

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

**Financial Statements
December 31, 2022**

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(A Colorado Non-Profit Corporation)**

December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Northeastern Colorado Revolving Loan Fund (the "Organization"), a Colorado non-profit corporation, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022, 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 ("U.S. GAAP").

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are issued.

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INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
NECRLF
Yuma, CO

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The budgetary comparison schedule on page 13 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. 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 U.S. GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
NECRLF
Yuma, CO

Report on Summarized Comparative Information

We have previously audited Northeastern Colorado Revolving Loan Fund December 31, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 3, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 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.
Avon, Colorado
June 12, 2023

Northeastern Colorado Revolving Loan Fund
(A Colorado Non-Profit Corporation)
Statement of Financial Position
December 31, 2022
(With Comparative Balances For the Year Ended December 31, 2021)

	2022	2021
Assets:		
Current Assets:		
Cash and cash equivalents	1,872,554	1,647,836
Investments	99,223	99,223
Loans receivable	538,749	560,349
Accrued interest receivable	10,185	10,185
Other current assets	-	2,663
Total Current Assets	2,520,711	2,320,256
Non-Current Assets:		
Loans receivable, net of allowance for uncollectible loans of \$250,000 in 2022 and \$244,168 in 2021	2,234,408	2,428,349
Fixed assets, net	56,661	61,911
Total Non-Current Assets	2,291,069	2,490,260
Total Assets	4,811,780	4,810,516
Liabilities:		
Accrued compensation	31,393	29,532
Total Liabilities	31,393	29,532
Net Assets:		
Net assets	4,780,387	4,780,984
Total Net Assets	4,780,387	4,780,984
Total Liabilities and Net Assets	4,811,780	4,810,516

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, 2022
(With Comparative Amounts For the Year Ended December 31, 2021)

	2022	2021
Revenues:		
Revolving loan grant	78,150	50,000
Loan administration grant	3,850	-
Loan fees	9,296	9,713
Finance charges	5,182	2,530
Interest - Cash	2,399	1,721
Interest - Loans	170,239	166,655
Bad debt recovery	100	500
Total Revenues	269,216	231,119
 Expenses:		
Program service expenses	217,983	181,635
Management and general expenses	51,830	50,247
Total Expenses	269,813	231,882
 Change in Net Assets	 (597)	 (763)
 Net Assets - Beginning of Year	 4,780,984	 4,781,747
 Net Assets - End of Year	 4,780,387	 4,780,984

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, 2022
(With Comparative Actuals For the Year Ended December 31, 2021)

	2022			2021
	Program Services	Management and General	Total	Total
Compensation	90,114	22,529	112,643	109,397
Fringe benefits	40,426	10,107	50,533	49,477
Tax preparation and audit	-	7,100	7,100	7,100
Dues	32	8	40	40
Filing fees	974	-	974	937
Legal	403	101	504	1,533
Loan expense	2,372	-	2,372	1,916
Marketing	2,000	-	2,000	2,221
Bank service charges	241	-	241	155
Office expense, rent and utilities	6,644	1,661	8,305	7,619
Postage	168	42	210	512
Publications and newspapers	575	144	719	831
Repairs	892	223	1,115	655
Supplies and equipment	2,518	629	3,147	3,101
Telephone	2,864	716	3,580	3,485
Travel	949	237	1,186	1,318
Vehicle expense	3,924	981	4,905	2,986
Workman's compensation	90	22	112	252
Miscellaneous and board expense	-	6,280	6,280	5,856
Bad debt	58,597	-	58,597	27,242
Depreciation	4,200	1,050	5,250	5,249
Total Expenses	217,983	51,830	269,813	231,882
Percentages	<u>81%</u>	<u>19%</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, 2022
(With Comparative Amounts For the Year Ended December 31, 2021)

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities:		
Cash received from loan principal and interest	963,074	851,366
Cash received from grants	82,000	50,000
Cash received from bad debt recovery	100	16,039
Cash received from interest on deposits	2,399	1,721
Cash paid for goods and services	(42,789)	(40,517)
Cash paid for employees	(161,316)	(158,331)
Cash loaned to borrowers	(618,750)	(658,535)
Net Cash Provided (Used) by Operating Activities	<u>224,718</u>	<u>61,743</u>
Cash - Beginning of Year	<u>1,647,836</u>	<u>1,586,093</u>
Cash - End of Year	<u><u>1,872,554</u></u>	<u><u>1,647,836</u></u>
Reconciliation of Change in Net Assets to Net Cash (Used) by Operating Activities:		
Change in Net Assets	<u>(597)</u>	<u>(763)</u>
Adjustments to reconcile to net cash provided (used) by operating activities:		
Bad debt	58,597	27,242
Depreciation	5,250	5,249
(Increase) decrease in loans receivable, net	156,944	13,933
(Increase) decrease in settlements	2,663	15,539
Increase (decrease) in accrued liabilities	1,861	543
Total Adjustments	<u>225,315</u>	<u>62,506</u>
Net Cash Provided (Used) by Operating Activities	<u><u>224,718</u></u>	<u><u>61,743</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, 2022**

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, 2022, an allowance in the amount of \$250,000 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 \$5,250 depreciation expense during 2022.

