



# **ANNUAL COMPREHENSIVE FINANCIAL REPORT**

Fiscal Year Ended June 30, 2022



**SANTA FE, NEW MEXICO**  
**PREPARED BY THE NMFA ACCOUNTING DEPARTMENT**

**NEW MEXICO FINANCE AUTHORITY**  
**ANNUAL COMPREHENSIVE FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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**NEW MEXICO FINANCE AUTHORITY**  
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# Introduction

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# NEW MEXICO FINANCE AUTHORITY

October 1, 2022

Hon. Brian S. Colón, State Auditor, Esq.  
Office of the State Auditor  
2540 Camino Edward Ortiz, Suite A  
Santa Fe, NM 87507

We are pleased to submit the New Mexico Finance Authority's (NMFA) annual audit report for the fiscal year ended June 30, 2022. We are presenting it as an Annual Comprehensive Financial Report in pursuit of excellence in financial reporting. This is the third year NMFA has prepared an Annual Comprehensive Financial Report.

## ***Introduction***

NMFA prepares the Annual Comprehensive Financial Report and assumes the responsibility for ensuring that everything presented in it, including all the associated disclosures, are accurate, complete and fairly represented. To the best of our knowledge, the information contained in the Annual Comprehensive Financial Report is accurate in all material respects and fairly presents NMFA's financial position and results of operation. We have prepared the financial statements using the economic resources measurement focus and accrual basis of accounting in accordance with generally accepted accounting principles (GAAP) applicable to state and local governments, as promulgated by the Governmental Accounting Standards Board (GASB). We also voluntarily follow the recommendations of the Government Finance Officers Association of the United States and Canada (GFOA) for some of the material in the Annual Comprehensive Financial Report.

NMFA has a system of internal controls designed to protect its assets from loss, theft, or misuse and to ensure that reliable accounting data are available for the timely preparation of financial statements. The internal control structure provides reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of control should not exceed the anticipated benefits and that the valuation of costs and benefits requires estimates and judgments by management.

Moss Adams LLP, an independent public auditor approved by the New Mexico Office of the State Auditor, has audited our financial statements. The audit includes a federally mandated "Single Audit" of the federal grant program operated as the Drinking Water State Revolving Loan Fund (DWSRLF), covering the internal controls and compliance with legal requirements involving the administration of federal funds received, as well as the fair presentation of the associated financial statements. Moss Adams has rendered an unmodified opinion as to the material accuracy and fairness of the financial statements featured in the Annual Comprehensive Financial Report. Their report appears in the financial information following this introduction.

## ***Profile of the Organization***

NMFA is a public body politic and corporate formed in 1992. Although it was created by the New Mexico State Legislature, it operates separate and apart from New Mexico State government as a governmental instrumentality of the State. Its mandate is to coordinate the planning and financing of State and local public projects, to provide for long-term planning and assessment of State and local capital needs and to improve cooperation among the executive and legislative branches of State government and local governments in financing public projects. NMFA is presented as a blended component unit in the State's Annual Comprehensive Financial Report.

NMFA has a staff of 59 positions, including a Chief Executive Officer (CEO). The NMFA Board of Directors (Board) approves NMFA's annual budget, bond issuances and all loan and grant agreements. It also appoints the CEO, who directs the business and affairs of the organization, subject to the direction and policies set by the NMFA Board. The Board appointed Marquita Russel as CEO in 2019. Ms. Russel had been working for NMFA since 2000, with the majority of her tenure on the senior management team as Chief of Programs.

NMFA has established itself as a reliable partner in capital project planning and financing in New Mexico through a portfolio of 17 active public and private lending and grant programs:

### **Public Lending and Grant Programs**

- ◆ Public Project Revolving Fund (PPRF)
- ◆ Drinking Water State Revolving Loan Fund (DWSRLF)
- ◆ Water Project Fund (WPF)
- ◆ Colonias Infrastructure Fund (CIF)
- ◆ Local Government Planning Fund (LGPF)

### **Private Lending**

- ◆ Behavioral Health Capital Fund (BHCF)
- ◆ Economic Development Revolving Fund (ED), Smart Money (SM)
- ◆ Essential Services Working Capital Fund (ESWCF)
- ◆ Primary Care Capital Fund (PCCF)
- ◆ State Small Business Credit Initiative (SSBCI)
- ◆ New Markets Tax Credits Program (NMTC)
- ◆ Cannabis Microbusiness Program (CMP)
- ◆ Charter Schools Facility Revolving Fund (CSFRF)
- ◆ Opportunity Enterprise Act (OEA)
- ◆ Venture Capital Program Act (VCPA)

## COVID-19 Emergency Economic Recovery

- ♦ Local Economic Development Act Recovery Grant Program (LEDA)
- ♦ Small Business Recovery Loan Fund (SBRL)

## Agency

- ♦ New Mexico Department of Transportation (NMDOT) bond program

The PPRF is NMFA's largest program in terms of loans funded per year and loan receivables. It provides cost-effective financing in a pooled loan program that benefits borrowers through economies of scale and through lower interest rates leveraged by the pool's AAA/AAA and Aa1/Aa2 bond ratings. It is the only bond-backed program in NMFA's portfolio. It accounted for most of NMFA's financial activity in fiscal year 2022, including 82.5% of operating revenue and 84.3% of the total loan portfolio of \$1.9 billion. NMFA also operates a bond program as an agent for NMDOT. In fiscal year 2022, NMFA issued \$281.8 million in bonds on behalf of NMDOT including \$47.2 million in refunding bonds, refunding the current callable 2012 series, and ended the year with \$873.3 million in NMFA-issued NMDOT bonds outstanding.

In fiscal year 2021, the State of New Mexico set aside \$800.0 million for three economic recovery loan and grant programs to be administered by NMFA. One of them, the \$100.0 million CARES grant program, concluded the same year. The other two continued operating in fiscal year 2022. The largest of these, the \$500.0 million SBRL provided funding for \$107.8 in loans in fiscal year 2022. The other program, the \$200.0 million LEDA grant program, provided funding for \$35.4 million in grants that were disbursed in fiscal year 2022.

## ***Demographic and Economic Setting***

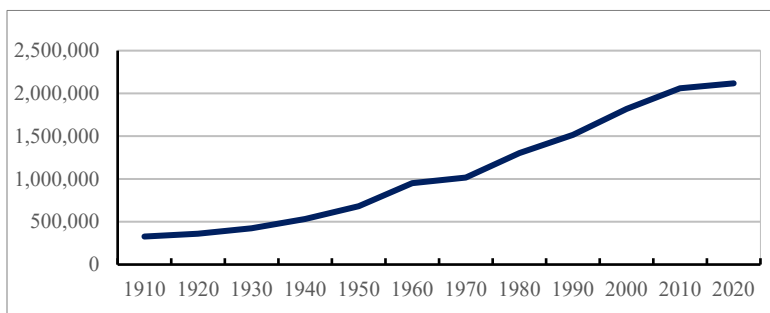
NMFA's programs distribute financing throughout the state of New Mexico. The market it serves consists of 33 counties, 106 municipalities, 23 tribes and pueblos, 89 school districts and more than 1,500 water districts and associations that operate in New Mexico.<sup>1</sup> While not all of these entities are active borrowers or grantees at any given time, many are either currently or have been clients at one point in NMFA's 30-year history.

New Mexico is a predominantly rural state. It is the 5<sup>th</sup> largest in terms of land mass yet 37<sup>th</sup> in population. It has grown slowly but steadily since it became the 47<sup>th</sup> state in the Union in 1912:

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<sup>1</sup> [https://webnew.ped.state.nm.us/information/school-district-websites/http://nmdfa.state.nm.us/uploads/FileLinks/ff1373ca37bb4c4f800f868687821827/Property\\_Tax\\_Facts\\_2018\\_2.pdf](https://webnew.ped.state.nm.us/information/school-district-websites/http://nmdfa.state.nm.us/uploads/FileLinks/ff1373ca37bb4c4f800f868687821827/Property_Tax_Facts_2018_2.pdf)

### New Mexico Population Growth: 1910-2020



The population of the state grew 2.8% from 2010 to 2020, less than half the 7.4% growth rate for the entire country during the same period.<sup>2</sup>

Most New Mexicans (69.6%) reside in the state's four Metropolitan Statistical Areas (MSAs), which together grew 3.1% from 2010 to 2020:

### Metropolitan Population Growth: 2020-2010<sup>3</sup>

MSA	Counties	2020 Population	% Growth since 2010
Albuquerque	Bernalillo, Sandoval, Torrance, Valencia	977,688	3.3
Las Cruces	Doña Ana	219,561	4.9
Santa Fe	Santa Fe	154,823	7.4
Farmington	San Juan	121,661	(6.4)

New Mexico's economy ranks 39<sup>th</sup> among all the states. As of the first quarter of 2021, New Mexico's Gross Domestic Product (GDP) stood at \$106.4 billion, equivalent to 0.5% of the total US economy.<sup>4</sup>

New Mexico's civilian labor force (16 years and older) was estimated to be 949,565 individuals as of August 2022. This total is 2.2% lower than the peak just before the start of the COVID-19 health emergency (December 2019) but 5.4% higher than the bottom of the pandemic (April 2020).<sup>5</sup>

In terms of non-farm employment, New Mexico's economy is led by Government and Education and Health Services:

<sup>2</sup> US Census Bureau: [Historical Population Change Data \(1910-2020\)](https://www.census.gov/hhes/demo/popgen/totals/data/1910-2020) (census.gov)

<sup>3</sup> US Census Bureau: [NEW MEXICO: 2020 Census](https://www.census.gov/data/tables/2020/census/2020-census)

<sup>4</sup> US Bureau of Economic Analysis, <https://apps.bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1&acrdn=1#reqid=70&step=1&isuri=1&acrdn=1>

<sup>5</sup> U.S. Bureau of Labor Statistics, Civilian Labor Force in New Mexico [NMLF], retrieved from FRED, Federal Reserve Bank of St. Louis; [Civilian Labor Force in New Mexico | ALFRED | St. Louis Fed \(stlouisfed.org\)](https://fred.stlouisfed.org/series/NMLF), updated August 22, 2022

### New Mexico Non-Farm Employment by Sector<sup>6</sup>

Sector	In 1000s		% of Total Aug'22
	Aug'21	Aug'22	
Government	174.4	181.9	21.3
Education & Health Services	135.8	143.1	16.8
Trade, Transportation & Utilities	134.0	138.2	16.2
Professional & Business Services	108.3	115.5	13.6
Leisure & Hospitality	87.2	99.3	11.7
Construction	48.6	54.7	6.4
Financial Activities	32.7	32.5	3.8
Manufacturing	27.6	29.7	3.5
Other Services	25.9	27.1	3.2
Mining and Logging	17.3	20.2	2.4
Information	8.2	10.0	1.2
Total Non-Farm	800.0	852.2	100.0

The sectors that saw the most change over the past year are Information, Mining and Logging, and Leisure and Hospitality.

In 2021, the ten largest employers in New Mexico employed more than 10% of the total state workforce. Three of these large employers, including Los Alamos and Sandia National Laboratories, are funded by the federal government.

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<sup>6</sup> U.S. Bureau of Labor Statistics: [New Mexico Economy at a Glance \(bls.gov\)](https://www.bls.gov/new-mexico-economy-at-a-glance)

## 20 Largest Employers in New Mexico<sup>7</sup>

Organization	City	Employees	Description
Federal Government	Statewide	21,766	Federal Government
State of New Mexico	Statewide	18,359	State Government
Wal-Mart	Statewide	14,022	Retail
Sandia National Laboratories	Albuquerque	12,206	Research and Development
Presbyterian Healthcare	Statewide	11,178	Hospital/Medical/Insurance
Albuquerque Public Schools	Albuquerque	10,297	School District
Los Alamos National Laboratories	Los Alamos	10,086	Research and Development
University of New Mexico Hospital	Albuquerque	6,772	Hospital/Medical/Healthcare
City of Albuquerque	Albuquerque	5,800	Municipal Government
University of New Mexico	Statewide	4,210	Higher Education
New Mexico State University	Statewide	3,800	Higher Education
Lovelace Health Systems	Albuquerque	3,589	Hospital/Medical
Allsup Seven Eleven	Statewide	3,000	Convenience Stores
Las Cruces Public Schools	Las Cruces	2,728	School District
Lowe's Home Improvement	Statewide	2,650	Call Center/Retail
Bernalillo County	Albuquerque	2,494	County Government
Ambercare Home Health	Statewide	2,200	Medical/Healthcare
Christus St. Vincent Regional Medical Center	Santa Fe	2,132	Hospital/Medical/Healthcare
Central New Mexico Community College	Albuquerque	2,111	Higher Education
Smith's Food & Drug Stores	Albuquerque	2,088	Retail

### ***Key Initiatives***

As in the previous two years, NMFA continued navigating the challenges of the pandemic while pursuing its strategic vision of being New Mexico's partner in building economic prosperity and stronger communities. Staff operated on a mixed site basis like most public sector organizations in the state, coming into the office twice per week and working online from home the rest of the week. On top of the programs NMFA was already administering, the \$800.0 million economic recovery loan and grant package passed by the Legislature starting in the spring of 2020 remained a significant extra part of the organization's workload. The \$100.0 million CARES component of this package ended last fiscal year, but the \$500.0 million SBRL and \$200.0 LEDA programs continued drawing hundreds of applications in fiscal year 2022. Over the course of the year 1,662 new SBRL loans and 1,812 LEDA grants were awarded under these new programs, accounting for 89.4 of the total number (3,887) of the awards made in fiscal year 2022.

NMFA also launched two significant new initiatives in fiscal year 2022, one new loan program (CMP) and the other, a major internal process improvement effort.

The CMP loan program opened for applications in April 2022, the same month that recreational cannabis was first allowed to be sold in the state by retail dispensaries. The aim of the CMP is to enable New Mexico microbusiness to compete effectively in this new market by offering loans of up to \$250,000. A total of \$5.0 million was repurposed from the unassigned fund balance in the ESWCF to capitalize this new program.

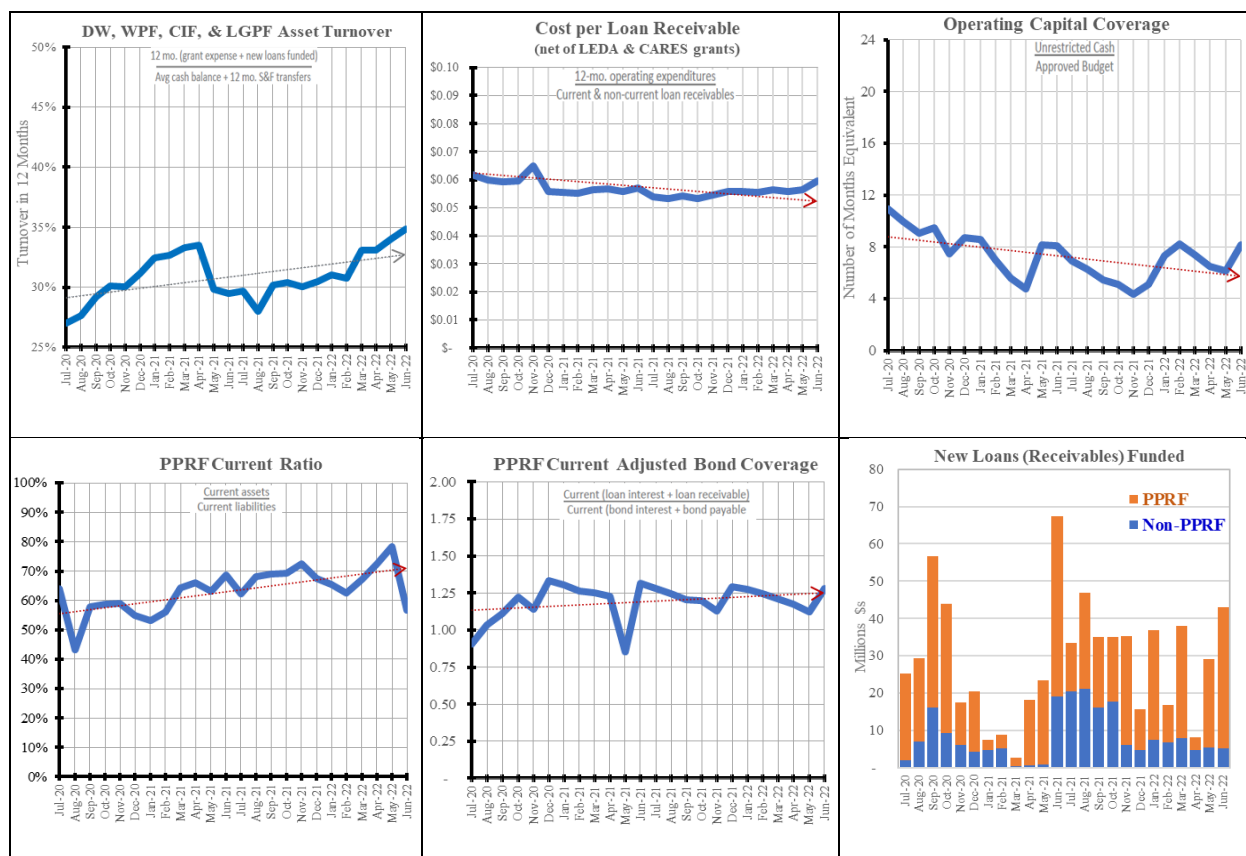
<sup>7</sup> New Mexico Partnership: New Mexico Largest Employers - 2021 NMPartnership

Rapid growth of its staff and program roster over the past couple of years led NMFA to undertake a major effort to assess its business risks, update its policies and document all its operating procedures. The two-year initiative was launched with the assistance of NMFA's independent internal auditor, BDO USA. The preparation and preliminary work took place in fiscal year 2022. The final work products will be completed in fiscal year 2023. The result is expected to be greater operational efficiency and better integration of NMFA's many business processes, as well as more effective staff training and onboarding.

Beyond the new programs and initiatives, NMFA's traditional programs remained stable and appeared to be trending positively in terms of the key performance indicators. Asset turnover in the water programs (DW, CIF, WTB, and LGPF) turned up from last year, when supply chain interruptions and materials inflation caused by the pandemic had slowed down many projects. Cost per loan receivable remained steady and low. Operating capital coverage continued the stable trend achieved last year, after dropping precipitously from a level of too much liquidity to one of acceptable coverage. The key PPRF performance indicators, current ratio and adjusted bond coverage, remained within their respective target zones and in alignment with annual appropriation and bond sale activity. Also, NMFA's loan activity began to trend back toward its normal mix of business, as the PPRF began returning to its traditional 70-80% share of new loans funded and the pace of SBRL loans receded with the improving economy.

See the key financial performance indicators charts on the following page.

## Dashboard of Key Financial Performance Indicators



### Budget Performance

The fiscal year 2022 budget approved by the Board in May 2021 increased total revenue to \$319.7 million and total expenditures to \$297.4 million, respectively 9.5% and 7.8% higher than actual fiscal year 2021. Almost all this increase was driven by an expected \$148.8 million flow of LEDA grants aimed at small businesses harmed by the pandemic.

The Operating Fund budget was approved with an operating deficit, and it was amended three times.

In September, revenues and expenditures were increased by \$5.0 million to pay for a redoubled marketing effort for LEDA, as initial subscription by customers proved much lower than expected. This amendment increased non-operating revenue by \$5.0 million with funds drawn from the balance of the \$200.0 appropriated to NMFA by the Legislature for LEDA. All this cash was then allocated to the *Contractual Services* line item in the operating expense budget to hire a marketing company and cover associated technology costs. The number of applications for LEDA grants did spike in the late fall but then dropped in December.

In January, the budget was amended again, this time to cut revenue and expenditures. The amendment returned to the LEDA Fund \$2.4 million of unused funds added in September, after it was determined that subscription to LEDA had settled at a low-level equilibrium. Only \$35.4 million in LEDA grants were disbursed by year end, 76.2% below budget.

The budget was amended a third time in March. This action authorized \$10.5 million for a five-year project to acquire a new office building for NMFA. The Board appropriated \$400,000 from the unassigned balance of the Operating Fund for earnest money contract either land or a building and for due diligence activities in fiscal year 2022. By year-end, however, none of these funds had been used.

Overall, the fiscal year closed \$19.5 million ahead of what was budgeted for net revenue, \$55.0 million below the total revenue budget and \$74.5 million below the total expenditure budget:

#### **TOTAL NMFA BUDGET SUMMARY**

	<u>Budgeted</u>	<u>Actual</u>	<u>% Diff</u>
Revenue	\$ 262,721,389	\$ 207,263,536	-21.1
Expenditures	245,270,276	170,783,362	-30.4
Net	<u>\$ 17,451,113</u>	<u>\$ 36,480,174</u>	<u>109.0</u>

Low subscription for the LEDA grant program drove almost all the lower-than-budgeted revenue result. Total revenue would have come in even lower had Administrative Fee revenue not come in \$19.3 million higher than budgeted. The decision to recognize in fiscal year 2022 the full fee of 2% the Legislature allowed for the \$500.0 million SBRL program accounted for more than half (\$9.3 million) of the variance in this line item. As grant revenue funds most grant expenditures, the big shortfall in applications for LEDA grants also drove down grant expense and caused most of the difference between budgeted and actual expenditures. Loan financing pass-through expense, a byproduct of simultaneous bond-loan closings dependent on market conditions and borrower demand for loans greater than \$10.0 million, was \$9.6 million (48%) lower than budgeted. The rest of NMFA's programs performed substantially as planned.

Interest income came in as budgeted, and lending and turnover in our loan funds also performed as expected. NMFA funded a total of \$373.0 million new and refinanced loans, including \$249.6 million PPRF and \$107.8 million SBRL loans.

Bonds were issued substantially as planned, \$190.1 million in proceeds versus the \$200.0 million planned. This resulted bond issuance expense of \$1.1 million was lower than the \$2.0 million that was budgeted. Governmental Gross Receipts Tax (GGRT), which is levied on municipal utility service consumption came in \$5.4 million above the \$32.0 million that was budgeted.

The Operating Fund ended the fiscal year with operating revenues and expenditures (including capital) ahead of budget, \$4.5 million (24.8%) and \$1.4 million (7.7%) respectively.

Both revenue and expenditures came under budget, \$4.5 million and \$1.2 million respectively:

#### **OPERATING BUDGET SUMMARY**

	<u>Budgeted</u>	<u>Actual</u>	<u>% Diff</u>
Revenue	\$ 18,199,724	\$ 23,121,571	27.0
Expenditures	16,908,187	16,088,730	-4.8
Capital	683,200	140,649	-79.4
Net	<u>\$ 608,337</u>	<u>\$ 6,892,192</u>	<u>1,033.0</u>

Personnel expenses, the largest category in the operating budget, came in \$0.8 million (10.0%) below budget, as the result of vacancies arising from the decision to staff the recovery programs primarily by temporary staff. Contractual Services, the 2nd largest category, came in \$0.1 million (1.6%) under budget, despite exceeding the temporary staffing services budget by more than \$0.4 million. The capital budget, most of it related to the purchase of the new office building, ended \$0.5 million (79.4%) under budget. The only rubric that exceeded the budget was Operations. It came in \$77,417 (5.1%) above budget. The Software License line item drove this variance, as \$392,026 more was spent here than the \$78,200 that was budgeted. Almost all this variance (\$229,000) was the result of the requirement to pay in April a full year of service to Salesforce, one of the key technologies supporting the LEDA and SBRL and Cannabis Microbusiness Programs. The better-than-budgeted net result contributed to a better ending balance in the Operating Fund than expected at the start of FY 2023, \$17.4 million instead of \$11.2 million, equivalent to 9 months of operations for NMFA.

See the comparative Total NMFA Budget Summary below.

**FY 2022 Approved Budget vs. Actual**  
(Non-accrual)

	Actual FY 2021	Amended FY 2022	Actual FY 2022	\$ Favorable (Unfavorable) Variance FY 2022	% Favorable (Unfavorable) Variance FY 2022
<b>Revenues</b>					
Interest income from loans	\$ 52,179,889	\$ 51,723,789	\$ 48,094,417	\$ (3,629,372)	-7.0%
Appropriation revenue	31,382,357	36,000,000	41,396,672	5,396,672	15.0%
Grant revenue	50,326,048	160,487,847	84,323,735	(76,164,112)	-47.5%
Interest income from investments	6,003,467	2,302,000	2,362,652	60,652	2.6%
Administrative fees revenue and reimbursement	14,969,665	7,307,753	26,639,870	19,332,117	264.5%
<b>Total Revenues</b>	<b>154,861,426</b>	<b>257,821,389</b>	<b>202,817,346</b>	<b>(55,004,043)</b>	<b>-21.3%</b>
<b>Operating Expenses</b>					
Salaries and benefits	5,190,702	7,743,345	6,967,226	776,119	10.0%
Contractual services	3,266,079	7,632,032	7,511,277	120,755	1.6%
Other operating costs	902,283	1,532,810	1,610,227	(77,417)	-5.1%
<b>Total Operating Expenses</b>	<b>9,359,064</b>	<b>16,908,187</b>	<b>16,088,730</b>	<b>819,457</b>	<b>4.9%</b>
<b>Non-operating Expenses</b>					
Bond interest expense	57,953,540	56,507,712	57,029,581	(521,869)	-0.9%
Bond issuance costs	1,243,666	1,800,000	1,109,926	690,074	38.3%
Loan financing pass-through	10,640,130	20,000,000	10,396,391	9,603,609	48.0%
Grant Expense	31,480,701	142,441,177	78,473,940	63,967,237	44.9%
Transfers to Other Agencies	20,047,941	6,900,000	7,388,955	(488,955)	-7.1%
Other expense	66,742	-	113,000	(113,000)	0.0%
Interest expense	7,826	30,000	42,190	(12,190)	-40.6%
Capital expenditures	454,963	683,200	140,649	542,551	79.4%
<b>Total Non-operating Expenses</b>	<b>121,895,509</b>	<b>228,362,089</b>	<b>154,694,632</b>	<b>73,667,457</b>	<b>32.3%</b>
<b>Total Expenses</b>	<b>131,254,573</b>	<b>245,270,276</b>	<b>170,783,362</b>	<b>74,486,914</b>	<b>30.4%</b>
<b>Revenue Over Expenses</b>	<b>\$ 23,606,853</b>	<b>\$ 12,551,113</b>	<b>\$ 32,033,984</b>	<b>\$ 19,482,871</b>	<b>155.2%</b>

### *Acknowledgements*

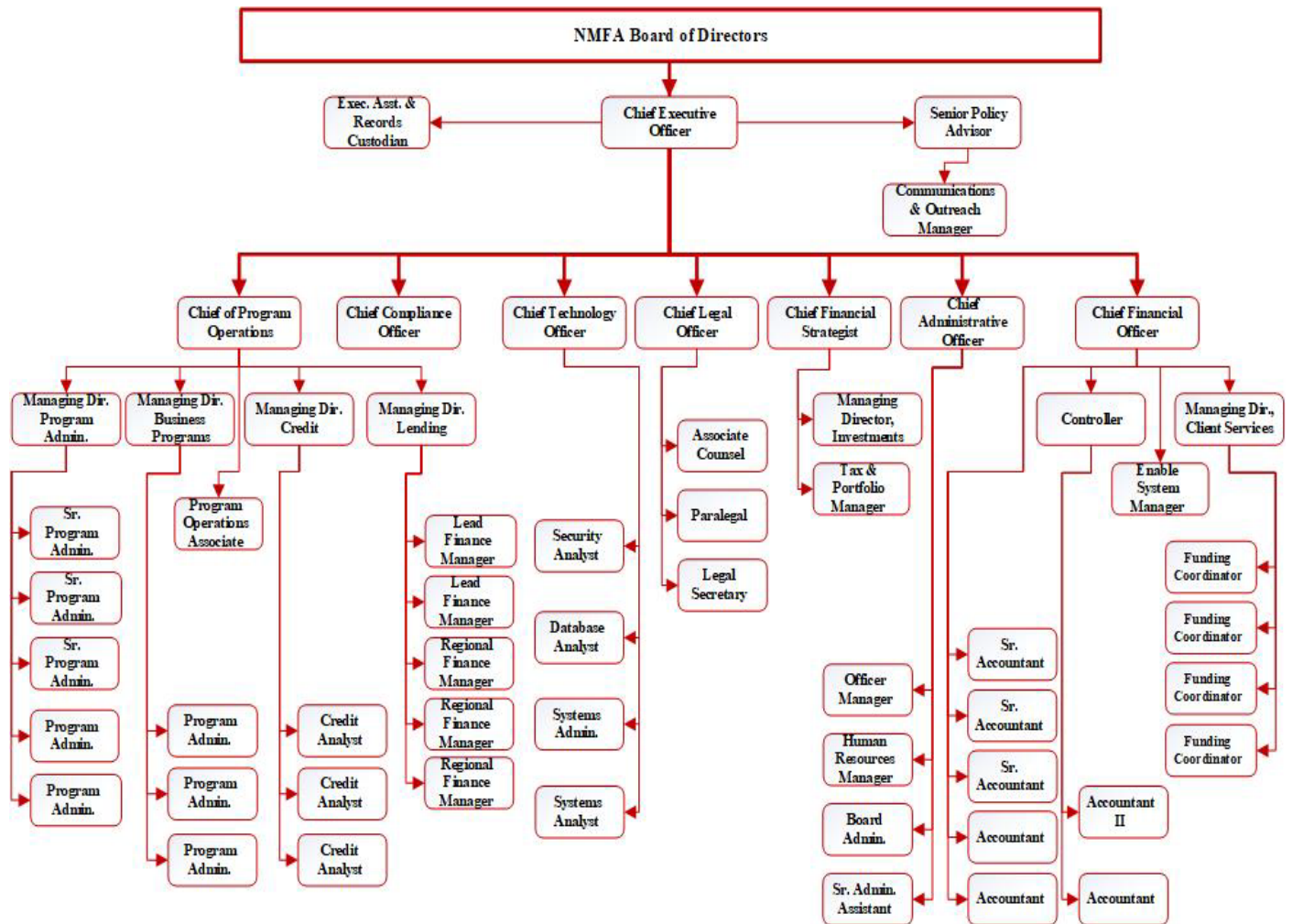
The preparation of this Annual Comprehensive Financial Report could not have been possible without the skill, extra effort and dedication of the entire staff of the NMFA Accounting Department and many of our colleagues in the other departments. We wish to thank everyone who assisted by providing the data and review necessary to prepare this report. Credit is also due to the NMFA Board for its support of our pursuit of this high standard of excellence in financial reporting.

