MOUNTAIN ASSOCIATION FOR COMMUNITY ECONOMIC DEVELOPMENT, INC. AND AFFILIATES

BEREA, KENTUCKY

CONSOLIDATED FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT AUDITORS

April 30, 2024 and 2023

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Independent Auditors' Report

To the Board of Directors
Mountain Association for Community Economic Development, Inc.
Berea, Kentucky

Report on the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Mountain Association for Community Economic Development. Inc. (a nonprofit organization) and Affiliates (the Organization), which comprise the consolidated statement of financial position as of April 30, 2024, 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 referred to above present fairly, in all material respects, the financial position of the Organization as of April 30, 2024, 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 the Organization 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.

Prior Period Financial Statements

The financial statements of Mountain Association for Community Economic Development, Inc. as of April 30, 2023 were audited by other auditors whose report dated July 26, 2023 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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 substantial likelihood that, individually or in the aggregate, they would influence the judgement 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 judgement 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 the Organization'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 the Organization'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 consolidated financial statements as a whole. The consolidated schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulation (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The consolidating statements of financial position and activities, as listed in the table of contents, are presented for purposes of additional analysis rather than to present the financial position and changes in net assets of the individual entities and are not a required part of the consolidated 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 consolidated financial statements. The information has been subject to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such Information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated 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 July 25, 2024. on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 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 the Organization’s internal control over financial reporting and compliance.

Baldwin CPA’s, PLLC
Baldwin CPAs, PLLC
Richmond, Kentucky
July 25, 2024

Mountain Association for Community Economic Development, Inc. and Affiliates
Consolidated Statements of Financial Position
April 30, 2024 and 2023

	2024	2023
Assets		
Current Assets		
Cash and cash equivalents	$ 12,479,748	$ 17,314,598
Cash and cash equivalents, restricted	3,334,730	3,225,936
Loans receivable, net of allowance for credit losses of $284,295 and $87,425, respectively	7,604,039	998,829
Accounts and interest receivable	176,784	142,656
Grants receivable, current portion	1,491,350	963,897
Prepaid expenses and other assets	26,048	33,359
Total Current Assets	25,112,699	22,679,275
Property and equipment, net	750,438	803,372
Noncurrent Assets		
Other assets	49,500	49,500
Grants receivable, less current portion	1,625,486	-
Loans receivable, less current portion, net of allowance for credit losses of $558,675 and $787,955, respectively	13,233,047	14,878,389
Total Noncurrent Assets	14,908,033	14,927,889
Total Assets	$ 40,771,170	$ 38,410,536
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 345,537	$ 376,566
Notes payable, current portion	4,890,708	420,397
Total Current Liabilities	5,236,245	796,963
Long-term Liabilities		
Notes payable, long-term portion	4,506,016	9,433,971
Subordinated loans payable	500,000	500,000
Total Long-term Liabilities	5,006,016	9,933,971
Total Liabilities	10,242,261	10,730,934
Net Assets		
Without donor restrictions	20,570,019	19,695,486
With donor restrictions	9,958,890	7,984,116
Total Net Assets	30,528,909	27,679,602
Total Liabilities and Net Assets	$ 40,771,170	$ 38,410,536

Mountain Association for Community Economic Development, Inc. and Affiliates
Consolidated Statements of Activities
For the Year Ended April 30, 2024

	Without donor restrictions	With donor restrictions	Total
Revenue and Support			
Non-financing revenues and support			
Government grants, operations	$ -	$ 1,582,562	$ 1,582,562
Private grants and contributions	48,336	5,110,805	5,159,141
Project income	229,728	47,399	277,127
Total non-financing revenue and support	278,064	6,740,766	7,018,830
Financing revenues			
Interest income on loans	343,456	657,848	1,001,304
Fee income on loans	66,622	25,313	91,935
Interest on idle funds	68,617	7,382	75,999
Total financing revenue	478,695	690,543	1,169,238
Satisfaction of program and time restrictions	5,456,535	(5,456,535)	-
Total Revenue and Support	6,213,294	1,974,774	8,188,068
Expenses			
Non-financing expenses			
Program services	3,730,883	-	3,730,883
Management and general	1,150,794	-	1,150,794
Fundraising	197,265	-	197,265
Total non-financing expenses	5,078,892	-	5,078,892
Financing expenses			
Interest	260,942	-	260,942
Provision for credit losses	(1,073)	-	(1,073)
Total financing expenses	259,869	-	259,869
Total Expenses	5,338,761	-	5,338,761
Change in Net Assets	874,533	1,974,774	2,849,307
Net Assets at Beginning of Year	19,695,486	7,984,116	27,679,602
Net Assets at End of Year	$ 20,570,019	$ 9,958,890	$ 30,528,909

Mountain Association for Community Economic Development, Inc. and Affiliates
Consolidated Statements of Activities
For the Year Ended April 30, 2023

	Without donor restrictions	With donor restrictions	Total
Revenue and Support			
Non-financing revenues and support			
Government grants, operations	$ -	$ 1,469,584	$ 1,469,584
Private grants and contributions	54,638	3,489,618	3,544,256
Project income	132,222	1,000	133,222
Miscellaneous income	100	-	100
Total non-financing revenue and support	186,960	4,960,202	5,147,162
Financing revenues			
Interest income on loans	203,586	685,438	889,024
Fee income on loans	42,854	5,550	48,404
Interest on idle funds	58,680	6,037	64,717
Total financing revenue	305,120	697,025	1,002,145
Satisfaction of program and time restrictions	4,916,958	(4,916,958)	-
Total Revenue and Support	5,409,038	740,269	6,149,307
Expenses			
Non-financing expenses			
Program services	3,221,757	-	3,221,757
Management and general	1,022,163	-	1,022,163
Fundraising	177,846	-	177,846
Total non-financing expenses	4,421,766	-	4,421,766
Financing expenses			
Interest	220,661	-	220,661
Provision for loan losses	(101,111)	-	(101,111)
Total financing expenses	119,550	-	119,550
Total Expenses	4,541,316	-	4,541,316
Change in Net Assets	867,722	740,269	1,607,991
Net Assets at Beginning of Year	18,827,764	7,243,847	26,071,611
Net Assets at End of Year	$ 19,695,486	$ 7,984,116	$ 27,679,602

Mountain Association for Community Economic Development, Inc. and Affiliates
Consolidated Statements of Functional Expenses
For the Year Ended April 30, 2024

	Program Services	Management and General	Fundraising	Total
Non-financing expenses:				
Personnel	$ 1,776,954	$ 909,671	$ 178,819	$ 2,865,444
Consultants	739,129	41,566	346	781,041
Professional services	16,490	54,649	-	71,139
IT Services	48,969	33,329	108	82,406
Travel	112,476	8,159	3,965	124,600
Meetings, registration and training	70,484	20,821	1,589	92,894
Equipment lease	2,978	1,507	314	4,799
Equipment and software expense	22,505	11,149	57	33,711
Repairs and maintenance	13,436	9,449	94	22,979
Occupancy	13,818	9,237	2,225	25,280
Insurance	20,970	6,684	181	27,835
Postage	1,928	471	43	2,442
Supplies	6,451	4,056	580	11,087
Telephone	16,229	6,383	994	23,606
Depreciation	47,221	13,698	2,647	63,566
Re-grants	765,191	-	-	765,191
Advertising and promotion	13,049	2,040	-	15,089
Publications, memberships and subscriptions	11,938	1,292	313	13,543
Printing and duplication	4,255	3,596	195	8,046
Licenses and fees	17,115	13,037	4,795	34,947
Taxes	9,247	-	-	9,247
Total non-financing expenses	3,730,833	1,150,794	197,265	5,078,892
				-
Financing expenses:				-
Interest	260,942	-	-	260,942
Provision for credit losses	(1,073)	-	-	(1,073)
Total financing expenses	259,869	-	-	259,869
Total Expenses	$ 3,990,702	$ 1,150,794	$ 197,265	$ 5,338,761

Mountain Association for Community Economic Development, Inc. and Affiliates
Consolidated Statements of Functional Expenses
For the Year Ended April 30, 2023

