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ACCION NEW MEXICO, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2015 and 2014

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
ACCION New Mexico, Inc. and Subsidiaries

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of ACCION New Mexico, Inc. (a nonprofit organization) and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2015 and 2014, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 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 audits. We conducted our audits 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 audits 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 auditor considers 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 ACCION New Mexico, Inc. and Subsidiaries as of December 31, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards,* 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 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 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 March 30, 2016, on our consideration of ACCION New Mexico, Inc. and Subsidiaries' internal control over financial reporting and on our tests of their 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 ACCION New Mexico, Inc. and Subsidiaries' internal control over financial reporting and compliance.

Atkinson & Co., Ltd.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
March 30, 2016

ACCION New Mexico, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2015 and 2014

ASSETS

	2015	2014
ASSETS		
Cash and cash equivalents	$ 2,762,156	$ 5,692,878
Restricted cash	203,890	533,473
Investment securities held for sale	-	8,400
Accounts receivable		
Accrued interest on small business loans	122,099	83,933
Third-party participation on small business loans	66,917	102,347
Other	1,600	3,564
Contributions receivable, net of discounts and allowance for doubtful accounts of $22,069 in 2015 and $26,795 in 2014	182,899	232,614
Grants receivable	1,360,000	873,074
Small business loans receivable, net	24,388,294	16,882,214
Derivative instrument	219,844	223,181
Prepaid expenses	29,019	12,438
Investment securities	926,836	954,198
Property and equipment, net	2,354,558	2,306,495
Land	1,003,216	1,003,216
Property held for sale	250	250
Total assets	$ 33,621,578	$ 28,912,275

LIABILITIES AND NET ASSETS

	2015	2014
LIABILITIES		
Accounts payable	$ 85,315	$ 38,105
Accrued payroll	157,881	96,928
Other accrued liabilities	53,763	39,532
Line-of-credit	-	1,000,000
Notes payable	10,586,957	8,585,442
Secured debt	5,568,062	4,820,130
Total liabilities	16,451,978	14,580,137
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS		
Unrestricted		
Unrestricted	8,399,933	7,120,281
Noncontrolling interest in LLC companies	6,038,580	4,991,575
Temporarily restricted	353,416	232,611
Permanently restricted	2,377,671	1,987,671
Total net assets	17,169,600	14,332,138
Total liabilities and net assets	$ 33,621,578	$ 28,912,275

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

ACCION New Mexico, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended December 31, 2015 and 2014

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Loan interest and fees	$ 3,432,251	$ -	$ -	$ 3,432,251
Contributions	378,917	1,507,531	390,000	2,276,448
Federal awards	1,478,928	-	-	1,478,928
In-kind contributions	195,886	-	-	195,886
Investment income, net	15,749	-	-	15,749
Other revenue	72,595	-	-	72,595
Net realized/unrealized (losses) gains on investments	(47,243)	-	-	(47,243)
Total revenue and support	5,527,083	1,507,531	390,000	7,424,614
Net assets released from restrictions	1,386,726	(1,386,726)	-	-
EXPENSES				
Program services	5,103,936	-	-	5,103,936
Fundraising	286,645	-	-	286,645
Support	243,576	-	-	243,576
Total expenses	5,634,157	-	-	5,634,157
CHANGES IN NET ASSETS FROM OPERATIONS BEFORE NONCONTROLLING INTEREST IN LLC COMPANIES	1,279,652	120,805	390,000	1,790,457
CHANGES IN NET ASSETS FROM NONCONTROLLING INTEREST IN LLC COMPANIES				
Capital contributions	1,000,000	-	-	1,000,000
Gain on LLC activity	88,577	-	-	88,577
Distributions	(41,572)	-	-	(41,572)
Total changes in net assets from noncontrolling interest in LLC companies	1,047,005	-	-	1,047,005
CHANGES IN NET ASSETS	2,326,657	120,805	390,000	2,837,462
Net assets, beginning of year	12,111,856	232,611	1,987,671	14,332,138
Net assets, end of year	$ 14,438,513	$ 353,416	$ 2,377,671	$ 17,169,600

2014			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 2,280,327	$ -	$ -	$ 2,280,327
300,023	911,111	110,000	1,321,134
27,296	1,600,000	-	1,627,296
169,597	-	-	169,597
18,479	-	-	18,479
55,169	-	-	55,169
10,578	-	-	10,578
2,861,469	2,511,111	110,000	5,482,580
2,693,927	(2,693,927)	-	-
3,730,835	-	-	3,730,835
248,425	-	-	248,425
210,510	-	-	210,510
4,189,770	-	-	4,189,770
1,365,626	(182,816)	110,000	1,292,810
2,250,000	-	-	2,250,000
43,102	-	-	43,102
(16,450)	-	-	(16,450)
2,276,652	-	-	2,276,652
3,642,278	(182,816)	110,000	3,569,462
8,469,578	415,427	1,877,671	10,762,676
$ 12,111,856	$ 232,611	$ 1,987,671	$ 14,332,138

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

ACCION New Mexico, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended December 31, 2015 and 2014

	2015			
	Program Services	Fundraising	Support	Total
Salaries	$ 1,816,904	$ 206,657	$ 147,930	$ 2,171,491
Loan loss provision	1,377,381	-	-	1,377,381
Interest	554,426	-	-	554,426
Professional fees	180,921	4,207	25,245	210,373
Payroll taxes	164,374	18,696	13,383	196,453
Marketing and development	187,045	8,312	-	195,357
Employee benefits	150,374	17,104	12,243	179,721
Depreciation and amortization	122,954	10,222	12,331	145,507
Loan servicing expense	134,785	-	-	134,785
Travel	100,415	4,184	-	104,599
Temporary services	48,744	3,482	17,409	69,635
Miscellaneous expense	56,300	-	-	56,300
Telephone	46,184	2,566	2,566	51,316
Equipment rent and maintenance	45,617	2,534	2,534	50,685
Occupancy	38,525	3,203	3,864	45,592
Supplies	21,798	1,211	1,206	24,215
Insurance	14,594	-	4,865	19,459
Conferences and meetings	19,412	-	-	19,412
Subscriptions and dues	12,172	3,043	-	15,215
Postage	11,011	1,224	-	12,235
Total	$ 5,103,936	$ 286,645	$ 243,576	$ 5,634,157

