

RURAL MISSOURI, INCORPORATED
d/b/a RMI

Jefferson City, Missouri

INDEPENDENT AUDITOR'S REPORT

For the Years Ended September 30, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Rural Missouri, Incorporated
d/b/a RMI, Incorporated
Jefferson City, Missouri:

Report on the Financial Statements

We have audited the accompanying financial statements of Rural Missouri, Incorporated, d/b/a RMI ("RMI") (a nonprofit organization), which comprise the Statements of Financial Position as of September 30, 2020 and 2019, and the related Statements of Activities, Functional Expenses, and Cash Flows for the years 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 of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RMI as of September 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2021, on our consideration of RMI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RMI's internal control over financial reporting and compliance.

Graves and Associates,
CPAs, LLC

GRAVES AND ASSOCIATES, CPAs, LLC
Jefferson City, Missouri

January 8, 2021

RURAL MISSOURI, INCORPORATED, d/b/a RMI
 STATEMENTS OF FINANCIAL POSITION
 SEPTEMBER 30, 2020 AND 2019

	2020	2019
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 4,777,240	\$ 4,763,619
Accounts Receivable	30,572	19,293
Notes Receivable - Current	295,483	270,048
Total Current Assets	5,103,296	5,052,961
Property and Equipment:		
Land	195,000	195,000
Building and Improvements	449,407	449,407
Equipment	122,020	116,855
Less: Accumulated Depreciation	(301,328)	(281,839)
Net Property and Equipment	465,099	479,423
Other Non-Current Assets:		
Notes Receivable, Net of allowance for doubtful accounts of \$91,830 and \$76,887, respectively	3,925,800	3,663,911
Less: Current Portion of Notes Receivable	(295,483)	(270,048)
Total Other Non-Current Assets	3,630,317	3,393,863
TOTAL ASSETS	\$ 9,198,711	\$ 8,926,247
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts Payable	\$ 232,124	\$ 170,649
Cafeteria Plan Payable	1,650	725
Accrued Annual Leave	-	157,551
Accrued Interest Payable	535	581
Notes Payable - Current Portion	58,323	57,746
Total Current Liabilities	292,632	387,252
Non-Current Liabilities:		
Notes Payable	329,888	387,706
Less: Current Portion of Notes Payable	(58,323)	(57,746)
Total Non-Current Liabilities	271,565	329,960
TOTAL LIABILITIES	564,197	717,212
Net Assets Without External Restrictions		
Available for Operations	6,090,281	5,562,097
Designated - Loan Programs	2,079,134	2,167,514
Invested in Property and Equipment	465,099	479,423
Total Net Assets Without External Restrictions	8,634,514	8,209,035
TOTAL LIABILITIES AND NET ASSETS	\$ 9,198,711	\$ 8,926,247

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

RURAL MISSOURI, INCORPORATED, d/b/a RMI
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
REVENUES:		
Service Fees	\$ 2,392,331	\$ 1,974,679
Interest Income	399,319	419,383
Realized Gain (Loss) on Investment	-	(13,438)
Other	33,650	20,109
Total Revenues	<u>2,825,300</u>	<u>2,400,733</u>
EXPENSES:		
Program Services:		
Intermediary Relending Program	189,711	54,070
Central Office	1,925,802	1,859,388
Total Program Services	<u>2,115,513</u>	<u>1,913,458</u>
Administrative:		
Management and General	284,307	274,724
Total Administrative	<u>284,307</u>	<u>274,724</u>
Total Expenses	<u>2,399,820</u>	<u>2,188,182</u>
Change in Net Assets Without External Restrictions	425,480	212,551
Net Assets - Beginning of Year	<u>8,209,035</u>	<u>7,996,483</u>
Net Assets - End of Year	<u>\$ 8,634,514</u>	<u>\$ 8,209,035</u>

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

RURAL MISSOURI, d/b/a RMI
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Program	Management and General	Total
EXPENSES:			
Salaries	\$ 809,762	\$ 202,441	\$ 1,012,203
Payroll Taxes	61,757	15,439	77,196
Retirement	63,645	15,911	79,557
Employee Insurance	64,015	16,004	80,019
Workers Compensation	1,849	462	2,311
Cafeteria and Pension Service Fees	1,240	310	1,550
Travel	43,428	3,388	46,817
Telephone	20,272	3,577	23,850
Postage	4,680	299	4,980
Supplies	8,385	1,480	9,864
Printing/Imaging/Publishing	2,258	398	2,656
Board Expenses	2,527	446	2,973
Rent	2,056	363	2,419
Utilities	5,669	1,000	6,670
Bad Debt	14,943	-	14,943
Depreciation	16,566	2,923	19,489
Interest Expense	3,830	-	3,830
Maintenance	8,299	1,465	9,764
Service Agreement	1,616	285	1,901
PC Support/Maintenance/Internet	34,689	1,977	36,666
Insurance	20,591	3,634	24,225
Property Taxes	9,552	1,686	11,238
Membership Dues	10,222	921	11,143
Professional Fees	8,827	1,558	10,385
General Corp.-Legal/Rec.	5,137	907	6,044
Marketing	29,606	1,849	31,454
Training/Seminars/Registrations	9,287	256	9,543
Sponsorships	160,349	5,328	165,677
Scholarship and Awards	8,346	-	8,346
Servicing Expenses	675,744	-	675,744
Credit Report Expense	6,365	-	6,365
Total Expenses	<u>\$ 2,115,513</u>	<u>\$ 284,307</u>	<u>\$ 2,399,820</u>

