

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

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2025

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

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EXECUTIVE DIRECTOR

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

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Phillips CPAs and Advisors

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Mountain BizCapital, Inc. d/b/a Mountain BizWorks and Affiliate, (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 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.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mountain BizCapital, Inc. d/b/a Mountain BizWorks and Affiliate as of December 31, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Mountain BizCapital, Inc. d/b/a Mountain BizWorks and Affiliate and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Mountain BizCapital, Inc. d/b/a Mountain BizWorks and Affiliate's ability to continue as a going concern within one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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To the Board of Directors
Mountain BizCapital, Inc.
d/b/a Mountain BizWorks
and Affiliate
April 20, 2026

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Mountain BizCapital, Inc. d/b/a Mountain BizWorks and Affiliate's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mountain BizCapital, Inc. d/b/a Mountain BizWorks and Affiliate's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

To the Board of Directors
Mountain BizCapital, Inc.
d/b/a Mountain BizWorks
and Affiliate
April 20, 2026

In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2026, on our consideration of Mountain BizCapital, Inc. d/b/a Mountain BizWorks and Affiliate's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Mountain BizCapital, Inc. d/b/a Mountain BizWorks and Affiliate's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mountain BizCapital, Inc. d/b/a Mountain BizWorks and Affiliate's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Mountain BizCapital, Inc. d/b/a Mountain BizWorks and Affiliate's 2024 consolidated financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated April 17, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Phillips CPAs and Advisors

Greenville, South Carolina
April 20, 2026

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2025
(with comparative totals for 2024)

ASSETS	2025	2024
Current Assets		
Cash and cash equivalents	\$ 16,964,533	\$ 20,667,491
Cash and cash equivalents - restricted	9,903,282	8,819,473
Interest receivable	175,975	203,759
Loans receivable, net of allowance, current portion	3,203,651	3,019,180
Grants receivable	540,663	561,975
Other receivables	85,350	26,693
Prepays	-	48,235
Property available for sale	18,426	18,426
Total current assets	30,891,880	33,365,232
Other Assets		
Property and equipment, net of accumulated depreciation	600,519	629,175
Loans receivable, net of allowance and current portion	20,325,840	16,598,754
Total other assets	20,926,359	17,227,929
Total assets	\$ 51,818,239	\$ 50,593,161
LIABILITIES		
Current liabilities		
Accounts payable	\$ 40,196	\$ 257,289
Accrued interest payable	9,432	18,777
Notes payable, current maturities	1,879,451	1,822,277
Mortgages payable, current maturities	53,007	50,801
Payroll liabilities	50,671	36,240
Payable to emergency funds	275,837	536,185
Payable to other funds	-	314,378
Deferred revenue	1,738,207	2,041,523
Other current liabilities	4,686,325	7,966,945
Total current liabilities	8,733,126	13,044,415
Long-term liabilities		
Notes payable, net of current portion	10,095,698	8,962,605
Other long-term liabilities	1,295,282	1,502,759
Mortgages payable, net of current portion	347,059	400,063
Total long-term liabilities	11,738,039	10,865,427
Total liabilities	20,471,165	23,909,842
EQUITY EQUIVALENT	4,200,000	4,200,000
NET ASSETS		
Without donor restrictions	23,244,097	17,787,141
With donor restrictions	3,902,977	4,696,178
Total net assets	27,147,074	22,483,319
Total liabilities, equity equivalent, and net assets	\$ 51,818,239	\$ 50,593,161

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

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

**CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025
(with comparative totals for 2024)**

	Without Donor Restrictions	With Donor Restrictions	2025 Total	2024 Total
REVENUE AND SUPPORT				
Federal grants	\$ 2,658,145	\$ -	\$ 2,658,145	\$ 6,530,316
State, local, and federal pass-through grants	505,176	-	505,176	698,123
Foundation and private grants	1,747,352	221,767	1,969,119	1,039,783
Contributions	29,406	-	29,406	203,935
Program and service fees	1,865,115	-	1,865,115	1,867,477
Interest income	3,057,791	-	3,057,791	2,529,130
Other income	-	-	-	3,325
Net assets released from restriction	1,014,968	(1,014,968)	-	-
Total revenue and support	10,877,953	(793,201)	10,084,752	12,872,089
EXPENSES				
Program services	4,705,271	-	4,705,271	4,992,981
Management and general	558,351	-	558,351	667,010
Fundraising	157,375	-	157,375	134,862
Total expenses	5,420,997	-	5,420,997	5,794,853
INCREASE IN NET ASSETS	5,456,956	(793,201)	4,663,755	7,077,236
NET ASSETS, BEGINNING OF YEAR	17,787,141	4,696,178	22,483,319	15,406,083
NET ASSETS, END OF YEAR	\$ 23,244,097	\$ 3,902,977	\$ 27,147,074	\$ 22,483,319

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

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2025
(with comparative totals for 2024)

	Program	Management and General	Fundraising	Total	
				2025	2024
Salaries	\$ 2,264,286	\$ 354,647	\$ 109,123	\$ 2,728,056	\$ 2,425,315
Payroll taxes	173,291	27,142	8,351	208,784	189,355
Benefits	258,124	40,429	12,439	310,992	261,514
Total salaries and related expenses	2,695,701	422,218	129,913	3,247,832	2,876,184
Occupancy expenses					
Rent, parking and other	13,733	2,151	662	16,546	12,876
Cleaning and shredding	4,882	765	235	5,882	4,585
Utilities and security	5,054	792	243	6,089	5,505
Repairs and maintenance	9,718	1,522	468	11,708	995
Telephone and internet	11,493	1,800	554	13,847	11,969
Condo fees and real estate taxes	21,483	3,365	1,035	25,883	24,039
Travel and meetings					
Travel	31,917	4,999	1,538	38,454	41,602
Conference fees	13,783	2,159	664	16,606	7,735
Meetings and other	33,243	5,207	1,602	40,052	20,428
Office expenses					
Bank charges	42,749	6,696	2,060	51,505	60,796
Copier, computer and printing supplies	7,339	1,149	354	8,842	8,571
Dues and subscriptions	10,988	1,721	530	13,239	14,109
Insurance	23,051	3,610	1,111	27,772	26,491
IT and database management, website	123,472	19,339	5,950	148,761	102,631
Marketing	122,265	19,150	5,892	147,307	89,185
Office supplies and equipment	16,693	2,615	804	20,112	25,669
Licenses, fees and taxes	252	40	12	304	1,271
Postage and delivery	2,176	341	105	2,622	1,514
Cell phone	3,499	548	169	4,216	3,669
Professional fees					
HR/Equity	42,674	6,684	2,056	51,414	5,475
Accounting and audit	14,882	2,331	717	17,930	20,090
Legal	14,556	2,280	701	17,537	6,155
Coaches, trainees and contractors	495,610	-	-	495,610	773,916
OEC Conference	208,669	-	-	208,669	-
Other program expense	296,477	-	-	296,477	77,966
Loan loss expense, net of recoveries	66,700	-	-	66,700	1,119,226
Other operating expenses	79,614	-	-	79,614	90,124
Total expenses before interest and depreciation	4,412,673	511,482	157,375	5,081,530	5,432,776
Interest expense	292,598	18,213	-	310,811	333,421
Depreciation	-	28,656	-	28,656	28,656
Total expenses	\$ 4,705,271	\$ 558,351	\$ 157,375	\$ 5,420,997	\$ 5,794,853

