

**ANNUAL**  
**FINANCIAL STATEMENTS**

June 30, 2014 and June 30, 2013

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June 30, 2014

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***FORTRAN***

***CORPORATION***

(A North Carolina Corporation)

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TRADING SYMBOL: FRTN

CUSIP NUMBER: 34960D 108

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**FORTRAN CORPORATION, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

	<u>June 30, 2014</u> (unaudited)	<u>June 30, 2013</u> (unaudited)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 3,134	\$ 125,651
Receivables, less allowances	\$ 632,406	\$ 421,002
Inventories	\$ 785,980	\$ 605,955
Prepaid expenses and other current assets	\$ 17,496	\$ 772
Total current assets	<u>\$ 1,439,016</u>	<u>\$ 1,153,380</u>
Property, plant and equipment (net)	\$ 1,312,187	\$ 744,285
	<u>\$ 1,312,187</u>	<u>\$ 744,285</u>
Other Assets	\$ 584,672	\$ 74,253
Intangible assets, net of accumulated amortization	\$ 340,191	\$ 69,033
Total assets	<u>\$ 3,676,066</u>	<u>\$ 2,040,951</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 598,153	\$ 218,608
Deferred revenue	\$ 389,232	\$ 325,021
Accrued expenses	\$ 39,393	\$ 25,632
Current portion debt & capital lease obligations, net	\$ 339,216	\$ 403,523
Other current liabilities	\$ 146,978	\$ 121,311
Total current liabilities	<u>\$ 1,512,972</u>	<u>\$ 1,094,095</u>
Long-term debt and capital lease obligations, net	\$ 1,627,923	\$ 784,996
Total liabilities	<u>\$ 3,140,895</u>	<u>\$ 1,879,091</u>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, no par value, 50,000,000 shares authorized, 1,000,000 shares issued and outstanding		
Common stock, no par value, 50,000,000 shares authorized, 13,446,351 shares issued, respectively	\$ 1,386,281	\$ 564,925
Additional paid-in capital	\$ 315,332	\$ 286,271
Treasury stock	\$ (446,025)	\$ -
Accumulated deficit	\$ (720,417)	\$ (689,336)
Accumulated other comprehensive income	\$ -	\$ -
Total stockholders' equity	<u>\$ 535,171</u>	<u>\$ 161,860</u>
Total liabilities and stockholders' equity	<u>\$ 3,676,066</u>	<u>\$ 2,040,951</u>

See accompanying notes to condensed consolidated financial statements.

**FORTRAN CORPORATION, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(unaudited)

	<b>Twelve Months Ended</b>	
	<b>June 30,</b>	
	<b>2014</b>	<b>2013</b>
<b>Revenue:</b>		
Managed Services	\$ 638,612	\$ 834,800
Equipment Sales & Services	\$ 2,722,611	\$ 3,349,509
Total revenue	<b>\$ 3,361,223</b>	<b>\$ 4,184,309</b>
<b>Costs and expenses (a):</b>		
Operating (exclusive of depreciation, and accretion shown separately below)	\$ 1,896,074	\$ 2,508,425
Selling, general and administrative	\$ 1,296,858	\$ 1,230,451
Depreciation, amortization and accretion	\$ 139,436	\$ 104,924
Total costs and expenses	<b>\$ 3,332,368</b>	<b>\$ 3,843,800</b>
Operating income	<b>\$ 28,855</b>	<b>\$ 340,509</b>
Other Income	\$ 35,266	\$ 131,083
Interest expense	\$ (137,554)	\$ (81,354)
Income before income taxes	\$ (73,433)	\$ 390,238
Income tax expense	\$ -	\$ -
Net income	<b>\$ (73,433)</b>	<b>\$ 390,238</b>
<b>Earnings per share:</b>		
Basic	\$ (0.01)	\$ 0.04
Diluted	\$ (0.01)	\$ 0.04
<b>Weighted average shares outstanding:</b>		
Basic	13,446,351	9,488,538
Diluted	13,446,351	9,488,538

