# Grameen America, Inc.
## Consolidated Financial Statements
## December 31, 2015 and 2014

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# 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, 2015 and 2014, and the related consolidated statements of activities and changes in net assets and 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, 2015 and 2014, and their changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

May 16, 2016

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# Grameen America, Inc.
## Consolidated Statements of Financial Position
## December 31, 2015 and 2014

| *(in thousands of dollars)* | | **2015** | | **2014** |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets | | | | |
| Cash and cash equivalents | $ | 12,104 | $ | 4,660 |
| Contributions and grants receivable | | 3,421 | | 5,853 |
| Program loans receivable | | 44,643 | | 33,009 |
| Allowance for loan losses | | (782) | | (509) |
| Program loans receivable, net | | 43,861 | | 32,499 |
| Program loan interest receivable | | 280 | | - |
| Other assets | | 251 | | 150 |
| Total current assets | | 59,917 | | 43,162 |
| Contributions and grants receivable | | 2,095 | | 2,080 |
| Furniture and equipment, net | | 216 | | 251 |
| Other assets | | 76 | | 46 |
| Total assets | $ | 62,304 | $ | 45,539 |
| **Liabilities** | | | | |
| Current liabilities | | | | |
| Accounts payable | $ | 97 | $ | 18 |
| Accrued expenses | | 737 | | 520 |
| Notes payable | | 2,680 | | 1,265 |
| Other current liabilities | | 99 | | 67 |
| Total current liabilities | | 3,613 | | 1,870 |
| Notes payable | | 28,233 | | 15,808 |
| Total liabilities | | 31,846 | | 17,678 |
| **Net assets** | | | | |
| Unrestricted | | 24,181 | | 20,223 |
| Temporarily restricted | | 6,277 | | 7,638 |
| Total net assets | | 30,458 | | 27,861 |
| Total liabilities and net assets | $ | 62,304 | $ | 45,539 |

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, 2015 and 2014

| *(in thousands of dollars)* | **2015** | **2014** |
|---|---|---|
| **Changes in unrestricted net assets** | | |
| Revenues | | |
| Contributions | $ 2,307 | $ 1,902 |
| Program interest income - loans | 5,644 | 3,879 |
| Net assets released from restrictions | 10,637 | 13,126 |
| Other income | 154 | - |
| Total revenues and other support | 18,742 | 18,907 |
| Expenses | | |
| Program services | 12,109 | 10,952 |
| Management and general | 2,675 | 1,641 |
| Total expenses | 14,784 | 12,593 |
| Increase in unrestricted net assets | 3,958 | 6,314 |
| **Changes in temporarily restricted net assets** | | |
| Contributions | 10,526 | 7,460 |
| Net assets released from restrictions | (10,637) | (13,126) |
| Write off of grants | (1,250) | - |
| Decrease in temporarily restricted net assets | (1,361) | (5,666) |
| Increase in net assets | 2,597 | 648 |
| **Net assets** | | |
| Beginning of the year | 27,861 | 27,213 |
| End of year | $ 30,458 | $ 27,861 |

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

# Grameen America, Inc.
## Consolidated Statements of Cash Flows
## Years Ended December 31, 2015 and 2014

| *(in thousands of dollars)* | 2015 | 2014 |
|---|---|---|
| **Operating activities** | | |
| Change in net assets | $ 2,597 | $ 648 |
| Adjustments to reconcile change in net assets to net cash provided by operations | | |
| Charge-off | 659 | 343 |
| Depreciation expense | 70 | 42 |
| Contributed securities | (276) | (29) |
| Liquidation of contributed securities | 266 | 29 |
| Change in operating net assets | | |
| Decrease in contributions and grants receivable | 2,417 | 2,176 |
| Increase in accounts payable and accrued expenses | 296 | 26 |
| (Increase) decrease in other assets and other liabilities | (164) | 66 |
| Net cash provided by operating activities | 5,865 | 3,301 |
| **Investing activities** | | |
| Program-related loan disbursements | (152,277) | (100,992) |
| Program-related loan repayments | 140,091 | 88,018 |
| Change in restricted cash | - | 258 |
| Purchase of furniture, equipment and software | (35) | (173) |
| Net cash used in investing activities | (12,221) | (12,889) |
| **Financing activities** | | |
| Proceeds from notes payable | 14,550 | 6,000 |
| Repayments of notes payable | (750) | (1,658) |
| Net cash provided by financing activities | 13,800 | 4,342 |
| Net increase (decrease) in cash | 7,444 | (5,246) |
| **Cash and cash equivalents** | | |
| Beginning of year | 4,660 | 9,906 |
| End of year | $ 12,104 | $ 4,660 |
| **Supplemental disclosure of cash flow information** | | |
| Contributed securities | $ 276 | $ 29 |

