AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2016

Selden Fox
Accounting for your future

ACCION/Chicago, Inc.
Audit Report
For the Year Ended December 31, 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
ACCION/Chicago, Inc.
Chicago, Illinois

We have audited the accompanying financial statements of **ACCION/Chicago, Inc.**, which comprise the statement of financial position as of December 31, 2016 and 2015, 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.

Auditor's 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 audits 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/Chicago, Inc. as of December 31, 2016 and 2015, 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.

Selden Fox, Ltd.

April 25, 2017

ACCION/Chicago, Inc.
Statement of Financial Position
December 31,

		2016		2015
Assets				
Cash:				
Unrestricted	**$**	**2,154,389**	$	1,606,295
Designated for loan loss reserve		**74,634**		68,511
Restricted cash		**1,343,209**		1,415,124
Total cash		**3,572,232**		3,089,930
Certificates of deposit		**504,886**		503,010
Government receivables		**490,702**		-
Contributions receivable		**391,512**		166,185
Loans receivable, less allowance for loan losses of $436,653 ($501,034 in 2015)		**3,000,894**		3,855,869
Prepaid expenses and other assets		**144,053**		140,897
Hatchery deposits		**164,370**		-
Property, equipment, and software, less accumulated depreciation and amortization		**442,730**		200,961
Total assets	**$**	**8,711,379**	$	7,956,852
Liabilities and Members' Equity				
Liabilities:				
Accounts payable	**$**	**267,421**	$	224,164
Accrued expenses		**208,064**		271,953
Refundable advances		**430,206**		782,188
Funds held for others		**256,275**		256,275
Notes payable, less discount of $1,011,161 ($963,975 in 2015)		**3,887,959**		2,478,353
Total liabilities		**5,049,925**		4,012,933
Net assets:				
Unrestricted		**922,366**		2,199,446
Temporarily restricted		**2,739,088**		1,744,473
Total net assets		**3,661,454**		3,943,919
Total liabilities and net assets	**$**	**8,711,379**	$	7,956,852

See accompanying notes.

ACCION/Chicago, Inc.
Statement of Activities
For the Year Ended December 31,

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public support and revenue:						
Public support:						
Contributions - corporations, foundations, and individuals	**$ 1,515,750**	**$ 153,555**	**$ 1,669,305**	$ 1,549,680	$ -	$ 1,549,680
Institute sponsorship	**290,400**	**-**	**290,400**	145,200	-	145,200
Imputed interest contribution	**-**	**266,069**	**266,069**	-	162,758	162,758
Donated services	**43,082**	**-**	**43,082**	-	-	-
Donated software	**-**	**297,604**	**297,604**	-	-	-
Total public support	**1,849,232**	**717,228**	**2,566,460**	1,694,880	162,758	1,857,638
Government agencies:						
Small Business Administration	**31,135**	**-**	**31,135**	34,902	-	34,902
U.S. Department of Commerce	**-**	**81,161**	**81,161**	-	-	-
U.S. Dept of the Treasury (CDFI)	**-**	**-**	**-**	1,000,000	-	1,000,000
City of Chicago	**-**	**411,482**	**411,482**	-	20,198	20,198
Other	**-**	**-**	**-**	1,000	-	1,000
Total government agencies support	**31,135**	**492,643**	**523,778**	1,035,902	20,198	1,056,100
Special events:						
Contributions and ticket sales	**151,925**	**-**	**151,925**	131,920	-	131,920
Less: direct benefit to donors	**(8,400)**	**-**	**(8,400)**	(9,840)	-	(9,840)
Total special events revenue, net	**143,525**	**-**	**143,525**	122,080	-	122,080
Other revenues:						
Loan interest	**373,901**	**110,659**	**484,560**	330,114	92,931	423,045
Administrative loan fees	**134,870**	**23,845**	**158,715**	160,988	41,047	202,035
Investment income	**1,987**	**245**	**2,232**	3,133	375	3,508
Participation income	**555,434**	**-**	**555,434**	358,556	118,442	476,998
Net assets released from restrictions	**350,005**	**(350,005)**	**-**	460,173	(460,173)	-
Total other revenues	**1,416,197**	**(215,256)**	**1,200,941**	1,312,964	(207,378)	1,105,586
Total public support and revenue	**3,440,089**	**994,615**	**4,434,704**	4,165,826	(24,422)	4,141,404
Expenses:						
Program services	**3,458,541**	**-**	**3,458,541**	2,795,397	-	2,795,397
Management and general/administrative	**654,406**	**-**	**654,406**	744,720	-	744,720
Fund-raising	**604,222**	**-**	**604,222**	486,395	-	486,395
Total expenses	**4,717,169**	**-**	**4,717,169**	4,026,512	-	4,026,512
Change in net assets	**(1,277,080)**	**994,615**	**(282,465)**	139,314	(24,422)	114,892
Net assets, beginning of year	**2,199,446**	**1,744,473**	**3,943,919**	2,060,132	1,768,895	3,829,027
Net assets, end of year	**$ 922,366**	**$ 2,739,088**	**$ 3,661,454**	$ 2,199,446	$ 1,744,473	$ 3,943,919

See accompanying notes.

ACCION/Chicago, Inc.
Statement of Functional Expenses
For the Year Ended December 31,

	2016				2015			
	Program	Administrative	Fund-raising	**Total**	Program	Administrative	Fund-raising	Total
Functional expenses:								
Salaries and wages	$ 1,826,296	$ 366,223	$ 343,651	**$ 2,536,170**	$ 1,496,319	$ 464,483	$ 285,249	$ 2,246,051
Payroll taxes and fringe benefits	363,110	70,917	71,772	**505,799**	279,262	86,595	55,524	421,381
Credit and collection	253,141	-	-	**253,141**	241,453	2,771	1,382	245,606
Interest	62,015	-	1,000	**63,015**	33,006	-	-	33,006
Amortization of imputed interest for notes payable issued below fair value	152,560	-	-	**152,560**	109,849	-	-	109,849
Provision for loan losses	235,949	-	-	**235,949**	242,253	-	-	242,253
Occupancy	105,080	21,071	19,773	**145,924**	102,529	31,938	19,609	154,076
Professional fees and consultants	191,082	84,876	29,856	**305,814**	62,690	52,270	9,991	124,951
Professional fees and consultants - Hatchery	-	34,380	245	**34,625**	39,611	11,458	7,063	58,132
Donated services	31,024	6,221	5,838	**43,083**	-	-	-	-
Telephone	16,170	3,324	2,687	**22,181**	16,725	4,236	3,263	24,224
Insurance	4,870	7,532	913	**13,315**	3,078	6,889	583	10,550
Equipment rental and maintenance	14,202	2,956	2,672	**19,830**	12,158	4,468	2,318	18,944
Supplies	15,515	3,570	2,484	**21,569**	17,820	5,671	4,199	27,690
Marketing	11,531	589	26,032	**38,152**	12,904	1,189	25,236	39,329
Event expense	1,442	-	43,315	**44,757**	20	1,351	43,102	44,473
Travel	35,450	11,953	11,845	**59,248**	25,851	11,998	4,710	42,559
Training	32,867	13,070	11,145	**57,082**	22,016	21,182	5,948	49,146
Information technology	39,571	5,706	17,526	**62,803**	25,352	6,992	4,376	36,720
Dues and subscriptions	3,963	2,583	3,511	**10,057**	7,548	5,261	3,784	16,593
Depreciation and amortization	52,914	10,611	9,957	**73,482**	40,157	12,465	7,655	60,277
Other	9,789	8,824	-	**18,613**	4,796	13,503	2,403	20,702
Total expenses	$ 3,458,541	$ 654,406	$ 604,222	**$ 4,717,169**	$ 2,795,397	$ 744,720	$ 486,395	$ 4,026,512

See accompanying notes.

