

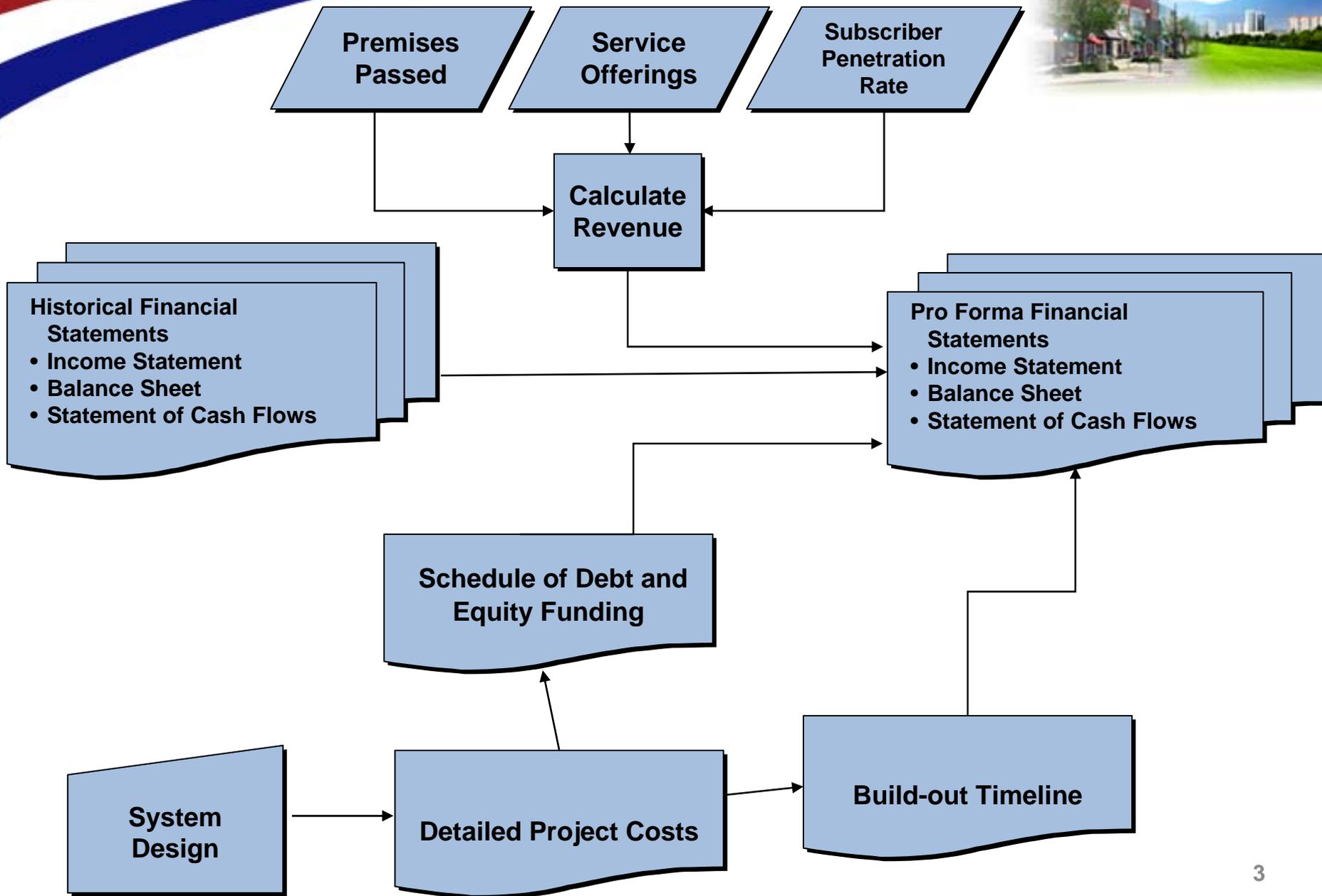
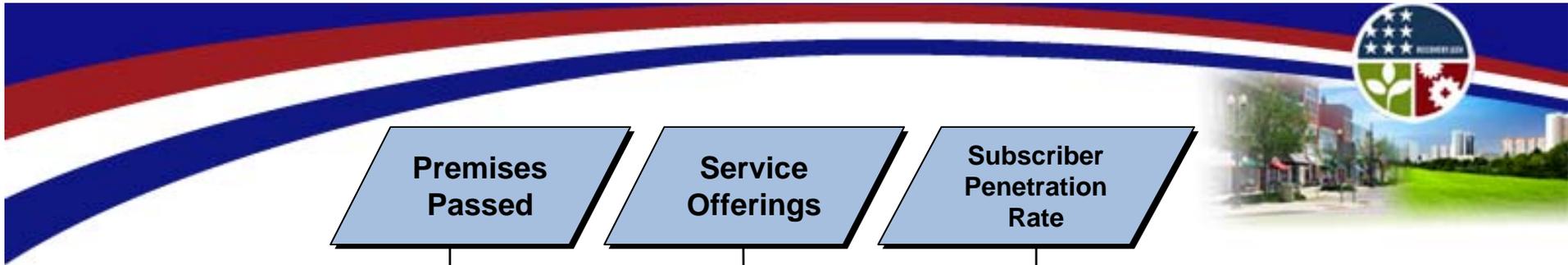
BIP Financial Review





