

**MOUNTAIN BIZCAPITAL, INC.  
d/b/a MOUNTAIN BIZWORKS**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2019**

**MOUNTAIN BIZCAPITAL, INC.  
d/b/a MOUNTAIN BIZWORKS**

**OFFICERS**

Gary Heisey  
Michael Mooney  
Leah Mayberry  
Rebecca Crandall

Chair  
Vice-Chair  
Treasurer  
Secretary

**BOARD OF DIRECTORS**

Erica Anderson  
Tim Herdklotz  
Ray Green  
Leah Mayberry  
Gary Heisey  
James Lee, III  
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Sophia Paulos  
Esteve Coll-Larossa  
Michael Mooney  
Fred Waldkoetter  
Terry Young  
Rebecca Crandall  
Tim Schaller

**EXECUTIVE DIRECTOR**

Patrick Fitzsimmons/Matt Raker

**MOUNTAIN BIZCAPITAL, INC.**  
**d/b/a MOUNTAIN BIZWORKS**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Mountain BizCapital, Inc.  
d/b/a Mountain BizWorks  
Asheville, North Carolina

We have audited the accompanying financial statements of Mountain BizCapital, Inc. d/b/a Mountain BizWorks (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States 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 audit. We conducted our audit 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 of 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.

Members  
American Institute of Certified Public Accountants  
S.C. Association of Certified Public Accountants



To the Board of Directors  
Mountain BizCapital, Inc.  
d/b/a Mountain BizWorks  
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## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mountain BizCapital, Inc. d/b/a Mountain BizWorks as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the Mountain BizCapital, Inc.'s 2018 financial statements, and our report dated March 18, 2019, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 March 18, 2020, on our consideration of Mountain BizCapital, Inc.'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 solely 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 the effectiveness of Mountain BizCapital, Inc.'s 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 Mountain BizCapital, Inc.'s internal control over financial reporting and compliance.

***McKinley, Cooper & Co., LLC***

Greenville, South Carolina  
March 18, 2020

**MOUNTAIN BIZCAPITAL, INC.**  
d/b/a MOUNTAIN BIZWORKS

**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2019**  
**(with comparative totals for 2018)**

<b>ASSETS</b>	<u>2019</u>	<u>2018</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 3,628,701	\$ 3,575,579
Interest receivable	76,277	76,276
Loans receivable, net of allowance, current portion	2,204,173	2,082,164
Note receivable, current portion	7,922	7,765
Grants receivable	556,068	297,447
Other receivables	14,676	6,117
Property available for sale	18,426	18,426
Total current assets	<u>6,506,243</u>	<u>6,063,774</u>
<b>Other Assets</b>		
Property and equipment, net of accumulated depreciation	772,453	801,109
Loans receivable, net of allowance, net of current portion	7,713,973	7,518,308
Note receivable, net of current portion	8,081	16,003
Total other assets	<u>8,494,507</u>	<u>8,335,420</u>
<b>Total assets</b>	<u><u>\$ 15,000,750</u></u>	<u><u>\$ 14,399,194</u></u>
 <b>LIABILITIES</b>		
<b>Current liabilities</b>		
Notes payable, current maturities	\$ 984,916	\$ 991,788
Mortgages payable, current maturities	34,908	33,119
Accounts payable	-	8,935
Payroll liabilities	12,570	13,734
Other current liabilities	10,881	11,180
Total current liabilities	<u>1,043,275</u>	<u>1,058,756</u>
<b>Long-term liabilities</b>		
Notes payable, net of current portion	8,124,885	7,712,860
Mortgages payable, net of current portion	627,633	662,637
Total long-term liabilities	<u>8,752,518</u>	<u>8,375,497</u>
<b>Total liabilities</b>	<u>9,795,793</u>	<u>9,434,253</u>
<b>EQUITY EQUIVALENT</b>	<u>400,000</u>	<u>597,000</u>
 <b>NET ASSETS</b>		
Without donor restrictions	1,882,820	2,719,025
With donor restrictions	2,922,137	1,648,916
<b>Total net assets</b>	<u>4,804,957</u>	<u>4,367,941</u>
<b>Total liabilities, equity equivalent, and net assets</b>	<u><u>\$ 15,000,750</u></u>	<u><u>\$ 14,399,194</u></u>

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

**MOUNTAIN BIZCAPITAL, INC.**  
**d/b/a MOUNTAIN BIZWORKS**

**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2019**  
**(with comparative totals for 2018)**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>2019 Total</b>	<b>2018 Total</b>
<b>REVENUE AND SUPPORT</b>				
Federal grants	\$ 12,500	\$ 1,086,527	\$ 1,099,027	\$ 1,332,795
State, local, and federal pass-through grants	75,688	-	75,688	76,861
Foundation and private grants	61,921	195,452	257,373	503,090
Contributions	7,710	-	7,710	7,880
Program and service fees	386,395	-	386,395	277,324
Interest income	923,168	-	923,168	797,518
Recoveries	-	-	-	168,567
Other income	9,371	-	9,371	11,503
Net assets released from restriction	8,758	(8,758)	-	-
<b>Total revenue and support</b>	<b>1,485,511</b>	<b>1,273,221</b>	<b>2,758,732</b>	<b>3,175,538</b>
<b>EXPENSES</b>				
Program services	1,973,487	-	1,973,487	1,626,226
Management and general	297,927	-	297,927	253,413
Fundraising	50,302	-	50,302	43,184
<b>Total expenses</b>	<b>2,321,716</b>	<b>-</b>	<b>2,321,716</b>	<b>1,922,823</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>(836,205)</b>	<b>1,273,221</b>	<b>437,016</b>	<b>1,252,715</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>2,719,025</b>	<b>1,648,916</b>	<b>4,367,941</b>	<b>3,115,226</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 1,882,820</b>	<b>\$ 2,922,137</b>	<b>\$ 4,804,957</b>	<b>\$ 4,367,941</b>

