

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

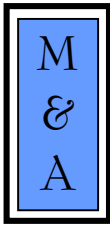
**Financial Statements
December 31, 2020**

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

December 31, 2020

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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, 2020, 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.

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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, 2020, 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, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 6, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 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.
June 17, 2021

Northeastern Colorado Revolving Loan Fund
(A Colorado Non-Profit Corporation)
Statement of Financial Position
December 31, 2020
(With Comparative Balances For the Year Ended December 31, 2019)

	2020	2019
Assets:		
Current Assets:		
Cash and cash equivalents	1,586,093	1,877,637
Investments	99,223	99,223
Loans receivable	567,648	546,003
Accrued interest receivable	10,185	10,531
Other current assets	18,202	2,663
Total Current Assets	2,281,351	2,536,057
Non-Current Assets:		
Loans receivable, net of allowance for uncollectible loans of \$435,148 in 2020 and \$507,046 in 2019	2,462,225	2,160,170
Fixed assets, net	67,160	72,409
Total Non-Current Assets	2,529,385	2,232,579
Total Assets	4,810,736	4,768,636
Liabilities:		
Accrued compensation	28,989	27,639
Total Liabilities	28,989	27,639
Net Assets:		
Net assets	4,781,747	4,740,997
Total Net Assets	4,781,747	4,740,997
Total Liabilities and Net Assets	4,810,736	4,768,636

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, 2020
(With Comparative Amounts For the Year Ended December 31, 2019)

	<u>2020</u>	<u>2019</u>
Revenues:		
Revolving loan grant	12,500	15,000
Loan fees	13,787	9,795
Finance charges	2,660	5,399
Interest - Cash	3,716	6,751
Interest - Loans	164,777	170,905
Bad debt recovery	105,050	50
Total Revenues	<u>302,490</u>	<u>207,900</u>
Expenses:		
Program service expenses	208,019	362,455
Management and general expenses	53,721	50,585
Total Expenses	<u>261,740</u>	<u>413,040</u>
Change in Net Assets	40,750	(205,140)
Net Assets - Beginning of Year	<u>4,740,997</u>	<u>4,946,137</u>
Net Assets - End of Year	<u>4,781,747</u>	<u>4,740,997</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, 2020
(With Comparative Actuals For the Year Ended December 31, 2019)**

	2020			2019
	Program Services	Management and General	Total	Total
Compensation	85,478	21,369	106,847	104,145
Fringe benefits	42,342	10,586	52,928	50,818
Tax preparation and audit	-	7,100	7,100	7,100
Dues	112	28	140	140
Filing fees	1,136	-	1,136	808
Legal	3,560	890	4,450	250
Loan expense	1,280	-	1,280	3,138
Marketing	2,550	-	2,550	1,413
Bank service charges	176	-	176	138
Office expense, rent and utilities	5,258	1,315	6,573	6,284
Postage	150	38	188	518
Publications and newspapers	535	134	669	542
Repairs	1,195	299	1,494	601
Supplies and equipment	3,317	829	4,146	2,550
Telephone	3,559	890	4,449	4,101
Travel	126	31	157	1,579
Vehicle expense	2,072	518	2,590	3,803
Workman's compensation	202	50	252	237
Miscellaneous and board expense	-	8,594	8,594	7,301
Bad debt	50,772	-	50,772	212,222
Depreciation	4,199	1,050	5,249	5,352
Total Expenses	208,019	53,721	261,740	413,040
Percentages	<u>79%</u>	<u>21%</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, 2020
(With Comparative Amounts For the Year Ended December 31, 2019)

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities:		
Cash received from loan principal and interest	1,046,174	1,067,408
Cash received from grants	12,500	15,000
Cash received from bad debt recovery	105,050	50
Cash received from interest on deposits	3,716	6,751
Cash paid for goods and services	(61,484)	(40,511)
Cash paid for employees	(158,425)	(141,439)
Cash loaned to borrowers	<u>(1,239,075)</u>	<u>(603,000)</u>
Net Cash Provided (Used) by Operating Activities	<u>(291,544)</u>	<u>304,259</u>
Net Change in Cash	(291,544)	304,259
Cash - Beginning of Year	<u>1,877,637</u>	<u>1,573,378</u>
Cash - End of Year	<u><u>1,586,093</u></u>	<u><u>1,877,637</u></u>
Reconciliation of Change in Net Assets to Net Cash (Used) by Operating Activities:		
Change in Net Assets	<u>40,750</u>	<u>(205,140)</u>
Adjustments to reconcile to net cash provided (used) by operating activities:		
Bad debt	50,772	212,222
Depreciation	5,249	5,352
(Increase) decrease in loans receivable, net	(374,472)	278,472
(Increase) decrease in interest receivable	346	(165)
(Increase) decrease in settlements	(15,539)	(8)
Increase (decrease) in accrued liabilities	1,350	13,526
Total Adjustments	<u>(332,294)</u>	<u>509,399</u>
Net Cash Provided (Used) by Operating Activities	<u><u>(291,544)</u></u>	<u><u>304,259</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, 2020**