	Program Services	Management and General	Fundraising	Total
Non-financing expenses:				
Personnel	$ 1,449,931	$ 784,937	$ 160,175	$ 2,395,043
Consultants	717,641	73,391	396	791,427
Professional services	18,622	42,104	-	60,726
IT Services	37,076	28,232	159	65,467
Travel	65,108	6,701	1,719	73,528
Meetings, registration and training	45,396	12,564	2,041	60,001
Equipment lease	4,421	2,400	487	7,308
Equipment and software expense	7,913	4,918	-	12,831
Repairs and maintenance	10,357	10,046	64	20,468
Occupancy	14,785	9,483	2,531	26,799
Insurance	21,939	6,483	143	28,565
Postage	1,067	605	40	1,712
Supplies	12,019	3,884	335	16,238
Telephone	15,847	6,553	1,028	23,428
Depreciation	30,134	6,178	1,302	37,615
Re-grants	721,752	-	-	721,752
Advertising and promotion	15,512	936	-	16,448
Publications, memberships and subscriptions	11,088	1,490	1,540	14,118
Printing and duplication	2,337	3,022	40	5,399
Licenses and fees	8,201	18,236	5,846	32,282
Taxes	10,611	-	-	10,611
Total non-financing expenses	3,221,757	1,022,163	177,846	4,421,766
Financing expenses:				
Interest	220,661	-	-	220,661
Provision for loan losses	(101,111)	-	-	(101,111)
Total financing expenses	119,550	-	-	119,550
Total Expenses	$ 3,341,307	$ 1,022,163	$ 177,846	$ 4,541,316

Mountain Association for Community Economic Development, Inc. and Affiliates
Consolidated Statements of Cash Flows
For the Years Ended April 30, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities:		
Change in net assets	$ 2,849,307	$ 1,607,991
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	63,565	37,614
Provision for credit losses	(1,073)	(101,111)
(Increase) decrease in operating assets:		
Accounts and interest receivable	(31,368)	(6,785)
Grants receivable	(2,152,939)	1,028,001
Prepaid expenses and other assets	7,311	(17,442)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(22,625)	(17,868)
Net Cash Provided by Operating Activities	712,178	2,530,400
Cash Flows from Investing Activities:		
Purchase of property and equipment	(19,031)	(500,922)
Loans to other entities	(6,583,423)	(2,511,461)
Principal collections on loans receivable	1,621,865	3,035,367
Net Cash (Used) Provided by Investing Activities	(4,980,589)	22,984
Cash Flows from Financing Activities:		
Proceeds from notes payable	-	1,160,000
Principal payments on notes payable	(457,645)	(407,613)
Net Cash (Used) Provided by Financing Activities	(457,645)	752,387
Net (Decrease) Increase in Cash	(4,726,056)	3,305,771
Cash and Cash Equivalents at Beginning of Year	20,540,534	17,234,763
Cash and Cash Equivalents at End of Year	$ 15,814,478	$ 20,540,534
Supplemental Information		
Cash paid for interest	$ 260,854	$ 214,577

Note 1 – Summary of Significant Accounting Policies

This summary of significant accounting policies of Mountain Association for Community Economic Development, Inc. (a nonprofit organization) and Affiliates (the Organization) is presented to assist in understanding the Organization's consolidated financial statements. The consolidated financial statements and notes are representations of the Organization's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the consolidated financial statements.

Consolidation and Nature of Activities

The consolidated financial statements of the Organization include the accounts of Mountain Association for Community Economic Development, Inc., its wholly owned subsidiary, Ridgecrest Enterprises, Inc. (Ridgecrest) and its affiliate, Appalachian Investment Corporation (AIC). Mountain Association for Community Economic Development, Inc. was founded in 1976 as a private, nonprofit corporation organized to provide comprehensive community development support to Appalachian communities by enhancing employment and living conditions in the area. The Organization's major programs consist of enterprise development, energy efficiency, and strategic initiatives. The Organization generates revenue primarily through assistance provided by government and private grants, and program service revenue.

Ridgecrest was organized by Mountain Association for Community Economic Development, Inc. as a for profit corporation to assist Mountain Association for Community Economic Development, Inc. in its economic development activities. All significant inter-company accounts and transactions have been eliminated in consolidation.

AIC was established as a nonprofit organization to provide financing for the expansion and development of small businesses in eastern Kentucky. AIC obtains federal funding from the United States Department of Agriculture (USDA), Rural Business-Cooperative Service, through an Intermediary Relending Program (IRP), whereby AIC administers various loans that are made to qualified ultimate recipients. All relending activity Is subject to formal approval by Rural Development. All significant inter-company accounts and transactions have been eliminated in consolidation. Mountain Association for Community Economic Development, Inc. appoints the board of directors for AIC, and provides staffing and grant match amounts for AIC as needed.

Basis of Accounting

The consolidated financial statements of the Organization have been prepared on the accrual method of accounting. Accordingly, revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Financial Statement Presentation

Net assets, support, revenues. gains, and losses are classified based on the existence or absence of donor restrictions. Accordingly, the net assets of the Organization are classified and reported as follows:

- Net assets without donor restrictions: Net assets that are currently available for operating purposes under the direction of the board or designated by the board for specific use.

- Net assets with donor restrictions: Net assets subject to donor stipulations for specific operating purposes or time restrictions. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term with Investment return available for operations or specific purposes.

Use of Estimates

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

Note 1 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For the purposes of the consolidated statements of cash flows, the Organization considers Cash and certificates of deposits with no prepayment penalty or with original maturities of one year or less to be cash equivalents.

Pursuant to Its agreement with the U.S. Small Business Administration (SBA. see discussion at Note 5), the Organization is required to maintain separate bank accounts, Loan Loss Reserve Fund and Microloan Revolving Fund (for regular and American Recovery and Reinvestment Act funding), for activities pertaining to SBA loans.

Restricted cash includes amounts held in separate accounts for donor-specified purposes. Following is a reconciliation of cash amounts in the accompanying financial statements.

	2024	2023
Cash and cash equivalents, not restricted	$ 12,479,748	$ 17,314,598
Cash and cash equivalents, restricted	3,334,730	3,225,936
Total cash and cash equivalents	$ 15,814,478	$ 20,540,534

Accounts Receivable

Accounts receivable are reflected in the accompanying consolidated statements of financial position net of an allowance for credit losses and consist of amounts due from customers for services provided. The Organization estimates an allowance based on historical collection experience and a review of the status of current outstanding receivables. Beginning May 1, 2023, the allowance also includes the consideration of current conditions and reasonable and supportable forecasts about the future. There is no allowance for credit losses at April 30, 2024, and no allowance for doubtful accounts at April 30, 2023. The Organization writes off uncollectible receivables after the exhaustion of all collection efforts.

Grants Receivable

Grants receivable are reflected in the accompanying consolidated statements of financial position net of an allowance for doubtful accounts receivable of $0 at April 30, 2024 and 2023. The Organization estimates an allowance based on historical collection experience and a review of the status of current outstanding receivables. The allowance represents an amount, which, in management's judgement, will be adequate to absorb future losses on existing grants receivable that may become uncollectible. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the grants receivable. Grants receivable are considered past due based on contractual terms.

Loans Receivable and Allowance for Credit Losses

Loans receivables are executed by the Organization based on a recipient's financial need. Generally, real estate and personal property collateralized the loans. The Organization has loans receivable with both for profit and non-profit enterprises, all in Central Appalachia. The loans bear interest at various rates ranging up to ten percent.

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-13 (ASU 2016-13), *Financial Instruments – Credit Losses (Topic 326).* This guidance replaces the incurred loss model with an expected loss model, which is referred to as the current expected credit loss (CECL) model. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including loan receivables, held-to-maturity debt securities and reinsurance receivables. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor.

Note 1 – Summary of Significant Accounting Policies (Continued)

Loans Receivable and Allowance for Credit Losses (Continued)

The Organization adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost, net investment in leases, and off-balance sheet (OBS) credit expenses. Results for reporting periods beginning after May 1, 2023 are presented under ASC 326 while prior period amounts continued to be reported with previously applicable accounting principles generally accepted in the United States of America. The impact of the adoption was not material to the consolidated financial statements.

The allowance for credit losses on loans is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged against the allowance when management believes the collectability of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged off and expected to be charged off.

Management estimates the allowance balance using relevant available information, from internal and external sources, related to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in unemployment rates, property values, industry conditions, the legal and regulatory environment, effects of changes in credit concentrations, or other relevant factors.

