

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

**Financial Statements
December 31, 2017**

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September 26, 2018

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

December 31, 2017

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MCMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

CHAPEL SQUARE, BLDG C
245 CHAPEL PLACE, SUITE 300
P.O. Box 5850, AVON, CO 81620

WEB SITE: WWW.MCMAHANCPA.COM
MAIN OFFICE: (970) 845-8800
FACSIMILE: (970) 845-8108
E-MAIL: MCMAHAN@MCMAHANCPA.COM

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, 2017, 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.

Member: American Institute of Certified Public Accountants

PAUL J. BACKES, CPA, CGMA
MICHAEL N. JENKINS, CA, CPA, CGMA
DANIEL R. CUDAHY, CPA, CGMA

AVON: (970) 845-8800
ASPEN: (970) 544-3996
FRISCO: (970) 668-3481

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, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 24, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 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.
September 19, 2018**

Northeastern Colorado Revolving Loan Fund
(A Colorado Non-Profit Corporation)
Statement of Financial Position
December 31, 2017
(With Comparative Balances For the Year Ended December 31, 2016)

	2017	2016
Assets:		
Current Assets:		
Cash and cash equivalents	1,441,861	1,194,614
Investments	99,223	99,223
Loans receivable	625,097	591,428
Accrued interest receivable	10,645	10,358
Total Current Assets	2,176,826	1,895,623
Fixed Assets:		
Buildings	119,908	119,908
Improvements	41,976	41,976
Equipment	45,930	45,930
Accumulated depreciation	(124,600)	(118,852)
Total Fixed Assets	83,214	88,962
Other Long-term Assets:		
Loans receivable, net of allowance for uncollectible loans of \$293,961 in 2017 and \$352,784 in 2016	2,592,883	2,661,431
Other assets	-	23,976
Total Other Long-term Assets	2,592,883	2,685,407
Total Assets	4,852,923	4,669,992
Liabilities:		
Accrued compensation	12,445	11,659
Total Liabilities	12,445	11,659
Unrestricted Net Assets	4,840,478	4,658,333

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, 2017
(With Comparative Amounts For the Year Ended December 31, 2016)

	2017	2016
Revenues:		
Revolving loan grant	190,000	160,000
Loan administration grant	26,769	3,200
Loan fees	14,500	11,865
Finance charges	269	3,870
Interest - Cash	4,209	3,000
Interest - Loans	173,215	168,278
Bad debt recovery	31,497	11,622
	Total Revenues	361,835
	440,459	361,835
Expenses:		
Bad debt expense	63,564	81,807
Management and general costs	194,750	208,177
	Total Expenses	289,984
	258,314	289,984
Change in Net Assets	182,145	71,851
Unrestricted Net Assets - Beginning of Year	4,658,333	4,586,482
Unrestricted Net Assets - End of Year	4,840,478	4,658,333

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, 2017
(With Comparative Amounts For the Year Ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities:		
Cash received from loan principal and interest	1,078,274	791,386
Cash received from grants	216,769	163,200
Cash received from bad debt recovery	46,211	11,622
Cash received from interest on deposits	4,209	3,000
Cash paid for goods and services	(45,087)	(78,079)
Cash paid for employees	(143,129)	(137,084)
Cash loaned to borrowers	(910,000)	(720,644)
Net Cash Provided (Used) by Operating Activities	<u>247,247</u>	<u>33,401</u>
Net Change in Cash	247,247	33,401
Cash - Beginning of Year	<u>1,194,614</u>	<u>1,161,213</u>
Cash - End of Year	<u><u>1,441,861</u></u>	<u><u>1,194,614</u></u>
Reconciliation of Change in Net Assets to Net Cash (Used) by Operating Activities:		
Change in Net Assets	<u>182,145</u>	<u>71,851</u>
Adjustments to reconcile to net cash provided (used) by operating activities:		
Bad debt	63,564	81,807
Depreciation	5,748	6,363
(Increase) decrease in loans receivable, net	(28,685)	(103,766)
(Increase) decrease in interest receivable	(287)	(244)
(Increase) decrease in settlements	23,976	(23,976)
Increase (decrease) in accrued liabilities	786	1,366
Total Adjustments	<u>65,102</u>	<u>(38,450)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>247,247</u></u>	<u><u>33,401</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, 2017**

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, 2017, an allowance in the amount of \$293,961 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. NCRLF reported \$5,748 depreciation expense during 2017.