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

RURAL MISSOURI, d/b/a RMI
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Program	Management and General	Total
EXPENSES:			
Salaries	\$ 785,714	\$ 196,429	\$ 982,143
Payroll Taxes	52,928	13,232	66,160
Retirement	53,470	13,367	66,837
Employee Insurance	60,738	15,184	75,922
Workers Compensation	2,295	574	2,869
Cafeteria and Pension Service Fees	1,040	260	1,300
Travel	77,810	6,140	83,950
Telephone	19,628	3,464	23,092
Postage	2,794	225	3,019
Supplies	5,953	1,051	7,004
Printing/Imaging/Publishing	2,696	411	3,107
Board Expenses	3,699	606	4,305
Rent	1,928	340	2,268
Utilities	6,256	1,104	7,360
Bad Debt	69,273	-	69,273
Depreciation	16,361	2,887	19,248
Interest Expense	4,398	-	4,398
Maintenance	12,119	2,139	14,258
Service Agreement	1,405	248	1,653
PC Support/Maintenance/Internet	37,400	2,338	39,738
Insurance	19,692	3,475	23,167
Property Taxes	9,592	1,693	11,285
Membership Dues	12,799	1,302	14,101
Professional Fees	18,105	3,188	21,293
General Corp.-Legal/Rec.	6,621	1,168	7,789
Marketing	30,603	1,886	32,489
Training/Seminars/Registrations	12,606	47	12,652
Sponsorships	106,244	1,966	108,210
Servicing Expenses	474,913	-	474,913
Credit Report Expense	4,379	-	4,379
Total Expenses	\$ 1,913,458	\$ 274,724	\$ 2,188,182

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

RURAL MISSOURI, INCORPORATED, d/b/a RMI
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 425,480	\$ 212,551
Adjustments to Reconcile Excess of Revenue Over (Under)		
Expenses to Net Cash Provided (Used) by Operating Activities:		
Depreciation	19,489	19,248
(Increase) Decrease in:		
Accounts Receivable	(11,279)	(330)
Increase (Decrease) in:		
Accounts Payable	61,475	(9,879)
Accrued Leave	(157,551)	9,719
Accrued Interest Payable	(46)	(51)
Cafeteria Plan Payable	925	525
Total Adjustments	<u>(86,987)</u>	<u>19,232</u>
Net Cash Provided (Used) by Operations	338,492	231,783
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	(5,165)	(4,236)
Sale (Purchase) of Investments	-	88,746
Repayment (Issuance) of Notes	<u>(261,889)</u>	<u>482,028</u>
Net Cash Provided (Used) by Investing Activities	(267,054)	566,538
Cash Flows from Financing Activities:		
Payments on Notes Payable	<u>(57,818)</u>	<u>(57,246)</u>
Net Cash Provided (Used) by Financing Activities	<u>(57,818)</u>	<u>(57,246)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	13,621	741,075
Cash and Cash Equivalents, Beginning of Year	<u>4,763,619</u>	<u>4,022,543</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,777,240</u>	<u>\$ 4,763,619</u>

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

RURAL MISSOURI, INCORPORATED, d/b/a RMI
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

(Continued)

2020

Cash and Cash Equivalents	Beginning of Year	End of Year	Increase (Decrease)
Cash - Checking	\$ 4,763,519	\$ 4,777,140	\$ 13,621
Petty Cash	100	100	-
Total Cash and Cash Equivalents	\$ 4,763,619	\$ 4,777,240	\$ 13,621

Supplemental Disclosures of Cash Flows Information:

Cash paid during the year for:

Interest	\$ 3,830
Taxes	\$ -

2019

Cash and Cash Equivalents	Beginning of Year	End of Year	Increase (Decrease)
Cash - Checking	\$ 4,022,443	\$ 4,763,519	\$ 741,076
Petty Cash	100	100	-
Total Cash and Cash Equivalents	\$ 4,022,543	\$ 4,763,619	\$ 741,076

Cash paid during the year for:

Interest	\$ 4,398
Taxes	\$ -

Disclosure of Accounting Policy:

For purposes of the Statements of Cash Flows, RMI considers all highly liquid debt instruments purchased with a maturity of three months or less from the date of purchase to be cash and cash equivalents.

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

RURAL MISSOURI, INCORPORATED, d/b/a RMI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Background

Rural Missouri, Incorporated, d/b/a RMI, Incorporated (“RMI”), formerly Missouri Associated Migrant Opportunity Service began with manpower programs in March 1966, and operated in three counties of Missouri with the administrative office located in Jefferson City. In 1971, RMI began to emphasize On-Job-Training which more clearly ensured full-time jobs to farm workers at the end of the training period. In 1974, RMI contracted with community-based organizations for program delivery, and in 1978 the program was delivered on a statewide basis. RMI participated in several national demonstration projects, made the necessary program modifications to meet the demands of the changing workforce and comply with regulatory changes to the Comprehensive Employment and Training Act, Job Training Partnership Act, and the Work Force Investment Act. Funding for manpower programs serving migrant and seasonal farm workers terminated with the grant ending June 30, 2005.

On February 25, 1983, the U.S. Small Business Administration (SBA) certified RMI to make loans through the SBA 503 (currently 504) loan program. As identified in NOTE 7, throughout the years RMI received funding from the U.S. Department of Agriculture’s Farmers Home Administration (currently Rural Economic and Community Development) for the Intermediary Relending Program (IRP) and a Rural Business Enterprise Grant establishing the Rural Business Enterprise Loan Fund, from SBA for the Microloan Program and from the U.S. Department of Health and Human Services. In 2004, SBA approved RMI’s expansion into several counties in Illinois and Kansas to make 504 loans. In 2010, SBA approved RMI’s request to be a multi-state Certified Development Company serving Missouri, Kansas, and 10 Illinois counties. In 2017, SBA approved RMI’s expansion into Arkansas; therefore, making RMI a multi-state CDC in three states and 10 counties of Illinois.

