

ACCION East, Inc.

ACCION

Consolidated Financial Statements
(Together with Independent Auditors' Report)

Years Ended December 31, 2015 and 2014

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

ACCION East, Inc.
CONSOLIDATED FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED DECEMBER 31, 2015 AND 2014

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
ACCION East, Inc.

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

Management's Responsibility for the 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 the consolidated 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of 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 auditor's 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 consolidated financial position of ACCION East, Inc. as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating supplementary information (shown on pages 14-19) is presented for the purpose of additional analysis of the consolidated financial statements and is not a required part of the consolidated financial statements. The supplementary information has been subjected to auditing procedures applied in the audits 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 consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects when considered in relation to the consolidated financial statements taken as a whole.

Marks Paneth LLP

New York, NY
May 25, 2016

ACCION East, Inc.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015 AND 2014

ASSETS	2015	2014
Cash and cash equivalents (Notes 2C and 8)	\$ 2,115,723	\$ 2,226,561
Contributions and grants receivable, net (Note 2E)	2,366,091	826,719
Interest on loans receivable (Note 2F)	83,123	57,247
Microenterprise loans receivable, net (Notes 2F, 2G and 3)	10,704,742	9,204,513
Cash restricted for loan funds (Notes 2D and 7)	2,173,643	1,552,307
Prepaid expenses and other assets	497,026	239,686
Property and equipment, net (Notes 2H and 4)	149,898	205,444
TOTAL ASSETS	\$ 18,090,246	\$ 14,312,477
 LIABILITIES		
Accounts payable and accrued expenses	\$ 520,280	\$ 262,256
Other liabilities	276,620	197,908
Deferred rent (Note 6)	130,029	121,209
Notes and recoverable grants payable (Note 5)	10,422,094	7,916,361
Subordinated debt (Note 5)	500,000	1,100,000
TOTAL LIABILITIES	11,849,023	9,597,734
 COMMITMENTS AND CONTINGENCIES (Note 6)		
 NET ASSETS (Note 2B)		
Unrestricted	3,423,854	2,317,816
Temporarily restricted (Note 7)	2,817,369	2,396,927
TOTAL NET ASSETS	6,241,223	4,714,743
TOTAL LIABILITIES AND NET ASSETS	\$ 18,090,246	\$ 14,312,477

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

ACCION East, Inc.
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Year Ended December 31, 2015			Year Ended December 31, 2014		
	Unrestricted	Temporarily Restricted	Total	Total	Unrestricted	Temporarily Restricted
SUPPORT AND REVENUE:						
Contributions and grants (Notes 2E and 2I)	\$ 2,227,655	\$ 3,745,735	\$ 5,973,390	\$ 4,839,508	\$ 1,983,587	\$ 2,855,921
Revenue:						
Interest on loans (Notes 2F and 3)	1,278,439	-	1,278,439	1,016,783	1,016,783	-
Program fees	662,988	-	662,988	617,795	617,795	-
Interest income (Note 4)	26,414	-	26,414	2,775	2,775	-
Other revenue (Note 2F)	274,528	-	274,528	256,776	256,776	-
Total Revenue	<u>2,242,369</u>	<u>-</u>	<u>2,242,369</u>	<u>1,894,129</u>	<u>1,894,129</u>	<u>-</u>
Net assets released from restrictions (Note 7)	<u>3,325,293</u>	<u>(3,325,293)</u>	<u>-</u>	<u>-</u>	<u>2,975,285</u>	<u>(2,975,285)</u>
TOTAL SUPPORT AND REVENUE	<u>7,795,317</u>	<u>420,442</u>	<u>8,215,759</u>	<u>6,733,637</u>	<u>6,853,001</u>	<u>(119,364)</u>
EXPENSES:						
Program services:						
Lending/development services	5,098,521	-	5,098,521	4,731,750	4,731,750	-
Community advantage	278,650	-	278,650	-	-	-
Total program services	<u>5,377,171</u>	<u>-</u>	<u>5,377,171</u>	<u>4,731,750</u>	<u>4,731,750</u>	<u>-</u>
Supporting services:						
Management and general	647,045	-	647,045	678,916	678,916	-
Fundraising	665,063	-	665,063	376,968	376,968	-
Total supporting services	<u>1,312,108</u>	<u>-</u>	<u>1,312,108</u>	<u>1,055,884</u>	<u>1,055,884</u>	<u>-</u>
TOTAL EXPENSES	<u>6,689,279</u>	<u>-</u>	<u>6,689,279</u>	<u>5,787,634</u>	<u>5,787,634</u>	<u>-</u>
CHANGE IN NET ASSETS	1,106,038	420,442	1,526,480	946,003	1,065,367	(119,364)
Net assets - beginning of year	<u>2,317,816</u>	<u>2,396,927</u>	<u>4,714,743</u>	<u>3,768,740</u>	<u>1,252,449</u>	<u>2,516,291</u>
NET ASSETS - END OF YEAR	<u>\$ 3,423,854</u>	<u>\$ 2,817,369</u>	<u>\$ 6,241,223</u>	<u>\$ 4,714,743</u>	<u>\$ 2,317,816</u>	<u>\$ 2,396,927</u>