ACCION/Chicago, Inc.
Statement of Cash Flows
For the Year Ended December 31,

	2016	2015
Cash flows from operating activities:		
Change in net assets	**$ (282,465)**	$ 114,892
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	**73,482**	60,277
Provision for loan losses	**235,949**	242,253
Contribution revenue on below market interest loans	**(266,069)**	(162,758)
Noncash contribution of software	**(297,604)**	-
Interest expense on below market interest loans	**152,560**	109,849
Gain on sale of loans:		
SBA Community Advantage loans	**(62,163)**	(23,904)
Other loans	**(435,876)**	(379,887)
Changes in:		
Government receivables	**(490,702)**	394,248
Pledges receivable	**(225,327)**	50,139
Prepaid expenses and other assets	**(3,156)**	(39,606)
Accounts payable	**43,257**	(86,064)
Refundable advances	**(351,982)**	(1,107,164)
Funds held for others	**-**	(30,000)
Accrued expenses	**(63,889)**	17,416
Net cash from operating activities	**(1,973,985)**	(840,309)
Cash flows from investing activities:		
Purchase of certificates of deposit	**(706,913)**	(203,010)
Maturities of certificates of deposit	**705,037**	200,000
Net originations of loans	**(1,642,100)**	(2,565,340)
Proceeds from sales of loans to others:		
SBA Community Advantage loans	**676,781**	311,377
Other loans	**2,082,384**	1,838,265
Hatchery deposits	**(164,370)**	-
Purchases of property, equipment, and software	**(17,647)**	(173,311)
Net cash from investing activities	**933,172**	(592,019)
Cash flows from financing activities:		
Principal repayment of notes payable	**(114,545)**	(73,503)
Proceeds from notes payable	**1,637,660**	630,000
Net cash from financing activities	**1,523,115**	556,497
Net change in cash	**482,302**	(875,831)
Cash, beginning of the year	**3,089,930**	3,965,761
Cash, end of the year	**$ 3,572,232**	$ 3,089,930
Supplemental cash flow information - interest paid	**$ 54,316**	$ 34,629

See accompanying notes.

1. **Nature of Operations and Summary of Significant Accounting Policies**

Organization – ACCION/Chicago, Inc. (the Organization, or Accion Chicago) provides credit and other valued assistance services to small business owners that do not have access to traditional sources of financing. By encouraging the economic self-reliance of micro-entrepreneurs throughout Illinois and Northwest Indiana, the Organization strives to help small business owners increase their incomes, create new jobs and strengthen their communities. The majority of businesses receiving credit and other technical assistance services are located in regions of low to moderate income levels.

Accion Chicago is committed to its mission of providing access to credit and technical assistance for micro-entrepreneurs. The Organization continues to solicit operating grants from new sources and maintains a line of credit for liquidity. The Organization strives to be self-reliant for training the lending staff and facilitating underwriting decisions. The Organization has been successful in its ability to refinance debt and extend maturities while converting certain debts to equity equivalent debt (Note 11).

Income Tax Status – The Organization was granted an exemption from federal income taxes by the Internal Revenue Service pursuant to the provisions of Internal Revenue Code Section 501(c)(3). The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1). The tax exempt purpose of the Organization and the nature in which it operates is described in the first paragraph of Note 1. Management believes the Organization continues to operate in compliance with its tax exempt purpose. The Organization had no unrelated business income that management believes is subject to tax in 2016 or 2015.

The Organization's annual informational returns filed with the federal and state governments are generally subject to examination by the Internal Revenue Service (IRS) for three years after filing. Thus, returns for 2013, 2014 and 2015 remain open to IRS examination.

Basis of Accounting – The accounts and financial statements are maintained on the accrual basis of accounting and accordingly, reflect all significant receivables and payables.

Basis of Presentation – The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets, as required by U.S. Generally Accepted Accounting Principles (GAAP). All contributions, including promises to give, are considered to be available for unrestricted use, unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes, are reported as temporarily restricted support, and increases in that net asset class. However, if a restriction is fulfilled in the same reporting period in which the contribution is received, the Organization generally reports the support as unrestricted. The Organization has no permanently restricted net assets at December 31, 2016 or 2015.

Gifts of long-lived assets are reported as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, would be reported as restricted support. Absent explicit donor stipulations

1. **Nature of Operations and Summary of Significant Accounting Policies** (cont'd)

Basis of Presentation (cont'd) – about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Use of Estimates – The preparation of financial statements in accordance 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 disclosure of contingent assets and liabilities, at the date of the financial statements, and reported amounts of revenue and expenses during the reporting period. Significant estimates used in the preparation of these financial statements include the allowance for losses, discontinuance of accrual of interest on loans when certain conditions are met, the rate used to estimate the discount for below market rate debt, fair value of donated software, and allocations of general, administrative and other expenses to individual program activities. Actual results could differ from those estimates.

Cash and Certificates of Deposit – Cash and certificates of deposit consist of bank deposits in federally insured accounts. At December 31, 2016 and 2015, the cash certificate of deposit accounts exceeded federally insured limits by $3,245,084 and $2,758,812, respectively.

For purposes of the statement of cash flows, the Organization considers all certificates of deposit and highly liquid debt instruments, if any, purchased with original maturities of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2016 or 2015.

Contributions Receivable and Government Receivables – Contributions receivable and government receivables consist of grants and other contributions that are considered to be promises to give and are recorded in the year the promise is made and conditions, if any, are met. If considered necessary, an allowance for uncollectible contributions receivable would be determined based on specific pledges and experience. No allowance was deemed necessary as of December 31, 2016 and 2015. All contributions receivable are expected to be received within one year from the date of the statement of financial position, and accordingly, the amounts of the receivables at December 31, 2016 and 2015, have not been discounted.

