

**FRANKLIN COUNTY COMMUNITY DEVELOPMENT CORPORATION
AND AFFILIATE**

June 30, 2022

- I. Independent Auditors' Report
Consolidated Financial Statements
Consolidated Supplementary Information
- II. Reports in Accordance with
Government Auditing Standards
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FRANKLIN COUNTY COMMUNITY DEVELOPMENT CORPORATION AND AFFILIATE

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INDEPENDENT AUDITORS' REPORT

To the Officers and Directors
Franklin County Community Development Corporation and Affiliate

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Franklin County Community Development Corporation (a nonprofit organization) and Affiliate, which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Franklin County Community Development Corporation and Affiliate as of June 30, 2022, and the changes in their consolidated net assets and their consolidated 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Franklin County Community Development Corporation and Affiliate and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Franklin County Community Development Corporation and Affiliate's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 Franklin County Community Development Corporation and Affiliate's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Franklin County Community Development Corporation and Affiliate's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited Franklin County Community Development Corporation and Affiliate's 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated August 11, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited consolidated 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*, and consolidated supplemental schedules of activities, activities (operational), and activities (grant) are presented for purposes of additional analysis and are 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 and consolidated supplemental schedules of activities, activities (operational), and activities (grant) are 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 4, 2023, on our consideration of Franklin County Community Development Corporation and Affiliate's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Franklin County Community Development Corporation and Affiliate's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Franklin County Community Development Corporation and Affiliate's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Whittlesey PC".

Holyoke, Massachusetts
March 4, 2023

FRANKLIN COUNTY COMMUNITY DEVELOPMENT CORPORATION AND AFFILIATE
Consolidated Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
ASSETS		
Current Assets		
Cash	\$ 1,237,489	\$ 377,482
Accounts receivable, net	217,238	215,792
Grants receivable	274,609	390,692
Loans receivable, lending, current	532,428	408,831
Other	12,802	33,798
Total Current Assets	2,274,566	1,426,595
Property and Equipment, net	1,685,331	1,715,873
Other Assets		
Restricted cash, lending	2,213,817	1,746,525
Restricted cash, mortgage	38,419	28,367
Loans receivable, lending, net	3,750,492	3,280,667
Loans receivable, non-lending, deferred	446,580	446,580
Total Other Assets	6,449,308	5,502,139
Total Assets	\$ 10,409,205	\$ 8,644,607
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable - operating	\$ 60,179	\$ 72,787
Accrued expenses	123,905	131,153
Refundable advances	1,366,945	547,435
Funds held for others	219,989	462,333
Long-term debt, lending, current	233,125	222,504
Long-term debt, current	36,563	35,339
Total Current Liabilities	2,040,706	1,471,551
Long-Term Liabilities		
Long-term debt, lending	3,045,365	3,015,156
Long-term debt	634,160	670,725
Deferred payment loans	446,580	446,580
Total Long-Term Liabilities	4,126,105	4,132,461
Total Liabilities	6,166,811	5,604,012
Net Assets		
Without donor restrictions		
Undesignated	1,323,808	332,679
Invested in lending program	1,903,978	1,698,107
Invested in property and equipment	1,014,608	1,009,809
Total Net Assets	4,242,394	3,040,595
Total Liabilities and Net Assets	\$ 10,409,205	\$ 8,644,607

The accompanying notes are an integral part of these consolidated financial statements.

FRANKLIN COUNTY COMMUNITY DEVELOPMENT CORPORATION AND AFFILIATE
Consolidated Statement of Activities
Year Ended June 30, 2022
(With Comparative Totals for 2021)

	2022	2021
Revenues and Support		
Operating Revenues and Support		
Earned Revenue		
Food processing center	\$ 385,965	\$ 345,281
Lending	110,044	109,859
PVGrows	96,721	84,307
Venture center	212,426	195,113
Business assistance	1,000	12,200
Other	207	3,391
Total Earned Revenue	806,363	750,151
Support		
Grants		
Food processing center	157,758	189,275
Assets	135,907	97,784
Lending	378,304	467,025
Assets	1,203,702	568,664
Racial justice	128,404	86,037
MAAIC	113,030	-
Business assistance	541,469	597,106
Contributions, net	238,999	334,198
Total Support	2,897,573	2,340,089
Total Operating Revenues and Support	3,703,936	3,090,240
Fiscal sponsors	106,702	547,008
Total Revenues and Support	3,810,638	3,637,248
Expenses		
Program Service Expense		
Food processing center	918,698	784,557
Lending	408,488	434,861
PVGrows	86,827	84,354
Venture center	152,229	172,417
Racial justice	112,700	75,216
MAAIC	103,073	-
Business assistance	450,744	520,292
Total Program Service Expense	2,232,759	2,071,697
Support Service Expense		
Fundraising	76,047	94,289
Governance	9,956	25,364
General and administrative	188,151	196,133
Total Support Service Expense	274,154	315,786
Fiscal sponsors	101,926	513,189
Total Expenses	2,608,839	2,900,672
Change in Net Assets	1,201,799	736,576
Net assets - beginning of year	3,040,595	2,304,019
Net Assets - End of Year	\$ 4,242,394	\$ 3,040,595

The accompanying notes are an integral part of these consolidated financial statements.

FRANKLIN COUNTY COMMUNITY DEVELOPMENT CORPORATION AND AFFILIATE
Consolidated Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 1,201,799	\$ 736,576
Adjustments to Reconcile Net Assets to Net Cash from Operations		
Bad debt provision	3,000	3,000
Depreciation	203,813	185,437
Change in loan loss provision	28,191	71,513
Changes in operating assets and liabilities		
Accounts receivable	(4,446)	(129,001)
Grants receivable	116,083	(148,899)
Other	20,996	(7,495)
Accounts payable - operating	(12,608)	(58,821)
Accrued expenses and other liabilities	(7,248)	8,684
Refundable advances	819,510	(45,358)
Funds held for others	(242,344)	(26,497)
Net Cash Provided by Operating Activities	<u>2,126,746</u>	<u>589,139</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(173,272)	(97,783)
Loans receivable - disbursements	(1,859,971)	(1,365,780)
Loans receivable - repayments	1,238,358	712,129
Net Cash Used in Investing Activities	<u>(794,885)</u>	<u>(751,434)</u>
Cash Flows from Financing Activities		
Proceeds from long-term debt, lending	143,471	165,000
Principal payments on long-term debt, lending	(102,641)	(93,251)
Principal payments on long-term debt, other	(35,340)	(34,929)
Net Cash Provided by Financing Activities	<u>5,490</u>	<u>36,820</u>
Net Change in Cash	1,337,351	(125,475)
Cash - beginning of year	2,152,374	2,277,849
Cash - End of Year	<u>\$ 3,489,725</u>	<u>\$ 2,152,374</u>
Supplemental Information		
Interest paid (mortgages and investors)	<u>\$ 113,053</u>	<u>\$ 100,920</u>
Cash		
Cash	\$ 1,237,489	\$ 377,482
Restricted cash, lending	2,213,817	1,746,525
Restricted cash, mortgage	38,419	28,367
	<u>\$ 3,489,725</u>	<u>\$ 2,152,374</u>

The accompanying notes are an integral part of these consolidated financial statements.

