

Grameen America, Inc.

Consolidated Financial Statements

December 31, 2013 and 2012

Grameen America, Inc.
Index
December 31, 2013 and 2012

	Page(s)
Independent Auditor's Report	1-2
Consolidated Financial Statements	
Statements of Financial Position.....	3
Statements of Activities and Changes in Net Assets	4
Statements of Cash Flows	5
Notes to Financial Statements	6-11



Independent Auditor's Report

To the Board of Directors of
Grameen America, Inc.

We have audited the accompanying consolidated financial statements of Grameen America, Inc. ("the Organization"), which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of activities and changes in net assets, and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the 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 our 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, we consider internal control relevant to the Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial position of Grameen America, Inc. at December 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

August 14, 2014

Grameen America, Inc.
Consolidated Statements of Financial Position
December 31, 2013 and 2012

(in thousands of dollars)

	2013	2012
Assets		
Current assets		
Cash and cash equivalents	\$ 9,906	\$ 6,217
Contributions and grants receivable	7,163	8,476
Program loan receivables, net	19,819	11,109
Accounts receivable	170	-
Other current assets	48	-
Total current assets	37,106	25,802
Contributions and grants receivable	2,946	1,074
Furniture and equipment, net	120	10
Other assets	298	277
Total assets	\$ 40,470	\$ 27,163
Liabilities		
Current liabilities		
Accounts payable	\$ 94	\$ 19
Accrued expenses	418	306
Notes payable	256	168
Other current liabilities	30	-
Total current liabilities	798	493
Notes payable	12,459	7,017
Total liabilities	13,257	7,510
Net assets		
Unrestricted	13,909	7,034
Temporarily restricted	13,304	12,619
Total net assets	27,213	19,653
Total liabilities and net assets	\$ 40,470	\$ 27,163

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

Grameen America, Inc.
Consolidated Statements of Activities and Changes in Net Assets
Years Ended December 31, 2013 and 2012

<i>(in thousands of dollars)</i>	2013	2012
Changes in unrestricted net assets		
Revenues		
Contributions	\$ 1,556	\$ 683
Program loan interest income	2,189	1,311
Net assets released from restrictions	<u>12,185</u>	<u>4,434</u>
Total revenues and other support	<u>15,930</u>	<u>6,428</u>
Expenses		
Program services	7,724	4,749
Management and general	<u>1,331</u>	<u>830</u>
Total expenses	<u>9,055</u>	<u>5,579</u>
Increase in unrestricted net assets	<u>6,875</u>	<u>849</u>
Changes in temporarily restricted net assets		
Contributions	12,870	11,854
Net assets released from restrictions	<u>(12,185)</u>	<u>(4,434)</u>
Increase in temporarily restricted net assets	<u>685</u>	<u>7,420</u>
Increase in net assets	7,560	8,269
Net assets		
Beginning of the year	<u>19,653</u>	<u>11,384</u>
End of year	<u>\$ 27,213</u>	<u>\$ 19,653</u>

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

Grameen America, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2013 and 2012

(in thousands of dollars)

	2013	2012
Operating activities		
Change in net assets	\$ 7,560	\$ 8,269
Adjustments to reconcile change in net assets to net cash provided by operations		
Bad debt expense	191	119
Depreciation expense	12	14
Change in operating net assets		
Increase in contributions and grants receivable	(559)	(6,327)
Decrease in deferred revenue	-	(100)
Increase in accounts payable and accrued expenses	187	161
Increase in other assets and other liabilities	(209)	(10)
Net cash provided by operating activities	<u>7,182</u>	<u>2,126</u>
Investing activities		
Disbursements to borrowers under program-related loans	(62,579)	(34,480)
Payments received on program-related loans receivable	53,678	29,510
Change in restricted cash	-	(58)
Purchase of furniture, equipment and software	(122)	(4)
Net cash used in investing activities	<u>(9,023)</u>	<u>(5,032)</u>
Financing activities		
Proceeds from notes payable	5,698	1,511
Repayments of notes payable	(168)	(1,001)
Net cash provided by financing activities	<u>5,530</u>	<u>510</u>
Net increase (decrease) in cash	3,689	(2,396)
Cash		
Beginning of year	<u>6,217</u>	<u>8,613</u>
End of year	<u>\$ 9,906</u>	<u>\$ 6,217</u>

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

Grameen America, Inc.

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

(in thousands of dollars)

1. Nature of Operations

Grameen America, Inc. is the parent organization of the wholly-controlled entities including Grameen America LLC, Grameen America California LLC, Grameen America Indiana LLC, Grameen Nebraska LLC, Grameen America Iowa LLC, Grameen America North Carolina LLC and Grameen America Puerto Rico LLC, collectively referred to in the financial statements as “the Organization”.

