

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

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2021

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

OFFICERS

Sophia Paulos
Tim Herdklotz
Leah Mayberry
Rebecca Crandall
Zane Adams

Chair
Vice-Chair
Treasurer
Secretary
Second Vice-Chair

BOARD OF DIRECTORS

Adriana Chavela
Tim Herdklotz
Duane Adams
Leah Mayberry
Zane Adams
Rebecca Crandall

Sophia Paulos
Tim Schaller
Paula Swepson
Brandon Wallace
Terry Young
Audrey Whetten Godfrey

EXECUTIVE DIRECTOR

Matt Raker

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Mountain BizCapital, Inc. d/b/a Mountain BizWorks and Affiliate, (a not-for-profit organization), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mountain BizCapital, Inc. d/b/a Mountain BizWorks and Affiliate as of December 31, 2021, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Mountain BizCapital, Inc. d/b/a Mountain BizWorks and Affiliate and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Mountain BizCapital, Inc. d/b/a Mountain BizWorks and Affiliate's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

To the Board of Directors
Mountain BizCapital, Inc.
d/b/a Mountain BizWorks
and Affiliate
March 31, 2022

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Mountain BizCapital, Inc. d/b/a Mountain BizWorks and Affiliate's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mountain BizCapital, Inc. d/b/a Mountain BizWorks and Affiliate's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

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 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

To the Board of Directors
Mountain BizCapital, Inc.
d/b/a Mountain BizWorks
and Affiliate
March 31, 2022

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 schedule of expenditures of federal awards 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 31, 2022, on our consideration of Mountain BizCapital, Inc. d/b/a Mountain BizWorks and Affiliate'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. d/b/a Mountain BizWorks and Affiliate'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. d/b/a Mountain BizWorks and Affiliate's internal control over financial reporting and compliance.

McKinley, Cooper & Co., LLC

Greenville, South Carolina
March 31, 2022

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021
(with comparative totals for 2020)

ASSETS	2021	2020
Current Assets		
Cash and cash equivalents	\$ 11,177,667	\$ 8,382,511
Cash and cash equivalents - restricted	2,846,902	-
Interest receivable	91,878	76,277
Loans receivable, net of allowance, current portion	1,940,951	1,720,612
Note receivable, current portion	-	8,081
Grants receivable	659,654	416,551
Other receivables	75,525	71,851
Prepaid expenses	46,674	-
Property available for sale	18,426	18,426
Total current assets	16,857,677	10,694,309
Other Assets		
Property and equipment, net of accumulated depreciation	715,142	743,798
Loans receivable, net of allowance, net of current portion	8,179,147	7,284,716
Total other assets	8,894,289	8,028,514
Total assets	\$ 25,751,966	\$ 18,722,823
LIABILITIES		
Current liabilities		
Accounts payable	\$ 154,443	\$ -
Notes payable, current maturities	2,309,048	1,532,519
Mortgages payable, current maturities	45,044	36,794
Payroll liabilities	22,520	13,426
Payable to emergency funds	2,469,529	1,509,465
Payable to other funds	297,328	-
Deferred revenue	1,639,937	-
Other current liabilities	6,253	62,912
Total current liabilities	6,944,102	3,155,116
Long-term liabilities		
Notes payable, net of current portion	6,180,120	7,427,563
Mortgages payable, net of current portion	545,833	591,124
Total long-term liabilities	6,725,953	8,018,687
Total liabilities	13,670,055	11,173,803
EQUITY EQUIVALENT	400,000	400,000
NET ASSETS		
Without donor restrictions	7,582,762	3,757,685
With donor restrictions	4,099,149	3,391,335
Total net assets	11,681,911	7,149,020
Total liabilities, equity equivalent, and net assets	\$ 25,751,966	\$ 18,722,823

