

ACCION East, Inc.

ACCION

Consolidated Financial Statements
(Together with Independent Auditors' Report)

Years Ended December 31, 2013 and 2012

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, 2013 AND 2012

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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, 2013 and 2012, 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 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ACCION East, Inc. as of December 31, 2013 and 2012, 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 supplemental information (shown on pages 15-20) 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 29, 2014

ACCION East, Inc.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013 AND 2012

ASSETS	<u>2013</u>	<u>2012</u>
Cash and cash equivalents (Notes 2C and 10)	\$ 2,297,248	\$ 2,165,384
Cash restricted for loan funds (Notes 2D and 10)	1,923,352	2,164,582
Contributions and grants receivable, net (Notes 2F and 6)	1,518,357	2,437,031
Interest on loans receivable (Note 2G)	52,673	36,584
Microenterprise loans receivable, net (Notes 2G and 3)	7,999,563	6,468,141
Investments (Notes 2E and 4)	-	931,756
Prepaid expenses and other assets	353,869	486,393
Property and equipment, net (Notes 2H and 5)	<u>294,293</u>	<u>334,761</u>
TOTAL ASSETS	\$ 14,439,355	\$ 15,024,632
LIABILITIES		
Accounts payable and accrued expenses	\$ 445,066	\$ 354,710
Other liabilities	182,776	194,913
Notes and recoverable grants payable (Note 7)	8,942,773	9,857,568
Subordinated debt (Note 7)	<u>1,100,000</u>	<u>1,100,000</u>
TOTAL LIABILITIES	<u>10,670,615</u>	<u>11,507,191</u>
COMMITMENTS AND CONTINGENCIES (Note 8)		
NET ASSETS (Note 2B)		
Unrestricted	1,252,449	143,177
Temporarily restricted (Note 9)	<u>2,516,291</u>	<u>3,374,264</u>
TOTAL NET ASSETS	<u>3,768,740</u>	<u>3,517,441</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>14,439,355</u>	\$ <u>15,024,632</u>

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, 2013 AND 2012

	Unrestricted	Temporarily Restricted	2013 Total	Unrestricted	Temporarily Restricted	2012 Total
SUPPORT AND REVENUE:						
Contributions and grants (Notes 2F and 2I)	\$ 870,206	\$ 4,459,936	\$ 5,330,142	\$ 1,188,570	\$ 2,783,909	\$ 3,972,479
Revenue:						
Interest on loans (Notes 2G and 3)	845,570	-	845,570	754,140	-	754,140
Program fees	429,618	-	429,618	320,119	-	320,119
Investment income (Note 4)	13,249	-	13,249	15,321	-	15,321
Other revenue (Note 2G)	260,350	-	260,350	880,962	-	880,962
Total Revenue	1,548,787	-	1,548,787	1,970,542	-	1,970,542
Net assets released from restrictions (Note 9)	5,317,909	(5,317,909)	-	4,777,563	(4,777,563)	-
TOTAL SUPPORT AND REVENUE	7,736,902	(857,973)	6,878,929	7,936,675	(1,993,654)	5,943,021
EXPENSES:						
Program services:						
Lending/development services	5,326,813	-	5,326,813	4,285,112	-	4,285,112
Network	-	-	-	888,530	-	888,530
Total program services	5,326,813	-	5,326,813	5,173,642	-	5,173,642
Supporting services:						
Management and general	778,374	-	778,374	719,950	-	719,950
Fundraising	522,443	-	522,443	475,164	-	475,164
Total supporting services	1,300,817	-	1,300,817	1,195,114	-	1,195,114
TOTAL EXPENSES	6,627,630	-	6,627,630	6,368,756	-	6,368,756
CHANGE IN NET ASSETS	1,109,272	(857,973)	251,299	1,567,919	(1,993,654)	(425,735)
Net assets - beginning of year	143,177	3,374,264	3,517,441	(1,424,742)	5,367,918	3,943,176
NET ASSETS - END OF YEAR	\$ 1,252,449	\$ 2,516,291	\$ 3,768,740	\$ 143,177	\$ 3,374,264	\$ 3,517,441

