

**FINANCING OZARK RURAL GROWTH
AND ECONOMY, INC.**

AUDITED FINANCIAL STATEMENTS

SEPTEMBER 30, 2021



FINANCING OZARKS RURAL GROWTH AND ECONOMY, INC.
SEPTEMBER 30, 2021

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-3
Financial Statements	
Statements of Financial Position.....	4
Statements of Activities.....	5
Statements of Functional Expenses.....	6
Statements of Cash Flows.....	7
Notes to Financial Statements.....	8-26
Supplemental Information	
Schedule of Expenditures of Federal Awards.....	27
Additional Required Reports	
Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit of Financial Statements Performed in Accordance With Government Auditing Standards.....	28-29
Independent Auditors' Report On Compliance For Each Major Program And On Internal Control Over Compliance Required By The Uniform Guidance.....	30-32
Schedule of Findings and Questioned Costs.....	33



Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Financing Ozarks Rural Growth and Economy as of September 30, 2021, 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 Financial Statements section of our report. We are required to be independent of Financing Ozarks Rural Growth and Economy 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Financing Ozarks Rural Growth and Economy's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 Financing Ozarks Rural Growth and Economy'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Financing Ozarks Rural Growth and Economy'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.

Report on Summarized Comparative Information

We have previously audited Financing Ozarks Rural Growth and Economy's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 10, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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. 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 March 23, 2022 on our consideration of the Financing Ozarks Rural Growth and Economy'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 the Financing Ozarks Rural Growth and Economy'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 Financing Ozarks Rural Growth and Economy's internal control over financial reporting and compliance.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
March 23, 2022

FINANCIAL STATEMENTS

FINANCING OZARKS RURAL GROWTH AND ECONOMY, INC.

STATEMENTS OF FINANCIAL POSITION

AS OF SEPTEMBER 30,	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 630,776	\$ 394,234
Grants receivable	473,519	646,765
Interest receivable	26,905	17,026
Current portion of loans receivable	1,198,924	1,132,622
Prepaid expenses	12,495	9,709
Total current assets	2,342,619	2,200,356
Long Term Assets		
Property and equipment, net	234,076	242,708
Loans receivable, net	4,324,939	4,903,480
Restricted cash	3,113,723	1,792,551
Total Long Term Assets	7,672,738	6,938,739
Total Assets	\$ 10,015,357	\$ 9,139,095
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 1,893	\$ 613
Accrued payroll and related withholdings	39,531	36,543
Accrued interest	10,959	8,584
Deferred revenue	66,918	-
Notes payable, due within one year	1,337,331	866,844
Total Current Liabilities	1,456,632	912,584
Long Term Liabilities		
Paycheck Protection Program loan	-	73,912
Notes payable	3,446,523	4,203,918
Investor deposits	1,039,315	1,012,329
Total Long Term Liabilities	4,485,838	5,290,159
Total Liabilities	5,942,470	6,202,743
Net Assets		
Without donor restrictions	3,287,997	1,833,760
With donor restrictions	784,890	1,102,592
Total Net Assets	4,072,887	2,936,352
Total Liabilities and Net Assets	\$ 10,015,357	\$ 9,139,095

See accompanying notes to financial statements.

FINANCING OZARKS RURAL GROWTH AND ECONOMY, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2021 WITH COMPARATIVE TOTALS FOR 2020

	Without donor restrictions	With donor restrictions	Total 2021	Total 2020
Support and Program Revenue				
Grants	\$ 1,778,726	\$ -	\$ 1,778,726	\$ 1,132,668
Paycheck Protection Program Loan forgiveness	73,912	-	73,912	-
Net assets released from restrictions	317,702	(317,702)	-	-
Total Support	2,170,340	(317,702)	1,852,638	1,132,668
Program revenue				
Interest income on loans	367,816	-	367,816	384,460
Interest income on bank deposits	1,659	-	1,659	4,194
Other	24,642	-	24,642	32,030
Total Program Revenue	394,117	-	394,117	420,684
Total Support and Program Revenue	2,564,457	(317,702)	2,246,755	1,553,352
Expenses				
Program services	887,766	-	887,766	620,534
Management and general	187,755	-	187,755	170,821
Fundraising	34,699	-	34,699	29,914
Total Expenses	1,110,220	-	1,110,220	821,269
Change in Net Assets	1,454,237	(317,702)	1,136,535	732,083
Net Assets, Beginning of Year	1,833,760	1,102,592	2,936,352	2,204,269
Net Assets, End of Year	\$ 3,287,997	\$ 784,890	\$ 4,072,887	\$ 2,936,352

See accompanying notes to financial statements.