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

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

CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021
(with comparative totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
REVENUE AND SUPPORT				
Federal grants	\$ 3,042,871	\$ 767,857	\$ 3,810,728	\$ 1,945,774
State, local, and federal pass-through grants	168,161	-	168,161	95,987
Foundation and private grants	242,442	246,944	489,386	782,544
Contributions	22,740	-	22,740	24,572
Program and service fees	1,597,027	-	1,597,027	1,487,043
Interest income	1,119,295	-	1,119,295	889,859
Other income	12,820	-	12,820	103,484
Net assets released from restriction	306,987	(306,987)	-	-
Total revenue and support	6,512,343	707,814	7,220,157	5,329,263
EXPENSES				
Program services	2,229,017	-	2,229,017	2,583,325
Management and general	381,750	-	381,750	340,576
Fundraising	76,499	-	76,499	61,299
Total expenses	2,687,266	-	2,687,266	2,985,200
INCREASE IN NET ASSETS	3,825,077	707,814	4,532,891	2,344,063
NET ASSETS, BEGINNING OF YEAR	3,757,685	3,391,335	7,149,020	4,804,957
NET ASSETS, END OF YEAR	\$ 7,582,762	\$ 4,099,149	\$ 11,681,911	\$ 7,149,020

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

MOUNTAIN BIZCAPITAL, INC.
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CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021
(with comparative totals for 2020)

	Program	Management and General	Fundraising	Total	
				2021	2020
Salaries	\$ 1,122,627	\$ 175,833	\$ 54,103	\$ 1,352,563	\$ 1,081,764
Payroll taxes	86,799	13,595	4,183	104,577	81,808
Benefits	112,294	17,588	5,412	135,294	104,388
Other	-	-	-	-	8,242
Total salaries and related expenses	1,321,720	207,016	63,698	1,592,434	1,276,202
Occupancy expenses					
Rent, parking and other	13,994	2,192	674	16,860	16,930
Cleaning and shredding	2,888	452	139	3,479	3,244
Utilities and security	3,534	554	170	4,258	3,960
Repairs and maintenance	3,793	594	183	4,570	2,175
Telephone and internet	8,013	1,255	386	9,654	6,812
Condo fees and real estate taxes	15,977	2,502	770	19,249	17,969
Travel and meetings					
Travel	2,316	363	112	2,791	1,847
Conference fees	402	63	19	484	1,295
Meetings and other	7,234	1,133	349	8,716	2,495
Office expenses					
Bank charges	10,708	1,677	516	12,901	8,541
Copier, computer and printing supplies	6,659	1,043	321	8,023	13,052
Dues and subscriptions	25,662	3,644	1,121	30,427	33,749
Insurance	16,300	2,553	786	19,639	11,179
IT and database management, website	42,406	6,642	2,044	51,092	28,575
Marketing	47,604	7,454	2,294	57,352	44,498
Office supplies and equipment	26,050	4,080	1,255	31,385	22,532
Licenses, fees and taxes	1,326	208	64	1,598	376
Postage and delivery	1,070	168	52	1,290	2,082
Cell phone	3,051	478	147	3,676	4,116
Professional fees					
HR/Equity	11,952	1,872	576	14,400	13,200
Accounting and audit	15,383	2,409	741	18,533	10,701
Legal	4,303	267	82	4,652	6,928
Coaches, trainees and contractors	528,057	-	-	528,057	532,938
Other program expense	8,258	-	-	8,258	36,783
Loan loss expense, net of recoveries	(77,239)	-	-	(77,239)	615,280
Other operating expenses	107,946	-	-	107,946	21,656
Total expenses before interest and depreciation	2,159,367	248,619	76,499	2,484,485	2,768,710
Interest expense	69,650	104,475	-	174,125	187,835
Depreciation	-	28,656	-	28,656	28,655
Total expenses	\$ 2,229,017	\$ 381,750	\$ 76,499	\$ 2,687,266	\$ 2,985,200

