

ACCION, THE U.S. NETWORK, INC.

ACCION

Financial Statements
(Together with Independent Auditors' Report)

Years Ended December 31, 2015 and 2014

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

ACCION, THE U.S. NETWORK, INC.
FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)
YEARS ENDED DECEMBER 31, 2015 AND 2014

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Accion, The U.S. Network, Inc.

We have audited the accompanying financial statements of Accion, The U.S. Network, Inc. ("the Network"), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Accion, The U.S. Network, Inc. as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Marks Paneth LLP

New York, NY
June 22, 2016



ACCION, THE U.S. NETWORK, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
Cash and cash equivalents (Note 2B)	\$ 3,152,552	\$ 1,864,708
Pledges receivable (Notes 2D and 2G)	373,673	577,100
Contract receivable (Note 2G)	-	7,140
Other receivables (Note 2G)	31,763	-
Security Deposits	15,750	-
TOTAL ASSETS	\$ 3,573,738	\$ 2,448,948
LIABILITIES		
Accounts payable and accrued expenses (Note 6A)	236,097	203,221
TOTAL LIABILITIES	236,097	203,221
COMMITMENTS AND CONTINGENCIES (Note 6)		
NET ASSETS (Note 2C)		
Unrestricted		
Available for operations	421,316	366,727
Board designated	100,000	50,000
Total unrestricted	521,316	416,727
Temporarily restricted (Note 3)	2,816,325	1,829,000
TOTAL NET ASSETS	3,337,641	2,245,727
TOTAL LIABILITIES AND NET ASSETS	\$ 3,573,738	\$ 2,448,948

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

ACCION, THE U.S. NETWORK, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Year Ended December 31, 2015			Year Ended December 31, 2014		
	Unrestricted	Temporarily Restricted	Total	Total	Unrestricted	Temporarily Restricted
OPERATING SUPPORT AND REVENUE:						
Contributions and grants	\$ 632,621	\$ 4,855,108	\$ 5,487,729	\$ 4,922,501	\$ 194,065	\$ 4,728,436
Donated services (Note 2E)	469,147	-	469,147	384,621	384,621	-
Membership dues (Note 2F)	65,000	-	65,000	85,000	85,000	-
Interest	428	-	428	-	-	-
Net assets released from restrictions (Note 4)	3,867,783	(3,867,783)	-	-	4,007,508	(4,007,508)
TOTAL OPERATING SUPPORT AND REVENUE	<u>5,034,979</u>	<u>987,325</u>	<u>6,022,304</u>	<u>5,392,122</u>	<u>4,671,194</u>	<u>720,928</u>
OPERATING EXPENSES:						
Program services	4,201,484	-	4,201,484	4,025,533	4,025,533	-
Supporting services:						
Management and general	632,676	-	632,676	551,336	551,336	-
Fundraising	96,230	-	96,230	120,262	120,262	-
Total Supporting Services	728,906	-	728,906	671,598	671,598	-
TOTAL OPERATING EXPENSES	<u>4,930,390</u>	<u>-</u>	<u>4,930,390</u>	<u>4,697,131</u>	<u>4,697,131</u>	<u>-</u>
CHANGE IN NET ASSETS	104,589	987,325	1,091,914	694,991	(25,937)	720,928
Net assets - beginning of year	<u>416,727</u>	<u>1,829,000</u>	<u>2,245,727</u>	<u>1,550,736</u>	<u>442,664</u>	<u>1,108,072</u>
NET ASSETS - END OF YEAR	<u>\$ 521,316</u>	<u>\$ 2,816,325</u>	<u>\$ 3,337,641</u>	<u>\$ 2,245,727</u>	<u>\$ 416,727</u>	<u>\$ 1,829,000</u>

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

ACCION, THE U.S. NETWORK, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Year Ended December 31, 2015				Year Ended December 31, 2014				
	Supporting Services				Supporting Services				
	Program Services	Management and General	Fundraising	Total	Total	Program Services	Management and General	Fundraising	
Salaries and fringe benefits	\$ 585,971	\$ 356,386	\$ 72,856	\$ 1,015,213	\$ 879,244	\$ 595,866	\$ 208,463	\$ 74,915	
Grant expense	1,753,362	-	-	1,753,362	2,356,000	2,356,000	-	-	
Professional fees (Note 2E)	1,687,059	145,298	22,488	1,854,845	1,168,830	928,771	197,967	42,092	
Subscription dues and fees	2,067	5,954	-	8,021	24,115	4,638	18,826	651	
Insurance	-	7,412	-	7,412	6,943	-	6,943	-	
Occupancy	-	69,703	-	69,703	67,812	122	67,690	-	
Office supplies	1,431	6,058	578	8,067	21,032	6,477	14,095	460	
Travel and conferences	169,397	17,267	308	186,972	156,851	128,654	26,053	2,144	
Postage and shipping	461	619	-	1,080	1,444	566	878	-	
Printing and publications	171	452	-	623	2,633	2,168	465	-	
Telephone	314	2,267	-	2,581	8,873	-	8,873	-	
Repairs and maintenance	-	9,542	-	9,542	-	-	-	-	
Miscellaneous expenses	1,251	11,718	-	12,969	3,354	2,271	1,083	-	
TOTAL EXPENSES	\$ 4,201,484	\$ 632,676	\$ 96,230	\$ 4,930,390	\$ 4,697,131	\$ 4,025,533	\$ 551,336	\$ 120,262	

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

ACCION, THE U.S. NETWORK, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,091,914	\$ 694,991
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Pledges receivable	203,427	(38,136)
Contract receivable	7,140	261,333
Other receivables	(31,763)	-
Security Deposits	(15,750)	-
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	32,876	51,183
Net Cash Provided by Operating Activities	1,287,844	969,371
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,287,844	969,371
Cash and cash equivalents - beginning of year	1,864,708	895,337
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,152,552	\$ 1,864,708

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

ACCION, THE U.S. NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Accion, The U.S. Network, Inc. (the “Network”) was incorporated on December 7, 2011. Accion envisions a world in which all hard working entrepreneurs have the financial access and tools they need to improve their lives and enhance the well-being of their families, communities and local economies for years to come.

