MOUNTAIN BIZCAPITAL, INC.
d/b/a MOUNTAIN BIZWORKS
AND SUBSIDIARY

Asheville, North Carolina

Consolidated Financial Statements and
Supplementary Information

Year Ended December 31, 2014

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MOUNTAIN BIZCAPITAL, INC. d/b/a MOUNTAIN BIZWORKS AND SUBSIDIARY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Mountain BizCapital, Inc. d/b/a Mountain BizWorks and Subsidiary

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Mountain BizCapital, Inc. (a nonprofit organization) d/b/a Mountain BizWorks and Subsidiary, which comprise the consolidated statement of financial position as of December 31, 2014, and the related consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mountain BizCapital, Inc. d/b/a Mountain BizWorks and Subsidiary as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Mountain BizCapital, Inc. d/b/a Mountain BizWorks and Subsidiary's 2013 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 28, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. In addition, the accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 May 18, 2015, on our consideration of Mountain BizCapital, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mountain BizCapital, Inc.'s internal control over financial reporting and compliance.

Carter, P.C.

Asheville, North Carolina
May 18, 2015

MOUNTAIN BIZCAPITAL, INC. d/b/a MOUNTAIN BIZWORKS AND SUBSIDIARY

Consolidated Statement of Financial Position
December 31, 2014
(With Comparative Totals for 2013)

	2014	2013
Assets		
Current assets:		
Cash and equivalents	$ 1,302,494	$ 1,005,160
Accounts receivable	794	76
Loans receivable, current portion	630,105	353,592
Subsidiary note receivable, current portion	7,166	7,024
Grants receivable	135,573	253,094
Other receivables	30,667	19,381
Property available-for-sale	18,426	18,426
Total current assets	2,125,225	1,656,753
Other assets:		
Property and equipment	948,220	993,254
Loans receivable, net of current portion	2,407,707	2,575,212
Subsidiary note receivable, net of current portion	46,158	53,328
Total other assets	3,402,085	3,621,794
Total assets	$ 5,527,310	$ 5,278,547
Liabilities, equity equivalent, net assets, and equity		
Current liabilities:		
Notes payable, current maturities	$ 1,207,349	$ 656,940
Subsidiary note payable, current maturities	120,166	7,510
Accounts payable	11,695	22,781
Payroll liabilities	6,011	3,764
Other current liabilities	2,495	
Total current liabilities	1,347,716	690,995
Notes payable, net of current maturities	2,885,957	3,274,862
Subsidiary note payable, net of current maturities		120,089
Total liabilities	4,233,673	4,085,946
Equity equivalent	197,000	197,000
Net assets and equity:		
Unrestricted net assets	687,315	608,703
Temporarily restricted net assets	500,481	477,268
Subsidiary retained earnings	(91,159)	(90,370)
Total net assets and equity	1,096,637	995,601
Total liabilities, equity equivalent, net assets, and equity	$ 5,527,310	$ 5,278,547

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

MOUNTAIN BIZCAPITAL, INC. d/b/a MOUNTAIN BIZWORKS AND SUBSIDIARY

Consolidated Statement of Activities
Year Ended December 31, 2014
(With Comparative Totals for 2013)

	Unrestricted	Temporarily Restricted	Total 2014	Total 2013
Revenue and support				
Federal grants	$ 287,459	$	$ 287,459	$ 297,313
State, local, and federal pass-through grants	75,299	50,000	125,299	174,835
Foundation and private grants	62,250		62,250	308,750
Contributions	9,456		9,456	3,328
Service fees	57,445		57,445	130,681
Special event income				6,626
Interest income	229,912	88,129	318,041	288,229
Gain on sale of loans receivable	8,033		8,033	
Other income	27,737		27,737	2,473
Net assets released from restriction	114,916	(114,916)		
Total revenue and support	872,507	23,213	895,720	1,212,235
Expenses				
Program services	624,966		624,966	1,198,677
Management and general	128,012		128,012	210,946
Fundraising	34,755		34,755	73,250
Operating and other	6,951		6,951	6,620
Total expenses	794,684		794,684	1,489,493
Increase (decrease) in net assets and net income	77,823	23,213	101,036	(277,258)
Net assets and equity, beginning of year	518,333	477,268	995,601	1,272,859
Net assets and equity, end of year	$ 596,156	$ 500,481	$ 1,096,637	$ 995,601

