

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

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2020

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

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Tim Herdklotz
Leah Mayberry
Rebecca Crandall
Zane Adams

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Vice-Chair
Treasurer
Secretary
Second Vice-Chair

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Fred Waldkoetter
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EXECUTIVE DIRECTOR

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, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States 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
Page Two

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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Mountain BizCapital, Inc.'s 2019 financial statements, and our report dated March 18, 2020, 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, 2019, 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 April 2, 2021, 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
April 2, 2021

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

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020
(with comparative totals for 2019)

ASSETS	2020	2019
Current Assets		
Cash and cash equivalents	\$ 8,382,511	\$ 3,628,701
Interest receivable	76,277	76,277
Loans receivable, net of allowance, current portion	1,720,612	2,204,173
Note receivable, current portion	8,081	7,922
Grants receivable	416,551	556,068
Other receivables	71,851	14,676
Property available for sale	18,426	18,426
Total current assets	10,694,309	6,506,243
Other Assets		
Property and equipment, net of accumulated depreciation	743,798	772,453
Loans receivable, net of allowance, net of current portion	7,284,716	7,713,973
Note receivable, net of current portion	-	8,081
Total other assets	8,028,514	8,494,507
Total assets	\$ 18,722,823	\$ 15,000,750
LIABILITIES		
Current liabilities		
Notes payable, current maturities	\$ 1,532,519	\$ 984,916
Mortgages payable, current maturities	36,794	34,908
Payroll liabilities	13,426	12,570
Payable to emergency funds	1,509,465	-
Other current liabilities	62,912	10,881
Total current liabilities	3,155,116	1,043,275
Long-term liabilities		
Notes payable, net of current portion	7,427,563	8,124,885
Mortgages payable, net of current portion	591,124	627,633
Total long-term liabilities	8,018,687	8,752,518
Total liabilities	11,173,803	9,795,793
EQUITY EQUIVALENT	400,000	400,000
NET ASSETS		
Without donor restrictions	3,757,685	1,882,820
With donor restrictions	3,391,335	2,922,137
Total net assets	7,149,020	4,804,957
Total liabilities, equity equivalent, and net assets	\$ 18,722,823	\$ 15,000,750

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, 2020
(with comparative totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
REVENUE AND SUPPORT				
Federal grants	\$ 171,471	\$ 1,774,303	\$ 1,945,774	\$ 1,099,027
State, local, and federal pass-through grants	95,987	-	95,987	75,688
Foundation and private grants	475,584	306,960	782,544	257,373
Contributions	24,572	-	24,572	7,710
Program and service fees	1,487,043	-	1,487,043	386,395
Interest income	889,859	-	889,859	923,168
Other income	103,484	-	103,484	9,371
Net assets released from restriction	1,612,065	(1,612,065)	-	-
Total revenue and support	4,860,065	469,198	5,329,263	2,758,732
EXPENSES				
Program services	2,583,325	-	2,583,325	1,973,487
Management and general	340,576	-	340,576	297,927
Fundraising	61,299	-	61,299	50,302
Total expenses	2,985,200	-	2,985,200	2,321,716
INCREASE IN NET ASSETS	1,874,865	469,198	2,344,063	437,016
NET ASSETS, BEGINNING OF YEAR	1,882,820	2,922,137	4,804,957	4,367,941
NET ASSETS, END OF YEAR	\$ 3,757,685	\$ 3,391,335	\$ 7,149,020	\$ 4,804,957

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, 2020
(with comparative totals for 2019)