Loans Receivable – Loans receivable are stated at their unpaid principal balance, less an allowance for loan losses. Interest on loans receivable is recognized over the term of the loan and is generally calculated using the simple-interest method on principal amounts outstanding. A substantial portion of the loan portfolio consists of loans made to entrepreneurs in the Chicagoland area. The ability of borrowers to repay these loans may be dependent upon the general economic conditions in their local community as well as in the general Chicagoland area.

The Organization discontinues the recording of interest when a loan becomes greater than ninety days past due. Accrual of interest is resumed upon the collection of past due amounts. Past due or delinquent status of loans is determined by the paid-through date according to the prescribed loan terms. In all cases, loans may be placed on nonaccrual status at an earlier date if collection of principal or interest is considered doubtful.

1. **<u>Nature of Operations and Summary of Significant Accounting Policies</u>** (cont'd)

Loans Receivable (cont'd) – All interest accrued but not collected for loans that are placed on nonaccrual or charge-off status is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to current accrual status. Loans are returned to accrual status when all principal and interest payment amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Loan Losses – The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when a loan is delinquent more than 180 days, or management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The Organization's allowance for loan losses is that amount considered adequate to absorb probable losses in the portfolio based on management's evaluations of the size and current risk characteristics of the loan portfolio. The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as information becomes available.

General allowances are established for loans that can be grouped into pools based on similar characteristics. In this process, general allowance factors are based on an analysis of historical charge-off experience and expected losses given default derived from the Organization's internal risk rating process. These factors are developed and applied to the portfolio in terms of loan type. The qualitative factors associated with the allowances are subjective and require a high degree of management judgment. These factors include the credit quality statistics, recent economic uncertainty, and losses incurred from recent events.

Under certain circumstances, the Organization will provide borrowers relief through loan restructuring. A restructuring of debt constitutes a troubled debt restructuring (TDR) if the Organization, 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. The Organization 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.

The Organization has concluded that the impairment impact of troubled debt restructurings on its loan portfolio (generally lower balance loans having original maturities of 60 months or less) is insignificant to the financial statements. As such these impairments are not individually tracked but rather are adequately included in the loss allowance provided on a pooled basis for the loan portfolio.

1. **Nature of Operations and Summary of Significant Accounting Policies** (cont'd)

Allowance for Loan Losses (cont'd) **–** The Organization maintains general valuation allowances for homogeneous portfolio segments. These portfolio segments and their risk characteristics are described as follows:

Micro loans: Loans between $500 and $50,000 made to small businesses in Accion Chicago's Illinois and Northwest Indiana service areas. These loans represent term, balloon, start-up and credit builder loans, which are primarily unsecured. Economic trends, local unemployment rates, and other key economic indicators are closely related to the credit quality of these loans.

Restructured Micro Loans: Loans originated as micro loans that had some level of difficulty and have subsequently had payment terms adjusted in order to facilitate repayment. As such, they represent greater risk than micro loans.

SBA Community Advantage Pilot Program Loans: Loans between $25,000 and $100,000 made to small business in Accion Chicago's Illinois and Northwest Indiana service areas. Under this program, the SBA guarantees 85% of the loan balance. The Organization then sells participating interests in the guaranteed portion of loans receivable to institutional investors. At the time the participating interest in the loans are sold, they are removed from the statement of financial position and are recognized in the statement of activities. The only recourse to the Organization is the loan loss reserve against the guaranteed portion that the Organization is required to maintain.

Hatchery Deposits – Hatchery deposits represent pre-development and development costs associated with an agreement between Accion Chicago, Kinzie Industrial Development Corporation (KIDC), and Illinois Facilities Fund (IFF) (Note 5).

Property, Equipment, and Software – Property, equipment, and software are stated at cost, if purchased, or fair value, if received by donation. Depreciation and amortization are provided on the straight-line method, over the estimated useful lives of the assets, generally 3 to 5 years. Expenditures for property and equipment in excess of $500 are generally capitalized.

Notes Payable and Debt Discount – The Organization has entered into debt agreements with interest terms that are lower than those that an independent borrower and an independent lender would have negotiated in a similar transaction. The Organization considers the spread between the stated rate of interest for the Organization's debt and the rate of interest that would be available to an independent borrower to represent a contribution to the Organization.

For term notes that are due in more than one year, the Organization records the loan at its inception at face value less a discount, with the discount being recognized as a temporarily restricted imputed interest contribution. Over the term of the note, the discount is amortized using the effective interest method and recorded as imputed interest for loans below fair value on the statement of functional expenses.

1. **Nature of Operations and Summary of Significant Accounting Policies** (cont'd)

Notes Payable and Debt Discount (cont'd) **–** For demand notes or term notes with maturities of one year or less, the Organization records a contribution each year for the difference between amount of interest that is estimated that would have been paid by an independent borrower for a similar transaction and the actual amount of interest incurred at face value.

The rate used to discount the debt is management's estimate of the interest rate an independent borrower and an independent lender would have negotiated in a similar transaction and is 7% at December 31, 2016 and 2015.

Certain Vulnerabilities and Concentrations – During 2015, the Organization received 24% of its revenue from the Community Development Financial Institutions Fund. At December 31, 2016, 82% of government receivables are due from the City of Chicago and 16% were due from the U.S. Department of Commerce. At December 31, 2016, 76% of contributions receivable are from two funding sources (45% of contributions receivable were from two other funding sources at December 31, 2015). Any negative change in the economy or political environment could have an impact on contributions, fund-raising efforts, and contracts as well as government grants.

Donated Services – Contributions of services are required to be recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the year ended December 31, 2016, the Organization received $43,082 in donated legal services. The Organization did not receive any recognizable donated services in 2015.

In-Kind Support – In addition to receiving cash contributions, the Organization may receive in-kind contributions from donors. In accordance with generally accepted accounting principles, the Organization records the estimated fair value of certain in-kind donations as an expense or an asset in its financial statements, and corresponding contribution revenue. For the year ended December 31, 2016, the Organization received donated software of $297,604. The Organization did not receive any in–kind support in 2015.

Advertising – The Organization expenses the cost of advertising as incurred. Advertising and marketing expenses were approximately $38,152 and $39,239 in 2016 and 2015, respectively.

Functional Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

New Accounting Standard and Related Reclassification – The Organization early adopted Accounting Standards Update (ASU) 2016-18 – Statement of Cash Flows. This ASU requires restricted cash to be included as part of cash and cash equivalents on the statement of cash flows. Accordingly, cash and cash equivalents at December 31, 2015, was increased on both the statement of financial position and the statement of cash flows by $1,415,124 to conform with the ASU. There was no effect on total assets, net assets, or changes in net assets as a result of these reclassifications.