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2025
(with comparative totals for 2024)

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,663,755	\$ 7,077,236
Adjustments to reconcile changes in net assets to cash provided (used) by operating activities		
Depreciation	28,656	28,656
Changes in operating assets and liabilities		
Interest receivable	27,784	(84,111)
Loans receivable, net	(3,911,557)	(966,353)
Grants receivable	21,312	(66,069)
Other receivables	(58,657)	99,451
Prepaid expenses	48,235	(48,235)
Accounts payable	(217,093)	96,488
Accrued interest payable	(9,345)	18,777
Payroll liabilities	14,431	(2,962)
Other current liabilities	(3,280,620)	5,997,934
Deferred revenue	(303,316)	(745,892)
Net cash provided by (used in) operating activities	(2,976,415)	11,404,920
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from equity equivalent	-	2,250,000
Payable to emergency funds	(260,348)	(205,428)
Payable to other funds	(314,378)	(10,873)
Proceeds from notes payable and mortgages payable	2,204,092	1,867,525
Repayment of notes and mortgages payable	(1,272,100)	(983,416)
Net cash provided by (used in) financing activities	357,266	2,917,808
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,619,149)	14,322,728
CASH AND CASH EQUIVALENTS, beginning of year	29,486,964	15,164,236
CASH AND CASH EQUIVALENTS, end of year	\$ 26,867,815	\$ 29,486,964
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO FINANCIAL POSITION		
Cash and cash equivalents	\$ 16,964,533	\$ 20,667,491
Cash and cash equivalents, restricted	9,903,282	8,819,473
Total cash and cash equivalents	\$ 26,867,815	\$ 29,486,964
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 320,156	\$ 314,644

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Mountain BizCapital, Inc. d/b/a Mountain BizWorks and Affiliate (“MBC”) was established in 2002 as a not-for-profit corporation under the laws of the State of North Carolina. When established, the primary purpose of MBC was to provide direct small business micro-lending. In April 2003, MBC was certified as a Community Development Financial Institution by the Community Development Financial Institutions Fund of the U.S. Department of the Treasury. On July 1, 2011, a common board of directors approved the merger of MBC and Mountain BizWorks, Inc. (“MBW”) with MBC being the surviving entity. MBC has continued MBW’s services doing business as Mountain BizWorks, which includes small business lending, consulting, training, technical assistance, and support for starting and expanding small businesses.

Basis of Accounting

The consolidated financial statements of MBC have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the MBW Marketplace LLC, (“Marketplace”) and the accounts of WNC Strong Fund, LLC, (“WNC Strong”), both wholly owned subsidiaries of MBC. Marketplace is an affiliated corporation established to support successful Western North Carolina small business ownership transitions of MBW. Following the impacts from Tropical Storm Helene on September 27, 2024, MBC established WNC Strong to manage Helene disaster relief funds. All intercompany transactions and balances have been eliminated in the consolidated financial statements.

Net Assets

MBC has adopted ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities, as it relates to net asset classification and liquidity disclosure. This requires MBC to report donor contributions as with or without restriction, in accordance with donor stipulations.

Net assets without donor restrictions represent resources whose use is not limited or restricted by donors. They generally arise as a result of exchange transactions, unrestricted contributions, or restricted contributions whose restrictions have expired. All contributions are considered to be without restricted use unless specifically restricted by the donor. Net assets with donor restrictions are those net assets whose use has been limited by donors to specified purposes or to later periods of time.

Cash and Cash Equivalents

MBC considers all cash and short-term investments with an original maturity of three months or less to be cash equivalents. As required by certain loan covenants for its lending operations, MBC has established cash loan loss reserves for the years ended December 31, 2025 and 2024, which are included in cash and cash equivalents. These

reserves, as with their related loan pools, are maintained in separate bank accounts. At December 31, 2025 and 2024, cash loan loss reserves totaled \$870,398 and \$971,339 respectively.

Loans Receivable

Loans are stated at unpaid principal balances, less allowance for loan losses. The allowance is based on management's assessment of the current status of the individual accounts. Loans receivable are considered delinquent once MBC deems contractual terms of the loan have been violated and are written off when the balance is considered uncollectible.

Interest income on loans receivable is accrued based on the loan balance and the interest rate stated in individual loan agreements, ranging from 4% to 10%. Once a loan receivable is determined to be uncollectible and written off, MBC no longer recognizes interest income on the loan balance. Any payments received on loans previously written off are recorded as loan loss recoveries.

Grants Receivable

Grants receivable consist of grants awarded but not received as of December 31, 2025. Management considers all grants to be fully collectible; therefore, no allowance has been made. All balances are expected to be received within 12 months.

Property and Equipment

Additions to property and equipment, if purchased, are recorded at cost. If received as a gift, they are recorded at the estimated fair value at the date of the gift. Major renewals and replacements are capitalized as incurred. Expenditures for repairs and maintenance that do not improve or extend the life of the asset are expensed as incurred. Items with an estimated useful life extending beyond one year and that cost at least \$5,000 are capitalized. Cash or other assets whose use is restricted to acquire long-lived assets are recorded as temporarily restricted until such assets are acquired. All long-lived assets are recorded as unrestricted assets.

Depreciation is computed using the straight-line method based on the estimated useful life of each class of depreciable assets, which are as follows:

Buildings and improvements	5 - 39 years
Equipment and software	3 - 10 years
Vehicles	5 years

Fair Value Measurements and Disclosures

The carrying values of cash and cash equivalents, other receivables, and accounts payable and accruals approximate fair value because of the terms and relative short maturity of financial instruments. The carrying value of loans receivable and long-term debt approximates its fair values, since interest rates approximate market rates.