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

MOUNTAIN BIZCAPITAL, INC.
d/b/a MOUNTAIN BIZWORKS
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CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021
(with comparative totals for 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,532,891	\$ 2,344,063
Adjustments to reconcile changes in net assets to cash provided (used) by operating activities		
Depreciation	28,656	28,655
Provision for loan losses	(157,559)	373,746
Changes in operating assets and liabilities		
Interest receivable	(15,601)	-
Loans receivable	(957,211)	539,072
Grants receivable	(243,103)	139,517
Other receivables	(3,674)	(57,175)
Prepaid expenses	(46,674)	-
Accounts payable	154,443	-
Payroll liabilities	9,094	856
Other current liabilities	(56,659)	52,031
Deferred revenue	1,639,937	-
Net cash provided by operating activities	4,884,540	3,420,765
CASH FLOWS FROM FINANCING ACTIVITIES		
Payable to emergency funds	960,064	1,509,465
Payable to other funds	297,328	-
Proceeds from notes payable and mortgage	418,568	1,275,699
Repayment of notes and mortgages payable	(926,523)	(1,460,041)
Net cash provided by financing activities	749,437	1,325,123
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts from note receivable	8,081	7,922
Net cash provided by investing activities	8,081	7,922
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,642,058	4,753,810
CASH AND CASH EQUIVALENTS, beginning of year	8,382,511	3,628,701
CASH AND CASH EQUIVALENTS, end of year	\$ 14,024,569	\$ 8,382,511
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO BALANCE SHEET		
Cash and cash equivalents	\$ 11,177,667	\$ 8,382,511
Cash and cash equivalents, restricted	2,846,902	-
Total cash and cash equivalents	\$ 14,024,569	\$ 8,382,511
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 174,125	\$ 187,835

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Mountain BizCapital, Inc. d/b/a Mountain BizWorks and Affiliate (“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 consolidated financial statements of MBC have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the MBW Marketplace LLC (the “Affiliate”), an affiliated corporation established to support successful Western North Carolina small business ownership transitions of MBW. All intercompany transactions and balances have been eliminated in the consolidated financial statements.

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

MOUNTAIN BIZCAPITAL, INC.
d/b/a MOUNTAIN BIZWORKS
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

established cash loan loss reserves for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, cash loan loss reserves totaled \$849,131 and \$857,765, respectively.

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 4% to 10%. 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, 2021. 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

MOUNTAIN BIZCAPITAL, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021

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.

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, 2021 and 2020, the amount charged to expense was \$56,847 and \$44,498, 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 consolidated 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 consolidated financial statements as a result of ASC 740-10.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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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. MBC 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.

Estimates

Management uses estimates and assumptions in preparing consolidated 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 consolidated 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 consolidated financial statements for the year ended December 31, 2020, 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:

	2021
Cash - operations	\$ 3,059,978
Current portion of loans and interest receivable	2,032,829
Cash - unrestricted	3,603,124
Grants and other receivables	705,463
Total financial assets as of year end	<u>9,401,394</u>
Total financial assets available to meet general expenditures within the next 12 months	<u>\$ 9,401,394</u>

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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:

<u>December 31,</u>	<u>2021</u>	<u>2020</u>
Future general operations	\$ 246,944	\$ 306,960
EDA loan program	671,596	252,406
SBA loan program	1,687,801	1,531,758
USDA loan programs	1,492,808	1,300,211
Net assets with donor restrictions	<u>\$ 4,099,149</u>	<u>\$ 3,391,335</u>

NOTE 4 – FUNDS HELD FOR LENDING

MBC had cash available for lending in the following loan pools as of December 31, 2021 and 2020:

<u>Funding Sources</u>	<u>2021</u>	<u>2020</u>
USDA Intermediary Relending Program	\$ 920,425	\$ 559,665
USDA Rural Microentrepreneur Assistance Program	821,113	495,081
USDA SMDC	26,799	11,097
SBA Microloan Program	1,094,081	1,199,067
MBC Equity Loan Pool	3,449,812	1,767,199
Advantage Opportunity Program	153,312	132,135
Economic Development Administration	671,596	252,406
All in Jackson Fund	297,394	-
COVID-19 Loan Fund	997,983	1,404,161
Catalyst Loan Fund	100,828	125,000
FTA/CA Guidehouse	24,529	-
PPP loan repayment program	1,551,525	-
Total Cash Held for Lending and Cash Reserves	<u>\$ 10,109,397</u>	<u>\$ 5,945,811</u>

In addition, MBC had cash reserved for loan loss in the following loan pools as of December 31, 2021 and 2020:

<u>Funding Sources</u>	<u>2021</u>	<u>2020</u>
USDA - IRP	\$ 138,327	\$ 133,451
USDA - RMAP	49,631	54,431
SBA Microloan	559,173	669,883
CA 7a Program	101,999	-
	<u>\$ 849,130</u>	<u>\$ 857,765</u>

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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, 2021 and 2020, undisbursed cash relating to undrawn loans totaled \$382,555 and \$55,304, respectively.

