MOUNTAIN ASSOCIATION FOR COMMUNITY ECONOMIC DEVELOPMENT, INC. AND AFFILIATES

BEREA, KENTUCKY

CONSOLIDATED FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT AUDITORS

April 30, 2025 and 2024

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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 statements of financial position as of April 30, 2025 and 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 opinions.

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 18, 2025. 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 18, 2025

Mountain Association for Community Economic Development, Inc. and Affiliates
Consolidated Statements of Financial Position
April 30, 2025 and 2024

	2025	2024
Assets		
Current Assets		
Cash and cash equivalents	$ 10,028,616	$ 12,479,748
Cash and cash equivalents, restricted	2,047,829	3,334,730
Loans receivable, net of allowance for credit losses of $90,733 and $284,295, respectively	1,586,485	7,604,039
Accounts and interest receivable	229,503	176,784
Grants receivable, current portion	2,510,890	1,491,350
Prepaid expenses and other assets	85,319	26,048
Total Current Assets	16,488,642	25,112,699
Property and equipment, net	887,622	750,438
Noncurrent Assets		
Other assets	27,718	49,500
Grants receivable, less current portion	1,448,386	1,625,486
Loans receivable, less current portion, net of allowance for credit losses of $1,107,704 and $558,675, respectively	19,368,456	13,233,047
Total Noncurrent Assets	20,844,560	14,908,033
Total Assets	$ 38,220,824	$ 40,771,170
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 354,784	$ 345,537
Notes payable, current portion	1,349,794	4,890,708
Total Current Liabilities	1,704,578	5,236,245
Long-term Liabilities		
Notes payable, long-term portion	5,184,963	4,506,016
Subordinated loan payable	500,000	500,000
Total Long-term Liabilities	5,684,963	5,006,016
Total Liabilities	7,389,541	10,242,261
Net Assets		
Without donor restrictions	24,141,469	20,570,019
With donor restrictions	6,689,814	9,958,890
Total Net Assets	30,831,283	30,528,909
Total Liabilities and Net Assets	$ 38,220,824	$ 40,771,170

Mountain Association for Community Economic Development, Inc. and Affiliates
Consolidated Statements of Activities
For the Year Ended April 30, 2025

	Without donor restrictions	With donor restrictions	Total
Revenue and Support			
Non-financing revenues and support			
Government grants, operations	$ -	$ 2,075,968	$ 2,075,968
Private grants and contributions	196,393	2,694,079	2,890,472
Project income	463,555	36,572	500,127
Total non-financing revenue and support	659,948	4,806,619	5,466,567
Financing revenues			
Interest income on loans	579,371	767,414	1,346,785
Fee income on loans	145,493	36,071	181,564
Interest on idle funds	50,395	2,996	53,391
Total financing revenue	775,259	806,481	1,581,740
Satisfaction of program and time restrictions	8,882,176	(8,882,176)	-
Total Revenue and Support	10,317,383	(3,269,076)	7,048,307
Expenses			
Non-financing expenses			
Program services	4,407,039	-	4,407,039
Management and general	1,461,178	-	1,461,178
Fundraising	222,275	-	222,275
Total non-financing expenses	6,090,492	-	6,090,492
Financing expenses			
Interest	257,554	-	257,554
Provision for credit losses	397,887	-	397,887
Total financing expenses	655,441	-	655,441
Total Expenses	6,745,933	-	6,745,933
Change in Net Assets	3,571,450	(3,269,076)	302,374
Net Assets at Beginning of Year	20,570,019	9,958,890	30,528,909
Net Assets at End of Year	$ 24,141,469	$ 6,689,814	$ 30,831,283

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	3,730,833	-	3,730,833
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 Functional Expenses
For the Year Ended April 30, 2025