2. Restricted Cash

Restricted cash is summarized at December 31, as follows:

Funding Source	Funding Purpose		2016	2015
Economic Development Administration	Lending: Cook County, Illinois and Lake County, Indiana	(1)	$ 268,926	$ 101,951
Bank of America Foundation	SBA loan loss reserve	(1),(2)	60,000	60,000
Accion Chicago	SBA loan loss reserve	(2)	-	6,109
Accion Chicago	SBA CA loan loss reserve	(8)	37,431	21,231
Kankakee County	Lending: Kankakee County	(3)	23,260	22,684
Metropolitan Capital Bank	Lending: Participation loans	(4)	590	590
Various Participations	Lending: Participation loans	(4)	119,529	135,583
City of Chicago	Lending: Chicago residents	(1),(5)	77,528	71,586
Accion, The US Network	WE Lend program	(6)	428,615	739,115
Citi Business	Funds held for others	(7)	256,275	256,275
Tory Burch	Lending: Women entreprenuers	(1)	53,555	-
Other			17,500	-
			$ 1,343,209	$ 1,415,124

(1) This represents the cash portion of temporarily restricted net assets.

(2) The Small Business Administration notes payable agreements requires cash to be maintained in a separate, restrictive account to cover 15% of outstanding notes receivable as a loan loss reserve.

(3) The Kankakee County line of credit is restricted to loans in Kankakee County.

(4) The Organization collects payments, as a fiscal agent, on behalf of these banks (see Note 7). These funds are payable as directed by these banks and therefore are restricted.

(5) City of Chicago's Department of Business Affairs and Consumer Protection advanced $100,000 for the microloan capitalization program. At December 31, 2016, $22,472 ($28,414 at December 31, 2015) was lent or charged off, leaving the remaining balance of $77,528 ($71,586 at December 31, 2015) to be lent to small businesses in the city.

(6) Accion U.S. Network advanced funds of $1,226,000 for the WE-Lend Program, to provide for training to other organizations interested in microlending and to provide funds for those organizatons to start lending. At December 31, 2016, $726,000 ($435,600 at December 31, 2015) of training services were performed under the grant and $71,385 ($51,285 at December 31, 2015) was granted to these organizations for funding loans, leaving the remaining balance of $428,615 ($739,115 at December 31, 2015) for future loan funding with respect to Women Business Centers.

(7) The Organization received funds of $331,000 from Citi-Business for two separate programs; the Chicago Capital Access Centers and the Chicago Credit Building Initiative. At December 31, 2016 and 2015, the Organization held the remaining funds of $11,000 for Capital Access Centers and $245,275 for the Credit Building Initiative in the Organization's restricted cash account with a corresponding liability.

(8) The Organization has established a cash account as a reserve for potential loan losses on notes receivable as required by the Small Business Administration's Community Advantage Pilot Program. At December 31, 2016, the amount maintained in the cash account was $37,431 ($21,231 at December 31, 2015).

3. **Cash Designated for Loan Loss Reserve**

The Organization has designated cash as a reserve for potential loan losses on notes receivable associated with the Small Business Administration's Notes Payable. The cash in the reserve that is in addition to the required 15% noted as restricted cash for the Small Business Administration is not restricted. At December 31, 2016 and 2015, the amount maintained in the designated cash account was $74,634 and $68,511, respectively.

4. **Conditional Promises to Give**

The Organization has received the following conditional promises to give that are not recognized as assets in the statement of financial position as of December 31, 2016:

	Term	Grant Amount	Earned or Advanced as of 12/31/2016	Funding Available
U.S. Small Business Administration - Microloan Program	8/1/16 to 6/30/17	$ 112,293	$ 9,540	$ 102,753
U.S. Department of Commerce Economic Development Administration	10/1/15 to 9/30/18	500,000	81,161	418,839
		$ 612,293	$ 90,701	$ 521,592

5. **Hatchery Deposits**

Accion Chicago has entered into an agreement with IFF Hatchery, LLC (IFF Hatchery) and Kinzie Industrial Development Corporation (KIDC) for the purpose of acquiring real property, developing and constructing on the real property, and financing a facility that will support the incubation of food companies in Chicago, Illinois (Project).

Accion Chicago has procured predevelopment financing in the form of multiple notes payable with maximum available credit of $433,333 at December 31, 2016, to cover predevelopment and development costs authorized under the terms of the agreement. The Project anticipates significant additional development stage financing will be provided through joint fund-raising efforts, debt, New Markets Tax Credit Financing, and governmental support.

Upon closing of the project financing, IFF Hatchery anticipates transferring the real property to an entity, which has not yet been established, that will be jointly owned by Accion Chicago and KIDC (Project Owner).

Under the terms of the agreement, authorized expenditures in the predevelopment stage will be paid with the proceeds from predevelopment financing, as described above. Upon the closing of development stage financing, the Project Owner will first purchase, at cost, all Project property from IFF Hatchery. Second, the Project Owner will reimburse all three parties for additional predevelopment and development expenses incurred as of the closing date.

5. **Hatchery Deposits** (cont'd)

The agreement also provides for a developer fee in consideration for services provided for in a future development agreement between the Project Owner, Accion Chicago, IFF Hatchery, and KIDC. The developer fee would be paid by the Project Owner to IFF Hatchery, Accion Chicago, and KIDC at 55%, 25%, and 20%, respectively of the total developer fee, provided that IFF Hatchery first receives $401,500 before the other entities are paid.

Amounts recorded as Hatchery deposits at December 31, 2016, consist of Accion Chicago's share of predevelopment costs of $164,370.

6. **Property, Equipment, and Software**

Property, equipment, and software are summarized by major classification as follows at December 31:

	2016	2015
Furniture and equipment	$ 265,615	$ 247,969
Leasehold improvements	70,308	70,307
Software	410,217	112,613
	746,140	430,889
Less: accumulated depreciation and amortization	(303,410)	(229,928)
	$ 442,730	$ 200,961

Depreciation and amortization expense for the years ended December 31, 2016 and 2015, were $73,482 and $60,277, respectively.

Included in the 2016 software total is $297,604 of software development costs, which are external software development costs that were donated to the Organization by the Accion U.S. Network 2016 (Note 16). At December 31, 2016, the software was being developed and has not been depreciated.

7. Loans Receivable

Loans receivable consist of the following at December 31:

	2016	2015
Micro loans:		
Existing business	$ 2,220,080	$ 3,300,203
Start-up business	428,199	473,235
Balloon	127,939	28,055
Restructured	304,520	111,803
Total micro loans	3,080,738	3,913,296
SBA Community Advantage loans	356,809	443,607
	3,437,547	4,356,903
Less: allowance for loan losses	(436,653)	(501,034)
	$ 3,000,894	$ 3,855,869

The weighted average interest rate of the loan portfolio at both December 31, 2016 and 2015, was 11.7%.

