

ACCION East, Inc.

ACCION

**Consolidated Financial Statements and
Supplementary Information
(Together with Independent Auditors' Report)**

Years Ended December 31, 2019 and 2018

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, 2019 AND 2018

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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, 2019 and 2018, 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ACCION East, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating supplementary information (shown on pages 16-21) is presented for the purpose of additional analysis of the consolidated financial statements rather than to present the financial position, the changes in net assets, and cash flows of the individual entities, and is not a required part of the consolidated financial statements. The supplementary information has been subjected to the 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 19, 2020

ACCION East, Inc.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND 2018

| ASSETS | <u>2019</u> | <u>2018</u> |
|--|---------------------------------|---------------------------------|
| Cash and cash equivalents (Notes 2C and 9) | \$ 1,453,589 | \$ 2,278,032 |
| Restricted cash for loan funds (Note 2D) | 1,100,657 | 4,383,157 |
| Contributions and grants receivable (Note 2E and 2N) | 1,448,360 | 1,827,568 |
| Interest on loans receivable (Note 2F) | 439,315 | 410,756 |
| Loans receivable, net (Notes 2F, 2G and 4) | 17,769,369 | 14,824,691 |
| Prepaid expenses and other assets | 213,623 | 161,658 |
| Property and equipment, net (Notes 2H and 5) | <u>216,333</u> | <u>345,932</u> |
| TOTAL ASSETS | <u>\$ 22,641,246</u> | <u>\$ 24,231,794</u> |
| LIABILITIES | | |
| Accounts payable and accrued expenses (Note 11) | \$ 576,546 | \$ 583,139 |
| Other liabilities | 55,196 | 294,497 |
| Deferred rent (Note 7) | 107,286 | 121,966 |
| Notes and recoverable grants payable (Note 6) | 14,784,675 | 15,189,596 |
| Subordinated debt (Note 6) | <u>1,500,000</u> | <u>500,000</u> |
| TOTAL LIABILITIES | <u>17,023,703</u> | <u>16,689,198</u> |
| COMMITMENTS AND CONTINGENCIES (Note 7) | | |
| NET ASSETS (Note 2B) | | |
| Without donor restrictions | 4,929,452 | 5,942,994 |
| With donor restrictions (Note 8) | <u>688,091</u> | <u>1,599,602</u> |
| TOTAL NET ASSETS | <u>5,617,543</u> | <u>7,542,596</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 22,641,246</u> | <u>\$ 24,231,794</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, 2019 AND 2018

| | Year Ended December 31, 2019 | | | Year Ended December 31, 2018 | | |
|---|-------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| SUPPORT AND REVENUE: | | | | | | |
| Contributions and grants (Notes 2E, 2I and 2N) | \$ 2,095,886 | \$ 1,714,240 | \$ 3,810,126 | \$ 1,593,711 | \$ 2,979,150 | \$ 4,572,861 |
| Special events revenue (net of direct expenses of \$26,782 and \$26,785 in 2019 and 2018, respectively) (Note 2K) | <u>135,343</u> | <u>-</u> | <u>135,343</u> | <u>117,825</u> | <u>-</u> | <u>117,825</u> |
| Total contributions and grant revenue | <u>2,231,229</u> | <u>1,714,240</u> | <u>3,945,469</u> | <u>1,711,536</u> | <u>2,979,150</u> | <u>4,690,686</u> |
| Revenue: | | | | | | |
| Interest on loans (Note 2F) | 1,897,315 | - | 1,897,315 | 1,632,208 | - | 1,632,208 |
| Program fees | 1,239,062 | - | 1,239,062 | 939,502 | - | 939,502 |
| Interest income | 17,624 | - | 17,624 | 5,126 | - | 5,126 |
| Other revenue (Note 2F) | <u>104,779</u> | <u>-</u> | <u>104,779</u> | <u>92,224</u> | <u>-</u> | <u>92,224</u> |
| Total Revenue | <u>3,258,780</u> | <u>-</u> | <u>3,258,780</u> | <u>2,669,060</u> | <u>-</u> | <u>2,669,060</u> |
| Net assets released from restrictions (Note 8) | <u>2,625,751</u> | <u>(2,625,751)</u> | <u>-</u> | <u>4,101,293</u> | <u>(4,101,293)</u> | <u>-</u> |
| TOTAL SUPPORT AND REVENUE | <u>8,115,760</u> | <u>(911,511)</u> | <u>7,204,249</u> | <u>8,481,889</u> | <u>(1,122,143)</u> | <u>7,359,746</u> |
| EXPENSES: | | | | | | |
| Program services: | | | | | | |
| Lending/development services | 6,455,844 | - | 6,455,844 | 6,629,134 | - | 6,629,134 |
| Community advantage | <u>1,016,494</u> | <u>-</u> | <u>1,016,494</u> | <u>518,653</u> | <u>-</u> | <u>518,653</u> |
| Total program services | <u>7,472,338</u> | <u>-</u> | <u>7,472,338</u> | <u>7,147,787</u> | <u>-</u> | <u>7,147,787</u> |
| Supporting services: | | | | | | |
| Management and general | 840,549 | - | 840,549 | 1,028,179 | - | 1,028,179 |
| Fundraising | <u>816,415</u> | <u>-</u> | <u>816,415</u> | <u>572,090</u> | <u>-</u> | <u>572,090</u> |
| Total supporting services | <u>1,656,964</u> | <u>-</u> | <u>1,656,964</u> | <u>1,600,269</u> | <u>-</u> | <u>1,600,269</u> |
| TOTAL EXPENSES | <u>9,129,302</u> | <u>-</u> | <u>9,129,302</u> | <u>8,748,056</u> | <u>-</u> | <u>8,748,056</u> |
| CHANGE IN NET ASSETS | (1,013,542) | (911,511) | (1,925,053) | (266,167) | (1,122,143) | (1,388,310) |
| Net assets - beginning of year | <u>5,942,994</u> | <u>1,599,602</u> | <u>7,542,596</u> | <u>6,209,161</u> | <u>2,721,745</u> | <u>8,930,906</u> |
| NET ASSETS - END OF YEAR | <u>\$ 4,929,452</u> | <u>\$ 688,091</u> | <u>\$ 5,617,543</u> | <u>\$ 5,942,994</u> | <u>\$ 1,599,602</u> | <u>\$ 7,542,596</u> |

