

GRAMEEN RESEARCH, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2012 AND 2011

CONTENTS

	<u>Page</u>
FINANCIAL STATEMENTS:	
INDEPENDENT AUDITORS' REPORT	1-2
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)	4
STATEMENTS OF CASH FLOWS	5
NOTES TO THE FINANCIAL STATEMENTS	6-9



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Grameen Research, Inc.
Woburn, Massachusetts

Report on Financial Statements

We have audited the accompanying statements of financial position of Grameen Research, Inc. (the "Organization") which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities and changes in net assets (deficit) and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Organization'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 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 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 presents fairly, in all material respects, the financial position of Grameen Research, Inc. as of December 31, 2012 and 2011, and the changes in its net assets (deficit) and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Handwritten signature in black ink that reads "Newburg & Company CPAs". The signature is written in a cursive, flowing style.

Certified Public Accountants
Waltham, Massachusetts
March 22, 2013

GRAMEEN RESEARCH, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011

ASSETS	2012	(Restated) 2011
	<u> </u>	<u> </u>
CURRENT ASSETS:		
Cash	\$ 910,918	\$ 8,863
Pledges and contributions receivable	443,840	-
Accounts receivable	-	7,244
Prepaid expenses	<u>10,938</u>	<u>-</u>
Total current assets	<u>1,365,696</u>	<u>16,107</u>
PROPERTY AND EQUIPMENT:		
Office equipment	63,285	63,285
Accumulated depreciation	<u>(60,127)</u>	<u>(47,469)</u>
Total property and equipment, net	<u>3,158</u>	<u>15,816</u>
TOTAL ASSETS	<u>\$ 1,368,854</u>	<u>\$ 31,923</u>
LIABILITIES AND NET ASSETS (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	\$ 491,002	\$ 38,269
Accrued expenses	<u>5,239</u>	<u>-</u>
Total current liabilities	<u>496,241</u>	<u>38,269</u>
NET ASSETS (DEFICIT):		
Unrestricted	(292,394)	(6,346)
Temporarily restricted	<u>1,165,007</u>	<u>-</u>
Total net assets (deficit)	<u>872,613</u>	<u>(6,346)</u>
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	<u>\$ 1,368,854</u>	<u>\$ 31,923</u>

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

GRAMEEN RESEARCH, INC
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012			(Restated) 2011		
	Unrestricted Net Assets (Deficit)	Temporarily Restricted Net Assets	Total Net Assets (Deficit)	Unrestricted Net Assets (Deficit)	Temporarily Restricted Net Assets	Total Net Assets (Deficit)
REVENUES:						
Pledges and contributions	\$ 1,631,652	\$ 1,165,007	\$ 2,796,659	\$ 1,496,626	\$ 681,368	\$ 2,177,994
Service	100,000	-	100,000	-	-	-
Net assets released from restrictions through satisfaction of restrictions	-	-	-	681,368	(681,368)	-
Total revenues	1,731,652	1,165,007	2,896,659	2,177,994	-	2,177,994
EXPENSES:						
Program expenses:						
Return of contributions	957,454	-	957,454	-	-	-
Audit fees	390,435	-	390,435	-	-	-
Subcontracted services	193,007	-	193,007	950,546	-	950,546
Travel	81,503	-	81,503	415,699	-	415,699
Meetings and events	25,126	-	25,126	64,769	-	64,769
Photography	15,049	-	15,049	-	-	-
Advertising	3,984	-	3,984	93,740	-	93,740
Salaries and benefits	-	-	-	8,302	-	8,302
Video production costs	-	-	-	48,424	-	48,424
Total program expenses	1,666,558	-	1,666,558	1,581,480	-	1,581,480
Administrative expenses:						
Professional fees	119,104	-	119,104	396,273	-	396,273
Corporate overhead	179,442	-	179,442	86,452	-	86,452
Office	34,121	-	34,121	41,737	-	41,737
Interest	-	-	-	32,538	-	32,538
Depreciation	12,659	-	12,659	12,657	-	12,657
Telephone	3,319	-	3,319	19,169	-	19,169
Postage and delivery	2,497	-	2,497	1,954	-	1,954
Total administrative expenses	351,142	-	351,142	590,780	-	590,780
TOTAL EXPENSES	2,017,700	-	2,017,700	2,172,260	-	2,172,260
CHANGES IN NET ASSETS (DEFICIT)	(286,048)	1,165,007	878,959	5,734	-	5,734
NET DEFICIT, beginning	(6,346)	-	(6,346)	(12,080)	-	(12,080)
NET ASSETS (DEFICIT), ending	\$ (292,394)	\$ 1,165,007	\$ 872,613	\$ (6,346)	\$ -	\$ (6,346)