The allowance for loan losses (ALL) activity is as follows:

	Micro loan	Restructured micro loans	SBA Community Advantage loans	Total
Allowance for Loan Losses				
Balance, January 1, 2015	$ 452,287	$ 58,628	$ -	$ 510,915
Provision for loans losses	202,482	18,540	21,231	242,253
Loans charged-off	(281,074)	(40,398)	-	(321,472)
Recoveries of loans previously charged-off	65,871	3,467	-	69,338
Balance, December 31, 2015	439,566	40,237	21,231	501,034
Provision for loans losses	91,464	128,285	16,200	235,949
Loans charged-off	(259,305)	(70,871)	-	(330,176)
Recoveries of loans previously charged-off	16,754	13,092	-	29,846
Balance, December 31, 2016	$ 288,479	$ 110,743	$ 37,431	$ 436,653

7. **Loans Receivable** (cont'd)

The allowance for loan losses by loan portfolio segment at December 31, is as follows:

December 31, 2016	Micro loans	Restructured micro loans	SBA Community Advantage loans	Total
Collectively evaluated for impairment	$ 288,479	$ 110,743	$ 37,431	$ 436,653
Individually evaluated for impairment	-	-	-	-
Total at December 31, 2016	$ 288,479	$ 110,743	$ 37,431	$ 436,653
December 31, 2015				
Collectively evaluated for impairment	$ 439,566	$ 40,237	$ 21,231	$ 501,034
Individually evaluated for impairment	-	-	-	-
Total at December 31, 2015	$ 439,566	$ 40,237	$ 21,231	$ 501,034

The loan balances in relation to the portfolio breakdown for the allowance for loan losses at December 31, is as follows:

December 31, 2016	Micro loans	Restructured micro loans	SBA Community Advantage loans	Total
Collectively evaluated for impairment	$ 2,776,218	$ 304,520	$ 356,809	$ 3,437,547
Individually evaluated for impairment	-	-	-	-
Total loans at December 31, 2016	$ 2,776,218	$ 304,520	$ 356,809	$ 3,437,547

December 31, 2015	Micro loans	Restructured micro loans	SBA Community Advantage loans	Total
Collectively evaluated for impairment	$ 3,801,493	$ 111,803	$ 443,607	$ 4,356,903
Individually evaluated for impairment	-	-	-	-
Total loans at December 31, 2015	$ 3,801,493	$ 111,803	$ 443,607	$ 4,356,903

7. **Loans Receivable** (cont'd)

The following table shows an aging analysis of the loan portfolio at December 31:

	Accruing Interest			Non-Accrual		
	Current	30 - 89 Days Past Due	90 Days or More Past Due	Less than 90 Days Past Due	90 Days or More Past Due	Total Loans
December 31, 2016						
Micro loans	$2,614,742	$ 82,790	$ -	$ -	$ 78,686	$ 2,776,218
Restructured micro loans	261,024	25,579	-	-	17,917	304,520
SBA Community Advantage loans	356,809	-	-	-	-	356,809
Total	$3,232,575	$ 108,369	$ -	$ -	$ 96,603	$3,437,547
December 31, 2015						
Micro loans	$3,667,314	$ 68,202	$ -	$ -	$ 65,977	$ 3,801,493
Restructured micro loans	102,383	6,883	-	-	2,537	111,803
SBA Community Advantage loans	443,607	-	-	-	-	443,607
Total	$4,213,304	$ 75,085	$ -	$ -	$ 68,514	$4,356,903

Substantially all of the Organization's borrowers are unable to obtain credit through a traditional banking relationship. The aging of the receivables is the primary credit quality indicator. Loans that are past due inherently have a greater risk of default than loans that are current.

Micro Loan Participation and Servicing Agreements – During 2016, the Organization sold 100% non-recourse participation interests in micro loans with a carrying value at the time of sale of $1,646,508 for $2,082,384, resulting in a gain on the sale of the participation interest of $435,876. During 2015, the Organization sold 100% non-recourse participation interests in micro loans with a carrying value at the time of sale of $1,458,378 for $1,838,265, resulting in a gain on the sale of the participation interest of $379,887. The gain of the sale of these participations is reflected as part of participation income on the statement of activities.

The Organization has outstanding loan participation agreements with multiple banks. The banks acquired a 100% non-recourse participation interest in the underlying loan accounts. Accordingly, the loan balances are excluded from the financial records of the Organization but the accounts are serviced by the Organization. As of December 31, 2016, the outstanding loan participation balances totaled $1,718,718 ($1,280,071 at December 31, 2015). Management has determined there is no significant risk of loss to the Organization as a result of these participation agreements.

The Organization maintains an agreement with a bank to service its micro loan portfolio, including micro loans sold by the Organization. The agreement provides that the bank will be responsible for record keeping, compliance with regulatory requirements, collection and remittance of funds to the Organization. In consideration for these services, the Organization pays the bank a fee for each loan, based upon certain classifications as defined in the agreement. Expense for loan servicing under this agreement is included in credit and collection expense on the statement of functional expenses and was $166,887 and $128,826 for the years ended December 31, 2016 and 2015, respectively.

7. **Loans Receivable** (cont'd)

In 2015, the Organization entered into an agreement with a bank to service its SBA Community Advantage loan portfolio (see below). The agreement provides that the bank will be responsible for record keeping, compliance with regulatory requirements, collection and remittance of funds to the Organization. In consideration for these services, the Organization pays the bank a fee. In 2016, the servicing fee was $9,476 for the year ended December 31, 2016 ($1,838 for the year ended December 31, 2015).

Since the Organization effectively outsources the servicing of its loans, no servicing rights are recorded by the Organization.

Small Business Administration (SBA) Community Advantage Pilot Loan Program – During 2015, the Organization entered into the Community Advantage Pilot Program Loan Guaranty Agreement (SBA CA) with the SBA. Under the terms of the SBA CA program, the SBA provides a guaranty under its 7(a) loan program covering risk of loss against approved loans meeting the program requirements. The Guaranty covers 85% of loans originated for less than $150,000. In 2015, the Organization increased its lending limit to $100,000, but all loans over $50,000 must be approved under the SBA CA program to mitigate the risk of loss. The maximum interest rate allowable under these loans is prime plus 6%. The SBA allows the sale of the guaranteed portion of the loan on the secondary market.

During 2016, the Organization originated loans totaling $655,000 and sold participating interests of the guaranteed portion of loans with a carrying value at the time of sale of $614,618 for $676,781, resulting in a gain on the sale of the participated interest of $62,163. During 2015, the Organization originated loans totaling $764,100 and sold participating interests of the guaranteed portion of loans with a carrying value at the time of sale of $287,473 for $311,377, resulting in a gain on the sale of the participated interest of $23,904. The participations were sold to institutional investors in the secondary market. The principal balance of the sold portion of the loans was $742,416 at December 31, 2016 ($199,765 at December 31, 2015). The Organization continues to service the sold participating interests on behalf of those that have purchased the participating interests.