NOTE 5 – LOANS RECEIVABLE

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

December 31, 2021	Loans Receivable	Allowance for Loan Losses	Net Receivable
USDA Intermediary Relending Program	\$ 1,667,155	\$ 217,121	\$ 1,450,034
USDA Rural Microentrepreneur Assistance Program	473,012	82,750	390,262
USDA SMDC	36,342	5,451	30,891
SBA Microloan Program	2,708,957	348,769	2,360,188
Economic Development Administration	2,718,384	267,810	2,450,574
MBC Equity and Private Lenders	3,928,497	530,122	3,398,375
Advantage Opportunity Funds	47,741	7,967	39,774
	<u>11,580,088</u>	<u>1,459,990</u>	<u>10,120,098</u>
Less, current portion	<u>2,220,965</u>	<u>280,014</u>	<u>1,940,951</u>
Loans receivable, net of current portion	<u><u>\$ 9,359,123</u></u>	<u><u>\$ 1,179,976</u></u>	<u><u>\$ 8,179,147</u></u>

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><u>\$ 8,593,206</u></u>	<u><u>\$ 1,308,491</u></u>	<u><u>\$ 7,284,715</u></u>

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

	2021	2020
Balance - allowance for loan losses, beginning of year	\$ 1,617,549	\$ 1,243,803
Loan loss expense	(77,239)	615,280
Write-offs - current year	(135,930)	(286,068)
Recoveries	55,610	44,534
Balance - allowance for loan losses, end of year	<u>\$ 1,459,990</u>	<u>\$ 1,617,549</u>

Guaranteed Loan Program

Mountain BizCapital, Inc. d/b/a Mountain BizWorks and Affiliate 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.

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 totaling \$1,195,000 under the program which are included in the loan’s receivable information (detailed below). These loans are guaranteed up to 90%.

In 2021, from February until September 30, the Economic Aid Act had extended the debt relief program established under the CARES Act and provided guarantees up to 90%. During this time period MBC generated 7 such loans totaling \$903,500 whose receivables are included below.

MBC loans receivable of \$4,549,411 as of December 31, 2021 are guaranteed (up to 90% see above) by the CA program. In addition, MBC has loans receivable of \$207,295 representing the unguaranteed portion of the loans sold to the secondary market. The CA program requires MBC 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 \$49,304 at December 31, 2021.

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In 2019, CA-guaranteed portion loans of \$625,886 were sold at a premium of \$61,777 in the secondary market. The total of CA-guaranteed portion loans sold as of December 31, 2019 was \$2,020,512. In 2020 and 2021 no loans were sold. The balance of the guarantee portion sold is \$1,174,674 as of December 31, 2021. MBC 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 \$38,710.

Mountain BizCapital, Inc. d/b/a Mountain BizWorks and Affiliate held \$102,000 in a loan loss account at First Bank as of December 31, 2021, satisfying all reserve requirements for unsold and sold loans.

During 2021, MBC submitted a total of 5 requests for the SBA to purchase the guaranteed portions. The total amount of these requests is: \$269,845 of which \$213,494 were sold loans. As of December 31, 2021, MBC has received \$247,980 against these requests.

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 expended \$144,275 for administrative costs related to the management of the RLF at December 31, 2021.

A summary of the assets and liabilities related to the EDA-RLF loan funds as of December 31, 2021 is as follows:

Total EDA Award: \$ 750,000

<u>2021</u>			
Restricted Cash	\$ 500,611	Revenues - EDA Fundings	\$ 750,000
Loans Receivable	1,373,311	Interest Earned on Loans	478,603
Interest Receivable	16,784	Interest Earned on Deposits	347
Loan Loss Reserves	<u>(133,303)</u>	Fees Earned on Closed Loans	40,213
Total Assets	1,757,403	Administrative Expenses	(144,275)
Liabilities - Matching Funds	<u>(750,000)</u>	Provision for Loan Loss Reserves	<u>(117,485)</u>
Net Assets	<u>\$ 1,007,403</u>	Net	<u>\$ 1,007,403</u>

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In August 2020, MBC received \$1,640,000 in a Coronavirus Aid, Relief, and Economic Security (CARES) Act Revolving Loan Fund (RLF) from the U.S. Department of Commerce, Economic Development Administration (EDA). This 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, 2021, the Cares Act RLF has a loan receivable balance of \$1,345,073, and has utilized the \$160,000 from the administrative grant.