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

*(in thousands of dollars)*

**1. Nature of Operations**

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

The Organization 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 Organization’s 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 financial management education for the working poor. The Organization currently operates through a network of 18 branches in New York (NY), Omaha (NE), Indianapolis (IN), Charlotte (NC), San Francisco (CA), Los Angeles (CA), San Jose (CA), Union City (NJ), Austin (TX), Boston (MA), and San Juan (Puerto Rico). The Organization 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 (“GAAP”).

**Principles of Consolidation**
The consolidated financial statements include the financial statements of the Organization and its wholly-controlled entities. All intercompany balances and transactions have been eliminated in consolidation.

**Use of Estimates**
The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates relate to recoverability of program loans receivable and the collectability of contributions and grants receivable. Actual results may differ from those estimates.

**Income Tax Status**
The Organization 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.

*(in thousands of dollars)*

**Program Loans Receivable, Net**

The Organization uses the allowance method to account for potentially uncollectible loans to program participants who are also called program members. 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. Program members 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 other members of their borrowing group. The Organization maintains an allowance for loan losses that reflects management's judgment and estimation of losses inherent in the portfolio. The Organization reviews its allowance for loan losses for adequacy considering economic conditions and trends and credit quality indicators, including past write-off experience and level of past due loans. Management has established, an allowance of 1.75% and 1.54% of gross program loans receivable is recorded within the consolidated statements of financial position as of December 31, 2015 and 2014.

The current lending program of the Organization can be based upon complex laws and regulations. Noncompliance with such laws and regulations could result in fines, penalties, and exclusion from such programs. The Organization is not aware of any noncompliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that could have a material adverse effect on its consolidated financial statements.

**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, 2015 and 2014, no single borrower represented more than 0.02% of the total program loans receivable balance. 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 that it will be able to raise the funding required to adequately support their mission. For the years ended December 31, 2015 and 2014, the largest five donors accounted for approximately 51% and 53%, respectively, of unrestricted and temporary restricted contributions revenues. These donors comprised 57% and 79%, respectively, of contributions and grants receivable as of December 31, 2015 and 2014.

**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.

*(in thousands of dollars)*

**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, 2015 and 2014, all temporarily restricted net assets relate to either donations to the Organization to provide loans and services at the various branch locations or to assist with the technological advancements of the various branch locations.

**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 as revenue within the consolidated statements of activities and changes in net assets 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.

**Contributed Services and Goods**
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, 2015 and 2014, donated legal and other goods and services in the amount of $387, and $1,115, respectively, and donated salaries and benefits of $360 and $350 for the years ended December 31, 2015 and 2014, respectively, were reflected within contributions revenues and management and general expenses in the consolidated statements of activities and changes in net assets.

**Recent Accounting Pronouncements**
In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, Leases (Topic 842). Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of leases with a term of twelve months or less) at the commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis: and (b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. The guidance requires a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements. The modified retrospective approach would not require any transition accounting for leases that expire before the earliest comparative period presented. A full retrospective transition approach is not permitted. The guidance will be effective for the Organization beginning in fiscal year 2019. Early adoption is

*(in thousands of dollars)*

permitted. The Organization is currently assessing the impact this will have on their consolidated financial statements.