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

ACCION East, Inc.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Program Services	Supporting Services			2013 Total
	Lending/ Development Services	Management and General	Fundraising	Total Supporting Services	
Personnel costs (Note 11)	\$ 2,624,004	\$ 527,609	\$ 347,812	\$ 875,421	\$ 3,499,425
Professional fees and marketing (Note 2I)	415,278	81,015	53,535	134,550	549,828
Office and occupancy (Note 8)	606,683	103,735	67,010	170,745	777,428
Travel and conferences	77,573	24,330	9,573	33,903	111,476
Interest and fees (Note 7)	266,085	3,842	2,548	6,390	272,475
Depreciation and amortization (Note 5)	96,205	19,334	12,759	32,093	128,298
Loan loss provision (Note 3)	504,518	-	-	-	504,518
Grant expense - retrofit equipments	524,090	-	-	-	524,090
Other expenses	212,377	18,509	29,206	47,715	260,092
TOTAL EXPENSES	\$ 5,326,813	\$ 778,374	\$ 522,443	\$ 1,300,817	\$ 6,627,630

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

ACCION East, Inc.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Program Services			Supporting Services			2012 Total
	Lending/ Development Services	Network	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Personnel costs	\$ 2,271,656	\$ 466,857	\$ 2,738,513	\$ 454,664	\$ 303,770	\$ 758,434	\$ 3,496,947
Professional fees and marketing (Note 2l)	454,386	76,213	530,599	49,723	33,200	82,923	613,522
Office and occupancy (Note 8)	466,559	74,596	541,155	88,287	55,548	143,835	684,990
Travel and conferences	61,860	61,905	123,765	15,382	9,832	25,214	148,979
Interest and fees (Note 7)	324,866	-	324,866	6,443	4,299	10,742	335,608
Depreciation and amortization (Note 5)	95,408	-	95,408	19,101	12,757	31,858	127,266
Loan loss provision (Note 3)	311,471	-	311,471	-	-	-	311,471
Other expenses	298,906	208,959	507,865	86,350	55,758	142,108	649,973
TOTAL EXPENSES	<u>\$ 4,285,112</u>	<u>\$ 888,530</u>	<u>\$ 5,173,642</u>	<u>\$ 719,950</u>	<u>\$ 475,164</u>	<u>\$ 1,195,114</u>	<u>\$ 6,368,756</u>

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, 2013 AND 2012

CASH FLOWS FROM OPERATING ACTIVITIES:	<u>2013</u>	<u>2012</u>
Change in net assets	\$ 251,299	\$ (425,735)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision for loan losses	504,518	311,471
Depreciation and amortization	128,298	127,266
Net realized loss (gain) on investments	6,032	(920)
Unrealized loss on investments	<u>-</u>	<u>13,391</u>
	890,147	25,473
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Contributions and grants receivable	918,674	885,796
Loan interest receivable	(16,089)	(3,081)
Prepaid expenses and other assets	132,524	(96,050)
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	90,356	61,438
Other liabilities	<u>(12,137)</u>	<u>(226,053)</u>
Net Cash Provided by Operating Activities	<u>2,003,475</u>	<u>647,523</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Disbursements under loan programs	(7,515,933)	(5,883,771)
Collections under loan programs	5,479,993	4,733,528
Purchase of investments	-	(22,665)
Proceeds from sale of investments	925,724	9,584
Change in cash restricted for loan fund	241,230	(607,353)
Purchases of property and equipment	<u>(87,830)</u>	<u>(146,721)</u>
Net Cash Used in Investing Activities	<u>(956,816)</u>	<u>(1,917,398)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	3,559,382	1,926,727
Repayments of notes payable	<u>(4,474,177)</u>	<u>(3,629,002)</u>
Net Cash Used in Financing Activities	<u>(914,795)</u>	<u>(1,702,275)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	131,864	(2,972,150)
Cash and cash equivalents - beginning of year	<u>2,165,384</u>	<u>5,137,534</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,297,248</u>	<u>\$ 2,165,384</u>
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	<u>\$ 204,800</u>	<u>\$ 244,656</u>

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

ACCION East, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The mission of ACCION East, Inc. (“ACCION”) 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”). ACCION and ACCION-MA 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. All intercompany transactions have been eliminated.