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

GRAMEEN RESEARCH, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	(Restated) 2011
OPERATING ACTIVITIES:		
Change in net assets	\$ 878,959	\$ 5,734
Adjustments to reconcile changes in net assets from operations to net cash provided by operating activities:		
Depreciation	12,659	12,657
(Increase) decrease in operating assets:		
Pledges and contributions receivable	(443,840)	-
Prepaid expenses	(10,939)	-
Accounts receivable	7,244	(4,744)
Increase (decrease) in operating liabilities:		
Accounts payable	452,733	4,771
Accrued expenses	5,239	-
Net cash provided by operating activities	902,055	18,418
FINANCING ACTIVITIES:		
Repayments of lending	-	(24,160)
NET INCREASE (DECREASE) IN CASH	902,055	(5,742)
CASH, beginning	8,863	14,605
CASH, ending	\$ 910,918	\$ 8,863

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

GRAMEEN RESEARCH, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

NOTE 1 - NATURE OF ACTIVITIES AND BASIS FOR PRESENTATION:

Nature of Activities:

Grameen Research, Inc. (the "Organization") is a not-for-profit corporation with a mission to undertake research, education, and training projects in the field of microfinance. The Organization's primary activities are to conduct research on the application of the "Grameen model", provide financial counseling and education to the poorest populations, and provide training to microfinance professionals who are applying the Grameen model. The Organization initially established a presence in the United States and has since, and continues, to expand to countries throughout the World.

The Organization has been created to complement the various microfinance, healthcare, and education initiatives of the Grameen Trust in the United States and throughout the World. The Grameen Trust is an affiliate of the Grameen Bank of Bangladesh, which initiated the Grameen model of microfinance.

Basis of Accounting:

The financial statements of the Organization have been prepared on the accrual basis of accounting, in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Under this method, revenue is recorded when earned and expenses when incurred.

Basis of Presentation:

In accordance with GAAP related to financial statements of not-for-profit organizations, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, in accordance with the existence and/or nature of any donor imposed restrictions. As of December 31, 2012 the Organization had \$1,165,007 of temporarily restricted net assets. These assets are restricted by donors to the expiration of the passage of time and the fulfillment of donors' stipulated purpose. The Organization did not have temporarily restricted net assets as of December 31, 2011. There were no permanently restricted net assets in 2012 or 2011.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Use of Estimates:

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reported period. The estimates are based on the management's best knowledge of current events, historical experience, and various other factors that are believed to be reasonable under current condition. Therefore, actual results may differ from those estimates.

Accounts and Pledges and Contributions Receivable:

The Organization uses the allowance method to account for uncollectible accounts and pledges and contributions receivable. The allowance is an estimate based upon the review of the accounts in conjunction with the Organization's historical bad debt experience. Accordingly, the allowance does not include any adjustments for future economic fluctuations. The Organization has determined that an allowance was not necessary as of December 31, 2012 and 2011. It is the Organization's policy not to accrue interest on past due accounts and pledges and contributions receivable.

Restricted Cash:

The Organization maintains restricted cash balances to satisfy requirements for temporarily restricted net assets and imposed restrictions by a foreign not-for-profit corporation.

GRAMEEN RESEARCH, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Revenue Recognition:

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received or promised. Conditional contributions are recorded when the conditions have been met. Contributions are considered to be unrestricted unless specifically restricted by the donor.

The Organization reports contributions in the temporarily or permanently 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. 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.

Service revenue, which includes consulting projects performed by the Organization, are recorded as revenues in the period they earned.

Contributed Services:

As required by GAAP related to contributed services, the Organization reports contributed services that materially affect its financial statements. During the years ended December 31, 2012 and 2011, contributed services have not been considered material by management and have not been recorded. Contributed services primarily consist of consulting by the board of trustees.

