Dan Schwartz
State Treasurer

STATE OF NEVADA
OFFICE OF THE STATE TREASURER

NOTICE OF PUBLIC MEETING

THE NEVADA CAPITAL INVESTMENT CORPORATION
BOARD OF DIRECTORS

Thursday, October 25, 2018 at 10 a.m.

Locations:
Via teleconference at the following locations:

Capitol Building, First Floor	Grant Sawyer State Office Building
Treasurer's Office, Suite 4	Treasurer's Office, Suite 5300
101 N. Carson Street	555 E. Washington Avenue
Carson City, NV 89701	Las Vegas, NV 89101

Meeting via teleconference available at the: 877.873.8017 Access Code: 5707654#

All items listed on this agenda are for discussion and possible action by the Board of Directors of the Nevada Capital Investment Corporation (NCIC) unless otherwise noted. Action may consist of any of the following: approve, deny, condition, hold, or table.

NOTE: Public comment may not be limited based on viewpoint

AGENDA

1) Call to Order (Chair Schwartz)

2) Roll Call (Tara Hagan)

3) Public comment. Comments from the public are invited at this time prior to the commencement of possible action items. The Board reserves the right to limit the amount of time that will be allowed for each individual to speak. The Board is precluded from acting on items raised during Public Comment that are not on the agenda.

4) **For possible action:** Approval of April 26, 2018 meeting minutes (Tara Hagan)

5) **For possible action:** Presentation of Silver State Opportunities Fund (SSOF) report ending March 31, 2018.

6) **For possible action:** Board review and discussion regarding an update on the Accion, LLC investment for period ending March 31, 2018. (Staff)

7) **For possible action:** Board review and discussion regarding an update on the Accion, LLC investment for period ending June 30, 2018. (Staff)

8) Public comment. Comments from the public are invited at this time prior to the commencement of possible action items. The Board reserves the right to limit the amount of time that will be allowed for each individual to speak. The Board is precluded from acting on items raised during Public Comment that are not on the agenda.

9) Close of Meeting by Chair

Tara Hagan, Chief Deputy Treasurer may be contacted at 775-684-5600 or trhagan@nevadatreasurer.gov to obtain copies of supporting materials, which are available to the public at 101 N. Carson Street, Suite 4 Carson City, NV 89701

Action may not be taken on matters considered during public comment until specifically included on a future agenda as an action item.

Items on the agenda may be taken out of the order at the discretion of the Board.

Items may be combined for consideration by the public body.

Items may be pulled or removed from the agenda at any time.

Public comment is limited to 5 minutes per person.
Action may be taken only on those items denoted "for possible action."

Notice of this meeting was posted at the following locations in Carson City, Nevada:
State Capitol Building, 1st & 2nd Floors, 101 North Carson Street
Nevada Legislative Building, 401 South Carson Street
Nevada State Library, 100 Stewart Street
Blasdel Building, 209 East Musser Street

Notice of this meeting was faxed for posting to the following location:
Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada
Fax for Capitol Police - (702) 486-2012

Notice of this meeting was posted on the following website:
www.nevadatreasurer.gov
https://notice.nv.gov/

We are pleased to make reasonable accommodations for members of the public who are disabled and would like to attend the meeting. If special arrangements for the meeting are required, please notify Tara Hagan with the Office of the State Treasurer, 101 North Carson Street, Carson City, Nevada 89701, call (775) 684-5600, or fax your request to (775) 684-5623 as soon as possible.

NEVADA CAPITAL INVESTMENT CORPORATION

MINUTES OF BOARD OF DIRECTORS MEETING
Thursday, April 26, 2018

Chair Dan Schwartz called the meeting of the Board of Directors of the Nevada Capital Investment Corporation (NCIC) to order at 10:05 a.m., on Thursday, April 26, 2018. The meeting was held via teleconference and videoconference.

Board Members

Chair Dan Schwartz
Vice Chair Anand Nair
Richard Bartholet - excused
Wayne Tew
Ash Mirchandani

Staff

Grant Hewitt,	Chief of Staff
Tara Hagan,	Chief Deputy Treasurer
Dennis Stoddard	Sr. Deputy Treasurer
Kim Arnett,	Deputy Treasurer - Investments

AGENDA

1) Call to order (Chair Schwartz)
The meeting was called to order at 10:05 a.m.

2) Roll Call
All members were present representing a quorum. Staff indicated the meeting was properly noticed and that the agendas were posted in accordance with the Nevada Open Meeting Law.

3) Public Comment
There was no public comment in Carson City or Las Vegas.

4) For Possible Action: Approval of the November 15, 2017 meeting minutes.

Mr. Tew motioned to approve the meeting minutes. Mr. Mirchandani seconded the motion. Motion passed unanimously.

5) For Possible Action: Presentation of Silver State Opportunities Fund (SSOF) quarterly report ending December 31, 2017 (Miguel Luina – Hamilton Lane)

Miguel Luina with Hamilton Lane presented the quarterly report and stated that the SSOF (Fund) is performing as expected and continues to progress as the investments age. He noted that since the June 30th report, the internal rate of return (IRR) for the Fund has increased with continued traction in the underlying companies and underlying investments. The fund net IRR has increased from 2.5% to 4.6% since the last reporting period (September 30, 2017), so it's picking up momentum and breaking out of the J-Curve. Mr. Luina stated that over the latter half of 2017, $1.9 million was distributed back to the Permanent School Fund (PSF) and the Fund is continuing to make distributions of the current income for the PSF. He explained that all the fund managers are performing well and they have a strong performance that is driving increased returns for the overall portfolio. He noted that the Fund has significant impact on Nevada beyond the returns to the PSF which include an additional with $555 million dollars invested between SSOF and their partners in Nevada companies. The companies are employing close to 2,400 Nevadans in high paying jobs where they are generating 45% higher income than the state average. Overall, they are very pleased with where they stand on an impact perspective and a return perspective.

Chair Schwartz asked if there would be anymore write-offs.

Mr. Luina stated no there is nothing pending or any on the horizon.

Chair Schwartz asked, in terms of the portfolio, which of the co-investments are doing best.

Mr. Luina stated that Marshall Retail Group has shown great positive momentum in the second half of the year. Rural Physicians Group is doing very well as they continue to win new hospitals and grow in terms of revenue. West Dermatology Management Holdings is doing well with the acquisitions that the company made and are integrating those businesses into their platform and hiring new dermatologists. He also noted Kareo, a cloud-based medical software platform for small physicians and Super Color Digital, LLC. as strong performers.

Mr. Nair motioned to accept the SSOF annual report for period ending December 31, 2017. Mr. Mirchandani seconded the motion. Motion passed unanimously.

6) For possible action: Board review and discussion regarding an update on the Accion, LLC investment.

Tara Hagan gave the Board an update on the Accion investment and reminded the Board that it approved an investment in Accion a year ago and the investment was funded in August of 2017. She noted to the Board that there is a minimum effective interest rate of 2.5% and stated that the Permanent School Fund received a pro-rated amount of interest of about $8,500. She explained that pursuant to the LLC with Accion, that the business loans need to be made to Nevada for the $1 million-dollar investment and as of December Accion had already invested ~$800,000 in Nevada businesses.

No discussion on this item.

Mr. Nair motioned to approve the report on Accion, LLC investment. Mr. Mirchandani seconded the motion. Motion passed unanimously.

7) Public Comment:
There was no public comment in Carson City, Las Vegas or on the telephone.

The meeting was adjourned at 10:21 a.m.

Attest:

Tara Hagan, Secretary to the Board

Hamilton Lane

Hamilton Lane
Silver State Opportunities Fund

Fiscal Third Quarter Report

2018

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Portfolio Update

Executive Summary

We are pleased to provide you with the fiscal third quarter 2018 report for Silver State Opportunities Fund LLC ("Silver State" or the "Fund", or the "Portfolio") which summarizes the Fund's results and investment activity, as well as provides key updates. This report represents the review by Hamilton Lane of the Silver State Opportunities Fund LLC as of March 31, 2018.

- As of March 31, 2018, the Fund has made $44.6 million of commitments to 14 investments.
- Since inception, the Fund has generated a gross Internal Rate of Return ("IRR") of 8.16% and a total value multiple of 1.20x
- On a net basis, the Fund has a since-inception IRR of 4.22%

Background of the Fund

Hamilton Lane was engaged by the Nevada Capital Investment Corporation ("NCIC") in August of 2012, to provide investment management services through the Silver State Opportunities Fund LLC ("Silver State" or the "Fund"). In September 2012, Hamilton Lane opened its Nevada office to oversee management of the Fund; Miguel Luina, Rob Reed, and Dave Helgerson serve as the main points of contact from Hamilton Lane for the Fund. Silver State's investments are to include both partnerships and co-investments focusing on compelling investments across various investment strategies (buyout, venture capital, growth, mezzanine, distressed, and special situations) with a significant presence in Nevada. The NCIC has committed $50 million to the Fund, and Hamilton Lane has committed $0.5 million to the vehicle.

Silver State Opportunities Fund LLC

First Closing Date	August 1, 2012
Vintage Year	2013
Termination Date[1]	August 1, 2022
Current Lifecycle	Post-Investment Period
Total Fund Size	$50,505,051
Manager	Hamilton Lane Advisors, LLC
Investment Strategy	Targeted Investment Program
Administrator	Stone Pine Accounting Services, LLC
Auditors	Ernst & Young

[1] Term may be extended by the Manager for up to two successive one-year periods in its sole discretion. Per the terms of the Amended and restated LLC Agreement, NCIC and the Manager may make an additional capital commitment at the end of the Commitment Period of the First Tranche. Should NCIC elect to make a Second Tranche Commitment, the termination date of the Fund will change.

Silver State by the Numbers

2013
Vintage Year

$50M
Fund Size

14
Total Investments

$45M
Committed

$40M
Contributed

$8M
Distributed

0.2x
Gross DPI

1.2x
Total Value Multiple

8.2%
Gross IRR

4.2%
Net IRR

Portfolio Update

Performance

	Since Inception as of 3/31/2018
Gross Fund Multiple	1.20x
Gross Fund IRR	8.16%
NCIC Net Multiple	1.11x
NCIC Partner Net IRR[1]	4.22%

[1] Net IRR includes Hamilton Lane management fees and Fund expenses.

Net LP Summary

	Since Inception to 12/31/2017	Since Inception to 3/31/2018	Change
Total Committed to Partnerships	$50.0	$50.0	-
Percent Committed	89.2%	89.2%	-
Total Contributions from LPs	$42.1	$42.3	$0.2
Percent Contributed	84.2%	84.6%	0.4%
Total Distributions to LPs	$7.5	$7.7	$0.2
Percent of Contributions	17.8%	18.2%	0.4%
Unfunded Commitments	$9.4	$9.2	($0.2)
Net Asset Value	$39.1	$39.1	-
Total Value to Paid-in Capital[1]	1.11x	1.11x	-

[1] Total Value to Paid-in Capital Mulitple ("TVPI") represents the fund's market value plus distributions, divided by total contributed capital.

Gross Fund Summary

	Since Inception to 12/31/2017	Since Inception to 3/31/2018	Change
Active Investments	14	14	-
Active Managers	14	14	-
Capital Committed	$44.6	$44.6	-
Unfunded Commitment	$6.5	$6.3	($0.2)
Capital Contributed	$39.5	$39.7	$0.2
Capital Distributed	$7.7	$8.1	$0.4
Market Value	$39.9	$39.8	($0.1)
Gross DPI	0.20x	0.20x	-

[1] The December 31, 2017 data is based upon information provided in the Silver State Opportunities Fund LLC 2nd Fiscal Quarter 2018 report. Silver State Opportunities Fund fiscal year-end is June 30, 2018.

Portfolio Value and Performance

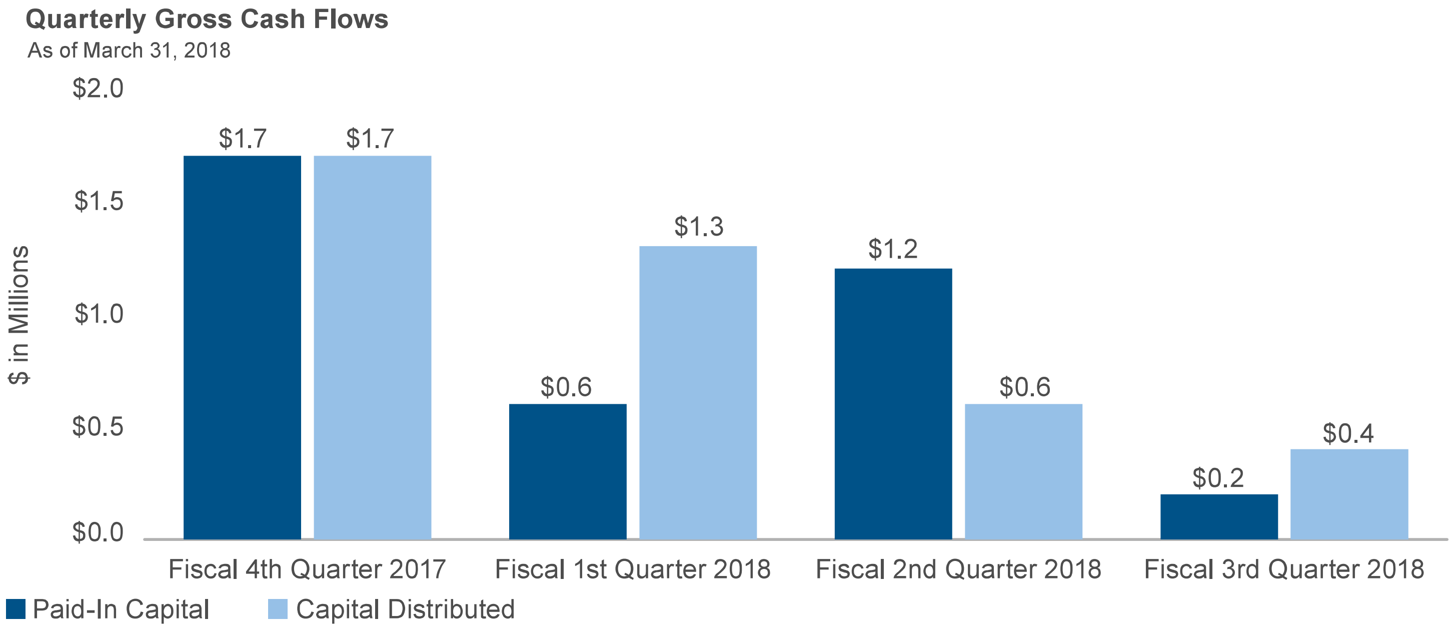
Portfolio Quarter-Over-Quarter Summary					
	Quarter Ended				Year Ended
in $ millions	6/30/2017[1]	9/30/2017[1]	12/31/2017[1]	3/31/2018	3/31/2018
Beginning Market Value	$35.1	$36.9	$37.9	$39.9	$35.1
Paid-in Capital	1.7	0.6	1.2	0.2	3.7
Distributions	(1.7)	(1.3)	(0.6)	(0.4)	(4.0)
Net Value Change	**1.8**	**1.7**	**1.4**	**0.1**	**5.0**
Ending Market Value	$36.9	$37.9	$39.9	$39.8	$39.8
Unfunded Commitments	**$8.4**	**$7.8**	**$6.6**	**$6.4**	**$6.4**
Total Exposure	$45.3	$45.7	$46.5	$46.2	$46.2
Point-to-Point IRR	5.12%	4.65%	3.74%	0.06%	14.19%
Since Inception IRR	7.01%	8.25%	8.92%	8.16%	8.16%

[1] Prior quarter information is based upon the financial information presented in the respective quarter's Quarterly Report.
[2] Totals may be off due to rounding

- The Portfolio generated a net value gain of $0.1 million and a point-to-point IRR of 0.06% for the quarter ended March 31, 2018. Six investments experienced a combined net value gain of $0.5 million while five investments experienced a combined net value loss of $0.4 million. Two investments did not experience any net value change during the quarter.
  - Software Paradigms International generated the largest net value gain during the quarter with $0.2 million. The net value gain was largely attributed to a minor write up due to a 10.5% revenue growth year over year.
  - Convergent Capital Partners III generated $0.2 million in net value increase during the quarter, the largest amount for a fund investment.

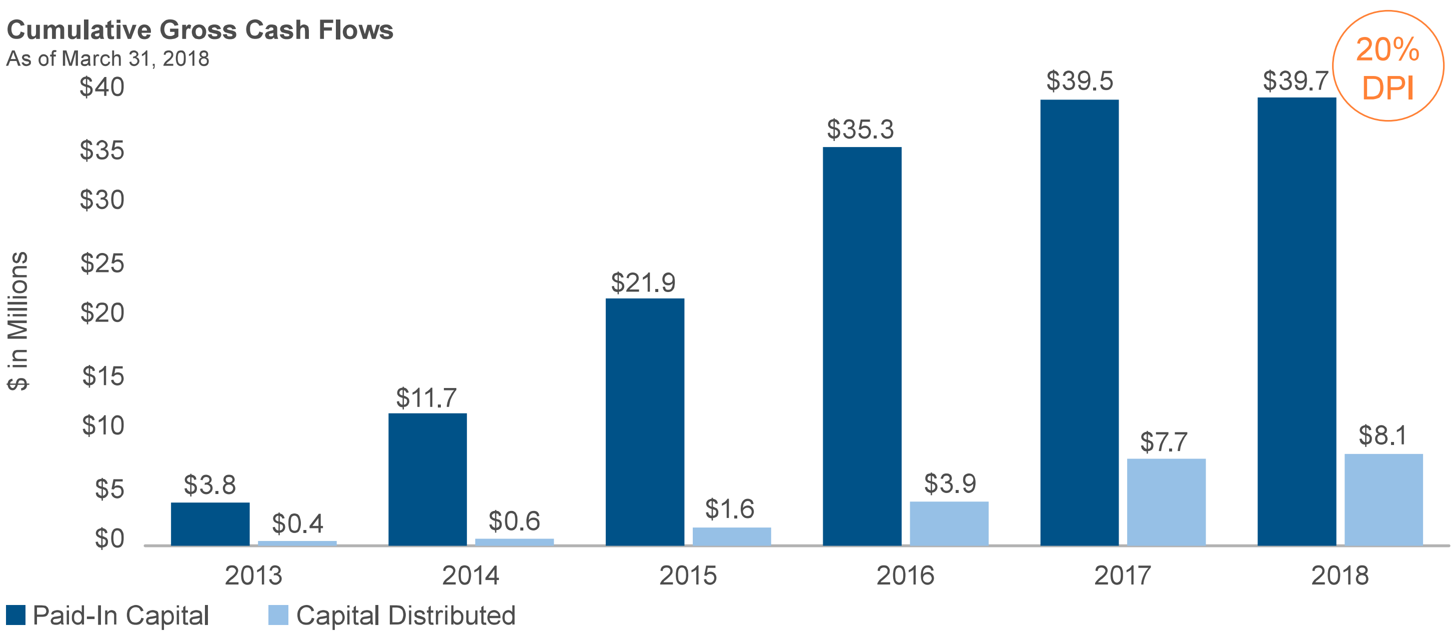
Cash Flow Activity

The chart below highlights the cash flows in the Fund over the past four quarters ended March 31, 2018.



