

**NEW MEXICO COMMUNITY
DEVELOPMENT LOAN FUND, INC.**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2018 AND 2017



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**NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.
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YEARS ENDED DECEMBER 31, 2018 AND 2017**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
New Mexico Community Development Loan Fund, Inc.
Albuquerque, New Mexico

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of New Mexico Community Development Loan Fund, Inc. (Loan Fund) (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Loan Fund's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Loan Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
New Mexico Community Development Loan Fund, Inc.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the New Mexico Community Development Loan Fund, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2019, on our consideration of the Loan Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Loan Fund's 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 the Loan Fund's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Albuquerque, New Mexico
April 19, 2019

**NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017**

| | 2018 | 2017 |
|-----------------------------------|---------------|---------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 3,905,399 | \$ 4,016,380 |
| Restricted Cash | 291,908 | 356,231 |
| Grants and Contracts Receivable | 55,863 | 72,774 |
| Interest Receivable | 60,748 | 72,734 |
| Other Assets | 2,878 | 3,453 |
| Loans Receivable, Net | 13,528,012 | 13,797,060 |
| Land Held for Sale | 64,771 | 64,771 |
| Property and Equipment, Net | 375,852 | 396,060 |
| Total Assets | \$ 18,285,431 | \$ 18,779,463 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts Payable | \$ 11,859 | \$ 16,021 |
| Accrued Liabilities | 96,096 | 88,605 |
| Interest Payable | 145,816 | 131,788 |
| Secured Debt | 9,865,270 | 9,426,019 |
| Notes Payable, Net | 5,876,560 | 6,587,028 |
| Subordinated Note Payable | 500,000 | 500,000 |
| Cash Held for Others | 29,968 | 28,718 |
| Total Liabilities | 16,525,569 | 16,778,179 |
| NET ASSETS | | |
| Without Donor Restrictions | 1,495,045 | 1,726,846 |
| With Donor Restrictions | 264,817 | 274,438 |
| Total Net Assets | 1,759,862 | 2,001,284 |
| Total Liabilities and Net Assets | \$ 18,285,431 | \$ 18,779,463 |

See accompanying Notes to Financial Statements.

NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|--------------|
| SUPPORT AND REVENUE | | | |
| Contributions | \$ 83,881 | \$ 20,000 | \$ 103,881 |
| Grants | 77,694 | - | 77,694 |
| Lending Program Interest | 1,001,749 | - | 1,001,749 |
| Other Lending Program Income | 124,580 | - | 124,580 |
| Investment Income | 2,964 | - | 2,964 |
| Miscellaneous Income | 12,204 | - | 12,204 |
| Total Support and Revenue | 1,303,072 | 20,000 | 1,323,072 |
| Net Assets Released from Donor Restrictions: | | | |
| Satisfaction of Program Restrictions | 29,621 | (29,621) | - |
| Total Support and Revenue | 1,332,693 | (9,621) | 1,323,072 |
| EXPENSES | | | |
| Program Services: | | | |
| Loan Program | 822,837 | - | 822,837 |
| Technical Assistance Program | 346,039 | - | 346,039 |
| Total Program Services | 1,168,876 | - | 1,168,876 |
| Supporting Services: | | | |
| Fund Raising | 161,365 | - | 161,365 |
| Management and General | 234,253 | - | 234,253 |
| Total Supporting Services | 395,618 | - | 395,618 |
| Total Expenses | 1,564,494 | - | 1,564,494 |
| CHANGE IN NET ASSETS | (231,801) | (9,621) | (241,422) |
| Net Assets - Beginning of Year | 1,726,846 | 274,438 | 2,001,284 |
| NET ASSETS - END OF YEAR | \$ 1,495,045 | \$ 264,817 | \$ 1,759,862 |

See accompanying Notes to Financial Statements.

NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|--------------|
| SUPPORT AND REVENUE | | | |
| Contributions | \$ 115,705 | \$ 40,000 | \$ 155,705 |
| Grants | 132,939 | - | 132,939 |
| Lending Program Interest | 977,405 | - | 977,405 |
| Other Lending Program Income | 140,381 | - | 140,381 |
| Investment Income | 1,316 | - | 1,316 |
| Miscellaneous Income | 12,339 | - | 12,339 |
| Total Support and Revenue | 1,380,085 | 40,000 | 1,420,085 |
| Net Assets Released from Donor Restrictions: | | | |
| Satisfaction of Program Restrictions | 48,212 | (48,212) | - |
| Total Support and Revenue | 1,428,297 | (8,212) | 1,420,085 |
| EXPENSES | | | |
| Program Services: | | | |
| Loan Program | 809,762 | - | 809,762 |
| Technical Assistance Program | 414,407 | - | 414,407 |
| Total Program Services | 1,224,169 | - | 1,224,169 |
| Supporting Services: | | | |
| Fund Raising | 161,105 | - | 161,105 |
| Management and General | 209,399 | - | 209,399 |
| Total Supporting Services | 370,504 | - | 370,504 |
| Total Expenses | 1,594,673 | - | 1,594,673 |
| CHANGE IN NET ASSETS | (166,376) | (8,212) | (174,588) |
| Net Assets - Beginning of Year | 1,893,222 | 282,650 | 2,175,872 |
| NET ASSETS - END OF YEAR | \$ 1,726,846 | \$ 274,438 | \$ 2,001,284 |

See accompanying Notes to Financial Statements.

NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

| | Loan Program | Technical Assistance Program | Fund Raising | Management and General | Total |
|---------------------------|-------------------|------------------------------------|-------------------|---------------------------|---------------------|
| Salaries and Benefits | \$ 316,242 | \$ 265,468 | \$ 132,361 | \$ 205,248 | \$ 919,319 |
| Interest | 343,976 | - | - | - | 343,976 |
| Office | 22,606 | 22,606 | 5,652 | 5,652 | 56,516 |
| Outreach | 18,452 | 18,452 | 4,613 | 4,613 | 46,130 |
| Professional Fees | 9,474 | 9,474 | 2,369 | 2,369 | 23,686 |
| Repairs and Maintenance | 6,921 | 6,921 | 1,730 | 1,730 | 17,302 |
| Travel | 5,681 | 5,681 | 1,420 | 1,421 | 14,203 |
| Depreciation | 9,592 | 9,592 | 9,592 | 9,592 | 38,368 |
| Training | 3,739 | 3,739 | 935 | 935 | 9,348 |
| Insurance | 2,222 | 2,222 | 2,222 | 2,222 | 8,888 |
| Loan Administration | 18,556 | - | - | - | 18,556 |
| Loan Loss Reserve | 63,492 | - | - | - | 63,492 |
| Telephone | 1,884 | 1,884 | 471 | 471 | 4,710 |
| | <u>822,837</u> | <u>346,039</u> | <u>161,365</u> | <u>234,253</u> | <u>1,564,494</u> |
| Total Functional Expenses | <u>\$ 822,837</u> | <u>\$ 346,039</u> | <u>\$ 161,365</u> | <u>\$ 234,253</u> | <u>\$ 1,564,494</u> |

See accompanying Notes to Financial Statements.

NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

| | Loan Program | Technical Assistance Program | Fund Raising | Management and General | Total |
|---------------------------|-------------------|------------------------------------|-------------------|---------------------------|---------------------|
| Salaries and Benefits | \$ 344,395 | \$ 339,230 | \$ 136,873 | \$ 184,756 | \$ 1,005,254 |
| Interest | 377,936 | - | - | - | 377,936 |
| Office | 26,920 | 26,920 | 6,730 | 7,141 | 67,711 |
| Outreach | 13,562 | 13,562 | 3,391 | 3,391 | 33,906 |
| Professional Fees | 9,196 | 9,196 | 2,299 | 2,299 | 22,990 |
| Repairs and Maintenance | 4,772 | 4,772 | 1,193 | 1,193 | 11,930 |
| Travel | 7,792 | 7,792 | 1,948 | 1,948 | 19,480 |
| Depreciation | 4,456 | 4,456 | 4,456 | 4,456 | 17,824 |
| Training | 3,126 | 3,126 | 781 | 781 | 7,814 |
| Insurance | 2,794 | 2,794 | 2,794 | 2,794 | 11,176 |
| Loan Administration | 11,810 | - | - | - | 11,810 |
| Loan Loss Reserve | 444 | - | - | - | 444 |
| Telephone | 2,559 | 2,559 | 640 | 640 | 6,398 |
| | <u>809,762</u> | <u>414,407</u> | <u>161,105</u> | <u>209,399</u> | <u>1,594,673</u> |
| Total Functional Expenses | <u>\$ 809,762</u> | <u>\$ 414,407</u> | <u>\$ 161,105</u> | <u>\$ 209,399</u> | <u>\$ 1,594,673</u> |

See accompanying Notes to Financial Statements.

NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

| | 2018 | 2017 |
|---|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ (241,422) | \$ (174,588) |
| Adjustments to Reconcile Change in Net Assets to Net Cash | | |
| Provided by Operating Activities: | | |
| Depreciation | 38,368 | 17,824 |
| Provision for Loan Losses | 68,498 | 1,193 |
| Provision for Notes Payable | (14,321) | - |
| Changes in Assets and Liabilities: | | |
| Grants and Contracts Receivable | 16,911 | 50,796 |
| Interest Receivable | 11,986 | 14,392 |
| Other Assets | 575 | 2,770 |
| Accounts Payable | (4,162) | 65,319 |
| Accrued Liabilities | 7,491 | (4,115) |
| Interest Payable | 14,028 | 6,803 |
| Deferred Revenue | - | - |
| Cash Held for Others | 1,250 | 6,362 |
| Net Cash Used by Operating Activities | (100,798) | (13,244) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Loan Repayments | 4,422,800 | 5,542,802 |
| Loans Issued | (4,222,250) | (6,828,107) |
| Proceeds from Land Held for Sale | - | 3,000 |
| Purchase of Property and Equipment | (18,160) | - |
| Net Cash Provided (Used) by Investing Activities | 182,390 | (1,282,305) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from Secured Borrowings | 1,025,329 | 287,515 |
| Principal Payments on Secured Borrowings | (586,078) | (78,193) |
| Proceeds from Acquisition of Notes Payable | 600,016 | 1,391,885 |
| Principal Payments on Notes Payable | (1,296,163) | (956,869) |
| Net Cash Provided (Used) by Financing Activities | (256,896) | 644,338 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (175,304) | (651,211) |
| Cash and Cash Equivalents - Beginning of Year | 4,372,611 | 5,023,822 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | 4,197,307 | 4,372,611 |
| Less: Restricted Cash | 291,908 | 356,231 |
| CASH AND CASH EQUIVALENTS - END OF YEAR - UNRESTRICTED | \$ 3,905,399 | \$ 4,016,380 |
| NONCASH INVESTING AND FINANCING ACTIVITIES | | |
| Change in assumption of Notes Payable | \$ 14,321 | \$ - |

See accompanying Notes to Financial Statements.

NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The New Mexico Community Development Loan Fund, Inc. (Loan Fund) was formed to encourage and facilitate the investment of capital in low-income New Mexico communities through individuals, religious and community organizations, foundations, governmental entities, financial institutions, and a variety of others. As the primary source of funding is borrowings, the Loan Fund also accepts contributions and receives grants. The Loan Fund utilizes these funds to assist businesses and nonprofits; providing positive social benefits such as creating and preserving jobs that pay sustainable wages and benefits, providing basic services and affordable housing in disadvantaged communities, preserving and advancing traditional communities, cultures and ways of life, and contributing to the revitalization of urban and rural communities. The Loan Fund places particular emphasis on assisting low-income, minority and women-owned businesses and those who meet other special requirements and are unable to access affordable loans from traditional sources, such as banks.

