

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED DECEMBER 31, 2017 AND 2016**

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



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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 financial statements of New Mexico Community Development Loan Fund, Inc. (Loan Fund) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, 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 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 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.

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

***Opinion***

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

***Prior Period Financial Statements***

The 2016 financial statements of the Loan Fund were audited by other auditors whose report thereon dated May 19, 2017 expressed an unmodified opinion on those financial statements.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2018, 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.



**CliftonLarsonAllen LLP**

Albuquerque, New Mexico  
May 9, 2018

**NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2017 AND 2016**

	2017	2016
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 4,016,380	\$ 4,749,316
Restricted Cash	356,231	274,506
Grants and Contracts Receivable	72,774	123,570
Interest Receivable	72,734	87,126
Other Assets	3,453	6,223
Loans Receivable, Net	13,797,060	12,512,948
Land Held for Sale	64,771	67,771
Property and Equipment, Net	396,060	413,884
Total Assets	\$ 18,779,463	\$ 18,235,344
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 16,021	\$ 15,160
Accrued Liabilities	88,605	92,720
Interest Payable	131,788	60,527
Secured Debt	9,426,019	9,216,697
Notes Payable, Net	6,587,028	6,652,012
Subordinated Note Payable	500,000	-
Cash Held for Others	28,718	22,356
Total Liabilities	16,778,179	16,059,472
<b>NET ASSETS</b>		
Unrestricted	1,726,846	1,893,222
Temporarily Restricted	68,647	76,859
Permanently Restricted	205,791	205,791
Total Net Assets	2,001,284	2,175,872
Total Liabilities and Net Assets	\$ 18,779,463	\$ 18,235,344

See accompanying Notes to Financial Statements.

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>				
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	<u>1,380,085</u>	<u>40,000</u>	<u>-</u>	<u>1,420,085</u>
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	48,212	(48,212)	-	-
Total Support and Revenue	<u>1,428,297</u>	<u>(8,212)</u>	<u>-</u>	<u>1,420,085</u>
<b>EXPENSES</b>				
Program Services:				
Loan Program	809,762	-	-	809,762
Technical Assistance Program	414,407	-	-	414,407
Total Program Services	<u>1,224,169</u>	<u>-</u>	<u>-</u>	<u>1,224,169</u>
Supporting Services:				
Fund Raising	161,105	-	-	161,105
Management and General	209,399	-	-	209,399
Total Supporting Services	<u>370,504</u>	<u>-</u>	<u>-</u>	<u>370,504</u>
Total Expenses	<u>1,594,673</u>	<u>-</u>	<u>-</u>	<u>1,594,673</u>
<b>CHANGE IN NET ASSETS</b>	(166,376)	(8,212)	-	(174,588)
Net Assets - Beginning of Year	<u>1,893,222</u>	<u>76,859</u>	<u>205,791</u>	<u>2,175,872</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,726,846</u>	<u>\$ 68,647</u>	<u>\$ 205,791</u>	<u>\$ 2,001,284</u>

See accompanying Notes to Financial Statements.

**NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 92,946	\$ -	\$ -	\$ 92,946
Grants	137,256	-	-	137,256
Lending Program Interest	995,606	-	-	995,606
Other Lending Program Income	96,274	-	-	96,274
Investment Income	1,898	-	-	1,898
Total Support and Revenue	<u>1,323,980</u>	<u>-</u>	<u>-</u>	<u>1,323,980</u>
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	<u>97,849</u>	<u>(97,849)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>1,421,829</u>	<u>(97,849)</u>	<u>-</u>	<u>1,323,980</u>
<b>EXPENSES</b>				
Program Services:				
Loan Program	1,021,809	-	-	1,021,809
Technical Assistance Program	264,475	-	-	264,475
Total Program Services	<u>1,286,284</u>	<u>-</u>	<u>-</u>	<u>1,286,284</u>
Supporting Services:				
Fund Raising	69,348	-	-	69,348
Management and General	457,440	-	-	457,440
Total Supporting Services	<u>526,788</u>	<u>-</u>	<u>-</u>	<u>526,788</u>
Total Expenses	<u>1,813,072</u>	<u>-</u>	<u>-</u>	<u>1,813,072</u>
<b>CHANGE IN NET ASSETS</b>	(391,243)	(97,849)	-	(489,092)
Net Assets - Beginning of Year	<u>2,284,465</u>	<u>174,708</u>	<u>205,791</u>	<u>2,664,964</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 1,893,222</u>	<u>\$ 76,859</u>	<u>\$ 205,791</u>	<u>\$ 2,175,872</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.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2016**

