

**MOUNTAIN BIZCAPITAL, INC.  
d/b/a MOUNTAIN BIZWORKS**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2016**

**MOUNTAIN BIZCAPITAL, INC.  
d/b/a MOUNTAIN BIZWORKS**

**OFFICERS**

William Carrington, III  
Erica Anderson  
Rollin Groseclose  
Peter Marks

Chair  
Vice-Chair  
Treasurer  
Secretary

**BOARD OF DIRECTORS**

Erica Anderson  
William Carrington, III  
Josh Dorfman  
Rollin Groseclose  
Gary Heisey  
James Lee, III  
Ravi Gaikwad

Peter Marks  
Stephen Smith  
Michael Mooney  
Fred Waldkoetter  
Vanessa Corral  
Rebecca Crandall  
Tim Schaller

**EXECUTIVE DIRECTOR**

Patrick Fitzsimmons

**MOUNTAIN BIZCAPITAL, INC.**  
**d/b/a MOUNTAIN BIZWORKS**

TABLE OF CONTENTS

---

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES	4
STATEMENT OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6-16
SUPPLEMENTARY INFORMATION	
SCHEDULE OF FUNCTIONAL EXPENSES	17
COMPLIANCE SECTION	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	18
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	19
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	20
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	21
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 <i>GOVERNMENT AUDITING STANDARDS</i>	22-23
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	24-25

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Mountain BizCapital, Inc.  
d/b/a Mountain BizWorks  
Asheville, North Carolina

We have audited the accompanying financial statements of Mountain BizCapital, Inc. d/b/a Mountain BizWorks (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Members  
American Institute of Certified Public Accountants  
S.C. Association of Certified Public Accountants



To the Board of Directors  
Mountain BizCapital, Inc.  
d/b/a Mountain BizWorks  
Page Two

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mountain BizCapital, Inc. d/b/a Mountain BizWorks as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the Mountain BizCapital, Inc.'s 2015 financial statements, and our report dated April 7, 2016, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. In addition, the accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2017, on our consideration of Mountain BizCapital, Inc.'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 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 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 Mountain BizCapital, Inc.'s internal control over financial reporting and compliance.

***McKinley, Cooper & Co., LLC***

Greenville, South Carolina  
March 31, 2017

**MOUNTAIN BIZCAPITAL, INC.**  
**d/b/a MOUNTAIN BIZWORKS**

**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2016**  
**(with comparative totals for 2015)**

<b>ASSETS</b>	2016	2015
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,834,082	\$ 1,895,146
Accounts receivable	-	4,217
Loans receivable, net of allowance, current portion	1,052,727	924,062
Note receivable, current portion	7,461	7,311
Grants receivable	207,624	379,570
Other receivables	32,911	34,640
Prepaid expenses	3,211	-
Property available for sale	18,426	18,426
<b>Total current assets</b>	<b>3,156,442</b>	<b>3,263,372</b>
<b>Other Assets</b>		
Property and equipment, net of accumulated depreciation	868,340	905,802
Loans receivable, net of allowance, net of current portion	3,436,698	2,611,430
Note receivable, net of current portion	31,382	38,845
<b>Total other assets</b>	<b>4,336,420</b>	<b>3,556,077</b>
<b>Total assets</b>	<b>\$ 7,492,862</b>	<b>\$ 6,819,449</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Notes payable, current maturities	\$ 531,159	\$ 506,800
Mortgages payable, current maturities	30,752	61,859
Accounts payable	-	16,047
Payroll liabilities	3,150	3,129
Other current liabilities	31,303	20,837
<b>Total current liabilities</b>	<b>596,364</b>	<b>608,672</b>
<b>Long-term liabilities</b>		
Notes payable, net of current portion	4,148,435	3,561,862
Mortgages payable, net of current portion	724,950	756,268
<b>Total long-term liabilities</b>	<b>4,873,385</b>	<b>4,318,130</b>
<b>Total liabilities</b>	<b>5,469,749</b>	<b>4,926,802</b>
<b>EQUITY EQUIVALENT</b>	<b>197,000</b>	<b>197,000</b>
<b>NET ASSETS</b>		
Unrestricted net assets	1,023,084	928,700
Temporarily restricted net assets	803,029	766,947
<b>Total net assets</b>	<b>1,826,113</b>	<b>1,695,647</b>
<b>Total liabilities, equity equivalent, and net assets</b>	<b>\$ 7,492,862</b>	<b>\$ 6,819,449</b>

