

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

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2023**

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

**OFFICERS**

Sophia Paulos  
Tim Herdklotz  
Leah Mayberry  
Paula Swepson  
Zane Adams

Chair  
Vice-Chair  
Treasurer  
Secretary  
Second Vice-Chair

**BOARD OF DIRECTORS**

Chad Holliday  
Tim Herdklotz  
Duane Adams  
Leah Mayberry  
Zane Adams  
Jose Infanzon Chavez

Sophia Paulos  
Stephanie Lee  
Paula Swepson  
Brandon Wallace  
Terry Young  
Mitzi Reed

**EXECUTIVE DIRECTOR**

Matt Raker

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

TABLE OF CONTENTS

---

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-3
FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	4
CONSOLIDATED STATEMENT OF ACTIVITIES	5
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES	6
CONSOLIDATED STATEMENT OF CASH FLOWS	7
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	8-25
COMPLIANCE SECTION	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	26-27
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	28-29
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	30-31
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	32
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 <i>GOVERNMENT AUDITING STANDARDS</i>	33-34
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	35-36



## 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 nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2023, 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, 2023, 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 beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

---

[www.phillipscpafirm.com](http://www.phillipscpafirm.com)

[info@phillipscpafirm.com](mailto:info@phillipscpafirm.com)

To the Board of Directors  
Mountain BizCapital, Inc.  
d/b/a Mountain BizWorks  
and Affiliate  
April 16, 2023

### **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 statements or to the financial statements themselves, and other additional procedures in.

To the Board of Directors  
Mountain BizCapital, Inc.  
d/b/a Mountain BizWorks  
and Affiliate  
April 16, 2023

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 April 16, 2023, 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.

*Phillips CPAs and Advisers*

Greenville, South Carolina  
April 16, 2023

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2023**  
**(with comparative totals for 2022)**

<b>ASSETS</b>	<b>2023</b>	<b>2022</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 12,357,731	\$ 10,638,219
Cash and cash equivalents - restricted	2,806,505	3,291,247
Interest receivable	119,648	99,405
Loans receivable, net of allowance, current portion	2,973,967	2,648,250
Grants receivable	495,906	492,794
Other receivables	126,144	281,627
Property available for sale	18,426	18,426
Total current assets	18,898,327	17,469,968
<b>Other Assets</b>		
Property and equipment, net of accumulated depreciation	657,830	686,486
Loans receivable, net of allowance and current portion	15,677,614	11,846,701
Total other assets	16,335,444	12,533,187
<b>Total assets</b>	\$ 35,233,771	\$ 30,003,155
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 160,801	\$ 293,467
Notes payable, current maturities	1,709,308	1,228,495
Mortgages payable, current maturities	48,628	46,497
Payroll liabilities	39,202	22,385
Payable to emergency funds	741,613	522,625
Payable to other funds	325,251	311,067
Deferred revenue	2,787,415	1,142,568
Other current liabilities	1,969,011	1,109,346
Total current liabilities	7,781,229	4,676,450
<b>Long-term liabilities</b>		
Notes payable, net of current portion	8,253,146	8,593,688
Other long-term liabilities	1,392,451	1,000,000
Mortgages payable, net of current portion	450,862	499,659
Total long-term liabilities	10,096,459	10,093,347
<b>Total liabilities</b>	17,877,688	14,769,797
<b>EQUITY EQUIVALENT</b>	1,950,000	1,550,000
<b>NET ASSETS</b>		
Without donor restrictions	11,426,998	9,438,476
With donor restrictions	3,979,085	4,244,882
<b>Total net assets</b>	15,406,083	13,683,358
<b>Total liabilities, equity equivalent, and net assets</b>	\$ 35,233,771	\$ 30,003,155

The accompanying notes are an integral part of this financial statements.  
See Independent Auditor's Report.