ACCION 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 and ACCION Texas. 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 (hereafter “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 original maturities of three months or less 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. Investments are stated at their fair values. Realized and unrealized gains and losses are recognized as changes in net assets in the period in which they occur, and investment income is recognized as revenue in the period earned.
- F. 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, 2013 and 2012, 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, 2013, all contributions and grants receivable were due within one year. The discount rates used as of December 31, 2012 ranged from 0.61% to 1.52%. Amortization of the discount is reflected as contribution revenue in the accompanying consolidated financial statements. Restricted pledges are reported as additions to the appropriate restricted net asset account.

ACCION East, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- G. 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.

ACCION collected previously written off loan receivables of approximately \$40,000 and \$113,000 during 2013 and 2012, respectively. Additionally, ACCION received forgiveness of debts effectively releasing them from repayment obligations to debtors in the amount of approximately \$23,000 and \$503,000 during 2013 and 2012, respectively. These amounts were recorded as earned revenue in 2013 and reclassified from contributions revenue in 2012 in the consolidated statements of activities.

- 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.
- 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 \$177,515 and \$204,493 during 2013 and 2012, respectively.
- J. 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.
- K. Certain line items in the December 31, 2012 consolidated financial statements have been reclassified to conform to the December 31, 2013 presentation. This reclassification had no impact on the net assets or change in net assets for the year ended December 31, 2012. The reclassifications are as follows:
- a) Reclassification to cash restricted for loan funds from cash and cash equivalents of \$1,187,544
 - b) Reclassification to other revenue from contributions revenue of \$502,518

ACCION East, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 3 – MICROENTERPRISE LOANS RECEIVABLE

Microenterprise loans receivable consists of micro loans (loans under \$35,000) and small business loans (loans over \$35,000). Microenterprise loans receivable as of December 31, 2013 and 2012, include the following:

December 31, 2013

	<u>Micro loans</u>	<u>Small business Loans</u>	<u>Total</u>
Loans receivable	\$ 8,342,470	\$ 527,752	\$ 8,870,222
Less allowance for uncollectible loans	<u>(811,482)</u>	<u>(59,177)</u>	<u>(870,659)</u>
Loans receivable, net	<u>\$ 7,530,988</u>	<u>\$ 468,575</u>	<u>\$ 7,999,563</u>

December 31, 2012

	<u>Micro loans</u>	<u>Small business Loans</u>	<u>Total</u>
Loans receivable	\$ 6,867,992	\$ 467,415	\$ 7,335,407
Less allowance for uncollectible loans	<u>(750,694)</u>	<u>(116,572)</u>	<u>(867,266)</u>
Loans receivable, net	<u>\$ 6,117,298</u>	<u>\$ 350,843</u>	<u>\$ 6,468,141</u>

An aged analysis of loans segregated by loan program as of December 31, 2013 follows:

	<u>30 – 90 Days Past Due</u>	<u>91 Days Past Due</u>	<u>Total Past Due</u>	<u>Current</u>	<u>Total</u>
Micro loans	\$ 157,974	\$ 87,614	\$ 245,588	\$ 8,096,882	\$ 8,342,470
Small business loans	<u>-</u>	<u>30,590</u>	<u>30,590</u>	<u>497,162</u>	<u>527,752</u>
Loans receivable	<u>\$ 157,974</u>	<u>\$ 118,204</u>	<u>\$ 276,178</u>	<u>\$ 8,594,044</u>	<u>\$ 8,870,222</u>

An aged analysis of loans segregated by loan program as of December 31, 2012 follows:

	<u>30 – 90 Days Past Due</u>	<u>91 Days Past Due</u>	<u>Total Past Due</u>	<u>Current</u>	<u>Total</u>
Micro loans	\$ 191,710	\$ 63,641	\$ 255,351	\$ 6,612,641	\$ 6,867,992
Small business loans	<u>-</u>	<u>92,182</u>	<u>92,182</u>	<u>375,234</u>	<u>467,415</u>
Loans receivable	<u>\$ 191,710</u>	<u>\$ 155,823</u>	<u>\$ 347,533</u>	<u>\$ 6,987,875</u>	<u>\$ 7,335,407</u>

An analysis of the loan loss allowance for the years ended December 31, 2013 and 2012 follows:

	<u>2013</u>	<u>2012</u>
Balance beginning of year	\$ 867,266	\$ 1,000,000
Provision for loan losses	504,518	311,471
Loans written-off	<u>(501,125)</u>	<u>(444,205)</u>
	<u>\$ 870,659</u>	<u>\$ 867,266</u>

ACCION East, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 4 – INVESTMENTS

Investments consist of the following as of December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Cash and money market funds	\$ -	\$ 79,263
U.S. Treasury notes	-	852,493
	<u>\$ -</u>	<u>\$ 931,756</u>

Investment income consists of the following for the years ended December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 19,281	\$ 27,792
Net realized (loss)/gain on investments	(6,032)	920
Net unrealized (loss) on investments	-	(13,391)
	<u>\$ 13,249</u>	<u>\$ 15,321</u>

For the years ended December 31, 2013 and 2012, investment fees of \$3,726 and \$9,584, respectively, have been recorded as an expense in the accompanying consolidated financial statements.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>	<u>Estimated Useful Lives</u>
Leasehold improvements	\$ 31,385	\$ 246,339	5 - 10 years
Capitalized hardware and software	813,398	924,685	3 - 5 years
Furniture, fixtures and equipment	219,603	115,955	3 - 5 years
Construction in progress	-	125,460	
Total cost	1,064,386	1,412,439	
Less: accumulated depreciation and amortization	<u>(770,093)</u>	<u>(1,077,678)</u>	
Net book value	<u>\$ 294,293</u>	<u>\$ 334,761</u>	

Depreciation and amortization expense amounted to \$128,298 and \$127,266 for the years ended December 31, 2013 and 2012, respectively. During the year ended December 31, 2013, ACCION disposed of fully depreciated property and equipment in the amount of \$435,883.

NOTE 6 – CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable consist of the following as of December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Amounts due:		
Within one year	\$ 1,518,357	\$ 2,066,897
Within one to five years	-	371,523
Gross contributions and grants receivable	1,518,357	2,438,420
Discount for net present value	-	(1,389)
Net contributions and grants receivable	<u>\$ 1,518,357</u>	<u>\$ 2,437,031</u>

Included in contributions and grants receivable as of December 31, 2013 is a government grant in the amount of \$1,347,000, which was received in February 2014.

ACCION East, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 7 – 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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
<u>Recoverable grants – unsecured</u>		
Evergreen arrangements with no definitive maturity date. These recoverable grants are non-interest-bearing.	\$ 690,608	\$ 640,304
<u>Notes payable – unsecured</u>		
Maturity terms range from 1 to 8 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, 2013 and 0.85% at December 31, 2012).	<u>8,252,165</u>	<u>9,217,264</u>
Total notes and recoverable grants payable	<u>\$ 8,942,773</u>	<u>\$ 9,857,568</u>
<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.		
Maturity terms range from 2 to 3 years with fixed interest rates ranging from 1.58% to 2%. No principal payments are required until maturity.	<u>\$ 1,100,000</u>	<u>\$ 1,100,000</u>

Future annual principal payments due are as follows for the years ending after December 31, 2013:

<u>Years ending on December 31:</u>	<u>Amount</u>
2014	\$ 3,333,267
2015	2,104,376
2016	1,262,701
2017	309,376
2018	1,325,000
Thereafter	<u>1,708,053</u>
Total	<u>\$ 10,042,773</u>

Interest expense was \$204,800 and \$246,103 for the years ended December 31, 2013 and 2012, respectively.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

- A. ACCION leased space in New York, Boston, Atlanta and Miami during the year ended December 31, 2013. 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 \$106,813 and \$3,423 is included in other liabilities in the accompanying consolidated financial statements as of December 31, 2013 and 2012, respectively. The estimated annual amortization of deferred rent for the year following December 31, 2013 is \$14,395.

ACCION East, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 8 – COMMITMENTS AND CONTINGENCIES (Continued)

Future minimum lease payments are due as follows for the years ending after December 31, 2013:

2014	\$ 249,795
2015	256,286
2016	263,105
2017	270,113
2018	277,313
Thereafter	<u>1,260,641</u>
	<u>\$ 2,577,253</u>

Rent expense of \$388,887 and \$330,915 was included in office and occupancy expenses in the accompanying consolidated statement of functional expenses for the years ended December 31, 2013 and 2012, respectively.