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

**MOUNTAIN BIZCAPITAL, INC.**  
**d/b/a MOUNTAIN BIZWORKS**

**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2019**  
**(with comparative totals for 2018)**

	Program	Management and General	Fundraising	Total	
				2019	2018
Salaries	\$ 702,817	\$ 110,080	\$ 33,871	\$ 846,768	\$ 737,451
Payroll taxes	55,788	8,738	2,689	67,215	60,857
Benefits	71,744	11,237	3,457	86,438	74,671
Other	4,142	649	199	4,990	2,508
Total salaries and related expenses	834,491	130,704	40,216	1,005,411	875,487
Occupancy expenses					
Rent, parking and other	7,606	1,191	367	9,164	6,563
Cleaning and shredding	2,657	416	128	3,201	4,262
Utilities and security	4,478	701	216	5,395	5,126
Repairs and maintenance	2,432	381	117	2,930	5,123
Telephone and internet	4,270	669	206	5,145	5,457
Condo fees and real estate taxes	16,800	2,631	810	20,241	18,092
Travel and meetings					
Travel	16,104	2,522	777	19,403	14,878
Conference fees	3,827	599	185	4,611	3,640
Meetings and other	10,657	1,669	514	12,840	8,820
Office expenses					
Bank charges and SBA CA fees	9,869	1,546	475	11,890	11,998
Copier, computer and printing supplies	10,766	1,686	519	12,971	12,610
Dues and subscriptions	10,587	1,658	510	12,755	12,436
Insurance	9,250	1,449	445	11,144	11,282
IT and database management, website	37,561	5,883	1,810	45,254	16,593
Marketing	34,636	5,425	1,669	41,730	25,128
Office supplies and equipment	10,746	1,683	518	12,947	17,747
Licenses, fees and taxes	438	69	21	528	1,063
Postage and delivery	2,126	333	102	2,561	1,548
Cell phone	3,237	507	156	3,900	3,187
Professional fees					
Accounting and audit	8,485	1,329	409	10,223	9,700
Legal	2,750	431	132	3,313	8,783
Business coaches	321,809	-	-	321,809	195,137
Scale-up Program contractors	57,814	-	-	57,814	4,120
Program expenses - Scale-up specialists and other	132,855	-	-	132,855	22,565
Loan loss expense, net of recoveries	340,888	-	-	340,888	446,432
Other operating expenses	6,986	1,747	-	8,733	9,365
Total expenses before interest and depreciation	1,904,125	165,229	50,302	2,119,656	1,757,142
Interest expense	69,362	104,042	-	173,404	134,542
Depreciation	-	28,656	-	28,656	31,139
Total expenses	<u>\$ 1,973,487</u>	<u>\$ 297,927</u>	<u>\$ 50,302</u>	<u>\$ 2,321,716</u>	<u>\$ 1,922,823</u>

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



**MOUNTAIN BIZCAPITAL, INC.**  
**d/b/a MOUNTAIN BIZWORKS**

**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2019**  
**(with comparative totals for 2018)**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 437,016	\$ 1,252,715
Adjustments to reconcile changes in net assets to cash provided (used) by operating activities		
Depreciation	28,656	31,139
Provision for loan losses	121,382	293,374
Changes in operating assets and liabilities		
Interest receivable	(1)	(27,691)
Loans receivable	(439,056)	(3,185,286)
Grants receivable	(258,621)	(110,519)
Other receivables	(8,559)	(1,360)
Prepaid expenses	-	3,886
Accounts payable	(8,935)	(1,837)
Payroll liabilities	(1,164)	3,546
Other current liabilities	(299)	819
<b>Net cash (used) by operating activities</b>	<b>(129,581)</b>	<b>(1,741,214)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from equity equivalent	-	400,000
Repayment of equity equivalent	(197,000)	-
Proceeds from notes payable and mortgage	1,084,044	3,099,535
Repayment of notes and mortgages payable	(712,106)	(1,585,744)
Net cash provided by financing activities	174,938	1,913,791
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Receipts from note receivable	7,765	7,612
Net cash provided by investing activities	7,765	7,612
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	53,122	180,189
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	3,575,579	3,395,390
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 3,628,701	\$ 3,575,579
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 173,404	\$ 134,542

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

**MOUNTAIN BIZCAPITAL, INC.  
d/b/a MOUNTAIN BIZWORKS**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Mountain BizCapital, Inc. d/b/a Mountain BizWorks (“MBC”) was established in 2002 as a nonprofit corporation under the laws of the State of North Carolina. When established, the primary purpose of MBC was to provide direct small business micro-lending. In April 2003, MBC was certified as a Community Development Financial Institution by the Community Development Financial Institutions Fund of the U.S. Department of the Treasury. On July 1, 2011, a common board of directors approved the merger of MBC and Mountain BizWorks, Inc. (“MBW”) with MBC being the surviving entity. MBC has continued MBW’s services doing business as Mountain BizWorks, which includes small business lending, consulting, training, technical assistance, and support for starting and expanding small businesses.

**Basis of Accounting**

The financial statements of MBC have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

**Net Assets**

MBC has adopted ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities, as it relates to net asset classification and liquidity disclosure. This requires MBC to report donor contributions as unrestricted support or restricted support, in accordance with donor stipulations.

