

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

**MONTANA BUSINESS
ASSISTANCE CONNECTION, INC.**

DECEMBER 31, 2017 AND 2016



MONTANA BUSINESS ASSISTANCE CONNECTION, INC.

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LIST OF 2017 BOARD OF DIRECTORS

President	Scott Todorovich
Past President	John McLaughlin
Vice-President	Deborah Chouinard
Secretar	Victor Sample
Treasurer	Steven Johnson
City of Helena	Ed Noonan
Commission Chair	Susan Good Geise
East Helena	Jamie Schell, Mayor
City of Townsend	Angie Janacaro
Broadwater County	Victor Sample
Opportunity Bank	Dan Mazurek
Helena Area Chamber	Cathy Burwell



ACCOUNTING
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Montana Business Assistance Connection, Inc.
Helena, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of Montana Business Assistance Connection, Inc., (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses and cash flows, for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from 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 auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Montana Business Assistance Connection, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters***Other Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits 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 June 28, 2017, on our consideration of the Montana Business Assistance Connection, Inc.'s internal control over financial reporting and 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 the 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 Montana Business Assistance Connection, Inc.'s internal control over financial reporting and compliance.

Junkermier, Clark, Campanella, Stevens, P.C.

Helena, Montana
June 28, 2017

MONTANA BUSINESS ASSISTANCE CONNECTION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	2017	2016
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 632,964	\$ 684,135
Cash and cash equivalents - restricted	580,442	510,925
Accounts receivable	17,991	21,168
Accrued interest receivable	27,645	27,645
Prepaid assets	14,021	26,618
Current portion of loans receivable	1,616,578	2,555,430
	2,889,641	3,825,921
 PROPERTY, PLANT AND EQUIPMENT, AT COST		
Land	12,500	12,500
Building	454,798	454,798
Other	23,663	31,544
	490,961	498,842
Less: Accumulated depreciation	(317,059)	(312,401)
	173,902	186,441
 OTHER ASSETS		
Loans receivable, net of current portion	6,930,071	5,862,955
Loan loss reserve	(168,810)	(136,852)
	6,761,261	5,726,103
 TOTAL ASSETS	 \$ 9,824,804	 \$ 9,738,465
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 9,238	\$ 8,700
Accrued expenses	26,653	30,794
Current portion of loans payable	1,118,613	1,251,447
	1,154,504	1,290,941
 LONG-TERM LIABILITIES		
Deposits	929	929
Loans payable, net of current portion	6,201,439	6,243,000
	6,202,368	6,243,929
 TOTAL LIABILITIES	 7,356,872	 7,534,870
 NET ASSETS		
Permanently restricted	298,465	274,441
Temporarily restricted	402,292	378,268
Unrestricted	1,767,175	1,550,886
	2,467,932	2,203,595
 TOTAL LIABILITIES AND NET ASSETS	 \$ 9,824,804	 \$ 9,738,465