- B. ACCION has no uncertain tax positions as of December 31, 2013 and 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. ACCION is no longer subject to federal or state and local income tax examinations by tax authorities for years ended before December 31, 2010 .

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available as of December 31, 2013 and 2012 for the following purposes and restrictions:

	<u>2013</u>	<u>2012</u>
<u>Government Grants:</u>		
Pollution emission-reduction program for New York/New Jersey ports	\$ 288,930	\$ 1,052,335
Economic revitalization and community development	386,166	-
<u>Private Grants:</u>		
Partial payment guarantee on note due	-	375,000
Financial literacy program	-	60,000
Lending to women	-	25,401
Florida-related lending program	-	10,000
Microlending in New York Tri-State area	62,400	88,000
Microlending – Sandy recovery program	-	58,545
Microlending – New product development grant	64,000	-
US veterans program	-	50,000
Other microlending support with certain geographic restrictions	-	19,850
<u>Loan Fund Grants:</u>		
Non-geographic women lending	862,773	556,703
Geographic specific women lending (Florida, Georgia and New York)	51,449	51,449
Upper Manhattan microloan capital (New York)	486,238	486,237
Lower Manhattan microloan capital (New York)	19,888	19,888
Food industry-specific microloan capital (Massachusetts)	217,643	314,852
New York State microloan capital	28,968	27,898
Florida State microloan capital	<u>47,836</u>	<u>78,205</u>
	<u>\$ 2,516,291</u>	<u>\$ 3,374,264</u>

During the years ended December 31, 2013 and 2012, ACCION released temporarily restricted net assets by satisfying purpose restrictions.

ACCION East, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 10 – 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, 2013 and 2012, there were approximately \$3,074,000 and \$1,700,000, respectively, of cash and cash equivalents held by banks that exceeded FDIC limits.

NOTE 11 – 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, 2013 and 2012, respectively.

NOTE 12 – 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 ended December 31, 2013 and 2012, amounts paid to ACCION International were \$253,711 and \$150,000, 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, 2013 and 2012.

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, 2013, the Network paid \$48,733 to ACCION.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through May 29, 2014 the date the consolidated financial statements were available to be issued. No events have occurred subsequent to the consolidated statement of financial position date through May 29, 2014 that would require adjustment or disclosure in the consolidated financial statements.

ACCION East, Inc.
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013

	<u>ACCION</u>	<u>ACCION-MA</u>	<u>Total</u>	<u>Consolidating Eliminations</u>	<u>Consolidated Total</u>
ASSETS					
Cash and cash equivalents	\$ 2,262,691	\$ 34,557	\$ 2,297,248	\$ -	\$ 2,297,248
Cash restricted for loan funds	1,917,514	5,838	1,923,352	-	1,923,352
Contributions and grants receivable, net	1,518,357	-	1,518,357	-	1,518,357
Loan interest receivable	52,673	-	52,673	-	52,673
Microenterprise loans receivable, net	7,866,574	132,989	7,999,563	-	7,999,563
Due from related party	3,000,398	3,671,672	6,672,070	(6,672,070)	-
Prepaid expenses and other assets	311,453	42,416	353,869	-	353,869
Property and equipment, net	275,073	19,220	294,293	-	294,293
TOTAL ASSETS	<u>\$ 17,204,733</u>	<u>\$ 3,906,692</u>	<u>\$ 21,111,425</u>	<u>\$ (6,672,070)</u>	<u>\$ 14,439,355</u>
LIABILITIES					
Accounts payable and accrued expenses	397,270	\$ 47,796	\$ 445,066	\$ -	\$ 445,066
Due to related party	3,671,672	3,000,398	6,672,070	(6,672,070)	-
Other liabilities	160,288	22,488	182,776	-	182,776
Notes payable	5,833,883	3,108,890	8,942,773	-	8,942,773
Subordinated debt	600,000	500,000	1,100,000	-	1,100,000
TOTAL LIABILITIES	<u>10,663,113</u>	<u>6,679,572</u>	<u>17,342,685</u>	<u>(6,672,070)</u>	<u>10,670,615</u>
NET ASSETS					
Unrestricted	4,384,954	(3,132,505)	1,252,449	-	1,252,449
Temporarily restricted	2,156,666	359,625	2,516,291	-	2,516,291
TOTAL NET ASSETS	<u>6,541,620</u>	<u>(2,772,880)</u>	<u>3,768,740</u>	<u>-</u>	<u>3,768,740</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 17,204,733</u>	<u>\$ 3,906,692</u>	<u>\$ 21,111,425</u>	<u>\$ (6,672,070)</u>	<u>\$ 14,439,355</u>

See Independent Auditors' Report.