See accompanying notes to condensed consolidated financial statements

**FORTRAN CORPORATION, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	Twelve Months Ended June 30,	
	2014	2013
<b>Cash flows from operating activities:</b>		
Net income	\$ (73,433)	\$ 390,238
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	139,436	104,924
Changes in operating assets and liabilities:		
Receivables, prepaid expenses and other assets	(167,027)	91,476
Accounts payable, deferred revenue and other liabilities	493,068	232,296
Net cash provided by operating activities	392,044	818,934
<b>Cash flows from investing activities:</b>		
Capital expenditures	(366,917)	(244,881)
Purchases of investments	(309,187)	(157,523)
Other investing activities, net	(403,388)	(436,628)
Net cash used in investing activities	(1,079,492)	(839,032)
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of common stock (repurchase Treasury Stock)	(366,825)	250,000
Payment of debt and capital lease obligations	931,756	(117,431)
Net cash used in financing activities	564,931	132,569
(Decrease) increase in cash and cash equivalents	(122,517)	112,471
Cash and cash equivalents at beginning of period	125,651	13,180
Cash and cash equivalents at end of period	3,134	125,651
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid for interest	105,917	73,099
Cash paid for income taxes, net of refunds	-	-

See accompanying notes to condensed consolidated financial statements.

**FORTTRAN CORPORATION AND CONSOLIDATED SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE TWELVE MONTHS ENDED JUNE 30, 2014 AND 2013**

**Basis of Presentation and Description of Business**

***Basis of Presentation***

The accompanying unaudited condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

In the opinion of management, the unaudited condensed financial statements contain all adjustments consisting only of normal recurring accruals considered necessary to present fairly the Company's financial position for all periods presented.

***Description of Business***

The Company is primarily engaged in the telecom sales and services business. The Company is headquartered in Hickory, North Carolina and provides these services to businesses and institutions throughout North and South Carolina.

**Summary of Significant Accounting Policies**

The accompanying financial statements and notes are prepared in accordance with accounting principles generally accepted in the United States of America.

***Cash and Cash Equivalents***

The Company considers cash equivalents to be those investments which are highly liquid and readily convertible to cash with a maturity date within three months of the date of purchase.

***Earnings (loss) per Share***

The Company reports earnings (loss) per share in accordance with Statement of Financial Accounting Standard (SFAS) No.128. This statement requires dual presentation of basic and diluted earnings per share amounts are based on the weighted average share of common outstanding. If applicable, diluted earnings per share assume the conversion, exercise or issuance of all common stock instruments such as options, warrants and convertible securities, unless the effect is to reduce a loss or increase earnings per share. Accordingly, this presentation has been adopted for the periods presented. There were no adjustments required to net income for the period presented in the computation of diluted earnings per

share. There were no common stock equivalents (CSE) necessary for the computation of diluted loss per share.

### ***Fixed Assets***

Office Equipment, vehicles and computer software are carried at cost, net of accumulated depreciation and amortization. Depreciation and amortization is provided using the straight-line method over the estimated useful lives of the assets, which range from three to seven years. Leasehold improvements are amortized using the straight-line method over the estimated useful lives of the assets or the terms (including renewal periods, as appropriate) of the related leases, whichever is shorter.

When fixed assets are sold or retired, their costs and accumulated depreciation or amortization are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of operations.

The Company incurs repair and maintenance expenses on its vehicles and equipment. These expenses are recognized when incurred, unless such repairs significantly extend the life of the asset, in which case the cost of the repairs is amortized over the remaining useful life of the asset utilizing the straight-line method.

### ***Impairment of Long-lived Assets***

In accordance with SFAS NO.144, "Accounting for the Impairment or Disposal of Long-lived Assets", the Company reviews long-lived assets, such rental equipment and fixed assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be fully recoverable. Recoverability of asset groups to be held and used is measured by a comparison of the carrying amount of an asset group to estimated undiscounted future cash flows expected to be generated by the asset group. If the carrying amount exceeds its estimate future cash flows, an impairment charge is recognized as the amount by which the carrying amount of an asset group exceeds the fair value of the asset group. The Company evaluated its long-lived assets and no impairment charges were recorded for any of the periods presented.