Grants Revenue Recognition

Governmental grant and contract revenue received on a cost-reimbursement basis is recognized in income as related expenses are incurred.

Recognition of Donor Restrictions

Contributions that are restricted by the donor are reported as increases in without donor restricted net assets if the restrictions expire (that is, when the stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as increases in with donor restricted net assets, depending on the nature of the restrictions. When a restriction expires, with donor restricted net assets are reclassified to without donor restricted net assets and reported in the statement of activities as net assets released from restrictions.

Advertising

Advertising costs are expensed as incurred. For the years ended December 31, 2025 and 2024, the amount charged to expense was \$147,307 and \$89,185 respectively.

Income Tax Status

MBC has obtained exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and exempt from state income taxes under the North Carolina Non-profit Corporation Act. Therefore, no provision for income taxes has been included in the consolidated financial statements.

The Financial Accounting Standards Board (FASB) ASC 740-10 prescribes a comprehensive model for how an organization should measure, recognize, present, and disclose in its financial statements uncertain tax positions that the Organization has taken or expects to take on a tax return. In accordance with FASB ASC 740-10, MBC recognizes the tax benefits from uncertain tax positions only if it is more-likely-than-not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. MBC's income tax filings are subject to audit by various taxing authorities. Management believes there was no impact on MBC's consolidated financial statements as a result of ASC 740-10.

Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. MBC reports its expenses on a functional basis among program, management and general, and fundraising. Expenses that can be identified with a specific function are charged directly to the function according to their nature and expenditure classification. Other expenses that are common to two or more functions are allocated by statistical means.

Indirect Cost Allocation Plan

In accordance with Title 2 CFR Part 200 of the Uniform Guidance, MBC has adopted a cost allocation method for allocating indirect costs to programs and activities. Under the method adopted, indirect costs are accumulated in a pool. Monthly, the costs in the pool are allocated to the programs and activities based on direct salaries charged to each program or activity that month.

Estimates

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

Prior Period Information

The consolidated financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction

with MBC’s consolidated financial statements for the year ended December 31, 2024, from which the summarized information was derived.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FUNDS

MBC’s financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

	<u>2025</u>
Cash - operations	\$ 8,805,957
Current portion of loans and interest receivable	5,273,016
Cash - Unrestricted Lending	6,846,423
Grants and other receivables	<u>540,663</u>
Total financial assets as of year end	<u>21,466,059</u>
Total financial assets available to meet general expenditures within the next 12 months	<u>\$ 21,466,059</u>

As part of MBC’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, MBC invests cash in excess of daily requirements in short-term investments without the risk of loss (guaranteed and/or insured).

NOTE 3 – RESTRICTIONS ON ASSETS

Net assets with donor restrictions are available for the following purposes:

<u>December 31,</u>	<u>2025</u>	<u>2024</u>
Future Program Funds	\$ 156,325	\$ 132,917
EDA loan program	374,846	701,768
SBA loan program	1,357,644	1,911,053
USDA loan programs	<u>2,014,162</u>	<u>1,950,440</u>
Net assets with donor restrictions	<u>\$ 3,902,977</u>	<u>\$ 4,696,178</u>

NOTE 4 – FUNDS HELD FOR LENDING

MBC had cash available for lending in the following loan pools as of December 31, 2025 and 2024:

<u>Funding Sources</u>	<u>2025</u>	<u>2024</u>
USDA Intermediary Relending Program	\$ 732,218	\$ 472,000
USDA Rural Microentrepreneur Assistance Program	916,833	941,116
USDA SMDC	-	68,390
SBA Microloan Program	266,086	679,257
MBC Loan Pool	6,846,532	5,381,721
Economic Development Administration	971,614	701,768
All in Jackson Fund	-	315,382
Disaster: COVID-19	132,603	603,851
Disaster: Helene	5,370,067	6,601,008
Catalyst Credit Builder Loans	<u>37,396</u>	<u>29,736</u>
Total Cash Held for Lending and Cash Reserves	<u>\$ 15,273,349</u>	<u>\$ 15,794,229</u>

In addition, MBC had cash reserved for loan loss in the following loan pools as of December 31, 2025 and 2024:

<u>Funding Sources</u>	<u>2025</u>	<u>2024</u>
USDA - RMAP	\$ 202,668	\$ 202,486
SBA Microloan	643,471	740,886
CA 7a Program	24,259	27,967
	<u>\$ 870,398</u>	<u>\$ 971,339</u>

MBC has made lines of credit available to some of its borrowers. Included in the above cash pools are distributable lines of credit issued. At December 31, 2025 and 2024, undisbursed cash for term loans totaled \$879,994 and \$841,218, respectively.

NOTE 5 – LOANS RECEIVABLE

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

<u>December 31, 2025</u>	<u>Loans Receivable</u>	<u>Allowance for Loan Losses</u>	<u>Net Receivable</u>
USDA Intermediary Relending Program	\$ 2,069,347	\$ 259,751	\$ 1,809,596
USDA Rural Microentrepreneur Assistance Program	123,876	21,839	102,037
Appalachian Regional Commission	1,754,963	-	1,754,963
SBA Microloan Program	2,943,540	347,310	2,596,230
Economic Development Administration	3,043,196	366,145	2,677,051
MBC Equity and Private Lenders	16,542,252	2,010,729	14,531,523
Catalyst Credit Builder Loans	58,091	-	58,091
	<u>26,535,265</u>	<u>3,005,774</u>	<u>23,529,491</u>
Less, current portion	<u>3,612,901</u>	<u>409,250</u>	<u>3,203,651</u>
Loans receivable, net of current portion	<u>\$ 22,922,364</u>	<u>\$ 2,596,524</u>	<u>\$ 20,325,840</u>

<u>December 31, 2024</u>	<u>Loans Receivable</u>	<u>Allowance for Loan Losses</u>	<u>Net Receivable</u>
USDA Intermediary Relending Program	\$ 2,261,550	\$ 289,249	\$ 1,972,301
USDA Rural Microentrepreneur Assistance Program	210,196	40,237	169,959
Appalachian Regional Commission	200,000	-	200,000
SBA Microloan Program	3,351,799	451,943	2,899,856
Economic Development Administration	3,090,678	460,497	2,630,181
MBC Equity and Private Lenders	13,297,662	1,734,054	11,563,608
Catalyst Credit Builder Loans	65,841	-	65,841
Advantage Opportunity Funds	131,247	15,059	116,188
	<u>22,608,973</u>	<u>2,991,039</u>	<u>19,617,934</u>
Less, current portion	<u>3,479,498</u>	<u>460,318</u>	<u>3,019,180</u>
Loans receivable, net of current portion	<u>\$ 19,129,475</u>	<u>\$ 2,530,721</u>	<u>\$ 16,598,754</u>