ACCION East, Inc.
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF DECEMBER 31, 2012

	<u>ACCION</u>	<u>ACCION-MA</u>	<u>Total</u>	<u>Consolidating Eliminations</u>	<u>Consolidated Total</u>
ASSETS					
Cash and cash equivalents	\$ 1,692,530	\$ 472,854	\$ 2,165,384	\$ -	\$ 2,165,384
Cash restricted for loan funds	2,158,744	5,838	2,164,582	-	2,164,582
Contributions and grants receivable, net	1,915,357	521,674	2,437,031	-	2,437,031
Loan interest receivable	36,584	-	36,584	-	36,584
Microenterprise loans receivable, net	5,767,687	700,454	6,468,141	-	6,468,141
Investments	-	931,756	931,756	-	931,756
Due from related party	304,584	1,510,947	1,815,531	(1,815,531)	-
Prepaid expenses and other assets	451,869	34,524	486,393	-	486,393
Property and equipment, net	305,166	29,595	334,761	-	334,761
TOTAL ASSETS	<u>\$ 12,632,521</u>	<u>\$ 4,207,642</u>	<u>\$ 16,840,163</u>	<u>\$ (1,815,531)</u>	<u>\$ 15,024,632</u>
LIABILITIES					
Accounts payable and accrued expenses	\$ 299,414	\$ 55,296	\$ 354,710	\$ -	\$ 354,710
Due to related party	1,510,947	304,584	1,815,531	(1,815,531)	-
Other liabilities	169,125	25,788	194,913	-	194,913
Notes payable	4,439,243	5,418,325	9,857,568	-	9,857,568
Subordinated debt	600,000	500,000	1,100,000	-	1,100,000
TOTAL LIABILITIES	<u>7,018,729</u>	<u>6,303,993</u>	<u>13,322,722</u>	<u>(1,815,531)</u>	<u>11,507,191</u>
NET ASSETS					
Unrestricted	3,092,435	(2,949,258)	143,177	-	143,177
Temporarily restricted	2,521,357	852,907	3,374,264	-	3,374,264
TOTAL NET ASSETS	<u>5,613,792</u>	<u>(2,096,351)</u>	<u>3,517,441</u>	<u>-</u>	<u>3,517,441</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,632,521</u>	<u>\$ 4,207,642</u>	<u>\$ 16,840,163</u>	<u>\$ (1,815,531)</u>	<u>\$ 15,024,632</u>

ACCION East, Inc.
CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	ACCION		Total ACCION	ACCION-MA		Total ACCION-MA	Consolidating Eliminations	Consolidated Total		
	Unrestricted	Temporarily Restricted		Unrestricted	Temporarily Restricted			Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:										
Contributions and grant	\$ 868,817	\$ 4,459,936	\$ 5,328,753	\$ 1,389	\$ -	\$ 1,389	\$ -	\$ 870,206	\$ 4,459,936	\$ 5,330,142
Revenue:										
Interest on loans	801,636	-	801,636	43,934	-	43,934	-	845,570	-	845,570
Program fees	422,548	-	422,548	7,070	-	7,070	-	429,618	-	429,618
Investment income	3,434	-	3,434	9,815	-	9,815	-	13,249	-	13,249
Other revenue	240,988	-	240,988	19,362	-	19,362	-	260,350	-	260,350
Total Revenue	1,468,606	-	1,468,606	80,181	-	80,181	-	1,548,787	-	1,548,787
Net assets released from restrictions	4,824,627	(4,824,627)	-	493,282	(493,282)	-	-	5,317,909	(5,317,909)	-
TOTAL SUPPORT AND REVENUE	7,162,050	(364,691)	6,797,359	574,852	(493,282)	81,570	-	7,736,902	(857,973)	6,878,929
EXPENSES:										
Program services:										
Lending/Development Services	4,667,349	-	4,667,349	659,464	-	659,464	-	5,326,813	-	5,326,813
Total program services	4,667,349	-	4,667,349	659,464	-	659,464	-	5,326,813	-	5,326,813
Supporting services:										
Management and general	718,681	-	718,681	59,693	-	59,693	-	778,374	-	778,374
Fundraising	483,501	-	483,501	38,942	-	38,942	-	522,443	-	522,443
Total supporting services	1,202,182	-	1,202,182	98,635	-	98,635	-	1,300,817	-	1,300,817
TOTAL EXPENSES	5,869,531	-	5,869,531	758,099	-	758,099	-	6,627,630	-	6,627,630
CHANGE IN NET ASSETS	1,292,519	(364,691)	927,828	(183,247)	(493,282)	(676,529)	-	1,109,272	(857,973)	251,299
Net assets - beginning of year	3,092,435	2,521,357	5,613,792	(2,949,258)	852,907	(2,096,351)	-	143,177	3,374,264	3,517,441
NET ASSETS - END 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

