Appalachian Community Capital Corporation

Report on Financial Statements

For the years ended December 31, 2015 and 2014

Contents

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, which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities 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.

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 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, 2015 and 2014, and the results of its activities and its cash flows for the year 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 Corporation 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.

Other Reporting Required by *Government Audit Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2016 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract, 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 the Commission's internal control over financial reporting and compliance.

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 Corporation 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, LLC

Richmond, Virginia
July 19, 2016

Appalachian Community Capital Corporation

Statements of Financial Position

December 31, 2015 and 2014

	2015	2014
Assets		
Cash and cash equivalents	$ 2,084,195	$ 464,181
Loans receivable, net of allowance for loan losses of $165,000	10,833,797	-
Grants receivable	624,000	153,127
Accrued interest receivable	12,397	-
Property and equipment	656	1,262
Prepaid expenses and other assets	47,488	4,497
Total assets	$ 13,602,533	$ 623,067
Liabilities and Net Assets		
Notes payable	$ 10,000,000	$ -
Accrued interest payable	21,437	-
Accounts payable	200	5,000
Deferred revenue	325,000	324,000
Accrued expenses and other liabilities	17,465	10,476
Total liabilities	10,364,102	339,476
Net assets - unrestricted	3,021,285	283,591
Net assets- restricted	217,146	-
Total net assets	3,238,431	283,591
Total liabilities and net assets	$ 13,602,533	$ 623,067

The Notes are an Integral Part of These Financial Statements

Appalachian Community Capital Corporation

Statements of Activities

For the years ended December 31, 2015 and 2014

	2015	2014
Support and revenue		
Grant income	$ 3,466,000	$ 526,400
Interest income - Loans	65,355	-
Interest income - Certificates of Deposits	3,795	-
Other operating income	1,932	-
Total support and revenue	3,537,082	526,400
Expenses		
Interest expense	$ 51,980	$ -
Provision for loan losses	165,000	-
Salaries and employee benefits	140,602	149,640
Data processing	44,176	93,202
Office and administrative	926	1,518
Professional fees	136,207	22,599
Travel	8,262	11,275
Dues and subscriptions	15,600	15,353
Board of Directors' expense	3,325	8,588
Other	16,164	7,079
Total expenses	582,242	309,254
Change in net assets	2,954,840	217,146
Net assets - beginning of year	283,591	66,445
Net assets - end of year	$ 3,238,431	$ 283,591

The Notes are an Integral Part of These Financial Statements

Appalachian Community Capital Corporation

Statements of Cash Flows

For the years ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Change in net assets	$ 2,954,840	$ 217,146
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	606	555
Provision for loan losses	165,000	-
Change in assets and liabilites:		
Grants receivable	(470,873)	(103,127)
Prepaid expenses and other assets	(42,991)	(4,497)
Accounts payable	(4,800)	(9,157)
Accrued expenses and other liabilities	6,989	10,476
Deferred revenue	1,000	324,000
Accrued interest payable	21,437	-
Accrued interest receivable	(12,397)	-
Net cash provided by operating activities	2,618,811	435,396
Cash flows from investing activities		
Net increase in loans	(10,998,797)	-
Purchase of property and equipment	-	(1,817)
Net cash used in investing activities	(10,998,797)	(1,817)
Cash flows from financing activities		
Increase in notes payable	10,000,000	-
Net cash provided by financing activities	10,000,000	-
Net change in cash and cash equivalents	1,620,014	433,579
Cash - beginning of year	464,181	30,602
Cash - end of year	$ 2,084,195	$ 464,181

The Notes are an Integral Part of These 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 for, 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.

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 positions as of December 31, 2015 and 2014. Tax years beginning 2013 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.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulation that may or may not be met. As of December 31, 2015 and 2014, there were $217,146 and $0 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, 2015 and 2014, there were no permanently restricted net assets.

Expenses are reported as decreases in unrestricted net assets.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents are considered to include cash on hand, demand deposit accounts and highly liquid investments with an initial maturity of three months or less.

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

Loans Receivable

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding principal amount adjusted for any charge-offs and the allowance for loan losses. Loan origination fees, net of certain direct origination costs, are deferred and recognized, as an adjustment of the related loan yield using the 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. Interest income is subsequently recognized on the cash basis or cost recovery method, as appropriate. 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, general and unallocated components. The specific component relates to loans that are classified as impaired. For such loans an allowance is established when the discounted cash flows, collaterals 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 is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating losses in the 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.

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.

Recent Accounting Pronouncements

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

In May 2014, the Financial Accounting Standards Board ("FASB") issued guidance to change the recognition of revenue from contracts with customers. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The guidance will be effective for the Company for annual periods beginning after December 15, 2018, and interim periods within annual reporting periods beginning after December 15, 2019. The Company will apply the guidance using a modified retrospective approach. The Company does not expect these amendments to have a material effect on its financial statements.

