

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

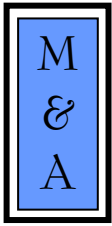
**Financial Statements
December 31, 2018**

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

December 31, 2018

Table of Contents

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 12
Supplementary Information:	
Schedule of Expenses - Budget (Non-GAAP Basis) and Actual With Reconciliation to GAAP Basis	13



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, 2018, and the related statements of activities, functional expenses, 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, 2018, 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 12 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 accepting 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 Northeastern Colorado Revolving Loan Fund December 31, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 19, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 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 11, 2019

Northeastern Colorado Revolving Loan Fund
(A Colorado Non-Profit Corporation)
Statement of Financial Position
December 31, 2018
(With Comparative Balances For the Year Ended December 31, 2017)

	2018	2017
Assets:		
Current Assets:		
Cash and cash equivalents	1,573,378	1,441,861
Investments	99,223	99,223
Loans receivable	583,903	625,097
Accrued interest receivable	10,366	10,645
Other current assets	2,655	-
Total Current Assets	2,269,525	2,176,826
Non-Current Assets:		
Loans receivable, net of allowance for uncollectible loans of \$294,824 in 2018 and \$293,961 in 2017	2,612,965	2,592,883
Fixed assets, net	77,760	83,214
Total Non-Current Assets	2,690,725	2,676,097
Total Assets	4,960,250	4,852,923
Liabilities:		
Accrued compensation	14,113	12,445
Total Liabilities	14,113	12,445
Net Assets:		
Net assets	4,946,137	4,840,478
Total Net Assets	4,946,137	4,840,478
Total Liabilities and Net Assets	4,960,250	4,852,923

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, 2018
(With Comparative Amounts For the Year Ended December 31, 2017)

	2018	2017
Revenues:		
Revolving loan grant	100,382	190,000
Loan administration grant	22,400	26,769
Loan fees	8,999	14,500
Finance charges	815	269
Interest - Cash	4,872	4,209
Interest - Loans	167,888	173,215
Bad debt recovery	-	31,497
Total Revenues	305,356	440,459
 Expenses:		
Program service expenses	149,505	208,584
Management and general expenses	50,192	49,730
Total Expenses	199,697	258,314
 Change in Net Assets	 105,659	 182,145
 Net Assets - Beginning of Year	 4,840,478	 4,658,333
 Net Assets - End of Year	 4,946,137	 4,840,478

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

Northeastern Colorado Revolving Loan Fund
(A Colorado Non-Profit Corporation)
Statement of Functional Expenses
For the Year Ended December 31, 2018
(With Comparative Actuals For the Year Ended December 31, 2017)

	2018			2017
	Program Services	Management and General	Total	Total
Compensation	79,885	19,971	99,856	95,422
Fringe benefits	39,924	9,981	49,905	48,493
Tax preparation and audit	-	6,900	6,900	6,700
Dues	112	28	140	140
Filing fees	842	-	842	863
Legal	4,568	1,142	5,710	7,067
Loan expense	1,598	-	1,598	2,120
Marketing	524	-	524	331
Bank service charges	110	-	110	92
Office expense, rent and utilities	5,380	1,345	6,725	6,259
Postage	386	97	483	551
Publications and newspapers	831	208	1,039	818
Repairs	1,220	305	1,525	744
Supplies and equipment	2,335	584	2,919	2,435
Telephone	3,179	795	3,974	3,979
Travel	674	169	843	1,589
Vehicle expense	2,517	629	3,146	3,510
Workman's compensation	193	48	241	262
Miscellaneous and board expense	-	6,900	6,900	7,627
Bad debt	863	-	863	63,564
Depreciation	4,363	1,091	5,454	5,748
Total Expenses	149,505	50,192	199,697	258,314
Percentages	75%	25%	100%	

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, 2018
(With Comparative Amounts For the Year Ended December 31, 2017)

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities:		
Cash received from loan principal and interest	821,726	1,078,274
Cash received from grants	122,782	216,769
Cash received from bad debt recovery	-	46,211
Cash received from interest on deposits	4,872	4,209
Cash paid for goods and services	(46,274)	(45,087)
Cash paid for employees	(148,093)	(143,129)
Cash loaned to borrowers	(623,496)	(910,000)
Net Cash Provided (Used) by Operating Activities	<u>131,517</u>	<u>247,247</u>
Net Change in Cash	131,517	247,247
Cash - Beginning of Year	<u>1,441,861</u>	<u>1,194,614</u>
Cash - End of Year	<u><u>1,573,378</u></u>	<u><u>1,441,861</u></u>
Reconciliation of Change in Net Assets to Net Cash (Used) by Operating Activities:		
Change in Net Assets	<u>105,659</u>	<u>182,145</u>
Adjustments to reconcile to net cash provided (used) by operating activities:		
Bad debt	863	63,564
Depreciation	5,454	5,748
(Increase) decrease in loans receivable, net	20,249	(28,685)
(Increase) decrease in interest receivable	279	(287)
(Increase) decrease in settlements	(2,655)	23,976
Increase (decrease) in accrued liabilities	1,668	786
Total Adjustments	<u>25,858</u>	<u>65,102</u>
Net Cash Provided (Used) by Operating Activities	<u><u>131,517</u></u>	<u><u>247,247</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, 2018**

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. Financial Statement Presentation

NCRLF reports its financial statements in accordance with FASB Accounting Standards Codification Topic 958, *Not-for-Profit Organizations* ("ASC Topic 958"), formerly Statement of Financial Accounting Standards No. 117.