2014			
Program Services	Fundraising	Support	Total
$ 1,374,029	$ 157,367	$ 125,976	$ 1,657,372
737,741	-	-	737,741
389,549	-	-	389,549
148,446	3,452	20,714	172,612
108,672	12,447	9,964	131,083
226,074	33,034	-	259,108
116,715	13,368	10,701	140,784
97,407	8,098	9,770	115,275
109,732	-	-	109,732
120,099	5,004	-	125,103
55,938	3,996	19,977	79,911
39,441	-	-	39,441
45,818	2,545	2,545	50,908
31,904	1,773	1,773	35,450
33,229	2,753	3,343	39,325
21,705	1,206	1,206	24,117
13,622	-	4,541	18,163
38,649	-	-	38,649
6,694	1,674	-	8,368
15,371	1,708	-	17,079
$ 3,730,835	$ 248,425	$ 210,510	$ 4,189,770

ACCION New Mexico, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2015 and 2014

Increase (Decrease) in Cash and Cash Equivalents

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets from operations	$ 1,790,457	$ 1,292,810
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Net realized and unrealized losses (gains) on investments	47,243	(10,578)
Noncontrolling interest in consolidated LLC investments	88,577	43,102
Depreciation and amortization	145,507	115,275
Amortization of note payable closing fee	1,515	(6,908)
Loan loss provision	1,377,381	737,741
Present value discount and amortization on contributions receivable	(6,496)	7,553
Uncollectible contribution expense	1,770	5,850
Donated stock	(13,338)	(15,072)
Change in fair value of derivative instrument	3,337	(25,284)
Changes in other assets and liabilities		
Accounts receivable	(772)	(132,613)
Contributions receivable	54,441	62,768
Grants receivable	(486,926)	473,926
Prepaid expenses	(16,581)	4,759
Accounts payable	47,210	17,840
Accrued payroll	60,953	3,049
Other accrued liabilities	14,231	(88,825)
Net cash provided by operating activities	3,108,509	2,485,393
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	364,693	1,402,627
Purchase of investments	(362,836)	(802,883)
Change in restricted cash for long-term purposes	329,583	(461,798)
Purchase of property and equipment	(193,570)	(158,971)
Investment in small business loans	(18,170,317)	(11,856,699)
Repayments and recoveries of small business loans	9,286,856	5,654,965
Net cash used in investing activities	(8,745,591)	(6,222,759)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS – CONTINUED

Years Ended December 31, 2015 and 2014

Increase (Decrease) in Cash and Cash Equivalents

	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from secured debt	4,232,485	3,193,373
Repayment of secured debt	(3,484,553)	(1,982,818)
Contributions in noncontrolling interests in consolidated LLC companies	1,000,000	2,250,000
Proceeds from note payables	2,000,000	3,000,000
Repayment of line-of-credit, net	(1,000,000)	-
Distributions to noncontrolling interests in consolidated LLC companies	(41,572)	(16,449)
Net cash provided by financing activities	2,706,360	6,444,106
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,930,722)	2,706,740
Cash and cash equivalents, beginning of year	5,692,878	2,986,138
Cash and cash equivalents, end of year	$ 2,762,156	$ 5,692,878

SUPPLEMENTAL DATA

	2015	2014
In-kind revenues and expenses	$ 195,886	$ 169,597
Interest paid in cash	$ 470,881	$ 329,497

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

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. <u>Organization</u>

ACCION New Mexico, Inc. (ACCION) was organized in March 1994 as an independent, private, New Mexico nonprofit corporation. Its sole program provides microenterprises and small businesses in New Mexico with credit and business support not otherwise available from the commercial lending sector. During 2008, ACCION expanded its geographic markets to include Arizona and Colorado. ACCION expanded its geographic markets to include Nevada in 2014 and Texas in 2015. ACCION's operations are subsidized by contributions from foundations and other grantors, individuals, banks, and other corporate contributors. ACCION licenses its name from a supporting organization of ACCION International.

During 2015, ACCION was approved to be a Community Advantage (CA) Pilot Loan Program Lender with the U.S. Small Business Administration. As an approved lender, ACCION is required to maintain a loan loss reserve of a minimum of 5% of the unguaranteed portion of the CA loan portfolio. The deposits in the loan loss reserve are required to be maintained in a separate bank account. At December 31, 2015, the unguaranteed CA loan portfolio was $5,993 and the loan loss reserve was $2,075.

ACCION is a member of several New Mexico limited liability companies (LLC). The purpose of each LLC is to further the mission of ACCION by the formation of capital to be deployed by ACCION. ACCION is the managing member with a voting interest of fifty-one percent (51%) in each LLC. The other members are nonmanaging members who have a voting interest of forty-nine percent (49%). Members share net income, gains, net losses, and distributions in accordance with their percentage interests of the aggregate capital accounts. Each LLC has a dissolution date unless the operating agreements are amended to extend the term.

ACCION is also a member of a Colorado limited liability company (ACCION 2014E LLC). The purpose of the LLC is to further the mission of ACCION by the formation of capital to be deployed by ACCION. ACCION is the managing member. Nonmanager members' units do not have voting rights, except as otherwise agreed. Members share net income, gain, net loss, and distributions of the LLC in accordance with their percentage of units. The LLC has a dissolution date unless the operating agreements are amended to extend the term.

The noncontrolling activity of the LLCs are as follows:

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

1. Organization – Continued

	ACCION NM 2007A LLC	ACCION NM 2011B LLC	ACCION NM 2011C LLC	ACCION NM 2013D LLC	ACCION 2014E LLC	Total
Formation date	August 2007	December 2011	December 2011	August 2013	February 2014	
Dissolution date	December 2022	December 2021	December 2021	December 2023	December 2023	
Balance at December 31, 2013	$ 1,199,999	$ 249,923	$ 259,947	$ 1,005,054	$ -	$ 2,714,923
Contributions	-	-	-	1,000,000	1,250,000	2,250,000
Distributions	-	-	(9,947)	(6,503)	-	(16,450)
Net income	1	78	5,000	26,679	11,344	43,102
Balance at December 31, 2014	1,200,000	250,001	255,000	2,025,230	1,261,344	4,991,575
Contributions	-	-	-	-	1,000,000	1,000,000
Distributions	-	-	(5,000)	(25,228)	(11,344)	(41,572)
Net income	26	-	5,001	39,990	43,560	88,577
Balance at December 31, 2015	$ 1,200,026	$ 250,001	$ 255,001	$ 2,039,992	$ 2,293,560	$ 6,038,580

The accompanying consolidated financial statements include the accounts of ACCION New Mexico, Inc. and its Subsidiaries, ACCION NM 2007A, LLC, ACCION NM 2011B, LLC, ACCION NM 2011C, LLC, ACCION NM 2013D, LLC, and ACCION 2014E, LLC (collectively the Company). All material intercompany accounts and transactions have been eliminated.

