FINANCING OZARK RURAL GROWTH AND ECONOMY, INC.

FINANCIAL STATEMENTS AND
SUPPLEMENTAL SCHEDULES WITH
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

SEPTEMBER 30, 2019 and 2018

PRZ
CPAs & ADVISORS

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Independent Auditors' Report

To the Board of Directors
Financing Ozarks Rural Growth and Economy
A/K/A FORGE, Inc.
Huntsville, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements of Financing Ozarks Rural Growth and Economy (also known as FORGE, Inc.), a nonprofit organization, which comprise the statement of financial position as of September 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial

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statements 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 we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant account estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FORGE, Inc. as of September 30, 2019, 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.

Report on Summarized Comparative Information

We have previously audited FORGE, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited statements in our report April 15, 2019, except for Note 15. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other 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* (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 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. In our opinion, the information 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 15, 2019 on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 the 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.

PRZ CPAs & Advisors

PRZ CPAs & Advisors
Fayetteville, Arkansas

June 18, 2020

FINANCIAL STATEMENTS

FORGE, INC.

STATEMENTS OF FINANCIAL POSITION

AS OF SEPTEMBER 30,		2019		2018
Assets				
Current assets				
Cash and cash equivalents	$	394,221	$	793,895
Grants receivable		86,405		148,647
Interest receivable		24,000		17,026
Loans receivable, due within one year, net of reserve		986,354		672,610
Prepaid expenses		2,202		2,202
Total current assets		1,493,182		1,634,380
Long Term Assets				
Property and equipment, net		251,380		252,693
Loans receivable, net of current portion		4,990,143		3,739,150
Cash restricted grants and loan covenants		1,270,615		1,465,830
Total Long Term Assets		6,512,138		5,457,673
Total Assets	$	8,005,320	$	7,092,053
Liabilities and Net Assets				
Current liabilities				
Accounts payable	$	6,817	$	9,610
Accrued expenses		29,921		30,257
Notes payable, due within one year		582,447		551,217
Total current liabilities		619,185		591,084
Long Term Liabilities				
Notes payable, net of current portion		4,272,845		4,072,401
Investor deposits		900,828		889,011
Total Long Term Liabilities		5,173,673		4,961,412
Total Liabilities		5,792,858		5,552,496
Net Assets				
Without donor restrictions		1,717,950		861,791
With donor restrictions		494,512		677,766
Total Net Assets		2,212,462		1,539,557
Total Liabilities and Net Assets	$	8,005,320	$	7,092,053

See accompanying notes to financial statements.

FORGE, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED SEPTEMBER 30,	2019			2018		
	Without donor restrictions	**With donor restrictions**	**Total**	**Without donor restrictions**	**With donor restrictions**	**Total**
Support and Program Revenue						
Grants	$ 313,155	$ 624,187	937,342	$ 215,557	$	$ 215,557
Contributions	-	-	-	-		-
Net assets released from restrictions	807,441	(807,441)	-	3,340	(3,340)	-
Total Support	1,120,596	(183,254)	937,342	218,897	(3,340)	215,557
Program revenue						
Interest income on loans	316,657	-	316,657	197,892	-	197,892
Interest income on bank deposits	5,638	-	5,638	2,877	-	2,877
Other	125,272	-	125,272	22,779	-	22,779
Total Program Revenue	447,567	-	447,567	223,548	-	223,548
Total Support and Program Revenue	1,568,163	(183,254)	1,384,909	442,445	(3,340)	439,105
Expenses						
Provision for loan losses	23,624	-	23,624	4,146	-	4,146
Program services	528,443	-	528,443	105,114	-	105,114
Management and general	43,033	-	43,033	260,103	-	260,103
Fundraising	116,904	-	116,904	-	-	-
Total Expenses	712,004	-	712,004	369,363	-	369,363
Change in Net Assets	856,159	(183,254)	672,905	73,082	(3,340)	69,742
Net Assets, Beginning of Year	861,791	677,766		788,709	681,106	-
Net Assets, End of Year	$ 1,717,950	$ 494,512	$ 2,212,462	$ 861,791	$ 677,766	$ 1,539,557

See accompanying notes to financial statements.

FORGE, INC

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2019, WITH COMPARATIVE TOTALS FOR 2018

	Program Service	Fund Raising	Management & General	2019 Total	2018 Total
Salaries and wages	$ 231,104	$ 26,948	$ 43,375	$ 301,427	$ 164,685
Fringe Benefits	25,106	2,927	4,712	32,745	14,261
Payroll Taxes	17,147	1,999	3,218	22,365	14,822
Facilities Repair & Maintenance	1,638	-	289	1,927	1,707
Telephone	2,645	353	529	3,527	3,283
Utilities	2,396	-	423	2,819	2,663
Advertising & Promotion	4,591			4,591	5,545
Accounting Fees	-	-	34,011	34,011	15,966
Bank and Credit Card Fees	1,236	-	253	1,489	1,723
Computer Expenses	14,956	-	4,723	19,679	12,163
Contract Labor	40,770	-	-	40,770	6,781
Dues and Fees	-	-	56	56	-
Insurance	-	-	8,283	8,283	3,198
Interest Expense	57,243	-	-	57,243	51,755
Meals and Food	-	-	2,289	2,289	886
Office Expense	2,792	310	3,102	6,205	17,957
Other	-	-	6,744	6,744	15,911
Other Professional Service Fees	30,552	-	1,608	32,160	120
Program Expenses	88,359	-	-	88,359	20,346
Training and Education	24	-	3	27	1,228
Travel & Meetings	7,882	1,971	3,284	13,137	7,768
Depreciation	-	8,525	-	8,525	6,594
Total Expenses	$ 528,443	$ 43,033	$ 116,904	$ 688,380	$ 369,363

See accompanying notes to the financial statements.