Among other compliance requirements, the SBA CA program requires the establishment of loan reserves equal to at least 5% and 3%, respectively, of the unguaranteed and guaranteed portion of the SBA CA portfolio. At December 31, 2016, the Organization was in compliance with the loan loss reserve requirements.

8. **Refundable Advances**

Refundable advances consist of the following advances from government and non-governmental sources as of December 31:

	2016	2015
City of Chicago Department of Business Affairs and Consumer Protection revolving loan program April 1, 2014 - December 31, 2016	$ -	$ 12,073
Accion, The US Network - We Lend Program April 3, 2014 - January 31, 2017	428,615	739,115
Other advances received	1,591	31,000
Total refundable advances	$ 430,206	$ 782,188

9. **Funds Held for Others**

In 2014, the Organization received funds of $331,000 from Citi-Business for two programs with the City of Chicago; the Chicago Capital Access Centers and the Chicago Credit Building Initiative. At December 31, 2016 and 2015, the Organization held the remaining funds of $11,000 for Capital Access Centers and $245,275 for the Credit Building Initiative in the Organization's restricted cash account with a corresponding liability.

10. **Leases**

The Organization has operating leases for its facility and related parking that expire in 2022, and certain office equipment that expires through June 2021. Rental expense for the facility and parking was $118,667 in 2016 ($131,469 in 2015) and rental expense for office equipment was $18,305 in 2016 ($15,405 in 2015). The Organization also maintains a refundable security deposit related to the facility lease in the amount of $54,884 at December 31, 2016 and 2015, and is included in prepaid expenses and other assets on the statement of financial positon.

Future minimum lease payments for the above mentioned leases are as follows:

	Office Space and Parking	Office Equipment	Total
2017	$ 133,750	$ 14,293	$ 148,043
2018	148,775	14,293	163,068
2019	152,879	14,293	167,172
2020	145,958	14,293	160,251
2021	161,458	6,390	167,848
2022	69,482	-	69,482
	$ 812,302	$ 63,562	$ 875,864

In 2016, the Financial Accounting Standards Board issued a new standard relating to lease accounting. The new standard will require the Organization to recognize on its statement of financial position, the asset and liability of the land lease relating to the rights and obligations created by the lease. The standard will be effective for the Organization in calendar 2020. The Organization has not determined the effect of adopting the new standard.

11. Notes Payable

Notes payable at December 31, 2016, are summarized as follows:

Lender		Interest Rate 12/31/2016	Interest Rate 12/31/15	Interest Payment Terms	Maturity at 12/31/2016	Maturity at 12/31/2015	Balance at 12/31/2016	Balance at 12/31/2015
Secured Debt								
MB Financial Bank line of credit	(1)	3.381%	N/A	Monthly	9/15/2017	9/15/2016	$ 599,805	$ -
Small Business Administration	(2)	0.500%	0.500%	Monthly	5/13/2024	5/13/2024	220,274	248,077
Small Business Administration	(2)	1.125%	1.125%	Monthly	1/7/2020	1/7/2020	149,001	195,054
							969,080	443,131
Unsecured Debt								
CDFI Fund	(3)	0.00%	0.00%	Quarterly	12/31/2057	12/31/2057	516,600	529,200
Community Savings Bank		0.00%	0.00%	Semiannual	12/31/2057	12/31/2057	82,000	84,000
Community Ventures 2011, LLC	(4)	0.00%	N/A	N/A	(4)	N/A	100,000	-
Federal Home Loan Bank of Chicago	(5)	2.13%	N/A	Quarterly	7/8/2026	N/A	500,000	-
IFF	(6)	5.38%	N/A	Monthly	(6)	N/A	37,660	-
Kankakee County	(7)	0.00%	0.00%	N/A	Demand	Demand	75,000	75,000
							1,311,260	688,200
Unsecured Subordinated Debt								
Amalgamated Bank of Chicago		2.00%	2.00%	Quarterly	11/30/2017	11/30/2016	50,000	50,000
Devon Bank		2.00%	2.00%	Quarterly	3/27/2020	3/27/2020	75,000	75,000
First Midwest Bank		2.00%	2.00%	Quarterly	11/30/2017	11/30/2017	50,000	50,000
US Bancorp		2.00%	2.00%	Quarterly	3/15/2018	3/15/2018	250,000	250,000
							425,000	425,000
Equity Equivalent Debt								
Bank Financial		2.00%	2.00%	Monthly	1/1/2018	1/1/2017	40,000	40,000
Bank of America		0.00%	0.00%	N/A	7/1/2057	7/1/2057	60,750	62,250
Byline Bank		2.00%	2.00%	Semiannual	10/27/2020	10/27/2020	100,000	100,000
Byline Bank		2.00%	2.00%	Semiannual	1/1/2018	1/1/2017	100,000	100,000
Evergreen Bank Group		2.00%	2.00%	Semiannual	3/12/2017	3/12/2017	100,000	100,000
Fifth Third Bank		0.00%	0.00%	N/A	6/30/2057	6/30/2057	157,429	161,316
First Bank of Highland Park		2.00%	N/A	Semiannual	12/21/2021	N/A	75,000	-
First Bank/Illinois		2.00%	2.00%	Semiannual	4/1/2017	4/1/2017	250,000	250,000
First Eagle Bank		2.00%	2.00%	Semiannual	9/30/2017	9/30/2017	100,000	100,000
First Eagle Bank		2.00%	2.00%	Semiannual	9/2/2020	9/2/2020	100,000	100,000
First National Bank of Omaha		2.00%	N/A	Quarterly	5/31/2021	N/A	250,000	-
First Savings Bank of Hegewisch		2.00%	2.00%	Semiannual	1/1/2018	1/1/2017	400,000	400,000
Inland Bank		2.00%	2.00%	Semiannual	11/30/2020	11/30/2020	100,000	100,000
Leaders Bank		2.00%	2.00%	Semiannual	1/1/2018	1/1/2018	75,000	75,000
Marquette Bank		2.00%	N/A	Semiannual	5/31/2021	N/A	75,000	-
MB Financial Bank		0.00%	0.00%	N/A	6/1/2057	6/1/2057	80,648	82,639
Northern Trust Company		0.00%	0.00%	N/A	12/31/2056	12/31/2056	80,000	83,000
Oxford Bank & Trust		2.00%	2.00%	Semiannual	1/1/2019	1/1/2019	25,000	25,000
SMS Financial		0.00%	0.00%	N/A	N/A	8/15/2056	-	81,839
Republic Bank		2.00%	2.00%	Monthly	1/1/2018	1/1/2017	24,953	24,953
							2,193,780	1,885,997
Total							4,899,120	3,442,328
Less: Present value discount	(8)						(1,011,161)	(963,975)
Net long term debt							$ 3,887,959	$ 2,478,353

11. **Notes Payable** (cont'd)

(1) In 2015, the Organization entered into a revolving line of credit with MB Financial Bank with a maximum borrowing base of the lesser of $1,500,000 or 80% of eligible accounts as defined in the business loan agreement associated with the line of credit. The line of credit is collateralized by the assets of the Organization. Interest on the line of credit is payable at the three-month LIBOR plus 2.50%.