See Notes to Financial Statements

MONTANA BUSINESS ASSISTANCE CONNECTION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
REVENUE AND OTHER SUPPORT				
Grant and contract income	\$ 389,635	\$ -	\$ -	\$ 389,635
Loan origination fees and closing costs	52,949	-	-	52,949
Membership dues	56,022	-	-	56,022
Rent and utility income	44,030	-	-	44,030
Interest income	347,097	24,024	24,024	395,145
Other revenue	<u>(36,191)</u>	<u>-</u>	<u>-</u>	<u>(36,191)</u>
	<u>853,542</u>	<u>24,024</u>	<u>24,024</u>	<u>901,590</u>
EXPENSES				
Loan Funds				
Micro business development corporation	45,265	-	-	45,265
Helena revolving loan fund	7,492	-	-	7,492
Broadwater revolving loan fund	3,453	-	-	3,453
Lewis & Clark revolving loan fund	1,867	-	-	1,867
Lewis & Clark watershed loan fund	337	-	-	337
USDA intermediary & RLF #1	5,962	-	-	5,962
USDA intermediary & RLF #2	15,546	-	-	15,546
USDA intermediary & RLF #3	3,843	-	-	3,843
State Small Business Credit Initiative	7,397	-	-	7,397
DEQ revolving loan fund	193,041	-	-	193,041
DEQ ARRA	20,002	-	-	20,002
Board of investments revolving loan fund	18,946	-	-	18,946
Board of investments II revolving loan fund	10,170	-	-	10,170
Board of investments III RLF	3,517	-	-	3,517
MBAC, Inc. revolving loan fund	7,878	-	-	7,878
EDA revolving loan fund	<u>12,212</u>	<u>-</u>	<u>-</u>	<u>12,212</u>
	356,928	-	-	356,928
Building	54,998	-	-	54,998
Economic development services	107,050	-	-	107,050
Management services and administration	<u>118,277</u>	<u>-</u>	<u>-</u>	<u>118,277</u>
	<u>637,253</u>	<u>-</u>	<u>-</u>	<u>637,253</u>
CHANGE IN NET ASSETS	216,289	24,024	24,024	264,337
NET ASSETS - BEGINNING OF YEAR	<u>1,550,886</u>	<u>378,268</u>	<u>274,441</u>	<u>2,203,595</u>
NET ASSETS - END OF YEAR	<u>\$ 1,767,175</u>	<u>\$ 402,292</u>	<u>\$ 298,465</u>	<u>\$ 2,467,932</u>

See Notes to Financial Statements

MONTANA BUSINESS ASSISTANCE CONNECTION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
REVENUE AND OTHER SUPPORT				
Grant and contract income	\$ 200,754	\$ -	\$ -	\$ 200,754
Loan origination fees and closing costs	52,205	-	-	52,205
Membership dues	59,146	-	-	59,146
Rent and utility income	44,728	-	-	44,728
Interest income	277,718	-	-	277,718
Other revenue	<u>(17,009)</u>	<u>-</u>	<u>-</u>	<u>(17,009)</u>
	<u>617,542</u>	<u>-</u>	<u>-</u>	<u>617,542</u>
EXPENSES				
Loan Funds				
Micro business development corporation	52,002	-	-	52,002
Helena revolving loan fund	31	-	-	31
Broadwater revolving loan fund	612	-	-	612
Lewis & Clark revolving loan fund	582	-	-	582
Lewis & Clark watershed loan fund	127	-	-	127
USDA intermediary & RLF #1	3,770	-	-	3,770
USDA intermediary & RLF #2	24,286	-	-	24,286
USDA intermediary & RLF #3	329	-	-	329
State Small Business Credit Initiative	1,329	-	-	1,329
DEQ revolving loan fund	168,014	-	-	168,014
DEQ ARRA	13,845	-	-	13,845
Board of investments revolving loan fund	12,943	-	-	12,943
Board of investments II revolving loan fund	9,667	-	-	9,667
Board of investments III RLF	193	-	-	193
MBAC, Inc. revolving loan fund	3,709	-	-	3,709
EDA revolving loan fund	<u>11,198</u>	<u>-</u>	<u>-</u>	<u>11,198</u>
	302,637	-	-	302,637
Building	38,497	-	-	38,497
Economic development services	94,366	-	-	94,366
Management services and administration	<u>148,495</u>	<u>-</u>	<u>-</u>	<u>148,495</u>
	<u>583,995</u>	<u>-</u>	<u>-</u>	<u>583,995</u>
CHANGE IN NET ASSETS	33,547	-	-	33,547
NET ASSETS - BEGINNING OF YEAR	<u>1,517,339</u>	<u>378,268</u>	<u>274,441</u>	<u>2,170,048</u>
NET ASSETS - END OF YEAR	<u>\$ 1,550,886</u>	<u>\$ 378,268</u>	<u>\$ 274,441</u>	<u>\$ 2,203,595</u>