FORGE, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30,		2019		2018
Cash Flows from Operating Activities:				
Change in net assets	$	672,905	$	69,742
Adjustments to reconcile increase in net assets				
to net cash provided by operating activities				
Depreciation		8,525		6,593
Provision for loan losses		23,624		4,146
Investor interest reinvested		21,546		6,894
(Increase)/Decrease in:				
Grants receivable		62,242		(28,469)
Interest receivable		(6,974)		(805)
Prepaid expenses		-		(1,142)
Accounts payable		(2,793)		9,610
Accrued expenses		(336)		(4,834)
Net Cash Provided By Operating Activities		778,739		61,735
Cash Flows from Investing Activities:				
Issuance of loans receivable		(2,864,700)		(1,209,200)
Collections of loans receivable		1,276,339		1,196,327
Purchase of property and equipment		(7,212)		-
Net Cash Used In Investing Activities		(1,595,573)		(12,873)
Cash Flows from Financing Activities:				
Borrowings from loans payable		1,000,000		573,500
Notes payable principal payments		(768,326)		(576,760)
Deposits made by investors		-		255,049
Deposits returned to investors		(9,729)		(118,524)
Net Cash Provided By Financing Activities		**221,945**		**133,265**
Net Increase In Cash, Cash Equivalents and Restricted Cash		(594,889)		182,127
Cash and Cash Equivalents, Beginning of Year		2,259,725		2,077,598
Cash, Cash Equivalents and Restricted Cash, end of year	$	1,664,836	$	2,259,725
Supplemental disclosure of cash flow information				
Cash paid for interest	$	40,274	$	48,909
Non-cash Transactions				
EDA loan receivables portoflio received	$	175,122	$	-

See accompanying notes to financial statements.

NATURE OF ACTIVITIES

Financing Ozarks Rural Growth and Economy, Inc. (FORGE or the Organization) was organized to provide loans, technical assistance, and education to members of the Organization who operate small businesses and agricultural enterprises. The Organization is an intermediary lender under the U.S. Small Business Administration (SBA) Micro Loan Program. FORGE's geographical lending regions for the Micro Loan Program include the state of Arkansas, three counties in Northeast Oklahoma, and two counties in Southwest Missouri. The Organization is a Community Development Financial Institution by the Community Development Financial Institutions Fund (CDFI) of the U.S. Department of the Treasury. The Organization's target market area under the CDFI program includes much of Northwest Arkansas, Southwest Missouri, and Northeast Oklahoma. Loan funding is primarily provided by loans from the U.S. Small Business Administration, loans from various nonprofit organizations and foundations, and interest bearing deposits from members of the Organization. Grant funds are provided by the U.S. Treasury CDFI program, the U.S. Department of Agriculture Rural Business Enterprise Grant Program (USDA RBEG), technical Assistance Grants funded by the U.S. Small Business Administration, and other nonprofit organizations and foundations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with U.S. Generally Accepted Accounting Principles (GAAP) whereby revenues are recognized as earned and expenses are recognized as obligations are incurred.

Recently Issued Accounting Standards

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. The Organization adopted the provisions of this new standard during the year ended September 30, 2019. In addition to changes in the presentation of the statement of net position and statement of activities, there are changes in terminology used to describe categories of net assets throughout the financial statements and additional required disclosures including information related to the Organization's liquidity and allocation methods related to the statement of functional expenses.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Statement Presentation

Net assets of the Organization and changes therein are classified a reported as follows:

> *Without donor restrictions* - net assets that are not subject to grantor or donor-imposed stipulations.
>
> *With donor restrictions* - Net assets subject to grantor or donor-imposed stipulations that may or will be met, either by actions of the Organization and/or passage of time and net assets subject to grantor or donor-imposed stipulations that they be maintained permanently by the Organization. The Organization does not have any permanently restricted net assets.

Fair Value Measurement

FASB guidance on fair value measurements defines fair values, establishes a framework for measuring fair value and expands disclosure of fair value measurements. The guidance applies to all assets and liabilities that are measured and reported on a fair value basis. The carrying amounts of financial instruments, including cash and cash equivalents, accounts payable, accrued liabilities and notes payable, approximate fair value due to the short maturity and ability to calculate the long-term maturity of these instruments.

Cash Flows

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

Accounts receivable consists of grant/contract reimbursements. Management considers all grant and other receivables collectible, therefore no allowance for doubtful accounts is necessary at September 30, 2019 and 2018. If amounts become uncollectable, accounts are charged to operations when that determination is made.

Loans Receivable

Loans which FORGE has the intent and ability to hold for the foreseeable future are stated at the amount of unpaid principal, less an allowance for loan losses.

