

# **ACCION East, Inc.**

# **ACCION**

Consolidated Financial Statements  
(Together with Independent Auditors' Report)

Years Ended December 31, 2014 and 2013

**M A R K S P A N E T H**

ACCOUNTANTS & ADVISORS

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

**YEARS ENDED DECEMBER 31, 2014 AND 2013**

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
ACCION 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, 2014 and 2013, 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 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 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, 2014 and 2013, and the changes in their net assets and their 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 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  
June 10, 2015

**ACCION East, Inc.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2014 AND 2013**

<b>ASSETS</b>	<u>2014</u>	<u>2013</u>
Cash and cash equivalents (Notes 2C and 8)	\$ 2,226,561	\$ 2,297,248
Cash restricted for loan funds (Notes 2D and 7)	1,552,307	1,923,352
Contributions and grants receivable, net (Note 2F)	826,719	1,518,357
Interest on loans receivable (Note 2G)	57,247	52,673
Microenterprise loans receivable, net (Notes 2G and 3)	9,204,513	7,999,563
Prepaid expenses and other assets	239,686	353,869
Property and equipment, net (Notes 2H and 4)	<u>205,444</u>	<u>294,293</u>
<b>TOTAL ASSETS</b>	<u>\$ 14,312,477</u>	<u>\$ 14,439,355</u>
 <b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 262,257	\$ 445,066
Other liabilities	319,117	182,776
Notes and recoverable grants payable (Note 5)	7,916,361	8,942,773
Subordinated debt (Note 5)	<u>1,100,000</u>	<u>1,100,000</u>
<b>TOTAL LIABILITIES</b>	<u>9,597,734</u>	<u>10,670,615</u>
 <b>COMMITMENTS AND CONTINGENCIES (Note 6)</b>		
<b>NET ASSETS (Note 2B)</b>		
Unrestricted	2,317,816	1,252,449
Temporarily restricted (Note 7)	<u>2,396,927</u>	<u>2,516,291</u>
<b>TOTAL NET ASSETS</b>	<u>4,714,743</u>	<u>3,768,740</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 14,312,477</u>	<u>\$ 14,439,355</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, 2014 AND 2013**

	Year Ended December 31, 2014			Year Ended December 31, 2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE:</b>						
Contributions and grants (Notes 2F and 2I)	\$ 1,983,587	\$ 2,855,921	\$ 4,839,508	\$ 870,206	\$ 4,459,936	\$ 5,330,142
<b>Revenue:</b>						
Interest on loans (Notes 2G and 3)	1,016,783	-	1,016,783	845,570	-	845,570
Program fees	617,795	-	617,795	429,618	-	429,618
Interest income (Note 4)	2,775	-	2,775	13,249	-	13,249
Other revenue (Note 2G)	256,776	-	256,776	260,350	-	260,350
<b>Total Revenue</b>	<u>1,894,129</u>	<u>-</u>	<u>1,894,129</u>	<u>1,548,787</u>	<u>-</u>	<u>1,548,787</u>
<b>Net assets released from restrictions</b> (Note 7)	<u>2,975,285</u>	<u>(2,975,285)</u>	<u>-</u>	<u>5,317,909</u>	<u>(5,317,909)</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>6,853,001</u>	<u>(119,364)</u>	<u>6,733,637</u>	<u>7,736,902</u>	<u>(857,973)</u>	<u>6,878,929</u>
<b>EXPENSES:</b>						
Program services:						
Lending/development services	4,731,750	-	4,731,750	5,326,813	-	5,326,813
Total program services	<u>4,731,750</u>	<u>-</u>	<u>4,731,750</u>	<u>5,326,813</u>	<u>-</u>	<u>5,326,813</u>
Supporting services:						
Management and general	678,916	-	678,916	778,374	-	778,374
Fundraising	376,968	-	376,968	522,443	-	522,443
Total supporting services	<u>1,055,884</u>	<u>-</u>	<u>1,055,884</u>	<u>1,300,817</u>	<u>-</u>	<u>1,300,817</u>
<b>TOTAL EXPENSES</b>	<u>5,787,634</u>	<u>-</u>	<u>5,787,634</u>	<u>6,627,630</u>	<u>-</u>	<u>6,627,630</u>
<b>CHANGE IN NET ASSETS</b>	1,065,367	(119,364)	946,003	1,109,272	(857,973)	251,299
<b>Net assets - beginning of year</b>	<u>1,252,449</u>	<u>2,516,291</u>	<u>3,768,740</u>	<u>143,177</u>	<u>3,374,264</u>	<u>3,517,441</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 2,317,816</u>	<u>\$ 2,396,927</u>	<u>\$ 4,714,743</u>	<u>\$ 1,252,449</u>	<u>\$ 2,516,291</u>	<u>\$ 3,768,740</u>