Considering the fact that RMI was serving the entire state of Missouri, including the metropolitan area of Kansas City and St. Louis, and later into the states of Kansas, Illinois, and Arkansas, management felt the need to register the fictitious name, d/b/a “RMI.” “RMI” has been used since the 1980s, the fictitious name d/b/a RMI was registered in 2009, and was renewed in 2014.

In 2019, RMI filed the fictitious name “RMI Business Finance,” in addition to “RMI.” The new fictitious name better describes what the organization does.

Basis of Accounting

RMI maintains its records on the accrual basis of accounting. These financial statements are prepared on the accrual basis, where revenue is recognized when earned and expenses are recognized when incurred.

RURAL MISSOURI, INCORPORATED, d/b/a RMI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Presentation

The financial statement presentation follows the requirements of the Financial Accounting Standards Board. Net assets, revenues, gains, and losses are classified based on the existence or absence of grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without External Restrictions

Net assets available for use in general operations and not subject to externally-imposed restrictions.

Net Assets With External Restrictions

Net assets subject to externally-imposed restrictions. Some externally-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the external party. Other externally-imposed restrictions are perpetual in nature, where the external party stipulates that resources be maintained in perpetuity. Externally-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.

The Board of Directors has designated the Loan Loss Reserve Account and the Debt Reserve account for the loan programs.

Income Taxes

RMI is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

RMI considers all highly liquid investments with original maturities of three months or less from the date of purchase to be cash and cash equivalents.

RURAL MISSOURI, INCORPORATED, d/b/a RMI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Notes Receivable

Notes receivable represent lending activities pursuant to RMI's exempt purpose. Loans are stated at unpaid principal balances, less an allowance for loan losses. All loans are collateralized.

The allowance for loan loss is maintained at a level that, in management's judgment, is adequate to absorb credit losses inherent to the loan portfolio. The amount of the allowance is based on management's evaluation of the collectability of the loan portfolio, including the nature of the portfolio, credit concentrations, trends in historical loss experience, specific impaired loans, economic conditions, and other risks inherent in the portfolio. Interest income and fee revenue are recognized when earned.

Due To/Due From Other Funds

The Due to/Due from Other Funds shown in the detailed financial statements in the Supplementary Information is eliminated and not shown in the basic financial statements.

NOTE 2 – CASH AND INVESTMENTS:

Custodial Credit Risk – As of the years ended, the carrying amount of RMI's deposits was \$4,777,240 and \$4,763,619, respectively, and the bank balance was \$4,789,894 and \$4,780,382, respectively.

For the year ended 2020, \$761,128, of the bank balance was covered by Federal Depository Insurance Corporation (FDIC) and a letter of credit. A bank balance of \$3,503,715, was invested in overnight repurchase agreements, that was covered by collateral held at RMI's safekeeping bank agents, in RMI's name. The remaining bank balance of \$525,052, was uncollateralized as of the year ended.

For the year ended 2019, \$33,441, of the bank balance was covered by Federal Depository Insurance Corporation (FDIC). The remaining bank balance of \$4,756,453, invested in overnight repurchase agreements, was covered by collateral held at RMI's safekeeping bank agent, in RMI's name.

NOTE 3 – ACCRUED ANNUAL LEAVE:

RMI considers annual leave as expenditures in the year earned. Unless approved by the Executive Director, all accrued leave must be taken before the effective date of termination computed on the basis of the regular employee's current salary. The total payables as of the years ended were \$0 and \$157,551, respectively. During the year ended 2020, all accrued leave was paid out to employees.

RURAL MISSOURI, INCORPORATED, d/b/a RMI
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS:

Fair value estimates are made at a specific point in time, based on relevant information about the financial instrument. Because no market exists on the notes payable with the Rural Economic Community Development loans, the fair value will equal the carrying amount of the loans outstanding. Fair value estimates are based on judgments regarding future expected loss, conditions, risk characteristics, and other factors. These estimates are subjective in nature; involve uncertainties and matters of judgment; and, therefore, cannot be determined with precision.

NOTE 5 – PROPERTY AND EQUIPMENT:

RMI capitalizes property and equipment purchased at cost in excess of \$500. Office equipment is depreciated over three and five year periods using the straight-line method. The building is depreciated over a 31.5-year life and parking lot over a 15-year life using the straight-line method. The following property and equipment are being depreciated:

<u>2020</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Office Equipment	\$ 122,020	\$ 109,136	\$ 12,883
Building	449,407	192,192	257,215
Total	<u>\$ 571,427</u>	<u>\$ 301,328</u>	<u>\$ 270,099</u>

<u>2019</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Office Equipment	\$ 116,855	\$ 103,977	\$ 12,878
Building	449,407	177,861	271,546
Total	<u>\$ 566,262</u>	<u>\$ 281,839</u>	<u>\$ 284,424</u>

Total depreciation expense for the years ended was \$19,489 and \$19,248, respectively.

NOTE 6 – CONCENTRATIONS OF REVENUE:

RMI derives the majority of its revenue from service fees on federal loans.

RURAL MISSOURI, INCORPORATED, d/b/a RMI
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

NOTE 7 – NOTES RECEIVABLE:

Intermediary Relending Program:

RMI began the IRP Program in September of 1991. RMI was approved by the U.S. Rural Economic Community Development Administration to offer financing to Missouri small businesses. The maximum loan is \$250,000 and may be for 75% or less of the total project cost. The interest rate has a floor of 5% and is fixed at Prime + .75%. Due to current economic conditions the Board of Directors has made the interest rate flexible as well. Funds may be used for property, equipment or working capital. Businesses must be located in non-metro areas of under 50,000 population.

RMI has the capacity to borrow eight million dollars under the program. The loan from the Rural Economic Community Development Administration bears 1% interest and is to be repaid over 30 years with the first two years' payments only being for interest.

