

Rocky Mountain MicroFinance Institute

Financial Statements with Independent Auditor's Report

Year Ended September 30, 2021

(With Comparative Totals for the Year Ended September 30, 2020)

A large, light gray, three-dimensional geometric shape, resembling a stylized mountain peak or a paper airplane, is positioned on the left side of the page, extending from the bottom left towards the center.

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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, 2021, 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, 2021, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 22, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wipfli LLP

Wipfli LLP

March 28, 2022
Denver, Colorado

ROCKY MOUNTAIN MICROFINANCE INSTITUTE

Statements of Financial Position September 30, 2021 (With Comparative Totals for September 30, 2020)

ASSETS

	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 1,712,350	\$ 1,443,011
Designated cash - loan funds	358,135	322,955
Grants and contributions receivable	900,500	425,399
Government grants receivable	125,000	125,000
Accounts receivable	4,625	15,133
Loans receivable, net	143,239	112,659
Prepaid and other	-	5,433
Property and equipment, net	4,639	17,613
Total Assets	<u>\$ 3,248,488</u>	<u>\$ 2,467,203</u>

LIABILITIES AND NET ASSETS

<u>Liabilities</u>		
Accounts payable	\$ 23,796	\$ 14,418
Accrued expenses	56,282	43,343
Notes payable - lending program	400,000	430,000
Note payable - facility improvements	-	95,076
Paycheck Protection Program Loan	-	142,000
Total Liabilities	<u>480,078</u>	<u>724,837</u>
<u>Net Assets</u>		
Without Donor Restrictions	1,232,571	778,231
With Donor Restrictions	1,535,839	964,135
Total Net Assets	<u>2,768,410</u>	<u>1,742,366</u>
Total Liabilities and Net Assets	<u>\$ 3,248,488</u>	<u>\$ 2,467,203</u>

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

ROCKY MOUNTAIN MICROFINANCE INSTITUTE

Statements of Activities Year Ended September 30, 2021 (With Comparative Totals for the Year Ended September 30, 2020)

	Year Ended September 30, 2021			Total 2020
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and Revenue				
Grants	\$ 662,457	\$ 840,000	\$ 1,502,457	\$ 1,943,730
Contributions	376,623	100,000	476,623	374,644
Government	7,500	352,000	359,500	176,203
Paycheck Protection Program				
Loan forgiveness	333,146	-	333,146	-
In-kind contributions	11,312	-	11,312	11,027
Program service revenue	10,165	-	10,165	6,146
Loan interest and fees	2,554	-	2,554	4,303
Investment interest and other	1,570	-	1,570	2,155
Net assets released from restrictions	720,296	(720,296)	-	-
Total Support and Revenue	<u>2,125,623</u>	<u>571,704</u>	<u>2,697,327</u>	<u>2,518,208</u>
Expenses				
Program services	1,324,661	-	1,324,661	1,151,576
Supporting services				
Management and general	189,793	-	189,793	188,400
Fundraising	156,829	-	156,829	176,295
Total Supporting Services	<u>346,622</u>	<u>-</u>	<u>346,622</u>	<u>364,695</u>
Total Expenses	<u>1,671,283</u>	<u>-</u>	<u>1,671,283</u>	<u>1,516,271</u>
Change in Net Assets	454,340	571,704	1,026,044	1,001,937
NET ASSETS, Beginning of Year	778,231	964,135	1,742,366	740,429
NET ASSETS, End of Year	<u>\$ 1,232,571</u>	<u>\$ 1,535,839</u>	<u>\$ 2,768,410</u>	<u>\$ 1,742,366</u>

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

ROCKY MOUNTAIN MICROFINANCE INSTITUTE

Statements of Functional Expenses Year Ended September 30, 2021 (With Comparative Totals for the Year Ended September 30, 2020)