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

**CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2023  
(with comparative totals for 2022)**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2023 Total</u>	<u>2022 Total</u>
<b>REVENUE AND SUPPORT</b>				
Federal grants	\$ 1,892,831	\$ 305,754	\$ 2,198,585	\$ 2,823,863
State, local, and federal pass-through grants	568,234	-	568,234	251,430
Foundation and private grants	688,580	78,750	767,330	882,496
Contributions	25,572	-	25,572	11,307
Program and service fees	686,969	-	686,969	645,130
Interest income	2,156,953	-	2,156,953	1,510,473
Other income	2,657	-	2,657	-
Net assets released from restriction	650,301	(650,301)	-	-
<b>Total revenue and support</b>	<u>6,672,097</u>	<u>(265,797)</u>	<u>6,406,300</u>	<u>6,124,699</u>
<b>EXPENSES</b>				
Program services	4,044,139	-	4,044,139	3,561,318
Management and general	527,167	-	527,167	462,027
Fundraising	112,269	-	112,269	99,907
<b>Total expenses</b>	<u>4,683,575</u>	<u>-</u>	<u>4,683,575</u>	<u>4,123,252</u>
<b>INCREASE IN NET ASSETS</b>	1,988,522	(265,797)	1,722,725	2,001,447
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>9,438,476</u>	<u>4,244,882</u>	<u>13,683,358</u>	<u>11,681,911</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 11,426,998</u>	<u>\$ 3,979,085</u>	<u>\$ 15,406,083</u>	<u>\$ 13,683,358</u>

*The accompanying notes are an integral part of this financial statements.  
See Independent Auditor's Report.*



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

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2023**  
**(with comparative totals for 2022)**

	Program	Management and General	Fundraising	Total	
				2023	2022
Salaries	\$ 1,684,732	\$ 263,874	\$ 81,192	\$ 2,029,798	\$ 1,779,031
Payroll taxes	128,574	20,138	6,196	154,909	138,269
Benefits	171,145	26,806	8,248	206,199	187,567
Total salaries and related expenses	1,984,452	310,818	95,636	2,390,906	2,104,867
Occupancy expenses					
Rent, parking and other	5,648	885	272	6,805	6,960
Cleaning and shredding	3,657	573	176	4,406	4,041
Utilities and security	4,193	657	202	5,052	4,304
Repairs and maintenance	13,522	2,118	652	16,292	4,836
Telephone and internet	11,175	1,750	539	13,464	10,303
Condo fees and real estate taxes	17,055	2,671	822	20,548	20,364
Travel and meetings					
Travel	33,184	5,198	1,599	39,981	32,081
Conference fees	8,090	1,267	390	9,747	7,491
Meetings and other	29,468	4,616	1,420	35,504	36,360
Office expenses					
Bank charges	25,054	3,924	1,207	30,186	17,145
Copier, computer and printing supplies	6,702	1,050	323	8,075	7,362
Dues and subscriptions	12,554	1,966	605	15,125	14,525
Insurance	17,894	2,803	862	21,559	20,956
IT and database management, website	54,260	8,499	2,615	65,374	56,706
Marketing	41,743	6,538	2,012	50,293	64,722
Office supplies and equipment	12,091	1,894	583	14,568	36,423
Licenses, fees and taxes	11,180	1,751	539	13,470	10,068
Postage and delivery	2,446	383	118	2,947	1,232
Cell phone	2,456	385	118	2,959	3,085
Professional fees					
HR/Equity	6,888	1,079	332	8,299	8,795
Accounting and audit	10,911	1,709	526	13,146	16,051
Legal	14,949	2,341	720	18,011	8,997
Coaches, trainees and contractors	770,313	-	-	770,313	867,218
Other program expense	26,123	-	-	26,123	3,224
Loan loss expense, net of recoveries	686,525	-	-	686,525	440,426
Other operating expenses	142,511	-	-	142,511	104,931
Total expenses before interest and depreciation	3,955,047	364,873	112,269	4,432,189	3,913,473
Interest expense	89,092	133,638	-	222,730	181,123
Depreciation	-	28,656	-	28,656	28,656
Total expenses	<u>\$ 4,044,139</u>	<u>\$ 527,167</u>	<u>\$ 112,269</u>	<u>4,683,575</u>	<u>\$ 4,123,252</u>

