Appalachian Community Capital Corporation

Report on Financial Statements

For the years ended December 31, 2016 and 2015

Page

elliott davis decosimo

Independent Auditor's Report

To the Board of Directors
Appalachian Community Capital Corporation

Report on the Financial Statements
We have audited the accompanying financial statements of Appalachian Community Capital Corporation (the "Company"), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended and the related notes to the financial statements (collectively, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 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.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Appalachian Community Capital Corporation as of December 31, 2016 and 2015, and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter
In connection with our audit, nothing came to our attention that caused us to believe that Appalachian Community Capital failed to comply with the terms, covenants, provisions, or conditions of the Indentures with Bank of America, Calvert Foundation, Deutsche Bank, and Ford Foundation insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Appalachian Community Capital's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the Indentures, insofar as they relate to accounting matters.

Restricted Use Relating to the Other Matter

The communication related to compliance with the aforementioned Indentures described in the Other Matter paragraph is intended solely for the information and use of the boards of directors and management of Appalachian Community Capital and Bank of America, Calvert Foundation, Deutsche Bank, and Ford Foundation and is not intended to be and should not be used by anyone other than these specified parties.

Elliott Davis Decosimo, PLLC

Raleigh, North Carolina
April 25, 2017

Appalachian Community Capital Corporation

Statements of Financial Position

December 31, 2016 and 2015

	2016	2015
Assets		
Cash and cash equivalents	$ 1,967,568	$ 2,084,195
Loans receivable, net of allowance for loan losses of $180,000 and $165,000 at December 31, 2016 and 2015 respectively	11,817,320	10,833,797
Grants receivable	501,738	624,000
Accrued interest receivable	21,958	12,397
Property and equipment, net	50	656
Prepaid expenses and other assets	42,408	47,488
Total assets	$ 14,351,042	$ 13,602,533
Liabilities and Net Assets		
Notes payable	$ 11,000,000	$ 10,000,000
Accrued interest payable	18,220	21,437
Accounts payable	10,200	200
Deferred revenue	202,738	325,000
Accrued expenses and other liabilities	18,351	17,465
Total liabilities	11,249,509	10,364,102
Net assets - unrestricted	114,533	3,021,285
Net assets - restricted	2,987,000	217,146
Total net assets	3,101,533	3,238,431
Total liabilities and net assets	$ 14,351,042	$ 13,602,533

See Notes to Financial Statements

Appalachian Community Capital Corporation

Statements of Activities

For the years ended December 31, 2016 and 2015

	2016	2015
Support and revenue		
Grant income	$ 122,262	$ 3,466,000
Interest income - loans	282,862	65,355
Interest income - certificates of deposits	7,893	3,795
Other operating income	-	1,932
Total support and revenue	413,017	3,537,082
Expenses		
Interest expense	$ 202,635	$ 51,980
Provision for loan losses	15,000	165,000
Salaries and employee benefits	131,244	140,602
Data processing	51,520	44,176
Office and administrative	791	926
Professional fees	97,114	136,207
Travel expense	1,419	8,262
Dues and subscriptions	21,504	15,600
Board of Directors' expense	6,817	3,325
Other expense	21,871	16,164
Total expenses	549,915	582,242
Change in net assets	(136,898)	2,954,840
Net assets - beginning of year	3,238,431	283,591
Net assets - end of year	$ 3,101,533	$ 3,238,431

See Notes to Financial Statements

Appalachian Community Capital Corporation

Statements of Cash Flows

For the years ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Change in net assets	$ (136,898)	$ 2,954,840
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	606	606
Provision for loan losses	15,000	165,000
Change in assets and liabilities:		
Grants receivable	122,262	(470,873)
Prepaid expenses and other assets	5,080	(42,991)
Accounts payable	10,000	(4,800)
Accrued expenses and other liabilities	886	6,989
Deferred revenue	(122,262)	1,000
Accrued interest payable	(3,217)	21,437
Accrued interest receivable	(9,561)	(12,397)
Net cash provided by (used in) operating activities	(118,104)	2,618,811
Cash flows from investing activities		
Net increase in loans	(998,523)	(10,998,797)
Net cash used in investing activities	(998,523)	(10,998,797)
Cash flows from financing activities		
Increase in notes payable	1,000,000	10,000,000
Net cash provided by financing activities	1,000,000	10,000,000
Change in cash and cash equivalents	(116,627)	1,620,014
Cash - beginning of year	2,084,195	464,181
Cash - end of year	$ 1,967,568	$ 2,084,195