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

ACCION East, Inc.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(With Comparative Totals for 2018)

| | Year Ended December 31, 2019 | | | | | | | Total 2018 |
|--|-------------------------------------|------------------------|------------------------------|---------------------------|-------------------|---------------------------------|---------------------|---------------------|
| | Program Services | | | Supporting Services | | | | |
| | Lending/ Development Services | Community Advantage | Total Program Services | Management and General | Fundraising | Total Supporting Services | Total 2019 | |
| Personnel costs (Note 10) | \$ 3,051,412 | \$ 527,698 | \$ 3,579,110 | \$ 358,525 | \$ 635,279 | \$ 993,804 | \$ 4,572,914 | \$ 4,734,231 |
| Professional fees and marketing (Note 2I) | 313,831 | 108,424 | 422,255 | 389,195 | 73,095 | 462,290 | 884,545 | 913,204 |
| Office and occupancy (Note 7) | 435,380 | 58,344 | 493,724 | 50,952 | 74,002 | 124,954 | 618,678 | 581,308 |
| Travel and conferences | 123,542 | 15,666 | 139,208 | 14,458 | 20,998 | 35,456 | 174,664 | 198,416 |
| Interest and fees (Note 6) | 582,294 | 105,181 | 687,475 | - | - | - | 687,475 | 550,959 |
| Depreciation and amortization (Note 5) | 114,341 | 15,321 | 129,662 | 13,380 | 19,433 | 32,813 | 162,475 | 106,120 |
| Loan loss provision (Note 4) | 1,498,795 | 169,784 | 1,668,579 | - | - | - | 1,668,579 | 1,283,524 |
| Other expenses | 336,249 | 16,076 | 352,325 | 14,039 | 20,390 | 34,429 | 386,754 | 407,079 |
| Subtotal before costs of direct benefits to donors | 6,455,844 | 1,016,494 | 7,472,338 | 840,549 | 843,197 | 1,683,746 | 9,156,084 | 8,774,841 |
| Less: costs of direct benefits to donors | - | - | - | - | (26,782) | (26,782) | (26,782) | (26,785) |
| TOTAL EXPENSES | \$ 6,455,844 | \$ 1,016,494 | \$ 7,472,338 | \$ 840,549 | \$ 816,415 | \$ 1,656,964 | \$ 9,129,302 | \$ 8,748,056 |

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

ACCION East, Inc.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

Year Ended December 31, 2018

| | Program Services | | | Supporting Services | | | Total |
|--|-------------------------------------|------------------------|------------------------------|---------------------------|-------------------|---------------------------------|---------------------|
| | Lending/ Development Services | Community Advantage | Total Program Services | Management and General | Fundraising | Total Supporting Services | |
| Personnel costs (Note 10) | \$ 3,501,613 | \$ 235,376 | \$ 3,736,989 | \$ 570,474 | \$ 426,768 | \$ 997,242 | \$ 4,734,231 |
| Professional fees and marketing (Note 2I) | 328,679 | 149,348 | 478,027 | 346,928 | 88,249 | 435,177 | 913,204 |
| Office and occupancy (Note 7) | 464,304 | 15,813 | 480,117 | 57,593 | 43,598 | 101,191 | 581,308 |
| Travel and conferences | 158,479 | 5,398 | 163,877 | 19,658 | 14,881 | 34,539 | 198,416 |
| Interest and fees (Note 6) | 506,747 | 44,212 | 550,959 | - | - | - | 550,959 |
| Depreciation and amortization (Note 5) | 84,764 | 2,887 | 87,651 | 10,512 | 7,957 | 18,469 | 106,120 |
| Loan loss provision (Note 4) | 1,222,813 | 60,711 | 1,283,524 | - | - | - | 1,283,524 |
| Other expenses | 361,735 | 4,908 | 366,643 | 23,014 | 17,422 | 40,436 | 407,079 |
| Subtotal before costs of direct benefits to donors | 6,629,134 | 518,653 | 7,147,787 | 1,028,179 | 598,875 | 1,627,054 | 8,774,841 |
| Less: costs of direct benefits to donors | - | - | - | - | (26,785) | (26,785) | (26,785) |
| TOTAL EXPENSES | \$ 6,629,134 | \$ 518,653 | \$ 7,147,787 | \$ 1,028,179 | \$ 572,090 | \$ 1,600,269 | \$ 8,748,056 |

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, 2019 AND 2018

| CASH FLOWS FROM OPERATING ACTIVITIES: | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|
| Change in net assets | \$ (1,925,053) | \$ (1,388,310) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Provision for loan losses | 1,668,579 | 1,283,524 |
| Depreciation and amortization | 162,475 | 106,120 |
| Loss on disposal of property and equipment | <u>636</u> | <u>-</u> |
| Subtotal | (93,363) | 1,334 |
| Changes in assets and liabilities: | | |
| Contributions and grants receivable | 379,208 | (31,827) |
| Interest on loans receivable | (28,559) | (218,284) |
| Prepaid expenses and other assets | (51,965) | 89,927 |
| Accounts payable and accrued expenses | (6,593) | 2,498 |
| Other liabilities | (239,301) | 61,031 |
| Deferred rent | <u>(14,680)</u> | <u>(8,416)</u> |
| Net Cash Used in Operating Activities | <u>(55,253)</u> | <u>(103,737)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Disbursements under loan programs | (15,609,126) | (11,939,222) |
| Collections under loan programs | 10,995,869 | 8,261,672 |
| Purchases of property and equipment | <u>(33,512)</u> | <u>(348,916)</u> |
| Net Cash Used in Investing Activities | <u>(4,646,769)</u> | <u>(4,026,466)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from notes payable and subordinated debt | 1,411,355 | 5,503,975 |
| Repayments of notes payable | <u>(816,276)</u> | <u>(5,002,195)</u> |
| Net Cash Provided by Financing Activities | <u>595,079</u> | <u>501,780</u> |
| NET DECREASE IN CASH AND RESTRICTED CASH | (4,106,943) | (3,628,423) |
| Cash and restricted cash - beginning of year | <u>6,661,189</u> | <u>10,289,612</u> |
| CASH AND RESTRICTED CASH - END OF YEAR | <u>\$ 2,554,246</u> | <u>\$ 6,661,189</u> |
| Supplementary Disclosure of Cash Flow Information: | | |
| Cash paid during the year for interest | <u>\$ 408,925</u> | <u>\$ 300,101</u> |

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

ACCION East, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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) (“ACCION-NY”) 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 consolidated financial statements. All intercompany transactions have been eliminated.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. ACCION’s consolidated financial statements have been prepared on the accrual basis of accounting using accounting principles generally accepted in the United States of America (“U.S. GAAP”).
- B. ACCION reports grants, gifts of cash and other assets as 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Net assets without donor restrictions 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 when acquired, except for those amounts held for long-term investment purposes, which are included in investments. The following table provides a reconciliation of cash and restricted cash reported within the consolidated statements of financial position that sum to the total of the same such amounts shown in the consolidated statements of cash flows.

| | <u>December 31, 2019</u> | <u>December 31, 2018</u> | <u>January 1, 2018</u> |
|--------------------------------|--------------------------|--------------------------|------------------------|
| Cash and cash equivalents | \$ 1,453,589 | \$ 2,278,032 | \$ 6,475,940 |
| Cash restricted for loan funds | <u>1,100,657</u> | <u>4,383,157</u> | <u>3,813,672</u> |
| Total | <u>\$ 2,554,246</u> | <u>\$ 6,661,189</u> | <u>\$ 10,289,612</u> |

- D. Restricted cash consists of amounts for which the use has been restricted by lenders for specific loan programs.
- E. Contributions and grants receivable are recorded as revenue when the pledge is made and are 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, 2019 and 2018, management determined that an allowance for doubtful accounts was not necessary for contributions and grants receivable. Contributions and grants 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, 2019 and 2018, all contributions and grants receivable were due within one year.
- F. Management considers a loan to be impaired when it is probable that ACCION will be unable to collect all amounts due according to the contractual terms of the loan agreement. Management evaluates loans for impairment based on delinquency information, and an assessment of the borrower’s financial condition. Impaired loans are written off when payments are past due 120 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.

