

ACCION

ACCION, THE U.S. NETWORK, INC.

**Financial Statements
(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, THE U.S. NETWORK, INC.
FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Accion, The U.S. Network, Inc.

We have audited the accompanying financial statements of Accion, The U.S. Network, Inc. (the "Network"), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 financial statements referred to above present fairly, in all material respects, the financial position of Accion, The U.S. Network, 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.

Marks Paneth LLP

New York, NY
March 28, 2020

ACCION, THE U.S. NETWORK, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents (Notes 2B and 6)	\$ 3,887,461	\$ 4,387,746
Grants and pledges receivable (Notes 2D and 2G)	-	291,688
Other receivables (Note 2G)	15,911	100,415
Prepaid expenses and other assets (Note 4)	6,875	229,883
Security deposits	12,750	12,750
TOTAL ASSETS	\$ 3,922,997	\$ 5,022,482
LIABILITIES		
Accounts payable and accrued expenses	\$ 195,577	\$ 849,069
TOTAL LIABILITIES	195,577	849,069
COMMITMENTS AND CONTINGENCIES (Note 8)		
NET ASSETS (Note 2C)		
Without donor restrictions		
Available for operations	1,517,870	1,055,418
Board designated	100,000	100,000
Total without donor restrictions	1,617,870	1,155,418
With donor restrictions (Note 5)	2,109,550	3,017,995
TOTAL NET ASSETS	3,727,420	4,173,413
TOTAL LIABILITIES AND NET ASSETS	\$ 3,922,997	\$ 5,022,482

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

ACCION, THE U.S. NETWORK, INC.
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	Total	Without Donor Restrictions	With Donor Restrictions
SUPPORT AND REVENUE:						
Contributions and grants (Note 2D)	\$ 6,713	\$ 3,140,000	\$ 3,146,713	\$ 4,875,148	\$ 133,648	\$ 4,741,500
Donated services (Note 2E)	1,014,119	-	1,014,119	1,852,431	1,852,431	-
Membership dues (Note 2F)	75,000	-	75,000	80,000	80,000	-
AMP fee income	364,610	-	364,610	402,088	402,088	-
Interest	83,196	-	83,196	44,222	44,222	-
Net assets released from restrictions (Note 5)	4,048,445	(4,048,445)	-	-	4,304,798	(4,304,798)
TOTAL SUPPORT AND REVENUE	<u>5,592,083</u>	<u>(908,445)</u>	<u>4,683,638</u>	<u>7,253,889</u>	<u>6,817,187</u>	<u>436,702</u>
EXPENSES:						
Program services	4,350,956	-	4,350,956	5,803,062	5,803,062	-
Supporting services:						
Management and general	647,433	-	647,433	535,326	535,326	-
Fundraising	131,242	-	131,242	183,177	183,177	-
Total Supporting Services	<u>778,675</u>	<u>-</u>	<u>778,675</u>	<u>718,503</u>	<u>718,503</u>	<u>-</u>
TOTAL EXPENSES	<u>5,129,631</u>	<u>-</u>	<u>5,129,631</u>	<u>6,521,565</u>	<u>6,521,565</u>	<u>-</u>
CHANGE IN NET ASSETS	462,452	(908,445)	(445,993)	732,324	295,622	436,702
Net assets - beginning of year	<u>1,155,418</u>	<u>3,017,995</u>	<u>4,173,413</u>	<u>3,441,089</u>	<u>859,796</u>	<u>2,581,293</u>
NET ASSETS - END OF YEAR	<u>\$ 1,617,870</u>	<u>\$ 2,109,550</u>	<u>\$ 3,727,420</u>	<u>\$ 4,173,413</u>	<u>\$ 1,155,418</u>	<u>\$ 3,017,995</u>

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

ACCION, THE U.S. NETWORK, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Year Ended December 31, 2019				Year Ended December 31, 2018			
	Supporting Services			2019 Total	Supporting Services			2018 Total
Program Services	Management and General	Fundraising	Program Services		Management and General	Fundraising		
Salaries and fringe benefits	\$ 1,697,960	\$ 241,255	\$ 107,264	\$ 2,046,479	\$ 1,895,334	\$ 1,437,143	\$ 298,072	\$ 160,119
Grant expense	813,180	-	-	813,180	1,372,080	1,371,080	-	1,000
Professional fees	489,921	94,653	8,213	592,787	537,616	403,395	121,376	12,845
Donated services (Note 2E)	743,000	271,119	-	1,014,119	1,852,431	1,780,224	72,207	-
Subscription dues and fees	13,388	1,633	334	15,355	10,733	9,498	906	329
Insurance	6,260	939	192	7,391	7,367	6,262	810	295
Occupancy	75,548	11,328	2,319	89,195	90,697	77,092	9,977	3,628
Office supplies	697	92	46	835	2,152	1,935	159	58
Technology and systems (Note 2J)	430,444	-	-	430,444	638,282	638,282	-	-
Travel and conferences	59,375	18,670	8,083	86,128	80,805	54,293	23,307	3,205
Postage and shipping	408	22	390	820	1,196	1,132	47	17
Printing and publications	36	5	1	42	265	225	29	11
Telephone	12,810	1,894	451	15,155	10,140	8,619	1,115	406
Repairs and maintenance	7,929	1,189	3,707	12,825	16,332	13,882	1,797	653
Miscellaneous expenses	-	4,634	242	4,876	6,135	-	5,524	611
TOTAL EXPENSES	\$ 4,350,956	\$ 647,433	\$ 131,242	\$ 5,129,631	\$ 6,521,565	\$ 5,803,062	\$ 535,326	\$ 183,177