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

	<u>2025</u>	<u>2024</u>
Balance - allowance for loan losses, beginning of year	\$ 2,991,039	\$ 2,162,403
Loan loss expense	66,700	1,119,226
Write-offs - current year	(402,471)	(474,633)
Recoveries	<u>350,506</u>	<u>184,043</u>
Balance - allowance for loan losses, end of year	<u>\$ 3,005,774</u>	<u>\$ 2,991,039</u>

Guaranteed Loan Program

Mountain BizCapital, Inc. d/b/a Mountain BizWorks and Affiliate participates in the SBA Community Advantage Pilot Loan Program, which is a loan guarantee program offered by the SBA. This program allows MBC to provide long-term financing up to 10 years for working capital and up to 25 years for fixed asset purchases to small businesses that would otherwise not be able to get a traditional bank loan.

SBA Community Advantage Pilot Loan Program (CA) is a pilot loan program introduced by the U.S. Small Business Administration (SBA) to meet the credit, Management, and technical assistance needs of small businesses in underserved markets. CA provides mission-oriented lenders access to 7(a) loan guarantees up to 85% for loans of \$150,000 or less and guarantees up to 75% for loans above \$150,000 to a maximum amount of \$350,000.

In response to the Coronavirus Disease 2019 (COVID-19) pandemic, SBA developed a new, temporary CA loan product titled "Community Advantage Recovery Loans" (CA Recovery Loans) for eligible CA Lenders to provide technical and financial assistance to assist small businesses located in underserved areas with retooling their business models for the COVID-19 environment and building financial resiliency against potential future disruptions. MBC generated 8 loans totaling \$1,195,000 under the program which are included in the loan's receivable information (detailed below). These loans are guaranteed up to 90%.

MBC loans receivable of \$6,335,172 as of December 31, 2025 are guaranteed (up to 90% see above) by the CA program. In addition, MBC has loans receivable of \$39,898 representing the unguaranteed portion of the loans sold to the secondary market. The CA program requires MBC to fund reserves of at least 5% of the outstanding amount of the unguaranteed portion of the unsold CA loan portfolio which approximates a reserve requirement of \$58,542 at December 31, 2025.

In 2019, CA-guaranteed portion loans of \$625,886 were sold at a premium of \$61,777 in the secondary market. The total of CA-guaranteed portion loans sold as of December 31, 2019 was \$2,020,512. From 2020 through 2025, no loans were sold. The balance of the guaranteed portion sold is \$226,026 as of December 31, 2025. MBC is required to fund reserves of up to 3% of the guarantee on loans sold which approximates \$6,780.

Mountain BizCapital, Inc. d/b/a Mountain BizWorks and Affiliate held \$71,999 in a loan loss account at First Bank as of December 31, 2025, satisfying all reserve requirements for unsold and sold loans.

Economic Development Administration (EDA) Loan Programs

During 2018, MBC received \$331,550 in Revolving Loan Fund (RLF) funds from the U.S. Department of Commerce, Economic Development Administration (EDA), which were matched with \$331,550 local funds for program lending activities and administration. Additional RLF funds of \$418,450 were received in 2019, which were matched with \$418,450 local funds. As of December 31, 2019, MBC has used the grant and match of \$1,500,000 in total. Since the inception of the program, MBC has expended \$230,969 for administrative costs related to the management of the RLF at December 31, 2025.

A summary of the assets and liabilities related to the EDA-RLF loan funds as of December 31, 2025 is as follows:

Total EDA 1 Award: \$750,000

Restricted Cash	\$ 482,750	Revenues - EDA Fundings	\$ 750,000
Loans Receivable	1,830,299	Interest Earned on Loans	958,597
Interest Receivable	12,482	Interest Earned on Deposits	479
Loan Loss Reserves	<u>(210,400)</u>	Fees Earned on Closed Loans	64,108
Total Assets	2,115,131	Administrative Expenses	200,316
Liabilities - Matching Funds	<u>(750,000)</u>	Provision for Loan Loss Reserves	<u>(210,400)</u>
Net Assets	<u>\$ 1,365,131</u>	Net	<u>\$ 1,763,100</u>

In August 2020, MBC received \$1,640,000 in a Coronavirus Aid, Relief, and Economic Security (CARES) Act Revolving Loan Fund (RLF) from the U.S. Department of Commerce, Economic Development Administration (EDA). Originally designed as a relief program for COVID-19, the RLF fund has now transitioned to the normal EDA RLF program guidelines. As of December 31, 2025, the EDA 2 RLF has a loan receivable balance of \$1,259,639.

A summary of the assets and liabilities related to the EDA CARES Act RLF loan funds at December 31, 2025 is as follows:

Total EDA 2 Award: \$1,640,000

Restricted Cash	\$ 375,196	Revenues - EDA Fundings	\$ 1,640,000
Loans Receivable	1,259,639	Interest Earned on Loans	288,919
Interest Receivable	15,813	Interest Earned on Deposits	128
Loan Loss Reserves	<u>(155,744)</u>	Fees Earned on Closed Loans	55,385
Total Assets	1,494,904	Administrative Expenses	62,081
Liabilities - Matching Funds	<u>-</u>	Provision for Loan Loss Reserves	<u>(155,744)</u>
Net Assets	<u>\$ 1,494,904</u>	Net	<u>\$ 1,890,769</u>

NOTE 6 – COVID-19 EMERGENCY LOAN AND GRANT PROGRAMS

From its onset in early 2020, the global COVID-19 pandemic has posed acute and unprecedented challenges to local small businesses. In response to this crisis, Mountain BizCapital, Inc. d/b/a Mountain BizWorks and Affiliate proactively sought to leverage its capabilities to provide needed emergency funding and technical support resources to existing borrowers as well as other at-risk small businesses and nonprofits across MBC's service area. In 2021, the Organization deployed \$18,493,102 in emergency loans and grants. In 2022, MBC administered an additional \$18,493,102 in targeted relief loans and grants as COVID-19 continued to spread and cause acute impacts for WNC small businesses. The major relief programs administered are described below. Each program was managed as a discrete funding facility.