See Notes to Financial Statements

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

Appalachian Community Capital Corporation ("ACC" or "the Company") is a non-profit, wholesale capital intermediary created to increase business lending in Appalachia by providing community loan funds with a new source of capital. Formed in 2013, ACC's mission is to increase business lending by providing Appalachian member institutions, which serve underserved people and communities, with new sources of capital. The Company provides financing, as well as educational programs and technical assistance to its members and to small businesses throughout the 13-state Appalachian Region. ACC's work enables reliable and sufficient capital for all of its members, leading to a growing economy, increased entrepreneurship, higher quality jobs, and increased local wealth in the Appalachian region.

The accounting and reporting policies of the Company follow generally accepted accounting principles and general practices within the non-profit and financial services industry. The following is a summary of the more significant policies:

Income Taxes

The Company is a not-for-profit organization that is exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code. Management is not aware of any uncertain tax positions and has not accrued any expense for the effect of an uncertain tax position as of December 31, 2016 and 2015. Tax years beginning in 2014 are open to examination by taxing authorities.

Accounting Policies

The financial statements are prepared on the accrual basis of accounting. Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Accordingly, net assets are classified as:

- Unrestricted net assets – Net assets not subject to donor-imposed stipulations. As of December 31, 2016 and 2015, there were $114,533 and $3,021,285 unrestricted net assets, respectively.

- Temporarily restricted net assets – Net assets subject to donor-imposed stipulation that may or may not be met. As of December 31, 2016 and 2015, there were $2,987,000 and $217,146 temporarily restricted net assets, respectively.

- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that are generally required to be held in perpetuity. As of December 31, 2016 and 2015, there were no permanently restricted net assets.

On October 18, 2016, the Appalachian Regional Commission amended a previously issued grant agreement with the Company. The amendment placed certain restrictions on funds previously granted to the Company. As a result, the Company reclassified $2,987,000 of net assets from unrestricted to temporarily-restricted. Expenses are reported as decreases in unrestricted net assets.

Note 1. Nature of Activities and Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents are considered to include those amounts included in “cash and cash equivalents” on the statement of financial position.

Loans Receivable

Loans receivable that management has the intent and ability to hold for the foreseeable future, until maturity or pay-off are reported at their outstanding principal amount adjusted for any charge-offs. Loan origination fees, net of certain direct origination costs, are deferred and recognized, as an adjustment of the related loan yield using the effective interest method.

Interest is accrued and credited to income based on the principal amount outstanding. The accrual of interest on impaired loans is discontinued when, in management’s opinion, the borrower may be unable to meet payments as they become due. When interest accrual is discontinued, all unpaid accrued interest for the current year is reversed and any subsequent payments received are applied only to the loans outstanding principal balance. When facts and circumstances indicate the borrower has regained the ability to meet the required payments, the loan is returned to accrual status. Past due status of loans is determined based on contractual terms.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of specific and general components. The specific component relates to loans that are classified as impaired. For such loans, an allowance is established when the discounted cash flows, collateral’s net realizable value or observable market price of the impaired loan is lower than the carrying value of that loan. The general component covers non-impaired loans and includes both a quantitative and qualitative component. The quantitative component is based on historical loss experience adjusted, while the qualitative component is based on specific internal and external factors that may have a negative impact on the performance of the loan portfolio.

Note 1. Nature of Activities and Summary of Significant Accounting Policies, continued

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status and other circumstances impacting the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the net realizable value of the collateral if the loan is collateral dependent.

The Company's allowance for loan loss model evaluates the loan portfolio on a collective basis where as previously it was assessing each loan individually for specific impairment. The shift in the model did not have a material impact on the allowance for loan loss reserve.

