
ACCION

ACCION, THE U.S. NETWORK, INC.

Financial Statements
(Together with Independent Auditors' Report)

Year Ended December 31, 2012

ACCION, THE U.S. NETWORK, INC.
FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEAR ENDED DECEMBER 31, 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 statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Marks Paneth & Shron LLP

New York, NY
June 17, 2013



ACCION, THE U.S. NETWORK, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2012

ASSETS

Cash and cash equivalents (Note 2B)	\$	1,063,961
Pledges receivable, net (Notes 2D and 3)		508,368
Accounts receivable		<u>39,295</u>
TOTAL ASSETS	\$	<u>1,611,624</u>

LIABILITIES

Accounts payable and accrued expenses	\$	35,999
Due to related parties (Note 6)		170,439
Grants payable (Note 2F)		<u>36,276</u>
TOTAL LIABILITIES		<u>242,714</u>

COMMITMENTS AND CONTINGENCIES (Note 7)

NET ASSETS (Note 2C)

Unrestricted		
Board designated		50,000
Available for operations		<u>288,543</u>
Total unrestricted		<u>338,543</u>
Temporarily restricted (Note 4)		<u>1,030,367</u>
TOTAL NET ASSETS		<u>1,368,910</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>1,611,624</u>

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

ACCION, THE U.S. NETWORK, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Unrestricted	Temporarily Restricted	Total
OPERATING SUPPORT AND REVENUE:			
Contributions and grants	\$ 2,732,880	\$ 1,030,367	\$ 3,763,247
Donated services (Note 2E)	813,428		813,428
Membership dues	75,000	-	75,000
Contract services	39,305		39,305
Miscellaneous income	1,803	-	1,803
	3,662,416	1,030,367	4,692,783
OPERATING EXPENSES:			
Program services	2,419,206	-	2,419,206
Supporting services:			
Management and general	858,398	-	858,398
Fundraising	46,270	-	46,270
Total Supporting Services	904,667	-	904,667
	3,323,873	-	3,323,873
CHANGE IN NET ASSETS	338,543	1,030,367	1,368,910
Net assets - beginning of year	-	-	-
NET ASSETS - END OF YEAR	\$ 338,543	\$ 1,030,367	\$ 1,368,910

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

ACCION, THE U.S. NETWORK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries and wages	\$ 56,409	\$ 11,282	\$ 34,871	\$ 102,562
Grant expense	2,161,229	-	-	2,161,229
Professional fees (Note 2E)	183,129	843,428	-	1,026,557
Charges and fees	52	10	32	94
Insurance	2,724	545	1,684	4,952
Occupancy	4,125	825	2,550	7,500
Office supplies	36	7	22	65
Travel and transportation	5,726	1,145	3,539	10,410
Postage and shipping	74	15	46	135
Miscellaneous expenses	5,703	1,141	3,525	10,369
TOTAL EXPENSES	\$ 2,419,206	\$ 858,398	\$ 46,270	\$ 3,323,873

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

ACCION, THE U.S. NETWORK, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$	1,368,910
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Contributions and grants receivable		(508,368)
Accounts receivable		(39,295)
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses		35,999
Due to related parties		170,439
Grants payable		<u>36,276</u>
Net Cash Provided by Operating Activities		<u>1,063,961</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS		 1,063,961
Cash and cash equivalents - beginning of year		<u>-</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	 \$	 <u>1,063,961</u>

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

ACCION, THE U.S. NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 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 BigStart 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 6).

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 and Grants 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.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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 \$813,428 during 2012.
- 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.
- J. **Uncertain Tax Positions** – The Network has no uncertain tax positions as of December 31, 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. The Network has not filed any federal or state income tax returns since its inception.

NOTE 3 – PLEDGES RECEIVABLE

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

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

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

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

Micro Lending Grants	\$ 530,367
Time Restricted (2013 and 2014)	<u>500,000</u>
	<u>\$ 1,030,367</u>

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

NOTE 5 – CONCENTRATIONS

Cash and cash equivalents that potentially subject the Network to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Interest-bearing accounts are insured up to \$250,000 per depositor. Through December 31, 2012, noninterest-bearing accounts are fully insured. Beginning in 2013, noninterest-bearing accounts are insured the same as interest-bearing accounts. As of December 31, 2012, there were \$0 of cash held by banks that exceeded FDIC limits.

NOTE 6 – RELATED-PARTY TRANSACTIONS

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, 2012, ACCION owes the Network \$500,000, which has been classified as a temporarily restricted pledge receivable (see Notes 3 and 4).

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

NOTE 7 – COMMITMENTS AND CONTINGENCIES

In January 2012, the Network entered into a lease for office space in Brooklyn, New York expiring in February 2013. Monthly payments of \$3,250 were paid by ACCION East, Inc. through October 2012 (See Note 1).

In addition, in March 2013, the Network entered into a lease for office space with ACCION East, Inc., expiring May 2024.

Approximate future minimum lease payments are as follows:

2013	\$	47,700
2014		58,700
2015		60,000
2016		61,500
2017		63,000
Thereafter		<u>368,600</u>
	\$	<u>659,500</u>

Rent expense for the year ended December 31, 2012 amounted to approximately \$7,500.

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through June 17, 2013 the date the financial statements were available to be issued. No events, except those noted in Note 7, have occurred subsequent to the statement of financial position date through June 17, 2013 that would require adjustment or disclosure in the financial statements.