- NC Rapid Recovery Program (NCRR): MBC joined with several other NC-based CDFIs, the North Carolina Rural Center, Golden LEAF Foundation, State of North Carolina, and other partners to establish and operate the NC Rapid Recovery Program. This program provided flexible and affordable COVID disaster loans to NC small businesses. The loans are up to \$250,000 in amount and up to a term of 120 months. A

100% participation in all NCRR loans have been sold to the NC Rural Center, the statewide NCRR fund coordination agency. MBW will continue to service loans made.

- Local County and City Disaster Loan Funds: MBW administered 8 local COVID-19 disaster funds established by WNC local governments. Each of the funds is structurally the same with loans up to \$10,000 and up to 42 months in term. The remainder of the local funds were used and the program ended during the year ended December 31, 2025.

Emergency lending balance related to the NC Rural programs as of December 31, 2025 are depicted below:

Restricted Cash	\$ 132,603
Loans Receivable	9,093,264
Total Assets	<u>9,225,867</u>
Liabilities	9,360,696
Total Liabilities	<u>9,360,696</u>
Net due from Emergency Funds	<u>\$ 134,829</u>

NOTE 7 – HELENE DISASTER LOAN AND GRANT PROGRAMS

On September 27, 2024, the Mountain BizCapital service area of Western North Carolina experienced extreme damages from Hurricane Helene. Nearly all WNC small businesses and consequently all MBC loan clients faced economic and/or physical impacts. As the only CDFI based in and serving all of the Helene impacted WNC region, MBC has assisted with a range of Helene disaster recovery programs including both loan and grant programs.

Helene Disaster Loans

Ten days after Hurricane Helene on October 7, 2024, MBC launched a rapid recovery bridge loans program called the Helene Small Business Recovery Fund. The program provides emergency working capital loans up to \$100,000 with a 1% interest rate and interest-only payments for the first 12 months, followed by 60 months at 6%. Given the different profile of these recovery loans as compared to MBC's normal small business loans, MBC established a new wholly owned subsidiary, WNC Strong Loan Fund, LLC, to house and discreetly manage the fund. This Helene fund has been capitalized with support from the following partners:

- The Golden LEAF Foundation (GLF) provided a recoverable award of \$7,500,000 [GLF1] to establish the fund. All repaid principal is payable back to GLF throughout the life of the program. MBC earns an origination fee and retains any interest income to support program administration.
- Shortly after launch, the North Carolina General Assembly appropriated an additional \$50,000,000 in funding to help meet the regional need. These funds were directly appropriated to GLF and then sub-awarded to MBC [GLF 2]. As with GLF-1, GLF-2 is structured as a recoverable award with all repaid principal is payable back to GLF and MBC earns an origination fee and retains any interest income. In October 2025, in partnership with Golden LEAF Foundation and the State General Assembly, the program was modified to include an additional year of interest only payment options for borrowers at 1% interest, as well as an increase in the total loan size up to \$150,000 in total funding. As of December 31, 2025, MBC had closed 794 loans in the GLF-2 program (inclusive of restructured loans to increase total size), totaling \$47,738,361 in total funding to regional businesses. In conjunction with modifications to the total GLF program, MBC was authorized to reissue repaid principal from the GLF-1 original grant to meet additional needs in the region. As of December 31, 2025, MBC's loan receivable for the GLF-1 program totals \$7,104,874 in outstanding funding across 125 regional businesses. The same terms (including the modification in 2025) and compliance apply to both grant funds GLF-1 and GLF-2.

- Both awards from GLF are administered as pass-through funding, since all principal from repayment is collected and remitted back to GLF. Therefore, MBC records both a long-term liability and long-term loan receivable. These two balances are presented on the statement of financial position on a net basis. The net long-term liability reflects the excess of funds owed to GLF over loans receivable, consistent with the MBC’s role as a facilitator rather than an ultimate economic beneficiary of the program.

- The Appalachian Regional Commission made a grant of \$3,500,000 to further expand the program to aid small business recovery across WNC. This one-time disaster response grant was recognized as federal income during the year ended December 31, 2024. As a grant, all repayments including principal and interest, will remain with MBC as a revolving loan fund after disaster programs have completed to support long term regional small business recovery and resilience.

- Other Private Investors have also contributed \$125,000 through December 31, 2025, towards the Helene recovery loan fund at 0% interest and with 1 year terms.

Helene Disaster Grants

In addition to recovery loans, MBC has also leveraged its small business financing capabilities and regional presence to administer and serve as fiscal agent for multiple Helene relief grant programs. All donations received for recovery grants are pass-through. MBC received a grant administration fee on certain programs and received philanthropic contributions to cover the operational costs of the other programs. In total, in 2024, MBC received commitments totaling \$5,661,657 in contributions for small business grants, with \$4,373,429 being received. As of December 31, 2024, \$563,339 had been awarded and disbursed. In 2025, utilizing the remaining grant balance along with additional commitments from funders/partners, MBC awarded and disbursed another \$8,093,021 in small business grant funding to small businesses across Western North Carolina. MBC carries over \$388,106 in additional funds designated for small business disaster grants, to be disbursed in 2026

NOTE 8 – PROPERTY AND EQUIPMENT

A description of property and equipment is as follows:

<u>December 31,</u>	<u>2025</u>	<u>2024</u>
Buildings and improvements	\$ 1,154,529	\$ 1,154,529
Equipment and software	114,292	114,292
Vehicles	17,060	17,060
	<u>1,285,881</u>	<u>1,285,881</u>
Less, accumulated depreciation	<u>(685,362)</u>	<u>(656,706)</u>
Property and equipment	<u>\$ 600,519</u>	<u>\$ 629,175</u>

Depreciation expense for the years ended December 31, 2025 and 2024 was \$28,656 and \$28,656, respectively.