As a provision of the IRP Program agreement, RMI is required to establish and maintain the following separate accounts:

As of the years ended, the following loans were outstanding:

IRP				
2020				
<u>Loan</u>	<u>Rate</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
IRP I	5.62%	<u>\$118,990</u>	<u>\$1,652,580</u>	<u>\$1,771,570</u>
2019				
<u>Loan</u>	<u>Rate</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
IRP I	5.62%	<u>\$116,378</u>	<u>\$1,708,784</u>	<u>\$1,825,162</u>

RURAL MISSOURI, INCORPORATED, d/b/a RMI
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

NOTE 7 – NOTES RECEIVABLE: (Continued)

RMI Direct (formerly “Microloan – SBIF 2 Revolving Loans”):

RMI has implemented a loan program based off of the funds originally provided by the Department of Health and Human Services. As a provision of that grant, as the repaid funds are available, RMI will identify potential private sector business investment opportunities, which, by reason of RMI’s investment, will create employment opportunities. This program provides a potential self-perpetuating process for creation of employment opportunities and stimulation of local economies.

As of the years ended, the following loans were outstanding:

2020				
<u>Loan</u>	<u>Rate</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
RMI Direct	5.67%	<u>\$176,493</u>	<u>\$2,069,567</u>	<u>\$2,246,060</u>
2019				
<u>Loan</u>	<u>Rate</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
RMI Direct	5.67%	<u>\$153,670</u>	<u>\$1,761,966</u>	<u>\$1,915,636</u>

NOTE 8 – ALLOWANCE FOR DOUBTFUL ACCOUNTS:

RMI has adopted a policy of estimating and recognizing doubtful accounts. The policy requires RMI to adjust the allowance to 2% of the outstanding loan receivables as of the year ended. In the event that a loan becomes delinquent, it is reviewed and decided if it will be collectible or not. If it is deemed uncollectible, and the amount of the debt will not change the 2% (current) allocation, then the allocation remains at 2% (current rate). If the loan is deemed uncollectible and is a large sum, then the allocation percentage is adjusted accordingly.

In 2019, the calculation for the allowance and that was changed. RMI now calculates 2% of each new RMI Direct and IRP loan and places that in the loan loss reserve. The goal is to have more in the allowance to alleviate a large expense in the event of a liquidation.

RURAL MISSOURI, INCORPORATED, d/b/a RMI
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

NOTE 9 – LONG-TERM DEBT:

Intermediary Relending Program:

As of the years ended, RMI had the following notes payable:

2020					
Note	Rate	Annual		Non-	Total
		Payment	Current	Current	
IRP Loan 04	1%	\$ 41,130	\$39,528	\$81,171	\$120,699
IRP Loan 05	1%	20,565	18,290	190,899	209,189
Total Notes Payable			<u>\$57,818</u>	<u>\$272,070</u>	<u>\$329,888</u>

2019					
Note	Rate	Annual		Non-	Total
		Payment	Current	Current	
IRP Loan 04	1%	\$ 41,130	\$39,456	\$120,772	\$160,227
IRP Loan 05	1%	20,565	18,290	209,189	227,479
Total Notes Payable			<u>\$57,746</u>	<u>\$329,960</u>	<u>\$387,706</u>

IRP Loan 04 maturity of long-term debt is as follows for FY 2020:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 39,850	\$ 1,208	\$ 41,058
2022	40,249	809	41,058
2023	40,600	457	41,080
Total	<u>\$120,699</u>	<u>\$ 2,474</u>	<u>\$123,195</u>

RURAL MISSOURI, INCORPORATED, d/b/a RMI
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

NOTE 9 – LONG-TERM DEBT: (Continued)

Intermediary Relending Program: (Continued)

IRP Loan 05 maturity of long-term debt is as follows for FY 2020:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 18,473	\$ 2,092	\$ 20,565
2022	18,658	1,907	20,565
2023	18,844	1,721	20,565
2024	19,033	1,532	20,565
2025	19,223	1,342	20,565
2026-2030	99,038	3,787	102,825
2031	15,920	165	16,085
Total	<u>\$209,189</u>	<u>\$12,546</u>	<u>\$221,735</u>

For the year ended, RMI pledged all assets in the Intermediary Relending Program (IRP) revolving fund as collateral.

Interest expense for the years ended was \$3,830 and \$4,398, respectively.

NOTE 10 – RETIREMENT PLAN:

A “qualified” defined contribution plan is in effect for the years ended. It covers substantially all employees at 7% of annual compensation. Effective January 1, 2009, the employer reduced the rate to 4%, with an additional employer match up to 3%, annually. As of the years ended, employer contributions totaled \$79,557 and \$66,837, respectively.

NOTE 11 – CONTINGENT LIABILITIES:

RMI receives federal and state funding for specific purposes that are subject to review and audit. These reviews and audits could lead to a request for reimbursement, or to withholding of future funding for expenses disallowed for noncompliance with the terms of the funding. RMI is not aware of any noncompliance with federal or state provisions that might require it to provide reimbursement.

RURAL MISSOURI, INCORPORATED, d/b/a RMI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

NOTE 12 – UNCERTAIN TAX POSITIONS:

RMI is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and the application of state law. The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, RMI may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. Examples of tax positions include the tax-exempt status of RMI and various positions related to the potential sources of unrelated business taxable income (UBIT). There were no unrecognized tax benefits identified for the years ended, respectively.

RMI files Form 990. RMI is generally no longer subject to examination by the Internal Revenue Service three years after the forms were filed.

