the New Mexico severance tax permanent fund. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the statements of net position.

NMSBIC reports all direct expenses by program in the statements of revenues, expenses and changes in net position. Direct expenses are those clearly identifiable with a function. NMSBIC does not currently employ indirect cost allocation systems.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resource measurement focus means all assets and liabilities (whether current or noncurrent) are included on the statements of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. The statements of cash flows provide information about how NMSBIC finances and meets the cash flow needs of its proprietary activity.

Revenues, expenses, gains, losses, assets, deferred outflows of resources resulting from exchange and nonexchange like transactions are recognized when the exchange takes place.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available, it is NMSBIC's policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is NMSBIC's policy to spend committed resources first.

Budgets and Budgetary Accounting

NMSBIC's annual budget process is not subject to legal or State approval, and therefore, there is no established process for obtaining approval of NMSBIC's annual budget from any regulatory bodies. In addition, NMSBIC does not have a legally adopted budget and therefore, no budgetary statements are included in these financial statements.

Cash and Cash Equivalents

NMSBIC's cash and cash equivalents consist of checking and money market accounts that are completely liquid and have no maturity dates.

**Small Business Investment Corporation
(A Component Unit of the State of New Mexico)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2026 and 2025

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments

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

Certain investments for NMSBIC are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The State Treasurer's Investment Pool (Pool) operates in accordance with appropriate state laws and regulations. The reported value of the Pool is the same as the fair value of the Pool shares.

In accordance with GASB Statement No. 72, paragraph B74, debt and equity investments held primarily to further economic development are reported using the cost method. Debt and equity investments are carried at cost, less capital distributions received, management fees, operating expenses and any impairment loss. An impairment loss is recognized if the fair value of the asset has declined below the carrying value and the decline is determined not to be temporary in nature.

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, 2026 and 2025, allowances have been established for loan losses incurred as a result of debt investments made under Cooperative Agreements as follows:

	<u>2026</u>	<u>2025</u>
Allowance for loan losses, beginning	\$ 79,524	\$ 82,442
Loan losses incurred in current period	(66,502)	(36,354)
Provision for loan losses	<u>37,711</u>	<u>33,436</u>
Allowance for loan losses, ending	<u>\$ 50,733</u>	<u>\$ 79,524</u>

Debt Funding Receivables and Payables

Debt funding receivables and payables are the currently due or owed settlements for debt investments made under Cooperative Agreements.

Prepaid Expenses

Prepaid balances are for payments made by NMSBIC in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

Net Position/Fund Equity

The statements of net position consists of three components: net investment in capital assets; restricted; and unrestricted. NMSBIC had no net investment in capital assets or unrestricted activities as of June 30, 2026 or 2025.

**Small Business Investment Corporation
(A Component Unit of the State of New Mexico)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2026 and 2025

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Net Position/Fund Equity – Continued

Net position is reported as restricted when constraints placed on net position use are externally imposed by creditors such as through debt covenants, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Enabling legislation includes a legal enforceable requirement that resources be only for the specific purposes stipulated in the legislation.

Legal enforceability means the government can be impelled by an external party – such as citizens, public interest groups or the judiciary - to use resources for the purposes specified by the legislation.

These resources remaining in net position were received or earned with the explicit understanding between NMSBIC and the resource provider (grantor, contributor, other government or enabling legislation) that the funds would be used for a specific purpose. NMSBIC has presented restricted net position as follows as of June 30, 2026 and 2025:

	<u>2026</u>	<u>2025</u>
Cumulative severance tax permanent fund capital contributions	\$ 234,858,248	\$ 194,938,884
Cumulative return of net excess funds	(15,711,572)	(11,179,310)
Cumulative other revenues in excess of expenses	<u>1,963,426</u>	<u>(2,808,391)</u>
	<u>\$ 221,110,102</u>	<u>\$ 180,951,183</u>

Severance Tax Permanent Fund Proceeds

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. Effective July 1, 2019, the commitment was increased to two percent. Funding received from the State Investment Officer due to the net market value of the New Mexico Severance Tax Permanent Fund was \$39,919,364 and \$28,348,712 in 2026 and 2025, respectively.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Small Business Investment Corporation
(A Component Unit of the State of New Mexico)**

NOTES TO FINANCIAL STATEMENTS

June 30, 2026 and 2025

NOTE 2 – 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.