The allowance for loan losses reflects management's and the Board of Directors' (the Board) judgment of possible loan losses inherent in the portfolio at the financial position date.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FORGE considers credit quality ratings such as credit scores and other financial factors specific to each borrower, in addition to securing loans with collateral and loan guarantees.

Due to loan administration policy and the requirements of certain funding sources, management maintains close contact with its borrowers and thereby has knowledge of borrowers and their financial condition. To determine the amount of the allowance for loan losses, management and the Board estimates the reserves needed for the entire portfolio, including loans analyzed individually and loans analyzed on a pooled basis. These evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, and current economic conditions and trends that may affect the borrowers' ability to pay. The allowance for loan losses is increased by provisions charged to expense and is reduced by loans charged off, net of recoveries. Amounts not expected to be collected are charged against the reserve for loan losses. Interest income on loans receivable is calculated using the simple interest method applied to the daily outstanding principal balance. Origination costs and other loan costs are expensed as incurred.

When management determines a loan is uncollectible, the accrual of interest is discounted and the loan is written off. Past due loan status is based on contractual terms adjusted for any payment extension permitted. For all U.S. Small Business Administration (SBA) loans the loan must be written off at 120 days past due. Loans supported by other funding sources are written off at the determination of management and the Board.

Troubled Debt Restructuring (TDR)

The Organization seeks to assist customers that are experiencing financial difficulty by renegotiating loans within lending regulations and guidelines. The Organization makes loan modifications primarily utilizing internal renegotiation programs via direct customer contact, that manage customers’ debt exposures held only by the Organization. Additionally, the Organization makes loan modifications with customers who have elected to work with external renegotiation agencies and these modifications provide solutions to customers’ entire unsecured debt structures. During the years ended September 30, 2019 and 2018, there were no concessions granted to any borrows that would constitute a TDR.

Once modified in a troubled debt restructuring, a loan is generally considered impaired until its contractual maturity. At the time of the restructuring, the loan is evaluated for an asset-specific allowance for credit losses. The Organization continues to specifically reevaluate the loan in subsequent periods, regardless of the borrower’s performance under the modified terms. If a borrower subsequently defaults on the loan after it is restructured, the Organization provides an allowance for credit losses for the amount of the loan that exceeds the value of the related collateral.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Prepaid Expenses

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expense in the year which services are consumed.

Donated Property and Equipment

Contributions of property and equipment are reported as unrestricted revenue when received by or unconditionally promised to the Organization unless the donor requires that the asset be used for a particular purpose or a stated time period.

Property and Equipment

Property and equipment is recorded at cost and is depreciated over the useful life of each asset. Annual depreciation is computed using the straight-line method with useful lives as follows:

Building	40 years
Equipment	3-10 years

It is the Organization's policy to capitalize all asset purchases greater than $1,500.

Contributions and Grants

Grants and other contributions of cash and other assets are reported as restricted support if they are received with stipulations that limit the use of the donated assets. When a donor restriction of time or condition is met, net assets with donor restrictions are reclassified to net assets without donor restrictions. Restricted contributions and grant revenues received are classified as net assets without donor restrictions, if the restriction expires within the reporting period in which the revenue is received.

Advertising

It is the policy of the Organization to expense advertising costs as they are incurred. The Organization incurred advertising expense during the years ending September 30, 2019 and 2018 of $4,591 and $5,545, respectively.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

An estimate that is particularly susceptible to significant change in the near term relates to the determination of the allowance for loan losses. Management believes that the allowance for loan losses is adequate. Management uses available information to recognize losses on loans; however, future additions may be necessary based on changes in economic conditions or other factors.

Restatement of Financial Statements

As a result of an internal review of the Organization's payment processing procedures the Organization discovered that loans receivable were understated and income was overstated in the prior year ended September 30, 2018. Also, the provision for loan loss reserve was overstated in 2018 based on the calculation during the fiscal year 2018 audit. There was no reconciliation process from prior management to reconcile the accounts and to have a review process in effect. Corrective and preventive actions have been taken, as the Organization has hired new management and employees that have established processes as of the date of the audit report.

The effect of the restatement on the change in net assets without donor restrictions and financial position as of and for the year ended September 30, 2018 is as follows:

	2018	
	As previously reported	Restated
Loans receivable, due within one year, net of reserve	$ 725,303	$ 676,756
Interest income on loans	270,063	197,892
Provision for loan loss	27,770	4,146
Net assets without donor restrictions	$ 910,338	$ 861,791

Reclassification

In addition, certain 2018 amounts have been reclassified to conform to the 2019 financial statement presentation. Total net assets and changes in net assets are unchanged due to these reclassifications.

2. CASH DEPOSITS

The Organization maintains its operating bank accounts in several local financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures accounts at each institution up to $250,000. The Organization's cash balances often exceed these insured limits. The Organization does not believe that there is any significant risk associated with the concentrations of credit nor has the Organization experienced any losses in such accounts.