FRANKLIN COUNTY COMMUNITY DEVELOPMENT CORPORATION AND AFFILIATE
Consolidated Statement of Functional Expense
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	2022													2021	
	Food Processing	Lending	PVGrows	Venture Center	Racial Justice	MAAIC	Business Assistance	Total Program	Fundraising	Governance	General and Administrative	Total Service Support	Fiscal Sponsors	Total	Total
Payroll, Taxes, Fringe	\$ 229,833	\$ 238,289	\$ 11,906	\$ 30,499	\$ 90,486	\$ 79,260	\$ 226,145	\$ 906,418	\$ 20,078	\$ 6,693	\$ 85,601	\$ 112,372	\$ -	\$ 1,018,790	\$ 965,315
Staff Development	7,853	-	-	-	-	-	-	7,853	-	-	2,861	2,861	-	10,714	11,504
Temporary Labor	123,366	-	-	-	-	-	-	123,366	-	-	-	-	-	123,366	6,760
Contractors	82,240	113,325	-	-	18,136	21,514	218,223	453,438	-	-	4,641	4,641	101,886	559,965	1,095,957
Supplies	158,365	-	-	-	678	2,299	-	161,342	-	-	7,726	7,726	-	169,068	100,925
Utilities	42,408	-	-	12,274	-	-	-	54,682	-	-	-	-	-	54,682	56,467
Repairs and Maintenance	61,209	-	-	33,916	-	-	-	95,125	-	-	-	-	-	95,125	93,617
Rental/Rent	21,600	4,320	2,880	-	2,400	-	3,600	34,800	6,600	-	11,400	18,000	-	52,800	65,119
Marketing/Outreach	9,878	3,977	670	-	1,000	-	605	16,130	49,107	-	-	49,107	-	65,237	29,673
Audit/Legal/Other Professional	8,382	711	5,732	3,407	-	-	-	18,232	-	3,263	43,441	46,704	-	64,936	67,672
Indirect	3,616	-	-	-	-	-	-	3,616	-	-	-	-	-	3,616	4,000
Other	6,684	2,689	375	9,738	-	-	2,171	21,657	262	-	27,771	28,033	40	49,730	40,044
Loan Loss Reserve/Bad Debt	-	28,191	-	-	-	-	-	28,191	-	-	3,000	3,000	-	31,191	74,313
Interest	7,554	16,986	65,264	16,002	-	-	-	105,806	-	-	-	-	-	105,806	103,869
Depreciation	155,710	-	-	46,393	-	-	-	202,103	-	-	1,710	1,710	-	203,813	185,437
Subtotal	918,698	408,488	86,827	152,229	112,700	103,073	450,744	2,232,759	76,047	9,956	188,151	274,154	101,926	2,608,839	2,900,672
General and Administrative Allocation	48,474	47,527	2,200	6,449	16,905	9,957	43,246	174,758	6,775	2,258	(183,791)	(174,758)	-	-	-
Total Expenses	\$ 967,172	\$ 456,015	\$ 89,027	\$ 158,678	\$ 129,605	\$ 113,030	\$ 493,990	\$ 2,407,517	\$ 82,822	\$ 12,214	\$ 4,360	\$ 99,396	\$ 101,926	\$ 2,608,839	\$ 2,900,672

The accompanying notes are an integral part of these consolidated financial statements.

FRANKLIN COUNTY COMMUNITY DEVELOPMENT CORPORATION AND AFFILIATE
Notes to the Consolidated Financial Statements
June 30, 2022

NOTE 1 – ORGANIZATION

Mission

The mission of the Franklin County Community Development Corporation (“FCCDC” or the “Corporation”) is to stimulate a more vital, rural economy, to maximize control over our future economic destiny, and to expand opportunities for low- and moderate-income residents of Franklin County, the North Quabbin area, and those towns within Western Massachusetts that can be appropriately served by the FCCDC.

To accomplish this mission, the Corporation shall sponsor projects that:

- A. Expand and diversify the area’s economy by building a strong climate for new entrepreneurship and supporting locally controlled businesses.
- B. Promote the expansion of stable jobs that pay a living wage.
- C. Pursue economic development projects that reinforce the preservation of rural character and environmental quality, particularly agricultural land.
- D. Build a greater sense of “community” among diverse interest groups through both formal and informal events that encourage broad-based participation.
- E. Work with direct service providers to advocate for and develop programs as needed to meet the basic requirements of low- and moderate-income residents, including the need for affordable housing.

Lending

Since 1979, the FCCDC has provided over \$19.6 million in financing over 410 loans to local businesses. It lends between \$5,000 and \$250,000 to both start-up and existing small businesses for a wide range of purposes. It supports entrepreneurs involved in a variety of industries with an emphasis on supporting businesses committed to either retaining or creating jobs. The FCCDC provides these loans through its own funds and other loan funds the FCCDC manages and administers for others.

Lending - PVGrows

In 2015, the Pioneer Valley Grows Investment Fund, Inc. (“PVGIF”) was established as a separate entity (supporting organization to the FCCDC) to be administered by the FCCDC. PVGIF uses community investments to provide financing to local farm and food businesses. PVGIF offers an investment vehicle for individuals, institutions, and foundations to invest in building a healthier food system. Its mission is to strengthen and grow the local food economy – more vibrant farm and food businesses, more local jobs, and more access to healthy food in the Pioneer Valley.

Venture Center

In 1989, the FCCDC purchased and renovated a 36,000 square foot industrial building for operation as a small business incubator. The Venture Center provides space consisting of five light industrial spaces and eight offices, including office equipment and other resources, for start-up and growing businesses. The Venture Center is also home to the FCCDC offices and the Western MA Food Processing Center.

Racial Justice

The Racial Justice Initiative works with businesses in Franklin County to help make them more welcoming and inclusive. The racial justice initiative supports leaders as they focus on the business community to further racial equity in the workplace and in the community through communications, programs, and practices. In order to experience an actual impact, the Racial Justice Initiative encourages businesses to look at existing white dominant culture and focus on structural change, such as the improvement of outreach efforts to recruit diverse talent and address implicit bias in the workplace. The Initiative started in November 2020 and has connected with over 80 employees and employers.

NOTE 1 – ORGANIZATION – (CONTINUED)

Western MA Food Processing Center

The Western Mass Food Processing Center, created in 2001, has a mission to promote economic development through entrepreneurship, provide opportunities for sustaining local agriculture, and promote best practices for food producers.

MAAIC

The Massachusetts Agriculture Innovations Center, created in 2022, is a network of business-assistance providers across Massachusetts that helps farms launch and scale new value-added products.

Business Assistance

Since 1979, the FCCDC has provided business assistance to entrepreneurs and business owners to help them start or grow their business and lay the foundation for long-term stability and potential growth. This takes various forms, including one-on-one counseling, group classes and trainings, and referrals to others to help them with their business issues.

Fiscal Sponsorship

The FCCDC offers its legal and tax-exempt status to groups engaged in activities related to the FCCDC's mission. FCCDC charges fees to the projects based upon their size and the services to be provided by the FCCDC to the projects.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

These consolidated financial statements include FCCDC and its Affiliate (PVGrows Investment Fund, Inc. ("Affiliate")). All intercompany transactions and account balances have been eliminated in consolidation.