Respectfully submitted,

Marquita D. Russel  
Chief Executive Officer

Oscar S. Rodriguez  
Chief Financial Officer

# ORGANIZATIONAL CHART



# NMFA LEADERSHIP

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## Board of Directors

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**Katherine Miller**  
*Chair*

**Steve Kopelman**  
*Vice Chair*  
Executive Director  
New Mexico Counties

**Sarah Cottrell Propst**  
Cabinet Secretary  
New Mexico Energy, Minerals, & Natural  
Resources

**Debbie Romero**  
Cabinet Secretary  
New Mexico Department of  
Finance & Administration

**Alicia Keyes**  
Cabinet Secretary  
New Mexico Economic  
Development Department

**James Kennedy**  
Cabinet Secretary  
New Mexico Environment  
Department

**A. J. Forte**  
Executive Director  
New Mexico Municipal  
League

**Andrew J. Burke**  
Member

**Martin Abran Suazo**  
Member

**Dr. Olin Cleve McDaniel**  
New Mexico Tech

**Ronald J. Lovato**  
Member

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## Management

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**Marquita D. Russel**  
Chief Executive Officer

**Daniel C. Opperman**  
Chief Legal Officer

**Dora Mae Cde Baca**  
Chief Administrative Officer

**Oscar S. Rodriguez**  
Chief Financial Officer

**Adam Johnson**  
Chief of Program Operations

**Paul Romero**  
Chief Technology Officer

**Michael Zavelle**  
Chief Financial Strategist

**Bryan Otero**  
Deputy Counsel and Compliance Officer

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# Financial Information

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## **Report of Independent Auditors**

Governing Board  
New Mexico Finance Authority  
and  
Mr. Brian S. Colón, Esq.  
New Mexico State Auditor

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the enterprise and fiduciary fund for the New Mexico Finance Authority (NMFA), a component unit of the State of New Mexico, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the NMFA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the enterprise fund and fiduciary fund of the New Mexico Finance Authority as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

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

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

### ***Emphasis of Matter***

#### ***Reporting Entity***

As discussed in Note 1, the financial statements of NMFA are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the business-type activities of the State of New Mexico that is attributable to the transactions of NMFA. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2022, the change in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Required Supplementary Information***

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the New Mexico Finance Authority's basic financial statements. The supplementary schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory, statistical, and other information sections, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2022 on our consideration of New Mexico Finance Authority'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 New Mexico Finance Authority'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 New Mexico Finance Authority's internal control over financial reporting and compliance.

*Mess Adams LLP*

Albuquerque, New Mexico  
October 3, 2022

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The New Mexico Finance Authority (NMFA) pursues the mission of *advancing New Mexico by financing impactful, well-planned projects*. It does this by striving to be New Mexico's partner in building economic prosperity and stronger communities. The customers it serves are the State of New Mexico, regional public utility systems, municipalities, counties, Native American tribes, businesses, and non-profit organizations. The information presented in this section reflects, in part, NMFA's financial performance in this pursuit.

Generally accepted accounting principles (GAAP) require that management provide an overview and analysis of the Basic Financial Statements. As management of NMFA, we offer this narrative of NMFA's financial activities for fiscal year 2022. We encourage readers to consider the information presented here in conjunction with the additional information provided in our Introduction, Statistical Information and Other Information sections of this report.

NMFA's financial results are presented in terms of three basic financial statements:

- ♦ The ***Statement of Net Position*** presents information on the assets and liabilities of NMFA, with the difference between the assets and the liabilities reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether financial position is improving or deteriorating.
- ♦ The ***Statement of Revenue, Expenses and Changes in Net Position*** presents information reflecting changes in the net position of NMFA resulting from net income during fiscal year 2022. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.
- ♦ The ***Statement of Cash Flows*** reports the cash flows from operating activities, noncapital financing activities, capital and related financing activities and investing activities, and the resulting change in cash and cash equivalents during fiscal year 2022.

Fund accounting is at the foundation of our internal control and financial reporting. We group related accounts and transactions into distinct funds to maintain control over resources that law and/or governing documents mandate be segregated for specific activities or objectives. We also report the results of NMFA's financial activities in terms of funds to demonstrate compliance.

Although NMFA operates as an instrumentality of the State of New Mexico, it is not a taxing authority and does not undertake any governmental functions. All of its programs and supporting activities are operated as proprietary enterprises. For this reason, we present NMFA's financial statements as distinct proprietary funds, including the internal NMFA Operating Fund.

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## **Financial Overview and Analysis**

### All Funds Combined

The balance sheet (Statement of Net Position) for the entire enterprise reflects positive results in fiscal year 2022. Assets exceeded liabilities by more than 27.6%. Total Net Position increased by \$25.0 million (4.2%) to \$618.9 million. It also shows that the State economic recovery programs predominated over NMFA's traditional programs, like the Public Project Revolving Fund (PPRF).

Total cash increased \$3.9 million (0.9%) to \$417.2 million, mostly because of a \$11.5 million (2.9%) increase in restricted cash, even as unrestricted cash decreased \$7.6 million (-48.5%) to \$8.1 million at year-end. The decrease in unrestricted cash was offset by unrestricted investments of \$9.3 million. Total cash and investments increased 1.6%, going from \$928.7 million to \$943.7 million. Restricted cash, which accounts for 42.1% of all cash, was the fastest growing component of this total, increasing by \$11.5 million (2.9%).

Total assets increased by \$148.4 million (5.5%), ending the year at \$2.9 billion, primarily as the result of a \$133.2 million increase in new loans issued (current and non-current).

For fiscal year 2022, total bonds payable remained stable, increasing by \$57.3 million (4.0%). Three new bond series were issued (2021 B, 2022 A, and 2022 B), totaling \$162.4 million. Bond debt service, NMFA's biggest liability, remained stable. Current bonds payable increased by \$0.7 million (0.6%). Non-current bonds payable increased by \$56.6 million (4.3%).

Effective the start of this fiscal year (July 1, 2021), NMFA adopted the Governmental Accounting Standards Board Pronouncement No. 87 (GASB 87) and now recognizes as an asset and liability the long-term lease contract for its headquarters in Santa Fe, NM that previously was reflected in the financial statements as an operating-rent expense. Accordingly, NMFA's financial statements now disclose a liability of \$1,370,133 for the future lease payments and right-to-use intangible asset of \$1,847,878 for this building. The net effect of GASB 87 on NMFA's net position has been restated by \$0 as of June 30, 2021. The information presented in last fiscal year's condensed financial statements has not been restated for GASB No. 87. Management evaluated the impact for fiscal year 2021 and determined that the differences are not significant to the overall presentation of the Management Discussion and Analysis comparative information.

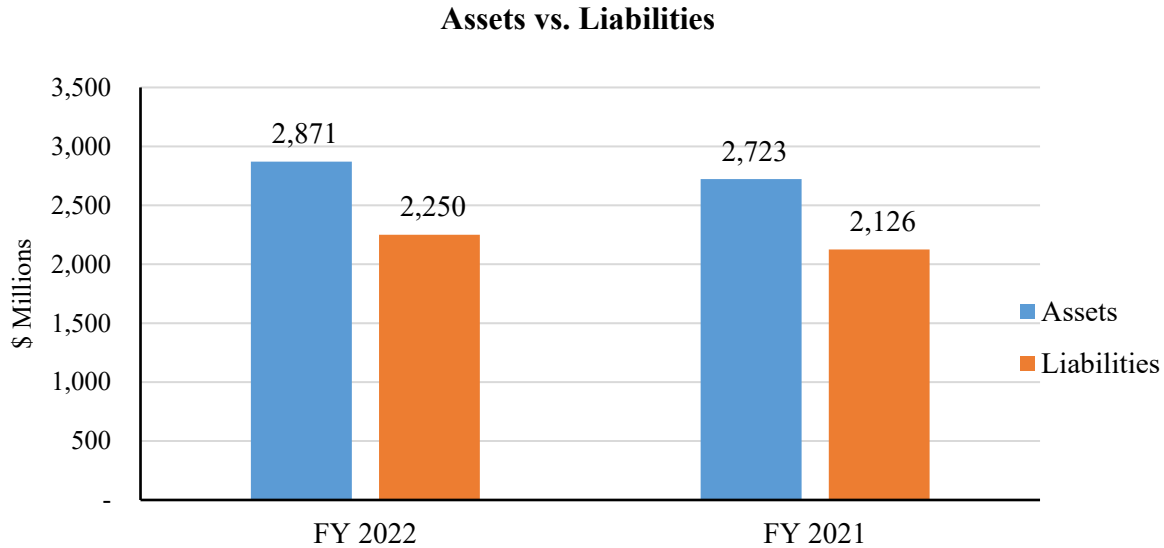
The table on the following page presents, in a condensed fashion, the Combined Statements of Net Position as of June 30, 2022, and 2021 and the corresponding dollar amount and percentage changes.

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**Condensed Statements of Net Position – NMFA Combined**

	2022	2021	Net Increase / (Decrease)	Percentage Increase / (Decrease)
<b>Assets</b>				
Cash and cash equivalents				
Unrestricted cash - unassigned	\$ 2,204,745	\$ 9,719,468	\$ (7,514,723)	-77.3%
Unrestricted cash - assigned	5,882,939	6,000,000	(117,061)	-2.0%
Restricted Cash	409,083,722	397,582,399	11,501,323	2.9%
Loans receivable, net of allowance	1,914,748,494	1,781,545,124	133,203,370	7.5%
Unrestricted investments	9,316,714	-	9,316,714	0.0%
Restricted investments	517,199,580	515,364,555	1,835,025	0.4%
Due from other funds	-	-	-	0.0%
Other Receivables	9,634,780	10,009,972	(375,192)	-3.7%
Capital Assets, net of accumulated depreciation	2,881,807	1,863,831	1,017,976	54.6%
Other Assets	129,929	556,059	(426,130)	-76.6%
<b>Total Assets</b>	<b>2,871,082,710</b>	<b>2,722,641,408</b>	<b>148,441,302</b>	<b>5.5%</b>
<b>Deferred Outflows of Resources</b>				
Deferred loss on refunding, non-capital assets	593,621	643,643	(50,022)	-7.8%
<b>Total Deferred Outflows of Resources</b>	<b>593,621</b>	<b>643,643</b>	<b>(50,022)</b>	<b>-7.8%</b>
<b>Liabilities</b>				
Bonds payable	1,485,712,432	1,428,438,844	57,273,588	4.0%
Undisbursed loan proceeds	347,723,364	307,626,399	40,096,965	13.0%
Advanced loan payments	91,620,716	88,002,415	3,618,301	4.1%
Accounts payable, accrued payroll and compensated absences	1,115,628	1,463,035	(347,407)	-23.7%
Other liabilities	324,089,244	300,735,814	23,353,430	7.8%
<b>Total Liabilities</b>	<b>2,250,261,384</b>	<b>2,126,266,507</b>	<b>123,994,877</b>	<b>5.8%</b>
<b>Deferred Inflows of Resources</b>				
Deferred gain on refunding, non-capital assets	2,554,033	3,129,303	(575,270)	-18.4%
Deferred FNM Loan Origination Fees	-	59,712	(59,712)	-100.0%
<b>Deferred Inflows of Resources</b>	<b>2,554,033</b>	<b>3,189,015</b>	<b>(634,982)</b>	<b>-19.9%</b>
<b>Net Position</b>				
Net investment in capital assets	2,881,807	1,863,831	1,017,976	54.6%
Restricted for program commitments	598,476,868	576,246,230	22,230,638	3.9%
Unrestricted	17,502,239	15,719,468	1,782,771	11.3%
<b>Total Net Position</b>	<b>618,860,914</b>	<b>593,829,529</b>	<b>25,031,385</b>	<b>4.2%</b>

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The Statement of Revenue, Expenses and Changes in Net Position provides context for the result in the Statement of Net Position. Total revenue exceeded total expenses, and the change in net position increased by \$25.0 million (91.8%) from fiscal year 2021. This occurred primarily because a \$50.5 million (39.2%) decrease in grant expense and a \$16.9 (69.6%) decrease in transfers to the State of New Mexico.

Interest income on loans, which accounts for 89.3% of all operating income, remained stable, dropping only \$3.7 million (7.1%). This drop is driven mostly by the cyclical trend in the PPRF where lower interest rates offered by the market the last few years have started to predominate in the portfolio over the rates that were offered when the market offered higher rates in the late-2010's.

The following table presents in a condensed fashion the Combined Statements of Revenue, Expenses and Changes in Net Position for fiscal year 2022 and 2021 and the corresponding net dollar amount and percentage changes.

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**Condensed Statements of Revenue, Expenses & Changes in Net Position – NMFA Combined**

	2022	2021	Net Increase / (Decrease)	Percentage Increase / (Decrease)
<b>Operating Revenue</b>				
Interest on loans	\$ 47,851,592	\$ 51,507,874	\$ (3,656,282)	-7.1%
Administrative fees revenue	7,975,365	5,535,056	2,440,309	44.1%
Interest on investments	(2,213,157)	475,458	(2,688,615)	-565.5%
<b>Total Operating Revenues</b>	<b>53,613,800</b>	<b>57,518,388</b>	<b>(3,904,588)</b>	<b>-6.8%</b>
<b>Operating Expenses</b>				
Bond interest expense	43,634,059	42,455,410	1,178,649	2.8%
Grants expense	78,473,940	128,973,973	(50,500,033)	-39.2%
Loan financing pass-through	10,396,391	3,488,596	6,907,795	198.0%
Salaries and benefits	6,903,037	6,044,261	858,776	14.2%
Bond issuance costs	1,109,926	1,207,923	(97,997)	-8.1%
Professional services	7,511,275	4,837,099	2,674,176	55.3%
Other operating costs	1,804,768	1,879,902	(75,134)	-4.0%
Provision for loan losses	(233,644)	123,133	(356,777)	-289.7%
Interest expense	488,063	500,768	(12,705)	-2.5%
Depreciation expense	970,882	181,846	789,036	433.9%
<b>Total Operating Expenses</b>	<b>151,058,697</b>	<b>189,692,911</b>	<b>(38,634,214)</b>	<b>-20.4%</b>
<b>Net Operating Loss</b>	<b>(97,444,897)</b>	<b>(132,174,523)</b>	<b>34,729,626</b>	<b>-26.3%</b>
<b>Non-operating Revenue (Expenses)</b>				
Appropriation revenue	41,396,672	37,023,150	4,373,522	11.8%
Grants revenue and transfers from State	88,468,565	132,520,910	(44,052,345)	-33.2%
Reversions and transfers to State	(7,388,955)	(24,317,906)	16,928,951	69.6%
<b>Net Non-Operating Revenue</b>	<b>25,031,385</b>	<b>145,226,154</b>	<b>(120,194,769)</b>	<b>-82.8%</b>
<b>Increase (Decrease) in Net Position</b>	<b>25,031,385</b>	<b>13,051,631</b>	<b>11,979,754</b>	<b>91.8%</b>
Net Position, Beginning of Period	\$ 593,829,529	\$ 580,777,898	\$ 13,051,631	2.2%
<b>Net Position, End of Period</b>	<b>\$ 618,860,914</b>	<b>\$ 593,829,529</b>	<b>\$ 25,031,385</b>	<b>4.2%</b>

The Statement of Cash Flows provides further context for NMFA's financial performance in a year when the State took extraordinary measures to bolster New Mexico's economy to offset the continuing impact of COVID-19 beginning in fiscal year 2021. The flow of cash from the State to public and private recipients through NMFA, which shows up as grant expense and transfers from the State, although still quite salient in fiscal year 2022, fell by more than 50%. Despite the decrease, grant expense and transfers from the State were still more than double the mid-\$30.0 million pre-pandemic levels, \$78.5 million and \$114.9 million respectively.

Net cash used in operating activities decreased \$28.1 million (18.6%), as \$50.5 million fewer grants were awarded than last fiscal year. Non-capital financing activities decreased by 62.2%. The proceeds from the sale of bonds and payment of bonds normally stands out as the largest line item in this section. Last year transfers from the State exceeded the total of these two line items. In fiscal year 2022, these transfers decreased markedly, but the \$115.0 million in transfers still came in

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a close third place compared to the \$190.1 million in bond proceeds and \$119.8 million in payment of bonds.

Total net cash inflows exceeded outflows by \$3.9 million (0.9%) in fiscal year 2022. This is \$72.7 million (94.9%) less than last year. This occurred because cash flows from non-capital financing of \$141.2 million, where the State transfers occurred, were greater than the combined net of operating, investing and capital financing activities of \$17.3 million.

The following table presents, in a condensed fashion, the Combined Statements of Cash Flows for fiscal year 2022 and 2021 and the corresponding net percentage changes.

**Condensed Statements of Cash Flows – NMFA Combined**

	2022	2021	Net Increase / (Decrease)	Percentage Increase / (Decrease)
Net cash used in operating activities	(122,824,911)	(150,917,850)	28,092,939	-18.6%
Net cash provided by noncapital financing activities	141,226,970	373,816,029	(232,589,059)	-62.2%
Net cash used in investing activities	(13,424,608)	(145,636,971)	132,212,363	-90.8%
Net cash used in investing activities	(1,107,912)	(705,878)	(402,034)	57.0%
Net increase in cash and cash equivalents	3,869,539	76,555,330	(72,685,791)	-94.9%
Cash and cash equivalents, beginning of year	413,301,867	336,746,537	76,555,330	22.7%
Cash and cash equivalents, end of year	\$ 417,171,406	\$ 413,301,867	\$ 3,869,539	0.9%

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***Long-term Debt Activity***

NMFA carries three types of long-term debt: payable to the New Mexico State Investment Council (SIC), Capital Lease, and PPRF bonds.

The payable to SIC is the result of legislation which directed the SIC to invest up to \$500.0 million for loans made by the SBRL, with the SIC receiving loan repayments. At fiscal year-end, SIC had invested a total of \$181.0 million since the program began. The program had, at that point, funded \$155.7 million in loans and was holding \$11.9 million in restricted cash to make more loans through the mandated reversion date of December 31, 2022. As the loans are made and receivables created, NMFA recognizes a non-current payable to SIC for the same amount, less an allowance for bad debt.

As of June 30, 2022, NMFA had recognized a net of \$138.0 million in loan receivables in the SBRL, including an allowance of \$17.7 million for bad debt. Given the maximum repayment term of ten years for these loans, NMFA will carry this payable as long-term debt until either SIC has been completely repaid or until ten years after the last loan is made before the program expires on December 31, 2022.

GASB 87 - *Leases* was implemented in FY 2022. As of July 1, 2021, the net present value of the remaining payments on the leases at 207 Shelby and 219 Shelby was recorded as a \$1.8 million right of use asset, amortized over the remaining lease term of 32 months. The accompanying lease liability is \$1.4 million as of June 30, 2022.

Long-term debt for bonds is entirely a function of the PPRF, which issues bonds and uses the proceeds to underwrite loans that, in turn, pay the debt service on the bonds. Demand for PPRF loans remained stable throughout the fiscal year. To meet this demand, NMFA issued four new bond series for a total of \$162.4 million in new debt to replenish the PPRF revolving loan fund.

Total actual proceeds from these issues totaled \$272.9 million. This includes \$110.5 million in bond premiums, of which \$10.2 million was passed through to borrowers who participated in the bond packages as simultaneous loan closings and bond issuances. Detailed information about NMFA's long-term debt is presented in Notes 6 and 10 to the Financial Statements.

The table on the following page summarizes the source and uses for the bond series issued in fiscal year 2022.

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Issue Date	Series	Source/Uses	Amount	Uses other than Loans
August 31, 2021	2021 C	PAR	\$43,610,000	
		Premium	11,741,717	
		Borrower Premium Pass-through		7,171,533
March 29, 2022	2022 A	PAR	65,570,000	
		Premium	9,192,358	
		Line of Credit Repayment		32,000,000
June 29, 2022	2022 B	PAR	53,215,000	
		Premium	6,804,463	
		Borrower Premium Pass-through		3,015,000
TOTALS:		PAR	\$162,395,000	
		Premium	27,738,538	
		Borrower Premium Pass-through		10,186,533
		Line of Credit Repayment		32,000,000

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**Public Project Revolving Fund**

The PPRF is NMFA’s flagship program. It was created by the State Legislature with the approval of the New Mexico Finance Authority Act of 1992 to assist a wide range of public entities throughout the state in accessing the capital markets at low or below-market interest rates. The PPRF is used to finance and refinance public projects such as infrastructure improvements, road projects, water system upgrades, fire and law enforcement equipment, public buildings, hospitals and healthcare facilities, electric and broadband utilities, and quality of life projects, among others. It provides both market-rate loans and loans to disadvantaged communities at 0% and 2% subsidized rates. As of January 2020, the PPRF does not charge fees on its loans. A share of the State’s Governmental Gross Receipts Tax (GGRT) is dedicated to the PPRF, which NMFA uses as a credit enhancement to issue bonds at a high credit rating. NMFA uses available funds to make loans to borrowers and then replenishes the PPRF by issuing tax-exempt bonds secured by the PPRF loans made to qualified entities and the annual GGRT receipts.

In order of size, the PPRF accounts for more than half of NMFA’s assets and operations. The PPRF made up 44.5% of NMFA’s total revenue in fiscal year 2022.

**PPRF Share of NMFA**

	PPRF	Total NMFA	% PPRF
Total Assets	\$2.2 billion	\$2.9 billion	78.1%
Net Position	\$312.6 million	\$618.9 million	50.5%
Operating Revenue	\$44.2 million	\$53.6 million	82.5%
Total Revenue	\$81.6 million	\$183.5 million	44.5%

The purpose of the PPRF is to coordinate planning and financing of state and local public projects with qualified borrowers who cannot, on their own, access the bond market cost-effectively. Qualified entities, including but not limited to counties, municipalities, school districts and tribes are eligible to borrow from the PPRF.

NMFA makes PPRF loans of up to \$15 million from funds on hand. The PPRF’s cash is replenished at a later date through bonds that are sold in the open market. Loans larger than \$15 million are funded through simultaneous closings with a reimbursement bond issue, ensuring a matching of loan and bond interest rates.

Infrastructure finance agencies similar to NMFA are often called “bond banks.” Financial statements for the PPRF are presented in the following pages in a format similar to that employed by commercial banking organizations.

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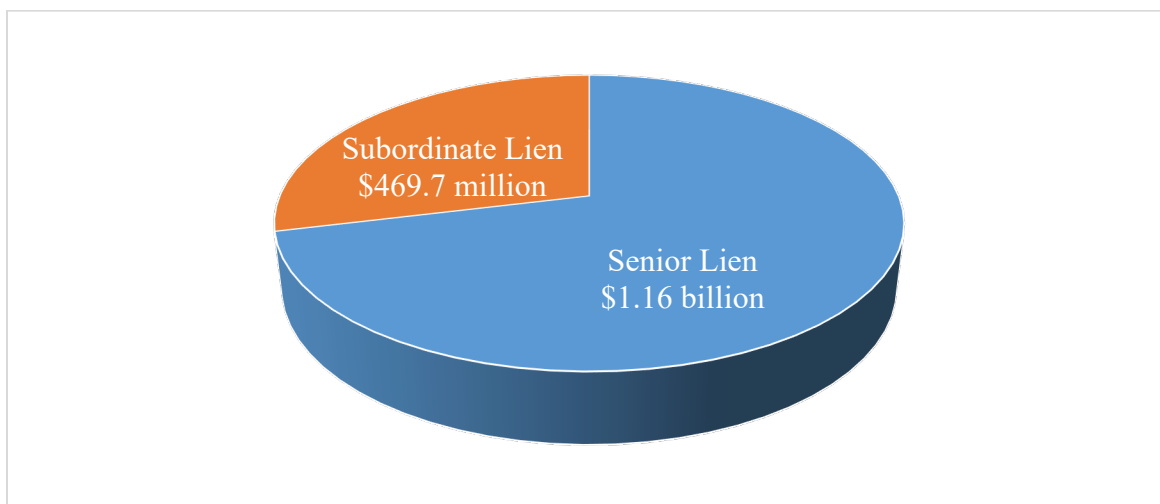
From inception in 1992 through June 30, 2022, the PPRF funded \$4.5 billion in loans.

**PPRF Project Volume**

	<u>FY 2022</u>	<u>FY 2021</u>
Amount of projects funded	\$249.6 million	\$246.1 million
Number of projects funded	92	96
New and refunded loans (disbursed)	\$37.9 million	\$88.1 million
Average project size	\$2.7 million	\$2.5 million

The PPRF maintains a General Indenture of Trust (Senior Lien) and a Subordinated Indenture of Trust (Subordinate Lien). At the end of fiscal year 2022, there were 1,008 active loans totaling \$1.6 billion outstanding. This represents an increase of \$53.9 million (3.4%) from last year. Most (70.7%) of the revenues from the PPRF loans are pledged to the Senior Lien Indenture, with the balance (29.3%) pledged to the Subordinate Lien Indenture. In terms of outstanding principal, the Senior Lien Indenture loans comprise 71.2% of the total.

**PPRF Outstanding Bond Principal: Senior Lien vs. Subordinate Lien**



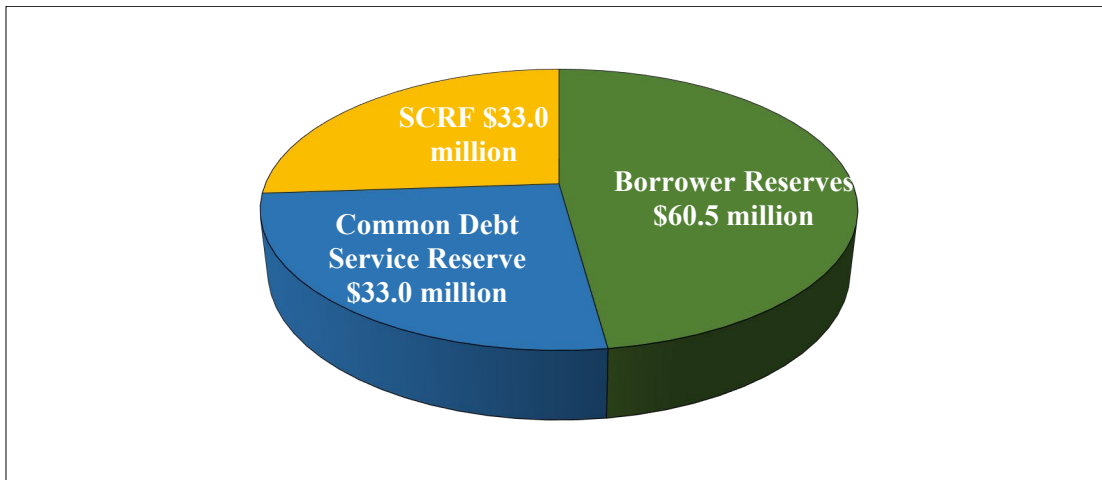
S&P Global Ratings (formerly known as Standard & Poor's) has assigned its AAA rating to both the Senior Lien (since April 2011) and Subordinate Lien (since July 2017). Moody's Investor Services has assigned the Senior Lien with its Aa1 rating to both the Senior Lien (since July 2010) and Subordinate Lien (since March 2022). In order to maintain these ratings, the PPRF holds reserves and credit enhancements. These include the Common Debt Service Reserve fund,

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Supplemental Credit Reserve Fund (SCRF), and pooled borrower debt service reserves. The Common Debt Service Reserve is subject to the General Indenture of Trust for the Senior Lien, and the SCRF is subject to the Subordinated Indenture of Trust governing the subordinate lien. Borrower reserves are pledged to the individual loans.

During fiscal year 2022, NMFA issued \$162.4 million in PPRF bonds, which were used to directly fund loans and to reimburse the PPRF loan fund for loans already made.

**Debt Service Reserves**



***Governmental Gross Receipts Tax***

The Governmental Gross Receipts Tax (GGRT) is a tax imposed on the gross receipts of state and local governments for services rendered to customers such as water, sewer and solid waste collection. Three quarters (75%) of GGRT collections are appropriated to the PPRF by statute. NMFA's share of GGRT collections was \$37.4 million in fiscal year 2022, up \$4.4 million (13.2%) from fiscal year 2021. This total includes amounts that are not needed for payments under the General Indenture of Trust and Subordinated Indenture of Trust and are appropriated from the PPRF by the Legislature to fund various legislative initiatives. The GGRT funds serve several functions:

- ◆ Credit enhancement for the PPRF bonds such that GGRT funds can be used to make up for any shortfall in funds available for bond payments in the event of a default by any of the loans in the portfolio
- ◆ Fund loans to borrowers, especially smaller loans that may not be cost-effective to reimburse in a bond issue
- ◆ Pay operating expenses of the PPRF

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As a not-for-profit lender, NMFA attempts to pass on to its borrowers the same rates paid on the bonds issued to provide loaned funds. In fiscal year 2022, the PPRF had net interest income of \$45.4 million, ending up at a net operating loss of \$16.0 million compared to the net loss of \$1.9 million in fiscal year 2021. This is mostly a result of a \$5.6 million (-11.2%) decrease in operating revenues offset by a \$1.2 million (2.8%) increase in bond interest expense and a \$6.9 million (198.0%) increase in loan financing pass-through expense.

NMFA's long-term debt consists entirely of bond issues related to the PPRF program. At the end of fiscal year 2022, the total PPRF bond principal outstanding was \$1.5 billion. In addition, \$281.8 million of conduit-type bonds issued on behalf of the New Mexico Department of Transportation (NMDOT) were outstanding (this debt is not a direct liability of NMFA). More detailed information about NMFA's long-term debt is presented in Notes 6 and 10 to the Financial Statements.