The allowance for credit losses on loans is measured on a collective or pooled basis when similar risk characteristics exist. The Organization segments its loan portfolio into collective pools with similar internal risk ratings. For each of its loan pools, the Organization applies the historical lifetime loss rate calculated using the weighted-average remaining maturity method. Two components of this method include a calculation of the average annual loss rate as well as the estimated future outstanding balances based on the remaining contractual life, which is adjusted by the expected scheduled payments and prepayments (i.e. pay downs). The contractual term includes extensions, renewals and modifications.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not included in the collective evaluation. When management determines that a loan is collateral dependent and foreclosure is probable, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs if appropriate.

The Organization will adjust the historical loss rate baseline for the impact of current conditions and forecasts using quantitative and qualitative adjustments. Factors analyzed include the national inflation rate environment, Kentucky unemployment rate trends, economic recessions or expansions, the impact of health pandemics/disasters, and the Federal funds interest rate environment.

Allowance for Loan Losses

Prior to the adoption of ASC 326, the Organization estimated an allowance for loan losses. The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes collectability of a loan balance is unlikely. Subsequent recoveries, if any, are credited to the allowance. The allowance for loan losses is evaluated on a regular basis by management and is based upon management's review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available. It is reasonably possible that a change in the estimates will occur in the near term.

Note 1 – Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment acquired is stated at cost. Depreciation is provided for using the straight-line method over the estimated useful lives of the respective assets, which range from 3 to 40 years. Acquisitions of property and improvements in excess of $10,000 and equipment in excess of $5,000 are capitalized. The cost of repairs and maintenance is expensed as incurred.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received and are recorded as with or without restriction depending on the existence and nature of any donor restrictions. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Net assets with restrictions are reclassified to net assets without restriction upon satisfaction of the time or purpose restriction.

Revenue Recognition

The Organization recognizes project and fee income over the applicable period of service. The Organization had no costs that were capitalized to obtain or to fulfill a contract with a customer. Total of project and fee income for fiscal years 2024 and 2023 was approximately $369,000 and $182,000, respectively.

The Organization's accounts receivables (contract receivables) represent unconditional rights to consideration from its contracts with customers, accordingly, the revenue recognition process commences when services commence. Customers are invoiced upon completion of services and payment is due 30 days from the date of the invoice. The balances at April 30, 2024 and 2023, respectively, were approximately $102,000 and $83,000, respectively, and are reflected within accounts and interest receivable in the accompanying statements of financial position. The balance at May 1, 2022 was approximately $77,000.

The Organization identifies a performance obligation associated with the provision of its services and uses the output measure for recognition as the period of time over which the services are provided. The Organization does not have a refund policy and no material amounts have been refunded in recent years.

The Organization's contract liabilities are reported as deferred revenue in the statements of financial position, as applicable. Deferred revenue in any period represents the excess of payments received as compared to amounts recognized as revenue. There were no deferred revenues at April 30, 2024 or 2023. The balance at May 1, 2022 was $0.

A portion of the Organization's revenue is derived from cost-reimbursable grants, which are conditioned upon certain performance requirements and/or the occurrence of allowable qualifying expenses. Amounts received were recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

Advertising Cost

Advertising costs are expensed when incurred. Advertising expenses for the years ended April 30, 2024 and 2023 amounted to approximately $15,000 and $16,000, respectively.

Note 1 – Summary of Significant Accounting Policies (Continued)

Expense Allocation

The costs of providing the various programs and activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Direct costs are allocated by the project code. Certain expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated include personnel expenses, which are allocated on the basis of estimates of time and effort, IT services, office operations, depreciation, publications, printing, and taxes which are allocated on the basis of personnel. Although the methods used were appropriate, alternative methods may have provided different results.

New Accounting Standards

In June 2016, The FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the current expected credit loss (CECL) model. Under the standard, disclosures are required to provide users to the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization at April 30, 2024 that are subject to the guidance in FASB ASC 326 were loans receivable and accounts receivable.

Going Concern Evaluation

Management evaluates whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern for a period of one year from the date the financial statements were available to be issued.

Note 2 – Loans Receivable

At April 30, 2024 and 2023, loans receivable consist of current amounts, at gross, of approximately $7,888,000 and $1,086,000 and noncurrent amounts of $13,792,000 and $15,666,000 respectively.

The Organization's loans receivable are comprised of three segments:

- Enterprise development loans, further divided into two classes:
    - Microloans (originated at $50,000 or less).
    - Other enterprise development loans.

- Paycheck Protection Plan loans to businesses through a partnership with the U.S. Small Business Administration

- How$martKY™ loans to utilities. These are lines of credit made available by the Organization to utilities to finance energy efficiency retrofits on utility customers' residences.

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding principal adjusted by any charge offs, and the allowance for credit losses. Interest on loans is recognized over the term of the loan and is calculated using the simple interest method on principal amounts outstanding.

Loan origination fees are considered immaterial in amount and are recognized as income in the year collected.

Loans are considered past due if the required principal and interest payments have not been received 30 days after the date such payments were due.

Note 2 – Loans Receivable (Continued)

Interest income is accrued on loan balances outstanding. The accrual of interest on loans is discontinued at the time the loan is 90 days delinquent unless the credit is secured and in the process of collection. Loans are placed on non-accrual status at an earlier date if collection of principal and interest is considered doubtful. When a loan is placed on non-accrual status, any uncollected interest in the current year is charged against current income. Subsequent interest on non-accrual loans is recognized as income only when collected, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts are current and future payments are reasonably assured.

Loans receivable consist of the following at April 30:

	2024	2023
Loans receivable	$ 21,680,056	$ 16,752,598
Less allowance for credit losses	(842,970)	(875,380)
Loans receivable , net	$ 20,837,086	$ 15,877,218

Loans serving as collateral on notes payable amounted to approximately $2,308,000 and $2,791,000, respectively, at April 30, 2024 and 2023. Accrued interest receivable amounted to approximately $75,000 and $60,000 at April 30, 2024 and 2023, respectively. Non-accrual loans totaled approximately $65,000 and $199,000 at April 30, 2024 and 2023, respectively.

Aging

The following is an analysis of loans, segregated by segment and class of loans, as of April 30:

2024	Current	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total
Enterprise development loans					
Microloans	$ 2,078,017	$ 35,021	$ 76,254	$ 55,765	$ 2,245,057
Other enterprise loans	18,945,950	-	-	155,985	19,101,935
Total enterprise development loans	21,023,967	35,021	76,254	211,750	21,346,992
Paycheck Protection Program loans	13,679	-	-	-	13,679
How$mart loans to utilities	319,385	-	-	-	319,385
Total loans	$ 21,357,031	$ 35,021	$ 76,254	$ 211,750	$ 21,680,056

2023	Current	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total
Enterprise development loans					
Microloans	$ 1,115,184	$ 7,924	$ 39,845	$ 1,094	$ 1,164,047
Other enterprise loans	14,981,828	-	-	165,385	15,147,213
Total enterprise development loans	16,097,012	7,924	39,845	166,479	16,311,260
Paycheck Protection Program loans	20,284	-	-	-	20,284
How$mart loans to utilities	421,053	-	-	-	421,053
Total loans	$ 16,538,349	$ 7,924	$ 39,845	$ 166,479	$ 16,752,597

Note 2 – Loans Receivable (Continued)

Credit Quality

Management uses internally assigned risk ratings as indicators of credit quality. Each loan's risk rating is assigned at origination and updated at least annually and more frequency If circumstances warrant a change in risk rating. The Organization uses a loan grading system that follows its loan policy:

Excellent (1) - No credit or collateral exception. Loan adheres to the Organization's loan policy. The borrower has the ability to repay or convert liquid assets to cash; or is an established business with reasonable credit risk. A financial analysis displays a satisfactory financial condition and earnings ability along with sound asset quality and cash flow capacity to meet debt obligations in a timely manner.

Good (2) - Loans in this category are considered to have satisfactory asset quality and are made to borrowers with proven earnings history, liquidity or other adequate margins of credit protection. Loans are considered collectible in full but may require additional supervision. Loans in this category are evidenced by a level of slow outside reduction, along with extensions and for renewals outside the original payment plan. The borrower is capable of absorbing normal setbacks without the advent of failure. The ability to repay is considered average through the conversion of liquid assets, cash flow or co-signer's ability to reduce the debt.