ACCION East, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

At December 31, 2019 and 2018, ACCION's loan loss reserve includes approximately \$230,000 and \$61,000, respectively, for the Small Business Administration 7(a) Community Advantage ("SBA CA") Program. ACCION is in compliance with the loan loss reserve requirements for the SBA CA Program.

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 classifications used for allowance for loan losses.

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

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

ACCION collected previously written off loan receivables of approximately \$42,000 and \$36,000 during 2019 and 2018, respectively.

- G. U.S. GAAP requires that when a not-for-profit organization receives or makes loans of cash that carry interest rates below the prevailing market rate, the imputed interest be recorded as contributions received or paid, respectively. ACCION both receives and makes loans with stated rates of interest that vary from the prevailing market rates for commercial loans. However, ACCION considers its market to be the Community Development Financial Institution ("CDFI") industry as opposed to the financial institutions industry in general. Consequently, ACCION believes there is no material difference between community development finance market rates and the stated rates of loans in their portfolios. ACCION accounts for these loans at the stated rates.
- H. Property and equipment is stated at cost less accumulated depreciation and amortization. These amounts do not purport to represent replacement or realizable values. ACCION capitalizes all property and equipment having a useful life of greater than one year and a cost of \$500 or more. Expenses for maintenance and repairs are charged to operations as incurred. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts, with any net gain or loss reflected in the consolidated 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 approximately \$133,000 and \$90,000 during 2019 and 2018, respectively.

ACCION East, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- J. The costs of providing ACCION's program and supporting services have been summarized on a functional basis in the accompanying consolidated statements of activities and functional expenses. Accordingly, certain costs have been allocated on a reasonable and consistent basis between program and supporting services based on an analysis of estimated time and effort. The expenses that are allocated include salaries, payroll taxes and employee benefits, professional fees, occupancy, communications, insurance, supplies, equipment, and other miscellaneous office expenses. Other costs are directly applied based on their explicit nature, including interest expense, provision for loan losses, outreach and similar as direct programmatic costs, and professional fees for audit, accounting, and development as costs for supporting services.
- K. ACCION conducts a special event in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. All proceeds received are recorded as special event revenue in the accompanying consolidated statements of activities.
- L. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.
- M. In November 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, to address diversity in practice that exists in the classification and presentation of changes in restricted cash on the statement of cash flows. The ASU requires restricted cash or restricted cash equivalents to be included in the beginning-of-period and end-of-period total amounts on the statements of cash flows. ACCION adopted the new guidance retrospectively as of January 1, 2018. As a result, the beginning-of-period amount reported on the consolidated statement of cash flows increased by \$3,813,672 to include amounts previously reported as restricted cash for loan funds. The adoption of this ASU did not affect net assets as previously reported.
- N. The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 858)*. The core guidance in ASU 2018-08 is to assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a contribution is conditional. ACCION adopted the new guidance as of January 1, 2019 and as a result, this changed the timing of recognition for the \$674,000 CDFI grant awarded in September 2019 to fiscal year 2020. In prior years, the CDFI grant would have been recognized in the year of the award.

NOTE 3 – LIQUIDITY AND AVAILABILITY

Cash account balances, net of outstanding checks, for the operations and lending accounts are reviewed daily by accounting and finance staff, and weekly with management. Management reviews weekly, a cashflow trend analysis and forecast of upcoming cash needs in order to determine when and if ACCION's lines of credit will be drawn or repaid, or if lending or vendor payments must be constricted.

As of December 31, 2019, ACCION had working capital of approximately \$4.9 million and a current ratio of 1.72. At year end, cash and cash equivalents of approximately \$1.5 million represented 79 days of cash on hand based on the 2020 budget, inclusive of operating expenses and lending forecasts, but excluding depreciation and provision expenses. ACCION additionally had short-term receivables of approximately \$8.6 million.

ACCION East, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 3 – LIQUIDITY AND AVAILABILITY (Continued)

As of December 31, 2019, the following table shows the total financial assets held and the amounts of those financial assets that could readily be made available within one year of the consolidated statement of financial position date to meet general expenditures:

| | |
|--|--------------------------|
| Cash and cash equivalents | \$ 1,453,589 |
| Contributions and grants receivable | 1,448,360 |
| Interest on loans receivable | 439,315 |
| Loans receivable, net | <u>17,769,369</u> |
| Total financial assets at year-end | 21,110,633 |
| Less: Loans receivable due in over one year | <u>(9,156,716)</u> |
| Total financial assets at year-end available for general expenditures | <u>\$ 11,953,917</u> |

For purposes of analyzing resources available to meet general expenditures over a 12-month period, ACCION considers all expenditures related to its ongoing activities of programs as well as the conduct of services undertaken to support those activities to be general expenditures. Donor restricted funds for various programs are considered available for the general expenditures to conduct those programs.

NOTE 4 – LOANS RECEIVABLE

Loans receivable consists of microloans (loans under \$35,000), small business loans (loans \$35,000 and over) and SBA CA loans. Loans receivable as of December 31, 2019 and 2018, include the following:

| | <u>December 31, 2019</u> | | | |
|--|--------------------------|---------------------------------|---------------------|----------------------|
| | <u>Micro loans</u> | <u>Small business Loans</u> | <u>SBA CA Loans</u> | <u>Total</u> |
| Loans receivable | \$ 16,704,712 | \$ 561,362 | \$ 2,132,446 | \$ 19,398,520 |
| Less allowance for uncollectible loans | <u>(1,340,318)</u> | <u>(58,339)</u> | <u>(230,494)</u> | <u>(1,629,151)</u> |
| Loans receivable, net | <u>\$ 15,364,394</u> | <u>\$ 503,023</u> | <u>\$ 1,901,952</u> | <u>\$ 17,769,369</u> |
| | <u>December 31, 2018</u> | | | |
| | <u>Micro loans</u> | <u>Small business Loans</u> | <u>SBA CA Loans</u> | <u>Total</u> |
| Loans receivable | \$ 13,968,167 | \$ 790,065 | \$ 1,378,702 | \$ 16,136,934 |
| Less allowance for uncollectible loans | <u>(1,173,714)</u> | <u>(77,818)</u> | <u>(60,711)</u> | <u>(1,312,243)</u> |
| Loans receivable, net | <u>\$ 12,794,453</u> | <u>\$ 712,247</u> | <u>\$ 1,317,991</u> | <u>\$ 14,824,691</u> |

ACCION East, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 4 – LOANS RECEIVABLE (Continued)

An aged analysis of loans segregated by loan program as of December 31, 2019 follows:

| | <u>30 – 90 Days</u> | <u>Over 90 Days</u> | <u>Total Past Due</u> | <u>Current</u> | <u>Total</u> |
|----------------------|---------------------|-------------------------|---------------------------|----------------------|----------------------|
| Micro loans | \$ 361,745 | \$ 163,573 | \$ 525,318 | \$ 16,179,394 | \$ 16,704,712 |
| Small business loans | 38,173 | - | 38,173 | 523,189 | 561,362 |
| SBA CA loans | <u>-</u> | <u>46,142</u> | <u>46,142</u> | <u>2,086,304</u> | <u>2,132,446</u> |
| Loans receivable | <u>\$ 399,918</u> | <u>\$ 209,715</u> | <u>\$ 609,633</u> | <u>\$ 18,788,887</u> | <u>\$ 19,398,520</u> |