3. CASH RESTRICTED BY GRANT TERMS AND LOAN CONVENANTS

Cash restricted to long-term uses for loan disbursements, loan losses, repayment of long-term debt, and collateralization were as follows:

	September 30,	
	2019	2018
Lending:		
SBA Microloan program loans	$ 872,074	$ 926,101
USDA Intermediary Relending program	62,437	97,566
Arkansas Sustainable Livestock Co-op loans	42,580	143,813
Total Lending	977,091	1,167,480
Loan loss cash reserves:		
SBA Microloan loan loss cash reserves	293,524	293,850
Co-op loan guarantee match	-	4,500
Total loan loss cash reserves:	293,524	298,350
Total cash restricted for long-term uses	$ 1,270,615	$ 1,465,830

4. LOANS RECEIVEABLE

The Organization is an intermediary lender under the U.S. Small Business Administration (SBA) Microloan Program. All loans originated through the SBA Microloan Program must be loaned to small business enterprises and cannot exceed $50,000 or 72 month terms. The loans are secured with collateral in the form of equipment, mortgages, personal guarantees, and other sources deemed necessary by management. In addition, loans funded by sources other than the SBA are collateralized with similar assets from the customer such as equipment and personal property, mortgages, personal guarantees, and other sources deemed necessary by management. These loans have terms from three to fifteen years.

4. LOANS RECEIVEABLE (continued)

Loans receivable consisted of the following:

	September 30, 2019	September 30, 2018
Portfolio		
Credit	$ 1,184,097	$ 1,157,149
USDA Rural Business Enterprise program	276,151	212,000
USDA Rural Business Cooperative program	81,949	80,530
USDA Intermediary Relending program	368,859	316,435
SBA Microloan program	3,436,027	2,071,094
US Treasury CDFI Financial Assistance	477,452	578,698
Economic Development Administration	177,051	-
Total loans receivable	6,001,586	4,415,906
Less: loan loss reserve	25,089	4,146
Net Loans Receivable	$ 5,976,497	$ 4,411,760
Loans receivable due within one year	$ 1,011,443	$ 672,610
Long-term loans receivable	4,990,143	3,743,296
Total Loans Receivable	$ 6,001,586	$ 4,415,906

Loans receivable are expected to mature as follows:

Year Ending September 30,	Amount
2020	$ 1,011,443
2021	1,020,252
2022	1,015,917
2023	1,324,202
2024	1,252,313
Thereafter	377,459
Total	$ 6,001,586

4. LOANS RECEIVEABLE (continued)

Risk Analysis

The Organization is responsible for monitoring every borrower and loan, which entails among other things making periodic site visits as needed. Borrowers may be required in their loan documents to report periodically to staff and submit current and year-end financial statement documents. The Organization uses the loans receivable aging report to evaluate loan loss reserves. All loans that are past-due are evaluated based on Organization's knowledge of borrower's current financial situation and suggested reserves percentages per SBA micro and USDA lending guidance.

The following is a summary of the allowance for loan losses, for the years ended September 30, 2019 and 2018:

Balance, October 1, 2017	$ 24,442
Proceeds from collateral and ADFA	110,098
Direct write-offs	(158,164)
Provision for loan losses	27,770
Balance, September 30, 2018	4,146
Proceeds from collateral and ADFA	69,162
Direct write-offs	(71,650)
Provision for loan losses	23,431
Balance, September 30, 2019	$ 25,089

The Organization has deemed four loans with recorded investment and unpaid principal balances of $38,273 as impaired, as of September 30, 2019. All of these loans are secured with property and equipment and/or guaranteed by the Arkansas Development Finance Authority (ADFA). The Organization recognized $2,445 of interest income during the year ended September 30, 2019 on the impaired loans.

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

	September 30,	
	2019	2018
Impaired loans without a valuation allowance	$ 38,273	$ 70,554
Impaired loans with a valuation allowance	-	-
Total impaired loans	$ 38,273	$ 70,554
Valuation allowance allocated to impaired loans	$ -	$ -

4. LOANS RECEIVEABLE (continued)

FORGE participates in the Arkansas Capital Access Loan Program administered by the Arkansas Development Finance Authority (ADFA). A premium is paid to the program for each loan enrolled in the program (less than 100% of a loan may be enrolled in which case the premium is reduced accordingly). ADFA then matches the premium and deposits the premium and match in a separate bank account under ADFA control. The balance in the account is $113,440 and $55,818 at September 30, 2019 and 2018, respectively. This balance is available to FORGE to cover losses on loans enrolled in the program (up to the enrolled amount of the loan). Loan amounts enrolled in the program were approximately $4,335,598 and $1,065,000 at September 30, 2019 and 2018, respectively.

The following table shows the current and past due loans receivable balance as of September 30, 2019 and 2018:

	September 30, 2019		September 30, 2018	
Greater than	Loans	Amount	Loans	Amount
30 days	4	$ 50,186	3	$ 45,647
60 days	1	44,793	2	56,536
> 90 days	2	38,273	2	44,258
Total past due	7	133,252	7	146,441
Current	246	5,868,334	237	4,269,465
Total loans	253	$ 6,001,586	244	$ 4,415,906

The organization had no loan modifications occurring during the years ended September 30, 2019 and 2018 or loans subject to troubled debt restructurings that defaulted in the proceeding 12-month period.

Due to the nature of the loan portfolio (primarily borrowers who cannot obtain credit elsewhere), FORGE occasionally allows borrowers to skip one or more payments when they demonstrate a financial hardship. Management has evaluated these loan structures and determined this deferment is not considered a TDR with regard to ASC 310-40.