Use of Estimates

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

The determination of whether or not grant conditions have been met has a significant impact on revenue and is, in some cases, an estimate.

Grants Receivable, Revenue Recognition and Deferred Revenue

Non-conditional grants receivable are recorded and the revenue recognized at the time of award notification from a grantor. Conditional grants are recorded and revenue recognized at the time the conditions are met. In the event conditional grant funds are transferred to the Company before grant conditions are met, the asset is recorded and the revenue is deferred until the condition is met.

Grants are classified in one of three categories, permanently restricted, temporarily restricted and unrestricted. Classification is determined based on the designation by the grantor for the use of funds.

Property and Equipment

Property and equipment consists of computer equipment and is carried at cost, less accumulated depreciation computed by the straight-line method over three years. When items of property and equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in income. Maintenance and repairs are charged to expenses as incurred; major renewals and betterments are capitalized.

Note 1. Nature of Activities and Summary of Significant Accounting Policies, continued

Recent Accounting Pronouncements

The following accounting pronouncements may affect the future financial reporting of the Company:

In January 2016, the Financial Accounting Standards Board ("FASB") amended the Financial Instruments topic of the Accounting Standards Codification to address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The amendments will be effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Company will apply the guidance by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The amendments related to equity securities without readily determinable fair values will be applied prospectively to equity investments that exist as of the date of adoption of the amendments. The Company does not expect these amendments to have a material effect on its financial statements.

In March 2016, the FASB amended several topics of the Accounting Standards Codification to make the guidance in all private company accounting alternatives effective immediately by removing their effective dates. The amendments also include transition provisions that provide that private companies are able to forgo a preferability assessment the first time they elect the private company accounting alternatives. The amendments were effective immediately. The Company does not expect these amendments to have a material effect on its financial statements.

In June 2016, the FASB issued guidance to change the accounting for credit losses and modify the impairment model for certain debt securities. The amendments will be effective for the Company for annual periods beginning after December 15, 2020, and interim periods within annual reporting periods beginning after December 15, 2021. The Company is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

In August 2016, the FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments will be effective for the Company for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

In August 2016, the FASB issued guidance to make targeted improvements to the not-for-profit financial reporting model, including changes in how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. The amendments will be effective for the Company for fiscal years beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. The Company is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

Note 1. Nature of Activities and Summary of Significant Accounting Policies, continued

Recent Accounting Pronouncements, continued

In November 2016, the FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how restricted cash is presented and classified in the statement of cash flows. The amendments will be effective for the Company for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

In December 2016, the FASB issued amendments to clarify the Accounting Standards Codification (ASC), correct unintended application of guidance, and make minor improvements to the ASC that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. The amendments were effective upon issuance (December 14, 2016) for amendments that do not have transition guidance. Amendments that are subject to transition guidance will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted. The Company does not expect these amendments to have a material effect on its financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the Company's financial position, results of activities or cash flows.

Note 2. Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2016 and 2015 totaled $1,967,568 and $2,084,195, respectively. Of this balance, $742,889 exceeded the federally insured limit as of December 31, 2016.

Note 3. Loans Receivable

The major components on the statements of financial position as of December 31, 2016 and 2015 are as follows:

	2016	2015
Loans to community development financial institutions ("CDFI")	$ 11,997,320	$ 10,998,797
Allowance for loan losses	(180,000)	(165,000)
Total	$ 11,817,320	$ 10,833,797

There were no loans pledged at December 31, 2016 or 2015.

The Company is party to a financial instrument with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. This financial instrument includes commitments to extend credit. This instrument involves, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized on the balance sheets position. The contractual or notional amounts of this instrument reflects the extent of involvement the Company has in particular classes of financial instruments.

Note 3. Loans Receivable, continued

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual or notional amount of this instrument. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by the Company upon extension of credit is based on management's credit evaluation of the counter-party.

As of December 31, 2016 and 2015 the Company has commitments to extend credit totaling $1,000,000 and $0, respectively.

