

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

Financial Statements with Supplementary Information
For the Years Ended December 31, 2014 and 2013

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of New Mexico Community Development Loan Fund, Inc. (a nonprofit organization) (Loan Fund), which comprise the statement of financial position as of December 31, 2014 and the related 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 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 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 financial statements based on our audits. We conducted our audit 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the 2014 financial statements referred to above present fairly, in all material respects, the financial position of the Loan Fund as of December 31, 2014 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.

Adjustments to Prior Period Financial Statements

The financial statements of the Loan Fund as of December 31, 2013, were audited by other auditors whose opinion dated May 23, 2014, on those statements was unqualified.

As part of our audit of the 2014 financial statement, we also audited adjustments described in Note 14 that were applied to restate the 2013 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2013 financial statements of the Loan Fund other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2013 financial statements as a whole.

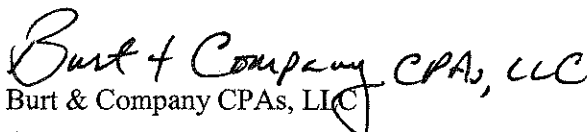
Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the 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 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 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2015, on our consideration of 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 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 Loan Fund's internal control over financial reporting and compliance.


Burt & Company CPAs, LLC

May 22, 2015

NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.
 Statements of Financial Position
 December 31, 2014 and 2013

<u>Assets</u>	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 4,713,940	5,911,217
Restricted cash	252,241	626,239
Grants and contracts receivable	169,450	379,415
Interest receivable	68,030	43,927
Other assets	4,655	4,465
Loans rceivable, net	11,813,312	9,693,951
Land held for sale	67,771	64,771
Property and equipment, net	<u>454,233</u>	<u>469,234</u>
Total assets	<u>\$ 17,543,632</u>	<u>17,193,219</u>
<u>Liabilities and Net Assets</u>		
Accounts payable	\$ 4,021	-
Accrued liabilities	109,586	91,222
Interest payable	60,714	38,004
Deferred revenue	17,795	14,795
Secured debt	7,882,461	6,245,285
Notes payable, net	6,529,604	7,516,536
Subordinated note payable	250,000	250,000
Cash held for others	<u>-</u>	<u>374,215</u>
Total liabilities	14,854,181	14,530,057
Net assets:		
Unrestricted	2,283,660	2,457,371
Temporarily restricted	200,000	-
Permanently restricted	<u>205,791</u>	<u>205,791</u>
Total net assets	<u>2,689,451</u>	<u>2,663,162</u>
Total liabilities and net assets	<u>\$ 17,543,632</u>	<u>17,193,219</u>

See independent auditors' report and accompanying notes.

NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.
 Statements of Activities
 For the year ended December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue				
Contributions	\$ 56,675	200,000	-	256,675
Grants	196,680	-	-	196,680
Lending program interest	909,420	-	-	909,420
Other lending program income	95,169	-	-	95,169
Contracts	-	-	-	-
Investment income	3,187	-	-	3,187
Other	9,902	-	-	9,902
Loan recovery	13,200	-	-	13,200
Change in loan loss reserve	<u>113,307</u>	<u>-</u>	<u>-</u>	<u>113,307</u>
Total support and revenue	<u>1,397,540</u>	<u>200,000</u>	<u>-</u>	<u>1,597,540</u>
Expenses				
Program services				
Loan program	837,933	-	-	837,933
Technical assistance program	<u>155,539</u>	<u>-</u>	<u>-</u>	<u>155,539</u>
Total program services	<u>993,472</u>	<u>-</u>	<u>-</u>	<u>993,472</u>
Supporting services				
Fundraising	212,943	-	-	212,943
Management and general	<u>364,836</u>	<u>-</u>	<u>-</u>	<u>364,836</u>
Total supporting services	<u>577,779</u>	<u>-</u>	<u>-</u>	<u>577,779</u>
Total expenses	<u>1,571,251</u>	<u>-</u>	<u>-</u>	<u>1,571,251</u>
Change in net assets	(173,711)	200,000	-	26,289
Net assets, beginning of year	<u>2,457,371</u>	<u>-</u>	<u>205,791</u>	<u>2,663,162</u>
Net assets, end of year	<u>\$ 2,283,660</u>	<u>200,000</u>	<u>205,791</u>	<u>2,689,451</u>

See independent auditors' report and accompanying notes.

NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.
 Statements of Activities (continued)
 For the year ended December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue				
Contributions	\$ 64,118	-	-	64,118
Grants	79,497	-	-	79,497
Lending program interest	823,065	-	-	823,065
Other lending program income	86,209	-	-	86,209
Contracts	26,000	-	-	26,000
Investment income	4,361	-	-	4,361
Other	-	-	-	-
Loan recovery	15,773	-	-	15,773
Change in loan loss reserve	194,682	-	-	194,682
Total support and revenue	<u>1,293,705</u>	<u>-</u>	<u>-</u>	<u>1,293,705</u>
Expenses				
Program services				
Loan program	679,560	-	-	679,560
Technical assistance program	127,247	-	-	127,247
Total program services	<u>806,807</u>	<u>-</u>	<u>-</u>	<u>806,807</u>
Supporting services				
Fundraising	135,317	-	-	135,317
Management and general	301,316	-	-	301,316
Total supporting services	<u>436,633</u>	<u>-</u>	<u>-</u>	<u>436,633</u>
Total expenses	<u>1,243,440</u>	<u>-</u>	<u>-</u>	<u>1,243,440</u>
Change in net assets	50,265	-	-	50,265
Net assets, beginning of year	2,407,106	-	126,965	2,534,071
Prior period adjustment	-	-	78,826	78,826
Net assets, end of year, as restated	<u>\$ 2,457,371</u>	<u>-</u>	<u>205,791</u>	<u>2,663,162</u>

See independent auditors' report and accompanying notes.

NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.
 Statements of Functional Expenses
 For the year ended December 31, 2014

	Loan Program	Technical Assistance Program	Fundraising	Management and General	Total
Salaries and benefits	\$ 382,770	133,524	133,524	240,345	890,163
Interest	329,668	-	-	-	329,668
Professional fees	16,666	-	6,666	43,331	66,663
Payroll taxes	25,740	8,979	8,979	16,162	59,860
Office	23,985	2,498	2,498	20,987	49,968
Special events	-	-	50,089	-	50,089
Outreach	14,886	1,063	4,254	1,063	21,266
Travel	11,508	2,672	2,671	3,699	20,550
Depreciation	8,536	2,978	2,978	5,360	19,852
Repairs and maintenance	1,717	-	-	15,457	17,174
Training	5,483	1,462	366	4,874	12,185
Supplies	4,417	491	491	4,417	9,816
Loan administration	8,584	-	-	-	8,584
Insurance	-	-	-	5,974	5,974
Telephone	1,920	640	427	2,347	5,334
Vehicle	2,053	1,232	-	820	4,105
	<u>\$ 837,933</u>	<u>155,539</u>	<u>212,943</u>	<u>364,836</u>	<u>1,571,251</u>

See independent auditors' report and accompanying notes.

NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.
 Statements of Functional Expenses (continued)
 For the year ended December 31, 2013

	Loan Program	Technical Assistance Program	Fundraising	Management and General	Total
Salaries and benefits	\$ 271,399	107,755	107,755	193,959	680,868
Interest	280,004	-	-	8,660	288,664
Payroll taxes	19,660	6,858	6,858	12,345	45,721
Professional fees	10,271	-	4,108	26,703	41,082
Office	17,082	1,898	1,898	16,233	37,111
Outreach	23,920	1,709	6,834	1,709	34,172
Repairs and maintenance	2,375	-	-	21,375	23,750
Loan administration	21,946	-	-	-	21,946
Travel	13,274	3,063	3,063	1,021	20,421
Depreciation	7,705	2,688	2,688	4,838	17,919
Training	4,039	1,077	269	3,590	8,975
Supplies	3,582	398	1,194	2,786	7,960
Telephone	2,926	975	650	2,800	7,351
Insurance	-	-	-	4,746	4,746
Vehicle	1,377	826	-	551	2,754
	<u>\$ 679,560</u>	<u>127,247</u>	<u>135,317</u>	<u>301,316</u>	<u>1,243,440</u>

See independent auditors' report and accompanying notes.

NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.
 Statements of Cash Flows
 For the years ended December 31, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Cash received from grants and contracts	\$ 406,645	504,256
Cash received from contributions	256,675	10,386
Interest and investment income	888,504	842,283
Other lending program income	108,369	296,664
Other income	9,902	-
Cash paid to employees and suppliers	(1,573,751)	(1,206,454)
Interest paid	(306,958)	(306,986)
Net cash (used) provided by operating activities	(210,614)	140,149
Cash flows from investing activities:		
Purchase of property and equipment	(4,851)	(20,287)
Loan repayments	5,047,373	4,445,472
Loans issued	(7,053,427)	(3,387,172)
Net cash (used) provided by investing activities	(2,010,905)	1,038,013
Cash flows from financing activities		
Proceeds from secured borrowings	1,890,781	-
Principal payments on secured borrowings	(253,605)	(804,403)
Proceeds from acquisition of notes payable	583,533	1,213,237
Principal payments on notes payable	(1,570,465)	(292,002)
Net cash provided by financing activities	650,244	116,832
Net (decrease) increase in cash and cash equivalents	(1,571,275)	1,294,994
Cash and cash equivalents, beginning of year	6,537,456	5,242,462
Cash and cash equivalents, end of year	4,966,181	6,537,456
Less: restricted cash	252,241	626,239
Cash and cash equivalents, end of year, unrestricted	\$ 4,713,940	5,911,217

See independent auditors' report and accompanying notes.

NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.
 Statements of Cash Flows (continued)
 For the years ended December 31, 2014 and 2013

	2014	2013
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 26,289	50,265
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	19,852	17,919
Provision for loan losses	(113,307)	(194,696)
Changes in assets and liabilities		
Restricted cash	-	280,904
Grants and contracts receivable	209,965	2,082
Interest receivable	(24,103)	14,857
Other assets	(190)	(62,839)
Accounts payable	4,021	(16,344)
Accrued liabilities	18,364	4,281
Interest payable	22,710	(18,322)
Deferred revenue	-	(11,455)
Cash held for others	(374,215)	73,497
Total adjustments	(236,903)	89,884
Net cash (used) provided by operating activities	\$ (210,614)	140,149

See independent auditors' report and accompanying notes.

NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.
Notes to Financial Statements
December 31, 2014 and 2013

1. Nature of 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.

2. Summary of Significant Accounting Policies

A. Basis of Accounting

The financial statements of the Loan Fund have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables and liabilities.

B. Basis of Presentation

The Loan Fund is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the board of directors.

Temporarily Restricted 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets 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 (continued)
December 31, 2014 and 2013

2. Summary of Significant Accounting Policies (continued)

C. 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.

D. Donated Services and Materials

The Loan Fund recognizes contributed services if the services create or enhance non-financial 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.

E. Support

The Loan Fund reports contributions of cash and other assets as restricted 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 unrestricted net assets 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 unrestricted support.

F. 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 Bernalillo Revolving Loan Fund program, and Small Business Administration (SBA) required loan loss cash reserve account.

G. Restricted Cash and Cash Held For Others

Restricted cash is cash that the Loan Fund has received from the Bernalillo County Revolving Loan Fund program, the Small Business Investment Corporation (SBIC), USDA and the SBA loan loss cash reserve accounts. The Loan Fund provides contract

NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.
Notes to Financial Statements (continued)
December 31, 2014 and 2013

2. Summary of Significant Accounting Policies (continued)

G. Restricted Cash and Cash Held For Others (continued)

administration services related to the Bernalillo County contract and the amount held for others, included in the statement of financial position, of approximately \$0 and \$374,000 represents funds held related to the Bernalillo County Revolving Loan Fund program at December 31, 2014 and 2013, respectively.