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

**MOUNTAIN BIZCAPITAL, INC.**  
**d/b/a MOUNTAIN BIZWORKS**

**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2016**  
**(with comparative totals for 2015)**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>2016 Total</b>	<b>2015 Total</b>
<b>REVENUE AND SUPPORT</b>				
Federal grants	\$ 384,426	\$ -	\$ 384,426	\$ 272,207
State, local, and federal pass-through grants	59,233	-	59,233	68,782
Foundation and private grants	29,665	37,500	67,165	365,000
Contributions	8,165	-	8,165	12,737
Program and service fees	342,109	-	342,109	182,372
Interest income	378,797	-	378,797	308,716
Contribution of AOF loan program	-	-	-	377,919
Contribution of SMDC loan program	47,777	-	47,777	-
Loss on liquidation of subsidiary	-	-	-	(5,121)
Other income	91,576	-	91,576	38,029
Net assets released from restriction	1,418	(1,418)	-	-
<b>Total revenue and support</b>	<b>1,343,166</b>	<b>36,082</b>	<b>1,379,248</b>	<b>1,620,641</b>
<b>EXPENSES</b>				
Program services	1,027,935	-	1,027,935	875,510
Management and general	156,458	-	156,458	100,023
Fundraising	64,389	-	64,389	46,098
<b>Total expenses</b>	<b>1,248,782</b>	<b>-</b>	<b>1,248,782</b>	<b>1,021,631</b>
<b>INCREASE IN NET ASSETS</b>	<b>94,384</b>	<b>36,082</b>	<b>130,466</b>	<b>599,010</b>
<b>NET ASSETS, beginning of year</b>	<b>928,700</b>	<b>766,947</b>	<b>1,695,647</b>	<b>1,096,637</b>
<b>NET ASSETS, end of year</b>	<b>\$ 1,023,084</b>	<b>\$ 803,029</b>	<b>\$ 1,826,113</b>	<b>\$ 1,695,647</b>

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

**MOUNTAIN BIZCAPITAL, INC.**  
**d/b/a MOUNTAIN BIZWORKS**

**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2016**  
**(with comparative totals for 2015)**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 130,451	\$ 599,010
Adjustments to reconcile changes in net assets to cash provided (used) by operating activities		
Depreciation	37,462	42,418
Provision for loan losses	95,769	(43,608)
Non-cash contribution of SMDC loan program	(45,000)	-
Non-cash contribution of AOF loan program	-	(124,076)
Changes in operating assets and liabilities		
Accounts receivable	4,217	(3,423)
Loans receivable	(1,004,702)	(329,996)
Grants receivable	171,946	(243,997)
Other receivables	1,729	(3,973)
Prepaid expenses	(3,211)	-
Accounts payable	(16,047)	4,352
Payroll liabilities	21	(2,882)
Other current liabilities	10,466	18,342
<b>Net cash (used) by operating activities</b>	<b>(616,899)</b>	<b>(87,833)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from notes payable	1,140,835	1,688,000
Repayment of notes and mortgages payable	(592,328)	(1,014,683)
<b>Net cash provided by financing activities</b>	<b>548,507</b>	<b>673,317</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Receipts from note receivable	7,313	7,168
<b>Net cash provided by investing activities</b>	<b>7,313</b>	<b>7,168</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(61,079)</b>	<b>592,652</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>1,895,146</b>	<b>1,302,494</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 1,834,067</b>	<b>\$ 1,895,146</b>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 81,570	\$ 91,758

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



**MOUNTAIN BIZCAPITAL, INC.  
d/b/a MOUNTAIN BIZWORKS**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Mountain BizCapital, Inc. d/b/a Mountain BizWorks (“MBC”) was established in 2002 as a nonprofit corporation under the laws of the State of North Carolina. When established, the primary purpose of MBC was to provide direct small business micro-lending. In April 2003, MBC was certified as a Community Development Financial Institution by the Community Development Financial Institutions Fund of the U.S. Department of the Treasury. On July 1, 2011, a common board of directors approved the merger of MBC and Mountain BizWorks, Inc. (“MBW”) with MBC being the surviving entity. MBC has continued MBW’s services doing business as Mountain BizWorks, which includes small business lending, consulting, training, technical assistance, and support for starting and expanding small businesses.

**Basis of Accounting**

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

**Financial Statement Presentation**

The Organization reports in compliance with FASB ASC 958-205, *Not-for-Profit Entities: Presentation of Financial Statements*. Information regarding its financial position and activities are grouped according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The three classes of net assets are defined as follows:

***Unrestricted Net Assets*** – Unrestricted net assets represent resources whose use is not limited or restricted by donors. They generally arise as a result of exchange transactions, unrestricted contributions, or restricted contributions whose restrictions have expired.

***Temporarily Restricted Net Assets*** – Temporarily restricted net assets represent resources whose use is limited by donors for the purpose and/or time in which they may be expended. Eventually, temporarily restricted net assets are reclassified to unrestricted as their time and purpose requirements are met.

***Permanently Restricted Net Assets*** – Permanently restricted net assets represent resources that must be maintained permanently. Like temporarily restricted net assets, permanent restrictions may be imposed only by the donor. However, permanently restricted net assets generally do not get reclassified, since, by definition, their restrictions never expire. The income may be unrestricted or may also be restricted according to the donor’s wishes.