The mission of the Network is to assist in building world-class microfinance institutions in the United States to enhance economic development through increasing access to credit and otherwise promoting financial inclusion and health for members of low-to-moderate income communities.

The Network works with its four member organizations as well as other leading micro lenders on a national scale to propel the flow of resources, support, tools and information through fundraising, training and education, media, partnerships and programmatic opportunities to encourage development, sustainability and growth of the micro lending institutions.

The Network is a nonprofit charitable organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. ***Basis of Accounting*** – The Network’s financial statements have been prepared on the accrual basis of accounting. The Network adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”).
- B. ***Cash and Cash Equivalents*** – Cash and cash equivalents consist of all highly liquid debt instruments purchased with maturities of three months or less.
- C. ***Basis of Presentation*** – the Network maintains its net assets under the following two classes:
- Unrestricted – includes the net assets that are not temporarily restricted by donor-imposed stipulations. As of December 31, 2015 and 2014, board designated funds amounted to \$100,000 and \$50,000, respectively, to establish a Capacity Building Fund.
 - Temporarily Restricted – resources received with donor stipulations that limit the use of the donated assets or place time restrictions on the resources. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
- D. ***Pledges Receivable*** – Contributions and grants, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend on are substantially met. Contributions of assets other than cash are reported at their estimated fair value.

Unconditional promises to give that are expected to be collected within one year are recorded as pledges receivable at net realizable value. Unconditional promises to give that are expected to be collected in future years are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortized is included in contribution revenue. Approximately \$62,000 of pledge receivable as of December 31, 2015 are due within one year and approximately \$312,000 are due greater than one year. Pledge receivable as of December 31, 2014 are due within one year.

- E. ***Donated Services*** – Donated services are recognized in the financial statements if the services enhance or create nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation. The Network received contributed legal and consulting services that are valued at the standard market rates that would have been incurred by The Network to obtain such services. Contributed services are reported as revenue and expense in the accompanying statement of activities, because they meet the criteria for recognition. The Network received contributed services of \$469,147 and \$384,621 during 2015 and 2014, respectively.

ACCION, THE U.S. NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- F. **Membership Dues** – Membership dues are recognized as revenues in the period due and are recorded as increases in unrestricted net assets. In addition, the Network awarded subgrants to its members in the amount of \$1,672,778 and \$2,077,000 in 2015 and 2014, respectively.
- G. **Allowance For Doubtful Accounts** – As of December 31, 2015 and 2014, the Network determined that no allowance was necessary relative to its pledges, contract, and other receivables. Such estimates are based on management's assessment of the creditworthiness of donors, review of individual accounts outstanding, as well as current economic conditions and historical information.
- H. **Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.
- I. **Functional Allocation of Expenses** – The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying statements of activities. Certain costs have been allocated among the programs and supporting services benefited.

NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2015 and 2014 are to support program activities. During the years ended December 31, 2015 and 2014, the Network released temporarily restricted net assets by satisfying purpose restrictions.

NOTE 4 – CONCENTRATION

Cash and cash equivalents that potentially subject the Network to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Cash accounts are insured up to \$250,000 per depositor. As of December 31, 2015 and 2014, there was approximately \$2,912,000 and \$1,631,000, respectively, of cash and cash equivalents held by banks that exceeded FDIC limits. The Network reviews the concentration of credit risk with the Board of Directors on an ongoing basis. In 2015, a new investment account was established in an attempt to mitigate such risk. The fund invests in low risk vehicles such as U.S treasuries and U.S government agencies. While not covered by FDIC, the underlying securities in the account are protected by the Securities Investor Protection Corporation ("SIPC") up to \$500,000.

NOTE 5 – TRADE MARK AGREEMENT AND OTHER

The Network entered into a trademark sublicense agreement with Accion International, Inc. ("Accion") effective December 31, 2011, with an initial three-year term. The agreement provides for the legal use of the 'Accion' brand name by the Network. The sublicense agreement was automatically renewed for additional three years effective December 31, 2014.

As of December 31, 2015 and 2014, the Network has a balance due to Accion of approximately \$9,000 and \$6,000, respectively.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

- A. In March 2013, the Network entered into a lease for office space with Accion East, Inc., expiring May 2024. Rent charges are accounted for on a straight-line basis over the life of the lease. Straight-lining of rent gives rise to a timing difference that is reflected as deferred rent and is included in accounts payable and accrued expenses in the accompanying statement of financial position. Effective September 1, 2015, the lease with Accion East, Inc. was terminated. The Network moved to a new office space with a month to month lease. As of December 31, 2015 and 2014, the balance related to deferred rent were \$0 and \$17,818, respectively.

ACCION, THE U.S. NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 6 – COMMITMENTS AND CONTINGENCIES (Continued)

Rent expense for the years ended December 31, 2015 and 2014 amounted to approximately \$69,702 and \$67,812, respectively.

- B. The Network believes it has no uncertain tax positions as of December 31, 2015 and 2014 in accordance with Accounting Standards Codification ("ASC") Topic 740, Income Taxes, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through June 22, 2016, the date the financial statements were available to be issued.