Fair (3) - These loans do not demonstrate immediate loss; however, weaknesses do exist which could cause future impairment. These loans require more than the ordinary amount of supervision and may exhibit weakness due to questionable trends in financial position or questionable or unproven management capabilities. Loans may be made to new or expanding businesses or borrowers whose ability to repay is considered only average. Collateral affords marginal protection and may not be readily marketable. These loans may be overdue or have extensions or overdrafts on demand accounts. Loans in this category may also exhibit weak origination and/or servicing policies and may contain documentation deficiencies. The risk rating category may also be used for new or untested borrowers.

Watch (4) - Loans in this category are characterized by deterioration in quality exhibited by any number of weaknesses requiring corrective action. The weaknesses may include, but are not limited to, high debt-to-worth ratios, declining or negative earnings trends, declining or inadequate liquidity, questionable repayment sources, lack of well-defined secondary repayment sources and unfavorable competitive comparisons. Such loans are no longer considered to be adequately protected due to the borrower's declining net worth, lack of earnings capacity, defining collateral margins and/or unperfected collateral positions. The possibility of loss of a portion of the loan balance cannot be ruled out. The repayment ability of the borrower is marginal or weak and the loan may have exhibited excessive overdue status, extension and/or renewals.

Sub-Standard (5) - Loans in this category are inadequately protected by the current net worth of the business. The business may be led by management with inadequate knowledge of industry or leadership abilities are questionable. The loan collateral may be inadequate. A secondary source of repayment will likely be required, or the business has seen a downturn due to changes in the national/regional or local demand/supply for the product/service. The business may not produce regular financial statements. Financially, the borrower has low debt-service coverage and may have trouble making loan payments on time and may require concessions in the future.

Doubtful (6) - Loans in this category exhibit the same weaknesses found in the sub-standard category; however, the weaknesses are more pronounced. Such loans are static and collection in full is improbable. However, these loans are not yet rated as a loss because events may occur which would salvage the debt. Among these events are acquisition by or merger with a stronger entity, injection of capital, alternative financing, liquidation of assets or the pledging of additional collateral. The ability of the borrower to service the debt is extremely weak, overdue status is constant, the debt has been placed on non-accrual status, and no definite repayment schedule exists.

Note 2 – Loans Receivable (Continued)

The Organization reviewed its current internal practices and modified them into three categories for the weighted-average remaining maturity method. Upon reviewing the past 10 years of historical losses, it was observed that 71% of losses occurred when loans were originated with a Watch or lower rating based on the current definitions and another 20% were originated with a Fair rating, the other 10% originated with a Good rating. Consequently, the Organization combined loans rated at 4, 5, or 6 (Watch, Substandard, Doubtful) into one category, those rated at 3 (Fair) into another category, and those rated at 1 or 2 (Good, Excellent) into a third category.

Following is an analysis of the Organization's portfolio by credit quality, as of April 30, 2024:

	2024						
	Excellent	Good	Fair	Watch	Sub-Standard	Doubtful	Total Loans
Enterprise development loans							
Microloans	$ -	$ 802,670	$ 711,547	$ 561,242	$ 104,377	$ 65,221	$ 2,245,056
Other enterprise loans	2,012,676	7,029,265	8,660,430	1,113,034	286,531	-	19,101,936
Total enterprise development loans	2,012,676	7,831,935	9,371,977	1,674,276	390,908	65,221	21,346,992
Paycheck Protection Program loans	12,500	1,179	-	-	-	-	13,679
How$mart loans to utilities	-	66,974	252,411	-	-	-	319,385
Total loans	$ 2,025,176	$ 7,900,088	$ 9,624,388	$ 1,674,276	$ 390,908	$ 65,221	$ 21,680,056

Following is an analysis of the Organization's portfolio by credit quality, as of April 30, 2023:

	2023						
	Excellent	Good	Fair	Watch	Sub-Standard	Doubtful	Total Loans
Enterprise development loans							
Microloans	$ -	$ 186,178	$ 484,077	$ 418,819	$ 56,510	$ 18,463	$ 1,164,047
Other enterprise loans	2,047,848	5,226,401	4,938,241	2,462,203	291,676	180,844	15,147,213
Total enterprise development loans	2,047,848	5,412,579	5,422,318	2,881,022	348,186	199,307	16,311,260
Paycheck Protection Program loans	18,547	1,737	-	-	-	-	20,284
How$mart loans to utilities	-	104,389	316,664	-	-	-	421,053
Total loans	$ 2,066,395	$ 5,518,705	$ 5,738,982	$ 2,881,022	$ 348,186	$ 199,307	$ 16,752,597

Following is an analysis of the allowance for credit losses for the year ended April 30, 2024:

	2024
Beginning balance	$ 875,380
Provision charged to operations	(1,073)
Charge-offs	(60,677)
Recoveries	29,340
Ending balance	$ 842,970

Note 2 – Loans Receivable (Continued)

Following is an analysis of the allowance for loan losses for the year ended April 30, 2023:

	2023
Beginning balance	$ 1,041,616
Provision charged to operations	(101,111)
Charge-offs	(74,688)
Recoveries	9,563
Ending balance	$ 875,380

The following is an analysis of the allowance for credit losses by portfolio segment and class as of April 30, 2024:

2024	Beginning Balance	Provision Charged to Operations	Charge-offs	Recoveries	Ending Balance
Enterprise development loans					
Microloans	$ 90,343	$ 26,177	$ (60,677)	$ 25,065	$ 80,908
Other enterprise loans	766,896	(82,760)	-	4,275	688,411
Total enterprise development loans	857,239	(56,583)	(60,677)	29,340	769,319
Paycheck Protection Program loans	220	273	-	-	493
How$mart loans to utilities	17,921	(6,413)	-	-	11,508
Undisbursed loans	-	61,650	-	-	61,650
Total loans	$ 875,380	$ (1,073)	$ (60,677)	$ 29,340	$ 842,970

The following is an analysis of the allowance for loan losses by portfolio segment and class as of April 30, 2023:

2023	Beginning Balance	Provision Charged to Operations	Charge-offs	Recoveries	Ending Balance
Enterprise development loans					
Microloans	$ 91,812	$ 69,456	$ (74,688)	$ 3,763	$ 90,343
Other enterprise loans	924,157	(163,061)	-	5,800	766,896
Total enterprise development loans	1,015,969	(93,605)	(74,688)	9,563	857,239
Paycheck Protection Program loans	3,100	(2,880)	-	-	220
How$mart loans to utilities	22,547	(4,626)	-	-	17,921
Undisbursed loans	-	-	-	-	-
Total loans	$ 1,041,616	$ (101,111)	$ (74,688)	$ 9,563	$ 875,380

Note 2 – Loans Receivable (Continued)

Impairment

A loan is considered to be impaired when, based on current Information and events, it is probable that the Organization will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of timely collection. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all the circumstances surrounding the loan and borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral as applicable.

The following is a summary of information pertaining to impaired loans at April 30:

	2024	2023
Impaired loans with a valuation allowance	$ 65,221	$ 199,307
Valuation allowance related to impaired loans	$ 2,348	$ 99,653
Average investment in impaired loans	$ 13,044	$ 39,861
Interest income recognized on impaired loans	$ 2,417	$ 7,238
Interest income recognized on a cash basis on impaired loans	$ 2,200	$ 7,238

The following is an analysis of information pertaining to impaired loans by portfolio segment and class as of April 30:

2024

	Impaired Loans with a Valuation Allowance	Valuation Allowance Related to Impaired Loans	Average Investment in Impaired Loans	Interest Recognized on Impaired Loans	Interest Recognized on Cash Basis on Impaired Loans
Enterprise development loans					
Microloans	$ 65,221	$ 2,348	$ 13,044	$ 2,417	$ 2,200
Other enterprise loans	-	-	$ -	-	-
Total enterprise development loans	65,221	2,348	$ 13,044	2,417	2,200
Total loans	$ 65,221	$ 2,348	$ 13,044	$ 2,417	$ 2,200

2023

	Impaired Loans with a Valuation Allowance	Valuation Allowance Related to Impaired Loans	Average Investment in Impaired Loans	Interest Recognized on Impaired Loans	Interest Recognized on Cash Basis on Impaired Loans
Enterprise development loans					
Microloans	$ 18,463	$ 9,231	$ 6,154	$ 1,474	$ 1,474
Other enterprise loans	180,844	90,422	$ 90,422	5,764	5,764
Total enterprise development loans	199,307	99,653	$ 39,861	7,238	7,238
Total loans	$ 199,307	$ 99,653	$ 39,861	$ 7,238	$ 7,238

Note 2 – Loans Receivable (Continued)

Troubled Debt Restructuring

Troubled debt restructurings (TDRs) carry modified repayment terms that the Organization has conceded to accommodate financial or other difficulties which impair the borrower's capacity to repay the loan under its original terms. The modified terms Include terms that the Organization would not offer if the loan was new. These may include payments reduced below an amount that would repay the loan within an acceptable period, an interest rate reduced below a fair return, or adjustments to collateral or guarantors which increase credit risk above an acceptable level.