2. Federal Income Taxes

ACCION is exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), except to the extent it has unrelated business income. ACCION had no material unrelated business taxable income for the years ended December 31, 2015 and 2014. The 2007A LLC, 2011B LLC, 2011C LLC, 2013D LLC, and 2014E LLC, all pass-through taxable entities, had no material taxable income in 2015 or 2014.

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Federal Income Taxes – Continued

ACCION has adopted the provision of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes*. There were no uncertain tax positions taken by ACCION for the years ended December 31, 2015 and 2014. ACCION's policy is to classify income tax penalties and interest, when applicable, according to their natural classification. Under the statute of limitations, ACCION's tax returns are no longer subject to examination by tax authorities for years prior to 2012.

3. Use of Estimates

The preparation of the accompanying consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from those estimates. It is reasonably possible that conditions which existed at the date of the consolidated financial statements could change in the near term due to current volatility in market and economic conditions. Such future changes, if significant, could lead to changes in estimates used in calculating the allowance for loan losses and uncollectible contributions receivable. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the consolidated financial statements in future periods.

4. Cash and Cash Equivalents

For purposes of the accompanying consolidated statements of cash flows, ACCION considers all unrestricted highly liquid instruments with original maturities of three months or less to be cash equivalents, unless restricted for long-term purposes by a donor. Cash and cash equivalents include cash on hand, cash in banks, and money market accounts held with a brokerage firm.

Donor restricted cash includes the following at December 31:

	2015	2014
Temporarily restricted operating activities	$ 170,517	-
Permanently restricted endowment	33,373	533,473
	$ 203,890	$ 533,473

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5. Concentrations of Risk

Financial instruments that potentially subject ACCION to concentration of credit risk include cash balances and investment accounts. ACCION's cash is held with various financial institutions. At times, such amounts may exceed Federal Deposit Insurance Corporation limits (currently \$250,000); insurance limits on investment accounts vary by investment brokerage firm and by type of investment. ACCION limits the amount of credit exposure with any one financial institution and believes that no significant credit risk exists with respect to cash.

Additionally, financial instruments that potentially subject ACCION to credit risk are primarily loans receivable. See Note D for all policies concerning credit risk. ACCION provides micro and small business lending to qualifying small business entities in New Mexico, Arizona, Colorado, Nevada and Texas. ACCION considers these locations as geographic concentrations potentially subject to risk.

6. Investments

Investments are carried at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized gains and losses are recorded using the specific identification method upon the sale of investment assets. The fair market value of investments is subject to ongoing fluctuation. The amount ultimately realized upon disposition will differ from the amounts reported in these financial statements.

7. Accounts and Microenterprise and Small Business Loans Receivable

The allowance for loan losses is increased by charges to income and decreased by charge-offs, net of recoveries. Loan losses are charged against the allowance (charge-offs) when management believes the uncollectibility of a loan balance is confirmed or 180 days delinquency, whichever is first. Repossessed collateral is reported at net realizable value on or soon after acquisition based on an evaluation completed on the collateral. Foreclosed real property is reported at market value less sales costs upon official acquisition based on the average value of the market analyses or appraisal value of the property. Management's periodic evaluation of the adequacy of the allowance is based on ACCION's past and current loan-loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, and estimated value of any underlying collateral and current economic conditions.

The provision for loan losses in the statements of activities and changes in net assets results from the combination of an estimate by management of loan losses that occurred during the current period and the ongoing adjustment of estimates of losses occurring in prior periods. Because of these factors, it is reasonably possible that the allowances for losses on loans and the valuation of foreclosed real estate may change materially in the near term. While management uses available information to recognize losses on loans and foreclosed real

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

7. Accounts and Microenterprise and Small Business Loans Receivable – Continued

estate, future additions or reductions to the allowances may be necessary based on changes in local economic conditions.

Accrual of interest on a loan is discontinued when management believes that the borrower's financial condition is such that collection of interest is doubtful. Uncollectible interest previously accrued is charged off by means of a charge to interest income. Income is subsequently recognized only to the extent cash payments are received until, in management's judgment, the borrower's ability to make periodic interest and principal payments is back to normal, in which case the loan is returned to accrual status.

Loans that have been modified and economic concessions that have been granted to borrowers who have experienced financial difficulties are considered a troubled debt restructuring (TDR). These concessions typically would result from ACCION's loss mitigation activities and may include suspension of interest, payment extensions, forgiveness of principal, forbearance, and other actions. Certain TDRs are classified as nonperforming at the time of restructuring and typically are returned to performing status after considering the member's sustained repayment performance for a reasonable period.

When ACCION modifies loans in a TDR, it evaluates any possible impairment similar to other impaired loans based on the present value of expected future cash flows, discounted at the contractual interest rate of the original loan agreement, or uses the current fair value of collateral, less selling costs for collateral dependent loans. If ACCION determines that the value of the modified loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount), impairment is recognized through an allowance estimate or a charge-off to the allowance. In periods subsequent to modification, ACCION evaluates TDR's, including those that have payment defaults, for possible impairment and recognizes impairment through the allowance.

8. Derivative Financial Instrument

ACCION makes limited use of a derivative instrument for the purpose of managing the allowance for loan losses related to participation loans made by ACCION. This agreement is used to minimize the amount of loss ACCION could be exposed to by nonperforming participation loans. See Note E. Under generally accepted accounting principles, the fair value of ACCION's derivative financial instrument is reported as an asset in the accompanying consolidated statements of financial position. The change in fair value is recognized as an addition to or deduction from net assets in the accompanying consolidated statements of activities and changes in net assets. The derivative is considered a Level 3 investment within the fair value hierarchy.