NOTE 9 – EQUITY EQUIVALENT

The Equity Equivalent investments, or EQ2s, are a capital product for community development financial institutions and their investors. It is a financial tool that allows CDFIs to strengthen their capital structures, leverage additional debt capital, and as a result, increase lending and investing in economically disadvantaged communities. Typical characteristics of EQ2 investments, including those issued by MBC, are as follows:

- i. The equity equivalent is carried as an investment on the investor’s balance sheet in accordance with Generally Accepted Accounting Principles (GAAP)
- ii. It is a general obligation of the CDFI that is not secured by any of the CDFI’s assets
- iii. It is fully subordinated to the right of repayment of all of the CDFI’s other creditors

- iv. It does not give the investor the right to accelerate payment unless the CDFI ceases its normal operations (i.e., changes its line of business)
- v. It carries an interest rate that is not tied to any income received by the CDFI

Equity notes consist of the following:

	2025	2024
In November 2022, MBC issued an equity equivalent agreement to Pinnacle Bank and received the principal sum of \$750,000. Interest at 2% per annum is paid quarterly, beginning March 2023, with the entire principal due November 2027.	\$ 750,000	750,000
In August 2018, MBC issued an equity equivalent agreement to Capital Bank, a division of First Tennessee Bank, and received the principal sum of \$400,000. Interest at 3% per annum is paid quarterly, beginning September 2018, with the entire principal due August 2023. In March 2023, the agreement was amended as First Horizon became the successor to Capital bank. First Horizon made an additional equity equivalent investment of \$400,000 for a total of \$800,000 total investment and the agreement was extended to August 2028, when the entire principal will be due.	800,000	800,000
In October 2024, MBC issued an equity equivalent agreement to First Citizens Bank & Trust Company, and received the principal sum of \$1,000,000. Interest at 2% per annum is paid annually, beginning January 2025, with the entire principal due October 2029.	1,000,000	1,000,000
In April 2024, MBC issued an equity equivalent agreement to Pinnacle Bank and received the principal sum of \$1,250,000. Interest at 2% per annum is paid quarterly, beginning July 2024, with the entire principal due March 2031.	1,250,000	1,250,000
quarterly, beginning June 2018 to March 2028, followed by 8 quarterly principal payments of \$50,000 plus interest. Any remaining unpaid principal and interest is due May 2030.	400,000	400,000
	\$ 4,200,000	\$ 4,200,000

NOTE 10 – NOTES PAYABLE

Note payables are described as follows:

	<u>2025</u>	<u>2024</u>
Note payable to U.S. Small Business Administration, interest at 1.625% per annum, which can be adjusted by future events, and has a 10 year term. The note dated August 2015, is secured by loans receivable derived from the note. For the first year, no payments are required followed by 108 equal monthly installments of \$11,796.	\$ -	\$ 93,827
Note payable to U.S. Small Business Administration Interest at 0% for the first year, and has a 10 year term. The note dated April 2017 is secured by loans receivable derived from the note. For the first year, no payments are required followed by 108 equal monthly installments of \$12,042 with balance due at maturity. Interest rate of 0.75% based on size of microloans.	190,254	331,933
Note payable to U.S. Small Business Administration, with a 10 year term. The note is dated May, 2018, and is secured by loans receivable derived from the note. Total amount available for draw under the loan agreement is \$1,250,000. Interest rate of 1.375%, based on size of microloans extended by MBC. Monthly payments of \$12,389, including principal and interest are due beginning June 2019 through June 2028, when the balance of all unpaid principal and interest is due.	350,616	492,502
Note payable to U.S. Small Business Administration, with a 10 year term. The note is dated June 27, 2019, and is secured by loans receivable derived from the note. Total amount available for draw under the loan agreement is \$1,250,000. Interest rate of 1.260%, based on size of microloans extended by MBC. Monthly payments of \$4,138, including principal and interest are due beginning July 2020 through July 2029, when the balance of all unpaid principal and interest is due.	595,861	761,391

<p>Note payable to U.S. Small Business Administration, with a 10 year term. The note is dated April 3, 2023, and is secured by loans receivable derived from the note. Total amount available for draw under the loan agreement is \$1,250,000. Interest rate of 2.75%, based on size of microloans extended by MBC. Monthly payments of \$13,510 including principal and interest are due beginning May 2023 through July 2033, when the balance of all unpaid principal and interest is due.</p>	1,026,820	1,181,237
<p>Note payable to USDA, under the IRP bearing interest at 1% per annum and has a 30 year term. The note dated May 2005, is secured by MBC's IRP revolving fund, including loans receivable derived from the note. For the first three years, interest only payments are required followed by 27 yearly payments of principal and interest of \$10,613.</p>	100,459	109,974
<p>Note payable to USDA, under the IRP bearing interest at 1% per annum and has a 30 year term. The note dated September 2007, is secured by MBC's IRP revolving fund, including loans receivable derived from the note. For the first three years, interest only payments are required followed by 27 yearly payments of principal and interest of \$21,225.</p>	232,373	251,089
<p>Note payable to USDA, under the Rural Microentrepreneur Assistance Program (RMAP), bearing interest at 2% per annum and has a 20 year term. The note dated December 2010, is secured by MBC's RMAP's revolving fund, including loans receivable derived from the note. For the first two years, interest only payments are required followed by 216 monthly principal and interest payments of \$2,841.</p>	157,497	187,715
<p>Note payable to USDA, under the IRP, bearing interest at 1% per annum and has a 25 year term. The note dated August 2015, is secured by MBC's IRP's revolving fund, including loans receivable derived from the note. For the first three years, interest only payments are required followed by 23 yearly payments of principal and interest of \$22,281.</p>	308,894	327,901
<p>Note payable to USDA, under the Rural Microentrepreneur Assistance Program (RMAP), bearing interest at 1% per annum and has a 20 year term. The note date August 2016, is secured by MBC's RMAP's revolving loan fund, including loans receivable derived from the note. Interest only payments are required until August 2018, followed by 216 equal payments of principal and interest of \$2,571.</p>	305,257	332,427

<p>Note payable to USDA, under the IRP, bearing interest at 1% per annum and has a 30 year term. The note is dated October 2017, secured by MBC's IRP's revolving fund, including loans receivable derived from the note. For the first three years, interest only payments are required followed by 27 yearly equal payments of principal and interest beginning on October 5, 2021.</p>	623,606	648,959
<p>Note payable to USDA, under the Rural Microentrepreneur Assistance Program (RMAP), bearing interest at 1% per annum and has a 20 year term. The note dated November 2018, is secured by MBC's RMAP's revolving fund, including loans receivable derived from the note. Total amount available for draw under the loan agreement is \$500,000. In 2021, MBC decided not to draw the remaining balance of \$250,000 out of the \$500,000 stipulated in the original amount. For the first two years, interest only payments are required followed by monthly principal and interest payments, calculated on a 20 year amortization, with remaining principal and interest due November 2038.</p>	181,205	194,424
<p>Note payable to USDA, under the IRP, bearing interest at 1% per annum and has a 30 year term. The note dated April 2021, secured by MBC's IRP's revolving fund, including loans receivable derived from the note. Total amount available for draw under the loan agreement is \$750,000. For the first three years, interest only payments are required followed by 27 yearly equal payments of principal and interest beginning April 26, 2025.</p>	112,084	142,500
<p>Note payable to Appalachian Community Capital, bearing interest at 3.95% per annum. The note is dated January 23, 2024, and is unsecured. Interest only payments are required quarterly with principal and any unpaid interest due at maturity in January, 2031.</p>	1,250,000	1,250,000
<p>Various notes payable to individuals under MBC's Investment Note Program. These notes range from \$500 to \$125,000, bearing interest from 0% to 3%, and are due in one to seven years from the date of the note.</p>	1,990,223	1,860,701
<p>Note payable to Mary Reynolds Babcock Foundation, bearing interest at 2% per annum. The note is dated July 2017, and is unsecured. In March 2020, Mary Reynolds Babcock Foundation informed MBC that the interest rate on their loan would be reduced from 2% to 0% and that \$50,000 of the \$250,000 loan would be converted to grant funds. In July 2022, the note was amended to reinstate the interest rate of 2% on the promissory note, effective July 2022. In 2024, the maturity date was extended with principal and final interest due July 2026.</p>	200,000	200,000

