

**ROCKY MOUNTAIN MICROFINANCE INSTITUTE**

**Financial Statements**

**For Nine Months Ending September 30, 2016**

(Together with Independent Auditors' Report)



**ROCKY MOUNTAIN MICROFINANCE INSTITUTE**  
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CERTIFIED PUBLIC ACCOUNTANTS

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Rocky Mountain MicroFinance Institute  
Denver, Colorado

We have audited the accompanying financial statements of Rocky Mountain MicroFinance Institute (a Colorado nonprofit organization), which comprise the statement of financial position as of September 30, 2016, and the related statements of activities, functional expenses, and cash flows for the nine months ending September 30, 2016, 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.

### **Auditors' 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 from 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.

To the Board of Directors  
Rocky Mountain MicroFinance Institute

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rocky Mountain MicroFinance Institute as of September 30, 2016, and the changes in its net assets and its cash flows for the nine months ending September 30, 2016, in accordance with accounting principles generally accepted in the United States of America.



Bauerle and Company, P.C.  
Denver, Colorado

May 24, 2017

# ROCKY MOUNTAIN MICROFINANCE INSTITUTE

## Statement of Financial Position September 30, 2016

### ASSETS

#### Assets

Cash and cash equivalents	\$	398,323
Contributions receivable		17,510
Accounts receivable		6,980
Loans receivable, net		83,738
Loan recoveries receivable		1,320
Prepaid and other		3,686
Furniture and equipment, net		1,871
Total Assets	\$	<u>513,428</u>

### LIABILITIES AND NET ASSETS

#### Liabilities

Accounts payable	\$	1,022
Accrued expenses		23,333
Notes payable		185,000
Total Liabilities		<u>209,355</u>

#### Net Assets

Unrestricted		
Undesignated		152,537
Board designated		50,160
Total Unrestricted Net Assets		202,697
Temporarily restricted		101,376
Total Net Assets		<u>304,073</u>
Total Liabilities and Net Assets	\$	<u>513,428</u>

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

# ROCKY MOUNTAIN MICROFINANCE INSTITUTE

## Statement of Activities For Nine Months Ending September 30, 2016

	Unrestricted	Temporarily Restricted	Total
<b>Support and Revenue</b>			
Contributions and grants	\$ 252,606	\$ 25,000	\$ 277,606
In-kind contributions	1,125	-	1,125
Program service revenue	11,637	-	11,637
Loan interest and fees	5,108	-	5,108
Investment interest and other	667	-	667
Net assets released from restrictions	47,581	(47,581)	-
Total Support and Revenue	318,724	(22,581)	296,143
<b>Expenses</b>			
Program services	284,917	-	284,917
Supporting services			
Management and general	86,004	-	86,004
Fundraising	80,923	-	80,923
Total Supporting Services	166,927	-	166,927
Total Expenses	451,844	-	451,844
<b>Change in Net Assets</b>	(133,120)	(22,581)	(155,701)
NET ASSETS, Beginning of Year	335,817	123,957	459,774
NET ASSETS, End of Year	\$ 202,697	\$ 101,376	\$ 304,073

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

# ROCKY MOUNTAIN MICROFINANCE INSTITUTE

## Statement of Functional Expenses For Nine Months Ending September 30, 2016

	Program	Supporting Services		Total Supporting Services	Total
		Management and General	Fund-Raising		
Salaries and wages	\$ 186,997	\$ 48,166	\$ 48,166	\$ 96,332	\$ 283,329
Payroll taxes	14,057	3,621	3,621	7,242	21,299
Employee benefits	4,049	1,043	1,043	2,086	6,135
Total employee expenses	205,103	52,830	52,830	105,660	310,763
Capacity building	35,738	6,963	15,125	22,088	57,826
Rent and occupancy	13,169	3,392	3,392	6,784	19,953
Professional fees	4,632	12,632	-	12,632	17,264
Staff development	2,691	5,732	682	6,414	9,105
Technology	6,487	1,100	1,100	2,200	8,687
Program delivery expense	5,948	-	-	-	5,948
Development fees and events	633	-	3,863	3,863	4,496
Meetings and conferences	2,608	-	1,348	1,348	3,956
Office expenses	1,562	336	932	1,268	2,830
Insurance	1,312	1,214	200	1,414	2,726
Dues and memberships	1,273	417	615	1,032	2,305
Fees and interest expense	1,505	68	610	678	2,183
Materials and supplies	1,161	174	35	209	1,370
In-kind	743	191	191	382	1,125
Depreciation	-	955	-	955	955
Bad debts	352	-	-	-	352
Total Expenses	<u>\$ 284,917</u>	<u>\$ 86,004</u>	<u>\$ 80,923</u>	<u>\$ 166,927</u>	<u>\$ 451,844</u>