Basis of Accounting

The accompanying financial statements of the Loan Fund have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America as applicable to nonprofit organizations.

Basis of Presentation

The Loan Fund is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Without Donor Restriction Net Assets

Net assets that are not subject to donor-imposed stipulations. Without donor restriction net assets may be designated for specific purposes by action of the board of directors.

With Donor Restriction Net Assets

Net assets that are subject to donor-imposed stipulations that may or will be met by occurrence of a specific event or passage of time. When a donor restriction expires, net assets are reclassified to without donor restriction net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted net assets may be required to be maintained in perpetuity, with only the income used for operating activities, due to donor-imposed restrictions.

NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of 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. The allowance for loan losses is a significant estimate in these financial statements. It is reasonably possible that actual loan losses could differ from management's estimates of loan losses.

Donated Services and Materials

The Loan Fund recognizes contributed services if the services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would need to be purchased if not provided by donation. Recognized contributed services are recorded at the fair value of the services on the date of donation. Donated materials are recorded at fair value on the date of donation.

Support

The Loan Fund reports contributions of cash and other assets as with donor restrictions support if they are received with donor stipulations that limit the use of the donated assets or specify the time period for which the assets may be expended. When a donor restriction expires, restricted net assets are reclassified to without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as without donor restrictions.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits at banks, money market funds, and savings accounts at financial institutions. For purposes of the statement of cash flows, the Loan Fund considers all unrestricted highly liquid investments to be cash equivalents and excludes restricted cash.

In accordance with certain agreements, the Loan Fund maintained separate cash and cash equivalent accounts for the United States Department of Agriculture (USDA), the Questa Economic Development Fund (Questa), and Small Business Administration (SBA) required loan loss cash reserve account.

Restricted Cash and Cash Held for Others

Restricted cash is cash that the Loan Fund has received from Questa, Money Smart Week, and the SBA and the USDA loan loss cash reserve accounts. The Loan Fund provides contract administration services related to the Questa Economic Development contract and the related cash held for others. Included in the statement of financial position is approximately \$19,860 and \$19,800 that represent funds held related to the Questa Economic Development contract at December 31, 2018 and 2017, respectively (Note 5).

NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Cash and Cash Held for Others (Continued)

Restricted cash related to Money Smart Week is approximately \$10,100. The Loan Fund provides fiscal agent-type services to Money Smart Week and the related cash held for others. Restricted cash related to the loan loss reserve totaled approximately \$262,000 and \$327,000 at December 31, 2018 and 2017, respectively. Restricted cash required is a minimum of 5% and 15%, respectively, of the outstanding payable to USDA and loan receivable balances for SBA.

Loans Receivable

Loans receivable are carried at face value, adjusted by an allowance for loan losses. The Loan Fund classifies loans receivable as current if maturity is one year or less. Interest income on loans receivable is recorded monthly. Related loan fees required at closing are recorded as income when the loan is disbursed unless the loan term is longer than one year in which case the related fees are amortized over the life of the loan.

Loans are collateralized by any combination of the following: deposit accounts, real estate, inventory, accounts receivable, furniture, equipment, vehicles, and assignment of contracts and life insurance policies. The Loan Fund's access to collateral is determined by legal collection proceedings.

Loans are recorded when funds are disbursed. Collectability of loans receivable is evaluated weekly and the loan loss reserve is adjusted accordingly.

The accrual of interest is discontinued on loans evaluated to be potentially uncollectible. Interest accrual resumes when certainty of repayment is determined. Loans are written off as uncollectible only after collateral has been satisfied and all legal action for recovery is exhausted. Loans are determined to be delinquent based on the number of days required payments are past due.

Allowance for Loan Losses

The Loan Fund provides a valuation allowance for estimated losses on loans when a significant and permanent decline in value occurs or is anticipated. The allowance for loan losses is based on established guidelines for loan grades, which specify reserve requirements. The factors that influence allowance requirements include available borrower financial information, period of payment delinquency, borrower responsiveness, and borrower collateral. Loan Fund management provides an estimate for loan losses based on these factors.

NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Purchased property and equipment is stated at cost. Property and equipment received by donation is recorded at the estimated fair value on the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Loan Fund reports the expiration of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Loan Fund reclassifies restricted net assets to unrestricted net assets at that time. Purchased or donated property in excess of \$5,000 is capitalized. Depreciation is calculated on a straight-line basis in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives, which range from three to thirty-nine years.

Impairment of Long-Lived Assets

Long-lived assets held by the Loan Fund are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in the event that facts and circumstances indicate that the cost of any long-lived asset may be impaired, an evaluation of recoverability would be performed.

Functional Allocation of Expenses

Expenses are charged directly to program and supporting services based on specific identification. Costs benefiting all programs are reasonably allocated by management based on estimates of the program supporting staff and management time spent on the program, travel expenses, administrative expenses inclusive of overhead expenses.

Grants and Contracts Receivable

Grants and contracts receivable were deemed to be fully collectible; therefore, no allowance has been recorded.

Advertising Costs

The Loan Fund expenses marketing and public relations costs as incurred.

Income Taxes

The Loan Fund is a nonprofit organization and qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Loan Fund regularly evaluates activities as it relates to its tax-exempt status. If Loan Fund activities are determined to be outside of its tax-exempt status the potential exists for tax liabilities on those unrelated activities. Currently, the Loan Fund engages in no activities that would be taxed as unrelated business income. Accordingly, no provision for income taxes has been reflected in the Loan Fund's financial statements. The Loan Fund's income tax filings are subject to audit by various taxing authorities. The Loan Fund believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 2 LOANS RECEIVABLE

The Loan Fund had loans receivable of \$13,528,012 and \$13,797,060, net of allowance for loan losses, at December 31, 2018 and 2017, respectively.

Changes in the allowance for loan losses for the years ended December 31 are as follows:

| | 2018 | 2017 |
|------------------------------|-------------------|-------------------|
| Balance at Beginning of Year | \$ 243,351 | \$ 242,488 |
| Loans Charged-Off | (75,220) | (331) |
| Provision for Loan Losses | 68,499 | 1,194 |
| Balance at End of Year | <u>\$ 236,630</u> | <u>\$ 243,351</u> |

Loan balances of \$645,337 and \$886,494 had loan payments past due more than thirty-one days as of December 31, 2018 and 2017, respectively. Additionally, loans of approximately \$132,400 and \$444,100 had original principal repayment terms modified during 2018 and 2017, respectively.

Loan balances of approximately \$91,500 and \$125,600 were on nonaccrual status as of December 31, 2018 and 2017, respectively. Loan balances past due more than ninety days and still accruing interest were approximately \$220,600 and \$620,200 at December 31, 2018 and 2017, respectively.

The following table presents financing receivable regarding their age and interest accrual status for the years ended December 31 are as follows:

| Loans Receivable Aging Schedule - Community Loans | | | | | | | | | |
|---|---------------|--------------|--------------|---------------|------------|----------------|------------------------|--|--|
| | Current | 30 - 60 days | 61 - 90 days | 91 - 120 days | 121+ days | Total Past Due | Total Loan Receivables | Total Loan Balances Due on Nonaccrual Status | Loan Balances Past Due More than 90 days and Still Accruing Interest |
| 2018 | \$ 13,117,423 | \$ 252,818 | \$ 91,892 | \$ 142,459 | \$ 158,168 | \$ 645,337 | \$ 13,762,761 | \$ 91,500 | \$ 220,622 |
| 2017 | \$ 13,153,897 | \$ 150,982 | \$ 8,684 | \$ 450,151 | \$ 276,677 | \$ 886,494 | \$ 14,040,391 | \$ 125,600 | \$ 620,199 |

Because of the inherent uncertainties in estimating the allowance for doubtful loans and accounts, it is at least reasonably possible that the estimates used will change within the near term.

NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 3 LAND HELD FOR SALE

The Loan Fund had land with estimated fair value of \$64,771 at December 31, 2018 and 2017, respectively. Land held for sale was collateral on prior loan receivables that were written-off.

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

| | 2018 | 2017 |
|--------------------------------|-------------------|-------------------|
| Building and Improvements | \$ 386,116 | \$ 386,116 |
| Furniture and Equipment | 134,704 | 116,544 |
| Land | 91,500 | 91,500 |
| Total | <u>612,320</u> | <u>594,160</u> |
| Less: Accumulated Depreciation | <u>236,468</u> | <u>198,100</u> |
| Net Property and Equipment | <u>\$ 375,852</u> | <u>\$ 396,060</u> |

NOTE 5 QUESTA ECONOMIC DEVELOPMENT FUND

On April 20, 2015, the Loan Fund entered into a renewable Memorandum of Understanding (MOU) with Questa Economic Development Fund (Questa) to administer and service Questa's incentive grant program. The MOU expired April 19, 2018 and was renewed through April 19, 2019.

The purpose of this MOU is to provide support in the form of incentive grants to qualified borrowers who reside or own a business within the Questa School District, and used for a business purpose that is expected to directly contribute to the economy of the Village of Questa.

NOTE 6 RELATED PARTY TRANSACTIONS

Loan Fund policy requires that representatives from its client base serve on its board. Certain members of the board are associated with certain lenders and donors. The terms and conditions of related party loans are comparable with terms and conditions of other loans serviced by the Loan Fund. There were no related party loans at December 31, 2018.

**NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 7 NOTES PAYABLE, SECURED DEBT, AND SUBORDINATED NOTE PAYABLE

Notes Payable

The Loan Fund has notes payable, secured debt, and subordinated note payable with various banks, governmental entities, individuals, and nonprofit organizations. Interest rates on these notes payable range from 0% to 3%. Maturity dates range from January 2019 to October 1, 2042. These notes payable are collateralized by loans receivable. As of December 31, 2018 and 2017, there were no notes payable that were acquired for operating purposes not related to the lending program.

Notes payable, secured debt, and subordinated note payable was \$16,241,830 and \$16,513,047 as of December 31, 2018 and 2017, respectively.

| | <u>Amount</u> |
|---|-----------------------------|
| Notes Payable: | |
| Governmental Entities | \$ 1,149,727 |
| Faith Based Organization | 1,677,627 |
| Individuals and Trusts | 464,206 |
| Managed Accounts | 1,225,000 |
| Foundations and Nonprofit Organizations | 570,000 |
| Organizations and Corporations | 40,000 |
| Financial Institutions | 750,000 |
| Secured Debt | 9,865,270 |
| Subordinated Note Payable | 500,000 |
| Total Debt at December 31, 2018 | <u><u>\$ 16,241,830</u></u> |

Future principal payments on the notes payable, secured debt, and subordinated note payable as of December 31, 2018 are as follows:

| <u>Year Ending December 31,</u> | <u>Amount</u> |
|---------------------------------|-----------------------------|
| 2019 | \$ 1,023,644 |
| 2020 | 2,292,739 |
| 2021 | 876,795 |
| 2022 | 420,714 |
| 2023 | 787,585 |
| Thereafter | 10,840,353 |
| Total | <u><u>\$ 16,241,830</u></u> |

Some of the Loan Fund's notes payable and secured debt agreements include financial covenants relating to delinquency rate, loan loss rate, current ratio, net worth, and reporting requirements.

NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

**NOTE 7 NOTES PAYABLE, SECURED DEBT, AND SUBORDINATED NOTE PAYABLE
(CONTINUED)**

Secured Debt

The Loan Fund has an agreement with a third party to provide up to \$13,000,000 in revolving funds for loans made by the Loan Fund. In accordance with applicable accounting standards, this agreement is accounted for as secured debt. The Loan Fund must repay the secured debt as the Loan Fund collects principal payments on these loans. At December 31, 2018, principal payments due from the revolving fund was \$629,591, with \$696,508, due on the revolving fund at December 31, 2017.