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

MOUNTAIN BIZCAPITAL, INC. d/b/a MOUNTAIN BIZWORKS AND SUBSIDIARY

Consolidated Statement of Cash Flows
Year Ended December 31, 2014
(With Comparative Totals for 2013)

	2014	2013
Cash flows from operating activities		
Increase (decrease) in net assets and net income	$ 101,036	$ (277,258)
Adjustments to reconcile change in net assets and net income to net cash provided (used) by operating activities:		
Depreciation	45,034	57,725
Provision for loan losses	19,835	66,593
Gains on sale of loans receivable	(8,033)	
Changes in working capital - sources (uses):		
Accounts receivable	(718)	25,721
Loans receivable	(239,810)	(531,587)
Grants receivable	117,521	(66,796)
Other receivables	(11,286)	2,201
Other current assets		7,282
Accounts payable	(11,086)	6,112
Payroll liabilities	2,247	(6,969)
Other current liabilities	2,495	
Net cash provided (used) by operating activities	17,235	(716,976)
Cash flows from investing activities		
Proceeds from sale of loans receivable	119,000	
Receipts from subsidiary note receivable	7,028	6,886
Net cash provided by investing activities	126,028	6,886
Cash flows from financing activities		
Proceeds from notes payable	823,266	772,721
Repayment of notes payable	(661,762)	(399,014)
Repayment of subsidiary note payable	(7,433)	(7,012)
Net cash provided by financing activities	154,071	366,695
Net increase (decrease) in cash and equivalents	297,334	(343,395)
Cash and equivalents, beginning of year	1,005,160	1,348,555
Cash and equivalents, end of year	$ 1,302,494	$ 1,005,160
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 94,830	$ 99,270

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

Note 1 - Summary of Significant Accounting Policies

Organization

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

Principles of Consolidation

As described above, MBC owns 100 percent of the outstanding voting stock of its for-profit subsidiary, Mountain Made; therefore, consolidation of the financial statements of the subsidiary into the parent is required by accounting principles generally accepted in the United States of America. Furthermore, consolidation is necessary because MBC and MBW operated under the same board of directors and management and there was a common controlling interest between the two entities. All inter-organization balances and transactions have been eliminated. The notes to the financial statements contained herein pertain to the consolidated entities (the Organization).

Basis of Accounting

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

Financial Statement Presentation

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

Note 1 - Summary of Significant Accounting Policies (continued)

Financial Statement Presentation (continued)

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

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

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

Cash and Equivalents

The Organization considers all cash and short-term investments with an original maturity of three months or less to be cash equivalents. As required by certain loan covenants for its lending operations, MBC has established loan loss reserves for the years ended December 31, 2014 and 2013, which are included in cash and equivalents. These reserves, as with their related loan pools, are maintained in separate bank accounts. At December 31, 2014 and 2013, loan loss reserves total $331,659 and $280,155, respectively.

Loans Receivable

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

Interest income on loans receivable is accrued based on the loan balance and the interest rate stated in individual loan agreements, ranging from 8% to 12%. Once a loan receivable is determined to be uncollectible and written off, the Organization no longer recognizes interest income on the loan balance. Any payments received on loans previously written off are recorded as loan loss recoveries.

Note 1 - Summary of Significant Accounting Policies (continued)

Grants Receivable

Grants receivable consist of grants awarded but not received as of December 31, 2014. Management considers all grants to be fully collectible; therefore, no allowance has been made. All balances are expected to be received within one year.

Property and Equipment

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

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

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

Fair Value Measurements and Disclosures

FASB ASC 820 provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Note 1 - Summary of Significant Accounting Policies (continued)

Fair Value Measurements and Disclosures (continued)

If an asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Grants Revenue Recognition

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

Recognition of Donor Restrictions

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

Advertising

Advertising costs are expensed as incurred. For the years ended December 31, 2014 and 2013, the amount charged to expense was $8,246 and $18,279, respectively.