Loans with modified terms which the Organization would have willingly offered originally are not TDRs. Loans with modified terms which the Organization considers reasonable based on reductions in the loan balance are not TDRs.

TDRs are assigned risk ratings and evaluated for non-accrual status and impairment in the same way as non-TDRs.

The following is an analysis of troubled debt restructurings as of April 30:

2024	TDRs in Compliance & Accruing Interest		TDRs Not Accruing Interest		Total	
	Balance	Count	Balance	Count	Balance	Count
Enterprise development loans						
Microloans	$ 47,541	1	$ 1,710	1	$ 49,251	2
Other enterprise loans	164,260	2	-	-	164,260	2
Total enterprise development loans	211,801	3	1,710	1	213,511	4
Total loans	$ 211,801	3	$ 1,710	1	$ 213,511	4

2023	TDRs in Compliance & Accruing Interest		TDRs Not Accruing Interest		Total	
	Balance	Count	Balance	Count	Balance	Count
Enterprise development loans						
Microloans	$ -	-	$ 2,800	1	$ 2,800	1
Other enterprise loans	80,542	2	180,844	2	261,386	4
Total enterprise development loans	80,542	2	183,644	3	264,186	5
Total loans	$ 80,542	2	$ 183,644	3	$ 264,186	5

Note 3 – Property and Equipment

Property and equipment is summarized as follows at April 30:

	2024	2023
Land	$ 40,000	$ 40,000
Building and improvements	905,860	908,280
Equipment and auto	123,194	117,520
Computer software	254,684	253,804
Construction in process	209,054	202,557
	1,532,791	1,522,161
Accumulated depreciation	(782,353)	(718,788)
Property and equipment, net	$ 750,438	$ 803,373

Note 4 – Leases

The Organization leases facilities under operating leases. The Organization assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement changes. Right-of-use (“ROU”) assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term for leases with terms greater than 12 months or leases with a purchase option that is reasonably certain to be exercised. Leases with an initial term of 12 months or less are not recorded on the balance sheet. Lease expense is recognized for these leases on a straight-line basis over the lease term.

ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments. ROU assets also include any lease prepayments and excludes any lease incentives, if applicable. Lease payments include the required fixed payments and amounts that are probable to be owed under residual value guarantees, as applicable. The lease has a remaining term of 19 months, which includes all renewal options under facility leases that the Organization is reasonably certain to exercise. The Organization uses the incremental borrowing rate as the discount rate when the lessor’s implicit rate is indeterminable.

Upon adoption of ASC 842 for Lessees in the prior audit year, the Organization recorded an ROU asset and lease liability to recognize their operating leases for office space. At April 30, 2024 and 2023, the balance of the ROU asset and lease liability was $12,600 and $21,000, respectively.

Due to the immaterial nature of the ROU asset and lease liability, these are not presented as separate line items in the consolidated statements of financial position. As it pertains to their representation within the consolidated statements of financial position, the ROU asset is reflected within property and equipment, and the lease liability is reflected within accounts payable and accrued expenses.

Note 4 – Leases (Continued)

Future payments of lease liabilities at April 30, 2024 are as follows:

Year Ending April 30,	Operating Leases
2025	$ 8,650
2026	5,250
Total future lease payments	13,900
Less interest	(1,300)
Total	$ 12,600

Note 5 – Grants Receivable

Grants receivable consist of the following at April 30:

	2024	2023
Government grants receivable:		
Appalachian Regional Commission	$ 348,617	$ 229,836
U.S. Economic Development Administration	182,629	295,317
U.S. Small Business Administration	97,152	73,725
Other	27,952	10,019
	656,350	608,897
Other grants receivable:		
Anonymous Private Foundation	1,875,486	355,000
Central Appalachian Network	400,000	-
New York Community Trust	160,000	-
Foundation for Appalachian KY	25,000	-
	2,460,486	355,000
Total grants receivable	$ 3,116,836	$ 963,897

Grants receivable include two long-term grants awarded to the Organization from an unrelated organization in January 2024. The grants have a ten-year term and total awards of $2,000,000 and $500,000, respectively, with the first of ten equal annual payments paid to the Organization in the amounts of $200,000 and $50,000, respectively, in January 2024. The Organization recorded the grants at the net present value of future cash flows using the 10-year U.S. Treasury rate of 4.023% at inception. As of April 30, 2024, the net present value of these grants were approximately $1,500,000 and $375,000, respectively. The balance of the unamortized net present value discount at April 30, 2024 was $393,114.

Note 6 – Notes Payable

Notes payable consist of the following at April 30:

	2024	2023
IRP #1 - USDA (August 1994), collateralized by all assets of AIC derived from the loans and assets of the respective ultimate recipients. Interest per annum at one percent. Annual payments of $53,063 due in August. Matures August 2024.	$ 51,257	$ 103,288
IRP #2 - USDA (August 1996), collateralized by all assets of AIC derived from the loans and assets of the respective ultimate recipients. Interest per annum at one percent. Annual payments of $31,838 due in August. Matures August 2026.	93,289	123,888
IRP #3 - USDA (August 2000), collateralized by all assets of AIC derived from the loans and assets of the respective ultimate recipients. Interest per annum at one percent. Annual Payments of $31,838 due in August. Matures August 2030.	214,063	243,467
IRP #4 - USDA (April 2003), collateralized by all assets of AIC derived from the loans and assets of the respective ultimate recipients. Interest per annum at one percent. Annual payments of $31,838 due in April 2033.	272,195	301,023
IRP #5 - USDA (October 2006), collateralized by all assets of AIC derived from the loans and assets of the respective ultimate recipients. Interest per annum at one percent. Annual payments of $31,838 due in November. Matures October 2036.	386,210	413,909
IRP #6 - USDA (March 2009), collateralized by all assets of AIC derived from the loans and assets of the respective ultimate recipients. Interest per annum at one percent. Annual payments of $31,838 due in March. Matures March 2039.	440,815	467,974
SBA (May 2020), collateralized by all assets derived from loans made with proceeds, and with funds on deposit at Community Trust Bank in the Organization's SBA loan Loss Reserves Fund and Microloan Revolving Fund. Base interest rate of 0.75 percent. Monthly payments of $8,194. Matures in May 2030.	598,195	696,527
SBA (September 2015), collateralized by all accounts receivable outstanding arising from the SBA Microloan Program, all funds held in the SBA Loan Loss Reserve Fund bank account, and collateral on loans made through the SBA Microloan Program. Interest at 0.38 percent. Monthly payments of $7,369. Matures August 2025.	124,827	212,477
SBA (June 2017), collateralized by all accounts receivable outstanding or arising from the SBA Microloan Program, all funds held in the SBA Loan Loss Reserve Fund bank account, and collateral on loans made through the SBA Microloan Program. No interest for first twelve months. Subsequent interest at 0.625 percent. Monthly payments of $3,241. Matures June 2027.	126,705	165,551
The Business Valued Advisor Fund, LLC (January 2018). Unsecured. Interest at 3.56 percent. Quarterly interest-only payments. Entire principal amount due January 2025.	4,000,000	4,000,000

Note 6 – Notes Payable (Continued)

	2024	2023
The Business Valued Advisors Fund, LLC (January 2018). Unsecured. Interest at 3.56 percent. Quarterly interest-only payments. Entire principle amount due January 2025.	469,167	469,167
Impact Assets, Inc. (April 2020). Unsecured. Interest at 1 percent. Annual interest-only payments. Entire principal amount due April 2026.	1,000,000	1,000,000
Opportunity Finance Network Finance Justice Fund (April 2023), unsecured. Interest per annum at three percent. Quarterly interest-only payments. Matures April 2033.	1,000,000	1,000,000
Opportunity Finance Network Grow with Google (April 2021), Unsecured. Interest per annum at one percent through December 31, 2021. Two percent beginning January 1, 2022. Quarterly interest-only payments. Matures June 2026.	500,000	500,000
Invest Appalachia (November 2022), Credit Enhancement for New Flood Recovery Loan, unsecured. No interest. Matures December 2027. Proceeds to be used to support long-term flood recovery for affected businesses.	120,000	157,098
Total	9,396,724	9,854,368
Less: current portion	4,890,708	420,397
Long-term portion	$ 4,506,016	$ 9,433,971

The Organization maintains a $500,000 operating line of credit which matures June 2025. As of April 30, 2024 and 2023, the Organization had not borrowed under the line or credit. The unsecured line or credit bears interest at the Interbank lending rate. Interest is payable monthly.

