

# Rocky Mountain MicroFinance Institute

Financial Statements

Year Ended September 30, 2020



**ROCKY MOUNTAIN MICROFINANCE INSTITUTE**  
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## **INDEPENDENT AUDITOR'S 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, 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; 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. 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, 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.

## **Report on Summarized Comparative Information**

We have previously audited RMMFI's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 20, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Wipfli LLP*

Wipfli LLP

March 22, 2021  
Denver, Colorado

# ROCKY MOUNTAIN MICROFINANCE INSTITUTE

## Statements of Financial Position September 30, 2020 (With Comparative Totals for September 30, 2019)

### ASSETS

	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 1,443,011	\$ 431,789
Designated cash - loan funds	322,955	258,422
Grants and contributions receivable	550,399	361,242
Accounts receivable	15,133	21,727
Loans receivable, net	112,659	82,190
Prepaid and other	5,433	4,804
Property and equipment, net	17,613	35,945
Total Assets	<u>\$ 2,467,203</u>	<u>\$ 1,196,119</u>

### LIABILITIES AND NET ASSETS

<u>Liabilities</u>		
Accounts payable	\$ 14,418	\$ 9,557
Accrued expenses	43,343	37,025
Notes payable - lending program	430,000	300,000
Note payable - facility improvements	95,076	109,108
Paycheck Protection Program Loan	142,000	-
Total Liabilities	<u>724,837</u>	<u>455,690</u>
<u>Net Assets</u>		
Without Donor Restrictions	778,231	182,687
With Donor Restrictions	964,135	557,742
Total Net Assets	<u>1,742,366</u>	<u>740,429</u>
Total Liabilities and Net Assets	<u>\$ 2,467,203</u>	<u>\$ 1,196,119</u>

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

# ROCKY MOUNTAIN MICROFINANCE INSTITUTE

## Statements of Activities Year Ended September 30, 2020 (With Comparative Totals for the Year Ended September 30, 2019)

	Year Ended September 30, 2020			Total 2019
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Support and Revenue</b>				
Grants	\$ 658,332	\$ 1,285,398	\$ 1,943,730	\$ 818,857
Contributions	294,493	80,151	374,644	178,241
Government	44,711	131,492	176,203	202,707
Special events, net	-	-	-	42,160
Debt forgiveness	-	-	-	35,000
In-kind contributions	11,027	-	11,027	14,230
Program service revenue	6,146	-	6,146	9,078
Loan interest and fees	4,303	-	4,303	6,835
Investment interest and other	2,155	-	2,155	928
Net assets released from restrictions	1,090,648	(1,090,648)	-	-
Total Support and Revenue	2,111,815	406,393	2,518,208	1,308,036
<b>Expenses</b>				
Program services	1,151,576	-	1,151,576	649,439
Supporting services				
Management and general	188,400	-	188,400	145,041
Fundraising	176,295	-	176,295	117,963
Total Supporting Services	364,695	-	364,695	263,004
Total Expenses	1,516,271	-	1,516,271	912,443
<b>Change in Net Assets</b>	595,544	406,393	1,001,937	395,593
NET ASSETS, Beginning of Year	182,687	557,742	740,429	344,836
NET ASSETS, End of Year	\$ 778,231	\$ 964,135	\$ 1,742,366	\$ 740,429

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

# ROCKY MOUNTAIN MICROFINANCE INSTITUTE

## Statements of Functional Expenses Year Ended September 30, 2020 (With Comparative Totals for the Year Ended September 30, 2019)