- Huntington Capital Fund III drove distributions during the quarter, accounting for $0.2 million or 42% of the quarterly total. HCAP negotiated a sale of Native Foods at a $5.2 million valuation and dividend income from other investments.

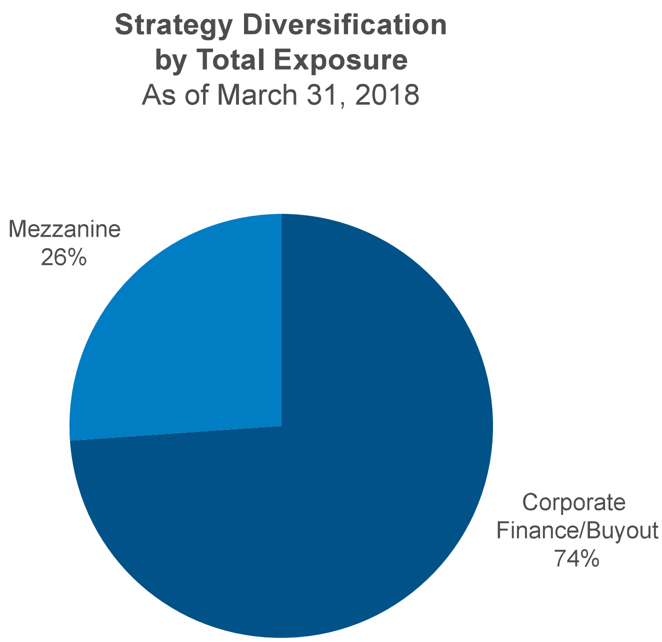
The chart below highlights the cumulative cash flows from inception to March 31, 2018.

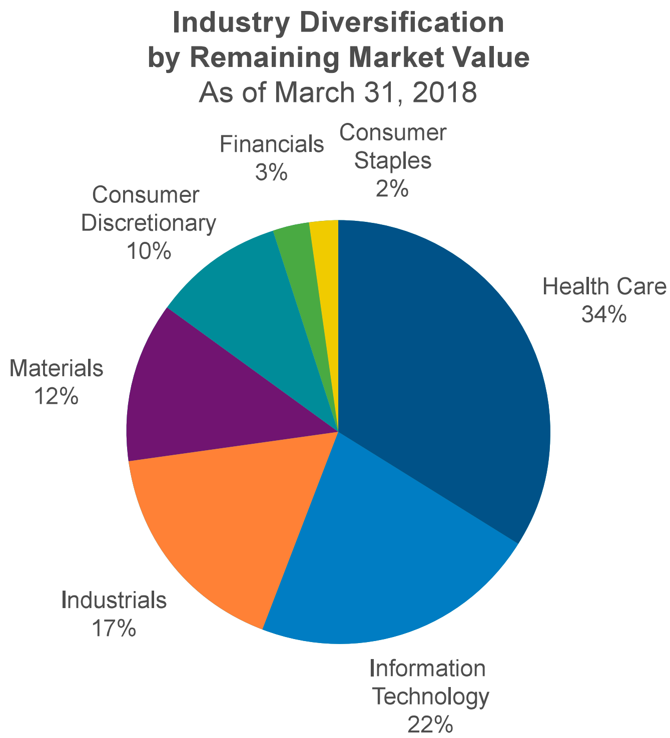


- As of quarter-end, the Portfolio reached a Distributed-to-Paid-In ratio (DPI) of 0.20x. Since inception, the top distributor has been HCAP III returning $3.2 million. As of March 31, 2018, HCAP III generated a 11.14% net IRR and 0.69x DPI.

Portfolio Diversification

The chart below represents the Fund's diversification by strategy as measured by total exposure as of March 31, 2018. Total exposure is the sum of the market value and the unfunded commitment of the underlying investments. The chart related to diversification by industry is presented by remaining market value calculated at underlying holdings level based off of the March 31, 2018 actual valuations.



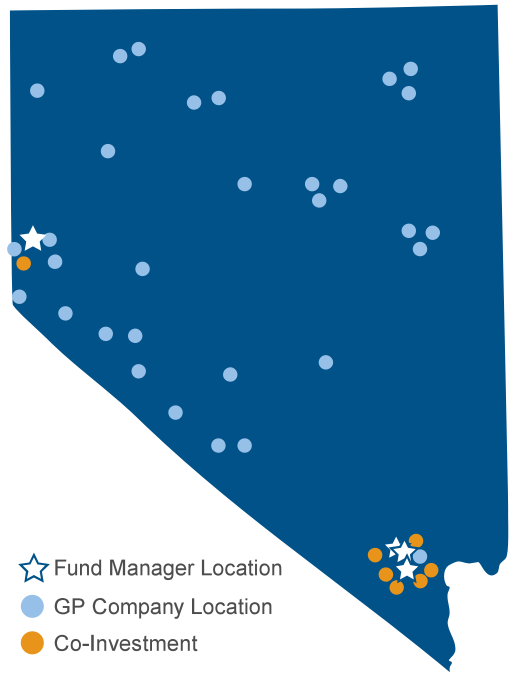


- The Portfolio is well diversified by industry, with Health Care and Information Technology representing the top two industry exposures.
  - Co-Investments are driving industry market value exposure to Health Care (West Dermatology, Kareo) and Information Technology (Software Paradigms).
- Convergent Capital Partners III accounts for the Portfolio's largest share of underlying company market value at $5.6 million or 15.8% of the Portfolio.

Nevada Impact[1]

Since its inception in 2012, the Fund has seen a steady growth of Nevada businesses in the portfolio. As the Fund develops, the companies receiving capital from SSOF are expected to continue to increase. As of June 30, 2017, the SSOF has invested in twenty-eight Nevada-based companies. The program's impact on the State has been widespread with fund partners opening offices and seeking investments across the North, South and rural regions of the State.

The SSOF has had a significant positive impact on employment within the State. Including Nevada-based investment professionals employed by SSOF fund managers, businesses which have received SSOF capital currently employ 2,393 Nevadans. At the portfolio company level, SSOF investments have grown employment by 66.2%[1] since investment to 2,393 employees, compared to 16.3%[2] overall employment growth in Nevada over the same time period. SSOF portfolio companies create high quality jobs, resulting in attractive wages for their employees. The average wage for Nevada employees at SSOF portfolio companies is $64k, 45% higher than the average Nevada wage[3] and 29% higher than the average national wage[2] in 2016.



[1] As of June 30, 2017
[2] Based on Nevada Department of Employment and Training 2016 average wage for all Nevada occupations.
[3] Based on Bureau of Labor Statistics 2016 average wage for all U.S. occupations.

Portfolio Summary by Investment

As of March 31, 2018

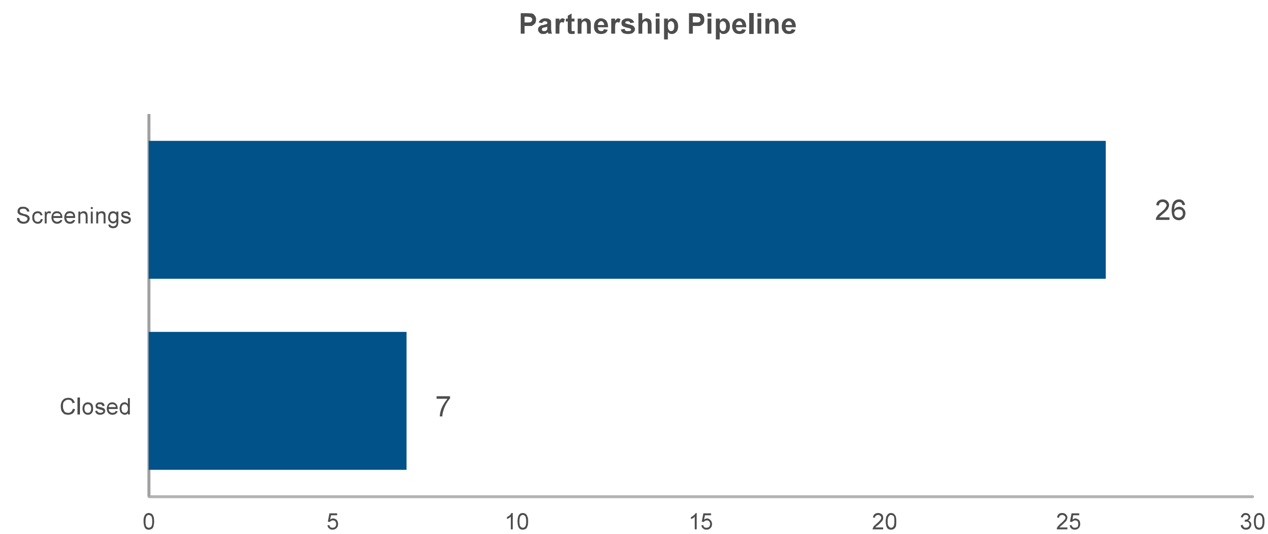
Investments	Investment Strategy	Commitment	Paid In Capital[1]	Distributions[2]	Market Value[1]	Since Inception IRR[2]
Brentwood Associates Private Equity V, L.P.	Corp Fin/Buyout	$3,000,000	$3,282,186	$750,188	$2,911,614	8.60%
Convergent Capital Partners III, L.P.	Mezzanine	5,000,000	4,014,482	143,537	5,542,751	15.03%
Enhanced Small Business Investment Company, L.P.	Mezzanine	2,600,000	1,689,929	760,077	1,843,570	14.54%
Graycliff Private Equity Partners III, L.P.	Corp Fin/Buyout	1,000,000	799,055	454,326	584,938	26.51%
Huntington Capital Fund III, L.P.	Mezzanine	5,000,000	4,593,760	3,154,587	2,296,835	11.14%
Sorenson Capital Partners III, L.P.	Corp Fin/Buyout	2,000,000	1,452,644	536	1,586,085	4.81%
Waterton Precious Metals Fund II Cayman, L.P.	Corp Fin/Buyout	5,000,000	3,027,604	948,016	2,872,517	9.87%
Partnerships Total		**$23,600,000**	**$18,859,659**	**$6,211,267**	**$17,638,310**	**12.11%**
Co-Investments[3]	Corp Fin/Buyout	21,008,209	20,887,675	1,914,518	22,128,775	5.38%
Total Portfolio		**$44,608,209**	**$39,747,334**	**$8,125,785**	**39,767,085**	**8.16%**

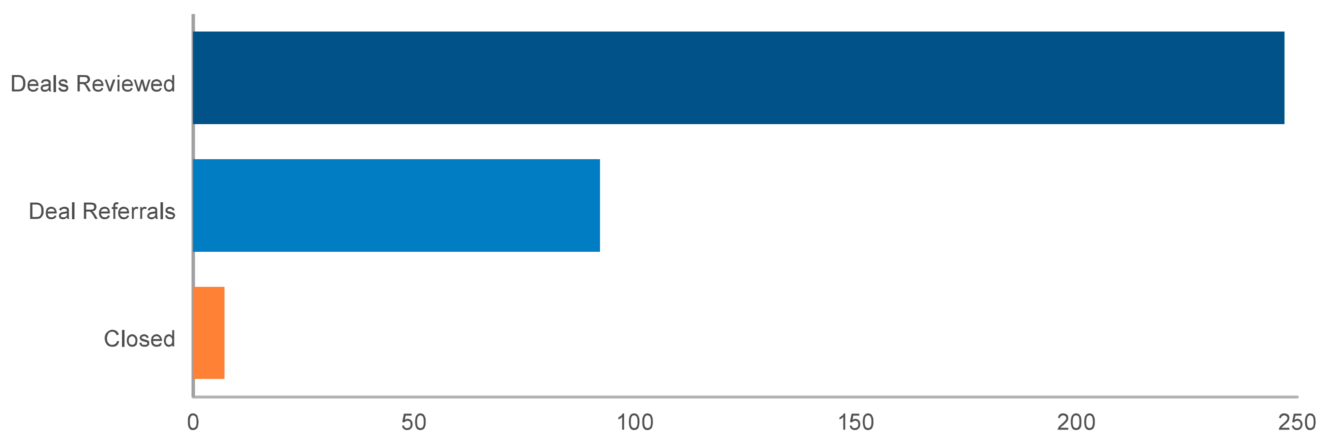
[1] Paid-In Capital includes amounts paid for investments, management fees and expenses.
[2] IRR is net of management fees, but gross of HL Fees.
[3] Co-Investments have been blinded upon client request.

- Co-Investments account for 56% of market value exposure, with the remaining 44% attributable to fund investments.

Deal Flow

The charts below provide detail regarding partnership and co-investment deal flow for the Fund during the Commitment Period.





SILVER STATE OPPORTUNITIES FUND LLC

Financial Statements

March 31, 2018

The Manager
Silver State Opportunities Fund LLC

Management is responsible for the accompanying financial statements of Silver State Opportunities Fund LLC (the “Company”) (a Nevada limited liability company), which comprise the statements of assets, liabilities and members’ equity, including the schedules of fund investments and co-investments, as of March 31, 2018 and June 30, 2017, and the related statements of operations, changes in members’ equity and cash flows for the nine months ended March 31, 2018 and the year ended June 30, 2017 in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements, including the schedules of fund investments and co-investments, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements, including the schedules of fund investments and co-investments.

The supplementary information contained on page 2-14 is presented for purposes of additional analysis. The supplementary information contained on page 2-15 is a required part of the basic financial statements. This information is the representation of management. The supplementary information was subject to our compilation engagement; however, we have not audited or reviewed the information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on such information.

Management has elected to omit substantially all the disclosures ordinarily included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user’s conclusions about the Company’s financial position, results of operations, and cash flows. Accordingly, the financial statements, including the schedules of fund investments and co-investments, are not designed for those who are not informed about such matters.

We are not independent with respect to Silver State Opportunities Fund LLC.

Stone Pine Accounting Services, LLC

Denver, Colorado
July 18, 2018

Statements of Assets, Liabilities and Members' Equity

	March 31, 2018	June 30, 2017
Assets		
Investments, at fair value:		
Fund investments (net cost - $14,934,512 and $14,097,214, respectively)	$17,638,310	$15,915,231
Co-investments (net cost - $17,080,645 and $17,048,544, respectively)	22,128,775	20,986,188
Total investments	39,767,085	36,901,419
Cash	214,943	203,766
Interest receivable	15,122	14,413
Receivable from Manager	-	2,785
Receivable from Member	2,069	-
Other receivables	9	-
Total assets	$39,999,228	$37,122,383
Liabilities and members' equity		
Liabilities:		
Accounts payable and accrued expenses	$ 45,658	$ 55,062
Total liabilities	45,658	55,062
Members' equity:		
Nevada Capital Investment Corporation	39,056,666	36,480,804
HL Nevada Fund Manager LLC	896,904	586,517
Total members' equity	39,953,570	37,067,321
Total liabilities and members' equity	$39,999,228	$37,122,383

See accountants' compilation report.

Statements of Operations

	Nine Months Ended March 31, 2018	Year Ended June 30, 2017
Investment income (loss)		
Income:		
Dividend and interest income	$1,053,606	$1,233,727
Total income	1,053,606	1,233,727
Expenses:		
Management fees	213,003	337,135
Administration fees	35,308	45,202
Audit fees	24,250	39,000
Consulting fees	19,187	17,125
Conferences	314	10,819
Custodial fees	1,125	1,500
Other	8,937	11,710
Total expenses	302,124	462,491
Net investment income	751,482	771,236
Net realized and unrealized gain (loss) on investments		
Net realized gain (loss) on investments	97,807	(2,708,066)
Net change in unrealized appreciation on investments	1,996,267	6,074,345
Net realized and unrealized gain (loss) on investments	2,094,074	3,366,279
Net increase in members' equity resulting from operations	$2,845,556	$4,137,515

See accountants' compilation report.

Statements of Changes in Members' Equity

Nine months ended March 31, 2018 and the year ended June 30, 2017

	Nevada Capital Investment Corporation	HL Nevada Fund Manager LLC	Total
Members' equity at June 30, 2016	$32,012,617	$323,360	$32,335,977
Contributions received from members	4,160,580	38,593	4,199,173
Distributions paid to members	(3,569,291)	(36,053)	(3,605,344)
Net investment income:			
Management fees	(337,135)	-	(337,135)
Other	1,097,287	11,084	1,108,371
Net realized loss on investments	(2,680,985)	(27,081)	(2,708,066)
Net change in unrealized appreciation on investments	6,013,601	60,744	6,074,345
Carried interest allocation	(215,870)	215,870	-
Members' equity at June 30, 2017	36,480,804	586,517	37,067,321
Contributions received from members	2,187,668	19,974	2,207,642
Distributions paid to members	(2,145,279)	(21,670)	(2,166,949)
Net investment income:			
Management fees	(213,003)	-	(213,003)
Other	954,840	9,645	964,485
Net realized gain on investments	96,829	978	97,807
Net change in unrealized appreciation on investments	1,976,304	19,963	1,996,267
Carried interest allocation	(281,497)	281,497	-
Members' equity at March 31, 2018	$39,056,666	$896,904	$39,953,570

See accountants' compilation report.

