

**Small Business Investment Corporation**

**FINANCIAL STATEMENTS**

**June 30, 2012 and 2011**

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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
The Small Business Investment Corporation

We have audited the accompanying statements of financial position of the Small Business Investment Corporation, also known as the New Mexico Small Business Investment Corporation (NMSBIC), as of June 30, 2012 and 2011, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the NMSBIC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NMSBIC as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 and Note 6, these financial statements include investments in partnerships valued by the general partner of each partnership in the absence of readily ascertainable market values. At June 30, 2012 and 2011, that portion of NMSBIC's investments was \$12,455,423 and \$11,568,599, respectively, which represents 35% and 32% of NMSBIC's net assets at those dates. Because of the inherent uncertainty of valuation of these investments, the estimate by each general partner of these values may differ significantly from values that would have been used had a ready market for those investments existed, and the difference could be material.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of NMSBIC taken as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

October 16, 2012

  
Pulakos CPAs, PC

# Small Business Investment Corporation

## STATEMENTS OF FINANCIAL POSITION

June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b><u>Assets</u></b>		
Current assets		
Cash and cash equivalents	\$ 1,096,079	\$ 967,365
Certificates of deposit	12,520,678	14,799,024
Interest and dividends receivable	9,522	1,266
Prepaid expenses	10,359	11,945
Debt funding receivable	95,609	457,495
	<hr/>	<hr/>
Total current assets	13,732,247	16,237,095
Equity investments in New Mexico entities	12,455,423	11,568,599
Cooperative loan agreements, net of allowance for losses	9,233,802	8,912,968
	<hr/>	<hr/>
	<u>\$ 35,421,472</u>	<u>\$ 36,718,662</u>
 <b><u>Liabilities and Net Assets</u></b>		
Current liabilities		
Debt funding payable	\$ 161,520	\$ -
	<hr/>	<hr/>
Total current liabilities	161,520	-
Temporarily restricted net assets	35,259,952	36,718,662
	<hr/>	<hr/>
	<u>\$ 35,421,472</u>	<u>\$ 36,718,662</u>

## Small Business Investment Corporation

### STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended June 30, 2012 and 2011

	<u>2012</u>			<u>2011</u> <u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
Revenues:				
Interest and dividend income	\$ -	\$ 265,351	\$ 265,351	\$ 331,558
Realized loss on investments	-	(4,842)	(4,842)	(1,684,400)
Investment valuation adjustments	-	(1,019,181)	(1,019,181)	689,158
Other realized loss	-	-	-	(10,658)
Net assets released from restrictions	<u>700,038</u>	<u>(700,038)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>700,038</u>	<u>(1,458,710)</u>	<u>(758,672)</u>	<u>(674,342)</u>
Expenses:				
Management and general	267,358	-	267,358	252,432
Provision for loan losses	108,984	-	108,984	176,177
Equity investment management and operating fees	<u>323,696</u>	<u>-</u>	<u>323,696</u>	<u>629,655</u>
Total expenses	<u>700,038</u>	<u>-</u>	<u>700,038</u>	<u>1,058,264</u>
Change in net assets	-	(1,458,710)	(1,458,710)	(1,732,606)
Net assets at beginning of year	<u>-</u>	<u>36,718,662</u>	<u>36,718,662</u>	<u>38,451,268</u>
Net assets at end of year	<u><u>\$ -</u></u>	<u><u>\$ 35,259,952</u></u>	<u><u>\$ 35,259,952</u></u>	<u><u>\$ 36,718,662</u></u>

# Small Business Investment Corporation

## STATEMENTS OF CASH FLOWS

Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ (1,458,710)	\$ (1,732,606)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Provision for loan losses	108,984	176,177
Net loss on investments and investment fees	1,347,719	1,638,980
Changes in operating assets and liabilities		
Interest and dividends receivable	(8,256)	79,396
Debt funding receivable	361,886	(242,323)
Prepaid expenses	1,586	(11,945)
Accounts payable	-	(30,728)
Debt funding payable	161,520	-
	<u>514,729</u>	<u>(123,049)</u>
Cash provided (used) by operating activities		
Cash flows from investing activities:		
Maturity of certificates of deposit	2,278,346	1,958,504
Investments in New Mexico entities	(2,664,361)	(1,685,736)
	<u>(386,015)</u>	<u>272,768</u>
Cash (used) provided by investing activities		
Change in cash and cash equivalents	128,714	149,719
Cash and cash equivalents, beginning of year	<u>967,365</u>	<u>817,646</u>
Cash and cash equivalents, end of year	<u>\$ 1,096,079</u>	<u>\$ 967,365</u>

# Small Business Investment Corporation

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Organization

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

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

#### Estimates

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

#### Financial Statement Presentation

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with NMSBIC's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

Certain reclassifications were made to the 2011 financial statements to conform with the 2012 presentation.