	Program Services	Management and General	Fundraising	Total
Non-financing expenses:				
Personnel	$ 2,209,357	$ 1,216,927	$ 202,923	$ 3,629,207
Consultants	953,140	29,791	150	983,081
Professional services	14,702	45,280	-	59,982
IT services	56,847	33,633	258	90,738
Travel	134,395	16,317	2,724	153,436
Meetings, registration and training	47,653	36,341	4,903	88,897
Equipment and software expense	15,072	15,101	1,264	31,437
Repairs and maintenance	12,573	9,617	69	22,259
Occupancy	15,664	11,565	2,098	29,327
Insurance	26,356	8,343	139	34,838
Postage	683	2,944	8	3,635
Supplies	5,435	5,263	527	11,225
Telephone	13,888	5,405	551	19,844
Depreciation	47,337	14,536	2,378	64,251
Re-grants	789,655	-	-	789,655
Advertising and promotion	14,787	258	-	15,045
Publications, memberships and subscriptions	8,220	1,876	45	10,141
Printing and duplication	2,487	1,426	-	3,913
Licenses and fees	30,219	6,555	4,238	41,012
Taxes	8,569	-	-	8,569
Total non-financing expenses	4,407,039	1,461,178	222,275	6,090,492
				-
Financing expenses:				-
Interest	257,554	-	-	257,554
Provision for credit losses	397,887	-	-	397,887
Total financing expenses	655,441	-	-	655,441
Total Expenses	$ 5,062,480	$ 1,461,178	$ 222,275	$ 6,745,933

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 Cash Flows
For the Years Ended April 30, 2025 and 2024

	2025	2024
Cash Flows From Operating Activities:		
Change in net assets	$ 302,374	$ 2,849,307
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	64,251	63,566
Provision for credit losses	397,887	(1,073)
(Increase) decrease in operating assets:		
Accounts and interest receivable	(52,719)	(31,369)
Grants receivable	(842,440)	(2,152,939)
Prepaid expenses and other assets	(37,489)	7,311
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	17,648	(22,625)
Net Cash (Used) Provided by Operating Activities	(150,488)	712,178
Cash Flows From Investing Activities:		
Purchase of property and equipment	(209,836)	(19,031)
Loans to other entities	(14,126,651)	(6,583,423)
Principal collections on loans receivable	13,610,909	1,621,865
Net Cash Used by Investing Activities	(725,578)	(4,980,589)
Cash Flows From Financing Activities:		
Proceeds from notes payable	2,000,000	-
Principal payments on notes payable	(4,861,967)	(457,645)
Net Cash Used by Financing Activities	(2,861,967)	(457,645)
Net Decrease in Cash	(3,738,033)	(4,726,056)
Cash at Beginning of Year	15,814,478	20,540,534
Cash at End of Year	$ 12,076,445	$ 15,814,478
Cash Reconciliation:		
Cash and cash equivalents	$ 10,028,616	$ 12,479,748
Cash and cash equivalents, restricted	2,047,829	3,334,730
Cash and Cash Equivalents at End of Year	$ 12,076,445	$ 15,814,478
Supplemental Information		
Cash paid for interest	$ 265,293	$ 260,942

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), 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.

	2025	2024
Cash and cash equivalents, not restricted	$ 10,028,616	$ 12,479,748
Cash and cash equivalents, restricted	2,047,829	3,334,730
Total cash and cash equivalents	$ 12,076,445	$ 15,814,478

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, a review of the status of current outstanding receivables, and consideration of current conditions and reasonable and supportable forecasts about the future. There is no allowance for credit losses at April 30, 2025 or 2024. 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, 2025 and 2024. 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 business assets 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.

In fiscal year 2025, there was an increase in provision of loan loss compared to fiscal year 2024 of approximately $400,000. This was primarily due to the refinance of balloon payments associated with a New Market Tax Credit transaction. Those notes receivable were refinanced to principal and interest payments with terms of 20-25 years. The loans remain of good quality; the difference is due to the impact of the refinances on the weighted remaining maturity calculation.

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.

Note 1 – Summary of Significant Accounting Policies (Continued)

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 2025 and 2024 was approximately $682,000 and $369,000, 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, 2025 and 2024, respectively, were approximately $130,000 and $102,000, respectively, and are reflected within accounts and interest receivable in the accompanying statements of financial position. The balance at May 1, 2023 was approximately $83,000.