Statements of Cash Flows

	Nine Months Ended March 31, 2018	Year Ended June 30, 2017
Cash flows from operating activities		
Net increase in members' equity resulting from operations	$2,845,556	$4,137,515
Adjustments to reconcile net increase in members' equity resulting from operations to net cash used in operating activities:		
Non-cash interest income	(32,101)	(42,246)
Net realized (gain) loss on investments	(97,807)	2,708,066
Net change in unrealized appreciation on investments	(1,996,267)	(6,074,345)
Contributions to fund investments	(2,065,729)	(3,675,141)
Distributions received from fund investments accounted for as:		
Return of capital	1,228,431	1,624,652
Realized gains	97,807	863,555
Purchase of co-investments	-	(1,657,681)
Change in assets and liabilities:		
Interest receivable	(709)	53,295
Receivable from Manager	2,785	(2,785)
Receivable from Member	(2,069)	-
Other receivables	(9)	-
Accounts payable and accrued expenses	(9,404)	9,382
Payable to affiliate	-	(11,132)
Net cash used in operating activities	(29,516)	(2,066,865)
Cash flows from financing activities		
Contributions received from members	2,207,642	4,199,173
Distributions paid to members	(2,166,949)	(3,605,344)
Net cash provided by financing activities	40,693	593,829
Net increase (decrease) in cash	11,177	(1,473,036)
Cash – beginning of period	203,766	1,676,802
Cash – end of period	$ 214,943	$ 203,766

See accountants' compilation report.

Schedule of Fund Investments

March 31, 2018

Investments	Investment Commitments	Net Cost*	Fair Value	Percentage of Members' Equity
Corporate finance/buyout				
Brentwood Associates Private Equity V, L.P.	$ 3,000,000	$ 2,699,349	$ 2,911,614	7.29%
Graycliff Private Equity Partners III LP	1,000,000	400,169	584,938	1.46
Sorenson Capital Partners III, LP	2,000,000	1,452,644	1,586,085	3.97
Waterton Precious Metals Fund II Cayman, LP	5,000,000	2,192,074	2,872,517	7.19
	11,000,000	6,744,236	7,955,154	19.91
Mezzanine				
Convergent Capital Partners III, L.P.	5,000,000	4,014,482	5,542,751	13.87
Enhanced Small Business Investment Company, LP	2,600,000	1,589,712	1,843,570	4.62
HCAP Partners III, L.P.	5,000,000	2,586,082	2,296,835	5.75
	12,600,000	8,190,276	9,683,156	24.24
Total fund investments	$23,600,000	$14,934,512	$17,638,310	44.15%

*Net cost is equal to cumulative capital contributions, net of return of capital distributions.

See accountants' compilation report.

Schedule of Fund Investments

June 30, 2017

Investments	Investment Commitments	Net Cost*	Fair Value	Percentage of Members' Equity
Corporate finance/buyout				
Brentwood Associates Private Equity V, L.P.	$ 3,000,000	$ 2,239,064	$ 2,495,381	6.73%
Graycliff Private Equity Partners III LP	1,000,000	313,017	375,293	1.01
Sorenson Capital Partners III, LP	2,000,000	1,326,693	1,388,673	3.75
Waterton Precious Metals Fund II Cayman, LP	5,000,000	2,008,068	2,526,535	6.82
	11,000,000	5,886,842	6,785,882	18.31
Mezzanine				
Convergent Capital Partners III, L.P.	5,000,000	3,264,482	3,994,117	10.78
Enhanced Small Business Investment Company, LP	2,600,000	1,641,043	1,917,651	5.17
HCAP Partners III, L.P.	5,000,000	3,304,847	3,217,581	8.68
	12,600,000	8,210,372	9,129,349	24.63
Total fund investments	$23,600,000	$14,097,214	$15,915,231	42.94%

*Net cost is equal to cumulative capital contributions, net of return of capital distributions.

See accountants' compilation report.

Schedule of Co-Investments

March 31, 2018

	Cumulative					
Investments	Invested Amount	PIK Interest/ Amortization	Return of Capital Distributions	Net Cost	Fair Value	Percentage of Members' Equity
Investment in Kareo, Inc., a cloud-based medical software platform for small physician practices						
Montreux Equity Partners V Associates IIIB, LLC, 17.15% member interest	$ 3,400,000	$ -	$ -	$ 3,400,000	$ 4,849,850	12.14%
Investment in Marshall Retail Group Holding Company, Inc., a specialty retailer providing turnkey solutions to casino hotels and airport operators						
MRG Acquisition Holdings, LLC, 195,500.8034 class A units	2,000,000	-	-	2,000,000	2,710,042	6.78
Investment in Rural Physicians Group, provides rotating hospitalists to critical access and rural hospitals in the U.S.						
Rural Physicians Holdings, LLC, 2,157,680.25 class A-1 units	2,157,680	-	-	2,157,680	3,012,214	7.54

See accountants' compilation report.

Schedule of Co-Investments (Continued)

March 31, 2018

Investments	Cumulative Invested Amount	Cumulative PIK Interest/ Amortization	Cumulative Return of Capital Distributions	Net Cost	Fair Value	Percentage of Members' Equity
Investment in Softvision, LLC, an outsourced IT services software provider with an exclusive focus on mobile application development and maintenance						
$5,000,000, senior subordinated note, 12.50%, 11/23/2021	4,900,000	33,715	-	4,933,715	4,878,000	12.21
Investment in Super Color Digital, LLC, a turnkey provider of grand-format graphics, event structures, and visual solutions						
$1,465,942, subordinated note, 14.00%, 3/1/2021	1,426,563	53,582	-	1,480,145	1,364,352	
SCD Holdings LLC, 5,264.448 common units	609,105	-	-	609,105	189,317	
Total investment in Super Color Digital, LLC	2,035,668	53,582	-	2,089,250	1,553,669	3.89
Investment in Dermatology Management, LLC, an operator of dermatology clinics across Nevada, California and Arizona						
West Dermatology Management Holdings, LLC, 2,500,000 class B units	2,500,000	-	-	2,500,000	5,125,000	12.83
Total co-investments	$16,993,348	$87,297	$ -	$17,080,645	$22,128,775	55.39%

See accountants' compilation report.

Schedule of Co-Investments

June 30, 2017

Investments	Cumulative Invested Amount	Cumulative PIK Interest/ Amortization	Cumulative Return of Capital Distributions	Net Cost	Fair Value	Percentage of Members' Equity
Investment in Kareo, Inc., a cloud-based medical software platform for small physician practices						
Montreux Equity Partners V Associates IIIB, LLC, 17.15% member interest	$ 3,400,000	$ -	$ -	$ 3,400,000	$ 4,182,656	11.28%
Investment in Marshall Retail Group Holding Company, Inc., a specialty retailer providing turnkey solutions to casino hotels and airport operators						
MRG Acquisition Holdings, LLC, 195,500.8034 class A units	2,000,000	-	-	2,000,000	2,286,136	6.17
Investment in Rural Physicians Group, provides rotating hospitalists to critical access and rural hospitals in the U.S.						
Rural Physicians Holdings, LLC, 2,157,680.25 class A-1 units	2,157,680	-	-	2,157,680	3,012,214	8.13

See accountants' compilation report.

Schedule of Co-Investments (Continued)

June 30, 2017

Investments	Cumulative Invested Amount	Cumulative PIK Interest/ Amortization	Cumulative Return of Capital Distributions	Net Cost	Fair Value	Percentage of Members' Equity
Investment in Softvision, LLC (formerly known as Software Paradigms International Group, LLC), an outsourced IT services software provider with an exclusive focus on mobile application development and maintenance						
$5,000,000, senior subordinated note, 12.50%, 11/23/2021	4,900,000	20,090	-	4,920,090	4,936,500	13.32
Investment in Super Color Digital, LLC, a turnkey provider of grand-format graphics, event structures, and visual solutions						
$1,443,815, subordinated note, 14.00%, 3/1/2021	1,426,563	35,106	-	1,461,669	1,465,905	
SCD Holdings LLC, 5,264.448 common units	609,105	-	-	609,105	602,777	
Total investment in Super Color Digital, LLC	2,035,668	35,106	-	2,070,774	2,068,682	5.58
Investment in Dermatology Management, LLC, an operator of dermatology clinics across Nevada, California and Arizona						
West Dermatology Management Holdings, LLC, 2,500,000 class B units	2,500,000	-	-	2,500,000	4,500,000	12.14
Total co-investments	$16,993,348	$55,196	$ -	$17,048,544	$20,986,188	56.62%

See accountants' compilation report.

Supplemental Information

Supplemental Schedule of Changes in Members' Capital Commitments

March 31, 2018

	Capital Commitments		Capital Drawdowns			
	Percentages	Amounts	Period From August 14, 2012 (Inception) Through June 30, 2017	Nine Months Ended March 31, 2018	Recallable Distributions	Remaining Capital Commitments at March 31, 2018
Member						
Nevada Capital Investment Corporation	99.00%	$50,000,000	$(40,079,506)	$(2,187,668)	$1,511,230	$9,244,056
Manager						
HL Nevada Fund Manager LLC	1.00	505,051	(381,812)	(19,974)	15,265	118,530
	100.00%	$50,505,051	$(40,461,318)	$(2,207,642)	$1,526,495	$9,362,586

See accountants' compilation report.

Supplemental Schedule of Financial Highlights

Nine months ended March 31, 2018

Financial highlights of the Company for the nine months ended March 31, 2018 for the NCIC are as follows:

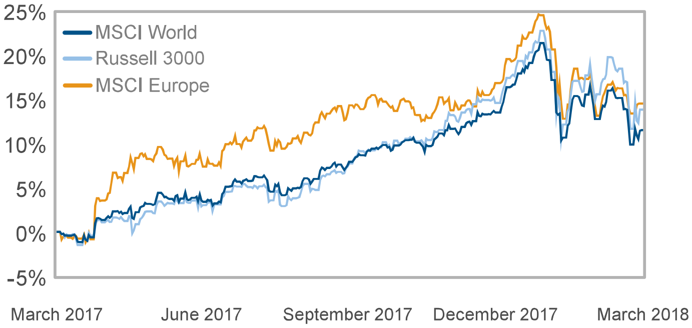
Ratios to average net assets (annualized, except for carried interest allocation):	
Net investment income	2.63%
Expenses:	
Operating expenses	1.07%
Carried interest allocation	0.75
Total operating expenses and carried interest allocation	1.82%
Internal rates of return from inception through:	
March 31, 2018	4.22%
July 1, 2017	2.52%

See accountants' compilation report.

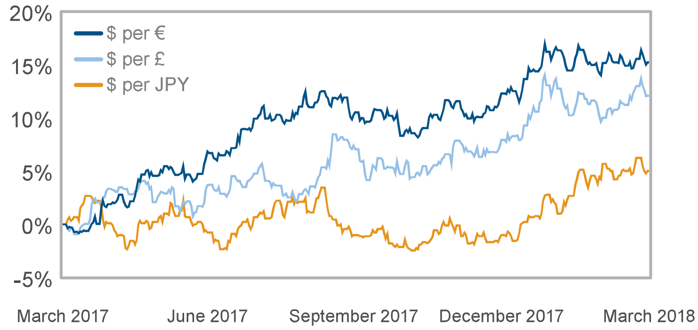
Market Update

Macro Fundamentals

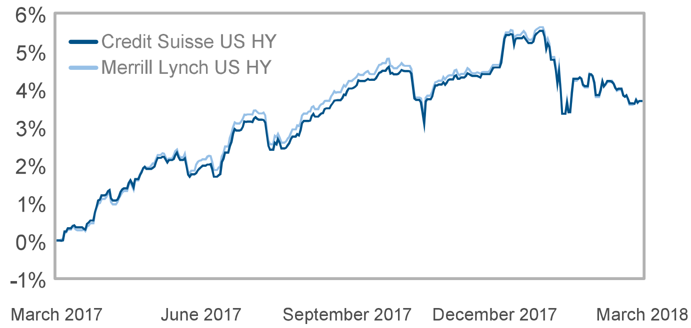
Equity Indices



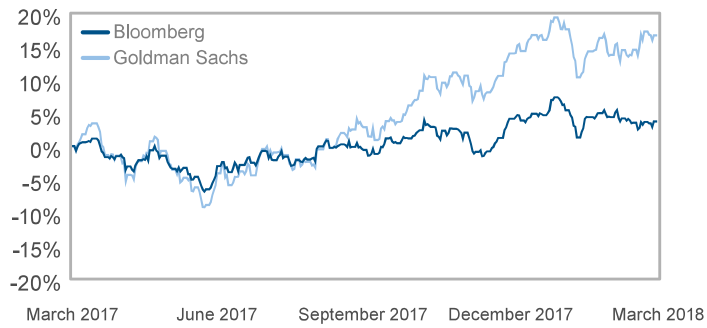
Currencies



High Yield



Commodities



Source: Bloomberg, S&P Capital IQ (April 2018)

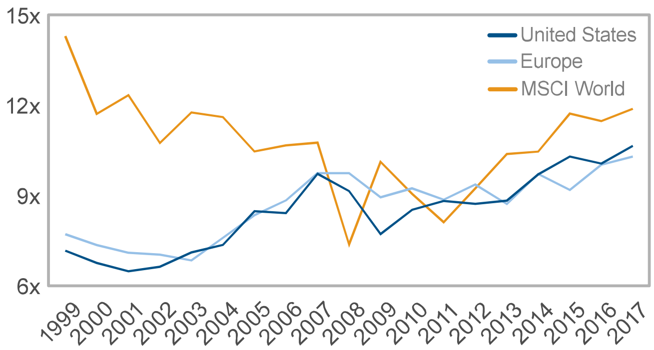
Holding Period returns calculated using the start date (3/31/17) as the initial value

- After a strong start in the new year, global equity markets fell sharply to end the first quarter down modestly
- The US Dollar has continued its decline trend; Euro and Pound have continued to rise during the last twelve months
- High-yield debt markets losing some of their momentum in Q1 possibly signaling some investor caution
- Increased focus on inflation throughout the current expansion cycle has aided oil and gas heavy commodity indices

Market Update

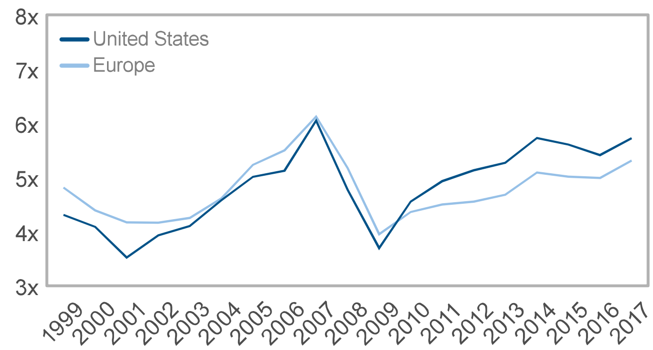
Private Equity Trends

Purchase Price Multiples



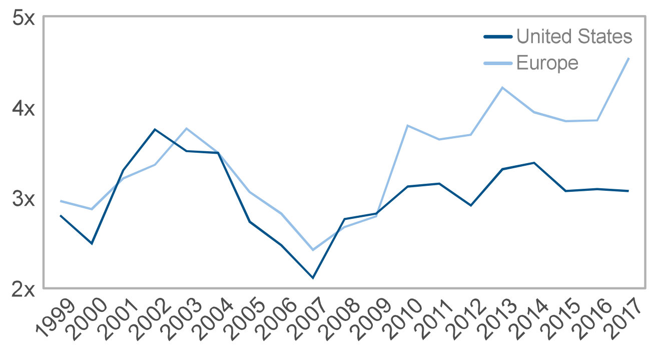
Source: S&P LCD M&A Stats and European LBO Report, Bloomberg (April 2018)

Leverage Multiples



Source: S&P LCD M&A Stats and European LBO Report (April 2018)

Coverage Ratios

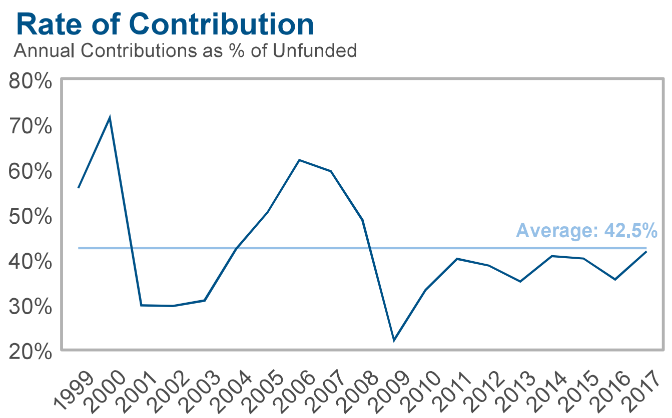


Source: S&P LCD M&A Stats and European LBO Report, Bloomberg (April 2018)

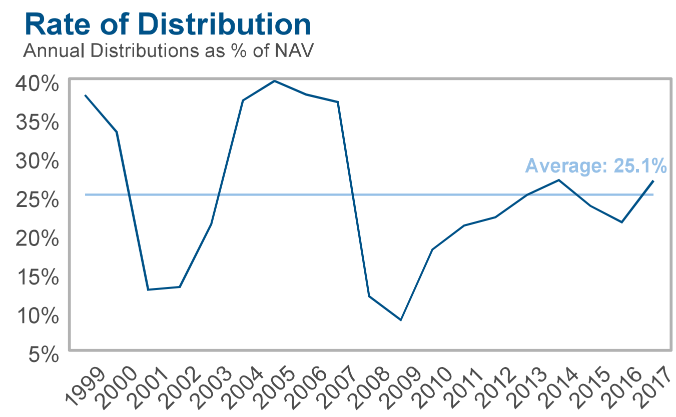
- Sustained upward pricing pressure; long-term high reached for both US and Europe
  - Middle market funds at third straight year above 10x
- Leverage levels edging up towards 2006 / 2007 highs
- Coverage ratios remain above 2006 / 2007 lows despite increasing leverage levels
  - European coverage levels reach 18-year high

Market Update

Private Equity Activity



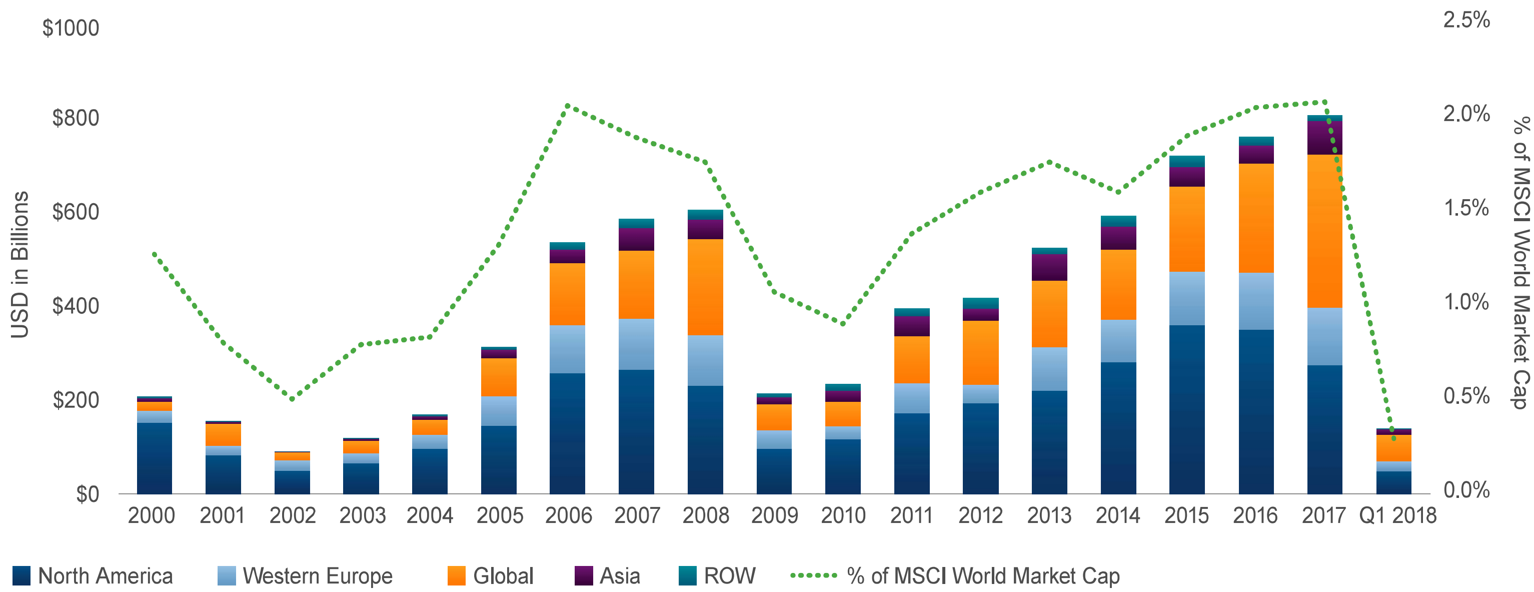
Source: Hamilton Lane Data (April 2018)



Source: Hamilton Lane Data (April 2018)

- Rate of contribution continues upward trend led by strong increase in aggregate deal values
  - Rate of contribution trending towards long-term average
- 2017's rate of distribution back above the 18-year average

Global Private Markets Fundraising by Geography



Source: Cobalt. Excludes credit, real estate, and real assets-focused funds (April 2018)

Glossary of Terms

Additional Fees: The amount of capital an investor pays into a fund/investment that does not count against the investors' commitment. Additional fees typically consist of management fees or late-closing interest expense.