FINANCING OZARKS RURAL GROWTH AND ECONOMY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2021 WITH COMPARATIVE TOTALS FOR 2020

	Program Service	Fund Raising	Management & General	2021 Total	2020 Total
Salaries and Wages	\$ 283,361	\$ 25,265	\$ 80,072	\$ 388,698	\$ 340,831
Fringe Benefits	56,941	5,077	16,090	78,108	63,622
Payroll Taxes	21,381	1,906	6,042	29,329	28,532
Facilities Repair & Maintenance	1,372	122	388	1,882	2,056
Telephone	2,382	212	673	3,267	3,215
Utilities	1,957	174	553	2,684	2,390
Advertising & Promotion	14,848	-	-	14,848	1,705
Accounting Fees	-	-	31,987	31,987	21,338
Bank and Credit Card Fees	-	-	4,255	4,255	4,761
Computer Expenses	15,364	1,370	4,341	21,075	23,916
Contract Labor	322,129	106	332	322,567	113,566
Dues and Fees	-	-	1,840	1,840	1,465
Grant	5,000	-	-	5,000	-
Insurance	-	-	21,477	21,477	8,268
Interest Expense	84,410	-	-	84,410	48,395
Loan Loss Expense	68,278	-	-	68,278	94,349
Loan Program Expenses	5,111	-	-	5,111	13,803
Meals and Food	-	-	243	243	1,087
Office Expense	5,232	467	1,479	7,178	8,549
Other	-	-	6,651	6,651	2,992
Other Professional Fees	-	-	2,000	2,000	22,646
Travel & Meetings	-	-	700	700	5,111
Depreciation	-	-	8,632	8,632	8,672
Total Expenses	\$ 887,766	\$ 34,699	\$ 187,755	\$ 1,110,220	\$ 821,269

See accompanying notes to the financial statements.

FINANCING OZARKS RURAL GROWTH AND ECONOMY, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30,	2021	2020
Cash Flows from Operating Activities:		
Change in net assets	\$ 1,136,535	\$ 732,083
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	8,632	8,672
Provision for loan losses	53,783	62,183
Paycheck Protection Program loan forgiveness	(73,912)	-
Investor interest reinvested	18,566	-
(Increase)/Decrease in:		
Grants receivable	173,246	(560,360)
Interest receivable	(9,879)	6,974
Prepaid expenses	(2,786)	(7,507)
Accounts payable	1,280	(7,654)
Accrued expenses	5,363	16,656
Deferred revenue	66,918	-
Net Cash Provided By Operating Activities	1,377,746	251,047
Cash Flows from Investing Activities:		
Issuance of loans receivable	(1,215,900)	(1,718,895)
Collections of loans receivable	1,674,356	1,597,107
Net Cash Provided (Used) In Investing Activities	458,456	(121,788)
Cash Flows from Financing Activities:		
Borrowings from loans payable	350,000	750,000
Proceeds from PPP loan	-	73,912
Notes payable principal payments	(636,908)	(542,723)
Deposits made by investors	51,000	166,501
Deposits returned to investors	(42,580)	(55,000)
Net Cash Provided (Used) By Financing Activities	(278,488)	392,690
Net Increase In Cash, Cash Equivalents, and Restricted Cash	1,557,714	521,949
Cash and Cash Equivalents, and Restricted Cash, Beginning of Year	2,186,785	1,664,836
Cash, Cash Equivalents and Restricted Cash, End of Year	\$ 3,744,499	\$ 2,186,785
Reconciliation to the Statement of Financial Position		
Cash and cash equivalents	\$ 630,776	394,234
Restricted cash	3,113,723	1,792,551
Total Cash, Cash Equivalents and Restricted Cash	\$ 3,744,499	2,186,785
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 82,035	\$ 47,195
Supplemental disclosure of non-cash investing and financing activities:		
Paycheck Protection Program loan forgiveness	\$ 73,912	\$ -

See accompanying notes to financial statements.

