Appalachian Community Capital Corporation

Report on Financial Statements

For the year ended December 31, 2014

Contents

elliott davis decosimo

Independent Auditor's Report

To the Board of Directors
Appalachian Community Capital

Report on the Financial Statements

We have audited the accompanying statement of financial position of Appalachian Community Capital Corporation as of December 31, 2014, and the related statements of activities and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, 2014, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Elliott Davis Decosimo, LLC

Richmond, Virginia
July 22, 2015

Appalachian Community Capital Corporation

Statement of Financial Position

As of December 31, 2014

		2014
Assets		
Cash and cash equivalents	$	464,181
Grants receivable		153,127
Property and equipment		1,262
Prepaid expenses and other assets		4,497
Total assets	$	623,067
Liabilities and Net Assets		
Accounts payable	$	5,000
Accrued expenses and other liabilities		10,476
Deferred revenue		324,000
Total liabilities		339,476
Net assets - unrestricted		283,591
Total liabilities and net assets	$	623,067

The Notes are an Integral Part of These Financial Statements

Appalachian Community Capital Corporation

Statement of Activities

For the year ended December 31, 2014

		2014
Support and revenue		
Grant income	$	526,400
Total support and revenue		526,400
Expenses		
Salaries and employee benefits		149,640
Data processing		93,202
Office and administrative		1,518
Professional fees		22,599
Travel		11,275
Dues and subscriptions		15,353
Board expense		8,588
Other		7,079
Total expenses		309,254
Change in unrestricted net assets		217,146
Net assets - beginning of year		66,445
Net assets - end of year	$	283,591

The Notes are an Integral Part of These Financial Statements

Appalachian Community Capital Corporation

Statement of Cash Flows

For the year ended December 31, 2014

		2014
Cash flows from operating activities		
Change in net assets	$	217,146
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		555
Change in balance sheet amounts:		-
Grants receivable		(103,127)
Prepaid expenses and other assets		(4,497)
Accounts payable		(9,157)
Accrued expenses and other liabilities		10,476
Deferred revenue		324,000
Net cash provided by operating activities		435,396
Cash flows from investing activities		
Purchase of property and equipment		(1,817)
Net cash used in investing activities		(1,817)
Net change in cash and cash equivalents		433,579
Cash - beginning of year		30,602
Cash - end of year	$	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, Inc. ("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 organization 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, 2014. 2013 was the first year of existence. 2013 and 2014 tax years remain 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, 2014, there were no temporarily restricted net assets.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that are generally required to be held in perpetuity. As of December 31, 2014 there were no permanently restricted net assets.

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 cash on hand, demand deposit accounts and highly liquid investments with an initial maturity of three months or less.

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 2. Cash and Cash Equivalents

Cash and cash equivalents included in current assets at December 31, 2014 totaled $464,181, $196,181 of this balance exceeded the federally insured limit.

Note 3. Property and Equipment

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

Computer equipment	1,817
Less, accumulated depreciation	(555)
Total	$ 1,262

Depreciation for the year ended December 31, 2014 was $555.

Note 4. Grants Receivable

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. Of receivables due at December 31, 2014, all was received before the issuance of the financial statements. In addition to the above grant, ACC had been awarded an additional grant from the Appalachian Regional Commission for $2,978,000 for permanent funding of the Company. The grant is conditional upon ACC obtaining additional funding of $3,000,000. As of December 31, 2014, ACC had not raised that funding and therefore the grant revenue was not recorded. On May 6, 2015, ACC closed loan funding of $12 million, meeting the requirements of the grant.

Note 5. Deferred Grant Revenue

At December 31, 2014, ACC had received $74,000 in grant funds from a private donor for the purpose of developing certain planning documents for the Company. These documents were not complete as of December 31, 2014 and the recognition of this revenue is deferred until the documents are complete, which is expected to be early 2015. Also, ACC had received a grant for $250,000 from a private donor subject to ACC obtaining an additional $3,000,000 in funding. As that funding was not yet obtained at December 31, 2014, this revenue was deferred until the funding was obtained in May of 2015.

Note 6. 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.

Note 7. 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, in addition to additional fees for out of scope services as needed. ACC paid $93,202 under this agreement during the year ended December 31, 2014.

Subsequent Events

Subsequent events were evaluated through July 20, 2015, 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)

Three Rivers Planning & Development District (Alabama)

Virginia Community Capital (Virginia)