#### Cash Equivalents

Cash and cash equivalents at June 30, 2012 and 2011, consist of demand deposits held at New Mexico branches of state and national banks.



# Small Business Investment Corporation

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

#### Investments

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

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

A loan receivable is considered to be past due if any portion of the receivable balance is unpaid and outstanding for more than one month. For the years ended June 30, 2012 and 2011, allowances have been established for loan losses incurred as a result of debt investments made under Cooperative Agreements are as follows:

	<u>2012</u>	<u>2011</u>
Allowance for loan losses, beginning	\$ 196,189	\$ 241,747
Loan losses incurred in current period	(109,463)	(221,735)
Provision for loan losses	<u>108,984</u>	<u>176,177</u>
Allowance for loan losses, ending	<u>\$ 195,710</u>	<u>\$ 196,189</u>

Certificates of deposit are carried at their face value.

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

#### Net Asset Classifications

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

# Small Business Investment Corporation

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

#### Income Taxes

NMSBIC is a nonprofit charitable corporation and has been recognized as tax-exempt under Section 501(c)(4) of the Internal Revenue Code. NMSBIC has adopted accounting principles generally accepted in the United States of America as they relate to uncertain tax positions, and has evaluated its tax positions taken for open tax years. Currently, the 2009, 2010 and 2011 tax years are open and subject to examination by the Internal Revenue Service and New Mexico Taxation and Revenue Department. Management believes that the activities of NMSBIC are within their tax-exempt purpose, and that there are no uncertain tax positions.

#### Financial Instruments

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

#### Subsequent Events

NMSBIC has evaluated all events occurring subsequent to June 30, 2012 and through October 16, 2012, which is the date that the financial statements were issued. Management believes all such events have been appropriately disclosed in the accompanying financial statements.

### NOTE 2 – CONCENTRATIONS

#### Concentration of Funding

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

#### Concentration of Credit Risk

NMSBIC maintains its cash balances in branches of state and national financial institutions. The amounts on deposit with these financial institutions are insured by the Federal Deposit Insurance Corporation. NMSBIC has placed Certificates of Deposit into a CDARS® program where certificate of deposits were placed with a number of FDIC-insured depository institutions in amounts fully insured by the FDIC. The remaining Certificates of Deposit and a money market account are 100% collateralized by government-backed securities. In addition, the demand deposits are fully insured under the FDIC Transaction Account Guarantee Program. NMSBIC has not experienced, and believes it is not exposed, to significant credit risk from these deposits.

# Small Business Investment Corporation

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

### NOTE 2 – CONCENTRATIONS - CONTINUED

#### Concentration of Credit Risk - Continued

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

### NOTE 3 – FAIR VALUE MEASUREMENT

NMSBIC holds certain assets at fair value using a fair value hierarchy prioritizing the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Investment Entity has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

# Small Business Investment Corporation

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

### NOTE 3 – FAIR VALUE MEASUREMENT - CONTINUED

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

*Debt Cooperative Agreements:* Valued at the net asset value of debt investment at year-end.

*Equity Cooperative Agreements:* Valued at market value as determined in good faith by the general partner of each such limited partnership.