Net assets without donor restrictions represent resources whose use is not limited or restricted by donors. They generally arise as a result of exchange transactions, unrestricted contributions, or restricted contributions whose restrictions have expired. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Net assets with donor restrictions are those net assets whose use has been limited by donors to specified purposes or to later periods of time.

**Cash and Cash Equivalents**

MBC considers all cash and short-term investments with an original maturity of three months or less to be cash equivalents. As required by certain loan covenants for its lending operations, MBC has established loan loss reserves for the years ended December 31, 2019 and 2018, which are included in cash and cash equivalents. These reserves, as with their related loan pools, are maintained in separate bank accounts. At December 31, 2019 and 2018, loan loss reserves totaled \$744,963 and \$634,981, respectively.

**MOUNTAIN BIZCAPITAL, INC.**  
**d/b/a MOUNTAIN BIZWORKS**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**Loans Receivable**

Loans are stated at unpaid principal balances, less an allowance for loan losses. The allowance is based on management's assessment of the current status of the individual accounts. Loans receivable are considered delinquent once MBC deems contractual terms of the loan have been violated and are written off when the balance is considered uncollectible.

Interest income on loans receivable is accrued based on the loan balance and the interest rate stated in individual loan agreements, ranging from 7.25% to 12%. Once a loan receivable is determined to be uncollectible and written off, MBC no longer recognizes interest income on the loan balance. Any payments received on loans previously written off are recorded as loan loss recoveries.

**Grants Receivable**

Grants receivable consist of grants awarded but not received as of December 31, 2019. Management considers all grants to be fully collectible; therefore, no allowance has been made. All balances are expected to be received within 24 months.

**Property and Equipment**

Additions to property and equipment, if purchased, are recorded at cost. If received as a gift, they are recorded at the estimated fair value at the date of the gift. Major renewals and replacements are capitalized as incurred. Expenditures for repairs and maintenance that do not improve or extend the life of the asset are expensed as incurred. Items with an estimated useful life extending beyond one year and that cost at least \$5,000 are capitalized. Cash or other assets whose use is restricted to acquire long-lived assets are recorded as temporarily restricted until such assets are acquired. All long-lived assets are recorded as unrestricted assets.

Depreciation is computed using the straight-line method based on the estimated useful life of each class of depreciable assets, which are as follows:

Buildings and improvements	5 - 39 years
Equipment and software	3 - 10 years
Vehicles	5 years

**Fair Value Measurements and Disclosures**

The carrying values of cash and cash equivalents, other receivables, and accounts payable and accruals approximate fair value because of the terms and relative short maturity of financial instruments. The carrying value of loans receivable and long-term debt approximates its fair values, since interest rates approximate market rates.

**Grants Revenue Recognition**

Governmental grant and contract revenue received on a cost-reimbursement basis is recognized in income as related expenses are incurred.

**MOUNTAIN BIZCAPITAL, INC.**  
**d/b/a MOUNTAIN BIZWORKS**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**Recognition of Donor Restrictions**

Contributions that are restricted by the donor are reported as increases in unrestricted net assets, if the restrictions expire (that is, when the stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Advertising**

Advertising costs are expensed as incurred. For the years ended December 31, 2019 and 2018, the amount charged to expense was \$41,730 and \$25,128, respectively.

**Income Tax Status**

MBC has obtained exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and exempt from state income taxes under the North Carolina Non-profit Corporation Act. Therefore, no provision for income taxes has been included in the financial statements.

The Financial Accounting Standards Board (FASB) ASC 740-10 prescribes a comprehensive model for how an organization should measure, recognize, present, and disclose in its financial statements uncertain tax positions that the Organization has taken or expects to take on a tax return. In accordance with FASB ASC 740-10, MBC recognizes the tax benefits from uncertain tax positions only if it is more-likely-than-not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. MBC's income tax filings are subject to audit by various taxing authorities. Management believes there was no impact on MBC's financial statements as a result of ASC 740-10.

**Allocation of Expenses**

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. The Organization reports its expenses on a functional basis among program, management and general, and fundraising. Expenses that can be identified with a specific function are charged directly to the function according to their nature and expenditure classification. Other expenses that are common to two or more functions are allocated by statistical means.

**Indirect Cost Allocation Plan**

In accordance with Title 2 CFR Part 200 of the Uniform Guidance, MBC has adopted a cost allocation method for allocating indirect costs to programs and activities. Under the method adopted, indirect costs are accumulated in a pool. Monthly, the costs in the pool are allocated to the programs and activities based on direct salaries charged to each program or activity that month.

**MOUNTAIN BIZCAPITAL, INC.**  
**d/b/a MOUNTAIN BIZWORKS**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

**Prior Period Information**

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with MBC's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

**NOTE 2 – LIQUIDITY AND AVAILABILITY OF FUNDS**

MBC's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

	<u>2019</u>
Cash - operations	\$ 370,521
Cash -unrestricted	798,336
Current portion of loans and interest receivable	2,288,372
Grants and other receivables	<u>570,744</u>
Total financial assets as of year end	<u>4,027,973</u>
<b>Total financial assets available to meet general expenditures within the next 12 months</b>	<u><u>\$ 4,027,973</u></u>

As part of MBC's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, MBC invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, MBC has a committed line of credit in the amount of \$500,000, which it could draw upon.