An aged analysis of loans segregated by loan program as of December 31, 2018 follows:

| | <u>30 – 90 Days</u> | <u>Over 90 Days</u> | <u>Total Past Due</u> | <u>Current</u> | <u>Total</u> |
|----------------------|---------------------|-------------------------|---------------------------|----------------------|----------------------|
| Micro loans | \$ 300,773 | \$ 189,761 | \$ 490,534 | \$ 13,477,633 | \$ 13,968,167 |
| Small business loans | 26,020 | - | 26,020 | 764,045 | 790,065 |
| SBA CA loans | <u>-</u> | <u>46,887</u> | <u>46,887</u> | <u>1,331,815</u> | <u>1,378,702</u> |
| Loans receivable | <u>\$ 326,793</u> | <u>\$ 236,648</u> | <u>\$ 563,441</u> | <u>\$ 15,573,493</u> | <u>\$ 16,136,934</u> |

The loans receivable include restructured loans as of December 31 as follows:

| | <u>2019</u> | <u>2018</u> |
|--|------------------|-------------------|
| Restructured loans receivable | \$ 173,832 | \$ 368,306 |
| Less allowance for uncollectible loans | <u>(87,751)</u> | <u>(187,919)</u> |
| | <u>\$ 86,081</u> | <u>\$ 180,387</u> |

An analysis of the loan loss allowance for the years ended December 31 follows:

| | <u>2019</u> | <u>2018</u> |
|---------------------------|---------------------|---------------------|
| Balance beginning of year | \$ 1,312,243 | \$ 1,337,715 |
| Provision for loan losses | 1,668,579 | 1,283,524 |
| Loans written-off | <u>(1,351,671)</u> | <u>(1,308,996)</u> |
| | <u>\$ 1,629,151</u> | <u>\$ 1,312,243</u> |

The liquidity of the loan portfolio (net) for the years ended December 31 is as follows:

| | <u>2019</u> | <u>2018</u> |
|------------------------|----------------------|----------------------|
| Due less than one year | \$ 8,612,653 | \$ 7,190,877 |
| Due over one year | <u>9,156,716</u> | <u>7,633,814</u> |
| | <u>\$ 17,769,369</u> | <u>\$ 14,824,691</u> |

The SBA allows the sale of the guaranteed portion of the CA loan on the secondary market. During 2019 and 2018, ACCION sold participating interests of the guaranteed portion of loans with a carrying value at the time of sale of \$2,044,512 and \$1,922,771, respectively, for \$2,205,940 and \$2,063,999, respectively, resulting in a gain on the sale of the participated interest of \$161,428 and \$141,228, respectively, and is included in program fees in the accompanying consolidated statements of activities.

ACCION East, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 5 – PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following as of December 31:

| | <u>2019</u> | <u>2018</u> | <u>Estimated Useful Lives</u> |
|---|-------------------|-------------------|-------------------------------|
| Leasehold improvements | \$ 31,385 | \$ 31,385 | 5 - 10 years |
| Capitalized hardware and software | 769,362 | 755,859 | 3 - 5 years |
| Furniture, fixtures and equipment | <u>175,266</u> | <u>171,881</u> | 3 - 5 years |
| Total cost | 976,013 | 959,125 | |
| Less: accumulated depreciation and amortization | <u>(759,680)</u> | <u>(613,193)</u> | |
| Net book value | <u>\$ 216,333</u> | <u>\$ 345,932</u> | |

Depreciation and amortization expense amounted to \$162,475 and \$106,120 for the years ended December 31, 2019 and 2018, respectively. During the year ended December 31, 2019, equipment with a cost of \$16,624 and accumulated depreciation of \$15,988 was written off. During the year ended December 31, 2018, ACCION wrote off fully depreciated fixed assets of \$41,280.

NOTE 6 – NOTES AND RECOVERABLE GRANTS 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:

| | <u>2019</u> | <u>2018</u> |
|--|----------------------|----------------------|
| <u>Notes payable – secured</u> | | |
| Secured borrowing consisting of federal loan funds secured by program-funded loans receivable | \$ 3,088,869 | \$ 3,751,122 |
| <u>Notes payable – unsecured</u> | | |
| Maturity terms range from one to ten 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, 2019 and 2018). | <u>11,695,806</u> | <u>11,438,474</u> |
| Total notes and recoverable grants payable | <u>\$ 14,784,675</u> | <u>\$ 15,189,596</u> |
| | <u>2019</u> | <u>2018</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>\$ 1,500,000</u> | <u>\$ 500,000</u> |

Maturity terms range from one to ten years with fixed interest rates ranging from 0% to 4%. No principal payments are required until maturity.

ACCION East, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 6 – NOTES AND RECOVERABLE GRANTS PAYABLE AND SUBORDINATED DEBT (Continued)

Future annual principal payments due are as follows:

| <u>Years ending on December 31:</u> | <u>Amount</u> |
|-------------------------------------|----------------------|
| 2020 | \$ 6,142,349 |
| 2021 | 1,134,875 |
| 2022 | 1,219,314 |
| 2023 | 3,400,000 |
| 2024 | 200,000 |
| Thereafter | <u>4,188,137</u> |
| Total | <u>\$ 16,284,675</u> |

Included in amounts due during 2020, 2022, 2023, and 2024 is a revolving line of credit balance of \$5,500,000, of which \$5,500,000 was outstanding as of June 19, 2020. The line of credit is renewable annually after 2020. Included in amounts due thereafter (due in 2027) is a line of credit of \$500,000 of which \$500,000 was outstanding as of June 19, 2020. The line of credit is payable in thirty consecutive monthly installments commencing January 25, 2025.

Interest expense was \$408,925 and \$300,245 for the years ended December 31, 2019 and 2018, respectively.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

- A. ACCION leased space in New York, Boston, Orlando and Miami during the year ended December 31, 2019. 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 was \$107,286 and \$121,966 as of December 31, 2019 and 2018, respectively, and is included in the accompanying consolidated statements of financial position. The estimated annual amortization of deferred rent for the year following December 31, 2019 is \$14,910.

Future minimum lease payments are due as follows for the years ending after December 31, 2019:

| | |
|------|---------------------|
| 2020 | \$ 292,240 |
| 2021 | 279,796 |
| 2022 | 271,718 |
| 2023 | <u>161,991</u> |
| | <u>\$ 1,005,745</u> |

Rent expense of \$347,359 and \$351,780 was included in office and occupancy expenses in the accompanying consolidated statements of functional expenses for the years ended December 31, 2019 and 2018, respectively.