H. 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.

I. 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 reserve requirements include available borrower financial information, period of payment delinquency, and borrower responsiveness. Loan Fund management provides an estimate for loan losses based on these factors.

J. 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 dona-

NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.
Notes to Financial Statements (continued)
December 31, 2014 and 2013

2. Summary of Significant Accounting Policies (continued)

J. Property and Equipment (continued)

tions 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 \$500 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.

K. 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.

L. Functional Allocation of Expenses

Expenses are charged directly to program and supporting services based on specific identification. Costs benefiting more than one service are allocated based on measures such as management's estimates of time spent, square footage, etc.

M. Grants and Contracts Receivable

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

N. Advertising Costs

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

O. Financial Instruments

The Loan Fund's financial instruments include cash and cash equivalents, restricted cash, receivables, accounts payable, accrued liabilities, interest payable, deferred revenue, secured debt, and notes payable. The Loan Fund estimates that the fair value of all financial instruments at December 31, 2014 and 2013, does not differ materially

NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.
Notes to Financial Statements (continued)
December 31, 2014 and 2013

2. Summary of Significant Accounting Policies (continued)

O. Financial Instruments (continued)

from the aggregate carrying values of its financial instruments recorded in the accompanying financial statements.

P. Income Taxes

The Loan Fund is a not-for-profit 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's open audit periods are for the years ended December 31, 2011 through December 31, 2014. The Loan Fund adopted the provisions of FASS ASC 740-10 "Accounting for Uncertainty in Income Taxes". The Loan Fund has not recognized any changes to its financial statements for uncertain tax positions resulting from this adoption.

3. Loans Receivable

The Loan Fund had loans receivable of approximately \$11,813,000 and \$9,694,000, net of allowance for loan losses, at December 31, 2014 and 2013, respectively.

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

	<u>2014</u>	<u>2013</u>
Balance at beginning of year	\$ 475,432	673,887
Loans charged-off	-	(3,759)
Provision for loan losses	<u>(113,307)</u>	<u>(194,696)</u>
Balance at end of year	\$ <u>362,125</u>	<u>475,432</u>

Loan balances of approximately \$1,212,000 and \$830,000 had loan payments past due more than thirty-one days as of December 31, 2014 and 2013, respectively. Additionally, loans of approximately \$596,053 and \$1,526,000 had original principal repayment terms modified during 2014 and 2013, respectively.

Loan balances of approximately \$37,000 and \$41,000 were on nonaccrual status as of December 31, 2014 and 2013, respectively. Loan balances past due more than ninety days and still accruing interest were approximately \$23,000 and \$26,000 at December 31, 2014 and 2013, respectively.

NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.
Notes to Financial Statements (continued)
December 31, 2014 and 2013

3. Loans Receivable (continued)

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.

4. Land Held For Sale

The Loan Fund had land with estimated fair value of \$67,771 and \$64,771 at December 31, 2014 and 2013, respectively. Land held for sale was collateral on prior loan receivables that were written-off.

5. Property and Equipment

Property and equipment consists of the following at December 31:

	2014	2013
Building and improvements	\$ 386,116	386,116
Furniture and equipment	116,544	111,693
Land	91,500	91,500
	594,160	589,309
Less: accumulated depreciation	(139,927)	(120,075)
Net property and equipment, depreciated, net	\$ 454,233	469,234

6. Bernalillo County Revolving Loan Fund Program

In 2010, the Loan Fund entered into a renewable contract with Bernalillo County to administer and service a Revolving Loan Fund (RLF). The contract expired December 31, 2013 and was administered on a monthly basis.

The purpose of this contract is to provide loans to start-up or existing businesses and expand business development activity, particularly for low or moderate income and minority persons within Bernalillo County. These loans are not Loan Fund assets and therefore were not included in the Loan Fund's financial statements.