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, 2025 or 2024. The balance at May 1, 2023 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, 2025 and 2024 amounted to approximately $15,000 for both years.

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.

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, 2025 and 2024, loans receivable consist of current amounts, at gross, of approximately $1,677,000 and $7,888,000, respectively, and noncurrent amounts of $20,476,000 and $13,792,000 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.

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:

	2025	2024
Loans receivable	$ 22,153,378	$ 21,680,056
Less allowance for credit losses	(1,198,437)	(842,970)
Loans receivable , net	$ 20,954,941	$ 20,837,086

Loans serving as collateral on notes payable amounted to approximately $2,718,000 and $2,308,000, respectively, at April 30, 2025 and 2024. Accrued interest receivable amounted to approximately $74,000 and $75,000 at April 30, 2025 and 2024, respectively. Non-accrual loans totaled approximately $124,000 and $65,000 at April 30, 2025 and 2024, respectively.

Note 2 – Loans Receivable (Continued)

Aging

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

2025

	Current	30-59 Days Past Due	60-89 Days Past Due	90+ Days Past Due	Total
Enterprise development loans					
Microloans	$ 1,446,407	$ 8,809	$ 15,572	$ 12,921	$ 1,483,709
Other enterprise loans	20,071,370	157,664	-	196,749	20,425,783
Total enterprise development loans	21,517,777	166,473	15,572	209,670	21,909,492
Paycheck Protection Program loans	6,392	710	-	-	7,102
How$mart loans to utilities	236,784	-	-	-	236,784
Total loans	$ 21,760,953	$ 167,183	$ 15,572	$ 209,670	$ 22,153,378

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

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.

Note 2 – Loans Receivable (Continued)

Credit Quality (Continued)

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.

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.

Note 2 – Loans Receivable (Continued)

Credit Quality (Continued)

Following is an analysis of the Organization's portfolio by credit quality, as of April 30, 2025:

	2025						
	Excellent	Good	Fair	Watch	Sub-Standard	Doubtful	Total Loans
Enterprise development loans							
Microloans	$ -	$ 746,676	$ 502,821	$ 187,525	$ 16,513	$ 30,174	$ 1,483,709
Other enterprise loans	325,719	5,660,399	7,458,372	6,736,610	150,672	94,011	20,425,783
Total enterprise development loans	325,719	6,407,075	7,961,193	6,924,135	167,185	124,185	21,909,492
Paycheck Protection Program loans	7,102	-	-	-	-	-	7,102
How$mart loans to utilities	-	36,399	200,385	-	-	-	236,784
Total loans	$ 332,821	$ 6,443,474	$ 8,161,578	$ 6,924,135	$ 167,185	$ 124,185	$ 22,153,378

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	$ 104,376	$ 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	390,907	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	$ 390,907	$ 65,221	$ 21,680,056

Following is an analysis of the allowance for credit losses for the year ended April 30, 2025:

	2025
Beginning balance	$ 842,970
Provision charged to operations	397,887
Charge-offs	(57,778)
Recoveries	15,358
Ending balance	$ 1,198,437

Following is an analysis of the allowance for loan 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)

Credit Quality (Continued)

The following is an analysis of the allowance for credit losses by portfolio segment and class as of April 30, 2025:

2025	Beginning Balance	Provision Charged to Operations	Charge-offs	Recoveries	Ending Balance
Enterprise development loans					
Microloans	$ 80,908	$ 45,475	$ (57,778)	$ 11,458	$ 80,063
Other enterprise loans	688,411	$ 409,909	-	3,900	1,102,220
Total enterprise development loans	769,319	455,384	(57,778)	15,358	1,182,283
Paycheck Protection Program loans	493	(110)	-	-	383
How$mart loans to utilities	11,508	1,268	-	-	12,776
Undisbursed loans	61,650	(58,655)	-	-	2,995
Total loans	$ 842,970	$ 397,887	$ (57,778)	$ 15,358	$ 1,198,437

The following is an analysis of the allowance for loan 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

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.