- B. ACCION believes it has no uncertain tax positions as of December 31, 2019 and 2018 in accordance with ASC Topic 740, Income Taxes, which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

ACCION East, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31 are available for the following purposes:

| | 2019 | 2018 |
|---|------------|--------------|
| <u>Private Grants:</u> | | |
| New York General Support | \$ 150,000 | \$ - |
| Microlending and Financial Education for Women and Entrepreneurs or Color | 134,740 | 668,183 |
| Childcare Provider Initiative & Financial Education in New York | 100,000 | 25,000 |
| Microlending in the Northeast | 75,000 | 150,000 |
| Microlending to Women in New York, Massachusetts, and Florida | 75,000 | - |
| Microlending and Financial Education to Women in New York | 50,000 | 75,000 |
| New York Microlending and Financial Education Program | 60,000 | - |
| Microlending in Lowell, Massachusetts | 20,000 | - |
| Lending and financial education in Jacksonville | 16,667 | - |
| Microlending and Financial Education in New York | - | 143,333 |
| Massachusetts and Technical Assistance in Massachusetts | - | 36,850 |
| 2019 Event Sponsorship | - | 15,000 |
| <u>Loan Fund Grants:</u> | | |
| Upper Manhattan microloan capital (New York) | - | 486,236 |
| <u>Public Grants:</u> | | |
| Technical Assistance to New York Small Business Loan Applicants | 6,684 | - |
| Total | \$ 688,091 | \$ 1,599,602 |

Net assets with donor restrictions of \$2,625,751 and \$4,101,293 for the years December 31, 2019 and 2018, respectively, were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by the donors or the passage of time.

NOTE 9 – CONCENTRATION

Cash and cash equivalents that potentially subject ACCION to a concentration of credit risk include cash accounts with two banks that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. As of December 31, 2019 and 2018, there were approximately \$1,866,000 and \$6,146,000, respectively, of cash and cash equivalents held by banks that exceeded FDIC limits.

NOTE 10 – 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 ended December 31, 2019 and 2018.

NOTE 11 – RELATED-PARTY TRANSACTIONS

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, 2019 and 2018, amounts paid to ACCION International were \$61,237 and \$93,819, respectively. Approximately \$15,000 and \$63,000 was due to ACCION International at December 31, 2019 and 2018, respectively, relating to this shared services agreement. On April 1, 2020, ACCION terminated the shared services agreement.

ACCION East, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 11 – RELATED-PARTY TRANSACTIONS (Continued)

ACCION entered into a trademark sublicense agreement with ACCION, The U.S. Network (the “Network”) that was effective December 31, 2011 and had an initial three-year term. It is automatically renewed every three years. 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 East, Inc. paid \$15,000 and \$20,000 to the Network for the years ended December 31, 2019 and 2018, respectively. The Network (n/k/a ACCION Opportunity Fund, Inc.) combined with Opportunity Fund on February 28, 2020. As a result of the combination, the trademark sublicense agreement was terminated with immediate effect. A roll-off period through December 31, 2020 was provided for continued use of the trademark.

ACCION entered into a Managed Service Provider (“MSP”) agreement with the Network in 2018, allowing ACCION to use the Network’s technology platform, and for which the Network provides ongoing support. ACCION East, Inc. paid \$191,900 and \$171,638 under the MSP agreement and for related costs in 2019 and 2018, respectively, to the Network. The MSP agreement expired on January 24, 2020.

In addition, ACCION reimbursed the Network for certain consultant costs relating to the buildout of the technology platform. ACCION East, Inc. paid \$14,573 and \$281,320 in 2019 and 2018, respectively, to the Network to cover these costs. In anticipation of the expiration of aforementioned MSP agreement, ACCION and the Network entered into an IP Transfer agreement that conferred and transferred full rights to the jointly developed technology platform and all of ACCION’s data warehouse by the Network on November 21, 2019.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the consolidated statement of financial position through June 19, 2020, the date the consolidated financial statements were available to be issued.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a pandemic, which continues to spread throughout the United States. ACCION could be materially and adversely affected by the risks, or the public perception of the risks, related to an epidemic, pandemic, outbreak, or other public health crisis, such as the recent outbreak of COVID-19. The ultimate extent of the impact of any epidemic, pandemic or other health crisis on the ACCION’s mission, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of such epidemic, pandemic or other health crisis and actions taken to contain or prevent their further spread, among others. Accordingly, we cannot predict the extent to which the ACCION’s financial condition and results of operations will be affected.

On March 27, 2020, in response to COVID-19, the federal government passed the Coronavirus Aid, Relief, and Economic Stability Act (“CARES Act”). Among many other provisions, to help businesses retain employees, the CARES Act provides relief to qualifying businesses through a program called the Paycheck Protection Program (“PPP”). Participating in the PPP enables the business to obtain a loan from the Small Business Administration sector of the government. The maximum loan amount is equal to the lesser of (a) 2.5 times the entity’s average monthly payroll costs, as defined and incurred during the one-year period before the date on which the loan is made; or (b) \$10 million. The term of the loan is two years and bears interest at a fixed rate of 1% per annum. If the proceeds from the loan are used for specified purposes, some or all of the loan can be forgiven, based on how much is spent in the eight week period immediately following funding of the loan times a forgiveness factor that is based on employee headcount and amounts paid to ACCION’s employees. ACCION applied for this loan through an SBA authorized lender and received approximately \$828,000 in May 2020.

Due to the impact of COVID-19 on its borrowers, ACCION initiated a payment deferment program in mid-March 2020 and through April 2020 for its microloan borrowers, which has affected approximately 50% of its portfolio. Deferments were initially for three months, but are expected to be extended another three months given the measured re-opening across the regions served.

ACCION East, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 12 – SUBSEQUENT EVENTS (Continued)

In order to participate in the second round of the SBA PPP to support its borrowers' needs, ACCION raised \$5.9 million in new credit facilities during April and May 2020, and has drawn down \$4.4 million from these facilities. The new facilities include a \$900,000 increase in its existing line of credit with TD Bank, at the same rate and maturity as the existing line; a new \$2.0 million revolving loan with Banco Santander, of which \$500,000 has been drawn, and matures May 2024 and bears a fixed annual rate of 3.875%; and, a \$3.0 million term loan with New York State Urban Development Corporation, which is fully-drawn, and matures January 1, 2023 and bears a fixed annual rate of 0.25%. SBA authorization for the PPP program expires June 30, 2020 and until the SBA determines what lending authorization remains under the current fiscal year appropriation, it has instructed all SBA Community Advantage lenders, including ACCION, to temporarily suspend all new SBA Community Advantage loan originations.