Pensions and OPEB

NMSBIC, as part of the primary government of the State of New Mexico, is included in the State's CAFR, however, does not have any employees. Thus, NMSBIC is not a contributing employer to the cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA) or New Mexico Retiree Health Care Authority (NMRHCA). No disclosures are required for these stand-alone financial statements and all disclosures pertaining to these plans will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building 407 Galisteo Street, Santa Fe, New Mexico, 87501.

Subsequent Events

NMSBIC has evaluated all events occurring subsequent to June 30, 2026 and through September 17, 2026, which is the date that the financial statements were issued and believes that any such events occurring during this period have been either recognized or disclosed in the accompanying financial statements.

NOTE 3 – DEPOSITS

State statutes authorize the investment of NMSBIC's funds in a wide variety of instruments including certificates-of-deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of NMSBIC properly followed State investment requirements as of June 30, 2026 and 2025, respectively.

Deposits of funds may be made in interest or non-interest-bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of NMSBIC. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution. The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case, shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

**Small Business Investment Corporation
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NOTES TO FINANCIAL STATEMENTS

June 30, 2026 and 2025

NOTE 3 – DEPOSITS – CONTINUED

The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest-bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of bank failure, NMSBIC's deposits may not be returned to it. NMSBIC does not have a deposit policy for custodial credit risk, other than the following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978.) As of June 30, 2026 and 2025, respectively, all of NMSBIC's deposits were fully insured. New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to NMSBIC for a least one half of the amount on deposit with the institution.

All deposits are held with First National 1870, a division of Sunflower Bank N.A., as follows:

	<u>2026</u>	<u>2025</u>
Amount of deposits	\$ 20,396	\$ 28,467
FDIC Insurance	<u>(20,396)</u>	<u>(28,467)</u>
Uninsured deposits	-	-
Collateral from financial institution	<u>-</u>	<u>-</u>
Total uninsured and uncollateralized deposits	<u>\$ -</u>	<u>\$ -</u>

NOTE 4 – FAIR VALUE MEASUREMENT

NMSBIC accounts for certain investments in accordance with Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurements and Application* (GASB 72), which establishes fair value standards for certain investments held by governmental entities. GASB 72 requires certain assets and liabilities to be measured at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Small Business Investment Corporation
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NOTES TO FINANCIAL STATEMENTS

June 30, 2026 and 2025

NOTE 4 – FAIR VALUE MEASUREMENT – CONTINUED

This pronouncement 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.

The methods described below 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.

The following tables present the fair value hierarchy for assets measured at fair value on a recurring basis as of June 30, 2026 and 2025:

<u>Assets at Fair Value</u>				
Description – 2026	Total	Level 1	Level 2	Level 3
Cooperative loan agreements	\$ 135,943,612	\$ -	\$ 135,943,612	\$ -
Investment held with NM				
State Treasurer's Office – LGIP	70,379,486	-	70,379,486	-
Other investments	5,055,455	5,055,455	-	-
Investment held with NM				
State Investment Council	11,496,788	-	11,496,788	-
	<u>\$ 222,875,341</u>	<u>\$ 5,055,455</u>	<u>\$ 217,819,886</u>	<u>\$ -</u>

Small Business Investment Corporation
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NOTES TO FINANCIAL STATEMENTS

June 30, 2026 and 2025

NOTE 4 – FAIR VALUE MEASUREMENT – CONTINUED

Description – 2025	Total	Level 1	Level 2	Level 3
Cooperative loan agreements	\$ 108,670,165	\$ -	\$ 108,670,165	\$ -
Investment held with NM				
State Treasurer’s Office – LGIP	52,575,397	-	52,575,397	-
Other investments	15,267,391	15,267,391	-	-
Investment held with NM				
State Investment Council	10,891,819	-	10,891,819	-
	<u>\$ 187,404,772</u>	<u>\$ 15,267,291</u>	<u>\$ 172,137,381</u>	<u>\$ -</u>

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.

Other investments: Valued at unadjusted quoted prices in active markets for identical investments. Other investments are comprised of a federal money market fund and United States Treasury securities with maturities less than one year.

Investment held with NM State Treasurer’s Office – LGIP and NM State Investment Council: Valued at NMSBIC’s percentage share in the pooled fund in which the pooled securities are measured using the closing price of the traded security at the statements of net position date.

NOTE 5 – INVESTMENTS IN NM STATE INVESTMENT COUNCIL AND NM LOCAL GOVERNMENT INVESTMENT POOL

NMSBIC’s investments are governed by state law, as well as a formal investment policy. The policy permits investments which are within New Mexico constitutional and statutory law; however, the policy does stipulate that asset-backed or collateralized securities must be rated AA or better. NMSBIC invests through the New Mexico State Treasurer’s Local Government Investment Pool, and the New Mexico State Investment Council, which utilizes a list of legal investments per the State of New Mexico.