Note 2 – Loans Receivable (Continued)

Impairment (Continued)

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

	2025	2024
Impaired loans with a valuation allowance	$ 124,185	$ 65,221
Valuation allowance related to impaired loans	$ 6,701	$ 2,348
Average investment in impaired loans	$ 31,046	$ 13,044
Interest income recognized on impaired loans	$ 6,155	$ 2,417
Interest income recognized on a cash basis on impaired loans	$ 6,155	$ 2,200

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

2025

	Impaired Loans with a Valuation Allowance	Valuation Allowance Related to Impaired Loans	Average Investment in Imparied Loans	Interest Recognized on Impaired Loans	Interest Recognized on Cash Basis on Impaired Loans
Enterprise development loans					
Microloans	$ 124,185	$ 6,701	$ 31,046	$ 6,155	$ 6,155
Other enterprise loans	-	-	$ -	-	-
Total enterprise development loans	124,185	6,701	$ 31,046	6,155	6,155
Total loans	$ 124,185	$ 6,701	$ 31,046	$ 6,155	$ 6,155

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

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:

2025	TDRs in Compliance & Accruing Interest		TDRs Not Accruing Interest		Total	
	Balance	Count	Balance	Count	Balance	Count
Enterprise development loans						
Microloans	$ -	-	$ 46,076	1	$ 46,076	1
Other enterprise loans	150,673	1	-	-	150,673	1
Total enterprise development loans	150,673	1	46,076	1	196,749	2
Total loans	$ 150,673	1	$ 46,076	1	$ 196,749	2

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

Note 3 – Property and Equipment

Property and equipment is summarized as follows at April 30:

	2025	2024
Land	$ 40,000	$ 40,000
Building and improvements	901,433	905,860
Equipment and auto	121,870	123,194
Computer software	348,966	254,684
Construction in process	308,807	209,054
	1,721,076	1,532,791
Accumulated depreciation	(833,454)	(782,353)
Property and equipment, net	$ 887,622	$ 750,438

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 fiscal year ended April 30, 2023, the Organization recorded an ROU asset and lease liability to recognize their operating leases for office space. At April 30, 2025 and 2024, the balance of the ROU asset and lease liability was $4,200 and $12,600, 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.

Future payments of lease liabilities at April 30, 2025 are as follows:

Year Ending April 30,	Operating Leases
2026	$ 5,250
Total future lease payments	5.250
Less interest	(1,050)
Total	$ 4.200

Note 5 – Grants Receivable

Grants receivable consist of the following at April 30:

	2025	2024
Government grants receivable:		
U.S. Economic Development Administration	$ 616,461	$ 182,629
Appalachian Regional Commission	411,585	348,617
U.S. Small Business Administration	111,673	97,152
U.S. Department of Agriculture	95,599	-
Other	25,572	27,952
	1,260,890	656,350
Other grants receivable:		
Anonymous Private Foundation	1,698,386	1,875,486
JPB Foundation	1,000,000	-
New York Community Trust	-	160,000
Central Appalachian Network	-	400,000
Foundation for Appalachian KY	-	25,000
	2,698,386	2,460,486
Total grants receivable	$ 3,959,276	$ 3,116,836
Presented as:		
Current	$ 2,510,890	$ 1,491,350
Noncurrent	1,448,386	1,625,486
Total grants receivable	$ 3,959,276	$ 3,116,836

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, 2025, the net present value of these grants were approximately $1,359,000 and $340,000, respectively. As of April 30, 2024, the net present value of these grants were approximately $1,500,000 and $375,000, respectively. As of April 30, 2025 and 2024, the balance of the unamortized net present value discount was $318,411 and $393,114, respectively.