See Notes to Financial Statements

MONTANA BUSINESS ASSISTANCE CONNECTION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Loan Funds	Building	Economic Development	Mgmt Serv. & Admin	Total
Vehicle expenses	\$ 1,561	\$ 84	\$ 359	\$ 168	\$ 2,172
Travel	-	-	297	-	297
Registrations and seminars	750	-	855	-	1,605
Lodging	-	-	978	-	978
Meals	-	-	663	-	663
	<u>2,311</u>	<u>84</u>	<u>3,152</u>	<u>168</u>	<u>5,715</u>
 LOAN FUND EXPENSES					
Fees, insurance, and other	14,185	-	-	10	14,195
Loan fund interest	<u>165,803</u>	<u>3,466</u>	<u>-</u>	<u>-</u>	<u>169,269</u>
	<u>179,988</u>	<u>3,466</u>	<u>-</u>	<u>10</u>	<u>183,464</u>
 PERSONNEL EXPENSES					
Salaries and hourly compensation	97,139	10,277	77,888	91,185	276,489
Payroll taxes and benefits	<u>34,834</u>	<u>963</u>	<u>16,843</u>	<u>4,017</u>	<u>56,657</u>
	<u>131,973</u>	<u>11,240</u>	<u>94,731</u>	<u>95,202</u>	<u>333,146</u>

See Notes to Financial Statements

MONTANA BUSINESS ASSISTANCE CONNECTION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	<u>Loan Funds</u>	<u>Building</u>	<u>Economic Development</u>	<u>Mgmt Serv. & Admin</u>	<u>Total</u>
OCCUPANCY EXPENSES					
Telephone and internet	2,065	746	1,764	1,295	5,870
Utilities	-	6,090	-	-	6,090
Insurance - property	-	2,167	-	-	2,167
Depreciation	-	10,012	-	2,198	12,210
Building rent	12,802	4,324	1,097	4,415	22,638
Repair and maintenance - building	-	4,350	-	-	4,350
Taxes/real estate	-	1,526	-	-	1,526
	<u>14,867</u>	<u>29,215</u>	<u>2,861</u>	<u>7,908</u>	<u>54,851</u>
GENERAL EXPENSES					
Bookkeeping and audit fees	7,825	1,260	945	598	10,628
Contracted services	-	-	133	56	189
Board meeting	-	-	-	1,575	1,575
Membership, contributions, in kind	-	-	264	1,175	1,439
Dues and subscriptions	-	-	869	627	1,496
Insurance	12,262	449	-	2,273	14,984
Equipment - rental, repair, minor	2,837	8,002	284	3,030	14,153
Office supplies and printing	3,193	114	453	4,061	7,821
Postage and freight	859	61	34	265	1,219
Miscellaneous	811	1,107	3,324	1,329	6,571
	<u>27,787</u>	<u>10,993</u>	<u>6,306</u>	<u>14,989</u>	<u>60,075</u>
TOTAL EXPENSES	<u>\$ 356,926</u>	<u>\$ 54,998</u>	<u>\$ 107,050</u>	<u>\$ 118,277</u>	<u>\$ 637,251</u>

See Notes to Financial Statements

MONTANA BUSINESS ASSISTANCE CONNECTION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	<u>Loan Funds</u>	<u>Building</u>	<u>Economic Development</u>	<u>Mgmt Serv. & Admin</u>	<u>Total</u>
TRAVEL AND TRAINING					
Vehicle expenses	\$ -	\$ 15	\$ 2,991	\$ 1,227	\$ 4,233
Travel	435	-	99	1,556	2,090
Registrations and seminars	29	-	1,000	1,631	2,660
Lodging	-	-	1,944	1,153	3,097
Meals	<u>39</u>	<u>-</u>	<u>331</u>	<u>183</u>	<u>553</u>
	<u>503</u>	<u>15</u>	<u>6,365</u>	<u>5,750</u>	<u>12,633</u>
LOAN FUND EXPENSES					
Fees, insurance, and other	11,099	-	-	249	11,348
Loan loss reserve	-	-	-	-	-
Loan fund interest	<u>130,554</u>	<u>7,339</u>	<u>-</u>	<u>-</u>	<u>137,893</u>
	<u>141,653</u>	<u>7,339</u>	<u>-</u>	<u>249</u>	<u>149,241</u>
PERSONNEL EXPENSES					
Salaries and hourly compensation	112,088	3,769	74,956	72,622	263,435
Compensation plan	-	-	-	-	-
Payroll taxes and benefits	<u>5,543</u>	<u>-</u>	<u>6,048</u>	<u>37,007</u>	<u>48,598</u>
	<u>117,631</u>	<u>3,769</u>	<u>81,004</u>	<u>109,629</u>	<u>312,033</u>