During the year ended December 31, 2014, the Loan Fund canceled the contract with Bernalillo County and purchased the related loans totaling \$374,215.

7. 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. Certain Loan Fund

NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.
Notes to Financial Statements (continued)
December 31, 2014 and 2013

7. Related Party Transactions (continued)

management personnel are also members of certain Loan Fund lender and borrower board of directors. 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, 2014 and 2013.

8. Notes Payable, Secured Debt, and Subordinated Note Payable

A. Notes Payable

The Loan Fund has notes payable, secured debt, and subordinated note payable with various banks, governmental entities, individuals, and not-for-profit organizations. Interest rates on these notes payable range from 0% to 4.3%. Maturity dates range from January 2014 to August 2043. These notes payable are primarily collateralized by loans receivable, the building and equipment. As of December 31, 2014 and 2013, 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 approximately \$14,662,000 and \$14,012,000 as of December 31, 2014 and 2013, respectively.

Future principal payments on the notes payable, secured debt, and subordinated note payable as of December 31, 2014, are as follows:

<u>Year ending December 31</u>	
2015	\$ 2,161,007
2016	760,865
2017	1,234,280
2018	1,094,382
2019	553,507
Thereafter	<u>8,858,024</u>
	<u>\$ 14,662,065</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.

B. Secured Debt

The Loan Fund has an agreement with a third party to provide up to \$11,000,000 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

NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.
Notes to Financial Statements (continued)
December 31, 2014 and 2013

8. Notes Payable, Secured Debt, and Subordinated Note Payable (continued)

B. Secured Debt (continued)

loans. At December 31, 2014 and 2013, principal payments due on the revolving fund was \$202,273 and \$0, respectively.

C. Subordinated Note Payable

The Loan Fund has an agreement with a third party to provide up to \$250,000 for loans made by the Loan Fund. The Loan Fund pays interest quarterly and matures October 2016. Principal and interest is subordinated to all other Loan Fund creditors.

9. Cash Equivalents

At December 31, 2014 and 2013, the Loan Fund invested in certificates of deposit of approximately \$56,500 and \$56,000, respectively. As of December 31, 2014, the certificate of deposit interest rate was 0.35% and the maturity date is November 2015. As of December 31, 2013, certificates of deposit interest rate was 0.0% and matured November 2014. The Loan Fund did not hold any equity investments as of December 31, 2014 and 2013.

10. Restricted Net Assets

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

	2014	2013
Loans to artists	\$ 100,000	-
Operating expense 2015 and 2016	100,000	-
	\$ 200,000	-

Permanently restricted net assets of \$205,791 consist of \$203,826 of permanent lending capital for loans to third parties and \$1,965 received in 2009 for the Sister Marie fund.

11. 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 2014 and 2013. Employer contributions for 2014 and 2013 were approximately \$10,000 and \$8,900, respectively.

NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.
Notes to Financial Statements (continued)
December 31, 2014 and 2013

12. 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, 2014, cash in excess of FDIC limits totaled \$1,716,847. 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.

13. Concentrations of Secured Debt

The Loan Fund has a note payable of approximately \$7,882,000 and \$6,245,000 at December 31, 2014 and 2013, respectively. This note payable represents approximately 53% and 44% of total notes payable and secured debt at December 31, 2014 and 2013, respectively. This note payable is a significant source of funding for the lending program and matures in June 2017.

14. Prior Period Adjustments

During the year ended December 31, 2014, the client discovered that notes payable was overstated and permanently restricted net assets was understated \$78,826, in the 2012 financial statements. This is reflected as a prior period adjustment to beginning 2013 temporarily restricted net assets.

During the year ended December 31, 2014, the client discovered that accrued liabilities and salaries expense were overstated \$37,498 in the 2013 financial statements. The effect of this error of the 2013 accrued liabilities, salaries expense, change in unrestricted net assets, and unrestricted net assets has been corrected on the 2013 financial statements presented in this report.