ACCION East, Inc.
CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	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:	\$ 1,178,185	\$ 2,783,909	\$ 3,962,094	\$ 10,385	\$ -	\$ 10,385	\$ -	\$ 1,188,570	\$ 2,783,909	\$ 3,972,479
Revenue:										
Interest on loans	588,625		588,625	165,515	-	165,515	-	754,140	-	754,140
Program fees	303,985		303,985	16,134	-	16,134	-	320,119	-	320,119
Investment income	5,127		5,127	10,194	-	10,194	-	15,321	-	15,321
Other revenue	759,178	-	759,178	121,784	-	121,784	-	880,962	-	880,962
Total Revenue	1,656,915	-	1,656,915	313,627	-	313,627	-	1,970,542	-	1,970,542
Net assets released from restrictions	4,491,931	(4,491,931)	-	285,632	(285,632)	-	-	4,777,563	(4,777,563)	-
TOTAL SUPPORT AND REVENUE	7,327,031	(1,708,022)	5,619,009	609,644	(285,632)	324,012	-	7,936,675	(1,993,654)	5,943,021
EXPENSES:										
Program services:										
Lending/Development Services	3,745,814	-	3,745,814	539,298	-	539,298	-	4,285,112	-	4,285,112
Network	888,530	-	888,530	-	-	-	-	888,530	-	888,530
Total program services	4,634,344	-	4,634,344	539,298	-	539,298	-	5,173,642	-	5,173,642
Supporting services										
Management and general	645,383	-	645,383	74,567	-	74,567	-	719,950	-	719,950
Fundraising	430,330	-	430,330	44,834	-	44,834	-	475,164	-	475,164
Total supporting services	1,075,713	-	1,075,713	119,401	-	119,401	-	1,195,114	-	1,195,114
TOTAL EXPENSES	5,710,057	-	5,710,057	658,699	-	658,699	-	6,368,756	-	6,368,756
CHANGE IN NET ASSETS	1,616,974	(1,708,022)	(91,048)	(49,055)	(285,632)	(334,687)	-	1,567,919	(1,993,654)	(425,735)
Net assets - beginning of year	1,475,461	4,229,379	5,704,840	(2,900,203)	1,138,539	(1,761,664)	-	(1,424,742)	5,367,918	3,943,176
NET ASSETS - END OF YEAR	\$ 3,092,435	\$ 2,521,357	\$ 5,613,792	\$ (2,949,258)	\$ 852,907	\$ (2,096,351)	\$ -	\$ 143,177	\$ 3,374,264	\$ 3,517,441