Basis of Presentation

FCCDC and Affiliate prepare their consolidated financial statements in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which requires the Organizations to report information regarding their consolidated financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – net assets that are not subject to donor imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of FCCDC's management and board of directors.

Net assets with donor restrictions – net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature and will be met by actions of FCCDC or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. For the years ended June 30, 2022 and 2021, FCCDC and Affiliate had no net assets with donor restrictions.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction is met or expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statement of activities.
on revenue.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Basis of Accounting and Revenue Recognition

The consolidated statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Transactions deemed by management to be ongoing, major, or central to the provisions of program services are reported as operating revenues and operating expenses in the accompanying consolidated statement of activities. Non-direct program transactions, specifically fiscal sponsorship, are reported as non-operating revenues and non-operating expenses.

FCCDC and Affiliate prepare their consolidated financial statements on the accrual basis of accounting. Under this basis, revenues and expenses are reported when incurred, without regard to the date of receipt or payment of cash.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Lending - Interest from lending activities and financing charges are recognized when received.

Gifts and contributions - All contributions, including unconditional promises to give, are considered to be available for unrestricted use unless specifically restricted by the donor. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as support within the net asset class of those with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions assets and reported in the statements of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported in the net assets without donor restrictions category.

Grants - Grants may be considered an exchange transaction or a conditional/unconditional promise to give. FCCDC and its Affiliate recognize grants deemed to be an exchange transaction once the performance obligation is met. Grants considered to be unconditional promises to give are recognized when awarded. Grants considered to be conditional promises to give, that is, those with a measurable performance or other barrier and right of return, are recognized when the condition is met. Failure to fulfill the conditions could result in the return of funds to the grantor. FCCDC and its Affiliate have not been informed by any agencies of any funds which are required to be returned.

Conditional Promises to Give – As of June 30, 2022 and 2021, FCCDC and Affiliate has received commitments of conditional grants and contracts of approximately \$1,310,000 and \$1,434,000, respectively, from federal funding sources that will be recognized as revenue pending fulfillment of conditions associated with the awards. Such grants are conditional upon compliance with the terms of the grant agreements, including incurring qualified program expenses.

Cash and Restricted Cash

The FCCDC maintains checking accounts as well as bank certificates of deposit (CDs) which it classifies as cash and restricted cash for the purposes of the consolidated statements of financial position and cash flows. Restricted cash is for the lending of funds and mortgage reserves.

Accounts and Grants Receivable/Bad Debt Expense

Accounts and grants receivable are stated at the amounts management expects to collect from outstanding balances. Management provides for possible uncollectible amounts through a charge to bad debt expense and a credit to an allowance account based on its assessment of the current status of individual accounts. The adequacy of the allowance for doubtful accounts of receivables is reviewed on an ongoing basis by the FCCDC's management and adjusted as necessary. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance account and a credit to the receivable.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

The accounts receivable balance, consisting of current amounts due from tenants and other service customers, is shown net of the allowance for doubtful accounts at June 30, 2022 and 2021 of \$13,507 and \$13,187, respectively.

Community Investment Tax Credit

The FCCDC has been receiving an annual Community Investment Tax Credit (“CITC”) allocation from the state of Massachusetts. For calendar years 2022 and 2021 the FCCDC received allocations of \$150,000 and \$180,000, respectively. This allows donors to the FCCDC (of at least \$1,000) to get a Massachusetts state tax credit equal to 50% of the contribution made to the FCCDC.

On occasion the FCCDC partners with other non-profit organizations to meet the objective of our Community Investment Plan. Therefore, some CITC contributions to the FCCDC are distributed to these organizations. Consequently, the consolidated statement of activities shows contributions as net of these contributions made for the benefit of these organizations. For the years ending June 30, 2022 and 2021, these contributions to others totaled \$20,000 and \$42,000, respectively.

Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

Property and Equipment and Depreciation

Property and equipment are stated at cost when purchased or, if donated, at estimated fair market value at the date of donation. Major additions and improvements are capitalized while ordinary maintenance and repairs are expensed against revenue as incurred. The FCCDC capitalizes purchases of \$2,500 or more.

Construction in progress is not depreciated. Depreciation of property and equipment is calculated using the straight-line method over the following estimated useful lives:

Building and improvements	5-30 years
Equipment	3-25 years

FCCDC’s management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recovered.

Loans Receivable and Loan Loss Reserve

Loans receivable are stated at the unpaid principal balance less the loan loss reserve (See Note 6). Interest on loans is calculated by using the simple interest method on monthly balances of the principal amount outstanding.

Interest is not recognized on the accrual basis but, instead, is recognized when paid. Costs and fees associated with the issuance of loans are expensed in the period incurred.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

U.S. GAAP requires not-for-profit organizations to record interest expense and contribution revenue in connection with loans payable that are interest-free or that have below-market interest rates. Likewise, funds loaned to borrowers at below-market interest rates should also result in imputed revenue and contribution expenses.

FCCDC and Affiliate believe that the benefits derived from below-market rate loans are passed through to the borrowers via below-market rate loans made and the stated rates of loans in their portfolios. Consequently, no adjustments have been made to the accompanying consolidated financial statements to reflect rate differentials.

The loan loss reserve is changed by the provision for loan losses which is charged or credited to expense and reduced by write-downs, net of recoveries.

Functional Expenses

The costs of providing various programs and other activities have been presented on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are allocated between program expenses, general and administrative expenses, and fundraising expenses in the following manner: payroll, taxes, fringe, temporary labor, and indirect are allocated based on time and effort; utilities, rental/rent, and depreciation are allocated based on the square footage associated with each function; all other expenses are directly charged to each function

Prior-Year Information

The consolidated statement of activities includes certain prior-year summarized comparative information in total but not by net asset class and the consolidated statement of functional expense and the consolidated supplementary schedules of activities include certain prior-year summarized comparative information in total but not by function. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with FCCDC and its Affiliate's consolidated financial statements for the year ended June 30, 2021 from which the summarized information was derived.

Income Taxes/Non-Profit Status

FCCDC and Affiliate are not-for-profit corporations organized in 1979 and 2015, respectively, under the laws of the Commonwealth of Massachusetts and have been recognized as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organizations are also exempt from state income taxes. Accordingly, FCCDC and Affiliate do not record a provision for income taxes in their consolidated net assets. Donors may deduct contributions made to the Organizations within the IRC requirements as they qualify for the charitable deduction under Section 170(b)(1)(A) and have been classified as corporations that are not private foundations under Section 509(a)(1).

The FCCDC is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the IRC. FCCDC has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. FCCDC has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

The Organizations' tax information returns are subject to examination by the federal and the Commonwealth of Massachusetts state jurisdictions and, generally, remain open for the most recent three years.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditures, that is without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date of June 30, 2022 and 2021, are comprised of the following:

	<u>2022</u>	<u>2021</u>
Cash	\$ 1,237,489	\$ 377,482
Accounts receivable, net	217,238	215,792
Grants receivable	<u>274,609</u>	<u>390,692</u>
	1,729,336	983,966
Less - funds held for others (Note 9)	<u>(219,989)</u>	<u>(462,333)</u>
	<u><u>\$ 1,509,347</u></u>	<u><u>\$ 521,633</u></u>

FCCDC maintains a line of credit in the amount of \$60,000, which could be drawn upon in the event of an unanticipated liquidity need.