### ***Income Taxes***

Income taxes are accounted for in accordance with SFAS No.109, "Accounting for Income Taxes". A deferred tax asset or liability is recorded for all temporary differences between financial and tax reporting and for net operating loss carry forwards.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or the entire deferred tax asset will not be realized. Deferred tax assets and liabilities are adjusted for the effect of changes in tax laws and rates on the date of enactment.

### ***Comprehensive Income (Loss)***

There were no items of comprehensive income (loss) applicable to the Company during the periods presented in the accompanying financial statements. Accordingly, net income (loss) equals comprehensive income (loss) for all periods.

### ***Fair Value of Financial Instruments***

Financial instruments consist principally of cash, accounts and related party receivables, trade and related party payables, accrued liabilities and short-term obligations. The carrying amounts of such financial instruments in the accompanying consolidated balance sheets approximate their fair values due to their relatively short-term nature.

The carrying value of the Company's long-term debt approximates fair value based on current market conditions for similar debt instruments.

### ***Use of Estimates***

The preparation of the accompanying financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of the assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expense during the reporting periods. Actual results may differ from those estimates and assumptions.

### ***Impact of Newly Issued Accounting Standards***

In September 2006, The FASB issued SFAS No.157 and No.158. Statement No.157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the Board having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. However, for some entities, the application of this Statement will change current practice.

Statement No.158 is an amendment of FASB Statements No.87, 88,106 and 132 (R). It improves financial reporting by requiring an employer to recognize the over funded or underfunded status of a defined benefit postretirement plan (other than a multi-employer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity or changes in unrestricted net assets of a not-for-profit organization. This Statement also improves financial reporting by requiring an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions.

The Company does not expect application of SFAS No.156, 157 and 158 to have a material effect on its financial statements. On February 2007, the FASB issued SFAS No.159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS No. 159"). This Statement permits entities to choose to measure many financial instruments and certain other items at fair

value. Companies should report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. This Statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The Company does not plan to measure any of its existing financial assets or liabilities at fair value under the provisions of SFAS No. 159 and, therefore, does not anticipate any material impact to its results of operations or financial position related to the adoption of this standard.

In December 2007, the FASB issued SFAS No.141 (revised 2007), "Business Combinations" ("SFAS No. 141R"). SFAS No.141 (R) requires an acquiring entity in a business combination to: (i) recognize all (and only) the assets acquired and the liabilities assumed in the transaction, (ii) establish an acquisition-date fair value as the measurement objective for all assets acquired and the liabilities assumed, and (iii) disclose to investors and other users all of the information they will need to evaluate and understand the nature of, and the financial effect of, the business combination, and, (iv) recognize and measure the goodwill acquired in the business combination or a gain from a bargain purchase. SFAS No.141 (R) is effective for, and will be applied by the Company to, business combinations occurring after January 12, 2009.

In December 2007, the FASB issued SFAS No.16, "Non-controlling Interests in Consolidated Financial Statements". SFAS No.160 requires: (i) non-controlling (minority) interests in subsidiaries to be reported in the same manner as equity, but separate from the parent's equity, in consolidated financial statements; (ii) net income attributable to the parent and the non-controlling interest to be clearly identified and presented on the face of the consolidated statement of income; and (iii) any changes in the parent's ownership interest, while the parent retains the controlling financial interest in its subsidiary, to be accounted for consistently. SFAS No.160 is effective for fiscal years beginning after January 12, 2009. The Company does not currently have investments in other unconsolidated companies and, therefore, currently does not expect SFAS No.160 to have a material impact on its financial statements.

In March 2008, the FASB released SFAS No.161, "*Disclosures about Derivative Instruments and Hedging Activities.*" SFAS No.161 requires additional disclosures related to the use of derivative instruments, the accounting for derivatives and the financial statement impact of derivatives. SFAS No.161 is effective for fiscal years beginning after November 15, 2008. The Company is currently assessing the impact the adoption of SFAS No.161 will have on the Company's financial statements.