**NOTE 3 – RESTRICTIONS ON ASSETS**

Net assets with donor restrictions are available for the following purposes:

**MOUNTAIN BIZCAPITAL, INC.**  
**d/b/a MOUNTAIN BIZWORKS**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

December 31,	2019	2018
Future general operations	\$ 195,452	\$ 217,852
EDA loan program	257,942	142,915
SBA loan program	1,266,825	634,284
USDA loan programs	1,201,918	653,865
Net assets with donor restrictions	\$ 2,922,137	\$ 1,648,916

**NOTE 4 – FUNDS HELD FOR LENDING**

MBC had cash available for lending in the following loan pools as of December 31, 2019 and 2018:

Funding Sources	2019	2018
USDA Intermediary Relending Program	\$ 440,219	\$ 116,665
USDA Rural Microentrepreneur Assistance Program	181,240	252,108
USDA SMDC	36,845	26,390
SBA Microloan Program	429,333	664,735
MBC Equity Loan Pool	893,967	946,291
Advantage Opportunity Program	166,861	102,199
Economic Development Administration	257,942	142,915
Total Cash Held for Lending and Cash Reserves	\$ 2,406,407	\$ 2,251,303

In addition, MBC had cash reserved for loan loss in the following loan pools as of December 31, 2019 and 2018:

Funding Sources	2019	2018
USDA - IRP	\$ 133,286	\$ 125,565
USDA - RMAP	53,500	49,500
SBA Microloan	558,177	459,916
Total	\$ 744,963	\$ 634,981

MBC has made lines of credit available to some of its borrowers. Included in the above cash pools are distributable lines of credit issued. At December 31, 2019 and 2018, undisbursed cash relating to undrawn loans totaled \$359,360 and \$491,627, respectively.

**MOUNTAIN BIZCAPITAL, INC.**  
**d/b/a MOUNTAIN BIZWORKS**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 5 – LOANS RECEIVABLE**

Information on MBC's loans receivable is shown below by funding source:

December 31, 2019	Loans Receivable	Allowance for Loan Losses	Net Receivable
USDA Intermediary Relending Program	\$ 1,905,378	\$ 149,260	\$ 1,756,118
USDA Rural Microentrepreneur Assistance Program	1,155,852	123,976	1,031,876
USDA SMDC	18,834	1,883	16,951
SBA Microloan Program	3,790,123	402,592	3,387,531
Economic Development Administration	1,379,682	48,775	1,330,907
MBC Equity and Private Lenders	2,638,689	441,269	2,197,420
Advantage Opportunity Funds	273,391	76,048	197,343
	<u>11,161,949</u>	<u>1,243,803</u>	<u>9,918,146</u>
Less, current portion	<u>2,480,591</u>	<u>276,418</u>	<u>2,204,173</u>
Loans receivable, net of current portion	<u>\$ 8,681,358</u>	<u>\$ 967,385</u>	<u>\$ 7,713,973</u>

December 31, 2018	Loans Receivable	Allowance for Loan Losses	Net Receivable
USDA Intermediary Relending Program	\$ 2,107,848	\$ 162,671	\$ 1,945,177
USDA Rural Microentrepreneur Assistance Program	961,892	154,375	807,517
USDA SMDC	27,365	2,737	24,628
SBA Microloan Program	3,470,033	335,249	3,134,784
Economic Development Administration	1,421,885	29,640	1,392,245
MBC Equity and Private Lenders	2,343,639	304,713	2,038,926
Advantage Opportunity Funds	390,231	133,036	257,195
	<u>10,722,893</u>	<u>1,122,421</u>	<u>9,600,472</u>
Less, current portion	<u>2,325,596</u>	<u>243,432</u>	<u>2,082,164</u>
Loans receivable, net of current portion	<u>\$ 8,397,297</u>	<u>\$ 878,989</u>	<u>\$ 7,518,308</u>

Changes in MBC's allowance for loan losses are summarized as follows:

	2019	2018
Balance - allowance for loan losses, beginning of year	\$ 1,122,421	\$ 829,047
Loan loss expense	340,888	446,432
Write-offs - current year	(256,071)	(153,058)
Write-offs - prior years	-	(168,568)
Recoveries	36,565	168,568
Balance - allowance for loan losses, end of year	<u>\$ 1,243,803</u>	<u>\$ 1,122,421</u>

**MOUNTAIN BIZCAPITAL, INC.**  
**d/b/a MOUNTAIN BIZWORKS**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**Guaranteed Loan Program**

Mountain BizCapital, Inc. participates in the SBA Community Advantage Pilot Loan Program, which is a loan guarantee program offered by the SBA. This program allows MBC to provide long-term financing (up to 10 years) to small businesses that would otherwise not be able to get a traditional bank loan.

SBA Community Advantage Pilot Loan Program (CA) is a pilot loan program introduced by the U.S. Small Business Administration (SBA) to meet the credit, Management, and technical assistance needs of small businesses in underserved markets. CA provides mission-oriented lenders access to 7(a) loan guarantees up to 85% for loans of \$150,000 or less and guarantees up to 75% for loans above \$150,000 to a maximum amount of \$250,000. Loans receivable of \$2,140,725 at December 31, 2019, are guaranteed (up to 75% or 85%) by the CA program. The CA program requires the Corporation to fund reserves of at least 5% of the outstanding amount of the unguaranteed portion of the CA loan portfolio, which approximates a reserve requirement of \$35,473 (100% sold and unsold loans) at December 31, 2019.

The total of CA-guaranteed portion loans sold as of December 31, 2019 was \$2,020,512. In 2019, CA-guaranteed portion loans of \$625,886 were sold at a premium of \$61,777 in the secondary market during the year ended December 31, 2019. The Corporation is required to fund reserves of at least 3% of the guarantee on loans sold which approximates \$64,724. Mountain BizCapital, Inc. held \$106,710 in a loan loss account at First Bank at December 31, 2019, satisfying both the 5% and 3% reserve requirements.