**Cash and Cash Equivalents**

The Organization considers all cash and short-term investments with an original maturity of three months or less to be cash equivalents. As required by certain loan covenants for its lending operations, MBC has established loan loss reserves for the years ended December 31, 2016 and 2015, which are

included in cash and cash equivalents. These reserves, as with their related loan pools, are maintained in separate bank accounts. At December 31, 2016 and 2015, loan loss reserves totaled \$454,027 and \$454,106, respectively.

**Loans Receivable**

Loans are stated at unpaid principal balances, less an allowance for loan losses. The allowance is based on management’s assessment of the current status of the individual accounts. Loans receivable are considered delinquent once the Organization deems contractual terms of the loan have been violated and are written off when the balance is considered uncollectible.

Interest income on loans receivable is accrued based on the loan balance and the interest rate stated in individual loan agreements, ranging from 7.25% to 12%. Once a loan receivable is determined to be uncollectible and written off, the Organization no longer recognizes interest income on the loan balance. Any payments received on loans previously written off are recorded as loan loss recoveries.

**Grants Receivable**

Grants receivable consist of grants awarded but not received as of December 31, 2016. Management considers all grants to be fully collectible; therefore, no allowance has been made. All balances are expected to be received within 24 months.

**Property and Equipment**

Additions to property and equipment, if purchased, are recorded at cost. If received as a gift, they are recorded at the estimated fair value at the date of the gift. Major renewals and replacements are capitalized as incurred. Expenditures for repairs and maintenance that do not improve or extend the life of the asset are expensed as incurred. Items with an estimated useful life extending beyond one year and that cost at least \$5,000 are capitalized. Cash or other assets whose use is restricted to acquire long-lived assets are recorded as temporarily restricted until such assets are acquired. All long-lived assets are recorded as unrestricted assets.

Depreciation is computed using the straight-line method based on the estimated useful life of each class of depreciable asset, which are as follows:

Buildings and improvements	5 - 39 years
Equipment and software	3 - 10 years
Vehicles	5 years

**Fair Value Measurements and Disclosures**

The carrying values of cash and cash equivalents, other receivables, and accounts payable and accruals approximate fair value because of the terms and relative short maturity of financial instruments. The carrying value of loans receivable and long-term debt approximates its fair values, since interest rates approximate market rates.

**Grants Revenue Recognition**

Governmental grant and contract revenue received on a cost-reimbursement basis is recognized in income as related expenses are incurred.

## **Recognition of Donor Restrictions**

Contributions that are restricted by the donor are reported as increases in unrestricted net assets, if the restrictions expire (that is, when the stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

## **Advertising**

Advertising costs are expensed as incurred. For the years ended December 31, 2016 and 2015, the amount charged to expense was \$23,336 and \$14,599, respectively.

## **Income Tax Status**

The Organization has obtained exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been included in the financial statements.

The Financial Accounting Standards Board (FASB) ASC 740-10 prescribes a comprehensive model for how an organization should measure, recognize, present, and disclose in its financial statements uncertain tax positions that the Organization has taken or expects to take on a tax return. In accordance with FASB ASC 740-10, the Organization recognizes the tax benefits from uncertain tax positions only if it is more-likely-than-not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Organization's income tax filings are subject to audit by various taxing authorities. Management believes there was no significant impact on the Organization's financial statements as a result of ASC 740-10.

## **Allocation of Expenses**

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. The Organization reports its expenses on a functional basis among program, management and general, and fundraising. Expenses that can be identified with a specific function are charged directly to the function according to their nature and expenditure classification. Other expenses that are common to two or more functions are allocated by statistical means.

## **Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

## **Prior Period Information**

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

## **NOTE 2 – ACQUISITION OF OTHER LOAN PORTFOLIOS**

During 2015, MBC acquired certain loan lending funds and the related small business loan portfolio from Western North Carolina Regional Economic Development Non-Profit Corporation d/b/a AdvantageWest Economic Development Group (“AdvantageWest”), a North Carolina nonprofit corporation, upon the closure of AdvantageWest. The loan program, known as Advantage Opportunity Funds (AOF), provides high-growth entrepreneurial companies in western North Carolina with early stage funding needed to launch or expand business. The AOF program also provides entrepreneurial training and coaching. MBC accepted cash loan funds in the amount of \$253,843, and a loan receivable portfolio of \$124,076, net of allowance for loan losses, resulting in recognizing a contribution from AdvantageWest of \$377,919. MBC will service the loan portfolio and continue the AOF’s lending and technical assistance program for the westernmost 23 counties of North Carolina.

