

ROCKY MOUNTAIN MICROFINANCE INSTITUTE

Financial Statements

September 30, 2019

(Together with Independent Auditors' Report)



ROCKY MOUNTAIN MICROFINANCE INSTITUTE
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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 (the "Organization" or "RMMFI"), a Colorado nonprofit organization, which comprise the statement of financial position as of September 30, 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; 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. 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.

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, 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 27, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wipfli LLP

Wipfli LLP

March 20, 2020
Denver, Colorado

ROCKY MOUNTAIN MICROFINANCE INSTITUTE

Statements of Financial Position September 30, 2019 (With Comparative Totals for September 30, 2018)

ASSETS

	<u>2019</u>	<u>2018</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 431,789	\$ 255,761
Designated cash - loan funds	258,422	101,301
Grants and contributions receivable	361,242	107,756
Accounts receivable	21,727	26,054
Loans receivable, net	82,190	84,478
Prepaid and other	4,804	2,787
Property and equipment, net	35,945	88,023
Total Assets	<u>\$ 1,196,119</u>	<u>\$ 666,160</u>

LIABILITIES AND NET ASSETS

<u>Liabilities</u>		
Accounts payable	\$ 9,557	\$ 7,429
Accrued expenses	37,025	19,077
Notes payable - lending program	300,000	185,000
Note payable - facility improvements	109,108	109,818
Total Liabilities	<u>455,690</u>	<u>321,324</u>
<u>Net Assets</u>		
Net Assets Without Donor Restrictions:	182,687	233,569
Net Assets With Donor Restrictions	557,742	111,267
Total Net Assets	<u>740,429</u>	<u>344,836</u>
Total Liabilities and Net Assets	<u>\$ 1,196,119</u>	<u>\$ 666,160</u>

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

ROCKY MOUNTAIN MICROFINANCE INSTITUTE

Statements of Activities Year Ended September 30, 2019 (With Comparative Totals for the Year Ended September 30, 2018)

	Year Ended September 30, 2019			Total 2018
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and Revenue				
Grants	\$ 399,857	\$ 419,000	\$ 818,857	\$ 456,511
Contributions	164,499	13,742	178,241	159,972
Government	77,707	125,000	202,707	121,192
Special events, net	42,160	-	42,160	27,805
Debt forgiveness	35,000	-	35,000	-
In-kind contributions	14,230	-	14,230	17,527
Program service revenue	9,078	-	9,078	6,138
Loan interest and fees	6,835	-	6,835	6,969
Investment interest and other	928	-	928	1,438
Net assets released from restrictions	111,267	(111,267)	-	-
Total Support and Revenue	861,561	446,475	1,308,036	797,552
Expenses				
Program services	649,439	-	649,439	529,697
Supporting services				
Management and general	145,041	-	145,041	133,777
Fundraising	117,963	-	117,963	113,725
Total Supporting Services	263,004	-	263,004	247,502
Total Expenses	912,443	-	912,443	777,199
Change in Net Assets	(50,882)	446,475	395,593	20,353
NET ASSETS, Beginning of Year	233,569	111,267	344,836	324,483
NET ASSETS, End of Year	\$ 182,687	\$ 557,742	\$ 740,429	\$ 344,836

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

ROCKY MOUNTAIN MICROFINANCE INSTITUTE

Statements of Functional Expenses Year Ended September 30, 2019 (With Comparative Totals for the Year Ended September 30, 2018)