	Loan Program	Technical Assistance Program	Fund Raising	Management and General	Total
Salaries and Benefits	\$ 400,774	\$ 212,620	\$ 53,636	\$ 352,271	\$ 1,019,301
Interest	338,250	-	-	-	338,250
Office	39,384	9,071	4,171	39,385	92,011
Outreach	36,360	24,744	2,388	1,762	65,254
Professional Fees	9,173	-	3,301	20,536	33,010
Repairs and Maintenance	1,896	-	-	17,063	18,959
Travel	8,037	12,650	2,105	4,164	26,956
Depreciation	8,176	2,852	2,852	5,135	19,015
Training	7,328	1,912	478	6,213	15,931
Insurance	-	-	-	8,615	8,615
Loan Administration	6,846	-	-	-	6,846
Loan Loss Reserve	163,707	-	-	-	163,707
Telephone	1,878	626	417	2,296	5,217
	<u>\$ 1,021,809</u>	<u>\$ 264,475</u>	<u>\$ 69,348</u>	<u>\$ 457,440</u>	<u>\$ 1,813,072</u>
Total Functional Expenses	<u>\$ 1,021,809</u>	<u>\$ 264,475</u>	<u>\$ 69,348</u>	<u>\$ 457,440</u>	<u>\$ 1,813,072</u>

See accompanying Notes to Financial Statements.

**NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (174,588)	\$ (489,092)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	17,824	19,015
Provision for Loan Losses	1,193	167,707
Changes in Assets and Liabilities:		
Grants and Contracts Receivable	50,796	(16,459)
Interest Receivable	14,392	(7,778)
Other Assets	2,770	(157)
Accounts Payable	65,319	11,111
Accrued Liabilities	(4,115)	3,465
Interest Payable	6,803	(3,947)
Deferred Revenue	-	(6,420)
Cash Held for Others	6,362	-
Net Cash Used by Operating Activities	(13,244)	(322,555)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Loan Repayments	5,542,802	3,807,582
Loans Issued	(6,828,107)	(3,536,409)
Proceeds from Land Held for Sale	3,000	-
Net Cash Provided (Used) by Investing Activities	(1,282,305)	271,173
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Secured Borrowings	287,515	759,298
Principal Payments on Secured Borrowings	(78,193)	(499,400)
Proceeds from Acquisition of Notes Payable	1,391,885	454,069
Principal Payments on Notes Payable	(956,869)	(549,821)
Net Cash Provided by Financing Activities	644,338	164,146
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(651,211)	112,764
Cash and Cash Equivalents - Beginning of Year	5,023,822	4,911,058
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	4,372,611	5,023,822
Less: Restricted Cash	356,231	274,506
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR - UNRESTRICTED</b>	\$ 4,016,380	\$ 4,749,316

See accompanying Notes to Financial Statements.

**NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**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 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**  
**DECEMBER 31, 2017 AND 2016**

**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 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.

**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 \$19,800 and \$22,400 that represent funds held related to the Questa Economic Development contract at December 31, 2017 and 2016, respectively (Note 5).

**NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**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 \$8,900. 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 \$327,000 and \$252,000 at December 31, 2017 and 2016, 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, 2017 AND 2016**

**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 \$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.

**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, 2017 AND 2016**

**NOTE 2 LOANS RECEIVABLE**

The Loan Fund had loans receivable of \$13,797,060 and \$12,512,948, net of allowance for loan losses, at December 31, 2017 and 2016, respectively.

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

	2017	2016
Balance at Beginning of Year	\$ 242,488	\$ 172,447
Loans Charged-Off	(331)	(97,666)
Provision for Loan Losses	1,194	167,707
Balance at End of Year	\$ 243,351	\$ 242,488

Loan balances of approximately \$886,500 and \$1,334,000 had loan payments past due more than thirty-one days as of December 31, 2017 and 2016, respectively. Additionally, loans of approximately \$1,848,000 and \$454,000 had original principal repayment terms modified during 2017 and 2016, respectively.