	Program	Management and General	Fundraising	Total	
				2020	2019
Salaries	\$ 897,864	\$ 140,629	\$ 43,271	\$ 1,081,764	\$ 846,768
Payroll taxes	67,901	10,635	3,272	81,808	67,215
Benefits	86,642	13,570	4,176	104,388	86,438
Other	6,841	1,071	330	8,242	4,990
Total salaries and related expenses	1,059,248	165,905	51,049	1,276,202	1,005,411
Occupancy expenses					
Rent, parking and other	14,052	2,201	677	16,930	9,164
Cleaning and shredding	2,692	422	130	3,244	3,201
Utilities and security	3,287	515	158	3,960	5,395
Repairs and maintenance	1,805	283	87	2,175	2,930
Telephone and internet	5,654	886	272	6,812	5,145
Condo fees and real estate taxes	14,914	2,336	719	17,969	20,241
Travel and meetings					
Travel	1,533	240	74	1,847	19,403
Conference fees	1,075	168	52	1,295	4,611
Meetings and other	2,071	324	100	2,495	12,840
Office expenses					
Bank charges and SBA CA fees	7,089	1,110	342	8,541	11,890
Copier, computer and printing supplies	10,833	1,697	522	13,052	12,971
Dues and subscriptions	28,012	4,387	1,350	33,749	12,755
Insurance	9,279	1,453	447	11,179	11,144
IT and database management, website	23,717	3,715	1,143	28,575	45,254
Marketing	36,933	5,785	1,780	44,498	41,730
Office supplies and equipment	18,702	2,929	901	22,532	12,947
Licenses, fees and taxes	312	49	15	376	528
Postage and delivery	1,728	271	83	2,082	2,561
Cell phone	3,416	535	165	4,116	3,900
Professional fees					
HR/Equity	10,956	1,716	528	13,200	-
Accounting and audit	8,881	1,392	428	10,701	10,223
Legal	5,750	901	277	6,928	3,313
Business coaches	532,938	-	-	532,938	321,809
Scale-up Program contractors	29,595	-	-	29,595	57,814
Program expenses - Scale-up specialists and other	36,783	-	-	36,783	132,855
Loan loss expense, net of recoveries	615,280	-	-	615,280	340,888
Other operating expenses	21,656	-	-	21,656	8,733
Total expenses before interest and depreciation	2,508,191	199,220	61,299	2,768,710	2,119,656
Interest expense	75,134	112,701	-	187,835	173,404
Depreciation	-	28,655	-	28,655	28,656
Total expenses	\$ 2,583,325	\$ 340,576	\$ 61,299	\$ 2,985,200	\$ 2,321,716

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, 2020
(with comparative totals for 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,344,063	\$ 437,016
Adjustments to reconcile changes in net assets to cash provided (used) by operating activities		
Depreciation	28,655	28,656
Provision for loan losses	373,746	121,382
Changes in operating assets and liabilities		
Interest receivable	-	(1)
Loans receivable	539,072	(439,056)
Grants receivable	139,517	(258,621)
Other receivables	(57,175)	(8,559)
Accounts payable	-	(8,935)
Payroll liabilities	856	(1,164)
Other current liabilities	52,031	(299)
Net cash provided (used) by operating activities	3,420,765	(129,581)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of equity equivalent	-	(197,000)
Payable to emergency funds	1,509,465	-
Proceeds from notes payable and mortgage	1,275,699	1,084,044
Repayment of notes and mortgages payable	(1,460,041)	(712,106)
Net cash provided by financing activities	1,325,123	174,938
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts from note receivable	7,922	7,765
Net cash provided by investing activities	7,922	7,765
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,753,810	53,122
CASH AND CASH EQUIVALENTS, beginning of year	3,628,701	3,575,579
CASH AND CASH EQUIVALENTS, end of year	\$ 8,382,511	\$ 3,628,701
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 187,835	\$ 173,404

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, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Mountain BizCapital, Inc. d/b/a Mountain BizWorks (“MBC”) was established in 2002 as a not-for-profit 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 with or without restriction, 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 without restricted 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 cash loan loss reserves for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, cash loan loss reserves totaled \$857,765 and \$744,963, respectively.

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020. 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, 2020

Recognition of Donor Restrictions

Contributions that are restricted by the donor are reported as increases in without donor restricted 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 with donor restricted net assets, depending on the nature of the restrictions. When a restriction expires, with donor restricted net assets are reclassified to without donor restricted 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, 2020 and 2019, the amount charged to expense was \$44,498 and \$41,730, 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, 2020

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, 2019, 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>2020</u>
Cash - operations	\$ 1,578,935
Current portion of loans and interest receivable	1,796,889
Cash - unrestricted	1,899,364
Grants and other receivables	<u>488,401</u>
Total financial assets as of year end	<u>5,763,589</u>
Total financial assets available to meet general expenditures within the next 12 months	<u><u>\$ 5,763,589</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, 2020

December 31,	2020	2019
Future general operations	\$ 306,960	\$ 195,452
EDA loan program	252,406	257,942
SBA loan program	1,531,758	1,266,825
USDA loan programs	1,300,211	1,201,918
Net assets with donor restrictions	<u>\$ 3,391,335</u>	<u>\$ 2,922,137</u>

NOTE 4 – FUNDS HELD FOR LENDING

MBC had cash available for lending in the following loan pools as of December 31, 2020 and 2019:

Funding Sources	2020	2019
USDA Intermediary Relending Program	\$ 559,665	\$ 440,219
USDA Rural Microentrepreneur Assistance Program	495,081	181,240
USDA SMDC	11,097	36,845
SBA Microloan Program	1,199,067	429,333
MBC Equity Loan Pool	1,767,199	893,967
Advantage Opportunity Program	132,135	166,861
Economic Development Administration	252,406	257,942
COVID-19 Loan Fund	1,404,161	-
Catalyst Loan Fund	125,000	-
Total Cash Held for Lending and Cash Reserves	<u>\$ 5,945,811</u>	<u>\$ 2,406,407</u>

In addition, MBC had cash reserved for loan loss in the following loan pools as of December 31, 2020 and 2019:

Funding Sources	2020	2019
USDA - IRP	\$ 133,451	\$ 133,286
USDA - RMAP	54,431	53,500
SBA Microloan	669,883	558,177
	<u>\$ 857,765</u>	<u>\$ 744,963</u>

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, 2020 and 2019, undisbursed cash relating to undrawn loans totaled \$55,304 and \$359,360, respectively.

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 – LOANS RECEIVABLE

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

December 31, 2020	Loans Receivable	Allowance for Loan Losses	Net Receivable
USDA Intermediary Relending Program	\$ 1,835,985	\$ 250,802	\$ 1,585,183
USDA Rural Microentrepreneur Assistance Program	817,305	137,167	680,138
USDA SMDC	47,685	7,153	40,532
SBA Microloan Program	3,056,238	497,444	2,558,794
Economic Development Administration	1,565,914	148,019	1,417,895
MBC Equity and Private Lenders	3,234,071	560,015	2,674,056
Advantage Opportunity Funds	65,678	16,949	48,729
	<u>10,622,876</u>	<u>1,617,549</u>	<u>9,005,327</u>
Less, current portion	<u>2,029,670</u>	<u>309,058</u>	<u>1,720,612</u>
Loans receivable, net of current portion	<u>\$ 8,593,206</u>	<u>\$ 1,308,491</u>	<u>\$ 7,284,715</u>

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>

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

	2020	2019
Balance - allowance for loan losses, beginning of year	\$ 1,243,803	\$ 1,122,421
Loan loss expense	615,280	340,888
Write-offs - current year	(286,068)	(256,071)
Recoveries	44,534	36,565
Balance - allowance for loan losses, end of year	<u>\$ 1,617,549</u>	<u>\$ 1,243,803</u>

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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 for working capital and up to 25 years for fixed asset purchases 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.

MBC loans receivable of \$3,654,879 as of December 31, 2020 are guaranteed (up to 75% or 85%) by the CA program. In addition, MBC has loans receivable of \$288,210 representing the unguaranteed portion of the loans sold to the secondary market. 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 \$49,527 at December 31, 2020.

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. In 2020, no loans were sold. The balance of the guarantee portion sold is \$1,702,006 as of December 31, 2020. The Corporation is required to fund reserves of up to 5% of the guarantee (3% if loan approved prior to 10/01/2018) on loans sold which approximates \$54,865. Mountain BizCapital, Inc. held \$111,000 in a loan loss account at First Bank at December 31, 2020, satisfying both 5% reserve requirements.

In 2020, MBC participated in the Community Advantage Recovery loans (CARL) program. In response to the Coronavirus Disease 2019 (COVID-19) pandemic, SBA developed a new, temporary CA loan product titled "Community Advantage Recovery Loans" (CA Recovery Loans) for eligible CA Lenders to provide technical and financial assistance to assist small businesses located in underserved areas with retooling their business models for the COVID-19 environment and building financial resiliency against potential future disruptions.

MBC generated 8 loans under the program which are included in the loans receivable information detailed above.

Economic Development Administration (EDA) Loan Programs

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. Since the inception of the program, MBC has collected principal in the amount of \$691,295 against these loans, and expended \$143,454 for administrative costs related to the management of the RLF at December 31, 2020.