**Condensed Statements of Net Position – PPRF**

	2022	2021	Net Increase / (Decrease)	Percentage Increase / (Decrease)
<b>Assets</b>				
Cash and cash equivalents				
Restricted Cash	\$ 165,626,328	\$ 48,334,443	\$ 117,291,885	242.7%
Loans receivable, net of allowance	1,629,998,516	1,589,437,209	40,561,307	2.6%
Restricted investments	439,806,497	487,209,261	(47,402,764)	-9.7%
Other Receivables	7,147,363	7,464,549	(317,186)	-4.2%
<b>Total Assets</b>	<b>2,242,578,704</b>	<b>2,132,445,462</b>	<b>110,133,242</b>	<b>5.2%</b>
<b>Deferred Outflows of Resources</b>				
Deferred loss on refunding	593,621	643,643	(50,022)	-7.8%
<b>Total Deferred Outflows of Resources</b>	<b>593,621</b>	<b>643,643</b>	<b>(50,022)</b>	<b>-7.8%</b>
<b>Liabilities</b>				
Bonds payable	1,485,712,432	1,428,438,844	57,273,588	4.0%
Undisbursed loan proceeds	347,723,364	307,626,399	40,096,965	13.0%
Advanced loan payments	90,306,898	85,691,626	4,615,272	5.4%
Due to other funds	170,013	1,684,312	(1,514,299)	-89.9%
Other liabilities	4,153,136	3,894,188	258,948	6.6%
<b>Total Liabilities</b>	<b>1,928,065,843</b>	<b>1,827,335,369</b>	<b>100,730,474</b>	<b>5.5%</b>
<b>Deferred Inflows of Resources</b>				
Deferred gain on refunding	2,554,033	3,129,303	(575,270)	-18.4%
<b>Deferred Inflows of Resources</b>	<b>2,554,033</b>	<b>3,129,303</b>	<b>(575,270)</b>	<b>-18.4%</b>
<b>Net Position</b>				
Restricted for program commitments	312,097,596	302,624,433	9,473,163	3.1%
Unrestricted	454,853	-	454,853	0.0%
<b>Total Net Position</b>	<b>312,552,449</b>	<b>302,624,433</b>	<b>9,928,016</b>	<b>3.3%</b>

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**Condensed Statements of Revenue, Expenses & Changes in Net Position – PPRF**

	2022	2021	Net Increase / (Decrease)	Percentage Increase / (Decrease)
<b>Operating Revenue</b>				
Interest on loans	\$ 45,376,065	\$ 49,282,134	\$ (3,906,069)	-7.9%
Administrative fees revenue	1,740,323	1,054,813	685,510	65.0%
Interest on investments	(2,886,835)	(538,860)	(2,347,975)	435.7%
<b>Total Operating Revenues</b>	<b>44,229,553</b>	<b>49,798,087</b>	<b>(5,568,534)</b>	<b>-11.2%</b>
<b>Operating Expenses</b>				
Bond interest expense	43,634,059	42,455,410	1,178,649	2.8%
Loan financing pass-through	10,396,391	3,488,596	6,907,795	198.0%
Salaries and benefits	2,954,705	2,152,266	802,439	37.3%
Professional services	1,881,342	1,903,380	(22,038)	-1.2%
Bond issuance costs	1,063,926	1,207,923	(143,997)	-11.9%
Other operating costs	586,879	366,792	220,087	60.0%
Provision for loan losses	(345,786)	162,320	(508,106)	-313.0%
Interest expense	42,190	8,123	34,067	419.4%
<b>Total Operating Expenses</b>	<b>60,213,706</b>	<b>51,744,810</b>	<b>8,468,896</b>	<b>16.4%</b>
<b>Net Operating Loss</b>	<b>(15,984,153)</b>	<b>(1,946,723)</b>	<b>(14,037,430)</b>	<b>721.1%</b>
<b>Non-operating Revenue (Expenses)</b>				
Appropriation revenue	37,396,672	33,023,150	4,373,522	13.2%
Transfers to State and intra-fund	(11,484,503)	(12,756,927)	1,272,424	-10.0%
<b>Net Non-Operating Revenue</b>	<b>25,912,169</b>	<b>18,319,500</b>	<b>7,592,669</b>	<b>41.4%</b>
<b>Increase in Net Position</b>	<b>9,928,016</b>	<b>18,319,500</b>	<b>(8,391,484)</b>	<b>-45.8%</b>
Net Position, Beginning of Period	\$ 302,624,433	\$ 284,304,933	\$ 18,319,500	6.4%
<b>Net Position, End of Period</b>	<b>\$ 312,552,449</b>	<b>\$ 302,624,433</b>	<b>\$ 9,928,016</b>	<b>3.3%</b>

**Condensed Statements of Cash Flows – PPRF**

	2022	2021	Net Increase / (Decrease)	Percentage Increase / (Decrease)
Net Cash Provided By Operating Activities	\$ 51,917,372	\$ 32,355,033	\$ 19,562,339	60.5%
Net Cash Provided (Used) by Non-capital Financing Activities	20,858,584	(42,021,143)	62,879,727	-149.6%
Net Cash Provided (Used) by Investing Activities	44,515,929	(173,751,092)	218,267,021	-125.6%
Net Increase (Decrease) in Cash and Cash Equivalents	117,291,885	(183,417,202)	300,709,087	-163.9%
Cash and Cash Equivalents, Beginning of Year	48,334,443	231,751,645	(183,417,202)	-79.1%
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 165,626,328</b>	<b>\$ 48,334,443</b>	<b>\$ 117,291,885</b>	<b>242.7%</b>

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**Small Business Recovery Loan Fund**

The SBRL is the second-largest program NMFA operates in terms of loan receivables, debt (payables), and operational activity. It was launched at the start of fiscal year 2021 as part of a State economic recovery package that included two major separate grants programs. It was capitalized by a \$500.0 million appropriation by the Legislature from the SIC to NMFA. To date, \$181.0 million has been transferred to NMFA's coffers from this appropriation. From inception, \$155.7 million in loans have been funded.

The targeted borrowers are small businesses and non-profit organizations that have been harmed economically by the pandemic. SBRL borrowers do not go through an underwriting process as they would with NMFA's other loan programs. They only have to show they meet the requirements called for by the enabling legislation, like state residency, adverse economic impact from the pandemic, and maximum revenue requirements. Depending on the size of their enterprise, a borrower may qualify for up to a \$150,000 fixed ten-year low interest loan (50% of the prime rate, with no debt service due the first year and interest only due the second and third year. The SBRL is mandated to expire on December 31, 2022.

NMFA funded and disbursed SBRL \$107.8 million in loans in fiscal year 2022. In terms of number of loans, the SBRL is NMFA's most demanding program. In fiscal year 2022, 1,662 loans were disbursed under this program. In comparison, NMFA's most active program until the pandemic, the PPRF, funded 96 loans (\$249.6 million) and disbursed \$37.9 million for new and ongoing projects.

NMFA has drawn from the \$181.0 million invested by the SIC in the SBRL fund as needed on a month-to-month basis. At year-end, there was only \$12.0 million in cash in the SBRL Fund, although \$181.0 million has been drawn down since the start of the program. This capital underwrote \$138.0 million in loan receivables, net of \$17.7 million in allowance for bad debt. Since almost all the loans in this program are still in either their interest-free or interest-only stage of their ten-year term, interest receivable is only \$440,941.

See the Condensed Statements of Net Position for the SBRL on the next page.

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**Condensed Statements of Net Position – SBRL**

	2022	2021	Net Increase / (Decrease)	Percentage Increase / (Decrease)
<b>Assets</b>				
Restricted Cash	\$ 11,954,196	48,200,334	(36,246,138)	-75.2%
Loans receivable	155,721,711	51,753,981	103,967,730	200.9%
Allowance for doubtful loans	(17,730,661)	(5,175,398)		
Due from other funds	627,543	-	627,543	0.0%
Other Receivables	440,941	441,438	(497)	-0.1%
<b>Total Assets</b>	<b>151,013,730</b>	<b>95,220,355</b>	<b>55,793,375</b>	<b>58.6%</b>
<b>Current Liabilities</b>				
Due to other funds	-	977,760	(977,760)	-100.0%
Other liabilities	18,285,556	48,661,762	(30,376,206)	-62.4%
<b>Total Current Liabilities</b>	<b>18,285,556</b>	<b>49,639,522</b>	<b>(31,353,966)</b>	<b>-63.2%</b>
<b>Non-Current Liabilities</b>				
Non-current SIC payable	137,983,546	-	137,983,546	
<b>Total Non-Current Liabilities</b>	<b>137,983,546</b>	<b>-</b>	<b>137,983,546</b>	<b>0.0%</b>
<b>Total Liabilities</b>	<b>156,269,102</b>	<b>49,639,522</b>	<b>106,629,580</b>	<b>214.8%</b>
<b>Net Position</b>				
Restricted for program commitments	(5,255,372)	(997,751)	(4,257,621)	426.7%
<b>Total Net Position</b>	<b>(5,255,372)</b>	<b>(997,751)</b>	<b>(4,257,621)</b>	<b>426.7%</b>

Operating revenue for the SBRL declined \$1.1 million (74.5%) from last year as a result of the need to transfer \$5.9 million to the NMFA Operating Fund for start-up and on-going administrative costs of the SBRL. At year-end, \$2.2 million in operating expenses had been paid from this administrative fee allowance. A total of \$2.4 million had been transferred to the Operating Fund in fiscal year 2022 by the time NMFA moved what remained of the administrative fee allowance.

See the Condensed Statements of Revenue, Expenses and Changes in Net Position for the SBRL on the next page.

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**Condensed Statements of Revenue, Expenses & Changes in Net Position – SBRL**

	2022	2021	Net Increase / (Decrease)	Percentage Increase / (Decrease)
<b>Operating Revenue</b>				
Interest on loans	\$ 341,743	\$ 444,234	\$ (102,491)	-23.1%
Administrative fees revenue	-	1,040,295	(1,040,295)	-100.0%
Interest on investments	48,787	48,411	376	0.8%
<b>Total Operating Revenues</b>	<b>390,530</b>	<b>1,532,940</b>	<b>(1,142,410)</b>	<b>-74.5%</b>
<b>Operating Expenses</b>				
Salaries and benefits	620,921	932,809	(311,888)	-33.4%
Professional services	1,030,164	928,698	101,466	10.9%
Other operating costs	171,092	142,482	28,610	20.1%
Interest expense	390,530	492,645	(102,115)	-20.7%
<b>Total Operating Expenses</b>	<b>2,212,707</b>	<b>2,496,634</b>	<b>(283,927)</b>	<b>-11.4%</b>
<b>Net Operating Loss</b>	<b>(1,822,177)</b>	<b>(963,694)</b>	<b>(858,483)</b>	<b>89.1%</b>
<b>Non-operating Revenue (Expenses)</b>				
Transfers to State and intra-fund	(2,435,444)	(20,015)	(2,415,429)	12068.1%
<b>Net Non-Operating Revenue</b>	<b>(2,435,444)</b>	<b>(983,709)</b>	<b>(1,451,735)</b>	<b>147.6%</b>
Decrease in Net Position	(4,257,621)	(983,709)	(3,273,912)	332.8%
Net Position, Beginning of Period	(997,751)	\$ (14,042)	\$ (983,709)	7005.5%
<b>Net Position, End of Period</b>	<b>\$ (5,255,372)</b>	<b>\$ (997,751)</b>	<b>\$ (2,435,444)</b>	<b>244.1%</b>

The cash flows for the SBRL reflect the program's nature as that of a conduit for transfers of state (SIC) cash to small businesses and non-profits. At year end, a net positive result of almost \$12.0 million occurred after \$80.0 million in capital was transferred from the SIC and \$3.8 million in loans payoffs had been received to cover \$107.8 million in new loans funded and \$12.6 million in repayments to the state and transfers to the Operating Fund for current and future operating costs. The difference between the new capital transferred in versus the cash sent out to fund new loans was made up from the \$48.2 million in cash that remained from \$101.0 million in capital transferred from the SIC in the previous fiscal year.

See the Condensed Statements of Cash Flows for the SBRL on the following page.

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**Condensed Statements of Cash Flows – SBRL**

	2022	2021	Net Increase / (Decrease)	Percentage Increase / (Decrease)
Net Cash Used By Operating Activities	(103,625,466)	\$ (52,811,447)	\$ (50,814,019)	96.2%
Net Cash Provided by Non-capital Financing Activities	67,330,541	100,963,370	(33,632,829)	33.3%
Net Cash Provided by Investing Activities	48,787	48,411	376	-0.8%
Net Decrease in Cash and Cash Equivalents	(36,246,138)	48,200,334	(84,446,472)	-175.2%
Cash and Cash Equivalents, Beginning of Year	48,200,334	-	48,200,334	0.0%
Cash and Cash Equivalents, End of Year	<u>\$ 11,954,196</u>	<u>\$ 48,200,334</u>	<u>\$ (36,246,138)</u>	<u>-75.2%</u>

### **NMFA Operating Fund**

The NMFA Operating Fund (Operating Fund) is an internal fund that serves as a repository for the unrestricted cash and capital assets owned by NMFA and as a clearinghouse and bank for payables and receivables due between the program funds.

Because of the legal and policy restrictions on the cash and receivables within each fund, none of the program funds can serve as a general fund to the others. Only unrestricted cash can be used to finance the operations of a cash-strapped program. The Operating Fund was set up to provide for this liquidity through a cash balance maintained in this fund.

The total fund balance (net position) in the Operating Fund at the end of fiscal year 2022 was \$23.3 million, of which \$8.1 million was unrestricted cash and \$9.3 million was unrestricted investments. Included in this total was \$5.9 million assigned to SBRL for operating expenses for the life of that program. Due from other funds decreased by \$1.9 million (24.9%) from fiscal year 2021, as other funds had to tap the cash in this fund to make up liquidity shortfalls. Total owed to the Operating Fund at fiscal year-end was \$5.6 million, with the biggest debtor fund, the Colonias Infrastructure Fund (CIF), responsible for a third of this amount (\$2.7 million).

See the Condensed Statements of Net Position for the Operating Fund on the following page.

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**Condensed Statements of Net Position – Operating Fund**

	2022	2021	Net Increase / (Decrease)	Percentage Increase / (Decrease)
<b>Assets</b>				
Cash and cash equivalents				
Unrestricted cash - unassigned	\$ 2,204,745	\$ 9,719,468	\$ (7,514,723)	-77.3%
Unrestricted cash - assigned	5,882,939	6,000,000	(117,061)	-2.0%
Restricted investments	9,316,714	-	9,316,714	0.0%
Due from other funds	5,597,266	7,455,033	(1,857,767)	-24.9%
Other Receivables	534,229	311,669	222,560	71.4%
Capital Assets, net of accumulated depreciation and amortization	2,881,807	1,863,831	1,017,976	54.6%
Other Assets	129,929	116,920	13,009	11.1%
<b>Total Assets</b>	<b>26,547,629</b>	<b>25,466,921</b>	<b>1,080,708</b>	<b>4.2%</b>
<b>Liabilities</b>				
Accounts payable, accrued payroll and compensated absences	1,115,628	1,460,235	(344,607)	-23.6%
Due to other funds	686,519	166,416	520,103	312.5%
Other liabilities	539,187	55,132	484,055	878.0%
<b>Total Current Liabilities</b>	<b>2,341,334</b>	<b>1,681,783</b>	<b>659,551</b>	<b>39.2%</b>
<b>Long Term Liabilities</b>				
Capitalized lease liability	880,946	-	880,946	0.0%
<b>Total Long Term Liabilities</b>	<b>880,946</b>	<b>-</b>	<b>880,946</b>	<b>0.0%</b>
<b>Total Liabilities</b>	<b>3,222,280</b>	<b>1,681,783</b>	<b>1,540,497</b>	<b>91.6%</b>
<b>Net Position</b>				
Net investment in capital assets	2,881,807	1,863,831	1,017,976	54.6%
Restricted for program commitments	4,011,899	6,201,839	(2,189,940)	-35.3%
Unrestricted	16,431,643	15,719,468	712,175	4.5%
<b>Total Net Position</b>	<b>23,325,349</b>	<b>23,785,138</b>	<b>(459,789)</b>	<b>-1.9%</b>

Expenditures exceeded revenues by \$0.5 million, an improvement of \$1.6 million (140.3%) from last year when expenses exceeded revenues by \$1.1 million. The deficit is the result of the Operating Fund covering expenses for programs that are not generating enough revenue to pay for their operating expenses, like the Colonias and Primary Care Programs.

See the Condensed Statements of Revenue, Expenses and Changes in Net Position on the following page.

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**Condensed Statements of Revenue, Expenses & Changes in Net Position – Operating Fund**

	2022	2021	Net Increase / (Decrease)	Percentage Increase / (Decrease)
<b>Operating Revenue</b>				
Administrative fees revenue	3,430,821	281,841	3,148,980	1117.3%
Interest on investments	22,430	210,627	(188,197)	-89.4%
<b>Total Operating Revenues</b>	<b>3,453,251</b>	<b>492,468</b>	<b>2,960,783</b>	<b>601.2%</b>
<b>Operating Expenses</b>				
Bond interest expense	-	-	-	
Salaries and benefits	212,405	337,509	(125,104)	-37.1%
Professional services	46,000	88,391	(42,391)	-48.0%
Bond issuance costs	17,032	-	17,032	0.0%
Other operating costs	(361,671)	44,450	(406,121)	-913.7%
Interest expense	55,343	-	55,343	0.0%
Rent and utilities	-	11,734	(11,734)	-100.0%
Depreciation and amortization expense	970,882	181,846	789,036	433.9%
<b>Total Operating Expenses</b>	<b>939,991</b>	<b>663,930</b>	<b>276,061</b>	<b>41.6%</b>
<b>Net Operating Gain (Loss)</b>	<b>2,513,260</b>	<b>(171,462)</b>	<b>2,684,722</b>	<b>-1565.8%</b>
<b>Non-operating Revenue (Expenses)</b>				
Transfers to State and intra-fund	(2,973,049)	1,313,468	(4,286,517)	-326.4%
<b>Net Non-Operating Revenue</b>	<b>(2,973,049)</b>	<b>1,142,006</b>	<b>(4,115,055)</b>	<b>-360.3%</b>
<b>(Decrease) Increase in Net Position</b>	<b>(459,789)</b>	<b>1,142,006</b>	<b>(1,601,795)</b>	<b>-140.3%</b>
Net Position, Beginning of Period	\$ 23,605,138	\$ 22,463,132	\$ 1,142,006	5.1%
<b>Net Position, End of Period</b>	<b>\$ 23,145,349</b>	<b>\$ 23,605,138</b>	<b>\$ (459,789)</b>	<b>-1.9%</b>

The Operating Fund saw a net outflow of almost \$7.6 million at year-end. A deficit between operating expenses versus revenues of \$9.6 million in operating activities and the net sale/purchase of \$9.3 in investments and \$1.1 million in capital assets exceeded by more than two times (234.2%) the inflow of \$12.4 million generated by non-capital financing activities. The inflow of cash from the latter occurred primarily because of the investment of \$5.9 million from the SIC through the SBRL as allowed by legislation. This inflow from non-capital financing represents an improvement of \$11.1 million from last year.

See the Condensed Statements of Cash Flows on the next page.

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**Condensed Statements of Cash Flows – Operating Fund**

	2022	2021	Net Increase / (Decrease)	Percentage Increase / (Decrease)
Net Cash Used By Operating Activities	\$ (9,619,490)	\$ (1,266,815)	\$ (8,352,675)	659.3%
Net Cash Provided (Used) by Non-capital Financing Activities	12,389,902	1,313,468	11,076,434	843.3%
Net Cash (Used) Provided by Investing Activities	(9,294,284)	210,627	(9,504,911)	-4512.7%
Net Cash Used in Capital Financing Activities	(1,107,912)	(705,878)	(402,034)	57.0%
Net Decrease in Cash and Cash Equivalents	(7,631,784)	(448,598)	(7,183,186)	1601.3%
Cash and Cash Equivalents, Beginning of Year	15,719,468	16,168,066	(448,598)	-2.8%
Cash and Cash Equivalents, End of Year	<u>\$ 8,087,684</u>	<u>\$ 15,719,468</u>	<u>\$ (7,631,784)</u>	<u>-48.5%</u>

***Capital Asset Activity***

NMFA acquired capital assets during the fiscal year to support improving technology, utilizing new hardware to replace older, outdated products. The cost of new technology hardware was \$13,783 and software was \$119,607. Additional costs include architect's cost for due diligence related to the purchase of a new building acquisition, and \$1,847,878 relative to the recognition of a capital lease as mandated by GASB 87.

More detailed information about capital assets is presented in Note 5 to the Financial Statements.

**Contacting NMFA's Financial Management**

This financial report is designed to provide citizens, taxpayers, customers, legislators, investors and creditors with a general overview of NMFA's finances and to demonstrate NMFA's accountability for the money it receives.

Substantial additional information is available on NMFA's website at [www.nmfinance.com](http://www.nmfinance.com), on NMFA's PPRF investor relations website at [www.nmbondfinance.com](http://www.nmbondfinance.com) and on NMFA's NMDOT investor relations website at [www.nmdotbonds.com](http://www.nmdotbonds.com). If you have any questions about this report or need additional financial information, contact:

**New Mexico Finance Authority (NMFA)**  
**207 Shelby Street**  
**Santa Fe, New Mexico 87501**

# **FINANCIAL STATEMENTS**

# NEW MEXICO FINANCE AUTHORITY

## Statement of Net Position

June 30, 2022

### Assets

#### Current Assets

Cash and cash equivalents	
Unrestricted cash - unassigned	\$ 2,204,745
Unrestricted cash - assigned	5,882,939
Restricted cash - unassigned	407,987,105
Restricted cash - assigned	1,096,617
Interest receivable on loans	7,705,467
Grants and other receivables	729,308
Other assets	129,929
Administrative fees receivable	1,200,005
Loans receivable, current	161,115,169
Total Current Assets	588,051,284

#### Non-current assets

Unrestricted investments - unassigned	9,316,714
Restricted investments - unassigned	512,909,440
Restricted investments - assigned	4,290,140
Loans receivable	1,772,882,399
Allowance for bad debt	(19,249,074)
Capital assets, net of accumulated depreciation and amortization	2,881,807
Total Non-current Assets	2,283,031,426
<b>Total Assets</b>	<b>2,871,082,710</b>

### Deferred Outflows of Resources

Deferred loss on refunding, non-capital assets	593,621
<b>Total Deferred Outflows of Resources</b>	<b>593,621</b>

### Liabilities

#### Current Liabilities

Accounts payable	176,087
Accrued payroll	164,019
Compensated absences	775,522
Bond interest payable	4,064,664
Undisbursed loan proceeds	347,723,364
Advanced loan payments	91,620,716
Bonds payable	118,700,000
Other liabilities	180,670,901
Lease Liability	489,187
Total Current Liabilities	744,384,460

#### Non-Current Liabilities

Bonds payable, net of current portion	1,367,012,432
New Mexico State Investment Council payable	137,983,546
Lease Liability, net of current portion	880,946
Total Non-Current Liabilities	1,505,876,924
<b>Total Liabilities</b>	<b>2,250,261,384</b>

### Deferred Inflows of Resources

Deferred gain on refunding, non-capital assets	2,554,033
<b>Deferred Inflows of Resources</b>	<b>2,554,033</b>

### Net Position

Net investment in capital assets	2,881,807
Restricted for program commitments	598,476,868
Unrestricted	17,502,239
<b>Total Net Position</b>	<b>\$ 618,860,914</b>

The accompanying Notes are an integral part of these Financial Statements

**NEW MEXICO FINANCE AUTHORITY**  
**Statement of Revenue, Expenditures and Change in Net Position**  
**Fiscal Year Ended June 30, 2022**

**Operating Revenue**

Interest on loans	\$ 47,851,592
Administrative Fee Revenue	7,975,365
Interest on investments	2,266,002
Unrealized gain (loss)	(4,479,159)
<b>Total Operating Revenues</b>	<b><u>53,613,800</u></b>

**Operating Expenses**

Bond Interest Expense	43,634,059
Grant Expense	78,473,940
Loan Financing Pass-through	10,396,391
Salaries and Benefits	6,903,037
Bond Issuance Costs	1,109,926
Professional Services	7,511,275
Other Operating Costs	1,804,768
Provision for Loan Losses	(233,644)
Interest expense	488,063
Depreciation and Amortization Expense	970,882
<b>Total Operating Expenses</b>	<b><u>151,058,697</u></b>
<b>Net Operating Loss</b>	<b><u>(97,444,897)</u></b>

**Non-operating Revenue (Expenses)**

Appropriation Revenue	41,396,672
Federal Grant Revenue	14,128,407
Transfers from the State	74,340,158
Transfers to the State	(7,388,955)
<b>Net Non-operating Revenue (Expenses)</b>	<b><u>122,476,282</u></b>
<b>Increase in Net Position</b>	<b><u>25,031,385</u></b>

Net Position, Beginning of Period	<u>593,829,529</u>
<b>Net Position, End of Period</b>	<b><u>\$ 618,860,914</u></b>

The accompanying Notes are an integral part of these Financial Statements

# NEW MEXICO FINANCE AUTHORITY

## Statement of Cash Flows Fiscal Year Ended June 30, 2022

<b>Cash flows from operating activities</b>	
Cash paid for employee services	\$ (7,180,895)
Cash paid to vendors for services	(7,617,585)
Loan payments received	271,255,290
Loans funded	(373,048,228)
Grants expense	(78,473,940)
Cash received from federal gov't capitalization grant	14,128,407
Interest on loans (net of interest expense)	48,289,680
Administrative fees received	9,822,360
<b>Net cash used in operating activities</b>	<b>(122,824,911)</b>
<b>Cash flows from non-capital financing activities</b>	
Appropriations received from the State of New Mexico	41,396,672
Cash transfers from the State of New Mexico	114,915,787
Cash transfers to the State of New Mexico	(11,117,126)
Intra-program transfers	(5,852,003)
Proceeds from the sale of bonds	190,133,538
Payment of bonds	(119,760,000)
Bond issuance costs	(1,063,926)
Bond interest expense paid	(57,029,581)
Proceeds from line of credit	32,000,000
Payments on line of credit	(32,000,000)
Loan financing pass-through to borrower	(10,396,391)
<b>Net cash provided by non-capital financing activities</b>	<b>141,226,970</b>
<b>Cash flows from investing activities</b>	
Purchase of investments	(448,348,327)
Sale of investments	437,136,876
Interest received on investments	(2,213,157)
<b>Net cash used in investing activities</b>	<b>(13,424,608)</b>
<b>Cash flows from capital financing activities</b>	
Purchase of Capital Assets	(1,107,912)
<b>Net cash used in capital investing activities</b>	<b>(1,107,912)</b>
Net increase in cash and cash equivalents	3,869,539
Cash and cash equivalents, beginning of year	413,301,867
<b>Cash and cash equivalents, end of year</b>	<b>\$ 417,171,406</b>

The accompanying Notes are an integral part of these Financial Statements

# NEW MEXICO FINANCE AUTHORITY

## Statement of Cash Flows, Continued

Fiscal Year Ended June 30, 2022

### Reconciliation of Cash and Cash Equivalents

Unrestricted - unassigned	\$ 2,204,745
Unrestricted - assigned	5,882,939
Restricted - unassigned	407,987,105
Restricted - assigned	1,096,617
<b>Total Cash and Cash Equivalents</b>	<b>\$ 417,171,406</b>

### Reconciliation of net operating loss to net cash used in operating activities

Net operating income (loss)	\$ (97,444,897)
Adjustments to change in net position	
Depreciation	970,882
Amortization on bond premiums	(13,625,199)
Provision for loan losses	431,611
Interest on investments	2,213,157
Bond interest paid	57,259,257
Loan financing pass-through to borrowers	10,396,391
Bond issuance costs	1,063,926
Cash received from federal grants	14,128,407
Interest expense	(488,063)
Changes in assets and liabilities	
Interest receivable	438,064
Grants, prepaids and other assets	888,984
Administrative fees receivable	(525,726)
Loans receivable, net of allowance	(146,190,244)
Accounts payable	(285,582)
Accrued payroll	(154,281)
Accrued compensated absences	92,456
Undisbursed loan proceeds	40,096,965
Advanced loan payments	3,618,301
Other liabilities	4,290,680
<b>Net cash used in operating activities</b>	<b>\$ (122,824,911)</b>

The accompanying Notes are an integral part of these Financial Statements

# NEW MEXICO FINANCE AUTHORITY

## Custodial Fund – Statement of Fiduciary Net Position June 30, 2022

### Assets

Cash and cash equivalents

	<u>\$ 309,932,613</u>
<b>Total Assets</b>	<u><b>309,932,613</b></u>

### Liabilities

Debt service payable

	<u>490,012</u>
<b>Total Liabilities</b>	<u><b>490,012</b></u>

### Net Position

Restricted for other government

	<u>309,442,601</u>
<b>Total Net Position</b>	<u><b>\$ 309,442,601</b></u>

The accompanying Notes are an integral part of these Financial Statements

**NEW MEXICO FINANCE AUTHORITY**  
**Custodial Fund – Statement of Changes in Fiduciary Net Position**  
**Fiscal Year Ended June 30, 2022**

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**Additions**

Debt service collections	<b>\$ 687,689,706</b>
Interest income	<b>39,652</b>
<b>Total Additions</b>	<b><u>687,729,358</u></b>

**Deductions**

Debt service payments	<b><u>385,014,137</u></b>
<b>Total Deductions</b>	<b><u>385,014,137</u></b>

<b>Net Increase in Fiduciary Net Position</b>	<b>302,715,221</b>
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Net position-beginning	<b><u>6,727,380</u></b>
<b>Net Position, end of year</b>	<b><u><u>\$ 309,442,601</u></u></b>

The accompanying Notes are an integral part of these Financial Statements

**NEW MEXICO FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**1) Nature of Organization**

The New Mexico Finance Authority (NMFA), a component unit of the State of New Mexico (State), is a public body politic and corporate, separate and apart from the State, constituting a governmental instrumentality, organized and existing pursuant to the New Mexico Finance Authority Act (the Act). NMFA has broad powers to provide financing for an array of infrastructure and economic development projects. The Act also provides for long-term planning and assessment of state and local capital needs and improves cooperation among the executive and legislative branches of state government and local governments in financing public projects.

NMFA's governing Board of Directors (NMFA Board) is composed of 11 members. Ex officio members include the Secretary of the Department of Finance and Administration; Secretary of the Economic Development Department; Secretary of the Energy, Minerals and Natural Resources Department; Secretary of the Environment Department; Executive Director of the New Mexico Municipal League; and the Executive Director of New Mexico Counties. The Governor, with the advice and consent of the Senate, appoints the remaining members, including the Chair and a member who must be the Chief Financial Officer of a New Mexico institution of higher education. The appointed members serve at the pleasure of the Governor.

NMFA issues loans to qualified entities pursuant to the rules and regulations governing the Public Project Revolving Fund (PPRF). The PPRF provides low-cost financing to qualified government entities for a variety of qualified projects throughout the state. The PPRF Program receives 75% of the Governmental Gross Receipts Tax (GGRT) collected by the State pursuant to Section 7-1-6.38 NMSA 1978. NMFA may issue bonds in amounts deemed necessary to provide sufficient money for the purposes set forth by the Act. Bonds are issued under a Master Indenture as well as individual Series Indentures, which are administered through a trust relationship established by contract with a trust company or bank bearing trust powers (Trustee) and NMFA.

NMFA may also serve as conduit issuer of revenue bonds for other governmental agencies. This activity is reported as an Agency Fund.

NMFA manages the Drinking Water State Revolving Loan Fund (DWSRLF) and the Water Project Fund (WPF).

