



The Rogoff Firm

CERTIFIED PUBLIC ACCOUNTANTS | BUSINESS & FINANCIAL ADVISORS

New Mexico Community Capital

Consolidated Financial Statements, Supplementary Information
and
Independent Auditors' Report

December 31, 2007 and 2006

New Mexico Community Capital

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Independent Auditors' Report

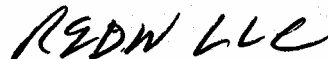
Board of Directors
New Mexico Community Capital

We have audited the accompanying consolidated statements of financial position of New Mexico Community Capital (NMCC), a not-for-profit organization, and subsidiaries as of December 31, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of NMCC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NMCC as of December 31, 2007 and 2006, and its changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements of NMCC taken as a whole. The consolidating financial statements are presented as supplementary information that is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.



March 4, 2008

Consolidated Financial Statements

New Mexico Community Capital
Consolidated Statements of Financial Position
December 31,

	2007	2006
Assets		
Current assets		
Cash and cash equivalents	\$ 406,145	\$ 447,279
Contributions receivable	27,575	52,050
Grants, contracts, and services receivable	132,437	-
Prepays and other	4,060	6,011
Total current assets	570,217	505,340
Investment in private debt and equity securities	2,603,142	953,147
Fixed assets, net	6,259	8,082
Deposits	4,301	1,350
Total assets	\$ 3,183,919	\$ 1,467,919
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 144,044	\$ 60,800
Accrued compensation	141,319	49,225
Line of credit	-	50,000
Total current liabilities	285,363	160,025
Limited partner capital investment in subsidiary	2,476,523	1,223,277
Unrestricted net assets of NMCC	422,033	84,617
Total liabilities and net assets	\$ 3,183,919	\$ 1,467,919

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

New Mexico Community Capital
Consolidated Changes in Net Assets
For the Year Ended December 31,

	2007	2006
Support and Revenues		
Contributions	\$ 194,974	\$ 227,933
Grants, contracts, and services	275,749	5,500
Amounts paid by new limited partners of subsidiary	46,423	-
Interest income	19,952	1,555
Total support and revenues	537,098	234,988
Unrealized investment loss	-	190,000
Expenses		
Salaries and benefits	723,197	536,446
Professional fees	150,410	114,673
Office and utilities	72,280	53,708
Marketing and public relations	51,647	26,941
Travel	36,018	26,911
Information technology	8,213	5,150
Dues, conferences and board meetings	21,393	15,846
Contracted services	23,494	-
Gross receipts tax	43,523	56,300
Total expenses	1,130,175	835,975
Total decrease in net assets	(593,077)	(790,987)
Loss allocable to limited partners of subsidiary	930,493	645,394
Increase (decrease) in unrestricted net assets of NMCC	337,416	(145,593)
Unrestricted net assets of NMCC, beginning of period	84,617	230,210
Unrestricted net assets of NMCC, end of period	\$ 422,033	\$ 84,617

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

New Mexico Community Capital
Consolidated Statements of Cash Flows
For the Year Ended December 31,

	2007	2006
Cash flows from operating activities		
Decrease in unrestricted net assets	\$ (593,077)	\$ (790,987)
Depreciation	5,519	4,802
Unrealized loss	-	190,000
Changes in assets and liabilities		
Contributions receivable	24,475	160,950
Grants, contracts, and services receivable	(132,437)	-
Prepays and other	1,951	(1,576)
Investment in private debt and equity securities	(1,649,995)	(812,501)
Accounts payable and accrued liabilities	83,244	90,283
Accrued compensation	92,094	-
Net cash used in operating activities	(2,168,226)	(1,159,029)
Cash flows from investing activities		
Deposits	(2,951)	1,650
Purchase of fixed assets	(3,696)	(3,934)
Net cash used in investing activities	(6,647)	(2,284)
Cash flows from financing activities		
Proceeds from (reduction in) line of credit	(50,000)	50,000
Cash contribution from partners	2,183,739	1,522,067
Net cash provided by financing activities	2,133,739	1,572,067
Net increase (decrease) in cash and cash equivalents	(41,134)	410,754
Cash and cash equivalents, beginning of year	447,279	36,525
Cash and cash equivalents, end of year	\$ 406,145	\$ 447,279
Supplemental information		
Cash received from interest	\$ 19,952	\$ 1,555