Note payable to Appalachian Community Capital, bearing interest at 2.94% per annum. The note is dated May 2022, and is unsecured. Interest only payments are required monthly beginning September 2022. Annual payments of principal in the amount of \$337,500 shall be payable on the fourth, fifth, sixth, and seventh anniversary of the loan. Principal and unpaid, accrued interest will be paid by May 2029.

1,350,000 1,350,000

Note payable to Appalachian Community Capital, bearing interest at 2.85% per annum. The note is dated November 18, 2022, and is unsecured. Interest only payments are required monthly with principal and any unpaid interest due at maturity in November 2029.

1,000,000 1,000,000

Note payable to Bank of America, with interest at 0% through June 5, 2030, thereafter bearing interest at 3% per annum. The note is dated June 2025, and is unsecured. Annual payments of principal in the amount of \$500,000 are due in June, 2031, 2032, 2033 and 2034. Interest payments are due quarterly in arrears beginning July 1, 2025.

2,000,000 -

Note payable to Community Reinvestment Fund, Inc., dated July 29, 2019 bearing interest at 2.75%, with a 6 year term. Total amount available fo draw under the loan agreement is \$400,000. From April 2020 until February 2021, monthly payments of principal and interest were \$3,281. Beginning March 2021, monthly principal and interest payments are \$8,633 until loan is fully paid off in August 2025.

- 68,302

11,975,149 10,784,882

Less, current maturities (1,879,451) (1,822,277)

Notes payable, net of current maturities \$ 10,095,698 \$ 8,962,605

Scheduled principal repayments for the next five years on notes payable at December 31, 2025, are as follows:

<u>December 31,</u>	
2026	\$ 1,879,451
2027	1,425,368
2028	1,737,105
2029	1,773,196
2030	334,678
Thereafter	<u>4,825,351</u>
Totals	<u>\$ 11,975,149</u>

NOTE 11 – MORTGAGES PAYABLE

Mortgage payables are described as follows:

	<u>2025</u>	<u>2024</u>
In May 2018, MBC refinanced 2 mortgage payable notes with a 15 year mortgage note to First Bank. The note carries interest at 5.2% until December 2021, at which date the rate was reduced to 4.2%. Monthly installments of principal and interest payments of \$5,751 are due until the loan is fully paid off on or before May 2033. The note is secured by a building.	\$ 400,066	\$ 450,864
	400,066	450,864
Less, current maturities	(53,007)	(50,801)
Mortgages payable, net of current maturities	<u>\$ 347,059</u>	<u>\$ 400,063</u>

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

<u>December 31,</u>	
2026	\$ 53,007
2027	55,308
2028	57,675
2029	60,235
2030	62,809
Thereafter	<u>111,032</u>
Totals	<u>\$ 400,066</u>

NOTE 12 - BENEFIT PLANS

MBC provides individual 401K retirement accounts to its employees. MBC provides a base contribution of 2% of wages to every employee and then matches employee contributions up to a maximum employer contribution of 5% in total. MBC contributions to the plan for the years ended December 31, 2025 and 2024 were \$118,303 and \$103,065, respectively.

NOTE 13 - UNINSURED CASH BALANCES

MBC maintains its cash and cash equivalents at financial institutions that are insured by the Federal Deposit Insurance Corporation and the National Credit Union Association for deposits up to \$250,000. The uninsured collective balance was approximately \$23,790,000 at December 31, 2025.

NOTE 14 - RELATED PARTY TRANSACTIONS

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

NOTE 15 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Governmental Assisted Programs

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

Risk Management

MBC is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and volunteers; and natural disasters. MBC carries commercial insurance coverage for risks of loss. Claims have not exceeded coverage in any period since inception.

Concentration of Credit Risk

MBC's lending activity is with small businesses, located primarily in Western North Carolina, that are unable to obtain 100% of their financing from other sources. The loans are secured by liens.

NOTE 16 – MBW MARKETPLACE LLC d/b/a MOUNTAIN BIZWORKS MARKET ADVISORS

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

MBW Marketplace LLC d/b/a Mountain BizWorks Market Advisors is a wholly-owned subsidiary of Mountain BizWorks. Its financial activities are reflected within Mountain BizWorks' consolidated financial statements. Market Advisors' activities have been limited and immaterial from inception through the year ending December 31, 2025.

NOTE 18 – WNC STRONG LOAN FUND, LLC

MBC established a new wholly owned subsidiary, WNC Strong Loan Fund, LLC, to house and discreetly manage all Helene loan program funding and servicing, as summarized in Note 7. WNC Strong Loan Fund, LLC was established as wholly owned, but separate LLC from MBC, to support and bridge the disaster relief loan program from the impacts of Hurricane Helene in Fall 2024. All financial activities and assets/liabilities are reflected in the consolidated statements in this audit.

NOTE 19 – SUBSEQUENT EVENTS

In February, 2026 MBC renewed a previously expired line of credit with a local bank. Maximum borrowings on the line are \$500,000. Monthly interest payments are required at a floating rate per year equal to the bank's Prime Rate, plus 0.5%.

Management has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were issued. Events after the date of the auditor's report have not been evaluated to determine whether a change in the financial statements would be required.