*The accompanying notes are an integral part of this financial statements.  
See Independent Auditor's Report.*

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

**CONSOLIDATED STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2023  
(with comparative totals for 2022)**

	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,722,725	\$ 2,001,447
Adjustments to reconcile changes in net assets to cash provided (used) by operating activities		
Depreciation	28,656	28,656
Provision for loan losses	(411,645)	(290,767)
Changes in operating assets and liabilities		
Interest receivable	(20,243)	(7,527)
Loans receivable, net	(4,156,630)	(4,084,086)
Grants receivable	(3,112)	166,860
Other receivables	155,483	(206,102)
Prepaid expenses	-	46,674
Accounts payable	(132,666)	139,024
Payroll liabilities	16,817	(714)
Other current liabilities	859,665	1,079,343
Deferred revenue	1,644,847	(497,369)
<b>Net cash provided by (used in) operating activities</b>	<b>(296,103)</b>	<b>(1,624,561)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payable to emergency funds	218,988	(1,946,349)
Payable to other funds	14,184	13,259
Proceeds from notes payable and mortgages payable	1,988,000	6,465,033
Repayment of notes and mortgages payable	(690,299)	(3,002,485)
<b>Net cash provided by (used in) financing activities</b>	<b>1,530,873</b>	<b>1,529,458</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,234,770</b>	<b>(95,103)</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>13,929,466</b>	<b>14,024,569</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 15,164,236</b>	<b>\$ 13,929,466</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO FINANCIAL POSITION</b>		
Cash and cash equivalents	\$ 12,357,731	\$ 10,638,219
Cash and cash equivalents, restricted	2,806,505	3,291,247
<b>Total cash and cash equivalents</b>	<b>\$ 15,164,236</b>	<b>\$ 13,929,466</b>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 222,730	\$ 181,123

*The accompanying notes are an integral part of this financial statements.  
See Independent Auditor's Report.*

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**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 established cash loan loss

reserves for the years ended December 31, 2023 and 2022, 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, 2023 and 2022, cash loan loss reserves totaled \$906,942 and \$953,449, 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, 2023. 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.

## **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, 2023 and 2022, the amount charged to expense was \$50,294 and \$43,465, 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.

## **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, 2022, from which the summarized information was derived.

## Newly Adopted Accounting Principle – Current Expected Credit Losses

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326) ("FASB ASC 326") to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The amendments in this update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.

FASB ASC 326 is effective for fiscal years beginning after December 15, 2022. The Organization evaluated expected credit losses and determined that the update does not result in a material impact on the financial statements.

## 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:

	<b>2023</b>
Cash - operations	\$ 4,984,941
Current portion of loans and interest receivable	2,973,967
Cash - unrestricted	2,802,717
Grants and other receivables	622,050
Total financial assets as of year end	<u>11,383,675</u>
<b>Total financial assets available to meet general expenditures within the next 12 months</b>	<u><u>\$ 11,383,675</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:

December 31,	2023	2022
Future general operations	\$ 78,750	\$ 176,334
EDA loan program	128,833	602,800
SBA loan program	1,940,971	1,938,918
USDA loan programs	1,830,531	1,526,830
Net assets with donor restrictions	<u><u>\$ 3,979,085</u></u>	<u><u>\$ 4,244,882</u></u>

**NOTE 4 – FUNDS HELD FOR LENDING**

MBC had cash available for lending in the following loan pools as of December 31, 2023 and 2022:

