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

Asheville, North Carolina

Consolidated Financial Statements and
Supplementary Information

Year Ended December 31, 2013

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

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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, 2013, 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, 2013, and the changes in their net assets and their 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 2012 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statement's in our report dated April 25, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, 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 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 28, 2014, 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 28, 2014

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

Consolidated Statement of Financial Position
December 31, 2013
(With Comparative Totals for 2012)

	2013	2012
Assets		
Current assets:		
Cash and equivalents	$ 1,005,160	$ 1,348,555
Accounts receivable	76	25,797
Current portion of loans receivable, net of reserves	353,592	611,849
Current portion of subsidiary note receivable	7,024	6,888
Grants receivable and promises to give	253,094	186,298
Other receivables	19,381	21,582
Property available-for-sale	18,426	18,426
Other current assets		7,282
Total current assets	1,656,753	2,226,677
Other assets:		
Property and equipment	993,254	1,050,979
Loans receivable, net of current portion and reserves	2,575,212	1,851,961
Subsidiary note receivable, net of current portion	53,328	60,350
Total other assets	3,621,794	2,963,290
Total assets	$ 5,278,547	$ 5,189,967
Liabilities, equity equivalent, net assets, and equity		
Current liabilities:		
Current maturities of notes payable	$ 656,940	$ 469,601
Current maturities of subsidiary note payable	7,510	6,851
Accounts payable	22,781	16,669
Payroll liabilities	3,764	10,733
Total current liabilities	690,995	503,854
Notes payable, net of current maturities	3,274,862	3,088,494
Subsidiary note payable, net of current maturities	120,089	127,760
Total liabilities	4,085,946	3,720,108
Equity equivalent	197,000	197,000
Net assets and equity:		
Unrestricted net assets:		
Undesignated	535,117	789,468
Designated for investment in property and equipment	250,553	287,903
Total unrestricted net assets	785,670	1,077,371
Temporarily restricted net assets	300,301	286,289
Retained earnings	(90,370)	(90,801)
Total net assets and equity	995,601	1,272,859
Total liabilities, equity equivalent, net assets, and equity	$ 5,278,547	$ 5,189,967

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, 2013
(With Comparative Totals for 2012)

	Unrestricted	Temporarily Restricted	Total 2013	Total 2012
Revenue and support				
Federal grants	$	$ 297,313	$ 297,313	$ 559,807
State, local, and federal pass-through grants	53,653	121,182	174,835	204,942
Foundation and private grants	108,750	200,000	308,750	144,140
Contributions	3,328		3,328	7,010
Service fees	107,652	23,029	130,681	142,648
Special event income	6,626		6,626	3,428
Interest income	288,229		288,229	223,845
Gain on disposal of property and equipment				1,050
Other income	2,473		2,473	1,714
Net assets released from restriction	627,512	(627,512)		
Total revenue and support	1,198,223	14,012	1,212,235	1,288,584
Expenses				
Program services	1,198,677		1,198,677	1,302,469
Management and general	210,946		210,946	192,339
Fundraising	73,250		73,250	76,186
Operating and other	6,620		6,620	10,736
Total expenses	1,489,493		1,489,493	1,581,730
Increase (decrease) in net assets and net income before investment activity	(291,270)	14,012	(277,258)	(293,146)
Investment activity				
Gain on beneficial interest in an endowment fund				295
Increase (decrease) in net assets and net income	(291,270)	14,012	(277,258)	(292,851)
Net assets and equity, beginning of year	986,570	286,289	1,272,859	1,565,710
Net assets and equity, end of year	$ 695,300	$ 300,301	$ 995,601	$ 1,272,859

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, 2013
(With Comparative Totals for 2012)