B. Basis of Accounting

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

C. 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.

D. 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.

E. 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, 2018, an allowance in the amount of \$294,824 was reported. It is NCRLF's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

F. 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 \$5,453 depreciation expense during 2018.

**Northeastern Colorado Revolving Loan Fund
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2018
(Continued)**

2. Summary of Significant Accounting Policies (continued)

G. 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 2015.

H. 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.

I. Method Used for Allocation of Expenses

The financial statements do not report categories of expenses attributable to one or more program or supporting functions. Expenses are categorized as supporting unless directly related to loan administration.

J. Net Assets

All net assets, revenues, gains, and losses are restricted for the loan program and administration.

K. Comparative Information

The financial statements include certain prior year comparative information in total but not by net asset class. 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, 2017, from which the comparative totals were derived.

L. Subsequent Events

Management has evaluated subsequent events through the date of the auditor's report, which is also the date these financial statements were available to be issued. No material events were noted.

Northeastern Colorado Revolving Loan Fund
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2018
(Continued)

3. Cash and Cash Equivalents

NCRLF's cash deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first \$250,000 of NCRLF's deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by PDPA. At December 31, 2018, the carrying amount of NCRLF's demand deposits was \$1,573,378.

4. Liquidity and Availability of Resources

None of NCRLF's financial assets are subject to grantor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. NCRLF's investment policy and liquidity management is structured around short-term investments. The financial assets available within one year from December 31, 2018 for general expenditures are as follows:

Cash and cash equivalents	\$ 1,573,378
Current loans and interest receivable	594,269
Other current assets	2,655
Short-term investments	99,223
	\$ 2,269,525

5. Fair Value Measurements

NCRLF measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. The guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1*: Quoted prices for identical investments in active markets;
- *Level 2*: Observable inputs other than quoted market prices; and,
- *Level 3*: Unobservable inputs.

At December 31, 2018, NCRLF had the following recurring fair value measurements:

Investments Measured at Fair Value	Total	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Certificate of deposit:				
Maturing 2019, interest at 1.15% p.a.	\$ 99,223	-	99,223	-
	\$ 99,223	-	99,223	-

Investments classified in Level 1 are valued using priced quoted in active markets for those securities. Investments classified in Level 2 are valued using the following approached:

- U.S. Treasuries, U.S. Agencies, and Commercial Paper: quoted priced for identical securities in markets that are not active;
- Repurchase Agreements, Negotiable Certificates of deposit, and Collateralized Debt Obligations: matric pricing based on securities' relationship to benchmark quoted prices;
- Money Market, Bond, and Equity Mutual Funds: published fair value per share (unit) for each fund.

**Northeastern Colorado Revolving Loan Fund
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2018
(Continued)**

6. Loans Receivable

Loans receivable consists of the following:

	<u>2018</u>	<u>2017</u>
Loans receivable - Current	\$ 583,903	625,097
Loans receivable - Long-term	2,907,789	2,886,844
Less allowance for doubtful accounts	(294,824)	(293,961)
	<u>\$ 3,196,868</u>	<u>3,217,980</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>2018</u>	<u>2017</u>
Less than 30 days past due	\$ 11,991	10,482
30-60 days past due	9,802	9,819
60-90 days past due	9,838	10,953
90-120 days past due	9,842	9,771
More than 120 days past due	316,599	271,725
	<u>\$ 358,072</u>	<u>312,750</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 2018, NCRLF had the following activity in allowance for doubtful accounts:

Balance at December 31, 2017	\$ 293,961
Add: current provision for bad debt	-
Less: write-downs charged against allowance	863
Balance at December 31, 2018	<u>\$ 294,824</u>

7. Fixed Assets

Fixed asset balances at December 31, 2018 were as follows:

	<u>Dec. 31/18</u>
Buildings	\$ 119,908
Improvements	41,975
Equipment	45,930
Total cost	<u>207,813</u>
Less: Accumulated depreciation	(130,053)
Fixed assets, net	<u>\$ 77,760</u>

Depreciation for the year ended December 31, 2018 was \$5,454.

**Northeastern Colorado Revolving Loan Fund
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2018
(Continued)**

8. 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, 2018, two of NCRLF's employees elected to participate in the defined contribution plan. For the year ended December 31, 2018, NCRLF's employer contributions were \$4,993, which represented 5% of covered payroll. NCRLF's total and covered payroll for the year ended December 31, 2018 was \$99,856.

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.

9. 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, 2018
(With Comparative Actuals For the Year Ended December 31, 2017)

	2018		Variance Positive (Negative)	2017
	Budget (Unaudited)	Actual		Actual
Compensation	99,856	99,856	-	95,422
Fringe benefits	50,393	48,237	2,156	47,707
Tax preparation and audit	6,900	6,900	-	6,700
Dues	200	140	60	140
Filing fees	1,300	842	458	863
Legal	15,000	5,710	9,290	7,067
Loan expense	1,500	1,598	(98)	2,120
Marketing	400	524	(124)	331
Debit memos	150	110	40	92
Office expense, rent and utilities	7,200	6,726	474	6,260
Postage	700	483	217	551
Publications and newspapers	1,000	1,039	(39)	818
Repairs	1,000	1,525	(525)	744
Supplies and equipment	3,000	2,919	81	2,435
Telephone	4,700	3,974	726	3,979
Travel	3,000	843	2,157	1,589
Vehicle expense	3,500	3,146	354	3,510
Workman's compensation	500	241	259	262
Miscellaneous and board expense	6,000	6,900	(900)	7,626
Capital expense	2,500	-	2,500	-
Total Expenses - Budget-Basis	208,799	191,713	17,086	188,216
Reconciliation to GAAP Basis:				
Bad debt		863		63,564
Depreciation		5,453		5,748
Accrued compensation		1,668		786
Total Expenses - GAAP Basis		199,697		258,314

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