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

A summary of the assets and liabilities related to the EDA-RLF loan funds at December 31, 2020 is as follows:

Total EDA Award: \$ 750,000

<u>2020</u>			
Restricted Cash	\$ 242,460	Revenues - EDA Fundings	\$ 750,000
Loans Receivable	1,510,650	Interest Earned on Loans	361,172
Interest Receivable	10,903	Interest Earned on Deposits	307
Loan Loss Reserves	<u>(142,493)</u>	Fees Earned on Closed Loans	36,051
Total Assets	1,621,520	Administrative Expenses	(143,454)
		Provision for Loan Loss	
Liabilities - Matching Funds	<u>(750,000)</u>	Reserves	<u>(132,555)</u>
Net Assets	<u>\$ 871,520</u>	Net	<u>\$ 871,520</u>

In August 2020, MBC received \$1,640,000 in Coronavirus Aid, Relief, and Economic Security (CARES) Act Revolving Loan Fund (RLF) from the U.S. Department of Commerce, Economic Development Administration (EDA). The CARES Act RLF was accompanied by a \$160,000 administrative grant. The CARES Act RLF funding is specifically aimed to prevent, prepare for, and respond to COVID-19, including responding to the economic injury as a result of the Coronavirus. As of December 31, 2020, MBC deployed \$55,265 in loan capital, and has not utilized any funds from the administrative grant.

A summary of the assets and liabilities related to the EDA CARES Act RLF loan funds at December 31, 2020 is as follows:

<u>2020</u>			
Restricted Cash	\$ 9,945	Revenues - EDA Fundings	\$ 65,000
Loans Receivable	55,265	Interest Earned on Loans	-
Interest Receivable	72	Interest Earned on Deposits	80
Loan Loss Reserves	<u>(5,526)</u>	Fees Earned on Closed Loans	300
Total Assets	59,756	Administrative Expenses	(150)
		Provision for Loan Loss	
Liabilities - Matching Funds	<u>-</u>	Reserves	<u>(5,474)</u>
Net Assets	<u>\$ 59,756</u>	Net	<u>\$ 59,756</u>

NOTE 6 – COVID-19 EMERGENCY LOAN AND GRANT PROGRAMS

From its onset in early 2020, the global COVID-19 pandemic has posed acute and unprecedented challenges to local small businesses. In response to this crisis, Mountain BizWorks proactively sought to leverage its capabilities to provide needed emergency funding and technical support

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

resources to existing borrowers as well as other at-risk small businesses and not-for-profits across the Mountain BizWorks service area. In total, the organization deployed \$40,965,700 in emergency loans and grants across a range of different programs described below. Each program was managed as a discrete funding facility.

- SBA Paycheck Protection Program (PPP): as an SBA partner lender, Mountain BizWorks participated in the PPP lending program. PPP loans are designed to support payroll and other essential operating costs for COVID-impacted small businesses and nonprofits. The loans are 100% guaranteed by SBA and are eligible for full forgiveness if used within the program guidelines. MBW established PPP lending facilities via loan agreements with Dogwood Health Trust and with Carofin Financial Group. A limited number of PPP loans were also made with MBW equity loan funds. Following origination, PPP loans were refinanced using the Paycheck Protection Program Liquidity Facility of the US Federal Reserve.
- NC Rapid Recovery Program (NCRP): Mountain BizWorks joined with several other NC-based CDFIs, the North Carolina Rural Center, Golden LEAF Foundation, State of North Carolina, and other partners to establish and operate the NC Rapid Recovery Program. This program provided flexible and affordable COVID disaster loans to NC small businesses. The loans are up to \$250,000 in amount and up to a term of 120 months. A 100% participation in all NCRP loans have been sold to the NC Rural Center, the statewide NCRP fund coordination agency. MBW will continue to service loans made.
- Local County and City Disaster Loan Funds: MBW is administering 8 local COVID-19 disaster funds established by WNC local governments. Each of the funds are structurally the same with loans up to \$10,000 and up to 42 months in term. MBW will continue to administer the funds and service the underlying loans through termination.
- Other programs: MBW also administered two local COVID-19 grant programs. The Buncombe County Tourism Jobs Recovery Fund was a \$5 million grant program for tourism-related businesses in Buncombe County. The Cleveland County Small Business Recovery Program was a \$325,000 grant program for COVID-impacted businesses in Cleveland County. An administration fee was assessed for each program.