See Notes to Financial Statements

MONTANA BUSINESS ASSISTANCE CONNECTION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	Loan Funds	Building	Economic Development	Mgmt Serv. & Admin	Total
OCCUPANCY EXPENSES					
Telephone and internet	3,458	42	962	2,758	7,220
Utilities	-	5,609	-	-	5,609
Insurance - property	-	2,388	-	-	2,388
Depreciation	-	10,060	-	83	10,143
Building rent	10,240	4,597	-	6,060	20,897
Repair and maintenance - building	-	574	-	-	574
Taxes/real estate	-	1,297	-	-	1,297
	<u>13,698</u>	<u>24,567</u>	<u>962</u>	<u>8,901</u>	<u>48,128</u>
GENERAL EXPENSES					
Advertising	-	-	-	17	17
Legal fees	320	-	-	-	320
Bookkeeping and audit fees	8,206	103	-	2,070	10,379
Contracted services	-	1,070	3,880	60	5,010
Board meeting	-	-	-	1,551	1,551
Membership, contributions, in kind	-	-	-	3,874	3,874
Dues and subscriptions	100	-	228	2,479	2,807
Insurance	8,811	-	-	2,507	11,318
Equipment - rental, repair, minor	2,844	1,274	230	3,377	7,725
Office supplies and printing	6,945	283	370	3,212	10,810
Postage and freight	942	77	6	1,222	2,247
Miscellaneous	984	-	1,321	3,597	5,902
	<u>29,152</u>	<u>2,807</u>	<u>6,035</u>	<u>23,966</u>	<u>61,960</u>
TOTAL EXPENSES	<u>\$ 302,637</u>	<u>\$ 38,497</u>	<u>\$ 94,366</u>	<u>\$ 148,495</u>	<u>\$ 583,995</u>

See Notes to Financial Statements

MONTANA BUSINESS ASSISTANCE CONNECTION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 264,337	\$ 33,547
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	12,210	10,060
Loss (Gain) on property	329	22,037
(Increase) decrease in:		
Accounts receivable	3,177	1,118
Accrued interest receivable	-	49,283
Prepaid assets	12,597	(14,455)
Increase (decrease) in:		
Loan loss reserve	31,958	(905)
Accounts payable	538	(3,595)
Accrued expenses	<u>(4,141)</u>	<u>(12,487)</u>
NET CASH FROM OPERATING ACTIVITIES	<u>321,005</u>	<u>84,603</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from sale of property	-	940,643
Purchase of property and equipment	-	(6,191)
New loans issued	2,622,042	3,188,295
Principle payments received on loans	<u>(2,750,306)</u>	<u>(4,765,966)</u>
NET CASH FROM INVESTING ACTIVITIES	<u>(128,264)</u>	<u>(643,219)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowing	2,049,902	1,710,962
Debt retired	<u>(2,224,297)</u>	<u>(1,481,072)</u>
NET CASH FROM FINANCING ACTIVITIES	<u>(174,395)</u>	<u>229,890</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	18,346	(328,726)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,195,060</u>	<u>1,523,786</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,213,406</u>	<u>\$ 1,195,060</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid during the year	\$ 169,213	\$ 137,890
Interest received during the year	\$ 395,145	\$ 277,718

See Notes to Financial Statements

MONTANA BUSINESS ASSISTANCE CONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

In October 2006, there was a name change from Gateway Economic Development Corporation to Montana Business Assistance Connection, Inc. Montana Business Assistance Connection, Inc. is a non-profit corporation, incorporated in the State of Montana. Montana Business Assistance Connection, Inc. filed and received tax-exempt status under Section 501(c)(6) of the Internal Revenue Code and is exempt from state and federal taxation. Montana Business Assistance Connection, Inc. is not a private foundation.