FINANCING OZARKS RURAL GROWTH AND ECONOMY, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

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 and potential 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 under the Micro Loan Program include the state of Arkansas, three counties in Northeast Oklahoma, fifteen counties in Southwest Missouri and twelve parishes in Northern Louisiana. The Organization is also certified as 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 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

a. 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.

b. Prior Year Summarized Comparative Information

The financial statements include certain prior year summarized comparative totals. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2020, from which the summarized totals were derived.

FINANCING OZARKS RURAL GROWTH AND ECONOMY, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

1. Summary of Significant Accounting Policies (continued)

c. Financial Statement Presentation

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

Net assets without donor restrictions - net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net assets with donor restrictions - these net assets result from contributions or grant awards of cash or other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires either with the passage of time or by action of the Organization.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed stipulations. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purposes has been fulfilled and/or the passage of time has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

d. Financial Instruments

The Organization's financial instruments include cash and cash equivalents, grants and interest receivable and accounts payable. The Organization's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying statement of financial position. The carrying amount of these financial instruments approximate fair value because of the short maturity of these investments. Other financial instruments held at year-end are loans receivable, which are stated at the unpaid principal balance, less an allowance for loan losses.

e. 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, including restricted cash.

FINANCING OZARKS RURAL GROWTH AND ECONOMY, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

1. Summary of Significant Accounting Policies (continued)

f. Grants Receivable

Grants receivable consists of funds owed to the Organization from government awarding agencies and are stated at the amount the Organization expects to collect. It is management's assertion that these receivables are fully collectable, therefore, no allowance for doubtful account has been provided.

g. 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) judgement of possible loan losses inherent in the portfolio at the financial position date.

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 discontinued 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.

FINANCING OZARKS RURAL GROWTH AND ECONOMY, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

1. Summary of Significant Accounting Policies (continued)

g. Loans Receivable (continued)

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 renegotiating programs via direct customer contact, that manage customers' debt exposure held only 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, 2021 and 2020, there were no concessions granted to any borrowers 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 has been restructured, the Organization provides an allowance for credit losses for the amount of the loan that exceeds the value of the related collateral.

h. 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.

i. Donated Property and Equipment

Donations of property and equipment, if material, are recorded as support at their estimated fair value. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

FINANCING OZARKS RURAL GROWTH AND ECONOMY, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

1. Summary of Significant Accounting Policies (continued)

j. Property and Equipment

Property and equipment is recorded at cost and is depreciated over the useful life of each asset. Expenditures for maintenance, repairs and renewals of relatively minor items are charged to expense as incurred. Annual depreciation is computed using the straight-line method with useful lives as follows:

Building	40 years
Equipment	3 - 10 years

Depreciation expense for the years ended September 30, 2021 and 2020 was \$8,632 and \$8,672, respectively.

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

k. Compensated Absences

Full-time employees earn vacation and sick pay in varying amounts based upon length of service with the Organization. Employees can carryforward a maximum of 24 unused sick and 24 unused vacation days from year to year. Upon termination from the Organization, employees are paid unused vacation. No unused accumulated sick pay is paid upon termination. The Organization has \$29,359 and \$18,444 of accrued compensated absences at September 30, 2021 and 2020, respectively.

l. Deferred Revenue

The Organization recognizes contract revenue in the period the Organization meets the conditions for revenue recognition, namely as reimbursable program expenses are incurred. Deferred revenue relates to program receipts from government agencies in advance of program performance. The Organization has \$66,918 of deferred revenue at September 30, 2021.