NOTE 13 – LIQUIDITY AND AVAILABILITY:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$4,777,240	\$4,763,619
Accounts Receivable	30,572	19,293
Noted Receivable – Current	<u>294,621</u>	<u>270,048</u>
Total	<u>\$5,102,433</u>	<u>\$5,052,961</u>

RURAL MISSOURI, INCORPORATED, d/b/a RMI
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

NOTE 14 – ALLOCATION OF FUNCTIONAL EXPENSES:

Expenses are allocated, as follows:

2020

	Program		Management and General	TOTAL
	RMI	INTERMEDIARY	RMI	
	CENTRAL	RELENDING	ADMINISTRATIVE	
	ACCOUNT	PROGRAM	ACCOUNT	
	80%	0%	20%	
Salaries	\$ 809,762	\$ -	\$ 202,441	\$ 1,012,203
Payroll Taxes	61,757	-	15,439	77,196
Retirement	63,645	-	15,911	79,557
Employee Insurance	64,015	-	16,004	80,019
Workers Compensation	1,849	-	462	2,311
Cafeteria and Pension Service Fees	1,240	-	310	1,550
	80%	5%	15%	
Travel	18,071	1,129	3,388	22,589
Telephone	19,080	1,192	3,577	23,850
Postage	1,596	100	299	1,996
Supplies	7,891	493	1,480	9,864
Printing/Imaging/Publishing	2,125	133	398	2,656
Board Expenses	2,378	149	446	2,973
Rent	1,935	121	363	2,419
Utilities	5,336	333	1,000	6,670
Depreciation	15,591	974	2,923	19,489
Maintenance	7,811	488	1,465	9,764
Service Agreement	1,521	95	285	1,901
PC Support/Maint/Internet	10,546	659	1,977	13,182
Insurance	19,380	1,211	3,634	24,225
Property Taxes	8,990	562	1,686	11,238
Membership Dues	4,915	307	921	6,143
Professional Fees	8,308	519	1,558	10,385
General Corp.-Legal/Rec.	4,835	302	907	6,044
Marketing	9,860	616	1,849	12,325
Training/Seminars/Registrations	1,363	85	256	1,704
Sponsorships	28,416	1,776	5,328	35,520

RURAL MISSOURI, INCORPORATED, d/b/a RMI
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

NOTE 14 – ALLOCATION OF FUNCTIONAL EXPENSES: (Continued)

2019

	Program		Management and General	TOTAL
	RMI	INTERMEDIARY	RMI	
	CENTRAL	RELENDING	ADMINISTRATIVE	
	ACCOUNT	PROGRAM I	ACCOUNT	
	80%	0%	20%	
Salaries	\$ 785,714	\$ -	\$ 196,429	\$ 982,143
Payroll Taxes	52,928	-	13,232	66,160
Retirement	53,469	-	13,367	66,837
Employee Insurance	60,738	-	15,184	75,922
Workers Compensation	2,295	-	574	2,869
Cafeteria and Pension Service Fees	1,040	-	260	1,300
	80%	5%	15%	
Travel	32,747	2,047	6,140	40,934
Telephone	18,474	1,155	3,464	23,092
Postage	1,201	75	225	1,501
Supplies	5,603	350	1,051	7,004
Printing/Imaging/Publishing	2,193	137	411	2,741
Board Expenses	3,230	202	606	4,037
Rent	1,814	113	340	2,268
Utilities	5,888	368	1,104	7,360
Depreciation	15,398	962	2,887	19,248
Maintenance	11,406	713	2,139	14,258
Service Agreement	1,322	83	248	1,653
PC Support/Maint/Internet	12,470	779	2,338	15,587
Insurance	18,534	1,158	3,475	23,167
Property Taxes	9,028	564	1,693	11,285
Membership Dues	6,946	434	1,302	8,682
Professional Fees	17,002	1,063	3,188	21,253
General Corp.-Legal/Rec.	6,231	389	1,168	7,789
Marketing	10,060	629	1,886	12,575
Training/Seminars/Registrations	248	16	47	310
Sponsorships	10,486	655	1,966	13,107

RURAL MISSOURI, INCORPORATED, d/b/a RMI
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

NOTE 15 – RECLASSIFICATION OF NET ASSETS:

During the audit of the year ended September 30, 2020, it was determined a reclassification of net assets between funds as of September 30, 2019, was required for the effects of implementing Accounting Standards Update (ASU) 2016-14, *Not-For-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities* for the year ended September 30, 2019. The overall net effect of this reclassification to net assets is \$0.

Pre-Reclass:

	RMI ADMINISTRATIVE ACCOUNT	RMI CENTRAL ACCOUNT	INTERMEDIARY RELENDING PROGRAM	TOTAL
Net Assets – September 30, 2019	<u>(\$252,132)</u>	<u>\$6,293,652</u>	<u>\$2,167,514</u>	<u>\$8,209,035</u>

Post-Reclass:

	RMI ADMINISTRATIVE ACCOUNT	RMI CENTRAL ACCOUNT	INTERMEDIARY RELENDING PROGRAM	TOTAL
Net Assets – September 30, 2019	<u>\$1,177,101</u>	<u>\$4,864,419</u>	<u>\$2,167,514</u>	<u>\$8,209,035</u>

NOTE 16 – EVALUATION OF SUBSEQUENT EVENTS:

RMI has evaluated subsequent events through January 8, 2021, the date which the financial statements were available to be issued.

On March 11, 2020, Coronavirus (“COVID-19”) was declared a pandemic by the World Health Organization. As of the date of this report, any potential effects of COVID-19, whether operational or financial, for RMI are unknown. An estimate of the actual effects, whether operational or financial, cannot be reasonably determined as of the date of this report.