The DWSRLF provides low-cost financing for the construction of and improvements to drinking water facilities throughout New Mexico in order to protect drinking water quality and public health. This program is primarily funded through a federal capitalization grant where the Environmental Protection Agency (EPA) and the State 20% cost share.

The WPF program provides grants and interest-free loans to water projects supporting water use efficiency, resource conservation and protection, and fair distribution and allocation of

**NEW MEXICO FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

water. In the accompanying statements, the receipt of funds for the WPF program is reflected as Transfers from the State in the amount of \$23,887,051 at June 30, 2022.

Other significant programs and financing administered by NMFA include:

- ♦ The New Markets Tax Credits Program (NMTC), whereby NMFA is the managing member in Finance New Mexico, LLC, a subsidiary for-profit company that has received \$321 million in total allocations of federal tax credits under the NMTC Program.
- ♦ The Economic Development Revolving Fund (ED) is comprised of Smart Money (SM), which is a loan participation program that allows NMFA to buy interests in loans made by New Mexico banks and financial institutions.
- ♦ The Essential Services Working Capital Fund (ESWCF) was bifurcated from the Economic Development Fund and set up as a stand-alone program in FY 2022. It is an emergency working capital program established by the NMFA Board in April 2020 to help community service providers and other essential businesses operating during the emergency health order. The ESWCF had outstanding loan receivables of \$2.3 million on June 30, 2022.
- ♦ The Primary Care Capital Fund (PCCF) is a revolving loan program that provides low-interest rate loans to non-profit and government-owned primary care health clinics for infrastructure, construction, and capital equipment purchases. These loans can provide up to 20% annual loan forgiveness should the borrower meet certain requirements in providing free or reduced-cost medical care to sick and indigent clients.
- ♦ The Behavioral Health Capital Fund (BHCF) is a revolving loan program that provides low-interest rate loans to government owned and non-profit behavioral health providers for infrastructure, construction, and capital equipment purchases. These loans can provide up to 20% annual loan forgiveness should the borrower meet certain requirements in providing free or reduced-cost medical care to sick and indigent clients.
- ♦ The Local Government Planning Fund Program (LGPF) provides grants to qualified local government entities on a per-project basis for infrastructure planning projects.
- ♦ The Colonias Infrastructure Fund (CIF) consists, in part, of proceeds from severance tax bonds authorized in Section 7-27-12.5 NMSA 1978. It provides loans and grants to certain communities located within 150 miles of the Mexican border in southern New Mexico that lack basic infrastructure for water and wastewater, solid waste disposal, flood and drainage control, and roads. In the accompanying statements, the receipt of funds for the CIF is reflected as Transfers from the State in the amount of \$11,028,736 at June 30, 2022.
- ♦ Through a Memorandum of Understanding entered into with the New Mexico Economic Development Department (NMEDD), NMFA received federal State Small Business Credit Initiative (SSBCI) funds to help increase the flow of capital to small businesses by mitigating bank risk. NMFA uses the funds to buy loan participations from banks for economic development projects under a program marketed as the

**NEW MEXICO FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

Collateral Support Participation Program. NMFA is no longer making loans from this program and is transferring the repaid principal to NMEDD quarterly.

- ♦ New State Economic Recovery Programs – In response to the effect the COVID-19 pandemic was having on New Mexico’s economy, the State Legislature enacted six new small business assistance programs for NMFA to administer in fiscal years 2022 and 2021:
  - Small Business Recovery Loan Program (SBRL) was passed in a special session called by the Governor in June 2020 and expanded during the 2021 regular session. It appropriated \$500.0 million for loans to be made by NMFA to qualifying New Mexico small businesses affected by the health emergency.
  - Local Economic Development Act Recovery Grant Program (LEDA) was created when the Legislature amended the Local Economic Development Act in April 2021 to mandate that NMFA administer a \$200.0 million grant program to assist qualifying small businesses struggling with lease and mortgage payments on account of the health emergency. This program closed for new applications in March 2022 but will continue disbursing subsequent grants to recipients whose applications were approved until then.
  - The Cannabis Microbusiness Program (CMP) was created by NMFA in fiscal year 2022 after the State law legalized the sale of recreational cannabis effective April 1, 2022. This program was capitalized by \$5.0 million appropriated from the ending fund balance of the ESWCF. It offers 2% interest loans of up to \$250,000 to small businesses entering this new industry. All loans are collateralized and/or guaranteed by the borrower for a term of up to 10 years. The goal of the program is to keep the need for capital investment from impeding homegrown cannabis businesses entry into the cannabis business.
- ♦ The Charter School Facility Revolving Fund (CSFRF) was created by the Legislature in 2022, effective July 1, 2022. It was capitalized by a State appropriation of \$35. million. When it opens for applications in mid-fiscal year 2023, it will offer low interest loans to charter schools in the state in the same way that public school districts receive loans from the PPRF.
- ♦ The Opportunity Enterprise Act (OEA) was created by the Legislature in 2022, effective July 1, 2022. It was capitalized by a State appropriation of \$70.0 million to support economic development in New Mexico. When the program opens for applications in mid-fiscal year 2023, it will offer low interest loans to commercial real estate development ventures in New Mexico.

**NEW MEXICO FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

- ♦ The Venture Capital Program Act (VCPA) was created by the Legislature in 2022, effective July 1, 2022. It was capitalized by a State appropriation of \$35.0 million to promote economic growth in New Mexico. When the program opens for applications in mid-fiscal year 2023, it will offer equity loans to established businesses with significant growth potential in the state.

NMFA is not subject to the supervision or control of any other board, bureau, department or agency of the State, except as specifically provided in the Act. Bonds and other obligations issued by NMFA under the provisions of the Act are not a debt or liability of the State or any subdivision thereof. The NMFA Oversight Committee was created by the Act, and its membership is appointed by the Legislative Council to provide legislative oversight.

The financial statements include the accounts of NMFA and its blended component unit, Finance New Mexico, LLC (FNMLLC). All intercompany transactions and balances are eliminated. The condensed financial statements of FNMLLC are disclosed in Note 13.

## **2) Summary of Significant Accounting Policies**

### Accounting Principles

The financial statements of NMFA have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units and funds. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting.

### Basis of Presentation

The financial statements of NMFA have been prepared using the economic resources measurement focus and the accrual basis of accounting. All of NMFA's activities, except those in which NMFA acts as an agent, are reported as an enterprise fund.

NMFA distinguishes operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing financial services in connection with ongoing operations. Primary operating revenues include financing income and fees charged to program borrowers. Operating expenses include interest expense and program support, as well as funds granted to others in the form of loan forgiveness and other subsidies to governmental entities.

Non-operating items consist of State appropriations for GGRT revenue and Water Project Fund legislated designations. Grant revenue and transfers to and from the State consist of excess distributions and reversions of prior-year appropriated revenue.

Revenues from grants that are restricted for specific uses are recognized as revenues and as receivables when the related costs are incurred. When restricted resources meet the criteria to be available for use and unrestricted resources are also available, NMFA uses restricted

**NEW MEXICO FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

resources first. Expenses are recorded when they are incurred. Expenses charged to federal programs are recorded utilizing the cost principles prescribed or permitted by the various funding sources.

Change in Accounting Principles

During the fiscal year ended June 30, 2022, NMFA adopted new accounting guidance by implementing the provisions of GASB Statement No. 87, *Leases*, which establishes criteria for identifying and reporting right-to-use intangible assets and liabilities for future payment activities. NMFA recognizes lease contracts or equivalents that have a term exceeding one year and the cumulative future payments on the contract exceed \$25,000 that meet the definition of an other than short-term lease. NMFA uses a discount rate that is explicitly stated or implicit in the contract. When a readily determinable discount rate is not available, the discount rate is determined using NMFA's incremental borrowing rate at start of the lease for a similar asset type and term length to the contract. Short-term lease payments are expensed when incurred. Implementation of GASB 87 added the future benefit of the lease in Capital Assets with corresponding increases in short-term and long-term liabilities and a reduction of operating expenses for rent with a corresponding increase in Capital Assets amortization.

Custodial Funds

Custodial Funds are used to report resources held by NMFA in a purely custodial capacity. These funds result from bond transactions in which NMFA acts as fiscal agent for the New Mexico Department of Transportation (NMDOT). The amounts reported as agency funds do not belong to NMFA and are held in separate accounts on NMFA's books in the name of NMDOT.

Cash, Cash Equivalents and Investments

NMFA considers all highly liquid financial instruments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents consist of cash on deposit with Wells Fargo Bank and the Bank of Albuquerque, which also acts as NMFA's bond trustee. Certain proceeds of NMFA's bonds, as well as certain resources set aside for their repayment, are invested in certain permitted securities.

NMFA has implemented GASB No. 72, *Fair Value Measurement and Application*. Fair value is the amount that would be received on the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The statement provides guidance for determining a fair value measurement for financial reporting purposes. The statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

**NEW MEXICO FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

Restricted vs. Unrestricted Cash

If it is obligated contractually, statutorily or by an official vote of the Board to a specific purpose or program, cash is presented as restricted. Otherwise, it is presented as unrestricted cash.

Current Receivables

Current receivables comprise interest receivable, administrative fees receivable, grants and other receivables arising from the normal course of operations.

Loans Receivable

Loans are carried at amounts advanced, net of collections and reserves for loan losses, if any. Loans that become past-due as to principal and interest are evaluated for collectability. Generally, loans are not placed on nonaccrual status if they are sufficiently insured, guaranteed, or collateralized.

The allowance for loan losses is maintained to cover possible losses inherent in the loan portfolio based on management's evaluation of the loan portfolio, giving consideration to various factors, including collateral value, past loan loss experience, current facts and economic conditions. The allowance is based on management's estimates, and ultimate losses may vary from the current estimates. These estimates are reviewed periodically, and any necessary adjustments are reported as a charge to income in the period they become known.

Assets obtained through loan foreclosure are initially recorded at the fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by NMFA, and the assets are carried at the lower of carrying amount or fair value less cost to sell. These assets are included in the other assets on the statement of net position.

State Loans Receivable

State loans receivable consist of amounts due from the State based on legislated appropriations of specified taxes for repayment of certain bonds issued by NMFA on behalf of State entities. The related statutes direct NMFA to issue bonds and make proceeds available to specified State entities to fund various projects. The statutes appropriate a portion of pledged future taxes or fees to fund the payment of the related bonds. No allowance has been established, as all such receivables are considered reliably collectable.

Capital Assets

Capital assets are recorded at historical cost and depreciated over their estimated useful lives. Donated capital assets are recorded at their estimated fair value at the date of donation. Additions, improvements, and other capital outlays individually exceeding \$5,000 that significantly extend the useful life of an asset are capitalized.

**NEW MEXICO FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight-line depreciation is used, based on estimated useful lives ranging from three to seven years.

Deferred Outflows/Inflows of Resources

The statement of net position, where applicable, includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent consumption of net position that applies to future periods that will be recognized as an expense in future periods. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will be recognized as revenues in future periods. Both Deferred Loss and Gain on refunding are for non-capital assets.

Bond Discounts and Premiums

Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

Loan Financing Pass-Through

Loan financing pass-through expenses are bond premiums associated with certain loans passed through by NMFA to the respective borrowers. The refinanced loans were associated with certain bond premiums, which reduced the outstanding principal of the associated loans. The reductions represent a loan financing pass-through expense to NMFA. For fiscal year 2022, loan financing pass-through expenses were \$10,396,391.

Compensated Absences

Full-time employees with up to ten years of employment with NMFA are entitled to fifteen days of vacation leave each fiscal year. Employees with more than ten years of service receive twenty days per fiscal year. Employees are permitted to receive vacation leave and carry over unused balances each year, capped at 320 hours. When employees terminate, they are compensated at their current hourly rate for accumulated unpaid vacation leave, up to a maximum of 320 hours.

Full-time employees are entitled to twelve days of sick leave each fiscal year. When employees terminate, they are compensated at twenty-five percent (25%) of their current hourly rate for accumulated unpaid sick leave, up to 320 hours. Part-time employees accrue vacation and sick leave on a prorated basis based on the number of hours they work. Accrued compensated absences are recorded and liquidated in the NMFA Operating Fund.

Undisbursed Loan Proceeds

Undisbursed loan proceeds represent loan amounts awaiting disbursement to loan recipients. Funds are not automatically disbursed in their entirety when a loan closes. Proceeds are disbursed as the related project costs are incurred. Most of the balance in undisbursed loan proceeds is for loans in the PPRF program.

**NEW MEXICO FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

Advanced Loan Payments

Advanced loan payments represent the amounts received from loan recipients that have not been applied as a payment against their loan, as well as debt service reserve accounts funded from the loan proceeds. NMFA applies individual loan payments semi-annually. Any payments received prior to being applied to the loan are held in an account that earns interest, and the interest is credited to the borrower. These funds are held by the trustee and in accounts at the State Treasurer's Office (STO). The balance of advanced loan payments was \$91,620,716 at June 30, 2022.

Net Position

The difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources is referred to as net position. Net position is categorized as net investment in capital assets (net of related debt), restricted or unrestricted based on the following:

*Net investment in capital assets* is intended to reflect the portion of net position associated with capital assets less outstanding capital asset related debt. The net of related debt is the debt less the outstanding liquid assets and any associated unamortized cost. The only debt associated with capital assets is the lease liability.

*Restricted net position* reflects the portion of net position with third-party (statutory, bond covenant or granting agency) limitations on their use. When there is an option, NMFA spends restricted resources first.

The following lists significant programs and the associated restricting statutes and bond covenants:

PPRF	6-21-6 NMSA 1978; General and Subordinated Indentures of Trust
DWSRLF	6-21A-4 NMSA 1978; EPA Capitalization Grant Agreements
WPF	72-4A-9 NMSA 1978
NMTC	6-25-6.1 NMSA 1978; NMTC Allocation Agreement
ED	6-25-1 NMSA 1978 (ESWCP 6-25-1 NMFA 1978; Rules adopted by NMFA Credit Committee)
PCCF	24-1C-4 NMSA 1978
BHCF	6-26-4 NMSA 1978
LGPf	6-21-6.4 NMSA 1978
CIF	6-30-8 NMSA 1978
SSBCI	6-25-13 NMSA 1978; SSBCI Allocation Agreement
SBRL	6-32-3 NMSA 1978
LEDA	5-10-16 NMSA 1978
CMP	6-25-13 NMSA 1978 (SWEDFA 6-25-1; Rules adopted NMFA Board
CSFRF	6-21-6.16 NMSA 1978
VCPA	6-33-3 NMSA 1978
OEA	6-34-12 NMSA 1978

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*Unrestricted net position* represents the portion of net position not otherwise classified as invested in capital assets or restricted net position.

Income Taxes

NMFA is a tax-exempt, quasi-governmental organization under Section 115 of the Internal Revenue Code. Accordingly, no provision for income taxes is included in the accompanying financial statements. NMFA is subject to other Internal Revenue Code sections relating to the tax-exempt status of the bonds issued by NMFA.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Budget

Although NMFA's budget represents a financial plan, not a legal constraint, management constrains itself to the amounts approved by the NMFA Board for the main categories of the Operating Fund: Salaries and Benefits, Contractual Services, and Operations; therefore, budgetary comparison information is not presented in the financial statements or as required supplementary information.

**3) Investments**

NMFA follows GASB No. 40, *Deposit and Investment Risk Disclosures*. This statement requires the disclosure of applicable interest rate, credit, custodial credit, concentration of credit and foreign currency risks.

NMFA's investments conform to the provisions of the Amended and Restated Investment Policy (Investment Policy) dated October 28, 2021, the provisions of the General Indenture of Trust and Subordinated Indenture of Trust applicable to NMFA's bond issuances, bond resolutions and other documents or agreements that control the investment of funds.

Except where prohibited by statute, trust indenture, bond resolution or other controlling authority, NMFA consolidates cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income is allocated to the various funds based on their respective participation. The primary objectives of investment activity, in order of priority, shall be safety, liquidity and yield.

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The Investment Policy provides investments are undertaken in a manner that seeks to ensure the preservation of principal in the overall portfolio while mitigating credit risk and interest rate risk.

Credit Risk

NMFA minimizes credit risk (the risk of loss due to the failure of securities issuer or backer) by limiting investments; prequalifying financial institutions, broker/dealers, intermediaries, and advisors with which NMFA does business; and diversifying the investment portfolio to minimize the impact of potential losses from any one type of security or from any one individual issuer.

FNMLLC cash balances are maintained in several accounts in several banks. At times, these balances may exceed the federal insurance limits; however, FNMLLC has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at June 30, 2022.

Interest Rate Risk

NMFA minimizes interest rate risk (the risk that the market value of securities in the portfolio will decline due to changes in market interest rates) by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations (thereby avoiding the need to sell securities in the open market prior to maturity) and by investing operating funds primarily in short-term securities, limiting the average maturity of the portfolio.

For additional deposit and investment risk disclosure information regarding cash held by the STO, the reader should refer to the separate audit report for the New Mexico State Treasurer's Office for June 30, 2022.

State General Fund Investment Pool

NMFA, as required by Section 24-1C-4 NMSA 1978, administers the Primary Care Capital Fund (PCCF), which was created as a revolving fund in the STO. PCCF funds are deposited into the State General Fund Investment Pool (SGFIP), as are funds of State agencies. In fiscal year 2021, PCCF funds totaled \$920,805, representing less than 1% of total NMFA funds.

All other funds of NMFA, including PPRF funds that are subject to the General and Subordinated Indentures of Trust, are held with a Trustee and secured in accordance with NMFA's Investment Policy.

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Permitted Investments

As provided in Sections 6-21-6 and 6-21-5 of the Act, money pledged for or securing payment of bonds issued by NMFA is deposited and invested as provided in the bond resolution, trust indenture or other instrument under which the bonds were issued. The following table identifies the investment types permitted by the Investment Policy:

Description	Maximum Percentage of NMFA Funds <sup>1</sup>
Direct and general U.S. Government Obligations (Treasury Bills, Treasury Notes, Treasury Bonds)	100%
U.S. Government Agencies (any federal agency or instrumentality notes, bonds, debentures, with implicit guarantee of the United States of America)	75%
SEC-registered money market funds with total assets at time of deposit in excess of \$100,000,000 <sup>2</sup>	100%
Certificates of deposits and bank deposits <sup>3</sup>	20%
Commercial paper issued by corporations organized and operating on the United States and rated A1 P1 or equivalent by two or more rating services.	10%
Bonds or notes issued by any municipality, county or school district of the State	10%
Overnight repurchase agreements <sup>4</sup>	25%
Fixed income mutual funds	10%
Investment contracts (guaranteed investment contracts (GIC's) and flexible repurchase agreements) <sup>1</sup>	10%
State Treasurer's Local Government Investment Pool	50%

Investment of Bond Proceeds

All or any portion of the proceeds of bonds or other obligations of NMFA may be invested in a guaranteed investment contract (GIC) or flexible repurchase agreement without regard to the investment allocation constraints set forth in the Investment Policy, if the GIC or repurchase agreement provides for disbursement upon request of NMFA in amounts necessary to meet expense requirements for the bonds or other obligations.

<sup>1</sup> Limits do not apply to cash invested by trustee per bond indenture.

<sup>2</sup> Money markets must be rated AAA by Standard & Poor and be in compliance with the diversification, quality and maturity requirements 2a-7 of the U.S. Securities and Exchange Commission applicable to money markets with no sales load or deferred sales charge.

<sup>3</sup> Interest bearing certificates of deposit or bank deposits must be in banks having a branch location in New Mexico, and all principal and interest must be fully insured by the Federal Deposit Insurance Corporation or secured by obligations described above, registered in the name of NMFA and held by a third party safe-keeping agent, or collateralized as required by 6-10-16 NMSA 1978 at 102% of the value of the deposit that is not FDIC insured.

<sup>4</sup> Investment contracts and repurchase agreement investments must be fully secured by obligations described above, with all collateral held by an independent third party safe-keeping agent.

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Cash and equivalents at June 30, 2022 were as follows:

Description	Balance at June 30, 2022	Interest Bearing	Rated	Percentage of NMFA Funds
FNMLLC Cash equivalents	\$ 8,168,235	Yes	N/A	<1%
Wells Fargo Deposit account	480,310	No	N/A	<1%
Wells Fargo Repurchase agreement	256,405	Yes	N/A	<1%
Wells Fargo Small Business Relief Fund	11,954,196	Yes	N/A	1%
Wells Fargo LEDA Grants	160,691,365	Yes	N/A	17%
Government Money Market Funds	194,189,277	Yes	AAA	21%
US Treasury Notes less than 91 days to maturity	40,010,732	Yes	AAA	4%
US Eagle Federal Credit Union	500,081	Yes	N/A	<1%
PCCF funds held with the SGFIP	920,805	Yes	N/A	<1%
Total Cash and Equivalents	<u>\$ 417,171,406</u>			
Cash held in agency fund	\$ 309,932,613	Yes		

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Maturity Restrictions

It is the policy of NMFA to diversify investment maturities based on cash flow requirements. Unless matched to a specific cash flow, NMFA will invest in securities maturing five years or fewer from date of purchase.

Investments consist of bond proceeds, which are restricted to uses specified in the related bond indentures. Such restricted investments at June 30, 2022 are comprised of the following:

Description	Fair Value as of June 30, 2022	Average Years to Maturity	Percentage of NMFA Funds
US Treasury Notes	\$ 491,378,212	0.97	52%
US Government Agencies	35,138,082	1.34	4%
Total	<u>\$ 526,516,294</u>		

Fair Value Measurement

NMFA's investments measured and reported at fair value are classified according to the following hierarchy:

Level 1 – Investments reflect prices quoted in active markets.

Level 2 – Investments reflect prices that are based on a similar observable asset, either directly or indirectly, which include inputs in markets that are not considered to be active.

Level 3 – Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

At June 30, 2022, NMFA's investments are classified as Level 1.

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**4) Loans Receivable**

Loans receivable activity for fiscal year ending June 30, 2022 was as follows:

Program	Term (Years)	Rates	2021	Increases	Decreases	2022
PPRF	1 to 30	0% to 6%	\$ 1,590,864,921	\$ 249,602,992	\$ 209,387,470	\$ 1,631,080,443
Drinking Water	1 to 30	0% to 4%	91,804,064	8,779,164	6,807,717	93,775,511
Small Business Recovery Act	4 to 10	1.625%	51,753,981	107,805,514	3,837,784	155,721,711
Water Trust Board	10 to 20	0%	31,598,478	4,453,103	4,273,750	31,777,831
NMTC - FNM	7	4.25%	6,538,146	-	50,520	6,487,626
Colonias	10 to 20	0%	5,686,802	1,288,754	467,473	6,508,083
SSBCI	10 to 20	3%	2,206,036	-	199,022	2,007,014
Economic Development	3 to 14	2% to 4%	1,921,020	-	63,119	1,857,901
Essential Services	1 to 7	0	3,740,869	475,000	1,941,248	2,274,621
Behavioral Health	15	3%	1,531,228	452,000	129,439	1,853,789
Primary Care	10 to 20	3%	827,033	-	173,995	653,038
			1,788,472,578	372,856,527	227,331,537	1,933,997,568
Less allowance for loan losses			6,927,454	12,685,045	363,425	19,249,074
Net Total			<u>\$ 1,781,545,124</u>	<u>\$ 360,171,482</u>	<u>\$ 226,968,112</u>	<u>\$ 1,914,748,494</u>

The following is a summary of scheduled payments to be collected on loans receivable as of June 30, 2022:

Fiscal Year ending June 30	Principal	Interest	Total
2023	\$ 161,115,169	\$ 46,415,660	\$ 207,530,829
2024	170,420,923	45,669,209	216,090,132
2025	161,882,031	43,089,826	204,971,857
2026	160,275,886	38,122,571	198,398,457
2027	153,725,656	34,676,917	188,402,573
2028-2032	640,315,759	121,998,488	762,314,247
2033-2037	324,290,469	52,291,521	376,581,990
2038-2042	120,330,969	14,896,316	135,227,285
2043-2047	29,629,491	4,341,371	33,970,862
2048-2052	12,011,215	833,780	12,844,995
Sub-totals	1,933,997,568	402,335,659	2,336,333,227
Less Allowance for loan loss	19,249,074		
Net loans receivable	<u>\$ 1,914,748,494</u>		

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In the summary above of scheduled payments to be collected on loans receivable at June 30, 2022, are SBRL loan principal payments totaling \$155.7 million and interest of \$13.3 million. Upon receipt, SBRL scheduled payments are due to the New Mexico State Investment Council (SIC) for deposit in the New Mexico Severance Tax Permanent Fund. The following details the future cash flows for SBRL loans included above and due to the SIC:

<u>Fiscal Year ending June 30, 2022</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 9,042	\$ 490,591	\$ 499,633
2024	17,776,521	2,726,978	20,503,499
2025	13,771,677	3,488,044	17,259,721
2026	19,793,219	1,898,414	21,691,633
2027	19,500,627	1,567,066	21,067,693
2028-2032	84,865,101	3,108,588	87,973,689
2033-2037	5,524	9	5,533
Sub-totals	155,721,711	13,279,690	169,001,401
Less Allowance for loan loss	17,730,661		
<u>Net loans receivable</u>	<u>\$ 137,991,050</u>		

State Loans Receivable

NMFA has agreements with various state entities relating to the issuance of bonds. Pursuant to the underlying legislation and resolutions, the bond proceeds financed various State projects in the PPRF. Pursuant to the legislation, the debt service on these bonds is payable solely from pledged future revenues from the State and state entities. The following activity represents amounts due to NMFA under these agreements as of June 30, 2022. These loans are included in the PPRF loans above.

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Loan Number	State Entity	Balance at June 30, 2022
PPRF-3268	Administrative Office of the Court	\$ 10,715,000
PPRF-5365	Administrative Office of the Court	5,310,000
PPRF-5696	Administrative Office of the Court	7,555,000
PPRF-5697A	Administrative Office of the Court	8,085,331
PPRF-5698	Administrative Office of the Court	1,075,000
PPRF-1592	Cultural Affairs Department	162,705
PPRF-2668	Department of Health	7,648,000
PPRF-4432	Department of Health	3,075,000
PPRF-3283	Eastern New Mexico University	12,760,000
PPRF-3797	Eastern New Mexico University	4,737,950
PPRF-5127	Eastern New Mexico University	20,295,000
PPRF-5248	Eastern New Mexico University	1,260,000
PPRF-1574	Energy Minerals and Natural Resources Department	518,543
PPRF-3445	General Services Department	30,150,000
PPRF-3446	General Services Department	410,594
PPRF-4431	General Services Department	24,025,000
PPRF-4717	General Services Department	18,450,000
PPRF-4769	General Services Department	43,280,000
PPRF-4955	General Services Department (Energy Efficiency)	10,855,000
PPRF-2345	New Mexico Highlands University	8,715,000
PPRF-2702	New Mexico Highlands University	11,605,000
PPRF-5561	New Mexico Institute of Mining and Technology	7,610,000
PPRF-5008	New Mexico Military Institute	4,710,000
PPRF-5009	New Mexico Military Institute	6,516,000
PPRF-5464	New Mexico Spaceport Authority	31,349,819
PPRF-2661	State of New Mexico (Energy Efficiency)	171,095
PPRF-2662	State of New Mexico (Energy Efficiency)	141,526
PPRF-3472	State of New Mexico (Energy Efficiency)	2,513,196
PPRF-4718	State of New Mexico (Energy Efficiency)	899,630
PPRF-4803	State of New Mexico (Energy Efficiency)	377,906
PPRF-4956	State of New Mexico (Energy Efficiency)	3,421,412
PPRF-3424	University of New Mexico - Health Sciences Center	8,845,000
PPRF-5586	University of New Mexico - Health Sciences Center	22,000,000
PPRF-2909	Western New Mexico University	3,580,000
PPRF-5324	Western New Mexico University	8,350,000
PPRF-5325	Western New Mexico University	7,076,000

Total State Loans Receivable **\$ 338,249,707**

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**5) Capital Assets**

A summary of changes in capital assets during fiscal year 2022 is as follows:

	Balance at Jun 30, 2021	Increases	Reclassifications	Implementation of Accounting Standard	Balance at Jun 30, 2022
Capital assets not being depreciated					
Building and improvements	\$ -	\$ 7,260	\$ -	\$ -	\$ 7,260
Capital assets being depreciated					
Furniture and fixtures	46,033	-	-	-	46,033
Computer hardware and software	1,760,695	13,783	(602,296)	-	1,172,182
Internally developed software	1,221,592	119,607	602,296	-	1,943,495
Leasehold improvement	8,241	-	-	-	8,241
Right-to-use assets					
Building and improvements	-	-	-	1,847,878	1,847,878
Total Capital Assets	<u>\$ 3,036,561</u>	<u>\$ 140,650</u>	<u>\$ -</u>	<u>\$ 1,847,878</u>	<u>\$ 5,025,089</u>
Accumulated depreciation					
Furniture and fixtures	\$ (46,033)	\$ -	\$ -	\$ -	\$ (46,033)
Computer hardware and software	\$ (1,065,653)	\$ (85,789)	\$ 31,925	\$ -	\$ (1,119,517)
Internally developed software	(52,803)	(380,796)	(31,925)	-	(465,524)
Leasehold improvement	(8,241)	-	-	-	(8,241)
Accumulated amortization					
Right-to-use assets					
Building and improvements	-	-	-	(503,967)	(503,967)
Total Depreciation and Amortization	<u>\$ (1,172,730)</u>	<u>\$ (466,585)</u>	<u>\$ -</u>	<u>\$ (503,967)</u>	<u>\$ (2,143,282)</u>
Net total	<u>\$ 1,863,831</u>	<u>\$ (325,935)</u>	<u>\$ -</u>	<u>\$ 1,343,911</u>	<u>\$ 2,881,807</u>

Depreciation and amortization expense for fiscal year 2022 was \$970,552.

NMFA is a lessee for noncancellable lease of office space with a term through 2025. There are no residual value guarantees included in the measurement of NMFA's lease liability nor recognized as an expense for the year ended June 30, 2022. NMFA does not have any commitments that were incurred at the commencement of the lease. NMFA is not subject to variable payments associated with this lease. No termination penalties were incurred during the fiscal year.