NOTE 4 – RESTRICTED CASH – LENDING

Cash in lending funds are held in separate bank accounts which may only be used for the purposes specified in related agreements.

Restricted lending cash at June 30, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Loan repayments collected by the FCCDC on behalf of a loan program administered for the Town of Erving	\$ 70,454	\$ 7,942
Cash from Micro Lending Grant. Not held in separate bank account but commingled with FCCDC general checking account	-	87,500
Cash accounts for four Federal lending program operations (see Note 5) which may only be used for loans and other program related costs.	1,069,403	367,517
Cash accounts for the MA Food Trust Program lending operations (see Note 5) which may only be used for loans and other program related costs.	727,170	589,739
Cash accounts for the PVGrows lending program operations (see Note 5) which may only be used for loans and other program related costs.	<u>346,790</u>	<u>693,827</u>
Total	<u><u>\$ 2,213,817</u></u>	<u><u>\$ 1,746,525</u></u>

NOTE 5 – LOANS RECEIVABLE, LENDING

FCCDC and Affiliate lend in defined areas. Loan products vary by type and presence of collateral, risk level, loan size, degree of mission match, and presence of designated funding sources. Loans are primarily secured by business assets and, on occasion, by mortgages on residences owned by the principal owners of the business.

NOTE 5 – LOANS RECEIVABLE, LENDING – (CONTINUED)

FCCDC and Affiliate lend in defined areas. Loan products vary by type and presence of collateral, risk level, loan size, degree of mission match, and presence of designated funding sources. Loans are primarily secured by business assets and, on occasion, by mortgages on residences owned by the principal owners of the business.

The FCCDC’s lending policy requires that no single loan exceed \$300,000. As of June 30, 2022 and 2021, there were no loans that exceeded this threshold.

On June 30, 2022 and 2021, there were 125 and 108, respectively, loans outstanding to various small business borrowers, maturing through July 2030 and bearing interest rates ranging between 0% and 8%. As of June 30, 2022, the balances due on these loans varied in amounts from \$10 to \$300,000, and in terms from 3 months to 15 years.

Loans receivable consist of the following at June 30, 2022 and 2021:

	2022	2021
Loans receivable	\$ 4,558,689	\$ 3,941,131
Less - allowance for loan losses	275,769	251,633
	4,282,920	3,689,498
Less - amount due within one year	532,428	408,831
Amount due after one year	\$ 3,750,492	\$ 3,280,667

Loans receivable by program at June 30, 2022 and 2021 consists of the following:

	2022			2021		
	#	\$	%	#	\$	%
MA Food Trust Program (MFTP) loans issued to individual healthy food businesses using funds provided by the Commonwealth of Massachusetts	13	806,385	17.7	10	632,648	16.1
PVGrows loans issued to individual food/farm businesses using community investments.	55	1,687,440	37.0	47	1,511,212	38.3
United States Department of Agriculture/Rural Microentrepreneur Assistance Program (USDA/RMAP) loans issued to individual businesses with funds provided by the Rural Microloan Assistance Program loan payable. Loan amounts may not exceed \$50,000 and terms may not exceed 10 years.	16	348,354	7.6	19	458,267	11.6
Sudden and Severe Economic Dislocation (SSED) Revolving Loan Fund loans issued to businesses with funds originally provided by the U.S. Economic Development Administration (EDA) and matching funds. Interest rates (minimum 4%) and maturities are restricted by the EDA.	22	695,275	15.3	21	781,712	19.8

NOTE 5 – LOANS RECEIVABLE, LENDING – (CONTINUED)

Massachusetts Growth Capital Corporation (MGCC) loans issued to create and preserve jobs at small business, women and minority owned businesses, and to promote economic development in underserved, municipalities and low and moderate income communities.

9 550,647 12.1 0 - -

United States Department of Agriculture Rural Development - Intermediary Relending Program (USDA/IRP) loans issued to businesses with funding provided by the USDA/IRP debt (See Note 12). Interest rates and maturities are restricted by the USDA/IRP. Interest rates range between 1% and 4% above prime.

10 470,588 10.3 11 557,292 14.1

Total

125 4,558,689 100% 108 3,941,131 100%

Loan payments received on USDA/RMAP, USDA/IRP and SSED loans are required to be segregated and can only be used for program-related costs (repayment of the original federal loans, new loans to eligible recipients, administrative costs).

Outstanding loan receivable balances which are security for long-term debt on FCCDC and Affiliate's consolidated statements of financial position totaled \$1,165,863 and \$1,015,559 at June 30, 2022 and 2021, respectively.

In addition to loans receivable, the FCCDC and Affiliate had loan commitments to borrowers totaling \$125,000 and \$54,108 at June 30, 2022 and 2021, respectively. Loan commitments represent arrangements to lend funds at specified terms and interest rates and contain fixed expiration dates or other termination clauses.

NOTE 6 – ALLOWANCE FOR LOAN LOSSES

Management evaluates loan collectability through consideration of factors such as previous loss experience, performance of individual loans in accordance with contract terms, financial strength and cash flows of the borrower, realizable values of collateral, and current economic conditions that may affect the borrower's ability to repay.

The loan loss reserve is maintained at the minimum required by the Federal agency that funded the original loan ("USDA/IRP" and "USDA/RMAP"), or that granted the loan funds ("SSED/EDA/MGCC"), or which, in management's judgment, is adequate to absorb losses inherent in the loan portfolio as of the date of the consolidated financial statements. At June 30, 2022 and 2021, the mandated minimum loan loss reserve was 3% for USDA/IRP and SSED/EDA/MGCC and 5% for USDA/RMAP.

The total Allowance for Loan Losses ("ALL") at June 30, 2022 and 2021, was \$275,769 and \$251,633, representing 6.0% and 6.4%, respectively, of loans receivable.

NOTE 6 – ALLOWANCE FOR LOAN LOSSES – (CONTINUED)

The ALL is estimated based on a system adopted by the FCCDC and Affiliate’s board of directors, and the amount is determined by a monthly management review of a watched assets report. The balance in the ALL is based on management’s judgment and evaluation of the loan portfolio in relation to past loss experience, the size and composition of the portfolio, current economic events and conditions, and other pertinent factors, including management’s assumptions as to future delinquencies, recoveries and losses. All of these factors are susceptible to significant change. All loans undergo continuous monitoring. To the extent actual outcomes differ from management’s estimates, additional provisions for loan losses may be required that would adversely impact earnings in future periods.