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

9. Property and Equipment

Property and equipment are stated at cost. ACCION capitalizes all acquisitions greater than $1,000. Donated property is recorded at estimated fair value as of the date of donation. Depreciation is provided for all depreciable assets on a straight-line basis over the estimated useful lives of the assets ranging from 3 to 40 years, and is allocated to each functional category based on utilization. Land is not depreciated. Depreciation expense for the years ended December 31, 2015 and 2014, was $145,507 and $115,275, respectively.

10. Net Assets

The accompanying consolidated financial statements are prepared in accordance with generally accepted accounting principles for nonprofit organizations. Under these provisions, net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of ACCION and changes therein are classified and reported as follows:

Unrestricted Net Assets – net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors. No designations have been made for specific purposes at December 31, 2015 and 2014.

Temporarily Restricted Net Assets – net assets that are subject to donor-imposed stipulations that may or will be met by the occurrence of a specific event or the passage of time. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated statements of activities and changes in net assets as net assets released from restrictions.

Permanently Restricted Net Assets – net assets required to be maintained in perpetuity, with only the income used for operating activities, due to donor-imposed restrictions. These donor-imposed restrictions include land and a building and endowments for the loan portfolio and operations.

11. Donated Services

Contributed services are recognized if the services received create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed services are recorded at the fair value of the service received. For the years ended December 31, 2015 and 2014, ACCION received and recognized $112,341 and $109,545 of donated services and $83,545 and $60,052 of imputed interest on below market interest bearing notes, respectively. The recognized donated services included legal, marketing, and other professional services related to the programs, management, and general operations of ACCION.

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

12. Functional Allocation of Expenses

The costs of providing the fundraising activities, various programs, and supporting services have been allocated to functions based on payroll hours, square footage utilized, and/or actual expenses incurred in the accompanying consolidated statements of functional expenses. Allocation of joint costs involving fundraising activities was allocated among the functional categories as ACCION satisfied the criteria of FASB ASC 958-720-45, *Not-for-Profit Entities*. Activities involving joint costs typically comprise public relations type events that include both a program and fundraising intent. Joint costs were allocated as follows:

	2015	2014
Program services	$ 12,523	$ 41,691
Fundraising	1,391	9,331
Total joint costs	$ 13,914	$ 51,022

13. Advertising Cost

Advertising costs are expensed as incurred. Advertising expenses were $162,958 and $197,118, of which $85,000 were in-kind, for the years ended December 31, 2015 and 2014, respectively, and are included in marketing and development expenses.

14. Reclassified Amounts

Certain 2014 amounts have been reclassified to be consistent with the presentation of 2015 amounts.

15. Subsequent Events

Subsequent events have been evaluated through March 30, 2016, the date the financial statements were available to be issued, to determine whether such events should be recorded or disclosed in the consolidated financial statements for the year ended December 31, 2015. Management believes no material subsequent events have arisen that would require disclosure or accrual in these consolidated financial statements.

NOTE B – INVESTMENTS

Investments, including restricted endowment investment securities, are stated at fair value and consist of the following at December 31, 2015 and 2014:

	2015		
	Cost	Fair Value	Unrealized Gain (Loss)
Equity securities	$ 447,708	$ 514,016	$ 66,308
Mutual funds	324,576	288,499	(36,077)
Government and agency securities	79,588	79,021	(567)
Corporate bonds	47,000	45,300	(1,700)
Total	$ 898,872	$ 926,836	$ 27,964

	2014		
	Cost	Fair Value	Unrealized Gain (Loss)
Equity securities	$ 413,577	$ 502,638	$ 89,061
Mutual funds	341,142	327,692	(13,450)
Government and agency securities	75,183	75,726	543
Corporate bonds	48,682	48,142	(540)
Total	$ 878,584	$ 954,198	$ 75,614

Investment returns consist of the following:

	2015	2014
Interest and dividends	$ 29,301	$ 32,858
Investment fees	(13,552)	(14,379)
	$ 15,749	$ 18,479

	2015	2014
Realized gains	$ 4,214	$ 199,596
Unrealized (losses)	(51,457)	(189,018)
	$ (47,243)	$ 10,578

NOTE C – CONTRIBUTIONS RECEIVABLE

Contributions received, including unconditional promises to give, are recognized as revenue in the period received and are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence of any donor restrictions.

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on pledges is computed using the risk-free interest rate applicable to the year in which the promise is received in addition to a credit risk factor determined by management. The effective rate used to discount unconditional promises to give was 8.5% at December 31, 2015 and 2014.

Amortization of the discount is included in contribution revenue. ACCION has provided an allowance for doubtful accounts which includes all pledges outstanding greater than 90 days unless specifically excluded by management and an additional 2% of the remaining outstanding balances.

Contributions receivable for each of the years succeeding December 31, 2015 and 2014, are expected to occur as follows:

	2015	2014
In less than one year	$ 138,148	$ 161,339
In one to five years	66,820	98,070
	204,968	259,409
Less: Allowance for doubtful accounts	(12,936)	(11,166)
Less: Discount to net present value	(9,133)	(15,629)
	$ 182,899	$ 232,614

Contributions receivable are primarily from individuals, major charitable foundations, and local businesses. Contributions made by either ACCION's Board of Directors or employees were approximately $134,308 and $158,065 as of December 31, 2015 and 2014, respectively, with approximately $83,267 and $98,771 recorded as outstanding contribution receivables as of December 31, 2015 and 2014, respectively.

ACCION is the beneficiary of several bequests. No value has been assigned to the conditional promises as no formal documentation has been obtained from the donors.

ACCION was awarded multi-year grants from two foundations totaling $1,750,000. Management believes there are conditional grant requirements which ACCION may not be able to meet. Because of these requirements, the full amount of the awards were not recorded. Amounts received as of December 31, 2015, were $670,517.