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

New Mexico Community Capital
Notes to Consolidated Financial Statements
December 31, 2007 and 2006

1) Organization and Presentation

New Mexico Community Capital (NMCC) is a not-for-profit 501(c) (3) New Mexico corporation formed September 21, 2004, to provide equity capital and management resources to qualifying businesses throughout New Mexico, particularly in under-invested areas. NMCC seeks foundation and other grants to support its work. NMCC is not a private foundation.

NMCC is the sole member of New Mexico Community Capital Management, LLC (GP), which acts as the general partner of New Mexico Community Capital Fund I, LP (Partnership). The GP and the Partnership were formed on March 10, 2005. Under a services agreement, between the GP and NMCC, NMCC provides services to the Partnership for a fee. As of December 31, 2007, the Partnership had obtained limited partner funding commitments totaling \$14.65 million which includes \$5.65 million of new capital commitments consummated during 2007. The committed capital serves as the source of funds used for investing and operation of the Partnership. Cumulative limited partner capital calls through December 31, 2007 total \$4,387,034. The Partnership will terminate on June 30, 2015, unless earlier terminated pursuant to certain defined conditions or unless extended for up to three additional one-year periods with the consent of the GP and approval by at least 72% of the interests of limited partners. When the majority of the limited partner capital has been committed to investments, efforts to seek additional Partnership funding will commence for the next investment fund.

The accompanying financial statements reflect the consolidated financial position, activities and cash flows of NMCC, the GP and the Partnership. All material inter-company transactions have been eliminated in consolidation. The consolidated entities may be referred to as NMCC herein.

2) Summary of Significant Accounting Policies

Basis of Accounting and Use of Estimates

NMCC uses the accrual method of accounting. In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates involve the fair value of debt and equity investments in private entities. Because of the inherent uncertainty of valuing these securities, the estimated fair value of investments may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

New Mexico Community Capital
Notes to Consolidated Financial Statements
December 31, 2007 and 2006

2) Summary of Significant Accounting Policies — continued

Investments

The GP has a Fund Advisory Board, consisting of individuals who are not members of the GP, who serve in an advisory capacity with respect to investments. This board meets at least four times per year to review the Partnership's portfolio and evaluate all investments recommended by the GP. Investments are only made if not denied by the Fund Advisory Board. Committed limited partner capital is drawn on an "as needed" basis to fund investments and working capital requirements.

NMCC follows investment company accounting whereby investments are carried at estimated fair value. As of December 31, 2007, NMCC had made investments in six (6) private companies. These investments have been in the form of convertible debt, convertible preferred stock and common stock.

Investments are valued at fair value as determined in good faith by the GP. At December 31, 2007, NMCC carried five (5) of its investments at cost because no factors were evident to increase or decrease the carrying value of the investments to a different fair value, the sixth investment has been valued at \$190,000 less than cost.

Management Agreement

During the first two years after initial closing of limited partner funding, the Partnership pays management fees of 3.5% per annum of the amount of aggregate committed capital to NMCC upon closing and thereafter semi-annually in advance. The management fee is reduced to 3% per annum of committed capital in years three and four and 2.5% per annum in subsequent years. If the GP forms another fund of at least \$7.5 million during the life of the Partnership, the management fee may be further reduced to a minimum of 2% per annum. Under these terms, the Partnership incurred management fees totaling \$784,738 and \$319,411 during the periods ended December 31, 2007 and 2006, respectively. The amounts received in 2007 include approximately \$462,000 of catch-up fees and related amounts associated with the new capital commitments to the Partnership consummated during 2007.