ACCION East, Inc.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

	Year Ended December 31, 2015							Year Ended December 31, 2014				
	Program Services			Supporting Services				Program Services		Supporting Services		
	Lending/ Development Services	Community Advantage	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total	Total	Lending/ Development Services	Management and General	Fundraising	Total Supporting Services
Personnel costs (Note 9)	\$ 2,919,655	\$ 208,632	\$ 3,128,287	\$ 222,701	\$ 457,557	\$ 680,258	\$ 3,808,545	\$ 3,281,235	\$ 2,760,690	\$ 256,562	\$ 263,983	\$ 520,545
Professional fees and marketing (Note 2l)	419,809	24,810	444,619	378,337	108,359	486,696	931,315	757,332	359,005	354,828	43,499	398,327
Office and occupancy (Note 6)	391,207	27,921	419,128	29,804	61,234	91,038	510,166	574,972	483,756	44,957	46,259	91,216
Travel and conferences	94,540	6,756	101,296	7,211	14,816	22,027	123,323	100,516	84,570	7,859	8,087	15,946
Interest and fees (Note 5)	329,261	-	329,261	-	-	-	329,261	249,444	249,444	-	-	-
Depreciation and amortization (Note 4)	80,429	5,224	85,653	5,577	11,458	17,035	102,688	106,160	89,319	8,301	8,540	16,841
Loan loss provision (Note 3)	789,350	-	789,350	-	-	-	789,350	636,003	636,003	-	-	-
Other expenses	74,270	5,307	79,577	3,415	11,639	15,054	94,631	81,972	68,963	6,409	6,600	13,009
TOTAL EXPENSES	\$ 5,098,521	\$ 278,650	\$ 5,377,171	\$ 647,045	\$ 665,063	\$ 1,312,108	\$ 6,689,279	\$ 5,787,634	\$ 4,731,750	\$ 678,916	\$ 376,968	\$ 1,055,884

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

ACCION East, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

CASH FLOWS FROM OPERATING ACTIVITIES:	<u>2015</u>	<u>2014</u>
Change in net assets	\$ 1,526,480	\$ 946,003
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision for loan losses	789,350	631,440
Depreciation and amortization	<u>102,688</u>	<u>106,160</u>
	2,418,518	1,683,603
Changes in assets and liabilities:		
Contributions and grants receivable	(1,539,372)	691,638
Loan interest receivable	(25,876)	(4,574)
Prepaid expenses and other assets	(257,340)	114,183
Accounts payable and accrued expenses	258,024	(182,809)
Other liabilities	78,712	121,945
Deferred rent	<u>8,820</u>	<u>14,396</u>
Net Cash Provided by Operating Activities	<u>941,486</u>	<u>2,438,382</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Disbursements under loan programs	(9,950,615)	(8,393,920)
Collections under loan programs	7,661,036	6,557,530
Change in cash restricted for loan fund	(621,336)	371,045
Purchases of property and equipment	<u>(47,142)</u>	<u>(17,312)</u>
Net Cash Used in Investing Activities	<u>(2,958,057)</u>	<u>(1,482,657)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	9,046,388	3,775,751
Repayments of notes payable	<u>(7,140,655)</u>	<u>(4,802,163)</u>
Net Cash Provided by (Used in) Financing Activities	<u>1,905,733</u>	<u>(1,026,412)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(110,838)	(70,687)
Cash and cash equivalents - beginning of year	<u>2,226,561</u>	<u>2,297,248</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,115,723</u>	<u>\$ 2,226,561</u>
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	<u>\$ 188,080</u>	<u>\$ 184,800</u>

ACCION East, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The mission of ACCION East, Inc. is to empower low-to-moderate income business owners through access to capital and financial education. Through its loans and services, ACCION helps micro-entrepreneurs strengthen their businesses, stabilize and increase their incomes, create additional employment and contribute to the economic revitalization of their communities.

ACCION East, Inc. (a New York non-profit corporation) is the sole member of Accion East, Inc. (a Massachusetts non-profit corporation) (“ACCION-MA”). These entities are nonprofit charitable and civic organizations exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The consolidated financial statements reflect the consolidated results of both entities and are referred to as “ACCION” for the purpose of these financial statements. All intercompany transactions have been eliminated.