Lessons Learned from Round 1

- Balance Sheet, Income Statement and Statement of Cash Flows were incomplete or did not tie together.
- Pro Forma Financial Forecasts were not provided at the Applicant level.
- Pro Forma statements did not tie to other sections of the application.
- Insufficient assumptions to support the Pro Forma statements provided.
- Applicants used a variety of methods to account for grant funds.



Pro Forma Financial Forecast



- We strongly recommend that applicants use the RUS Pro Forma Financial Forecast templates that will be available in EZGrants.
- Pro Forma must follow all GAAP rules.
- A qualified individual should prepare the financial Pro Formas.
- Pro Forma must be for applicant and inclusive of the applicant's entire operations, including existing operations.
- The historical financial statements should be the baseline for the forecast. Year 1 should be assumed as the first full year where award funding will be received.
- Failure to follow proper financial statement construction may cause your project to be scored incorrectly or be incomplete/ineligible for funding.

Pro Forma (cont'd)



- Single Applicant Requirements – showing two historical years and a five year forecast
 - Existing operations (if applicable) plus the project
- Multiple Applicant Requirements
 - 3 Sets of Pro Forma Financial Statements – showing two historical years and a five year forecast
 - Existing operations (if applicable)
 - Existing operations (if applicable) plus the project
 - Existing operations (if applicable) plus all projects combined
 - Reconciliation Schedule
 - Commitment from Investors

Accounting for Grant Funds



- Round 1 – applicants used a variety of methods
- Round 2 – new guidance is available for applicants
 - Ensures uniform treatment for grants received and enables RUS to evaluate every applicant’s Pro Forma Financial Forecast fairly and consistently.
 - Additional guidance is available here:
 - <http://www.usda.gov/rus/pasd/Accounting%20for%20grants%20on%20letterhead.pdf>
- All grant dollars received should be treated as revenue, but since all BIP grants are used to purchase Capital Assets, the BIP grant funds should be amortized over the life of those assets purchased.



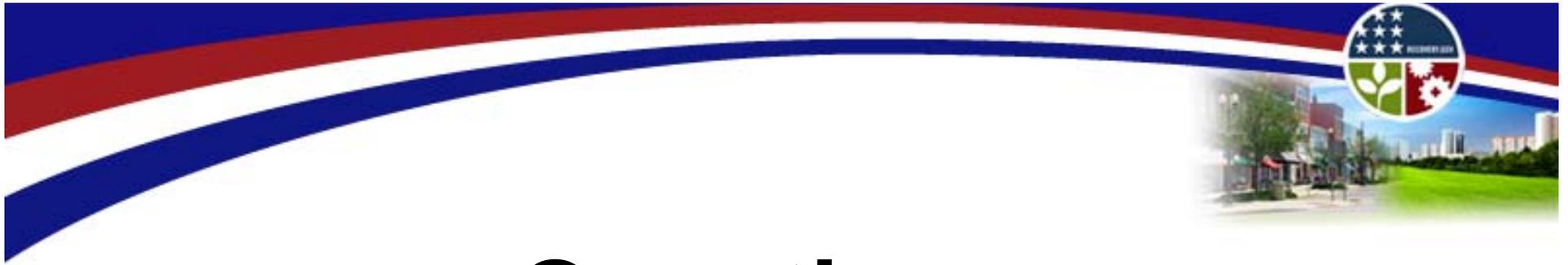
Assumptions

- **Must include an explanation for every line item in the Pro Forma Income Statement, Balance Sheet and Statement of Cash Flows.**
- RUS must be able to not only understand how the projections are derived but also be able to re-create the Pro Forma Financial Statements.
- Describe any differences between what is presented in the historical years shown on the Pro Forma Financial Forecast and the historical financial statement upload (i.e.: consolidation of accounts).

Minimum Requirements



- Applicant is able to generate sufficient revenues to cover its expenses;
- Has sufficient cash flow to service its debts and obligations as they come due;
- Meets the minimum TIER of 1.0 and Current Ratio of 1.0 by end of Year 5 of the forecast period; and
- Demonstrates a positive cash balance for each year of the forecast period.



Questions:

Please direct all questions not answered during this presentation to the Broadband USA Help Desk:

Phone: 877-508-8364

Email: BroadbandUSA@usda.gov