Fund I Limited Partnership Agreement

The limited partnership agreement specifies that the GP serves as general partner of the Partnership. The limited partners have limited liability with respect to the Partnership's activities and do not have management responsibilities or voting rights within the Partnership. The partnership agreement specifies detailed procedures for allocating partnership income and partner distributions. Partnership losses are allocated to the limited partners in proportion to their capital balances relative to total limited partner capital commitments.

New Mexico Community Capital
Notes to Consolidated Financial Statements
December 31, 2007 and 2006

2) Summary of Significant Accounting Policies — continued

Fund I Limited Partnership Agreement — continued

The limited partnership agreement defines certain expenses of the Partnership that are the responsibility of the GP. These are referred to as General Partner Expense in the agreement. They are principally related to those associated with maintaining an office for the Partnership and compensation of GP's employees. Under the agreement the partnership is to bear all of its expenses not considered to be General Partner Expenses. In addition, the Partnership is to be charged with the first \$40,000 per fiscal year of General Partner Expenses. Organization expenses of up to \$100,000 are borne by the limited partners. The expenses discussed in this paragraph are reflected as partnership expenses in the accompanying financial statements.

The expenses incurred by the Partnership under the limited partnership agreement totaled \$156,160 and \$135,983 in 2007 and 2006, respectively.

Cash and Cash Equivalents

For purposes of presenting cash flows, NMCC considers all interest-bearing deposits with an original maturity of three months or less to be cash equivalents, which at times may exceed the federally insured limits. NMCC has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash balances.

Fixed Assets

Fixed assets are carried at cost. Depreciation is computed using primarily the straight-line method over the assets' estimated useful lives ranging from 3 to 5 years. Depreciation was charged to office and utilities expense.

Income Taxes

Based on a determination letter received November 29, 2005, from the Internal Revenue Service, NMCC is a tax-exempt 501(c) (3) organization. Accordingly, it only has taxable income to the extent of unrelated business income, of which there has been none through December 31, 2007.

Gross Receipts Taxes

The GP is a single member LLC whose only member is NMCC. In February of 2007 NMCC filed under the State of New Mexico's Managed Audit Program to determine whether fees and expenses paid to NMCC from the Partnership are subject to New Mexico's gross receipts tax. Fees and expenses are paid to NMCC under the various agreements in place between NMCC, GP and Partnership. At question is whether payments made directly to NMCC by the Partnership at the direction of GP are in fact receipts of the GP as defined under the governing regulations. NMCC does not believe the payments qualify as such and, accordingly, has submitted a filing disputing any liability. Should the GP be found liable, a tax in the amount of approximately \$99,800

New Mexico Community Capital
Notes to Consolidated Financial Statements
December 31, 2007 and 2006

2) Summary of Significant Accounting Policies — continued

Gross Receipts Taxes — continued

will be due within 30 days of a final ruling. Amounts paid, if any, would be billed by NMCC to the Partnership. Should NMCC prevail in its position, accrued liability will be reversed in the period during which a final ruling is made.

Financial Instruments

NMCC believes the carrying amount of its cash and cash equivalents; contributions, grants, contracts, and services receivable; prepaid and other assets and accounts payable and accrued liabilities approximates fair value due to their short maturity.

Grants, Contracts, Business Services, and Contributions

NMCC has entered into a number of Professional Service contracts from various agencies of the State of New Mexico and received a grant from the federal Department of Commerce (DOC) all of which are designed to fund the programmatic activities of NMCC. The grant from the DOC is a cost reimbursement program under which NMCC may receive up to \$350,000 from the DOC for reimbursement of qualifying costs. The DOC will reimburse 60% of such qualifying costs; the balance must be funded from other sources. During 2007, NMCC recognized \$227,854 of revenue under these agreements, \$144,854 under the DOC program and \$83,000 under agreements with the State of New Mexico.