During 2016, MBC acquired certain loan lending funds and the related small business loan portfolio from the Smoky Mountain Development Corp, a North Carolina nonprofit corporation, upon the closure of Smoky Mountain Development Corp. MBC accepted cash loan funds in the amount of \$12,000 and a loan receivable portfolio of \$45,000. MBC will service the loan portfolio for rural business.

## **NOTE 3 – RESTRICTIONS ON ASSETS**

Temporarily restricted net assets are available for the following purposes:

<u>December 31,</u>	<u>2016</u>	<u>2015</u>
Future general operations	\$ 37,500	\$ 182,500
SBA loan program	516,412	378,791
USDA loan programs	249,117	205,656
Temporarily restricted net assets	<u>\$ 803,029</u>	<u>\$ 766,947</u>

## **NOTE 4 – FUNDS HELD FOR LENDING**

The Organization had cash available for lending in the following loan pools as of December 31, 2016 and 2015:

<u>Funding Source</u>	<u>2016</u>	<u>2015</u>
USDA Intermediary Relending Program	\$ 230,962	\$ 393,776
USDA Rural Microentrepreneur Assistance Program	90,078	81,627
USDA SMDC	33,795	-
SBA Microloan Program	442,276	305,147
MBC equity loan pool	293,221	362,164
Advantage Opportunity Program	60,866	187,504
Total cash held for lending and cash reserves	<u>\$ 1,151,198</u>	<u>\$ 1,330,218</u>

In addition, the Organization had cash reserved for loan loss in the following loan pools as of December 31, 2016 and 2015:

<u>Funding Source</u>	<u>2016</u>	<u>2015</u>
USDA - IRP	\$ 57,142	\$ 41,701
USDA - RMAP	27,363	25,063
SBA Microloan	369,522	387,342
	<u>\$ 454,027</u>	<u>\$ 454,106</u>

MBC has made lines of credit available to some of its borrowers. Included in the above cash pools are distributable lines of credit issued. At December 31, 2016 and 2015, undisbursed cash relating to unused lines of credit totaled \$254,505 and \$131,120, respectively.

#### **NOTE 5 – LOANS RECEIVABLE**

Information on the Organization's loans receivable is shown below by funding source:

<u>December 31, 2016</u>	<u>Loans Receivable</u>	<u>Allowance for Loan Losses</u>	<u>Net Receivable</u>
USDA Intermediary Relending Program	\$ 887,355	\$ 80,868	\$ 806,487
USDA Rural Microentrepreneur Assistance Program	577,251	79,779	497,472
USDA SMDC	16,486	1,649	14,837
SBA Microloan Program	2,211,572	224,808	1,986,764
MBC equity and private lenders	885,778	88,942	796,836
Advantage Opportunity Funds	477,512	90,483	387,029
	<u>5,055,954</u>	<u>566,529</u>	<u>4,489,425</u>
Less, current portion	<u>1,196,277</u>	<u>143,550</u>	<u>1,052,727</u>
Loans receivable, net of current portion	<u>\$ 3,859,677</u>	<u>\$ 422,979</u>	<u>\$ 3,436,698</u>

<u>December 31, 2015</u>	<u>Loans Receivable</u>	<u>Allowance for Loan Losses</u>	<u>Net Receivable</u>
USDA Intermediary Relending Program	\$ 692,877	\$ 66,830	\$ 626,047
USDA Rural Microentrepreneur Assistance Program	450,731	41,809	408,922
SBA Microloan Program	1,816,556	168,372	1,648,184
US Department of HUD - CDBG	4,071	203	3,868
MBC equity and private lenders	686,819	77,098	609,721
Advantage Opportunity Funds	355,198	116,448	238,750
	<u>4,006,252</u>	<u>470,760</u>	<u>3,535,492</u>
Less, current portion	<u>1,047,072</u>	<u>123,010</u>	<u>924,062</u>
Loans receivable, net of current portion	<u>\$ 2,959,180</u>	<u>\$ 347,750</u>	<u>\$ 2,611,430</u>

Changes in MBC's allowance for loan losses are summarized as follows:

	2016	2015
Balance - allowance for loan losses, beginning of year	\$ 470,760	\$ 290,182
Reserve assumed with AOF loan funds	-	224,186
Reserve assumed with SMDC loan funds	1,811	-
Loan loss expense	155,166	151,663
Write-offs - MBC - current year	(58,728)	(126,394)
Write-offs - MBC - prior years	(22,900)	(2,650)
Write-offs - AOF loan funds	(2,480)	(68,877)
Recoveries	22,900	2,650
Balance - allowance for loan losses, end of year	<u>\$ 566,529</u>	<u>\$ 470,760</u>

### **Guaranteed Loan Program**

Mountain BizCapital, Inc. participates in the SBA Community Advantage Pilot Loan Program, which is a loan guarantee program offered by the SBA. This program assists Mountain BizCapital, Inc. in long-term financing to small business concerns that would otherwise not have available financing.