For purposes of collateral, total SBA loans receivable was approximately $563,000 and $596,000, respectively, at April 30. 2024 and 2023. Total assets of AIC derived from USDA loans were approximately $2,765,000 and $2,754,000, respectively, at April 30, 2024 and 2023.

Maturities of notes payable are as follows:

Year Ending April 30,	
2025	$ 4,890,708
2026	1,320,861
2027	785,017
2028	345,718
2029	217,190
2030-2039	1,837,230
Total	$ 9,396,724

Notes 7 – Subordinated Loan Payable

Subordinated loan payable consists of the following at April 30:

	2024	2023
Community Trust Bank (December 2004), equity-equivalent loan at no interest for first five years, thereafter annual interest-only payments at prime minus one percent (7.50% at April 30, 2024). Lender must extend term annually as long as the Organization maintains 501(c)(3) tax-exempt status, unsecured.	$ 500,000	$ 500,000
Less current maturities	-	-
Long-term portion	$ 500,000	$ 500,000

There are no principal repayments required in the next five years. As noted above, no repayments are required unless the Organization loses its tax-exempt status.

Note 8 – Net Assets with Donor Restrictions

Net assets with donor restriction are available for the following at April 30:

	2024	2023
Community development	$ 2,099,950	$ 1,158,687
Strategic Initiatives	240,633	213,021
Central Appalachian Network	767,842	203,686
Energy sector	797,846	660,751
Re-granting	536,709	103,914
General	3,981	12,259
Enterprise development:		
Operations only	309,672	207,707
Financing	5,202,257	5,424,091
	$ 9,958,890	$ 7,984,116

Note 9 – Retirement Plan

The Organization sponsors a defined contribution retirement plan (the Plan) covering all employees who work 20 hours or more per week. Employees are eligible for elective deferrals and employer contributions upon date of hire. The Organization contributes five percent of each employee's annual compensation to the Plan. For the years ended April 30, 2024 and 2023, employer contributions to the Plan were approximately $111,000 and $95,000, respectively.

Note 10 – Concentrations

Financial instruments which potentially subject the Organization to concentrations of credit risk include cash, accounts receivable, loans receivable and investments. The Organization maintains its cash accounts with federally insured banks primarily in Berea, Kentucky and Mount Vernon, Kentucky. Certain amounts are collateralized by investments in bonds and other securities. The balances in the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At April 30, 2024 and 2023, the Organization had cash balances of approximately $1,166,000 and $1,369,000, respectively, in excess of federally insured limits and which were not collateralized. At April 30, 2024 and 2023, the Organization had cash balances of $14,648,000 and $18,427,000, respectively, which were collateralized.

Note 10 – Concentrations (Continued)

For the years ended April 30, 2024 and 2023, approximately 77% and 75%, respectively, of the Organization's grant revenues were from five grantors. As of April 30, 2024 and 2023, approximately 58% and 69%, respectively, of loans receivable were due from 12 customers.

Note 11 – Commitments and Contingencies

The grant revenue amounts are subject to review by grantors. If any expenditure is disallowed for reimbursement grants, any claim for reimbursement to the grantor would become a liability of the Organization. In the opinion of management, all grant expenditures and corresponding revenues are in compliance with the terms of the grant agreements and applicable laws and regulations.

The federal government retains a reversionary interest in two grants that have been previously expended by the Organization for equity investments and/or lending. The original total of the grants was approximately $400,000. To the extent the funds are subsequently paid back to the Organization, they need to be reinvested or would be subject to reclaim.

Note 12 – Income Tax

The Organization has been determined to qualify as a tax-exempt organization by the Internal Revenue Service under section 501(c)(3) of the Internal Revenue Code as a nonprofit organization other than a private foundation. AIC has been granted tax-exempt status by the Internal Revenue Service under Section 501(c)(4) of the Internal Revenue Code. Ridgecrest is a for-profit company and recognizes federal and state income tax expenses based on enacted rates currently applicable. Accordingly, the accompanying consolidated financial statements reflect income tax expenses only to the extent that Ridgecrest has generated taxable income.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Organization, and has concluded that as of April 30, 2024 and 2023, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements.

Tax Returns for fiscal years 2021 through 2023 are subject to review by taxing authorities. As of April 30, 2024, Ridgecrest had federal net operating loss carryforwards of approximately $284,000 which expire at various intervals through fiscal year 2042. The effects of recording a deferred tax position are immaterial as income in future periods for Ridgecrest is uncertain.

Note 13 – Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; general liability claims; and natural disasters. The Organization manages these risks through the purchase of commercial insurance.

Note 14 – Availability of Financial Assets

The Organization is sustained by contributions, grants, and interest income from loans and depends on each of these to meet its ongoing obligations. As part of the Organization's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization invests cash in excess of daily requirements in short-term investments.

Note 14 – Availability of Financial Assets (Continued)

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-Imposed restrictions or internal designations.

	2024	2023
Cash and cash equivalents, not restricted	$ 12,479,748	$ 17,314,598
Loans receivables, net	7,604,039	998,829
Accounts and Interest receivable	176,784	142,656
Grants receivable	1,491,350	963,897
	21,751,921	19,419,980
Restricted for designated purpose, not included in standard operations	(767,842)	(215,945)
Financial assets available to meet cash needs for general expenditure within one year	$ 20,984,079	$ 19,204,035

Note 15 – Program Services and Expenses

Following are descriptions of the Organization's program services:

Enterprise Development

The Lending team offers loans to existing and startup businesses and organizations. As a Community Development Financial Institution and a nonprofit, the organization can offer greater flexibility and lend to folks who may not otherwise qualify. The Business Support program connects business owners and nonprofit leaders to consultants who can help them succeed – from website development to professional photography, and more.

Appalachian Transition Communications and Policy (ATCaP)

Appalachian Transition is both the overarching framework of our vision for Appalachia’s brighter future and a body of work aimed at moving us toward that future. This team is focused on conducting communications campaigns, telling important stories through a broad range of avenues, and connecting with leaders and organizations across the country as part of shifting the conversations about the region, our economic transition and our bright future.

Energy Programs

The organization's energy experts help businesses, nonprofits, and public agencies find much-needed energy savings through utility bill analysis, on-site energy efficiency and solar assessments, financing, and grant application support.

Note 15 – Program Services and Expenses (Continued)

Central Appalachian Network (CAN)

The Central Appalachian Network (CAN) works to advance the equitable, just, and sustainable economic transition of Central Appalachia. CAN actively pursues economic transition in Central Appalachian communities through a variety of economic sectors and market-based strategies including clean energy, ecological restoration, reuse, agriculture and climate resilience.

Strategic Initiatives

The Strategic Initiatives program works to build relationships with communities in Eastern Kentucky by helping them design and build unique and place-based interventions in economic sectors that fill gaps and demonstrates what's possible in the region's new economy. This includes helping to develop and support a grassroots network of community groups focused on diversifying their local economies, as well as helping communities plan for and respond to climate change and climate disasters. As a part of this work, the organization also continues deep, long-term investment in Hazard, Kentucky as a way to show how collaborative work and community development projects can, over time, forward a new economy.

Following is a detail of program service expenses for the years ended April 30:

	2024	2023
Enterprise Development	$ 1,881,617	$ 1,329,435
Appalachia Transition	536,168	708,122
Energy Programs	858,622	482,557
Central Appalachia Network	173,254	275,069
Strategic Initiatives	288,305	371,164
Other programs	252,736	174,960
Total program services	$ 3,990,702	$ 3,341,307

Note 16 – Subsequent Events

The Organization evaluates events occurring subsequent to the date of the consolidated financial statements in determining the accounting for and disclosure or transactions and events that affect the financial statements. Subsequent events have been evaluated through July 25, 2024, which is the date the financial statements were available to be issued.