FINANCING OZARKS RURAL GROWTH AND ECONOMY, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

1. Summary of Significant Accounting Policies (continued)

m. Revenue Recognition

Conditional contributions and grants are those that contain a barrier that must be overcome before the Organization is entitled to the assets transferred and a right of return of assets transferred or a right of release of the donor's obligation to transfer assets exists. Conditional contribution and grant revenue is recognized when all barriers have been overcome. All other contributions and grants are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Certain Federal agencies have awarded grants to support the Organization's program activities that are conditioned on incurring certain reimbursable expenditures. Revenues are recognized when the expenses have been incurred for the purposes specified in the contracts, i.e., when the barrier is met.

n. Functional Allocation Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Directly identifiable expenses are charged to programs and supporting activities. Expenses related to more than one function are allocated to programs and supporting services. Expenses were allocated using a variety of methods including employee time and usage estimates.

o. Advertising

It is the policy of the Organization to expense advertising cost as they are incurred.

p. 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.

FINANCING OZARKS RURAL GROWTH AND ECONOMY, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

1. Summary of Significant Accounting Policies (continued)

q. Recently Issued Accounting Standards

The Organization adopted the following standards during the year ended September 30, 2021:

In August 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-13, *Fair Value Measurement (Topic 820)*. This ASU amends the disclosure requirements for recurring and nonrecurring fair value measurements by removing, modifying, and adding certain disclosures. Adoption of this ASU did not have any effect on the financial statements.

In April 2019, the FASB issued ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*, portions of which became effective in 2020. This ASU was issued to clarify and improve guidance within the recently issued standards on credit losses, hedging and recognition and measurement of financial instruments. Adoption of this ASU did not have any effect on the financial statements.

The Organization adopted the following standards during the year ended September 30, 2020:

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of this guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods and services. This ASU requires entities to make new judgements and estimates and provide expanded disclosures about revenue.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Liabilities*. This ASU requires entities to measure most investments at fair value with changes in fair value recognized through net income, as well additional financial statement presentation and disclosure requirements.

In June 2018, the FASB issued Accounting Standards Update No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and Guidance for Contributions Received and Contributions Made*. This ASU establishes standards for characterizing grants and similar contracts with resource providers as either exchange transactions or contributions with or without conditions.

Adoption of these ASU's had no impact on these financial statements.

FINANCING OZARKS RURAL GROWTH AND ECONOMY, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

2. 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 accompanying 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.

3. 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. At September 30, 2021 and 2020, the Organization had uninsured deposits of \$3,341,417 and \$1,752,633, respectively. 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.

4. Cash Restricted by Grant Terms and Loan Covenants

Restricted cash is primarily limited to making loan disbursements and to repay the related long-term debt. The balances also collateralize the related debt.

Cash restricted to long-term uses and required to be maintained in separate bank accounts were as follows:

FINANCING OZARKS RURAL GROWTH AND ECONOMY, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

4. Cash Restricted by Grant Terms and Loan Covenants (continued)

As of September 30,	2021	2020
Lending:		
SBA Microloan program loans	\$ 904,174	\$ 410,089
USDA Intermediary Relending program	333,228	266,462
Economic Development Administration revolving loan fund	123,404	440,411
Arkansas Sustainable Livestock Co-op loans	-	42,729
Total Lending	1,360,806	1,159,691
Loan loss reserves:		
CDFI loan loss reserve	1,067,082	-
SBA Microloan related loan losses	462,312	409,939
Investor liquidity	223,523	222,921
Total loan loss reserves:	1,752,917	632,860
Total cash restricted for long-term uses	\$ 3,113,723	\$ 1,792,551

5. Loans Receivable

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.

Loans receivable consisted of the following:

As of September 30,	2021	2020
Portfolio		
SBA Microloan program	\$ 2,720,101	\$ 3,510,325
Credit	1,565,747	1,205,771
USDA Rural Business Enterprise program	173,597	210,944
USDA Rural Business-Cooperative Service	38,382	46,030
USDA Intermediary Relending program	321,936	346,804
Economic Development Administration	124,571	194,544
Economic Development Administration - Cares	261,660	-
US Treasury CDFI Financial Assistance	311,382	438,796
Rapid Response grants	145,033	169,213
Total loans receivable	5,662,409	6,122,427

FINANCING OZARKS RURAL GROWTH AND ECONOMY, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

5. Loans Receivable (continued)

As of September 30,	2021	2020
Total loans receivable	5,662,409	6,122,427
Less: loan loss reserve (credit portfolio)	138,546	86,325
Net Loans Receivable	\$ 5,523,863	\$ 6,036,102

Cash collections on the loans receivable based on loan terms are expected as follows:

September 30,	Principal
2022	\$ 1,198,924
2023	1,175,122
2024	1,095,341
2025	931,736
2026	524,812
Thereafter	736,474
Total Loans Receivable	\$ 5,662,409

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 the Organization's knowledge of borrower's current financial situation and suggested reserve percentages per SBA microloan and USDA lending guidance.