Uncertain Tax Positions

FASB ASC 740, *Accounting for Uncertainty in Income Taxes*, clarifies the accounting for uncertainty in income tax positions. Based on an evaluation of uncertain tax positions, management is required to measure potential tax liabilities that could have a risk of greater than a 50% likelihood of being realized upon settlement. As of December 31, 2014, management has determined that Mountain Made has no such risk and therefore no liabilities have been recorded for uncertain tax positions.

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions material to the financial statements.

Note 1 - Summary of Significant Accounting Policies (continued)

Allocation of Expenses

The Organization reports its expenses on a functional basis among program, management and general, and fundraising. Expenses that can be identified with a specific function are charged directly to the function according to their nature and expenditure classification. Other expenses that are common to two or more functions are allocated by statistical means.

Estimates

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

Comparative Financial Information

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statement for the year ended December 31, 2013, from which the summarized information was derived.

Reclassification

Certain amounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the current year consolidated financial statements.

Note 2 - Restrictions on Assets

Temporarily restricted net assets are available for the following purposes:

At December 31	2014	2013
Future general operations	$ 37,500	$ 150,000
SBA loan program	339,789	250,517
USDA loan programs	123,192	76,751
Temporarily restricted net assets	$ 500,481	$ 477,268

Note 3 - Funds Held for Lending

The Organization had cash available for lending in the following loan pools as of December 31, 2014 and 2013:

Funding Source	2014	2013
USDA Intermediary Relending Program	$ 51,943	$ 126,841
USDA Rural Microentrepreneur Assistance Program	178,109	154,617
SBA Microloan Program	252,350	58,658
MBC equity loan pool	367,435	266,915
Total cash held for lending and cash reserves	$ 849,837	$ 607,031

The Organization had cash reserved for loan loss in the following loan pools as of December 31, 2014 and 2013:

Funding Source	2014	2013
USDA - IRP related loan loss reserve	$ 31,857	$ 31,850
USDA - RMAP related loan loss reserve	25,063	25,011
SBA Microloan related loan loss reserve	274,739	223,294
Total cash held for loan loss reserves	$ 331,659	$ 280,155

MBC has made lines of credit available to some of its borrowers. Included in the above cash pools are undistributed lines of credit issued. At December 31, 2014 and 2013, undisbursed cash relating to unused lines of credit totaled, approximately $118,277 and $49,661, respectively.

Note 4 - Loans Receivable

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

At December 31, 2014	Loans Receivable	Allowance for Loan Losses	Net Receivable
USDA Intermediary Relending Program	$ 563,929	$ 41,194	$ 522,735
USDA Rural Microentrepreneur Assistance Program	365,031	31,283	333,748
SBA Microloan Program	1,520,641	120,773	1,399,868
US Department of HUD - CDBG	12,466	861	11,605
MBC equity and private lenders	865,927	96,071	769,856
	3,327,994	290,182	3,037,812
Less, current portion	715,105	85,000	630,105
Loans receivable, net of current portion	$ 2,612,889	$ 205,182	$ 2,407,707

Note 4 - Loans Receivable (continued)

At December 31, 2013	Loans Receivable	Allowance for Loan Losses	Net Receivable
USDA Intermediary Relending Program	$ 510,597	$ 49,116	$ 461,481
USDA Rural Microentrepreneur Assistance Program	370,484	37,048	333,436
SBA Microloan Program	1,235,003	112,113	1,122,890
SBA Community Advantage Program	92,599	9,260	83,339
US Department of HUD - CDBG	31,477	3,148	28,329
MBC equity and private lenders	996,456	97,127	899,329
	3,236,616	307,812	2,928,804
Less, current portion	424,213	70,621	353,592
Loans receivable, net of current portion	$ 2,812,403	$ 237,191	$ 2,575,212

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

At December 31	2014	2013
Beginning of year	$ 307,812	$ 241,219
Loan loss expense	19,835	122,759
Write-offs	(46,715)	(65,026)
Recoveries	9,250	8,860
Balance allowance for loan losses, end of year	$ 290,182	$ 307,812

Note 5 - Property and Equipment

A description of property and equipment is as follows:

At December 31	2014	2013
Buildings and improvements	$ 1,154,529	$ 1,154,529
Equipment and software	239,872	239,872
Vehicles	17,060	17,060
	1,411,461	1,411,461
Less, accumulated depreciation	463,241	418,207
Property and equipment	$ 948,220	$ 993,254

Depreciation expense for the years ended December 31, 2014 and 2013, was $45,034 and $57,725, respectively.