Supplementary Information

Mountain Association for Community Economic Development, Inc. and Affiliates
Consolidating Statement of Financial Position
April 30, 2024

	Mtn. Association	AIC	Ridgecrest	Eliminating Entries	Consolidated
Assets					
Current Assets					
Cash and cash equivalents	$ 12,454,915	$ -	$ 24,833	$ -	$ 12,479,748
Cash and cash equivalents, restricted	2,792,425	542,305	-	-	3,334,730
Loans receivable, net	7,436,287	173,980	-	(6,228)	7,604,039
Accounts and interest receivable	174,970	4,756	-	(2,942)	176,784
Grants receivable, current portion	1,491,350	-	-	-	1,491,350
Prepaid expenses and other assets	24,345	-	1,703	-	26,048
Total Current Assets	24,374,292	721,041	26,536	(9,170)	25,112,699
Property and equipment, net	160,179	-	590,259	-	750,438
Noncurrent Assets					
Other assets	389,423	-	-	(339,923)	49,500
Grants receivable, less current portion	1,625,486	-	-	-	1,625,486
Loans receivable, less current portion, net	11,458,775	2,044,358	-	(270,086)	13,233,047
Total Noncurrent Assets	13,473,684	2,044,358	-	(610,009)	14,908,033
Total Assets	$ 38,008,155	$ 2,765,399	$ 616,795	$ (619,179)	$ 40,771,170
Liabilities and Net Assets					
Current Liabilities					
Notes payable, current portion	$ 4,694,327	$ 196,381	$ 6,228	$ (6,228)	$ 4,890,708
Accounts payable and accrued expenses	340,426	7,495	558	(2,942)	345,537
Total Current Liabilities	5,034,753	203,876	6,786	(9,170)	5,236,245
Long-term Liabilities					
Notes payable, long-term portion	3,244,570	1,261,446	270,086	(270,086)	4,506,016
Subordinated loans payable	500,000	-	-	-	500,000
Total Long-term Liabilities	3,744,570	1,261,446	270,086	(270,086)	5,006,016
Total Liabilities	8,779,323	1,465,322	276,872	(279,256)	10,242,261
Net Assets					
Without donor restrictions	19,269,942	1,300,077	339,923	(339,923)	20,970,021
With donor restrictions	9,958,890	-	-	-	9,558,888
Total net assets	29,228,832	1,300,077	339,923	(339,923)	30,528,909
Total Liabilities and Net Assets	$ 38,008,155	$ 2,765,399	$ 616,795	$ (619,179)	$ 40,771,170

Mountain Association for Community Economic Development, Inc. and Affiliates
Consolidating Statement of Financial Position
April 30, 2023

	Mtn. Association	AIC	Ridgecrest	Eliminating Entries	Consolidated
Assets					
Current Assets					
Cash and cash equivalents	$ 17,288,907	$ -	$ 25,691	$ -	$ 17,314,598
Cash and cash equivalents, restricted	2,557,326	668,610	-	-	3,225,936
Loans receivable, net	865,206	161,588	-	(27,965)	998,829
Accounts and interest receivable	145,141	4,172	-	(6,657)	142,656
Grants receivable, current portion	963,897	-	-	-	963,897
Prepaid expenses and other assets	31,656	-	1,703	-	33,359
Total Current Assets	21,852,133	834,370	27,394	(34,622)	22,679,275
Property and equipment, net	204,604	-	598,769		803,373
Noncurrent Assets					
Other assets	382,990	-	-	(333,490)	49,500
Loans receivable, less current portion, net	13,221,999	1,919,546	-	(263,157)	14,878,388
Total Noncurrent Assets	13,604,989	1,919,546	-	(596,647)	14,927,888
Total Assets	$ 35,661,726	$ 2,753,916	$ 626,163	$ (631,269)	$ 38,410,536
Liabilities and Net Assets					
Current Liabilities					
Notes payable, current portion	$ 224,680	$ 195,717	$ 27,965	$ (27,965)	$ 420,397
Accounts payable and accrued expenses	373,881	7,791	1,551	(6,657)	376,566
Total Current Liabilities	598,561	203,508	29,516	(34,622)	796,963
Long-term Liabilities					
Notes payable, long-term portion	7,976,140	1,457,831	263,157	(263,157)	9,433,971
Subordinated loans payable	500,000	-	-	-	500,000
Total Long-term Liabilities	8,476,140	1,457,831	263,157	(263,157)	9,933,971
Total Liabilities	9,074,701	1,661,339	292,673	(297,779)	10,730,934
Net Assets					
Without donor restrictions	18,602,909	1,092,577	333,490	(333,490)	19,695,486
With donor restrictions	7,984,116	-	-	-	7,984,116
Total net assets	26,587,025	1,092,577	333,490	(333,490)	27,679,602
Total Liabilities and Net Assets	$ 35,661,726	$ 2,753,916	$ 626,163	$ (631,269)	$ 38,410,536

Mountain Association for Community Economic Development, Inc. and Affiliates
Consolidating Statement of Activities
For the Year Ended April 30, 2024

	Mountain Association		AIC	Ridgecrest		
	Without donor restrictions	With donor restrictions	Without donor restrictions	Without donor restrictions	Eliminations	Total
Revenue and Support						
Non-financing revenues and support						
Government grants, operations	$ -	$ 1,582,562	$ -	$ -	$ -	$ 1,582,562
Private grants and contributions	48,336	5,110,805	-	-	-	5,159,141
Project income	253,728	47,399	-	-	(24,000)	277,127
Total non-financing revenues and support	302,064	6,740,766	-	-	(24,000)	7,018,830
Financing revenues and support						
Interest income on loans	235,072	657,848	116,947	85,200	(93,763)	1,001,304
Fee income on loans	66,078	25,313	544	-	-	91,935
Interest on idle funds	60,109	7,382	8,508	-	-	75,999
Total financing revenues and support	361,259	690,543	125,999	85,200	(93,763)	1,169,238
Satisfaction of program and time restrictions	5,456,535	(5,456,535)	-	-	-	-
Total Revenue and Support	6,119,858	1,974,774	125,999	85,200	(117,763)	8,188,068
Expenses						
Non-financing revenues and support						
Program services	3,737,979	-	25,417	78,767	(111,330)	3,730,883
Management and general	1,150,794	-	-	-	-	1,150,794
Fundraising	197,265	-	-	-	-	197,265
Total non-financing revenues and support	5,086,038	-	25,417	78,767	(111,330)	5,078,892
Financing revenues and support						
Interest	245,316	-	15,626	-	-	260,942
Provision for credit losses	121,471	-	(122,544)	-	-	(1,073)
Total financing expenses	366,787	-	(106,918)	-	-	259,869
Total Expenses	5,452,825	-	(81,501)	78,767	(111,330)	5,338,761
Change in Net Assets	667,033	1,974,774	207,500	6,433	(6,433)	2,849,307
Net Assets at Beginning of Year	18,602,909	7,984,116	1,092,577	333,490	(333,490)	27,679,602
Net Assets at End of Year	$ 19,269,942	$ 9,958,890	$ 1,300,077	$ 339,923	$ (339,923)	$ 30,528,909

Mountain Association for Community Economic Development, Inc. and Affiliates
Consolidating Statement of Activities
For the Year Ended April 30, 2023

	Mountain Association		AIC	Ridgecrest		
	Without donor restrictions	With donor restrictions	Without donor restrictions	Without donor restrictions	Eliminations	Total
Revenue and Support						
Non-financing revenues and support						
Government grants, operations	$ -	$ 1,469,584	$ -	$ -	$ -	$ 1,469,584
Private grants and contributions	54,638	3,489,618	-	-	-	3,544,256
Project income	156,222	1,000	-	-	(24,000)	133,222
Miscellaneous income	100	-	-	-	-	100
Lease Income	-	-	-	85,200	(85,200)	-
Total non-financing revenues and support	210,960	4,960,202	-	85,200	(109,200)	5,147,162
Financing revenues						
Interest income on loans	81,456	685,438	125,127	-	(2,997)	889,024
Fee income on loans	36,755	5,550	6,099	-	-	48,404
Interest on idle funds	57,255	6,037	1,425	-	-	64,717
Total financing revenues	175,466	697,025	132,651	-	(2,997)	1,002,145
Satisfaction of program and time restrictions	4,916,958	(4,916,958)	-	-	-	-
Total Revenue and Support	5,303,384	740,269	132,651	85,200	(112,197)	6,149,307
Expenses						
Non-financing expenses						
Program services	3,224,729	-	24,025	71,349	(98,346)	3,221,757
Management and general	1,022,163	-	-	-	-	1,022,163
Fundraising	177,846	-	-	-	-	177,846
Total non-financing expenses	4,424,738	-	24,025	71,349	(98,346)	4,421,766
Financing expenses						
Interest	203,133	-	17,528	7,751	(7,751)	220,661
Provision for loan losses	(78,300)	-	(22,811)	-	-	(101,111)
Total financing expenses	124,833	-	(5,283)	7,751	(7,751)	119,550
Total Expenses	4,549,571	-	18,742	79,100	(106,097)	4,541,316
Change in Net Assets	753,813	740,269	113,909	6,100	(6,100)	1,607,991
Net Assets at Beginning of Year	17,849,096	7,243,847	978,668	327,390	(327,390)	26,071,611
Net Assets at End of Year	$ 18,602,909	$ 7,984,116	$ 1,092,577	$ 333,490	$ (333,490)	$ 27,679,602