	Year Ended September 30, 2021					
	Supporting Services			Total Supporting Services	Total	Total 2020
	Program	Management and General	Fund- Raising			
Salaries and wages	\$ 936,011	\$ 135,210	\$ 89,456	\$ 224,666	\$ 1,160,677	\$ 894,264
Payroll taxes	74,431	10,699	7,102	17,801	92,232	66,394
Employee benefits	35,420	5,091	3,379	8,470	43,890	22,593
Total employee expenses	1,045,862	151,000	99,937	250,937	1,296,799	983,251
Direct Payments:						
We Care-Loan payment support	19,920	-	-	-	19,920	35,945
Community sponsorships	5,022	3,348	-	3,348	8,370	10,822
Colorado Tech Coalition payments	4,933	-	-	-	4,933	35,079
Pivot Accelerator-Forgiveable loans	-	-	-	-	-	47,394
Professional fees	61,526	11,692	40,600	52,292	113,818	102,508
Capacity building	37,625	4,703	4,703	9,406	47,031	125,428
Technology	36,134	4,754	3,156	7,910	44,044	24,610
Rent and occupancy	23,320	3,352	2,225	5,577	28,897	29,374
Program delivery expense	22,629	-	-	-	22,629	27,353
Staff development	17,627	2,597	1,677	4,274	21,901	18,731
Depreciation	12,721	1,829	1,214	3,043	15,764	21,794
Office expenses	11,328	2,195	531	2,726	14,054	12,856
Fees and interest expense	11,685	1,796	572	2,368	14,053	11,566
Community engagement	5,543	135	90	225	5,768	5,035
Insurance	1,990	1,009	116	1,125	3,115	3,349
Meetings and conferences	1,802	755	288	1,043	2,845	7,882
Dues and memberships	1,558	390	521	911	2,469	2,279
Development fees and events	1,278	-	851	851	2,129	6,783
In-kind	1,200	-	300	300	1,500	1,500
Materials and supplies	958	238	48	286	1,244	2,367
Bad debts	-	-	-	-	-	365
Total Expenses	\$ 1,324,661	\$ 189,793	\$ 156,829	\$ 346,622	\$ 1,671,283	\$ 1,516,271

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

ROCKY MOUNTAIN MICROFINANCE INSTITUTE

Statements of Cash Flows Year Ended September 30, 2021 (With Comparative Totals for the Year Ended September 30, 2020)

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 1,026,044	\$ 1,001,937
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	15,764	21,794
Paycheck Protection Program Loan debt forgiveness	(333,146)	-
Loan losses, net of recoveries	-	365
(Increase) decrease in operating assets and liabilities:		
Grants and contributions receivable	(475,101)	(189,157)
Accounts receivable	10,508	6,594
Prepaid and other	5,433	(629)
Accounts payable	9,378	4,861
Accrued expenses	12,939	6,318
Net cash from operating activities	271,819	852,083
Cash Flows from Investing Activities		
Purchase of property and equipment	(2,790)	(3,462)
Loan payments received	99,935	115,810
Loans disbursed	(130,515)	(146,644)
Net cash from investing activities	(33,370)	(34,296)
Cash Flows from Financing Activities		
Proceeds from notes payable - lending program	-	150,000
Proceeds from Paycheck Protection Program Loan	191,146	142,000
Payments on notes payable - lending program	(30,000)	(20,000)
Payments on note payable - facility improvements	(95,076)	(14,032)
Net cash from financing activities	66,070	257,968
Net Change in Cash, Cash Equivalents, and Designated Cash	304,519	1,075,755
Cash, Cash Equivalents and Designated Cash, beginning of year	1,765,966	690,211
Cash, Cash Equivalents, and Designated Cash, end of year	\$ 2,070,485	\$ 1,765,966
Cash, Cash Equivalents, and Designated Cash consist of the following:		
Cash and cash equivalents	\$ 1,712,350	\$ 1,443,011
Cash designated for the loan funds	358,135	322,955
Total	\$ 2,070,485	\$ 1,765,966
Supplemental Information:		
Fees and interest paid	\$ 14,053	\$ 11,566
Non-Cash Financing Activities:		
Forgiveness of Paycheck Protection Program loans	\$ 333,146	\$ -

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

ROCKY MOUNTAIN MICROFINANCE INSTITUTE

Notes to Financial Statements

September 30, 2021 and 2020

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 creates the space for communities and people of all backgrounds to realize their unique potential through the power of entrepreneurship. RMMFI invests in entrepreneurs’ personal and business development through a proven mix of classroom, coaching, capital, and community. Since 2008, RMMFI has supported the launch or expansion of more than 300 businesses in Colorado, 90% of which are owned by women and/or people of color, and lent over \$878,000 through more than 300 loans with a 94% repayment rate. Intentionally built along the Idea, Launch, and Thrive business incubator pathway, RMMFI’s programs help entrepreneurs build strong foundations in both their businesses and their lives. RMMFI’s holistic approach brings people, businesses, and communities together to allow individuals to tap into the social and economic benefits of business ownership and create impact for their business, their household, and their 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 and a loan loss 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, 2021 and 2020

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, 2021 and 2020, 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.