Northeastern Colorado Revolving Loan Fund
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2022
(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 2019.

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, 2021, 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, 2022
(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, 2022, the carrying amount of NCRLF's demand deposits was \$1,872,554.

At December 31, 2022, NCRLF had the following investments:

	Total
Certificate of deposit:	
Maturing 2023, interest at 0.80% p.a.	\$ 99,223
	\$ 99,223

At December 31, 2022, NCRLF did not have any investments requiring fair value measurement.

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, 2022 for general expenditures are as follows:

Cash and cash equivalents	\$ 1,872,554
Current loans and interest receivable	548,934
Short-term investments	99,223
	\$ 2,520,711

5. Loans Receivable

Loans receivable consists of the following:

	2022	2021
Loans receivable - Current	\$ 538,749	560,349
Loans receivable - Long-term	2,484,408	2,672,517
Less allowance for doubtful accounts	(250,000)	(244,168)
	\$ 2,773,157	2,988,698

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.

**Northeastern Colorado Revolving Loan Fund
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2022
(Continued)**

5. Loans Receivable (continued)

	2022	2021
Less than 30 days past due	\$ 6,358	\$ 10,195
30-60 days past due	3,299	8,555
60-90 days past due	2,729	6,311
90-120 days past due	3,079	5,790
More than 120 days past due	285,145	249,029
	\$ 300,609	279,882

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

During 2022, NCRLF had the following activity in allowance for doubtful accounts:

Balance at December 31, 2021	\$ 244,168
Add: current provision for bad debt	58,597
Less: write-downs charged against allowance	(52,765)
Balance at December 31, 2022	\$ 250,000

6. Fixed Assets

Fixed asset balances at December 31, 2022 were as follows:

	Dec. 31/22
Buildings	\$ 119,908
Improvements	41,975
Equipment	45,930
Total cost	207,813
Less: Accumulated depreciation	(151,152)
Fixed assets, net	\$ 56,661

Depreciation for the year ended December 31, 2022 was \$5,250.

**Northeastern Colorado Revolving Loan Fund
(A Colorado Non-Profit Corporation)
Notes to the Financial Statements
December 31, 2022
(Continued)**

7. 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, 2022, two of NCRLF's employees elected to participate in the defined contribution plan. For the year ended December 31, 2022, NCRLF's employer contributions were \$5,632, which represented 5% of covered payroll. NCRLF's total and covered payroll for the year ended December 31, 2022 was \$112,643.

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.

8. 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, 2022
(With Comparative Actuals For the Year Ended December 31, 2021)

	2022		Variance Positive (Negative)	2021
	Budget (Unaudited)	Actual		Actual
Compensation	112,917	112,643	274	109,397
Fringe benefits	48,869	48,672	197	48,934
Tax preparation and audit	7,300	7,100	200	7,100
Dues	150	40	110	40
Filing fees	1,400	974	426	937
Legal	15,000	504	14,496	1,533
Loan expense	1,700	2,372	(672)	1,916
Marketing	3,500	2,000	1,500	2,221
Debit memos	200	241	(41)	155
Office expense, rent and utilities	8,000	8,305	(305)	7,619
Postage	700	210	490	512
Publications and newspapers	-	719	(719)	831
Repairs	1,200	1,115	85	655
Supplies and equipment	8,700	3,147	5,553	3,101
Telephone	-	3,580	(3,580)	3,485
Travel	3,000	1,186	1,814	1,318
Vehicle expense	3,800	4,905	(1,105)	2,986
Workman's compensation	350	112	238	252
Miscellaneous and board expense	8,750	6,280	2,470	5,856
Capital expense	3,000	-	3,000	-
Total Expenses - Budget-Basis	228,536	204,105	24,431	198,848
Reconciliation to GAAP Basis:				
Bad debt		58,597		27,242
Depreciation		5,250		5,249
Accrued compensation		1,861		543
Total Expenses - GAAP Basis		269,813		231,882

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