Mountain Association for Community Economic Development, Inc. and Affiliates
Consolidated Schedule of Expenditures of Federal Awards
For the Year Ended April 30, 2024

Federal Grantor/Program	Federal Assistance Listing (AL) Number	Grantor Number	Award Amount	Federal Expenditures	Re-Grants to Sub-Recipients
Major Programs					
Appalachian Regional Commission					
Economic Recovery and Resilience in Eastern Kentucky - Appalachian Area Development	23.002	PW-20448-IM-21	$ 1,500,000	$ 503,058	$ -
Community Economic Development for Those Who Need it Most - Appalachian Area Development	23.002	PW-21461-IM-23	1,500,000	549,842	-
The EKY Community Accelerator Project – Appalachian Area Development	23.002	PW-20856-TA-22	50,000	21,548	-
Total Appalachian Regional Commission			3,050,000	1,074,448	-
Total major programs			3,050,000	1,074,448	-
Nonmajor Programs					
U.S. Small Business Administration					
SBA Microloan Program	59.046	SBAOCAML230542-01-00	275,000	232,465	-
SBA Microloan Program	59.046	SBAOCAML220296-01-00	275,000	17,843	-
Total U.S. Small Business Administration			550,000	250,308	-
U.S. Department of Agriculture					
Rural Energy for American Program (REAP)	10.868	20-076-151541774	125,000	18,250	-
Rural Business Development Grant Program	10.351	20-076-151541774	49,900	8,235	-
Total U.S. Department of Agriculture			174,900	26,485	-
U.S. Department of Commerce					
Economic Adjustment Assistance	11.307	04-79-07882	1,200,000	182,630	-
U.S. Department of Treasury					
Community Development Financial Institutions Rapid Response Program	21.024	21RRP056586	1,826,265	573,497	-
U.S. Department of Housing & Urban Development (HUD)					
Capacity Building Grant (Local Initiatives Support Corporation)	14.252	PA#41942-0033	33,000	7,563	-
U.S. Department of Energy					
State Office of Energy Policy	81.041	PON21412300003855	45,000	28,012	-
State Office of Energy Policy	81.041	PON21412100004410	45,000	13,117	-
Total Department of Energy			90,000	41,129	-
Total nonmajor programs			3,874,165	1,081,612	-
Total			$ 6,924,165	$ 2,156,060	$ -

See independent auditors report and accompanying notes to consolidated schedule of expenditures of federal awards.

Note 1 – Basis of Presentation

The accompanying consolidated schedule of expenditures of federal awards (SEFA) Includes the federal grant activity of the Organization and 1s presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance, UG), Therefore, some amounts presented in the SEFA may differ from amounts presented in, or used in the preparation of, the basic financial statements. The Organization obtains negotiated indirect cost rates for its federal grants and did not elect to use the 10% de minims indirect cost rate.

Note 2 – Loans Outstanding

Federal loans outstanding at April 30, 2024 consist of the following:

IRP #1 - U.S. Department of Agriculture (August 1994)	$ 51,257
IRP #2 - U.S. Department of Agriculture (August 1996)	93,289
IRP #3 - U.S. Department of Agriculture (August 2000)	214,063
IRP #4 - U.S. Department of Agriculture (April 2003)	272,195
IRP #5 - U.S. Department of Agriculture (October 2006)	386,210
IRP #6 - U.S. Department of Agriculture (March 2009)	440,815
U.S. Small Business Administration (May 2020)	598,195
U.S. Small Business Administration (September 2015)	124,827
U.S. Small Business Administration (June 2017)	126,705
Total	$ 2,307,557

The proceeds of loans that were received and expended in prior years are not considered federal awards expended when the laws, regulations, and the provisions of contracts or grant agreements pertaining to such loans impose no continuing compliance requirements other than to repay the loans and have been excluded from the SEFA.

Note 3 – General

The grant revenue amounts received and expensed are subject to audit and adjustment. If any expenditures are disallowed by the grantor as a result of such an audit, any claim for reimbursement to the grantor would become a liability of the Organization. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal laws and regulations.

Note 4 – Reconciliation to Financial Statements

Following is a reconciliation amounts per the SEFA to the fiscal year end 2024 financial statements:

Expenditures per SEFA	$ 2,156,060
Revenue recognized in prior year, expended in current year	(573,498)
Government grants revenue per financial statements	$ 1,582,562

Revenue recognized in prior year, expended in current year are included in expenditures of federal awards. These reflect amounts expended from the Community Development Financial Institutions Fund (CDFI) that were recognized as revenue in a prior fiscal year. Funds received from CDFI are subject to performance and financial reporting, but the required use of funds is within the normal operations of the Organization.

INDEPENDENT AUDITORS' 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 Association for Community Economic Development, Inc.
Berea, Kentucky

Report on the Financial Statements

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 consolidated financial statements of Mountain Association for Community Economic Development. Inc. (a nonprofit organization) and Affiliates (the Organization), which comprise the consolidated statement of financial position as of April 30, 2024, 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, and have issued our report thereon dated July 25, 2024.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph or 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions or 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 the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organizations internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baldwin CPA's, PLLC
Baldwin CPAs, PLLC
Richmond, Kentucky
July 25, 2024

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

To the Board of Directors
Mountain Association for Community Economic Development, Inc.
Berea, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Mountain Association for Community Economic Development, Inc. (a nonprofit organization) and Affiliates (the Organization) 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 the Organization's major federal program for the year ended April 30, 2024. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended April 30, 2024.

Basis for Opinion on Each Major 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 the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the Organization’s compliance with the compliance requirements referred to above.

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 the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error and express an opinion on the Organization'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 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 judgments made by a reasonable user of the report on compliance about the Organization'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 judgement 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 the Organization'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 the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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.

Report on Internal Control Over Compliance

A deficiency in Internal control over compliance exists when the design or operation or 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 a combination of deficiencies or 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 Responsibility 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 companies that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiency 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.

Baldwin CPA's, PLLC

Baldwin CPAs, PLLC
Richmond, Kentucky
July 25, 2024

Mountain Association for Community Economic Development, Inc. and Affiliates
Consolidated Schedule of Prior Year Findings and Questioned Costs
For the Year Ended April 30, 2024

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	unmodified			
Internal Control over financial reporting:				
Material weakness(es) identified:		yes	√	no
Significant deficiency(ies) identified that are not considered to be material weaknesses?		yes	√	none reported
Noncompliance material to financial statements noted?		yes	√	no

Federal Awards

Internal control over major programs:				
Material weakness(es) identified:		yes	√	no
Significant deficiency(ies) identified that are not considered to be material weaknesses?		yes	√	none reported
Type of auditor's report issued on compliance for major programs:	unmodified			
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?		yes	√	no

Identification of major programs:

CFDA Number	Name of Federal Program
23.002	Appalachian Regional Commission, Appalachian Area Development

Dollar threshold used to distinguish between type A and B programs:	$750,000			
Auditee qualified as low-risk auditee?	√	yes		no

Findings - Financial Statement Audit

None reported.

Federal Award Findings and Questioned Costs

None reported.

Mountain Association for Community Economic Development, Inc. and Affiliates
Consolidated Schedule of Prior Year Audit Findings and their Resolutions
For the Year Ended April 30, 2024

No findings or questioned costs were reported for the year ended April 30, 2023.