The following is a summary of the activity in the provision for loan losses account:

For the Year Ending September 30,	2021	2020
Balance, Beginning of Year	\$ 86,325	\$ 25,089
Proceeds from collateral and ADFA	141,469	52,083
Provision for loan losses	53,783	62,183
Direct write-downs	(143,031)	(53,030)
Balance, End of Year	\$ 138,546	\$ 86,325

The Organization has deemed six loans with recorded investment and unpaid principal balances of \$142,494 as impaired as of September 30, 2021. There were eight loans considered impaired as of September 30, 2020. All of the impaired loans are secured with property and equipment and/or guaranteed by the Arkansas Development Finance Authority (ADFA). The Organization recognized \$7,638 and \$16,136 of interest income during the years ended September 30, 2021 and 2020, respectively, on the impaired loans.

FINANCING OZARKS RURAL GROWTH AND ECONOMY, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

5. Loans Receivable (continued)

As of September 30,	2021		2020	
Impaired loans without a valuation allowance	\$	142,494	\$	233,965
Impaired loans with a valuation allowance		-		-
Total impaired loans	\$	142,494	\$	233,965

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. The balance in the account is \$73,385 and \$135,338 at September 30, 2021 and 2020, respectively. These funds are 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 \$3,739,545 and \$4,229,511 at September 30, 2021 and 2020, respectively.

The following table shows the current and past due loans receivable balances:

As of September 30,	2021		2020	
	Loans	Amount	Loans	Amount
Greater than:				
30 days	10	\$ 276,446	9	\$ 326,025
60 days	8	292,254	5	152,355
90 days	13	320,524	4	129,880
Total past due	31	889,224	18	608,260
Current	311	4,773,185	281	5,514,167
Total loans receivable	342	\$ 5,662,409	299	\$ 6,122,427

The Organization had no loan modifications occurring during the years ended September 30, 2020 and 2019 or loans subject to troubled debt restructurings that defaulted in the preceding 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 that these payment deferrals are not considered a troubled debt structuring.

FINANCING OZARKS RURAL GROWTH AND ECONOMY, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

6. Property and Equipment

Activity of property, plant and equipment consists of the following:

As of	October 1, 2020	Additions	Retirements	September 30, 2021
Land	\$ 55,000	\$ -	\$ -	\$ 55,000
Buildings and building improvements	197,196	-	-	197,196
Office furniture and equipment	30,610	-	-	30,610
Total Property and Equipment	282,806	-	-	282,806
Less: Accumulated depreciation	(40,098)	(8,632)	-	(48,730)
Net Property and Equipment	\$ 242,708	\$ (8,632)	\$ -	\$ 234,076

As of	October 1, 2019	Additions	Retirements	September 30, 2020
Land	\$ 55,000	\$ -	\$ -	\$ 55,000
Buildings and building improvements	197,196	-	-	197,196
Office furniture and equipment	30,610	-	-	30,610
Total Property and Equipment	282,806	-	-	282,806
Less: Accumulated depreciation	(31,426)	(8,672)	-	(40,098)
Net Property and Equipment	\$ 251,380	\$ (8,672)	\$ -	\$ 242,708

7. Paycheck Protection Program Loan

On June 29, 2020, the Organization was granted a loan from a local bank in the amount of \$73,912 pursuant to the Paycheck Protection Program under the CARES Act that was enacted March 27, 2020. Proceeds from the loan can only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations. Under the terms of the Paycheck Protection Program, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The full \$73,912 loan plus interest of \$786 was forgiven on July 22, 2021 and recognized as revenue during the year ended September 30, 2021.

