

**GRAMEEN RESEARCH, INC.**  
**FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED**  
**DECEMBER 31, 2014 AND 2013**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Grameen Research, Inc. (the "Organization")  
Woburn, Massachusetts

We have audited the accompanying financial statements of Grameen Research, Inc. (a non-profit organization) which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities 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 from 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 auditors' 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 Organization'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 Organization'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 Grameen Research, Inc. as of December 31, 2014 and 2013, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Newburg & Company CPAs". The signature is written in a cursive, flowing style.

Certified Public Accountants  
Waltham, Massachusetts  
July 9, 2015

**GRAMEEN RESEARCH, INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2014 AND 2013**

**ASSETS**

	<b>2014</b>	Restated 2013
<b>ASSETS</b>		
Cash	\$ 23,756	\$ 82,042
Restricted cash	133,472	40,000
Pledges receivable, net	629,314	603,020
Office equipment, net	3,143	4,212
<b>TOTAL ASSETS</b>	<b>\$ 789,685</b>	<b>\$ 729,274</b>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Accounts payable	\$ 133,418	\$ 162,768
Due to related parties	283,292	33,333
Agency obligations	133,472	40,000
Total liabilities	550,182	236,101
<b>UNRESTRICTED NET ASSETS</b>	<b>239,503</b>	493,173
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 789,685</b>	<b>\$ 729,274</b>

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

**GRAMEEN RESEARCH, INC**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014			Restated 2013		
	Unrestricted Net Assets (Deficit)	Temporarily Restricted Net Assets	Total Net Assets (Deficit)	Unrestricted Net Assets (Deficit)	Temporarily Restricted Net Assets	Total Net Assets (Deficit)
<b>REVENUES</b>						
Pledges and contributions	\$ 113,346	\$ -	\$ 113,346	\$ 1,257,850	\$ -	\$ 1,257,850
Service	4,543	-	4,543	1,536	-	1,536
Total revenues	<u>117,889</u>	<u>-</u>	<u>117,889</u>	<u>1,259,386</u>	<u>-</u>	<u>1,259,386</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,165,007</u>	<u>(1,165,007)</u>	<u>-</u>
<b>EXPENSES</b>						
Program expenses						
Travel	14,025	-	14,025	226,063	-	226,063
Meetings and events	13,710	-	13,710	58,218	-	58,218
Telephone	9,852	-	9,852	5,537	-	5,537
Subcontracted services	1,000	-	1,000	214,535	-	214,535
Advertising	705	-	705	4,292	-	4,292
Health initiative grants	-	-	-	785,840	-	785,840
Video production costs	-	-	-	1,297	-	1,297
Total program expenses	<u>39,292</u>	<u>-</u>	<u>39,292</u>	<u>1,295,782</u>	<u>-</u>	<u>1,295,782</u>
Administrative expenses						
Subcontracted services	65,826	-	65,826	62,500	-	62,500
Professional fees	27,646	-	27,646	39,577	-	39,577
Dues and subscription	16,385	-	16,385	56,884	-	56,884
Office	15,898	-	15,898	46,274	-	46,274
Rent	12,000	-	12,000	12,000	-	12,000
Bank service charges	7,284	-	7,284	9,394	-	9,394
Postage and delivery	1,930	-	1,930	4,246	-	4,246
Interest	1,294	-	1,294	-	-	-
Depreciation	1,069	-	1,069	4,186	-	4,186
Charitable contributions	1,000	-	1,000	-	-	-
Total administrative expenses	<u>150,332</u>	<u>-</u>	<u>150,332</u>	<u>235,061</u>	<u>-</u>	<u>235,061</u>
Fundraising expenses						
Subcontracted services	130,029	-	130,029	107,983	-	107,983
Travel	19,368	-	19,368	-	-	-
Meetings and events	18,932	-	18,932	-	-	-
Telephone	13,606	-	13,606	-	-	-
Total fundraising expenses	<u>181,935</u>	<u>-</u>	<u>181,935</u>	<u>107,983</u>	<u>-</u>	<u>107,983</u>
TOTAL EXPENSES	<u>371,559</u>	<u>-</u>	<u>371,559</u>	<u>1,638,826</u>	<u>-</u>	<u>1,638,826</u>
CHANGE IN NET ASSETS	(253,670)	-	(253,670)	785,567	(1,165,007)	(379,440)
NET ASSETS (DEFICIT), beginning	<u>493,173</u>	<u>-</u>	<u>493,173</u>	<u>(292,394)</u>	<u>1,165,007</u>	<u>872,613</u>
NET ASSETS, ending	<u>\$ 239,503</u>	<u>\$ -</u>	<u>\$ 239,503</u>	<u>\$ 493,173</u>	<u>\$ -</u>	<u>\$ 493,173</u>

