# INTERIM

# FINANCIAL STATEMENTS

September 30, 2014 and September 30, 2013

September 30, 2014

FORTRAN

*CORPORATION*

(A North Carolina Corporation)

| | |
|---|---|
| TRADING SYMBOL: FRTN | CUSIP NUMBER: 34960D 108 |

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

| | September 30, 2014 | | September 30, 2013 | |
|---|---|---|---|---|
| | (unaudited) | | (unaudited) | |
| **ASSETS** | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | $ | 243,170 | $ | 251,941 |
| Receivables, less allowances | $ | 375,554 | $ | 206,534 |
| Inventories | $ | 806,655 | $ | 629,594 |
| Prepaid expenses and other current assets | $ | 115,070 | $ | 4,595 |
| Total current assets | $ | 1,540,449 | $ | 1,092,664 |
| Property, plant and equipment (net) | $ | 1,277,478 | $ | 709,711 |
| | **$** | **1,277,478** | **$** | **709,711** |
| Other Assets | $ | 852,982 | $ | 91,032 |
| Intangible assets, net of accumulated amortization | $ | 23,068 | $ | 9,253 |
| Total assets | **$** | **3,693,977** | **$** | **1,902,660** |
| **IABILITIES AND STOCKHOLDERS' EQUITY** | | | | |
| Current liabilities: | | | | |
| Accounts payable | $ | 582,573 | $ | 190,380 |
| Deferred revenue | $ | 366,018 | $ | 193,061 |
| Accrued expenses | $ | 76,302 | $ | 107,975 |
| Current portion debt & capital lease obiligations, net | $ | 263,614 | $ | 336,247 |
| Other current liabilities | $ | 64,216 | $ | 93,060 |
| Total current liabilities | **$** | **1,352,723** | **$** | **920,723** |
| Long-term debt and capital lease obligations, net | $ | 1,627,923 | $ | 469,685 |
| Total liabilities | **$** | **2,980,646** | **$** | **1,390,408** |
| Commitments and contingencies Stockholders' equity: | | | | |
| 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 | $ | 460,425 | $ | 564,925 |
| Additional paid-in capital | $ | 315,332 | $ | 286,721 |
| Treasury stock | $ | (405,000) | $ | - |
| Accumulated deficit | $ | 342,574 | $ | (339,394) |
| Accumulated other comprehensive income | $ | - | $ | - |
| Total stockholders' equity | $ | 713,331 | $ | 512,252 |
| Total liabilities and stockholders' equity | **$** | **3,693,977** | **$** | **1,902,660** |

See accompanying notes to condensed consolidated financial statements.

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

| | Three Months Ended September 30, | |
|---|---|---|
| | **2014** | **2013** |
| Revenue: | | |
| Managed Services | $ 745,900 | $ 596,801 |
| Equipment Sales & Services | $ 774,344 | $ 280,283 |
| Total revenue | **$ 1,520,244** | **$ 877,084** |
| Costs and expenses (a): | | |
| Operating (exclusive of depreciation, and accretion shown separately below) | $ 675,672 | $ 352,380 |
| Selling, general and administrative | $ 508,760 | $ 402,240 |
| Depreciation, amortization and accretion | $ 87,612 | $ 18,879 |
| Total costs and expenses | **$ 1,272,044** | **$ 773,499** |
| Operating income | **$ 248,199** | **$ 103,585** |
| Other Income | $ 2,225 | $ 11,676 |
| Interest expense | $ (55,849) | $ (28,135) |
| Income before income taxes | $ 194,576 | $ 87,126 |
| Income tax expense | $ - | $ 5,228 |
| Net income | **$ 194,576** | **$ 81,898** |
| Earnings per share: | | |
| Basic | $ 0.01 | $ 0.01 |
| Diluted | $ 0.01 | $ 0.01 |
| Weighted average shares outstanding: | | |
| Basic | 13,446,351 | 9,930,187 |
| Diluted | 13,446,351 | 9,930,187 |

See accompanying notes to condensed consolidated financial statements

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

| | Three Months Ended September 30, | |
|---|---|---|
| | **2014** | **2013** |
| Cash flows from operating activities: | | |
| Net income | $ 194,576 | $ 81,898 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation, amortization and accretion | 20,060 | 18,879 |
| Changes in operating assets and liabilities: | | |
| Receivables, prepaid expenses and other assets | 183,729 | 312,658 |
| Inventories | (21,364) | |
| Accounts payable, deferred revenue and other liabilities | (45,466) | (106,096) |
| Net cash provided by operating activities | 331,535 | 307,339 |
| Cash flows from investing activities: | | |
| Capital expenditures | 26,008 | (34,574) |
| Purchases of investments | - | (43,000) |
| Net cash used in investing activities | 26,008 | (77,574) |
| Cash flows from financing activities: | | |
| Payment of debt and capital lease obligations | (117,507) | (103,475) |
| Net cash used in financing activities | (117,507) | (103,475) |
| (Decrease) increase in cash and cash equivalents | 240,036 | 126,290 |
| Cash and cash equivalents at beginning of period | 3,134 | 125,651 |
| Cash and cash equivalents at end of period | 243,170 | 251,941 |
| **Supplemental disclosures of cash flow information:** | | |
| Cash paid for interest | 43,003 | 28,135 |
| Cash paid for Loan/Financing Fees | 124,025 | - |

See accompanying notes to condensed consolidated financial statements.

**FORTRAN CORPORATION AND CONSOLIDATED SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED SEPTEMBER 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.

The increase in income tax expense resulted from higher income before income taxes and use of most of the Company’s NOL carry forwards in the prior period. The Company expects to see a higher effective tax rate as a result of higher revenues and lower costs throughout the fiscal year.

Additionally, the Company does not expect to see significant acquisition charges as experienced in the previous fiscal year end. The effective tax rate for the year ended June 30, 2014 was 0%.

***Cash Flow Activity***

Cash and cash equivalents were $243,170 and $251,941 as of September 30, 2014 and 2013, respectively. The change in cash and cash equivalents during the periods presented was as follows:

| | Three Months Ended September 30, | |
|---|---|---|
| | **2014** | **2013** |
| **Cash flows from operating activities:** | | |
| Net income | $ 194,576 | $ 81,898 |
| **Net cash provided by operating activities** | $ 331,535 | $ 307,339 |
| **Net cash used in investing activities** | 26,008 | (77,574) |
| **Net cash used in financing activities** | $ (117,507) | $ (103,475) |
| (Decrease) increase in cash and cash equivalents | 240,036 | 126,290 |
| Cash and cash equivalents at beginning of period | 3,134 | 125,651 |
| Cash and cash equivalents at end of period | 243,170 | 251,941 |
| **Supplemental disclosures of cash flow information:** | | |
| Cash paid for interest | 43,003 | 28,135 |
| Cash paid for Loan/Financing Fees | 124,025 | - |

Cash paid for loans and related financing fees were $124,025 for the three month period ending September 30, 2014. The Company expects to restructure the current financing agreement by the end of Q2 2014.

***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***

There were no significant transactions during this current reporting cycle.

***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 September 30, 2014 and September 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.

November 11, 2014

/s/ Doug W. Rink, CEO

/s/ Rich Wilson, CFO