15. Commitments

The Loan Fund was committed to borrowers for credit lines or loans of approximately \$2,445,000 and \$1,698,000 as of December 31, 2014 and 2013, respectively.

16. Subsequent Events

Management has evaluated subsequent events through May 22, 2015, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.
Schedule of Expenditures of Federal Awards
For the year ended December 31, 2014

Grantor Agency/Pass-through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
Small Business Administration		
Microloan Program	59.046	\$ 1,275,874
US Department of Agriculture		
Intermediary Relending Program	10.767	873,328
Rural Microentrepreneur Assistance Program	10.870	122,711
Total US Department of Agriculture Direct Programs		<u>996,039</u>
Total federal expenditures		<u>\$ 2,271,913</u>

Notes to Schedule of Expenditures of Federal Awards:

A. General

The accompanying schedule of expenditures of federal awards presents the activity of all federal programs of the New Mexico Community Development Loan Fund, Inc.'s (Loan Fund) reporting entity as described in Note 1 to the financial statements. All federal awards received from federal agencies are included on the schedule.

B. Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting which is described in Note 2 to the Loan Fund's financial statements.

C. Federal Loan Programs

The federal loan programs listed below are administered directly by the Loan Fund and balances and transactions relating to these programs are included in the Loan Fund's basic financial statements. Loans made during the year and beginning of year loan balances which require continued compliance monitoring are included in the federal expenditures presented in the schedule of expenditures of federal awards. The federal expenditures and loan balances at December 31, 2014 consist of:

CFDA Number	Program Name	SEFA Federal Expenditures	Outstanding Loan Balance at December 31, 2014
59.046	Microloan Program	1,275,874	1,105,473
10.767	Intermediary Relending Program	873,328	873,328
10.870	Rural Microentrepreneur Assistance Program	122,711	122,711

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*

To the Board of Directors of
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 the New Mexico Community Development Loan Fund, Inc. (Loan Fund) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 22, 2015.

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 the Loan Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Loan Fund's internal control.

Our consideration of the 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 a material weakness.

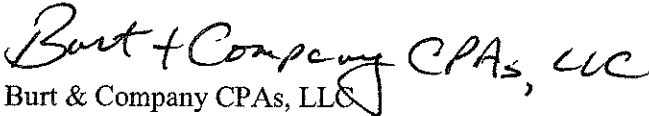
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Loan Fund'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 the attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Loan Fund's financial statements are free of 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.


Burt & Company CPAs, LLC

May 22, 2015

INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited the New Mexico Community Development Loan Fund, Inc.'s (Loan Fund) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Loan Fund's major federal programs for the year ended December 31, 2014. The Loan Fund's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Loan Fund's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Loan Fund's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Loan Fund's compliance.

Opinion on Each Major Federal Program

In our opinion, the Loan Fund complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

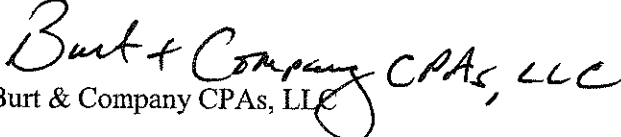
Report on Internal Control Over Compliance

Management of the Loan Fund is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Loan Fund's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Loan Fund's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Burt & Company CPAs, LLC

May 22, 2015

NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.
 Schedule of Findings and Questioned Costs
 December 31, 2014

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ___yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses ___yes none reported
- Noncompliance material to financial statements noted? ___yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses ___yes none reported

Type of auditors’ report issued on compliance for major programs: Unqualified

Any audit disclosed that required to be reported in accordance with Section 510(a) of OMB Circular A-133, are reported in this schedule? ___yes no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
59.046	Microloan Program
10.870	Rural Microentrepreneur Assistance Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ___yes no

NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.
Schedule of Findings and Questioned Costs (continued)
December 31, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.
Summary Schedule of Prior Year Audit Findings
December 31, 2014

SECTION IV – PRIOR YEAR AUDIT FINDINGS

2013-001 [FS 13-1] - Cash Reconciliations - Corrected