(2) The Organization has two loans with the Small Business Administration (SBA). The loan maturing in 2024 is in its draw period, and the Organization has the ability to draw up to $1,000,000 under the loan agreement. At December 31, 2015, the Organization drew down $255,000 on the loan and started to repay the loan under the terms of the loan agreement. No additional draws were made in 2016. The Organization does not have the ability to draw further amounts from the loan maturing in 2020 and continues to repay the loan in accordance with the loan agreement. Principal and interest are payable monthly at a rate based upon average size of micro loans made, collateralized by micro loans receivable totaling $295,546 and $440,728 at December 31, 2016 and 2015, respectively, as well as cash of $610,920 and $454,311 at December 31, 2016 and 2015, respectively. The Organization is required to maintain a minimum ratio of 1.15:1 in collateralized cash plus collateralized notes receivable to SBA debt outstanding.

(3) The Department of the Treasury, Community Development Financial Institutions (CDFI) Fund had financial covenants, defined in their original agreement, relating to net assets, net revenue, and operating and capital ratios. However, the Organization has been informed by the CDFI Fund that the repayment of this debt will not be accelerated and they are no longer required to submit reports to the CDFI Fund. In 2007, the Organization further restructured the debt agreement with the CDFI Fund, capitalizing the balance of $30,000 for past interest, reducing the interest rate to 0%, extending the maturity to 2057, and requiring quarterly payments of $3,150.

(4) To fund predevelopment costs associated with the Hatchery project (Note 5), the Organization entered into a loan agreement with Community Ventures 2011, LLC in November of 2016. The loan was fully drawn as of December 31, 2016. The loan matures and is payable in full on the date of financial closing, nine months after the date of initial disbursement of loan funds, or default by the Organization, whichever occurs first. Half of the loan is guaranteed by KIDC.

(5) In January of 2016, the Organization entered into a term note with the Federal Home Loan Bank Chicago (FHLB) for a maximum amount of $1,250,000. The term note is to be disbursed in two disbursements. The first disbursement of $500,000 was drawn in 2016. The second disbursement is contingent upon the Organization achieving specified ratios under the credit agreement as defined therein. The note has a maturity date of 10 years from initial disbursement and the funds are to be used for loan capital. The note bears interest at 2.13% and is unsecured, but contains covenants related to the Organization's maintenance as a Community Development Financial Institution, maintaining a level of use of lent funds, maintaining minimum financial ratios related to net assets, liquidity, loan performance, among others. At December 31, 2016, the Organization was not in compliance with the covenant related to the level of use of lent funds. The FHLB did not waive the noncompliance for the waiver, but also did not call a default. The debt maturity schedule on the following pages assumes that the debt with the FHLB will not be called based on noncompliance with debt covenants.

11. **Notes Payable** (cont'd)

(6) To fund predevelopment costs associated with the Hatchery project (Note 5), the Organization entered into a loan agreement with IFF in October of 2016. The loan allows for up to $333,333 of borrowings. The loan matures on the earlier of the closing of any development financing for the Hatchery project or May 1, 2018.

(7) Under the Revolving Loan Fund (RLF) agreement with Kankakee County, the Organization has access to a revolving line of credit. Amounts borrowed are restricted for lending purposes, as defined in the RLF agreement. As of December 31, 2016 and 2015, the Organization had borrowed $75,000, the full amount of the line of credit. The note matured in 2015, however the lender has requested that funds not be returned at this time. Therefore, it has become a demand note and the Organization continues to follow the RLF agreement until such time as the lender requests repayment.

(8) A 7% discount interest rate is imputed on below market interest loans and interest-free loans, which is included in temporarily restricted contribution revenue in the year the loan is issued or terms renegotiated. The discount represents a cumulative amount of net revenue that has been recognized due to below market interest and interest-free loans. The discount is amortized over the life of the loan using the effective interest method.

Maturities of debt and the present value discount for imputed interest rate on below market interest and interest-free loans at December 31, 2016, are as follows:

Future Principal Payments (Face Value)	Secured Debt	Unsecured Debt	Unsecured Subordinated Debt	Equity Equivalent Debt	Total
2017	$ 674,331	$ 239,600	$ 100,000	$ 514,380	$ 1,528,311
2018	75,193	102,260	250,000	704,333	1,131,786
2019	75,866	64,600	-	89,380	229,846
2020	36,040	64,600	75,000	364,380	540,020
2021	28,510	64,600	-	64,380	157,490
2022 - 2026	79,140	323,000	-	171,900	574,040
2027 - 2031	-	73,000	-	46,900	119,900
2032 - 2036	-	73,000	-	46,900	119,900
2037 - 2041	-	73,000	-	46,900	119,900
2042 - 2046	-	73,000	-	46,900	119,900
2047 - 2051	-	73,000	-	46,900	119,900
2052 - 2056	-	73,000	-	46,900	119,900
2057	-	14,600	-	3,627	18,227
	$ 969,080	$ 1,311,260	$ 425,000	$ 2,193,780	$ 4,899,120

11. **Notes Payable** (cont'd)

Debt Discount Amortization

	Secured Debt	Unsecured Debt	Unsecured Subordinated Debt	Equity Equivalent Debt	Total
2017	$ (14,932)	$ (63,695)	$ (18,750)	$ (66,284)	$ (163,661)
2018	(11,262)	(38,629)	(11,750)	(44,989)	(106,630)
2019	(6,957)	(38,560)	(3,750)	(43,696)	(92,963)
2020	(5,581)	(38,524)	-	(37,422)	(81,527)
2021	(4,101)	(13,408)	-	(8,596)	(26,105)
2022 - 2026	(2,668)	(65,671)	-	(42,088)	(110,427)
2027 - 2031	-	(62,638)	-	(40,112)	(102,750)
2032 - 2036	-	(58,377)	-	(37,341)	(95,718)
2037 - 2041	-	(52,273)	-	(32,481)	(84,754)
2042 - 2046	-	(43,686)	-	(27,821)	(71,507)
2047 - 2051	-	(31,539)	-	(19,962)	(51,501)
2052 - 2056	-	(14,362)	-	(8,867)	(23,229)
2057	-	(270)	-	(119)	(389)
	(45,501)	(521,632)	(34,250)	(409,778)	(1,011,161)
Total debt, net	$ 923,579	$ 789,628	$ 390,750	$ 1,784,002	$ 3,887,959

Equity Equivalent Debt, or EQ2, is a capital product for Community Development Financial Institutions and their investors. This special debt investment allows organizations like Accion Chicago to strengthen their capital structure and increase lending and investing in economically disadvantaged communities. It is a long-term subordinated loan, offered by regulated financial institutions to fulfill their investment requirements by meeting the credit needs of the communities in which they do business. Like permanent capital, EQ2 enhances the Organization's lending flexibility and increases its debt capacity by protecting lenders from losses. Unlike permanent capital, it must eventually be repaid. To qualify as an EQ2, the obligation is not secured, is fully subordinated, essentially cannot have accelerated repayment, carries an interest rate not tied to income received by the Organization, and has a rolling term and, therefore, a relatively indeterminate maturity. Subsequent to December 31, 2016, the Organization entered into an additional $75,000 Equity Equivalent debt instrument.