<u>Funding Sources</u>	<u>2023</u>	<u>2022</u>
USDA Intermediary Relending Program	\$ 691,835	\$ 581,693
USDA Rural Microentrepreneur Assistance Program	892,085	942,998
USDA SMDC	55,544	42,520
SBA Microloan Program	1,041,365	1,381,997
MBC Equity Loan Pool	2,811,349	3,149,166
Advantage Opportunity Program	49,178	23,604
Economic Development Administration	128,833	602,801
All in Jackson Fund	326,319	311,883
COVID-19 Loan Fund	1,731,452	1,829,364
Catalyst Loan Fund	42,039	70,918
Total Cash Held for Lending and Cash Reserves	<u>\$ 7,769,999</u>	<u>\$ 8,936,944</u>

In addition, MBC had cash reserved for loan loss in the following loan pools as of December 31, 2023 and 2022:

<u>Funding Sources</u>	<u>2023</u>	<u>2022</u>
USDA - IRP	\$ -	\$ 152,525
USDA - RMAP	202,318	49,631
SBA Microloan	670,093	649,294
CA 7a Program	34,531	101,999
	<u>\$ 906,942</u>	<u>\$ 953,449</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, 2023 and 2022, undisbursed cash relating to undrawn loans totaled \$604,331 and \$393,431, respectively.

**NOTE 5 – LOANS RECEIVABLE**

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

<u>December 31, 2023</u>	<u>Loans Receivable</u>	<u>Allowance for Loan Losses</u>	<u>Net Receivable</u>
USDA Intermediary Relending Program	\$ 2,008,265	\$ 208,110	\$ 1,800,155
USDA Rural Microentrepreneur Assistance Program	315,822	34,183	281,639
USDA SMDC	12,236	1,635	10,601
SBA Microloan Program	3,293,603	338,024	2,955,579
Economic Development Administration	3,546,965	347,163	3,199,802
MBC Equity and Private Lenders	11,420,552	1,215,887	10,204,665
Catalyst Credit Builder Loans	67,106	2,597	64,509
Advantage Opportunity Funds	149,435	14,804	134,631
	<u>20,813,984</u>	<u>2,162,403</u>	<u>18,651,581</u>
Less, current portion	<u>3,312,196</u>	<u>338,229</u>	<u>2,973,967</u>
Loans receivable, net of current portion	<u>\$ 17,501,788</u>	<u>\$ 1,824,174</u>	<u>\$ 15,677,614</u>

December 31, 2022	Loans Receivable	Allowance for Loan Losses	Net Receivable
USDA Intermediary Relending Program	\$ 1,918,712	\$ 213,352	\$ 1,705,360
USDA Rural Microentrepreneur Assistance Program	321,326	45,578	275,748
USDA SMDC	23,404	3,511	19,893
SBA Microloan Program	2,746,921	310,027	2,436,894
Economic Development Administration	3,038,293	301,769	2,736,524
MBC Equity and Private Lenders	7,974,528	858,388	7,116,140
Catalyst Credit Builder Loans	41,192	-	41,192
Advantage Opportunity Funds	181,333	18,133	163,200
	<u>16,245,709</u>	<u>1,750,758</u>	<u>14,494,951</u>
Less, current portion	<u>2,968,160</u>	<u>319,910</u>	<u>2,648,250</u>
Loans receivable, net of current portion	<u>\$ 13,277,549</u>	<u>\$ 1,430,848</u>	<u>\$ 11,846,701</u>

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

	<u>2023</u>	<u>2022</u>
Balance - allowance for loan losses, beginning of year	\$ 1,750,757	\$ 1,459,990
Loan loss expense	686,525	440,425
Write-offs - current year	(305,728)	(208,868)
Recoveries	30,849	59,210
Balance - allowance for loan losses, end of year	<u>\$ 2,162,403</u>	<u>\$ 1,750,757</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 \$350,000.

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 \$5,645,201 as of December 31, 2023 are guaranteed (up to 90% see above) by the CA program. In addition, MBC has loans receivable of \$85,514 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 unsold CA loan portfolio which approximates a reserve requirement of \$45,155 at December 31, 2023.

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 2022 and 2023 no loans were sold. The balance of the guarantee portion sold is \$485,461 as of December 31, 2023. MBC is required to fund reserves of up to 3% of the guarantee on loans sold which approximates \$14,564.