Note 6 - Equity Equivalent

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

Note 7 - Notes Payable

Notes payable are described as follows:

At December 31	2014	2013
Note payable to USDA, under the IRP bearing interest at 1% per annum and has a 30 year term. The note dated May 2005, is secured by MBC's IRP revolving fund, including loans receivable derived from the note and property. For the first three years, interest only payments are required followed by 27 equal payments of principal and interest.	$ 200,077	$ 208,604
Note payable to USDA, under the IRP bearing interest at 1% per annum and has a 30 year term. The note dated September 2007, is secured by MBC's IRP revolving fund, including loans receivable derived from the note and property. For the first three years, interest only payments are required followed by 27 equal payments of principal and interest.	428,336	445,110
Note payable to U. S. Small Business Administration, interest at 3.25% per annum, which can be adjusted by future events, and has a 10 year term. The note dated June 2007, is secured by loans receivable derived from the note. For the first year, no payments are required followed by 108 equal monthly installments of $7,936.	249,482	343,341
Note payable to U. S. Small Business Administration, interest at 2% per annum, which can be adjusted by future events, and has a 10 year term. The note dated September 2009, is secured by loans receivable derived from the note. For the first year, no payments are required followed by 108 equal monthly installments of $6,944.	485,561	585,617

Note 7 - Notes Payable (continued)

At December 31	2014	2013
Note payable to U. S. Small Business Administration, interest at 0% for the first year, increasing to .0625% per annum, which can be adjusted by future events, and has a 10 year term. The note dated February 2013, is secured by loans receivable derived from the note. For the first year, no payments are required followed by 108 equal monthly installments of $3,125.	306,232	337,480
Note payable to U. S. Small Business Administration, interest at 0% for the first year, increasing to .0750% per annum, which can be adjusted by future events, and has a 10 year term. The note dated October 2013, is secured by loans receivable derived from the note. For the first year, no payments are required followed by 108 equal monthly installments of $9,259.	666,666	
Note payable to Capital Bank, Government Lending Department, interest at 3% per annum and has a 3 year term. The original note dated September 2007 was reissued September 2014 payable in 36 regular monthly installments of principal and interest of $1,455 due September 2017.	44,658	50,000
Note payable to Banc of America Community Development Corporation, interest at 3.5% per annum, with an 8 year term. The note dated May 2007, is guaranteed by MBC. For the first four years, interest only payments are required followed by 3 annual principal installments of $50,000 and final installment of all outstanding principal and interest due May 2015.	100,000	150,000
Note payable to the Mary Reynolds Babcock Foundation, interest at 2% per annum and has a 7 year term. The note dated January 2007, is guaranteed by MBC. Interest only payments are required semi-annually and principal due March 2014.		200,000
Various notes payable to individuals under MBC's Investment Note Program. These notes range from $500 to $75,000, bearing interest from 0% to 3%, and are due in one to five years from the date of the note.	424,777	379,991

Note 7 - Notes Payable (continued)

At December 31	2014	2013
Note payable to First Bank, modified in December 2011, interest at 5.75% per annum, payable in 47 regular monthly installments of principal and interest of $5,183 and a final balloon of all remaining principal and interest due December 2015. The note is secured by a building.	723,190	742,724
Note payable to USDA, under the Rural Microentrepreneur Assistance Program (RMAP), bearing interest at 2% per annum and has a 20 year term. The note dated December 2010, is secured by MBC's RMAP's revolving fund, including loans receivable derived from the note and property. For the first two years, interest only payments are required followed by 216 equal payments of principal and interest.	464,327	488,935
	4,093,306	3,931,802
Less, current maturities	1,207,349	656,940
Notes payable, net of current maturities	$ 2,885,957	$ 3,274,862

The subsidiary note payable is described as follows:

At December 31	2014	2013
Note payable to First Bank, modified in December 2011, bearing an interest rate of 5.5% and is secured by a building and other assets and guaranteed by MBC. The note is payable in 47 monthly installments of principal and interest of $1,195 and one final balloon of all remaining principal and interest due December 2015.	$ 120,166	$ 127,599
Less, current maturities	120,166	7,510
Subsidiary note payable, net of current maturities	$	$ 120,089

Note 7 - Notes Payable (continued)

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

At December 31	
2015	$ 1,327,515
2016	411,432
2017	374,409
2018	373,192
2019	518,420
Thereafter	1,208,504
Total principal payments	$ 4,213,472

Management plans to secure refinancing of the two First Bank notes during the year ended December 31, 2015.