ACCION East, Inc. is a member of ACCION, The U.S. Network (the “Network”), which manages the ‘ACCION’ brand and its promotion within the United States (on behalf of ACCION International) and licenses the ‘ACCION’ brand to the other members, including ACCION Chicago, ACCION New Mexico-Arizona-Colorado, ACCION San Diego. The licensing agreement allows each member to utilize the ‘ACCION’ brand within specific geographic areas of the United States and provides information sharing and minimum performance standards among the members of the Network. In addition, the Network assists its members through fundraising opportunities with partners that seek nation-wide programs.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. ACCION’s consolidated financial statements have been prepared on the accrual basis of accounting using accounting principles generally accepted in the United States of America (“U.S. GAAP”).
- B. ACCION reports grants, gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. 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 consolidated statement of activities as net assets released from restrictions. Unrestricted net assets represent net assets not subject to donor-imposed restrictions.
- C. Cash and cash equivalents consist of highly liquid debt instruments purchased with maturities of three months or less when required, except for those amounts held for long-term investment purposes, which are included in investments.
- D. Restricted cash consists of amounts for which the use has been restricted by lenders for specific loan programs.
- E. Contributions and grants receivable are recorded as revenue when the pledge is made and is considered implicitly time restricted. Management evaluates the need for an allowance for doubtful accounts applicable to its contributions and grants receivable based on various factors, including an assessment of the credit worthiness of its donors, aging of the amount due and historical experience. As of December 31, 2015 and 2014, management determined that an allowance for doubtful accounts was not necessary for contributions and grants receivable. Contributions receivable due in more than one year are recorded at the present value of their estimated future cash flows, determined using risk-adjusted interest rates applicable to the years in which the promises are made. As of December 31, 2015 and 2014, all contributions and grants receivable were due within one year.

ACCION East, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- F. Management considers a loan to be impaired when it is probable that ACCION will be unable to collect all amounts due according to the contractual terms of the loan agreement. Management evaluates loans for impairment based on delinquency information, and an assessment of the borrower's financial condition. Impaired loans are written off when payments are past due 180 days or in some cases earlier.

The allowance for loan losses reflects loan impairment and is calculated using impairment rates approved by the Board of Directors and is calculated based on the aging of impaired loans and historical write-off trends.

Interest income on loans is recognized based on the principal amount outstanding and the related rate of interest. The accrual of interest on loans is calculated using the same impairment rates used for allowance for loan losses.

Under certain circumstances, ACCION will provide borrowers relief through loan restructuring. A restructuring of debt constitutes a troubled debt restructuring ("TDR") if ACCION, for economic or legal reasons related to the borrower's financial difficulties, grants a concession to the borrower that it would not otherwise consider. TDR concessions can include reduction of interest rates, extension of maturity dates, forgiveness of principal and/or interest due, or acceptance of other assets in full or partial satisfaction of the debt. ACCION considers all aspects of the restructuring to determine whether it has granted a concession to the borrower. An insignificant delay in payment resulting from a restructuring is not deemed to be a concession and would not be considered to be a TDR.

ACCION has concluded that the impairment impact of TDR on its loan portfolio (generally lower balance loans having original maturities of 60 months or less) is insignificant to the financial statements. As such these impairments are individually tracked in the loan portfolio and are adequately included in the loss allowance provided for the loan portfolio.

ACCION collected previously written off loan receivables of approximately \$34,000 and \$50,000 during 2015 and 2014, respectively. Additionally, ACCION received forgiveness of debts effectively releasing them from repayment obligations to debtors in the amount of approximately \$127,000 and \$85,000 during 2015 and 2014, respectively. These amounts were included as other revenue in the accompanying consolidated statements of activities.

- G. U.S. GAAP require that when a not-for-profit organization receives or makes loans of cash that carry interest rates below the prevailing market rate, the imputed interest be recorded as contributions received or paid, respectively. ACCION both receives and makes loans with stated rates of interest that vary from the prevailing market rates for commercial loans. However, ACCION considers its market to be the CDFI industry as opposed to the financial institutions industry in general. Consequently, ACCION believes there is no material difference between community development finance market rates and the stated rates of loans in their portfolios. ACCION accounts for these loans at the stated rates.
- H. Property and equipment is stated at cost less accumulated depreciation and amortization. These amounts do not purport to represent replacement or realizable values. ACCION capitalizes all property and equipment having a useful life of greater than one year and a cost of \$500 or more. Expenses for maintenance and repairs are charged to operations as incurred. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts, with any net gain or loss reflected in the statement of activities for the period. Leasehold improvements are amortized over the lesser of their estimated useful lives or the term of the lease. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. In addition to tangible assets, ACCION also capitalizes the internal and external costs incurred to develop in-house computer software during the application development stage. This includes the cost to develop or obtain software that allows for access or conversion of old data by new systems. Capitalized software is amortized over its estimated useful life.

ACCION East, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- I. Donated services are recognized in the consolidated 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. ACCION received contributed legal services that are valued at the standard market rates that would have been incurred by ACCION to obtain such services. Contributed services are reported as revenue and expense in the accompanying consolidated statements of activities, because they meet the criteria for recognition. ACCION received contributed services of \$220,749 and \$154,774 during 2015 and 2014, respectively.
- J. The cost of providing programs and other activities has been summarized on a functional basis in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting service benefited, as indicated in the consolidated statements of functional expenses.
- K. 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.

