

**Northeastern Colorado Revolving Loan Fund
(A Colorado Non-Profit Corporation)**

**Financial Statements
December 31, 2016**

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(A Colorado Non-Profit Corporation)**

December 31, 2016

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INDEPENDENT AUDITOR'S REPORT

Revolving Loan Fund Committee Northeastern Colorado Revolving Loan Fund Yuma, Colorado

We have audited the accompanying financial statements of Northeastern Colorado Revolving Loan Fund ("NCRLF"), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northeastern Colorado Revolving Loan Fund as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The budgetary comparison schedule on page 10 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Except for the information marked unaudited, the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Association's December 31, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 22, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
July 24, 2017

Northeastern Colorado Revolving Loan Fund
(A Colorado Non-Profit Corporation)
Statement of Financial Position
December 31, 2016
(With Comparative Balances For the Year Ended December 31, 2015)

	2016	2015
Assets:		
Current Assets:		
Cash and cash equivalents	1,194,614	1,161,213
Investments	99,223	99,223
Loans receivable	591,428	651,050
Accrued interest receivable	10,358	10,114
Total Current Assets	1,895,623	1,921,600
Fixed Assets:		
Buildings	119,908	119,908
Improvements	41,976	41,976
Equipment	45,930	45,930
Accumulated depreciation	(118,852)	(112,489)
Total Fixed Assets	88,962	95,325
Other Long-term Assets:		
Loans receivable, net of allowance for uncollectible loans of \$352,784 in 2016 and \$335,059 in 2015	2,661,431	2,579,850
Other assets	23,976	-
Total Other Long-term Assets	2,685,407	2,579,850
Total Assets	4,669,992	4,596,775
Liabilities:		
Accrued compensation	11,659	10,293
Total Liabilities	11,659	10,293
Unrestricted Net Assets	4,658,333	4,586,482

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

Northeastern Colorado Revolving Loan Fund
(A Colorado Non-Profit Corporation)
Statement of Activities and Change in Net Assets
For the Year Ended December 31, 2016
(With Comparative Amounts For the Year Ended December 31, 2015)

	2016	2015
Revenues:		
Revolving loan grant	160,000	-
Loan administration grant	3,200	-
Loan fees	11,865	15,921
Finance charges	3,870	2,494
Interest - Cash	3,000	3,102
Interest - Loans	168,278	161,084
Bad debt recovery	11,622	12,035
	Total Revenues	194,636
	361,835	194,636
Expenses:		
Bad debt expense	81,807	61,411
Management and general costs	208,177	175,819
	Total Expenses	237,230
	289,984	237,230
Change in Net Assets	71,851	(42,594)
Unrestricted Net Assets - Beginning of Year	4,586,482	4,629,076
Unrestricted Net Assets - End of Year	4,658,333	4,586,482

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

Northeastern Colorado Revolving Loan Fund
(A Colorado Non-Profit Corporation)
Statement of Cash Flows
For the Year Ended December 31, 2016
(With Comparative Amounts For the Year Ended December 31, 2015)

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities:		
Cash received from loan principal and interest	791,386	841,377
Cash received from grants	163,200	-
Cash received from bad debt recovery	11,622	12,035
Cash received from interest on deposits	3,000	3,102
Cash paid for goods and services	(78,079)	(38,021)
Cash paid for employees	(137,084)	(132,469)
Cash loaned to borrowers	(720,644)	(1,066,376)
Net Cash Provided (Used) by Operating Activities	<u>33,401</u>	<u>(380,352)</u>
Net Change in Cash	33,401	(380,352)
Cash - Beginning of Year	<u>1,161,213</u>	<u>1,541,565</u>
Cash - End of Year	<u><u>1,194,614</u></u>	<u><u>1,161,213</u></u>
Reconciliation of Change in Net Assets to Net Cash (Used) by Operating Activities:		
Change in Net Assets	<u>71,851</u>	<u>(42,594)</u>
Adjustments to reconcile to net cash provided (used) by operating activities:		
Bad debt	81,807	61,411
Depreciation	6,363	6,972
(Increase) decrease in loans receivable, net	(103,766)	(406,617)
(Increase) decrease in interest receivable	(244)	2,118
(Increase) decrease in settlements	(23,976)	-
Increase (decrease) in accrued liabilities	1,366	(1,642)
Total Adjustments	<u>(38,450)</u>	<u>(337,758)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>33,401</u></u>	<u><u>(380,352)</u></u>