Loan balances of approximately \$126,000 and \$97,000 were on nonaccrual status as of December 31, 2017 and 2016, respectively. Loan balances past due more than ninety days and still accruing interest were approximately \$343,800 and \$970,000 at December 31, 2017 and 2016, 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
2017	\$ 13,153,897	\$ 150,982	\$ 8,684	\$ 450,151	\$ 276,677	\$ 886,494	\$ 14,040,391	\$ 126,000	\$ 343,798
2016	\$ 13,194,923	\$ 320,876	\$ 42,795	\$ 137,312	\$ 833,111	\$ 1,334,094	\$ 14,529,017	\$ 97,000	\$ 970,423

**NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**NOTE 2 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.

**NOTE 3 LAND HELD FOR SALE**

The Loan Fund had land with estimated fair value of \$64,771 and \$67,771 at December 31, 2017 and 2016, respectively. During the year, Land valued at \$3,000 was sold by the Loan Fund. 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:

	2017	2016
Building and Improvements	\$ 386,116	\$ 386,116
Furniture and Equipment	116,544	116,544
Land	91,500	91,500
Total	594,160	594,160
Less: Accumulated Depreciation	198,100	180,276
Net Property and Equipment	\$ 396,060	\$ 413,884

**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, 2017 and was renewed through April 19, 2018.

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, 2017.

**NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**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 2018 to October 1, 2042. These notes payable are collateralized by loans receivable. As of December 31, 2017 and 2016, 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 \$16,513,047 and \$15,869,000 as of December 31, 2017 and 2016, respectively.

	<u>Amount</u>
Notes Payable:	
Governmental Entities	\$ 2,012,931
Faith Based Organization	1,864,891
Individuals and Trusts	414,206
Managed Accounts	985,000
Foundations and Nonprofit Organizations	520,000
Organizations and Corporations	40,000
Financial Institutions	750,000
Secured Debt	9,426,019
Subordinated Note Payable	500,000
Total Debt at December 31, 2017	<u><u>\$ 16,513,047</u></u>

Future principal payments on the notes payable, secured debt, and subordinated note payable as of December 31, 2017 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 1,403,026
2019	892,699
2020	2,333,019
2021	683,092
2022	404,148
Thereafter	10,797,063
Total	<u><u>\$ 16,513,047</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, 2017 AND 2016**

**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, 2017, principal payments due from the revolving fund was \$696,508, with \$450,098, due on the revolving fund at December 31, 2016.

**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, 2017 and 2016, the Loan Fund invested in certificates of deposit of \$57,126 and \$56,926, respectively. As of December 31, 2017, the certificate of deposit interest rate was 0.350% and the maturity date is November 16, 2018. The Loan Fund did not hold any equity investments as of December 31, 2017 and 2016.

**NOTE 9 RESTRICTED NET ASSETS**

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

	2017	2016
Loans to Artists and Related Program Expense	\$ 68,647	\$ 76,859
Total	\$ 68,647	\$ 76,859

Permanently restricted net assets of \$205,791 at December 31, 2017 and 2016 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 2017 and 2016. Employer contributions for 2017 and 2016 were approximately \$19,000 and \$16,000, respectively.

**NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**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, 2017, cash in excess of FDIC limits totaled \$1,693,839. 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 \$9,426,000 and \$9,217,000 at December 31, 2017 and 2016, respectively. This note payable represents approximately 57% and 58% of total notes payable and secured debt at December 31, 2017 and 2016, 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 approximately \$1,228,870 and \$2,059,000 as of December 31, 2017 and 2016, respectively.

**NOTE 14 SUBSEQUENT EVENTS**

Management has evaluated subsequent events through May 9, 2018, 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, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related comparative notes to the financial statements, and have issued our report thereon dated May 9, 2018.

**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.

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 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.



**CliftonLarsonAllen LLP**

Albuquerque, New Mexico  
May 9, 2018

**NEW MEXICO COMMUNITY DEVELOPMENT LOAN FUND, INC.  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2017**

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***Section I – Financial Statement Findings***

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None.