	2013	2012
Cash flows from operating activities		
Increase (decrease) in net assets and net income	$ (277,258)	$ (292,851)
Adjustments to reconcile change in net assets and net income to net cash used by operating activities:		
Depreciation	57,725	66,084
Provision for loan losses	66,593	85,137
Gains losses on beneficial interest in an endowment fund		(295)
Gain on disposal of property and equipment		(1,050)
Changes in working capital - sources (uses):		
Accounts receivable	25,721	(7,676)
Loans receivable	(531,587)	(725,035)
Grants receivable and promises to give	(66,796)	31,503
Other receivables	2,201	(5,343)
Other current assets	7,282	(5,284)
Accounts payable	6,112	(8,574)
Payroll liabilities	(6,969)	(7,255)
Net cash used by operating activities	(716,976)	(870,639)
Cash flows from investing activities		
Receipts from subsidiary note receivable	6,886	6,749
Purchase of property and equipment		(35,322)
Proceeds from disposal of property and equipment		2,050
Proceeds from beneficial interest in an endowment fund		8,677
Net cash provided (used) by investing activities	6,886	(17,846)
Cash flows from financing activities		
Proceeds from notes payable	772,721	711,382
Repayment of notes payable	(399,014)	(288,560)
Repayment of subsidiary note payable	(7,012)	(6,612)
Net cash provided by financing activities	366,695	416,210
Net decrease in cash and equivalents	(343,395)	(472,275)
Cash and equivalents, beginning of year	1,348,555	1,820,830
Cash and equivalents, end of year	$ 1,005,160	$ 1,348,555
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 99,270	$ 98,836

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. The Organization is classified as a publicly-supported charitable organization under Section 501(c)(3) of the Internal Revenue Code. It qualifies for exemption from federal and state income taxes. 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.

In May 2000, MBW expanded its program activities by incorporating a for-profit subsidiary, Mountain Made, Inc. (Mountain Made). Mountain Made is a taxable C Corporation under the laws of the State of North Carolina. In June 2001, MBW purchased all authorized, issued, and outstanding shares of stock in Mountain Made making MBW the sole shareholder in the company. MBW created Mountain Made in order to have an actual for-profit business model. Mountain Made was a retail store that purchased and sold items created by artists in Western North Carolina and opened for business in August 2002. On July 1, 2011 when MBC and MBW merged the sole ownership of Mountain Made transferred to MBC, the surviving entity. During the year ended December 31, 2011, the board of directors of MBC discontinued the operations of Mountain Made and sold all operational assets on November 30, 2011. As of December 31, 2013, Mountain Made still exists as a for-profit subsidiary with only indirect cash flows remaining.

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, 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).

Note 1 - Summary of Significant Accounting Policies (continued)

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, all significant receivables, payables, and other liabilities are reflected in the statements.

Financial Statement Presentation

The Organization reports in compliance with FASB ASC 958-205, *Not-for-Profit Entities: Presentation of Financial Statements.* Under these provisions, net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- 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 released 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 or applicable laws. However, permanently restricted net assets generally do not get reclassified, since, by definition, their restrictions never expire. The income from permanently restricted net assets may be unrestricted or restricted, according to the donors' 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, 2013 and 2012, which are included in cash and equivalents. These reserves, as with their related loan pools, are maintained in separate bank accounts. At December 31, 2013 and 2012, loan loss reserves total $280,155 and $222,801, respectively.

Accounts Receivable

The Organization considers accounts receivable to be fully collectible and accordingly, has not recorded an allowance for doubtful accounts. It is the policy of the Organization to write-off accounts receivable that are determined to be uncollectible at the time the determination is made.

Note 1 - Summary of Significant Accounting Policies (continued)

Loans Receivable

Loans receivable are stated at unpaid principal balances, less a loan loss reserve for doubtful accounts. The Organization provides for losses on loans receivable using an allowance method. 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.

Grants Receivable and Promises to Give

Grants receivable and promises to give consist of unconditional promises to give that have been made but not collected and grants awarded but not received as of December 31, 2013. Management considers all grants and promises to give to be fully collectible; therefore, no allowance has been made. As of December 31, 2013, 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 leasehold improvements	10 - 39 years
Equipment and software	5 - 15 years
Vehicles	3 - 5 years

Note 1 - Summary of Significant Accounting Policies (continued)

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.