In May 2008, the FASB released SFAS No.162 "*The Hierarchy of Generally Accepted Accounting Principles.*" SFAS No.162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that presented in conformity with generally accepted accounting principles in the United States of America. SFAS No.162 will be effective 60 days following the SEC's approval of the PCAOB amendments to AU Section 411, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles.* The company does not believe SFAS 161 will have a significant impact on the Company's financial statements.

### ***Significant Transactions***

During the quarter ended March 31, 2014 the Company entered into a debt recapitalization that provided for a \$4,000,000 revolving Senior debt arrangement, of which it utilized an initial amount of \$900,000 to retire certain specific outstanding obligations and to advance its expansion plans.

During the same period the Company acquired 100% of the outstanding ownership of Wynncom, Inc.(a Telecom Company based in Lexington NC) through the issuance of 1,103,500 common shares of Fortran Corporation and \$175,000 of convertible debentures.

### ***Commitments and Contingencies***

Management routinely reviews the Company's exposure to liabilities incurred in the normal course of its business operations. Where a probable contingency exists and the amount of the loss can be reasonably estimated, the Company records the estimated liability. Considerable judgment is required in analyzing and recording such liabilities and actual results may vary from the estimates. As part of its expansion plans, the Company negotiates several potential transactions which could have a material impact on the financial statements. Any such transactions would require both Board of Director and Shareholder approval before consummation.

### ***Issuer Certification***

We, Doug W. Rink, Chief Executive Officer and Rich Wilson, Chief Financial Officer certify that:

1. We have reviewed the interim financial statements for the periods of June 30, 2014 and June 30, 2013 pertaining to Fortran Corporation and Subsidiaries.
2. Based on our knowledge, the disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to periods covered by this disclosure statement, and
3. Based on our knowledge, the financial statements, and other financial included or incorporated by reference in the disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

September 8, 2014

/s/ Doug W. Rink, CEO

/s/ Rich Wilson, CFO

# PROFORMA FINANCIAL INFORMATION

June 30, 2014 and June 30, 2013

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June 30, 2014

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***FORTRAN***

***CORPORATION***

(A North Carolina Corporation)

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TRADING SYMBOL: FRTN

CUSIP NUMBER: 34960D 108

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## **Pro Forma Information**

The following unaudited pro forma condensed consolidated Income Statements give effect to a stock exchange agreement between Fortran Corporation and Subsidiaries and Wynncom, Inc., which occurred on March 1, 2014.

The unaudited pro forma consolidated financials and per share amounts give pro forma effect to this transaction as if it had been completed at the beginning of FYE 2013. These disclosures are provided as supplemental illustrative information only and should not be relied upon as an indication of future results of operations.

**PROFORMA FINANCIAL INFORMATION**  
**FORTRAN CORPORATION, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(unaudited)

	Twelve Months Ended	
	June 30,	
	2014	2013
<b>Revenue:</b>		
Managed Services	\$ 686,661	\$ 834,800
Equipment Sales & Services	\$ 4,155,639	\$ 3,349,509
Total revenue	<b>\$ 4,842,300</b>	<b>\$ 4,184,309</b>
<b>Costs and expenses (a):</b>		
Operating (exclusive of depreciation, and accretion shown separately below)	\$ 2,784,917	\$ 2,508,425
Selling, general and administrative	\$ 2,280,617	\$ 1,230,451
Depreciation, amortization and accretion	\$ 169,399	\$ 104,924
Total costs and expenses	<b>\$ 5,234,933</b>	<b>\$ 3,843,800</b>
Operating income	<b>\$ (392,633)</b>	<b>\$ 340,509</b>
Other Income	\$ 57,723	\$ 131,083
Interest expense	\$ (158,067)	\$ (81,354)
Income before income taxes	\$ (492,977)	\$ 390,238
Income tax expense	\$ -	\$ -
Net income	<b>\$ (492,977)</b>	<b>\$ 390,238</b>
<b>Earnings per share:</b>		
Basic	\$ (0.04)	\$ 0.04
Diluted	\$ (0.04)	\$ 0.04
<b>Weighted average shares outstanding:</b>		
Basic	13,446,351	9,488,538
Diluted	13,446,351	9,488,538

See accompanying notes to condensed consolidated financial statements