

Grameen America, Inc.

Consolidated Financial Statements

December 31, 2016 and 2015

Grameen America, Inc.
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December 31, 2016 and 2015

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Report of Independent Auditors

To the Board of Directors of
Grameen America, Inc.

We have audited the accompanying consolidated financial statements of Grameen America, Inc. and its subsidiaries which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, 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 Company'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 Company'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. and its subsidiaries at December 31, 2016 and 2015, and changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

May 1, 2017

Grameen America, Inc.
Consolidated Statements of Financial Position
December 31, 2016 and 2015

(in thousands of dollars)

	2016	2015
Assets		
Current assets		
Cash and cash equivalents	\$ 11,190	\$ 12,104
Restricted cash	450	-
Contributions and grants receivable	7,504	3,421
Program loans receivable	58,805	44,923
Allowance for loan losses	(1,045)	(782)
Program loans receivable, net	<u>57,760</u>	<u>44,141</u>
Other current assets	<u>375</u>	<u>251</u>
Total current assets	77,279	59,917
Contributions and grants receivable	780	2,095
Furniture and equipment, net	167	216
Other assets	<u>97</u>	<u>76</u>
Total assets	<u>\$ 78,323</u>	<u>\$ 62,304</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 161	\$ 97
Accrued expenses	627	737
Notes payable	4,881	2,680
Other current liabilities	<u>155</u>	<u>99</u>
Total current liabilities	5,824	3,613
Notes payable	<u>37,511</u>	<u>28,233</u>
Total liabilities	<u>43,335</u>	<u>31,846</u>
Net assets		
Unrestricted	27,483	24,181
Temporarily restricted	<u>7,505</u>	<u>6,277</u>
Total net assets	<u>34,988</u>	<u>30,458</u>
Total liabilities and net assets	<u>\$ 78,323</u>	<u>\$ 62,304</u>

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, 2016 and 2015

<i>(in thousands of dollars)</i>	2016	2015
Changes in unrestricted net assets		
Revenues		
Contributions	\$ 1,932	\$ 2,307
Grant revenue	1,788	-
Program interest income - loans	7,896	5,644
Net assets released from restrictions	7,661	10,637
Other income	135	154
Total revenues and other support	<u>19,412</u>	<u>18,742</u>
Expenses		
Program services	14,152	12,109
Management and general	1,958	2,675
Total expenses	<u>16,110</u>	<u>14,784</u>
Increase in unrestricted net assets	<u>3,302</u>	<u>3,958</u>
Changes in temporarily restricted net assets		
Contributions	8,889	10,526
Net assets released from restrictions	(7,661)	(10,637)
Write off of grants	-	(1,250)
Increase (decrease) in temporarily restricted net assets	<u>1,228</u>	<u>(1,361)</u>
Increase in net assets	4,530	2,597
Net assets		
Beginning of the year	<u>30,458</u>	<u>27,861</u>
End of year	<u>\$ 34,988</u>	<u>\$ 30,458</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, 2016 and 2015

(in thousands of dollars)

	2016	2015
Operating activities		
Change in net assets	\$ 4,530	\$ 2,597
Adjustments to reconcile change in net assets to net cash provided by operations		
Provision for loan losses and portfolio adjustments	436	459
Depreciation expense	75	70
Contributed securities	(18)	(276)
Liquidation of contributed securities	19	266
Change in operating net assets		
(Increase) decrease in contributions and grants receivable	(2,769)	2,617
Increase (decrease) in accounts payable and accrued expenses	(45)	296
(Increase) decrease in other assets and other liabilities	21	(164)
Net cash provided by operating activities	<u>2,249</u>	<u>5,865</u>
Investing activities		
Program-related loan disbursements	(208,931)	(152,277)
Program-related loan repayments	194,712	140,091
Change in restricted cash	(450)	
Purchase of furniture, equipment and software	(26)	(35)
Net cash used in investing activities	<u>(14,695)</u>	<u>(12,221)</u>
Financing activities		
Proceeds from notes payable	12,232	14,550
Repayments of notes payable	(700)	(750)
Net cash provided by financing activities	<u>11,532</u>	<u>13,800</u>
Net (decrease) increase in cash	(914)	7,444
Cash and cash equivalents		
Beginning of year	12,104	4,660
End of year	<u>\$ 11,190</u>	<u>\$ 12,104</u>
Supplemental disclosure of cash flow information		
Contributed securities	\$ 18	\$ 276

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

Grameen America, Inc.

Notes to Consolidated Financial Statements

December 31, 2016 and 2015

(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 Association Inc., Grameen American (NY), Inc., 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 19 branches in New York (NY), Omaha (NE), Indianapolis (IN), Charlotte (NC), San Francisco (CA), Los Angeles (CA), San Jose (CA), Union City (NJ), Newark (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.

The Organization has no unrecognized tax benefits as of December 31, 2016 or 2015. The Organization's federal and state income tax returns prior to fiscal year 2013 are closed and

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Notes to Consolidated Financial Statements

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(in thousands of dollars)

management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

If applicable, the Organization will recognize interest and penalties associated with tax matters as management and general expenses in in the consolidated statements of activities and changes in net assets and include accrued interest and penalties in accrued expenses in the consolidated statements of financial position. There were no interest or penalties for the years ended December 31, 2016 and 2015.

Cash and Cash Equivalents

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

Restricted Cash

Restricted cash represents fixed amounts that have to be deployed for the purpose of the Prepaid Card Loan Disbursement Card Program. These amounts are held in designated bank accounts and are not immediately available for operating purposes.