Note 4. Allowance for Loan Losses

The allocation of the allowance for loan losses by loan components at December 31, 2016 was as follows:

	Loans to CDFI
Allowance for loan losses:	
December 31, 2015	$ 165,000
Provision	15,000
December 31, 2016	$ 180,000
Ending balance:	
Individually evaluated for impairment	$ -
Collectively evaluated for impairment	$ 180,000
Loans Receivable:	
Ending balance:	
Individually evaluated for impairment	$ -
Collectively evaluated for impairment	$ 11,997,320

Note 4. Allowance for Loan Losses, continued

The allocation of the allowance for loan losses by loan components at December 31, 2015 was as follows:

	Loans to CDFI
Allowance for loan losses:	
December 31, 2014	$ -
Provision	165,000
December 31, 2015	$ 165,000
Ending balance:	
Individually evaluated for impairment	$ 165,000
Collectively evaluated for impairment	$ -
Loans Receivable:	
Ending balance:	
Individually evaluated for impairment	$ 10,998,797
Collectively evaluated for impairment	$ -

As of December 31, 2016, the Company adjusted their allowance for loan loss model to review performing loans on a collective basis. Previously, given the nature of the Company's portfolio, all loans were analyzed on an individual basis. This change in estimate did not materially impact the balance of the allowance for loan losses.

There were no impaired loans as of December 31, 2016 and 2015. In addition, there were no loans identified as impaired during the years ended December 31, 2016 and 2015. As a result, there was no average recorded investment in impaired loans or interest income recognized on impaired loans for the years ended December 31, 2016 and 2015. In addition, there were no nonaccrual loans as of December 31, 2016 and 2015.

As of December 31, 2016 and 2015, there were no loans past due.

Credit Quality Indicators:

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Company analyzes loans individually by classifying the loans as to credit risk.

Loans graded Good or Average are excluded from the scope of the annual review and considered "Pass Credits" until: (a) they become past due; (b) management becomes aware of a deterioration in the credit worthiness of the borrower; or (c) the customer contacts the Company for a modification. In these circumstances, the loan is specifically evaluated for potential classification as Marginal, Special Mention, Substandard, Doubtful or Loss. Loans are graded as loss are charged off. The Company uses the following definitions for risk ratings:

Note 4. Allowance for Loan Losses, continued

Good - Loans in this category are of good quality. The borrower has a history of successful performance, but may be susceptible to economic changes. Asset quality and liquidity are considered good. Overall leverage is normal for the industry in which the borrower operates and is stable. Cash flow levels may fluctuate but are sufficient to meet obligations. Margins and ratios are generally in line with or exceed industry norms. Earnings may have been inconsistent in the past, but have now stabilized and are equivalent to or better than the industry average. Other sources of financing, particularly from a number of other financial institutions, should be obtainable.

Average - Loans in this category are of average quality and risk is well within the Company's range of acceptability. They may differ from loans rated "Good" because the borrower may be entering an expansion mode, acquiring another company, introducing new products or investing large amounts of capital in upgrading equipment or the facility. The borrower's business may be cyclical or its customer base may have concentrations. Asset quality is acceptable. Liquidity levels fluctuate and usage of short term credit may be needed on a regular basis to finance growth or fluctuations in revenues and current assets. Leverage may be slightly to moderately higher than the industry, but is stable. Cash flow may fluctuate, but is evident in sales and earnings. The long-term outlook should be favorable. Management and owners have unquestioned character, although depth of management may be an issue.

Marginal - Loans in this grade are considered to have a higher than normal credit risk and servicing needs. Asset quality is marginally acceptable. Leverage may fluctuate and is above normal for the industry. Cash flow is marginally adequate, but is not clearly sufficient to ensure continued performance of contractual obligations without improving trends. A loss year or earnings decline may occur, but the borrower has sufficient strength and financial flexibility to offset these events. A reasonable expectation exists that operating performance will improve in the near future. Some management weaknesses may exist. These borrowers are currently performing as agreed, but may be adversely affected by deteriorating industry conditions, competition, operating deficiencies, pending litigation of a significant nature, or declining asset quality, and therefore should be monitored closely. Access to alternative financing sources may not be possible or limited to asset-based lenders and other institutions specializing in high risk financing. Loans in this category may be considered Watch List accounts.