Grameen America Inc. is a not-for-profit organization incorporated in December 2007 under the laws of the Commonwealth of Massachusetts. The mission of the Organization is to assist with alleviating poverty in the United States through entrepreneurship, in accordance with the Grameen model of micro lending initiated by professor Muhammad Yunus and the Grameen Bank of Bangladesh. The Organization’s model includes providing micro loans at manageable interest rates, creating a culture of savings and individual responsibility through mutual cooperation, and educating the working poor through financial management. The Organization currently operates in New York (NY), Omaha (NE), Indianapolis (IN), Charlotte (NC), San Francisco (CA), Los Angeles (CA) and San Juan (Puerto Rico). Grameen America, Inc. also maintains administrative offices in New York, NY.

2. Summary of Significant Accounting Policies

Basis of Accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting, in conformity with generally accepted accounting principles in the United States of America.

Principles of Consolidation

The consolidated financial statements include the financial statements of Grameen America, Inc. and its wholly-controlled entities. All intercompany balances and transactions have been eliminated in consolidation.

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, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. On an on-going basis, the Organization evaluates its estimates, including those related to the recoverability of program loans receivable and the collectibility of contributions and grants receivable. Actual results may differ from those estimates.

Income Tax Status

Grameen America, Inc. is a not-for-profit organization exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) as determined by the Internal Revenue Service in its letter dated June 21, 2012. Management is not aware of any circumstances that would change the original determination.

Cash and Cash Equivalents

Cash equivalents are highly liquid investments with an original maturity of three months or less.

Grameen America, Inc.

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

(in thousands of dollars)

Program Loans Receivable, Net

The Organization uses the allowance method to account for potentially uncollectible loans to program participants. Program participants are individuals who meet the Federal poverty guidelines, and who are given small loans to start or expand a business generating income for the individual. The participants are charged simple interest on the declining balance of the loan. Generally the terms of the loans are for one year or less, with equal weekly payments. The Organization's business depends on the creditworthiness of its participants and their ability to fulfill their obligations to the Organization and the members of their borrowing group. The Organization maintains an allowance that reflects management's judgment and estimation of losses inherent in the portfolio. The Organization reviews its allowance for adequacy considering economic conditions and trends and credit quality indicators, including past write-off experience and level of past due loans. Based on the review performed, an allowance of 1.5% - 2.5% of gross program loans receivable is recorded.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to a concentration of credit risk consist of cash and program loans receivable. Cash is deposited with high-credit quality financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC), up to \$250. The account balances fluctuate during the year and can exceed this limit. The Organization regularly monitors the financial stability of the banks and does not believe it is exposed to any significant credit risk on its cash. The Organization's program loans receivable are derived from micro loans provided to individuals. Concentrations of credit risk with respect to loans receivable are limited because a large number of customers make up the Organization's customer base. At December 31, 2013 and 2012, no single borrower represents greater than 0.09% and 0.07%, respectively, of total program loans receivable. The Organization manages credit risk through credit limits and monitoring procedures. The Organization performs ongoing credit evaluations of its borrowers but does not require collateral to support the loans.

The Organization is dependent on donations and contributions for funding. The Organization believes that its relationships with its principal contributors are satisfactory and does not anticipate any significant changes in the amount of funding. For the years ended December 31, 2013 and 2012, the largest five donors accounted for approximately 54% and 48%, respectively, of unrestricted and temporary restricted contributions revenues. These donors comprised 71% and 60%, respectively, of contributions and grants receivable as of December 31, 2013 and 2012.

Furniture and Equipment

All furniture and equipment is recorded at cost. Additions and improvements are capitalized, while repairs are expensed in the year incurred. Depreciation is computed using the straight-line method over the assets' estimated useful lives, which are between 3 and 10 years.

Net Assets

Net assets are classified in two categories: unrestricted or temporarily restricted. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Temporarily restricted net assets are contributions with temporary, donor-imposed time or purpose restrictions. At December 31, 2013 and 2012, all temporarily restricted net assets relate to donations to the Organization to provide loans and services at the various branch locations.

Grameen America, Inc.
Notes to Consolidated Financial Statements
December 31, 2013 and 2012

(in thousands of dollars)

Revenues and Support

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received or promised. Conditional contributions are recorded when the conditions have been met.

The Organization reports contributions in the temporarily restricted net asset class if they are received with donor stipulations as to their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are released and reclassified to unrestricted net assets in the consolidated statement of activities and changes in net assets. Donor-restricted contributions are initially reported in the temporarily restricted net asset class, even if it is anticipated such restrictions will be met in the current reporting period. Based on historical collection trends, no allowance for uncollectible contributions and grants receivable was recorded as of December 31, 2013 and 2012.

Contributed Services and Property

Contributed services are reported at fair value in the financial statements for voluntary donations of services when those services (1) create or enhance nonfinancial assets or (2) require specialized skills provided by individuals possessing those skills and are services which would be typically purchased if not provided by donation.

The Organization generally pays for services requiring specific expertise. However, some individuals may volunteer their time and perform a variety of tasks that assist the Organization as well as serving on the Board of Directors. For the years ended December 31, 2013 and 2012, donated legal and other services requiring specialized skills in the amount of \$1,160 and \$397 were reflected within contributions revenues and management and general expenses in the consolidated statements of activities and changes in net assets. For the years ended December 31, 2013 and 2012, donated space for offices in the amount of \$117 and \$101 was reflected within contributions revenues and management and general expenses in the consolidated statements of activities and changes in net assets.