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

# ROCKY MOUNTAIN MICROFINANCE INSTITUTE

## Statement of Cash Flows For Nine Months Ending September 30, 2016

### Cash flows from operating activities

Change in net assets	\$ (155,701)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	955
Loan losses, net of recoveries	(352)
(Increase) decrease in:	
Contributions receivable	3,040
Accounts receivable	(6,830)
Prepaid and other	(1,884)
Increase (decrease) in:	
Accounts payable	(17,348)
Accrued expenses	12,888
Net cash provided by (used in) operating activities	<u>(165,232)</u>

### Cash flows from investing activities

Purchase of equipment	(1,693)
Loans receivable repayments	48,509
Loans receivable funded	<u>(50,158)</u>
Net cash provided by (used in) investing activities	<u>(3,342)</u>

### Cash flows from financing activities

Proceeds from notes payable	<u>150,000</u>
Net cash provided by (used in) financing activities	<u>150,000</u>

Net (decrease) in cash and cash equivalents	(18,574)
CASH AND CASH EQUIVALENTS, beginning of year	<u>416,897</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 398,323</u>
Supplemental Information:	
Fees and interest paid	<u>\$ 2,183</u>

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



**ROCKY MOUNTAIN MICROFINANCE INSTITUTE**  
**Notes to Financial Statements**  
**Nine Months Ending September 30, 2016**

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**1. Organization and Summary of Significant Accounting Policies**

***Organization***

The Rocky Mountain MicroFinance Institute (“RMMFI”) is a Denver, Colorado based nonprofit corporation established under the laws of the State of Colorado.

RMMFI was founded in August 2008 and is a community creating economic and social mobility through entrepreneurship. RMMFI helps curious people transform into serious entrepreneurs through skill building, mentorship, and microlending. RMMFI provides a simple and effective approach to business development built around the philosophy that poor planning equals poor results. RMMFI provides a mix of flexible microloans and wrap-around services (business education, mentoring, and accountability) to low-income entrepreneurs, who see business ownership as a chance to earn meaningful income, and transform their lives. RMMFI seeks to prove that with the right mix of skill-building, mentorship, microlending, hard-work and entrepreneurship can give individuals the opportunity to break down barriers and build businesses that lead to income, jobs, and the ability to create positive impact in the local community.

The Board of Directors of RMMFI approved changing the fiscal year end from December 31 to September 30, effective January 1, 2016. Accordingly, the financial statements presented cover the nine month period from January 1, 2016, through September 30, 2016.

***Basis of Accounting***

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

***Basis of Presentation***

The accompanying financial statements include a statement of financial position that presents the amounts for each of the three classes of net assets: unrestricted, temporarily restricted and permanently restricted. RMMFI did not have any permanently restricted net assets at September 30, 2016. These net assets are classified based on the existence or absence of donor-imposed restrictions and a statement of activities that reflects the changes in those categories of net assets.

Unrestricted Net Assets – Are those currently available at the discretion of the Board of Directors for use in RMMFI's operations.

Temporarily Restricted Net Assets – Are those resources currently available for use, but expendable only for purposes specified by the donor or grantor.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**1. Organization and Summary of Significant Accounting Policies (continued)**

***Functional Allocation of Expenses***

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

***Income Taxes***

RMMFI is a nonprofit corporation and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the accompanying financial statements contain no provision for income taxes. In addition, contributions to RMMFI qualify for the charitable contribution deduction under Section 170(b)(1)(A) and RMMFI has been classified as an organization that is not a private foundation under Section 509(a)(2).