In January 2015, the FASB issued guidance to eliminate from U.S. GAAP the concept of an extraordinary item, which is an event or transaction that is both (1) unusual in nature and (2) infrequently occurring. Under the new guidance, an entity will no longer (1) segregate an extraordinary item from the results of ordinary operations; (2) separately present an extraordinary item on its income statement, net of tax, after income from continuing operations; or (3) disclose income taxes and earnings-per-share data applicable to an extraordinary item. The amendments will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015, with early adoption permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. The Company will apply the guidance prospectively. The Company does not expect these amendments to have a material effect on its financial statements.

In June 2015, the FASB issued amendments to clarify the Accounting Standards Codification, 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 (June 12, 2015) 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, 2015. Early adoption is permitted, including adoption in an interim period. The Company does not expect these amendments to have a material effect on its financial statements.

In August 2015, the FASB deferred the effective date of Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers.* As a result of the deferral, the guidance in ASU 2014-09 will be effective for the Company for annual periods beginning after December 15, 2018, and interim periods within annual reporting periods beginning after December 15, 2019. The Company will apply the guidance using a modified retrospective approach. The Company does not expect these amendments to have a material effect on its financial statements.

Recent Accounting Pronouncements, Continued

In January 2016, the 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.

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, 2015 and 2014 totaled $2,084,195 and $464,181, respectively. Of this balance, $1,191,795 exceeded the federally insured limit as of December 31, 2015.

Note 3. Loans Receivable

The major components of loans in the balance sheets as of December 31, 2015 and 2014 are as follows:

	2015	2014
Loans to community development financial institutions	$ 10,998,797	$ -
Allowance for loan losses	(165,000)	-
Total	$ 10,833,797	$ -

There were no loans pledged at December 31, 2015 or 2014.

Note 4. Allowance for Loan Losses

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	$ -
Charge-offs	-
Recoveries	-
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 the Company had no loans outstanding as of December 31, 2014, there was no allowance for loan losses established as of December 31, 2014.

There were no impaired loans as of December 31, 2015 or December 31, 2014. In addition, there were no loans identified as impaired during the years ended December 31, 2015 or December 31, 2014. 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, 2015 or December 31, 2014. In addition, there were no nonaccrual loans as of December 31, 2015 or December 31, 2014.

As of December 31, 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, Loss, or in some instances even charged-off. The Company uses the following definitions for risk ratings:

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.

Substandard - Substandard assets are inadequately protected by the sound 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 writing off the debt.

Loans by Risk Rating
December 31, 2015

	Loans to CDFI
Pass Credits	$ 10,998,797
Marginal	-
Special Mention	-
Substandard	-
Total	$ 10,998,797

The Company had no loans outstanding as of December 31, 2014.

Troubled Debt Restructurings

There were no loans modified in a troubled debt restructuring in 2015 or 2014.

Note 5. Grants Receivable

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

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, 2014 as follows:

Funding Agency	Amount Awarded	Amount Received	Amount Receivable
Appalachian Regional Commission	$ 500,000	$ 346,873	$ 153,127

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

Note 6. Property and Equipment

Details related to property and equipment as of December 31, 2015 and 2014 is as follows:

	2015	2014
Computer equipment	1,817	1,817
Less, accumulated depreciation	(1,161)	(555)
Total	$ 656	$ 1,262

Depreciation for the years ended December 31, 2015 and 2014 was $606 and $555, respectively.

Note 7. Concentration Risks

ACC has a potential risk associated with the concentration of support received from governmental agencies. Any change in finding future funding could have an adverse impact on ACC. The Company also has focus of loans to community development financial institutions as discussed in Note 3.

Note 8. Borrowings

Borrowings at December 31, 2015 and 2014, respectively, consist of the following:

Description	Rate	Maturity	2015	2014
Bank of America	LIBOR+2.00%	05/01/2023	$ 2,500,000	$ -
Calvert Foundation	2.30%	05/06/2023	2,500,000	-
Deutsche Bank	LIBOR+0.50%	05/06/2023	2,500,000	-
Ford Foundation	1.00%	05/06/2023	2,500,000	-
			$ 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 in the financial statements as of December 31, 2015 or 2014.

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:

Note 9. Fair Value of Financial Instruments, continued

Impaired Loans: Impairment of a loan is based on a loan's observable market price or the fair value of the collateral of a collateral-dependent loan. 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, 2015 or 2014.

Note 10. Commitments, Contingencies and Subsequent Events

Significant Contracts

During 2014, the Company entered into an agreement with another CDFI 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 $44,176 and $93,202 under this agreement during the years ended December 31, 2015 and 2014, respectively.

Subsequent Events

Subsequent events were evaluated through July 19, 2016, 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 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)

The Support Center (North Carolina)

Three Rivers Planning & Development District (Alabama)

Virginia Community Capital (Virginia)