Special Mention - Although repayment of principal and interest may continue, a loan in this category carries undesirable credit risk and possesses potential weaknesses which may, if not corrected, weaken the asset or inadequately protect the Company's credit position at some future date. A customer in this rating will reflect one or more of the following characteristics: deterioration in revenues, earnings or cash flow, deterioration in the balance sheet composition, or adverse conditions are known which could substantially affect operations in the near future. In addition, these are credits that the Company may be unable to manage properly because of an inadequate loan agreement, inability to control collateral, failure to obtain proper documentation, or any other deviation from sound lending principles may be placed in this category.

Note 4. Allowance for Loan Losses, continued

Substandard - Substandard assets are inadequately protected by the net worth and paying capacity of the borrower or the collateral pledged. Sound worth and paying capacity of a guarantor should be considered only if judged to be strong and dependable. Customers in this category have well defined weaknesses and the possibility exists that the Company will sustain some loss if the deficiencies are not corrected. Characteristics of a substandard loan include one or more of the following characteristics: a significant deterioration in earnings, cash flow or balance sheet composition, a deficient equity position, insufficient cash flow to meet maturity obligations, recent evidence of slow payments, a lack of adequate collateral or a dependence on illiquid collateral for repayment.

Doubtful - Doubtful ratings are applied to loans that exhibit weaknesses that make collection or liquidation in full improbable. This rating is used when the expected loss cannot be calculated, but estimates indicate that the loss will be significant in relation to the outstanding loan balance. The possibility of loss is extremely high, but because of certain important and reasonably specific pending factors which my work to the advantage and strengthening of the loan, its classification as a loss is deferred until its more exact status may be determined. Pending factors include proposed merger, acquisition, or liquidation procedures, capital injection, perfecting liens on additional collateral, and refinancing plans.

Loss - This rating is applied when the borrower's outstanding debt is considered uncollectible or of such little value that continuance as a Company asset is not warranted. This rating does not suggest that there is absolutely no recovery or salvage value, but that it is not practical or desirable to defer charging off the loan.

Loans by Risk Rating December 31, 2016	**Loans to CDFI**
Pass Credits	$ 11,817,320
Total	$ 11,817,320

Loans by Risk Rating December 31, 2015	**Loans to CDFI**
Pass Credits	$ 10,833,797
Total	$ 10,833,797

Troubled Debt Restructurings

There were no loans modified in a troubled debt restructuring in 2016 or 2015.

Note 5. Grants Receivable

ACC was due to receive grant awards from outside funding agencies as of December 31, 2016 as follows:

Funding Agency	Amount Awarded	Amount Received	Amount Receivable
Appalachian Regional Commission	$ 325,000	$ 122,262	$ 202,738
Appalachian Regional Commission	2,987,000	2,688,000	299,000
Total	$ 3,312,000	$ 2,810,262	$ 501,738

The receivable has not been discounted due to it's short term status.

ACC was due to receive grant awards from outside funding agencies as of December 31, 2015 as follows:

Funding Agency	Amount Awarded	Amount Received	Amount Receivable
Appalachian Regional Commission	$ 325,000	$ -	$ 325,000
Appalachian Regional Commission	2,987,000	2,688,000	299,000
Total	$ 3,312,000	$ 2,688,000	$ 624,000

Note 6. Property and Equipment

Details related to property and equipment as of December 31, 2016 and 2015 is as follows:

	2016	2015
Computer equipment	$ 1,817	$ 1,817
Less, accumulated depreciation	(1,767)	(1,161)
Total	$ 50	$ 656

Depreciation for the years ended December 31, 2016 and 2015 was $606 and $606, respectively.

Note 7. Concentration Risks

ACC has a potential risk associated with the concentration of support received from governmental agencies. Any change in future funding could have an adverse impact on ACC. The Company also has little diversification in its loan portfolio as all loans are outstanding to CDFIs as discussed in Note 3.