	Year Ended September 30, 2019					Total 2018
	Supporting Services			Total Supporting Services	Total	
	Program	Management and General	Fund- Raising			
Salaries and wages	\$ 425,558	\$ 89,907	\$ 83,913	\$ 173,820	\$ 599,378	\$ 524,081
Payroll taxes	31,747	6,707	6,260	12,967	44,714	40,600
Employee benefits	7,736	1,634	1,525	3,159	10,895	7,535
Total employee expenses	<u>465,041</u>	<u>98,248</u>	<u>91,698</u>	<u>189,946</u>	<u>654,987</u>	<u>572,216</u>
Depreciation	39,037	8,248	7,698	15,946	54,983	61,780
Program delivery expense	38,709	-	-	-	38,709	17,075
Professional fees	14,359	13,673	4,500	18,173	32,532	22,080
Capacity building	24,453	4,988	-	4,988	29,441	15,870
Staff development	11,049	8,872	2,156	11,028	22,077	12,039
Rent and occupancy	15,009	3,171	2,960	6,131	21,140	16,549
Technology	11,475	2,059	1,922	3,981	15,456	13,920
Development fees and events	1,203	-	13,926	13,926	15,129	15,134
Meetings and conferences	7,736	401	2,298	2,699	10,435	10,170
Fees and interest expense	6,063	1,650	1,365	3,015	9,078	9,640
Office expenses	3,853	866	847	1,713	5,566	6,360
Insurance	2,888	1,730	228	1,958	4,846	4,576
Dues and memberships	3,606	900	45	945	4,551	4,380
Materials and supplies	2,231	235	47	282	2,513	1,318
Bad debts	1,527	-	-	-	1,527	2,016
In-kind	1,200	-	300	300	1,500	4,675
Total Expenses by function	<u>649,439</u>	<u>145,041</u>	<u>129,990</u>	<u>275,031</u>	<u>924,470</u>	<u>789,798</u>
Less: Expenses included with revenues on the statements of activities						
Cost of direct benefit to donors	<u>-</u>	<u>-</u>	<u>(12,027)</u>	<u>(12,027)</u>	<u>(12,027)</u>	<u>(12,599)</u>
	<u>\$ 649,439</u>	<u>\$ 145,041</u>	<u>\$ 117,963</u>	<u>\$ 263,004</u>	<u>\$ 912,443</u>	<u>\$ 777,199</u>

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

ROCKY MOUNTAIN MICROFINANCE INSTITUTE

Statements of Cash Flows Year Ended September 30, 2019 (With Comparative Totals for the Year Ended September 30, 2018)

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ 395,593	\$ 20,353
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	54,983	61,780
Debt forgiveness	(35,000)	-
Loss on disposal of property and equipment	615	-
Loan losses, net of recoveries	1,527	2,016
(Increase) decrease in operating assets and liabilities:		
Restricted cash	-	15,000
Designated cash - loan funds	(157,121)	27,914
Grants and contributions receivable	(253,486)	(64,660)
Accounts receivable	4,327	(10,321)
Prepaid and other	(2,017)	1,320
Accounts payable	2,128	(36,770)
Accrued expenses	17,948	(21,154)
Net cash from operating activities	29,497	(4,522)
Cash Flows from Investing Activities		
Purchase of property and equipment	(3,520)	(36,810)
Loan payments received	79,903	61,939
Loans disbursed	(79,142)	(89,246)
Net cash from investing activities	(2,759)	(64,117)
Cash Flows from Financing Activities		
Proceeds from notes payable - lending program	250,000	-
Payments on notes payable - lending program	(100,000)	-
Payments on note payable - facility improvements	(710)	(30,182)
Net cash from financing activities	149,290	(30,182)
Net change in cash and cash equivalents	176,028	(98,821)
CASH AND CASH EQUIVALENTS, beginning of year	255,761	354,582
CASH AND CASH EQUIVALENTS, end of year	\$ 431,789	\$ 255,761
Supplemental Information:		
Fees and interest paid	\$ 9,078	\$ 9,640

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

ROCKY MOUNTAIN MICROFINANCE INSTITUTE

Notes to Financial Statements

September 30, 2019 and 2018

1. Organization and Summary of Significant Accounting Policies

Organization

The Rocky Mountain MicroFinance Institute (the “Organization” or “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 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.

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.

Net Assets

Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, funds to be held for an operating reserve.

Net assets with donor restrictions - Net assets subject to donor or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other explicit donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (“GAAP”) 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.

ROCKY MOUNTAIN MICROFINANCE INSTITUTE

Notes to Financial Statements

September 30, 2019 and 2018

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 statements of functional expenses. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries and fringes are allocated based on estimations of time and effort. Indirect costs such as occupancy and office related expenses are allocated based upon time spent, utilization, and square footage.

Income Taxes

RMMFI is a nonprofit corporation and is exempt from federal and state 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 years ended September 30, 2019 and 2018, 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.

RMMFI provides funding to small business owners. Concentration of credit risk with respect to loans receivable is limited due to RMMFI's loan policies, such as limiting loans to a maximum of \$5,125, obtaining a personal guarantee, and requiring the borrower sign a security agreement documenting the collateral securing the loan.