A summary of the assets and liabilities related to the EDA CARES Act RLF loan funds at December 31, 2021 is as follows:

Total EDA Award: \$ 1,640,000

<u>2021</u>			
Restricted Cash	\$ 170,984	Revenues - EDA Fundings	\$ 1,420,330
Loans Receivable	1,345,073	Interest Earned on Loans	18,585
Interest Receivable	5,875	Interest Earned on Deposits	14
Loan Loss Reserves	(134,507)	Other RLF Income	9,352
Total Assets	1,387,425	Fees Earned on Closed Loans	24,695
Liabilities - Matching Funds	-	Administrative Expenses	(21,918)
Net Assets	\$ 1,387,425	Provision for Loan Loss Reserves	(63,633)
		Net	\$ 1,387,425

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 BizCapital, Inc. d/b/a Mountain BizWorks and Affiliate proactively sought to leverage its capabilities to provide needed emergency funding and technical support resources to existing borrowers as well as other at-risk small businesses and nonprofits across MBC’s service area. In 2020, the Organization deployed \$40,965,700 in emergency loans and grants. In 2021, MBC administered an additional \$18,493,102 in targeted relief loans and grants as COVID-19 continued to spread and cause acute impacts for WNC small businesses. The major relief programs administered are described below. Each program was managed as a discrete funding facility.

- SBA Paycheck Protection Program (PPP): as an SBA partner lender, Mountain BizCapital, Inc. d/b/a Mountain BizWorks and Affiliate participated in all rounds of 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

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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 other funders. A limited number of PPP loans were also made with MBW's own unrestricted loan funds. Following origination, PPP loans were refinanced using the Paycheck Protection Program Liquidity Facility of the US Federal Reserve. MBW provided \$11,606,068 in PPP loans in 2020 and \$13,048,853 in 2021. As of December 31, 2021, \$23,019,238 (93%) of the PPP loans had been forgiven with a balance of \$1,635,683 in PPP loans that either have not yet applied for forgiveness or that were not forgiven.

- NC Rapid Recovery Program (NCRR): MBC 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 NCRR loans have been sold to the NC Rural Center, the statewide NCRR 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 three 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. The One Buncombe Grants program provided \$1,037,500 in relief grants over two rounds. An administration fee was assessed for each program.

Emergency lending balance as of December 31, 2021 are depicted below:

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Restricted Cash	
Local Funds	\$ 754,200
NC Rural	243,784
PPP Forgiveness	1,551,525
Loans Receivable	
Local Funds	575,966
NC Rural	23,517,750
PPP	1,625,446
Total Assets	28,268,671
Liabilities	
Local Funds	1,327,584
NC Rural	23,795,810
PPPLF	3,065,298
PPP Timing Reconciliation	2,549,508
Total Liabilities	30,738,200
Payable to Emergency Funds	\$ 2,469,529

NOTE 7 – OTHER LOAN PROGRAMS

All in Jackson Fund was converted from an emergency lending fund to a regular lending fund on November 16, 2021. In its new form, All in Jackson serves as leverage fund allowing for increases in funding for Jackson County small businesses.

All in Jackson lending balances as of December 31, 2021 are depicted below:

Restricted cash	\$ 297,394
Loans receivable	27,653
Total Assets	325,047
Loans payable	324,981
Timing reconciliation	297,394
Total Liabilities	622,375
Payable to All in Jackson	\$ 297,328

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NOTE 8 – PROPERTY AND EQUIPMENT

A description of property and equipment is as follows:

<u>December 31,</u>	<u>2021</u>	<u>2020</u>
Buildings and improvements	\$ 1,154,529	\$ 1,154,529
Equipment and software	114,292	135,275
Vehicles	17,060	17,060
	<u>1,285,881</u>	<u>1,306,864</u>
Less, accumulated depreciation	(570,739)	(563,066)
Property and equipment	<u>\$ 715,142</u>	<u>\$ 743,798</u>

Depreciation expense for the years ended December 31, 2021 and 2020 was \$28,656 and \$28,655, respectively.

NOTE 9 – EQUITY EQUIVALENT

Equity note consists of the following:

	<u>2021</u>	<u>2020</u>
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
	<u>\$ 400,000</u>	<u>\$ 400,000</u>

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.