Mountain BizCapital, Inc. d/b/a Mountain BizWorks and Affiliate held \$71,999 in a loan loss account at First Bank as of December 31, 2023, satisfying all reserve requirements for unsold and sold loans.

**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 \$1,500,000 in total. Since the inception of the program, MBC has expended \$230,969 for administrative costs related to the management of the RLF at December 31, 2023.

A summary of the assets and liabilities related to the EDA-RLF loan funds as of December 31, 2023 is as follows:

Total EDA Award:	\$ 750,000		
<u>2023</u>			
Restricted Cash	\$ 85,823	Revenues - EDA Fundings	\$ 750,000
Loans Receivable	2,013,834	Interest Earned on Loans	744,125
Interest Receivable	11,196	Interest Earned on Deposits	419
Loan Loss Reserves	<u>(195,505)</u>	Fees Earned on Closed Loans	59,109
Total Assets	1,915,348	Administrative Expenses	185,983
Liabilities - Matching Funds	<u>(750,000)</u>	Provision for Loan Loss Reserves	<u>(195,505)</u>
Net Assets	<u>\$ 1,165,348</u>	Net	<u>\$ 1,544,131</u>

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, 2023, the Cares Act RLF has a loan receivable balance of \$1,533,130 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, 2023 is as follows:

Total EDA Award: \$ 1,640,000

2023

Restricted Cash	\$ 43,010	Revenues - EDA Fundings	\$ 1,640,000
Loans Receivable	1,533,130	Interest Earned on Loans	134,550
Interest Receivable	6,717	Interest Earned on Deposits	63
Loan Loss Reserves	<u>(155,559)</u>	Other RLF Income	30,043
Total Assets	1,427,298	Fees Earned on Closed Loans	44,178
Liabilities - Matching Funds	-	Administrative Expenses	44,986
Net Assets	<u>\$ 1,427,298</u>	Provision for Loan Loss Reserves	<u>(155,558)</u>
		Net	<u>\$ 1,738,262</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 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 2021, the Organization deployed \$18,493,102 in emergency loans and grants. In 2022, 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 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, 2022, \$24,607,620 (99.8%) of the PPP loans had been forgiven with a balance of \$47,301 in PPP loans that either have not yet applied for forgiveness or that were not forgiven. This remaining unforgiven balance was repurchased by the SBA in early 2023 through their Direct Forgiveness platform.
- 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 \$5,000,000 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, 2023 are depicted below:

Restricted Cash	
Local Funds	\$ 180,775
NC Rural	421,703
Loans Receivable	
Local Funds	62,195
NC Rural	15,887,365
Total Assets	<u>16,552,038</u>
Liabilities	
Local Funds	239,539
NC Rural	16,451,615
Total Liabilities	<u>16,691,154</u>
Payable to Emergency Funds	<u>\$ 139,116</u>

**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 a leverage fund allowing for increases in funding for Jackson County small businesses.

All in Jackson lending balances as of December 31, 2023 are depicted below:

Restricted cash	\$ 326,319
Loans receivable	300
Total Assets	<u>326,619</u>
Loans payable	324,936
Timing reconciliation	310,587
Total Liabilities	<u>635,523</u>
Payable to All in Jackson	<u>\$ 308,904</u>

## **NOTE 8 – PROPERTY AND EQUIPMENT**

A description of property and equipment is as follows:

<u>December 31,</u>	<u>2023</u>	<u>2022</u>
Buildings and improvements	\$ 1,154,529	\$ 1,154,529
Equipment and software	114,292	114,292
Vehicles	17,060	17,060
	<u>1,285,881</u>	<u>1,285,881</u>
Less, accumulated depreciation	<u>(628,051)</u>	<u>(599,395)</u>
Property and equipment	<u>\$ 657,830</u>	<u>\$ 686,486</u>

Depreciation expense for the years ended December 31, 2023 and 2022 was \$28,656 and \$28,656, respectively.