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

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

The following table presents the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2012:

<u>Assets at Fair Value</u>				
<u>Description</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Debt Cooperative Agreements	\$ 9,233,802	\$ -	\$ 9,233,802	\$ -
Equity Cooperative Agreements	12,455,423	-	-	12,455,423
Certificates of deposit	12,520,678	-	12,520,678	-
	<u>\$ 34,209,903</u>	<u>\$ -</u>	<u>\$ 21,754,480</u>	<u>\$ 12,455,423</u>

# Small Business Investment Corporation

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

### NOTE 3 - FAIR VALUE MEASUREMENT - CONTINUED

#### Level 3 Assets Year ended June 30, 2012

	<u>Equity Cooperative Agreements</u>
Balance, beginning of year	\$ 11,568,599
Total gains or losses (realized/unrealized) included in earnings	(1,024,023)
Operating expenses and management fees	(323,696)
Purchases and settlements, net	<u>2,234,543</u>
Balance, end of year	<u>\$ 12,455,423</u>

The following table presents the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2011:

#### Assets at Fair Value

Description	Total	Level 1	Level 2	Level 3
Debt Cooperative Agreements	\$ 8,912,968	\$ -	\$ 8,912,968	\$ -
Equity Cooperative Agreements	11,568,599	-	-	11,568,599
Certificates of deposit	14,799,024	-	14,799,024	-
	<u>\$ 35,280,591</u>	<u>\$ -</u>	<u>\$ 23,711,992</u>	<u>\$ 11,568,599</u>

	<u>Equity Cooperative Agreements</u>
Balance, beginning of year	\$ 10,836,504
Total gains or losses (realized/unrealized) included in earnings	(995,242)
Operating expenses and management fees	(629,655)
Purchases and settlements, net	<u>2,356,992</u>
Balance, end of year	<u>\$ 11,568,599</u>

# Small Business Investment Corporation

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

### NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

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

Temporarily restricted net assets are restricted for the following purposes:

	<u>2012</u>	<u>2011</u>
Cumulative severance tax permanent fund capital contributions	\$ 47,042,781	\$ 47,042,781
Cumulative expenses in excess of other revenues	<u>(11,782,829)</u>	<u>(10,324,119)</u>
	<u>\$ 35,259,952</u>	<u>\$ 36,718,662</u>

Temporarily restricted net assets were released as follows:

	<u>2012</u>	<u>2011</u>
Satisfaction of purpose restrictions	<u>\$ 700,038</u>	<u>\$ 1,058,264</u>

### NOTE 5 – STATE INVESTMENT OFFICER COMMITMENT

Prior to July 1, 2007, Section 7-27-5.15 NMSA 1978 required that the State Investment Officer make a commitment to NMSBIC pursuant to the Act to invest three-fourths of one percent of the market value of the New Mexico Severance Tax Permanent Fund. If at any time the commitment fell below that level, further commitments must be made until the invested capital is equal to three-fourths one percent of the market value of the fund. Effective July 1, 2007, the commitment was increased to one percent. However, during fiscal years 2012 and 2011 no funding was received from the State Investment Officer due to the net market value of the New Mexico Severance Tax Permanent Fund.

### NOTE 6 – INVESTMENTS IN NEW MEXICO ENTITIES

#### Debt Cooperative Agreements

NMSBIC is party to two loan participation Cooperative Agreements with New Mexico non-profit corporations (ACCION and WESST Corp.). Under these agreements, NMSBIC has made capital commitments to provide revolving funding for loans to be made by these corporations to New Mexico small businesses. For each loan made, these corporations provide 25% of the funding and NMSBIC provides the remaining 75%, and NMSBIC shares in the 75% of loan losses and recoveries. The terms, pricing, and size of any loan are subject to the discretion of these corporations. These corporations make non-traditional loans. Collateral for the loans may also be non-traditional, or in some cases no collateral at all.

# Small Business Investment Corporation

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

### NOTE 6 – INVESTMENTS IN NEW MEXICO ENTITIES - CONTINUED

#### Debt Cooperative Agreements - Continued

The loans are considered risky and may have a higher rate of default than traditional loans. Loan amounts made under the program are limited under the agreements. These corporations undertake good faith efforts to make loans outside the Albuquerque metropolitan area. Loans are serviced by these corporations, with monthly reports and principal and interest remittances provided to NMSBIC. NMSBIC's agreements with these corporations have no maturity date, but may be terminated by either party upon ninety days written notice, with any loans outstanding at the time of termination handled in the ordinary course of business until the loans are collected or written off. During the years ended June 30, 2012 and 2011, \$65,587 and \$73,296, respectively, of interest income was recognized related to these investments. See supplementary schedules for detail on these agreements.