NOTE 3 – MICROENTERPRISE LOANS RECEIVABLE

Microenterprise loans receivable consists of microloans (loans under \$35,000) and small business loans (loans \$35,000 and over). Microenterprise loans receivable as of December 31, 2015 and 2014, include the following:

	<u>December 31, 2015</u>		
	<u>Micro loans</u>	<u>Small business Loans</u>	<u>Total</u>
Loans receivable	\$ 11,346,013	\$ 357,183	\$ 11,703,196
Less allowance for uncollectible loans	<u>(967,628)</u>	<u>(30,826)</u>	<u>(998,454)</u>
Loans receivable, net	<u>\$ 10,378,385</u>	<u>\$ 326,357</u>	<u>\$ 10,704,742</u>
	<u>December 31, 2014</u>		
	<u>Micro loans</u>	<u>Small business Loans</u>	<u>Total</u>
Loans receivable	\$ 9,865,072	\$ 325,845	\$ 10,190,917
Less allowance for uncollectible loans	<u>(967,668)</u>	<u>(18,736)</u>	<u>(986,404)</u>
Loans receivable, net	<u>\$ 8,897,404</u>	<u>\$ 307,109</u>	<u>\$ 9,204,513</u>

An aged analysis of loans segregated by loan program as of December 31, 2015, follows:

	<u>30 – 90 Days</u>	<u>Over 91 Days</u>	<u>Total Past Due</u>	<u>Current</u>	<u>Total</u>
Micro loans	\$ 264,254	\$ 285,907	\$ 550,161	\$ 10,795,852	\$ 11,346,013
Small business loans	<u>-</u>	<u>-</u>	<u>-</u>	<u>357,183</u>	<u>357,183</u>
Loans receivable	<u>\$ 264,254</u>	<u>\$ 285,907</u>	<u>\$ 550,161</u>	<u>\$ 11,153,035</u>	<u>\$ 11,703,196</u>

ACCION East, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 3 – MICROENTERPRISE LOANS RECEIVABLE (Continued)

An aged analysis of loans segregated by loan program as of December 31, 2014, follows:

	<u>30 – 90 Days</u>	<u>Over 91 Days</u>	<u>Total Past Due</u>	<u>Current</u>	<u>Total</u>
Micro loans	\$ 252,039	\$ 253,001	\$ 505,040	\$ 9,360,032	\$ 9,865,072
Small business loans	<u>-</u>	<u>-</u>	<u>-</u>	<u>325,845</u>	<u>325,845</u>
Loans receivable	<u>\$ 252,039</u>	<u>\$ 253,001</u>	<u>\$ 505,040</u>	<u>\$ 9,685,877</u>	<u>\$ 10,190,917</u>

The loans receivable include restructured loans as of December 31, 2015 and 2014 as follows:

	<u>2015</u>	<u>2014</u>
Restructured loans receivable	\$ 219,729	\$ 194,307
Less allowance for uncollectible loans	<u>(120,199)</u>	<u>(112,972)</u>
	<u>\$ 99,530</u>	<u>\$ 81,335</u>

An analysis of the loan loss allowance for the years ended December 31, 2015 and 2014 follows:

	<u>2015</u>	<u>2014</u>
Balance beginning of year	\$ 986,404	\$ 870,659
Provision for loan losses	789,350	636,003
Loans written-off	<u>(777,300)</u>	<u>(520,258)</u>
	<u>\$ 998,454</u>	<u>\$ 968,404</u>

The liquidity of the loan portfolio (net) for the years ended December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Due less than one year	\$ 5,301,809	\$ 5,111,112
Due over one year	<u>5,402,933</u>	<u>4,093,401</u>
	<u>\$ 10,704,742</u>	<u>\$ 9,204,513</u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>	<u>Estimated Useful Lives</u>
Leasehold improvements	\$ 31,385	\$ 31,385	5 - 10 years
Capitalized hardware and software	379,161	342,513	3 - 5 years
Furniture, fixtures and equipment	<u>181,050</u>	<u>170,556</u>	3 - 5 years
Total cost	591,596	544,454	
Less: accumulated depreciation and amortization	<u>(441,698)</u>	<u>(339,010)</u>	
Net book value	<u>\$ 149,898</u>	<u>\$ 205,444</u>	

Depreciation and amortization expense amounted to \$102,688 and \$106,160 for the years ended December 31, 2015 and 2014, respectively.

ACCION East, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 5 – NOTES PAYABLE AND SUBORDINATED DEBT

The following is a summary of ACCION's credit agreements with various banks and other lenders to fund its operating and microlending activities at December 31, 2015 and 2014:

	2015	2014
<u>Recoverable grants – unsecured</u>		
Evergreen arrangements with no definitive maturity date. These recoverable grants are non-interest-bearing.	\$ 592,338	\$ 577,044
<u>Notes payable – unsecured</u>		
Maturity terms range from 1 to 10 years, fixed interest rates ranging from 0% to 4% and floating interest rates ranging from the Federal Funds Rate to LIBOR plus 1% per annum (0.58% at December 31, 2015 and 0.58% at December 31, 2014).	9,829,756	7,339,317
Total notes and recoverable grants payable	\$ 10,422,094	\$ 7,916,361
<u>Subordinated debt – EQ2 Loans – unsecured</u>		
The equity equivalent investment, commonly referred to in the community development financing industry as an “EQ2 Loan”, is a capital product designed by lenders to increase available funding and investments to economically disadvantaged communities. EQ2 loans are subordinated to ACCION’s other loan agreements.	\$ 500,000	\$ 1,100,000

Maturity terms range from 1 to 10 years with fixed interest rates ranging from 1.58% to 4%. No principal payments are required until maturity.