NMSBIC reports gains and losses on investments as increases or decreases in restricted net assets unless their use is permanently restricted by explicit donor stipulations or by law.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of NMSBIC’s investments. As a means of limiting its exposure to fair value risk arising from rising interest rates, NMSBIC’s investment policy requires investment of currently available funds to have a maturity of no greater than three years, with the exception of the investment in the Credit Plus Bond pool held with the New Mexico State Investment Council.

**Small Business Investment Corporation
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NOTES TO FINANCIAL STATEMENTS

June 30, 2026 and 2025

NOTE 5 – INVESTMENTS IN NM STATE INVESTMENT COUNCIL AND NM LOCAL GOVERNMENT INVESTMENT POOL – CONTINUED

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of NMSBIC's investment in a single issuer. NMSBIC's investments held with the NM State Investment Council and the NM Local Government Investment Pool are collateralized by the State of New Mexico.

Investment in NM State Investment Council

NMSBIC holds investments in NM State Investment Council and the make up the portfolio is the following:

2026

Description	Level of Inputs	Percentage of Portfolio	Market Value	Credit Risk Rating
Credit Plus Bond	Level 2	100.00%	\$11,496,788	Not available

2025

Description	Level of Inputs	Percentage of Portfolio	Market Value	Credit Risk Rating
Credit Plus Bond	Level 2	100.00%	\$10,891,819	Not available

NM Local Government Investment Pool

The New MexiGROW Local Government Investment Pool's (LGIP) investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP is not SEC registered. The New Mexico State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10(I) through 6-10-10(P) and Sections 6-10-10.1(A) and (E), NMSA 1978. The LGIP's investments are monitored by the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per Section 6-10-10.1(F), NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary.

Small Business Investment Corporation
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NOTES TO FINANCIAL STATEMENTS

June 30, 2026 and 2025

NOTE 5 – INVESTMENTS IN NM STATE INVESTMENT COUNCIL AND NM LOCAL GOVERNMENT INVESTMENT POOL – CONTINUED

NM Local Government Investment Pool – Continued

2026			
Description	Fair Value	Rating	Weighted Average Maturities
Investment held with NM State Treasurer's Office – LGIP	\$ 70,379,486	AAAm	48 Days (r); 82 Days (F)
2025			
Description	Fair Value	Rating	Weighted Average Maturities
Investment held with NM State Treasurer's Office – LGIP	\$ 52,575,397	AAAm	18 Days (r); 75 Days (F)

NOTE 6 – INVESTMENTS IN NEW MEXICO ENTITIES

Cooperative Loan Agreements

NMSBIC is party to Cooperative Loan Agreements as follows:

- New Mexico Community Development Loan Fund (NMCDLF or The Loan Fund). NMSBIC is party to a revolving loan Cooperative Agreement with The Loan Fund, a non-profit Community Development Financial Institution (CDFI). Under this agreement, NMSBIC provides a revolving loan to this corporation, which is fully collateralized by pledged loans. The agreement limits certain delinquent loans for use as collateral, limits the maximum loan size and the number of modifications allowed on nonperforming loans, and requires the corporation to maintain certain levels of liquidity, leverage, and net assets. The corporation undertakes good faith efforts to make loans outside the Albuquerque metropolitan area. 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 outstanding principal balance of the revolving loan matures in December 2034. 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, 2026 and 2025, interest income of \$124,645 and \$118,887, respectively, was recognized related to this investment.

Small Business Investment Corporation
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NOTES TO FINANCIAL STATEMENTS

June 30, 2026 and 2025

NOTE 6 – INVESTMENTS IN NEW MEXICO ENTITIES – CONTINUED

Cooperative Loan Agreements – Continued

As of March 2020, in order to support its lending partners and small businesses impacted by the COVID-19 crisis, changes were made to the agreement that included: (i) the interest rate on the loan was reduced to 1.0% from 2.0% for a period of twelve months ending February 28, 2021, and then extended to August 31, 2022; and (ii) NMSBIC added a new COVID-19 Lending Program under which the interest rate charged by NMSBIC is zero percent for up to thirty-six months, provided corporation's loan is to a business impacted by the COVID-19 crisis and the interest rate to the business is at 3.75% or less. Due to The Loan Fund's active participation in NMSBIC's COVID-19 Lending Program, as of September 1, 2022, NMSBIC reduced the interest rate of the loan to 0.50% through June 30, 2025 and extended the term for COVID-19 loans to up to sixty months. The COVID-19 Lending Program ended on September 30, 2022, for new or modified loans. The COVID-19 Lending Program will remain active for existing loans through September 30, 2027. As of May 31, 2024, the 0.50% interest rate was modified to step up in January each year in 0.50% increments until it reaches 2.0% as of January 1, 2029. See supplementary schedules for detail on this agreement.