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

- Pledge other loans and cash as additional collateral
- Maintain certain levels of liquidity, leverage, and net assets
- Limit the maximum loan size under the program
- Diversify sources of funding
- Restrict loan modifications on nonperforming loans
- Undertake good faith efforts to make loans outside the Albuquerque metropolitan area

Loans are serviced by the corporation, with quarterly reports and principal and interest remittances provided to NMSBIC. The outstanding principal balance of the revolving loan matures as follows:

<u>Years ending June 30:</u>	<u>Amount</u>
2018	\$5,500,000
2020	\$2,000,000
2022	\$1,000,000

# Small Business Investment Corporation

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

### NOTE 6 – INVESTMENTS IN NEW MEXICO ENTITIES - CONTINUED

During the years ended June 30, 2012 and 2011, \$169,349 and \$180,529 of interest income was recognized related to this investment. During the year ended June 30, 2012, NMSBIC recognized a loan recovery of \$2,739 from the corporation related to a prior agreement that was terminated in 2007. See supplementary schedules for detail on this agreement.

#### Equity Cooperative Agreements

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

### NOTE 7 – CAPITAL COMMITMENTS

At June 30, 2012, NMSBIC had committed approximately \$44,675,000 of capital through its various Debt and Equity Agreements, of which \$36,530,704 has been called, leaving a remaining commitment of \$8,144,296. NMSBIC has approximately \$1,093,000 of cash on hand to immediately handle capital calls and an additional \$12,521,000 in Certificates of Deposit, of which \$6,021,000 and \$6,500,000 are available within 90 and 270 days, respectively, from the end of its fiscal year. NMSBIC's investment policy allows for capital commitments in excess of capital.

The following table presents capital commitments for each Debt and Equity Agreement as of June 30, 2012:



# Small Business Investment Corporation

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

### NOTE 7 – CAPITAL COMMITMENTS – CONTINUED

	<u>Loan and Equity Capital Commitments</u>	<u>Outstanding Loan Balance, Life-to-Date Equity Capital Funded</u>	<u>Remaining Loan and Equity Capital Commitments</u>
<b>Debt Cooperative Agreements</b>			
1. ACCION	\$ 3,500,000	\$ 2,396,356	\$ 1,103,644
2. NMCDLF	8,500,000	6,983,125	1,516,875
3. WESST CORP	<u>375,000</u>	<u>50,031</u>	<u>324,969</u>
	<u>12,375,000</u>	<u>9,429,512</u>	<u>2,945,488</u>
<b>Equity Cooperative Agreements</b>			
1. Flywheel	1,500,000	1,500,000	-
2. NMGF I	7,500,000	7,497,288	2,712
3. NMCCF	7,000,000	5,744,775	1,255,225
4. Verge 1	1,800,000	1,701,000	99,000
5. Verge 1.5	3,000,000	2,775,000	225,000
6. NM Gap Fund I	2,000,000	2,000,000	-
7. NMGF II	3,500,000	2,974,629	525,371
8. NM Mezzanine Fund	3,000,000	1,221,000	1,779,000
9. Verge II	<u>3,000,000</u>	<u>1,687,500</u>	<u>1,312,500</u>
	<u>32,300,000</u>	<u>27,101,192</u>	<u>5,198,808</u>
	<u>\$ 44,675,000</u>	<u>\$ 36,530,704</u>	<u>\$ 8,144,296</u>