NOTE D – SMALL BUSINESS LOANS RECEIVABLE

Loans receivable are recorded at unpaid principal balances, less an allowance for loan losses. Interest on loans is recognized as income based on the daily principal amount outstanding. A loan is considered delinquent when a payment is not made within 30 days of the scheduled due date and is placed on nonaccrual status. Loans on nonaccrual status as of December 31, 2015 and 2014, were $863,262 and $466,732, respectively. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received. An allowance for loan losses is maintained to absorb potential losses inherent in the loan portfolio. When all or a portion of a loan balance reaches 180 days delinquency, it is deemed uncollectible, and the remaining loan balance is charged off to the allowance for loan losses. Recoveries of loans previously charged off are credited to the allowance for loan losses. The provision for loan losses charged to expense is determined monthly based on past delinquency and write-off trends. Collateral is secured based on the particular loan profile. Generally, collateral on loans will cover a portion of the loan balance only. Impaired loans are recorded at unpaid principal balances, net of an allowance for uncollectible balances, which approximates the present value of expected future cash flows. For loans that are considered impaired, the provision for loan losses charged to expense is determined monthly based on past delinquency and write-off trends. The interest income on impaired loans is recognized in the same manner as noted above.

Activity in the allowance for loan loss follows:

	2015	2014
Balance at beginning of year	$ 1,563,628	$ 1,034,654
Provision charged to expense	1,377,381	737,741
Loans charged off	(612,537)	(260,951)
Recoveries	36,454	52,184
Balance at end of year	$ 2,364,926	$ 1,563,628

ACCION has a secured debt agreement that limits its risk of loan loss on certain loans. Of the loans charged off reflected in the table above, approximately $139,800 and $57,500 in 2015 and 2014, respectively, were covered by this agreement resulting in the lender taking losses of approximately $104,800 and $43,100 in 2015 and 2014, respectively. See Note E for further details about this agreement.

Management evaluates loans for credit quality at least quarterly, but more frequently if certain circumstances occur, such as material new information which becomes available and indicates a potential change in credit risk. Credit quality is based on the aging status of the loan and by payment activity.

NOTE D – SMALL BUSINESS LOANS RECEIVABLE – CONTINUED

When loans have been modified and economic concessions are granted to borrowers who have experienced financial difficulties, these loans are considered a troubled debt restructuring (TDR). Specifically, loans are considered TDRs when, in order to stay current on loan payments, a borrower has needed one payment extension of longer than three months duration, or two payment extensions of three months duration in the life of the loan. If these clients perform pursuant to the modified terms, the loans may be placed back on accrual status, but they will still be reported as TDRs. After a loan is restructured once, it may not be modified again. Total TDRs outstanding as of December 31, 2015 and 2014, were $1,167,702 and $869,892, respectively. The specific valuation allowance for these TDRs has been calculated based on the reserve factor as calculated by management in the evaluation of the allowance for loan losses. Included within the allowance for TDR loan losses was $454,053 and $286,034 at December 31, 2015 and 2014, respectively.

The following table presents informative data for financial receivables regarding their aging at December 31, 2015 and 2014.

December 31, 2015	Current	1-30 Days	Past Due 31-60 Days	Past Due 61-90 Days	Past Due 91-120 Days	Past Due > 120 Days	Total Past Due
Small business loans	$ 24,755,699	$ 1,134,259	$ 302,144	$ 208,797	$ 132,706	$ 219,615	$ 863,262

December 31, 2014	Current	1-30 Days	Past Due 31-60 Days	Past Due 61-90 Days	Past Due 91-120 Days	Past Due > 120 Days	Total Past Due
Small business loans	$ 17,016,650	$ 962,460	$ 189,400	$ 74,997	$ 58,084	$ 144,251	$ 466,732

December 31, 2015			December 31, 2014		
	Status of Interest Accruals			Status of Interest Accruals	
Total Small Business Loans Receivable	Total Small Business Loans Receivable On Nonaccrual Status	Small Business Loans Receivable Past Due > 90 Days And Still Accruing Interest	Total Small Business Loans Receivable	Total Small Business Loans Receivable On Nonaccrual Status	Small Business Loans Receivable Past Due > 90 Days And Still Accruing Interest
$ 26,753,220	$ 863,262	$ -	$ 18,445,842	$ 466,732	$ -

NOTE E – SECURED DEBT AND DERIVATIVE FINANCIAL INSTRUMENT

ACCION has an ongoing Memorandum of Agreement (MOA), which was restated and amended in 2013, with a third-party to purchase a portion of loans made in New Mexico by ACCION. The third-party will purchase 75% of the principal disbursed for individual loans designated for participation by ACCION (participation loans). In accordance with generally accepted accounting principles, this agreement does not qualify as a sale and, therefore, is accounted for as secured debt. The agreement was amended in 2015 to increase funding up to $5,750,000 and then again up to $6,500,000. Prior to these amendments, funding was up to $5,000,000 for 2014 in revolving funding for loans made by ACCION. Third party losses on participation loans made prior to November 2013 are shared according to the participation percentage. Losses to the third party on participation loans made subsequent to October 2013 are limited to 1% annually of the average outstanding balance.

ACCION must repay the secured debt as ACCION collects principal payments on the participation loans. If the borrower does not repay the participation loan, ACCION is not required to repay the related secured debt or accrued interest. This arrangement is considered an embedded derivative, and its fair value of $219,844 and $223,181 as of December 31, 2015 and 2014, respectively, is recorded as an asset on the accompanying consolidated statements of financial position. The fair value is estimated based on the present value of the estimated allowance for loan loss on 75% of the participation loans.

Additions are included in other revenue on the accompanying consolidated statements of activities and changes in net assets. Reductions are recorded as decreases in the derivative instrument and other revenue.

The secured debt bears interest, payable monthly as collected on the participation loans, at 3% of the outstanding balance, $5,374,672 and $4,670,230 as of December 31, 2015 and 2014, respectively. The remaining interest earned on the participation loans is retained by ACCION. Interest expense on the secured debt was $153,236 and $123,235 for the years ended December 31, 2015 and 2014, respectively. The MOA has a termination provision requiring reasonable notice from either party. In the event of termination, outstanding loans will be handled in the ordinary course of business under the terms of the MOA until the joint portfolio is collected.

Included in secured debt, there are smaller participations with other third parties in Arizona which totaled $193,390 and $149,900 as of December 31, 2015 and 2014.