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, 2014 and 2013**

	Year Ended December 31, 2014					Year Ended December 31, 2013				
	Program Services	Supporting Services			2014 Total	Program Services	Supporting Services			2013 Total
Lending/ Development Services	Management and General	Fundraising	Total Supporting Services	Lending/ Development Services		Management and General	Fundraising	Total Supporting Services		
Personnel costs (Note 9)	\$ 2,760,690	\$ 256,562	\$ 263,983	\$ 520,545	\$ 3,281,235	\$ 2,624,004	\$ 527,609	\$ 347,812	\$ 875,421	\$ 3,499,425
Professional fees and marketing (Note 21)	359,005	354,828	43,499	398,327	757,332	415,278	81,015	53,535	134,550	549,828
Office and occupancy (Note 6)	483,756	44,957	46,259	91,216	574,972	606,683	103,735	67,010	170,745	777,428
Travel and conferences	84,570	7,859	8,087	15,946	100,516	77,573	24,330	9,573	33,903	111,476
Interest and fees (Note 5)	249,444	-	-	-	249,444	266,085	3,842	2,548	6,390	272,475
Depreciation and amortization (Note 4)	89,319	8,301	8,540	16,841	106,160	96,205	19,334	12,759	32,093	128,298
Loan loss provision (Note 3)	636,003	-	-	-	636,003	504,518	-	-	-	504,518
Grant expense - retrofit equipments	-	-	-	-	-	524,090	-	-	-	524,090
Other expenses	68,963	6,409	6,600	13,009	81,972	212,377	18,509	29,206	47,715	260,092
<b>TOTAL EXPENSES</b>	<b>\$ 4,731,750</b>	<b>\$ 678,916</b>	<b>\$ 376,968</b>	<b>\$ 1,055,884</b>	<b>\$ 5,787,634</b>	<b>\$ 5,326,813</b>	<b>\$ 778,374</b>	<b>\$ 522,443</b>	<b>\$ 1,300,817</b>	<b>\$ 6,627,630</b>

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, 2014 AND 2013**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	<u>2014</u>	<u>2013</u>
Change in net assets	\$ 946,003	\$ 251,299
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision for loan losses	631,440	504,518
Depreciation and amortization	106,160	128,298
Net realized loss (gain) on investments	<u>-</u>	<u>6,032</u>
	1,683,603	890,147
Changes in assets and liabilities:		
Contributions and grants receivable	691,638	918,674
Loan interest receivable	(4,574)	(16,089)
Prepaid expenses and other assets	114,183	132,524
Accounts payable and accrued expenses	(182,809)	90,356
Other liabilities	<u>136,341</u>	<u>(12,137)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>2,438,382</u>	<u>2,003,475</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Disbursements under loan programs	(8,393,920)	(7,515,933)
Collections under loan programs	6,557,530	5,479,993
Proceeds from sale of investments	-	925,724
Change in cash restricted for loan fund	371,045	241,230
Purchases of property and equipment	<u>(17,312)</u>	<u>(87,830)</u>
<b>Net Cash Used in Investing Activities</b>	<u>(1,482,657)</u>	<u>(956,816)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from notes payable	3,775,751	3,559,382
Repayments of notes payable	<u>(4,802,163)</u>	<u>(4,474,177)</u>
<b>Net Cash Used in Financing Activities</b>	<u>(1,026,412)</u>	<u>(914,795)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(70,687)	131,864
Cash and cash equivalents - beginning of year	<u>2,297,248</u>	<u>2,165,384</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 2,226,561</u>	<u>\$ 2,297,248</u>
<b>Supplementary Disclosure of Cash Flow Information:</b>		
Cash paid during the year for interest	<u>\$ 184,800</u>	<u>\$ 204,800</u>