Future annual principal payments due are as follows for the years ending after December 31, 2015:

Years ending on December 31:	Amount
2016	\$ 943,318
2017	734,437
2018	1,989,437
2019	1,119,340
2020	3,102,401
Thereafter	3,033,161
Total	\$ 10,922,094

Included in amounts due during 2020 is a revolving line of credit on which approximately \$2,993,000 was outstanding as of December 31, 2015. The outstanding balance as of May 25, 2016 was \$2,992,984. The line of credit is renewable annually.

Interest expense was \$188,080 and \$184,800 for the years ended December 31, 2015 and 2014, respectively.

ACCION East, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 6 – COMMITMENTS AND CONTINGENCIES

A. ACCION leased space in New York, Boston, Orlando and Miami during the year ended December 31, 2015. The leases range in maturity from month-to-month to year 2023 and include rent increases, which are amortized on a straight-line basis. Deferred rent of \$130,029 and \$121,209 is included in other liabilities in the accompanying consolidated financial statements as of December 31, 2015 and 2014, respectively. The estimated annual amortization of deferred rent for the year following December 31, 2015 is \$3,105.

Future minimum lease payments are due as follows for the years ending after December 31, 2015:

2016	\$ 234,301
2017	240,159
2018	246,163
2019	252,317
2020	258,625
Thereafter	698,797
	<u>\$ 1,930,362</u>

Rent expense of \$319,500 and \$383,640 was included in office and occupancy expenses in the accompanying consolidated statement of functional expenses for the years ended December 31, 2015 and 2014, respectively.

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

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available as of December 31, 2015 and 2014 for the following purposes and restrictions:

	<u>2015</u>	<u>2014</u>
<u>Government Grants:</u>		
Pollution emission-reduction program for New York/New Jersey ports	\$ 145,362	\$ 217,146
Economic revitalization and community development	1,750,000	576,245
<u>Private Grants:</u>		
Women’s Loan Guaranty Program	106,400	10,000
New Jersey Microlending	25,000	10,000
Credit Scorecard Update Project	-	60,000
Florida small business	50,000	-
Microlending in New York Tri-State area	57,600	57,600
Microlending – New product development grant	10,000	125,000
New York Microlending	100,000	-
Other	29,999	-
<u>Loan Fund Grants:</u>		
Non-geographic women lending	10,220	822,928
Upper Manhattan microloan capital (New York)	486,238	486,238
Lower Manhattan microloan capital (New York)	19,888	19,888
Florida State microloan capital	<u>26,662</u>	<u>11,882</u>
	<u>\$ 2,817,369</u>	<u>\$ 2,396,927</u>

During the years ended December 31, 2015 and 2014, ACCION released temporarily restricted net assets by satisfying purpose restrictions.

ACCION East, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

NOTE 8 – CONCENTRATION

Cash and cash equivalents that potentially subject ACCION to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. As of December 31, 2015 and 2014, there were approximately \$3,074,000 and \$2,741,000, respectively, of cash and cash equivalents held by banks that exceeded FDIC limits.

NOTE 9 – RETIREMENT PLAN

ACCION participates in a retirement savings plan covering all employees who meet the minimum service requirements. ACCION has the option to match its employees’ contributions up to 5% of employee salaries. ACCION made no matching contributions for the years that ended December 31, 2015 and 2014, respectively.

NOTE 10 – TRADE MARK AGREEMENT AND OTHER

Effective December 31, 2008, ACCION entered into a shared services agreement with ACCION International for the use of shared office space and equipment, administrative support and information technology support. The agreement does not have a maturity date but can be terminated by either party in writing with ninety (90) days advance notice. In each of the years December 31, 2015 and 2014, amounts paid to ACCION International were \$73,322 and \$203,425, respectively.

The Network was incorporated on December 7, 2011. ACCION entered into a trademark sublicense agreement with the Network that was effective December 31, 2011 and has an initial three-year term. The agreement provides for the legal use of the ‘ACCION’ brand by ACCION. In addition, ACCION entered into a membership dues agreement with the Network that sets forth the membership fee owed to the Network and the minimum performance standards required for membership. In connection with these agreements, ACCION paid \$18,000 annually to the Network for the years ended December 31, 2015 and 2014.

A sublease agreement took effect on March 1, 2013, in which ACCION agreed to provide the Network with lease space and shared common areas. This agreement is scheduled to terminate upon expiration of ACCION’s New York office lease agreement in July 2023. During the year ended December 31, 2015 and 2014, the Network paid \$40,246 and \$59,718, respectively to ACCION.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through May 25, 2016, the date the consolidated financial statements were available to be issued.

