

Partner Community Capital, Inc.

Uniform Guidance
Compliance Reports
December 31, 2023

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

Board of Directors
Partner Community Capital, Inc.

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 (*Government Auditing Standards*), the financial statements of Partner Community Capital, Inc. (“PCAP”) which comprise the statement of financial position as of December 31, 2023, 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 28, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered PCAP’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 PCAP’s internal control. Accordingly, we do not express an opinion on the effectiveness of PCAP’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 have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether PCAP's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Kraft CPAs PLLC". The signature is written in a cursive, flowing style.

Nashville, Tennessee
March 28, 2024

INDEPENDENT AUDITOR’S REPORT
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Partner Community Capital, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Partner Community Capital, Inc.’s (“PCAP”) 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 PCAP’s major federal programs for the year ended December 31, 2023. PCAP’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, PCAP complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2023.

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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 PCAP 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 PCAP’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 PCAP’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 PCAP'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 GAAS, *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 PCAP's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 PCAP'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 PCAP'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 PCAP'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 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of PCAP as of and for the year ended December 31, 2023, and have issued our report thereon dated March 28, 2024, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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.

A handwritten signature in black ink that reads "Kraft CPAs PLLC". The signature is written in a cursive, flowing style.

Nashville, Tennessee
March 28, 2024

Partner Community Capital, Inc.

Schedule of Expenditures of Federal Awards
Years Ended December 31, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number (ALN)	Pass-Through Grantor/Grantor Number	Grant Period	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture:					
Direct Programs:					
Local Food Promotion Program	10.175	AM200100XXXXG160	09/30/2020 - 09/29/2024	\$ 210,569	\$ -
Rural Business Development Grant	10.351	57-019-542058754	08/01/2021 - 08/01/2023	9,245	-
				Balance as of January 1, 2023	New Federal Loans
Intermediary Relending Program	10.767	D02 WV	02/23/2005 - 02/23/2035	\$ 260,033	\$ -
Intermediary Relending Program	10.767	D10 WV	11/15/2010 - 11/15/2040	506,706	-
Intermediary Relending Program	10.767	D02 NC	12/01/2015 - 12/01/2031	349,443	-
Intermediary Relending Program	10.767	D03 NC	12/01/2015 - 12/01/2036	203,788	-
Intermediary Relending Program	10.767	D04 NC	05/16/2016 - 05/16/2046	328,300	-
Intermediary Relending Program	10.767	D05 NC	09/04/2018 - 09/04/2048	725,657	-
Intermediary Relending Program	10.767	D14 WV	07/17/2020 - 07/17/2050	112,500	370,000
Total ALN 10.767				\$ 2,486,427	\$ 370,000
				Balance as of January 1, 2023	New Federal Loans
Rural Microentrepreneur Assistance Program	10.870	D15 NC	06/29/2016 - 06/29/2036	\$ 404,851	\$ -
Total U.S. Department of Agriculture				3,481,092	-
U.S. Department of Treasury					
Direct Programs:					
Community Development Financial Institutions Equitable Recovery Program	* 21.033	22ERP060925	04/10/2023-12/31/2028	4,669,952	-
Community Development Financial Institutions Program	21.020	221FA60154	02/28/2023-12/31/2026	740,000	-
Total U.S. Department of Treasury				5,409,952	-
Appalachian Regional Commission					
Direct Programs					
Appalachian Regional Development	23.001	PW-19370-IM-18	10/01/2018 - 09/30/2023	5,599	-
Appalachian Regional Development	23.001	WV-20897-22	10/01/2022 - 09/30/2025	531,795	98,836
Total ALN 23.001				537,394	98,836
Total Appalachian Regional Commission				537,394	98,836
U.S. Department of Commerce					
Direct Programs:					
Economic Adjustment Assistance	11.307	01-79-15077;115951	03/04/2021 - 03/04/2024	426,460	-
Economic Adjustment Assistance	11.307	01-79-14997/URI: 115145	07/01/2020 - 06/30/2023	500,000	-
Economic Adjustment Assistance	11.307	01-79-15078	05/06/2021 - 05/06/2024	1,390,000	-
Total ALN 11.307				2,316,460	-
Total U.S. Department of Commerce				2,316,460	-
U.S. Small Business Administration					
Direct Programs					
Women's Business Ownership Assistance	59.043	SBAOEDWB220145	09/30/2022 - 09/29/2023	110,077	-
Women's Business Ownership Assistance	59.043	SBAHQ20W007	09/30/2021 - 09/29/2023	816	-
Women's Business Ownership Assistance	59.043	SBAHQ20W0006	09/30/2021 - 09/29/2023	5,263	-
Women's Business Ownership Assistance	59.043	SBAOEDWB220148	09/30/2022 - 09/29/2023	121,800	-
Women's Business Ownership Assistance	59.043	SBAOEDWB220148-02-00	09/30/2023 - 09/29/2024	33,994	-
Total ALN 59.043				271,950	-
Total U.S. Small Business Administration				271,950	-
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 12,016,848	\$ 98,836