FINANCING OZARKS RURAL GROWTH AND ECONOMY, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

8. Long-Term Debt

Long-term debt consisted of:

As of September 30,	2021	2020
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.	\$ 127,001	\$ 279,402
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.	377,482	477,544
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.	861,678	1,034,014
The note due to the USDA under its Rural Microentrepreneur 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 the loan fund.	154,492	161,049
The promissory note due to the Erich & Hannah Sachs Foundation for \$250,000 was renewed on December 31, 2019. The new terms call for semi-annual interest payments at 2.75% until maturity on December 31, 2024 when the principal balance and any unpaid interest is due. The note is unsecured.	250,000	250,000

FINANCING OZARKS RURAL GROWTH AND ECONOMY, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

8. Long-Term Debt (continued)

As of September 30,	2021	2020
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.	-	2,718
The promissory note due to Nazareth Literary & Benevolent Institution updated November 15, 2016 for \$200,000 matured on November 15, 2021. The note was subsequently renewed borrowing an additional \$25,000 with final maturity extended to December 2, 2026. Quarterly interest-only payments at 0.5% per annum are due until maturity when the principal balance and any unpaid interest is due.	200,000	200,000
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.	94,000	96,000
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.	300,000	300,000
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 (3.00% on December 1, 2019) 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.	-	6,006

FINANCING OZARKS RURAL GROWTH AND ECONOMY, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

8. Long-Term Debt (continued)

As of September 30,	2021	2020
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.	95,009	116,613
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 secured by the loan fund.	68,759	71,294
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.	250,000	250,000
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.	113,354	122,651
The note due to the SBA, dated May 13, 2019 for a total of \$1,500,000 is payable beginning May 13, 2020 in monthly installments of \$14,529 with an annual interest rate of 2.25% that matures May 13, 2029. Interest and principal payments commence on May 13, 2020. The note is secured by loans receivable.	1,292,079	1,453,471
This note due to Arkansas Community Fund - Anne Fund dated June 12, 2018, in the amount of \$250,000. Quarterly interest-only payments at 2.0% per annum are due until final maturity which is a period of not less than ten years upon receipt of the funds. The note is secured by loans receivable.	250,000	250,000
The note due to the SBA, dated January 4, 2021 for a total of \$782,150 is payable beginning January 4, 2022 in monthly installments of \$7,242 with final maturity January 4, 2031. The interest rate is evaluated annually and ranges from 0.0% to 0.25% depending on the loan balance. The note is secured by loans receivable.	350,000	-
Total debt	4,783,854	5,070,762

FINANCING OZARKS RURAL GROWTH AND ECONOMY, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

8. Long-Term Debt (continued)

As of September 30,	2021	2020
Total debt	4,783,854	5,070,762
Less current maturities	1,337,331	866,844
Long-term debt	\$ 3,446,523	\$ 4,203,918

The Organization incurred interest expense totaling \$52,313 and \$40,524 during the years ended September 30, 2021 and 2020, respectively, related to these loans payable.

Debt is scheduled to mature as follows:

September 30,	Principal	Interest	Total
2022	\$ 1,337,331	\$ 61,639	\$ 1,398,970
2023	555,555	55,115	610,670
2024	468,185	49,247	517,432
2025	457,445	43,449	500,894
2026	376,317	43,319	419,636
thereafter	1,239,021	97,274	1,336,295
Total	\$ 4,433,854	\$ 350,043	\$ 4,783,897

9. Investor Deposits

Investor deposits are loans to the Organization from individuals and institutions that are used to fund notes receivable through the general "Credit Fund" portfolio. Investor deposits pay interest on a quarterly basis (rates vary) and are refundable on demand. The Organization paid \$32,097 and \$7,871 in interest expense on investor deposits during the years ended September 30, 2021 and 2020, respectively. 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 loan 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.

