

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

REPORT TO THE BOARD OF DIRECTORS

**FOR THE YEAR ENDED
DECEMBER 31, 2021**

March 31, 2022

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

We are pleased to present this report related to our audit of the consolidated financial statements of Mountain BizCapital, Inc. d/b/a Mountain BizWorks and Affiliate ("MBC") as of and for the year ended December 31, 2021. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the MBC's financial reporting process.

This report is intended solely for the information and use of the Board of Directors and management of and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to you.

Respectfully submitted,

McKinley, Cooper & Co., LLC

Greenville, South Carolina

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



**MOUNTAIN BIZCAPITAL, INC.
d/b/a MOUNTAIN BIZWORKS
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REQUIRED COMMUNICATIONS ABOUT THE CONSOLIDATED FINANCIAL STATEMENT AUDIT

AU-C Section 260, *The Auditor's Communications With Those Charged with Governance*, and other professional and regulatory standards require the auditor to communicate certain matters related to the conduct of an audit to those who have responsibility for the oversight of the financial reporting process. The following summarizes these communications.

Objectives and Scope of the Audit

As communicated in our engagement letter dated February 28, 2022, the objective of our audit was the expression of an opinion about whether your consolidated financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information when considered in relation to the consolidated financial statements as a whole. The objective also included reporting on:

- Internal control related to the consolidated financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the consolidated financial statements in accordance with *Government Auditing Standards*.
- Internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Our audit procedures included tests of documentary evidence supporting the transactions recorded in the accounts and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions.

Our audit included examining on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements; therefore, our audit involved judgment about the number of transactions to be examined and the areas to be tested. Our audit also included 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 consolidated financial statements.

Auditor's Responsibility Under Professional Standards

Our audit was conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the consolidated financial statements. We believe that our audit accomplished that objective.

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We are responsible under the Uniform Guidance, to perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. Our responsibility includes the performance of 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, we are not required to design tests that would be necessary to render an opinion on those controls and, accordingly, no opinion is expressed in our report on internal control issued pursuant to the Uniform Guidance.

Our responsibility includes communication to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and the Uniform Guidance.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles.

Management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing the auditor about all known or suspected fraud affecting MBC.

Our audit of the consolidated financial statements does not relieve you or management of your respective responsibilities.

Internal Control Relevant to the Audit

Our audit of the consolidated financial statements included obtaining an understanding of internal control limited to the responsibilities explained above. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses.

Other Information Accompanying Audited Consolidated Financial Statements

Mountain BizCapital, Inc. d/b/a Mountain BizWorks and Affiliate includes other information accompanying the annual consolidated financial statements. Other information includes the schedule of expenditures of federal awards. Our auditor's report explains that the information was subjected to the auditing procedures applied in the audit of the consolidated financial statements.

Significant Accounting Policies

A summary of significant accounting policies adopted by MBC is included in Note 1 to the consolidated financial statements. Management has represented to us that the company did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period which should be brought to your attention for approval.

We noted no transactions entered into by MBC during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

The following accounting standard issued by the Financial Accounting Standards Board (FASB) will be effective for MBC for the year ending December 31, 2022:

Account Standards Update (ASU) 2016-22, *Leases*.

This standard requires that operating leases of 12 months or more must be reported on the balance sheet (statement of financial position) as both an asset and a liability, even if the lessee's intent is to return the asset to the owner (or landlord) at the end of the lease. MBC will record a right of use asset and corresponding liability on the statement of financial position in connection with the lease of office space.

Significant or Unusual Transactions

We noted no transactions entered into by MBC during the year that were both significant and unusual, and that, under professional standards, we are required to inform you of, or a transaction in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Management Judgments and Accounting Estimates

The preparation of the consolidated financial statements requires management to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the period. These estimates are an integral part of the consolidated financial statements prepared by management and are based upon management's current judgments. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting the estimates may differ markedly from management's current judgments.

The following describes the significant management judgments and accounting estimates reflected in the December 31, 2021 consolidated financial statements:

The most significant estimates at December 31, 2021 are allocation of expenses to functional categories and allowance for uncollectible loans receivable. Allocation of expenses to functional categories is based on management's estimate of the program or supporting services benefited. Management's estimate of the allowance for uncollectible loans is based on historical collection rates and an analysis of the collectability of individual loans. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the consolidated financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the consolidated financial statements were:

The components of loans receivable are disclosed in Note 6 to the consolidated financial statements. The components of net carrying balance consist of gross loans and allowance for loan losses.

The terms of debt maturities are disclosed in Notes 9 and 10 to the consolidated financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the consolidated financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

There were none.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 31, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to MBC's consolidated financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as MBC's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the Schedule of Expenditures of Federal Awards accompanying the consolidated financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the Schedule to determine that it complies with U.S. generally accepted accounting principles. The method of preparing it has not changed from the prior period, and the Schedule is appropriate and complete in relation to our audit of the consolidated financial statements. We compared and reconciled the Schedule to the underlying accounting records used to prepare the consolidated financial statements or to the consolidated financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Mountain BizCapital, Inc. d/b/a Mountain BizWorks and Affiliate and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

McKinley, Cooper & Co., LLC

Greenville, South Carolina
March 31, 2022

**COMMUNICATION OF INTERNAL CONTROL
RELATED MATTERS**

In planning and performing our audit of the consolidated financial statements of Mountain BizCapital, Inc. d/b/a Mountain BizWorks and Affiliate as of and for the year ended December 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered MBC's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of MBC's internal control. Accordingly, we do not express an opinion on the effectiveness of MBC'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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

Our comments are based upon conditions noted during our audit and are not intended to be all-inclusive. They are submitted to you as constructive suggestions to assist you in strengthening controls and procedures and are not intended to reflect on the honesty or integrity of any employee.

This communication is intended solely for the information and use of management, Board of Directors, and others within MBC, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

McKinley, Cooper & Co., LLC

Greenville, South Carolina
March 31, 2022

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