

ACCION, THE U.S. NETWORK, INC.

ACCION

Financial Statements
(Together with Independent Auditors' Report)

Years Ended December 31, 2014 and 2013

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, 2014 AND 2013

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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, 2014 and 2013, 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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Marks Paneth LLP

New York, NY
June 22, 2015



ACCION, THE U.S. NETWORK, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2014 AND 2013

	2014	2013
ASSETS		
Cash and cash equivalents (Note 2B)	\$ 1,864,708	\$ 895,337
Pledges receivable, net (Note 2D)	577,100	538,964
Contract receivable (Note 3)	7,140	268,473
TOTAL ASSETS	\$ 2,448,948	\$ 1,702,774
 LIABILITIES		
Accounts payable and accrued expenses (Note 7A)	\$ 203,221	\$ 152,038
TOTAL LIABILITIES	203,221	152,038
 COMMITMENTS AND CONTINGENCIES (Note 7)		
 NET ASSETS (Note 2C)		
Unrestricted		
Available for operations	366,727	392,664
Board designated	50,000	50,000
Total unrestricted	416,727	442,664
Temporarily restricted (Note 4)	1,829,000	1,108,072
TOTAL NET ASSETS	2,245,727	1,550,736
TOTAL LIABILITIES AND NET ASSETS	\$ 2,448,948	\$ 1,702,774

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, 2014 AND 2013

	Year Ended December 31, 2014			Year Ended December 31, 2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
OPERATING SUPPORT AND REVENUE:						
Contributions and grants	\$ 194,065	\$ 4,728,436	\$ 4,922,501	\$ 226,890	\$ 2,303,568	\$ 2,530,458
Donated services (Note 2E)	384,621	-	384,621	305,398	-	305,398
Membership dues (Note 2F)	85,000	-	85,000	90,000	-	90,000
Contract services	-	-	-	341,766	-	341,766
Net assets released from restrictions (Note 4)	4,007,508	(4,007,508)	-	2,225,863	(2,225,863)	-
TOTAL OPERATING SUPPORT AND REVENUE	<u>4,671,194</u>	<u>720,928</u>	<u>5,392,122</u>	<u>3,189,917</u>	<u>77,705</u>	<u>3,267,622</u>
OPERATING EXPENSES:						
Program services	4,025,533	-	4,025,533	2,673,592	-	2,673,592
Supporting services:						
Management and general	551,336	-	551,336	379,162	-	379,162
Fundraising	120,262	-	120,262	33,042	-	33,042
Total Supporting Services	671,598	-	671,598	412,204	-	412,204
TOTAL OPERATING EXPENSES	<u>4,697,131</u>	<u>-</u>	<u>4,697,131</u>	<u>3,085,796</u>	<u>-</u>	<u>3,085,796</u>
CHANGE IN NET ASSETS	(25,937)	720,928	694,991	104,121	77,705	181,826
Net assets - beginning 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>
NET ASSETS - END OF YEAR	<u>\$ 416,727</u>	<u>\$ 1,829,000</u>	<u>\$ 2,245,727</u>	<u>\$ 442,664</u>	<u>\$ 1,108,072</u>	<u>\$ 1,550,736</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, 2014 AND 2013

	Year Ended December 31, 2014				Year Ended December 31, 2013			
	Supporting Services				Supporting Services			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and fringe benefits	\$ 595,866	\$ 208,463	\$ 74,915	\$ 879,244	\$ 394,752	\$ 289,183	\$ 31,978	\$ 715,913
Grant expense	2,356,000	-	-	2,356,000	1,128,098	-	-	1,128,098
Professional fees (Note 2E)	928,771	197,967	42,092	1,168,830	923,547	39,071	225	962,843
Subscription dues and fees	4,638	18,826	651	24,115	4,241	1,574	-	5,815
Insurance	-	6,943	-	6,943	5,077	-	-	5,077
Occupancy	122	67,690	-	67,812	51,596	16,498	-	68,094
Office supplies	6,477	14,095	460	21,032	10,583	448	-	11,031
Travel and conferences	128,654	26,053	2,144	156,851	126,741	32,215	839	159,795
Postage and shipping	566	878	-	1,444	2,374	-	-	2,374
Printing and publications	2,168	465	-	2,633	5,617	-	-	5,617
Telephone	-	8,873	-	8,873	5,950	-	-	5,950
Repairs and maintenance	-	-	-	-	14,905	-	-	14,905
Miscellaneous expenses	2,271	1,083	-	3,354	111	173	-	284
TOTAL EXPENSES	\$ 4,025,533	\$ 551,336	\$ 120,262	\$ 4,697,131	\$ 2,673,592	\$ 379,162	\$ 33,042	\$ 3,085,796