Note 8. Borrowings

Borrowings at December 31, 2016 and 2015, respectively, consist of the following:

Description	Rate	Maturity	2016	2015
Bank of America	LIBOR+2.00%	05/01/2023	$ 2,750,000	$ 2,500,000
Calvert Foundation	2.30%	05/06/2023	2,750,000	2,500,000
Deutsche Bank	LIBOR+0.50%	05/06/2023	2,750,000	2,500,000
Ford Foundation	1.00%	05/06/2023	2,750,000	2,500,000
			$ 11,000,000	$ 10,000,000

Disbursements on each loan are not to exceed $3 million. Each loan is unsecured with interest payments due on a quarterly basis. Each loan requires principal payments of $1 million due on the sixth and seventh anniversary of the loan closing date, with the remaining principal due at maturity.

Note 9. Fair Value of Financial Instruments

Fair Value Hierarchy

There are three levels of inputs in the fair value hierarchy that may be used to measure fair value. Financial instruments are considered *Level 1* when valuation can be based on quoted prices in active markets for identical assets or liabilities. *Level 2* financial instruments are valued using quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or models using inputs that are observable or can be corroborated by observable market data of substantially the full term of the assets or liabilities. Financial instruments are considered *Level 3* when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable and when determination of the fair value requires significant management judgment or estimation.

Recurring Fair Value

The Company had no financial assets recorded at fair value on a recurring basis as of December 31, 2016 or 2015.

Non-Recurring Fair Value

The following describes the valuation techniques used by the Company to measure certain assets recorded at fair value on a nonrecurring basis in the financial statements:

Impaired Loans: Impairment of a loan is based on a loan’s observable market price, the fair value of the collateral of a collateral-dependent loan or the discounted cash flow method. Fair value of the loan's collateral, when the loan is dependent on collateral, is determined by appraisals or independent valuation which is then adjusted for the cost related to liquidation of the collateral. The value of business equipment is based upon an outside appraisal, if deemed significant, or the net book value on the applicable business’ financial statements if not considered significant using observable market data. Likewise, values for inventory and accounts receivables collateral are based on financial statement balances or aging reports. The Company had no impaired loans as of December 31, 2016 or 2015.

Note 10. Significant Contracts

During 2014, the Company entered into an agreement with another CDFI, Virginia Community Capital ("VCC"), to provide accounting and data processing services, including loan servicing. Under the terms of the contract, ACC paid an initial set-up fee and a monthly fee of $4,292, as well as additional fees for out of scope services as needed. ACC paid $51,520 and $44,176 under this agreement during the years ended December 31, 2016 and 2015, respectively. A member of VCC's management team serves on the Board of Directors of the Company. This contract was made as an arm's length transaction and was approved by the Company's Board of Directors.

Note 11. Related Parties

The Company currently has five loans outstanding that have been made to other CDFI's. Each of these CDFI's have a member of management who also serves on the Board of Directors of the Company. Each of these loans are on substantially the same terms as those prevailing for comparable transactions with persons not related to the Company and do not involve more than normal risk of collection or present other unfavorable terms.

Note 12. Subsequent Events

Subsequent events were evaluated through April 25, 2017, the date the financial statements were available to be issued. During this time, no subsequent events occurred that required revision to the financial statements.

MEMBERS OF APPALACHIAN COMMUNITY CAPITAL INCLUDE:

Access to Capital for Entrepreneurs (Georgia)

Alternatives Federal Credit Union (New York)

Appalachian Development Corporation (Mississippi)

Kentucky Highlands Investment Corporation (Kentucky)

MACED (Kentucky)

Mountain BizWorks (North Carolina)

Natural Capital Investment Fund (West Virginia)

Pathway Lending (Tennessee)

Southeast Kentucky Economic Development Corp. (Kentucky)

Carolina Small Business Development Fund (North Carolina)

Three Rivers Planning & Development District (Mississippi)

Virginia Community Capital (Virginia)

LiftFund (Alabama)