- WESST Corp. (WESST) NMSBIC is party to a loan participation Cooperative Agreement with WESST, a non-profit CDFI. Under the agreement, WESST provides 25% of the funding and NMSBIC provides the remaining 75%. NMSBIC shares 75% of loan losses. The agreement limits the maximum loan size. Loans are serviced by the corporation, with monthly reports and principal and interest remittances provided to NMSBIC. Either party can terminate the agreement with 90 days' written notice, with the outstanding balance repaid in the normal course of business. During the years ended June 30, 2026 and 2025, interest income of \$3,512 and \$3,055, respectively, was recognized related to this investment. See supplementary schedules for detail on this agreement.
- DreamSpring (formerly ACCION). NMSBIC is party to a loan participation Cooperative Agreement with DreamSpring, a non-profit CDFI. Under the agreement DreamSpring provides 25% of the funding and NMSBIC provides the remaining 75%. Under the original participation agreement, NMSBIC shared 75% of loan losses. In November 2013, NMSBIC terminated the original participation agreement with outstanding loans handled in the ordinary course of business. In November 2013, NMSBIC entered into new participation agreement with DreamSpring, referred to as the 2013 Lending Program. Under the 2013 Lending Program loan losses that can be passed through to NMSBIC are limited to 1% of the average outstanding loan balance during any fiscal year. The agreement limits the maximum loan size and the number of modifications allowed on nonperforming loans. The corporation undertakes good faith efforts to make loans outside the Albuquerque metropolitan area. Loans are serviced by the corporation, with monthly reports and principal and interest remittances provided to NMSBIC. Either party can terminate the agreement with 90 days written notice, with outstanding loans handled in the ordinary course of business. During the years ended June 30, 2026 and 2025, interest income of \$112,322 and \$109,061, respectively, was recognized related to this investment.

**Small Business Investment Corporation
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NOTES TO FINANCIAL STATEMENTS

June 30, 2026 and 2025

NOTE 6 – INVESTMENTS IN NEW MEXICO ENTITIES – CONTINUED

Cooperative Loan Agreements – Continued

Beginning in April 2020, in order to support its lending partners and small businesses impacted by the COVID-19 crisis, a series of changes were made to the agreement that included: (i) the interest rate received by NMSBIC was reduced to 2.0% from 3.0% for a period of twelve months ending March 31, 2021, which resulted in the net interest rate after loan losses being reduced to 1% from 2%; (ii) NMSBIC added a new COVID-19 Lending Program under which the interest rate charged by NMSBIC is zero percent for up to thirty-six months, provided DreamSpring's loan is to a business impacted by the COVID-19 crisis and the interest rate to the business is at 3.75% or less, and with no losses passed through to NMSBIC on the COVID-19 Lending Program; and (iii) NMSBIC added a new PPP Lending Program for DreamSpring to originate loans under the Small Business Administration's (SBA) Paycheck Protection Program (PPP). The PPP loans are guaranteed by the SBA, and the interest rate charged by NMSBIC is zero percent on funds used to originate PPP loans. See supplementary schedules for detail on this agreement.

- **New Mexico Mortgage Finance Authority (NMMFA).** As of December 2013, NMSBIC entered into a revolving loan Cooperative Agreement with NMMFA, a public body politic and corporate, separate and apart from but constituting a governmental instrumentality of the state of New Mexico. Under this agreement, NMSBIC provides an unsecured revolving loan to this corporation. The agreement limits the maximum loan size and requires the corporation to maintain a certain credit rating from Moody's Investors Service. The corporation undertakes good faith efforts to make loans outside the Albuquerque metropolitan area. 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 outstanding principal balance of the revolving loan matures in November 2028. During the years ended June 30, 2026 and 2025, interest income of \$10,020 and zero, respectively, was recognized related to this investment. See supplementary schedules for detail on this agreement.
- **Ventana Fund.** As of December 2019, NMSBIC entered into a revolving loan Cooperative Agreement with Ventana Fund, a non-profit CDFI. Under this agreement, NMSBIC provides a revolving loan to this corporation, which is fully collateralized by pledged loans. The agreement limits certain delinquent loans for use as collateral, limits the term that loans are eligible as collateral to no more than five years, and limits the maximum loan-to-value for NMSBIC funds. The corporation undertakes good faith efforts to make loans outside the Albuquerque metropolitan area. NMSBIC does not share in any loan losses or recoveries. NMSBIC has the right to reduce the maximum funding amount by the amount of funds not used in the previous twelve months. 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 December 2033. During the years ended June 30, 2026 and 2025, interest income of \$727,208 and \$558,484, respectively, was recognized related to this investment.