Cash and Cash Equivalents

For purposes of the statements 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. At September 30, 2019, outstanding loan amounts ranged from \$900 to \$5,125, carry 8 percent interest rates, and are due 6-24 months from origination.

ROCKY MOUNTAIN MICROFINANCE INSTITUTE

Notes to Financial Statements

September 30, 2019 and 2018

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

Loans Receivable (continued)

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 \$17,610 and \$4,579 during the years ending September 30, 2019 and 2018, respectively. Of the amounts written-off, \$16,083 and \$2,563 was recovered through the Colorado Credit Reserve Program administered by the Colorado Housing and Finance Authority (CHFA), for the years ending September 30, 2019 and 2018, respectively.

Beginning in 2012, all loans became covered by CHFA's Colorado Credit Reserve (CCR) 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. At September 30, 2019, the total account balance in the CHFA held account was \$39,996. When a CCR registered loan is charged off, the Organization may use this cash to recover losses up to the balance in the account.

The allowance for loan losses is a valuation allowance for probable incurred credit losses based on an evaluation of the outstanding loans. Loan losses are charged against the allowance when management believes the collectability of the principal is unlikely. Subsequent recoveries, if any, are credited to the allowance.

Management regularly evaluates the allowance for loan losses taking into consideration such factors as historical loss experience, changes in the nature and volume of the loan portfolio, overall quality, and review of specific problem loans, and current economic conditions that may affect the borrower's ability to pay. Management has determined an allowance for loan losses is not necessary as of September 30, 2019 and 2018.

Designated Cash – Loan Funds

RMMFI has designated certain funding as loan funds. The cash in these accounts are to be used for future loan disbursements under RMMFI's microlending program.

Grants and Contributions Receivable

Grants and contributions receivable 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 grants and contributions receivable. The allowance is based on prior years' experience and management's analysis of specific grants and contributions made. Management has determined that all grants and contributions receivable are collectible as of September 30, 2019 and 2018.

Accounts Receivable

Accounts receivable represent amounts due for program services, amounts collectible under expense reimbursement government grants, and other receivables. RMMFI uses the allowance method to record uncollectible receivables. The allowance is based on prior years' experience and management's analysis of specific accounts. Management has determined that all receivables are collectible as of September 30, 2019 and 2018.

ROCKY MOUNTAIN MICROFINANCE INSTITUTE

Notes to Financial Statements

September 30, 2019 and 2018

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

Property and Equipment

Property 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 property 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

Grants and Contributions – Grants and contributions are recognized when the donor makes a promise to give the Organization that is, in substance, unconditional. Grants and contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. The Organization's policy is to record grants and contributions whose restrictions are met in the same reporting period as revenue without donor restrictions.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promise becomes unconditional.

Government - Government revenues consists of amounts from cost-reimbursable grants. Amounts received are deemed earned and are reported as revenue when the Organization incurs the expenditure in compliance with specific grant restrictions.

Program service revenue – 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.

Summarized Financial Information

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient details to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with RMMFI's financial statements for the year ended September 30, 2018, from which the summarized information was derived.

ROCKY MOUNTAIN MICROFINANCE INSTITUTE

Notes to Financial Statements

September 30, 2019 and 2018

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

Reclassifications

Certain amounts as previously reported in the 2018 financial statements have been reclassified to conform to the 2019 presentation. Such reclassifications have no effect on reported amounts of net assets or change in net assets.

Change in Accounting Principle

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities* (Topic 958). This ASU provides for certain improvements in financial reporting for not-for-profit organizations and requires changes to net asset classification, enhancements to liquidity presentation and disclosures, presentation of an analysis of expenses by function and by nature, netting of investment expenses with return, among other changes. The guidance in this ASU is effective for the year ended September 30, 2019, and was applied retrospectively to these financial statements.

Subsequent Events

In accordance with the *Subsequent Events* Topic of FASB Accounting Standards Codification (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 March 20, 2020, and this is the date through which subsequent events were evaluated.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB ASC Topic 605 Revenue Recognition, and most industry specific guidance. When adopted, the amendments in the ASU must be applied using either a full or modified retrospective method. ASU No. 2014-09 is effective for nonpublic companies for fiscal years beginning after December 15, 2018. Management is currently evaluating the impact of the provisions of ASC 606 on its financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a transaction is conditional. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2018. Management is currently evaluating the potential impact of this ASU on the Organization's financial statements.