The total interest incurred and expensed on all notes payable outstanding, other than imputed interest, for the years ended December 31, 2016 and 2015, was $63,015 and $33,006, respectively.

12. **Commitments and Contingencies**

Financial Instruments with Concentration of Credit Risk – Loans range in size from $500 to $100,000, while their terms generally range from 2 to 60 months, with the exception of SBA CA loans that have a maximum term of 120 months. Collateral and cosigners may be required, depending upon the loan amount and the perceived credit risk. While the Organization serves all of Illinois and Northwest Indiana, most of the Organization's business activity is with borrowers located throughout Illinois, with the majority of these borrowers concentrated in the Chicagoland area. Geographic concentration risk on the Organization's borrowers arises largely from the influence of economic conditions in the Midwest region, and particularly, the Chicagoland area. The Organization increased its lending limit in 2015 from $50,000 to $100,000 with the addition of the SBA CA program, but all loans over $50,000 must be underwritten and approved under the SBA CA program. Under that program, the SBA provides an 85% guarantee of the loan balance if the loan is underwritten and monitored in accordance with program standards.

Fees and Grants Received – The Organization has received significant financial assistance from federal, state and local government agencies. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and may be subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Organization. Management believes the risk related to disallowed claims is minimal.

13. **Temporarily Restricted Net Assets**

Temporarily restricted net assets at December 31, consisted of the following:

	2016	2015
Acts of Kindness - grant and loan funds	$ 100,000	$ -
EDA revolving loan funds	726,327	641,537
City of Chicago revolving loan funds	490,441	78,961
Bank of America - funds for SBA loan loss reserve	60,000	60,000
Tory Burch - loan funds	53,555	-
Donated in-process software	297,604	-
Imputed Interest on below market and interest-free loans	1,011,161	963,975
	$ 2,739,088	$ 1,744,473

14. **Employee Benefit Plan**

The Organization has a SIMPLE Individual Retirement Account Plan that covers all full time employees. The plan calls for the Organization to match employee contributions to the plan dollar-for-dollar up to a maximum of 3% of employee compensation. Benefit plan expense was $61,426 and $51,038 for years ended December 31, 2016 and 2015, respectively.

15. Related Parties

A member of the Board of Directors of the Organization owns and manages the First Eagle Bank. The Organization has equity equivalent debt agreements as described in Note 11, a credit card with a credit line of $35,000 at December 31, 2016 and 2015, certificates of deposit with a carrying amount of $504,886 at December 31, 2016 ($503,010 at December 31, 2015) with First Eagle Bank. All terms and conditions of the equity equivalent debt with First Eagle Bank are consistent with all other equity equivalent funders (Note 11) of the Organization.

A member of the Board of Directors is the Chief Executive Officer of IFF. The Organization has entered into a pre-development agreement and a pre-development loan with IFF as disclosed in Notes 5 and 11.

MB Financial employs two members of the Organization's Board of Directors. The Organization has a revolving line of credit and equity equivalent debt agreements as described in Note 11, a loan servicing agreement for the Organization's micro loan portfolio as described in Note 7, and cash accounts with a carrying amount at December 31, 2016, of $2,924,808 ($3,089,931 at December 31, 2015) with MB Financial Bank. Terms and conditions of the equity equivalent debt are consistent with other equity equivalent funders and the terms and conditions of all other agreements with MB Financial Bank were negotiated at arm's length.

Byline Bank (Byline) employs a member of the Organization's Board of Directors. The Organization has two equity equivalent debt notes as described in Note 11, a loan servicing agreement for the Organization's SBA CA loan portfolio as described in Note 7, and cash accounts with a carrying amount at December 31, 2016, of $550,375 ($369,572 at December 31, 2015) with Byline. Terms and conditions of the equity equivalent debt are consistent with other equity equivalent funders and the terms and conditions of all other agreements with Byline were negotiated at arm's length.

From time to time, the Organization procures grants, financial products, and services from members of the Board of Directors or the organizations that employ them that are in addition to the specific arrangements disclosed in this note. All terms and conditions of these items are either consistent with other financial products procured by the Organization or are negotiated at an arm's length.

16. U.S. Network

Accion Chicago is a member of the Accion U.S. Network, the largest and only nationwide microlending network. The Network was officially launched in late 2011 to provide financial, marketing, and risk management support to each of the four Accion lending companies in the United States. Members, including Accion Chicago, Accion East, Accion New Mexico-Arizona-Colorado-Nevada-Texas and Accion San Diego each pay annual dues to the Network in order to support its work on their behalf. Together, the four Accion affiliates continue to grow local lending operations while the Network seeks to maximize resources nationally and to move the industry forward. Together, the four independent organizations have served tens of thousands of clients since 1991.

17. **Subsequent Events**

Subsequent to year end, Evergreen Bank Group informed the Organization that they would not renew the $100,000 equity equivalent debt. The Organization paid Evergreen Bank Group the balance in full in 2017.

In March 2017, the Organization received correspondence from a corporation committing $1,000,000 of support for the Hatchery project (Note 5).

Subsequent events have been evaluated through April 25, 2017, which is the date the financial statements were available to be issued.

18. **Future Accounting Standards**

Not-For-Profit Reporting – During 2016, the Financial Accounting Standards Board issued new standards relating to not-for-profit financial reporting. Significant changes to the current standards include adding two new classes of net assets (net assets with donor restrictions and net assets without donor restrictions), requiring expenses to be disclosed by their natural classification and function, as well as quantitative and qualitative information on the availability of financial assets and liquidity. The standard will be effective for 2018. The Organization has not determined the effect of adopting the new standard.

Credit Losses – During 2016, the Financial Accounting Standards Board issued a new standard relating to the model that is to be used to calculate the allowance for credit losses. The standard introduces a model referred to as the current expected credit losses (CECL) model and it requires an entity to estimate credit losses over the life of the financial instrument or a pool of financial instruments. The standard will also expand disclosure requirements regarding an entity's assumptions, models, and methods for estimating its allowance for credit losses. The standard will be effective for 2021. The Organization has not determined the effect of adopting the new standard.