

ACCION, THE U.S. NETWORK, INC.

ACCION

Financial Statements
(Together with Independent Auditors' Report)

Years Ended December 31, 2013 and 2012

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, 2013 AND 2012

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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, 2013 and 2012, 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, 2013 and 2012, 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 19, 2014



ACCION, THE U.S. NETWORK, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
Cash and cash equivalents (Note 2B)	\$ 895,337	\$ 1,063,961
Pledges receivable, net (Notes 2D and 3)	538,964	508,368
Contract receivable (Note 4)	268,473	39,295
TOTAL ASSETS	\$ 1,702,774	\$ 1,611,624
LIABILITIES		
Accounts payable and accrued expenses (Note 8A)	\$ 152,038	\$ 35,999
Other liabilities (Note 7)	-	170,439
Grants payable (Note 2F)	-	36,276
TOTAL LIABILITIES	152,038	242,714
COMMITMENTS AND CONTINGENCIES (Note 8)		
NET ASSETS (Note 2C)		
Unrestricted		
Available for operations	392,664	288,543
Board designated	50,000	50,000
Total unrestricted	442,664	338,543
Temporarily restricted (Note 5)	1,108,072	1,030,367
TOTAL NET ASSETS	1,550,736	1,368,910
TOTAL LIABILITIES AND NET ASSETS	\$ 1,702,774	\$ 1,611,624

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, 2013 AND 2012

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
OPERATING SUPPORT AND REVENUE:						
Contributions and grants	\$ 226,890	\$ 2,303,568	\$ 2,530,458	\$ 348,705	\$ 3,414,542	\$ 3,763,247
Donated services (Note 2E)	305,398		305,398	813,428		813,428
Membership dues (Note 2G)	90,000	-	90,000	75,000	-	75,000
Contract services	341,766		341,766	39,305		39,305
Miscellaneous income	-	-	-	1,803	-	1,803
Net assets released from restrictions (Note 5)	2,225,863	(2,225,863)	-	2,384,175	(2,384,175)	-
TOTAL OPERATING SUPPORT AND REVENUE	<u>3,189,917</u>	<u>77,705</u>	<u>3,267,622</u>	<u>3,662,416</u>	<u>1,030,367</u>	<u>4,692,783</u>
OPERATING EXPENSES:						
Program services	2,673,592	-	2,673,592	2,419,206	-	2,419,206
Supporting services:						
Management and general	379,162	-	379,162	858,398	-	858,398
Fundraising	33,042	-	33,042	46,269	-	46,269
Total Supporting Services	412,204	-	412,204	904,667	-	904,667
TOTAL OPERATING EXPENSES	<u>3,085,796</u>	<u>-</u>	<u>3,085,796</u>	<u>3,323,873</u>	<u>-</u>	<u>3,323,873</u>
CHANGE IN NET ASSETS	104,121	77,705	181,826	338,543	1,030,367	1,368,910
Net assets - beginning of year	<u>338,543</u>	<u>1,030,367</u>	<u>1,368,910</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS - END OF YEAR	<u>\$ 442,664</u>	<u>\$ 1,108,072</u>	<u>\$ 1,550,736</u>	<u>\$ 338,543</u>	<u>\$ 1,030,367</u>	<u>\$ 1,368,910</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, 2013 AND 2012

	2013				2012			
	Supporting Services				Supporting Services			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and fringe benefits	\$ 394,752	\$ 289,183	\$ 31,978	\$ 715,913	\$ 56,409	\$ 11,282	\$ 34,871	\$ 102,562
Grant expense	1,128,098	-	-	1,128,098	2,161,229	-	-	2,161,229
Professional fees (Note 2E)	923,547	39,071	225	962,843	183,129	843,428	-	1,026,557
Subscription dues and fees	4,241	1,574	-	5,815	52	10	32	94
Insurance	5,077	-	-	5,077	2,724	545	1,684	4,953
Occupancy	51,596	16,498	-	68,094	4,125	825	2,550	7,500
Office supplies	10,583	448	-	11,031	36	7	22	65
Travel and conferences	126,741	32,215	839	159,795	5,726	1,145	3,539	10,410
Postage and shipping	2,374	-	-	2,374	74	15	46	135
Printing and publications	5,617	-	-	5,617	-	-	-	-
Telephone	5,950	-	-	5,950	-	-	-	-
Repairs and maintenance	14,905	-	-	14,905	-	-	-	-
Miscellaneous expenses	111	173	-	284	5,702	1,141	3,525	10,368
TOTAL EXPENSES	\$ 2,673,592	\$ 379,162	\$ 33,042	\$ 3,085,796	\$ 2,419,206	\$ 858,398	\$ 46,269	\$ 3,323,873