SBA Community Advantage Pilot Loan Program (CA) is a pilot loan program introduced by the U.S. Small Business Administration (SBA) to meet the credit, Management, and technical assistance needs of small businesses in underserved markets. CA provides mission-oriented lenders access to 7(a) loan guarantees up to 85% for loans of \$250,000 or less. Loans receivable of \$630,659 at December 31, 2016, are guaranteed (up to 75% or 85%) by the CA program. The CA program requires the Corporation to fund reserves of at least 5% of the outstanding amount of the unguaranteed portion of the CA loan portfolio, which approximates a reserve requirement of \$5,565 at December 31, 2016.

CA-guaranteed portion loans of \$431,322 were sold at a premium of \$34,642 in the secondary market during the year ended December 31, 2016. The Corporation is required to fund reserves of at least 3% of the guarantee on loans sold which approximates \$15,560. Mountain BizCapital, Inc. held \$21,498 in a loan loss account at First Bank at December 31, 2016, satisfying both the 5% and 3% reserve requirements.

### **NOTE 6 – NOTE RECEIVABLE**

The note receivable consists of amount due to MBC as a result of the dissolution of a subsidiary during 2015. The dissolution resulted in a loss of \$5,121 for the year ended December 31, 2015. The note is due in 120 monthly installments of \$681 including interest at 2% per annum. The balance due is \$38,843 and \$46,156 at December 31, 2016 and 2015, respectively.

### **NOTE 7 – PROPERTY AND EQUIPMENT**

A description of property and equipment is as follows:

December 31,	2016	2015
Buildings and improvements	\$ 1,154,529	\$ 1,154,529
Equipment and software	175,363	239,872
Vehicles	17,060	17,060
	1,346,952	1,411,461
Less, accumulated depreciation	(478,612)	(505,659)
Property and equipment	\$ 868,340	\$ 905,802

Depreciation expense for the years ended December 31, 2016 and 2015 was \$37,462 and \$42,418, respectively.

#### **NOTE 8 – EQUITY EQUIVALENT**

The Organization elected to participate in the U.S. Treasury's Small Business Lending Fund program. In September 2011, the Organization issued the equivalent of 197 debenture shares to the U.S. Treasury and received the principal of \$197,000. The securities do not constitute a class of stock or represent any equity ownership in the Organization. The general obligation is not secured by any of the Organization's assets. The equity equivalent is fully subordinated to the right of repayment of all of the Organization's other creditors. The investing institution, in this case the U.S. Treasury, does not have the right to accelerate payment unless the Organization ceases its operations. The interest rate is 2% and interest payments are paid quarterly.

#### **NOTE 9 – NOTES PAYABLE**

Notes payable are described as follows:

	2016	2015
Note payable to USDA, under the IRP bearing interest at 1% per annum and has a 30 year term. The note dated May 2005, is secured by MBC's IRP revolving fund, including loans receivable derived from the note and property. For the first three years, interest only payments are required followed by 27 equal payments of principal and interest.	\$ 182,766	\$ 191,465
Note payable to USDA, under the IRP bearing interest at 1% per annum and has a 30 year term. The note dated September 2007, is secured by MBC's IRP revolving fund, including loans receivable derived from the note and property. For the first three years, interest only payments are required followed by 27 equal payments of principal and interest.	394,283	411,394
Note payable to U.S. Small Business Administration, interest at 3.25% per annum, which can be adjusted by future events, and has a 10 year term. The note dated June 2007, is secured by loans receivable derived from the note. For the first year, no payments are required followed by 108 equal monthly installments of \$7,936.	-	151,963

	2016	2015
Note payable to U.S. Small Business Administration, interest at 0.75% per annum, which can be adjusted by future events, and has a 10 year term. The note dated September 2009, is secured by loans receivable derived from the note. For the first year, no payments are required followed by 108 equal monthly installments of \$8,684.	\$ 283,194	\$ 384,757
Note payable to U.S. Small Business Administration, interest at 0% for the first year, increasing to .0625% per annum, which can be adjusted by future events, and has a 10 year term. The note dated February 2013, is secured by loans receivable derived from that note. For the first year, no payments are required followed by 108 equal monthly installments of \$3,125.	231,237	268,734
Note payable to U.S. Small Business Administration, interest at 0% for the first year, increasing to .0750% per annum, which can be adjusted by future events, and has a 10 year term. The note dated October 2013, is secured by loans receivable derived from that note. For the first year, no payments are required followed by 108 equal monthly installments of \$9,670.	788,547	914,257
Note to Capital Bank, Government Lending Department, interest at 3% per annum and has a 3 year term. The original note dated September 2007 was reissued September 2014, payable in 36 regular monthly installments of principal and interest of \$1,455 due September 2017.	11,492	28,331
Various notes payable to individuals under MBC's Investment Note Program. These notes range from \$500 to \$75,000, bearing interest from 0% to 3%, and are due in one to five years from the date of the note.	605,895	423,835
Note payable to USDA, under the Rural Microentrepreneur Assistance Program (RMAP), bearing interest at 2% per annum and has a 20 year term. The note dated December 2010, is secured by MBC's RMAP's revolving fund, including loans receivable derived from the note and property. For the first two years, interest only payments are required followed by 216 monthly principal and interest payments of \$2,841.	413,714	439,260
Note payable to USDA, under the IRP, bearing interest at 1% per annum and has a 25 year term. The note dated August 2015, is secured by MBC's IRP's revolving fund, including loans receivable derived from the note and property. For the first three years, interest only payments are required followed by 23 yearly payments of principal and interest of \$22,281.	438,000	438,000
Note payable to U.S. Small Business Administration, interest at 0.375% per annum, which can be adjusted by future events, and has a 10 year term. The note dated August 2015, is secured by loans receivable derived from the note. Beginning in September 2016, monthly payments of \$11,796, including interest, are due until September 2025. A total of \$1,250,000 is available under the loan agreement, with \$416,666 drawn as of December 31, 2015.	1,205,025	416,666