Advertising

Advertising costs are expensed as incurred. Advertising expense charged to operations for the years ended December 31, 2013 and 2012 was \$8 and \$4, respectively.

Reclassifications

Certain amounts have been reclassified to conform to current year presentation.

3. Program Loans Receivable

Program loans receivable consisted of the following at December 31, 2013 and 2012:

	2013	2012
Program loans receivable	\$ 20,120	\$ 11,321
Allowance	(301)	(212)
Program loans receivable, net	<u>\$ 19,819</u>	<u>\$ 11,109</u>

Grameen America, Inc.
Notes to Consolidated Financial Statements
December 31, 2013 and 2012

(in thousands of dollars)

4. Furniture and Equipment, Net

Furniture and equipment consisted of the following at December 31, 2013 and 2012:

	2013	2012
Furniture	\$ 14	\$ 9
Equipment	117	44
Software and Other	44	-
Less: Accumulated depreciation	<u>(55)</u>	<u>(43)</u>
Furniture and equipment, net	<u>\$ 120</u>	<u>\$ 10</u>

5. Notes Payable

Notes payable at December 31, 2013 and 2012 consisted of fixed-rate loans from foundations, institutions and individuals with various interest rates ranging from 0% to 3%, respectively, per annum and due in varying amounts through 2021. The agreements contain provisions whereby the Organization is required to maintain specific financial ratios (i.e., current ratio, net asset, capital, loan receivable coverage, liquidity), maintain net income at break-even and maintain a minimum loan loss reserve fund of 15% of total microloans current outstanding within 120 days. Additionally, the Organization was required to submit annual audited financial statements within 180 days of the end of the fiscal year. At December 31, 2013, the Organization was not in compliance with all these covenants since they did not submit the annual audited financial statements within 180 days. However, the Organization obtained a waiver from their lenders on this covenant requirement. The Organization treats the loan loss reserve as restricted cash for accounting purposes, which is reported within other assets in the consolidated statements of financial position. At December 31, 2013 and 2012, the loan loss reserve was \$258.

The scheduled principal repayments under these notes as of December 31, 2013 are as follows:

2014	\$ 256
2015	1,406
2016	4,226
2017	1,751
2018	4,801
2019 and later	<u>275</u>
	<u>\$ 12,715</u>

Grameen America, Inc.
Notes to Consolidated Financial Statements
December 31, 2013 and 2012

(in thousands of dollars)

6. Commitments and Contingencies

The Organization leases office space in New York, Omaha, Indianapolis, Charlotte, San Francisco, Los Angeles, San Juan, San Jose and Jersey City. These leases expire over periods ranging from June 2014 through December 2018. The remaining minimum payment obligations under these leases are as follows:

2014	\$	280
2015		180
2016		127
2017		105
2018		74
	<u>\$</u>	<u>766</u>

Total rent expense for the years ended December 31, 2013 and 2012 is \$236 and \$120, respectively, excluding rent expense related to donated office space discussed in Note 2 above.

Contributions and grants receivable at December 31, 2013 consisted of unconditional promises to give from foundations, institutions and individuals. The scheduled receivables under these commitments are as follows:

Less than 1 year	\$	7,163
1–5 years		2,946
	<u>\$</u>	<u>10,109</u>

7. Functional Allocation of Expenses

Expenses are presented on a functional basis in the consolidated statements of activities and changes in net assets. Accordingly, certain costs have been allocated for the programs and supporting services benefited based on management's estimates.

	December 31, 2013		
	Program Services	Support Services	Total Expenses
Salaries and benefits	\$ 5,045	\$ 607	\$ 5,652
Professional fees	1,024	537	1,561
Office expense	490	56	546
Rent and utilities	332	41	373
Other expense	385	15	400
Travel	320	28	348
License and insurance expense	32	5	37
Advertising and events	96	42	138
	<u>\$ 7,724</u>	<u>\$ 1,331</u>	<u>\$ 9,055</u>

Grameen America, Inc.
Notes to Consolidated Financial Statements
December 31, 2013 and 2012

(in thousands of dollars)

	December 31, 2012		
	Program Services	Support Services	Total Expenses
Salaries and benefits	\$ 3,245	\$ 400	\$ 3,645
Professional fees	552	237	789
Office expense	386	43	429
Rent and utilities	186	35	221
Other expense	157	69	226
Travel	160	19	179
License and insurance expense	36	10	46
Advertising and events	27	17	44
	<u>\$ 4,749</u>	<u>\$ 830</u>	<u>\$ 5,579</u>

As discussed in Note 2, noncash contributions of legal and other services of \$1,160 and \$397 for the years ended December 31, 2013 and 2012, respectively, are included in professional fees. Noncash contributions of office space of \$117 and \$101 for the years ended December 31, 2013 and 2012, respectively, are included in rent and utilities.

8. Subsequent Events

The Organization performed an evaluation of subsequent events through August 14, 2014, which is the date the consolidated financial statements were available to be issued.