

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

**Financial Statements  
December 31, 2019**

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

**December 31, 2019**

**Table of Contents**

	<b>Page</b>
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 - 11
Supplementary Information:	
Schedule of Expenses - Budget (Non-GAAP Basis) and Actual With Reconciliation to GAAP Basis	12



# 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, 2019, 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, 2019, 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, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 11, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 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 6, 2020**

**Northeastern Colorado Revolving Loan Fund**  
**(A Colorado Non-Profit Corporation)**  
**Statement of Financial Position**  
**December 31, 2019**  
**(With Comparative Balances For the Year Ended December 31, 2018)**

	<b>2019</b>	<b>2018</b>
<b>Assets:</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	1,877,637	1,573,378
Investments	99,223	99,223
Loans receivable	546,003	583,903
Accrued interest receivable	10,531	10,366
Other current assets	2,663	2,655
<b>Total Current Assets</b>	<b>2,536,057</b>	<b>2,269,525</b>
<b>Non-Current Assets:</b>		
Loans receivable, net of allowance for uncollectible loans of \$507,046 in 2019 and \$294,824 in 2018	2,160,170	2,612,965
Fixed assets, net	72,409	77,760
<b>Total Non-Current Assets</b>	<b>2,232,579</b>	<b>2,690,725</b>
<b>Total Assets</b>	<b>4,768,636</b>	<b>4,960,250</b>
<b>Liabilities:</b>		
Accrued compensation	27,639	14,113
<b>Total Liabilities</b>	<b>27,639</b>	<b>14,113</b>
<b>Net Assets:</b>		
Net assets	4,740,997	4,946,137
<b>Total Net Assets</b>	<b>4,740,997</b>	<b>4,946,137</b>
<b>Total Liabilities and Net Assets</b>	<b>4,768,636</b>	<b>4,960,250</b>

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, 2019**  
**(With Comparative Amounts For the Year Ended December 31, 2018)**

	<u>2019</u>	<u>2018</u>
<b>Revenues:</b>		
Revolving loan grant	15,000	100,382
Loan administration grant	-	22,400
Loan fees	9,795	8,999
Finance charges	5,399	815
Interest - Cash	6,751	4,872
Interest - Loans	170,905	167,888
Bad debt recovery	50	-
<b>Total Revenues</b>	<u>207,900</u>	<u>305,356</u>
<b>Expenses:</b>		
Program service expenses	362,455	149,505
Management and general expenses	50,585	50,192
<b>Total Expenses</b>	<u>413,040</u>	<u>199,697</u>
<b>Change in Net Assets</b>	(205,140)	105,659
<b>Net Assets - Beginning of Year</b>	<u>4,946,137</u>	<u>4,840,478</u>
<b>Net Assets - End of Year</b>	<u><u>4,740,997</u></u>	<u><u>4,946,137</u></u>

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, 2019**  
**(With Comparative Actuals For the Year Ended December 31, 2018)**

	<u>2019</u>			<u>2018</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>Total</u>
Compensation	83,316	20,829	104,145	99,856
Fringe benefits	40,654	10,164	50,818	49,905
Tax preparation and audit	-	7,100	7,100	6,900
Dues	112	28	140	140
Filing fees	808	-	808	842
Legal	200	50	250	5,710
Loan expense	3,138	-	3,138	1,598
Marketing	1,413	-	1,413	524
Bank service charges	138	-	138	110
Office expense, rent and utilities	5,027	1,257	6,284	6,726
Postage	414	104	518	483
Publications and newspapers	434	108	542	1,039
Repairs	481	120	601	1,525
Supplies and equipment	2,040	510	2,550	2,919
Telephone	3,281	820	4,101	3,974
Travel	1,263	316	1,579	843
Vehicle expense	3,042	761	3,803	3,146
Workman's compensation	190	47	237	241
Miscellaneous and board expense	-	7,301	7,301	6,900
Bad debt	212,222	-	212,222	863
Depreciation	4,282	1,070	5,352	5,453
<b>Total Expenses</b>	<u>362,455</u>	<u>50,585</u>	<u>413,040</u>	<u>199,697</u>
Percentages	<u>88%</u>	<u>12%</u>	<u>100%</u>	

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, 2019**  
**(With Comparative Amounts For the Year Ended December 31, 2018)**

	<b>2019</b>	<b>2018</b>
<b>Cash Flows From Operating Activities:</b>		
Cash received from loan principal and interest	1,067,408	821,726
Cash received from grants	15,000	122,782
Cash received from bad debt recovery	50	-
Cash received from interest on deposits	6,751	4,872
Cash paid for goods and services	(40,511)	(46,274)
Cash paid for employees	(141,439)	(148,093)
Cash loaned to borrowers	(603,000)	(623,496)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>304,259</b>	<b>131,517</b>
<b>Net Change in Cash</b>	<b>304,259</b>	<b>131,517</b>
<b>Cash - Beginning of Year</b>	<b>1,573,378</b>	<b>1,441,861</b>
<b>Cash - End of Year</b>	<b>1,877,637</b>	<b>1,573,378</b>
<b>Reconciliation of Change in Net Assets to Net Cash (Used) by Operating Activities:</b>		
<b>Change in Net Assets</b>	<b>(205,140)</b>	<b>105,659</b>
<b>Adjustments to reconcile to net cash provided (used) by operating activities:</b>		
Bad debt	212,222	863
Depreciation	5,352	5,454
(Increase) decrease in loans receivable, net	278,472	20,249
(Increase) decrease in interest receivable	(165)	279
(Increase) decrease in settlements	(8)	(2,655)
Increase (decrease) in accrued liabilities	13,526	1,668
<b>Total Adjustments</b>	<b>509,399</b>	<b>25,858</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>304,259</b>	<b>131,517</b>

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, 2019**

**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, 2019, an allowance in the amount of \$507,046 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 \$5,351 depreciation expense during 2019.