**SUPPLEMENTARY
INFORMATION**

RURAL MISSOURI, INCORPORATED, d/b/a RMI
STATEMENT OF FINANCIAL POSITION - DETAIL
September 30, 2020

	RMI ADMINISTRATIVE ACCOUNT	RMI CENTRAL ACCOUNT	INTERMEDIARY RELENDING PROGRAM	TOTAL
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 10,828	\$ 4,050,742	\$ 715,671	\$ 4,777,240
Accounts Receivable	-	30,570	2	30,572
Notes Receivable - Current	-	176,493	118,990	295,483
Due from Other Funds	2,351,824	404,094	-	2,755,918
Total Current Assets	<u>2,362,651</u>	<u>4,661,899</u>	<u>834,663</u>	<u>7,859,214</u>
Property and Equipment:				
Land	-	195,000	-	195,000
Building and Improvements	-	449,407	-	449,407
Equipment	-	122,020	-	122,020
Less: Accumulated Depreciation	-	(301,328)	-	(301,328)
Net Property and Equipment	-	<u>465,099</u>	-	<u>465,099</u>
Other Non-Current Assets:				
Notes Receivable, Net of allowance for doubtful accounts of \$91,830	-	2,195,490	1,730,310	3,925,800
Less: Current Portion of Notes Receivable	-	(176,493)	(118,990)	(295,483)
Total Other Non-Current Assets	-	<u>2,018,997</u>	<u>1,611,320</u>	<u>3,630,317</u>
TOTAL ASSETS	<u><u>\$ 2,362,651</u></u>	<u><u>\$ 7,145,995</u></u>	<u><u>\$ 2,445,983</u></u>	<u><u>\$ 11,954,629</u></u>
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts Payable	\$ 9,500	\$ 222,624	-	\$ 232,124
Cafeteria Plan Payable	1,650	-	-	1,650
Accrued Interest Payable	-	-	535	535
Notes Payable - Current Portion	-	-	58,323	58,323
Due to Other Funds	390,808	2,328,684	36,427	2,755,918
Total Current Liabilities	<u>401,958</u>	<u>2,551,308</u>	<u>95,284</u>	<u>3,048,550</u>
Non-Current Liabilities:				
Notes Payable	-	-	329,888	329,888
Less: Current Portion of Notes Payable	-	-	(58,323)	(58,323)
Total Non-Current Liabilities	-	-	<u>271,565</u>	<u>271,565</u>
TOTAL LIABILITIES	<u>401,958</u>	<u>2,551,308</u>	<u>366,849</u>	<u>3,320,115</u>
Net Assets Without External Restrictions				
Available for Operations	1,960,693	4,129,589	-	6,090,281
Designated - Loan Programs	-	-	2,079,134	2,079,134
Invested in Property and Equipment	-	465,099	-	465,099
Total Net Assets Without External Restrictions	<u>1,960,693</u>	<u>4,594,688</u>	<u>2,079,134</u>	<u>8,634,514</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,362,651</u></u>	<u><u>\$ 7,145,995</u></u>	<u><u>\$ 2,445,983</u></u>	<u><u>\$ 11,954,629</u></u>

RURAL MISSOURI, INCORPORATED, d/b/a RMI
STATEMENT OF ACTIVITIES - DETAIL
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	RMI ADMINISTRATIVE ACCOUNT	RMI CENTRAL ACCOUNT	INTERMEDIARY RELENDING PROGRAM	TOTAL
REVENUES:				
Service Fees	\$ -	\$ 2,387,713	\$ 4,618	\$ 2,392,331
Interest Income	15	310,937	88,366	399,319
Other	-	25,304	8,346	33,650
Total Revenues	<u>15</u>	<u>2,723,954</u>	<u>101,330</u>	<u>2,825,300</u>
EXPENSES:				
Program Services:				
Intermediary Relending Program	-	-	189,711	189,711
Central Office	-	1,925,802	-	1,925,802
Total Program Services	<u>-</u>	<u>1,925,802</u>	<u>189,711</u>	<u>2,115,513</u>
Administrative:				
Management and General	284,307	-	-	284,307
Total Administrative	<u>284,307</u>	<u>-</u>	<u>-</u>	<u>284,307</u>
Total Expenses	<u>284,307</u>	<u>1,925,802</u>	<u>189,711</u>	<u>2,399,820</u>
Change in Net Assets Without External Restrictions	(284,292)	798,152	(88,380)	425,480
Transfers (To) From	1,067,884	(1,067,884)	-	-
Net Assets - Beginning of Year - Reclassed	<u>1,177,101</u>	<u>4,864,419</u>	<u>2,167,514</u>	<u>8,209,035</u>
Net Assets - End of Year	<u>\$ 1,960,693</u>	<u>\$ 4,594,688</u>	<u>\$ 2,079,134</u>	<u>\$ 8,634,514</u>

RURAL MISSOURI, d/b/a RMI
STATEMENT OF FUNCTIONAL EXPENSES - DETAIL
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Program		Management and General		TOTAL
	RMI CENTRAL ACCOUNT	INTERMEDIARY RELENDING PROGRAM	RMI ADMINISTRATIVE ACCOUNT		
EXPENSES:					
Salaries	\$ 809,762	\$ -	\$ 202,441		\$ 1,012,203
Payroll Taxes	61,757	-	15,439		77,196
Retirement	63,645	-	15,911		79,557
Employee Insurance	64,015	-	16,004		80,019
Workers Compensation	1,849	-	462		2,311
Cafeteria and Pension Service Fees	1,240	-	310		1,550
Travel	42,299	1,129	3,388		46,817
Telephone	19,080	1,192	3,577		23,850
Postage	4,580	100	299		4,980
Supplies	7,891	493	1,480		9,864
Printing/Imaging/Publishing	2,125	133	398		2,656
Board Expenses	2,378	149	446		2,973
Rent	1,935	121	363		2,419
Utilities	5,336	333	1,000		6,670
Bad Debt	11,853	3,090	-		14,943
Depreciation	15,591	974	2,923		19,489
Interest Expense	-	3,830	-		3,830
Maintenance	7,811	488	1,465		9,764
Service Agreement	1,521	95	285		1,901
PC Support/Maint/Internet	34,030	659	1,977		36,666
Insurance	19,380	1,211	3,634		24,225
Property Taxes	8,990	562	1,686		11,238
Membership Dues	9,915	307	921		11,143
Professional Fees	8,308	519	1,558		10,385
General Corp.-Legal/Rec.	4,835	302	907		6,044
Marketing	28,989	616	1,849		31,454
Training/Seminars/Registrations	9,202	85	256		9,543
Sponsorships	158,573	1,776	5,328		165,677
Miscellaneous	8,346	-	-		8,346
Servicing Expenses	504,201	171,543	-		675,744
Credit Report Expense	6,365	-	-		6,365
Total Expenses	<u>\$ 1,925,802</u>	<u>\$ 189,711</u>	<u>\$ 284,307</u>		<u>\$ 2,399,820</u>