The following table sets forth activity in the ALL by loan segment for the years ended June 30, 2022 and 2021:

	ALL June 30, 2021	Net Charge-offs of Loans	Provision	ALL June 30, 2022
MA Food Trust	\$ 33,383	\$ -	\$ 4,786	\$ 38,169
PVGrows	84,074	-	4,887	88,961
RMAP	43,854	(4,055)	(21,270)	18,529
SSED	68,642	-	25,856	94,498
USDA	16,719	-	(2,601)	14,118
MGCC	-	-	13,573	13,573
EDA CARES	4,961	-	2,960	7,921
Total	<u>\$ 251,633</u>	<u>\$ (4,055)</u>	<u>\$ 28,191</u>	<u>\$ 275,769</u>
	ALL June 30, 2020	Net Charge-offs of Loans	Provision	ALL June 30, 2021
MA Food Trust	\$ 2,009	\$ -	\$ 31,374	\$ 33,383
PVGrows	80,598	-	3,476	84,074
RMAP	41,906	-	1,948	43,854
SSED	28,865	-	39,777	68,642
USDA	26,742	-	(10,023)	16,719
EDA CARES	-	-	4,961	4,961
Total	<u>\$ 180,120</u>	<u>\$ -</u>	<u>\$ 71,513</u>	<u>\$ 251,633</u>

Delinquent Loans

Loans are considered delinquent when 30 days past due based on the contractual terms of the loan. Delinquent loans totaled \$1,336,520 and \$687,822 at June 30, 2022 and 2021, respectively.

Loan portfolio delinquencies greater than 120 days past due totaled \$19,491 at June 30, 2022 and 2021, respectively.

Impaired Loans

FCCDC and Affiliate identify a loan as impaired when it is probable that interest or principal will not be collected according to the contractual terms of the loan agreement. Management can employ one of three methods to determine and measure impairment: the Present Value of Future Cash Flows Method; the Fair Value of Collateral Method; and the Observable Market Price of a Loan Method. FCCDC and Affiliate use the Fair Value Collateral Method for all loans deemed to be impaired. To perform an impairment analysis, FCCDC and Affiliate review a loan’s performance, its outstanding balance, value of the collateral, guarantors, and a current report of the action being implemented.

NOTE 6 – ALLOWANCE FOR LOAN LOSSES – (CONTINUED)

Impaired loans as of June 30, 2022 and 2021 are set forth in the tables below:

	2022		
	Number of Impaired Loans	Amount of Impaired Loans	Allowance for Loan Losses
RMAP	1	\$ 19,491	\$ 5,491
MA Food Trust	1	14,410	14,410
PVGrows	2	58,468	40,093
SSED	2	84,037	84,037
Total	6	\$ 176,406	\$ 144,031
	2021		
	Number of Impaired Loans	Amount of Impaired Loans	Allowance for Loan Losses
RMAP	2	\$ 23,076	\$ 9,076
PVGrows	3	101,974	80,427
SSED	2	85,034	85,034
Total	7	\$ 210,084	\$ 174,537

Charge-Offs

Loans are fully or partially charged off when deemed uncollectible based on management's assessment of individual circumstances. Loan charge-offs were \$-0- and \$51,615 for the years ended June 30, 2022 and 2021, respectively.

NOTE 7 – LOANS RECEIVABLE, NON-LENDING, DEFERRED

All deferred payment receivables are considered to be other assets.

The FCCDC acquired the following loans receivable to be used for a former program (Town of Greenfield Community Development Block Grant loans) for home buyers and for acquiring and renovating certain properties. These loans are collateralized by mortgages on certain properties and are receivable by the FCCDC upon the sale of the secured real estate. Loans may be assumed by the purchaser of the real estate upon meeting income eligibility requirements and at the discretion of the FCCDC. These loans bear no interest and are offset by deferred payment loans (see Note 13). Repayment is required upon sale of the collateralized real estate or upon collection of the loans given. Many of the loans have provisions which allow them to be forgiven.

	2022	2021
Due from home buyers	\$ 321,860	\$ 321,860
Due from Pioneer Cooperative of Franklin County, Inc.	124,720	124,720
Total of loans receivable, non-lending, deferred	\$ 446,580	\$ 446,580

NOTE 8 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2022 and 2021:

	2022			
	Venture Center	Food Processing Center	Other	Total
Buildings and Improvements	\$ 1,504,936	\$ 780,235	\$ -	\$ 2,285,171
Equipment	62,504	1,701,020	11,648	1,775,172
Land	118,800	-	-	118,800
Total Property and Equipment	<u>1,686,240</u>	<u>2,481,255</u>	<u>11,648</u>	<u>4,179,143</u>
Less Accumulated Depreciation				
Buildings and Improvements	(1,266,614)	(536,715)	-	(1,803,329)
Equipment	<u>(49,586)</u>	<u>(632,384)</u>	<u>(8,513)</u>	<u>(690,483)</u>
Total Accumulated Depreciation	<u>(1,316,200)</u>	<u>(1,169,099)</u>	<u>(8,513)</u>	<u>(2,493,812)</u>
Total Property and Equipment, net	<u>\$ 370,040</u>	<u>\$ 1,312,156</u>	<u>\$ 3,135</u>	<u>\$ 1,685,331</u>
	2021			
	Venture Center	Food Processing Center	Other	Total
Buildings and Improvements	\$ 1,498,636	\$ 759,402	\$ -	\$ 2,258,038
Equipment	58,678	1,561,298	16,543	1,636,519
Land	118,800	-	-	118,800
Total Property and Equipment	<u>1,676,114</u>	<u>2,320,700</u>	<u>16,543</u>	<u>4,013,357</u>
Less Accumulated Depreciation				
Buildings and Improvements	(1,223,955)	(506,111)	-	(1,730,066)
Equipment	<u>(46,721)</u>	<u>(508,999)</u>	<u>(11,698)</u>	<u>(567,418)</u>
Total Accumulated Depreciation	<u>(1,270,676)</u>	<u>(1,015,110)</u>	<u>(11,698)</u>	<u>(2,297,484)</u>
Total Property and Equipment, net	<u>\$ 405,438</u>	<u>\$ 1,305,590</u>	<u>\$ 4,845</u>	<u>\$ 1,715,873</u>

Depreciation expense for the years ended June 30, 2022 and 2021 was:

	2022	2021
Food Processing Center	\$ 155,710	\$ 138,846
Venture Center	46,393	44,881
General and Administrative	<u>1,710</u>	<u>1,710</u>
Total	<u>\$ 203,813</u>	<u>\$ 185,437</u>

NOTE 9 – FUNDS HELD FOR OTHERS

	<u>2022</u>	<u>2021</u>
Tenant security deposits*	\$ 35,613	\$ 31,720
Funds held on behalf of fiscal sponsorship agencies*	113,922	422,663
Loan repayments collected by the FCCDC on behalf of a loan program administered for the Town of Erving	<u>70,454</u>	<u>7,950</u>
Total Funds Held for Others	<u>\$ 219,989</u>	<u>\$ 462,333</u>

*These funds are held without restrictions and, thus, are commingled with operating cash.

NOTE 10 – LINE OF CREDIT

A \$60,000 hard-maturity line of credit from Greenfield Cooperative Bank (for working capital needs), which is secured by all business assets of FCCDC. At June 30, 2022 and 2021, there were no outstanding balances on this line of credit. The line of credit was established in March, 2015 and has a maturity date of March 2025. This line of credit requires interest-only monthly payments. Interest is the prime rate (4.75% and 3.25% at June 30, 2022 and 2021, respectively). This loan is subject to annual review and may be extended, renewed, modified, or terminated at the bank's discretion.