ACCION East, Inc.
CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	ACCION - NY					ACCION-MA					ACCION East, Inc.				
	Program Services	Supporting Services			Total	Program Services	Supporting Services			Total	Program Services	Supporting Services			Consolidated Total
	Lending/ Development Services	Management and General	Fundraising	Total Supporting Services		Lending/ Development Services	Management and General	Fundraising	Total Supporting Services		Lending and Education	Management and General	Fundraising	Total Supporting Services	
Personnel costs	\$ 2,624,004	\$ 527,609	\$ 347,812	\$ 875,421	\$ 3,499,425	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,624,004	\$ 527,609	\$ 347,812	\$ 875,421	\$ 3,499,425
Professional fees and marketing	328,175	63,832	42,079	105,911	434,086	87,103	17,183	11,456	28,639	115,742	415,278	81,015	53,535	134,550	549,828
Office and occupancy	387,120	72,026	45,870	117,896	505,016	219,563	31,709	21,140	52,849	272,412	606,683	103,735	67,010	170,745	777,428
Travel and conferences	38,547	20,126	8,455	28,581	67,128	39,026	4,204	1,118	5,322	44,348	77,573	24,330	9,573	33,903	111,476
Interest and fees	104,585	1,743	1,149	2,892	107,477	161,500	2,099	1,399	3,498	164,998	266,085	3,842	2,548	6,390	272,475
Depreciation and amortization	87,123	17,518	11,548	29,066	116,189	9,082	1,816	1,211	3,027	12,109	96,205	19,334	12,759	32,093	128,298
Loan loss provision	504,518	-	-	-	504,518	-	-	-	-	-	504,518	-	-	-	504,518
Retrofit equipment grants	524,090	-	-	-	524,090	-	-	-	-	-	524,090	-	-	-	524,090
Other expenses	69,187	15,827	26,588	42,415	111,602	143,190	2,682	2,618	5,300	148,490	212,377	18,509	29,206	47,715	260,092
TOTAL EXPENSES	\$ 4,667,349	\$ 718,681	\$ 483,501	\$ 1,202,182	\$ 5,869,531	\$ 659,464	\$ 59,693	\$ 38,942	\$ 98,635	\$ 758,099	\$ 5,326,813	\$ 778,374	\$ 522,443	\$ 1,300,817	\$ 6,627,630

ACCION East, Inc.
CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012

	ACCION - NY							ACCION-MA					ACCION East, Inc.							
	Program Services			Supporting Services				Program Services		Supporting Services			Program Services			Supporting Services				Consolidated Total
	Lending/Development Services	Network	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total	Lending/Development Services	Management and General	Fundraising	Total Supporting Services	Total	Program Services Lending and Education	Program Services - Network	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Personnel costs	\$ 2,271,165	\$ 466,857	\$ 2,738,022	\$ 453,358	\$ 303,770	\$ 757,128	\$ 3,495,150	\$ 491	\$ 1,306	\$ -	\$ 1,306	\$ 1,797	\$ 2,271,656	\$ 466,857	\$ 2,738,513	\$ 454,664	\$ 303,770	\$ 758,434	\$ 3,496,947	
Professional fees and marketing	384,481	76,213	460,694	35,849	23,951	59,800	520,494	69,905	13,874	9,249	23,123	93,028	454,386	76,213	530,599	49,723	33,200	82,923	613,522	
Office and occupancy	270,779	74,596	345,375	51,599	32,893	84,492	429,867	195,780	36,688	22,655	59,343	255,123	466,559	74,596	541,155	88,287	55,548	143,835	684,990	
Travel and conferences	32,847	61,905	94,752	12,799	7,930	20,729	115,481	29,013	2,583	1,902	4,485	33,498	61,860	61,905	123,765	15,382	9,832	25,214	148,979	
Interest and fees	129,151	-	129,151	2,988	1,996	4,984	134,135	195,715	3,455	2,303	5,758	201,473	324,866	-	324,866	6,443	4,299	10,742	335,608	
Depreciation and amortization	81,115	-	81,115	16,235	10,847	27,082	108,197	14,293	2,866	1,910	4,776	19,069	95,408	-	95,408	19,101	12,757	31,858	127,266	
Loan loss provision	311,471	-	311,471	-	-	-	311,471	-	-	-	-	-	311,471	-	311,471	-	-	-	311,471	
Other expenses	264,805	208,959	473,764	72,555	48,943	121,498	595,262	34,101	13,795	6,815	20,610	54,711	298,906	208,959	507,865	86,350	55,758	142,108	649,973	
TOTAL EXPENSES	\$ 3,745,814	\$ 888,530	\$ 4,634,344	\$ 645,383	\$ 430,330	\$ 1,075,713	\$ 5,710,057	\$ 539,298	\$ 74,567	\$ 44,834	\$ 119,401	\$ 658,699	\$ 4,285,112	\$ 888,530	\$ 5,173,642	\$ 719,950	\$ 475,164	\$ 1,195,114	\$ 6,368,756	