Small Business Investment Corporation
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NOTES TO FINANCIAL STATEMENTS

June 30, 2026 and 2025

NOTE 6 – INVESTMENTS IN NEW MEXICO ENTITIES – CONTINUED

Cooperative Loan Agreements – Continued

- **LiftFund.** As of March 2020, NMSBIC entered into a revolving loan Cooperative Agreement with LiftFund, a non-profit CDFI. Under this agreement, NMSBIC provides a revolving loan to this corporation, which is fully collateralized by pledged loans. The agreement limits certain delinquent loans for use as collateral, limits the maximum loan size and the number of modifications allowed on nonperforming loans, and requires the corporation to maintain certain levels of leverage and net assets. The corporation also undertakes good faith efforts to make loans outside the Albuquerque metropolitan area. 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 outstanding principal balance of the revolving loan matured in March 2025. During the years ended June 30, 2026 and 2025, interest income of zero was recognized related to this investment.
- **Homewise.** As of March 2020, NMSBIC entered into a revolving loan Cooperative Agreement with Homewise, a non-profit CDFI. Under this agreement, NMSBIC provides a revolving loan to this corporation, which is fully collateralized by pledged loans. The agreement limits certain delinquent loans for use as collateral, limits loan size, limits the term that loans are eligible as collateral to no more than ten years, limits the maximum loan-to-value for NMSBIC funds, and requires the corporation to maintain certain levels of leverage and net assets. The corporation undertakes good faith efforts to make loans outside the Albuquerque metropolitan area. 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 outstanding principal balance of the revolving loan matures in September 2031. During the years ended June 30, 2026 and 2025, interest income of \$284,804 and \$151,007, respectively, was recognized related to this investment.
- **RCAC.** As of October 2020, NMSBIC entered into a revolving loan Cooperative Agreement with RCAC, a non-profit CDFI. The agreement expired in October 2025 and was not renewed. As of April 2026, NMSBIC entered into a new revolving loan Cooperative Agreement with RCAC. Under this agreement, NMSBIC provides a revolving loan to this corporation. The agreement limits certain delinquent loans for use as collateral, limits the maximum loan size and the number of modifications allowed on nonperforming loans, and requires the corporation to maintain certain levels of leverage and net assets. The corporation also undertakes good faith efforts to make loans outside the Albuquerque metropolitan area. 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 outstanding principal balance of the revolving loan matures in April 2036. During the years ended June 30, 2026 and 2025, respectively, interest income of \$392 and zero was recognized related to this investment.

**Small Business Investment Corporation
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NOTES TO FINANCIAL STATEMENTS