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

ACCION, THE U.S. NETWORK, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (445,993)	\$ 732,324
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Grants and pledges receivable	291,688	23,910
Other receivables	84,504	3,909
Prepaid expenses and other assets	223,008	151,450
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	(653,492)	532,457
Net Cash (Used in) Provided by Operating Activities	(500,285)	1,444,050
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(500,285)	1,444,050
Cash and cash equivalents - beginning of year	4,387,746	2,943,696
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,887,461	\$ 4,387,746

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

ACCION, THE U.S. NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Accion, The U.S. Network, Inc. (the “Network”) was incorporated on December 7, 2011. The Network envisions a world in which all hardworking entrepreneurs have the financial access and tools they need to improve their lives and enhance the well-being of their families, communities and local economies for years to come.

The mission of the Network is to assist in building world-class microfinance institutions in the United States to enhance economic development through increasing access to credit and otherwise promoting financial inclusion and health for members of low-to-moderate income communities.

The Network works with its member organizations as well as other leading micro lenders on a national scale to propel the flow of resources, support, tools and information through fundraising, training and education, media, partnerships and programmatic opportunities to encourage development, sustainability and growth of the micro lending institutions.

The Network is a nonprofit charitable organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. ***Basis of Accounting*** – The Network’s financial statements have been prepared on the accrual basis of accounting. The Network adheres to accounting principles generally accepted in the United States of America (“U.S. GAAP”).
- B. ***Cash and Cash Equivalents*** – Cash and cash equivalents consist of all highly liquid debt instruments purchased with maturities of three months or less.
- C. ***Basis of Presentation*** – the Network maintains its net assets under the following two classes:
- Without donor restrictions – includes the net assets that are not restricted by donor-imposed stipulations. As of both December 31, 2019 and 2018, board designated funds amounted to \$100,000 to establish a Capacity Building Fund.
 - With donor restrictions – resources received with donor stipulations that limit the use of the donated assets or place time restrictions on the resources. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.
- D. ***Contributions, Grants and Pledges Receivable*** – Contributions and grants, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend on are substantially met. Contributions of assets other than cash are reported at their estimated fair value.

Unconditional promises to give that are expected to be collected within one year are recorded as pledges receivable at net realizable value. Unconditional promises to give that are expected to be collected in future years are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortized is included in contribution revenue. All grants and pledges receivable as of December 31, 2019 and 2018 are due within one year. Contributions are accounted for under ASU 2018-08.

- E. ***Donated Services*** – Donated services are recognized in the 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. The Network received donated legal and consulting services that are valued at the standard market rates that would have been incurred by the Network to obtain such services. Donated services are reported as revenue and expense in the accompanying statements of activities, since they meet the criteria for recognition under U.S. GAAP. The Network received donated services of \$1,014,119 and \$1,852,431 during 2019 and 2018, respectively. In 2019, approximately \$271,000 related to donated legal services and approximately \$743,000 related to donated consulting services. The consulting services supported an intensive and comprehensive strategic planning process which was completed in 2019.

ACCION, THE U.S. NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- F. **Membership Dues** – Membership dues are recognized as revenues in the period due and are recorded as increases in net assets without donor restrictions.
- G. **Allowance For Doubtful Accounts** – As of December 31, 2019 and 2018, the Network determined that no allowance was necessary relative to its pledges, contract, and other receivables. Such estimates are based on management’s assessment of the creditworthiness of donors, review of individual accounts outstanding, as well as current economic conditions and historical information.
- H. **Use of Estimates** – 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.
- I. **Functional Allocation of Expenses** – The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries, payroll taxes and employee benefits, which are allocated on the basis of estimates of time and effort. Other allocated expenses include rent, office supplies, insurance, and telecommunications which are allocated across programs and supporting services in proportion to direct costs.
- J. **Technology Expenses** – The Network leads the Accion Modernization Project (“AMP”), a collaborative effort to standardize and streamline lending processes and systems across the Network. The AMP software resides in the cloud where certain Network members access it on a fee for services basis. Such arrangements are referred to as hosting arrangements. Under U.S. GAAP, hosting arrangements that meet certain criteria are treated as service contracts and not capitalized. Accordingly, the Network has expensed the costs associated with building the AMP lending platform.
- K. **New Accounting Pronouncement** – FASB ASU 2014-09, “Revenue from Contracts with Customers” (Topic 606) was adopted by the Network for the year ended December 31, 2019. The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services.