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

**GRAMEEN RESEARCH, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<b>2014</b>	Restated 2013
<b>OPERATING ACTIVITIES</b>		
Change in net assets	<b>\$ (253,670)</b>	\$ (379,440)
Adjustments to reconcile change in net assets to net cash used for operating activities		
Depreciation	<b>1,069</b>	4,186
(Increase) decrease in operating assets		
Pledges receivable, net	<b>(26,294)</b>	(159,180)
Prepaid expenses	-	10,938
Increase (decrease) in operating liabilities		
Accounts payable	<b>(29,350)</b>	(328,234)
Due to related parties	<b>249,959</b>	33,333
Accrued expenses	-	(5,239)
Net cash used for operating activities	<b>(58,286)</b>	(823,636)
<b>INVESTING ACTIVITIES</b>		
Acquisition of office equipment	-	(5,240)
Net cash used for investing activities	-	(5,240)
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(58,286)</b>	(828,876)
CASH, beginning	<b>82,042</b>	910,918
CASH, ending	<b>\$ 23,756</b>	\$ 82,042

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

**GRAMEEN RESEARCH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**NOTE 1 - NATURE OF ACTIVITIES AND BASIS FOR PRESENTATION**

**Nature of Activities**

Grameen Research, Inc. (the "Organization") is a not-for-profit corporation with a mission to undertake research, education, and training projects in the field of microfinance. The Organization's primary activities are to conduct research on the application of the "Grameen model," provide financial counseling and education to the poorest populations, and provide training to microfinance professionals who are applying the Grameen model. The Organization initially established a presence in the United States and has continued to expand to countries throughout the World.

The Organization has been created to complement the various microfinance, healthcare, and education initiatives of the Grameen Trust in the United States and throughout the World. The Grameen Trust is an affiliate of the Grameen Bank of Bangladesh, which initiated the Grameen model of microfinance.

**Basis of Accounting**

The financial statements of the Organization have been prepared on the accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Under this method, revenue is recorded when earned and expenses when incurred.

**Basis of Presentation**

In accordance with GAAP related to financial statements of not-for-profit organizations, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, in accordance with the existence and/or nature of any donor imposed restrictions.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Use of Estimates**

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. The estimates are based on management's best knowledge of current events, historical experience, and various other factors that are believed to be reasonable under current conditions. Therefore, actual results may differ from those estimates.

**Pledges and Contributions Receivable**

The Organization uses the allowance method to account for uncollectible accounts and pledges and contributions receivable. The allowance is an estimate based upon the review of the accounts in conjunction with the Organization's historical bad debt experience. Accordingly, the allowance does not include any adjustments for future economic fluctuations. The Organization has determined that an allowance was not necessary as of December 31, 2014 and 2013. It is the Organization's policy not to accrue interest on past due accounts receivable.

Unconditional promises to give (pledges) are recorded as receivables and revenue when the promise is received. The Organization distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Pledges are recorded after being discounted to the net present value of the anticipated future cash flows. As of December 31, 2014, all pledges are expected to be realized in one year or less.

**GRAMEEN RESEARCH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Revenue Recognition**

Contributions, which include unconditional promises to give are recognized as revenues in the period received or promised. Conditional contributions are recorded when the conditions have been met. Contributions are considered to be unrestricted unless specifically restricted by the donor.

The Organization reports contributions in the temporarily or permanently restricted net asset class if they are received with donor stipulations as to their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are released and reclassified to unrestricted net assets in the statement of activities. Donor-restricted contributions are initially reported in the temporarily restricted net asset class, even if it is anticipated such restrictions will be met in the current reporting period.

Service revenue, which includes consulting projects performed by the Organization, is recorded as revenue in the period earned.

**Contributed Services**

As required by GAAP related to contributed services, the Organization reports contributed services that materially affect its financial statements. During the years ended December 31, 2014 and 2013, contributed services have not been considered material by management and have not been recorded. Contributed services primarily consist of consulting by the Board of Trustees.

**Advertising**

Advertising costs are expensed as incurred.

**Office Equipment**

All equipment is recorded at cost. Major additions and improvements are capitalized while maintenance and repairs which do not improve or extend the useful lives of the respective assets are expensed in the year incurred. Depreciation is computed using the straight-line method over the assets' estimated useful lives.

Office equipment consists of the following:

	<u>2014</u>	<u>2013</u>
Cost	<u>\$ 68,525</u>	<u>\$ 68,525</u>
Accumulated Depreciation	<u>(65,382)</u>	<u>(64,313)</u>
Net Book Value	<u><u>\$ 3,143</u></u>	<u><u>\$ 4,212</u></u>

**GRAMEEN RESEARCH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Income Taxes**

The Organization is a not-for-profit corporation exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) as determined by the Internal Revenue Service in its letter dated July 3, 2008. Management is not aware of any circumstances that would impair the original determination.