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, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 694,991	\$ 181,826
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	(38,136)	(30,596)
Contract receivable	261,333	(229,178)
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	51,183	116,039
Other liabilities	-	(170,439)
Grants payable	-	(36,276)
	969,371	(168,624)
Net Cash Provided by (Used In) Operating Activities	969,371	(168,624)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	969,371	(168,624)
Cash and cash equivalents - beginning of year	895,337	1,063,961
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,864,708	\$ 895,337

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

ACCION, THE U.S. NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

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, Community with Hart (A program of Hartford), 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 design.

Prior to incorporation, the Network operated as a program of Accion USA (now known as Accion East, Inc.) with initial funding to the Accion USA provided by grants from Citibank and Mott Foundation's. Through October 2012, all activities and staff were paid by Accion East, Inc. Upon incorporating, and once all grants to Accion USA for this purpose were expended, the Network became its own legal entity and was responsible for funding its own expenses.

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. Pledge receivable as of December 31, 2014 and 2013 are due within one year.

- E. ***Donated Services*** – Donated services are recognized in the financial statements if the services enhance or create nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation. The Network received contributed legal and consulting services that are valued at the standard market rates that would have been incurred by The Network to obtain such services. Contributed services are reported as revenue and expense in the accompanying statement of activities, because they meet the criteria for recognition. The Network received contributed services of \$384,621 and \$305,398 during 2014 and 2013, respectively.

ACCION, THE U.S. NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- F. **Membership Dues** – Membership dues are recognized as revenues in the period due and are recorded as increases in unrestricted net assets. In addition, the Network awarded subgrants to its members in the amount of \$2,077,000 and \$879,000 in 2014 and 2013, respectively.
- G. **Allowance For Doubtful Accounts** – As of December 31, 2014 and 2013, the Network determined that determined that no allowance was necessary relative to its pledges and contract receivables. Such estimates are based on management’s assessment of the creditworthiness of donors, review of individual accounts outstanding, as well as current economic conditions and historical information.
- H. **Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.
- I. **Functional Allocation of Expenses** – The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying statements of activities. Certain costs have been allocated among the programs and supporting services benefited.

NOTE 3 – 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. The program ended on December 31, 2013. As of December 31, 2014 and 2013, the outstanding balance on the contract receivable was \$7,140 and \$268,473, respectively.

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2014 and 2013 are restricted for micro lending grants.

During the years ended December 31, 2014 and 2013, the Network released temporarily restricted net assets by satisfying purpose restrictions.

NOTE 5 – CONCENTRATION

Cash and cash equivalents that potentially subject the Network to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. Cash accounts are insured up to \$250,000 per depositor. As of December 31, 2014 and 2013, there was approximately \$1,631,000 and \$652,500, respectively, of cash and cash equivalents held by banks that exceeded FDIC limits.

NOTE 6 – TRADE MARK AGREEMENT AND OTHER

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

As of December 31, 2014 and 2013, The Network has a balance due to Accion of approximately \$6,000 and \$0, respectively.

ACCION, THE U.S. NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

NOTE 7 – 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, 2014 and 2013, the balance related to deferred rent were \$17,818 and \$5,885, respectively.

Minimum future lease payments under the lease agreements for the years subsequent to December 31, 2014 are approximately as follows:

2015	\$ 60,000
2016	61,500
2017	63,000
2018	64,500
2019	66,200
Thereafter	<u>237,900</u>
	<u>\$ 553,100</u>

Rent expense for the years ended December 31, 2014 and 2013 amounted to approximately \$67,812 and \$68,094, respectively.

- B. The Network has no uncertain tax positions as of December 31, 2014 and 2013 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 8 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through June 22, 2015, the date the financial statements were available to be issued.