In addition to this programmatic funding, NMCC received contributions in the amount of \$10,000 which were designed to fund programmatic activity. All restricted revenues received in 2007 and 2006 were expended in the same period. Therefore, NMCC had no restricted net assets as of December 31, 2007 and 2006.

The programmatic activities of NMCC include IMPACT-NM, a program under which NMCC provides hands on assistance to New Mexico based businesses designed to provide for accelerated growth and greater stability. These services are provided by NMCC employees as well as professionals contracted by NMCC. Fee arrangements vary by client and may be due currently or deferred. Service revenue from these activities is recognized in the period such fees are earned and are deemed to be collectable.

Service revenues recognized during 2007 and 2006 amounted to \$47,895 and \$5,500, respectively. As of December 31, 2007, accounts receivables associated with these services amounted to \$40,929, net of \$83,655 of allowances for amounts currently considered to be uncollectible.

Contributions of \$27,575 and \$52,050 were carried as receivables at December 31, 2007 and 2006 respectively. These amounts were subsequently collected.

New Mexico Community Capital
Notes to Consolidated Financial Statements
December 31, 2007 and 2006

2) Summary of Significant Accounting Policies — continued

Fiscal Agent

During 2007 NMCC agreed to serve as fiscal agent for the grantee, a client of Impact-NM under a grant from the W.K. Kellogg Foundation. Amounts received under the grant are deposited in a bank account of the grantee/client which is administered by NMCC. Disbursements are made from the account after approval by the grantee/client and review by NMCC that such disbursements are in conformity with the purpose of, and allowable under, the terms of the grant. NMCC provides fiscal agent services without charge. Except for fees received from the grantee/client for services rendered by NMCC under the Impact-NM program, the economic activities associated with the grant are not reflected in the accompanying financial statements.

During 2007, \$75,002 was received under this grant and \$64,424 was disbursed leaving a balance of \$10,578 at December 31, 2007. This amount is reflected in cash balances as of December 31, 2007 with an offsetting accrued liability of equal amount. During 2007 NMCC recognized \$30,000 of revenues for services performed for the grantee/client under NMCC's IMPACT-NM program, all of which were unpaid as of December 31, 2007, and is included in grants, contracts, and services receivables.

3) **Fixed Assets**

A summary of fixed assets at December 31, 2007 and 2006 follows:

	2007		2006
Furniture and equipment	\$ 19,145	\$	15,450
Software and computer systems	<u>1,289</u>		<u>1,288</u>
	20,434		16,738
Accumulated depreciation and amortization	<u>(14,175)</u>		<u>(8,656)</u>
	<u>\$ 6,259</u>	<u>\$</u>	<u>8,082</u>

Depreciation and amortization expense in 2007 and 2006 was \$5,519 and \$4,802, respectively.

New Mexico Community Capital
Notes to Consolidated Financial Statements
December 31, 2007 and 2006

4) Line of Credit

NMCC has a \$100,000 line of credit with First Community Bank with a maturity date of November 30, 2008. The line of credit carries a variable interest rate of prime and had an outstanding balance of \$50,000 as of December 31, 2006. No amounts were outstanding as of December 31, 2007.

5) Investment in Private Debt and Equity Securities

NMCC had invested in six (6) companies as of December 31, 2007, all located in New Mexico. The cost basis and fair value of these investments amounted to \$2,293,142 and \$2,603,142 respectively, reflecting an unrealized loss of \$190,000. The unrealized loss was recognized during 2006.

As of December 31, 2006 NMCC had invested in three (3) of these companies. As of that date the cost basis and fair value of these investments amounted to \$1,143,147 and \$953,147 respectively, reflecting an unrealized loss of \$190,000.

6) Related Party Transactions

NMCC has a receivable of \$127,566 and \$89,498 from the Partnership and GP as of December 31, 2007 and 2006, respectively. These amounts represent management fees and unpaid expenses NMCC has incurred on behalf of the Partnership and GP and have been eliminated in consolidation.