ROCKY MOUNTAIN MICROFINANCE INSTITUTE
Notes to Financial Statements
September 30, 2019 and 2018

2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions or designations limiting their use, within twelve months of the statement of financial position date, comprise the following as of September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 431,789	\$ 255,761
Designated cash - loan funds	258,422	101,301
Grants and contributions receivable - current	361,242	107,756
Accounts receivable - current	21,727	26,054
Loans receivable - current	<u>54,115</u>	<u>55,575</u>
Total financial assets	<u>1,127,295</u>	<u>546,447</u>
Less:		
Funds designated for the lending program	258,422	101,301
Board designated for an operating reserve	215,540	65,392
Restricted program grants included in cash and cash equivalents	<u>196,500</u>	<u>3,511</u>
	<u>670,462</u>	<u>170,204</u>
Total financial assets available within one year	<u>\$ 456,833</u>	<u>\$ 376,243</u>

RMMFI had board-designated funds totaling \$215,540 and \$65,392, for operating reserves at September 30, 2019 and 2018, respectively. Although RMMFI does not intend to spend from these board-designated funds other than for the designated purpose, these amounts could be made available if necessary.

Management has designated \$258,422 and \$101,301, for future loan funding as of September 30, 2019 and 2018, respectively. Although RMMFI does not intend to spend from these funds other than to fund future loans, these amounts could be made available if necessary.

RMMFI does not have a formal liquidity policy. RMMFI invests its financial assets in a manner consistent with the concept of prudent money management. Seeking maximum returns within reasonable levels of risk.

ROCKY MOUNTAIN MICROFINANCE INSTITUTE
Notes to Financial Statements
September 30, 2019 and 2018

3. Notes Payable

As of September 30, 2019 and 2018, notes payable consisted of the following:

	<u>2019</u>	<u>2018</u>
<i>Lending Program:</i>		
Note payable to a foundation for the lending program; interest at 1% payable annually; unsecured; \$150,000 due on June 1, 2026.	\$ 150,000	\$ -
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	50,000
Note payable to a foundation for the lending program; interest at 2% payable annually; unsecured; \$21,000 due in December 2024, remaining balance due in December 2025.	50,000	-
Note payable to a foundation for the lending program; interest at 1% payable annually; unsecured; \$50,000 due on April 30, 2023.	50,000	-
Note payable to a bank for the lending program; non-interest bearing; unsecured; paid in June 2019.	-	100,000
Note payable to a bank for the lending program; interest at 1% payable annually; unsecured; debt was forgiven in October 2018.	<u>-</u>	<u>35,000</u>
Total notes payable – lending program	<u>\$ 300,000</u>	<u>\$ 185,000</u>
<i>Facility Improvements:</i>		
Note payable to a Community Development entity for improvements at RMMFI's headquarters; interest only payments at 4.9% through October 1, 2019, then principal and interest payments of \$916 through September 1, 2022, remaining balance due October 1, 2022. Secured by property and equipment.	<u>\$ 109,108</u>	<u>\$ 109,818</u>

ROCKY MOUNTAIN MICROFINANCE INSTITUTE
Notes to Financial Statements
September 30, 2019 and 2018

3. Notes Payable (continued)

Future maturities of notes payable are as follows:

<u>Years ending</u> <u>September 30,</u>	<u>Amount</u>
2020	\$ 25,285
2021	36,042
2022	6,345
2023	141,436
2024	-
Thereafter	<u>200,000</u>
	<u>\$ 409,108</u>

As part of the loan requirements for the facility improvement note payable, RMMFI established a \$15,000 debt service reserve in a bank account at September 30, 2017. RMMFI funded an additional \$15,000, in December 31, 2017. The funds in the account were used to make the debt service payment on the note during the year ended September 30, 2018. No amounts were in the account at September 30, 2019 and 2018.

During the year ended September 30, 2019, one of the banks in the lending program forgave the debt that was due in August 2019. RMMFI recorded \$35,000 on the Statements of Activities for debt forgiveness.