ACCION East, Inc.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019

| | <u>ACCION-NY</u> | <u>ACCION-MA</u> | <u>Total</u> | <u>Consolidating Eliminations</u> | <u>Consolidated Total</u> |
|---|----------------------|------------------|----------------------|---------------------------------------|-------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 1,453,589 | \$ - | \$ 1,453,589 | \$ - | \$ 1,453,589 |
| Restricted cash for loan funds | 1,100,657 | - | 1,100,657 | - | 1,100,657 |
| Contributions and grants receivable | 1,448,360 | - | 1,448,360 | - | 1,448,360 |
| Interest on loans receivable | 439,315 | - | 439,315 | - | 439,315 |
| Loans receivable, net | 17,769,369 | - | 17,769,369 | - | 17,769,369 |
| Prepaid expenses and other assets | 211,605 | 2,018 | 213,623 | - | 213,623 |
| Property and equipment, net | <u>216,333</u> | <u>-</u> | <u>216,333</u> | <u>-</u> | <u>216,333</u> |
| TOTAL ASSETS | <u>\$ 22,639,228</u> | <u>\$ 2,018</u> | <u>\$ 22,641,246</u> | <u>\$ -</u> | <u>\$ 22,641,246</u> |
| LIABILITIES | | | | | |
| Accounts payable and accrued expenses | \$ 576,546 | \$ - | \$ 576,546 | \$ - | \$ 576,546 |
| Other liabilities | 45,225 | 9,971 | 55,196 | - | 55,196 |
| Deferred rent | 107,286 | - | 107,286 | - | 107,286 |
| Notes and recoverable grants payable | 14,784,675 | - | 14,784,675 | - | 14,784,675 |
| Subordinated debt | <u>1,500,000</u> | <u>-</u> | <u>1,500,000</u> | <u>-</u> | <u>1,500,000</u> |
| TOTAL LIABILITIES | <u>17,013,732</u> | <u>9,971</u> | <u>17,023,703</u> | <u>-</u> | <u>17,023,703</u> |
| NET ASSETS (DEFICIT) | | | | | |
| Without donor restrictions | 4,937,405 | (7,953) | 4,929,452 | - | 4,929,452 |
| With donor restrictions | <u>688,091</u> | <u>-</u> | <u>688,091</u> | <u>-</u> | <u>688,091</u> |
| TOTAL NET ASSETS (DEFICIT) | <u>5,625,496</u> | <u>(7,953)</u> | <u>5,617,543</u> | <u>-</u> | <u>5,617,543</u> |
| TOTAL LIABILITIES AND NET ASSETS (DEFICIT) | <u>\$ 22,639,228</u> | <u>\$ 2,018</u> | <u>\$ 22,641,246</u> | <u>\$ -</u> | <u>\$ 22,641,246</u> |

ACCION East, Inc.
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018

| | <u>ACCION-NY</u> | <u>ACCION-MA</u> | <u>Total</u> | <u>Consolidating Eliminations</u> | <u>Consolidated Total</u> |
|---|----------------------|------------------|----------------------|---------------------------------------|-------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 2,278,032 | \$ - | \$ 2,278,032 | \$ - | \$ 2,278,032 |
| Restricted cash for loan funds | 4,383,157 | - | 4,383,157 | - | 4,383,157 |
| Contributions and grants receivable | 1,775,293 | 52,275 | 1,827,568 | - | 1,827,568 |
| Interest on loans receivable | 410,756 | - | 410,756 | - | 410,756 |
| Loans receivable, net | 14,824,691 | - | 14,824,691 | - | 14,824,691 |
| Prepaid expenses and other assets | 159,638 | 2,020 | 161,658 | - | 161,658 |
| Property and equipment, net | <u>345,932</u> | <u>-</u> | <u>345,932</u> | <u>-</u> | <u>345,932</u> |
| TOTAL ASSETS | <u>\$ 24,177,499</u> | <u>\$ 54,295</u> | <u>\$ 24,231,794</u> | <u>\$ -</u> | <u>\$ 24,231,794</u> |
| LIABILITIES | | | | | |
| Accounts payable and accrued expenses | \$ 583,139 | \$ - | \$ 583,139 | \$ - | \$ 583,139 |
| Other liabilities | 283,745 | 10,752 | 294,497 | - | 294,497 |
| Deferred rent | 121,966 | - | 121,966 | - | 121,966 |
| Notes and recoverable grants payable | 15,189,596 | - | 15,189,596 | - | 15,189,596 |
| Subordinated debt | <u>500,000</u> | <u>-</u> | <u>500,000</u> | <u>-</u> | <u>500,000</u> |
| TOTAL LIABILITIES | <u>16,678,446</u> | <u>10,752</u> | <u>16,689,198</u> | <u>-</u> | <u>16,689,198</u> |
| NET ASSETS | | | | | |
| Without donor restrictions | 5,936,301 | 6,693 | 5,942,994 | - | 5,942,994 |
| With donor restrictions | <u>1,562,752</u> | <u>36,850</u> | <u>1,599,602</u> | <u>-</u> | <u>1,599,602</u> |
| TOTAL NET ASSETS | <u>7,499,053</u> | <u>43,543</u> | <u>7,542,596</u> | <u>-</u> | <u>7,542,596</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 24,177,499</u> | <u>\$ 54,295</u> | <u>\$ 24,231,794</u> | <u>\$ -</u> | <u>\$ 24,231,794</u> |

ACCION East, Inc.
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

| | ACCION-NY | | Total ACCION | ACCION-MA | | Total ACCION-MA | Consolidating Eliminations | Consolidated Total | | |
|---|-------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|--------------------|-------------------------------|-------------------------------|----------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | | Without Donor Restrictions | With Donor Restrictions | | | Without Donor Restrictions | With Donor Restrictions | Total |
| SUPPORT AND REVENUE: | | | | | | | | | | |
| Contributions and grants | \$ 2,095,886 | \$ 1,714,240 | \$ 3,810,126 | \$ - | \$ - | \$ - | \$ - | \$ 2,095,886 | \$ 1,714,240 | \$ 3,810,126 |
| Special events revenue (net of direct expenses of \$26,782) | 135,343 | - | 135,343 | - | - | - | - | 135,343 | - | 135,343 |
| Total contributions and grant revenue | <u>2,231,229</u> | <u>1,714,240</u> | <u>3,945,469</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,231,229</u> | <u>1,714,240</u> | <u>3,945,469</u> |
| Revenue: | | | | | | | | | | |
| Interest on loans | 1,897,315 | - | 1,897,315 | - | - | - | - | 1,897,315 | - | 1,897,315 |
| Program fees | 1,239,062 | - | 1,239,062 | - | - | - | - | 1,239,062 | - | 1,239,062 |
| Interest income | 17,624 | - | 17,624 | - | - | - | - | 17,624 | - | 17,624 |
| Other revenue | 104,779 | - | 104,779 | - | - | - | - | 104,779 | - | 104,779 |
| Total Revenue | <u>3,258,780</u> | <u>-</u> | <u>3,258,780</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,258,780</u> | <u>-</u> | <u>3,258,780</u> |
| Net assets released from restrictions | <u>2,588,901</u> | <u>(2,588,901)</u> | <u>-</u> | <u>36,850</u> | <u>(36,850)</u> | <u>-</u> | <u>-</u> | <u>2,625,751</u> | <u>(2,625,751)</u> | <u>-</u> |
| TOTAL SUPPORT AND REVENUE | <u>8,078,910</u> | <u>(874,661)</u> | <u>7,204,249</u> | <u>36,850</u> | <u>(36,850)</u> | <u>-</u> | <u>-</u> | <u>8,115,760</u> | <u>(911,511)</u> | <u>7,204,249</u> |
| EXPENSES: | | | | | | | | | | |
| Program services: | | | | | | | | | | |
| Lending/Development Services | 6,404,348 | - | 6,404,348 | 51,496 | - | 51,496 | - | 6,455,844 | - | 6,455,844 |
| Community Advantage | 1,016,494 | - | 1,016,494 | - | - | - | - | 1,016,494 | - | 1,016,494 |
| Total program services | <u>7,420,842</u> | <u>-</u> | <u>7,420,842</u> | <u>51,496</u> | <u>-</u> | <u>51,496</u> | <u>-</u> | <u>7,472,338</u> | <u>-</u> | <u>7,472,338</u> |
| Supporting services: | | | | | | | | | | |
| Management and general | 840,549 | - | 840,549 | - | - | - | - | 840,549 | - | 840,549 |
| Fundraising | 816,415 | - | 816,415 | - | - | - | - | 816,415 | - | 816,415 |
| Total supporting services | <u>1,656,964</u> | <u>-</u> | <u>1,656,964</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,656,964</u> | <u>-</u> | <u>1,656,964</u> |
| TOTAL EXPENSES | <u>9,077,806</u> | <u>-</u> | <u>9,077,806</u> | <u>51,496</u> | <u>-</u> | <u>51,496</u> | <u>-</u> | <u>9,129,302</u> | <u>-</u> | <u>9,129,302</u> |
| CHANGE IN NET ASSETS | <u>(998,896)</u> | <u>(874,661)</u> | <u>(1,873,557)</u> | <u>(14,646)</u> | <u>(36,850)</u> | <u>(51,496)</u> | <u>-</u> | <u>(1,013,542)</u> | <u>(911,511)</u> | <u>(1,925,053)</u> |
| Net assets - beginning of year | <u>5,936,301</u> | <u>1,562,752</u> | <u>7,499,053</u> | <u>6,693</u> | <u>36,850</u> | <u>43,543</u> | <u>-</u> | <u>5,942,994</u> | <u>1,599,602</u> | <u>7,542,596</u> |
| NET ASSETS (DEFICIT) - END OF YEAR | <u>\$ 4,937,405</u> | <u>\$ 688,091</u> | <u>\$ 5,625,496</u> | <u>\$ (7,953)</u> | <u>\$ -</u> | <u>\$ (7,953)</u> | <u>\$ -</u> | <u>\$ 4,929,452</u> | <u>\$ 688,091</u> | <u>\$ 5,617,543</u> |