The mission of the program is to support retention of existing jobs and promote the creation of new jobs in Lewis and Clark, Broadwater, and Meagher counties.

Basis of Accounting

The financial statements of Montana Business Assistance Connection, Inc. have been prepared on the accrual basis, whereby revenue is recorded when earned and expenses are recorded when incurred. Grant funds received prior to being earned have been recorded as deferred revenue.

Financial Statement Presentation

As required by Professional Standards, the accompanying financial statements have been prepared to focus on Montana Business Assistance Connection, Inc. as a whole. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Montana Business Assistance Connection, Inc. and changes therein are reported as follows:

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

Unrestricted Net Assets - Net assets not subject to donor-imposed stipulations and donor restricted contributions whose restrictions are met in the same reporting period. This category includes net assets which have been designated by the board or other designated funds.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue 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.

Income Taxes

Montana Business Assistance Connection, Inc. is exempt from federal income tax under Internal Revenue Code Section 501(c)(6); accordingly, no provision for income taxes is included in the accompanying financial statements. Montana Business Assistance Connection, Inc.'s Federal Form 990 are subject to examination by the IRS, generally for three years after they were filed.

MONTANA BUSINESS ASSISTANCE CONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Activities and Expense Classification

Montana Business Assistance Connection, Inc. allocates its expenses on a functional basis among its various programs. Expenses that can be identified with a specific program are allocated directly according to their natural expenditure classification. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into activity groups. The primary activity groups and their related purposes are summarized as follows:

Administration - Consists of funds that are used for the general administration and activities related to the Organization.

Loan Funds - Activities associated with the direct administration and activities related to economic development loan funds.

Gateway Economic Development District - Activities related to functions of the Economic Development District for the tri-county region of Broadwater, Lewis and Clark, and Meagher counties.

Building - Consists of funds that are used to maintain the property owned by the Organization.

Property, Plant and Equipment

Property, Plant and Equipment purchases that exceed \$5,000 with a useful life of more than one year are capitalized and recorded at original cost. Depreciation is taken on a straight-line basis over their estimated useful lives of 5 to 40 years.

Loan Loss Reserves

Montana Business Assistance Connection, Inc. uses the allowance method for bad debts. The Loan loss reserve allowance account is determined by monthly status reviews of outstanding loans. Specific reserves for the IRP and Montana Board of Investment funds are to be 6 percent of outstanding loans and to be accumulated over 3 years and then maintained.

Compensated Absences

Montana Business Assistance Connection, Inc. recognizes a liability for the cost of unused personal leave benefits at yearend. This amount at December 31, 2017 and 2016, was \$4,490 and \$4,490, respectively.

Grants and Contracts

Support received under grants and contracts with federal, state, county and local governmental entities and private foundations are recorded as public support when received.

MONTANA BUSINESS ASSISTANCE CONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Advertising

Advertising costs are expensed in the year incurred. Advertising expense, including in-kind, for the years ended December 31, 2017 and 2016, totaled \$- and \$17, respectively.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Montana Business Assistance Connection, Inc. considers all highly liquid investments available for current use with a maturity of three months or less to be cash equivalents.

NOTE 2 -- CONCENTRATIONS OF CREDIT RISK

Cash balances are maintained in financial institutions located in Helena, Montana. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2017 and 2016, the Federal Deposit Insurance Corporation insured all balances except for \$160,454 and \$104,343, respectively, which was collateralized with U.S. Bank, Opportunity Bank, Valley Bank, and First Interstate Bank.

NOTE 3 -- RISK MANAGEMENT

Montana Business Assistance Connection, Inc. faces a considerable number of risks of loss including damage to and loss of property and contents, and environmental damage. A variety of methods are used to provide insurance for these risks. Commercial policies transfer all risks except for relatively small deductible amounts. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 4 -- DESIGNATED ASSETS

All assets are designated as collateral by various agreements with governmental agencies as of December 31, 2017.