**ACCION East, Inc.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**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 (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 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. 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, 2014 and 2013, 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, 2014 and December 31, 2013, all contributions and grants receivable were due within one year. Restricted pledges are reported as additions to the appropriate restricted net asset account.

**ACCION East, Inc.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**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 \$50,000 and \$40,000 during 2014 and 2013, respectively. Additionally, ACCION received forgiveness of debts effectively releasing them from repayment obligations to debtors in the amount of approximately \$85,000 and \$23,000 during 2014 and 2013, respectively. These amounts were recorded as other revenue in 2014.

- 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 \$154,774 and \$177,515 during 2014 and 2013, 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.

**ACCION East, Inc.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**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, 2014 and 2013, include the following:

December 31, 2014

	<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>

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>

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>

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

	<u>30 – 90 Days</u>	<u>Over 91 Days</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 analysis of the loan loss allowance for the years ended December 31, 2014 and 2013 follows:

	<u>2014</u>	<u>2013</u>
Balance beginning of year	\$ 870,659	\$ 867,266
Provision for loan losses	636,003	504,518
Loans written-off	<u>(520,258)</u>	<u>(501,125)</u>
	<u>\$ 986,404</u>	<u>\$ 870,659</u>

**ACCION East, Inc.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**NOTE 3 – MICROENTERPRISE LOANS RECEIVABLE (Continued)**

The liquidity of the loan portfolio for the years ended December 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Due less than one year	\$ 5,111,112	\$ 4,207,432
Due over one year	<u>4,093,401</u>	<u>3,792,131</u>
	<u>\$ 9,204,513</u>	<u>\$ 7,999,563</u>

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>	<u>Estimated Useful Lives</u>
Leasehold improvements	\$ 1,385	\$ 31,385	5 - 10 years
Capitalized hardware and software	342,513	813,398	3 - 5 years
Furniture, fixtures and equipment	<u>170,556</u>	<u>219,603</u>	3 - 5 years
Total cost	544,454	1,064,386	
Less: accumulated depreciation and amortization	<u>(339,010)</u>	<u>(770,093)</u>	
Net book value	<u>\$ 205,444</u>	<u>\$ 294,293</u>	

Depreciation and amortization expense amounted to \$106,160 and \$128,298 for the years ended December 31, 2014 and 2013, respectively. During the years ended December 31, 2014 and December 31, 2013, ACCION disposed of fully depreciated property and equipment in the amount of \$537,243 and \$435,883, respectively.

**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, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
<u>Recoverable grants – unsecured</u>		
Evergreen arrangements with no definitive maturity date. These recoverable grants are non-interest-bearing.	\$ 577,044	\$ 690,608
<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, 2014 and 0.85% at December 31, 2013).	<u>7,339,317</u>	<u>8,252,165</u>
Total notes and recoverable grants payable	<u>\$ 7,916,361</u>	<u>\$ 8,942,773</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.	<u>\$ 1,100,000</u>	<u>\$ 1,100,000</u>

**ACCION East, Inc.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**NOTE 5 – NOTES PAYABLE AND SUBORDINATED DEBT (Continued)**

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.

Future annual principal payments due are as follows for the years ending after December 31, 2014:

<u>Years ending on December 31:</u>	<u>Amount</u>
2015	\$ 2,004,377
2016	3,380,246
2017	609,376
2018	1,564,376
2019	404,074
Thereafter	<u>1,053,912</u>
Total	<u>\$ 9,016,361</u>

Included in amounts due during 2016 is a revolving line of credit on which approximately \$1,993,000 was outstanding as of December 31, 2014. The outstanding balance as of June 10, 2015 was \$1,485,681. The line of credit is renewable annually.