	<u>2016</u>	<u>2015</u>
Note payable to USDA, under the Rural Microentrepreneur Assistance Program (RMAP), bearing interest at 1% per annum and has a 20 year term. The note dated August 2016, is secured by MBC's RMAP's revolving fund, including loans receivable derived from the note and property. For the first two years, interest only payments are required followed by 216 equal payments of principal and interest.	\$ 125,441	\$ -
	4,679,594	4,068,662
Less, current maturities	<u>(531,159)</u>	<u>(506,800)</u>
Notes payable, net of current maturities	<u>\$ 4,148,435</u>	<u>\$ 3,561,862</u>

Scheduled principal repayments on notes payable for the next five years are as follows:

<u>December 31,</u>	
2017	\$ 531,159
2018	582,745
2019	558,258
2020	426,253
2021	409,003
Thereafter	<u>2,172,176</u>
Totals	<u>\$ 4,679,594</u>

#### **NOTE 10 – MORTGAGES PAYABLE**

Mortgages payable are described as follows:

	<u>2016</u>	<u>2015</u>
Mortgage note payable to First Bank, payable in 59 monthly repayments of \$4,959, including interest at 5.25%, with a five year balloon payment due on January 28, 2021. The note is secured by a building.	\$ 678,595	\$ 705,100
Mortgage note payable to First Bank, payable in 59 monthly repayments of \$894, including interest at 5.25%, with a five year balloon payment due on January 28, 2021. The note is secured by a building.	77,107	113,027
	755,702	818,127
Less, current maturities	<u>(30,752)</u>	<u>(61,859)</u>
Mortgages payable, net of current maturities	<u>\$ 724,950</u>	<u>\$ 756,268</u>

Scheduled principal repayments on notes payable for the next five years are as follows:

Scheduled principal repayments on notes payable for the next five years are as follows:

<u>December 31,</u>	
2017	\$ 30,752
2018	32,430
2019	34,198
2020	36,610
2021	621,712
Totals	<u>\$ 755,702</u>

#### **NOTE 11 - LEASE COMMITMENTS**

The Organization has entered into an operating lease for a copier. Required monthly payments are \$952, with the lease term ending in August 2021.

#### **NOTE 12 - UNUSED LINE OF CREDIT**

The Organization maintains a revolving line of credit with a local bank. Maximum borrowings on the line are \$500,000. Monthly interest payments are required at a floating rate per year equal to the bank's Prime Rate, currently 3.25%, less 0.25%. The line of credit is secured by a security interest in all of the Small Business Administration (SBA) Loans financed by the line of credit, together with an undivided pro rata interest in all collateral securing such SBA loans and all related loan documents. There were no outstanding balances at December 31, 2016 and 2015.

#### **NOTE 13 - BENEFIT PLANS**

The Organization provides individual SEP-IRA retirement accounts for eligible employees and contributes to them on a discretionary basis as a percentage of the employee's salary. The Organization contributed \$12,931 and \$8,188 to the program for years ended December 31, 2016 and 2015, respectively.

#### **NOTE 14 - UNINSURED CASH BALANCES**

The Organization maintains its cash and cash equivalents at financial institutions that are insured by the Federal Deposit Insurance Corporation and the National Credit Union Association for deposits up to \$250,000. The uninsured collective balance was approximately \$866,144 at December 31, 2016.

#### **NOTE 15 - RELATED PARTY TRANSACTIONS**

At times various board members participate in the Organization's Investment Note Program and make contributions.