ACCION East, Inc.
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015

	<u>ACCION</u>	<u>ACCION-MA</u>	<u>Total</u>	<u>Consolidating Eliminations</u>	<u>Consolidated Total</u>
ASSETS					
Cash and cash equivalents	\$ 1,993,755	\$ 121,968	\$ 2,115,723	\$ -	\$ 2,115,723
Contributions and grants receivable, net	2,366,091	-	2,366,091	-	2,366,091
Loan interest receivable	82,948	175	83,123	-	83,123
Microenterprise loans receivable, net	10,685,398	19,344	10,704,742	-	10,704,742
Due from related party	2,773,952	-	2,773,952	(2,773,952)	-
Cash restricted for loan funds	2,173,643	-	2,173,643	-	2,173,643
Prepaid expenses and other assets	495,009	2,017	497,026	-	497,026
Property and equipment, net	<u>146,987</u>	<u>2,911</u>	<u>149,898</u>	<u>-</u>	<u>149,898</u>
TOTAL ASSETS	<u>\$ 20,717,783</u>	<u>\$ 146,415</u>	<u>\$ 20,864,198</u>	<u>\$ (2,773,952)</u>	<u>\$ 18,090,246</u>
LIABILITIES					
Accounts payable and accrued expenses	\$ 520,280	\$ -	\$ 520,280	\$ -	\$ 520,280
Due to related party	-	2,773,952	2,773,952	(2,773,952)	-
Other liabilities	254,974	21,646	276,620	-	276,620
Deferred rent	130,029	-	130,029	-	130,029
Notes payable	10,297,094	125,000	10,422,094	-	10,422,094
Subordinated debt	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>500,000</u>
TOTAL LIABILITIES	<u>11,702,377</u>	<u>2,920,598</u>	<u>14,622,975</u>	<u>(2,773,952)</u>	<u>11,849,023</u>
NET ASSETS					
Unrestricted	6,198,037	(2,774,183)	3,423,854	-	3,423,854
Temporarily restricted	<u>2,817,369</u>	<u>-</u>	<u>2,817,369</u>	<u>-</u>	<u>2,817,369</u>
TOTAL NET ASSETS	<u>9,015,406</u>	<u>(2,774,183)</u>	<u>6,241,223</u>	<u>-</u>	<u>6,241,223</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 20,717,783</u>	<u>\$ 146,415</u>	<u>\$ 20,864,198</u>	<u>\$ (2,773,952)</u>	<u>\$ 18,090,246</u>

ACCION East, Inc.
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF DECEMBER 31, 2014

	<u>ACCION</u>	<u>ACCION-MA</u>	<u>Total</u>	<u>Consolidating Eliminations</u>	<u>Consolidated Total</u>
ASSETS					
Cash and cash equivalents	\$ 2,104,471	\$ 122,090	\$ 2,226,561	\$ -	\$ 2,226,561
Contributions and grants receivable, net	826,719	-	826,719	-	826,719
Loan interest receivable	57,181	66	57,247	-	57,247
Microenterprise loans receivable, net	9,176,572	27,941	9,204,513	-	9,204,513
Due from related party	1,033,238	-	1,033,238	(1,033,238)	-
Cash restricted for loan funds	1,552,307	-	1,552,307	-	1,552,307
Prepaid expenses and other assets	237,668	2,018	239,686	-	239,686
Property and equipment, net	195,216	10,228	205,444	-	205,444
TOTAL ASSETS	<u>\$ 15,183,372</u>	<u>\$ 162,343</u>	<u>\$ 15,345,715</u>	<u>\$ (1,033,238)</u>	<u>\$ 14,312,477</u>
LIABILITIES					
Accounts payable and accrued expenses	\$ 247,897	\$ 14,359	\$ 262,256	\$ -	\$ 262,256
Due to related party	-	1,033,238	1,033,238	(1,033,238)	-
Other liabilities	176,187	21,721	197,908	-	197,908
Deferred rent	121,209	-	121,209	-	121,209
Notes payable	6,556,361	1,360,000	7,916,361	-	7,916,361
Subordinated debt	600,000	500,000	1,100,000	-	1,100,000
TOTAL LIABILITIES	<u>7,701,654</u>	<u>2,929,318</u>	<u>10,630,972</u>	<u>(1,033,238)</u>	<u>9,597,734</u>
NET ASSETS					
Unrestricted	5,134,012	(2,816,196)	2,317,816	-	2,317,816
Temporarily restricted	2,347,706	49,221	2,396,927	-	2,396,927
TOTAL NET ASSETS	<u>7,481,718</u>	<u>(2,766,975)</u>	<u>4,714,743</u>	<u>-</u>	<u>4,714,743</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 15,183,372</u>	<u>\$ 162,343</u>	<u>\$ 15,345,715</u>	<u>\$ (1,033,238)</u>	<u>\$ 14,312,477</u>