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 support is 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.

Note 1 - Summary of Significant Accounting Policies (continued)

Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2013 and 2012, was $18,279 and $14,324, respectively.

Uncertain Tax Positions

FASB ASC 740-10, *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, 2013, 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.

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.

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.

Comparative Financial Information

The financial statements include certain prior year financial 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 financial statement for the year ended December 31, 2012, from which the summarized information was derived.

Reclassification

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

Note 2 - Restrictions on Assets

Temporarily restricted net assets are available for the following purposes:

At December 31	2013	2012
Future general operations	$ 150,000	$ 187,500
Grants receivable	103,094	
SBA loan program	27,317	79,362
USDA loan programs	19,890	2,763
Latino Business Program		16,664
Temporarily restricted net assets	$ 300,301	$ 286,289

Note 3 - Funds Held for Lending

The Organization had cash available for lending in the following loan pools as of December 31, 2013 and 2012:

Funding Source	2013	2012
USDA Intermediary Relending Program	$ 126,841	$ 273,089
USDA Rural Microentrepreneur Assistance Program	154,617	102,487
SBA Microloan Program	58,658	173,285
MBC equity loan pool	266,915	250,923
Total cash held for lending and cash reserves	$ 607,031	$ 799,784

The Organization had cash reserved for loan loss in the following loan pools as of December 31, 2013 and 2012:

Funding Source	2013	2012
USDA - IRP related loan loss reserve	$ 31,850	$ 24,340
USDA - RMAP related loan loss reserve	25,011	25,009
SBA Microloan related loan loss reserve	223,294	173,452
Total cash held for loan loss reserves	$ 280,155	$ 222,801

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, 2013 and 2012, undisbursed cash relating to unused lines of credit totaled, approximately $49,661 and $230,186, respectively.

Note 4 - Loans Receivable

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

At December 31, 2013	Loans Receivable	Loan Loss Reserves	Net Receivable
USDA Intermediary Relending Program	$ 510,597	$ 49,116	$ 461,481
USDA Rural Microentrepreneur Assistance Program	371,388	37,048	334,340
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	995,552	97,127	898,425
	3,236,616	307,812	2,928,804
Less, current portion	424,213	70,621	353,592
Loans receivable, net of current portion and reserves	$ 2,812,403	$ 237,191	$ 2,575,212

At December 31, 2012	Loans Receivable	Loan Loss Reserves	Net Receivable
USDA Intermediary Relending Program	$ 379,484	$ 35,860	$ 343,624
USDA Rural Microentrepreneur Assistance Program	168,538	16,592	151,946
SBA Microloan Program	900,725	81,072	819,653
SBA Community Advantage Program	95,788	9,579	86,209
US Department of HUD - CDBG	51,573	5,157	46,416
MBC equity and private lenders	1,108,921	92,959	1,015,962
	2,705,029	241,219	2,463,810
Less, current portion	671,222	59,373	611,849
Loans receivable, net of current portion and reserves	$ 2,033,807	$ 181,846	$ 1,851,961

Changes in MBC's loan loss reserves are summarized as follows:

At December 31	2013	2012
Beginning of year	$ 241,219	$ 156,082
Loan loss expense	113,899	165,676
Write-offs	(56,166)	(88,645)
Recoveries	8,860	8,106
Balance of loan loss reserves, end of year	$ 307,812	$ 241,219

Note 5 - Property and Equipment

A description of property and equipment is as follows:

At December 31	2013	2012
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	418,207	360,482
Property and equipment	$ 993,254	$ 1,050,979

Depreciation expense for the years ended December 31, 2013 and 2012, was $57,725 and $66,084, respectively.