Note 6 – Notes Payable

Notes payable consist of the following at April 30:

	2025	2024
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
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.	62,384	93,289
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.	184,366	214,063
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. Matures April 2033. The payment due April 2025 was made in fiscal year 2026.	272,195	272,195
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.	358,234	386,210
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.	413,386	440,816
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 .38 percent. Monthly payments of $7,369. Matures August 2025.	36,770	124,827
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 .625 percent. Monthly payments of $3,241. Matures June 2027.	87,561	126,705
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 .75 percent. Monthly payments of $8,194. Matures in May 2030.	499,861	598,195
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

Note 6 – Notes Payable (Continued)

	2025	2024
The Business Valued Advisors Fund, LLC (January 2018). Unsecured. Interest at 3.56 percent. Quarterly interest-only payments. Entire principal amount due January 2025.	-	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 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
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
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	120,000
Appalachian Community Capital (July 2024). Unsecured. Interest at 3.95 percent. Monthly interest-only payments. Entire principal amount due June 2030.	2,000,000	-
Total	6,534,757	9,396,724
Less: current portion	1,349,794	4,890,708
Long-term portion	$ 5,184,963	$ 4,506,016

The current portion of notes payable decreased substantially following the completion of a New Markets Tax Credit program in January 2025. Due to the timing of this closeout and the addition of a $2,000,000 note payable, annual interest expense was not materially affected when comparing the current fiscal year to the prior year.

For purposes of collateral, total SBA loans receivable was approximately $637,000 and $563,000, respectively, at April 30, 2025 and 2024. Total assets of AIC derived from USDA loans were approximately $2,875,000 and $2,765,000, respectively, at April 30, 2025 and 2024.

Maturities of notes payable are as follows:

Year Ending April 30,	
2026	$ 1,349,794
2027	785,017
2028	345,574
2029	217,190
2030	218,378
2031-2039	3,618,804
Total	$ 6,534,757

Note 7 – Line of Credit

The Organization maintains a $500,000 operating line of credit which was renewed in June 2025 and matures June 2026. As of April 30, 2025 and 2024, the Organization had not borrowed under the line of credit. The unsecured line or credit bears interest at the Interbank lending rate. Interest is payable monthly.

Notes 8 – Subordinated Loan Payable

Subordinated loan payable consists of the following at April 30:

	2025	2024
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 (6.50% at April 30, 2025). 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 9 – Net Assets with Donor Restrictions

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

	2025	2024
Community development	$ 2,431,547	$ 2,099,950
Strategic Initiatives	177,080	240,633
Central Appalachian Network	482,076	767,842
Energy sector	445,913	797,846
Re-granting	571,595	536,709
General	609	3,981
Enterprise development:		
Operations only	138,456	309,672
Financing	2,442,538	5,202,257
	$ 6,689,814	$ 9,958,890

Note 10 – 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, 2025 and 2024, employer contributions to the Plan were approximately $139,000 and $111,000, respectively.

Note 11 – 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, 2025 and 2024, the Organization had cash balances of approximately $1,625,000 and $1,166,000, respectively, in excess of federally insured limits and which were not collateralized. At April 30, 2025 and 2024, the Organization had cash balances of $10,574,000 and $14,648,000, respectively, which were collateralized.

For the years ended April 30, 2025 and 2024, approximately 85% and 77%, respectively, of the Organization's grant revenues were from five grantors. As of April 30, 2025 and 2024, approximately 62% and 58%, respectively, of loans receivable were due from 12 customers.

Note 12 – 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 13 – 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, 2025 and 2024, 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 2022 through 2024 are subject to review by taxing authorities. As of April 30, 2025, Ridgecrest had federal net operating loss carryforwards of approximately $294,000 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 14 – 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 15 – 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.

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.

	2025	2024
Cash and cash equivalents, not restricted	$ 10,028,616	$ 12,479,748
Loans receivables, net	1,586,485	7,604,039
Accounts and Interest receivable	229,503	176,784
Grants receivable	2,510,890	1,491,350
	14,355,494	21,751,921
Restricted for designated purpose, not included in standard operations	(482,076)	(767,842)
Financial assets available to meet cash needs for general expenditure within one year	$ 13,873,418	$ 20,984,079

Note 16 – 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 individuals 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 savings through utility bill analysis, on-site energy efficiency and solar assessments, financing, and grant application support.