In the preparation of income tax returns, tax positions are taken based on interpretation of federal and state income tax laws for which the outcome is uncertain. Management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts ultimately due or owed. Changes in the tax exempt status may result from closing of the statute of limitations on tax returns, new legislation, clarification of existing legislation through government pronouncements, the courts, and through the examination process.

Management believes that all tax positions taken on its federal and state income tax returns would more likely than not be sustained upon examination. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no income tax audits for any tax periods in progress. The Organization believes they are no longer subject to income tax examinations for years prior to 2011.

**Reclassification**

Certain amounts in the December 31, 2013 financial statements have been reclassified to conform to the December 31, 2014 financial statement presentation. These reclassifications had no effect on previously reported results of activities or net assets.

NOTE 3 - CONCENTRATIONS

The Organization is dependent on third-party donors for funding. The loss of certain principal donors or a significant reduction in the size of donations they contribute could have a material adverse effect on the Organization. The Organization believes that its relationships with its principal donors is satisfactory and does not anticipate any changes in the amount of funding.

NOTE 4 - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various program activities have been summarized on a functional basis in the statement of activities. Costs are allocated and classified as program, administrative, or fundraising costs.

NOTE 5 - RESTRICTED CASH

**Agency Obligation**

The Organization acts as a fiscal agent for a foreign not-for-profit corporation. The Organization maintains a restricted cash balance, solely to be disbursed according to the terms of the foreign not-for-profit corporation. The Organization must hold this cash in a separate bank account. Total restricted cash at December 31, 2014 and 2013 was \$133,472 and \$40,000, respectively. As a result, the Organization is also liable for disbursing the funds and has an agency obligation of \$133,472 and \$40,000 as of December 31, 2014 and 2013, respectively.

**GRAMEEN RESEARCH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**NOTE 6 - RELATED PARTY TRANSACTIONS**

The Organization has entered into an agreement with a company related through common management for its use of office space and administrative staff. Total amounts charged to the Organization for the years ended December 31, 2014 and 2013 were \$208,855 and \$397,018. These amounts are classified as rent and subcontracted services in the statements of activities.

As of December 31, 2014 and 2013, the amounts owed to the above related party were \$277,180 and \$33,333, respectively. At December 31, 2014, \$6,112 was due to two other related parties.

**Pledges Receivable**

Pledges receivable from an officer consisted of the following at December 31, 2014 and 2013:

	<b>2014</b>	Restated <b>2013</b>
Pledges receivable	<b>\$ 662,815</b>	\$ 670,022
Discount to net present value	<b>(33,501)</b>	(67,002)
 Net pledges receivable	<b>\$ 629,314</b>	\$ 603,020

Pledges have been discounted at a 5% annual rate of interest. By written agreement, the officer will satisfy the pledge by December 31, 2015. As of December 31, 2014 and 2013, there is no allowance for uncollectible pledges.

**NOTE 7 - COMMITMENTS AND CONTINGENCIES**

The Organization has an obligation to pay a third party professional expenses for services rendered in 2012 for a total of \$390,435. Management believes \$100,000 of the balance will be settled and the remaining balance has been written off.

**NOTE 8 - RESTATEMENTS**

During 2014, the Organization determined that the pledge receivable was not recorded at its net present value in accordance with GAAP. This resulted in pledges receivable being overstated. Correction of this balance resulted in a restatement of 2013 by \$67,002; decreasing net assets and decreasing the change in net assets.

During 2014, the Organization performed additional analysis and reclassified \$100,000 of unrestricted net assets that had been previously reported as temporarily restricted net assets at December 31, 2013. This correction had no effect on total net assets at December 31, 2013 or on total change in net assets for the year then ended. However, the effect of the correction on change in unrestricted net assets was an increase of \$100,000 for the year ended December 31, 2013 with a corresponding decrease in temporarily restricted net assets.

During 2014, the Organization found additional errors relating to the pledge receivable in 2013. The Organization reclassified \$40,000 relating to an agency obligation which was included in the pledge receivable. This correction increased the pledge receivable and agency obligations. The Organization also reclassified \$33,333 relating to due to related party, which increased the pledge receivable and the due to related party. As a result of the two corrections, the pledge receivable increased by \$73,333. The corrections had no effect on net assets or change in net assets for 2013.

**GRAMEEN RESEARCH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**NOTE 9 - SUBSEQUENT EVENTS**

Transactions subsequent to the year ended December 31, 2014 have been evaluated through July 9, 2015, the date the financial statements were available to be issued. No events were noted that could have a material impact on the financial statements.

**NOTE 10 - OPERATIONS**

As shown in the accompanying financial statements, the Organization has incurred a negative change in net assets of approximately \$250,000 during 2014. Should this trend continue, the Organization may have difficulty meeting its current obligations during 2015. Management has indicated that the Organization may reduce or delay expenditures or increase contribution revenue in order to meet its obligations through 2015.

The accompanying financial statements do not include any adjustments that might be necessary if the Organization is unable to continue as a going concern.