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, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 181,826	\$ 1,368,910
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Pledges receivable	(30,596)	(508,368)
Contract receivable	(229,178)	(39,295)
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	116,039	35,999
Other liabilities	(170,439)	170,439
Grants payable	(36,276)	36,276
	(168,624)	1,063,961
Net Cash (Used In) Provided by Operating Activities	(168,624)	1,063,961
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(168,624)	1,063,961
Cash and cash equivalents - beginning of year	1,063,961	-
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 895,337	\$ 1,063,961

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

ACCION, THE U.S. NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Accion, The U.S. Network, Inc. (the “Network”) was incorporated on December 7, 2011. The mission of the Network is to assist in building world class microfinance institutions in the United States to enhance economic development and individuals' self-sufficiency through increasing access to credit and otherwise promoting financial inclusion through training and mentoring for members of low-to-moderate income communities. The Network is a nonprofit charitable organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

The Network provides members, and from time to time other non-profit microfinance institutions, with grants for execution of elements of national programs including Brewing the American Dream, The Big Start Up, and others. In addition, grants are made to loan funds and to increase the capacity of microfinance institutions. The Network also conducts program activities, the benefits of which accrue to the members. These include national surveys, developing evaluation tools, and new products and processes

Prior to incorporation, the Network operated as a program of Accion East, Inc. with initial funding provided by grants from Citibank and Mott Foundation's to perpetuate the program. After being incorporated the Network became its own legal entity. Through October 2012, all activities and staff were paid by Accion East, Inc. Once the grants became fully expended, the Network became responsible for funding its own expenses. Certain remaining expenses were carried into the fourth quarter of 2012 and paid by Accion East, Inc. on behalf of the Network (See Note 7).

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. During 2012, the board designated \$50,000 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. The Network considers pledged and other receivables to be fully collectible and, accordingly, no allowance for doubtful accounts has been established.

- 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 \$305,398 and \$813,428 during 2013 and 2012, respectively.

**ACCION, THE U.S. NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- F. **Grants Payable** – Grants which are unconditional are recognized as an expense in the period incurred. They are generally payable within one year.
- G. **Membership Dues** – Membership dues are recognized as revenues in the period due and are recorded as increases in unrestricted net assets.
- 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 – PLEDGES RECEIVABLE

Pledges receivable consist of the following as of December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Amounts due:		
Within one year	\$ 538,964	\$ 260,600
Within two to five years	<u>-</u>	<u>250,000</u>
Gross pledges receivable	538,964	510,600
Discount for net present value (.45%)	<u>-</u>	<u>(2,232)</u>
Net pledges receivable	<u>\$ 538,964</u>	<u>\$ 508,368</u>

NOTE 4 – CONTRACT RECEIVABLE

The Network entered into a sub-agreement contract on October 1, 2012 with an organization to receive funds on a cost reimbursement basis for the purpose of the Network's mission. The period of performance for the contract ends on September 30, 2014. The total estimated amount of the contract to be awarded to the Network is \$829,294. The total obligated amount of the contract to be awarded is \$507,482. As of December 31, 2013 and 2012, the outstanding balance on the contract receivable was \$268,473 and \$39,295, respectively.

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2013 and 2012 are restricted for the following purposes:

	<u>2013</u>	<u>2012</u>
Micro Lending Grants	\$ 1,108,072	\$ 530,367
Time Restricted	<u>-</u>	<u>500,000</u>
	<u>\$ 1,108,072</u>	<u>\$ 1,030,367</u>

During the years ended December 31, 2013 and 2012, the Network released temporarily restricted net assets by satisfying purpose restrictions.

NOTE 6 – CONCENTRATION

Cash and cash equivalents that potentially subject the Association 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, 2013 and 2012, there was approximately \$652,500 and \$0, respectively, of cash and cash equivalents held by banks that exceeded FDIC limits.

ACCION, THE U.S. NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 7 – 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. In addition, during 2012, The Network received a three-year grant from Accion in the amount of \$750,000. As of December 31, 2013, Accion has fulfilled its agreement with the Network.

As of December 31, 2013 and 2012, The Network has a balance due to Accion East, Inc. of approximately \$0 and \$170,000, respectively, for salary and marketing expenses paid on behalf of the Network (See Note 1).

NOTE 8 – 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. As of December 31, 2013 the balance related to deferred rent is \$5,885.

Minimum future lease payments under the lease agreements for the years subsequent to December 31, 2013 are approximately as follows:

2014	\$ 58,700
2015	60,000
2016	61,500
2017	63,000
2018	64,500
Thereafter	<u>304,100</u>
	<u>\$ 611,800</u>

Rent expense for the years ended December 31, 2013 and 2012 amounted to approximately \$68,095 and \$7,500, respectively.

B. The Network has no uncertain tax positions as of December 31, 2013 and 2012 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 9 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through June 19, 2014 the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through June 19, 2014 that would require adjustment or disclosure in the financial statements.