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 2014.

**Northeastern Colorado Revolving Loan Fund
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2017
(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, 2016, 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.

At December 31, 2017, the NCRLF had \$917,195 invested in Repurchase Agreements. Collateral had been assigned to these investments totaling 99% of the balance.

NCRLF's deposits are not compliant with PDPA as of December 31, 2017, however, NCRLF is addressing the issue.

4. Investments

NCRLF's investments at December 31, 2017 were comprised of the following:

	<u>Fair Value</u>
Certificate of deposit:	
Maturing 2018, interest at .75% p.a.	\$ 99,223

Northeastern Colorado Revolving Loan Fund
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2017
(Continued)

5. Loans Receivable

Loans receivable consists of the following:

	<u>2017</u>	<u>2016</u>
Loans receivable - Current	\$ 625,097	591,428
Loans receivable - Long-term	2,886,844	3,014,215
Less allowance for doubtful accounts	<u>(293,961)</u>	<u>(352,784)</u>
	<u>\$ 3,217,980</u>	<u>3,252,859</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>2017</u>	<u>2016</u>
Less than 30 days past due	\$ 10,482	13,168
30-60 days past due	9,819	8,095
60-90 days past due	10,953	8,455
90-120 days past due	9,771	8,155
More than 120 days past due	<u>271,725</u>	<u>377,178</u>
	<u>\$ 312,750</u>	<u>415,051</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 2017, NCRLF had the following activity in allowance for doubtful accounts:

Balance at December 31, 2016	\$ 352,784
Add: current provision for bad debt	63,564
Less: write-downs charged against allowance	<u>(122,387)</u>
Balance at December 31, 2017	<u>\$ 293,961</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, 2017, two of NCRLF's employees elected to participate in the defined contribution plan. For the year ended December 31, 2017, NCRLF's employer contributions were \$4,771, which represented 5% of covered payroll. NCRLF's total and covered payroll for the year ended December 31, 2017 was \$95,422.

**Northeastern Colorado Revolving Loan Fund
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2017
(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, 2017
(With Comparative Actuals For the Year Ended December 31, 2016)

	2017		Variance Positive (Negative)	2016
	Budget (Unaudited)	Actual		Actual
Compensation	95,422	95,422	-	92,123
Fringe benefits	45,040	47,707	(2,667)	44,962
Tax preparation and audit	6,700	6,700	-	6,200
Capital expense	2,500	-	2,500	-
Dues	200	140	60	150
Filing fees	1,300	863	437	808
Legal	15,000	7,067	7,933	23,822
Loan expense	1,000	2,120	(1,120)	855
Marketing	400	331	69	241
Miscellaneous and board expense	8,250	7,626	624	9,482
Debit memos	150	92	58	97
Office expense, rent and utilities	7,200	6,260	940	6,524
Postage	700	551	149	561
Publications and newspapers	1,000	818	182	899
Repairs	1,000	744	256	758
Supplies and equipment	3,000	2,435	565	3,009
Telephone	4,700	3,979	721	4,039
Travel	3,000	1,589	1,411	2,304
Vehicle expense	3,500	3,510	(10)	3,266
Workman's compensation	500	262	238	348
Total Expenses - Budget-Basis	200,562	188,216	12,346	200,448
Reconciliation to GAAP Basis:				
Bad debt		63,564		81,807
Depreciation		5,748		6,363
Accrued compensation		786		1,366
Total Expenses - GAAP Basis		258,314		289,984

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