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

**Northeastern Colorado Revolving Loan Fund
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2016**

1. Organization

Northeastern Colorado Revolving Loan Fund (“NCRLF”) is a revolving loan fund as defined under U.S. Department of Housing and Urban Development - Community Development Block Grant (“CDBG”) Program regulations. NCRLF is administered at the State level by the Colorado Department of Local Affairs.

NCRLF was established to administer CDBG funds for the purpose of increasing local employment by providing established or new area businesses with low-interest loans.

2. Summary of Significant Accounting Policies

A. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting, which recognizes revenues when earned and expenses when incurred.

B. Cash and Cash Equivalents

NCRLF considers all checking and savings accounts to be cash equivalents for the purposes of the Statement of Cash Flows since all funds are highly liquid.

C. Investments

NCRLF has invested certain funds in certificates of deposit, which are classified as trading for financial statement presentation purposes. Accordingly, these securities are reported on these financial statements at fair value, and all realized and unrealized gains and losses are included in current period earnings.

D. Allowance for Doubtful Accounts

NCRLF uses the allowance method for recognition of uncollectible receivables, whereby an allowance for possible uncollectibility is established when collection becomes doubtful. The allowance is based on experience and other circumstances with borrowers. At December 31, 2016, an allowance in the amount of \$352,784 was reported. It is NCRLF’s policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

E. Fixed Assets

Furniture, fixtures and computer equipment that are over \$1,000 are recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the assets.

F. Income Taxes

NCRLF is a non-profit organization as described in Section 501(c)(3) of the Internal Revenue Code, and is thus exempt from Federal and State income taxes on income which is directly related to its organizational purpose. The Federal information returns of the NCRLF are subject to examination by the Internal Revenue Service. NCRLF is no longer subject to examination for tax years prior to 2013.

**Northeastern Colorado Revolving Loan Fund
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2016
(Continued)**

2. Summary of Significant Accounting Policies (continued)

G. Use of Estimates

The preparation of financial statements to conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. Comparative Information

The financial statements include certain prior year comparative information in total but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity to generally accepted accounting principles. Accordingly, such information should be read in conjunction with NCRLF's financial statements for the year ended December 31, 2015, from which the comparative totals were derived.

I. Subsequent Events

Management has evaluated subsequent events through the date of the auditor's report, which is also the date the financial statements were available to be issued.

3. Repurchase Agreements

NCRLF is party to Repurchase Agreements with Fort Morgan State Bank and Bank of Colorado, under which funds from the NCRLF operating account are invested in obligations issued or guaranteed by the U.S. government or its agencies, with all such invested amounts available to NCRLF upon demand. NCRLF has been granted a security interest in the securities underlying the Repurchase Agreement, but the underlying securities are not NCRLF's property. Amounts invested under the terms of the Repurchase Agreement are not insured by the Federal Deposit Insurance Corporation, and are not guaranteed by the U.S. government or its agencies.

At December 31, 2016, the NCRLF had \$669,442 invested in Repurchase Agreements. Collateral had been assigned to these investments totaling 99% of the balance.

4. Investments

NCRLF's investments at December 31, 2016 were comprised of the following:

	<u>Fair Value</u>
Certificate of deposit:	
Maturing 2017, interest at .60% p.a.	\$ 99,223

**Northeastern Colorado Revolving Loan Fund
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2016
(Continued)**

5. Loans Receivable

Loans receivable consists of the following:

	<u>2016</u>	<u>2015</u>
Loans receivable - Current	\$ 591,428	651,050
Loans receivable - Long-term	3,014,215	2,914,909
Less allowance for doubtful accounts	<u>(352,784)</u>	<u>(335,059)</u>
	<u>\$ 3,252,859</u>	<u>3,230,900</u>

The recorded investment in loans that were delinquent is as follows. NCRLF considers loans to be delinquent if the required principal and interest payment has not been remitted prior to the due date, as detailed in the loan agreement.