7) Expenses by Functional Allocation

The following is a summary of expenses by functional classification for NMCC for the period December 31:

	<u>2007</u>	<u>2006</u>
General partner management	\$ 464,997	\$ 403,216
Fundraising	100,412	152,235
Programmatic	426,302	146,257
Management and general	138,464	134,087
	<u>\$ 1,130,175</u>	<u>\$ 835,975</u>

New Mexico Community Capital
Notes to Consolidated Financial Statements
December 31, 2007 and 2006

8) Commitments and Contingencies

NMCC has entered into an employment contract with its CEO. This agreement expired December 31, 2007 and automatically renews for one year terms unless either party notifies the other of its intent not to renew at least 90 days prior to the extension period. In addition to base compensation, the agreements provide for bonuses as declared by the NMCC board of directors and participation in the GP's carried interest in earnings received from the Partnership.

Bonuses totaling \$93,500 to employees were accrued but not paid at December 31, 2007.

NMCC has entered into a facility lease with rental payments of \$2,000 per month. The lease expires February 28, 2009.

9) Subsequent Events

During February 2008, the Partnership made one million dollars in limited partner capital calls to fund intended investments of \$500,000 in each of two (2) New Mexico based companies which, if consummated would result in a total of one million dollars of investments after December 31, 2007.

Supplementary Information

New Mexico Community Capital
Consolidating Statement of Financial Position
December 31, 2007

	NMCC 501(c)(3)	NMCC Management LLC	NMCC Fund 1 LP	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 405,035	\$ 1,110	\$ -	\$ 406,145
Contributions receivable	27,575	-	-	27,575
Grants, contracts, and services receivable	132,437	-	-	132,437
Due from related party	127,566	-	-	127,566
Prepays and other	4,060	-	-	4,060
Total current assets	<u>696,673</u>	<u>1,110</u>	<u>-</u>	<u>697,783</u>
Investment in private debt and equity securities	-	-	2,603,142	2,603,142
Fixed assets, net	6,259	-	-	6,259
Deposits	4,301	-	-	4,301
Total assets	<u>\$ 707,233</u>	<u>\$ 1,110</u>	<u>\$ 2,603,142</u>	<u>\$ 3,311,485</u>
Liabilities and Net Assets				
Current liabilities				
Accounts payable and accrued liabilities	\$ 143,881	\$ -	\$ 163	\$ 144,044
Accrued compensation	141,319	-	-	141,319
Due to related party	-	1,110	126,456	127,566
Total current liabilities	<u>285,200</u>	<u>1,110</u>	<u>126,619</u>	<u>412,929</u>
Limited partner capital investment in subsidiary	-	-	-	-
Unrestricted net assets	<u>422,033</u>	<u>-</u>	<u>2,476,523</u>	<u>2,898,556</u>
Total liabilities and net assets	<u>\$ 707,233</u>	<u>\$ 1,110</u>	<u>\$ 2,603,142</u>	<u>\$ 3,311,485</u>

Eliminations	Consolidated
\$ -	\$ 406,145
-	27,575
-	132,437
127,566	-
-	4,060
127,566	570,217
-	2,603,142
-	6,259
-	4,301
\$ 127,566	\$ 3,183,919

\$ -	\$ 144,044
-	141,319
127,566	-
127,566	285,363
2,476,523	2,476,523
(2,476,523)	422,033
\$ 127,566	\$ 3,183,919

New Mexico Community Capital
Consolidating Changes in Net Assets
For the Year Ended December 31, 2007