June 30, 2026 and 2025

NOTE 6 – INVESTMENTS IN NEW MEXICO ENTITIES – CONTINUED

Cooperative Loan Agreements – Continued

- Clearinghouse CDFI. As of April 2022, NMSBIC entered into a revolving loan Cooperative Agreement with Clearinghouse CDFI, a for-profit CDFI. Under this agreement, NMSBIC provides a revolving loan to this corporation, which is fully collateralized by pledged loans. The agreement limits certain delinquent loans for use as collateral, limits the maximum loan size and the number of modifications allowed on nonperforming loans, and requires the corporation to maintain certain levels of leverage and net assets. The corporation also undertakes good faith efforts to make loans outside the Albuquerque metropolitan area. 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 outstanding principal balance of the revolving loan matures in April 2032. During the years ended June 30, 2026 and 2025, interest income of \$422,556 and \$405,556, respectively, was recognized related to this investment.
- RBC Global Asset Management. As of September 9, 2022, NMSBIC entered into an Investment Advisory Agreement with RBC Global Asset Management (RBC GAM). Under this agreement, RBC GAM sources Small Business Administration (SBA) or United States Department of Agriculture (USDA) loans that are focused on BIPOC (black, indigenous and people of color) areas and BIPOC owned small businesses in New Mexico. The guaranteed portion of the SBA and USDA loans are aggregated into SBA pools that are delivered to NMSBIC. NMSBIC committed \$25 million which was initially invested in short-term investments comprised of a federal money market fund and United States Treasury securities with maturities of twelve months or less. The short-term investments are liquidated and used to fund the SBA pools and certificates, and USDA certificates, as they are delivered to NMSBIC. NMSBIC's pools and certificates are guaranteed by the SBA or USDA. During the years ended June 30, 2026 and 2025, interest income of \$400,778 and \$386,336, respectively, was recognized related to this investment.
- B:Side Fund. As of September 2024, NMSBIC entered into a revolving loan Cooperative Agreement with B:Side Fund, a non-profit CDFI. Under this agreement, NMSBIC provides a revolving loan to this corporation, which is fully collateralized by pledged loans. The agreement limits certain delinquent loans for use as collateral, limits the maximum loan size and the number of modifications allowed on nonperforming loans, and requires the corporation to maintain certain levels of leverage and net assets. 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 outstanding principal balance of the revolving loan matures in September 2034. During the years ended June 30, 2026 and 2025, interest income of \$1,296 and zero, respectively, was recognized related to this investment.

Small Business Investment Corporation
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NOTES TO FINANCIAL STATEMENTS

June 30, 2026 and 2025

NOTE 6 – INVESTMENTS IN NEW MEXICO ENTITIES – CONTINUED

Cooperative Loan Agreements – Continued

- Raza Development Fund (RDF). As of January 2026, NMSBIC entered into a revolving loan Cooperative Agreement with RDF, a non-profit CDFI. Under this agreement, NMSBIC provides an unsecured revolving loan to this corporation. The agreement limits the maximum loan size and requires the corporation to maintain a certain credit rating from S&P Global Inc. The corporation undertakes good faith efforts to make loans outside the Albuquerque metropolitan area. 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 outstanding principal balance of the revolving loan matures in January 2036. During the years ended June 30, 2026 and 2025, interest income of zero was recognized related to this investment. See supplementary schedules for detail on this agreement.

Equity Cooperative Agreements

NMSBIC is party to Subscription Agreements and Limited Partnership Agreements under which it has acquired interests 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 New Mexico Community Capital Fund I Limited Partnership (NMCC) terminated on June 30, 2025. NMCC had no value and no final distribution was paid to limited partners. The New Mexico Mezzanine Partner Limited Partnership (NMMP) passed the fund termination date and is in a winding-up period. As of June 30, 2025, NMSBIC recorded \$688,800 in other than temporary impairment for its investment in NMMP that reduced NMSBIC's book value to zero. NMSBIC's investments in Verge I L.P., Verge I.5 L.P., Verge II L.P., and Verge II.5 L.P., were combined into Verge I II Combined L.P. as of January 1, 2021. Verge I II Combined L.P. terminated on December 31, 2025, at which time all investments held were distributed to the limited partners of the fund. See supplementary schedules for detail on these agreements.

Notes Receivable

NMSBIC acquired two promissory notes from the New Mexico Gap Fund I, L.P. in April 2021, prior to termination of the fund in May 2021. Prior to termination of the fund, NMSBIC owned 92.4% of the limited partnership. NMSBIC purchased minority interests totaling 7.6% of the fund at a deeply discounted price of 25% of the value to have full control of the two promissory notes that were transferred to NMSBIC.

Small Business Investment Corporation
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NOTES TO FINANCIAL STATEMENTS

June 30, 2026 and 2025

NOTE 7 – TRANSFERS FROM OTHER AGENCIES

NMSBIC's sole source of funding are distributions from the New Mexico Severance Tax Permanent Fund. The amounts of these distributions for 2026 and 2025 were \$39,919,364 and \$28,348,712, respectively. Details of these distributions are as follows:

2026

<u>Agency</u>	<u>Number</u>	<u>Amount</u>	<u>Purpose</u>
DFA	34100	\$39,919,364	Severance Tax Permanent Fund Proceeds

2025

<u>Agency</u>	<u>Number</u>	<u>Amount</u>	<u>Purpose</u>
DFA	34100	\$28,348,712	Severance Tax Permanent Fund Proceeds

NOTE 8 – REVERSIONS OF SEVERANCE TAX PERMANENT FUND

Pursuant to Section 58-29-7 NMSA 1978, NMSBIC shall revert to the Severance Tax Permanent Fund an amount equal to the net excess funds held by NMSBIC. "Net excess funds" are calculated as the return on investments to the corporation in the amounts of dividends and interest actually received plus any capital gains actually realized, less the operating expenses of NMSBIC and less amounts reasonably reserved for losses. NMSBIC had excess funds of \$4,532,262 and \$3,479,711 as of June 30, 2026 and 2025, respectively, that are required to be returned to the Severance Tax Permanent Fund. Any net excess funds are reflected as a liability in the accompanying financial statements.