**Economic Development Administration (EDA) Loan Program**

During 2018, MBC received \$331,550 in Revolving Loan Fund (RLF) funds from the U.S. Department of Commerce, Economic Development Administration (EDA), which were matched with \$331,550 local funds for program lending activities and administration. Additional RLF funds of \$418,450 were received in 2019, which were matched with \$418,450 local funds. As of December 31, 2019, MBC has used the grant and match of \$1.5m in total, collected principal of \$180,060 against these loans, and expended \$137,878 for administrative costs related to the management of the RLF.

A summary of the assets and liabilities related to the EDA-RLF loan funds at December 31, 2019 and 2018, is as follows:

	2019	2018
Restricted cash - EDA lending	\$ 257,942	\$ 142,915
Loans receivable	1,379,682	1,421,885
Interest receivable	8,806	9,714
Loan loss reserves	(48,775)	(29,640)
Total assets	1,597,655	1,544,874
Liabilities - matching funds due to MBC	(750,000)	(750,000)
Net assets	\$ 847,655	\$ 794,874



**MOUNTAIN BIZCAPITAL, INC.**  
**d/b/a MOUNTAIN BIZWORKS**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

A summary of the profit and loss related to the EDA-RLF loan funds cumulative through December 31, 2019 is as follows:

Revenues - EDA funding	\$	750,000
Interest earned on loans		245,808
Interest earned on deposits		269
Fees earned on closed loans		30,551
Administrative expenses		(137,878)
Provision for loan loss reserve		(41,095)
		<hr/>
	\$	<u>847,655</u>

**NOTE 6 – NOTE RECEIVABLE**

The note receivable is due in 120 monthly installments of \$681 including interest at 2% per annum. The balance due is \$16,003 and \$23,768 at December 31, 2019 and 2018, respectively.

**NOTE 7 – PROPERTY AND EQUIPMENT**

A description of property and equipment is as follows:

<u>December 31,</u>	<u>2019</u>	<u>2018</u>
Buildings and improvements	\$ 1,154,529	\$ 1,154,529
Equipment and software	135,275	135,275
Vehicles	17,060	17,060
	<hr/>	<hr/>
	1,306,864	1,306,864
Less, accumulated depreciation	(534,411)	(505,755)
Property and equipment	<hr/>	<hr/>
	\$ 772,453	\$ 801,109

Depreciation expense for the years ended December 31, 2019 and 2018 was \$28,656 and \$31,139, respectively.

**MOUNTAIN BIZCAPITAL, INC.  
d/b/a MOUNTAIN BIZWORKS**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 8 – EQUITY EQUIVALENT**

Equity note consists of the following:

	2019	2018
<p>In September 2011, MBC issued an equity equivalent ownership to the U. S. Treasury, under the Treasury's Small Business Lending Fund program, and received the principal sum of \$197,000. Interest at 2% per annum is paid quarterly. Principal due September 2019.</p>	\$ -	\$ 197,000
<p>In August, 2018, MBC issued an equity equivalent ownership to Capital Bank, a division of First Tennessee Bank, and received the principal sum of \$400,000. Interest at 3% per annum is paid quarterly, beginning September, 2018, with the entire principal due August 2023.</p>	<div style="text-align: right; margin-bottom: 5px;">400,000</div> <div style="text-align: left; border-top: 1px solid black; border-bottom: 3px double black;">\$ 400,000</div>	<div style="text-align: right; margin-bottom: 5px;">400,000</div> <div style="text-align: left; border-top: 1px solid black; border-bottom: 3px double black;">\$ 597,000</div>

The equity equivalent securities do not constitute a class of stock or represent any equity ownership in MBC. The general obligation is not secured by any of MBC's assets. The equity equivalent is fully subordinated to the right of repayment of all of MBC's other creditors. The investing institution does not have the right to accelerate payment unless MBC ceases its operation.

**NOTE 9 – NOTES PAYABLE**

Notes payable are described as follows:

	2019	2018
<p>Note payable to USDA, under the IRP bearing interest at 1% per annum and has a 30 year term. The note dated May 2005, is secured by MBC's IRP revolving fund, including loans receivable derived from the note. For the first three years, interest only payments are required followed by 27 yearly payments of principal and interest of \$10,613.</p>	\$ 156,146	\$ 165,108
<p>Note payable to USDA, under the IRP bearing interest at 1% per annum and has a 30 year term. The note dated September 2007, is secured by MBC's IRP revolving fund, including loans receivable derived from the note. For the first three years, interest only payments are required followed by 27 yearly payments of principal and interest of \$21,225.</p>	341,917	359,546

**MOUNTAIN BIZCAPITAL, INC.**  
**d/b/a MOUNTAIN BIZWORKS**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

	2019	2018
<p>Note payable to USDA, under the IRP, bearing interest at 1% per annum and has a 30 year term. The note is dated October 2017, secured by MBC's IRP's revolving fund, including loans receivable derived from the note. For the first three years, interest only payments are required followed by 27 yearly equal payments of principal and interest beginning on October 5, 2021.</p>	747,888	748,214
<p>Note payable to USDA, under the IRP, bearing interest at 1% per annum and has a 25 year term. The note dated August 2015, is secured by MBC's IRP's revolving fund, including loans receivable derived from the note. For the first three years, interest only payments are required followed by 23 yearly payments of principal and interest of \$22,281.</p>	420,734	438,000
<p>Note payable to USDA, under the Rural Microentrepreneur Assistance Program (RMAP), bearing interest at 2% per annum and has a 20 year term. The note dated December 2010, is secured by MBC's RMAP's revolving fund, including loans receivable derived from the note. For the first two years, interest only payments are required followed by 216 monthly principal and interest payments of \$2,841.</p>	333,961	361,085
<p>Note payable to USDA, under the Rural Microentrepreneur Assistance Program (RMAP), bearing interest at 1% per annum and has a 20 year term. The note date August 2016, is secured by MBC's RMAP's revolving loan fund, including loans receivable derived from the note. Interest only payments are required until August 2018, followed by 216 equal payments of principal and interest of \$2,571.</p>	470,796	496,734
<p>Note payable to USDA, under the Rural Microentrepreneur Assistance Program (RMAP), bearing interest at 1% per annum and has a 20 year term. The note dated November 2018, is secured by MBC's RMAP's revolving fund, including loans receivable derived from the note. Total amount available for draw under the loan agreement is \$500,000. For the first two years, interest only payments are required followed by monthly principal and interest payments, calculated on a 20 year amortization, with remaining principal and interest due November 2038.</p>	251,894	125,000