RURAL MISSOURI, INCORPORATED, d/b/a RMI
STATEMENT OF FINANCIAL POSITION - DETAIL
SEPTEMBER 30, 2019

	RMI ADMINISTRATIVE ACCOUNT	RMI CENTRAL ACCOUNT	INTERMEDIARY RELENDING PROGRAM	TOTAL
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 3,210	\$ 3,946,519	\$ 813,890	\$ 4,763,619
Accounts Receivable	-	19,293	-	19,293
Notes Receivable - Current	-	153,670	116,378	270,048
Due from Other Funds	1,341,667	34,471	-	1,376,138
Total Current Assets	<u>1,344,877</u>	<u>4,153,954</u>	<u>930,268</u>	<u>6,429,099</u>
Property and Equipment:				
Land	-	195,000	-	195,000
Building and Improvements	-	449,407	-	449,407
Equipment	-	116,855	-	116,855
Less: Accumulated Depreciation	-	(281,839)	-	(281,839)
Net Property and Equipment	-	<u>479,423</u>	-	<u>479,423</u>
Other Non-Current Assets:				
Notes Receivable, Net of allowance for doubtful accounts of \$76,887	-	1,875,636	1,788,275	3,663,911
Less: Current Portion of Notes Receivable	-	(153,670)	(116,378)	(270,048)
Total Other Non-Current Assets	-	<u>1,721,966</u>	<u>1,671,897</u>	<u>3,393,863</u>
TOTAL ASSETS	<u><u>\$ 1,344,877</u></u>	<u><u>\$ 6,355,343</u></u>	<u><u>\$ 2,602,165</u></u>	<u><u>\$ 10,302,385</u></u>
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts Payable	\$ 9,500	\$ 161,149	\$ -	\$ 170,649
Cafeteria Plan Payable	725	-	-	725
Accrued Annual Leave	157,551	-	-	157,551
Accrued Interest Payable	-	-	581	581
Notes Payable - Current Portion	-	-	57,746	57,746
Due to Other Funds	-	1,329,774	46,363	1,376,138
Total Current Liabilities	<u>167,776</u>	<u>1,490,922</u>	<u>104,691</u>	<u>1,763,390</u>
Non-Current Liabilities:				
Notes Payable	-	-	387,706	387,706
Less: Current Portion of Notes Payable	-	-	(57,746)	(57,746)
Total Non-Current Liabilities	-	-	<u>329,960</u>	<u>329,960</u>
TOTAL LIABILITIES	<u>167,776</u>	<u>1,490,922</u>	<u>434,651</u>	<u>2,093,350</u>
Net Assets Without External Restrictions				
Available for Operations	1,177,101	4,384,996	-	5,562,097
Designated - Loan Programs	-	-	2,167,514	2,167,514
Invested in Property and Equipment	-	479,423	-	479,423
Total Net Assets Without External Restrictions	<u>1,177,101</u>	<u>4,864,419</u>	<u>2,167,514</u>	<u>8,209,035</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,344,877</u></u>	<u><u>\$ 6,355,343</u></u>	<u><u>\$ 2,602,165</u></u>	<u><u>\$ 10,302,385</u></u>

RURAL MISSOURI, INCORPORATED, d/b/a RMI
STATEMENT OF ACTIVITIES - DETAIL
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	RMI ADMINISTRATIVE ACCOUNT	RMI CENTRAL ACCOUNT	INTERMEDIARY RELENDING PROGRAM	TOTAL
REVENUES:				
Service Fees	\$ -	\$ 1,971,371	\$ 3,308	\$ 1,974,679
Interest Income	18	319,755	99,610	419,383
Realized Gain (Loss) on Investment	-	(13,438)	-	(13,438)
Other	-	20,109	-	20,109
Total Revenues	<u>18</u>	<u>2,297,797</u>	<u>102,918</u>	<u>2,400,733</u>
EXPENSES:				
Program Services:				
Intermediary Relending Program	-	-	54,070	54,070
Central Office	-	1,859,388	-	1,859,388
Total Program Services	<u>-</u>	<u>1,859,388</u>	<u>54,070</u>	<u>1,913,458</u>
Administrative:				
Management and General	274,724	-	-	274,724
Total Administrative	<u>274,724</u>	<u>-</u>	<u>-</u>	<u>274,724</u>
Total Expenses	<u>274,724</u>	<u>1,859,388</u>	<u>54,070</u>	<u>2,188,181</u>
Change in Net Assets Without External Restrictions	(274,706)	438,409	48,848	212,552
Transfers (To) From	1,429,233	(1,429,233)	-	-
Net Assets - Beginning of Year	<u>22,574</u>	<u>5,855,243</u>	<u>2,118,666</u>	<u>7,996,483</u>
Net Assets - End of Year	<u>\$ 1,177,101</u>	<u>\$ 4,864,419</u>	<u>\$ 2,167,514</u>	<u>\$ 8,209,035</u>