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2015 and 2014:

	2015	2014
Building	$ 2,229,605	$ 2,220,594
Computer equipment	549,450	404,486
Furniture and office equipment	267,559	227,964
	3,046,614	2,853,044
Less accumulated depreciation	(692,056)	(546,549)
Total	$ 2,354,558	$ 2,306,495
Land	$ 1,003,216	$ 1,003,216

NOTE G – LINE-OF-CREDIT OUTSTANDING

ACCION has a line-of-credit with a financial institution. The current agreement allows for draws up to $600,000 and expires upon full payment of the outstanding balance and execution of a written termination agreement with the financial institution. The financial institution charges interest on the line-of-credit at 2%. The line-of-credit is unsecured. The balance on the line-of-credit was $0 at both December 31, 2015 and 2014, respectively. The line-of-credit is available to be drawn down by ACCION. No restrictive covenants apply to the line-of-credit.

ACCION has a second line-of-credit with a financial institution. The agreement allows for draws up to $1,000,000 and expires upon full payment of the outstanding balance in August 2017. The financial institution charges interest on the line-of-credit at 2%. The line-of-credit is unsecured. The balance on the line-of-credit was $0 and $1,000,000 at December 31, 2015 and 2014, respectively. There were no restrictive covenants on the line-of-credit.

During 2015, ACCION entered into a third line-of-credit with a financial institution. The agreement allows for draws up to $1,000,000 and expires upon full payment of the outstanding balance in October 2020. The financial institution charges interest on the line-of-credit at 2%. The line-of-credit is unsecured. The balance on the line-of-credit was $0 at December 31, 2015. There are restrictive covenants on the line-of-credit. ACCION was in compliance with all such restrictive covenants.

NOTE H – NOTES PAYABLE

	2015	2014
Note payable to bank, due as follows: $1,000,000 due September 2019, September 2020, and September 2021, with remaining balance due September 2022, 3% interest per annum.	$ 4,991,957	$ 4,990,442
Note payable to bank, full payment due June 2016, 0% interest per annum.	1,000,000	1,000,000
Note payable to bank, due September 2016, 2% interest per annum.	1,000,000	1,000,000
Note payable to Kellogg Foundation, $200,000 due 2021 - 2025, 1% interest per annum.	1,000,000	-
Note payable to Piton Foundation, full payment due September 2020, 2% interest per annum.	1,000,000	-
U.S. Department of Treasury, full payment due September 2017, 1.4% interest per annum.	500,000	500,000
Note payable to bank, full payment due February 2017, 2% interest per annum.	425,000	425,000
Note payable to bank, due December 2025, 2% interest per annum, subordinated loan.	400,000	400,000
Note payable to bank, due September 2026, 2% interest per annum, subordinated loan.	250,000	250,000
Note payable to financial institution, full payment due April 2016, 2% interest per annum.	20,000	20,000
	$ 10,586,957	$ 8,585,442

NOTE H – NOTES PAYABLE – CONTINUED

At December 31, 2015, future note repayments are as follows:

2016	$ 2,020,000
2017	925,000
2018	-
2019	1,000,000
2020	2,000,000
Thereafter	4,641,957
	$ 10,586,957

ACCION records in-kind contributions and in-kind interest expense on zero-percent and below market rate notes in the period the interest savings benefit is realized. ACCION recorded $83,545 and $60,052 in imputed interest, using a rate of 3.25% during each of the years ended December 31, 2015 and 2014, respectively. ACCION also incurred $317,645 and $206,262 in interest expense for these notes for the years ended December 31, 2015 and 2014, respectively.

The terms of the notes payable to the banks and foundations place certain restrictions on ACCION, principally to meet certain financial position and performance tests. The primary requirements include minimum capital requirements, minimum loan loss allowance requirements, and maximum bank concentration requirements. At December 31, 2015, ACCION was in compliance with all such requirements. All notes payable are unsecured.

NOTE I – FAIR VALUE MEASUREMENTS

GAAP establishes a framework for measuring fair value. The 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 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that ACCION 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;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

NOTE I – FAIR VALUE MEASUREMENTS – CONTINUED

If the 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's 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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2015.

Mutual funds: Valued at the net asset value (NAV) of shares held by the respective mutual fund. Net asset value is based on aggregate fair values of all individual shares traded on active markets.

Equity securities: Valued at publicly traded market value.

Embedded derivative instrument: Estimated based on the present value of the estimated allowance for loan loss on 75% of participation loans.

Government and agency securities and corporate bonds: Valued at an evaluated price which is based on a compilation of primarily observable market information or a broker quote in a nonactive market.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although ACCION believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE I – FAIR VALUE MEASUREMENTS – CONTINUED

Fair values of assets measured are as follows:

Assets at Fair Value as of December 31, 2015

	Level 1	Level 2	Level 3	Total
Government and agency securities:				
Intermediate term bond	$ 7,111	$ 35,718	$ -	$ 42,829
Long term bond	17,281	2,849	-	20,130
Short term bond	-	16,062	-	16,062
Corporate bonds:				
Intermediate term bond	-	19,315	-	19,315
Long term bond	-	15,448	-	15,448
Short term bond	-	10,537	-	10,537
Equity securities:				
Financials	144,219	-	-	144,219
Information Technology	127,184	-	-	127,184
Health Care	60,013	-	-	60,013
Consumer Discretionary	62,355	-	-	62,355
Consumer Staples	40,596	-	-	40,596
Industrials	32,039	-	-	32,039
Energy	15,577	-	-	15,577
Materials	17,836	-	-	17,836
Telecommunication Services	9,293	-	-	9,293
Utilities	4,904	-	-	4,904
Mutual funds:				
Fixed income	168,413	-	-	168,413
Equities blend	120,086	-	-	120,086
Embedded derivative instrument	-	-	219,844	219,844
Total assets at fair value	$ 826,907	$ 99,929	$ 219,844	$ 1,146,680