ACCION East, Inc.
CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	ACCION	ACCION	Total	ACCION-MA	ACCION-MA	Total	Consolidating Eliminations	Consolidated Total		
	Unrestricted	Temporarily Restricted	ACCION	Unrestricted	Temporarily Restricted	ACCION-MA		Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:										
Contributions and grants	\$ 2,227,655	\$ 3,745,735	\$ 5,973,390	\$ -	\$ -	\$ -	\$ -	\$ 2,227,655	\$ 3,745,735	\$ 5,973,390
Revenue:										
Interest on loans	1,276,839	-	1,276,839	1,600	-	1,600	-	1,278,439	-	1,278,439
Program fees	662,988	-	662,988	-	-	-	-	662,988	-	662,988
Investment income	26,414	-	26,414	-	-	-	-	26,414	-	26,414
Other revenue	268,341	-	268,341	6,187	-	6,187	-	274,528	-	274,528
Total Revenue	2,234,582	-	2,234,582	7,787	-	7,787	-	2,242,369	-	2,242,369
Net assets released from restrictions	3,276,072	(3,276,072)	-	49,221	(49,221)	-	-	3,325,293	(3,325,293)	-
TOTAL SUPPORT AND REVENUE	7,738,309	469,663	8,207,972	57,008	(49,221)	7,787	-	7,795,317	420,442	8,215,759
EXPENSES:										
Program services:										
Lending/Development Services	5,083,526	-	5,083,526	14,995	-	14,995	-	5,098,521	-	5,098,521
Community Advantage	278,650	-	278,650	-	-	-	-	278,650	-	278,650
Total program services	5,362,176	-	5,362,176	14,995	-	14,995	-	5,377,171	-	5,377,171
Supporting services:										
Management and general	647,045	-	647,045	-	-	-	-	647,045	-	647,045
Fundraising	665,063	-	665,063	-	-	-	-	665,063	-	665,063
Total supporting services	1,312,108	-	1,312,108	-	-	-	-	1,312,108	-	1,312,108
TOTAL EXPENSES	6,674,284	-	6,674,284	14,995	-	14,995	-	6,689,279	-	6,689,279
CHANGE IN NET ASSETS	1,064,025	469,663	1,533,688	42,013	(49,221)	(7,208)	-	1,106,038	420,442	1,526,480
Net assets - beginning of year	5,134,012	2,347,706	7,481,718	(2,816,196)	49,221	(2,766,975)	-	2,317,816	2,396,927	4,714,743
NET ASSETS - END OF YEAR	\$ 6,198,037	\$ 2,817,369	\$ 9,015,406	\$ (2,774,183)	\$ -	\$ (2,774,183)	\$ -	\$ 3,423,854	\$ 2,817,369	\$ 6,241,223

ACCION East, Inc.
CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	ACCION	ACCION	Total	ACCION-MA	ACCION-MA	Total	Consolidating Eliminations	Consolidated Total		
	Unrestricted	Temporarily Restricted	ACCION	Unrestricted	Temporarily Restricted	ACCION-MA		Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:										
Contributions and grants	\$ 1,948,587	\$ 2,855,921	\$ 4,804,508	\$ 35,000	\$ -	\$ 35,000	\$ -	\$ 1,983,587	\$ 2,855,921	\$ 4,839,508
Revenue:										
Interest on loans	983,750	-	983,750	33,033	-	33,033	-	1,016,783	-	1,016,783
Program fees	617,795	-	617,795	-	-	-	-	617,795	-	617,795
Investment income	2,775	-	2,775	-	-	-	-	2,775	-	2,775
Other revenue	236,056	-	236,056	20,720	-	20,720	-	256,776	-	256,776
Total Revenue	1,840,376	-	1,840,376	53,753	-	53,753	-	1,894,129	-	1,894,129
Net assets released from restrictions	2,664,881	(2,664,881)	-	310,404	(310,404)	-	-	2,975,285	(2,975,285)	-
TOTAL SUPPORT AND REVENUE	6,453,844	191,040	6,644,884	399,157	(310,404)	88,753	-	6,853,001	(119,364)	6,733,637
EXPENSES:										
Program services:										
Lending/Development Services	4,648,902	-	4,648,902	82,848	-	82,848	-	4,731,750	-	4,731,750
Total program services	4,648,902	-	4,648,902	82,848	-	82,848	-	4,731,750	-	4,731,750
Supporting services:										
Management and general	678,916	-	678,916	-	-	-	-	678,916	-	678,916
Fundraising	376,968	-	376,968	-	-	-	-	376,968	-	376,968
Total supporting services	1,055,884	-	1,055,884	-	-	-	-	1,055,884	-	1,055,884
TOTAL EXPENSES	5,704,786	-	5,704,786	82,848	-	82,848	-	5,787,634	-	5,787,634
CHANGE IN NET ASSETS	749,058	191,040	940,098	316,309	(310,404)	5,905	-	1,065,367	(119,364)	946,003
Net assets - beginning of year	4,384,954	2,156,666	6,541,620	(3,132,505)	359,625	(2,772,880)	-	1,252,449	2,516,291	3,768,740
NET ASSETS - END OF YEAR	\$ 5,134,012	\$ 2,347,706	\$ 7,481,718	\$ (2,816,196)	\$ 49,221	\$ (2,766,975)	\$ -	\$ 2,317,816	\$ 2,396,927	\$ 4,714,743