On September 30, 2019, RMMFI entered into a \$100,000 Loan Agreement with a Foundation for the lending program. The funding from the Foundation was received in October 2019. The loan bears interest at 1%, is unsecured, and is due in one principal payment on September 23, 2023.

On January 1, 2020, RMMFI entered into a \$50,000 Loan Agreement with a Foundation for the lending program. The loan bears interest at 2%, is unsecured, and is due in two principal payments; \$20,000 in January 2026, and \$30,000 in January 2027.

ROCKY MOUNTAIN MICROFINANCE INSTITUTE**Notes to Financial Statements**September 30, 2019 and 2018

4. Property and Equipment

As of September 30, 2019 and 2018, property and equipment consisted of the following:

<u>Description</u>	<u>2019</u>	<u>2018</u>
Leasehold improvements	\$ 160,442	\$ 160,442
Technology assets	14,442	10,922
Furniture and equipment	4,092	4,092
Construction in process	-	615
	<u>178,976</u>	<u>176,071</u>
Less: Accumulated depreciation	<u>143,031</u>	<u>88,048</u>
Net property and equipment	<u>\$ 35,945</u>	<u>\$ 88,023</u>

5. 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 years ending September 30, 2019 and 2018:

<u>Description</u>	<u>2019</u>	<u>2018</u>
Rent – headquarters	\$ 10,710	\$ 12,852
Rent – subleased space	1,580	-
Marketing	1,500	1,500
Food for event	440	-
Professional fees	-	3,175
	<u>\$ 14,230</u>	<u>\$ 17,527</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.

ROCKY MOUNTAIN MICROFINANCE INSTITUTE

Notes to Financial Statements

September 30, 2019 and 2018

6. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following:

<u>As of September 30,</u>	<u>2019</u>	<u>2018</u>
<u>Subject to the passage of time:</u>		
Contributions receivable	\$ 361,242	\$ 107,756
<u>Subject to expenditure for specified purpose:</u>		
Programming and capacity	196,500	-
Leadership development	<u>-</u>	<u>3,511</u>
Total Net Assets with Donor Restrictions	<u>\$ 557,742</u>	<u>\$ 111,267</u>

Net assets totaling \$111,267 and \$43,464, were released from net assets with donor restrictions for the years ending September 30, 2019 and 2018, respectively, as a result of RMMFI incurring expenditures satisfying the related restricted purpose.

The Board of Directors of RMMFI has chosen to designate \$215,540 and \$65,392 of net assets without donor restrictions for an operating reserve at September 30, 2019 and 2018, respectively.

7. Commitments

Lease Commitments

In November 2015, RMMFI entered into an agreement to lease two spaces from the Housing Authority of the City and County of Denver (CCD) under an operating lease expiring in June 2019. One space is for the principal headquarters of RMMFI, and one space is to be subleased to graduates of RMMFI at a rate beginning at \$6 per square foot, and increasing to \$12 per square foot as the businesses demonstrate the ability to manage the full financial burden of the space. RMMFI is to remit 25% of the sublease rent to CCD. For the years ended September 30, 2019 and 2018, there were no sublease agreements in place. Rent under the CCD lease agreement is \$1 per year provided that RMMFI satisfies the Community Contribution service requirements on an annual basis. RMMFI satisfied the Community Contribution service requirement for Fiscal 2019 and 2018. For the years ended September 30, 2019 and 2018, RMMFI recorded an in-kind donation in the amount of \$10,710 and \$12,852 for this space, as discussed in Note 5.

RMMFI entered into a new one year lease agreement for two spaces from the Housing Authority of the City and County of Denver (CCD), effective August 1, 2019. The agreements provide for options to re-new for three additional one-year terms. One space is for the principal headquarters of RMMFI, and one space is to be subleased to graduates of RMMFI. Rent under the subleased space is \$0 per year. For the year ended September 30, 2019, RMMFI recorded an in-kind donation in the amount of \$1,580 for the subleased space, as discussed in Note 5.

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7. Commitments (continued)

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

Years Ending September 30:	
2020	\$ 15,498
2021	15,968
2022	16,450
2023	<u>14,050</u>
	<u>\$ 61,966</u>

Rent and occupancy related expense totaled \$21,140 and \$16,549, which includes \$12,290 and \$12,852 in in-kind, for the years ending September 30, 2019 and 2018, respectively.