NOTE 5 -- LOAN LOSS RESERVE

Due to the high degree of loan collection risk associated with economic development loans, Montana Business Assistance Connection, Inc. maintains a significant allowance for loan losses. The Loan Loss Reserve at December 31, 2017 and 2016, was \$168,810 and \$136,852, respectively.

MONTANA BUSINESS ASSISTANCE CONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 6 -- RENTAL AGREEMENTS

Montana Business Assistance Connection, Inc. owns a building for business incubation. Space in the building is leased to three tenants.

Helena Civic Television has a three year lease agreement ending February 28, 2020. The monthly lease payment is \$1,818.

Fitness Factory has a six month lease agreement February 28, 2018. The monthly lease payment is \$800.

Hayes Chiropractic has a three year lease ending February 28, 2020. The monthly lease payment is \$1,027.

NOTE 7 -- FIXED ASSETS

Fixed assets activity for the year ended December 31, 2017, is as follows:

	<u>January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31</u>
Land	\$ 12,500	\$ -	\$ -	\$ 12,500
Building	454,798	-	-	454,798
Other - software, leaseholds, loan fees	<u>31,544</u>	<u>-</u>	<u>(7,881)</u>	<u>23,663</u>
	498,842	-	(7,881)	490,961
Less: Accumulated depreciation	<u>(312,401)</u>	<u>(12,210)</u>	<u>7,552</u>	<u>(317,059)</u>
Property, plant and equipment, net	<u>\$ 186,441</u>	<u>\$ (12,210)</u>	<u>\$ (329)</u>	<u>\$ 173,902</u>

Fixed assets activity for the year ended December 31, 2016, is as follows:

	<u>January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31</u>
Land	\$ 979,896	\$ -	\$ (967,396)	\$ 12,500
Building	454,798	-	-	454,798
Other - software, leaseholds, loan fees	<u>20,554</u>	<u>10,990</u>	<u>-</u>	<u>31,544</u>
	1,455,248	10,990	(967,396)	498,842
Less: Accumulated depreciation	<u>(302,258)</u>	<u>(10,143)</u>	<u>-</u>	<u>(312,401)</u>
Property, plant and equipment, net	<u>\$ 1,152,990</u>	<u>\$ 847</u>	<u>\$ (967,396)</u>	<u>\$ 186,441</u>

MONTANA BUSINESS ASSISTANCE CONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 8 -- LOANS RECEIVABLE

Loans are stated at the principal amount outstanding, net of unearned income. Interest is computed daily based on the principal amount outstanding.

Revolving loan funds provide risk capital financing to businesses in the Corporation's area of operations. The revolving loan funds have been capitalized with Montana Community Development Block Grant (CDBG) loans transferred by the City of Helena, Broadwater County and Lewis & Clark County. Additional sources for RLF's come from borrowing from various public and private financing sources. See list at Note 9.

Montana Business Assistance Connection, Inc. has entered into an agreement with the State of Montana Department of Commerce that certifies Montana Business Assistance Connection, Inc. as a Micro Business Development Corporation. The Corporation provides loans to qualifying businesses in the area of its operations. The program provides that 60% of funds available will be loaned out. As of December 31, 2017 and 2016, 59% and 56% of funds available were loans receivable, respectively.

Loans as of December 31st consist of the following:

	<u>2017</u>	<u>2016</u>
Micro Business Development Corporation	\$ 658,681	\$ 678,510
Broadwater Revolving Loan Fund	106,543	184,236
Helena Revolving Loan Fund	640,294	623,273
Lewis & Clark Revolving Loan Fund	75,396	122,652
USDA Intermediary & Revolving Loan Fund #1	150,454	78,402
USDA Intermediary & Revolving Loan Fund #2	539,464	542,685
USDA Intermediary & Revolving Loan Fund #3	381,927	111,234
DEQ Revolving Loan Fund	3,080,293	3,287,453
DEQ ARRA Loan Fund	801,509	598,890
Board of Investments Revolving Loan Fund	442,315	471,015
Board of Investments II Revolving Loan Fund	168,851	161,347
Board of Investments III Revolving Loan Fund	121,520	37,078
MBAC Revolving Loan Fund	324,883	353,318
EDA Revolving Loan Fund	251,647	218,706
SSBCI Loan Fund	164,856	197,863
Participation loan	<u>638,016</u>	<u>751,723</u>
 Total Loan Receivable	 <u>\$8,546,649</u>	 <u>\$8,418,385</u>
 Current Portion	 \$1,616,578	 \$2,555,430
Long-Term Portion	\$6,930,071	\$5,862,955