ACCION East, Inc.
CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	ACCION - NY							ACCION-MA					ACCION East, Inc.							
	Program Services			Supporting Services				Program Services		Supporting Services			Program Services			Supporting Services				Consolidated Total
	Lending/Development Services	Community Advantage	Total Program Services	Management and General	Fundraising	Supporting Services	Total	Lending/Development Services	Management and General	Fundraising	Supporting Services	Total	Lending/Development Services	Community Advantage	Total Program Services	Management and General	Fundraising	Supporting Services		
Personnel costs	\$ 2,919,655	\$ 208,632	\$ 3,128,287	\$ 222,701	\$ 457,557	\$ 680,258	\$ 3,808,545	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,919,655	\$ 208,632	\$ 3,128,287	\$ 222,701	\$ 457,557	\$ 680,258	\$ 3,808,545	
Professional fees and marketing	418,438	24,810	443,248	378,337	108,359	486,696	929,944	1,371	-	-	-	1,371	419,809	24,810	444,619	378,337	108,359	486,696	931,315	
Office and occupancy	390,733	27,921	418,654	29,804	61,234	91,038	509,692	474	-	-	-	474	391,207	27,921	419,128	29,804	61,234	91,038	510,166	
Travel and conferences	94,540	6,756	101,296	7,211	14,816	22,027	123,323	-	-	-	-	-	94,540	6,756	101,296	7,211	14,816	22,027	123,323	
Interest and fees	323,428	-	323,428	-	-	-	323,428	5,833	-	-	-	5,833	329,261	-	329,261	-	-	-	329,261	
Depreciation and amortization	73,112	5,224	78,336	5,577	11,458	17,035	95,371	7,317	-	-	-	7,317	80,429	5,224	85,653	5,577	11,458	17,035	102,688	
Loan loss provision	789,350	-	789,350	-	-	-	789,350	-	-	-	-	-	789,350	-	789,350	-	-	-	789,350	
Other expenses	74,270	5,307	79,577	3,415	11,639	15,054	94,631	-	-	-	-	-	74,270	5,307	79,577	3,415	11,639	15,054	94,631	
TOTAL EXPENSES	\$ 5,083,526	\$ 278,650	\$ 5,362,176	\$ 647,045	\$ 665,063	\$ 1,312,108	\$ 6,674,284	\$ 14,995	\$ -	\$ -	\$ -	\$ 14,995	\$ 5,098,521	\$ 278,650	\$ 5,377,171	\$ 647,045	\$ 665,063	\$ 1,312,108	\$ 6,689,279	

ACCION East, Inc.
CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	ACCION - NY					ACCION-MA					ACCION East, Inc.							
	Program Service:		Supporting Services			Total	Program Services		Supporting Services			Total	Program Services		Supporting Services			Total
	Lending/	Development	Management	Fundraising	Supporting		Lending/	Development	Management	Fundraising	Supporting		Lending and	Management	Fundraising	Supporting		
	Services	and General	and General	and General	Services	Services	and General	and General	and General	Services	Education	and General	and General	and General	Services	Consolidated		
Personnel costs	\$ 2,760,690	\$ 256,562	\$ 263,983	\$ 520,545	\$ 3,281,235	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,760,690	\$ 256,562	\$ 263,983	\$ 520,545	\$ 3,281,235			
Professional fees and marketing	359,005	354,828	43,499	398,327	757,332	-	-	-	-	-	359,005	354,828	43,499	398,327	757,332			
Office and occupancy	483,756	44,957	46,259	91,216	574,972	-	-	-	-	-	483,756	44,957	46,259	91,216	574,972			
Travel and conferences	84,570	7,859	8,087	15,946	100,516	-	-	-	-	-	84,570	7,859	8,087	15,946	100,516			
Interest and fees	166,596	-	-	-	166,596	82,848	-	-	-	82,848	249,444	-	-	-	249,444			
Depreciation and amortization	89,319	8,301	8,540	16,841	106,160	-	-	-	-	-	89,319	8,301	8,540	16,841	106,160			
Loan loss provision	636,003	-	-	-	636,003	-	-	-	-	-	636,003	-	-	-	636,003			
Other expenses	68,963	6,409	6,600	13,009	81,972	-	-	-	-	-	68,963	6,409	6,600	13,009	81,972			
TOTAL EXPENSES	\$ 4,648,902	\$ 678,916	\$ 376,968	\$ 1,055,884	\$ 5,704,786	\$ 82,848	\$ -	\$ -	\$ -	\$ 82,848	\$ 4,731,750	\$ 678,916	\$ 376,968	\$ 1,055,884	\$ 5,787,634			