Future principal and interest lease payments as of June 30, 2022, were as follows:

Year Ending June 30	Principal	Interest	Total
2023	\$ 489,157	\$ 43,294	\$ 532,451
2024	518,754	24,345	543,099
2025	362,222	5,139	367,361
	<u>\$ 1,370,133</u>	<u>\$ 72,778</u>	<u>\$ 1,442,911</u>

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**6) Bonds Payable**

Bonds have been issued to provide financing for PPRF and are collateralized as follows:

- ♦ Loan Agreements and securities executed and delivered by governmental units in consideration for the financing of all or a portion of their respective projects by NMFA
- ♦ Amounts held in the Agreement Reserve Accounts
- ♦ Additional pledged loans
- ♦ Revenues received by NMFA from the allocation of PPRF's portion of the GGRT
- ♦ Revenues pledged through legislation as security for the payment of principal and interest on bonds. These revenues include mainly Court Facilities Fees, Cigarette Excise and Tax, GGRT
- ♦ Revenues pledged to the energy efficiency program (loans are detailed in Note 4)

Bonds payable consisted of the following at June 30, 2022:

				Outstanding Amount
Bond Series	Rate	Maturities	Original Amount	June 30, 2022
Public Project Revolving Fund Revenue Bonds - Senior Lien Debt				
2013 A	3.000% to 5.000%	June 1, 2023 to June 1, 2038	44,285,000	15,500,000
2013 B	3.750% to 5.000%	June 1, 2023 to June 1, 2036	16,360,000	5,620,000
2014 B	3.000% to 5.000%	June 1, 2023 to June 1, 2035	58,235,000	25,435,000
2015 B	3.000% to 5.000%	June 1, 2023 to June 1, 2045	45,325,000	26,785,000
2015 C	5.000%	June 1, 2023 to June 1, 2035	45,475,000	42,810,000
2016 A	2.500% to 5.000%	June 1, 2023 to June 1, 2036	52,070,000	25,695,000
2016 C	3.000% to 5.000%	June 1, 2023 to June 1, 2046	67,540,000	58,020,000
2016 D	2.000% to 5.000%	June 1, 2023 to June 1, 2046	116,485,000	67,275,000
2016 E	3.000% to 5.000%	June 1, 2023 to June 1, 2046	40,870,000	16,775,000
2016 F	3.375% to 5.000%	June 1, 2023 to June 1, 2046	38,575,000	21,405,000
2017 A	3.000% to 5.000%	June 1, 2023 to June 1, 2046	60,265,000	44,500,000
2017 C	3.000% to 5.000%	June 1, 2023 to June 1, 2030	37,675,000	18,500,000
2017 E	5.000%	June 1, 2023 to June 1, 2038	40,190,000	26,460,000
2018 A	3.250% to 5.000%	June 1, 2023 to June 1, 2038	124,330,000	94,365,000
2018 B	5.000%	June 1, 2023 to June 1, 2031	22,530,000	13,675,000
2018 D	5.000%	June 1, 2023 to June 1, 2038	53,310,000	35,270,000
2019 B	4.000% to 5.000%	June 1, 2023 to June 1, 2039	43,870,000	36,815,000
2019 D	3.000% to 5.000%	June 1, 2023 to June 1, 2041	53,260,000	47,180,000
2020 A	2.000% to 5.000%	June 1, 2023 to June 1, 2040	32,305,000	25,350,000
2020 B	3.000% to 5.000%	June 1, 2023 to June 1, 2041	81,000,000	71,365,000
2021 A	3.000% to 5.000%	June 1, 2023 to June 1, 2041	39,535,000	34,945,000
2021 C	5.000%	June 1, 2023 to June 1, 2036	43,610,000	43,610,000
2022 A	2.750% to 5.000%	June 1, 2023 to June 1, 2041	65,570,000	63,850,000
2022 B	3.625% to 5.000%	June 1, 2023 to June 1, 2042	53,215,000	53,215,000
			\$ 1,275,885,000	914,420,000

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				Outstanding Amount
Bond Series	Rate	Maturities	Original Amount	June 30, 2022
Public Project Revolving Fund Revenue Bonds - Subordinate Lien Debt				
2014 A-1	3.250% to 5.000%	June 15, 2023 to June 15, 2033	\$ 15,135,000	10,300,000
2014 A-2	3.250% to 4.491%	June 15, 2023 to June 15, 2034	16,805,000	4,165,000
2015 A	3.000% to 5.000%	June 15, 2023 to June 15, 2035	63,390,000	36,415,000
2015 D	5.000%	June 15, 2023 to June 15, 2027	29,355,000	15,445,000
2017 B	3.500% to 5.000%	June 15, 2023 to June 15, 2026	68,015,000	18,755,000
2017 D	5.000%	June 15, 2023 to June 15, 2033	41,395,000	22,055,000
2017 F	2.620% to 3.655%	June 15, 2023 to June 15, 2036	19,315,000	11,990,000
2018 C-1	4.000% to 5.000%	June 15, 2023 to June 15, 2039	19,400,000	15,800,000
2018 C-2	3.216% to 4.090%	June 15, 2023 to June 15, 2038	13,175,000	9,125,000
2018 E	5.000%	June 15, 2023 to June 15, 2038	70,205,000	56,005,000
2019 A	5.000%	June 15, 2023 to June 15, 2036	37,145,000	30,530,000
2019 C-1	4.000% to 5.000%	June 15, 2023 to June 15, 2039	18,930,000	14,955,000
2019 C-2	2.270% to 3.375%	June 15, 2023 to June 15, 2039	12,480,000	9,750,000
2020 C-1	3.000% to 5.000%	June 15, 2023 to June 15, 2050	57,960,000	52,650,000
2020 C-2	0.425% to 2.650%	June 15, 2023 to June 15, 2040	38,860,000	32,995,000
2021 B	4.000% to 5.000%	June 15, 2023 to June 15, 2032	31,305,000	29,900,000
			552,870,000	370,835,000
Total bonds outstanding			\$ 1,828,755,000	1,285,255,000
Add net unamortized premium				200,457,432
Total bonds payable, net				1,485,712,432
Less current portion of bonds payable				(118,700,000)
Noncurrent portion of bonds payable				\$ 1,367,012,432

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Maturities of bonds payable and interest are as follows:

	Principal	Interest	Total
Fiscal year ending June 30			
2023	118,700,000	57,009,688	175,709,688
2024	115,965,000	51,664,661	167,629,661
2025	113,410,000	46,202,149	159,612,149
2026	99,205,000	40,887,806	140,092,806
2027	98,535,000	36,246,842	134,781,842
2028-2032	387,275,000	121,473,527	508,748,527
2033-2037	236,615,000	47,424,935	284,039,935
2038-2042	93,085,000	12,054,016	105,139,016
2043-2047	18,330,000	2,570,350	20,900,350
2048-2050	4,135,000	329,600	4,464,600
	1,285,255,000	\$ 415,863,574	\$ 1,701,118,574
Add unamortized premium	200,457,432		
Bonds payable, net	<u>\$ 1,485,712,432</u>		

The bonds payable activity is as follows:

	Balance at June 30, 2021	Increases	Decreases	Balance at June 30, 2022	Due within One Year
Bonds payable	\$ 1,242,620,000	\$ 162,395,000	\$ 119,760,000	\$ 1,285,255,000	\$ 118,700,000
Add: Unamortized premium	185,818,844	27,739,768	13,101,180	200,457,432	-
Total	<u>\$ 1,428,438,844</u>	<u>\$ 190,134,768</u>	<u>\$ 132,861,180</u>	<u>\$ 1,485,712,432</u>	<u>\$ 118,700,000</u>

Current and Advance Refunding of Debt

During fiscal year 2022, the PPRF did not refund or retire any outstanding PPRF bonds.

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**7) Line of Credit**

NMFA maintains a credit facility with Wells Fargo for the PPRF which provides for a borrowing limit of up to \$100,000,000 for the purpose of obtaining necessary funding, on an interim basis, to make loans to qualified entities prior to the issuance, sale and delivery of certain PPRF Revenue Bonds and to reimburse NMFA for such loans that have been made. The terms of the credit facility require payment in full of any outstanding balance from the proceeds of the next PPRF bond issuance. Interest is due monthly on the outstanding balance and accrues at 80% of U.S. dollar monthly LIBOR plus 65 basis points. The LIBOR rate at June 30, 2022, was 1.78671%. NMFA pays a fee of 35 basis points on the unused portion of the facility. For fiscal year 2022, the line of credit had \$32.0 million in proceeds and payments, resulting in a zero balance at year end.

**8) Retirement Plans**

The NMFA's retirement plan was organized under Section 401(a) of the Internal Revenue Code. The retirement plan is not subject to the general claims of the creditors of NMFA. Each eligible employee participating in the plan must contribute 3% of their compensation. NMFA makes a contribution of 15% of their compensation. Employees can make an additional, voluntary contribution of up to 4% of their compensation. NMFA also makes a 50% matching contribution on all voluntary contributions. Employee contributions are 100% vested, and NMFA's contributions will vest 100% to the employee over five years. The contributions are invested in various mutual funds selected by the employee. NMFA's contributions for this retirement plan for the year ended June 30, 2022, were \$686,817. Additionally, employee contributions for the retirement plan for the year ended June 30, 2022, were \$256,912. Substantially all full-time employees participate in this plan.

NMFA maintains a retirement plan in accordance with an "eligible deferred compensation plan" pursuant to Section 457 of the Internal Revenue Code for its highly compensated employees. Employer contributions are limited by IRS Code Section 457(e)(15)(A). The employee contributions are fully vested at all times.

**9) Compensated Absences**

The following changes occurred during fiscal year 2022 in the compensated absences liabilities:

Balance at June 30, 2021	\$ 683,066
Additions	331,030
Deletions	(238,574)
Balance at June 30, 2022	<u>775,522</u>
Due within one year	<u>\$ 775,522</u>

**NEW MEXICO FINANCE AUTHORITY**  
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**10) Fiduciary Transactions**

NMFA was authorized in 2003 to issue bonds as agent for the New Mexico Department of Transportation (NMDOT). Approximately \$873.3 million of such bonds was outstanding at June 30, 2022.

Debt service for the bonds is payable solely from certain revenues of NMDOT. In the opinion of legal counsel, there is no claim that could be asserted against NMFA's assets for payment of debt service on the NMDOT bonds; therefore, these bonds are not reflected in NMFA's financial statements. NMFA receives a biannual fee from NMDOT equal to its overhead costs for management of the bond issues. The fee is recognized on a cost reimbursement basis.

**11) Contingencies**

Litigation

In the normal course of operations, NMFA is involved in certain litigation and arbitration proceedings involving former employee complaints and subcontractor claims.

Management and legal counsel believe the outcomes will not have a materially adverse impact on the financial position of NMFA.

NMFA is exposed to various risks of loss related to torts; theft of, damages to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. NMFA participates in the State of New Mexico self-insurance program (Risk Management Program). Under this program, NMFA pays an annual premium to the State for the following types of insurance coverage:

- ◆ Workers' compensation insurance
- ◆ General liability insurance
- ◆ Civil rights
- ◆ Blanket property insurance
- ◆ Boiler and machinery insurance
- ◆ Auto physical damage insurance
- ◆ Crime insurance
- ◆ Cyber insurance

NMFA also carries commercial insurance to cover losses to which it may be exposed related to their leased office space.

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During the year, there were no significant reductions in commercial insurance coverage. For the past five years, no insurance settlements exceeded commercial insurance coverage.

**12) Related Party Transactions**

NMFA has issued bonds or purchased securities for several other State entities to finance the construction of certain capital projects. Representatives of two of these entities (the Secretary of the New Mexico Department of Finance and Administration and the Secretary of the New Mexico Department of Energy, Minerals and Natural Resources) are ex officio members of the NMFA Board. Additionally, representatives serving on the NMFA Board hold positions as Cabinet Secretaries of the New Mexico Environment Department (NMED) and New Mexico Economic Development Department (NMEDD). NMFA assists NMED in the administration of the DWSRLF federal program pursuant to a Memorandum of Understanding. Similarly, NMFA assists in the administration of the LEDA recovery grants pursuant to a Memorandum of Understanding.

**13) Finance New Mexico, LLC**

NMFA has invested in, and is the managing member of, Finance New Mexico, LLC (FNMLLC), which was formed on June 19, 2006, under the laws of the State of New Mexico. FNMLLC is an approved Community Development Entity (CDE) that holds New Markets Tax Credits (NMTC) allocation authority to be used for investment in Qualified Active Low-Income Community Businesses (QALICB) pursuant to Section 45D of the Internal Revenue Code (IRC).

The principal business objective of FNMLLC is to provide nontraditional investment capital to underserved markets and to enhance the return on such investments by providing its members with new markets tax credits. In general, under Section 45D of the Internal Revenue Code, a qualified investor in a CDE can receive the tax credits to be used to reduce Federal taxes.

In accordance with the operating agreement of FNMLLC, 99% of profits, losses and cash flows are allocated to NMFA, the managing member, and 1% to New Mexico Community Capital, the non-managing member.

FNMLLC has financial accountability to NMFA. Financial accountability is measured through the degree to which NMFA can appoint a voting majority of the governing body, impose its will, ascertain a potential financial benefit, or face a potential financial burden with regard to the potential component unit. Based on the above criteria, it was determined that the FNMLLC is a blended component unit of NMFA. As such, NMFA has consolidated FNMLLC's financial statement amounts within NMFA's New Markets Tax Credit program. The condensed component unit information for FNMLLC and subsidiaries for the year ended June 30, 2022, was as follows:

**NEW MEXICO FINANCE AUTHORITY**  
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**Statement of Net Position – FNMLLC**

	<b>June 30, 2022</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 8,168,235
Asset management fee receivable	420,470
Investment in limited liability companies	16,757
Due from affiliate	955
Interest receivable	162,087
Loan receivable, net	6,487,626
<b>Total Assets</b>	<b>\$ 15,256,130</b>
<b>Liabilities</b>	
Accounts payable and accrued expenses	\$ 113,990
Deferred revenue	232,031
Due to affiliate	2,115,160
<b>Total Liabilities</b>	<b>2,461,181</b>
<b>Net Position</b>	
Unrestricted	12,794,949
<b>Total Liabilities and Net Position</b>	<b>\$ 15,256,130</b>

**NEW MEXICO FINANCE AUTHORITY**  
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**Statement of Revenue, Expenses and Changes in Net Position – FNMLLC**

	<b>Fiscal Year Ended June 30, 2022</b>
<b>Revenue</b>	
Sponsor fee income	\$ 951,108
Asset management fee income	862,171
Interest income on loan	287,213
Reimbursement revenue	15,000
<b>Total Operating Revenue</b>	<b>2,115,492</b>
<b>Operating Expenses</b>	
Sponsor fee expense	870,858
Professional fees	220,517
Gross receipts tax	151,214
Bank fees	3,571
<b>Total Operating Expenses</b>	<b>1,246,160</b>
<b>Net Income from Operations</b>	<b>869,332</b>
<b>Other Income (Expense)</b>	
Share of income from investment in LLC's	132
Interest earned on cash	699
<b>Net Other Income</b>	<b>831</b>
<b>Increase in Net Position</b>	<b>870,163</b>
Net position, beginning of year	11,924,786
<b>Net Position, End of Year</b>	<b>\$ 12,794,949</b>

**NEW MEXICO FINANCE AUTHORITY**  
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**Statement of Cash Flows – FNMLLC**

	<b>Fiscal Year Ended June 30, 2022</b>
<b>Cash Flows from Operating Activities</b>	
Net income	\$ 870,163
Adjustments to reconcile net income to net cash provided by operating activities:	
Share of income from investments in LLCs	(132)
Loan origination fee revenue	(9,192)
Deferred revenue recognition	(40,596)
Increase in asset management fee receivable	(59,323)
Increase in interest receivable	(92,773)
Repayment of advances from affiliates	294,371
Increase in accounts payable and accrued expenses	36,810
<b>Net Cash Provided by Operating Activities</b>	<b>999,328</b>
<b>Cash Flows from Investing Activities</b>	
Increase in investments in LLCs	(2,800)
<b>Net Cash Used in Investing Activities</b>	<b>(2,800)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>996,528</b>
 Cash and cash equivalents, beginning of year	 7,171,707
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 8,168,235</b>

**NEW MEXICO FINANCE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**14) COVID-19**

Certain impacts from the COVID-19 outbreak may have a significant negative impact on NMFA's operations and ability to fulfill its mission. These circumstances may continue and may have an adverse impact on economic and market conditions. The ultimate economic fallout from the pandemic, and the long-term impact on economies, markets, industries and individual companies, are not known. The extent of the impact to the financial performance and the operations of NMFA will depend on future developments, which are highly uncertain and cannot be predicted.

## **SUPPLEMENTARY SCHEDULES**

	Operating Fund	Behavioral Health Capital Fund	Cannabis Microbusiness Program	Charter School Facility Revolving Fund	Colonias Infrastructure Fund	Drinking Water State Revolving Loan Fund	Economic Development	Essential Services Working Capital Fund	Local Economic Development Act
<b>Assets</b>									
Current Assets									
Cash and cash equivalents									
Unrestricted cash - unassigned	\$ 2,204,745	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted cash - assigned	5,882,939	-	-	-	-	-	-	-	-
Restricted cash - unassigned	-	245,499	250,081	-	216,206	43,001,322	-	3,378,472	160,691,365
Restricted cash - assigned	-	-	250,000	-	-	-	846,617	-	-
Interest receivable	-	6,273	-	-	-	400,198	-	-	-
Grants and other receivable	404,820	-	-	-	-	509	-	-	-
Due from other funds	5,597,266	-	-	-	-	-	-	58,976	-
Other Assets	129,929	-	-	-	-	-	-	-	-
Administrative fees receivable	129,409	-	-	-	-	57,519	-	-	-
Loans receivable, current portion	-	125,941	-	-	380,934	6,231,397	64,865	872,070	-
Total Current Assets	14,349,108	377,713	500,081	-	597,140	49,690,945	911,482	4,309,518	160,691,365
Non-current assets									
Unrestricted investments - unassigned	9,316,714	-	-	-	-	-	-	-	-
Restricted investments - unassigned	-	317,914	-	-	-	54,541,950	1,083,447	-	-
Restricted investments - assigned	-	-	-	-	-	-	-	4,290,140	-
Loans receivable, net of current portion	-	1,727,848	-	-	6,127,149	87,544,114	1,793,036	1,402,551	-
Allowance for bad debt	-	(92,689)	-	-	-	-	(92,895)	(113,731)	-
Capital Assets, net of accumulated depreciation and amortization	2,881,807	-	-	-	-	-	-	-	-
Total Non-current Assets	12,198,521	1,953,073	-	-	6,127,149	142,086,064	2,783,588	5,578,960	-
<b>Total Assets</b>	<b>26,547,629</b>	<b>2,330,786</b>	<b>500,081</b>	<b>-</b>	<b>6,724,289</b>	<b>191,777,009</b>	<b>3,695,070</b>	<b>9,888,478</b>	<b>160,691,365</b>
<b>Deferred Outflows of Resources</b>									
Deferred loss on refunding, non-capital assets	-	-	-	-	-	-	-	-	-
<b>Total Deferred Outflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Liabilities</b>									
Current Liabilities									
Accounts payable	176,087	-	-	-	-	-	-	-	-
Accrued payroll	164,019	-	-	-	-	-	-	-	-
Compensated absences	775,522	-	-	-	-	-	-	-	-
Due to other funds	686,519	489,956	45,171	348	2,742,138	467,132	9,125	-	446,555
Bond interest payable	-	-	-	-	-	-	-	-	-
Undisbursed loan proceeds	-	-	-	-	-	-	-	-	-
Advanced debt service payments	-	-	-	-	-	1,313,818	-	-	-
Bonds payable, current portion	-	-	-	-	-	-	-	-	-
Cost of loan issuance payable	-	-	-	-	-	-	-	-	-
Lease liability	489,187	-	-	-	-	-	-	-	-
Other liabilities	50,000	-	-	-	-	777,673	-	-	160,388,077
Total Current Liabilities	2,341,334	489,956	45,171	348	2,742,138	2,558,623	9,125	-	160,834,632
Non-Current Liabilities									
Bonds payable, net of current portion	-	-	-	-	-	-	-	-	-
Lease liability, net of current portion	880,946	-	-	-	-	-	-	-	-
New Mexico State Investment Council payable	-	-	-	-	-	-	-	-	-
Total Non-Current Liabilities	880,946	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>3,222,280</b>	<b>489,956</b>	<b>45,171</b>	<b>348</b>	<b>2,742,138</b>	<b>2,558,623</b>	<b>9,125</b>	<b>-</b>	<b>160,834,632</b>
<b>Deferred Inflows of Resources</b>									
Deferred gain on refunding, non-capital assets	-	-	-	-	-	-	-	-	-
<b>Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Position</b>									
Net investment in capital assets	2,881,807	-	-	-	-	-	-	-	-
Restricted for program commitments	4,011,899	1,840,830	454,910	(348)	3,982,151	189,160,867	3,685,945	9,888,478	(143,267)
Unrestricted	16,431,643	-	-	-	-	57,519	-	-	-
<b>Total Net Position</b>	<b>\$ 23,325,349</b>	<b>\$ 1,840,830</b>	<b>\$ 454,910</b>	<b>\$ (348)</b>	<b>\$ 3,982,151</b>	<b>\$ 189,218,386</b>	<b>\$ 3,685,945</b>	<b>\$ 9,888,478</b>	<b>\$ (143,267)</b>

# NEW MEXICO FINANCE AUTHORITY

## Combining Statement of Net Position

### June 30, 2022

Local Government Planning Fund	New Markets Tax Credits	Opportunity Enterprise Act	Primary Care Capital Fund	Public Project Revolving Fund	Small Business Recovery Fund	State Small Business Credit Initiative	Venture Capital Act	Water Project Fund / Water Trust Board	Intra-Program Eliminations	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,204,745
-	-	-	-	-	-	-	-	-	-	5,882,939
1,571,985	10,847,693	-	920,805	165,626,328	11,954,196	146,991	-	9,136,162	-	407,987,105
-	-	-	-	-	-	-	-	-	-	1,096,617
-	162,087	-	3,458	6,692,510	440,941	-	-	-	-	7,705,467
-	-	-	-	-	-	-	-	323,979	-	729,308
-	-	-	-	-	627,543	-	-	-	(6,283,785)	-
-	-	-	-	-	-	-	-	-	-	129,929
-	437,226	-	-	454,853	-	88,974	-	32,024	-	1,200,005
-	-	-	140,540	150,815,097	9,042	108,801	-	2,366,482	-	161,115,169
1,571,985	11,447,006	-	1,064,803	323,588,788	13,031,722	344,766	-	11,858,647	(6,283,785)	588,051,284
-	-	-	-	-	-	-	-	-	-	9,316,714
1,993,233	3,394,284	-	-	439,806,497	-	173,352	-	11,598,763	-	512,909,440
-	-	-	-	-	-	-	-	-	-	4,290,140
-	6,487,626	-	512,498	1,480,265,346	155,712,669	1,898,213	-	29,411,349	-	1,772,882,399
-	-	-	(32,652)	(1,081,927)	(17,730,661)	(104,519)	-	-	-	(19,249,074)
-	-	-	-	-	-	-	-	-	-	2,881,807
1,993,233	9,881,910	-	479,846	1,918,989,916	137,982,008	1,967,046	-	41,010,112	-	2,283,031,426
3,565,218	21,328,916	-	1,544,649	2,242,578,704	151,013,730	2,311,812	-	52,868,759	(6,283,785)	2,871,082,710
-	-	-	-	593,621	-	-	-	-	-	593,621
-	-	-	-	593,621	-	-	-	-	-	593,621
-	-	-	-	-	-	-	-	-	-	176,087
-	-	-	-	-	-	-	-	-	-	164,019
-	-	-	-	-	-	-	-	-	-	775,522
16,421	50,132	1,587	156,473	170,013	-	936,177	278	65,760	(6,283,785)	-
-	-	-	-	4,064,664	-	-	-	-	-	4,064,664
-	-	-	-	347,723,364	-	-	-	-	-	347,723,364
-	-	-	-	90,306,898	-	-	-	-	-	91,620,716
-	-	-	-	118,700,000	-	-	-	-	-	118,700,000
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	731,338	-	16,785	88,472	18,285,556	-	-	333,000	-	180,670,901
16,421	781,470	1,587	173,258	561,053,411	18,285,556	936,177	278	398,760	(6,283,785)	743,895,273
-	-	-	-	1,367,012,432	-	-	-	-	-	1,367,012,432
-	-	-	-	-	-	-	-	-	-	880,946
-	-	-	-	-	137,983,546	-	-	-	-	137,983,546
-	-	-	-	1,367,012,432	137,983,546	-	-	-	-	1,505,876,924
16,421	781,470	1,587	173,258	1,928,065,843	156,269,102	936,177	278	398,760	(6,283,785)	2,249,772,197
-	-	-	-	2,554,033	-	-	-	-	-	2,554,033
-	-	-	-	2,554,033	-	-	-	-	-	2,554,033
-	-	-	-	-	-	-	-	-	-	2,881,807
3,548,797	20,110,220	(1,587)	1,371,391	312,097,596	(5,255,372)	1,286,661	(278)	52,437,975	-	598,476,868
-	437,226	-	-	454,853	-	88,974	-	32,024	-	17,502,239
\$ 3,548,797	\$ 20,547,446	\$ (1,587)	\$ 1,371,391	\$ 312,552,449	\$ (5,255,372)	\$ 1,375,635	\$ (278)	\$ 52,469,999	\$ -	\$ 618,860,914

	Operating Fund	Behavioral Health Capital Fund	Cannabis Microbusiness Program	Charter School Facility Revolving Fund	Colonias Infrastructure Fund	Drinking Water State Revolving Loan Fund	Economic Development	Essential Services Working Capital Fund	Local Economic Development Act
<b>Operating Revenue</b>									
Interest on loans	\$ -	\$ 45,770	\$ -	\$ -	\$ -	\$ 1,640,408	\$ 50,928	\$ 25,719	\$ -
Administrative fees revenue	3,430,821	565,000	-	-	-	257,735	-	-	-
Interest on investments	89,969	4,755	81	-	85	776,043	52,437	32,004	302,664
Unrealized Gain/(Loss)	(67,539)	(3,136)	-	-	(276)	(587,905)	(26,665)	(30,981)	-
<b>Total Operating Revenues</b>	<b>3,453,251</b>	<b>612,389</b>	<b>81</b>	<b>-</b>	<b>(191)</b>	<b>2,086,281</b>	<b>76,700</b>	<b>26,742</b>	<b>302,664</b>
<b>Operating Expenses</b>									
Bond interest expense	-	-	-	-	-	-	-	-	-
Grants expense	-	-	-	-	9,739,983	8,782,357	-	-	35,376,191
Loan financing pass-through	-	-	-	-	-	-	-	-	-
Salaries and benefits	212,405	23,521	159,582	279	230,580	563,639	85,443	43,894	812,618
Bond issuance costs	46,000	-	-	-	-	-	-	-	-
Professional services	17,032	23,750	36,140	23	315,034	284,073	7,053	3,562	3,051,287
Other operating costs	(361,671)	558,901	58,512	46	46,455	122,570	15,110	7,767	189,066
Provision for loan losses	-	16,050	-	-	-	-	(3,156)	113,731	-
Interest expense	55,343	-	-	-	-	-	-	-	-
Depreciation expense and amortization	970,882	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>939,991</b>	<b>622,222</b>	<b>254,234</b>	<b>348</b>	<b>10,332,052</b>	<b>9,752,639</b>	<b>104,450</b>	<b>168,954</b>	<b>39,429,162</b>
<b>Net Operating Income / Loss</b>	<b>2,513,260</b>	<b>(9,833)</b>	<b>(254,153)</b>	<b>(348)</b>	<b>(10,332,243)</b>	<b>(7,666,358)</b>	<b>(27,750)</b>	<b>(142,212)</b>	<b>(39,126,498)</b>
<b>Non-operating Revenue (Transfers)</b>									
Appropriation revenue	-	-	-	-	-	-	-	-	-
Federal Grant Revenue	-	-	-	-	-	14,128,407	-	-	-
Transfers from the State of New Mexico	-	-	-	-	11,028,736	-	-	-	39,424,371
Intra-fund transfers	(2,973,049)	-	709,063	-	-	2,256,134	(6,954,427)	6,245,364	(163,138)
Transfers to the State of New Mexico	-	-	-	-	-	-	-	-	-
<b>Net Non-operating Revenue (Expenses)</b>	<b>(2,973,049)</b>	<b>-</b>	<b>709,063</b>	<b>-</b>	<b>11,028,736</b>	<b>16,384,541</b>	<b>(6,954,427)</b>	<b>6,245,364</b>	<b>39,261,233</b>
<b>Increase (Decrease) in Net Position</b>	<b>(459,789)</b>	<b>(9,833)</b>	<b>454,910</b>	<b>(348)</b>	<b>696,493</b>	<b>8,718,183</b>	<b>(6,982,177)</b>	<b>6,103,152</b>	<b>134,735</b>
Net Position, Beginning of Period	23,785,138	1,850,663	-	-	3,285,658	180,500,203	10,668,122	3,785,326	(278,002)
<b>Net Position (Deficit), End of Period</b>	<b>\$ 23,325,349</b>	<b>\$ 1,840,830</b>	<b>\$ 454,910</b>	<b>\$ (348)</b>	<b>\$ 3,982,151</b>	<b>\$ 189,218,386</b>	<b>\$ 3,685,945</b>	<b>\$ 9,888,478</b>	<b>\$ (143,267)</b>

**NEW MEXICO FINANCE AUTHORITY**  
**Combining Statement of Revenue, Expenses and Changes in Net Position**  
**Fiscal Year Ended June 30, 2022**