Note 8 - Lease Commitments

The Organization has entered into three operating leases for copiers. Required monthly payments are $1,358, with lease terms ending through 2019. For the years ended December 31, 2014 and 2013, lease expense for the copiers totaled $23,362 and $16,313, respectively.

Minimum future lease payments are as follows:

At December 31	
2015	$ 16,300
2016	13,200
2017	8,323
2018	5,040
2019	2,520
Totals	$ 45,383

Note 9 - Unused Line of Credit

The Organization maintains a revolving line of credit with a local bank. Maximum borrowings on the line are $500,000. Monthly interest payments are required at a floating rate per year equal to the bank's Prime Rate, currently 3.25%, less 0.25%. The line of credit is secured by a security interest in all of the Small Business Administration (SBA) Loans financed by the line of credit, together with an undivided pro rata interest in all collateral securing such SBA loans and all related loan documents. There were no outstanding balances at December 31, 2014 and 2013.

Note 10 - Income Taxes

Due to a history of operating losses and no foreseeable evidence of future taxable income, Mountain Made has made no provision for income taxes. As of December 31, 2014, cumulative federal loss carry forwards are approximately $74,723 with state loss carry forwards of similar amounts, which will begin to expire in 2016 if not utilized. These loss carry forwards are available to offset future taxable income.

Deferred taxes result primarily from temporary differences in the recognition of certain items of income and expenses for income tax and financial reporting purposes. The sources of these differences result from net operating loss carry forwards. Deferred taxes are described as follows:

At December 31	2014	2013
Net operating loss carry forwards	$ 10,366	$ 9,334
Other deferred tax assets, net	555	555
Total deferred tax asset	10,921	9,889
Valuation allowance	(10,921)	(9,889)
Deferred taxes, net	$ 0	$ 0

In prior years a valuation allowance was established to eliminate the net deferred tax benefit that existed because it was uncertain if the tax benefits would be realized. As of December 31, 2014 and 2013, the deferred tax asset and the valuation allowance were increased (decreased) by approximately $1,032 and ($61,100), respectively.

Open Tax Years

The Organizations Return of Organization Exempt from Income Tax (Form 990) for 2011, 2012, and 2013, are subject to examination by the IRS, generally for three years after they are filed.

Mountain Made files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. U.S. federal income tax returns prior to 2010 are closed. State jurisdictions have statutes of limitations that generally range from three to five years.

Note 11 - Benefit Plans

The Organization provides individual SEP-IRA retirement accounts for eligible employees and contributes to them on a discretionary basis as a percentage of the employee’s salary. The Organization has not contributed to the program for the years ended December 31, 2014 and 2013.

Note 12 - Agreement with Subsidiary

MBW issued a note receivable to Mountain Made for business start-up and store build-out costs. The original loan agreement between MBW and Mountain Made has been modified since its inception with the most recent agreement calling for monthly, interest-only payments at a per annum rate of 4.96%. Subsequent advances have been made to cover debt payemnts. For the years ended December 31, 2014 and 2013, MBC advanced Mountain Made $5,000 and $6,500, respectively.

Note 13 - Uninsured Cash Balances

The Organization maintains its cash and equivalents at financial institutions that are insured by the Federal Deposit Insurance Corporation for deposits up to $250,000. The uninsured collective balance was approximately $513,600 at December 31, 2014.

Note 14 - Related Party Transactions

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

As discussed in note 12, for the years ended December 31, 2014 and 2013, MBC subsidized Mountain Made in the amount of $5,000 and $6,500, respectively.