COMPLIANCE SECTION

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2025**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Grants Expended:			
<u>U.S. Department of Commerce</u>			
Direct:			
Economic Development Cluster			
EDA Economic Adjustment Assistance RLF Program	11.307		\$ 2,949,858
Minority Business Resource Development	11.802		378,580
Total U.S. Department of Commerce			3,328,438
<u>U.S. Department of the Treasury</u>			
Direct:			
Community Development Financial Institutions Cluster			
CDFI-ERP	21.033		338,573
Community Development Financial Institutions Cluster			
CDFI-FA	21.020		855,833
<u>U.S. Small Business Administration</u>			
Direct:			
Microloan Program - Technical Assistance Grant	59.046		307,051
Microloan Program - Technical Assistance Grant	59.046		280,432
Total U.S. Small Business Administration			587,483
<u>U.S. Department of Agriculture</u>			
Direct:			
Rural Microentrepreneur Assistance Program - Assistance Grant	10.870		22,866
<u>U.S. Department of Housing and Urban Development</u>			
Passed through City of Asheville:			
CDBG - Entitlement Grants Cluster			
CDBG - Business Training Grant	14.218	N/A	126,849
<u>Appalachian Regional Commission</u>			
Direct:			
Appalachian Area Development - Growing Outdoors (POWER)	23.002		108,741
Appalachian Area Development - Craft POWER	23.002		389,466
			498,207
Appalachian Regional Development - WNC Strong	23.001		1,584,963
Total U.S. Department of Commerce			2,083,170

(continued)

See accompanying notes to schedule

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2025**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Total Grants Expended			<u>7,343,212</u>
Federal Loans:			
<u>U.S. Small Business Administration</u>			
Microloan Program:			
2016 Microloan, beginning	59.046		93,827
2017 Microloan, beginning	59.046		331,933
2018 Microloan, beginning	59.046		492,502
2019 Microloan, beginning	59.046		761,391
2020 Microloan, beginning	59.046		<u>1,181,237</u>
			<u>2,860,890</u>
<u>U.S. Department of Agriculture</u>			
Intermediary Relending Program (IRP):			
2015 Loan, beginning	10.767		327,901
2017 Loan, beginning	10.767		648,959
2021 Loan, beginning	10.767		<u>142,500</u>
			<u>1,119,360</u>
Rural Microentrepreneur Assistance Program (RMAP):			
2016 Loan, beginning	10.870		332,426
2018 Loan, beginning	10.870		<u>194,424</u>
			<u>526,850</u>
Total Federal Loans			<u>4,507,100</u>
Total Federal Awards Expended and Loans			<u>\$ 11,850,312</u>

See accompanying notes to schedule.

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

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2025**

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of MBC under programs of the federal government for the year ended December 31, 2025. The information in this Schedule is presented on the accrual basis of accounting and in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of MBC, it is not intended to and does not present the financial position or changes in net position of MBC.

NOTE 2 – COST PRINCIPLES

Expenditures are recognized following the cost principles contained in 2 CFR Part 200, Cost Principles for Nonprofit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Matching costs, i.e., the non-federal share of certain program costs, are not included in the Schedule.

NOTE 3 – INDIRECT COST RATE

MBC has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 – EDA RLF LOANS

MBC had the following loan receivable balances outstanding at December 31, 2025. These loan receivable balances outstanding are also included in the federal expenditures presented in the Schedule.

<u>Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>EDA 1 Outstanding Balance at December 31, 2025</u>	<u>EDA 2 Outstanding Balance at December 31, 2025</u>
EDA Revolving Loan Fund	11.307	\$ 1,830,299	\$ 1,259,639

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

	<u>EDA 1</u>	<u>EDA 2</u>
Revolving Loan Fund (RLF) Principal Outstanding	\$ 1,830,299	\$ 1,259,639
Cash Balances in the RLF	482,750	375,196
Administrative Expenses Paid from RLF Income	205	6,129
Unpaid Principal of all Loans Written Off	-	152,267
	<u>2,313,254</u>	<u>1,793,231</u>
Federal Share of the RLF	50.00%	100.00%
Total Federal Expenditures	<u>\$ 1,156,627</u>	<u>\$ 1,793,231</u>

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

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2025**

NOTE 5 – OTHER FEDERAL LOANS OUTSTANDING

Other federal loan balances outstanding as of December 31, 2025 are as follows:

Microloan Program	<u>\$ 2,163,551</u>
U.S. Department of Agriculture Intermediary Relending Program (IRP) Small Business Loans	<u>\$ 1,044,585</u>
U.S. Department of Agriculture Rural Microentrepreneur Assistance Program (RMAP)	<u>\$ 486,462</u>

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2025**

I. Summary of Auditor's Results

Financial Statements

Type of Auditor's Report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified opinion

Internal control over financial reporting:

- Material weakness(es) identified? ___ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ___ Yes X None reported
- Noncompliance material to financial statements noted ___ Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ___ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ___ Yes X None Reported

Type of Auditor's Report issued on compliance for major federal programs:

Unmodified opinion

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) (Uniform Guidance)?

___ Yes X No

Identification of Major Federal Programs:

<u>Assistance Listing #</u>	<u>Program Title</u>
10.767	Intermediary Relending Program
21.020	Community Development Financial Institutions Cluster
23.001	Appalachian Regional Development

The dollar threshold used to distinguish between Type A and B programs: \$1,000,000

MBC qualified as low-risk auditee? X Yes ___ No

II. Financial Statement Findings

None Reported.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2025**

III. Major Federal Award Findings and Questioned Costs

None Reported.

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2025**

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



INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Mountain BizCapital, Inc. d/b/a Mountain BizWorks and Affiliate (a nonprofit organization), which comprise the statement of financial position as of December 31, 2025, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 20, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MBC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MBC's internal control. Accordingly, we do not express an opinion on the effectiveness of MBC's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Board of Directors
Mountain BizCapital, Inc.
d/b/a Mountain BizWorks
and Affiliate
April 20, 2026

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether MBC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MBC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MBC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Phillips CPAs and Advisors

Greenville, South Carolina
April 20, 2026



Phillips CPAs and Advisors

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Mountain BizCapital, Inc. d/b/a Mountain BizWorks and Affiliate's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of MBC's major federal programs for the year ended December 31, 2025. MBC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Mountain BizCapital, Inc. d/b/a Mountain BizWorks and Affiliate complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

To the Board of Directors
Mountain BizCapital, Inc.
d/b/a Mountain BizWorks
and Affiliate
April 20, 2026

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding MBC's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of MBC's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of MBC's internal control over compliance. Accordingly, no such opinion is expressed.

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

To the Board of Directors
Mountain BizCapital, Inc.
d/b/a Mountain BizWorks
and Affiliate
April 20, 2026

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Phillips CPAs and Advisors

Greenville, South Carolina
April 20, 2026