FASB ASU 2018-08, “Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made” (Topic 958) was also adopted by the Network for the year ended December 31, 2019. The core guidance 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 as further described in Note 2D.

These changes had no impact on the Network for the year ended December 31, 2019.

ACCION, THE U.S. NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES FOR GENERAL EXPENDITURES

The Network regularly monitors liquidity required to meet its operating needs, while also striving to maximize the investment of its available funds. The Network has liquidity at its disposal, the majority of which is cash and cash equivalents. For the purposes of analyzing resources available to meet general expenditures over a twelve-month period, the Network considers all expenditures related to its ongoing program activities as well as service undertaken to support those activities to be general expenditures.

As of December 31, 2019, financial assets available to meet general expenditures over the next year were as follows:

Cash and cash equivalents	\$ 3,887,461
Other receivables	<u>15,911</u>
	<u>\$ 3,903,372</u>

NOTE 4 – PREPAID EXPENSES AND OTHER ASSETS

The Network purchased Cloud Lending licenses and support services for use by members over a twelve-month period in December 1, 2018 for a total cost of \$242,600. Eleven months of this cost totaling \$222,383 was considered a prepaid expense and other asset as of December 31, 2018. No such prepaid balances exist as of December 31, 2019.

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2019 and 2018 are to support program activities. During the years ended December 31, 2019 and 2018, the Network released net assets with donor restrictions by satisfying purpose restrictions.

NOTE 6 – CONCENTRATION

Cash and cash equivalents that potentially subject the Network to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation (“FDIC”) insurance limits. Cash accounts are insured up to \$250,000 per depositor. As of December 31, 2019 and 2018, no cash and cash equivalents were held by banks that exceeded FDIC limits. The Network reviews the concentration of credit risk with the Board of Directors on an ongoing basis. In addition, as of December 31, 2019 and 2018, approximately \$3,800,000 and \$4,300,000 of funds were invested in mutual funds that invest in low risk vehicles such as U.S. treasuries and U.S. government agencies. While not covered by FDIC, the underlying securities in the account are protected by the Securities Investor Protection Corporation (“SIPC”) up to \$500,000. As of December 31, 2019 and 2018, funds that exceeded SIPC limits amounted to approximately \$3,300,000 and \$3,800,000, respectively.

NOTE 7 – TRADEMARK AGREEMENT AND OTHER

The Network entered into a trademark sublicense agreement with Accion International, Inc. (“Accion”) effective December 31, 2011, with an initial three-year term. The agreement provides for the legal use of the ‘Accion’ brand name by the Network. The sublicense agreement was automatically renewed for an additional three years effective December 31, 2014 and again for an additional three years effective December 31, 2017.

The Network also has a Shared Services Agreement with Accion. As of December 31, 2019 and 2018, the Network has a balance due to Accion of approximately \$13,000 and \$0, respectively.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

- A. The Network has a month-to-month lease for its office space. Rent expense for the years ended December 31, 2019 and 2018 amounted to \$89,195 and \$90,697, respectively.
- B. The Network believes it has no uncertain tax positions as of December 31, 2019 and 2018 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, THE U.S. NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through May 28, 2020, the date the financial statements were available to be issued.

With the purpose of significantly expanding its mission outreach in the United States, effective February 28, 2020, the Network became parent and the sole member of Opportunity Fund Community Development (“OF”), a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code. OF’s mission is to drive economic mobility by delivering affordable capital and responsible financial solutions to determined entrepreneurs and communities. Total net assets of OF for its fiscal year ended June 30, 2019 were approximately \$26.3 million, total revenues were approximately \$31.3 million and total expenses were approximately \$31.4 million.

Related to this combination, as of February 28, 2020, the Network changed its legal name from Accion, The U.S. Network, Inc., to Accion Opportunity Fund with a fiscal year beginning July 1, 2020. The Network’s Board voted to amend the articles of incorporation and by-laws, and the Network has removed Board-designated net assets of \$100,000. In addition, a new trademark agreement was signed between Accion Global and the Network, and defined a roll-off period of December 31, 2020 for the licenses currently in place between the Network and the Accion affiliates.

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. The Network 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 Network’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, the Network cannot predict the extent to which its financial condition and results of operations will be affected.