Note 15 - Summary Disclosure of Significant Contingencies

Governmental Assisted Programs

The Organization has received proceeds from governmental agencies. Periodic audits of these grants and third party reimbursements are required and certain costs may be questioned as not being appropriate expenditures under the agreements. Such audits could result in the refund of grant and third party reimbursement monies to the grantor agency. Management believes that any required refunds would be immaterial. No provisions have been made in the accompanying consolidated financial statements for the refund of grant monies.

Risk Management

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

Note 16 - Subsequent Events

Management has evaluated subsequent events through May 18, 2015, which is the date the financial statements were available to be issued. Other than the matter noted below, no circumstances occurred that require recognition or disclosure in these financial statements.

In March 2015, the Organization received a loan distribution from the U. S. Small Business Administration as part of the Microloan Program in the amount of $333,333.

SUPPLEMENTARY INFORMATION

MOUNTAIN BIZCAPITAL, INC. d/b/a MOUNTAIN BIZWORKS AND SUBSIDIARY

Schedule of Functional Expenses
Year Ended December 31, 2014
(With Comparative Totals for 2013)

	Program	Management and General	Fund-raising	Total 2014	Total 2013
Salaries	$ 286,086	$ 30,471	$ 22,007	$ 338,564	$ 714,808
Payroll taxes	26,416	2,813	2,032	31,261	65,528
Benefits	5,002	533	385	5,920	81,004
Total salaries and related expenses	317,504	33,817	24,424	375,745	861,340
Bank charges, penalties, and fees	4,217	3,542		7,759	9,399
Copier	19,740	2,103	1,519	23,362	29,056
Dues, subscriptions, and licenses	6,286	669	483	7,438	10,471
Insurance		12,372		12,372	11,717
Supplies	5,408	576	416	6,400	25,824
Postage and delivery	739	79	57	875	1,893
Printing	174	19	13	206	1,751
Accounting and auditing	26,732	4,903		31,635	34,261
Computer services	13,680	7,366		21,046	37,942
Other professional fees	68,243			68,243	67,545
Rent	3,366	358	259	3,983	5,015
Repairs and maintenance	9,755	1,039	750	11,544	12,815
Facility expenses	16,790	1,788	1,291	19,869	19,863
Staff development	5,087			5,087	6,580
Telephone and internet	7,013	747	539	8,299	10,495
Travel and entertainment	15,377	1,638	1,183	18,198	36,157
Utilities	4,653	496	358	5,507	6,230
Marketing and advertising	6,968	742	536	8,246	18,279
Loan loss expense, net of recoveries	10,585			10,585	113,899
Other		8,397		8,397	5,404
Total expenses before interest and depreciation	542,317	80,651	31,828	654,796	1,325,936
Interest	44,595	43,308		87,903	99,212
Depreciation	38,054	4,053	2,927	45,034	57,725
Total expenses	$ 624,966	$ 128,012	$ 34,755	$ 787,733	$ 1,482,873

COMPLIANCE SECTION

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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*

To the Board of Directors
Mountain BizCapital, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated statements of Mountain BizCapital, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2014, and the related consolidated 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 May 18, 2015.

Internal Control Over Financial Reporting

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

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

To the Board of Directors
Mountain BizCapital, Inc.

Our consideration of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. Finding 2014-001.

Compliance and Other Matters

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

Mountain BizCapital, Inc.'s Response to the Finding

Mountain BizCapital, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Mountain BizCapital, Inc.'s response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

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.

Carter, P.C.

Asheville, North Carolina
May 18, 2015

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors
Mountain BizCapital, Inc.

Report on Compliance for Each Major Federal Program

We have audited Mountain BizCapital, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Mountain BizCapital, Inc.'s major federal programs for the year ended December 31, 2014. Mountain BizCapital, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Mountain BizCapital, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mountain BizCapital, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Mountain BizCapital, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

To the Board of Directors
Mountain BizCapital, Inc.

Report on Internal Control Over Compliance

Management of Mountain BizCapital, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Mountain BizCapital, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mountain BizCapital, Inc.'s internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Carter, P.C.