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Emergency lending balance as of December 31, 2020 are depicted below:

Restricted Cash	
Local Funds	\$ 1,266,426
NC Rural	107,571
PPP Forgiveness	30,165
Loans Receivable	
Local Funds	1,037,678
NC Rural	21,305,125
PPP	9,717,681
Total Assets	33,464,646
Liabilities	
Local Funds	2,300,026
NC Rural	21,305,125
PPPLF	9,717,681
PPP Timing Reconciliation	1,651,279
Total Liabilities	34,974,111
Payable to Emergency Funds	\$ 1,509,465

NOTE 7 – NOTE RECEIVABLE

The note receivable is due in 120 monthly installments of \$681 including interest at 2% per annum. The balance due is \$8,081 and \$16,003 at December 31, 2020 and 2019, respectively.

NOTE 8 – PROPERTY AND EQUIPMENT

A description of property and equipment is as follows:

December 31,	2020	2019
Buildings and improvements	\$ 1,154,529	\$ 1,154,529
Equipment and software	135,275	135,275
Vehicles	17,060	17,060
	1,306,864	1,306,864
Less, accumulated depreciation	(563,066)	(534,411)
Property and equipment	\$ 743,798	\$ 772,453

Depreciation expense for the years ended December 31, 2020 and 2019 was \$28,655 and \$28,656, respectively.

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**NOTES TO FINANCIAL STATEMENTS
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NOTE 9 – EQUITY EQUIVALENT

Equity note consists of the following:

	2020	2019
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.	\$ 400,000	\$ 400,000
	\$ 400,000	\$ 400,000

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 10 – NOTES PAYABLE

Notes payable are described as follows:

	2020	2019
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.	\$ 147,094	\$ 156,146
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.	306,305	341,917
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.	747,563	747,888

MOUNTAIN BIZCAPITAL, INC.
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

	2020	2019
<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>	\$ 402,049	\$ 420,734
<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>	306,290	333,961
<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>	444,594	470,796
<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>	252,907	251,894
<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>	888,371	1,024,559
<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>	81,246	118,743

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

	2020	2019
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.	\$ 323,708	\$ 439,748
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.	653,968	791,736
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.	1,040,491	1,173,279
Note payable to U.S. Small Business Administration, with a 10 year term. The note is dated June 27, 2019, 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 1.260%, based on size of microloans extended by MBC. Monthly payments of \$4,138, including principal and interest are due beginning July 2020 through July 2029, when the balance of all unpaid principal and interest is due.	398,595	-
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.	1,387,331	1,137,625
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.	200,000	250,000

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

	2020	2019
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	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
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.	379,568	200,775
	8,960,080	9,109,801
Less, current maturities	(1,532,519)	(984,916)
Notes payable, net of current maturities	\$ 7,427,561	\$ 8,124,885

Scheduled principal repayments for the next five years on notes payable at December 31, 2020, are as follows:

December 31,	
2021	\$ 1,532,519
2022	1,772,639
2023	975,868
2024	1,181,563
2025	1,030,688
Thereafter	2,466,805
Totals	\$ 8,960,082

**MOUNTAIN BIZCAPITAL, INC.
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**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 11 – MORTGAGES PAYABLE

Mortgages payable are described as follows:

	2020	2019
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.	\$ 627,918	\$ 662,541
	627,918	662,541
Less, current maturities	(36,794)	(34,908)
Mortgages payable, net of current maturities	\$ 591,124	\$ 627,633

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

December 31,	
2021	\$ 36,794
2022	38,781
2023	40,876
2024	43,084
2025	45,411
Thereafter	422,972
Totals	\$ 627,918

NOTE 12 - 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 13 - 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 14 - 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 \$26,794 and \$23,005 to the program for years ended December 31, 2020 and 2019, respectively.

MOUNTAIN BIZCAPITAL, INC.
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 15 - 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 \$7,332,870 at December 31, 2020.

NOTE 16 - RELATED PARTY TRANSACTIONS

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

NOTE 17 - 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 18 – COVID-19 AND MANAGEMENT'S PLAN

The outbreak of COVID-19 caused a temporary disruption in operations. While MBC feels this disruption is temporary, there is considerable uncertainty as to when MBC will re-institute programs to the same level as before the COVID-19 outbreak.

During 2020, MBC received a \$79,066 forgivable loan under the Paycheck Protection Program of the CARES Act. MBC will continue to work with its stakeholders to develop solutions and strategies for addressing these financial and operational challenges.

**MOUNTAIN BIZCAPITAL, INC.
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**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 19 - SUBSEQUENT EVENTS

In February 2021, the Mary Reynolds Babcock Foundation informed MBC that their loan will be extended to July 2022 instead of July 2021.

In the first quarter of 2021, Mountain BizWorks continues its participation in PPP lending totaling \$11 million.