## **NOTE 9 – EQUITY EQUIVALENT**

Equity note consists of the following:

	<u>2023</u>	<u>2022</u>
In November 2022, MBC issued an equity equivalent ownership to Pinnacle Bank and received the principal sum of \$750,000. Interest at 2% per annum is paid quarterly, beginning March 2023, with the entire principal due November 2027.	\$ 750,000	750,000
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. In March 2023, the agreement was amended as First Horizon became the successor to Capital bank. First Horizon made an additional equity equivalent investment of \$400,000 for a total of \$800,000 total investment and the agreement was extended to August 2028, when the entire principal will be due.	800,000	400,000
In May 2018, MBC issued an equity equivalent ownership to Wells Fargo Investment Holdings, LLC, and received the principal sum of \$400,000. Interest at 2% per annum 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
	<u>\$ 1,950,000</u>	<u>\$ 1,550,000</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.

**NOTE 10 – NOTES PAYABLE**

Notes payable are described as follows:

	<u>2023</u>	<u>2022</u>
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.	\$ 119,393	\$ 128,719
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.	269,618	287,963
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.	674,056	698,905
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.	346,717	365,104
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.	142,500	142,500
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.	217,334	251,645

<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>	359,325	393,587
<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>	207,512	225,234
<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>	472,520	612,080
<p>Note payable to U.S. Small Business Administration, interest at 0% per annum, which can be adjusted by future events, and has a 10 year term. The note dated October 2013, is secured by loans receivable derived from that note. For the first year, no payments are required followed by 108 equal monthly installments of \$9,670.</p>	-	93,530
<p>Note payable to U.S. Small Business Administration, interest at 1.625% per annum, which can be adjusted by future events, and has a 10 year term. The note dated August 2015, is secured by loans receivable derived from the note. For the first year, no payments are required followed by 108 equal monthly installments of \$11,796.</p>	234,453	374,556

<p>Note payable to U.S. Small Business Administration, with a 10 year term. The note is dated May, 2018, and is secured by loans receivable derived from the note. Total amount available for draw under the loan agreement is \$1,250,000. Interest rate of 1.375%, based on size of microloans extended by MBC. Monthly payments of \$12,389, including principal and interest are due beginning June 2019 through June 2028, when the balance of all unpaid principal and interest is due.</p>	632,367	770,383
<p>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.</p>	924,750	1,086,163
<p>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.</p>	1,843,397	1,575,803
<p>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 July 2022, the note was amended to reinstate the interest rate of 2% on the promissory note, effective July 2022, and to extend the maturity of the promissory note for 2 years with principal and final interest due July 2024.</p>	200,000	200,000
<p>Note payable to Appalachian Community Capital, bearing interest at 2.94% per annum. The note is dated May 2022, and is unsecured. Interest only payments are required monthly beginning September 2022. Annual payments of principal in the amount of \$337,500 shall be payable on the fourth, fifth, sixth, and seventh anniversary of the loan. Principal and unpaid, accrued interest will be paid by May 2029.</p>	1,350,000	1,350,000
<p>Note payable to Appalachian Community Capital, bearing interest at 2.85% per annum. The note is dated November 18, 2022, and is unsecured. Interest only payments are required monthly with principal and any unpaid interest due at maturity in November 2029.</p>	1,000,000	1,000,000

Note payable to U.S. Small Business Administration, with a 10 year term. The note is dated April 3, 2023, and is secured by loans receivable derived from the note. Total amount available for draw under the loan agreement is \$800,000. Interest rate of 2.75%, based on size of microloans extended by MBC. Monthly payments of \$12,657, including principal and interest are due beginning May 2023 through July 2033, when the balance of all unpaid principal and interest is due.

800,000 -

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.