NOTE I – FAIR VALUE MEASUREMENTS – CONTINUED

Assets at Fair Value as of December 31, 2014

	Level 1	Level 2	Level 3	Total
Government and agency securities:				
Long term bond	$ 10,251	$ 48,929	$ -	$ 59,180
Short term bond	-	16,546	-	16,546
Corporate bonds:				
Intermediate term bond	-	35,027	-	35,027
Long term bond	-	8,982	-	8,982
Short term bond	-	4,133	-	4,133
Equity securities:				
Financials	142,051	-	-	142,051
Information Technology	102,962	-	-	102,962
Health Care	53,046	-	-	53,046
Consumer Discretionary	51,496	-	-	51,496
Consumer Staples	38,052	-	-	38,052
Industrials	33,336	-	-	33,336
Energy	31,974	-	-	31,974
Materials	28,863	-	-	28,863
Telecommunication Services	13,279	-	-	13,279
Utilities	7,579	-	-	7,579
Mutual funds:				
Fixed income	170,509	-	-	170,509
Equities blend	157,183	-	-	157,183
Embedded derivative instrument	-	-	223,181	223,181
Total assets at fair value	$ 840,581	$ 113,617	$ 223,181	$ 1,177,379

The following table sets forth a summary of changes in the fair value of ACCION's level 3 assets for the year ended December 31, 2015:

	Embedded Derivative Instrument
Balance, beginning of year	$ 223,181
Change in fair value	(3,337)
Purchases, sales, and settlements	
Purchases	-
Sales	-
Balance, end of year	$ 219,844

NOTE J – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2015 and 2014, are available for the following:

	2015	2014
Restricted for purpose:		
Operating activities	$ 170,517	$ -
Restricted for time:		
Pledges receivable	204,968	259,406
Less: Allowance for uncollectible unconditional promises to give	(12,936)	(11,166)
Less: Discount on unconditional promises to give	(9,133)	(15,629)
	$ 353,416	$ 232,611

Temporarily restricted net assets released from restrictions at December 31, were comprised of the following:

	2015	2014
Restricted for time and/or purpose:		
Various grants and donations	$ 870,743	$ 415,020
Restricted for time:		
Pledges receivable	515,983	2,278,907
	$ 1,386,726	$ 2,693,927

NOTE K – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets may be invested in ACCION's loan portfolio, cash, land, or investments, as designated by the donor. Permanently restricted net assets at December 31, 2015 and 2014, were restricted for the following purposes:

	2015	2014
Loan portfolio	$ 1,171,493	$ 786,493
Land and buildings	500,000	500,000
Operations	706,178	701,178
	$ 2,377,671	$ 1,987,671

NOTE L – ENDOWMENT FUNDS

1. Interpretation of Relevant Law

ACCION's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) adopted by the State of New Mexico during 2009 as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, ACCION classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to permanent endowments, and (3) accumulations to the permanent endowment funds made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Absent any donor restrictions, investment income will be classified as unrestricted. ACCION's endowments include only donor-restricted endowment funds.

The following table reflects permanently restricted net assets subject to UPMIFA. Excluded permanently restricted net assets at December 31, 2015 and 2014, are $500,000 in land and a building.

Endowment Net Asset Composition by Type of Fund as of December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 1,877,671	$ 1,877,671
Total funds	$ -	$ -	$ 1,877,671	$ 1,877,671

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ -	$ 1,487,671	$ 1,487,671
Investment return:				
Investment income	123,291	-	-	123,291
Net depreciation (realized and unrealized)	(43,584)	-	-	(43,584)
	79,707	-	1,487,671	1,567,378
Contributions	-	-	390,000	390,000
Appropriation of endowment assets for expenditure	(70,414)	-	-	(70,414)
Other changes:				
Administration fees	(9,293)	-	-	(9,293)
Endowment net assets, end of year	$ -	$ -	$ 1,877,671	$ 1,877,671

NOTE L – ENDOWMENT FUNDS – CONTINUED

1. Interpretation of Relevant Law – Continued

Endowment Net Asset Composition by Type of Fund as of December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 1,487,671	$ 1,487,671
Total funds	$ -	$ -	$ 1,487,671	$ 1,487,671

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ -	$ 1,377,671	$ 1,377,671
Investment return:				
Investment income	31,698	-	-	31,698
Net appreciation (realized and unrealized)	10,277	-	-	10,277
	41,975	-	1,377,671	1,419,646
Contributions	-	-	110,000	110,000
Appropriation of endowment assets for expenditure	(30,551)	-	-	(30,551)
Other changes:				
Administration fees	(11,424)	-	-	(11,424)
Endowment net assets, end of year	$ -	$ -	$ 1,487,671	$ 1,487,671

	2015	2014
Permanently restricted net assets		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	$ 1,877,671	$ 1,487,671
Land and building	500,000	500,000
Total permanently restricted net assets	$ 2,377,671	$ 1,987,671

NOTE L – ENDOWMENT FUNDS – CONTINUED

2. Investment and Spending Objectives

Endowment funds may be invested in ACCION's loan portfolio, cash, or investments, as designated by the donor. Portions of ACCION's investment balances meet liquidity needs and preserve capital. Investment and interest income earned on endowment restricted assets are considered unrestricted and are available for spending. The overall return goal targets an excess of the current bond yield while protecting principal. The primary risk control mechanism for endowment funds is asset allocation, and within the asset allocation, diversification between asset classes. Currently, the target asset allocation model for endowment funds is 60% equities, 25% fixed income, and 15% alternative investments (such as gold and real estate). These targets were met during the current year. Investment advisors have been retained for investment purposes and the investment committee periodically monitors performance.

The following table reflects the assets held for the endowment funds:

	2015	2014
Restricted endowment investment securities	$ 926,836	$ 954,198
Investments in loan portfolio	917,462	-
Restricted endowment cash	33,373	533,473
	$ 1,877,671	$ 1,487,671

From time to time, the fair value of assets associated with individual donor-restricted funds may fall below the level that the donor requires ACCION to retain as a fund of perpetual duration. There was no deficiency in endowment funds at December 31, 2015 and 2014.

NOTE M – EMPLOYEE SAVINGS PLAN

ACCION sponsors a SIMPLE IRA tax-deferred saving incentive match plan, which covers full-time employees who earned at least $5,000 with ACCION in the previous calendar year. ACCION will match up to 3% of an employee's annual compensation, and these contributions are 100% vested. Employee contribution limits for the years ended December 31, 2015 and 2014, as established by the Internal Revenue Service, were $12,500 and $12,000, respectively. For the years ended December 31, 2015 and 2014, ACCION's expense for the plan was $47,132 and $32,383, respectively.