## 3. Program Loans Receivable

Program loans receivable consisted of the following at December 31, 2015 and 2014:

| | 2015 | 2014 |
|---|---|---|
| Program loans receivable | $ 44,643 | $ 33,008 |
| Allowance for loan losses | (782) | (509) |
| Program loans receivable, net | $ 43,861 | $ 32,499 |

Allowance for loan losses consisted of the following at December 31, 2015 and 2014:

| | 2015 | 2014 |
|---|---|---|
| Balance, beginning of year | $ 509 | $ 301 |
| Provision for Loan Losses | 460 | 343 |
| Charge-offs | (187) | (135) |
| Balance, end of year | $ 782 | $ 509 |

## 4. Furniture and Equipment, Net

Furniture and equipment consisted of the following at December 31, 2015 and 2014:

| | 2015 | 2014 |
|---|---|---|
| Furniture | $ 23 | $ 23 |
| Equipment | 227 | 212 |
| Software and other | 133 | 113 |
| Less: Accumulated depreciation | (167) | (97) |
| Furniture and equipment, net | $ 216 | $ 251 |

## 5. Notes Payable

Notes Payable at December 31, 2015 consisted of fixed-rate loans from foundations and institutions with various interest rates and due in varying amounts through 2021. The agreements contain provisions whereby the Organization is required to maintain specific financial ratios (e.g., current ratio, net asset, capital, liquidity), and other requirements such as maintaining net income at break-even and to maintain a certain level of allowance for loan-losses. The Organization is also

*(in thousands of dollars)*

required to submit annual audited financial statements within 150 days of the end of fiscal year. At December 31, 2015 and 2014, the Organization was in compliance with all financial covenants.

The scheduled principal repayments under these notes as of December 31, 2015 are as follows:

| | | |
|---|---|---|
| 2016 | $ | 2,625 |
| 2017 | | 3,250 |
| 2018 | | 8,650 |
| 2019 | | 8,500 |
| 2020 | | 4,644 |
| 2021 and later | | 3,189 |
| | $ | 30,858 |

## 6. Commitments and Contingencies

The Organization leases office space in New York, Omaha, Indianapolis, Charlotte, San Francisco Los Angeles, San Juan, San Jose, Boston, Austin, and Jersey City. These leases expire over periods ranging from June 2016 through December 2020. The remaining minimum payment obligations under these leases are as follows:

| | | |
|---|---|---|
| 2016 | $ | 796 |
| 2017 | | 720 |
| 2018 | | 643 |
| 2019 | | 571 |
| 2020 | | 552 |
| | $ | 3,282 |

Total rent expense for the years ended December 31, 2015 and 2014 is $728 and $395, respectively, excluding rent expense related to donated office space discussed in Note 2 above.

Contributions and grants receivable consisted of unconditional promises to give from foundations, institutions and individuals. The scheduled receivables under these commitments as of December 31, 2015 and 2014 are as follows:

| | | 2015 | | 2014 |
|---|---|---|---|---|
| Less than 1 year | $ | 3,421 | $ | 5,853 |
| 1–5 years, Gross amount | | 2,150 | | 2,080 |
| Less: Discount to present value | | (55) | | - |
| Contributions and grants receivable, net | $ | 5,516 | $ | 7,933 |

*(in thousands of dollars)*

## 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, 2015 | | |
|---|---|---|---|
| | Program Services | Support Services | Total Expenses |
| Salaries and benefits | $ 8,159 | $ 1,592 | $ 9,751 |
| Professional fees | 323 | 561 | 884 |
| Office expense | 735 | 235 | 970 |
| Rent and utilities | 675 | 138 | 813 |
| Other expense | 1,749 | 54 | 1,803 |
| Travel | 393 | 55 | 448 |
| License and insurance expense | 45 | 24 | 69 |
| Advertising and events | 30 | 16 | 46 |
| | $ 12,109 | $ 2,675 | $ 14,784 |

| | December 31, 2014 | | |
|---|---|---|---|
| | Program Services | Support Services | Total Expenses |
| Salaries and benefits | $ 7,476 | $ 861 | $ 8,337 |
| Professional fees | 969 | 476 | 1,445 |
| Office expense | 703 | 101 | 804 |
| Rent and utilities | 586 | 80 | 666 |
| Other expense | 688 | 20 | 708 |
| Travel | 390 | 43 | 433 |
| License and insurance expense | 45 | 17 | 62 |
| Advertising and events | 95 | 43 | 138 |
| | $ 10,952 | $ 1,641 | $ 12,593 |

## 8. Subsequent Events

The Organization performed an evaluation of subsequent events through May 16, 2016, which is the date the consolidated financial statements were available to be issued.