5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	September, 2019		September, 2018	
Land	$	55,000	$	55,000
Buildings and building improvements		197,196		197,196
Office Furniture and equipment		30,610		23,398
		282,806		275,594
Less: accumulated depreciation and amortization		(31,426)		(22,901)
	$	251,380	$	252,693

Depreciation expense for the years ended September 30, 2019 and 2018 was $8,525 and $6,594, respectively.

6. INVESTOR DEPOSITS

Investor deposits are loans to the organization from individuals and institutions used to fund notes receivables through the general "Credit Fund" portfolio. Investor deposits pay interest on a quarterly basis (rates vary) and are refundable on demand. Withdrawals may be delayed in the event that such withdrawals would reduce total investor deposits below the amount of loans outstanding in the portfolio. Under the terms of the agreements, FORGE pledges to make no additional loans through the Credit Fund portfolio if such loans will produce a total outstanding portfolio balance greater than 80% of the total investor deposit balance. While investor withdrawals may at times increase the total outstanding portfolio to more than 80% of deposits, agreement terms outline that no FORGE initiated action may create a greater than 80% ratio. To date, no individual or institution has lost any funds loaned to FORGE through this program.

7. LONG-TERM DEBT

Long-term debt consisted of:

	Lending Institution	September 30, 2019	September 30, 2018
A.	SBA (loan 3)	$ 431,803	$ 571,504
B.	SBA (loan 4)	577,343	668,490
C.	SBA (loan 5)	1,206,349	1,364,324
D.	USDA - (loan 1)	161,004	167,558
E.	Erich & Hannah Sachs Foundation	250,000	250,000
F.	Seton Enablement Fund	10,623	20,917
G.	Nazareth Literary & Benevolent	200,000	200,000
H.	Catholic Health Initiatives	98,000	100,000
I.	Mercy Investment Services, Inc.	300,000	300,000
J.	Northwest Arkansas Economic Development	-	10,703
K.	Adrian Dominican Sisters	-	50,000
L.	Winthrop Rockefeller Foundation	29,411	52,483
M.	Great Southern Bank	136,171	155,328
N.	USDA - (loan 2)	73,786	73,599
O.	Arkansas Community Foundation, Inc.,	250,000	250,000
P.	Herbert Reeve Culver, III (a related party)	130,802	138,712
Q.	SBA (loan 6)	750,000	-
R.	Pat Riley ARCF	250,000	-
	Total debt	$ 4,855,292	$ 4,373,618

A. The note due to the SBA, dated July 19, 2012 for $1,250,000, is payable beginning July 19, 2013 in monthly installments of $12,700 with an annual interest rate of 0% and any remaining balance due July 19, 2022. Interest has not been imputed on this loan due to the restrictions of the Microloan lending program, as provided by FASB ASC 835-30-15-3. The note is secured by loans receivable.

B. The note due to the SBA, dated June 8, 2015 allows for borrowings up to $900,000 and is payable beginning July 8, 2016 in monthly installments of $8,437. The interest rate is evaluated annually and ranges from 0% to 1.5% depending on the loan balance. The loan is due June 8, 2025. The note is secured by loans receivable.

C. The note due to the SBA, dated September 12, 2016 allows for borrowings up to $1,500,000 and is payable beginning October 12, 2018 in monthly installments of $9,259. The interest rate is evaluated annually and ranges from 0% to 1.125% depending on the loan balance. The loan is due September 12, 2026. The note is secured by loans receivable.

7. LONG-TERM DEBT (continued)

D. The note due to the USDA under its Rural Microentreprenuer Assistance, Intermediary Relending Program dated December 13, 2011 for $181,193 is payable beginning December 13, 2015 in annual installments of $8,193 with an annual interest rate of 1% and any remaining balance due December 13, 2041. The note is secured by loans receivable.

E. The promissory note due to the Erich & Hannah Sachs Foundation dated December 31, 2014 for $250,000 matures on December 31, 2019. Quarterly interest-only payments are due at 2.5% per annum until maturity when the principal balance and any unpaid interest is due. The note is unsecured.

F. The promissory note due to Seton Enablement Fund updated November 12, 2014 for $100,000 has quarterly payments of $3,073 due through the October 1, 2020 maturity date when the remaining principal and any unpaid interest is due. The loan bears interest at 3% annually and is unsecured. The terms of the loan provide that all of the loan proceeds be used for making loans to enable low-income families to become homeowners.

G. The promissory note due to Nazareth Literary & Benevolent Institution updated November 15, 2016 for $200,000 matures on November 15, 2021. Quarterly interest-only payments at 0.5% per annum are due until maturity when the principal balance and any unpaid interest is due.

H. The promissory note due to Catholic Health Initiatives updated November 15, 2017 for $100,000 matures on November 15, 2022. Annual principal payments of at least $2,000 plus interest at 2.0% are due with remaining unpaid principal and interest due upon maturity. The terms of the loan provide that all of the loan proceeds be used for the purpose of promoting and enhancing the quality of life and economic sustainability in the Ozark Region and for no other purpose. The loan is unsecured.

I. The promissory note due to Mercy Investment Services, Inc. updated July 15, 2017 for $300,000 matures on July 15, 2022. Quarterly interest-only payments at 2% per annum are due until maturity when the principal balance and any unpaid interest is due.