	Year Ended September 30, 2020					Total 2019
	Program	Supporting Services		Total Supporting Services	Total	
Management and General		Fund- Raising				
Salaries and wages	\$ 669,358	\$ 126,318	\$ 98,588	\$ 224,906	\$ 894,264	\$ 599,378
Payroll taxes	49,796	9,295	7,303	16,598	66,394	44,714
Employee benefits	16,945	3,163	2,485	5,648	22,593	10,895
Total employee expenses	736,099	138,776	108,376	247,152	983,251	654,987
Direct Payments:						
Pivot Accelerator-Forgiveable loans	47,394	-	-	-	47,394	-
We Care-Loan payment support	35,945	-	-	-	35,945	-
Colorado Tech Coalition payments	35,079	-	-	-	35,079	-
Community sponsorships	6,521	4,301	-	4,301	10,822	-
Capacity building	102,156	11,636	11,636	23,272	125,428	29,441
Professional fees	52,943	11,065	38,500	49,565	102,508	32,532
Rent and occupancy	22,031	4,112	3,231	7,343	29,374	21,140
Program delivery expense	27,353	-	-	-	27,353	38,709
Technology	19,116	3,077	2,417	5,494	24,610	15,456
Depreciation	16,346	3,051	2,397	5,448	21,794	54,983
Staff development	12,627	4,253	1,851	6,104	18,731	22,077
Office expenses	9,786	2,010	1,060	3,070	12,856	5,566
Fees and interest expense	9,283	1,679	604	2,283	11,566	9,078
Meetings and conferences	4,928	2,254	700	2,954	7,882	10,435
Development fees and events	2,357	-	4,426	4,426	6,783	15,129
Community engagement	4,526	-	509	509	5,035	-
Insurance	1,690	1,431	228	1,659	3,349	4,846
Materials and supplies	2,008	299	60	359	2,367	2,513
Dues and memberships	1,823	456	-	456	2,279	4,551
In-kind	1,200	-	300	300	1,500	1,500
Bad debts	365	-	-	-	365	1,527
Total Expenses by function	1,151,576	188,400	176,295	364,695	1,516,271	924,470
Less: Expenses included with revenues on the statements of activities						
Cost of direct benefit to donors	-	-	-	-	-	(12,027)
	<u>\$ 1,151,576</u>	<u>\$ 188,400</u>	<u>\$ 176,295</u>	<u>\$ 364,695</u>	<u>\$ 1,516,271</u>	<u>\$ 912,443</u>

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

# ROCKY MOUNTAIN MICROFINANCE INSTITUTE

## Statements of Cash Flows Year Ended September 30, 2020 (With Comparative Totals for the Year Ended September 30, 2019)

	2020	2019
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 1,001,937	\$ 395,593
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	21,794	54,983
Debt forgiveness	-	(35,000)
Loss on disposal of property and equipment	-	615
Loan losses, net of recoveries	365	1,527
(Increase) decrease in operating assets and liabilities:		
Grants and contributions receivable	(189,157)	(253,486)
Accounts receivable	6,594	4,327
Prepaid and other	(629)	(2,017)
Accounts payable	4,861	2,128
Accrued expenses	6,318	17,948
Net cash from operating activities	852,083	186,618
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(3,462)	(3,520)
Loan payments received	115,810	79,903
Loans disbursed	(146,644)	(79,142)
Net cash from investing activities	(34,296)	(2,759)
<b>Cash Flows from Financing Activities</b>		
Proceeds from notes payable - lending program	150,000	250,000
Proceeds from Paycheck Protection Program Loan	142,000	-
Payments on notes payable - lending program	(20,000)	(100,000)
Payments on note payable - facility improvements	(14,032)	(710)
Net cash from financing activities	257,968	149,290
Net Change in Cash, Cash Equivalents, and Designated Cash	1,075,755	333,149
Cash, Cash Equivalents and Designated Cash, beginning of year	690,211	357,062
Cash, Cash Equivalents, and Designated Cash, end of year	\$ 1,765,966	\$ 690,211
Cash, Cash Equivalents, and Designated Cash consist of the following:		
Cash and cash equivalents	\$ 1,443,011	\$ 431,789
Cash designated for the loan funds	322,955	258,422
Total	\$ 1,765,966	\$ 690,211
Supplemental Information:		
Fees and interest paid	\$ 11,566	\$ 9,078

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

# ROCKY MOUNTAIN MICROFINANCE INSTITUTE

## Notes to Financial Statements

September 30, 2020 and 2019

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### 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 RMMFI 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, 2020 and 2019

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### 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 activities. 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, 2020 and 2019, 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 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, which are neither held for or restricted by donors or designated by management.

#### ***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.

# ROCKY MOUNTAIN MICROFINANCE INSTITUTE

## Notes to Financial Statements

September 30, 2020 and 2019

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

#### ***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, 2020, outstanding loan amounts ranged from \$100 to \$35,350, carry 8 percent interest rates, and are due 6-60 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 \$1,711 and \$17,610 during the years ending September 30, 2020 and 2019, respectively. Of the amounts written-off, \$1,123 and \$16,083 was recovered through the Colorado Credit Reserve Program administered by the Colorado Housing and Finance Authority (CHFA), for the years ending September 30, 2020 and 2019, 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, 2020 and 2019, the total account balance in the CHFA held account was \$45,449 and \$39,996, respectively. When a CCR registered loan is charged off, RMMFI 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, 2020 and 2019.