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, 2021 and 2020

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, 2021, outstanding loan amounts ranged from \$500 to \$25,700, 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 \$1,488 during the year ended September 30, 2020. No amounts were written-off during the year ended September 30, 2021. Of the amounts written-off, \$1,123 was recovered through the Colorado Credit Reserve Program administered by the Colorado Housing and Finance Authority (CHFA).

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, 2021 and 2020, the total account balance in the CHFA held account was \$52,838 and \$45,449, 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, 2021 and 2020.

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, 2021 and 2020.

ROCKY MOUNTAIN MICROFINANCE INSTITUTE

Notes to Financial Statements

September 30, 2021 and 2020

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

Government Grants Receivable

Government grants receivable consist of amounts due under agreements with Federal and State agencies reduced by the estimated portion that is expected to be uncollectible. RMMFI uses the allowance method to record uncollectible government grants receivable. The allowance is based on prior years' experience and management's analysis of specific amounts. Management has determined that all receivables are collectible as of September 30, 2021 and 2020.

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, 2021 and 2020.

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 identification 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.

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, 2020, from which the summarized information was derived.

ROCKY MOUNTAIN MICROFINANCE INSTITUTE

Notes to Financial Statements

September 30, 2021 and 2020

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

Subsequent Events

RMMFI has evaluated events and transactions for potential recognition or disclosure in the financial statements through March 28, 2022, which is the date the financial statements were available to be issued.

RMMFI has entered into a \$680,188 grant agreement with the State of Colorado, Department of Local Affairs to provide loan funding and entrepreneurship education to the community of North Aurora, Colorado. The agreement's effective date, as amended, is November 6, 2021.

In December 2021, RMMFI entered into a \$100,000 loan agreement with a Foundation for the lending program. The loan bears interest at 1% annually and is unsecured. The outstanding balance is due in December 2026.

Upcoming Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842), which requires lessees to recognize on the statements 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.

In September 2020, the FASB issued ASU No. 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets. The purpose of ASU 2020-07 is to clarify the presentation and disclosure of contributed nonfinancial assets with an intention to provide the reader of the financial statements a clearer understanding of what type of nonfinancial assets were received and how they are used and recognized by RMMFI. ASU 2020-07 is effective for fiscal years beginning after June 15, 2021. Early adoption is permitted. RMMFI is currently evaluating the effect that ASU 2020-07 will have on its financial statements.

ROCKY MOUNTAIN MICROFINANCE INSTITUTE**Notes to Financial Statements**September 30, 2021 and 2020

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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,712,350	\$ 1,443,011
Designated cash - loan funds	358,135	322,955
Grants and contributions receivable	900,500	425,399
Government grants receivable	125,000	125,000
Accounts receivable	4,625	15,133
Loans receivable - current	<u>62,708</u>	<u>55,998</u>
Total financial assets	<u>3,163,318</u>	<u>2,387,496</u>
Less:		
Funds designated for the lending program	358,135	322,955
Board designated for an operating reserve	327,126	325,940
Board designated for loan loss reserves	50,000	-
Restricted program grants included in cash and cash equivalents	<u>510,339</u>	<u>413,736</u>
	<u>1,245,600</u>	<u>1,062,631</u>
Total financial assets available within one year	<u>\$ 1,917,718</u>	<u>\$ 1,324,865</u>

RMMFI had board-designated funds totaling \$327,126 and \$325,940, for operating reserves at September 30, 2021 and 2020, 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.

RMMFI had board-designated funds totaling \$50,000 for loan loss reserves at September 30, 2021. No amounts were designated at September 30, 2020. 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 \$358,135 and \$322,955, for future loan funding as of September 30, 2021 and 2020, 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, 2021 and 2020

3. Notes Payable

As of September 30, 2021 and 2020, notes payable consisted of the following:

	<u>2021</u>	<u>2020</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	\$ 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	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	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. The loan was paid in full in April 2021.	<u>-</u>	<u>30,000</u>
Total notes payable – lending program	<u>\$ 400,000</u>	<u>\$ 430,000</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. The loan was paid in full in September 2021.	<u>\$ -</u>	<u>\$ 95,076</u>

ROCKY MOUNTAIN MICROFINANCE INSTITUTE
Notes to Financial Statements
September 30, 2021 and 2020

3. Notes Payable (continued)

Future maturities of notes payable are as follows:

<u>Years Ending</u> <u>September 30,</u>	<u>Amount</u>
2022	\$ -
2023	150,000
2024	-
2025	20,000
2026	180,000
Thereafter	<u>50,000</u>
Total	<u>\$ 400,000</u>

4. Paycheck Protection Program Loans

Paycheck Protection Program loan, dated April 15, 2020: In March 2020, the Coronavirus Aid, Relief, and Economic Securities (CARES) Act created and funded the Small Business Administration (SBA) Paycheck Protection Program (PPP) to provide loans designated to help small businesses cover their near-term operating expenses and provide an incentive to retain their employees during the COVID-19 pandemic. RMMFI applied for and received a PPP loan of \$142,000 under this program.

RMMFI applied for full loan forgiveness and received forgiveness notification from the SBA that the loan was fully forgiven on April 1, 2021. As such, the loan forgiveness income is recognized in the financial statements for the year ended September 30, 2021, in accordance with ASC 470.

Paycheck Protection Program loan, dated February 16, 2021: RMMFI applied for and received a second PPP loan in the amount of \$191,146 that will be fully forgiven based on satisfying the terms and conditions of the program as discussed above.

On June 29, 2021, RMMFI received notification from the SBA that the second PPP loan was fully forgiven and was recognized into income at that time.

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5. Property and Equipment

As of September 30, 2021 and 2020, property and equipment consisted of the following:

<u>Description</u>	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 160,442	\$ 160,442
Technology assets	20,694	17,904
Furniture and equipment	<u>4,092</u>	<u>4,092</u>
	185,228	182,438
Less: Accumulated depreciation	<u>180,589</u>	<u>164,825</u>
Net property and equipment	<u>\$ 4,639</u>	<u>\$ 17,613</u>

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 ended September 30, 2021 and 2020:

<u>Description</u>	<u>2021</u>	<u>2020</u>
Rent – subleased space	\$ 9,812	\$ 9,527
Marketing	<u>1,500</u>	<u>1,500</u>
Total in-kind	<u>\$ 11,312</u>	<u>\$ 11,027</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>2021</u>	<u>2020</u>
<u>Subject to the passage of time:</u>		
Contributions receivable	\$ 1,025,500	\$ 550,399
<u>Subject to expenditure for specified purpose:</u>		
Programming and capacity	225,249	11,415
Loan funds	82,769	-
Colorado Health Foundation ReBILT program	<u>202,321</u>	<u>402,321</u>
Total Net Assets with Donor Restrictions	<u>\$ 1,535,839</u>	<u>\$ 964,135</u>

Net assets totaling \$720,296 and \$1,090,648, were released from net assets with donor restrictions for the years ended September 30, 2021 and 2020, respectively, as a result of RMMFI incurring expenditures satisfying the related restricted purpose.

The Board of Directors of RMMFI has chosen to designate \$327,126 and \$325,940 of net assets without donor restrictions for an operating reserve at September 30, 2021 and 2020, respectively.

The Board of Directors of RMMFI has chosen to designate \$50,000 of net assets without donor restrictions for loan loss reserves at September 30, 2021. No such Board designation was in place at September 30, 2020.

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 incarceration/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. In March 2020 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, 2021 and 2020, \$202,321 and \$402,321, respectively, 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 401(k) account.

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 were no PAP loans issued during the year ended September 30, 2021. There are no outstanding PAP loans as of September 30, 2021 and 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 years ended September 30, 2021 and 2020, RMMFI provided \$19,920 and \$35,945, respectively, 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 years ended September 30, 2021 and 2020, RMMFI provided \$4,933 and \$35,079, respectively, in funding to selected consultants.

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9. Direct Payments (continued)

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 years ended September 30, 2021 and 2020, RMMFI provided \$8,370 and \$10,822, respectively, in sponsorship funding for this program.

10. Commitments

RMMFI entered into a one-year lease agreement for two spaces from the Housing Authority of the City and County of Denver, 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 years ended September 30, 2021 and 2020, there were no sublease agreements in place. For the years ended September 30, 2021 and 2020, RMMFI recorded an in-kind donation in the amount of \$9,812 and \$9,527, 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:	
2022	\$ 16,450
2023	<u>14,050</u>
Total	<u>\$ 30,500</u>

Rent and occupancy related expense totaled \$28,897 and \$29,374, which includes \$9,812 and \$9,527 in in-kind, for the years ended September 30, 2021 and 2020, respectively.

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 2022 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.