	<u>2026</u>	<u>2025</u>
Interest and dividends received, cash basis	\$ 5,008,825	\$ 4,456,195
Operating expenses, net of loan losses	(444,973)	(438,686)
Accumulated reserve for debt and equity losses	(50,733)	(79,524)
Fair value change, investment with New Mexico State Investment Council	19,143	230,526
Impairment of value on equity investments in New Mexico entities	-	(688,800)
Net excess funds	<u>\$ 4,532,262</u>	<u>\$ 3,479,711</u>

**Small Business Investment Corporation
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NOTES TO FINANCIAL STATEMENTS

June 30, 2026 and 2025

NOTE 9 – CONCENTRATIONS

Concentration of Funding

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

Concentration of Credit Risk

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 startup 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 10 – CAPITAL COMMITMENTS

As of June 30, 2026 and 2025, total remaining commitments under debt cooperative agreements and equity cooperative agreements were \$50,130,655 and \$48,380,609, respectively. See supplementary schedules for details of these remaining commitments.

NOTE 11 – RISK MANAGEMENT

NMSBIC is exposed to various risk of loss related to torts, theft, and errors and omissions. NMSBIC insures against certain possible losses with a non-profit management liability insurance policy issued by Admiral Insurance Company that includes directors, officers and organization liability insurance, and third-party wrongful acts liability insurance. NMSBIC has no employees, no real property interests and no significant tangible personal property.

For the last three years, NMSBIC has not filed any claims on its insurance policy. There have been no significant reductions in major risk categories or insurance coverage during the past year.

SUPPLEMENTAL INFORMATION

Small Business Investment Corporation
(A Component Unit of the State of New Mexico)
SCHEDULES OF ACTIVITY OF DEBT COOPERATIVE AGREEMENTS

Years Ended June 30, 2026 and 2025

	Loan Commitments	Beginning Gross Loan Balance	Loan Funding Net of Repayments	Realized Loan Loss	Ending Gross Loan Balance	Allowance for Loan Losses	Ending Net Loan Balance
For the year ended June 30, 2026							
1. RBC SBA/USDA Investments	\$ 25,000,000	\$ 9,966,140	\$ 10,127,326	\$ -	\$ 20,093,466	\$ -	\$ 20,093,466
2. DreamSpring #2	7,750,000	3,501,684	457,896	(37,441)	3,922,139	(39,221)	3,882,918
3. DreamSpring #3*	-	5,298	(5,298)	-	-	-	-
4. NMCDLF	37,500,000	31,063,271	(2,315,392)	-	28,747,879	-	28,747,879
5. WEST Corp	375,000	125,598	(24,587)	(29,061)	71,950	(11,512)	60,438
6. NMMFA	3,500,000	-	1,000,000	-	1,000,000	-	1,000,000
7. Ventana Fund	41,500,000	32,540,278	5,904,951	-	38,445,229	-	38,445,229
8. Homewise	31,000,000	11,547,420	5,651,608	-	17,199,028	-	17,199,028
9. Lift Fund	1,000,000	-	-	-	-	-	-
10. RCAC	3,000,000	-	439,142	-	439,142	-	439,142
11. Clearinghouse CDFI	30,000,000	20,000,000	6,000,000	-	26,000,000	-	26,000,000
12. B:Side Fund	500,000	-	75,512	-	75,512	-	75,512
13. Raza Development Fund	5,000,000	-	-	-	-	-	-
	<u>\$ 186,125,000</u>	<u>\$ 108,749,689</u>	<u>\$ 27,311,158</u>	<u>\$ (66,502)</u>	<u>\$ 135,994,345</u>	<u>\$ (50,733)</u>	<u>\$ 135,943,612</u>