Note 6 - Beneficial Interest in an Endowment Fund

The Organization established an endowment fund with the Community Foundation of Western North Carolina, Inc. (Foundation). Under the agreement, all or a portion of the principal of the fund can be distributed with the approval of three-fourths of the members of the Organization's board of directors and a majority of the board of the Foundation. The beneficial interest in an endowment fund is presented in the financial statements in the aggregate at the fair value. The fair value of the beneficial interest in endowment fund was measured using FASB ASC 820 input guidance and valuation techniques. Due to the nature of a beneficial interest in an endowment fund, the investment is classified as a Level 3 instrument. For years ended December 31, 2013 and 2012, there were no financial instruments held by the Organization valued according to Level 1 and Level 2 inputs.

Due to the Foundation's minimum balance requirement not being met by the Organization's endowment, the endowment was closed and distributed in full to the Organization during the year ended December 31, 2012. For the year ended December 31, 2012, the Organization recognized net appreciation of $295 and distributions totaled $8,677.

Note 7 - 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 2.0% and interest payments are to be paid quarterly.

Note 8 - Notes Payable

Notes payable are described as follows:

At December 31	2013	2012
Note payable to USDA, under the IRP bearing interest at 1% per annum and has a 30 year term. The note, dated May 20, 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.	$ 208,604	$ 217,046
Note payable to USDA, under the IRP bearing interest at 1% per annum and has a 30 year term. The note, dated September 28, 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.	445,110	445,764
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 is dated June 5, 2007, and 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.	343,341	434,381
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 is dated September 27, 2009, and 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.	585,617	652,647
Note payable to U. S. Small Business Administration, interest at 0% for the first year and increasing to .0625% per annum, which can be adjusted by future events, and has a 10 year term. The note is dated February 6, 2013 and 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.	337,480	

Note 8 - Notes Payable (continued)

At December 31	2013	2012
Note payable to Capital Bank, Government Lending Department, interest at 3% per annum and has a 3 year term. The original note dated September 26, 2007 was reissued December 5, 2010. For the first three years, interest only payments are required followed by a principal payment due December 2013. The loan was extended with a new maturity date of August 2014, when the principal payment is due.	50,000	50,000
Note payable to Banc of America Community Development Corporation, interest at 3.5% per annum and has an 8 year term. The note, dated May 30, 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.	150,000	200,000
Note payable to the Mary Reynolds Babcock Foundation, interest at 2% per annum and has a 7 year term. The note, dated January 1, 2007, is guaranteed by MBC. Interest only payments are required semi-annually and principal due March 28, 2014.	200,000	200,000
Note payable to Fifth Third Bank, fixed interest at 4.89% per annum and has a 48 month term. The note, dated August 3, 2009 is secured by a vehicle.		2,032
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.	379,991	340,259
Note payable to First Bank, modified on December 20, 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 20, 2015. The note is secured by a building.	742,724	761,044

Note 8 - Notes Payable (continued)

At December 31		2013		2012
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 22, 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.		488,935		254,922
		3,931,822		3,558,095
Less, current maturities		656,940		469,601
Notes payable, net of current maturities	$	3,274,862	$	3,088,494

The subsidiary note payable is described as follows:

At December 31		2013		2012
Note payable to First Bank, modified on December 20, 2011, bearing a variable interest rate of 5.5% and is secured by a building and other assets and guaranteed by MBC. The note is payable in 47 regular monthly installments of principal and interest of $1,195 and one final balloon of all remaining principal and interest due December 20, 2015.	$	127,599	$	134,611
Less, current maturities		7,510		6,851
Subsidiary note payable, net of current maturities	$	120,089	$	127,760

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

At December 31		
2014	$	664,450
2015		1,174,981
2016		290,619
2017		229,881
2018		261,625
Thereafter		1,437,845
Total principal payments	$	4,059,401

Note 9 - Lease Commitments

The Organization leased its Sylva office space under an operating lease that required a $945 monthly payment. The lease expired August 31, 2012. The Organization leased its Hendersonville office under an operating lease which expired June 30, 2012, that required monthly rental payments of $850. Total expense for these leases for the year ended December 31, 2012 was $12,660.

The Organization has entered into two operating leases for copiers. Required monthly payments are $282 and $1,078, with lease terms ending through 2017. For the years ended December 31, 2013 and 2012, lease expense for the copiers totaled $16,313 and $10,925, respectively.