Interest expense was \$184,800 and \$204,800 for the years ended December 31, 2014 and 2013, respectively.

**NOTE 6 – COMMITMENTS AND CONTINGENCIES**

- A. ACCION leased space in New York, Boston, Orlando and Miami during the year ended December 31, 2014. 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 \$121,209 and \$106,813 is included in other liabilities in the accompanying consolidated financial statements as of December 31, 2014 and 2013, respectively. The estimated annual amortization of deferred rent for the year following December 31, 2014 is \$8,820.

Future minimum lease payments are due as follows for the years ending after December 31, 2014:

2015	\$ 228,587
2016	234,301
2017	240,159
2018	246,163
2019	252,317
Thereafter	<u>957,422</u>
	<u>\$ 2,158,949</u>

Rent expense of \$383,640 and \$388,887 was included in office and occupancy expenses in the accompanying consolidated statement of functional expenses for the years ended December 31, 2014 and 2013, respectively.

- B. ACCION has no uncertain tax positions as of December 31, 2014 and 2013 in accordance with Accounting Standards Codification (“ASC”) Topic 740, Income Taxes, which provides standards for establishing and classifying any tax provisions for uncertain tax positions. ACCION is no longer subject to federal or state and local income tax examinations by tax authorities for years ended before December 31, 2011.

**ACCION East, Inc.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets were available as of December 31, 2014 and 2013 for the following purposes and restrictions:

<b><u>Government Grants:</u></b>	<u>2014</u>	<u>2013</u>
Pollution emission-reduction program for New York/New Jersey ports	\$ 217,146	\$ 288,930
Economic revitalization and community development	576,245	386,166
<b><u>Private Grants:</u></b>		
Women's Loan Guaranty Program	10,000	-
New Jersey Microlending	10,000	-
Credit Scorecard Update Project	60,000	-
Microlending in New York Tri-State area	57,600	62,400
Microlending – New product development grant	125,000	64,000
<b><u>Loan Fund Grants:</u></b>		
Non-geographic women lending	822,928	862,773
Geographic specific women lending (Florida, Georgia and New York)	-	51,449
Upper Manhattan microloan capital (New York)	486,238	486,238
Lower Manhattan microloan capital (New York)	19,888	19,888
Food industry-specific microloan capital (Massachusetts)	-	217,643
New York State microloan capital	-	28,968
Florida State microloan capital	<u>11,882</u>	<u>47,836</u>
	<u>\$ 2,396,927</u>	<u>\$ 2,516,291</u>

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

**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, 2014 and 2013, there were approximately \$2,741,000 and \$3,074,000, 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, 2014 and 2013, 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, 2014 and 2013, amounts paid to ACCION International were \$203,425 and \$253,711, 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, 2014 and 2013.

**ACCION East, Inc.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**NOTE 10 – TRADE MARK AGREEMENT AND OTHER (Continued)**

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, 2014 and 2013, the Network paid \$59,718.00 and \$48,733, 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 June 10, 2015, the date the consolidated financial statements were available to be issued.

**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>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,104,471	\$ 122,090	\$ 2,226,561	\$ -	\$ 2,226,561
Cash restricted for loan funds	1,552,307	-	1,552,307	-	1,552,307
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)	-
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
<b>TOTAL ASSETS</b>	<b><u>\$ 15,183,372</u></b>	<b><u>\$ 162,343</u></b>	<b><u>\$ 15,345,715</u></b>	<b><u>\$ (1,033,238)</u></b>	<b><u>\$ 14,312,477</u></b>
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	\$ 247,898	\$ 14,359	\$ 262,257	\$ -	\$ 262,257
Due to related party	-	1,033,238	1,033,238	(1,033,238)	-
Other liabilities	297,396	21,721	319,117	-	319,117
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
<b>TOTAL LIABILITIES</b>	<b><u>7,701,654</u></b>	<b><u>2,929,318</u></b>	<b><u>10,630,972</u></b>	<b><u>(1,033,238)</u></b>	<b><u>9,597,734</u></b>
<b>NET ASSETS</b>					
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
<b>TOTAL NET ASSETS</b>	<b><u>7,481,718</u></b>	<b><u>(2,766,975)</u></b>	<b><u>4,714,743</u></b>	<b><u>-</u></b>	<b><u>4,714,743</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 15,183,372</u></b>	<b><u>\$ 162,343</u></b>	<b><u>\$ 15,345,715</u></b>	<b><u>\$ (1,033,238)</u></b>	<b><u>\$ 14,312,477</u></b>