NOTE 11 – REFUNDABLE ADVANCES

For the years ended June 30, 2022 and 2021, refundable advances consists of \$51,480 and \$47,179, respectively, of prepaid parking lot rent and \$1,315,465 and \$500,256, respectively, of grant advances to be earned and recognized in fiscal year 2023.

NOTE 12 – LONG-TERM DEBT**Lending Debt**

Long-term lending debt consisted of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Note payable to USDA/IRP in annual installments of \$42,450 including interest of 1%. The loan is due in full in September 2022. This note is secured by an interest in both the Intermediary Relending Portfolio ("IRP") loans and the related segregated cash account.	\$ 39,068	\$ 80,711
Note payable to USDA/IRP in annual installments of \$30,848 including interest of 1%. The loan is due in full in October 2038. This note is secured by an interest in both the IRP loans and the related segregated cash account.	479,938	505,728
Note payable to USDA/RMAP in monthly installments of \$2,801 including interest of 2%. The loan is due in full in March 2032. This note is secured by an interest in both the USDA/RMAP loans and the related segregated cash account.	288,523	320,579

NOTE 12 – LONG-TERM DEBT – (CONTINUED)

	<u>2022</u>	<u>2021</u>
Note Payable to USDA/RMAP in monthly installments of \$2,801 including interest of 2%. The loan is due in full in March of 2032. This note is secured by an interest in both the USDA/RMAP loans and the related segregated cash accounts.	246,848	250,000
Notes payable to various PVGrows Fund investors (individuals and institutions) to fund PVGrows loans. Investments range from \$1,000 to \$100,000. Interest rates are from 2% to 4% with maturity dates ranging from August 2021 through April 2028. These notes are unsecured, with investors having no recourse on any assets of FCCDC.	<u>2,224,113</u>	<u>2,080,642</u>
Total lending long-term debt	3,278,490	3,237,660
Less lending debt due within one year	<u>233,125</u>	<u>222,504</u>
Lending long-term debt, due after one year	<u><u>\$ 3,045,365</u></u>	<u><u>\$ 3,015,156</u></u>

Other Debt

Long-term other debt consisted of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Mortgage payable to the United States Department of Agriculture Rural Development (USDA/RD) in monthly installments of \$3,458 including interest of 3.375%. The loan is due in full in September 2042.	\$ 460,259	\$ 485,754
Mortgage payable to the USDA/RD (origination: March 2018 - \$250,000) in monthly installments of \$1,450 including interest at 3.5%. The loan is due in full in March 2038.	<u>210,464</u>	<u>220,310</u>
Total other long-term debt	670,723	706,064
Less other debt due within one year	<u>36,563</u>	<u>35,339</u>
Other long-term debt, due after one year	<u><u>\$ 634,160</u></u>	<u><u>\$ 670,725</u></u>

This other debt is secured by both the Venture Center and the Food Processing Center.

The estimated aggregate principal payments to retire the FCCDC's outstanding long-term debt at June 30, 2022 are as follows:

2023	\$ 269,688
2024	645,130
2025	271,090
2026	371,430
2027	763,030
Thereafter	<u>1,628,845</u>
Total	<u><u>\$ 3,949,213</u></u>

NOTE 13 – DEFERRED PAYMENT LOANS

All deferred payment loans are considered to be long-term liabilities.

The following two deferred payment loans from a Town of Greenfield Community Development Block Grant were used for a former program for home buyers and for acquiring and renovating certain properties. The loan is collateralized by the multiple properties that received financing and bears no interest. Repayment is required upon sale of the collateralized real estate or upon collection of the loans given.

Many of the loans have provisions which allow them to be forgiven. These notes are offset by corresponding notes receivable, non-lending (see Note 7).

	<u>2022</u>	<u>2021</u>
Various home buyers	\$ 321,860	\$ 321,860
Pioneer Coop of Franklin County, Inc.	<u>124,720</u>	<u>124,720</u>
Total deferred payment loans	<u><u>\$ 446,580</u></u>	<u><u>\$ 446,580</u></u>

NOTE 14 – RISKS AND UNCERTAINTIES

FCCDC receives a significant portion of its support from grants, including federal and state sources. Some of the grants permit the funding source to audit the financial operation of the grantee and compliance with the terms of the grant agreements. Such audits could result in disallowance of some costs charged to the grants and, therefore, create a liability. Liabilities resulting from these audits, if any, will be recorded in the period in which the amount of the liability is ascertained. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the FCCDC expects no such amounts. The FCCDC has regularly been audited by Local Initiatives Support Corporation (LISC) for its grants from LISC. There have been no negative outcomes from these regular audits. During the past 20 years no grant expenditures have been disallowed.

NOTE 15 – CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject FCCDC to concentrations of credit risk consist principally of cash. The FCCDC maintains cash accounts at Greenfield Cooperative Bank and Greenfield Savings Bank. These cash accounts are insured by the Federal Deposit Insurance Corporation (FDIC) to at least \$250,000. All deposits above the FDIC Insurance amount are insured by the Share Insurance Fund (SIF) or the Depositors Insurance Fund (DIF). FCCDC has not experienced, nor does it anticipate, any losses with respect to such accounts.

The FCCDC receives revenue and support from various federal and state entities and its branches, private lenders and financial institutions. The FCCDC was owed \$274,609 and \$390,692 in grants receivable from these sources at June 30, 2022 and 2021, respectively. These grants receivable are unsecured but considered collectible.

All loans receivable are from small businesses. The lending policies of FCCDC and Affiliate consider collateral in its underwriting. FCCDC and Affiliate obtain collateral when available but, due to the missions of the Organizations, it may approve loans which are either completely unsecured or are functionally unsecured based on the likely limited collateral value in a liquidation scenario. FCCDC and Affiliate also recognize that in instances where it is a subordinate lender it will be at a financial disadvantage in liquidation scenarios.

NOTE 16 – RISK MANAGEMENT

FCCDC and Affiliate are exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Organizations carry commercial insurance. There were no reductions in insurance coverage from the prior year and there have been no settlements in any of the past three fiscal years.

NOTE 17 – RELATED PARTIES

One board member is employed by Greenfield Savings Bank while another is employed by the Greenfield Cooperative Bank, the FCCDC's two banks.

NOTE 18 – RELATED PARTY TRANSACTIONS

Board members and staff are typically donors to the FCCDC. Donations and investments are accepted from employees, individual board members, or organizations with which current and former employees and board members are employed or associated. These transactions are part of the FCCDC's normal course of business.

NOTE 19 – SUBSEQUENT EVENTS

FCCDC and Affiliate have evaluated events that have occurred subsequent to June 30, 2022, through March 4, 2023, the date the consolidated financial statements were available to be issued, and have determined there were no material events that met the criteria for recognition or disclosure in the consolidated financial statements.