Capital Committed: An investor's financial obligation to provide a set amount of capital to the investment.

Capital Contributed: Capital contributed from an investor's capital commitment to fund partnership investments, organizational expenses and management fees.

Capital Distributed: Cash or stock disbursed to the investors of an investment.

Co/Direct Investment: A direct investment is a purchased interest of an operating company. A co-investment is a direct investment made alongside a partnership.

Corporate Finance/Buyout: Funds seeking to make controlling and non-controlling investments in established companies which have the potential to achieve greater value through improved performance.

Cost Basis: Capital contributions less return of principal.

Fund-of-Funds: An investment vehicle which invests in other private equity partnerships.

Fund/Investment Size: The total amount of capital committed by investors to a fund.

Investment Category: Used to identify investments in one of the following categories: co/direct investments, fund-of-funds, primary funds, secondary fund-of-funds or secondary purchases.

Investment Strategy: A sub-classification of a partnership's investment type, such as Co/Direct Investment, Corporate Finance/Buyout, Mezzanine, Real Estate, Special Situation, Venture Capital.

Life Cycle Period: The current stage of a partnership depending on the percentage contributed to date. Life cycle periods are investment and realization.

Mezzanine: An investment strategy involving the purchase of subordinated debt. These securities exist between the senior debt and equity of a holding's capital structure. Subordinated debt carries a lower level of risk than pure equity structures because they generate current income and have a more senior position in the company's capital structure.

Net Internal Rate Of Return ("IRR"): The discount rate that equates the net present value of the partnership's cash outflows with its inflows and residual value at the time of calculation. The calculation is net of management fees and the general partner's carried interest.

Originator: The institution responsible for recommending a client commit to an investment.

Ownership Percentage: The investor's percent of ownership as measured by capital committed divided by fund/investment size.

Paid-In Capital: The amount of capital an investor has contributed to a partnership, which includes capital contributions and additional fees.

Pooled Average IRR: An IRR calculation which aggregates cash flows (paid-in capital and capital distributed) and the reported market values of each investment within a portfolio to create one portfolio investment and return.

Portfolio Holding Exposure: The limited partner's pro rata allocation to an underlying investment based on the ownership percentage of the partnership.

Primary Fund: Defines when the investor acquired an interest in the partnership. Primary fund is the investment category when an investor participates in a closing at the inception of the partnership.

Private Equity Partnership: A professionally managed pool of capital that generally invests in unlisted companies or securities. Common investment strategies include corporate finance/buyout, mezzanine, special situations and venture capital.

Realized Multiple: Ratio of cumulative distributions to paid-in capital.

Return On Investment ("ROI"): A calculation based on the total value (market value plus distributions) divided by paid-in capital for an investment.

Reported Market Value: The investment's capital account balance at quarter end, which includes the general partner's reported value of the underlying holdings and other assets and liabilities.

Secondary Fund-of-Funds: A private equity vehicle formed to purchase active partnership interests from an investor.

Secondary Purchase: A purchase of an existing partnership interest or pool of partnership interests from an investor.

Special Situation: Partnerships that invest using a unique strategy. Examples include distressed and turnaround, industry focused and multi-stage partnerships.

Total Exposure: Calculated by the summation of market value and unfunded commitments.

Venture Capital: An investment strategy that provides start-up or growth capital to companies in the early stages of development. Venture investments generally involve a greater degree of risk, but have the potential for higher returns.

Vintage Year: The year in which a partnership makes its first capital call for an investment into a portfolio company/holding.

Disclosures

Non-public information contained in this report is confidential and intended solely for dissemination to Hamilton Lane SOMPO Investments Ltd. and/or its Affiliates. Hamilton Lane has prepared this report to enable Hamilton Lane SOMPO Investments Ltd. and/or its Affiliates to assess the performance and status of its alternative investment portfolio. Hamilton Lane hereby disclaims any liability resulting from any unauthorized dissemination of the attached information.

The information contained in this report may include forward-looking statements regarding the funds presented or their portfolio companies. Forward-looking statements include a number of risks, uncertainties and other factors beyond the control of the funds or the portfolio companies, which may result in material differences in actual results, performance or other expectations. The information presented is not a complete analysis of every material fact concerning each fund or each company. The opinions, estimates and analyses reflect our current judgment, which may change in the future.

All opinions, estimates and forecasts of future performance or other events contained herein are based on information available to Hamilton Lane as of the date of this presentation and are subject to change. Past performance of the investments described herein is not indicative of future results. Certain of the information included in this presentation has not been reviewed or audited by independent public accountants. Certain information included herein has been obtained from sources that Hamilton Lane believes to be reliable but the accuracy of such information cannot be guaranteed.

The past performance information contained in this report is not necessarily indicative of future results and there is no assurance that the funds will achieve comparable results or that they will be able to implement their investment strategy or achieve their investment objectives. The actual realized value of currently unrealized investments will depend on a variety of factors, including future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs and the timing and manner of sale, all of which may differ from the assumptions and circumstances on which the current unrealized valuations are based.

Any tables, graphs or charts relating to past performance included in this report are intended only to illustrate the performance of the funds or the portfolio companies referred to for the historical periods shown. Such tables, graphs and charts are not intended to predict future performance and should not be used as the basis for an investment decision.

Michael Kelly has announced his inteniton to retire from the Manager effective March 2018. The manager believes that Mr. Kelly's departure will not have a material impact on the Manager's investment capabilities.

As of July 17, 2018

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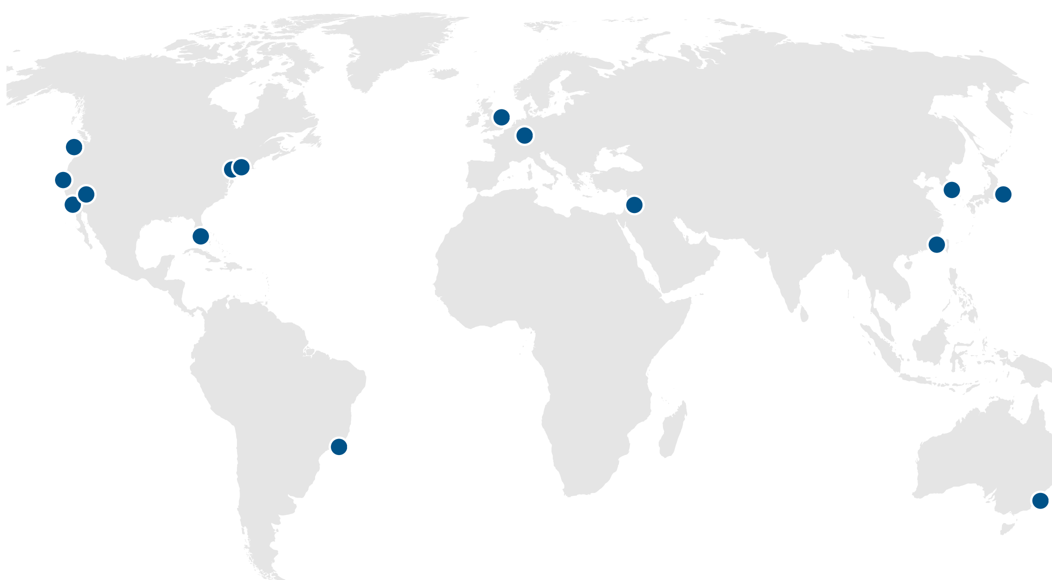

Nevada
Capital
Investment
Corporation

MEMO

TO: NCIC Board Members

FROM: Tara Hagan, Chief Deputy Treasurer

SUBJECT: Board to receive an update regarding the Accion LLC Agreement

DATE: July 19, 2018

Summary

During the May 4, 2017 NCIC Board meeting, the Board approved an investment in Accion LLC for $1 million over a ten-year period with the interest to be a minimum of 2.5% . The investment agreement does allow for an annual review in July of the interest rate consistent with the Internal Revenue Service (IRS) Section 1274D published rates. The Board unanimously voted to approve this investment option.

Reports

Accion has provided staff with the attached report which provides the Board with the following loan demographic information as of March 31, 2018:

- Gender
- Ethnicity
- Application Close Date
- New Loan Proceeds
- Refinance Proceeds
- Totals
- County
- Total Jobs
- FTE

In addition, Staff and Accion have also provided the Accion and Subsidiaries December 31, 2017 and 2016 audited consolidated financial statements and the statement of operations for the quarter ended March 31, 2018.

Tara Hagan, Chief Deputy will be available to answer questions.

Q1 2018 Nevada Loans
January 2018 - March 2018

Loan Account External Id	Contact: Gender	Ethnicity	Application Close Date	New Loan Proceeds	Total Refinance Amount (Actual)	Loan Amount	Business County	Total Jobs	FTE
50054	Male	Other	3/20/2018	$ 2,243.60	$ 1,756.40	$ 4,000.00	Clark	2	1.50
49157	Female	White	1/17/2018	5,000.00	-	5,000.00	Clark	1	0.50
50297	Female	African American	3/16/2018	8,000.00	-	8,000.00	Lyon	1	1.00
49765	Male	I choose not to answer	2/23/2018	5,000.00	-	5,000.00	Clark	1	1.00
49088	Male	African American	1/12/2018	10,000.00	-	10,000.00	Clark	4	3.50
49381	Female	African American	3/23/2018	88,250.00	-	88,250.00	Clark	5	3.50
49317	Male	Hispanic/Latino	2/22/2018	21,600.00	-	21,600.00	Clark	8	8.00
49517	Female	African American	2/8/2018	6,480.00	-	6,480.00	Clark	1	1.00
49108	Male	White	2/26/2018	29,680.00	-	29,680.00	Washoe	6	4.50
49149	Male	White	1/23/2018	12,960.00	-	12,960.00	Clark	1	1.00
49918	Male	White	3/2/2018	15,000.00	-	15,000.00	Clark	9	6.50
49736	Male	Hispanic/Latino	2/15/2018	3,799.72	2,200.28	6,000.00	Clark	6	5.00
50259	Male	African American	3/15/2018	12,720.00	-	12,720.00	Clark	3	2.00
50336	Female	Hispanic/Latino	3/20/2018	4,900.00	-	4,900.00	Clark	1	1.00
48896	Male	Hispanic/Latino	1/29/2018	16,200.00	-	16,200.00	Clark	4	4.00
49249	Male	Hispanic/Latino	3/9/2018	10,000.00	-	10,000.00	Clark	1	1.00
49861	Female	White	3/26/2018	47,700.00	-	47,700.00	Clark	3	2.00
49316	Male	White	2/21/2018	10,700.00	8,012.35	18,712.35	Washoe	2	1.00
50099	Male	African American	3/8/2018	12,000.00	-	12,000.00	Clark	2	1.50
50071	Female	Hispanic/Latino	3/21/2018	3,339.61	4,160.39	7,500.00	Clark	1	1.00
50073	Female	White	3/8/2018	12,000.00	-	12,000.00	Clark	1	1.00
50040	Male	White	3/9/2018	12,000.00	-	12,000.00	Clark	7	6.50
49100	Female	Native American	1/12/2018	1,000.00	-	1,000.00	Clark	1	1.00
49844	Male	Hispanic/Latino	2/21/2018	8,963.35	3,596.65	12,560.00	Clark	1	1.00
49377	Male	African American	1/24/2018	4,000.00	-	4,000.00	Clark	6	3.50
49673	Male	White	2/23/2018	10,000.00	-	10,000.00	Washoe	1	1.00
49533	Male	Hispanic/Latino	2/9/2018	5,000.00	-	5,000.00	Clark	1	0.50
49999	Male	Other	3/2/2018	10,000.00	-	10,000.00	Clark	1	1.00
49779	Male	White	2/15/2018	6,000.00	-	6,000.00	Clark	1	1.00
50475	Female	Hispanic/Latino	3/27/2018	4,160.00	-	4,160.00	Clark	1	0.50
49323	Female	Hispanic/Latino	1/26/2018	5,000.00	-	5,000.00	Clark	1	0.50
49123	Male	White	1/22/2018	2,500.00	-	2,500.00	Clark	2	2.00
32 Loans				$ 406,196.28	$ 19,726.07	$ 425,922.35		86	70.00

Accion
Arizona · Colorado · Nevada · New Mexico · Texas
Consolidated Balance Sheet

March 2018	CURRENT MONTH CHANGE			LAST 12 MONTHS	
	Current Month	Prior Month	Change from Prior Month	Prior Year	Change from Prior Year
ASSETS					
Cash - Operations	4,033,768	4,551,816	(518,049)	3,266,921	766,847
Cash - Lending	1,044,816	1,233,330	(188,514)	429,474	615,343
Cash - Endowment	78,330	80,017	(1,687)	21,105	57,225
Investments - Operations	-	-	-	-	-
Investments - Lending	-	-	-	-	-
Investments - Endowment	1,067,301	1,075,852	(8,551)	1,028,068	39,233
Accounts Receivable	199,828	211,509	(11,681)	256,302	(56,474)
Contributions Receivable, net of allowance & discount	1,668,481	1,359,932	308,549	2,159,921	(491,440)
Loans Receivable, net of unapplied payments	43,200,728	42,612,124	588,604	37,315,394	5,885,335
Allowance for Loan Losses	(3,786,021)	(3,858,294)	72,273	(3,613,620)	(172,400)
Derivative instrument	185,108	182,447	2,661	221,167	(36,059)
Prepaid & Other Assets	3,567	5,385	(1,818)	17,253	(13,686)
Equipment and Building, less accum depreciation	2,169,608	2,177,046	(7,437)	2,032,613	136,995
Land	1,003,216	1,003,216	-	1,003,216	-
TOTAL ASSETS	50,868,731	50,634,381	234,350	44,137,813	6,730,918
LIABILITIES & NET ASSETS					
LIABILITIES					
Accounts Payable	53,495	56,224	(2,729)	50,534	2,961
Accrued Payroll	183,818	142,515	41,303	244,940	(61,122)
Other Accrued Liabilities	35	167,072	(167,036)	96,510	(96,475)
SBIC Participation - Secured Debt	7,524,425	7,357,304	167,122	6,997,423	527,002
ACA Participation - Secured Debt	18,208	25,712	(7,504)	47,132	(28,923)
Lines of Credit Outstanding	6,600,000	6,600,000	-	2,600,000	4,000,000
Notes Payable	15,305,476	15,090,385	215,091	14,589,386	716,090
TOTAL LIABILITIES	29,685,457	29,439,212	246,245	24,625,924	5,059,533
CONSOLIDATED NET ASSETS					
Unrestricted					
Unrestricted	10,114,302	10,326,009	(211,707)	9,405,064	709,238
LLC Investments	8,083,570	8,192,307	(108,737)	7,077,342	1,006,229
Temporarily Restricted	783,731	475,182	308,549	364,813	418,918
Permanently Restricted	2,201,671	2,201,671	-	2,664,671	(463,000)
TOTAL CONSOLIDATED NET ASSETS	21,183,274	21,195,170	(11,896)	19,511,889	1,671,385

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Income Statement by Restriction