ACCION East, Inc.
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

| | ACCION-NY | | Total ACCION | ACCION-MA | | Total ACCION-MA | Consolidating Eliminations | Consolidated Total | | |
|---|-------------------------------|----------------------------|-----------------|-------------------------------|----------------------------|--------------------|-------------------------------|-------------------------------|----------------------------|--------------|
| | Without Donor Restrictions | With Donor Restrictions | | Without Donor Restrictions | With Donor Restrictions | | | Without Donor Restrictions | With Donor Restrictions | Total |
| SUPPORT AND REVENUE: | | | | | | | | | | |
| Contributions and grants | \$ 1,593,711 | \$ 2,899,450 | \$ 4,493,161 | \$ - | \$ 79,700 | \$ 79,700 | \$ - | \$ 1,593,711 | \$ 2,979,150 | \$ 4,572,861 |
| Special events revenue (net of direct expenses of \$26,785) | 117,825 | - | 117,825 | - | - | - | - | 117,825 | - | 117,825 |
| Total contributions and grant revenue | 1,711,536 | 2,899,450 | 4,610,986 | - | 79,700 | 79,700 | - | 1,711,536 | 2,979,150 | 4,690,686 |
| Revenue: | | | | | | | | | | |
| Interest on loans | 1,632,208 | - | 1,632,208 | - | - | - | - | 1,632,208 | - | 1,632,208 |
| Program fees | 939,502 | - | 939,502 | - | - | - | - | 939,502 | - | 939,502 |
| Interest income | 5,126 | - | 5,126 | - | - | - | - | 5,126 | - | 5,126 |
| Other revenue | 92,224 | - | 92,224 | 2,774,972 | - | 2,774,972 | (2,774,972) | 92,224 | - | 92,224 |
| Total Revenue | 2,669,060 | - | 2,669,060 | 2,774,972 | - | 2,774,972 | (2,774,972) | 2,669,060 | - | 2,669,060 |
| Net assets released from restrictions | 4,058,443 | (4,058,443) | - | 42,850 | (42,850) | - | - | 4,101,293 | (4,101,293) | - |
| TOTAL SUPPORT AND REVENUE | 8,439,039 | (1,158,993) | 7,280,046 | 2,817,822 | 36,850 | 2,854,672 | (2,774,972) | 8,481,889 | (1,122,143) | 7,359,746 |
| EXPENSES: | | | | | | | | | | |
| Program services: | | | | | | | | | | |
| Lending/Development Services | 8,801,283 | - | 8,801,283 | 42,873 | - | 42,873 | (2,215,022) | 6,629,134 | - | 6,629,134 |
| Community Advantage | 595,552 | - | 595,552 | - | - | - | (76,899) | 518,653 | - | 518,653 |
| Total program services | 9,396,835 | - | 9,396,835 | 42,873 | - | 42,873 | (2,291,921) | 7,147,787 | - | 7,147,787 |
| Supporting services: | | | | | | | | | | |
| Management and general | 1,303,107 | - | 1,303,107 | - | - | - | (274,928) | 1,028,179 | - | 1,028,179 |
| Fundraising | 780,213 | - | 780,213 | - | - | - | (208,123) | 572,090 | - | 572,090 |
| Total supporting services | 2,083,320 | - | 2,083,320 | - | - | - | (483,051) | 1,600,269 | - | 1,600,269 |
| TOTAL EXPENSES | 11,480,155 | - | 11,480,155 | 42,873 | - | 42,873 | (2,774,972) | 8,748,056 | - | 8,748,056 |
| CHANGE IN NET ASSETS | (3,041,116) | (1,158,993) | (4,200,109) | 2,774,949 | 36,850 | 2,811,799 | - | (266,167) | (1,122,143) | (1,388,310) |
| Net assets (deficit) - beginning of year | 8,977,417 | 2,721,745 | 11,699,162 | (2,768,256) | - | (2,768,256) | - | 6,209,161 | 2,721,745 | 8,930,906 |
| NET ASSETS - END OF YEAR | \$ 5,936,301 | \$ 1,562,752 | \$ 7,499,053 | \$ 6,693 | \$ 36,850 | \$ 43,543 | \$ - | \$ 5,942,994 | \$ 1,599,602 | \$ 7,542,596 |