**Northeastern Colorado Revolving Loan Fund**  
**(A Colorado Non-Profit Corporation)**  
**Notes to the Financial Statements**  
**December 31, 2019**  
**(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 2016.

**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, 2018, from which the comparative totals were derived.

**L. Subsequent Events**

The spread of COVID-19 may have operational, economic and financial impacts on the District. The significance and duration of the potential impacts cannot be reasonably estimated at this time.

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.

**Northeastern Colorado Revolving Loan Fund**  
**(A Colorado Non-Profit Corporation)**  
**Notes to the Financial Statements**  
**December 31, 2019**  
**(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, 2019, the carrying amount of NCRLF's demand deposits was \$1,877,637.

**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, 2019 for general expenditures are as follows:

Cash and cash equivalents	\$ 1,877,637
Current loans and interest receivable	556,534
Other current assets	2,663
Short-term investments	99,223
	\$ 2,536,057

**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, 2019, NCRLF had the following recurring fair value measurements:

<b>Investments Measured at Fair Value</b>	<b>Total</b>	<b>Fair Value Measurement Using</b>		
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Certificate of deposit:				
Maturing 2020, interest at 1.59% 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, 2019**  
**(Continued)**

**6. Loans Receivable**

Loans receivable consists of the following:

	<u>2019</u>	<u>2018</u>
Loans receivable - Current	\$ 546,003	583,903
Loans receivable - Long-term	2,667,216	2,907,789
Less allowance for doubtful accounts	(507,046)	(294,824)
	<u>\$ 2,706,173</u>	<u>3,196,868</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>2019</u>	<u>2018</u>
Less than 30 days past due	\$ 11,615	\$ 11,991
30-60 days past due	10,415	9,802
60-90 days past due	9,984	9,838
90-120 days past due	10,289	9,842
More than 120 days past due	376,122	316,599
	<u>\$ 418,425</u>	<u>358,072</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 2019, NCRLF had the following activity in allowance for doubtful accounts:

Balance at December 31, 2018	\$ 294,824
Add: current provision for bad debt	212,222
Less: write-downs charged against allowance	-
Balance at December 31, 2019	<u>\$ 507,046</u>

**7. Fixed Assets**

Fixed asset balances at December 31, 2019 were as follows:

	<u>Dec. 31/19</u>
Buildings	\$ 119,908
Improvements	41,976
Equipment	45,929
Total cost	<u>207,813</u>
Less: Accumulated depreciation	(135,404)
Fixed assets, net	<u>\$ 72,409</u>

Depreciation for the year ended December 31, 2019 was \$5,352.

**Northeastern Colorado Revolving Loan Fund  
(A Colorado Non-Profit Corporation)  
Notes to the Financial Statements  
December 31, 2019  
(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, 2019, two of NCRLF's employees elected to participate in the defined contribution plan. For the year ended December 31, 2019, NCRLF's employer contributions were \$5,207, which represented 5% of covered payroll. NCRLF's total and covered payroll for the year ended December 31, 2019 was \$104,145.

**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, 2019**  
**(With Comparative Actuals For the Year Ended December 31, 2018)**

	2019		Variance Positive (Negative)	2018
	Budget (Unaudited)	Actual		Actual
Compensation	104,145	104,145	-	99,856
Fringe benefits	51,993	49,285	2,708	48,234
Tax preparation and audit	7,000	7,100	(100)	6,900
Dues	150	140	10	140
Filing fees	1,300	808	492	842
Legal	15,000	250	14,750	5,710
Loan expense	1,800	3,138	(1,338)	1,598
Marketing	500	1,413	(913)	524
Debit memos	150	138	12	110
Office expense, rent and utilities	7,700	6,285	1,415	6,726
Postage	700	518	182	483
Publications and newspapers	1,200	542	658	1,039
Repairs	1,000	601	399	1,525
Supplies and equipment	3,300	2,550	750	2,919
Telephone	4,700	4,101	599	3,974
Travel	3,000	1,579	1,421	843
Vehicle expense	3,500	3,803	(303)	3,146
Workman's compensation	500	237	263	241
Miscellaneous and board expense	7,500	7,301	199	6,900
Capital expense	3,000	-	3,000	-
<b>Total Expenses - Budget-Basis</b>	<b>218,138</b>	<b>193,934</b>	<b>24,204</b>	<b>191,710</b>
<b>Reconciliation to GAAP Basis:</b>				
Bad debt		212,222		863
Depreciation		5,351		5,453
Accrued compensation		1,533		1,671
<b>Total Expenses - GAAP Basis</b>		<b>413,040</b>		<b>199,697</b>

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