FINANCING OZARKS RURAL GROWTH AND ECONOMY, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

10. Net Assets with Donor Restrictions

Net assets are restricted for the following purposes:

September 30,	2021	2020
Loans to rural business enterprises under the USDA:		
Rural Business Enterprise Grant program	\$ 127,676	\$ 101,421
Rural Business Development Grant program	60,291	60,760
EDA loans to rural businesses	596,923	940,411
Total	\$ 784,890	\$ 1,102,592

11. Grant Revenue

U.S. Department of the Treasury, Community Development Financial Institutions Fund (CDFI) Rapid Response Program: FORGE has recognized grant revenue in the amount of \$1,067,432 for the year ended September 30, 2021. Grant proceeds are to support, prepare for, and respond to the economic impact of the COVID-19 pandemic.

U.S. Small Business Administration (SBA), Microloan Program: FORGE has recognized grant revenue in the amount of \$621,644 and \$407,668 for the years ended September 30, 2021 and 2020, 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.

Other COVID relief grants: FORGE has recognized grant revenue totaling \$50,000 and \$175,000 for the years ended September 30, 2021 and 2020, respectively. Grant proceeds are intended to help those impacted by the pandemic.

U.S. Department of Commerce, Economic Development Administration - Revolving Loan Fund: FORGE has recognized \$550,000 for the years ended September 30, 2020 in connection with the EDA Revolving Loan Fund for nine counties in the northwest regions of Arkansas.

12. Concentrations

During the years ended September 30, 2021 and 2020, the Organization received approximately 75% and 62%, respectively, of its total support and revenue from two grants. Any significant reduction in the level of support from these grants could negatively impact the Organization.

The maximum amount of loss due to credit risk from 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.

FINANCING OZARKS RURAL GROWTH AND ECONOMY, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

13. 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 \$14,837 and \$12,429 for the years ended September 30, 2021 and 2020, respectively.

14. Related Party Transactions

The Organization has a note payable due to a current trustee and investor (see Note 8) for the purchase of the home office building. Payments to the related party for the years ended September 30, 2021 and 2020 amounted to principal payments of \$9,297 and \$8,151 and interest of \$5,127 and \$5,164, respectively.

15. Commitments and Contingencies

The Organization receives grants from various federal programs. These grants are subject to audit by the corresponding oversight agency. Based on historical experience and results of prior audits, the Organization's management believes that costs disallowed and claims remitted, if any, would not materially affect the financial position, changes in net assets, or cash flows of the Organization.

16. Liquidity and Availability of Financial Assets

The Organization manages liquidity and reserves by operating within a prudent range of financial responsibility, maintaining adequate liquidity to fund near-term operations and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be met. The following reflects the Organization's financial assets, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions or internal designations.

As of September 30,	2021	2020
Cash and cash equivalents	\$ 630,776	\$ 394,234
Restricted cash	3,113,723	1,792,551
Grants receivable	473,519	646,765
Interest receivable	26,905	17,026
Loans receivable	5,523,863	6,036,102
Total financial assets available	9,768,786	8,886,678
Contractual or donor imposed restrictions:		
Restricted cash for loans and loan losses	(3,113,723)	(1,792,551)
Grants restricted for loans	(215,500)	(550,000)
SBA loans receivable reserved to pay SBA loan debt	(2,720,101)	(3,510,325)
USDA /EDA loans receivable reserved for future lending	(920,146)	(798,322)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 2,799,316	\$ 2,235,480

FINANCING OZARKS RURAL GROWTH AND ECONOMY, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

17. COVID-19

The Coronavirus Disease 2019 (COVID-19), declared by the World Health Organization as a pandemic in March 2020, continues to cause worldwide economic disruption and uncertainty. In connection with the outbreak, governments and organizations have imposed containment and mitigation efforts involving quarantines, social distancing and limits on public gatherings. The Organization remains fortunate that the pandemic has had little impact on its operations. The CARES Act of 2020 provided six months of payment relief for certain borrowers participating in the SBA's microloan program. Total principal and interest received by the Organization from the SBA during the year ended September 30, 2020 for payments on these loans receivable totaled \$489,934. The Economic Aid Act, approved in December 2020, extended some payments for certain existing and new borrowers in the SBA microloan program. Total principal and interest payments received by the Organization during the year ended September 30, 2021 for payments on these loans receivable was \$383,505. The Organization has granted loan modifications for several non-SBA loan customers who are experiencing financial hardship to temporarily defer or delay payment. The Organization also increased the loan loss reserve for any potential future delinquencies. The Organization has also received grant funds totaling approximately \$1.1 million to loan to individuals impacted by the pandemic during the year ended September 30, 2021. The extent of the impact on the Organization's operations and financial performance will depend on future developments, including the duration and spread of the outbreak, government imposed restrictions, and other factors, all of which are highly uncertain and cannot be predicted. The Organization continues to monitor its operations, liquidity and capital resources to minimize the current and future impact of this unprecedented situation.