RURAL MISSOURI, d/b/a RMI
STATEMENT OF FUNCTIONAL EXPENSES - DETAIL
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Program		Management and General		TOTAL
	RMI CENTRAL ACCOUNT	INTERMEDIARY RELENDING PROGRAM	RMI ADMINISTRATIVE ACCOUNT		
EXPENSES:					
Salaries	\$ 785,714	\$ -	\$ 196,429	\$ 982,143	
Payroll Taxes	52,928	-	13,232	66,160	
Retirement	53,470	-	13,367	66,837	
Employee Insurance	60,738	-	15,184	75,922	
Workers Compensation	2,295	-	574	2,869	
Cafeteria and Pension Service Fees	1,040	-	260	1,300	
Travel	75,763	2,047	6,140	83,950	
Telephone	18,474	1,155	3,464	23,092	
Postage	2,719	75	225	3,019	
Supplies	5,603	350	1,051	7,004	
Printing/Imaging/Publishing	2,559	137	411	3,107	
Board Expenses	3,497	202	606	4,305	
Rent	1,814	113	340	2,268	
Utilities	5,888	368	1,104	7,360	
Bad Debt	69,273	-	-	69,273	
Depreciation	15,398	962	2,887	19,248	
Interest Expense	-	4,398	-	4,398	
Maintenance	11,406	713	2,139	14,258	
Service Agreement	1,322	83	248	1,653	
PC Support/Maint/Internet	36,621	779	2,338	39,738	
Insurance	18,534	1,158	3,475	23,167	
Property Taxes	9,028	564	1,693	11,285	
Membership Dues	12,364	434	1,302	14,101	
Professional Fees	17,042	1,063	3,188	21,293	
General Corp.-Legal/Rec.	6,231	389	1,168	7,789	
Marketing	29,974	629	1,886	32,489	
Training/Seminars/Registrations	12,590	16	47	12,652	
Sponsorships	105,589	655	1,966	108,210	
Servicing Expenses	437,134	37,779	-	474,913	
Credit Report Expense	4,379	-	-	4,379	
Total Expenses	<u>\$ 1,859,388</u>	<u>\$ 54,070</u>	<u>\$ 274,724</u>	<u>\$ 2,188,182</u>	

FEDERAL COMPLIANCE
SECTION



3702 West Truman Blvd, Suite 213
Jefferson City, MO 65109

Phone: (573) 893-7700 Fax: (573) 893-6649
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INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Rural Missouri, Incorporated, d/b/a RMI
Jefferson City, Missouri:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Rural Missouri, Incorporated, d/b/a RMI (“RMI”) (a 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, and have issued our report thereon dated January 8, 2021

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered RMI’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of RMI’s internal control. Accordingly, we do not express an opinion on the effectiveness of RMI’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be a significant deficiency. It is finding 2020-001.

RMI's Response to Finding

RMI's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. RMI's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether RMI's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of RMI's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Graves and Associates,
CPAs, LLC

GRAVES AND ASSOCIATES, CPAs, LLC
Jefferson City, Missouri

January 8, 2021

RURAL MISSOURI, INCORPORATED, D/B/A RMI
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

SIGNIFICANT DEFICIENCY

2020-001: Segregation of Duties (Resubmitted)

Criteria: Duties should be segregated so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

Condition: As in many smaller to medium-sized organizations, it is difficult to obtain proper segregation of duties due to the limited number of employees.

Effect: Due to the limited number of employees, RMI might not prevent, or detect and correct misstatements on a timely basis in the normal performance of duties. RMI has mitigating controls in place, but it is not possible to have segregation in all areas.

Recommendation: We recognize that because of limited resources and personnel, management may not be able to achieve a proper segregation of duties. However, professional standards require that we bring this lack of segregation of duties to your attention. We recommend management continue to review these processes accordingly to optimize the functionality of internal controls.

Views of Responsible Officials and Planned Corrective Action: RMI recognizes that the limited number of employees prohibits proper segregation of duties in all areas. RMI will continue to review these processes accordingly to optimize the functionality of internal controls.



CORRECTIVE ACTION PLAN

January 8, 2021

U.S. DEPARTMENT OF AGRICULTURE

Rural Missouri, Incorporated, d/b/a RMI (“RMI”) respectfully submits the following corrective action plan for the year ended September 30, 2020.

Contact Information for the individual responsible for the corrective action:

Zola Finch, Executive Director
Rural Missouri, Inc.
3324 Emerald Lane
Jefferson City, MO 65109

Independent Public Accounting Firm:
Graves and Associates, CPAs, LLC
3702 West Truman Blvd, Suite 213
Jefferson City, MO 65109

Audit Period: Year ended September 30, 2020

The finding from the Schedule of Findings and Responses are discussed below. The finding is numbered consistently with the numbers assigned in the Schedule.



CORRECTIVE ACTION PLAN (Continued)

January 8, 2021

FINDINGS – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCY:

2020-001: Segregation of Duties (Resubmitted)

Criteria: Duties should be segregated so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

Condition: As in many smaller to medium-sized organizations, it is difficult to obtain proper segregation of duties due to the limited number of employees.

Effect: Due to the limited number of employees, RMI might not prevent, or detect and correct misstatements on a timely basis in the normal performance of duties. RMI has mitigating controls in place, but it is not possible to have segregation in all areas.

Recommendation: We recognize that because of limited resources and personnel, management may not be able to achieve a proper segregation of duties. However, professional standards require that we bring this lack of segregation of duties to your attention. We recommend management continue to review these processes accordingly to optimize the functionality of internal controls.

Views of Responsible Officials and Planned Corrective Action: RMI recognizes that the limited number of employees prohibits proper segregation of duties in all areas. RMI will continue to review these processes accordingly to optimize the functionality of internal controls.

Completion Date: Not Applicable

Sincerely,

Zola Finch, Executive Director
Rural Missouri, Incorporated, d/b/a RMI