## **SUPPLEMENTARY SCHEDULES**

## Small Business Investment Corporation

### SCHEDULE OF ACTIVITY OF DEBT COOPERATIVE AGREEMENTS

#### Years Ended June 30, 2012 and 2011

	<u>Loan Commitments</u>	<u>Beginning Gross Loan Balance</u>	<u>Loan Funding Net of Repayments</u>	<u>Loan Recovery (Loss), Realized</u>	<u>Ending Gross Loan Balance</u>	<u>Allowance for Loan Losses</u>	<u>Ending Net Loan Balance</u>
For the year ended June 30, 2012							
1. ACCION	\$ 3,500,000	\$ 2,356,644	\$ 144,594	\$ (104,882)	\$ 2,396,356	\$ (191,708)	\$ 2,204,648
2. NMCDFL	8,500,000	6,656,796	323,590	2,739	6,983,125	-	6,983,125
3. WESST CORP	375,000	95,717	(38,366)	(7,320)	50,031	(4,002)	46,029
	<u>\$ 12,375,000</u>	<u>\$ 9,109,157</u>	<u>\$ 429,818</u>	<u>\$ (109,463)</u>	<u>\$ 9,429,512</u>	<u>\$ (195,710)</u>	<u>\$ 9,233,802</u>
For the year ended June 30, 2011							
1. ACCION	\$ 4,929,864	\$ 2,916,455	\$ (338,076)	\$ (221,735)	\$ 2,356,644	\$ (188,532)	\$ 2,168,112
2. NMCDFL	7,500,000	7,180,307	(523,511)	-	6,656,796	-	6,656,796
3. WESST CORP	375,000	105,394	(9,677)	-	95,717	(7,657)	88,060
	<u>\$ 12,804,864</u>	<u>\$ 10,202,156</u>	<u>\$ (871,264)</u>	<u>\$ (221,735)</u>	<u>\$ 9,109,157</u>	<u>\$ (196,189)</u>	<u>\$ 8,912,968</u>

See Independent Auditors' Report.

## Small Business Investment Corporation

### SCHEDULE OF ACTIVITY OF EQUITY COOPERATIVE AGREEMENTS

Years Ended June 30, 2012 and 2011

	<u>Investment Capital Commitments</u>	<u>Beginning Investment Fair Value</u>	<u>Cumulative Capital Calls and Redemptions</u>	<u>Realized Gain (Loss) on Investments</u>	<u>Investment Valuation Adjustments</u>	<u>Operating Expenses and Management Fees</u>	<u>Ending Investment Fair Value</u>
For the year ended June 30, 2012							
1. Flywheel	\$ 1,500,000	\$ 584,144	\$ -	\$ -	\$ (90,042)	\$ (33,101)	\$ 461,001
2. NMGF I	7,500,000	43,411	10,311	(46,136)	-	(3,857)	3,729
3. NMCCF	7,000,000	3,422,107	490,585	191,126	(621,161)	(65,607)	3,417,050
4. Verge 1	1,800,000	1,659,144	63,001	-	(228,044)	(26,857)	1,467,244
5. Verge 1.5	3,000,000	2,510,966	90,000	-	(146,475)	(33,568)	2,420,923
6. NM Gap Fund I	2,000,000	1,435,114	-	(65,789)	(146,612)	(7,081)	1,215,632
7. NMGF II	3,500,000	968,606	62,825	(84,043)	-	(40,008)	907,380
8. NM Mezzanine Fund	3,000,000	241,882	690,000	-	-	(45,314)	886,568
9. Verge 2	3,000,000	703,225	827,821	-	213,153	(68,303)	1,675,896
	<u>\$ 32,300,000</u>	<u>\$ 11,568,599</u>	<u>\$ 2,234,543</u>	<u>\$ (4,842)</u>	<u>\$ (1,019,181)</u>	<u>\$ (323,696)</u>	<u>\$ 12,455,423</u>
For the year ended June 30, 2011							
1. Flywheel	\$ 1,500,000	\$ 861,461	\$ 135,150	\$ (382,223)	\$ (5,117)	\$ (25,127)	\$ 584,144
2. NMGF I	7,500,000	1,353,763	-	(1,134,260)	-	(176,092)	43,411
3. NMCCF	7,000,000	3,091,168	525,051	-	-	(194,112)	3,422,107
4. Verge 1	1,800,000	1,290,468	37,527	(1,701)	329,781	3,069	1,659,144
5. Verge 1.5	3,000,000	2,047,758	58,570	(3,161)	410,415	(2,616)	2,510,966
6. NM Gap Fund I	2,000,000	727,869	911,647	(121,091)	(45,921)	(37,390)	1,435,114
7. NMGF II	3,500,000	953,543	89,367	(41,964)	-	(32,340)	968,606
8. NM Mezzanine Fund	3,000,000	13,022	315,000	-	-	(86,140)	241,882
9. Verge 2	3,000,000	497,452	284,680	-	-	(78,907)	703,225
	<u>\$ 32,300,000</u>	<u>\$ 10,836,504</u>	<u>\$ 2,356,992</u>	<u>\$ (1,684,400)</u>	<u>\$ 689,158</u>	<u>\$ (629,655)</u>	<u>\$ 11,568,599</u>