**MOUNTAIN BIZCAPITAL, INC.**  
**d/b/a MOUNTAIN BIZWORKS**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

	2019	2018
<p>Note payable to U.S. Small Business Administration Interest at 0% for the first year, and has a 10 year term. The note dated April 2017 is secured by loans receivable derived from the note. For the first year, no payments are required followed by 108 equal monthly installments of \$12,042 with balance due at maturity. Interest rate of 0.75% based on size of microloans.</p>	1,024,559	1,159,954
<p>Note payable to U.S. Small Business Administration, interest at 0.75% per annum, which can be adjusted by future events, and has a 10 year term. The note dated September 2009, is secured by loans receivable derived from the note. For the first year, no payments are required followed by 108 equal monthly installments of \$8,684.</p>	-	77,807
<p>Note payable to U.S. Small Business Administration, interest at 0% per annum, which can be adjusted by future events, and has a 10 year term. The note dated February 2013, is secured by loans receivable derived from that note. For the first year, no payments are required followed by 108 equal monthly installments of \$3,125.</p>	118,743	156,241
<p>Note payable to U.S. Small Business Administration, interest at 0% per annum, which can be adjusted by future events, and has a 10 year term. The note dated October 2013, is secured by loans receivable derived from that note. For the first year, no payments are required followed by 108 equal monthly installments of \$9,670.</p>	439,748	555,788
<p>Note payable to U.S. Small Business Administration, interest at 1.625% per annum, which can be adjusted by future events, and has a 10 year term. The note dated August 2015, is secured by loans receivable derived from the note. For the first year, no payments are required followed by 108 equal monthly installments of \$11,796.</p>	791,736	929,737
<p>Note payable to U.S. Small Business Administration, with a 10 year term. The note is dated May, 2018, and is secured by loans receivable derived from the note. Total amount available for draw under the loan agreement is \$1,250,000. Interest rate of 1.375%, based on size of microloans extended by MBC. Monthly payments of \$12,389, including principal and interest are due beginning June 2019 through June 2028, when the balance of all unpaid principal and interest is due.</p>	1,173,279	833,333

**MOUNTAIN BIZCAPITAL, INC.**  
**d/b/a MOUNTAIN BIZWORKS**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

	2019	2018
Various notes payable to individuals under MBC's Investment Note Program. These notes range from \$500 to \$110,000, bearing interest from 0% to 3%, and are due in one to seven years from the date of the note.	1,137,625	1,048,101
Note payable to PNC Bank, bearing interest at 3% per annum. The note is dated June 2017, and is unsecured. Interest only payments are required monthly with a balloon principal payment due June 2022.	250,000	250,000
Note payable to Mary Reynolds Babcock Foundation, bearing interest at 2% per annum. The note is dated July 2017, and is unsecured. Interest only payments are required monthly with a balloon principal payment due July 2021.	250,000	250,000
Note payable to Appalachian Community Capital, bearing interest at 2% per annum. The note is dated November 2017, and is unsecured. Interest only payments are required monthly with a balloon principal payment due November 2022.	100,000	100,000
Note payable to Appalachian Community Capital, bearing interest at 3.35% per annum. The note is dated October 2018, and is unsecured. Interest only payments are required monthly with a balloon principal payment due October 2022.	250,000	250,000
Note payable to Wells Fargo Investment Holdings, LLC, dated May 23, 2018, bearing interest at 2%, with a 12 year term. Interest only is paid quarterly beginning June 2018 to March 2028, followed by 8 quarterly principal payments of \$50,000, plus interest. Any remaining unpaid principal and interest is due May, 2030.	400,000	-
Note payable to Woodforest National Bank, bearing interest at 3.25% per annum. The note is dated January 2019 and is unsecured. For the first two years, interest only payments are required followed by 9 quarterly payments of principal and interest of \$13,610, following a balloon payment due June 2023.	250,000	-

**MOUNTAIN BIZCAPITAL, INC.**  
**d/b/a MOUNTAIN BIZWORKS**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

	2019	2018
Note payable to Community Reinvestment Fund, Inc., dated July 29, 2019 bearing interest at 2.75%, with a 6 year term. Total amount available fo draw under the loan agreement is \$400,000. 63 monthly payments of principal and interest of \$3,281 begin April 2020. Any remaining unpaid principal and interest is due July 2025.	200,775	-
	9,109,801	\$ 8,704,648
Less, current maturities	(984,916)	
Notes payable, net of current maturities	\$ 8,124,885	

Scheduled principal repayments for the next five years on notes payable at December 31, 2019, are as follows:

December 31,	
2020	\$ 984,916
2021	1,303,537
2022	1,684,897
2023	1,075,143
2024	1,183,037
Thereafter	2,878,271
Totals	\$ 9,109,801

**NOTE 10 – MORTGAGES PAYABLE**

Mortgages payable are described as follows:

	2019	2018
In May 2018, MBC refinanced the 2 mortgage payable notes with a 15 year mortgage note to First Bank. The note carries interest at 5.2%, and is payable in monthly installments of \$5,751, including principal and interest, until May 2033, at which date the note will be paid off. The note is secured by a building.	\$ 662,541	\$ 695,756
	662,541	\$ 695,756
Less, current maturities	(34,908)	
Mortgages payable, net of current maturities	\$ 627,633	

Scheduled principal repayments on the mortgage payable for the next five years are as follows:

**MOUNTAIN BIZCAPITAL, INC.**  
**d/b/a MOUNTAIN BIZWORKS**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

<u>December 31,</u>		
2020	\$	34,908
2021		36,794
2022		38,781
2023		40,876
2024		41,876
Thereafter		<u>469,306</u>
Totals	\$	<u><u>662,541</u></u>

**NOTE 11 - LEASE COMMITMENTS**

MBC has entered into an operating lease for a copier. Required monthly payments are \$1,028 plus tax, with the lease term ending in August 2021.

**NOTE 12 - UNUSED LINE OF CREDIT**

MBC maintains a revolving line of credit with a local bank. Maximum borrowings on the line are \$500,000. Monthly interest payments are required at a floating rate per year equal to the bank's Prime Rate, currently 3.25%, plus 0.5%.

**NOTE 13 - BENEFIT PLANS**

MBC provides individual SEP-IRA retirement accounts for eligible employees and contributes to them on a discretionary basis as a percentage of the employee's salary. MBC contributed \$23,005 and \$19,600 to the program for years ended December 31, 2019 and 2018, respectively.

**NOTE 14 - UNINSURED CASH BALANCES**

MBC maintains its cash and cash equivalents at financial institutions that are insured by the Federal Deposit Insurance Corporation and the National Credit Union Association for deposits up to \$250,000. The uninsured collective balance was approximately \$2,107,287 at December 31, 2019.

**NOTE 15 - RELATED PARTY TRANSACTIONS**

At times various board members participate in MBC's Investment Note Program and make contributions.

**MOUNTAIN BIZCAPITAL, INC.  
d/b/a MOUNTAIN BIZWORKS**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 16 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

Governmental Assisted Programs

MBC has received proceeds from governmental agencies. Periodic audits of these grants and third party reimbursements are required and certain costs may be questioned as not being appropriate expenditures under the agreements. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time although management expects such amounts, if any, to be immaterial. No provisions have been made on the accompanying financial statements for the refund of grant monies.

Risk Management

MBC is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and volunteers; and natural disasters. MBC carries commercial insurance coverage for risks of loss. Claims have not exceeded coverage in any period since inception.

Concentration of Credit Risk

MBC's lending activity is with small businesses, located primarily in Western North Carolina, that are unable to obtain 100% of their financing from other sources. The loans are secured by liens.

**NOTE 17 - SUBSEQUENT EVENTS**

In June 2019, MBC closed an additional \$1,250,000 in loan capital from the Small Business Administration. As of December 31, 2019, no funds have been drawn. MBC intends on drawing funds from this loan subsequent to the date of the auditor's report.

In March 2020, the Mary Reynolds Babcock Foundation informed MBC that the interest rate on their loan would be reduced from 2% to 0% and that \$50,000 of the \$250,000 loan would be converted to grant funds.

Management has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued.



## COMPLIANCE SECTION

**MOUNTAIN BIZCAPITAL, INC.  
d/b/a MOUNTAIN BIZWORKS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
DECEMBER 31, 2019**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b>Grants Expended:</b>			
<u>U.S. Department of Commerce</u>			
Direct:			
Economic Development Cluster			
* EDA Economic Adjustment Assistance RLF Program	11.307	N/A	\$ 788,918
<u>U.S. Small Business Administration</u>			
Direct:			
Microloan Program - Technical Assistance Grant	59.046	N/A	740,838
Prime Technical Assistance	59.050	N/A	83,402
Total U.S. Small Business Administration			824,240
<u>U.S. Department of Agriculture</u>			
Direct:			
Rural Microentrepreneur Assistance Program - Assistance Grant	10.870	N/A	67,875
Passed through Appalachian Sustainable Agriculture Project:			
Cooperative Extension Service	10.500	2015-49200-24228	7,605
Farm Operating Loans	10.406	FA-NC-7-018	3,454
The Next Generation of Farmers	10.311	2018-70017-28533	11,189
Total U.S. Department of Agriculture			90,123
<u>U.S. Department of Housing and Urban Development</u>			
Passed through City of Asheville:			
CDBG - Entitlement Grants Cluster			
CDBG - Business Training Grant	14.218	N/A	76,861
<u>Appalachian Regional Commission</u>			
Direct:			
Appalachian Area Development - Filling the Gaps	23.002	N/A	32,621
Appalachian Area Development - Growing Outdoors (POWER)	23.002	N/A	184,312
Total Appalachian Regional Commission			216,933
<b>Total Grants Expended</b>			<b>1,997,075</b>

\*See accompanying notes to schedule for calculation.

(continued)

MOUNTAIN BIZCAPITAL, INC.  
d/b/a MOUNTAIN BIZWORKS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
DECEMBER 31, 2019

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b>Federal Loans:</b>			
<u>U.S. Small Business Administration</u>			
Microloan Program:			
2016 Microloan, beginning	59.046		\$ 929,737
2017 Microloan, beginning	59.046		1,159,954
2018 Microloan, beginning	59.046		833,333
2018 Microloan, current year draws	59.046		416,667
			<u>3,339,691</u>
 <u>U.S. Department of Agriculture</u>			
Intermediary Relending Program (IRP):			
2015 Loan, beginning	10.767		438,000
2017 Loan, beginning	10.767		750,000
			<u>1,188,000</u>
 Rural Microentrepreneur Assistance Program (RMAP):			
2016 Loan, beginning	10.870		489,851
2018 Loan, beginning	10.870		125,000
2018 Loan, current year draws	10.870		125,000
			<u>739,851</u>
 <b>Total Federal Loans</b>			 <u>5,267,542</u>
 <b>Total Federal Awards Expended and Loans</b>			 <u>\$ 7,264,617</u>

See accompanying notes to schedule.