	NMCC 501(c)(3)	NMCC Management LLC	NMCC Fund 1 LP	Total
Support and Revenues				
Contributions	\$ 194,974	\$ -	\$ -	\$ 194,974
Reimbursements of expenses	156,160	-	-	156,160
Grants, contracts, and service	275,749	-	-	275,749
Management fees	831,161	-	-	831,161
Interest income	9,547	-	10,405	19,952
Total support and revenues	<u>1,467,591</u>	<u>-</u>	<u>10,405</u>	<u>1,477,996</u>
Expenses				
Salaries and benefits	723,197	-	-	723,197
Professional fees	150,410	-	-	150,410
Office and utilities	72,280	-	-	72,280
Marketing and public relations	51,647	-	-	51,647
Travel	36,018	-	-	36,018
Information technology	8,213	-	-	8,213
Dues, conferences and board meetings	21,393	-	-	21,393
Contracted services	23,494	-	-	23,494
Gross receipts tax	43,523	-	-	43,523
Management fees	-	-	784,738	784,738
Partnership expenses	-	-	156,160	156,160
Total expenses	<u>1,130,175</u>	<u>-</u>	<u>940,898</u>	<u>2,071,073</u>
Total loss and decrease in net assets of NMCC	<u>337,416</u>	<u>-</u>	<u>(930,493)</u>	<u>(593,077)</u>
Amount allocable to limited partners of subsidiary	-	-	930,493	930,493
Decrease in unrestricted net assets	<u>\$ 337,416</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 337,416</u>

<u>Eliminations</u>	<u>Consolidated</u>
\$ -	\$ 194,974
156,160	-
-	275,749
784,738	46,423
<u>-</u>	<u>19,952</u>
<u>940,898</u>	<u>537,098</u>
-	723,197
-	150,410
-	72,280
-	51,647
-	36,018
-	8,213
-	21,393
-	23,494
-	43,523
784,738	-
<u>156,160</u>	<u>-</u>
<u>940,898</u>	<u>1,130,175</u>
<u>-</u>	<u>(593,077)</u>
<u>-</u>	<u>930,493</u>
<u>\$ -</u>	<u>\$ 337,416</u>

New Mexico Community Capital
Consolidating Statement of Cash Flows
For the Year Ended December 31, 2007

	NMCC 501(c)(3)	NMCC Management LLC	NMCC Fund 1 LP	Total Consolidated
Cash flows from operating activities				
Increase (decrease) in unrestricted net assets	\$ 337,416	\$ -	\$ (930,493)	\$ (593,077)
Depreciation	5,519	-	-	5,519
Changes in assets and liabilities				-
Due to/from related party and accounts payable	(38,121)	-	38,121	-
Contributions receivable	24,475	-	-	24,475
Grants, contracts, and services receivable	(132,437)	-	-	(132,437)
Prepays and other	1,951	-	-	1,951
Investment in private debt and equity securities	-	-	(1,649,995)	(1,649,995)
Accounts payable and accrued liabilities	83,244	-	-	83,244
Accrued compensation	92,094	-	-	92,094
Net cash provided by (used in) operating activities	<u>374,141</u>	<u>-</u>	<u>(2,542,367)</u>	<u>(2,168,226)</u>
Cash flows from investing activities				
Deposits	(2,951)	-	-	(2,951)
Purchase of fixed assets	(3,696)	-	-	(3,696)
Net cash used in investing activities	<u>(6,647)</u>	<u>-</u>	<u>-</u>	<u>(6,647)</u>
Cash flows from financing activities				
Proceeds from (reduction in) line of credit	(50,000)	-	-	(50,000)
Cash contribution from partners	-	-	2,183,739	2,183,739
Net cash provided (used) by financing activities	<u>(50,000)</u>	<u>-</u>	<u>2,183,739</u>	<u>2,133,739</u>
Net increase in cash and cash equivalents	317,494	-	(358,628)	(41,134)
Cash and cash equivalents, beginning of year	87,551	1,100	358,628	447,279
Cash and cash equivalents, end of year	<u>\$ 405,045</u>	<u>\$ 1,100</u>	<u>\$ -</u>	<u>\$ 406,145</u>