#### **NOTE 16 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

##### **Governmental Assisted Programs**

The Organization has received proceeds from governmental agencies. Periodic audits of these grants and third party reimbursements are required and certain costs may be questioned as not being appropriate expenditures under the agreements. Such audits could result in the refund of grant and

third party reimbursement monies to the grantor agency. Management believes that any required refunds would be immaterial. No provisions have been made on the accompanying financial statements for the refund of grant monies.

### Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and volunteers; and natural disasters. The Organization carries commercial insurance coverage for risks of loss. Claims have not exceeded coverage in any period since inception.

### Concentration of Credit Risk

The Organization's lending activity is with small businesses, located primarily in Western North Carolina, that are unable to obtain 100% of their financing from other sources. The loans are secured by liens.

### **NOTE 17 - SUBSEQUENT EVENTS**

MBC has been approved to receive an additional \$1.25 million in loan capital from the U.S. Small Business Administration and a \$900,000 grant from the Community Development Financial Institutions Fund to be used for a combination of lending and operating activities.

Management has evaluated subsequent event through the date of the auditor's report, which is the date the financial statements were available to be issued.

**MOUNTAIN BIZCAPITAL, INC.**  
**d/b/a MOUNTAIN BIZWORKS**

**SCHEDULE OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2016**  
**(with comparative totals for 2015)**

	Program	Management and General	Fundraising	Total 2016	Total 2015
Salaries	\$ 404,559	\$ 43,346	\$ 33,714	\$ 481,619	\$ 360,242
Payroll taxes	40,406	4,329	3,367	48,102	34,630
Benefits	14,582	1,562	1,215	17,359	11,036
Total salaries and related expenses	459,547	49,237	38,296	547,080	405,908
Occupancy expenses					
Rent, parking and other	2,695	2,034	356	5,085	3,960
Cleaning and shredding	4,609	494	384	5,487	5,421
Utilities and security	2,828	2,134	373	5,335	5,930
Repairs and maintenance	2,293	1,730	303	4,326	3,990
Telephone and internet	5,214	559	434	6,207	6,049
Condo fees and real estate taxes	11,223	8,470	1,482	21,175	20,166
Travel and meetings					
Travel	7,872	843	656	9,371	6,818
Conference fees	2,285	245	190	2,720	1,366
Meetings and other	12,937	1,386	1,078	15,401	2,599
Office expenses				-	
Bank charges and SBA CA fees	5,955	313	-	6,268	3,838
Copier, computer and printing supplies	14,535	1,557	1,211	17,303	24,527
Dues and subscriptions	9,104	1,012	-	10,116	6,721
Insurance	10,611	1,137	884	12,632	10,499
Marketing	19,148	2,052	1,596	22,796	13,327
Office supplies and equipment	6,752	723	563	8,038	7,846
Licenses, fees and taxes	5,010	1,247	202	6,459	1,241
Postage and delivery	1,303	140	109	1,552	3,311
Cell phone and website	3,139	336	262	3,737	2,734
Professional fees					
Accounting and audit	8,383	898	699	9,980	26,499
Legal	3,282	820	-	4,102	7,254
IT and database management	7,901	847	658	9,406	12,954
Other	-	-	-	-	2,226
Business coaches	128,029	-	-	128,029	87,313
Scale-Up Program Contractors	75,492	-	-	75,492	30,332
Program expenses - ScaleUp specialists and other	31,083	-	-	31,083	16,065
Loan loss expense, net of recoveries	155,166	-	-	155,166	151,663
Other operating expenses	4,539	486	378	5,403	5,963
Total expenses before interest and depreciation	1,000,935	78,700	50,114	1,129,749	876,520
Interest expense	27,000	40,296	14,275	81,571	102,693
Depreciation	-	37,462	-	37,462	42,418
Total expenses	\$ 1,027,935	\$ 156,458	\$ 64,389	\$ 1,248,782	\$ 1,021,631

## COMPLIANCE SECTION

**MOUNTAIN BIZCAPITAL, INC.**  
**d/b/a MOUNTAIN BIZWORKS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**DECEMBER 31, 2016**

<b>Federal Grantor/ Pass-Through Grantor/Program Title</b>	<b>CFDA Number</b>	<b>Grant Number</b>	<b>Federal Expenditures</b>
<b>Grants Expended:</b>			
<u>U.S. Small Business Administration</u>			
Microloan Technical Assistance Program - ARRA Lender	59.046	SBAHQ-16-Y-0001	\$ 120,404
Microloan Technical Assistance Program - ARRA Lender	59.046	SBAHQ-16-Y-0014	188,016
			<u>308,420</u>
ScaleUp America	59.068	SBAHQ-14-C-0016	233,000
Total U.S. Small Business Administration			<u>541,420</u>
<u>U.S. Department of Agriculture</u>			
Rural Microentrepreneur Assistance Program	10.870	N/A	76,005
Passed through High Country Council of Governments			
Rural Business Development Grant	10.351	N/A	20,353
Total U.S. Department of Agriculture			<u>96,358</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through City of Asheville			
Community Development Block Grant (CDBG)	14.218	N/A	58,670
Total Grants Expended			<u>696,448</u>
<b>Federal Loans:</b>			
<u>U.S. Small Business Administration</u>			
Microloan Program - ARRA Lender, beginning	59.046		2,136,377
Current Year Draws	59.046		833,334
			<u>2,969,711</u>
<u>U.S. Department of Agriculture</u>			
Intermediary Relending Program (IRP)			
Small Business Loans, beginning	10.767		602,859
Current Year Draws	10.767		438,000
			<u>1,040,859</u>
Rural Microentrepreneur Assistance Program (RMAP)			
Current Year Draws			<u>125,000</u>
Total Federal Loans			<u>4,135,570</u>
<b>Total Federal Awards Expended and Loans</b>			<u><u>\$ 4,832,018</u></u>