J. The promissory note due to Northwest Arkansas Economic Development District (NWAEDD) dated August 19, 2009 has monthly payments of $965 due through the October 1, 2019 maturity date with annual interest of 3%. The loan is secured by property and equipment located at FORGE's premises and provides for, upon default or demand by lender, remittance to the lender of all funds received in connection with payment of any instrument in which the lender claims a security interest. This loan was paid in full for the year ending September 30, 2019.

K. The promissory note due to the order of the Adrian Dominican Sisters dated April 15, 2014 for $50,000 matured on April 15, 2019. Quarterly interest-only payments at 2% per annum are due until maturity when the principal balance and any unpaid interest is due. This loan was paid in full for the year ending September 30, 2019.

7. LONG-TERM DEBT (continued)

L. The promissory note due to the Winthrop Rockefeller Foundation dated December 21, 2010 for $200,000 matures on December 1, 2020. Quarterly payments are calculated based on 1% interest plus LIBOR (1.60% on December 1, 2014) and recalculated each December 1 to amortize the loan over the remaining term. The loan agreement provides that the proceeds of the loan be used exclusively to make loans serving underserved or undeveloped markets, provide economic enhancement (as defined in the loan agreement), or for micro-loans of $25,000 or less. The note is unsecured.

M. The promissory note due to the Great Southern Bank, dated April 4, 2016 for $200,000 has monthly payments of $1,843 including interest at 2.0%. The note is due April 4, 2026 and is unsecured.

N. The note due to the USDA under its Rural Micro Entrepreneur Assistance, Intermediary Relending Program dated April 21, 2016 allows for borrowings up to $349,484 with annual interest payments only commencing on May 20, 2017 through 2019 at 1% per annum. Monthly payments of principal and interest commence on May 20, 2020 and will continue until the note is due in April 2046. The note is unsecured.

O. The promissory note due to Arkansas Community Foundation, Inc. dated December 19, 2016 for $250,000 matures on December 31, 2026 Quarterly interest-only payments at 2% per annum are due until maturity when the principal balance and any unpaid interest is due.

P. The mortgage note due to Herbert Reeve Culver, III (trustee, a related party) dated March 17, 2017 for $150,000 matures on March 17, 2026. The note calls for monthly payments of $1,110 including interest at 4% and is secured by the property.

Q. The note due to the SBA, dated May 13, 2019 for a total limit of $1,500,000, is payable beginning May 13, 2020 in monthly installments of $14,529 with an annual interest rate of 2.25%, with a term of 10 years. No interest or principles payments are due for the first 12 months of the note. Interest has not been imputed on this loan due to the restrictions of the Microloan lending program, as provided by FASB ASC 835-30-15-3. The note is secured by loans receivable.

R. Pat Riley – This note is dated June 12, 2018, as an interest only note at a rate of 2.0% with interest compounded quarterly. The term of the loan is for no less than 10 years beginning the date the funds are received.

The Organization paid interest expense of $40,274 and $48,909 for the years ended September 30, 2019 and 2018

7. LONG-TERM DEBT (continued)

Debt is scheduled to mature as follows:

Year Ending September 30,	Amount
2020	$ 582,447
2021	864,155
2022	887,058
2023	664,562
2024	632,330
Thereafter	1,224,740
Total	$ 4,855,292

8. RESTRICTED NET ASSETS

Net assets with donor restrictions as of September 30, 2019 and 2018 are available for the following purposes:

	September 30, 2019	September 30, 2018
Loans to rural business enterprises under the USDA	$ 24,072	$ 677,766
EDA loans to rural business	470,440	-
Total	$ 494,512	$ 677,766

9. GRANTS

U.S. Small Business Administration (SBA), Microloan Program: FORGE has recognized grant revenue in the amount of $313,158 and $215,557 for the years ended September 30, 2019 and 2018, respectively, in connection with the Microloan Program Technical Assistance Grant. Grant amounts are determined by the SBA based on loan production under the program and for technical assistance, education, and counseling of borrowers. Grant proceeds are paid quarterly based on reports submitted by the Organization.

U.S. Department of Commerce, Economic Development Administration: Revolving Loan Fund: FORGE has recognized grant revenue in the amount of $624,187.37 for the year ended September 30, 2019, in connection with the EDA Revolving Loan Fund for 9 counties in the northwest region of Arkansas. Future revenues will be based on non-competitive and competitive awards through the federal agency and will be based on approved budgets and supplemental capitalization of the revolving loan fund.

10. FEDERAL INCOME TAX

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar section of Arkansas statutes. Accordingly, no provision or liability for federal or state income taxes has been included in the Organization's financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. Additionally, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A).

Generally accepted accounting principles require tax effects from an uncertain tax position to be recognized in the financial statements, only if the position is more likely than not to be sustained, if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. If an uncertain tax position meets the more-likely-than-not threshold, the largest amount of tax benefit that is greater than 50% likely to be recognized upon ultimate settlement with the taxing authority is recorded. The Organization's primary tax positions relate to its status as a not-for-profit entity exempt from income taxes and classification of activities related to its exempt purpose.