#### ***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, 2020 and 2019.

# ROCKY MOUNTAIN MICROFINANCE INSTITUTE

## Notes to Financial Statements

September 30, 2020 and 2019

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

#### ***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, 2020 and 2019.

#### ***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.

#### ***Contribution Revenue***

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identifying of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized.
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met.

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without 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 Statements of Activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

# ROCKY MOUNTAIN MICROFINANCE INSTITUTE

## Notes to Financial Statements

September 30, 2020 and 2019

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

#### **Grant Revenue**

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

Grant Awards That Are Contributions - Grant awards that are contributions are evaluated for conditions and recognized as revenue when conditions in the award are satisfied. Unconditional awards are recognized as revenue when the award is received. Amounts received in which conditions have not been met are reported as a refundable advance liability.

Grant Awards That Are Exchange Transactions - Exchange transactions are those in which the resource provider or grantor receives a commensurate value in exchange for goods or services transferred. Revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability.

#### **Program Service Revenue**

Program service revenue consists of income from RMMFI's educational classes and other programs. These revenues are recognized in the period the services are performed.

#### **Donated Materials and Services**

RMMFI records the value of donated materials or services when there is an objective basis available to measure their value. RMMFI recognizes the estimated fair value of contributed services that meet the following criteria:

- The services rendered either create or enhance nonfinancial assets.
- The services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contribution.

#### **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, 2019, from which the summarized information was derived.

#### **Change in Accounting Principle**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09 - Revenue From Contracts with Customers (Topic 606). The amendments in this ASU, along with numerous clarifications and modifications, require an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. RMMFI adopted this guidance as of October 1, 2019. The adoption of this guidance had no effect on RMMFI's recognition of revenues from contracts with customers.

## ROCKY MOUNTAIN MICROFINANCE INSTITUTE

### Notes to Financial Statements

September 30, 2020 and 2019

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

##### ***Change in Accounting Principle (continued)***

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958) - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in ASU No. 2018-08 assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and in determining whether a contribution transaction is conditional. RMMFI adopted this guidance as of October 1, 2019, with no effect on its recognition of contributions and grants received.

In November 2016, the FASB issued ASU 2016-18, Restricted Cash, which requires that the Statement of Cash Flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash. RMMFI adopted this guidance for the year ended September 30, 2020. The cash, cash equivalents and designated cash, as shown on the statements of cash flows as of October 1, 2018 was increased by \$101,301 to reflect this implementation.

##### ***Recently Issued Accounting Pronouncements***

In February 2016, FASB issued ASU No. 2016-02, Leases (Topic 842), which requires lessees to recognize on the statement of financial condition a right-to-use asset and a lease liability for most lease arrangements with a term greater than one year. The new standard also requires new disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from the leases. ASU 2016-02 is effective for nonpublic companies for fiscal years beginning after December 15, 2021. Early adoption is permitted. RMMFI is currently evaluating the effect that ASU 2016-02 will have on its 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 22, 2021, and this is the date through which subsequent events were evaluated.

**ROCKY MOUNTAIN MICROFINANCE INSTITUTE****Notes to Financial Statements**September 30, 2020 and 2019

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**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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,443,011	\$ 431,789
Designated cash - loan funds	322,955	258,422
Grants and contributions receivable - current	550,399	361,242
Accounts receivable	15,133	21,727
Loans receivable - current	<u>55,998</u>	<u>54,115</u>
Total financial assets	<u>2,387,496</u>	<u>1,127,295</u>
Less:		
Funds designated for the lending program	322,955	258,422
Board designated for an operating reserve	325,940	215,540
Restricted program grants included in cash and cash equivalents	<u>413,736</u>	<u>196,500</u>
	<u>1,062,631</u>	<u>670,462</u>
Total financial assets available within one year	<u>\$ 1,324,865</u>	<u>\$ 456,833</u>

RMMFI had board-designated funds totaling \$325,940 and \$215,540, for operating reserves at September 30, 2020 and 2019, 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 \$322,955 and \$258,422, for future loan funding as of September 30, 2020 and 2019, 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, 2020 and 2019

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**3. Notes Payable**

As of September 30, 2020 and 2019, notes payable consisted of the following:

	<u>2020</u>	<u>2019</u>
<b><i>Lending Program:</i></b>		
Note payable to a foundation for the lending program; interest at 1% payable annually; unsecured; \$150,000 due on June 1, 2026.	\$ 150,000	\$ 150,000
Note payable to a foundation for the lending program; interest at 1% payable annually; unsecured; \$100,000 due on September 23, 2023.	100,000	-
Note payable to a foundation for the lending program; interest at 2% payable annually; unsecured; \$20,000 due in December 2024, remaining balance due in December 2025.	50,000	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	50,000
Note payable to a foundation for the lending program; interest at 2% payable annually; unsecured; \$20,000 due in January 2026, and \$30,000 due in January 2027.	50,000	-
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.	<u>30,000</u>	<u>50,000</u>
Total notes payable – lending program	<u>\$ 430,000</u>	<u>\$ 300,000</u>
<b><i>Facility Improvements:</i></b>		
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>\$ 95,076</u>	<u>\$ 109,108</u>

**ROCKY MOUNTAIN MICROFINANCE INSTITUTE**  
**Notes to Financial Statements**  
September 30, 2020 and 2019

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**3. Notes Payable (continued)**

Future maturities of notes payable are as follows:

<u>Years Ending September 30,</u>	<u>Amount</u>
2021	\$ 36,480
2022	6,805
2023	231,791
2024	-
2025	20,000
Thereafter	<u>230,000</u>
Total	<u>\$ 525,076</u>

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.

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**4. Paycheck Protection Program Loan**

As of September 30, 2020, RMMFI had an outstanding loan of \$142,000 from the Small Business Administration's (SBA) Paycheck Protection Program (PPP), as a result of legislation passed to assist businesses in navigating the Coronavirus pandemic. Under the terms of the original loan agreement, the loan bears interest at a rate of 1% with monthly payments of principal and interest commencing one month after funding and extending for a two-year term. If certain criteria are met, the Small Business Administration will forgive all or a portion of the loan.

Subsequent to executing the loan document, the Paycheck Protection Program Flexibility Act was signed into law which modified the terms of the PPP. The modification to the program also extended the deferral period for payments of principal and interest to the date the SBA remits the borrower's loan forgiveness amount to the lender or, if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower's loan forgiveness covered period (8 or 24 weeks).

While RMMFI believes based upon current information all or substantially all of the loan and accrued interest will be forgiven under the program, under generally accepted accounting principles, any forgiveness is not recognized until a formal forgiveness determination is made by the SBA.

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**5. Property and Equipment**

As of September 30, 2020 and 2019, property and equipment consisted of the following:

<u>Description</u>	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 160,442	\$ 160,442
Technology assets	17,904	14,442
Furniture and equipment	<u>4,092</u>	<u>4,092</u>
	182,438	178,976
Less: Accumulated depreciation	<u>164,825</u>	<u>143,031</u>
Net property and equipment	<u>\$ 17,613</u>	<u>\$ 35,945</u>

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**6. 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, 2020 and 2019:

<u>Description</u>	<u>2020</u>	<u>2019</u>
Rent – headquarters	\$ -	\$ 10,710
Rent – subleased space	9,527	1,580
Marketing	1,500	1,500
Food for event	<u>-</u>	<u>440</u>
	<u>\$ 11,027</u>	<u>\$ 14,230</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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**7. Net Assets With Donor Restrictions**

Net assets with donor restrictions consist of the following:

<u>As of September 30.</u>	<u>2020</u>	<u>2019</u>
<u>Subject to the passage of time:</u>		
Contributions receivable	\$ 550,399	\$ 361,242
<u>Subject to expenditure for specified purpose:</u>		
Programming and capacity	11,415	196,500
Colorado Health Foundation ReBILT program	<u>402,321</u>	<u>-</u>
Total Net Assets with Donor Restrictions	<u>\$ 964,135</u>	<u>\$ 557,742</u>

Net assets totaling \$1,090,648 and \$111,267, were released from net assets with donor restrictions for the years ending September 30, 2020 and 2019, respectively, as a result of RMMFI incurring expenditures satisfying the related restricted purpose.

The Board of Directors of RMMFI has chosen to designate \$325,940 and \$215,540 of net assets without donor restrictions for an operating reserve at September 30, 2020 and 2019, respectively.

Colorado Health Foundation ReBILT Program –

In December 2019, RMMFI was awarded and funded a \$1,000,000 grant from The Colorado Health Foundation (the “Foundation”). The grant funding is meant to deepen RMMFI’s statewide focus on the criminal justice space, increase opportunities for those preparing for re-entry into society from prison, decrease community costs of reincarceration/reintegration and build an environment in which people experiencing incarceration re-enter society with the tools they need to succeed.