See accompanying notes to schedule.

**MOUNTAIN BIZCAPITAL, Inc.**  
**d/b/a MOUNTAIN BIZWORKS**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2016**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Mountain BizCapital, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 2 – MATCHING COSTS**

Matching costs, i.e., the non-federal share of certain program costs, are not included in the accompanying schedule.

**NOTE 3 – INDIRECT COST RATE**

Mountain BizCapital has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 4 – FEDERAL LOANS**

Federal loan balances outstanding as of December 31, 2016 are as follows:

<u>Loan Program</u>	
U.S. Small Business Administration Microloan Program - ARRA	\$ 2,508,003
U.S. Department of Agriculture Intermediary Relending Program (IRP) Small Business Loans	\$ 1,015,050
U.S. Department of Agriculture Rural Microentrepreneur Assistance program (RMAP)	\$ 125,441

**MOUNTAIN BIZCAPITAL, INC.  
d/b/a MOUNTAIN BIZWORKS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2016**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of auditor's report issued Unmodified

***Internal Control Over Financial Reporting***

Material weakness(es) identified? \_\_\_ yes    X no

Significant deficiencies identified that are not  
considered to be material weaknesses? \_\_\_ yes    X no

Noncompliance material to financial statements noted? \_\_\_ yes    X no

***Federal Awards***

***Internal Control Over Major Programs***

Material weakness(es) identified? \_\_\_ yes    X no

Significant deficiencies identified that are not  
considered to be material weaknesses? \_\_\_ yes    X no

***Compliance***

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

Any audit findings disclosed that are required to be  
reported in accordance with the Uniform Guidance \_\_\_ yes    X no

Programs tested as major were:

SBA Microloan Program

CFDA# 59.046

USDA Intermediary Relending Program (IRP)

CFDA #10.767

The threshold for distinguishing Type A and Type B programs was \$750,000 for the year.

Mountain BizCapital, Inc. was determined to be a low-risk auditee.



**MOUNTAIN BIZCAPITAL, INC.  
d/b/a MOUNTAIN BIZWORKS**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2016**

Finding 2015-001 – Financial Statement Finding

*Condition:* The Organization does not employ a system for tracking expenses by program.

*Current Status:* The Organization has implemented a tracking system for the 2016 fiscal year. Management is reviewing and modifying the system as necessary to ensure the results of the method used are accurate.

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

To the Board of Directors  
Mountain BizCapital, Inc.  
d/b/a Mountain BizWorks  
Asheville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Mountain BizCapital, Inc. d/b/a Mountain BizWorks (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows for the year then ended December 31, 2016, and the related notes to the financial statements, and have issued our report thereon dated March 31, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Mountain BizCapital, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mountain BizCapital, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Mountain BizCapital, Inc.'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.



To the Board of Directors  
Mountain BizCapital, Inc.  
d/b/a Mountain BizWorks  
March 31, 2017

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.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**McKinley, Cooper & Co., LLC**

Greenville, South Carolina  
March 31, 2017

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

To the Board of Directors  
Mountain BizCapital, Inc.  
d/b/a Mountain BizWorks  
Asheville, North Carolina

**Report on Compliance for Each Major Federal Program**

We have audited Mountain BizCapital, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Mountain BizCapital, Inc.'s major federal programs for the year ended December 31, 2016. Mountain BizCapital, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Mountain BizCapital, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mountain BizCapital, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Members  
American Institute of Certified Public Accountants  
S.C. Association of Certified Public Accountants



To the Board of Directors  
Mountain BizCapital, Inc.  
d/b/a Mountain BizWorks  
March 31, 2017

### **Opinion on Each Major Federal Program**

In our opinion, Mountain BizCapital, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

### **Report on Internal Control Over Compliance**

Management of Mountain BizCapital, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Mountain BizCapital, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mountain BizCapital, Inc.'s internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**McKinley, Cooper & Co., LLC**

Greenville, South Carolina  
March 31, 2017