CONSOLIDATED SUPPLEMENTARY INFORMATION

FRANKLIN COUNTY COMMUNITY DEVELOPMENT CORPORATION AND AFFILIATE
Consolidated Supplemental Schedule of Activities
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	2022														2021
	Food Processing	Lending	PVGrows	Venture Center	Racial Justice	MAAIC	Business Assistance	Total Program	Fundraising	Governance	General and Administrative	Total Service Support	Fiscal Sponsors	Total	Total
Income	\$ 679,630	\$ 1,692,050	\$ 96,721	\$ 212,426	\$ 128,404	\$ 113,030	\$ 542,469	\$ 3,464,730	\$ 238,999	\$ -	\$ 207	\$ 239,206	\$ 106,702	\$ 3,810,638	\$ 3,637,248
Expenses															
Payroll, Taxes, Fringe	229,833	238,289	11,906	30,499	90,486	79,260	226,145	906,418	20,078	6,693	85,601	112,372	-	1,018,790	965,315
Staff Development	7,853	-	-	-	-	-	-	7,853	-	-	2,861	2,861	-	10,714	11,504
Temporary Labor	123,366	-	-	-	-	-	-	123,366	-	-	-	-	-	123,366	6,760
Contractors	82,240	113,325	-	-	18,136	21,514	218,223	453,438	-	-	4,641	4,641	101,886	559,965	1,095,957
Supplies	158,365	-	-	-	678	2,299	-	161,342	-	-	7,726	7,726	-	169,068	100,925
Utilities	42,408	-	-	12,274	-	-	-	54,682	-	-	-	-	-	54,682	56,467
Repairs and Maintenance	61,209	-	-	33,916	-	-	-	95,125	-	-	-	-	-	95,125	93,617
Rental/Rent	21,600	4,320	2,880	-	2,400	-	3,600	34,800	6,600	-	11,400	18,000	-	52,800	65,119
Marketing/Outreach	9,878	3,977	670	-	1,000	-	605	16,130	49,107	-	-	49,107	-	65,237	29,673
Audit/Legal/Other Professional	8,382	711	5,732	3,407	-	-	-	18,232	-	3,263	43,441	46,704	-	64,936	67,672
Indirect	3,616	-	-	-	-	-	-	3,616	-	-	-	-	-	3,616	4,000
Other	6,684	2,689	375	9,738	-	-	2,171	21,657	262	-	27,771	28,033	40	49,730	40,044
Loan Loss Reserve/Bad Debt	-	28,191	-	-	-	-	-	28,191	-	-	3,000	3,000	-	31,191	74,313
Interest	7,554	16,986	65,264	16,002	-	-	-	105,806	-	-	-	-	-	105,806	103,869
Depreciation	155,710	-	-	46,393	-	-	-	202,103	-	-	1,710	1,710	-	203,813	185,437
Subtotal	918,698	408,488	86,827	152,229	112,700	103,073	450,744	2,232,759	76,047	9,956	188,151	274,154	101,926	2,608,839	2,900,672
G and A Allocation	48,474	47,527	2,200	6,449	16,905	9,957	43,246	174,758	6,775	2,258	(183,791)	(174,758)	-	-	-
Total Expenses	967,172	456,015	89,027	158,678	129,605	113,030	493,990	2,407,517	82,822	12,214	4,360	99,396	101,926	2,608,839	2,900,672
Change in Net Assets	\$ (287,542)	\$ 1,236,035	\$ 7,694	\$ 53,748	\$ (1,201)	\$ -	\$ 48,479	\$ 1,057,213	\$ 156,177	\$ (12,214)	\$ (4,153)	\$ 139,810	\$ 4,776	\$ 1,201,799	\$ 736,576

FRANKLIN COUNTY COMMUNITY DEVELOPMENT CORPORATION AND AFFILIATE
Consolidated Supplemental Schedule of Activities (Operational)
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	2022														2021
	Food Processing	Lending	PVGrows	Venture Center	Racial Justice	MAAIC	Business Assistance	Total Program	Fundraising	Governance	General and Administrative	Total Service Support	Fiscal Sponsors	Total	Total
Program Revenues	\$ 385,965	\$ 110,044	\$ 96,721	\$ 212,426	\$ -	\$ -	\$ 1,000	\$ 806,156	\$ 238,999	\$ -	\$ 207	\$ 239,206	\$ 106,702	\$ 1,152,064	\$ 1,717,394
Expenses															
Payroll, Taxes, Fringe	180,482	39,540	11,906	30,499	-	-	-	262,427	20,078	6,693	85,601	112,372	-	374,799	577,891
Staff Development	7,853	-	-	-	-	-	-	7,853	-	-	2,861	2,861	-	10,714	11,504
Temporary Labor	123,366	-	-	-	-	-	-	123,366	-	-	-	-	-	123,366	6,760
Contractors	41,233	-	-	-	-	-	86,766	127,999	-	-	4,641	4,641	101,886	234,526	555,185
Supplies	154,313	-	-	-	-	-	-	154,313	-	-	7,726	7,726	-	162,039	100,925
Utilities	42,408	-	-	12,274	-	-	-	54,682	-	-	-	-	-	54,682	56,467
Repairs and Maintenance	61,209	-	-	33,916	-	-	-	95,125	-	-	-	-	-	95,125	90,957
Rental/Rent	21,600	4,320	2,880	-	-	-	3,600	32,400	6,600	-	11,400	18,000	-	50,400	52,800
Marketing/Outreach	9,878	3,977	670	-	-	-	605	15,130	49,107	-	-	49,107	-	64,237	29,673
Audit/Legal/Other Professional	8,382	711	5,732	3,407	-	-	-	18,232	-	3,263	43,441	46,704	-	64,936	67,672
Indirect	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	6,684	2,689	375	9,738	-	-	2,171	21,657	262	-	27,771	28,033	40	49,730	40,044
Loan Loss Reserve/Bad Debt	-	28,191	-	-	-	-	-	28,191	-	-	3,000	3,000	-	31,191	74,313
Interest	7,554	16,986	65,264	16,002	-	-	-	105,806	-	-	-	-	-	105,806	103,869
Depreciation	155,710	-	-	46,393	-	-	-	202,103	-	-	1,710	1,710	-	203,813	185,437
Subtotal	820,672	96,414	86,827	152,229	-	-	93,142	1,249,284	76,047	9,956	188,151	274,154	101,926	1,625,364	1,953,497
G and A Allocation	46,124	28,633	2,200	6,449	-	-	24,281	107,687	6,775	2,258	(183,791)	(174,758)	-	(67,071)	(72,223)
Total Expenses	866,796	125,047	89,027	158,678	-	-	117,423	1,356,971	82,822	12,214	4,360	99,396	101,926	1,558,293	1,881,274
Change in Net Assets	\$ (480,831)	\$ (15,003)	\$ 7,694	\$ 53,748	\$ -	\$ -	\$ (116,423)	\$ (550,815)	\$ 156,177	\$ (12,214)	\$ (4,153)	\$ 139,810	\$ 4,776	\$ (406,229)	\$ (163,880)