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 twenty six weeks, with equal weekly installments. 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. 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. The Organization had a 99.3% repayment rate on program loans outstanding at December 31, 2015, which along with other factors was used to determine an allowance for doubtful accounts of 1.78% at December 31, 2016 and 2015.

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

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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, 2016 and 2015, 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, 2016 and 2015, the largest five donors accounted for approximately 64% and 51%, respectively, of unrestricted and temporary restricted contributions revenues. These donors comprised 49% and 57%, respectively, of contributions and grants receivable as of December 31, 2016 and 2015.

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, 2016 and 2015, 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.

Revenues under grants, and similar agreements are recognized at the time expenditures are incurred or at the time of the distribution of eligible loans under exchange based transactions.

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.

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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, 2016 and 2015, donated legal and other goods and services in the amount of \$1, and \$387, respectively, and donated salaries and benefits of \$430 and \$360 for the years ended December 31, 2016 and 2015, 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 January 2016, the FASB issued ASU 2016-01, Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. This guidance primarily affects accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. Certain financial institutions and companies with large equity investment portfolios that are not currently being measured at fair value through the income statement are most affected by the new standard. The new standard also allows entities that are not public business entities and do not carry financial instruments at fair value in the statement of financial position to no longer be required to disclose the fair value and significant assumptions used to estimate the fair value of such financial instruments. The standard is effective for fiscal years beginning after December 15, 2018 for nonpublic business entities. The Organization has early adopted the portion of the standard that eliminates the disclosure requirement for financial instruments that are not recorded at fair value.

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

In August 2016, the FASB issued ASU 2016-14, Presentation of Financial Statements for Not-for-Profit Entities. This standard marks the completion of the first phase of a larger project aimed at improving not-for-profit financial reporting. Under the new guidance, the existing three categories of net assets will be replaced with a simplified model that combines temporarily restricted and permanently restricted net assets into a single category called “net assets with donor restrictions” and renames unrestricted net assets as “net assets without donor restrictions.” There will be new reporting requirements for expenses and additional disclosures to describe an organization’s liquidity. The standard is effective for fiscal years beginning after December 15, 2017. The Organization is currently assessing the impact this standard will have on their 2018 consolidated financial statements.

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Reclassification

Certain amounts in the 2015 financial statements have been reclassified to conform with the current year presentation.

3. Program Loans Receivable

Program loans receivable consisted of the following at December 31, 2016 and 2015:

	2016	2015
Program loans receivable	\$ 58,805	\$ 44,923
Allowance for loan losses	(1,045)	(782)
Program loans receivable, net	<u>\$ 57,760</u>	<u>\$ 44,141</u>

Allowance for loan losses consisted of the following at December 31, 2016 and 2015:

	2016	2015
Balance, beginning of year	\$ 782	\$ 509
Provision for Loan Losses	511	460
Portfolio Charge-offs & Write Downs	(248)	(187)
Balance, end of year	<u>\$ 1,045</u>	<u>\$ 782</u>

4. Furniture and Equipment, Net

Furniture and equipment consisted of the following at December 31, 2016 and 2015:

	2016	2015
Furniture	\$ 23	\$ 23
Equipment	239	227
Software and other	147	133
Less: Accumulated depreciation	(242)	(167)
Furniture and equipment, net	<u>\$ 167</u>	<u>\$ 216</u>

5. Notes Payable

Notes payable at December 31, 2016 and 2015 consisted of fixed-rate loans from foundations and institutions with various interest rates and due in varying amounts through 2026. The agreements contain financial covenants 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 required to submit annual audited financial statements within 150 days of the end of fiscal year. At December 31, 2016 and 2015, the Organization was in compliance with all financial covenants.

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(in thousands of dollars)

The scheduled principal repayments under these notes as of December 31, 2016 are as follows:

2017	\$	4,881
2018		13,817
2019		6,667
2020		4,889
2021		9,188
2022 and later		2,950
	<u>\$</u>	<u>42,392</u>

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, Newark, and Jersey City. These leases expire over periods ranging from June 2016 through December 2022. The remaining minimum payment obligations under these leases are as follows:

2017	\$	855
2018		761
2019		666
2020		637
2021		216
2022 and later		88
	<u>\$</u>	<u>3,223</u>

Total rent expense for the years ended December 31, 2016 and 2015 is \$856 and \$728, respectively.

Contributions and grants receivable primarily consisted of unconditional promises to give from foundations, institutions and individuals. During fiscal year 2016, the Organization also received a grant for \$1,750,000 that has been recognized as an exchange transaction. The scheduled receivables under these commitments as of December 31, 2016 and 2015 are as follows:

	2016	2015
Less than 1 year	\$ 7,504	\$ 3,421
1–5 years, Gross amount	800	2,150
Less: Discount to present value	<u>(20)</u>	<u>(55)</u>
Contributions and grants receivable, net	<u>\$ 8,284</u>	<u>\$ 5,516</u>

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Notes to Consolidated Financial Statements
December 31, 2016 and 2015

(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, 2016		
	Program Services	Support Services	Total Expenses
Salaries and benefits	\$ 9,283	\$ 1,452	\$ 10,735
Professional fees	537	233	770
Office expense	977	117	1,094
Rent and utilities	872	76	948
Other expense	1,914	17	1,931
Travel	429	37	466
License and insurance expense	104	18	122
Advertising and events	36	8	44
	<u>\$ 14,152</u>	<u>\$ 1,958</u>	<u>\$ 16,110</u>

	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
	<u>\$ 12,109</u>	<u>\$ 2,675</u>	<u>\$ 14,784</u>

8. Subsequent Events

The Organization performed an evaluation of subsequent events through May 1, 2017, which is the date the consolidated financial statements were available to be issued.