	<u>2016</u>	<u>2015</u>
Less than 30 days past due	\$ 13,168	13,510
30-60 days past due	8,095	13,202
60-90 days past due	8,455	13,101
90-120 days past due	8,155	12,250
More than 120 days past due	<u>377,178</u>	<u>397,582</u>
	<u>\$ 415,052</u>	<u>449,646</u>

Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

During 2016, NCRLF had the following activity in allowance for doubtful accounts:

Balance at December 31, 2015	\$ 335,059
Add: current provision for bad debt	81,807
Less: write-downs charged against allowance	<u>(64,082)</u>
Balance at December 31, 2016	<u>\$ 352,784</u>

6. Pension Plan

A. Defined Contribution Plan

Employees may participate in NCRLF's 401(a) defined contribution plan. NCRLF is a member of the Colorado County Officials and Employees Retirement Association. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account plus the returns earned on investments of those contributions.

Eligible employees contribute five percent (5%) of their base pay, which is matched by NCRLF. The plan has a five (5) year vesting period and is distributed upon the employee's termination or retirement.

As of December 31, 2016, two of NCRLF's employees elected to participate in the defined contribution plan. For the year ended December 31, 2016, NCRLF's employer contributions were \$4,606, which represented 5% of covered payroll. NCRLF's total and covered payroll for the year ended December 31, 2016 was \$92,123.

**Northeastern Colorado Revolving Loan Fund
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2016
(Continued)**

6. Pension Plan (continued)

B. Deferred Compensation Plan

Employees may participate in NCRLF's deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are to be held in trust for the exclusive benefit of the plan participants and their beneficiaries. The accrual basis of accounting is used for the plan. Revenues are recognized when earned and expenditures are recognized when incurred. Investments are recorded at market value.

Plan investment purchases are determined by the plan participant and therefore, the plan's investment concentration varies between participants.

NCRLF has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. NCRLF is neither the trustee nor the administrator of the plan.

7. Other Employee Benefits

NCRLF's employees may participate in Yuma County's cafeteria plan. The County offers a cafeteria compensation plan organized under IRS Section 125 that includes the following benefits: medical disability, accident and/or term life insurance, and health expense reimbursement. No cost is recognized, as the plan is a salary reduction plan.

Northeastern Colorado Revolving Loan Fund
(A Colorado Non-Profit Corporation)
Schedule of Expenses - Budget (Non-GAAP Basis) and Actual
With Reconciliation to GAAP Basis
For the Year Ended December 31, 2016
(With Comparative Actuals For the Year Ended December 31, 2015)

	2016		Variance Positive (Negative)	2015
	Budget (Unaudited)	Actual		Actual
Compensation	92,123	92,123	-	89,440
Fringe benefits	42,500	44,962	(2,462)	43,029
Tax preparation and audit	5,800	6,200	(400)	5,700
Capital expense	2,500	-	2,500	-
Dues	200	150	50	150
Filing fees	1,300	808	492	1,097
Legal	30,000	23,822	6,178	4,003
Loan expense	1,000	855	145	879
Marketing	400	241	159	285
Miscellaneous and board expense	8,250	9,482	(1,232)	8,442
Debit memos	120	97	23	110
Office expense, rent and utilities	7,200	6,524	676	5,959
Postage	700	561	139	497
Publications and newspapers	600	899	(299)	480
Repairs	800	758	42	130
Supplies and equipment	3,000	3,009	(9)	2,140
Telephone	4,700	4,039	661	3,930
Travel	3,000	2,304	696	357
Vehicle expense	3,500	3,266	234	3,388
Workman's compensation	500	348	152	473
Total Expenses - Budget-Basis	208,193	200,448	7,745	170,489
Reconciliation to GAAP Basis:				
Bad debt		81,807		61,411
Depreciation		6,363		6,972
Accrued compensation		1,366		(1,642)
Total Expenses - GAAP Basis		289,984		237,230

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