**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>
<b>ASSETS</b>					
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	3,671,672.00	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
<b>TOTAL ASSETS</b>	<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>
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	\$ 397,270	\$ 47,796	\$ 445,066	\$ -	\$ 445,066
Due to related party	3,671,672.00	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
<b>TOTAL LIABILITIES</b>	<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>
<b>NET ASSETS</b>					
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
<b>TOTAL NET ASSETS</b>	<u>6,541,620</u>	<u>(2,772,880)</u>	<u>3,768,740</u>	<u>-</u>	<u>3,768,740</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<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>

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

	ACCION		Total ACCION	ACCION-MA		Total ACCION-MA	Consolidating Eliminations	Consolidated Total		Total
	Unrestricted	Temporarily Restricted		Unrestricted	Temporarily Restricted			Unrestricted	Temporarily Restricted	
<b>SUPPORT AND REVENUE:</b>										
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
<b>Revenue:</b>										
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
<b>Total Revenue</b>	<b>1,840,376</b>	<b>-</b>	<b>1,840,376</b>	<b>53,753</b>	<b>-</b>	<b>53,753</b>	<b>-</b>	<b>1,894,129</b>	<b>-</b>	<b>1,894,129</b>
<b>Net assets released from restrictions</b>	<b>2,664,881</b>	<b>(2,664,881)</b>	<b>-</b>	<b>310,404</b>	<b>(310,404)</b>	<b>-</b>	<b>-</b>	<b>2,975,285</b>	<b>(2,975,285)</b>	<b>-</b>
<b>TOTAL SUPPORT AND REVENUE</b>	<b>6,453,844</b>	<b>191,040</b>	<b>6,644,884</b>	<b>399,157</b>	<b>(310,404)</b>	<b>88,753</b>	<b>-</b>	<b>6,853,001</b>	<b>(119,364)</b>	<b>6,733,637</b>
<b>EXPENSES:</b>										
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
<b>TOTAL EXPENSES</b>	<b>5,704,786</b>	<b>-</b>	<b>5,704,786</b>	<b>82,848</b>	<b>-</b>	<b>82,848</b>	<b>-</b>	<b>5,787,634</b>	<b>-</b>	<b>5,787,634</b>
<b>CHANGE IN NET ASSETS</b>	<b>749,058</b>	<b>191,040</b>	<b>940,098</b>	<b>316,309</b>	<b>(310,404)</b>	<b>5,905</b>	<b>-</b>	<b>1,065,367</b>	<b>(119,364)</b>	<b>946,003</b>
<b>Net assets - beginning of year</b>	<b>4,384,954</b>	<b>2,156,666</b>	<b>6,541,620</b>	<b>(3,132,505)</b>	<b>359,625</b>	<b>(2,772,880)</b>	<b>-</b>	<b>1,252,449</b>	<b>2,516,291</b>	<b>3,768,740</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 5,134,012</b>	<b>\$ 2,347,706</b>	<b>\$ 7,481,718</b>	<b>\$ (2,816,196)</b>	<b>\$ 49,221</b>	<b>\$ (2,766,975)</b>	<b>\$ -</b>	<b>\$ 2,317,816</b>	<b>\$ 2,396,927</b>	<b>\$ 4,714,743</b>