Subordinated Debt

The Loan Fund entered into an agreement with a third party on July 1, 2017 to provide up to \$500,000 for loans made by the Loan Fund. The Loan Fund paid interest quarterly at 2.25%.

NOTE 8 CASH EQUIVALENTS

At December 31, 2018 and 2017, the Loan Fund invested in certificates of deposit of \$57,326 and \$57,126, respectively. As of December 31, 2018, the certificate of deposit interest rate was 0.350% and the maturity date is November 16, 2019. The Loan Fund did not hold any equity investments as of December 31, 2018 and 2017.

NOTE 9 DONOR RESTRICTIONS

Donor restricted net assets at December 31 are available for the following:

| | 2018 | 2017 |
|--|-----------|-----------|
| Loans to Artists and Related Program Expense | \$ 59,026 | \$ 68,647 |
| Total | \$ 59,026 | \$ 68,647 |

Additional donor restricted net assets of \$205,791 at December 31, 2018 and 2017 consisted of \$203,826 of permanent lending capital for loans to third parties and \$1,965 for the Sister Marie fund.

NOTE 10 RETIREMENT PLAN

The Loan Fund maintains a tax-free annuity plan for employees who have completed one year of service. Contributions to the New Mexico Community Development Loan Fund Retirement Plan are at the discretion of the board. The board elected to contribute 3% of eligible employee's salaries during 2018 and 2017. Employer contributions for 2018 and 2017 were approximately \$12,800 and \$18,800, respectively.

NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 11 CONCENTRATIONS OF CASH DEPOSITS

The Loan Fund maintains its cash balances in financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, these cash balances may exceed the insured limits of the FDIC. At December 31, 2018, cash in excess of FDIC limits totaled \$2,072,930. The Loan Fund has not experienced any losses in these cash accounts and believes it is not exposed to any significant credit risk related to uninsured cash balances.

NOTE 12 CONCENTRATIONS OF SECURED DEBT

The Loan Fund has a secured note payable of approximately \$9,865,000 and \$9,426,000 at December 31, 2018 and 2017, respectively. This note payable represents approximately 61% and 57% of total notes payable and secured debt at December 31, 2018 and 2017, respectively.

The secured note payable is a significant source of funding for the lending program and matures in January 2029.

NOTE 13 COMMITMENTS

The Loan Fund was committed to borrowers for credit lines or loans of \$2,096,638 and \$1,228,870 as of December 31, 2018 and 2017, respectively.

NOTE 14 LIQUIDITY

The Loan Fund has a goal to maintain financial assets, which consist of cash and receivables on hand to meet a minimum of 60 days of normal operating expenses.

The Loan Fund's Financial Assets available within one year of the balance sheet date for general expenditure are as follows.

| | 2018 | 2017 |
|---------------------------------|--------------|--------------|
| Cash and Cash Equivalents | \$ 3,905,399 | \$ 4,016,380 |
| Grants and Contracts Receivable | 55,863 | 356,231 |
| Interest Receivable | 60,748 | 72,734 |
| | \$ 4,022,010 | \$ 4,445,345 |

NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 15 CHANGE IN ACCOUNTING POLICY

The Organization changed accounting policies related to presentation of financial statements and notes about liquidity and financial performance by adopting Financial Accounting Standards Board (FASB) Accounting Standards Update 2016-14, Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, in 2018. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used.

NOTE 16 SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 19, 2019, the date which the financial statements were available to be issued.



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
New Mexico Community Development Loan Fund, Inc.
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, the financial statements of New Mexico Community Development Loan Fund, Inc. (Loan Fund) (a nonprofit organization), which comprise the comparative statement of financial position as of December 31, 2018, and the related comparative statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 19, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Loan Fund'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 New Mexico Community Development Loan Fund, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Loan Fund'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 the entity'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 material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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



CliftonLarsonAllen LLP

Albuquerque, New Mexico
April 19, 2019

**NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2018**

Section I – Financial Statement Findings

None.