MONTANA BUSINESS ASSISTANCE CONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 9 -- LOANS PAYABLE

A summary of loans payable is as follows:

	<u>2017</u>	<u>2016</u>
Note payable, Montana Department of Commerce, fixed interest rate of 2%, payments consist of interest only. The rate on the loan may not be changed more than annually. The loan is secured by the first lien on Region V Micro-Business loans receivable and other assets of MBAC.	\$ 610,748	\$ 610,748
Loan payable to the Department of Environmental Quality (DEQ) requires quarterly payment of principal and interest collected from the borrowers.	4,141,297	4,030,517
Loan payable to the Department of Agriculture for the Intermediary Relending Program requires an annual repayment of interest only at 1% per year for the three years of the program. Principal payments started December 12, 2007.	962,033	781,676
Loan payable to Montana Board of Investments requires quarterly payment of interest at 2% per year on the unpaid balance. Principal payments started March 31, 2008.	838,401	798,811
Loan payable to U.S. Department of Treasury. Federal Funds received by MBAC, Inc. disbursed in fiscal year 2013.	-	213,539
Loan payable to US Bank. Monthly payment of principal and interest of \$1,483 beginning on July 2014 through June 2017. The loan bears interest at 3.98% per annum. There is a balloon payment at the maturity date. This loan is secured by real property (Poplar Building).	-	175,403
Loan payable to Wells Fargo Bank. The loan is for ten years with a fixed interest rate of 2% per annum. Interest is payable quarterly with principal payments at the discretion of MBAC. The maturity date is December 2019.	56,250	130,417
Participation loans	<u>711,323</u>	<u>753,336</u>
Total loans payable	<u>\$7,320,052</u>	<u>\$7,494,447</u>
Current portion	\$1,118,613	\$1,251,447
Long-term portion	\$6,201,439	\$6,243,000

MONTANA BUSINESS ASSISTANCE CONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 9 -- LOANS PAYABLE (CONTINUED)

Scheduled maturities of long-term debt are as follows:

For the Year Ending December 31,	
2018	\$ 1,118,613
2019	1,776,342
2020	1,112,736
2021	1,114,347
2022	901,610
Thereafter	<u>1,296,404</u>
	<u>\$ 7,320,052</u>

NOTE 10 -- EMPLOYEE BENEFITS

Employees may participate in a Simple Individual Retirement Account under Section 408(p) of the Internal Revenue Code. Under the plan, eligible employees are allowed to make elective deferrals and may contribute up to the maximum amount allowed by law. Montana Business Assistance Connection, Inc. matches contributions up to 3% of the employee's salary. For the years ended December 31, 2017 and 2016, Montana Business Assistance Connection, Inc. contributed \$7,598 and \$7,214 in matching contributions, respectively.

NOTE 11 -- SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 28, 2017, the date on which the financial statements were available to be issued.



ACCOUNTING
AUDIT
TAX
EMPLOYEE BENEFITS
SPECIALIZED SERVICES

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

Board of Directors
Montana Business Assistance Connection, Inc.
Helena, Montana

We have audited, in accordance with auditing standards generally accepted in the United States of American 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 Montana Business Assistance Connection, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 28, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Montana Business Assistance Connection, 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 an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Montana Business Assistance Connection, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 the attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Montana Business Assistance Connection, Inc.'s financial statements are free of 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.

Junkermier, Clark, Campanella, Stevens, P.C.

Helena, Montana
June 28, 2017