RMMFI follows *Accounting for Uncertainty in Income Taxes*, which requires RMMFI to determine whether a tax position (and related tax benefit) is more likely than not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. During the nine months ending September 30, 2016, RMMFI's management evaluated its tax positions to determine the existence of uncertainties, and did not note any matters that would require recognition or which may have an effect on its tax-exempt status.

***Concentration of Credit Risk***

RMMFI maintains several bank accounts at different institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Although at times the balances in these accounts may exceed the federally insured limit, RMMFI has never experienced any losses.

***Cash and Cash Equivalents***

For purposes of the statement of cash flows, RMMFI considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

***Loans Receivable***

Loans receivable represent the affordable and accessible business development loan balances that RMMFI has loaned to low-income individuals to help foster entrepreneurial growth in Colorado communities. Amounts loaned range from \$1,500 to \$5,125, carry 8 percent interest rates, and are due 6-24 months from origination.

RMMFI records loans receivable based on the actual amount borrowed. Payments are applied to principal and interest according to amortization schedules based on the specific terms of the loan agreement. Interest is recognized and accrued based on the original loan agreement and when earned, regardless of when paid. Based on the performance of loans, charge-off history, and individual evaluations for impairment, RMMFI wrote-off loan amounts totaling \$1,672 during the nine months ending September 30, 2016. Of the amounts written-off, \$1,320 was recovered through the Colorado Credit Reserve Program administered by the Colorado Housing and Finance Authority (CHFA), for the nine months ending September 30, 2016.

**1. Organization and Summary of Significant Accounting Policies (continued)**

***Loans Receivable (continued)***

Beginning in 2012, all loans became covered by CHFA's Colorado Credit Reserve Program. Under this program each loan enrolled is insured up to the amount of the outstanding principal owed on the loan and within the balance available in the program.

RMMFI uses the allowance method to record uncollectible loans receivable. The allowance is based on past experience, the availability of funds in the Colorado Reserve Program, and management's analysis of specific loans receivable. At September 30, 2016, management concluded that all outstanding loan balances will be collected.

***Contributions Receivable***

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. RMMFI uses the allowance method to record uncollectible contributions and grants receivable. The allowance is based on prior years' experience and management's analysis of specific contributions and grants made. Management has determined that all receivables are collectible as of September 30, 2016.

***Furniture and Equipment***

Furniture and equipment are stated at cost or at the estimated fair value at the date of donation. Equipment is depreciated using the straight-line method over the estimated useful lives of the assets, 3 years. Leasehold improvements are depreciated using the straight-line method over the term of the lease. All assets with a useful life of more than one year, and a cost of more than \$1,000, are capitalized.

Maintenance, repairs and renewals, which neither materially add to the value of the furniture and equipment nor prolong its useful life, are charged to expense as incurred. Gains or losses on dispositions of property and equipment are included in income.

***Recognition of Revenues and Support***

Unconditional promises to give cash and other assets to RMMFI are reported at fair value at the date the promise is received. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Unrestricted gift and grant support is reflected as revenue in the year of receipt.

Revenues and support that are restricted by the donor, grantor, or other outside party for particular operating purposes are reported as temporarily restricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Organization's policy is to record contributions whose restrictions are met in the same reporting period as unrestricted contributions. Contributions whose restrictions are not met in the same reporting period are reported as temporarily restricted net assets. Contributions for support of future operations and fundraising activities are recorded as temporarily restricted support in the year the contribution is made.

**ROCKY MOUNTAIN MICROFINANCE INSTITUTE**  
**Notes to Financial Statements**  
**Nine Months Ending September 30, 2016**

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**1. Organization and Summary of Significant Accounting Policies (continued)**

***Recognition of Revenues and Support (continued)***

Program service revenue consists of income from RMMFI's educational classes and other programs. Program service revenues are recorded when earned.