**MOUNTAIN BIZCAPITAL, INC.**  
**d/b/a MOUNTAIN BIZWORKS**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2019**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of MBC under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented on the accrual basis of accounting and in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of MBC, it is not intended to and does not present the financial position or changes in net position of MBC.

**NOTE 2 – COST PRINCIPLES**

Expenditures are recognized following the cost principles contained in 2 CFR Part 200, Cost Principles for Nonprofit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Matching costs, i.e., the non-federal share of certain program costs, are not included in the Schedule.

**NOTE 3 – INDIRECT COST RATE**

MBC has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 4 – EDA RLF LOANS**

MBC had the following loan receivable balances outstanding at December 31, 2019. These loan receivable balances outstanding are also included in the federal expenditures presented in the Schedule.

Program Title	Federal CFDA Number	Outstanding Balance at December 31, 2019
EDA Revolving Loan Fund	11.307	\$ 1,379,682

The calculation of federal funds expended for the EDA Revolving Loan Fund as reported in the Schedule is as follows:

Revolving Loan Fund (RLF) Principal Outstanding	\$ 1,379,682
Cash Balances in the RLF	257,942
Administrative Expenses Paid from RLF Income	(61,091)
Unpaid Principal of all Loans Written Off	1,302
	1,577,835
Federal Share of the RLF	50%
<b>Total Federal Expenditures</b>	<b>\$ 788,918</b>

**MOUNTAIN BIZCAPITAL, INC.**  
**d/b/a MOUNTAIN BIZWORKS**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2019**

**NOTE 5 – OTHER FEDERAL LOANS OUTSTANDING**

Other federal loan balances outstanding as of December 31, 2019 are as follows:

<u>Loan Program</u>	
U.S. Small Business Administration Microloan program	\$ 2,989,575
U.S. Department of Agriculture Intermediary Relending Program (IRP) Small Business Loans	\$ 1,168,622
U.S. Department of Agriculture Rural Microentrepreneur Assistance Program (RMAP)	\$ 714,263

**MOUNTAIN BIZCAPITAL, INC.  
d/b/a MOUNTAIN BIZWORKS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2019**

**I. Summary of Auditor's Results**

**Financial Statements**

Type of Auditor's Report issued on whether the financial statements audited were prepared in accordance with GAAP:

**Unmodified opinion**

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_ Yes X None reported
- Noncompliance material to financial statements noted \_\_\_ Yes X No

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified? \_\_\_ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_ Yes X None Reported

Type of Auditor's Report issued on compliance for major federal programs:

**Unmodified opinion**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) (Uniform Guidance)?

\_\_\_ Yes X No

Identification of Major Federal Programs:

<u>CFDA #</u>	<u>Program Title</u>
59.046	SBA Microloan Program
10.767	Intermediary Relending Program (IRP)

The dollar threshold used to distinguish between Type A and B programs: \$750,000

MBC qualified as low-risk auditee?

X Yes \_\_\_ No

**II. Financial Statement Findings**

None Reported.

**MOUNTAIN BIZCAPITAL, INC.  
d/b/a MOUNTAIN BIZWORKS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2019**

**III. Major Federal Award Findings and Questioned Costs**

None Reported.

**MOUNTAIN BIZCAPITAL, INC.  
d/b/a MOUNTAIN BIZWORKS**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2019**

There were no federal award-related audit findings in the prior year.



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  
Mountain BizCapital, Inc.  
d/b/a Mountain BizWorks  
Asheville, North Carolina

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 Mountain BizCapital, Inc. d/b/a Mountain BizWorks (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 18, 2020.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mountain BizCapital, Inc.'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 Mountain BizCapital, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Mountain BizCapital, Inc.'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.

Members  
American Institute of Certified Public Accountants  
S.C. Association of Certified Public Accountants



To the Board of Directors  
Mountain BizCapital, Inc.  
d/b/a Mountain BizWorks  
March 18, 2020

Our consideration of 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Mountain BizCapital, Inc.'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 Mountain BizCapital, Inc.'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.

***McKinley, Cooper & Co., LLC***

Greenville, South Carolina  
March 18, 2020

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors  
Mountain BizCapital, Inc.  
d/b/a Mountain BizWorks  
Asheville, North Carolina

**Report on Compliance for Each Major Federal Program**

We have audited Mountain BizCapital, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Mountain BizCapital, Inc.'s major federal programs for the year ended December 31, 2019. Mountain BizCapital, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Mountain BizCapital, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mountain BizCapital, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Mountain BizCapital, Inc.'s compliance.

Members  
American Institute of Certified Public Accountants  
S.C. Association of Certified Public Accountants



To the Board of Directors  
Mountain BizCapital, Inc.  
d/b/a Mountain BizWorks  
March 18, 2020

### **Opinion on Each Major Federal Program**

In our opinion, Mountain BizCapital, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

### **Report on Internal Control Over Compliance**

Management of Mountain BizCapital, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Mountain BizCapital, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mountain BizCapital, Inc.'s internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

***McKinley, Cooper & Co., LLC***

Greenville, South Carolina  
March 18, 2020