Local Government Planning Fund	New Markets Tax Credits	Opportunity Enterprise Act	Primary Care Capital Fund	Public Project Revolving Fund	Small Business Recovery Fund	State Small Business Credit Initiative	Venture Capital Act	Water Project Fund / Water Trust Board	Total
\$ -	\$ 288,046	\$ -	\$ 21,525	\$ 45,376,065	\$ 341,743	\$ 61,388	\$ -	\$ -	\$ 47,851,592
-	1,869,827	-	-	1,740,323	-	-	-	111,659	7,975,365
36,588	42,252	-	6,854	708,433	48,787	2,906	-	162,144	2,266,002
(21,052)	(24,923)	-	-	(3,595,268)	-	(1,791)	-	(119,623)	(4,479,159)
15,536	2,175,202	-	28,379	44,229,553	390,530	62,503	-	154,180	53,613,800
-	-	-	-	43,634,059	-	-	-	-	43,634,059
1,373,240	-	-	-	-	-	-	-	23,202,169	78,473,940
-	-	-	-	10,396,391	-	-	-	-	10,396,391
129,411	480,779	1,351	27,204	2,954,705	620,921	35,669	222	520,814	6,903,037
-	-	-	-	1,063,926	-	-	-	-	1,109,926
10,654	421,833	49	2,301	1,881,342	1,030,164	2,912	19	424,047	7,511,275
26,014	275,607	187	5,181	586,879	171,092	7,752	37	95,263	1,804,768
-	-	-	(8,700)	(345,786)	-	(5,783)	-	-	(233,644)
-	-	-	-	42,190	390,530	-	-	-	488,063
-	-	-	-	-	-	-	-	-	970,882
1,539,319	1,178,219	1,587	25,986	60,213,706	2,212,707	40,550	278	24,242,293	151,058,697
(1,523,783)	996,983	(1,587)	2,393	(15,984,153)	(1,822,177)	21,953	(278)	(24,088,113)	(97,444,897)
-	-	-	-	37,396,672	-	-	-	4,000,000	41,396,672
-	-	-	-	-	-	-	-	-	14,128,407
-	-	-	-	-	-	-	-	23,887,051	74,340,158
2,000,000	6,000,000	-	-	(4,684,503)	(2,435,444)	-	-	-	-
-	-	-	-	(6,800,000)	-	(188,955)	-	(400,000)	(7,388,955)
2,000,000	6,000,000	-	-	25,912,169	(2,435,444)	(188,955)	-	27,487,051	122,476,282
476,217	6,996,983	(1,587)	2,393	9,928,016	(4,257,621)	(167,002)	(278)	3,398,938	25,031,385
3,072,580	13,550,463	-	1,368,998	302,624,433	(997,751)	1,542,637	-	49,071,061	593,829,529
\$ 3,548,797	\$ 20,547,446	\$ (1,587)	\$ 1,371,391	\$ 312,552,449	\$ (5,255,372)	\$ 1,375,635	\$ (278)	\$ 52,469,999	\$ 618,860,914

	Operating Fund	Behavioral Health Capital Fund	Cannabis Microbusiness Program	Charter School Facility Revolving Fund	Colonias Infrastructure Fund	Drinking Water State Revolving Loan Fund	Economic Development	Essential Services Working Capital Fund	Local Economic Development Act
<b>Cash flows from operating activities</b>									
Cash paid for employee services	\$ (7,180,895)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash paid to vendors for services	(7,504,623)	-	-	-	-	-	-	-	-
Loan payments received	-	129,438	-	-	467,473	5,994,456	63,119	1,941,248	-
Loans funded	-	(452,000)	-	-	(1,288,754)	(8,946,089)	-	(475,000)	-
Grants to local governments	-	-	-	-	(9,739,983)	(8,782,357)	-	-	(35,376,191)
Cash received from federal gov't capitalization grant	-	-	-	-	-	14,128,407	-	-	-
Interest on loans	-	44,621	-	-	-	1,441,832	50,928	25,719	-
Administrative fees received	5,066,028	454,070	-	-	-	232,027	-	-	-
<b>Net cash provided by (used in) operating activities</b>	<b>(9,619,490)</b>	<b>176,129</b>	<b>-</b>	<b>-</b>	<b>(10,561,264)</b>	<b>4,068,276</b>	<b>114,047</b>	<b>1,491,967</b>	<b>(35,376,191)</b>
<b>Cash flows from noncapital financing activities</b>									
Appropriations received from the State of New Mexico	-	-	-	-	-	-	-	-	-
Cash transfers from the State of New Mexico	-	-	-	-	11,028,736	-	-	-	-
Cash transfers to the State of New Mexico	-	-	-	-	-	-	-	-	-
Intra-program transfers	12,389,902	(47,271)	500,000	-	(388,386)	1,821,676	(7,062,517)	6,016,642	(4,261,652)
Proceeds from the sale of bonds	-	-	-	-	-	-	-	-	-
Payment of bonds	-	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-	-
Bond interest expense paid	-	-	-	-	-	-	-	-	-
Proceeds from line of credit	-	-	-	-	-	-	-	-	-
Payments on line of credit	-	-	-	-	-	-	-	-	-
Loan financing pass-through to borrower	-	-	-	-	-	-	-	-	-
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>12,389,902</b>	<b>(47,271)</b>	<b>500,000</b>	<b>-</b>	<b>10,640,350</b>	<b>1,821,676</b>	<b>(7,062,517)</b>	<b>6,016,642</b>	<b>(4,261,652)</b>
<b>Cash flows from investing activities</b>									
Sale (Purchase) of investments	(9,316,714)	(210,919)	-	-	30,570	(33,295,763)	980,307	(4,290,140)	-
Interest received on investments	22,430	1,619	81	-	(191)	188,138	25,772	1,023	302,664
<b>Net cash provided by (used in) investing activities</b>	<b>(9,294,284)</b>	<b>(209,300)</b>	<b>81</b>	<b>-</b>	<b>30,379</b>	<b>(33,107,625)</b>	<b>1,006,079</b>	<b>(4,289,117)</b>	<b>302,664</b>
<b>Cash flows from capital financing activities</b>									
Capital assets	(1,107,912)	-	-	-	-	-	-	-	-
<b>Net cash used in investing activities</b>	<b>(1,107,912)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net increase (decrease) in cash and cash equivalents	(7,631,784)	(80,442)	500,081	-	109,465	(27,217,673)	(5,942,391)	3,219,492	(39,335,179)
Cash and cash equivalents, beginning of year	15,719,468	325,941	-	-	106,741	70,218,995	6,789,008	158,980	200,026,544
<b>Cash and cash equivalents, end of year</b>	<b>\$ 8,087,684</b>	<b>\$ 245,499</b>	<b>\$ 500,081</b>	<b>\$ -</b>	<b>\$ 216,206</b>	<b>\$ 43,001,322</b>	<b>\$ 846,617</b>	<b>\$ 3,378,472</b>	<b>\$ 160,691,365</b>
<b>Reconciliation of net operating income (loss) to net cash provided by (used in) operating activities</b>									
Net operating income (loss)	2,513,260	(9,833)	(254,153)	(348)	(10,332,243)	(7,666,358)	(27,750)	(142,212)	(39,126,498)
Adjustments to change in net position									
Depreciation	970,882	-	-	-	-	-	-	-	-
Amortization on bond premiums	-	-	-	-	-	-	-	-	-
Provision for loan losses	-	(16,050)	-	-	-	-	(3,156)	113,731	-
Interest on investments	(22,430)	(1,619)	(81)	-	191	(188,138)	(25,772)	(1,023)	(302,664)
Bond interest paid	-	-	-	-	-	-	-	-	-
Loan financing pass-through to borrowers	-	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-	-
Cash received from federal grants	-	-	-	-	-	14,128,407	-	-	-
Interest expense	(55,343)	-	-	-	-	-	-	-	-
Changes in assets and liabilities									
Interest receivable	-	(1,149)	-	-	-	(198,576)	-	-	-
Grants, prepaids and other assets	(235,417)	439,139	-	-	-	(509)	-	-	-
Due from other programs	1,857,767	-	-	-	-	-	-	(58,976)	-
Administrative fees receivable	(152)	-	-	-	-	(25,199)	-	-	-
Loans receivable, net of allowance	-	(290,461)	-	-	(821,281)	(1,971,447)	63,119	1,466,248	-
Accounts payable	(282,782)	-	-	-	-	-	-	-	-
Accrued payroll	(154,281)	-	-	-	-	-	-	-	-
Compensated absences	92,456	-	-	-	-	-	-	-	-
Due to other programs	520,103	8,831	45,171	348	203,683	213,854	(484)	(114,523)	142,009
Undisbursed loan proceeds	-	-	-	-	-	-	-	-	-
Advanced loan payments	-	-	-	-	-	(980,186)	-	-	-
Other liabilities	(14,823,553)	47,271	209,063	-	388,386	756,428	108,090	228,722	3,910,962
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (9,619,490)</b>	<b>\$ 176,129</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (10,561,264)</b>	<b>\$ 4,068,276</b>	<b>\$ 114,047</b>	<b>\$ 1,491,967</b>	<b>\$ (35,376,191)</b>

# NEW MEXICO FINANCE AUTHORITY

## Combining Statement of Cash Flows

### Fiscal Year Ended June 30, 2022

Local Government Planning Fund	New Markets Tax Credits	Opportunity Enterprise Act	Primary Care Capital Fund	Public Project Revolving Fund	Small Business Recovery Fund	State Small Business Credit Initiative	Venture Capital Act	Water Project Fund / Water Trust Board	Intra-Program Eliminations	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ (7,180,895)
-	(70,772)	-	-	(42,190)	-	-	-	-		(7,617,585)
-	50,520	-	173,995	254,099,708	3,845,403	199,022	-	4,290,908		271,255,290
-	-	-	-	(249,602,992)	(107,813,133)	-	-	(4,470,260)		(373,048,228)
(1,373,240)	-	-	-	-	-	-	-	(23,202,169)		(78,473,940)
-	-	-	-	-	-	-	-	-		14,128,407
-	195,273	-	21,958	46,105,697	342,264	61,388	-	-		48,289,680
-	1,941,332	-	-	1,357,149	-	-	-	771,754		9,822,360
(1,373,240)	2,116,353	-	195,953	51,917,372	(103,625,466)	260,410	-	(22,609,767)		(122,824,911)
-	-	-	-	37,396,672	-	-	-	4,000,000		41,396,672
-	-	-	-	-	80,000,000	-	-	23,887,051		114,915,787
-	-	-	-	(6,800,000)	(3,728,171)	(188,955)	-	(400,000)		(11,117,126)
1,827,751	4,939,885	-	-	(11,621,728)	(8,941,288)	-	-	(1,025,017)		(5,852,003)
-	-	-	-	190,133,538	-	-	-	-		190,133,538
-	-	-	-	(119,760,000)	-	-	-	-		(119,760,000)
-	-	-	-	(1,063,926)	-	-	-	-		(1,063,926)
-	-	-	-	(57,029,581)	-	-	-	-		(57,029,581)
-	-	-	-	32,000,000	-	-	-	-		32,000,000
-	-	-	-	(32,000,000)	-	-	-	-		(32,000,000)
-	-	-	-	(10,396,391)	-	-	-	-		(10,396,391)
1,827,751	4,939,885	-	-	20,858,584	67,330,541	(188,955)	-	26,462,034		141,226,970
(1,274,837)	(3,438,711)	-	-	47,402,764	-	(112,212)	-	(7,685,796)		(11,211,451)
15,536	17,329	-	6,854	(2,886,835)	48,787	1,115	-	42,521		(2,213,157)
(1,259,301)	(3,421,382)	-	6,854	44,515,929	48,787	(111,097)	-	(7,643,275)		(13,424,608)
-	-	-	-	-	-	-	-	-		(1,107,912)
-	-	-	-	-	-	-	-	-	-	(1,107,912)
(804,790)	3,634,856	-	202,807	117,291,885	(36,246,138)	(39,642)	-	(3,791,008)		3,869,539
2,376,775	7,212,837	-	717,998	48,334,443	48,200,334	186,633	-	12,927,170		413,301,867
\$ 1,571,985	\$ 10,847,693	\$ -	\$ 920,805	\$ 165,626,328	\$ 11,954,196	\$ 146,991	\$ -	\$ 9,136,162		\$ 417,171,406
(1,523,783)	996,983	(1,587)	2,393	(15,984,153)	(1,822,177)	21,953	(278)	(24,088,113)		\$ (97,444,897)
-	-	-	-	-	-	-	-	-		970,882
-	-	-	-	(13,625,199)	-	-	-	-		(13,625,199)
-	-	-	(8,700)	345,786	-	-	-	-		431,611
(15,536)	(17,329)	-	(6,854)	2,886,835	(48,787)	(1,115)	-	(42,521)		2,213,157
-	-	-	-	57,259,257	-	-	-	-		57,259,257
-	-	-	-	10,396,391	-	-	-	-		10,396,391
-	-	-	-	1,063,926	-	-	-	-		1,063,926
-	-	-	-	-	-	-	-	-		14,128,407
-	-	-	-	(42,190)	(390,530)	-	-	-		(488,063)
-	(92,773)	-	433	729,632	497	-	-	-		438,064
-	-	-	-	-	-	-	-	685,771		888,984
-	159,866	-	-	-	(627,543)	-	-	-	(1,331,114)	-
-	(62,254)	-	-	(412,446)	-	-	-	(25,675)		(525,726)
-	50,520	-	173,995	(40,907,093)	(103,967,730)	193,239	-	(179,353)		(146,190,244)
-	(2,800)	-	-	-	-	-	-	-		(285,582)
-	-	-	-	-	-	-	-	-		(154,281)
-	-	-	-	-	-	-	-	-		92,456
(6,170)	50,132	1,587	34,686	(1,514,299)	(977,760)	46,333	278	15,107	1,331,114	-
-	-	-	-	40,096,965	-	-	-	-		40,096,965
-	-	-	(16,785)	4,615,272	-	-	-	-		3,618,301
172,249	1,034,008	-	16,785	7,008,688	4,208,564	-	-	1,025,017		4,290,680
\$ (1,373,240)	\$ 2,116,353	\$ -	\$ 195,953	\$ 51,917,372	\$ (103,625,466)	\$ 260,410	\$ -	\$ (22,609,767)	\$ -	\$ (122,824,911)

**NEW MEXICO FINANCE AUTHORITY**  
**Schedule of Pledged Collateral**  
**June 30, 2022**

	Bank Accounts:	Wells Fargo	U.S Eagle	Wells Fargo
Deposit Account		\$ -	\$ 500,081	\$ -
Operating Account - Operating Fund		480,310	-	-
Operating Account - SBRL		11,954,196	-	-
Operating Account - LEDA		160,691,365	-	-
Overnight investment sweep		-	-	261,488
Total amount of deposits (bank balances)		<u>173,125,871</u>	<u>500,081</u>	<u>261,488</u>
FDIC Coverage		<u>(750,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>
Total uninsured public funds		<u>\$ 172,375,871</u>	<u>\$ 250,081</u>	<u>\$ 11,488</u>
Collateral requirement @ 50%		<u>\$ 86,187,936</u>	<u>\$ -</u>	<u>\$ -</u>

NMFA has collateral coverage from a third-party financial institution in the amount of \$87,349,689 on June 30, 2022.

# **SINGLE AUDIT**

**NEW MEXICO FINANCE AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2022**

Grantor / Program Title	Federal Assistance Listing Number	Loan Balance as of 6/30/2022	Federal Expenditures FY 2022	Federal Awards Provided to Subrecipients	Loans & Loan Guarantees	Total
Environmental Protection Agency Capitalization Grants for Drinking Water State Revolving Funds - Cluster	66.468	\$ 93,775,511	\$ 440,040	\$ 6,073,363	\$ 7,615,004	\$ 14,128,407
Total Expenditures of federal awards		\$ 93,775,511	\$ 440,040	\$ 6,073,363	\$ 7,615,004	\$ 14,128,407

**See Notes to Schedule of Expenditures of Federal Awards**

**NEW MEXICO FINANCE AUTHORITY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2022**

**1) General**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activities of all federal awards of New Mexico Finance Authority (NMFA). It is presented on the accrual basis of accounting, which is described in Note 1 to NMFA's basic Financial Statements.

In fiscal year 2022, NMFA administered federal funds from the DWSRLF program, which was administered with NMFA as the primary recipient, as mandated by State statute. All of the funds expended under this program were used for grant-loans to water utility systems in the state and to cover administrative costs.

**DWSRLF** (Assistance Listing Number 66.468) – NMFA has administered the Drinking Water State Revolving Loan Fund (DWSRLF) program since 1997. The outstanding balance on the loans at June 30, 2022, was \$93,755,511. NMFA uses a negotiated indirect cost rate approved by the grantor. NMFA has elected not to use the 10 percent de minimis indirect cost rate as allowed in accordance with Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). The Schedule below presents only a selected portion of the operations of NMFA, in accordance with Uniform Guidance. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements. Only the value of new loans disbursed during fiscal year 2022 is included in the accompanying Schedule. The opening loan balance is not included because there are no ongoing compliance requirements related to the balance.

**NEW MEXICO FINANCE AUTHORITY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2022**

**2) Subrecipients, Including Loans Outstanding**

<b>Subrecipient Name</b>	<b>Pass-Through Funds</b>
ABCWUA	\$ 1,694,269
Alamogordo, City of	1,023,799
Big Mesa MDWCA	418,656
Clayton, Town of	435,827
Eldorado Area WSD	508,577
Galisteo MDWC & MWSA	289,873
Hatch, Village of	9,815
Los Alamos, County	1,118,486
Los Lunas, Village of	2,584,183
Lower Des Montes MDWCA	187,910
Lower Rio Grande PWWA	101,921
Magdalena, Village of	317,724
Mountain Orchard MDWCA	2,166
NMED Drinking Water Bureau	4,315,816
Red River, Town of	298,007
Roswell, City of	69,512
San Cristobal MDWCA	70,041
Truth or Consequences, City of	6,407
Tucumcari, City of	217,768
Valley Estates MWSA	17,610
<b>Total Expenditures of Federal Awards</b>	<b>\$ 13,688,367</b>

**Reconciliation of Federal Funds**

Total Expenditures of Federal Awards	\$ 13,688,367
NMFA Admin Set-Aside EPA Grant	440,040
	<b>\$ 14,128,407</b>

## **Report of Independent Auditors 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***

Governing Board  
New Mexico Finance Authority  
and  
Mr. Brian S. Colón, Esq.  
New Mexico State Auditor

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 enterprise and fiduciary fund of New Mexico Finance Authority, a component unit of the State of New Mexico as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise New Mexico Finance Authority's basic financial statements, and have issued our report thereon dated October 3, 2022

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered New Mexico Finance Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of New Mexico Finance Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of New Mexico Finance Authority'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 or significant deficiencies may exist that were not identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether New Mexico Finance Authority'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 financial statements. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mess Adams LLP*

Albuquerque, New Mexico  
October 3, 2022

## **Report of Independent Auditors on Compliance for the Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

Governing Board  
New Mexico Finance Authority  
and  
Mr. Brian S. Colón, Esq.  
New Mexico State Auditor

### **Report on Compliance for the Major Federal Program**

#### ***Opinion on the Major Federal Program***

We have audited New Mexico Finance Authority's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the New Mexico Finance Authority's major federal program for the year ended June 30, 2022. New Mexico Finance Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, New Mexico Finance Authority's complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

#### ***Basis for Opinion on the Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of New Mexico Finance Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of New Mexico Finance Authority's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to New Mexico Finance Authority's federal program.

#### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on New Mexico Finance Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about New Mexico Finance Authority's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding New Mexico Finance Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of New Mexico Finance Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of New Mexico Finance Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of New Mexico Finance Authority as of and for the year ended June 30, 2022, and have issued our report thereon dated October 3, 2022, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Mess Adams LLP*

Albuquerque, New Mexico  
October 3, 2022

**NEW MEXICO FINANCE AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2022**

## Section I – Summary of Auditor’s Results

## Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes X no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes X none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes  X  no

## Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? \_\_\_\_\_ yes   X   no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes   X   none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?            yes   X   no

Identification of major federal programs:

Assistance Listing Number(s): 66.468	Name of Federal Program or Cluster: Capitalization Grants for Drinking Water State Revolving Funds – Cluster
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Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?	X	yes	no
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## Section II – Financial Statement Findings

None reported

**NEW MEXICO FINANCE AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2022**

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**Section III – Federal Award Findings and Questioned Costs**

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None reported

**NEW MEXICO FINANCE AUTHORITY**  
**Prior Audit Findings**  
**JUNE 30, 2022**

**Prior Audit Findings**

The fiscal year 2021 audit resulted in no findings.

**NEW MEXICO FINANCE AUTHORITY**  
**EXIT CONFERENCE**  
**JUNE 30, 2022**

An exit conference was conducted on September 22, 2022, in which the contents of this report were discussed. The following individuals attended this meeting:

New Mexico Finance Authority:

Marquita D. Russel, CEO  
Oscar S. Rodriguez, CFO  
Katherine Miller, NMFA Board Chair  
Steve Kopelman, NMFA Board Vice Chair  
Andrew Burke, NMFA Board Member  
Jon Clark, Designee for Secretary, NM Economic Development Dept.  
Judi Kahl, Designee for Secretary, NM Environment Dept.  
Matthew Lovato, Designee for Secretary, NM Energy, Minerals & Natural Resources Dept.  
Alison Nichols, Designee for Executive Director NM Municipal League, NMFA Board Member  
Marcos Trujillo, Designee for Secretary, NM Dept. of Finance & Administration  
Dora Cde Baca, Chief Administrative Officer  
Daniel C. Opperman, Chief Legal Officer  
Adam Johnson, Chief of Program Operations  
Paul Romero, Chief Technology Officer  
Bryan A. Otero, Deputy Counsel and Compliance Officer  
Norman Vuylsteke, Controller

Moss Adams LLP:

Laurie Tish, CPA, Partner  
Aaron Hamilton, CPA, Senior Manager

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# **Statistical Information (Unaudited)**

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## Statistical Information (Unaudited)

This section provides information on NMFA's financial performance and market setting in terms of financial position, revenue, debt, operational, and demographic and economic trends over the past ten years.

### *Financial Position Trends*

NMFA's financial state improved steadily over the past ten years. Total assets increased \$1,135.5 million (65.4%) in the period. Growth in net position has been even stronger, increasing an average of 4.2% per year since fiscal year 2013. See **Net Position at June 30, 2022-2013** on page 94.

This positive trend stands out more clearly in the change in total net position from year to year. The result was positive nine of the past ten years, growing an average of 4.4% over this period. See **Revenue, Expenses and Changes in Net Position for Year Ending June 30, 2022-2013** on page 95.

The trend was generally positive over the past ten years for the more than 11 programs that make up total net position. The fund balance grew more than 200% in five of the seven programs that existed in 2013 (not including the aggregate of current inactive programs). See **Fund Balance by Component and Fund at June 30, 2022-2013** on page 96.

### *Revenue*

Total revenue has grown \$39.8 million (29.2%) since fiscal year 2013. It grew at an average rate of 4.0% during this period. See **NMFA Net Revenue by Fund** on page 97. The component driving this growth has been non-operating revenue, with operating revenue remaining relatively flat during this period. Non-operating revenue increased \$42.7 million (53.5%).

The distribution of total revenue has also improved over the same period. In 2013, the PPRF accounted for 53.4% of total revenue but only 39.8% today. Also in 2013, four revenue streams (general obligation, gross receipts, local special tax, and net system revenue) accounted for more than 87.1% of total revenue coming in through PPRF loans. In fiscal year 2022, those streams accounted for less than 83.3% of this total. See **Public Project Revolving Fund Pledged Revenue** on page 98.

### *Debt*

All NMFA's debt corresponds to PPRF bonds. At the end of fiscal year 2022, there were \$1,285.3 million in outstanding bonds. The most recent bond issue was the 2022B senior lien series in the amount of \$53.2 million. The oldest bonds that have not yet been called are 2013 A and B senior lien bonds, with an outstanding principal of \$22.1 million. See **Debt Burden** on page 99.

### *Lending Operations*

The concentration of PPRF borrowers has remained relatively steady over the past ten years ago. The 5 largest of the borrowers have on average made up about a quarter (24.9%) of the total portfolio. Currently this group accounts for 22.4% of the total. The 20 largest borrowers today

are 52.0 % of the total, averaging 54.5% each year since 2013. See **Public Project Revolving Fund Concentration** on page 101.

### ***Demographic & Economic Information***

The market NMFA serves has grown slowly over the years. Population growth has been flat, staying above 2.1 million the past two decades. See **New Mexico Resident Population** on page 102.

The labor force shrank in 2020 because of the pandemic but started to recover the following years. See **Civilian Labor Force in New Mexico** on page 103.

In addition, the unemployment rate more than doubled (127%) in 2020, peaking at 12.7% but then dropped below pre-2020 levels in 2022. See **Unemployment Rate in New Mexico** on page 104.

Meanwhile, New Mexico's gross domestic product rose sharply (9.7%) in 2022 after having been flat since 2019, when it stood at \$104.0 billion. See **Gross Domestic Product: All Industry Total in New Mexico** on page 105.

Total non-farm employment also dipped markedly during the pandemic. It recovered just as remarkably in 2021. Today it is back to pre-2020 levels. See **New Mexico Historical Total Nonfarm Employment** and **Over-the-Year Job Growth** on page 106.

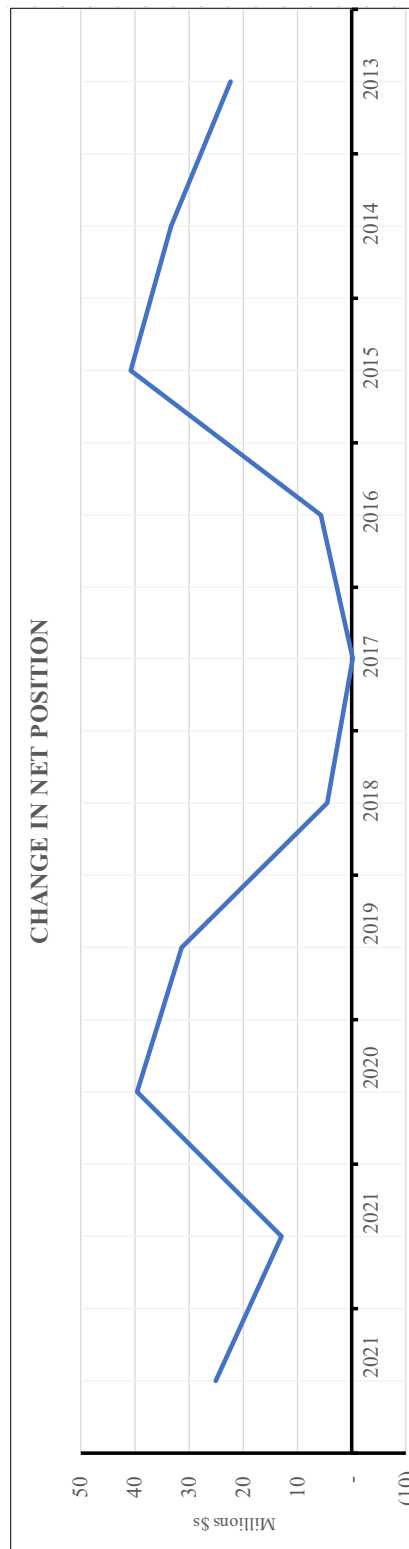
The property tax base has followed the same trend, growing steadily every year until the start of the 2020 tax year, when it peaked at \$70.5 billion. It dropped in total only slightly (1.0%) during the pandemic even though Residential and Non-residential values kept rising. The decrease occurred entirely in Ad Valorem Production (mining) and Equipment appraisals. At the end of the 2021 tax year, it stood at \$69.8 billion. See **Property Tax Base** on page 107.

