

Appalachian Community Capital Corporation
Subpart F 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)

Single Audit

Reports

For the year ended December 31, 2021

Appalachian Community Capital Corporation

Schedule of Expenditures of Federal Awards

For the Year ended December 31, 2021

Federal Grantor/Pass-Through Grantor Program Title	Assistance Listing Number	Federal Grantor/Pass- Through Grantor's Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE:			
Direct Assistance			
Rural Community Development Initiative	10.446		11,955
TOTAL U.S. DEPARTMENT OF AGRICULTURE			11,955
U.S. DEPARTMENT OF THE TREASURY:			
Direct Assistance			
Community Development			
Rapid Response Program	21.024	21RRP056433	526,265
TOTAL U.S. DEPARTMENT OF TREASURY			526,265
APPALACHIAN REGIONAL COMMISSION:			
Direct Assistance:			
Appalachian Regional Commission Operating Grant	23.002	CO-17622-C3	10,828
Appalachian Regional Commission Opportunity Appalachia	23.002	PW-19709-IM	592,994
COVID-19 Appalachian Regional Commission COVID Relief	23.002	CO-19944	32,719
TOTAL APPALACHIAN REGIONAL COMMISSION			636,541
TOTAL FEDERAL ASSISTANCE EXPENDED			\$ 1,174,761

Appalachian Community Capital Corporation

Notes to Schedule of Expenditures of Federal Awards

For the year ended December 31, 2021

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Appalachian Community Capital Corporation and its subsidiaries (the “Company”) under programs of the federal government for the year ended December 31, 2021. The information presented in this schedule is presented on the accrual basis of accounting in accordance with the requirement 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 the Company, it is not intended and does not present the financial position, changes in net assets or cash flows of the Company.

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 Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Company has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. Subrecipients

Of the federal expenditures presented in the schedule, Appalachian Community Capital Corporation provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
ARC (Opportunity Appalachia)	23.002	\$592,994



**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***

The Board of Directors
Appalachian Community Capital Corporation
Christiansburg, Virginia

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 Appalachian Community Capital Corporation (the “Company”) as of and for the year ended December 31, 2021, and the related notes to the consolidated financial statements, which collectively comprise the Company’s basic financial statements, and have issued our report thereon dated May 19, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Company’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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Company’s internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company'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 "Elliott Davis, PLLC". The signature is written in a cursive style with a long, sweeping underline.

Raleigh, North Carolina
May 19, 2022



**Independent Auditor’s Report on Compliance for
Each Major Federal Program and
Report on Internal Control Over Compliance
in Accordance with OMB Uniform Guidance**

The Board of Directors
Appalachian Community Capital Corporation
Christiansburg, Virginia

Report on Compliance for Each Major Federal Program

We have audited Appalachian Community Capital Corporation’s and subsidiaries (the “Company”) 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 the Company’s major federal programs for the year ended December 31, 2021. The Company’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. In our opinion, the Company complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards 5 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 the Company and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Company’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 the Company’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 the Company’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 the Company’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 the Company'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 the Company'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 the Company'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 consolidated financial statements of Appalachian Community Capital Corporation and its subsidiaries as of and for the year ended December 31, 2021, and have issued our report thereon dated May 19, 2022, 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.



Raleigh, North Carolina
May 19, 2022

Appalachian Community Capital Corporation
Schedule of Findings and Questioned Costs
For the year ended December 31, 2021

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? Yes X No

Significant deficiency identified? Yes X None

Noncompliance material to the financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness identified? Yes X No

Significant deficiency identified? Yes X None

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

Any audit findings that are required to be reported in accordance with the 2 CFR 200.516(a)? Yes X No

Identification of major programs:

Appalachian Regional Commission 23.002

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

Auditee qualified as low-risk auditee? No

Appalachian Community Capital Corporation
Schedule of Findings and Questioned Costs
For the year ended December 31, 2021

II. FINDINGS – FEDERAL AWARDS

None reported.

Finding 2020-001, Significant Deficiency over Debt Covenants

Current status: Appalachian Community Capital Corporation has continually monitored debt agreements and covenants. The SVP of Finance has a system to track all debt covenants for ACC investments, including any covenants that differ from the requirements in ACC's standard compliance form. ACC has summarized the covenants and compliance status at each board meeting.