***Donated Materials and Services***

Donated materials and services are recorded as contributions at their estimated fair values at the date of donation. Contribution of services are recognized in the financial statements if the services enhance or create nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

***Subsequent Events***

In accordance with the *Subsequent Events* Topic of FASB ASC, management is required to evaluate, through the date the financial statements are issued or available to be issued, events or transactions that may require recognition or disclosure in the financial statements, and to disclose the date through which subsequent events were evaluated. RMMFI's financial statements were available to be issued on May 24, 2017, and this is the date through which subsequent events were evaluated.

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**2. Furniture and Equipment**

As of September 30, 2016, furniture and equipment consisted of the following:

<u>Description</u>	
Furniture and equipment	\$ 4,092
Less: Accumulated depreciation	<u>2,221</u>
Net property and equipment	<u>\$ 1,871</u>

**ROCKY MOUNTAIN MICROFINANCE INSTITUTE**  
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**3. Notes Payable**

As of September 30, 2016, notes payable consisted of the following:

Note payable to a bank for the lending program; non-interest bearing; unsecured; entire balance due in July 2019	\$ 100,000
Note payable to a foundation for the lending program; interest at 2% payable annually; unsecured; \$20,000 due in April 2020, remaining balance due in April 2021	50,000
Note payable to a bank for the lending program; interest at 1% payable annually; unsecured; entire balance due in August 2018	<u>35,000</u>
Total notes payable	<u>\$ 185,000</u>

Future maturities of notes payable are as follows:

<u>Year ending</u> <u>September 30,</u>	<u>Amount</u>
2017	\$ -
2018	35,000
2019	100,000
2020	20,000
2021	<u>30,000</u>
	<u>\$ 185,000</u>

**ROCKY MOUNTAIN MICROFINANCE INSTITUTE**  
**Notes to Financial Statements**  
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**4. In-Kind Contributions**

Donated materials and services are important to RMMFI's operations and, accordingly, are reflected as contributions in the accompanying financial statements at their estimated fair values at date of receipt. Donated materials and services consist of the following for the nine months ending September 30, 2016:

<u>Description</u>	
Marketing	<u>\$ 1,125</u>

No amounts have been reflected in the financial statements for donated volunteer services because the criteria for recognition under generally accepted accounting principles have not been satisfied. However, a substantial number of volunteers have donated significant amounts of their time to develop RMMFI's programs and fundraising events.

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**5. Board Designated Unrestricted Net Assets**

Unrestricted net assets have been designated by the Board of Directors with the following intent and purposes as of September 30, 2016:

<u>Description</u>	
Board designated for reserves	<u>\$ 50,160</u>

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**6. Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of the following as of September 30, 2016:

<u>Description</u>	
RMMFI Outreach Office	\$ 68,623
Post Boot Camp program	11,363
Contributions receivable	17,510
Leadership development	<u>3,880</u>
Total Temporarily Restricted Net Assets	<u>\$ 101,376</u>

**ROCKY MOUNTAIN MICROFINANCE INSTITUTE**  
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**7. Commitments**

Lease Commitments

In November 2015, RMMFI entered into an agreement to lease office space in three locations from the Housing Authority of the City and County of Denver under an operating lease expiring in June 2019. Rent under this lease is \$1 per year provided that RMMFI satisfies the Community Contribution requirement on an annual basis. RMMFI's management anticipates satisfying this annual service requirement.

RMMFI rented office space for its principal headquarters in Denver, Colorado under an operating lease that expired in December 2016. In December 2016, RMMFI moved its headquarters to one of the office space locations leased with the Housing Authority of the City and County of Denver.

Approximate minimum rent payments due under all operating leases are as follows:

Year Ending September 30:	
2017	\$ 5,941
2018	1
2019	<u>1</u>
	<u>\$ 5,943</u>

Rent and occupancy related expenses paid totaled \$19,953 for the nine months ending September 30, 2016.

Construction Commitments

Subsequent to September 30, 2016, RMMFI signed a construction agreement in the amount of \$114,276 to construct the office space at the new headquarters location.