# Net Position at June 30, 2022-2013

Assets	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Current Assets</b>										
Cash and cash equivalents										
Unrestricted	\$ 8,087,684	\$ 15,719,468	\$ 16,168,066	\$ 28,057,865	\$ 23,271,873	\$ 22,761,512	\$ 15,433,532	\$ 21,656,317	\$ 19,792,613	\$ 116,073,324
Restricted	409,083,722	401,582,399	320,578,471	265,510,263	237,742,689	218,397,691	135,135,587	113,366,876	112,880,142	109,965,262
Interest receivable	7,705,467	8,143,531	9,248,674	8,643,830	7,952,079	5,370,899	8,505,073	6,657,501	7,431,412	8,307,828
Grants and other receivables	729,308	1,192,162	744,725	21,293	358,508	13,271	890,213	950,402	2,640,545	2,539,414
Prepaid Expenses	129,929	556,059	638,132	162,281	19,500	19,500	19,500	19,500	19,500	19,500
Administrative fees receivable	1,200,005	674,279	868,179	2,041,713	2,106,456	445,996	190,938	191,034	186,043	212,343
Loans receivable, net of allowance	161,115,169	162,737,968	141,334,892	164,921,253	148,575,374	115,007,192	103,129,270	102,634,676	100,725,825	104,299,277
Total current assets	588,051,284	590,605,866	489,581,139	469,358,498	420,026,479	362,016,061	263,304,113	245,476,306	243,676,080	341,416,948
<b>Non-current assets</b>										
Restricted and unrestricted investments	526,516,294	515,364,555	369,252,126	408,804,383	361,758,979	385,451,491	332,151,402	280,161,230	183,692,467	131,565,455
Loans receivable, net of allowance	1,753,633,325	1,618,807,156	1,583,144,346	1,477,364,288	1,399,561,290	1,375,061,044	1,248,615,416	1,182,253,335	1,196,589,461	1,252,207,315
Net capital assets <sup>1</sup>	2,881,807	1,863,831	1,339,799	1,054,119	699,649	616,594	278,916	4,867	104,378	220,772
Net deferred cost <sup>1</sup>	-	-	-	-	-	-	-	-	-	10,165,480
<b>Total Assets</b>	2,871,082,710	2,726,641,408	2,443,317,410	2,356,581,288	2,182,046,397	2,123,145,190	1,844,349,847	1,707,895,738	1,624,062,386	1,735,575,970
<b>Deferred Outflows of Resources</b>										
Deferred loss on refunding	593,621	643,643	693,665	743,687	793,710	843,732	823,233	184,242	1,191,181	-
<b>Total Deferred Outflows of Resources</b>	593,621	643,643	693,665	743,687	793,710	843,732	823,233	184,242	1,191,181	-
<b>Liabilities</b>										
<b>Current Liabilities</b>										
Accounts payable	176,087	461,669	455,273	406,729	353,917	302,821	307,297	244,901	292,954	473,039
Accrued payroll	164,019	318,300	262,445	209,802	233,251	243,439	176,438	112,716	91,540	84,120
Compensated absences	775,522	683,066	526,988	461,476	421,635	328,848	332,213	285,923	273,440	274,077
Funds held for others	-	-	-	-	-	-	-	-	-	80,263
Bond interest payable	4,064,664	3,834,988	7,942,372	4,072,142	3,960,649	4,183,050	3,525,287	3,482,270	3,625,714	3,961,874
Undisbursed loan proceeds	347,723,364	307,626,399	320,840,186	289,941,611	267,191,118	226,600,234	135,624,986	71,940,001	28,744,630	45,485,533
Advanced loan payments	91,620,716	88,002,415	89,526,221	96,202,732	86,386,698	86,308,780	83,008,008	74,332,049	72,189,707	68,380,111
Line of credit	-	-	-	-	-	-	-	-	12,006,298	-
Bonds payable, net	118,700,000	118,040,000	116,270,000	117,215,000	101,240,000	123,840,000	78,040,000	75,943,000	70,430,000	84,400,000
Cost of loan issuance payable	-	-	-	-	-	-	-	-	-	750,663
Other liabilities	181,160,088	250,322,242	1,033,471	3,134,791	2,423,220	619,727	532,591	771,924	574,632	205,415
<b>Total current liabilities</b>	744,384,460	769,289,079	536,856,956	511,644,283	462,210,488	442,426,899	301,546,820	227,112,784	188,228,915	204,095,095
<b>Non-current Liabilities</b>										
Bonds payable	1,367,012,432	1,356,977,428	1,322,671,647	1,300,084,801	1,205,629,907	1,170,459,183	1,036,408,718	980,960,674	977,711,351	1,096,005,517
Other non-current liabilities <sup>2</sup>	138,864,492	-	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	2,250,261,384	2,126,266,507	1,859,528,603	1,811,729,084	1,667,840,395	1,612,886,082	1,337,955,538	1,208,073,458	1,165,940,266	1,300,100,612
<b>Deferred Inflows of Resources</b>										
Deferred gain on refunding	2,554,033	3,189,015	3,704,574	4,279,845	4,971,687	5,663,528	1,575,177	-	-	-
<b>Total Deferred Inflows of Resources</b>	2,554,033	3,189,015	3,704,574	4,279,845	4,971,687	5,663,528	1,575,177	-	-	-
<b>Net Position</b>										
Net investment in capital assets	2,881,807	1,863,832	1,339,799	1,054,119	699,649	616,594	278,916	4,867	104,378	220,772
Restricted for program commitments	598,476,868	580,246,229	563,270,033	515,633,477	492,583,687	486,992,135	495,576,466	483,282,743	445,061,112	211,361,534
Unrestricted	17,502,239	15,719,468	16,168,066	24,628,450	16,744,689	17,830,583	9,786,983	16,718,912	14,147,811	223,893,052
<b>Total Net Position</b>	\$ 618,860,914	\$ 597,829,529	\$ 580,777,898	\$ 541,316,046	\$ 510,028,025	\$ 505,439,312	\$ 505,642,365	\$ 500,006,522	\$ 459,313,301	\$ 435,475,358

# Revenue, Expenses and Changes in Net Position for Year Ending June 30, 2022-2013

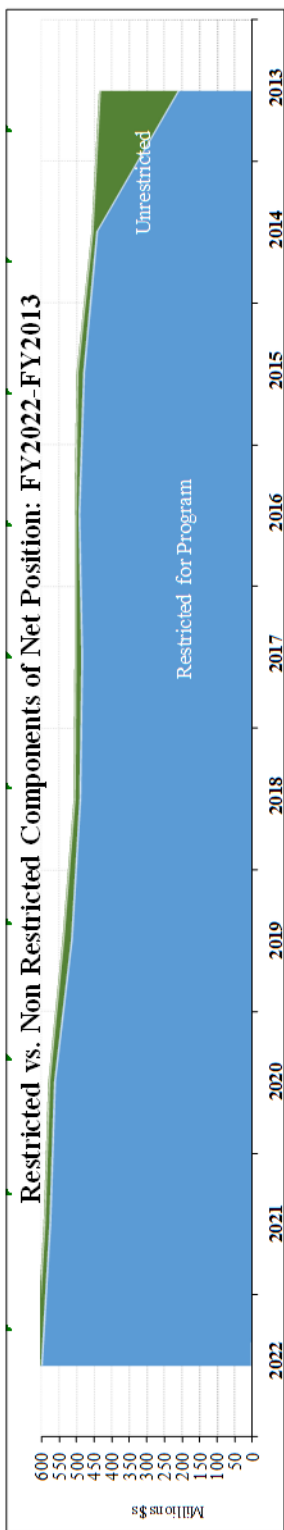
	2022	2021	2020	2019	2018	2017	2016	2015	(restated) 2014	2013
<b>Operating Revenue</b>										
Interest on loans	\$ 47,851,592	\$ 51,507,874	\$ 52,792,559	\$ 51,584,322	\$ 52,732,085	\$ 47,865,124	\$ 51,736,376	\$ 48,645,757	\$ 48,723,703	\$ 52,942,880
Administrative fees revenue	7,975,365	5,535,056	6,828,344	6,396,595	5,460,694	5,701,200	7,049,654	3,197,684	3,589,843	3,395,491
Interest on investments	(2,213,157)	475,458	8,598,789	7,919,934	2,964,201	946,513	2,195,762	925,910	488,741	139,403
<b>Total Operating Revenue</b>	<b>53,613,800</b>	<b>57,518,388</b>	<b>68,219,692</b>	<b>65,900,851</b>	<b>61,156,980</b>	<b>54,512,837</b>	<b>60,981,792</b>	<b>52,769,351</b>	<b>52,802,287</b>	<b>56,477,774</b>
<b>Operating Expenses</b>										
Bond interest expense	43,634,059	42,455,410	50,720,720	47,690,534	45,522,536	51,088,846	45,756,069	37,761,525	54,319,247	53,026,726
Grants to others	78,473,940	128,973,973	31,480,701	34,104,721	36,143,867	51,299,208	47,888,370	54,240,349	50,824,441	48,828,884
Loan financing pass-through	10,396,391	3,488,596	10,640,130	12,943,547	7,059,254	17,476,331	21,455,228	8,945,997	-	-
Salaries and benefits	6,903,037	6,044,261	5,108,045	4,687,224	4,110,925	4,463,828	4,515,210	4,361,363	4,284,392	3,926,740
Bond issuance costs	1,109,926	1,207,923	1,243,666	1,640,333	1,971,304	2,847,995	1,525,161	1,243,632	674,398	752,792
Professional services	7,511,275	4,837,099	3,266,820	2,635,840	2,155,028	2,570,063	2,389,037	2,146,157	2,189,377	2,651,079
Other operating costs	1,804,768	1,455,566	997,558	1,071,794	1,018,054	1,349,403	1,586,001	1,271,575	1,327,862	1,299,068
Provision for loan losses	(233,644)	123,133	(294,021)	(849,582)	534,614	458,701	2,241	(2,370,845)	(822,108)	2,321,946
Interest expense	488,063	500,768	7,826	266,620	331,022	395,624	296,138	489,859	298,359	277,596
Rent and utilities	-	424,336	414,551	364,386	393,992	389,092	374,327	360,975	429,381	366,837
Administrative fees	-	-	-	-	-	-	87,289	134,365	189,383	202,713
Depreciation and amortization expense	970,882	181,846	101,158	66,289	51,674	3,240	2,191	102,187	116,394	168,246
<b>Total Operating Expenses</b>	<b>151,058,697</b>	<b>189,692,911</b>	<b>103,687,154</b>	<b>104,621,706</b>	<b>99,292,270</b>	<b>132,342,331</b>	<b>125,877,262</b>	<b>108,687,139</b>	<b>113,831,126</b>	<b>113,822,627</b>
<b>Net Operating Loss</b>	<b>(97,444,897)</b>	<b>(132,174,523)</b>	<b>(35,467,462)</b>	<b>(38,720,855)</b>	<b>(38,135,290)</b>	<b>(77,829,494)</b>	<b>(64,895,470)</b>	<b>(55,917,788)</b>	<b>(61,028,839)</b>	<b>(57,344,853)</b>
<b>Non-operating Revenue (Expenses)</b>										
Appropriation revenue	41,396,672	37,023,150	50,326,048	42,953,352	36,463,733	34,578,969	33,127,879	37,157,026	43,086,860	34,033,130
Grant Revenue	14,128,407	10,586,129	11,599,117	11,588,018	14,138,074	8,511,355	14,255,306	24,735,441	6,575,940	14,904,720
Transfers from the State of New Mexico	74,340,158	121,934,781	19,783,240	19,865,510	26,451,664	44,943,059	42,347,680	39,295,779	48,649,056	33,787,328
Transfers to the State of New Mexico	(7,388,955)	(24,317,906)	(6,779,091)	(4,398,004)	(34,329,468)	(10,406,942)	(19,199,552)	(4,577,237)	(3,931,693)	(2,953,157)
<b>Increase (Decrease) in Net Position</b>	<b>25,031,385</b>	<b>13,051,631</b>	<b>39,461,852</b>	<b>31,288,021</b>	<b>4,588,713</b>	<b>(203,053)</b>	<b>5,635,843</b>	<b>40,693,221</b>	<b>33,351,324</b>	<b>22,427,168</b>
Net position, beginning of year	593,829,529	580,777,898	541,316,046	510,028,025	505,439,312	505,642,365	500,006,522	459,313,301	425,961,977	-
<b>Net Position, End of Year</b>	<b>\$ 618,860,914</b>	<b>\$ 593,829,529</b>	<b>\$ 580,777,898</b>	<b>\$ 541,316,046</b>	<b>\$ 510,028,025</b>	<b>\$ 505,439,312</b>	<b>\$ 505,642,365</b>	<b>\$ 500,006,522</b>	<b>\$ 459,313,301</b>	<b>\$ 22,427,168</b>



\* Adjusted as the result of GASB 65 adoption effective July 1, 2013 and the blending of Finance New Mexico, LLC's financial statements into those of NMFA as a component unit

## Fund Balance by Component and Fund at June 30, 2022-2013

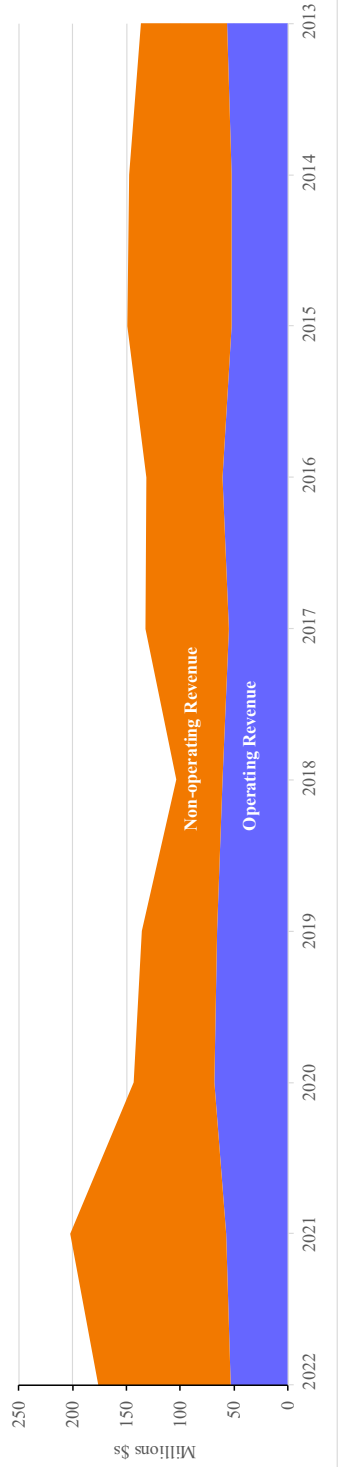
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Active Funds</b>										
<b>Net Investment in Capital Assets</b>										
NMFA Operating Fund	\$ 2,881,807	\$ 1,863,832	\$ 1,339,799	\$ 1,054,119	\$ 699,649	\$ -	\$ -	\$ -	\$ -	\$ -
Public Project Revolving Fund	-	-	-	-	-	616,594	244,840	(29,209)	70,302	186,696
All Other Funds	-	-	454,449	-	-	-	34,076	34,076	34,076	34,076
<b>Subtotal</b>	<b>2,881,807</b>	<b>1,863,832</b>	<b>1,794,248</b>	<b>1,054,119</b>	<b>699,649</b>	<b>616,594</b>	<b>278,916</b>	<b>4,867</b>	<b>104,378</b>	<b>220,772</b>
<b>Restricted for Program Commitments</b>										
NMFA Operating Fund	4,011,899	6,201,838	5,135,267	2,541,369	5,338,137	-	-	-	-	-
Behavioral Health Capital Fund	1,840,830	1,850,663	1,842,791	2,323,172	2,432,004	2,925,190	1,094	-	597,025	194,051
Canal's Microbusiness Program	454,910	-	-	-	-	-	-	-	-	-
Colonias Infrastructure Fund	3,982,151	3,285,658	2,503,858	4,300,046	4,940,389	4,046,793	2,782,677	1,550,806	748,984	-
Drinking Water State Revolving Loan Fund	189,160,867	180,500,203	175,651,500	163,628,581	154,512,243	146,832,230	139,947,130	129,295,623	113,786,463	65,277,093
Economic Development Revolving Fund	3,685,945	14,453,448	14,753,157	4,339,957	3,583,090	3,421,588	3,640,408	3,503,700	1,484,587	727,918
Essential Services Working Capital Fund	9,888,478	-	-	-	-	-	-	-	-	-
Local Economic Development Act Recovery Grant Program	(143,267)	(278,002)	-	-	-	-	-	-	-	-
Local Government Planning Fund	3,548,797	3,072,580	4,200,679	4,699,576	3,733,224	6,377,731	5,259,656	3,772,689	2,008,414	-
New Markets Tax Credits	20,110,220	13,550,463	12,137,895	7,516,786	6,626,660	5,380,909	4,925,437	1,106,244	943,048	-
Primary Care Capital Fund	1,371,391	1,368,998	8,612,737	4,489,737	5,118,055	5,087,130	5,058,321	5,034,374	5,019,197	3,875,916
Public Project Revolving Fund	312,097,596	302,624,433	284,304,933	269,660,436	252,098,185	258,208,608	281,401,983	287,259,542	272,672,623	122,050,527
Small Business Recovery Loan Program	(5,255,372)	(997,751)	-	-	-	-	-	-	-	-
State Small Business Credit Initiative	1,286,661	1,542,637	1,849,257	2,713,397	2,913,150	7,502,469	8,047,723	12,782,087	7,952,315	1,687,667
Water Project Fund	52,437,975	49,071,061	51,823,510	49,250,518	51,066,117	45,552,974	43,016,131	37,485,323	37,720,991	14,787,301
All Other Funds (net)	(2,213)	-	-	169,902	222,433	1,656,513	1,495,906	1,492,355	2,127,465	2,761,061
<b>Subtotal</b>	<b>598,476,868</b>	<b>576,246,229</b>	<b>562,815,584</b>	<b>515,633,477</b>	<b>492,583,687</b>	<b>486,992,135</b>	<b>495,576,466</b>	<b>483,282,743</b>	<b>445,061,112</b>	<b>211,361,534</b>
<b>Unrestricted</b>										
NMFA Operating Fund	16,431,643	15,719,468	16,168,066	24,874,974	1,021,892	-	-	-	-	-
Behavioral Health Capital Fund	-	-	-	(317,795)	(358,929)	(328,119)	(287,441)	(270,365)	(13,515)	398,036
Colonias Infrastructure Fund	-	-	-	(2,216,284)	(3,248,237)	(2,723,617)	(2,225,804)	(1,392,071)	(1,132,623)	(452,648)
Drinking Water State Revolving Loan Fund	57,519	-	-	(368,099)	(297,687)	(322,101)	(224,526)	-	-	35,742,295
Economic Development Revolving Fund	-	-	-	(1,523,501)	(1,384,025)	(1,310,510)	(1,239,027)	(1,203,957)	(1,152,754)	-
Local Government Planning Fund	-	-	-	-	-	-	-	-	-	341,987
New Markets Tax Credits	437,226	-	-	1,706,839	601,023	1,225,951	422,426	852,227	836,435	570,580
Primary Care Capital Fund	-	-	-	(5,770)	(569,089)	(541,577)	(516,710)	(474,819)	(386,271)	809,070
Public Project Revolving Fund	454,853	-	-	3,182,836	21,648,904	22,637,669	15,432,439	20,125,970	16,559,732	166,251,577
State Small Business Credit Initiative	88,974	-	-	(704,750)	(669,162)	(689,055)	(1,126,631)	(710,826)	(545,545)	2,303,098
Water Project Fund	32,024	-	-	-	-	-	-	-	-	17,803,788
All Other Funds (net)	-	-	-	-	-	(118,058)	(447,743)	(207,247)	(17,648)	125,269
<b>Subtotal</b>	<b>17,502,239</b>	<b>15,719,468</b>	<b>16,168,066</b>	<b>24,628,450</b>	<b>16,744,690</b>	<b>17,830,583</b>	<b>9,786,983</b>	<b>16,718,912</b>	<b>14,147,811</b>	<b>223,893,052</b>
<b>Total Fund Balance</b>	<b>\$ 618,860,914</b>	<b>\$ 593,829,529</b>	<b>\$ 580,777,898</b>	<b>\$ 541,316,046</b>	<b>\$ 510,028,026</b>	<b>\$ 505,439,312</b>	<b>\$ 505,642,365</b>	<b>\$ 500,006,522</b>	<b>\$ 459,313,301</b>	<b>\$ 435,475,358</b>



## NMFA Net Revenue by Fund

	Active Funds									
Operating Revenue	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
NMFA Operating Fund	\$ 3,453,251	\$ 492,468	\$ 687,916	\$ 307,505	\$ 312,891	\$ -	\$ -	\$ -	\$ -	\$ -
Behavioral Health Capital Fund	612,389	82,334	52,208	89,419	51,632	41,207	1,093	5,912	(1,635)	7,666
Camabis Microbusiness Program	81	-	-	-	-	-	-	-	-	-
Colonias Infrastructure Fund	(191)	(2,089)	5,301	25,376	10,187	2,454	300	6	-	-
Coronavirus Aid, Relief and Economic Security Act	-	509,711	-	-	-	-	-	-	-	-
Drinking Water State Revolving Loan Fund	2,086,281	2,175,805	3,823,839	3,632,817	2,341,972	1,875,997	2,066,809	1,631,012	1,382,342	1,285,397
Economic Development Revolving Fund	76,700	110,788	343,012	96,701	41,888	84,766	128,537	143,529	62,039	27,762
Essential Services Working Capital Fund	26,742	-	-	-	-	-	-	-	-	-
Local Economic Development Act Recovery Grant Program	302,664	44,452	-	-	-	-	-	-	-	-
Local Government Planning Fund	15,536	10,148	121,569	72,309	59,118	62,491	37,042	13,302	2,242	1,404
New Markets Tax Credits (includes FNM, LLC)	2,175,202	2,467,805	4,052,375	2,897,359	1,360,529	2,068,842	4,373,839	630,079	1,423,003	1,322,275
Primary Care Capital Fund	28,379	48,107	253,108	131,191	95,063	95,222	99,450	78,559	103,349	118,178
Public Project Revolving Fund	44,229,553	49,798,087	58,097,743	57,860,166	56,494,348	49,899,236	53,399,756	49,445,875	49,084,453	53,443,767
Small Business Recovery Loan Program	390,530	1,532,940	-	-	-	-	-	-	-	-
State Small Business Credit Initiative	62,503	76,366	82,378	178,534	121,147	137,430	218,002	181,109	119,852	15,711
Water Project Fund	154,180	171,466	700,110	605,573	259,360	232,583	191,607	146,436	133,238	56,220
All Other Programs	-	-	133	3,901	8,844	12,609	465,357	493,532	493,404	199,394
Subtotal	53,613,800	57,518,388	68,219,692	65,900,851	61,156,979	54,512,837	60,981,792	52,769,351	52,802,287	56,477,774
Non-operating Revenue										
NMFA Operating Fund	(2,973,049)	1,313,468	(6,047,840)	21,469,621	1,467,750	-	-	-	-	-
Behavioral Health Capital Fund	-	-	-	-	-	980,423	-	(841,844)	25,124	5,507
Camabis Microbusiness Program	709,063	-	-	-	-	-	-	-	-	-
Colonias Infrastructure Fund	11,028,736	11,208,680	9,162,126	10,179,660	15,061,949	14,415,159	13,701,955	10,011,439	3,569,579	993,396
Coronavirus Aid, Relief and Economic Security Act	-	97,127,443	-	-	-	-	-	-	-	-
Drinking Water State Revolving Loan Fund	16,384,541	10,597,477	13,927,531	13,388,018	15,938,074	10,311,355	16,055,306	24,737,926	20,648,499	10,856,287
Economic Development Revolving Fund	(6,954,427)	2,483	12,000,000	-	-	-	-	3,062	-	-
Essential Services Working Capital Fund	6,245,364	-	-	-	-	-	-	-	-	-
Local Economic Development Act Recovery Grant Program	39,261,233	-	-	-	-	-	-	-	-	-
Local Government Planning Fund	2,000,000	-	410	3,000,000	-	3,000,000	3,000,000	4,000,000	2,495,683	1,000,000
New Markets Tax Credits (includes FNM, LLC)	6,000,000	(45,800)	-	(10)	-	-	(30)	-	(1,030)	120
Primary Care Capital Fund	-	(7,000,000)	4,000,000	-	-	405	-	(2,477)	-	-
Public Project Revolving Fund	25,912,169	20,266,223	21,580,018	8,650,234	936,483	14,391,199	10,082,729	21,360,486	20,091,556	19,261,053
Small Business Recovery Loan Program	(2,435,444)	(20,015)	-	-	-	-	-	-	-	-
State Small Business Credit Initiative	(188,955)	(317,906)	(143,337)	(309,031)	(4,621,640)	-	(5,000,000)	4,477,239	4,345,543	-
Water Project Fund	27,487,051	12,094,101	20,620,441	13,685,850	15,389,715	34,527,900	32,645,725	33,286,306	43,206,091	47,655,658
All Other Programs	-	-	(170,035)	(55,466)	(1,448,328)	-	-	(421,128)	(882)	-
Subtotal	122,476,282	145,226,154	74,929,314	70,008,876	42,724,003	77,626,441	70,485,685	96,611,009	94,380,163	79,772,021
Total Revenue	\$ 176,090,082	\$ 202,744,542	\$ 143,149,006	\$ 135,909,727	\$ 103,880,982	\$ 132,139,278	\$ 131,467,477	\$ 149,380,360	\$ 147,182,450	\$ 136,249,795

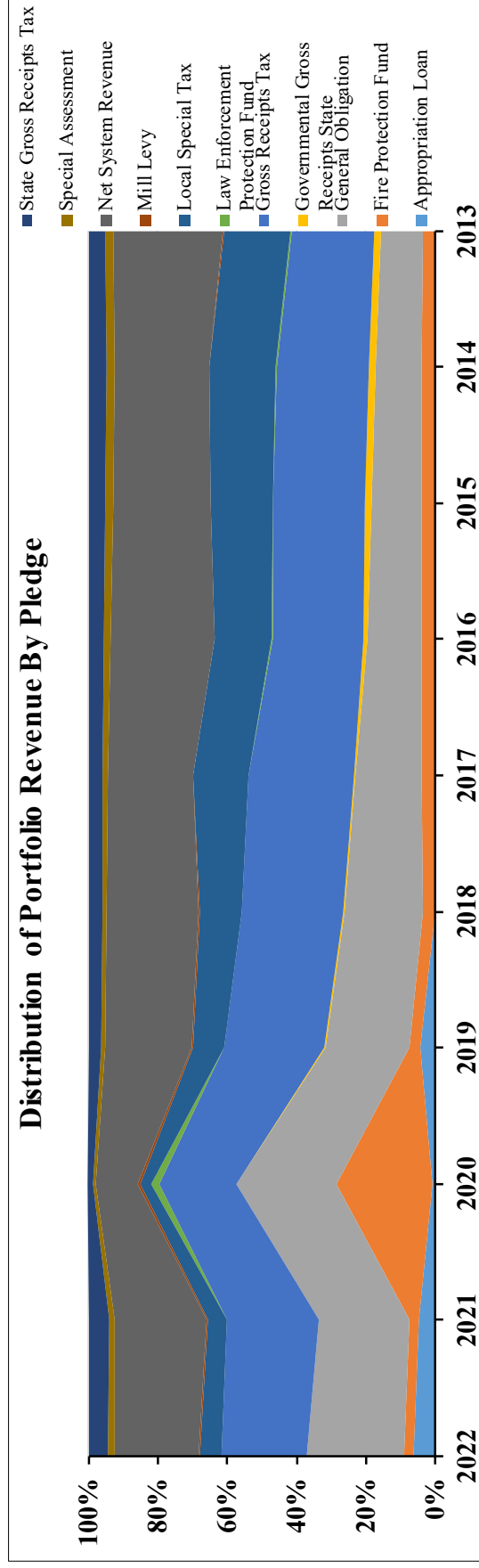
Total Operating Revenue vs. Non-operating Revenue



# Public Project Revolving Fund Pledged Revenue

Percent Distribution by Pledge Type at June 30: 2022-2013

<u>Type of Pledge</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Appropriation Loan	6.3%	4.8%	0.8%	4.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Fire Protection Fund	2.6%	2.6%	27.7%	3.2%	3.6%	3.8%	3.8%	4.0%	4.1%	3.7%
General Obligation	28.3%	26.2%	28.7%	24.2%	22.4%	19.2%	15.7%	14.3%	13.1%	12.1%
Governmental Gross Receipts State	0.0%	0.1%	0.2%	0.4%	0.4%	0.5%	1.3%	1.8%	1.9%	1.8%
Gross Receipts Tax	24.5%	26.3%	22.1%	28.8%	29.2%	30.3%	26.1%	26.6%	26.6%	23.9%
Law Enforcement Protection Fund	0.0%	0.0%	2.3%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Local Special Tax	6.2%	5.6%	3.1%	8.6%	12.2%	15.8%	16.4%	17.8%	19.2%	19.2%
Mill Levy	0.4%	0.4%	1.0%	0.4%	0.2%	0.2%	0.3%	0.2%	0.2%	0.1%
Net System Revenue	24.3%	26.5%	11.9%	25.1%	26.3%	24.4%	29.8%	27.8%	27.3%	31.9%
Special Assessment	1.6%	1.5%	0.8%	1.1%	1.5%	1.6%	2.1%	2.4%	2.4%	2.3%
State Gross Receipts Tax	5.8%	6.0%	1.5%	3.8%	3.9%	4.1%	4.4%	4.9%	5.0%	4.8%



### Debt Burden

Original vs. Outstanding Bond Principal at June 30, 2022

		Original	Outstanding
Consolidated All PPRF Bonds		1,828,755,000	1,285,255,000
Consolidated Senior Lien		1,275,885,000	914,420,000
Consolidated Sub Lien		552,870,000	370,835,000
2022 A Exempt Bonds	A – Senior	65,570,000	63,850,000
2022 B Exempt Bonds	A – Senior	53,215,000	53,215,000
2021A Exempt Bonds	A – Senior	39,535,000	34,945,000
2021B Exempt Bonds	B – Subordinate	31,305,000	29,900,000
2021C Exempt Bonds	C - Senior	43,610,000	43,610,000
2020A Exempt Bonds	A – Senior	32,305,000	25,350,000
2020B Exempt Bonds	B – Senior	81,000,000	71,365,000
2020C1 Exempt Bonds	C1 – Subordinate	57,960,000	52,650,000
2020C2 Exempt Bonds	C2 – Subordinate	38,860,000	32,995,000
2019A Exempt Bonds	A – Subordinate	37,145,000	30,530,000
2019B Exempt Bonds	B – Senior	43,870,000	36,815,000
2019C1 Exempt Bonds	C1 – Subordinate	18,930,000	14,955,000
2019C2 Taxable Bond	C2 – Subordinate	12,480,000	9,750,000
2019D Exempt Bonds	D – Senior	53,260,000	47,180,000
2018A Exempt Bonds	A – Senior	124,330,000	94,365,000
2018B Exempt Bonds	B – Senior	22,530,000	13,675,000
2018C1 Exempt Bonds	C1 – Subordinate	19,400,000	15,800,000
2018C2 Taxable Bonds	C2 – Subordinate	13,175,000	9,125,000
2018D Exempt Bonds	D – Senior	53,310,000	35,270,000
2018E Taxable Bonds	E – Subordinate	70,205,000	56,005,000
2017A Exempt Bonds	A – Senior	60,265,000	44,500,000
2017B Exempt Bonds	B – Subordinate	68,015,000	18,755,000
2017C Exempt Bonds	C – Senior	37,675,000	18,500,000
2017D Exempt Bonds	D – Subordinate	41,395,000	22,055,000
2017E Exempt Bonds	E – Senior	40,190,000	26,460,000
2017F Taxable Bonds	F – Subordinate	19,315,000	11,990,000
2016A Exempt Bonds	A – Senior	52,070,000	25,695,000
2016C Exempt Bonds	C – Senior	67,540,000	58,020,000
2016D Exempt Bonds	D – Senior	116,485,000	67,275,000
2016E Exempt Bonds	E – Senior	40,870,000	16,775,000
2016F Exempt Bonds	F – Senior	38,575,000	21,405,000
2015A Exempt Bonds	A – Subordinate	63,390,000	36,415,000
2015B Exempt Bonds	B – Senior	45,325,000	26,785,000
2015C Exempt Bonds	C – Senior	45,475,000	42,810,000
2015D Exempt Bonds	D – Subordinate	29,355,000	15,445,000
2014A Exempt Bonds	A1 – Subordinate	15,135,000	10,300,000
2014A Taxable Bonds	A2 – Subordinate	16,805,000	4,165,000
2014B Exempt Bonds	B – Senior	58,235,000	25,435,000
2013A Exempt Bonds	A – Senior	44,285,000	15,500,000
2013B Exempt Bonds	B – Senior	16,360,000	5,620,000

## PPRF Senior and Subordinate Lien Debt Service Coverage

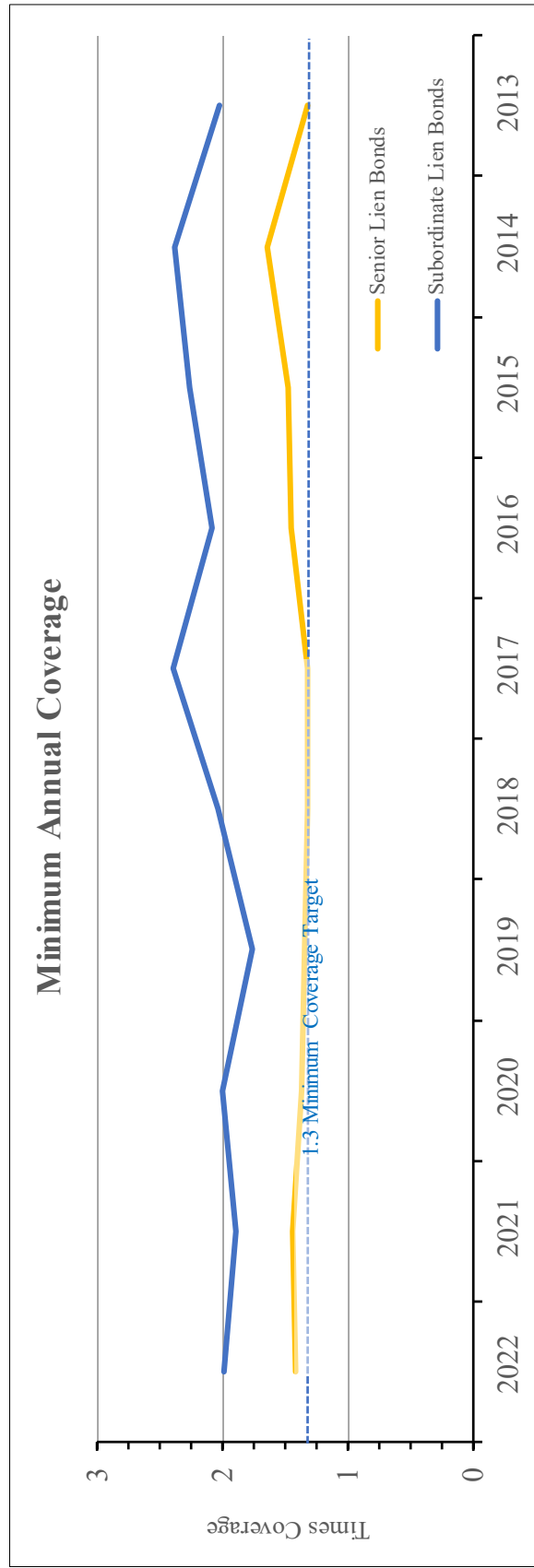
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
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### Senior Lien Bonds