Note 16 – 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.

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

	2025	2024
Enterprise Development	$ 2,348,769	$ 1,881,617
Appalachia Transition	716,460	536,168
Energy Programs	970,416	858,622
Central Appalachia Network	268,287	173,254
Strategic Initiatives	387,131	288,305
Other programs	371,418	252,736
Total program services	$ 5,062,481	$ 3,990,702

Note 17 – 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 18, 2025, 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, 2025

	Mtn. Association	AIC	Ridgecrest	Eliminating Entries	Consolidated
Assets					
Current Assets					
Cash and cash equivalents	$ 9,975,598	$ -	$ 53,018	$ -	$ 10,028,616
Cash and cash equivalents, restricted	1,148,444	899,385	-	-	2,047,829
Loans receivable, net	1,431,128	155,357	-	-	1,586,485
Accounts and interest receivable	228,912	3,202	-	(2,611)	229,503
Grants receivable, current portion	2,510,890	-	-	-	2,510,890
Prepaid expenses and other assets	83,615	-	1,704	-	85,319
Total Current Assets	15,378,587	1,057,944	54,722	(2,611)	16,488,642
Property and equipment, net	215,518	-	672,104	-	887,622
Noncurrent Assets					
Other assets	383,395	-	-	(355,677)	27,718
Grants receivable, less current portion	1,448,386	-	-	-	1,448,386
Loans receivable, less current portion, net	17,921,546	1,817,124	-	(370,214)	19,368,456
Total Noncurrent Assets	19,753,327	1,817,124	-	(725,891)	20,844,560
Total Assets	$ 35,347,432	$ 2,875,068	$ 726,826	$ (728,502)	$ 38,220,824
Liabilities and Net Assets					
Current Liabilities					
Notes payable, current portion	$ 1,185,552	$ 164,242	$ 6,228	$ (6,228)	$ 1,349,794
Accounts payable and accrued expenses	347,792	8,668	935	(2,611)	354,784
Total Current Liabilities	1,533,344	172,910	7,163	(8,839)	1,704,578
Long-term Liabilities					
Notes payable, long-term portion	4,058,640	1,126,323	363,986	(363,986)	5,184,963
Subordinated loans payable	500,000	-	-	-	500,000
Total Long-term Liabilities	4,558,640	1,126,323	363,986	(363,986)	5,684,963
Total Liabilities	6,091,984	1,299,233	371,149	(372,825)	7,389,541
Net Assets					
Without donor restrictions	22,565,634	1,575,835	355,677	(355,677)	24,141,469
With donor restrictions	6,689,814	-	-	-	6,689,814
Total net assets	29,255,448	1,575,835	355,677	(355,677)	30,831,283
Total Liabilities and Net Assets	$ 35,347,432	$ 2,875,068	$ 726,826	$ (728,502)	$ 38,220,824

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)	20,570,019
With donor restrictions	9,958,890	-	-	-	9,958,890
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 Activities
For the Year Ended April 30, 2025