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

	ACCION Unrestricted	ACCION Temporarily Restricted	Total ACCION	ACCION-MA Unrestricted	ACCION-MA Temporarily Restricted	Total ACCION-MA	Consolidating Eliminations	Unrestricted	Consolidated Total Temporarily Restricted	Total
<b>SUPPORT AND REVENUE:</b>										
Contributions and grants	\$ 868,817	\$ 4,459,936	\$ 5,328,753	\$ 1,389	\$ -	\$ 1,389	\$ -	\$ 870,206	\$ 4,459,936	\$ 5,330,142
<b>Revenue:</b>										
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
<b>Total Revenue</b>	<b>1,468,606</b>	<b>-</b>	<b>1,468,606</b>	<b>80,181</b>	<b>-</b>	<b>80,181</b>	<b>-</b>	<b>1,548,787</b>	<b>-</b>	<b>1,548,787</b>
<b>Net assets released from restrictions</b>	<b>4,824,627</b>	<b>(4,824,627)</b>	<b>-</b>	<b>493,282</b>	<b>(493,282)</b>	<b>-</b>	<b>-</b>	<b>5,317,909</b>	<b>(5,317,909)</b>	<b>-</b>
<b>TOTAL SUPPORT AND REVENUE</b>	<b>7,162,050</b>	<b>(364,691)</b>	<b>6,797,359</b>	<b>574,852</b>	<b>(493,282)</b>	<b>81,570</b>	<b>-</b>	<b>7,736,902</b>	<b>(857,973)</b>	<b>6,878,929</b>
<b>EXPENSES:</b>										
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
<b>TOTAL EXPENSES</b>	<b>5,869,531</b>	<b>-</b>	<b>5,869,531</b>	<b>758,099</b>	<b>-</b>	<b>758,099</b>	<b>-</b>	<b>6,627,630</b>	<b>-</b>	<b>6,627,630</b>
<b>CHANGE IN NET ASSETS</b>	<b>1,292,519</b>	<b>(364,691)</b>	<b>927,828</b>	<b>(183,247)</b>	<b>(493,282)</b>	<b>(676,529)</b>	<b>-</b>	<b>1,109,272</b>	<b>(857,973)</b>	<b>251,299</b>
<b>Net assets - beginning of year</b>	<b>3,092,435</b>	<b>2,521,357</b>	<b>5,613,792</b>	<b>(2,949,258)</b>	<b>852,907</b>	<b>(2,096,351)</b>	<b>-</b>	<b>143,177</b>	<b>3,374,264</b>	<b>3,517,441</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 4,384,954</b>	<b>\$ 2,156,666</b>	<b>\$ 6,541,620</b>	<b>\$ (3,132,505)</b>	<b>\$ 359,625</b>	<b>\$ (2,772,880)</b>	<b>\$ -</b>	<b>\$ 1,252,449</b>	<b>\$ 2,516,291</b>	<b>\$ 3,768,740</b>

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

	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	\$ 2,760,690	\$ 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
<b>TOTAL EXPENSES</b>	<b>\$ 4,648,902</b>	<b>\$ 678,916</b>	<b>\$ 376,968</b>	<b>\$ 1,055,884</b>	<b>\$ 5,704,786</b>	<b>\$ 82,848</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 82,848</b>	<b>\$ 4,731,750</b>	<b>\$ 678,916</b>	<b>\$ 376,968</b>	<b>\$ 1,055,884</b>	<b>\$ 5,787,634</b>

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

	ACCION - NY					ACCION-MA					ACCION East, Inc.				Consolidated Total
	Program Services Lending/ Development Services	Supporting Services Management and General	Fundraising	Total Supporting Services	Total	Program Services Lending/ Development Services	Supporting Services Management and General	Fundraising	Total Supporting Services	Total	Program Services Lending and Education	Supporting Services 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
<b>TOTAL EXPENSES</b>	<b>\$ 4,667,349</b>	<b>\$ 718,681</b>	<b>\$ 483,501</b>	<b>\$ 1,202,182</b>	<b>\$ 5,869,531</b>	<b>\$ 659,464</b>	<b>\$ 59,693</b>	<b>\$ 38,942</b>	<b>\$ 98,635</b>	<b>\$ 758,099</b>	<b>\$ 5,326,813</b>	<b>\$ 778,374</b>	<b>\$ 522,443</b>	<b>\$ 1,300,817</b>	<b>\$ 6,627,630</b>