Minimum future lease payments are as follows:

At December 31		
2014	$	16,907
2015		16,313
2016		13,213
2017		5,388
2018		
Totals	$	51,821

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, 2013, 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 accelerated tax depreciation, tax amortization of start-up cost, charitable contribution carry forwards, and net operating loss carry forwards. Deferred taxes are described as follows:

At December 31		2013		2012
Net operating loss carry forwards	$	9,334	$	70,434
Other deferred tax assets, net		555		555
Total deferred tax asset		9,889		70,989
Valuation allowance		(9,889)		(70,989)
Deferred taxes, net	$	0	$	0

Note 10 - Income Taxes (continued)

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, 2013 and 2012, the deferred tax asset and the valuation allowance were increased (decreased) by approximately ($61,100) and $52,589, respectively.

Open Tax Years

The Organizations Return of Organization Exempt from Income Tax (Form 990) for 2010, 2011, and 2012, 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, 2013 and 2012.

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%. Furthermore, MBW has made subsequent advances to cover operating deficits. Due to continuous operating shortfalls and cash flow issues as of January 1, 2011, the inter-organization loan was placed on a non-accrual status. The loan was assigned to MBC at the time MBW and MBC merged into a single entity. On November 30, 2011, when Mountain Made sold all of its operating assets and discontinued its retail operations, MBC released Mountain Made from its indebtedness. For the years ended December 31, 2013 and 2012, the total debt forgiveness was $6,500 and $5,500, respectively. MBC's loss from the loan write-off is netted against Mountain Made's gain of an equal amount.

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 $332,645 at December 31, 2013.

Note 14 - Related Party Transactions

During the year ended December 31, 2010, a board member loaned MBC $10,000 under the Investment Note Program. The note pays interest at a rate of 3% and is due December 2015. During the year ended December 31, 2012, another board member loaned MBC $200 in the Investment Note Program, with interest of 0% and due December 2022.

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 - Discontinued Operations

During the year ended December 31, 2011, the Organization discontinued the retail operations of its for-profit subsidiary, Mountain Made, by selling all Mountain Made's assets.

Mountain Made remains an active C-Corporation under the laws of the State of North Carolina. The expected activity and cash flows of Mountain Made are the collection of payments from the note receivable established through the sale of its assets and the repayment of a note payable. The cash flows from the note receivable is expected to last until December 1, 2021, at which time the note is due in full. The note receivable carries an annual fix interest rate of 2% and requires monthly principal and interest payments beginning January 1, 2012 of $681.

The cash flows of the note payable are expected to last until December 20, 2015, at which time it is due in full. The note payable carries a variable interest rate based on the Wall Street Journal's prime rate. The interest charged currently is 5.5% which is the floor amount stipulated by the note. At December 31, 2013 and 2012, the required monthly payments of principal and interest are $1,195, with a final balloon payment due December 20, 2015. The continuous cash flows are indirect to the disposed component due to the lack of an on-going retail operation.

Note 17 - Subsequent Events

Management has evaluated subsequent events through May 28, 2014, which is the date the financial statements were available to be issued. During the period from the end of the year and through this date, no circumstances occurred that require recognition or disclosure in these financial statements.

SUPPLEMENTARY INFORMATION

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

Schedule of Functional Expenses
Year Ended December 31, 2013
(With Comparative Totals for 2012)