For the year ended
June 30, 2025

1. RBC SBA Loan Pool	\$ 25,000,000	\$ 9,948,054	\$ 18,086	\$ -	\$ 9,966,140	\$ -	\$ 9,966,140
2. DreamSpring #2	7,750,000	3,844,941	(306,903)	(36,354)	3,501,684	(35,017)	3,466,667
3. DreamSpring #3*	5,298	22,522	(17,224)	-	5,298	-	5,298
4. NMCDLF	37,500,000	33,008,590	(1,945,319)	-	31,063,271	-	31,063,271
5. WEST Corp	375,000	122,384	3,214	-	125,598	(44,507)	81,091
6. NMMFA	3,500,000	-	-	-	-	-	-
7. Ventana Fund	34,500,000	23,902,034	8,638,244	-	32,540,278	-	32,540,278
8. Homewise	16,000,000	6,427,745	5,119,675	-	11,547,420	-	11,547,420
9. Lift Fund	1,000,000	-	-	-	-	-	-
10. RCAC	1,000,000	-	-	-	-	-	-
11. Clearinghouse CDFI	30,000,000	20,000,000	-	-	20,000,000	-	20,000,000
12. B:Side Fund	500,000	-	-	-	-	-	-
	<u>\$ 157,130,298</u>	<u>\$ 97,276,270</u>	<u>\$ 11,509,773</u>	<u>\$ (36,354)</u>	<u>\$ 108,749,689</u>	<u>\$ (79,524)</u>	<u>\$ 108,670,165</u>

*The DreamSpring #3 is used to fund Small Business Administration (SBA) Paycheck Protection Program (PPP) loans.

See Independent Auditors' Report.

Small Business Investment Corporation
(A Component Unit of the State of New Mexico)

SCHEDULES OF ACTIVITY OF EQUITY COOPERATIVE AGREEMENTS

Years Ended June 30, 2026 and 2025

	Investment Capital Commitments	Investment Activity, Cost Method of Accounting					Ending Investment Fair Value*
		Beginning Investment Cost Method	Capital Calls and Redemptions	Other Than Temporary Impairment	Operating Expense	Ending Investment Cost Method	
For the year ended June 30, 2026							
1. NMCCF	\$ 7,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2. NM Mezzanine Fund	3,000,000	-	-	-	-	-	-
3. Verge I II Combined**	9,025,155	1,551,538	(1,551,538)	-	-	-	-
4. Sevence (boomtime)**	-	-	20,306	-	-	20,306	77,339
5. Nuvita LLC**	-	-	129,053	-	-	129,053	252,183
6. Pajarito Powder LLC**	-	-	1,216,278	-	-	1,216,278	2,376,725
7. Vibrant Corporation**	-	-	108,144	-	-	108,144	211,324
	<u>\$ 19,025,155</u>	<u>\$ 1,551,538</u>	<u>\$ (77,757)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,473,781</u>	<u>\$ 2,917,571</u>
For the year ended June 30, 2025							
1. NMCCF	\$ 7,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2. NM Mezzanine Fund	3,000,000	688,800	-	(688,800)	-	-	-
3. Verge I II Combined	9,025,155	1,551,538	-	-	-	1,551,538	4,019,410
	<u>\$ 19,025,155</u>	<u>\$ 2,240,338</u>	<u>\$ -</u>	<u>\$ (688,800)</u>	<u>\$ -</u>	<u>\$ 1,551,538</u>	<u>\$ 4,019,410</u>

*Fair values are provided for informational purposes only. These investments are recorded on the cost basis for financial reporting purposes.
See note 2 to the financial statements for more information on valuation methodology.

**During 2026, Verge I II Combined terminated and distributed proportional share of investments to limited partners of the fund.

See Independent Auditors' Report.

**INDEPENDENT AUDITORS' 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***

Board of Directors and Management
New Mexico Small Business Investment Corporation
Albuquerque, New Mexico

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 of America, the financial statements of the business-type activities of the Small Business Investment Corporation, also known as the New Mexico Small Business Investment Corporation, (NMSBIC), a component unit of the State of New Mexico, as of June 30, 2026 and the related notes to the financial statements, which collectively comprise NMSBIC's basic financial statements, and have issued our report thereon dated September 17, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered NMSBIC'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 NMSBIC's internal control. Accordingly, we do not express an opinion on the effectiveness of NMSBIC'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 NMSBIC'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 significant deficiencies. However, significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether NMSBIC'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 NMSBIC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NMSBIC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PULAKOS CPAs, PC

September 17, 2026

Pulakos CPAs, PC



**Small Business Investment Corporation
(A Component Unit of the State of New Mexico)**

**SCHEDULE OF FINDINGS AND RESPONSES –
CURRENT AND PRIOR YEAR**

June 30, 2026

FINANCIAL FINDINGS:

Current Year:

NONE

Prior Year:

NONE