18. 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, 2021 through March 23, 2022, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

SUPPLEMENTAL INFORMATION

FINANCING OZARKS RURAL GROWTH AND ECONOMY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Department or Division/Pass-Through Agency/Program Title	CFDA Number	Federal Expenditures
U.S. Department of Agriculture		
Intermediary Relending Program		
Loans due to federal agency at beginning of fiscal year	10.767	\$ 232,344
Total U.S. Department of Agriculture		232,344
U.S. Department of Commerce		
Economic Development Administration		
Economic Adjustment Assistance Revolving Loan Funds	11.307	509,901
Total U.S. Department of Commerce		509,901
U.S. Department of the Treasury		
Community Development Financial Institutions Rapid Response Fund	21.024	1,067,082
Total U.S. Department of Commerce		1,067,082
U.S. Small Business Administration		
Microloan Program		
Microloan Program Direct Loans		
Loans due to federal agency at beginning of year plus current year draws	59.046	3,594,430
Microloan Technical Assistance Program	59.046	621,644
Total U.S. Small Business Administration		4,216,074
Total Federal Assistance		\$ 6,025,401

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, 2021. 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, 2020, of the 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, 2021 for federal awards totaled \$3,231,492.

See independent auditors' report

ADDITIONAL REQUIRED REPORTS



**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit Of Financial
Statements Performed in Accordance With *Government Auditing Standards***

To the Board of Directors
Financing Ozarks Rural Growth and Economy
AKA 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 Financing Ozarks Rural Growth and Economy (a nonprofit organization), which comprise the statement of financial position as of September 30, 2021, 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 March 23, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Financing Ozarks Rural Growth and Economy'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 Financing Ozarks Rural Growth and Economy's internal control. Accordingly, we do not express an opinion on the effectiveness of Financing Ozarks Rural Growth and Economy'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 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

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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Financing Ozarks Rural Growth and Economy'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 the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
March 23, 2022



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
Financing Ozarks Rural Growth and Economy
AKA FORGE, Inc.
Huntsville, Arkansas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Financing Ozarks Rural Growth and Economy'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 Financing Ozarks Rural Growth and Economy's major federal programs for the year ended September 30, 2021. Financing Ozarks Rural Growth and Economy'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, Financing Ozarks Rural Growth and Economy 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, 2021.

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 Financing Ozarks Rural Growth and Economy 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 the Financing Ozarks Rural Growth and Economy's compliance with the compliance requirements referred to above.

4200 Jenny Lind Road, Ste B
Fort Smith, Arkansas 72901
Ph: 479.649.0888 email: marcl@selectlanding.com
www.selectcpa.com

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 Financing Ozarks Rural Growth and Economy's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Financing Ozarks Rural Growth and Economy'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 Financing Ozarks Rural Growth and Economy'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 Financing Ozarks Rural Growth and Economy'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 Financing Ozarks Rural Growth and Economy's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Financing Ozarks Rural Growth and Economy's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation 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.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
March 23, 2022

FINANCING OZARKS RURAL GROWTH AND ECONOMY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

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? yes no

Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance 2 CFR section 200.516(a)? yes no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
21.024	Community Development Financial Institutions Rapid Response Fund
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? yes no

Section II - Financial Statement Findings

Material Weaknesses/Significant Deficiencies - Current Year
None

Material Weaknesses/Significant Deficiencies - Prior Year
None

Section III - Federal Award Findings and Questioned Costs

Material Weaknesses/Significant Deficiencies - Current Year
None

Material Weaknesses/Significant Deficiencies - Prior Year
None