March 2018	*CURRENT MONTH*				*YEAR TO DATE*			
	Unrestricted	*Temporarily Restricted*	*Permanently Restricted*	*Total*	*Unrestricted*	*Temporarily Restricted*	*Permanently Restricted*	*Total*
REVENUES								
Support and revenue:								
Support - contributions	2,678	357,491	-	360,169	3,103	428,969	-	432,072
In Kind Contributions	937			937	7,326			7,326
Discount for future year pledges	-	-	-	-	-			-
Allowance for Uncollectible Contributions	-	33,127	-	33,127	-	50,148	-	50,148
Total Contributions, Net of Allowance	3,615	390,618	-	394,233	10,429	479,116	-	489,545
Other Operating Income								
Interest and Dividend Income on Investments	2,503			2,503	6,361	-	-	6,361
Gain or Loss on Contributed Stock	(11,850)			(11,850)	(22,110)	-	-	(22,110)
Unrealized investment losses	-			-	(462)			(462)
Total Other Operating Income	(9,347)	-	-	(9,347)	(16,211)	-	-	(16,211)
Program Revenue								
Portfolio Interest	356,117			356,117	1,060,044	-	-	1,060,044
Application Fees	90,832			90,832	257,651	-	-	257,651
Other (Late, NSF, Chg requests)	8,903			8,903	21,431	-	-	21,431
Event Revenue	-			-	-	-	-	-
Total Program Revenue	455,852	-	-	455,852	1,339,126	-	-	1,339,126
Subtotal - support and revenue	450,120	390,618	-	840,738	1,333,344	479,116	-	1,812,461
Net assets released from restrictions	82,069	(82,069)			131,597	(131,597)		-
Total Support and Revenues	**532,189**	**308,549**	**-**	**840,738**	**1,464,942**	**347,519**	**-**	**1,812,461**
EXPENSES								
Staffing Costs								
Payroll Expenses	297,845			297,845	807,508			807,508
Payroll Taxes	23,094			23,094	63,051			63,051
Benefits	20,275			20,275	59,512			59,512
Accounting, IT, Payroll Fees	5,973			5,973	13,758			13,758
Temporary Services	6,840			6,840	22,036			22,036
Consultants	42,762			42,762	73,538			73,538
Employee Travel	17,111			17,111	47,621			47,621
Conferences/Training	7,413			7,413	13,878			13,878
Hiring Fees	5,072			5,072	5,902			5,902
Board & Team Recognition & Developmnt	778			778	9,089			9,089
Total Staffing Costs	427,163	-	-	427,163	1,115,891	-	-	1,115,891
Facilities Costs								
Rent	1,156			1,156	1,733			1,733
Telecommunications	9,694			9,694	30,873			30,873
Office Supplies & Equipment	10,921			10,921	21,704			21,704
Software license fees	2,372			2,372	77,304			77,304
Postage & Shipping	2,433			2,433	5,921			5,921
Printing & Reproduction	2,297			2,297	3,707			3,707
Other dues/fees	268			268	788			788
Other Office Expense	3,713			3,713	11,056			11,056
Total Facilities Costs	32,854			32,854	153,087	-	-	153,087
Loan Initiation & Collections								
Outreach Marketing	13,968			13,968	26,885			26,885
Loan statements/Client Mailings	2,563			2,563	9,045			9,045
Bad Debt Expense	116,768			116,768	634,084			634,084
Derivative inc (SBIC portion bad debt)	(8,816)			(8,816)	(13,785)			(13,785)
Credit Reporting	6,318			6,318	15,814			15,814
Legal & Collections Costs	44,012			44,012	84,442			84,442
Underwriting Expense	-			-	-			-
Other Loan Costs	4,893			4,893	11,026			11,026
Total Loan Initiation & Collections	179,706			179,706	767,510			767,510
Other Business Costs								
Audit & Tax Preparation Fees	14,282			14,282	22,076			22,076
Insurance	1,235			1,235	3,705			3,705
Legal Fees - Operations	443			443	4,947			4,947
Investment Fees	843			843	2,342			2,342
Strategic Planning Retreats	8			8	100			100
Business Taxes & Fees	1,070			1,070	1,304			1,304
Total Other Business Costs	17,882			17,882	34,473			34,473
Total Donor Development Costs	706			706	2,376			2,376
Interest Expense (imputed)	-			-	-			-
Interest Expense - Actual non-SBIC	59,311			59,311	167,314			167,314
Interest Expense - SBIC	18,837			18,837	54,469			54,469
Depreciation & Amortization	7,437			7,437	22,312			22,312
TOTAL EXPENSES	**743,896**			**743,896**	**2,317,432**	**-**	**-**	**2,317,432**
CHANGE IN NET ASSETS FROM OPERATIONS	**(211,707)**	**308,549**	**-**	**96,842**	**(852,491)**	**347,519**	**-**	**(504,972)**
CHANGES IN NET ASSETS FROM LLC ACTIVITY								
Proceeds from LLC Investment				-				-
LLC Net Earnings	**11,825**			**11,825**	**33,412**			**33,412**
LLC Distribution	**(120,562)**			**(120,562)**	**(120,562)**			**(120,562)**
NET ASSETS, BEGINNING	**18,518,316**	**475,182**	**2,201,671**	**21,195,170**	**19,137,512**	**436,212**	**2,201,671**	**21,775,395**
NET ASSETS, ENDING	**18,197,872**	**783,731**	**2,201,671**	**21,183,274**	**18,197,872**	**783,731**	**2,201,671**	**21,183,274**

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Statement of Cash Flows

		March 2018		Year-to-date 2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Changes in net assets	$	96,842	$	(504,972)
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:				
Net realized and unrealized loss on investments		11,850		22,110
Earnings of Noncontrolling LLC interests		11,825		33,412
Loss on disposal of assets		-		462
Depreciation and amortization		7,437		22,312
Amortization of note payable closing fee		91		273
Loan loss provision		116,768		634,084
Uncollectible contribution allowance (reversal)		33,127		50,148
Donated stock		-		-
Change in fair value of derivative instrument		(2,661)		3,998
Change in other assets and liabilities:				
Accounts receivable		11,681		(4,377)
Contributions receivable		(341,676)		(388,095)
Prepaid expenses		1,818		12,255
Accounts payable		(2,729)		(84,184)
Accrued payroll		41,303		51,403
Other accrued liabilities		(167,036)		(293,195)
Net cash provided by operating activities		(181,362)		(444,368)
CASH FLOWS FROM INVESTING ACTIVITIES				
Net sales/purchases of investments		(3,298)		41,737
Purchase of property and equipment		-		(250,000)
Investment of small business loans		(1,962,034)		(4,953,839)
Repayments and recoveries of small business loans		1,184,390		3,540,559
Net cash used in investing activities		(780,943)		(1,621,542)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from NM SBIC		410,780		854,103
Repayment of NM SBIC		(243,658)		(636,618)
Proceeds from (payments to) ACA Participation		(7,504)		(7,504)
Proceeds for PCDIC Participation		-		-
Proceeds from (payments to) line-of-credit		-		-
Proceeds from notes payable		215,000		215,000
Repayment of notes payable		-		-
Proceeds from LLC Investment		-		-
LLC Distributions		(120,562)		(120,562)
Net cash provided by financing activities		254,056		304,418
NET CHANGE IN CASH AND CASH EQUIVALENTS		(708,249)		(1,761,492)
Cash and cash equivalents, beginning		5,865,164		6,918,406
Cash and cash equivalents, ending	$	5,156,915	$	5,156,915

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ACCION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2017 and 2016

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CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Accion and Subsidiaries

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Accion (a nonprofit organization) and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Accion and Subsidiaries as of December 31, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2018, on our consideration of Accion and Subsidiaries' internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Accion and Subsidiaries' internal control over financial reporting and compliance.

Atkinson & Co., Ltd.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
April 27, 2018

Accion and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31,

ASSETS

	2017	2016
ASSETS		
Cash and cash equivalents	$ 6,885,678	$ 4,480,991
Accounts receivable		
Accrued interest on small business loans	191,806	167,275
Other	3,645	3,000
Third-party participation on small business loans	-	626,417
Contributions receivable, net of discounts and allowance for doubtful accounts of $65,779 in 2017 and $33,476 in 2016	249,374	199,479
Grants receivable	1,081,160	2,151,720
Small business loans receivable, net	38,635,512	33,101,214
Derivative instrument	189,106	229,381
Prepaid expenses	15,572	10,917
Investment securities	1,163,876	1,009,273
Property and equipment, net	1,942,381	2,043,035
Land	1,003,216	1,003,216
Property held for sale	250	250
Total assets	$ 51,361,576	$ 45,026,168

LIABILITIES AND NET ASSETS

	2017	2016
LIABILITIES		
Accounts payable	$ 137,679	$ 51,444
Accrued payroll	132,416	251,419
Third-party participation on small business loans	164,291	-
Other accrued liabilities	128,939	81,004
Unsecured lines-of-credit	6,600,000	2,600,000
Unsecured notes payable	15,090,203	14,589,113
Secured debt	7,332,653	6,943,579
Total liabilities	29,586,181	24,516,559
NET ASSETS		
Unrestricted		
Unrestricted	10,966,985	10,782,452
Noncontrolling interest in LLC companies	8,170,705	7,145,381
Temporarily restricted	436,034	417,105
Permanently restricted	2,201,671	2,164,671
Total net assets	21,775,395	20,509,609
Total liabilities and net assets	$ 51,361,576	$ 45,026,168

The accompanying notes are an integral part of these consolidated financial statements.

Accion and Subsidiaries

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended December 31,

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Loan interest and fees	$ 4,946,635	$ -	$ -	$ 4,946,635
Contributions	365,743	1,594,892	37,000	1,997,635
Federal awards	1,155,216	-	-	1,155,216
In-kind contributions	243,314	-	-	243,314
Net realized/unrealized gains on investments	134,123	-	-	134,123
Other revenue	30,827	-	-	30,827
Investment income, net	19,870	-	-	19,870
Total revenue and support	6,895,728	1,594,892	37,000	8,527,620
Net assets released from restrictions	1,575,963	(1,575,963)	-	-
Write-off of replaced software	-	-	-	-
EXPENSES				
Program services	7,668,436	-	-	7,668,436
Fundraising	419,984	-	-	419,984
Support	198,738	-	-	198,738
Total expenses	8,287,158	-	-	8,287,158
CHANGES IN NET ASSETS FROM OPERATIONS BEFORE NONCONTROLLING INTEREST IN LLC COMPANIES	184,533	18,929	37,000	240,462
CHANGES IN NET ASSETS FROM NONCONTROLLING INTEREST IN LLC COMPANIES				
Capital contributions	1,000,000	-	-	1,000,000
Gain on LLC activity	120,487	-	-	120,487
Distributions	(95,163)	-	-	(95,163)
Total changes in net assets from noncontrolling interest in LLC companies	1,025,324	-	-	1,025,324
CHANGES IN NET ASSETS	1,209,857	18,929	37,000	1,265,786
Net assets, beginning of year	17,927,833	417,105	2,164,671	20,509,609
Net assets, end of year	$ 19,137,690	$ 436,034	$ 2,201,671	$ 21,775,395

2016			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 4,386,621	$ -	$ -	$ 4,386,621
595,221	1,632,201	287,000	2,514,422
2,167,075	-	-	2,167,075
215,669	-	-	215,669
29,836	-	-	29,836
81,049	-	-	81,049
19,467	-	-	19,467
7,494,938	1,632,201	287,000	9,414,139
1,568,512	(1,568,512)	-	-
(251,117)	-	-	(251,117)
6,245,209	-	-	6,245,209
469,583	-	-	469,583
215,022	-	-	215,022
6,929,814	-	-	6,929,814
1,882,519	63,689	287,000	2,233,208
1,100,000	-	-	1,100,000
95,352	-	-	95,352
(88,551)	-	-	(88,551)
1,106,801	-	-	1,106,801
2,989,320	63,689	287,000	3,340,009
14,938,513	353,416	1,877,671	17,169,600
$ 17,927,833	$ 417,105	$ 2,164,671	$ 20,509,609

The accompanying notes are an integral part of these consolidated financial statements.

Accion and Subsidiaries

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31,

	2017			
	Program Services	Fundraising	Support	Total
Salaries	$ 2,497,975	$ 269,079	$ 110,797	$ 2,877,851
Loan loss provision	2,158,307	-	-	2,158,307
Interest	1,011,492	-	-	1,011,492
Professional fees	420,805	19,770	11,074	451,649
Employee benefits	197,732	21,299	8,771	227,802
Payroll taxes	191,849	20,666	8,509	221,024
Marketing and development	180,907	8,063	-	188,970
Loan servicing expense	187,561	-	-	187,561
Travel	155,508	15,856	-	171,364
Telephone	126,553	9,230	3,801	139,584
Equipment rent and maintenance	104,967	5,832	5,832	116,631
Temporary services	79,887	5,706	28,531	114,124
Depreciation and amortization	85,972	11,518	5,897	103,387
Occupancy	75,516	9,660	5,135	90,311
Miscellaneous expense	52,460	12,948	598	66,006
Supplies	54,574	3,032	3,033	60,639
Conferences and meetings	34,788	2,191	904	37,883
Postage	24,266	2,696	-	26,962
Insurance	17,566	-	5,856	23,422
Subscriptions and dues	9,751	2,438	-	12,189
Total	$ 7,668,436	$ 419,984	$ 198,738	$ 8,287,158

2016			
Program Services	Fundraising	Support	Total
$ 2,293,074	$ 214,126	$ 132,412	$ 2,639,612
1,593,902	-	-	1,593,902
721,164	-	-	721,164
262,592	65,677	5,690	333,959
182,305	17,024	10,527	209,856
180,787	16,882	10,439	208,108
174,650	115,798	-	290,448
132,252	-	-	132,252
125,466	5,228	-	130,694
87,220	4,846	4,846	96,912
47,768	2,654	2,654	53,076
61,312	4,379	21,897	87,588
131,838	10,961	13,223	156,022
52,166	4,015	4,843	61,024
43,427	-	-	43,427
50,104	2,783	2,779	55,666
56,097	-	-	56,097
20,004	2,223	-	22,227
17,134	-	5,712	22,846
11,947	2,987	-	14,934
$ 6,245,209	$ 469,583	$ 215,022	$ 6,929,814

The accompanying notes are an integral part of these consolidated financial statements.

Accion and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31,

Increase (Decrease) in Cash and Cash Equivalents

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets from operations	$ 240,462	$ 2,233,208
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Net realized and unrealized (gains) on investments	(134,123)	(29,836)
Gain on LLC activity	120,487	95,352
Write-off of replaced software	-	251,117
Depreciation and amortization	103,387	156,022
Amortization of note payable closing fee	1,090	2,156
Loan loss provision	2,158,307	1,593,902
Present value discount and amortization on contributions receivable	(1,213)	(5,355)
Uncollectible contribution expense	38,566	22,479
Donated stock	(20,233)	-
Change in fair value of derivative instrument	40,275	(9,537)
Changes in other assets and liabilities		
Accounts receivable	601,241	(606,076)
Contributions receivable	(87,248)	(33,704)
Grants receivable	1,070,560	(791,720)
Prepaid expenses	(4,655)	18,102
Accounts payable	86,235	(33,871)
Accrued payroll	(119,003)	93,538
Other accrued liabilities and third party participation on small business loans	212,226	27,241
Net cash provided by operating activities	4,306,361	2,983,018
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	385,443	421,976
Purchase of investments	(384,583)	(442,936)
Change in restricted cash for long-term purposes	(1,107)	172,249
Purchase of property and equipment	(2,733)	(95,616)
Investment in small business loans	(21,630,241)	(21,166,702)
Repayments and recoveries of small business loans	13,937,636	10,859,880
Net cash used in investing activities	(7,695,585)	(10,251,149)

The accompanying notes are an integral part of these consolidated financial statements.

Accion and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS – CONTINUED

Years Ended December 31,

Increase (Decrease) in Cash and Cash Equivalents

	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from secured debt	3,723,671	3,987,248
Repayment of secured debt	(3,334,597)	(2,611,731)
Contributions in noncontrolling interests in consolidated LLC companies	1,000,000	1,100,000
Proceeds from unsecured notes payable	1,000,000	4,000,000
Repayment of unsecured notes payable	(500,000)	-
Borrowings of unsecured lines-of-credit, net	4,000,000	2,600,000
Distributions to noncontrolling interests in consolidated LLC companies	(95,163)	(88,551)
Net cash provided by financing activities	5,793,911	8,986,966
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,404,687	1,718,835
Cash and cash equivalents, beginning of year	4,480,991	2,762,156
Cash and cash equivalents, end of year	$ 6,885,678	$ 4,480,991

SUPPLEMENTAL DATA

	2017	2016
In-kind revenues and expenses	$ 243,314	$ 215,669
Interest paid in cash	$ 792,461	$ 550,663

The accompanying notes are an integral part of these consolidated financial statements.

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Organization

Accion, formerly ACCION New Mexico, Inc., was organized in March 1994 as an independent, private, New Mexico nonprofit corporation. Its sole program provides microenterprises and small businesses in New Mexico, Arizona, Colorado, Nevada, and Texas with credit and business support not otherwise available from the commercial lending sector. Accion's operations are subsidized by contributions from foundations and other grantors, individuals, banks, and other corporate contributors. Accion licenses its name from a supporting organization, Accion, U.S. Network.

During 2015, Accion was approved to be a Community Advantage (CA) Pilot Loan Program Lender with the U.S. Small Business Administration. As an approved lender, Accion is required to maintain a loan loss reserve bank account of a minimum of 5% of the unguaranteed portion of the CA loan portfolio. The deposits in the loan loss reserve account are required to be maintained in a separate bank account. At December 31, 2017 and 2016, the unguaranteed CA loan portfolio was $553,463 and $286,573, respectively, and the required loan loss reserve account was $40,000 and $14,239, respectively. Accion was in compliance with the loan loss reserve requirement.

Accion is managing member of several New Mexico limited liability companies (LLC). The purpose of each LLC is to further the mission of Accion by the formation of capital to be deployed by Accion. Accion holds a fifty-one percent (51%) voting interest in each LLC. The other members are nonmanaging members who have a voting interest of forty-nine percent (49%). Members share net income, gains, net losses, and distributions in accordance with their percentage interests of the aggregate capital accounts. Each LLC has a dissolution date unless the operating agreements are amended to extend the term.

Accion is also managing member of a Colorado limited liability company (ACCION 2014E LLC). The purpose of the LLC is to further the mission of Accion by the formation of capital to be deployed by Accion. Nonmanaging members' units do not have voting rights, except as otherwise agreed. Members share net income, gain, net loss, and distributions of the LLC in accordance with their percentage of units. The LLC has a dissolution date unless the operating agreements are amended to extend the term.