	<u>168,512</u>	<u>266,011</u>
	9,962,454	10,222,183
	<u>(1,709,308)</u>	<u>(1,228,495)</u>
	<u>\$8,253,146</u>	<u>\$8,993,688</u>

Less, current maturities

Notes payable, net of current maturities

Scheduled principal repayments for the next five years on notes payable at December 31, 2023, are as follows:

<u>December 31,</u>	
2024	\$ 1,709,308
2025	1,256,586
2026	1,248,516
2027	1,151,949
2028	1,347,431
Thereafter	<u>3,248,664</u>
Totals	<u>\$ 9,962,454</u>



**NOTE 11 – MORTGAGES PAYABLE**

Mortgages payable are described as follows:

	<u>2023</u>	<u>2022</u>
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.	\$ 499,490	\$ 546,156
	<u>499,490</u>	<u>546,156</u>
Less, current maturities	<u>(48,628)</u>	<u>(46,497)</u>
Mortgages payable, net of current maturities	<u>\$ 450,862</u>	<u>\$ 499,659</u>

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

<u>December 31,</u>	
2024	\$ 48,628
2025	50,801
2026	53,007
2027	55,308
2028	57,675
Thereafter	<u>234,071</u>
Totals	<u>\$ 499,490</u>

**NOTE 12 - UNUSED LINE OF CREDIT**

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

**NOTE 13 - BENEFIT PLANS**

MBC provides individual SEP-IRA retirement accounts for eligible employees and contributes to them on a discretionary basis as a percentage of the employee's salary. MBC contributed \$51,006 and \$49,276 to the program for years ended December 31, 2023 and 2022, respectively.

**NOTE 14 - UNINSURED CASH BALANCES**

MBC maintains its cash and cash equivalents at financial institutions that are insured by the Federal Deposit Insurance Corporation and the National Credit Union Association for deposits up to \$250,000. The uninsured collective balance was approximately \$13,264,489 at December 31, 2023.

#### **NOTE 15 - RELATED PARTY TRANSACTIONS**

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

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

##### Governmental Assisted Programs

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

#### **NOTE 17 – 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 from 2021 through 2023, but are expected to grow in 2024 as the new program is established.

#### **NOTE 18 – 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

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
DECEMBER 31, 2023**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b>Grants Expended:</b>			
<u>U.S. Department of Commerce</u>			
Direct:			
Economic Development Cluster			
EDA Economic Adjustment Assistance RLF Program	11.307		\$ 2,998,128
Minority Business Resource Development	11.802		45,959
Total U.S. Department of Commerce			<u>3,044,087</u>
<u>U.S. Department of the Treasury</u>			
Direct:			
Community Development Financial Institutions Cluster			
CDFI-ERP	21.033		1,000,000
CDFI Rapid Response Program (CDFI RRP)	21.024		37,500
Total Community Development Financial Institutions Cluster			<u>1,037,500</u>
Passed through City of Asheville:			
COVID-19 State and Local Fiscal Recovery Fund (ARPA)	21.027	N/A	139,333
Total U.S. Department of the Treasury			<u>1,176,833</u>
<u>U.S. Small Business Administration</u>			
Direct:			
Microloan Program - Technical Assistance Grant	59.046		801,525
Prime Technical Assistance	59.050		25,032
Total U.S. Small Business Administration			<u>826,557</u>
<u>U.S. Department of Agriculture</u>			
Direct:			
Rural Microentrepreneur Assistance Program - Assistance Grant	10.870		47,466
<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	132,829

See accompanying notes to schedule

(continued)