Asheville, North Carolina
May 18, 2015

MOUNTAIN BIZCAPITAL, INC. d/b/a MOUNTAIN BIZWORKS AND SUBSIDIARY

Mountain BizCapital, Inc.
Schedule of Expenditures of Federal Awards
December 31, 2014

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
Grants Expended:		
U.S. Small Business Administration		
Microloan Technical Assistance Program - ARRA Lender	59.046	$ 204,629
U.S. Department of Agriculture		
Rural Business Enterprise Grants	10.769	19,250
Rural Microentrepreneur Assistance Program	10.870	38,580
U.S. Department of Housing and Urban Development		
Passed through City of Asheville		
Community Development Block Grant	14.218	70,024
Appalachian Regional Commission		
Appalachian Area Development	23.002	25,000
Total Grants Expended		357,483
Loan Balances:		
U.S. Small Business Administration		
Microloan Program - ARRA	59.046	1,707,941
U.S. Department of Agriculture		
Intermediary Relending Program (IRP)		
Small Business Loans	10.767	628,413
Total Loan Balances		2,336,354
Total Federal Awards Expended and Loan Balances		$ 2,693,837

Note A - Basis of Presentation

This schedule has been prepared on the accrual basis of accounting. Therefore, revenues are recognized when earned and expenditures are recognized when obligations are incurred. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

MOUNTAIN BIZCAPITAL, INC. d/b/a MOUNTAIN BIZWORKS AND SUBSIDIARY

Mountain BizCapital, Inc.
Schedule of Findings and Questioned Costs
December 31, 2014

Section I Summary of Auditors' Results

Financial Statements

Type of Auditors' report issued	Unmodified	

Internal control over financial reporting

Material weakness(es) identified	_____ yes	__X__ no
Significant deficiencies identified that are not considered to be material weaknesses?	__X__ yes	_____ no
Noncompliance material to financial statements noted?	_____ yes	__X__ no

Federal awards

Internal control over major programs

Material weakness(es) identified	_____ yes	__X__ no
Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	__X__ no

Compliance

Type of auditors' report issued on compliance for major programs	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	_____ yes	__X__ no
Program tested as major was: SBA Microloan Program	CFDA# 59.046	

The threshold for distinguishing Type A and Type B programs was $300,000. In addition, all material loan programs with continuous compliance requirements are classified as Type A programs.

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

Mountain BizCapital, Inc.
Schedule of Findings and Questioned Costs (continued)
Year Ended December 31, 2014

Section II Financial Statement Findings

Finding 2014-001

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

Criteria: Nonprofit organzations are required to track expenses by natural classification and function. Multiple programs should be tracked separately.

Effect: Programs could be adversely affected by charging an unallowed or disproportionate amount of expenses.

Cause: Expenses, either direct or indirect, are not being recorded in the accounting software by specific program.

Recommendation: The Organization should develop and implement a system to accurately charge expenses to programs.

Response and Action Taken: Mountain BizWorks recognizes the benefit of developing an accounting system that tracks organizational expenses by program. We are hiring a new accountant June 1 and he and the Executive Director will create a model to accomplish this over the summer, test it during the last quarter and fully implement it at the beginning of the new fiscal year

Section III Federal Awards Findings and Questioned Costs

No audit findings were reported.

MOUNTAIN BIZCAPITAL, INC. d/b/a MOUNTAIN BIZWORKS AND SUBSIDIARY

Mountain BizCapital, Inc.
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2014

Finding 2013-001

Condition: There is a lack of segregation of duties among the Organization's personnel.

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately and recorded properly.

Effect: Transactions could be mishandled and/or reported improperly.

Cause: There are a limited number of personnel for certain functions, specifically in the area of cash handling and review of journal entries. The Finance Coordinator prepares checks and mails them; and has the ability to post and review journal entries.

Recommendation: The duties should be separated as much as possible and alternative controls should be used to compensate for the lack of separation. The Board of Directors could provide some of these controls.

Response and Action Taken: Management and the Board are aware of the lack of segregation of duties. To mitigate this risk, no single check signer has the authority to both request and approve payments. Management intends to continue this policy going forward. A check signer will mail the checks after signing them, which will eliminate the procedure of returning signed checks to the Finance Coordinator. Additionally, a member of the Board will begin to review journal entries posted during the period to ensure their accuracy.

Current status: Not repeated.