Annual Coverage at June 30	1.42	1.44	1.37	1.35	1.32	1.32	1.46	1.48	1.65	1.32
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### Subordinate Lien Bonds

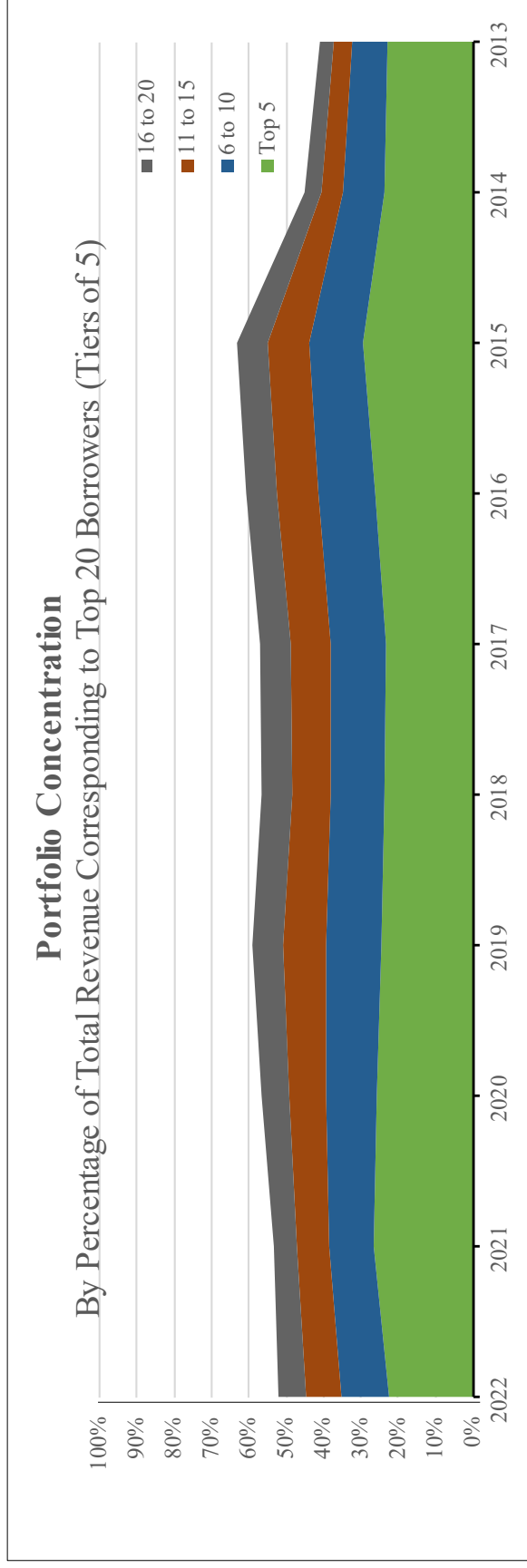
Annual Coverage at June 30	1.99	1.90	2.00	1.77	2.04	2.39	2.08	2.26	2.38	2.03
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# Public Project Revolving Fund Concentration

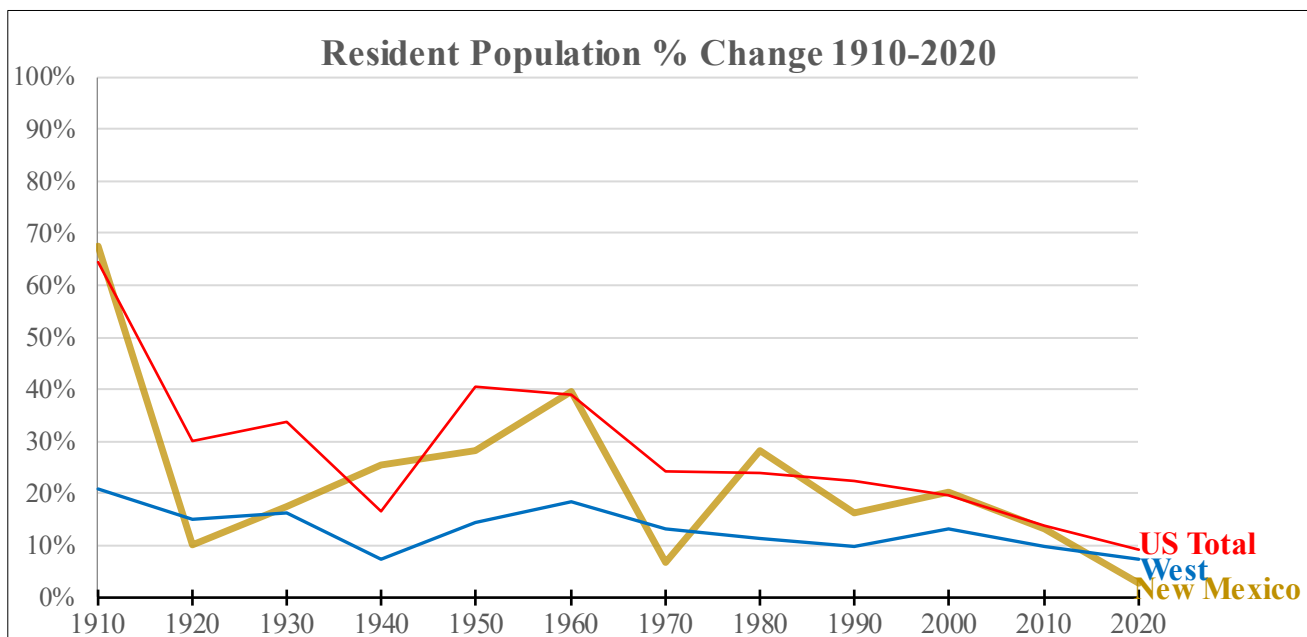
Distribution of Portfolio Revenue Among the Top 20 Borrowers at June 30: FY2022-2013

Top 4 Tiers of Borrowers	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Top 5</b>	22.4%	26.4%	25.7%	24.6%	23.9%	23.1%	26.3%	29.4%	23.8%	23.0%
<b>6 to 10</b>	12.9%	12.1%	13.5%	14.7%	14.3%	15.2%	15.1%	14.5%	10.9%	9.3%
<b>11 to 15</b>	9.5%	8.6%	9.9%	11.5%	10.3%	10.7%	11.2%	10.9%	6.0%	5.0%
<b>16 to 20</b>	7.2%	6.3%	7.5%	8.2%	8.2%	8.2%	8.0%	8.1%	4.2%	3.7%
<b>Remainder of Portfolio</b>	48.0%	46.6%	43.4%	41.0%	43.3%	42.8%	39.4%	37.0%	55.1%	59.0%



# New Mexico Resident Population

	Observation Date (January 1)	1,000s of Persons, Annual, Not Seasonally Adjusted
<b>1910</b>	327,301	92,228,531
<b>1920</b>	360,350	106,021,568
<b>1930</b>	423,317	123,202,660
<b>1940</b>	531,818	132,165,129
<b>1950</b>	681,187	151,325,798
<b>1960</b>	951,023	179,323,175
<b>1970</b>	1,016,000	203,211,926
<b>1980</b>	1,302,894	226,545,805
<b>1990</b>	1,515,069	248,709,873
<b>2000</b>	1,819,046	281,421,906
<b>2010</b>	2,059,179	308,745,538
<b>2020</b>	2,117,522	331,449,281



Note: Estimated population as of December 22, 2021 was 2,115,877

Census.gov

Link: <https://www.census.gov/data/tables/time-series/dec/popchange-data-text.html>

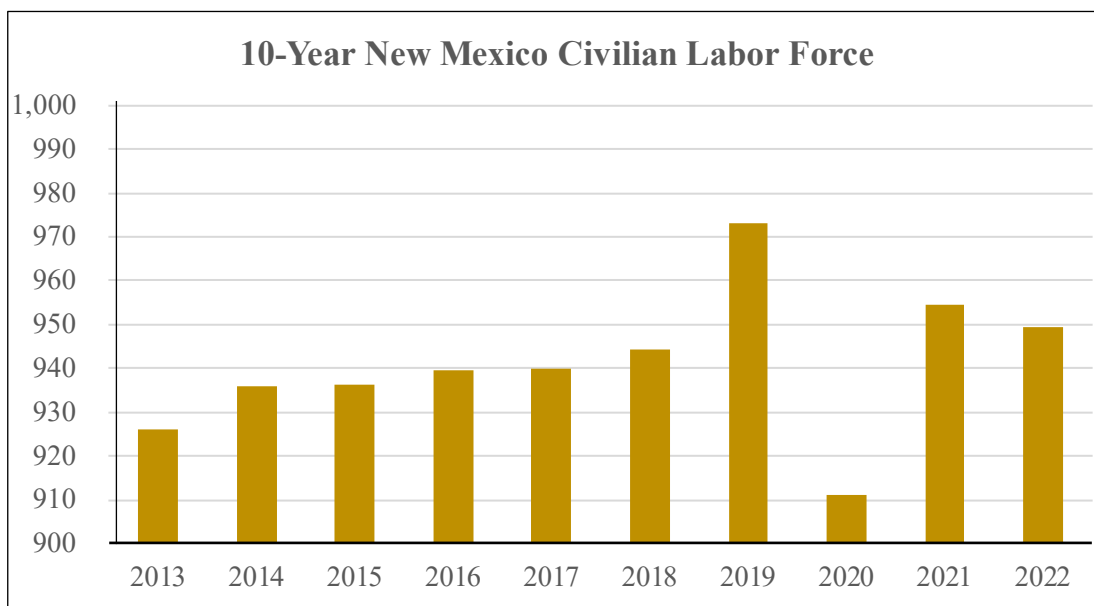
US Census Bureau

Updated: Dec 22, 2021

## Civilian Labor Force in New Mexico

### Persons, Not Seasonally Adjusted

Observation Date (July 1)	Civilian Labor Force
2022	949,565
2021	954,356
2020	911,029
2019	973,041
2018	944,247
2017	939,847
2016	939,676
2015	936,140
2014	935,834
2013	925,970



Federal Reserve Economic Data (FRED)

Link: <https://fred.stlouisfed.org/series/NMLF>

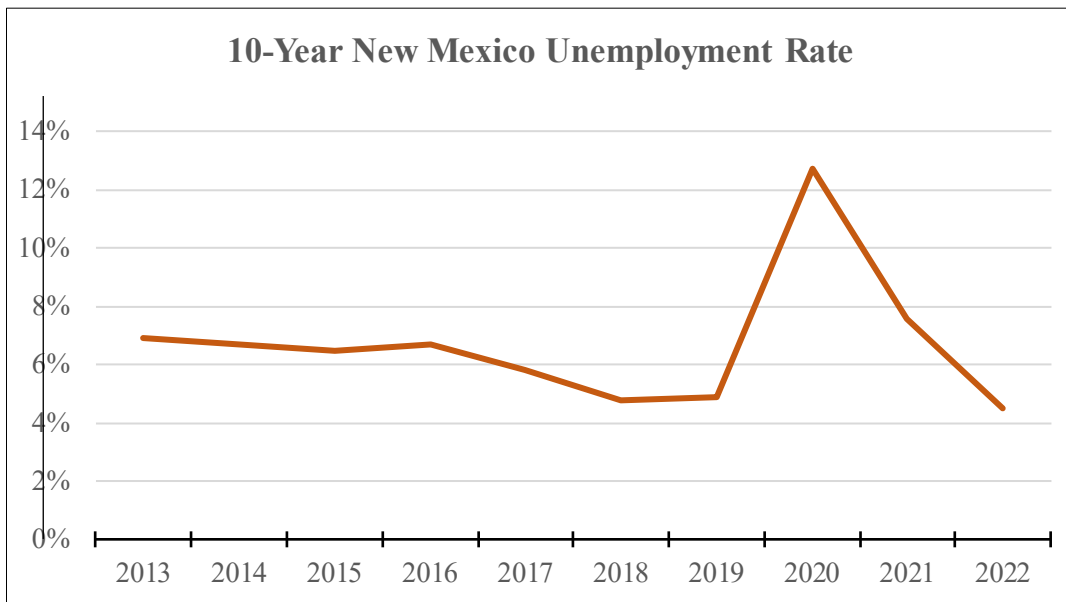
Federal Reserve Bank of St. Louis

Updated: Aug 22, 2022

## Unemployment Rate in New Mexico

### Percent, Monthly, Seasonally Adjusted

Observation	
Date (July 1)	% Unemployed
2022	4.5%
2021	7.6%
2020	12.7%
2019	4.9%
2018	4.8%
2017	5.8%
2016	6.7%
2015	6.5%
2014	6.7%
2013	6.9%



Federal Reserve Economic Data (FRED)

Link: <https://fred.stlouisfed.org/series/NMUR>

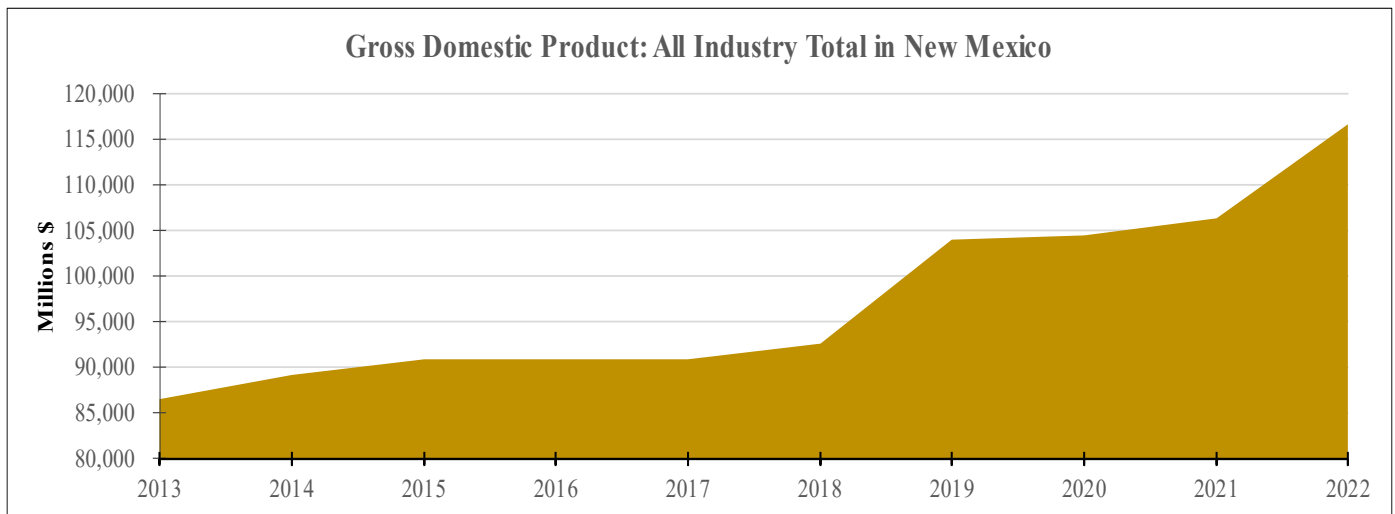
Federal Reserve Bank of St. Louis

Updated: Aug 22, 2022

## Gross Domestic Product: All Industry Total in New Mexico

Millions \$s of Chained 2012 Dollars, Annual, Not Seasonally Adjusted

Observation Date (January 1)	GDP Millions \$s
2022	116,735
2021	106,380
2020	104,462
2019	104,001
2018	92,591
2017	90,989
2016	90,970
2015	90,868
2014	89,151
2013	86,506



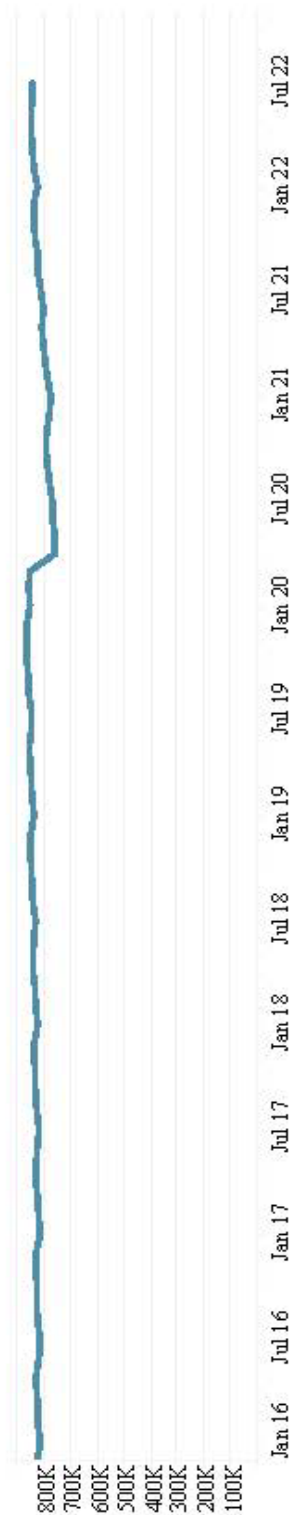
Link: <https://fred.stlouisfed.org/series/NMNQGSP>

Economic Research Division

Federal Reserve Bank of St. Louis

Updated: Jun 25, 2021

## New Mexico Historical Total Nonfarm Employment



## New Mexico Historical Total Nonfarm Over-the-Year Job Growth (%)



New Mexico Department of Workforce Solutions

Link: <https://www.dws.state.nm.us/en-us/Researchers/Data/Employment-Industry>

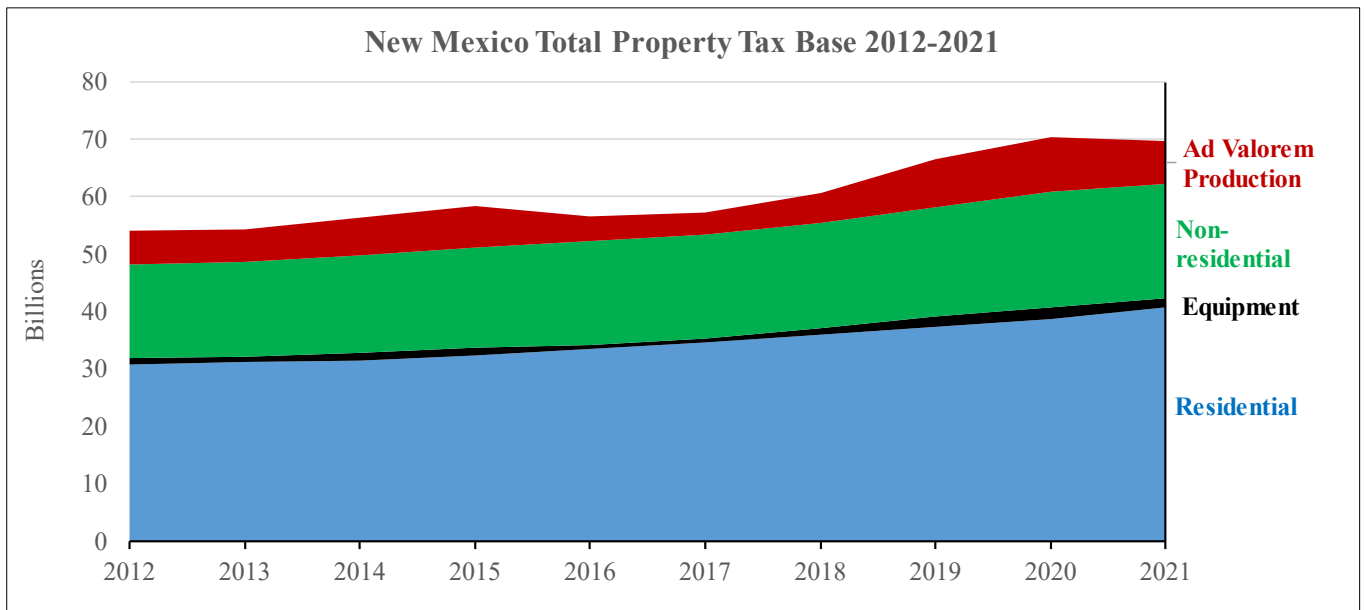
US Bureau of Labor Statistics

Updated: July 2022



## Net Taxable Value for Property Tax Purposes

Tax Year	Residential	Nonresidential	Ad Valorem Production	Equipment	Total
2021	40,681,145,876	19,949,742,925	7,431,096,748	1,736,831,292	69,798,816,841
2020	38,671,443,095	20,119,885,086	9,569,179,702	2,110,532,356	70,471,040,239
2019	37,271,533,189	19,012,390,512	8,372,712,631	1,904,105,905	66,560,742,237
2018	35,934,821,015	18,226,388,446	5,313,419,682	1,224,319,528	60,698,948,671
2017	34,681,545,958	17,912,620,169	3,836,399,452	742,949,817	57,173,515,396
2016	33,420,866,558	17,996,733,566	4,373,599,405	833,971,811	56,625,171,340
2015	32,283,583,025	17,454,632,250	7,253,704,992	1,421,044,437	58,412,964,704
2014	31,574,705,479	17,003,242,702	6,611,014,734	1,284,501,752	56,473,464,667
2013	31,198,735,901	16,457,453,232	5,516,713,745	1,064,032,866	54,236,935,744
2012	30,701,128,897	16,371,012,537	5,901,454,351	1,156,075,491	54,129,671,276



Local Govt. Division Budget and Finance Bureau: Property Tax Facts for Tax Year 2020

Link: <https://www.nmdfa.state.nm.us/local-government/budget-finance-bureau/property-tax-facts/>

NM Dept Finance & Administration

Updated: 2021

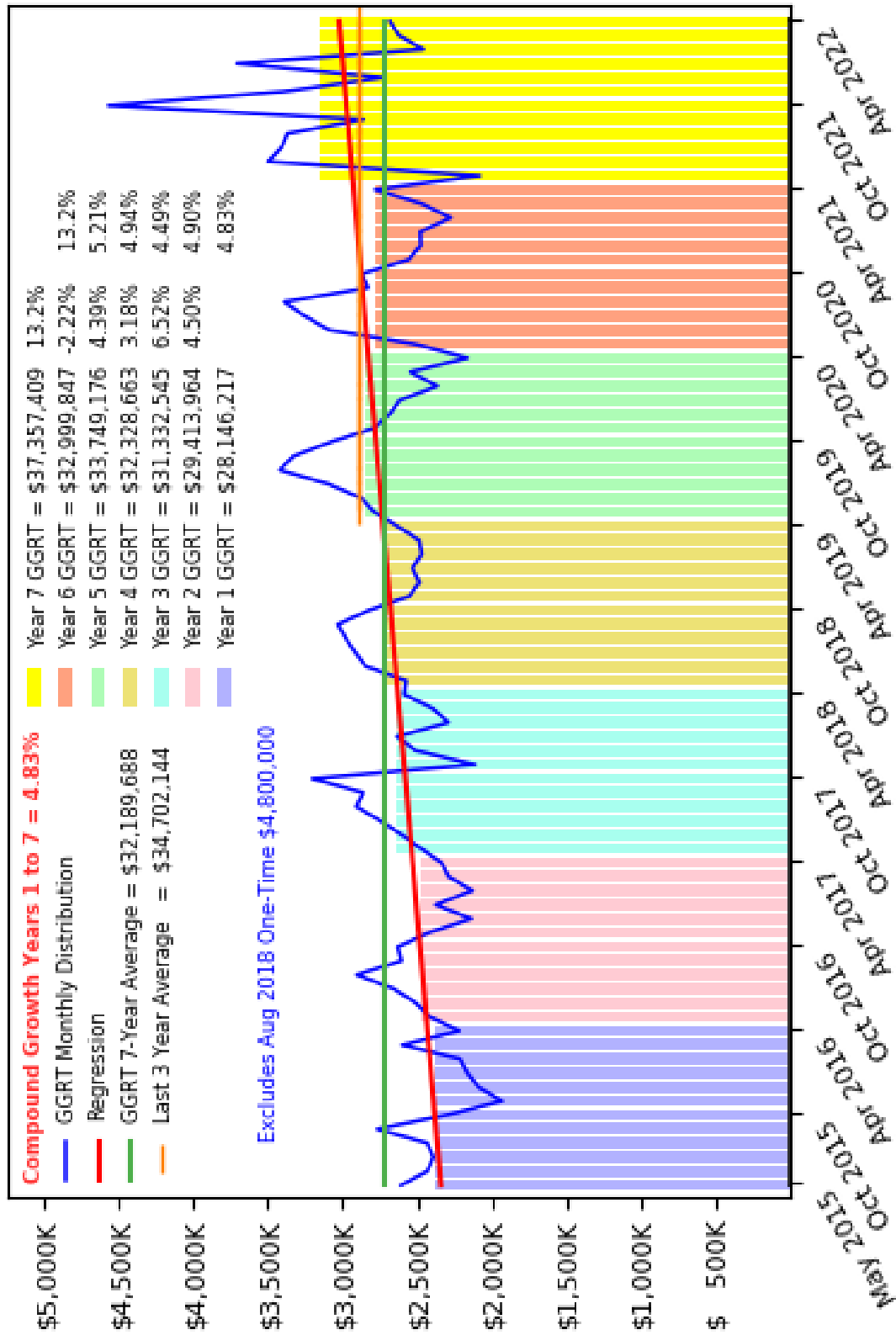
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# **Other Information (Unaudited)**

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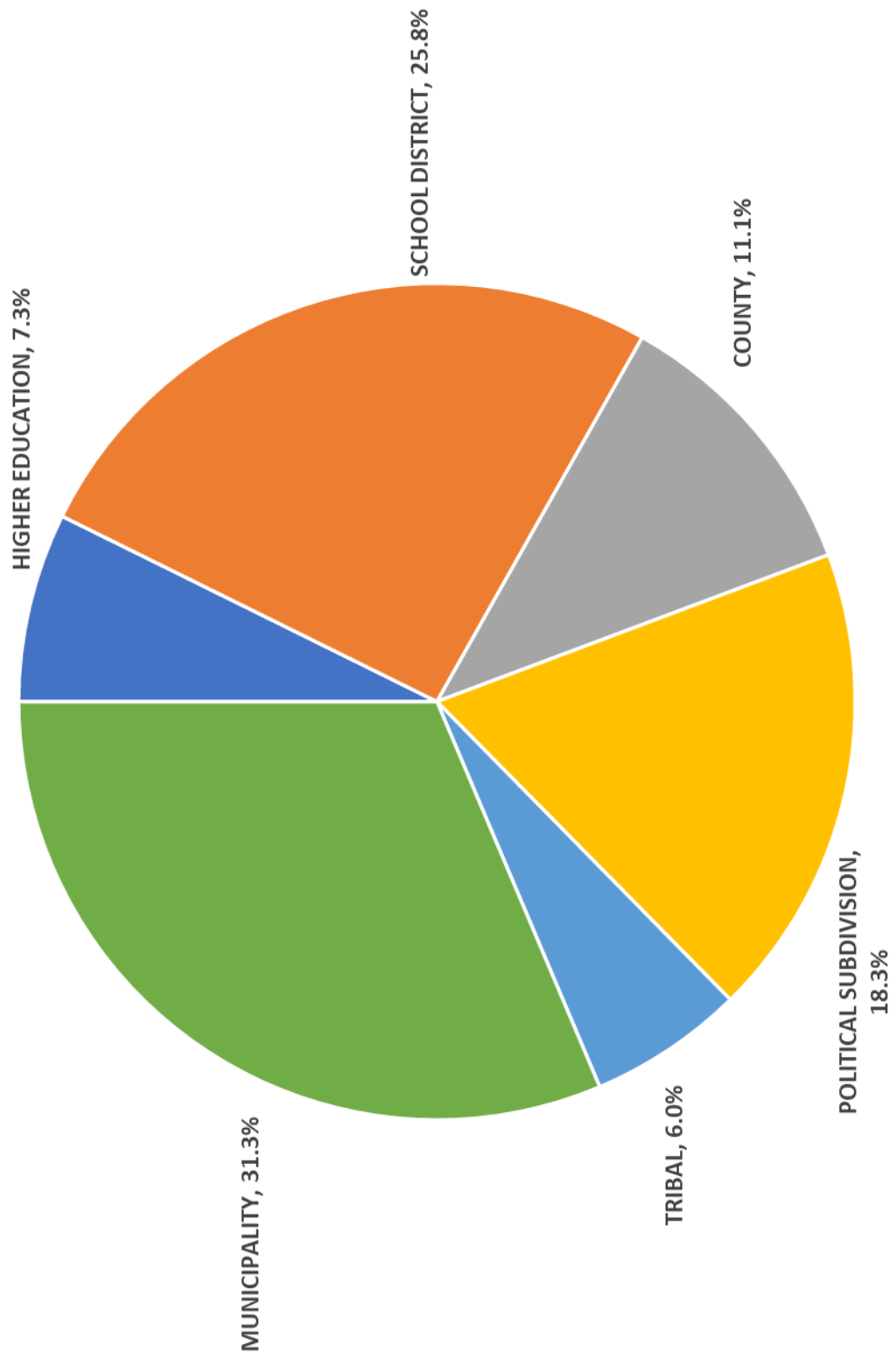
## Normalized Distributions for PPRF GGRT



Tax & Rev Distributions for PPRF Last 84 Months Thru Apr 2022

**PPRF LOAN PORTFOLIO AS OF 06/30/22**

**PPRF LOANS OUTSTANDING = \$1,631,080,443**



PPRF LOAN PORTFOLIO AS OF 06/30/22

PPRF LOANS OUTSTANDING = \$1,631,080,443