The noncontrolling activity of the LLCs are as follows:

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

1. Organization – Continued

	ACCION NM 2007A, LLC	ACCION NM 2011B, LLC	ACCION NM 2011C, LLC	ACCION NM 2013D, LLC	ACCION 2014E, LLC	ACCION 2017G, LLC	Total
Formation date	August 2007	December 2011	December 2011	August 2013	February 2014	August 2017	
Dissolution date	December 2022	December 2021	December 2021	December 2026	December 2023	December 2027	
Balance at December 31, 2015	$ 1,200,026	$ 250,001	$ 255,001	$ 2,039,992	$ 2,293,560	$ -	$ 6,038,580
Contributions	-	-	-	1,000,000	100,000	-	1,100,000
Distributions	-	-	(5,001)	(39,990)	(43,560)	-	(88,551)
Net income	168	21	5,020	44,958	45,185	-	95,352
Balance at December 31, 2016	1,200,194	250,022	255,020	3,044,960	2,395,185	-	7,145,381
Contributions	-	-	-	-	-	1,000,000	1,000,000
Distributions	-	-	(5,019)	(44,959)	(45,185)	-	(95,163)
Net income	1	1	5,000	59,992	47,000	8,493	120,487
Balance at December 31, 2017	$ 1,200,195	$ 250,023	$ 255,001	$ 3,059,993	$ 2,397,000	$ 1,008,493	$ 8,170,705

The accompanying consolidated financial statements include the accounts of Accion and its Subsidiaries listed in the above table (collectively the Company). All material intercompany accounts and transactions have been eliminated.

2. Federal Income Taxes

Accion is exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), except to the extent it has unrelated business income. Accion had no material unrelated business taxable income for the years ended December 31, 2017 and 2016. The 2007A LLC, 2011B LLC, 2011C LLC, 2013D LLC, 2014E LLC and 2017G LLC, all pass-through taxable entities, had no material taxable income in 2017 or 2016.

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Federal Income Taxes – Continued

Accion has adopted the provision of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes*. There were no uncertain tax positions taken by Accion or any of the limited liability companies for the years ended December 31, 2017 and 2016. Accion's policy is to classify income tax penalties and interest, when applicable, according to their natural classification. Under the statute of limitations, Accion's tax returns and each respective LLC's tax returns are no longer subject to examination by tax authorities for years prior to 2014.

3. Use of Estimates

The preparation of the accompanying consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from those estimates. It is reasonably possible that conditions which existed at the date of the consolidated financial statements could change in the near term due to current volatility in market and economic conditions. Such future changes, if significant, could lead to changes in estimates used in calculating the allowance for loan losses and uncollectible contributions receivable. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the consolidated financial statements in future periods.

4. Cash and Cash Equivalents

For purposes of the accompanying consolidated statements of cash flows, Accion considers all highly liquid instruments with original maturities of three months or less to be cash equivalents, unless restricted for long-term purposes by a donor. Cash and cash equivalents include cash on hand, cash in banks, and money market accounts held with a brokerage firm.

5. Concentrations of Risk

Financial instruments that potentially subject Accion to concentration of credit risk include cash balances and investment accounts. Accion's cash is held with various financial institutions. At times, such amounts may exceed Federal Deposit Insurance Corporation limits (currently $250,000); insurance limits on investment accounts vary by investment brokerage firm and by type of investment. Accion limits the amount of credit exposure with any one financial institution and believes that no significant credit risk exists with respect to its cash balances and investment accounts.

Additionally, financial instruments that potentially subject Accion to credit risk are primarily loans receivable. See Note D for all policies concerning credit risk. Accion provides micro and small business lending to qualifying small business entities in New Mexico, Arizona, Colorado, Nevada and Texas. Accion considers these locations as geographic concentrations potentially subject to risk.

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

6. Investments

Investments are carried at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized gains and losses are recorded using the specific identification method upon the sale of investment assets. The fair value of investments is subject to ongoing fluctuation. The amount ultimately realized upon disposition will differ from the amounts reported in these consolidated financial statements.

7. Accounts and Microenterprise and Small Business Loans Receivable

The allowance for loan losses is increased by charges to income and decreased by charge-offs, net of recoveries. Loan losses (charge-offs) are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed or 180 days delinquency, whichever is first. Repossessed collateral is reported at net realizable value on or soon after acquisition based on an evaluation completed on the collateral. Foreclosed real property is reported at market value less sales costs upon official acquisition based on the average value of the market analyses or appraisal value of the property. Management's periodic evaluation of the adequacy of the allowance is based on Accion's past and current loan-loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, and estimated value of any underlying collateral and current economic conditions.

The provision for loan losses in the statements of activities and changes in net assets results from the combination of an estimate by management of loan losses that occurred during the current period and the ongoing adjustment of estimates of losses occurring in prior periods. Because of these factors, it is reasonably possible that the allowances for losses on loans and the valuation of foreclosed real estate may change materially in the near term. While management uses available information to recognize losses on loans and foreclosed real estate, future additions or reductions to the allowances may be necessary based on changes in local economic conditions.

Accrual of interest on a loan is discontinued when the loan is considered delinquent. A loan is considered delinquent when a payment is not made within 30 days of the scheduled due date. Uncollectible interest previously accrued is charged off by means of a charge to interest income. Income is subsequently recognized only to the extent cash payments are received until, in management's judgment, the borrower's ability to make periodic interest and principal payments is back to normal, in which case the loan is returned to accrual status.

Loans that have been modified and economic concessions that have been granted to borrowers who have experienced financial difficulties are considered troubled debt restructurings (TDR). These concessions typically would result from Accion's loss mitigation activities and may include suspension of interest, payment extensions, forgiveness of principal, forbearance, and other actions. Certain TDRs are classified as nonperforming at the time of restructuring and typically are returned to performing status after considering the borrower's sustained repayment performance for a reasonable period.

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

7. Accounts and Microenterprise and Small Business Loans Receivable – Continued

When Accion modifies loans in a TDR, it evaluates any possible impairment similar to other impaired loans based on the present value of expected future cash flows, discounted at the contractual interest rate of the original loan agreement, or uses the current fair value of collateral, less selling costs for collateral dependent loans. If Accion determines that the value of the modified loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount), impairment is recognized through an allowance estimate or a charge-off to the allowance. In periods subsequent to modification, Accion evaluates TDR's, including those that have payment defaults, for possible impairment and recognizes impairment through the allowance.

8. Derivative Financial Instrument

Accion has an agreement used to minimize the amount of loss Accion could be exposed to by nonperforming participation loans. See Note E. Under generally accepted accounting principles, the agreement is treated as a derivative financial instrument of which the fair value is reported as an asset in the accompanying consolidated statements of financial position. The change in fair value is recognized as an addition to or deduction from net assets in the accompanying consolidated statements of activities and changes in net assets. The derivative is considered a Level 3 investment within the fair value hierarchy.

9. Property and Equipment

Property and equipment are stated at cost. Accion capitalizes all acquisitions greater than $2,500 for the years ended December 31, 2017 and 2016. Donated property is recorded at estimated fair value as of the date of donation. Depreciation is provided for all depreciable assets on a straight-line basis over the estimated useful lives of the assets ranging from 3 to 40 years and is allocated to each functional category based on utilization. Land is not depreciated. Depreciation and amortization expense for the years ended December 31, 2017 and 2016, was $103,387 and $156,022, respectively.

10. Net Assets

The accompanying consolidated financial statements are prepared in accordance with generally accepted accounting principles for nonprofit organizations. Under these provisions, net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Accion and changes therein are classified and reported as follows:

Unrestricted Net Assets – net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors. No designations have been made for specific purposes at December 31, 2017 and 2016.

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

10. Net Assets – Continued

Temporarily Restricted Net Assets – net assets that are subject to donor-imposed stipulations that may or will be met by the occurrence of a specific event or the passage of time. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated statements of activities and changes in net assets as net assets released from restrictions.

Permanently Restricted Net Assets – net assets required to be maintained in perpetuity, with only the income used for operating activities, due to donor-imposed restrictions. These donor-imposed restrictions include endowments for the loan portfolio and operations.

11. Donated Services

Contributed services are recognized if the services received create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed services are recorded at the fair value of the service received. For the years ended December 31, 2017 and 2016, Accion received and recognized $59,764 and $53,219 of donated services and $183,550 and $162,450 of imputed interest on below market interest bearing notes, respectively. The recognized donated services included legal, marketing, and other professional services related to the programs, management, and general operations of Accion.

12. Functional Allocation of Expenses

The costs of providing the fundraising activities, various programs, and supporting services have been allocated to functions based on payroll hours, square footage utilized, and/or actual expenses incurred in the accompanying consolidated statements of functional expenses. Allocation of joint costs involving fundraising activities was allocated among the functional categories as Accion satisfied the criteria of FASB ASC 958-720-45, *Not-for-Profit Entities*. Activities involving joint costs typically comprise public relations type events that include both a program and fundraising intent. Joint costs were allocated as follows:

	2017	2016
Program services	$ 18,782	$ 12,986
Fundraising	2,087	1,443
Total joint costs	$ 20,869	$ 14,429

13. Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses were $161,899 and $238,834 for the years ended December 31, 2017 and 2016, respectively, and are included in marketing and development expenses.

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

14. Reclassified Amounts

Certain 2016 amounts have been reclassified to be consistent with the presentation of 2017 amounts.

15. Subsequent Events

In February 2018, the Organization entered into an asset purchase agreement for $250,000 for intellectual property. The Organization also entered into several consulting agreements that approximate $290,000 for the purposes of supporting the asset purchase.

Subsequent events have been evaluated through April 27, 2018, the date the consolidated financial statements were available to be issued, to determine whether such events should be recorded or disclosed in the consolidated financial statements for the year ended December 31, 2017.

NOTE B – INVESTMENTS

Investments, including restricted endowment investment securities, are stated at fair value and consist of the following at December 31:

	2017		
	Cost	Fair Value	Unrealized Gain (Loss)
Equity securities	$ 634,062	$ 803,551	$ 169,489
Mutual funds	163,540	164,518	978
Government and agency securities	106,228	106,102	(126)
Corporate bonds	55,906	56,977	1,071
Cash and cash equivalents	32,728	32,728	-
Total	$ 992,464	$ 1,163,876	$ 171,412

	2016		
	Cost	Fair Value	Unrealized Gain (Loss)
Equity securities	$ 572,832	$ 664,296	$ 91,464
Mutual funds	158,905	156,402	(2,503)
Government and agency securities	98,157	96,929	(1,228)
Corporate bonds	60,755	60,005	(750)
Cash and cash equivalents	31,641	31,641	-
Total	$ 922,290	$ 1,009,273	$ 86,983

NOTE B – INVESTMENTS – CONTINUED

Investment returns consist of the following at December 31:

	2017	2016
Interest and dividends	$ 30,539	$ 28,947
Investment fees	(10,669)	(9,480)
	$ 19,870	$ 19,467

	2017	2016
Realized gains (losses)	$ 55,580	$ (26,978)
Unrealized gains	78,543	56,814
	$ 134,123	$ 29,836

NOTE C – CONTRIBUTIONS RECEIVABLE

Contributions received, including unconditional promises to give, are recognized as revenue in the period received and are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence of any donor restrictions.

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on pledges is computed using the risk-free interest rate applicable to the year in which the promise is received in addition to a credit risk factor determined by management. The effective rate used to discount unconditional promises to give was 8.5% at December 31, 2017 and 2016.

Amortization of the discount is included in contribution revenue. Accion has provided an allowance for doubtful accounts which includes all pledges outstanding greater than 90 days unless specifically excluded by management and an additional 2% of the remaining outstanding balances.

NOTE C – CONTRIBUTIONS RECEIVABLE – CONTINUED

Contributions receivable for each of the years succeeding December 31, 2017 and 2016, are expected to occur as follows:

	2017	2016
In less than one year	$ 277,899	$ 159,945
In one to five years	37,254	73,010
	315,153	232,955
Less: Allowance for doubtful accounts	(63,214)	(29,698)
Less: Discount to net present value	(2,565)	(3,778)
	$ 249,374	$ 199,479

Contributions receivable are primarily from individuals, major charitable foundations, and local businesses. Contributions made by either Accion's Board of Directors or employees were approximately $86,792 and $173,672 as of December 31, 2017 and 2016, respectively, with approximately $55,066 and $97,762 recorded as outstanding contribution receivables as of December 31, 2017 and 2016, respectively.

Accion is the beneficiary of several bequests. No value has been assigned to the conditional promises as no formal documentation has been obtained from the donors.

Accion was awarded a $750,000 conditional multi-year grant from a foundation. The grant reimburses Accion for certain specified expenses as incurred. Because of these conditions, the full amount of the award was not recorded. Expenses reimbursed to date under this grant totaled $152,433 in 2017 and $152,183 in 2016.

NOTE D – SMALL BUSINESS LOANS RECEIVABLE

Loans receivable are recorded at unpaid principal balances, less an allowance for loan losses. Interest on loans is recognized as income based on the daily principal amount outstanding. A loan is considered delinquent when a payment is not made within 30 days of the scheduled due date and is placed on nonaccrual status. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received. An allowance for loan losses is maintained to absorb potential losses inherent in the loan portfolio. When all or a portion of a loan balance reaches 180 days delinquency, it is deemed uncollectible, and the remaining loan balance is charged off to the allowance for loan losses. Recoveries of loans previously charged off are credited to the allowance for loan losses. The provision for loan losses charged to expense is determined monthly based on past delinquency and write-off trends. Collateral is secured

NOTE D – SMALL BUSINESS LOANS RECEIVABLE – CONTINUED

based on the particular loan profile. Generally, collateral on loans will cover only a portion of the loan balance. Impaired loans are recorded at unpaid principal balances, net of an allowance for uncollectible balances, which approximates the present value of expected future cash flows. For loans that are considered impaired, the provision for loan losses charged to expense is determined monthly based on past delinquency and write-off trends. The interest income on impaired loans is recognized in the same manner as noted above.

Activity in the allowance for loan loss follows:

	2017	2016
Balance at beginning of year	$ 2,996,662	$ 2,364,926
Provision charged to expense	2,158,307	1,593,902
Loans charged off	(1,604,583)	(1,025,302)
Recoveries	87,818	63,136
Balance at end of year	$ 3,638,204	$ 2,996,662

Accion has a secured debt agreement that limits its risk of loan loss on certain loans. Of the loans charged off reflected in the table above, approximately $186,700 and $215,300 in 2017 and 2016, respectively, were covered by this agreement resulting in the lender taking losses of approximately $140,000 and $161,500 in 2017 and 2016, respectively. See Note E for further details about this agreement.

Management evaluates loans for credit quality at least quarterly, but more frequently if certain circumstances occur, such as material new information which becomes available and indicates a potential change in credit risk. Credit quality is based on the aging status of the loan and by payment activity.

When loans have been modified and economic concessions are granted to borrowers who have experienced financial difficulties, these loans are considered a troubled debt restructuring (TDR). Specifically, loans are considered TDRs when, in order to stay current on loan payments, a borrower has needed one payment extension of longer than three months duration, or two payment extensions of three months duration in the life of the loan. If these clients perform pursuant to the modified terms, the loans may be placed back on accrual status, but they will still be reported as TDRs. After a loan is restructured once, it may not be modified again. Total TDRs outstanding as of December 31, 2017 and 2016, were $1,600,259 and $1,642,397, respectively. The specific valuation allowance for these TDRs has been calculated based on the reserve factor as calculated by management in the evaluation of the allowance for loan losses. Included within the allowance for TDR loan losses was $529,536 and $582,409 at December 31, 2017 and 2016, respectively.

NOTE D – SMALL BUSINESS LOANS RECEIVABLE – CONTINUED

The following table presents informative data for financial receivables regarding their aging at December 31:

	Small business loans receivable	
	2017	2016
Current	$ 38,891,352	$ 33,916,551
1-30 Days	1,604,886	1,290,012
Past due and non accrual:		
31-60 Days	431,016	279,024
61-90 Days	396,605	208,976
91-120 Days	453,015	225,099
120-180 Days	454,421	178,214
>180 Days	42,421	-
Total past due and non accrual	1,777,478	891,313
Small business loans receivable	42,273,716	36,097,876
Less: Loan loss reserve allowance	(3,638,204)	(2,996,662)
Total small business loans receivable	$ 38,635,512	$ 33,101,214
Small business loans receivable past due > 90 days and still accruing interest	$ -	$ -

NOTE E – SECURED DEBT AND DERIVATIVE FINANCIAL INSTRUMENT

Accion has an ongoing Memorandum of Agreement (MOA), which was restated and amended in 2013, with a third-party to purchase a portion of loans made in New Mexico by Accion. The third-party will purchase 75% of the principal disbursed for individual loans designated for participation by Accion (participation loans). In accordance with generally accepted accounting principles, this agreement does not qualify as a sale and, therefore, is accounted for as secured debt. The agreement was amended in 2016 to increase funding up to $7,750,000. Third party losses on participation loans made prior to November 2013 are shared according to the participation percentage. Losses to the third party on participation loans made subsequent to October 2013 are limited to 1% annually of the average outstanding balance.

NOTE E – SECURED DEBT AND DERIVATIVE FINANCIAL INSTRUMENT – CONTINUED

Accion must repay the secured debt as Accion collects principal payments on the participation loans. This arrangement is considered an embedded derivative, and its fair value of $189,106 and $229,381 as of December 31, 2017 and 2016, respectively, is recorded as an asset on the accompanying consolidated statements of financial position. The fair value is estimated based on the present value of the estimated allowance for loan loss on 75% of the participation loans.

Additions are included in other revenue on the accompanying consolidated statements of activities and changes in net assets. Reductions are recorded as decreases in the derivative instrument and other revenue.

The secured debt bears interest, payable monthly as collected on the participation loans, at 3% of the outstanding balances of $7,306,941 and $6,889,593 as of December 31, 2017 and 2016, respectively. The remaining interest earned on the participation loans is retained by Accion. Interest expense on the secured debt was $218,327 and $172,669 for the years ended December 31, 2017 and 2016, respectively. The MOA has a termination provision requiring reasonable notice from either party. In the event of termination, outstanding loans will be handled in the ordinary course of business under the terms of the MOA until the joint portfolio is collected.

Included in secured debt, there are smaller participations with other third parties in Arizona which totaled $25,712 and $53,986 as of December 31, 2017 and 2016, respectively.

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2017	2016
Building	$ 2,235,906	$ 2,235,906
Furniture and office equipment	260,026	257,293
Computer equipment and software	188,704	188,704
	2,684,636	2,681,903
Less accumulated depreciation	(742,255)	(638,868)
Total	$ 1,942,381	$ 2,043,035
Land	$ 1,003,216	$ 1,003,216

NOTE G – UNSECURED LINES-OF-CREDIT OUTSTANDING

Accion has five unsecured lines-of-credit with financial institutions as follows:

The first agreement with Bank of the West allows for draws up to $600,000 and expires upon full payment of the outstanding balance and execution of a written termination agreement with the financial institution. The financial institution charges interest on the line-of-credit at 2%. The balance on the line-of-credit was $600,000 both at December 31, 2017 and 2016. No restrictive covenants apply to the line-of-credit.