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, 2020, an allowance in the amount of \$435,148 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 \$5,249 depreciation expense during 2020.

Northeastern Colorado Revolving Loan Fund
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2020
(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 2017.

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, 2019, 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.

Northeastern Colorado Revolving Loan Fund
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2020
(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, 2020, the carrying amount of NCRLF's demand deposits was \$1,586,093.

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, 2020 for general expenditures are as follows:

Cash and cash equivalents	\$ 1,586,093
Current loans and interest receivable	577,833
Other current assets	18,202
Short-term investments	99,223
	\$ 2,281,351

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, 2020, 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 2021, interest at 0.25% 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, 2020
(Continued)**

6. Loans Receivable

Loans receivable consists of the following:

	<u>2020</u>	<u>2019</u>
Loans receivable - Current	\$ 567,648	546,003
Loans receivable - Long-term	2,897,373	2,667,216
Less allowance for doubtful accounts	<u>(435,148)</u>	<u>(507,046)</u>
	<u>\$ 3,029,873</u>	<u>2,706,173</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>2020</u>	<u>2019</u>
Less than 30 days past due	\$ 10,386	\$ 11,615
30-60 days past due	9,161	10,415
60-90 days past due	8,619	9,984
90-120 days past due	5,279	10,289
More than 120 days past due	348,802	376,122
	<u>\$ 382,247</u>	<u>418,425</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 2020, NCRLF had the following activity in allowance for doubtful accounts:

Balance at December 31, 2019	\$ 507,046
Add: current provision for bad debt	50,772
Less: write-downs charged against allowance	<u>(122,670)</u>
Balance at December 31, 2020	<u>\$ 435,148</u>

7. Fixed Assets

Fixed asset balances at December 31, 2020 were as follows:

	<u>Dec. 31/20</u>
Buildings	\$ 119,908
Improvements	41,976
Equipment	<u>45,930</u>
Total cost	207,814
Less: Accumulated depreciation	<u>(140,654)</u>
Fixed assets, net	<u>\$ 67,160</u>

Depreciation for the year ended December 31, 2020 was \$5,249.

**Northeastern Colorado Revolving Loan Fund
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2020
(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, 2020, two of NCRLF's employees elected to participate in the defined contribution plan. For the year ended December 31, 2020, NCRLF's employer contributions were \$5,342, which represented 5% of covered payroll. NCRLF's total and covered payroll for the year ended December 31, 2020 was \$106,847.

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, 2020
(With Comparative Actuals For the Year Ended December 31, 2019)

	2020		Variance Positive (Negative)	2019
	Budget (Unaudited)	Actual		Actual
Compensation	106,847	106,847	-	104,145
Fringe benefits	49,886	51,833	(1,947)	49,285
Tax preparation and audit	7,100	7,100	-	7,100
Dues	150	140	10	140
Filing fees	1,300	1,136	164	808
Legal	15,000	4,450	10,550	250
Loan expense	1,800	1,280	520	3,138
Marketing	2,300	2,550	(250)	1,413
Debit memos	150	176	(26)	138
Office expense, rent and utilities	7,650	6,573	1,077	6,285
Postage	700	188	512	518
Publications and newspapers	1,000	669	331	542
Repairs	1,000	1,494	(494)	601
Supplies and equipment	4,000	4,146	(146)	2,550
Telephone	4,700	4,449	251	4,101
Travel	3,000	157	2,843	1,579
Vehicle expense	3,800	2,590	1,210	3,803
Workman's compensation	350	252	98	237
Miscellaneous and board expense	8,750	8,594	156	7,301
Capital expense	3,000	-	3,000	-
Total Expenses - Budget-Basis	222,483	204,624	17,859	193,934
Reconciliation to GAAP Basis:				
Bad debt		50,772		212,222
Depreciation		5,249		5,351
Accrued compensation		1,095		1,533
Total Expenses - GAAP Basis		261,740		413,040

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