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NOTE 10 – NOTES PAYABLE

Notes payable are described as follows:

	2021	2020
<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>	\$ 137,952	\$ 147,094
<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>	306,127	306,305
<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>	723,508	747,563
<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>	383,789	402,049
<p>Note payable to USDA, under the IRP, bearing interest at 1% per annum and has a 30 year term. The note dated April 2021, secured by MBC's IRP's revolving fund, including loans receivable derived from the note. Total amount available for draw under the loan agreement is \$750,000. For the first three years, interest only payments are required followed by 27 yearly equal payments of principal and interest beginning April 26, 2025.</p>	142,500	-

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	2021	2020
<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>	\$ 281,292	\$ 306,290
<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>	423,926	444,594
<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. In 2021, MBC decided not to draw the remaining balance of \$250,000 out of the \$500,000 stipulated in the original amount. 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>	240,901	252,907
<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>	750,599	888,371
<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>	43,748	81,246

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	2021	2020
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.	\$ 207,668	\$ 323,708
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.	514,135	653,968
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.	906,517	1,040,491
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.	353,696	398,595
Various notes payable to individuals under MBC's Investment Note Program. These notes range from \$500 to \$125,000, bearing interest from 0% to 3%, and are due in one to seven years from the date of the note.	1,525,082	1,387,331
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. In March 2020, 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. In February 2021, the loan was extended from July 2021 to July 2022.	200,000	200,000

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	2021	2020
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 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. From April 2020 until February 2021, monthly payments of principal and interest were \$3,281. Beginning March 2021, monthly principal and interest payments are \$8,633 until loan is fully paid off in August 2025.	347,728	379,568
	8,489,168	8,960,080
Less, current maturities	(2,309,048)	(1,532,519)
Notes payable, net of current maturities	\$ 6,180,120	\$ 7,427,561

Scheduled principal repayments for the next five years on notes payable at December 31, 2021, are as follows:

December 31,		
2022	\$	2,309,048
2023		1,019,392
2024		1,249,830
2025		820,725
2026		704,746
Thereafter		2,385,427
Totals	\$	8,489,168

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NOTE 11 – MORTGAGES PAYABLE

Mortgages payable are described as follows:

	2021	2020
<p>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% until December 2021, at which date the rate was reduced to 4.2%. Monthly installments of principal and interest payments of \$5,751 are due until the loan is fully paid off on or before May 2033. The note is secured by a building.</p>	\$ 590,877	\$ 627,918
	590,877	627,918
Less, current maturities	(45,044)	(36,794)
Mortgages payable, net of current maturities	\$ 545,833	\$ 591,124

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

December 31,	
2022	\$ 45,044
2023	46,973
2024	48,984
2025	51,081
2026	53,268
Thereafter	345,527
Totals	\$ 590,877

NOTE 12 - LEASE COMMITMENTS

MBC has entered into an operating lease for a copier. Required monthly payments are \$597 plus tax, with the lease term ending in March 2026.

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 \$35,322 and \$26,794 to the program for years ended December 31, 2021 and 2020, respectively.

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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 \$12,459,565 at December 31, 2021.

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 consolidated 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.

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NOTE 18 – MBW MARKETPLACE LLC d/b/a MOUNTAIN BIZWORKS MARKET ADVISORS

In October 2021, Mountain BizWorks launched a new social enterprise subsidiary, MBW Marketplace LLC d/b/a Mountain BizWorks Market Advisors (“Market Advisors”), to support successful Western North Carolina small business ownership transitions. Market Advisors goal is to provide a platform for business owners’ to receive assistance with buying or selling a small business. Market Advisors has been established to help address this regional need.

MBW Marketplace LLC d/b/a Mountain BizWorks Market Advisors is a wholly-owned subsidiary of Mountain BizWorks. Its financial activities are reflected within Mountain BizWorks’ consolidated financial statements. Market Advisors’ activities were limited and immaterial in 2021 but are expected to grow in 2022 as the new program is established.