The second agreement with First National Bank of the Rio Grande, a division of First National Bank of Santa Fe, allows for draws up to $1,000,000 and expires upon full payment of the outstanding balance in August 2019. The financial institution charges interest on the line-of-credit at 2%. The balance on the line-of-credit was $1,000,000 at December 31, 2017 and 2016, respectively. There were no restrictive covenants on the line-of-credit.

The third agreement with First National Bank of the Rio Grande, a division of First National Bank of Santa Fe, allows for draws up to $1,000,000 and expires upon full payment of the outstanding balance in October 2020. The financial institution charges interest on the line-of-credit at 2%. The balance on the line-of-credit was $1,000,000 at December 31, 2017 and 2016, respectively. There are restrictive covenants on the line-of-credit. Accion was in compliance with all such restrictive covenants.

During 2017, the Organization entered into a fourth agreement with Charles Schwab Bank, which allows for draws up to $5,000,000 and expires upon full payment of the outstanding balance in March 2019 unless the Organization meets the term-out conditions. If the term-out conditions are met the outstanding balance is payable in twelve equal and consecutive quarterly installments with the final installment payable on the term-out maturity day or March 2022. Accion met the term-out conditions. The financial institution charges interest on the line-of-credit at the greater of the LIBOR reference rate plus 1.75% or 3%. The balance on the line-of-credit was $4,000,000 at December 31, 2017. There are restrictive covenants on the line-of-credit. Accion was in compliance with all such restrictive covenants.

During 2017, the Organization entered into a fifth agreement with Mutual of Omaha Bank, which allows for draws up to $1,000,000 and expires upon full payment of the outstanding balance in October 2022 and is subject to an extension to October 2027. The financial institution charges interest on the line-of-credit at 2%. The balance on the line-of-credit was $0 at December 31, 2017. There are restrictive covenants on the line-of-credit the Organization will have to meet upon drawing on the line-of-credit.

NOTE H – UNSECURED NOTES PAYABLE

Unsecured notes payable consist of the following at December 31:

	2017	2016
Note payable with Bank of America, due as follows: $1,000,000 due September 2019, September 2020, September 2021, $2,000,000 due September 2022, $1,500,000 due September 2023, with remaining balance due September 2024; 2% interest per annum through February 2017 and 3% interest per annum thereafter.	$ 7,495,203	$ 7,494,113
Subordinated note payable with Wells Fargo, full payment due June 2028, 2% interest per annum.	2,425,000	2,425,000
Note payable with Washington Federal, due September 2018, 2.5% interest per annum.	1,500,000	1,500,000
Note payable with Kellogg Foundation, $200,000 due 2021 - 2025, 1% interest per annum.	1,000,000	1,000,000
Note payable with Piton Foundation, full payment due September 2020, 2% interest per annum.	1,000,000	1,000,000
Subordinated note payable with First Bank, due September 2029, 2% interest per annum.	1,000,000	-
Subordinated note payable with Wells Fargo, due December 2025, 2% interest per annum.	400,000	400,000
Subordinated note payable with Wells Fargo, due September 2026, 2% interest per annum.	250,000	250,000

NOTE H – UNSECURED NOTES PAYABLE – CONTINUED

	2017	2016
Note payable with Valero Payment Services Company, an affiliate of DSRM National Bank, full payment due April 2021, 2% interest per annum.	20,000	20,000
Note payable with U.S. Department of Treasury, full payment due September 2017, 1.4% interest per annum.	-	500,000
	$ 15,090,203	$ 14,589,113

At December 31, 2017, future principal repayments are as follows:

2018	$ 1,500,000
2019	1,000,000
2020	2,000,000
2021	1,220,000
2022	2,200,000
Thereafter	7,170,203
	$ 15,090,203

Accion records in-kind contributions and in-kind interest expense on zero-percent and below market rate notes in the period the interest savings benefit is realized. Accion recorded $183,550 and $162,450 in imputed interest, using rates between 3.25% - 4.25% and 3.25% - 3.5% during the years ended December 31, 2017 and 2016, respectively. Accion also incurred $609,670 and $386,045 in interest expense for these unsecured notes payable and lines-of-credit for the years ended December 31, 2017 and 2016, respectively.

The terms of the notes payable to the banks and foundations place certain restrictions on Accion, principally to meet certain financial position and performance tests. The primary requirements include minimum capital requirements, minimum loan loss allowance requirements, and maximum bank concentration requirements. At December 31, 2017, Accion was in compliance with all such requirements. All notes payable are unsecured.

NOTE I – FAIR VALUE MEASUREMENTS

GAAP establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

NOTE I – FAIR VALUE MEASUREMENTS – CONTINUED

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

Level 2 Inputs to the valuation methodology include:

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

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

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used from December 31, 2016 through 2017.

Mutual funds: Valued at the net asset value (NAV) of shares held by the respective mutual fund. Net asset value is based on aggregate fair values of all individual shares traded on active markets.

Equity securities: Valued at publicly traded market value.

Embedded derivative instrument: Estimated based on the present value of the estimated allowance for loan loss on 75% of participation loans.

Government and agency securities and corporate and other bonds: Valued at an evaluated price which is based on a compilation of primarily observable market information or a broker quote in a nonactive market.

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

NOTE I – FAIR VALUE MEASUREMENTS – CONTINUED

Fair values of assets measured are as follows:

Assets at Fair Value as of December 31, 2017

	Level 1	Level 2	Level 3	Total
Government and agency securities:				
Long-term bond	$ 17,451	$ 58,394	$ -	$ 75,845
Short-term bond	3,018	21,227	-	24,245
Intermediate-term bond	3,183	2,829	-	6,012
Corporate and other bonds:				
Long-term bond	-	16,371	-	16,371
Intermediate-term bond	-	27,922	-	27,922
Short-term bond	-	12,684	-	12,684
Equity securities:				
Information technology	186,105	-	-	186,105
Financials	119,835	-	-	119,835
Health care	84,803	-	-	84,803
Real estate	84,674	-	-	84,674
Industrials	77,598	-	-	77,598
Consumer discretionary	72,641	-	-	72,641
Consumer staples	56,208	-	-	56,208
Energy	55,323	-	-	55,323
Materials	38,074	-	-	38,074
Utilities	16,381	-	-	16,381
Telecommunication services	11,909	-	-	11,909
Mutual funds:				
Fixed income	164,518	-	-	164,518
Cash and cash equivalents	32,728	-	-	32,728
Embedded derivative instrument	-	-	189,106	189,106
Total assets at fair value	$ 1,024,449	$ 139,427	$ 189,106	$ 1,352,982

NOTE I – FAIR VALUE MEASUREMENTS – CONTINUED

Assets at Fair Value as of December 31, 2016

	Level 1	Level 2	Level 3	Total
Government and agency securities:				
Long-term bond	$ 11,789	$ 52,758	$ -	$ 64,547
Short-term bond	9,128	20,455	-	29,583
Intermediate-term bond	-	2,799	-	2,799
Corporate bonds:				
Long-term bond	-	21,034	-	21,034
Intermediate-term bond	-	20,283	-	20,283
Short-term bond	-	18,688	-	18,688
Equity securities:				
Information technology	160,718	-	-	160,718
Financials	90,275	-	-	90,275
Health care	87,731	-	-	87,731
Real estate	84,859	-	-	84,859
Consumer discretionary	60,076	-	-	60,076
Industrials	56,000	-	-	56,000
Consumer staples	46,445	-	-	46,445
Energy	36,669	-	-	36,669
Materials	17,812	-	-	17,812
Utilities	12,247	-	-	12,247
Telecommunication services	11,464	-	-	11,464
Mutual funds:				
Fixed income	156,402	-	-	156,402
Cash and cash equivalents	31,641	-	-	31,641
Embedded derivative instrument	-	-	229,381	229,381
Total assets at fair value	$ 873,256	$ 136,017	$ 229,381	$ 1,238,654

The following table sets forth a summary of changes in the fair value of Accion's level 3 assets for the year ended December 31, 2017:

	Embedded Derivative Instrument
Balance, beginning of year	$ 229,381
Change in fair value	(40,275)
Purchases, sales, and settlements	
Purchases	-
Sales	-
Balance, end of year	$ 189,106

NOTE J – TEMPORARILY RESTRICTED NET ASSETS

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

	2017	2016
Restricted for purpose:		
Specified grant expenses	$ 186,660	$ 217,625
Restricted for time:		
Pledges receivable	315,153	232,956
Less: Allowance for uncollectible unconditional promises to give	(63,214)	(29,698)
Less: Discount on unconditional promises to give	(2,565)	(3,778)
	$ 436,034	$ 417,105

Temporarily restricted net assets released from restrictions at December 31, were comprised of the following:

	2017	2016
Restricted for time and/or purpose:		
Various grants and donations	$ 1,111,498	$ 980,867
Specified grant expenses	183,399	105,075
Restricted for time:		
Pledges receivable	281,066	482,570
	$ 1,575,963	$ 1,568,512

NOTE K – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets may be invested in Accion's loan portfolio, cash, or investments, as designated by the donor. Permanently restricted net assets at December 31, 2017 and 2016, were restricted for the following purposes:

	2017	2016
Loan portfolio	$ 1,495,493	$ 1,458,493
Operations	706,178	706,178
	$ 2,201,671	$ 2,164,671

NOTE L – ENDOWMENT FUNDS

1. Interpretation of Relevant Law

Accion's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) adopted by the State of New Mexico during 2009 as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Accion classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to permanent endowments, and (3) accumulations to the permanent endowment funds made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Absent any donor restrictions, investment income will be classified as unrestricted. Accion's endowments include only donor-restricted endowment funds.

The following table reflects permanently restricted net assets subject to UPMIFA:

Endowment Net Asset Composition by Type of Fund as of December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 2,201,671	$ 2,201,671
Total funds	$ -	$ -	$ 2,201,671	$ 2,201,671

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ -	$ 2,164,671	$ 2,164,671
Investment return:				
Investment income	210,893	-	-	210,893
Net appreciation (realized and unrealized)	134,732	-	-	134,732
	345,625	-	2,164,671	2,510,296
Contributions	-	-	37,000	37,000
Appropriation of endowment assets for expenditure	(335,445)	-	-	(335,445)
Other changes:				
Administration fees	(10,180)	-	-	(10,180)
Endowment net assets, end of year	$ -	$ -	$ 2,201,671	$ 2,201,671

NOTE L – ENDOWMENT FUNDS – CONTINUED

1. Interpretation of Relevant Law – Continued

Endowment Net Asset Composition by Type of Fund as of December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 2,164,671	$ 2,164,671
Total funds	$ -	$ -	$ 2,164,671	$ 2,164,671

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ -	$ 1,877,671	$ 1,877,671
Investment return:				
Investment income	228,460	-	-	228,460
Net depreciation (realized and unrealized)	29,836	-	-	29,836
	258,296	-	1,877,671	2,135,967
Contributions	-	-	287,000	287,000
Appropriation of endowment assets for expenditure	(249,012)	-	-	(249,012)
Other changes:				
Administration fees	(9,284)	-	-	(9,284)
Endowment net assets, end of year	$ -	$ -	$ 2,164,671	$ 2,164,671

	2017	2016
Permanently restricted net assets		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	$ 2,201,671	$ 2,164,671
Total permanently restricted net assets	$ 2,201,671	$ 2,164,671

NOTE L – ENDOWMENT FUNDS – CONTINUED

2. Investment and Spending Objectives

Endowment funds may be invested in Accion's loan portfolio, cash, or investments, as designated by the donor. Portions of Accion's investment balances meet liquidity needs and preserve capital. Investment and interest income earned on endowment restricted assets are considered unrestricted and are available for spending. The overall return goal targets an excess of the current bond yield while protecting principal. The primary risk control mechanism for endowment funds is asset allocation, and within the asset allocation, diversification between asset classes. Currently, the target asset allocation model for endowment funds is 60% equities, 25% fixed income, and 15% alternative investments (such as gold and real estate). These targets were met during the current year. Investment advisors have been retained for investment purposes and the investment committee periodically monitors performance.

The following table reflects the assets held for the endowment funds:

	2017	2016
Restricted endowment investment securities	$ 706,178	$ 706,178
Investments in loan portfolio	1,495,493	1,458,493
	$ 2,201,671	$ 2,164,671

From time to time, the fair value of assets associated with individual donor-restricted funds may fall below the level that the donor requires Accion to retain as a fund of perpetual duration. There was no deficiency in endowment funds at December 31, 2017 and 2016.

NOTE M – EMPLOYEE SAVINGS PLAN

Accion sponsors a SIMPLE IRA tax-deferred saving incentive match plan, which covers full-time employees who earned at least $5,000 with Accion in the previous calendar year. Accion will match up to 3% of an employee's annual compensation, and these contributions are 100% vested. Employee contribution limits for the years ended December 31, 2017 and 2016, as established by the Internal Revenue Service, were $12,500. For the years ended December 31, 2017 and 2016, Accion's expense for the plan was $45,569 and $43,524, respectively.

NOTE N – CONTINGENCIES

Expenditures under grant programs may be subject to program or compliance audits by the grantor which may result in disallowed program expenditures. There are no such audits in progress at December 31, 2017.

NOTE O – SERVICES RECEIVED FROM AN AFFILIATE

Accion is a member of the Accion, U.S Network (The Network), a nationwide micro and small-business lending network consisting of four individually governed and managed nonprofit Accion branded member organizations that each serve specified geographies and collectively serve thousands of clients nationwide.

The Network licenses the Accion brand from Accion International and sublicenses the brand to the four Network member organizations for an annual fee. All of the Network member organizations are represented in the governance of The Network. The Network raises funds that enable it to a) provide financial support and services to the member organizations b) fund the out-of-pocket costs of building technology and infrastructure to serve the operating processes of its members, and c) provide information sharing and establish and monitor required minimum member operating standards. Accion works collaboratively with The Network and the other Network member organizations to develop and improve the efficiency and effectiveness of key processes, together with supporting technology designed to benefit all Network members. During December 2016, Accion also entered into a service and support consulting agreement for the cloud-based loan application and workflow platform developed by The Network and used by Accion. The Network and each Network member organization accounts for its own costs related to these collaborative development activities. License and consulting fees were $90,150 and $20,000 as of December 31, 2017 and 2016, respectively.

NOTE P – NEW ACCOUNTING STANDARDS

1. The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) 2014-09, (Topic 606): *Revenue from Contracts with Customers* that was designed to develop a common revenue standard for U.S. GAAP and international standards. The core principle of this ASU is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Steps to apply the core principle are as follows:

1. Identify the contract(s) with the customer
2. Identify the separate performance obligations
3. Determine the transaction price
4. Allocate the transaction price
5. Recognize revenue when a performance obligation is satisfied

Several new disclosures will also be required to include sufficient information to enable users of the financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. This ASU will be effective for annual periods beginning after December 15, 2018.

NOTE P – NEW ACCOUNTING STANDARDS – CONTINUED

2. On February 25, 2016, the Financial Accounting Standards Board issued ASU 2016-02 *Leases* (FASB Codification Topic 842) which significantly changes the accounting for leases in the financial statements of lessees and supersedes FASB Codification Topic 840. With this update, GAAP now will require lessees under operating leases to recognize a liability in the statement of financial position (balance sheet) and an asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting election not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. Cash flows related to operating leases will continue to be reported within operating activities on the statement of cash flows. This ASU is effective for fiscal years beginning after December 15, 2019.

3. In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities* (FASB Codification Topic 958) to improve the current net asset classification requirements and the information presented in financial statements and notes about a nonprofit entity's liquidity, financial performance and cash flows. The main provisions of the ASU are as follows:

A. Present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than for the currently required three classes. That is, a nonprofit will report amounts for *net assets with donor restrictions* and *net assets without donor restrictions*, as well as the currently required amount for total net assets.

B. Present on the face of the statement of activities the amount of the change in each of the two classes of net assets (noted in item A) rather than that of the currently required three classes. A nonprofit would continue to report the currently required amount of the change in total net assets for the period.

C. Continue to present on the face of the statement of cash flows the net amount for operating cash flows using either the direct or indirect method of reporting, but no longer require the presentation or disclosure of the indirect method (reconciliation) if using the direct method.

D. Provide the following enhanced disclosures about:

- Amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions as of the end of the period.
- Composition of net assets with donor restrictions at the end of the period and how the restrictions affect the use of resources.
- Qualitative information that communicates how a nonprofit manages its liquid resources available to meet cash needs for general expenditures within one year of the balance sheet date.

NOTE P – NEW ACCOUNTING STANDARDS – CONTINUED

- Quantitative information, either on the face of the balance sheet or in the notes, and additional qualitative information in the notes as necessary, that communicates the availability of a nonprofit's financial assets at the balance sheet date to meet cash needs for general expenditures within one year of the balance sheet date. Availability of a financial asset may be affected by (1) its nature, (2) external limits imposed by donors, grantors, laws, and contracts with others, and (3) internal limits imposed by governing board decisions.
- Amounts of expenses by both their natural classification and their functional classification. That analysis of expenses is to be provided in one location, which could be on the face of the statement of activities, as a separate statement, or in the notes to the financial statements.
- Method(s) used to allocate costs among program and support functions.
- Underwater endowment funds, which include required disclosures of (1) a nonprofit's policy, and any actions taken during the period, concerning appropriation from underwater endowment funds, (2) the aggregate fair value of such funds, (3) the aggregate of the original gift amounts (or level required by donor or law) to be maintained, and (4) the aggregate amount by which funds are underwater (deficiencies), which are to be classified as part of net assets with donor restrictions.

E. Report investment return net of external and direct internal investment expenses and no longer require disclosure of those netted expenses.

F. Use, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassify any amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption (thus eliminating the current option to release the donor-imposed restriction over the estimated useful life of the acquired asset).

The amendments in this ASU are effective for annual financial statements issued for fiscal years beginning after December 15, 2017.

4. In November 2016, the FASB issued ASU 2016-18 *Restricted Cash* which requires that the statements of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Under this standard, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows. This ASU is effective for fiscal years beginning after December 15, 2018, but early adoption is permitted.

As of the date of these financial statements, management has not determined the impact these new ASUs will have on future reporting periods.