The Organization has analyzed its tax positions taken for filings with the Internal Revenue Service. It believes that its filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on its financial condition, results of operations, or cash flows. The Organization's tax years for 2015, 2016 and 2017 are subject to examination by the Internal Revenue Service as of September 30, 2018.

11. CONCENTRATIONS

During the years ended September 30, 2019 and 2018, FORGE received approximately 23% and 49%, respectively, of its gross support and revenue from one agency (see Note 10) in the form of a recurring grant. Any significant reduction in the level of support from this grant could negatively impact the Organization.

The maximum amount of loss due to credit risk of loans receivable is limited, as the bulk of the loan portfolio is collateralized by sufficient assets, such as property and equipment and ADFA insurance to provide a margin of safety between the loan balance and risk of credit loss.

12. EMPLOYEE BENEFIT PLAN

FORGE maintains a Simple IRA plan in which its employees are eligible to participate if they are at least eighteen years old and have been employed for at least one quarter of a calendar year. Employer contributions are discretionary. Employer matching contributions amounted to $0 and $435 for the years ended September 30, 2019 and 2018, respectively.

13. RELATED PARTY TRANSACTIONS

The Organization obtained a note payable from a current trustee and investor (see Note 7) for the purchase of the home office building. Payments to the related party for the years ended September 30, 2019 and 2018 amounted to principle payments of $7,910 and $6,978 and interest of $4,942 and $5,227, respectively.

14. COMMITMENTS AND CONTINGENCIES

FORGE participates in several federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies, therefore, to the extent that FORGE has not complied with the rules and regulations governing the grants, refunds of any money received may be required, and the collectability of any related receivable at September 30, 2019 may be impaired. In the opinion of FORGE management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the Organization's financial statements for such contingencies.

15. SUBSEQUENT EVENTS

The Organization has evaluated events and transactions for subsequent events and transactions that would impact the financial statements for the year ended September 30, 2019 through June 18, 2020, the date the financial statements were available to be issued. In the first quarter of the year 2020, the spread of COVID-19 has severely impacted the entire global economy. In many countries, businesses are being forced to cease or limit operations for extended periods of time. There have been many measures taken to contain the spread of the virus, including governments and central banks that have responded with monetary and fiscal interventions to stabilize economic conditions. Several of these fiscal interventions have provided FORGE with short- and long-term stability. Under the CARES Act, the SBA is providing six months of debt payment relief to all current SBA microloans and any new SBA microloans closed before September 27, 2020. Relief is provided through monthly lump sum payments of current principal, interest, and fees for these loans directly to the intermediary (FORGE). Borrowers are relieved of payments.

Therefore, FORGE benefits from a steady and stable repayment on 56% of our outstanding portfolio for six months. Further, under the SBA microloan program (and all federal loan programs in which FORGE participates) borrowers are allowed an additional six months of deferment at any time during the repayment period for their loan. FORGE has 22 non-SBA loans with temporary modifications. Three are in deferment for six months. All others continue to pay at least their interest monthly. Also, through the CARES Act, FORGE is pursuing one non-competitive grant and one competitive grant. Each grant will inject additional loan capital into the EDA revolving loan fund, as well as provide 12 months of funding to deploy those funds. If all awards are made as expected, this will result in an additional $1,000,000 in loan capital and $100,000 in grant revenue for operating expenses for fiscal year 2020.

15. SUBSEQUENT EVENTS (continued)

The Organization is a Community Development Financial Institution and was certified by the Community Development Financial Institutions Fund (CDFI) of the U.S. Department of the Treasury through the fall of 2019. The organization expects to be recertified during the fiscal year ending 2020. The Organization's target market area under the CDFI program includes much of Northwest Arkansas, Southwest Missouri, and Northeast Oklahoma.

SUPPLEMENTAL INFORMATION

FORGE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

Department or Division/Pass-Through Agency/Program Title	CFDA Number		Federal Expenditures
U.S. Department of Commerce			
Small Business Administration			
Microloan Program Administrative Grant	59.046		313,158
Microloan Program Direct Loans	59.046		1,388,193
Economic Development Cluster			
Economic Adjustment Assistance	11.307		177,051
Total U.S. Department of Commerce			1,878,402
Total Federal Assistance		$	1,878,402

Note A - Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of FORGE, Inc. under programs of the federal government for the year ended September 30, 2018. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of FORGE, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note B - Summary of Significant Accounting Policies:

1. This schedule of expenditures of federal awards includes the federal program activity of FORGE, Inc. and is presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

2. Intermediary Relending Program and Microloan Program Direct Loans are included in this schedule at the amount of any new loans plus the balance of the unpaid balance as of September 30, 2019, of loans from prior years for which the Federal Government imposes continuing compliance requirements.

3. FORGE, Inc. has elected to use the 10 percent de minimus indirect cost rate under the Uniform Guidance.

4. The total outstanding loan balances as of September 30, 2019 for federal awards totaled $3,749,502.

ADDITIONAL REQUIRED REPORTS

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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
Financing Ozarks Rural Growth and Economy
A/K/A FORGE, Inc.
Huntsville, Arkansas

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 FORGE, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2019.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered FORGE, Inc.'s internal control over financial reporting (internal control) to determine the 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 FORGE, Inc.'s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 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

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prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-001 to be a material weakness.