	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	$ -	$ 2,075,968	$ -	$ -	$ -	$ 2,075,968
Private grants and contributions	196,393	2,694,079	220,000	-	(220,000)	2,890,472
Project income	487,555	36,572	-	-	(24,000)	500,127
Total non-financing revenues and support	683,948	4,806,619	220,000	-	(244,000)	5,466,567
Financing revenues and support						
Interest income on loans	475,448	767,414	112,773	85,200	(94,050)	1,346,785
Fee income on loans	145,334	36,071	159	-	-	181,564
Interest on idle funds	42,730	2,996	7,665	-	-	53,391
Total financing revenues and support	663,512	806,481	120,597	85,200	(94,050)	1,581,740
Satisfaction of program and time restrictions	8,882,176	(8,882,176)	-	-	-	-
Total Revenue and Support	10,229,636	(3,269,076)	340,597	85,200	(338,050)	7,048,307
Expenses						
Non-financing revenues and support						
Program services	4,595,050	-	64,839	69,446	(322,296)	4,407,039
Management and general	1,461,178	-	-	-	-	1,461,178
Fundraising	222,275	-	-	-	-	222,275
Total non-financing revenues and support	6,278,503	-	64,839	69,446	(322,296)	6,090,492
Financing revenues and support						
Interest	257,554	-	-	-	-	257,554
Provision for loan losses	397,887	-	-	-	-	397,887
Total financing expenses	655,441	-	-	-	-	655,441
Total Expenses	6,933,944	-	64,839	69,446	(322,296)	6,745,933
Change in Net Assets	3,295,692	(3,269,076)	275,758	15,754	(15,754)	302,374
Net Assets at Beginning of Year	19,269,942	9,958,890	1,300,077	339,923	(339,923)	30,528,909
Net Assets at End of Year	$ 22,565,634	$ 6,689,814	$ 1,575,835	$ 355,677	$ (355,677)	$ 30,831,283

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)	3,730,833
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 loan 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
Consolidated Schedule of Expenditures of Federal Awards
For the Year Ended April 30, 2025

Federal Grantor/Program	Federal Assistance Listing (AL) Number	Grantor Number	Award Amount	Federal Expenditures	Re-Grants to Sub-Recipients
Major Programs					
Economic Development Cluster					
U.S. Department of Commerce					
Economic Adjustment Assistance	11.307	04-79-07882	$ 1,200,000	$ 941,592	$ -
Total Economic Development Cluster			1,200,000	941,592	-
Total major programs			1,200,000	941,592	-
Nonmajor Programs					
Appalachian Regional Commission					
ARISE	23.001	MU-21606-24	10,000	10,000	-
Community Economic Development for Those Who Need it Most - Appalachian Area Development	23.002	PW-21461-IM-23	1,500,000	698,477	-
Total Appalachian Regional Commission			1,510,000	708,477	-
U.S. Department of Agriculture					
Rural Energy for American Program (REAP)	10.868	20-076-151541774	225,000	77,348	-
Rural Community Development Initiative (RCDI)	10.446	41942-0034	40,000	25,449	-
Total U.S. Department of Agriculture			265,000	102,797	-
Small Business Administration					
SBA Microloan Program	59.046	SBAOCAML230542-01-00	275,000	42,535	-
SBA Microloan Program	59.046	SBAOCAML240681-01-00	213,579	213,579	-
Total U.S. Small Business Administration			488,579	256,114	-
Department of Energy					
State Office of Energy Policy	81.041	PON2 141 2300003855	45,000	16,988	-
State Office of Energy Policy	81.041	PON2 141 2400004964	50,000	50,000	-
Total Department of Energy			95,000	66,988	-
Total nonmajor programs			2,358,579	1,134,376	-
Total			$ 3,558,579	$ 2,075,968	$ -

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, 2025 consist of the following:

IRP #2 - U.S. Department of Agriculture (August 1996)	$	62,384
IRP #3 - U.S. Department of Agriculture (August 2000)		184,366
IRP #4 - U.S. Department of Agriculture (April 2003)		272,195
IRP #5 - U.S. Department of Agriculture (October 2006)		358,234
IRP #6 - U.S. Department of Agriculture (March 2009)		413,386
U.S. Small Business Administration (September 2015)		36,770
U.S. Small Business Administration (June 2017)		87,561
U.S. Small Business Administration (May 2020)		499,861
Total	$	1,914,757

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.

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, 2025, 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 18, 2025.

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 18, 2025

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, 2025. 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, 2025.

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 18, 2025

Mountain Association for Community Economic Development, Inc. and Affiliates
Consolidated Schedule of Findings and Questioned Costs
For the Year Ended April 30, 2025

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:

Federal Assistance Listing Number	Name of Federal Program
11.307	Economic Development Cluster: U.S. Department of Commerce, Economic Adjustment Assistance

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.

No findings or questioned costs were reported for the year ended April 30, 2024.