SUPPLEMENTARY INFORMATION

Accion and Subsidiaries

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2017

Federal Grantor - Pass-Through Grantor - Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
Department of Treasury			
Community Development Financial Institutions Fund Program			
Financial Assistance - 171FA021308	21.020		$ 1,006,905
Total Department of Treasury			**$ 1,006,905**
Department of Housing and Urban Development			
Passthrough Liftfund FKA Accion Texas			
Border Community Capital Initiative - BC-13-TX-C-0001	14.266	BC-13-TX-C-0001	$ 96,241
Total Department of Housing and Urban Development			**$ 96,241**
Department of Commerce			
Economic Development Administration			
EA Assistance - Implementation of Presto Loan Program - 08-79-04982	11.307		$ 52,070
Total Department of Commerce			**$ 52,070**
Total Expenditures of Federal Awards			**$ 1,155,216**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A – SIGNIFICANT ACCOUNTING POLICY

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Accion and Subsidiaries and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements. Accion elected not to use the 10% de minimis indirect cost rate.

NOTE B – FEDERAL AWARD EXPENDITURES

The accompanying schedule of expenditures of federal awards includes amounts that were expended in the form of issuing small business loans receivable which are included in the small business loans receivable balance.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Accion and Subsidiaries

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 consolidated financial statements of Accion and Subsidiaries (Accion), which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows, and the related notes to the financial statements, and have issued our report thereon dated April 27, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Accion's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Accion's internal control. Accordingly, we do not express an opinion on the effectiveness of Accion'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Accion's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Accion's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Accion's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Atkinson & Co., Ltd.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
April 27, 2018

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Accion and Subsidiaries

Report on Compliance for Each Major Federal Program

We have audited Accion and Subsidiaries' (Accion) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Accion's major federal programs for the year ended December 31, 2017. Accion's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Accion complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

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

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

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

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

Atkinson & Co., Ltd.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
April 27, 2018

Accion and Subsidiaries

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2017

I. Summary of Auditors' Results

Financial statements

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

B. Internal control over financial reporting:

- Material weaknesses identified Yes___ No_X_
- Significant deficiencies identified Yes___ None Reported _X_

C. Noncompliance material to the consolidated financial statements noted? Yes___ No_X_

Federal awards:

A. Type of auditors' report issued on compliance For major federal programs: Unmodified

B. The Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance expresses an unmodified opinion on all major programs.

C. Internal control over major programs:

- Material weaknesses identified Yes___ No_X_
- Significant deficiencies identified Yes___ None Reported _X_

D. Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)? Yes___ No_X_

E. Identification of major federal award programs:

CFDA Number	Name of Federal Program or Cluster
21.020	Financial Assistance

F. Dollar threshold used to distinguish type A and type B programs: $750,000

G. Accion and Subsidiaries qualified as a low-risk auditee? Yes_X_ No___

II. Financial Statement Audit Findings

None

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

For the Year Ended December 31, 2017

III. Findings and Questioned Costs – Major Federal Award Programs

None

IV. Prior Year Financial Statement Audit Findings

None

V. Prior Year Findings and Questioned Costs – Major Federal Award Programs

2016-001: Duplicated Matching (Other Noncompliance) – Resolved

Accion and Subsidiaries

IDENTIFICATION OF AUDIT PRINCIPAL

For the Year Ended December 31, 2017

Audit Principal:	Barbara Lewis, CPA
Name and address of independent accounting firm:	Atkinson & Co., Ltd. 6501 Americas Parkway NE Suite 700 Albuquerque, New Mexico 87110
Audit period:	Year Ended December 31, 2017
Telephone Number:	(505) 843-6492
Federal Employee ID Number:	85-0211867

ATKINSON & CO. LTD
CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

6501 AMERICAS PARKWAY NE
SUITE 700
ALBUQUERQUE, NM 87110

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Nevada
Capital
Investment
Corporation

MEMO

TO: NCIC Board Members

FROM: Tara Hagan, Chief Deputy Treasurer

SUBJECT: Board to receive an update regarding the Accion LLC Agreement

DATE: October 19, 2018

Summary

During the May 4, 2017 NCIC Board meeting, the Board approved an investment in Accion LLC for $1 million over a ten-year period with the interest to be a minimum of 2.5%. The Board unanimously voted to approve this investment option. The investment agreement does allow for an annual review in July of the interest rate consistent with the Internal Revenue Service (IRS) Section 1274D published rates. Beginning July 1, 2018, the interest rate was adjusted upwards to 3.06% based on those published rates.

Reports

Accion has provided staff with the attached report which provides the Board with the following loan demographic information as of June 30, 2018:

- Gender
- Ethnicity
- Application Close Date
- New Loan Proceeds
- Refinance Proceeds
- Totals
- County
- Total Jobs
- FTE

In addition, Staff and Accion have also provided the Accion unaudited financial statements for the quarter ended June 30, 2018.

Tara Hagan, Chief Deputy will be available to answer questions.

Nevada
Capital
Investment
Corporation

MEMO

TO: [illegible] Board Members

FROM: [illegible]

SUBJECT: [illegible]

DATE: October [illegible]

Summary

[illegible]

Holdings

[illegible] with the [illegible] June 30, [illegible]

- Nevada
- [illegible]
- [illegible]
- [illegible]
- [illegible]
- [illegible]
- [illegible]
- [illegible]
- [illegible]

[illegible]

[illegible] will be available to answer questions.

Q2 - 2018 Nevada Loans
April 2018 - June 2018

Loan #	Contact: Gender	Ethnicity	Application Close Date	New Loan Proceeds	Total Refinance Amount (Actual)	Loan Amount	Business County	Total Jobs	FTE
51063	Female	African American	5/4/2018	$ 8,000.00	-	$ 8,000.00	Clark	1	1.00
50676	Male	White	5/4/2018	10,800.00	-	10,800.00	Douglas	7	4.00
51439	Male	Hispanic/Latino	5/30/2018	10,796.94	$ 1,120.61	11,917.55	Clark	1	1.00
49938	Female	Other	4/30/2018	81,120.00	-	81,120.00	Washoe	4	2.50
50172	Female	Other	5/14/2018	4,458.45	7,884.25	12,342.70	Clark	6	4.50
51831	Female	White	6/19/2018	1,627.50	1,962.78	3,590.28	Clark	1	1.00
50583	Male	Other	4/17/2018	4,000.00	-	4,000.00	Clark	1	0.50
51113	Male	Hispanic/Latino	5/16/2018	12,000.00	-	12,000.00	Clark	4	2.50
50999	Female	Asian	5/4/2018	9,540.00	-	9,540.00	Clark	4	3.00
51066	Male	White	5/9/2018	5,662.27	2,337.73	8,000.00	Clark	16	14.00
50986	Male	Hispanic/Latino	5/31/2018	4,515.78	3,484.22	8,000.00	Clark	1	0.50
51510	Male	Asian	6/28/2018	10,000.00	-	10,000.00	Clark	1	0.50
50332	Female	Other	4/9/2018	4,000.00	-	4,000.00	Washoe	2	1.50
51087	Male	Other	6/14/2018	6,000.00	-	6,000.00	Clark	1	0.50
51157	Male	Hispanic/Latino	6/14/2018	20,600.00	-	20,600.00	Clark	4	3.50
50515	Female	White	4/4/2018	1,158.57	591.43	1,750.00	Clark	6	4.00
51326	Male	White	6/20/2018	10,000.00	-	10,000.00	Clark	2	1.50
51860	Male	Hispanic/Latino	6/22/2018	8,000.00	-	8,000.00	Washoe	1	0.50
51464	Male	White	6/15/2018	10,400.00	-	10,400.00	Clark	3	2.00
51752	Female	I choose not to answer	6/28/2018	2,701.86	2,498.14	5,200.00	Clark	2	1.50
51449	Male	Asian	6/13/2018	12,840.00	-	12,840.00	Washoe	1	1.00
51420	Female	African American	5/31/2018	8,000.00	-	8,000.00	Clark	5	4.50
50457	Female	Hispanic/Latino	4/30/2018	10,600.00	-	10,600.00	Clark	2	2.00
51732	Male	Hispanic/Latino	6/12/2018	3,500.00	-	3,500.00	Clark	1	1.00
51707	Female	African American	6/22/2018	1,000.00	-	1,000.00	Clark	1	0.50
50555	Female	Hispanic/Latino	4/3/2018	6,000.00	-	6,000.00	Clark	1	0.50
51062	Female	African American	5/9/2018	3,240.00	-	3,240.00	Clark	2	1.50
48421	Male	African American	5/30/2018	52,500.00	-	52,500.00	Clark	1	1.00
28 Loans				$ 323,061.37	$ 19,879.16	$ 342,940.53		82	62.00

Accion
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Consolidated Balance Sheet

June 2018	CURRENT MONTH CHANGE			LAST 12 MONTHS	
	Current Month	*Prior Month*	*Change from Prior Month*	*Prior Year*	*Change from Prior Year*
ASSETS					
Cash - Operations	3,934,810	3,964,784	(29,975)	4,889,856	(955,047)
Cash - Lending	1,095,984	1,298,427	(202,443)	1,721,166	(625,182)
Cash - Endowment	85,853	81,478	4,376	32,103	53,751
Investments - Endowment	1,067,801	1,071,224	(3,423)	1,055,493	12,308
Accounts Receivable	226,417	200,042	26,375	392,448	(166,031)
Contributions Receivable, net of allowance & discount	2,307,863	1,546,819	761,043	240,245	2,067,618
Loans Receivable, net of unapplied payments	42,897,767	42,821,031	76,736	40,787,717	2,110,050
Allowance for Loan Losses	(3,645,759)	(3,774,253)	128,494	(3,524,224)	(121,535)
Derivative instrument	177,833	178,379	(547)	257,828	(79,995)
Prepaid & Other Assets	18,230	20,714	(2,484)	12,614	5,616
Equipment and Building, less accum depreciation	2,184,834	2,193,339	(8,504)	2,001,346	183,488
Land	1,003,216	1,003,216	-	1,003,216	-
TOTAL ASSETS	51,354,848	50,605,200	749,648	48,869,807	2,485,041
LIABILITIES & NET ASSETS					
LIABILITIES					
Accounts Payable	92,437	21,246	71,191	51,923	40,513
Accrued Payroll	239,404	225,160	14,244	361,775	(122,371)
Other Accrued Liabilities	148,954	207,128	(58,175)	116,323	32,630
SBIC Participation - Secured Debt	7,485,460	7,447,086	38,374	7,517,796	(32,337)
ACA Participation - Secured Debt	10,533	13,111	(2,578)	40,174	(29,640)
Lines of Credit Outstanding	6,600,000	6,600,000	-	6,600,000	-
Notes Payable	15,101,773	15,305,658	(203,884)	14,589,658	512,115
TOTAL LIABILITIES	29,678,561	29,819,388	(140,827)	29,277,650	400,911
CONSOLIDATED NET ASSETS					
Unrestricted					
Unrestricted	9,933,834	9,815,539	118,295	10,003,651	(69,817)
LLC Investments	8,117,670	8,106,533	11,137	7,105,252	1,012,418
Temporarily Restricted	1,423,113	662,069	761,043	318,583	1,104,530
Permanently Restricted	2,201,671	2,201,671	-	2,164,671	37,000
TOTAL CONSOLIDATED NET ASSETS	21,676,288	20,785,812	890,475	19,592,157	2,084,130
TOTAL LIABILITIES & NET ASSETS	51,354,849	50,605,201	749,648	48,869,807	2,485,042

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Income Statement by Restriction

June 2018

	CURRENT MONTH				YEAR TO DATE			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES								
Support and revenue:								
Support - contributions	52,503	1,032,500	-	1,085,003	97,471	1,593,006	-	1,690,477
In Kind Contributions	11,023			11,023	78,812			78,812
Discount for future year pledges	-	-	-	-	-			-
Allowance for Uncollectible Contributions	-	5,304	-	5,304	-	(21,823)	-	(21,823)
Total Contributions, Net of Allowance	63,526	1,037,804	-	1,101,330	176,283	1,571,183	-	1,747,466
Other Operating Income								
Interest and Dividend Income on Investments	4,091			4,091	16,707	-	-	16,707
Gain or Loss on Contributed Stock	(2,091)			(2,091)	(21,234)	-	-	(21,234)
Unrealized investment losses	-			-	(462)			(462)
Total Other Operating Income	2,000	-	-	2,000	(4,988)	-		(4,988)
Program Revenue								
Portfolio Interest	373,110			373,110	2,170,875	-	-	2,170,875
Application Fees	56,970			56,970	472,878	-		472,878
Other (Late, NSF, Chg requests)	18,126			18,126	56,968	-	-	56,968
Event Revenue	-			-	1,730	-	-	1,730
Total Program Revenue	448,205	-	-	448,205	2,702,451	-	-	2,702,451
Subtotal - support and revenue	513,731	1,037,804	-	1,551,535	2,873,747	1,571,183	-	4,444,930
Net assets released from restrictions	276,761	(276,761)			584,282	(584,282)		
Total Support and Revenues	**790,492**	**761,043**	**-**	**1,551,535**	**3,458,029**	**986,900**	**-**	**4,444,930**
EXPENSES								
Staffing Costs								
Payroll Expenses	282,373			282,373	1,663,189			1,663,189
Payroll Taxes	21,792			21,792	129,137			129,137
Benefits	17,844			17,844	116,355			116,355
Accounting, IT, Payroll Fees	5,072			5,072	26,964			26,964
Temporary Services	260			260	29,842			29,842
Consultants	59,554			59,554	166,633			166,633
Employee Travel	20,726			20,726	93,136			93,136
Conferences/Training	3,325			3,325	21,456			21,456
Hiring Fees	928			928	8,475			8,475
Board & Team Recognition & Developmnt	2,170			2,170	15,683			15,683
Total Staffing Costs	414,042	-	-	414,042	2,270,870	-	-	2,270,870
Facilities Costs								
Rent	2,487			2,487	12,286			12,286
Telecommunications	13,427			13,427	62,890			62,890
Office Supplies & Equipment	4,412			4,412	30,343			30,343
Software license fees	19,388			19,388	110,205			110,205
Postage & Shipping	2,613			2,613	11,827			11,827
Printing & Reproduction	2,299			2,299	6,554			6,554
Other dues/fees	143			143	1,601			1,601
Other Office Expense	3,011			3,011	21,902			21,902
Total Facilities Costs	47,778			47,778	257,609	-	-	257,609
Loan Initiation & Collections								
Outreach Marketing	28,489			28,489	74,740			74,740
Loan statements/Client Mailings	3,279			3,279	20,047			20,047
Bad Debt Expense	12,421			12,421	990,798			990,798
Derivative inc (SBIC portion bad debt)	(5,510)			(5,510)	(30,235)			(30,235)
Credit Reporting	1,624			1,624	35,502			35,502
Legal & Collections Costs	38,230			38,230	186,895			186,895
Underwriting Expense	-			-	-			-
Other Loan Costs	3,823			3,823	26,959			26,959
Total Loan Initiation & Collections	82,358			82,358	1,304,705			1,304,705
Other Business Costs								
Audit & Tax Preparation Fees	14,003			14,003	41,346			41,346
Insurance	3,431			3,431	9,773			9,773
Legal Fees - Operations	2,577			2,577	11,936			11,936
Investment Fees	840			840	5,118			5,118
Strategic Planning Retreats	262			262	929			929
Business Taxes & Fees	8,835			8,835	10,140			10,140
Total Other Business Costs	29,948			29,948	79,243			79,243
Total Donor Development Costs	1,358			1,358	7,045			7,045
Interest Expense (imputed)	10,672			10,672	64,030			64,030
Interest Expense - Actual non-SBIC	60,157			60,157	352,177			352,177
Interest Expense - SBIC	18,447			18,447	110,682			110,682
Depreciation & Amortization	7,437			7,437	44,625			44,625
TOTAL EXPENSES	**672,197**			**672,197**	**4,490,988**	**-**	**-**	**4,490,988**
CHANGE IN NET ASSETS FROM OPERATIONS	**118,295**	**761,043**	**-**	**879,338**	**(1,032,959)**	**986,900**	**-**	**(46,058)**
CHANGES IN NET ASSETS FROM LLC ACTIVITY								
Proceeds from LLC Investment				-				-
LLC Net Earnings	**11,137**			**11,137**	**67,512**			**67,512**
LLC Distribution				-	**(120,562)**			**(120,562)**
NET ASSETS, BEGINNING	**17,922,072**	**662,069**	**2,201,671**	**20,785,812**	**19,137,512**	**436,212**	**2,201,671**	**21,775,395**
NET ASSETS, ENDING	**18,051,504**	**1,423,113**	**2,201,671**	**21,676,288**	**18,051,504**	**1,423,113**	**2,201,671**	**21,676,288**

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Statement of Cash Flows

	June 2018	Year-to-date 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 879,338	$ (46,058)
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Net realized and unrealized loss on investments	2,091	21,303
Earnings of Noncontrolling LLC interests	11,137	67,512
Loss on disposal of assets	-	462
Depreciation and amortization	7,437	44,625
Amortization of note payable closing fee	91	545
Loan loss provision	12,421	990,798
Uncollectible contribution allowance (reversal)	5,304	(21,823)
Donated stock	-	(10,096)
Change in fair value of derivative instrument	547	11,273
Change in other assets and liabilities:		
Accounts receivable	(26,375)	(30,966)
Contributions receivable	(766,347)	(955,506)
Prepaid expenses	2,484	(2,408)
Accounts payable	71,191	(45,242)
Accrued payroll	14,244	106,989
Other accrued liabilities	(58,175)	(144,276)
Net cash provided by operating activities	155,388	(12,871)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net sales/purchases of investments	1,332	52,140
Purchase of property and equipment	1,067	(287,539)
Investment of small business loans	(1,440,772)	(9,126,666)
Repayments and recoveries of small business loans	1,223,121	7,519,373
Net cash used in investing activities	(215,252)	(1,842,691)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from NM SBIC	278,560	1,521,317
Repayment of NM SBIC	(240,187)	(1,342,798)
Proceeds from (payments to) ACA Participation	(2,578)	(15,179)
Proceeds for PCDIC Participation	-	-
Proceeds from (payments to) line-of-credit	-	-
Proceeds from notes payable	-	215,000
Repayment of notes payable	(203,975)	(203,975)
Proceeds from LLC Investment	-	-
LLC Distributions	-	(120,562)
Net cash provided by financing activities	(168,179)	53,803
NET CHANGE IN CASH AND CASH EQUIVALENTS	(228,043)	(1,801,759)
Cash and cash equivalents, beginning	5,344,689	6,918,406
Cash and cash equivalents, ending	$ 5,116,647	$ 5,116,647