ACCION East, Inc.
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

| | ACCION - NY | | | | | | | ACCION-MA | | | ACCION East, Inc. | | | | | | | |
|--|-------------------------------|---------------------|------------------------|------------------------|-------------------|---------------------------|----------------------|-------------------------------|------------------|-------------------------------|---------------------|------------------------|------------------------|---------------------|---------------------------|---------------------|--|--------------------|
| | Program Services | | | Supporting Services | | | | Program Services | | | Program Services | | | Supporting Services | | | | Consolidated Total |
| | Lending/ Development Services | Community Advantage | Total Program Services | Management and General | Fundraising | Total Supporting Services | Total | Lending/ Development Services | Total | Lending/ Development Services | Community Advantage | Total Program Services | Management and General | Fundraising | Total Supporting Services | | | |
| Personnel costs | \$ 3,051,412 | \$ 527,698 | \$ 3,579,110 | \$ 358,525 | \$ 635,279 | \$ 993,804 | \$ 4,572,914 | \$ - | \$ - | \$ 3,051,412 | \$ 527,698 | \$ 3,579,110 | \$ 358,525 | \$ 635,279 | \$ 993,804 | \$ 4,572,914 | | |
| Professional fees and marketing | 313,831 | 108,424 | 422,255 | 389,195 | 73,095 | 462,290 | 894,545 | - | - | 313,831 | 108,424 | 422,255 | 389,195 | 73,095 | 462,290 | 894,545 | | |
| Office and occupancy | 435,380 | 58,344 | 493,724 | 50,952 | 74,002 | 124,954 | 618,678 | - | - | 435,380 | 58,344 | 493,724 | 50,952 | 74,002 | 124,954 | 618,678 | | |
| Travel and conferences | 123,542 | 15,666 | 139,208 | 14,458 | 20,998 | 35,456 | 174,664 | - | - | 123,542 | 15,666 | 139,208 | 14,458 | 20,998 | 35,456 | 174,664 | | |
| Interest and fees | 582,294 | 105,181 | 687,475 | - | - | - | 687,475 | - | - | 582,294 | 105,181 | 687,475 | - | - | - | 687,475 | | |
| Depreciation and amortization | 114,341 | 15,321 | 129,662 | 13,380 | 19,433 | 32,813 | 162,475 | - | - | 114,341 | 15,321 | 129,662 | 13,380 | 19,433 | 32,813 | 162,475 | | |
| Loan loss provision | 1,498,795 | 169,784 | 1,668,579 | - | - | - | 1,668,579 | - | - | 1,498,795 | 169,784 | 1,668,579 | - | - | - | 1,668,579 | | |
| Other expenses | 284,753 | 16,076 | 300,829 | 14,039 | 20,390 | 34,429 | 335,258 | 51,496 | 51,496 | 336,249 | 16,076 | 352,325 | 14,039 | 20,390 | 34,429 | 386,754 | | |
| Subtotal before costs of direct benefits to donors | 6,404,348 | 1,016,494 | 7,420,842 | 840,549 | 843,197 | 1,683,746 | 9,104,588 | 51,496 | 51,496 | 6,455,844 | 1,016,494 | 7,472,338 | 840,549 | 843,197 | 1,683,746 | 9,156,084 | | |
| Less: costs of direct benefits to donors | - | - | - | - | (26,782) | (26,782) | (26,782) | - | - | - | - | - | - | (26,782) | (26,782) | (26,782) | | |
| TOTAL EXPENSES | \$ 6,404,348 | \$ 1,016,494 | \$ 7,420,842 | \$ 840,549 | \$ 816,415 | \$ 1,656,964 | \$ 22,740,850 | \$ 51,496 | \$ 51,496 | \$ 6,455,844 | \$ 1,016,494 | \$ 7,472,338 | \$ 840,549 | \$ 816,415 | \$ 1,656,964 | \$ 9,129,302 | | |

ACCION East, Inc.
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

| | ACCION - NY | | | | | | ACCION-MA | | | | | Consolidating Eliminations | | | | ACCION East, Inc. | | | | | | | |
|--|-------------------------------|---------------------|------------------------|------------------------|-------------------|---------------------------|-------------------------------|------------------------|-------------|---------------------------|-------------|-------------------------------|-----------------------|------------------------|---------------------|-------------------------------|---------------------|------------------------|------------------------|-------------------|---------------------------|---------------------|----------|
| | Program Services | | | Supporting Services | | | Program Services | | | Supporting Services | | Program Services | | Supporting Services | | Program Services | | | Supporting Services | | | Consolidated Total | |
| | Lending/ Development Services | Community Advantage | Total Program Services | Management and General | Fundraising | Total Supporting Services | Lending/ Development Services | Management and General | Fundraising | Total Supporting Services | Total | Lending/ Development Services | Community Advantage | Management and General | Fundraising | Lending/ Development Services | Community Advantage | Total Program Services | Management and General | Fundraising | Total Supporting Services | | |
| Personnel costs | \$ 3,501,613 | \$ 235,376 | \$ 3,736,989 | \$ 570,474 | \$ 426,768 | \$ 997,242 | \$ 4,734,231 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 3,501,613 | \$ 235,376 | \$ 3,736,989 | \$ 570,474 | \$ 426,768 | \$ 997,242 | \$ 4,734,231 | |
| Professional fees and marketing | 328,679 | 149,348 | 478,027 | 346,928 | 88,249 | 435,177 | 913,204 | - | - | - | - | - | - | - | - | 328,679 | 149,348 | 478,027 | 346,928 | 88,249 | 435,177 | 913,204 | |
| Office and occupancy | 464,204 | 16,813 | 481,017 | 57,993 | 43,998 | 101,991 | 583,008 | - | - | - | - | - | - | - | - | 464,204 | 16,813 | 481,017 | 57,993 | 43,998 | 101,991 | 583,008 | |
| Travel and conferences | 158,479 | 9,388 | 167,867 | 19,658 | 14,981 | 34,639 | 198,416 | - | - | - | - | - | - | - | - | 158,479 | 9,388 | 167,867 | 19,658 | 14,981 | 34,639 | 198,416 | |
| Interest and fees | 506,747 | 44,212 | 550,959 | - | - | - | 550,959 | - | - | - | - | - | - | - | - | 506,747 | 44,212 | 550,959 | - | - | - | 550,959 | |
| Depreciation and amortization | 84,741 | 2,887 | 87,628 | 10,512 | 7,957 | 18,469 | 106,097 | 23 | - | - | - | 23 | - | - | - | 84,764 | 2,887 | 87,651 | 10,512 | 7,957 | 18,469 | 106,120 | |
| Loan loss provision | 1,222,813 | 62,711 | 1,285,524 | - | - | - | 1,285,524 | - | - | - | - | - | - | - | - | 1,222,813 | 62,711 | 1,285,524 | - | - | - | 1,285,524 | |
| Other expenses | 2,533,907 | 81,807 | 2,615,714 | 297,942 | 226,545 | 524,487 | 3,139,201 | 42,890 | - | - | - | 42,890 | (2,215,022) | (76,899) | (274,928) | 361,735 | 4,908 | 366,643 | 23,014 | 17,422 | 40,436 | 407,079 | |
| Subtotal before costs of direct benefits to donors | 8,801,283 | 595,552 | 9,396,835 | 1,303,107 | 808,998 | 2,110,105 | 11,508,940 | 42,873 | - | - | - | 42,873 | (2,215,022) | (76,899) | (274,928) | 6,629,134 | 518,653 | 7,147,787 | 1,028,179 | 598,875 | 1,627,054 | 8,774,841 | |
| Less: costs of direct benefits to donors | - | - | - | - | (26,785) | (26,785) | (26,785) | - | - | - | - | - | - | - | - | - | - | - | - | (26,785) | (26,785) | (26,785) | (26,785) |
| TOTAL EXPENSES | \$ 8,801,283 | \$ 595,552 | \$ 9,396,835 | \$ 1,303,107 | \$ 782,213 | \$ 2,083,320 | \$ 11,482,155 | \$ 42,873 | \$ - | \$ - | \$ - | \$ 42,873 | \$ (2,215,022) | \$ (76,899) | \$ (274,928) | \$ 6,629,134 | \$ 518,653 | \$ 7,147,787 | \$ 1,028,179 | \$ 572,090 | \$ 1,600,269 | \$ 8,748,056 | |