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
DECEMBER 31, 2023**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>Appalachian Regional Commission</u>			
Direct:			
Appalachian Area Development - Growing Outdoors (POWER)	23.002		229,523
<b>Total Grants Expended</b>			<u>5,457,295</u>
<b>Federal Loans:</b>			
<u>U.S. Small Business Administration</u>			
Microloan Program:			
2016 Microloan, beginning	59.046		374,556
2017 Microloan, beginning	59.046		612,080
2018 Microloan, beginning	59.046		770,383
2019 Microloan, beginning	59.046		1,086,163
2020 Microloan, current year draws	59.046		800,000
			<u>3,643,182</u>
<u>U.S. Department of Agriculture</u>			
Intermediary Relending Program (IRP):			
2015 Loan, beginning	10.767		365,346
2017 Loan, beginning	10.767		698,905
2021 Loan, beginning	10.767		142,500
			<u>1,206,751</u>
Rural Microentrepreneur Assistance Program (RMAP):			
2016 Loan, beginning	10.870		393,587
2018 Loan, beginning	10.870		225,234
			<u>618,821</u>
<b>Total Federal Loans</b>			<u>5,468,754</u>
<b>Total Federal Awards Expended and Loans</b>			<u>\$ 10,926,049</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, 2023**

**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, 2023. 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, 2023. These loan receivable balances outstanding are also included in the federal expenditures presented in the Schedule.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>EDA 1 Outstanding Balance at December 31, 2023</u>	<u>EDA 2 Outstanding Balance at December 31, 2023</u>
EDA Revolving Loan Fund	11.307	\$ 2,013,835	\$ 1,533,130

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

	<u>EDA 1</u>	<u>EDA 2</u>
Revolving Loan Fund (RLF) Principal Outstanding	\$ 2,013,835	\$ 1,533,130
Cash Balances in the RLF	85,823	43,010
Administrative Expenses Paid from RLF Income	185,983	44,986
Unpaid Principal of all Loans Written Off	29,819	219,272
	<u>2,315,460</u>	<u>1,840,398</u>
Federal Share of the RLF	50.00%	100.00%
<b>Total Federal Expenditures</b>	<u>\$ 1,157,730</u>	<u>\$ 1,840,398</u>

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

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2023**

**NOTE 5 – OTHER FEDERAL LOANS OUTSTANDING**

Other federal loan balances outstanding as of December 31, 2023 are as follows:

<u>Loan Program</u>	
U.S. Small Business Administration Microloan Program	<u>\$ 3,064,090</u>
U.S. Department of Agriculture Intermediary Relending Program (IRP) Small Business Loans	<u>\$ 1,163,273</u>
U.S. Department of Agriculture Rural Microentrepreneur Assistance Program (RMAP)	<u>\$ 566,838</u>

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2023**

**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?
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?
- Noncompliance material to financial statements noted

\_\_\_ Yes X No

\_\_\_ Yes X None reported

\_\_\_ Yes X No

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?

\_\_\_ Yes X No

\_\_\_ 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:

Assistance Listing #

11.307

Program Title

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?

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, 2023**

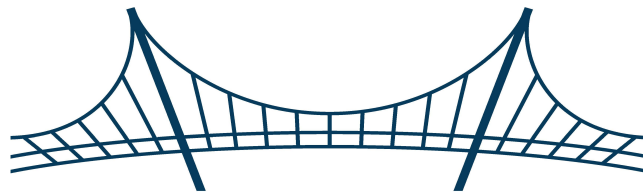
**III. Major Federal Award Findings and Questioned Costs**

None Reported.

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2023**

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



# Phillips CPAs and Advisors

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 nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 16, 2024.

## 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  
April 16, 2024

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**

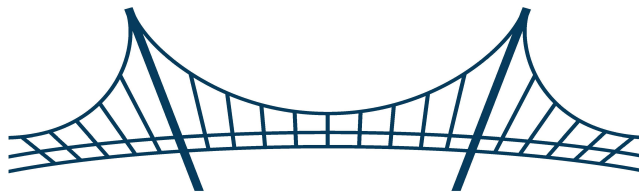
As part of obtaining reasonable assurance about whether MBC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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.

*Phillips CPAs and Advisors*

Greenville, South Carolina  
April 16, 2024



# Phillips CPAs and Advisors

## 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, 2023. 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, 2023.

#### **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  
April 16, 2024

### **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  
April 16, 2024

### **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.

*Phillips CPAs and Advisors*

Greenville, South Carolina  
April 16, 2024