* Audited as a major program under Title 2 U.S. Code of Federal Regulation Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of Partner Community Capital, Inc. (“PCAP”) under programs of the federal government for the year ended December 31, 2023. The information in the Schedule of Expenditures of Federal Awards is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of PCAP, it is not intended to and does not present the financial position, changes in net assets, or cash flows of PCAP.

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. Indirect Cost Rate

PCAP did not elect to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4. Intermediary Relending Program (IRP)

The IRP provides loanable funds to small entities. An entity that receives an IRP loan from the Rural Business-Cooperative Service (RBS) is referred to as an intermediary. Intermediaries must relend all of the loan funds received from the IRP loan for business facilities or community development in rural areas. An entity that receives a loan from an intermediary is referred to as an ultimate recipient. The maximum loan to any one intermediary is \$2 million. The maximum term is 30 years, and the interest rate is 1% per annum. Intermediaries may not use IRP funds to finance more than 75% of the cost of an ultimate recipient’s project or for a loan of more than \$250,000 to one ultimate recipient.

As of December 31, 2023, PCAP had seven loans payable outstanding under this program. The outstanding IRP loan payable balance was \$2,486,427 at December 31, 2022. During the year ended December 31, 2023, PCAP made repayments of \$133,090 on the loans. These loans are secured by pledged loan receivables of \$2,836,084 and restricted cash of \$1,348,927. The amount of \$2,856,427 is included in federal expenditures under Federal ALN Number 10.767. PCAP has undrawn funds of \$267,500 under the IRP at December 31, 2023. As of December 31, 2023, the outstanding IRP loan payable \$2,723,337.

Note 5. Rural Microentrepreneur Assistance Program (RMAP)

The RMAP provides microloans to encourage the development of small businesses in rural areas. The maximum loan amount is \$50,000. As of December 31, 2023, PCAP had one loan payable outstanding under this program. As of December 31, 2022, the outstanding RMAP loan payable balance was \$404,851. During the year ended December 31, 2023, PCAP made repayments of \$26,768 on the loan. This loan is secured by pledged loan receivables of \$27,790 and restricted cash of \$329,928. The amount of \$404,851 is included in federal expenditures under Federal ALN Number 10.870. As of December 31, 2023, the outstanding RMAP loan payable \$378,083.

Partner Community Capital, Inc.

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2023**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements 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 financial statements noted?

_____ yes x no

Federal Awards

Internal control over major programs:

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

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

Unmodified

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

_____yes x no

Identification of major programs:

<i>ALN Number(s)</i>	<i>Name of Federal Program or Cluster</i>
21.033	Community Development Financial Institutions Equitable Recovery Program

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

\$750,000

Auditee qualified as low-risk auditee?

 x yes _____ no

Partner Community Capital, Inc.

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2023**

Section II - Financial Statement Findings

Prior year - There were no prior year findings.

Current year - There are no current year findings.

Section III - Findings and Questioned Costs for Federal Awards

Prior year - There were no prior year findings.

Current year - There are no current year findings.