NOTE 19 – SUBSEQUENT EVENTS

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

COMPLIANCE SECTION

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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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<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	\$ 2,590,739
<u>U.S. Department of the Treasury</u>			
Direct:			
Community Development Financial Institutions Cluster			
CDFI Program	21.020	N/A	887,500
<u>U.S. Small Business Administration</u>			
Direct:			
Microloan Program - Technical Assistance Grant	59.046	N/A	889,925
Prime Technical Assistance	59.050	N/A	80,000
Total U.S. Small Business Administration			969,925
<u>U.S. Department of Agriculture</u>			
Direct:			
Rural Microentrepreneur Assistance Program - Assistance Grant	10.870	N/A	103,795
Passed through Appalachian Sustainable Agriculture Project:			
The Next Generation of Farmers	10.311	2018-70017-28533	15,853
Total U.S. Department of Agriculture			119,648
<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	110,000
<u>Appalachian Regional Commission</u>			
Direct:			
Appalachian Area Development - Growing Outdoors (POWER)	23.002	N/A	236,590
Total Grants Expended			4,914,402

*See accompanying notes to schedule for calculation.

(continued)

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2021**

<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		\$ 653,968
2017 Microloan, beginning	59.046		888,371
2018 Microloan, beginning	59.046		1,040,491
2019 Microloan, beginning	59.046		398,595
			<u>2,981,425</u>
<u>U.S. Department of Agriculture</u>			
Intermediary Relending Program (IRP):			
2015 Loan, beginning	10.767		402,049
2017 Loan, beginning	10.767		747,563
2021 Loan, current year draws	10.767		142,500
			<u>1,292,112</u>
Rural Microentrepreneur Assistance Program (RMAP):			
2016 Loan, beginning	10.870		438,419
2018 Loan, beginning	10.870		248,948
			<u>687,367</u>
Total Federal Loans			<u>4,960,904</u>
Total Federal Awards Expended and Loans			<u>\$ 9,875,306</u>

See accompanying notes to schedule.

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2021

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, 2021. 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, 2021. These loan receivable balances outstanding are also included in the federal expenditures presented in the Schedule.

Program Title	Federal CFDA Number	EDA 1 Outstanding Balance at December 31, 2021	EDA 2 Outstanding Balance at December 31, 2021
EDA Revolving Loan Fund	11.307	\$ 1,373,311	\$ 1,345,073

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

	EDA 1	EDA 2
Revolving Loan Fund (RLF) Principal Outstanding	\$ 1,373,311	\$ 1,345,073
Cash Balances in the RLF	500,611	170,984
Administrative Expenses Paid from RLF Income	(722)	(21,918)
Unpaid Principal of all Loans Written Off	-	-
	1,873,200	1,494,139
Federal Share of the RLF	50.00%	100.00%
Total Federal Expenditures	\$ 936,600	\$ 1,494,139

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2021

NOTE 5 – OTHER FEDERAL LOANS OUTSTANDING

Other federal loan balances outstanding as of December 31, 2021 are as follows:

<u>Loan Program</u>	
U.S. Small Business Administration Microloan Program	\$ 2,524,947
U.S. Department of Agriculture Intermediary Relending Program (IRP) Small Business Loans	\$ 1,107,297
U.S. Department of Agriculture Rural Microentrepreneur Assistance Program (RMAP)	\$ 797,725

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2021**

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
21.020	Community Development Financial Institutions Cluster

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
AND AFFILIATE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2021**

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, 2021**

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
and Affiliate
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 and Affiliate (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2021, 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 31, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MBC's internal control over financial reporting (internal control) as a basis for designing 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 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 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.

To the Board of Directors
Mountain BizCapital, Inc.
d/b/a Mountain BizWorks
and Affiliate
March 31, 2022

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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether MBC'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 financial statements. 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 MBC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MBC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McKinley, Cooper & Co., LLC

Greenville, South Carolina
March 31, 2022

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
and Affiliate
Asheville, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Mountain BizCapital, Inc. d/b/a Mountain BizWorks and Affiliate's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of MBC's major federal programs for the year ended December 31, 2021. MBC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Mountain BizCapital, Inc. d/b/a Mountain BizWorks and Affiliate 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, 2021.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of MBC and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of MBC's compliance with the compliance requirements referred to above.

To the Board of Directors
Mountain BizCapital, Inc.
d/b/a Mountain BizWorks
and Affiliate
March 31, 2022

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to MBC's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on MBC's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about MBC's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding MBC's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of MBC's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and 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 MBC's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

To the Board of Directors
Mountain BizCapital, Inc.
d/b/a Mountain BizWorks
and Affiliate
March 31, 2022

Report on 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 Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 31, 2022