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, 2020

<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>
Grants Expended:			
<u>U.S. Department of Commerce</u>			
Direct:			
Economic Development Cluster			
* EDA Economic Adjustment Assistance RLF Program	11.307	N/A	\$ 938,827
<u>U.S. Department of the Treasury</u>			
Direct:			
Community Development Financial Institutions Cluster			
CDFI Program			500,000
<u>U.S. Small Business Administration</u>			
Direct:			
Microloan Program - Technical Assistance Grant	59.046	N/A	803,159
Prime Technical Assistance	59.050	N/A	95,752
Total U.S. Small Business Administration			898,911
<u>U.S. Department of Agriculture</u>			
Direct:			
Rural Microentrepreneur Assistance Program - Assistance Grant	10.870	N/A	119,738
Passed through Appalachian Sustainable Agriculture Project: The Next Generation of Farmers	10.311	2018-70017-28533	9,397
Total U.S. Department of Agriculture			129,135
<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	96,840
<u>Appalachian Regional Commission</u>			
Direct:			
Appalachian Research, Technical Assistance and Demonstration Projects	23.011	N/A	124,500
Appalachian Area Development - Growing Outdoors (POWER)	23.002	N/A	228,229
Total Appalachian Regional Commission			352,729
Total Grants Expended			2,916,442

*See accompanying notes to schedule for calculation.

(continued)

MOUNTAIN BIZCAPITAL, INC.
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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2020

<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>
Federal Loans:			
<u>U.S. Small Business Administration</u>			
Microloan Program:			
2016 Microloan, beginning	59.046		\$ 791,736
2017 Microloan, beginning	59.046		1,024,560
2018 Microloan, beginning	59.046		1,173,279
2019 Microloan, beginning	59.046		416,667
			<u>3,406,242</u>
 <u>U.S. Department of Agriculture</u>			
Intermediary Relending Program (IRP):			
2015 Loan, beginning	10.767		420,734
2017 Loan, beginning	10.767		747,888
			<u>1,168,622</u>
 Rural Microentrepreneur Assistance Program (RMAP):			
2016 Loan, beginning	10.870		464,263
2018 Loan, beginning	10.870		250,000
			<u>714,263</u>
 Total Federal Loans			 <u>5,289,127</u>
 Total Federal Awards Expended and Loans			 <u>\$ 8,205,569</u>

See accompanying notes to schedule.

MOUNTAIN BIZCAPITAL, INC.
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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2020

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, 2020. 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, 2020. 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, 2020
EDA Revolving Loan Fund	11.307	\$ 1,565,914

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	\$ 1,565,914
Cash Balances in the RLF	252,406
Administrative Expenses Paid from RLF Income	(5,576)
Unpaid Principal of all Loans Written Off	-
	1,812,744
Federal Share of the RLF	51.79%
Total Federal Expenditures	\$ 938,820

MOUNTAIN BIZCAPITAL, INC.
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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2020

NOTE 5 – OTHER FEDERAL LOANS OUTSTANDING

Other federal loan balances outstanding as of December 31, 2020 are as follows:

<u>Loan Program</u>	
U.S. Small Business Administration	
Microloan program	<u>\$ 2,981,425</u>
U.S. Department of Agriculture	
Intermediary Relending Program (IRP)	
Small Business Loans	<u>\$ 1,149,612</u>
U.S. Department of Agriculture	
Rural Microentrepreneur Assistance	
Program (RMAP)	<u>\$ 687,367</u>

MOUNTAIN BIZCAPITAL, INC.
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2020

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

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes 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 No

Identification of Major Federal Programs:

<u>CFDA #</u>	<u>Program Title</u>
10.870	Rural Microentrepreneur Assistance Program – Assistance Grant
11.307	EDA Economic Adjustment Assistance RLF Program

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

MBC qualified as low-risk auditee? Yes No

II. Financial Statement Findings

None Reported.

**MOUNTAIN BIZCAPITAL, INC.
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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2020**

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, 2020**

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 not-for-profit organization), which comprise the statement of financial position as of December 31, 2020, 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 April 2, 2021.

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
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To the Board of Directors
Mountain BizCapital, Inc.
d/b/a Mountain BizWorks
April 2, 2021

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
April 2, 2021

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, 2020. 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.

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To the Board of Directors
Mountain BizCapital, Inc.
d/b/a Mountain BizWorks
April 2, 2021

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, 2020.

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
April 2, 2021