FRANKLIN COUNTY COMMUNITY DEVELOPMENT CORPORATION AND AFFILIATE
Consolidated Supplemental Schedule of Activities (Grant)
For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	2022												2021		
	Food Processing	Lending	PVGrows	Venture Center	Racial Justice	MAAIC	Business Assistance	Total Program	Fundraising	Governance	General and Administrative	Total Service Support	Fiscal Sponsors	Total	Total
Grant Income	\$ 293,665	\$ 1,582,006	\$ -	\$ -	\$ 128,404	\$ 113,030	\$ 541,469	\$ 2,658,574	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,658,574	\$ 1,919,854
Expenses															
Payroll, Taxes, Fringe	49,351	198,749	-	-	90,486	79,260	226,145	643,991	-	-	-	-	-	643,991	387,424
Contractors	41,007	113,325	-	-	18,136	21,514	131,457	325,439	-	-	-	-	-	325,439	540,772
Repairs and Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,660
Rental/Rent	-	-	-	-	2,400	-	-	2,400	-	-	-	-	-	2,400	12,319
Supplies	4,052	-	-	-	678	2,299	-	7,029	-	-	-	-	-	7,029	-
Marketing/Outreach	-	-	-	-	1,000	-	-	1,000	-	-	-	-	-	1,000	-
Indirect	3,616	-	-	-	-	-	-	3,616	-	-	-	-	-	3,616	4,000
Subtotal	98,026	312,074	-	-	112,700	103,073	357,602	983,475	-	-	-	-	-	983,475	947,175
G and A Allocation	2,350	18,894	-	-	16,905	9,957	18,965	67,071	-	-	-	-	-	67,071	72,223
Total Expenses	100,376	330,968	-	-	129,605	113,030	376,567	1,050,546	-	-	-	-	-	1,050,546	1,019,398
Change in Net Assets	\$ 193,289	\$ 1,251,038	\$ -	\$ -	\$ (1,201)	\$ -	\$ 164,902	\$ 1,608,028	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,608,028	\$ 900,456

FRANKLIN COUNTY COMMUNITY DEVELOPMENT CORPORATION AND AFFILIATE
Consolidated Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Pass-through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
Local Food Promotion Program	10.172	N/A	\$ 8,665	\$ 34,814
Community Food Project	10.225	N/A	73,679	96,018
Agriculture Innovation Center Demonstration Program	10.377	N/A	21,514	113,030
Intermediary Relending Program	10.767	N/A	-	586,439
Rural Microentrepreneur Assistance Program	10.870	N/A	-	673,859
Total U.S. Department of Agriculture			<u>103,858</u>	<u>1,504,160</u>
U.S. Department of Commerce				
Economic Development - Cluster				
Economic Adjustment Assistance	11.307	N/A		53,000
COVID-19 - Economic Adjustment Assistance Passed through Franklin Regional Council of Governments	11.307	N/A	-	635,195
Economic Adjustment Assistance	11.307	N/A	-	91,391
Total U.S. Department of Commerce			<u>-</u>	<u>779,586</u>
U.S. Department of Housing and Urban Development				
Passed through Local Initiatives Support Corporation/Section 4 Capacity Building for Community Development and Affordable Housing	14.252	41186-0036	-	44,850
Total U.S. Department of Housing and Urban Development			<u>-</u>	<u>44,850</u>
Total Expenditures of Federal Awards			<u>\$ 103,858</u>	<u>\$ 2,328,596</u>

See Accompanying notes to the Consolidated Schedule of Expenditures of Federal Awards

FRANKLIN COUNTY COMMUNITY DEVELOPMENT CORPORATION AND AFFILIATE
Notes to Consolidated Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

NOTE 1 – BASIS OF PRESENTATION

The accompanying consolidated schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Franklin County Community Development Corporation and Affiliate under programs of the federal government for the year ended June 30, 2022. 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 Franklin County Community Development Corporation and Affiliate it is not intended to and does not present the consolidated financial position, changes in net assets, or cash flows of Franklin County Community Development Corporation and Affiliate

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported 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.

NOTE 3 – LOAN BALANCES AT JUNE 30, 2022

U.S. Department of Agriculture	
Intermediary Relending Program	\$ 470,588
Economic Adjustment Assistance	695,275
Rural Microentrepreneur Assistance Program	
Revolving Loan Fund	348,354

NOTE 4 – INDIRECT COST RATE

Franklin County Community Development Corporation and Affiliate has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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

To the Officers and Directors
Franklin County Community Development Corporation and Affiliate

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Franklin County Community Development Corporation (a nonprofit organization) and Affiliate, which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 4, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Franklin County Community Development Corporation and Affiliate'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Franklin County Community Development Corporation and Affiliate's internal control. Accordingly, we do not express an opinion on the effectiveness of Franklin County Community Development Corporation and Affiliate's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entities' consolidated 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 may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Franklin County Community Development Corporation and Affiliate's consolidated financial statements are free from material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated 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 Franklin County Community Development Corporation and Affiliate's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Franklin County Community Development Corporation and Affiliate's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Whittlesey PC".

Holyoke, Massachusetts
March 4, 2023

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

To the Officers and Directors
Franklin County Community Development Corporation and Affiliate

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Franklin County Community Development Corporation and Affiliate's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Franklin County Community Development Corporation and Affiliate's major federal program for the year ended June 30, 2022. Franklin County Community Development Corporation and Affiliate's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Franklin County Community Development Corporation and Affiliate complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on their major federal program for the year ended June 30, 2022.

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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Franklin County Community Development Corporation and Affiliate 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 Franklin County Community Development Corporation and Affiliate's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Franklin County Community Development Corporation and Affiliate'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 Franklin County Community Development Corporation and Affiliate'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 Franklin County Community Development Corporation and Affiliate'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 Franklin County Community Development Corporation and Affiliate'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 Franklin County Community Development Corporation and Affiliate'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 Franklin County Community Development Corporation and Affiliate'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 a 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 Auditors' 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

A handwritten signature in black ink that reads "Whittlesey PC". The signature is written in a cursive, flowing style.

Holyoke, Massachusetts
March 4, 2023

FRANKLIN COUNTY COMMUNITY DEVELOPMENT CORPORATION AND AFFILIATE
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

I. SUMMARY OF AUDITORS' RESULTS

Consolidated Financial Statements

Type of report the auditor issued on whether the consolidated financial statements audited were prepared in accordance with GAAP.

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes x no
- Significant deficiency(ies) identified? _____ yes x none reported

Noncompliance material to the consolidated 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 auditors' report issued on compliance for major programs:

Unmodified

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

_____ yes x no

Identification of Major Programs

Federal Assistance Listing Number

Name of Federal Program or Cluster

10.870

Rural Microentrepreneur Assistance Program Revolving Loan Fund

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 x yes _____ no

II. CONSOLIDATED FINANCIAL STATEMENT FINDINGS

None

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None

FRANKLIN COUNTY COMMUNITY DEVELOPMENT CORPORATION AND AFFILIATE
Status of Prior Year Findings and Questioned Costs
June 30, 2022

There were no findings or questioned costs disclosed for the year ended June 30, 2022.

Headquarters

280 Trumbull Street, 24th Floor
Hartford, CT 06103
860.522.3111

One Hamden Center
2319 Whitney Avenue, Suite 2A
Hamden, CT 06518
203.397.2525

14 Bobala Road, 3rd Floor
Holyoke, MA 01040
413.536.3970

WAdvising.com