NOTE N – CONTINGENCIES

Expenditures under grant programs may be subject to program or compliance audits by the grantor which may result in disallowed program expenditures. There are no such audits in progress at December 31, 2015.

NOTE O – SERVICES RECEIVED FROM AN AFFILIATE

ACCION New Mexico, Inc. is a member of the ACCION U.S. Network (Network), a nationwide micro and small-business lending network consisting of four individually governed and managed not-for-profit ACCION branded member organizations that each serve specified geographies and collectively serve thousands of clients nationwide.

ACCION, the U.S Network, Inc. (AUSN) licenses the ACCION brand from ACCION International and sublicenses the brand to the four Network member organizations for an annual fee. All of the Network member organizations are represented in the governance of AUSN. AUSN raises funds that enable it to a) provide financial support and services to the member organizations b) fund the out-of-pocket costs of building technology and infrastructure to serve the operating processes of its members, and c) provide information sharing and establish and monitor required minimum member operating standards. Accion New Mexico, Inc. works collaboratively with AUSN and the other Network member organizations to develop and improve the efficiency and effectiveness of key processes, together with supporting technology designed to benefit all Network members. AUSN and each Network member organization accounts for its own costs related to these collaborative development activities.

NOTE P – NEW ACCOUNTING STANDARDS

The Financial Accounting Standards Board (FASB) has recently issued Accounting Standards Update (ASU) 2014-09, *(Topic 606): Revenue from Contracts with Customers* that was designed to develop a common revenue standard for U.S. GAAP and international standards. The core principle of this ASU is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Steps to apply the core principle are as follows:

1. Identify the contract(s) with the customer
2. Identify the separate performance obligations
3. Determine the transaction price
4. Allocate the transaction price
5. Recognize revenue when a performance obligation is satisfied

Several new disclosures will also be required to include sufficient information to enable users of the financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. This ASU will be effective for annual periods beginning after December 15, 2018.

NOTE P – NEW ACCOUNTING STANDARDS – CONTINUED

On February 25, 2016, the Financial Accounting Standards Board issued ASU 2016-02 *Leases* (FASB Codification Topic 842) which significantly changes the accounting for leases in the financial statements of lessees and supersedes FASB Codification Topic 840. With this update, GAAP now will require lessees under operating leases to recognize a liability in the statement of financial position (balance sheet) and an asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting election not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. Cash flows related to operating leases will continue to be reported within operating activities on the statement of cash flows. This ASU is effective for fiscal years beginning after December 15, 2019.

As of the date of these financial statements, management has not determined the impact these new ASUs will have on future reporting periods.

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2015

Federal Grantor - Pass-through Grantor - Program Title	Federal CFDA Number	Expenditures
Department of Treasury		
Community Development Financial Institutions Fund Program		
Financial Assistance - 151FA013713	21.020	$ 1,360,000
Department of Commerce		
Economic Development Administration		
EA Assistance - Implementation of Presto Loan Program - 08-79-04982	11.307	84,887
Department of Housing and Urban Development		
Passthrough Liftfund FKA Accion Texas		
Border Community Capital Initiative - BC-13-TX-C-0001	14.266	34,041
		$ 1,478,928

Notes to the Schedule of Expenditures of Federal Awards

NOTE A

The accompanying schedule of expenditures of federal awards includes the federal grant activity of ACCION New Mexico, Inc. and Subsidiaries and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements. ACCION elected not to use the 10% de minimis indirect cost rate.

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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*

Board of Directors
ACCION New Mexico, Inc. and Subsidiaries

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 financial statements of ACCION New Mexico, Inc. and Subsidiaries (ACCION), which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows, and the related notes to the financial statements, and have issued our report thereon dated March 30, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered ACCION'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 ACCION's internal control. Accordingly, we do not express an opinion on the effectiveness of ACCION'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.

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ACCION's consolidated financial statements are free of 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*.

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 ACCION's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ACCION's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Atkinson & Co., Ltd.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
March 30, 2016

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
ACCION New Mexico, Inc. and Subsidiaries

Report on Compliance for Each Major Federal Program

We have audited ACCION New Mexico, Inc. and Subsidiaries' (ACCION) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of ACCION's major federal programs for the year ended December 31, 2015. ACCION'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of ACCION'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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 ACCION'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 ACCION's compliance.

Opinion on Each Major Federal Program

In our opinion, ACCION 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, 2015.

Report on Internal Control Over Compliance

Management of ACCION 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 ACCION'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 the Uniform Guidance, 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 ACCION'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.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Atkinson & Co., Ltd.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
March 30, 2016

ACCION New Mexico, Inc. and Subsidiaries

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2015

I. Summary of Auditors' Results

A. An unmodified opinion was issued on the consolidated financial statements of ACCION New Mexico, Inc. and Subsidiaries.

B. No instances of noncompliance with laws and regulations or the provisions of contracts and grant agreements that are material to the consolidated financial statements were disclosed during the audit.

C. Internal control over financial reporting:

- Material weaknesses identified Yes___ No_X_
- Significant deficiencies identified Yes___ None Reported _X_

D. The Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance expresses an unmodified opinion on all major programs.

E. Federal awards:

Internal control over major programs:

- Material weaknesses identified Yes___ No_X_
- Significant deficiencies identified Yes___ None Reported _X_

F. There are no audit findings that are required to be reported in accordance with the Uniform Guidance.

G. The ISP programs tested as major programs included: Financial Assistance – CFDA No. 21.020

H. The threshold for distinguishing Types A and B programs was $750,000.

I. ACCION New Mexico, Inc. and Subsidiaries was determined not to be a low-risk auditee.

II. Financial Statement Audit Findings

None

III. Findings and Questioned Costs – Major Federal Award Programs

None

IDENTIFICATION OF AUDIT PRINCIPAL

For the Year Ended December 31, 2015

Audit Principal:	Barbara Lewis, CPA
Name and address of independent accounting firm:	Atkinson & Co., Ltd. 6501 Americas Parkway NE Suite 700 Albuquerque, New Mexico 87110
Audit period:	Year Ended December 31, 2015
Telephone Number:	(505) 843-6492
Federal Employee ID Number:	85-0211867

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