Impairment of Long-Lived Assets:

GAAP related to impairment or disposal of long-lived assets requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. The Organization's policy is to evaluate long-lived assets used in operations, primarily fixed assets, when events and circumstances indicate that the carrying value of the assets might not be recoverable in accordance with GAAP.

Property and Equipment:

All property and equipment is recorded at cost. Major additions and improvements are capitalized while maintenance and repairs which do not improve or extend the useful lives of the respective assets are expensed in the year incurred. Depreciation is computed using the straight-line method over the assets' estimated useful lives, which are as follows:

	<u>Estimated Useful Life</u>
Office equipment	5 years

Advertising:

Advertising costs are expensed as incurred.

Income Taxes:

The Organization is a not-for-profit corporation exempt from federal and state income taxes under Internal Revenue Code Section 501 (3) as determined by the Internal Revenue Service in its letter dated July 3, 2008. Management is not aware of any circumstances that would impair the original determination.

GRAMEEN RESEARCH, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Income Taxes (Continued):

In the preparation of income tax returns, tax positions are taken based on interpretation of federal and state income tax laws for which the outcome is uncertain. Management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts ultimately due or owed. The benefits of tax positions are recorded in income tax expense in the financial statements, net of the estimates of ultimate amounts due or owed including any applicable interest and penalties. Changes in the estimated amounts due or owed may result from closing of the statute of limitations on tax returns, new legislation, clarification of existing legislation through government pronouncements, the courts, and through the examination process. The Organization's policy is to report interest and penalties, if any, related to unrecognized tax benefits in income tax expense in the Statements of Revenues and expenses.

Management believes that all tax positions taken on its federal and state income tax returns would more likely than not be sustained upon examination. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no income tax audits for any tax periods in progress. The Organization believes they are no longer subject to income tax examinations for years prior to 2009.

Subsequent Events:

Transactions subsequent to the year ended December 31, 2012 have been evaluated through March 22, 2013, the date the financial statements were available to be issued. No events were noted that could have a material impact on the financial statements.

Reclassification:

Certain amounts in the December 31, 2011 financial statements have been reclassified to conform to the December 31, 2012 financial statement presentation. These reclassifications had no effect on previously reported results of activities or unrestricted net assets.

NOTE 3 - PRIOR PERIOD ADJUSTMENT:

During the year, the Organization discovered certain errors on the December 31, 2011 financial statements for related party loans that should have been recognized as temporarily restricted net assets. The correction of the adjustment is as follows:

Deficiency in unrestricted net assets, as originally reported, December 31, 2011	\$(2,175,157)
Temporarily restricted contributions released as unrestricted for the year ended December 31, 2011	681,368
Temporarily restricted contributions released as unrestricted for the year ended December 31, 2010	<u>1,487,443</u>
Deficiency in unrestricted net assets, as restated, December 31, 2011	<u>\$ (6,346)</u>

NOTE 4 - CONCENTRATIONS:

The Organization is dependent on third-party donors for funding. The loss of certain principal donors or a significant reduction in the size of donations they contribute could have a material adverse effect on the Organization. The Organization believes that its relationships with its principal donors is satisfactory and does not anticipate any changes in the amount of funding.

GRAMEEN RESEARCH, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

NOTE 5 - FUNCTIONAL ALLOCATION OF EXPENSES:

The costs of providing the various program activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated for the programs and supporting services benefited.

NOTE 6 – RESTRICTED CASH:

Temporarily Restricted Net Assets:

The Organization maintains restricted cash balances to satisfy time restraints imposed by donors.

Fiscal Agent:

The Organization acts as a fiscal agent for a foreign not-for-profit corporation. The Organization maintains a restricted cash balance, solely to be disbursed according to the terms of the foreign not-for-profit corporation. The Organization must hold this cash in a separate bank account.

NOTE 7 - RELATED PARTY TRANSACTION:

The Organization is charged corporate overhead costs for salaries and wages of employees from a related entity for administrative services provided by the related entity. Total corporate overhead charged to the Organization for the years ended December 31, 2012 and 2011 was \$179,442 and \$86,452, respectively.