	Program	Management and General	Fund-raising	Total 2013	Total 2012
Salaries	$ 604,013	$ 64,332	$ 46,463	$ 714,808	$ 731,853
Payroll taxes	55,371	5,898	4,259	65,528	64,337
Benefits	68,448	7,291	5,265	81,004	77,802
Total salaries and related expenses	727,832	77,521	55,987	861,340	873,992
Bank charges, penalties, and fees	4,635	4,764		9,399	8,840
Copier	24,552	2,615	1,889	29,056	5,563
Dues, subscriptions, and licenses	8,848	942	681	10,471	9,868
Insurance		11,717		11,717	13,016
Supplies	21,821	2,324	1,679	25,824	26,809
Postage and delivery	1,600	170	123	1,893	2,064
Printing	1,480	157	114	1,751	7,635
Accounting and auditing	28,951	5,310		34,261	28,638
Computer services	24,662	13,280		37,942	53,904
Other professional fees	39,528	26,067	1,950	67,545	73,891
Rent	4,238	451	326	5,015	16,374
Repairs and maintenance	10,829	1,153	833	12,815	18,624
Facility expenses	16,784	1,788	1,291	19,863	18,670
Staff development	5,049	1,531		6,580	3,526
Telephone and internet	8,868	945	682	10,495	14,461
Travel and entertainment	30,553	3,254	2,350	36,157	34,737
Utilities	5,264	561	405	6,230	9,753
Marketing and advertising	15,446	1,645	1,188	18,279	14,324
Loan loss expense, net of recoveries	113,899			113,899	165,676
Other		5,404		5,404	952
Total expenses before interest and depreciation	1,094,839	161,599	69,498	1,325,936	1,401,317
Interest	55,060	44,152		99,212	103,593
Depreciation	48,778	5,195	3,752	57,725	66,084
Total expenses	$ 1,198,677	$ 210,946	$ 73,250	$ 1,482,873	$ 1,570,994

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, 2013, 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 28, 2014.

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 2013-1.

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 28, 2014

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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, 2013. 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, 2013.

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.

Purpose of this Report

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 28, 2014

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

Mountain BizCapital, Inc.
Schedule of Expenditures of Federal Awards
December 31, 2013

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	$ 145,725
U.S. Department of Agriculture		
Rural Business Enterprise Grants	10.769	56,750
Rural Microentrepreneur Assistance Program	10.870	9,471
U.S. Department of Housing and Urban Development		
Passed through City of Asheville		
Community Development Block Grant	14.218	77,051
U.S. Treasury		
Community Development Financial Institutions Program	21.020	150,000
Appalachian Regional Commission		
Appalachian Area Development	23.002	76,924
Total Grants Expended		515,921
Loan Balances:		
U.S. Small Business Administration		
Microloan Program - ARRA	59.046	1,266,438
U.S. Department of Agriculture		
Intermediary Relending Program (IRP)		
Small Business Loans	10.767	653,714
Total Loan Balances		1,920,152
Total Federal Awards Expended and Loan Balances		$ 2,436,073

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.
Schedule of Findings and Questioned Costs
December 31, 2013

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

Programs tested as major were:

SBA Microloan Program	CFDA# 59.046
USDA Intermediary Relending Program	CFDA# 10.767

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, 2013

Section II Financial Statement Findings

Finding 2013-1

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.

Section III Federal Awards Findings and Questioned Costs

No audit findings were reported.

Mountain BizCapital, Inc.
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2013

Finding 2012-1

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.

Effect: Transactions could be mishandled.

Cause: There are a limited number of personnel for certain functions, specifically in the area of cash.

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

Response and Action Taken: Management and the Board are aware of the lack of segregation of duties concern addressed. Management routinely examines current procedures for improvements to mitigate the risk of mishandling. Currently the Chief Financial Officer (CFO) prepares checks and the Chief Operating Officer (COO) signs the checks and reviews the supporting documents. Additionally, the Development Director reviews the signed checks and supporting documents prior to returning to CFO for mailing. Monthly bank statements are opened and reviewed by the COO prior to giving to CFO. The COO also reviews the reconciliations once completed by CFO. Payroll is processed by an outside payroll service on a monthly basis. Payroll reports and paycheck stubs are opened by the COO for review.

Receipts are recorded by certain staff members in our client software. These receipts are reconciled to the payment processing report prior to giving to CFO. The CFO prepares the bank deposit and a different staff member takes the deposits to the bank.

Beginning with the first quarter of 2013, the Board Treasurer will review general journal entries on a quarterly basis. Management and the Board believe the procedures in place are adequate to mitigate the risks identified.

Current status: See Finding 2013-1.