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. There were no significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether FORGE, Inc.'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 determination of financial statement amounts. 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*.

FORGE Inc.'s Response to the Findings

The Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This 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 the audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PRZ CPAs & Advisors

PRZ CPAs & Advisors
Fayetteville, Arkansas

June 18, 2020

FORGE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Types of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _x_ yes ____ no

Significant deficiency(ies) identified? ____ yes _x_ none reported

Noncompliance material to financial statements noted? ____ yes _x_ no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? ____ yes _x_ no

Significant deficiency(ies) identified? ____ yes _x_ 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 2 CFR section 200.516(a)? ____ yes _x_ no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
59.046	Microloan program

Dollar threshold used to distinguish between Type A and Type B programs: $750,000

Auditee qualified as a low-risk auditee? _x_ yes ____ no

Section II – Financial Statement Findings – Current Year

Material Weaknesses

2019-001 Reconciliation of Accounts at Month End

Condition:
The Organization did not reconcile their financial account records prior to the audit of their financial statements. Management had to submit reconciliations to the auditor on most accounts during the audit.

Criteria:
The Organization is required to maintain records that are reconciled to produce an accurate reflection of the activity in each account. Generally Accepted Accounting Principles requires activity to be recorded to standards and materially free of material misstatements caused by error or fraud.

Cause and Effect:
The Organization did not maintain records that were an accurate reflection of the financial activity of the Organization. Management had to submit reconciliations during the audit that had not been completed at year-end. Management, initially, submitted incomplete records with material misstatements in many accounts. Submission of materially misstated financial records to be audited could produce materially misstated financial statements that would go undetected. This is a breakdown in internal controls, which is the responsibility of management to be maintained.

Recommendation:
The Organization should implement systems of oversight and internal controls regarding the reconciliation and monitoring of all accounts of the financial activity in the Organization. The monitoring and reconciliation of accounts should be done on a monthly basis or more often if needed.

Responsible Official's Comments and Plan of Action:
Management has altered their procedures to help overcome the shortfalls in account reconciliation and maintenance. Management will implement a monthly schedule to prevent and detect misstatements on a timely basis by reconciling all accounts. Management is committed to producing records that are materially free from misstatements caused by error or fraud.

Financial Statement Findings – Prior Year

2018-001 Cash Reconciliations

Condition:
Multiple bank reconciliations as of fiscal year-end had book balances that did not reconcile to the trial balance.

Financial Statement Findings Prior Year (continued)

2018-001 Cash Reconciliations (continued)

Criteria:
Bank reconciliations are an integral part of internal controls for cash. The reconciliation book balance should agree with the balance on the books. It is management's responsibility to develop policies, procedures, and oversight for this process.

Cause and Effect:
Improper reconciliation of cash accounts could lead to the misappropriation of assets not being detected in the normal course of business.

Recommendation:
Management should develop, implement, and maintain a system of internal controls and procedures to ensure that bank reconciliations are complete.

Responsible Official's Comments and Plan of Action:
The Board formed a Budget and Finance Committee to examine and monitor internal controls over this and other procedures subsequent to the fiscal year-end. Management believes that personnel changes near year-end contributed to the lack of control maintenance. Management has contracted a bookkeeper to perform bank reconciliations subsequent to the fiscal year-end.

2018-002 Segregation of Duties

Condition:
The accounting records of the Organization are maintained by more than one individual. Due to the lack of division of responsibility, internal control is determined to be weak.

Criteria:
A proper segregation of duties is necessary for any internal control system. Duties of authorizing transactions, recording of transactions and maintaining custody of assets should be segregated into individual persons. It is management's responsibility to develop policies, procedures, and oversight to mitigate the risk of misstatements due to error or fraud.

Cause and Effect:
Due to the limited number of personnel, a breach of internal controls could occur and not be detected or prevented in the normal course of business.

Recommendation:
If segregation of duties is not feasible, management and those charged with governance must develop, maintain, and oversee internal controls to mitigate the risk of misstatements caused by error or fraud.

Responsible Official's Comments and Plan of Action:
The Board formed a Budget and Finance Committed to examine and monitor internal controls. As part of the Committee's responsibilities, they have worked to evaluate the operating efficiency of the internal controls and where appropriate, the design, implementation, and maintenance of controls or mitigating review procedures to reduce the risks inherent in limited staffing resources. The Board is in the process of hiring a full-time finance director to assume oversight of day-to-day accounting functions and to assist in the maintenance of internal controls.

Section III – Federal Award Findings and Questioned Costs

Current Year Federal Award Findings and Questioned Costs

No matters reported.

Prior Year Federal Award Findings and Questioned Costs

No matters reported.

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CPAs & ADVISORS

Independent Auditors' Report On Compliance For Each Major Federal Program And On Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
Financing Ozarks Rural Growth and Economy
A/K/A FORGE, Inc.
Huntsville, Arkansas

Report on Compliance for Each Major Federal Program

We have audited FORGE, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of FORGE, Inc.'s major federal programs for the year ended September 30, 2019. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. 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 under Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, FORGE, Inc. 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 September 30, 2019.

Report on Internal Control Over Compliance

Management of FORGE, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

PRZ CPAs & Advisors

PRZ CPAs & Advisors
Fayetteville, Arkansas
June 18, 2020