The grant agreement includes a provision requiring RMMFI to merge certain of its prison related services with those of Defy Ventures (a Colorado nonprofit organization) by December 31, 2022. Should this “merger” not come to pass, the Foundation may require RMMFI to return any unused funding related to the merger to the Foundation. Subsequent to execution of the grant agreement, RMMFI received a COVID-19 funding restriction release from The Colorado Health Foundation to support its Entrepreneur Responsiveness Program. This program leveraged the \$150,000 of project funds directed to the Defy Ventures merger purpose to support its responsiveness efforts. As of September 30, 2020, \$402,321 of this funding remains unspent and is included in net assets with donor restrictions.

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**8. Employee Benefit Plan**

During the year ended September 30, 2020, RMMFI established a 401(k) retirement plan. All employees are eligible to participate in the plan on their date of hire and to elect how much they would like to contribute per paycheck. This can be a percentage or a dollar amount. At this time, RMMFI does not match or contribute to any employee's 401k account.

## ROCKY MOUNTAIN MICROFINANCE INSTITUTE

### Notes to Financial Statements

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#### 9. Direct Payments

##### Pivot Accelerator Program (PAP) – Forgivable Loans

RMMFI launched the Pivot Accelerator Program to help businesses adapt to new opportunities. RMMFI provided an 8-week program with online classes, 1:1 mentorship, and peer support. Loans of up to \$5,000 were made available to qualified entrepreneurs. The loans were non-interest bearing, contained no closing costs, required no collateral, and did not require a personal guarantee. The loans were structured with 12-month payment terms, with the first payment due at least 6 months after closing. The loans were fully forgivable upon completion of the PAP program expectations. During the year ended September 30, 2020, \$47,394 in PAP loans were issued and forgiven. There are no outstanding PAP loans as of September 30, 2020.

##### We Care - Loan Payment Support

RMMFI implemented the We Care Loan Payment Partnership Program in response to the COVID-19 crisis. This program lifted a financial and psychological burden for entrepreneurs already within RMMFI's network who had their monthly incomes negatively impacted. In the first phase, RMMFI instituted a 3-month payment holiday starting in March 2020 for all RMMFI loans. In the second phase, RMMFI covered monthly payment obligations for all existing RMMFI borrowers from June through December 2020. Additionally, any new loans that closed during 2020 were given a 0% interest rate for year one and a reduced closing cost of 1%. During the year ended September 30, 2020, RMMFI provided \$35,945 in loan payments to entrepreneurs.

##### Colorado Tech Coalition Payments

In July 2020 RMMFI agreed to partner with the Colorado Tech Coalition (Coalition) to provide payment processing services. The Coalition seeks to empower the startup community with focused educational offerings towards real change in behavior and impact in support of the black, indigenous people of color community in Colorado. RMMFI agreed to collect donations and process payments for the Coalition for a fee of 2.8% of collections. Payments were made to contractors to further the overall diversity, equity, and inclusion programs of the Coalition. During the year ended September 30, 2020, RMMFI provided \$35,079 in funding to selected consultants.

##### Community Sponsorships

The murder of George Floyd in May 2020 and the following protests deeply impacted staff, volunteers, and entrepreneurs. At its core, RMMFI recognizes and was created to address inequities in our community. In June 2020 decisions were made by the Board and management to more formalize and deepen the organization's existing commitment to equity. RMMFI became a sponsor of the Juneteenth Music Festival, held a Juneteenth Virtual Marketplace for Black Owned businesses, ran an employee matching campaign for donations made to racial justice organizations, and created an internal Equity Committee. During the year ended September 30, 2020, RMMFI provided \$10,822 in sponsorship funding for this program.

## ROCKY MOUNTAIN MICROFINANCE INSTITUTE

### Notes to Financial Statements

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#### 10. 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, 2020 and 2019, 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. For the year ended September 30, 2019, RMMFI recorded an in-kind donation in the amount of \$10,710 for this space, as discussed in Note 6.

RMMFI entered into a new one-year lease agreement for two spaces from the 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, 2020 and 2019, RMMFI recorded an in-kind donation in the amount of \$9,527 and \$1,580, respectively, for the subleased space, as discussed in Note 6.

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

Years Ending September 30:	
2021	\$ 15,968
2022	16,450
2023	14,050
	<u>\$ 46,468</u>

Rent and occupancy related expense totaled \$29,374 and \$21,140, which includes \$9,527 and \$12,290 in in-kind, for the years ending September 30, 2020 and 2019, respectively.

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#### 11. Risks and Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus as a “pandemic.” First identified in late 2019 and known now as COVID-19, the outbreak has impacted individuals worldwide. In response, many countries have implemented measures to combat the outbreak which have impacted global business operations.

COVID-19 will impact various segments of RMMFI’s fiscal 2021 operations and financial results. Management believes that RMMFI is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.