

**GRAMEEN RESEARCH, INC.**  
**FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED**  
**DECEMBER 31, 2010 AND 2009**

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**NEWBURG & COMPANY<sup>LLP</sup>**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying statements of financial position of Grameen Research, Inc. as of December 31, 2010 and 2009 and the related statements of activities and changes in unrestricted net assets and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on the financial statements based on our audits.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of Grameen Research, Inc. as of December 31, 2010 and 2009, and the changes in its unrestricted net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Certified Public Accountants  
March 23, 2011

**GRAMEEN RESEARCH, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2010 AND 2009**

**ASSETS**

	<b>2010</b>	<b>2009</b>
<b>CURRENT ASSETS:</b>		
Cash	\$ 14,605	\$ 58,510
Accounts receivable	2,500	-
Total current assets	<b>17,105</b>	<b>58,510</b>
<b>PROPERTY AND EQUIPMENT:</b>		
Office equipment	63,285	63,285
Accumulated depreciation	(34,812)	(22,155)
Total property and equipment, net	<b>28,473</b>	<b>41,130</b>
<b>TOTAL ASSETS</b>	<b>\$ 45,578</b>	<b>\$ 99,640</b>

**LIABILITIES AND DEFICIENCY IN UNRESTRICTED NET ASSETS**

<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 33,498	\$ 91,391
Due to related party	411,603	446,484
Total current liabilities	<b>445,101</b>	<b>537,875</b>
NOTE PAYABLE- RELATED PARTY	<b>1,100,000</b>	<b>1,100,000</b>
DEFICIENCY IN UNRESTRICTED NET ASSETS	<b>(1,499,523)</b>	<b>(1,538,235)</b>
<b>TOTAL LIABILITIES AND DEFICIENCY IN UNRESTRICTED NET ASSETS</b>	<b>\$ 45,578</b>	<b>\$ 99,640</b>

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

**GRAMEEN RESEARCH, INC**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN UNRESTRICTED NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
REVENUES:		
Unrestricted revenue and support	\$ 696,747	\$ 237,953
Temporarily restricted grant revenue	<u>-</u>	<u>1,175,000</u>
Total revenues	<u>696,747</u>	<u>1,412,953</u>
EXPENSES:		
Program expenses:		
Subcontracted services	170,978	34,448
Travel	129,522	125,071
Meetings and events	37,575	26,351
Video production costs	27,002	36,295
Salaries and benefits	8,302	99,821
Grant expenses	-	1,175,000
Advertising	<u>-</u>	<u>5,670</u>
Total program expenses	<u>373,379</u>	<u>1,502,656</u>
Administrative expenses:		
Professional fees	132,448	129,907
Dues and subscriptions	84,734	41,015
Corporate overhead	32,316	19,330
Interest expense	13,068	-
Depreciation	12,657	12,637
Telephone	4,785	6,204
Office expense	<u>4,648</u>	<u>12,939</u>
Total administrative expenses	<u>284,656</u>	<u>222,032</u>
TOTAL EXPENSES	<u>658,035</u>	<u>1,724,688</u>
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	38,712	(311,735)
DEFICIENCY IN UNRESTRICTED NET ASSETS, beginning	<u>(1,538,235)</u>	<u>(1,226,500)</u>
DEFICIENCY IN UNRESTRICTED NET ASSETS, ending	<u>\$ (1,499,523)</u>	<u>\$ (1,538,235)</u>

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

**GRAMEEN RESEARCH, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<b>2010</b>	<b>2009</b>
<b>OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets from operations	<b>\$ 38,712</b>	\$ (311,735)
Adjustments to reconcile change in unrestricted net assets from operations to net cash used for operating activities:		
Depreciation	<b>12,657</b>	12,637
(Increase) decrease in operating assets:		
Accounts receivable	<b>(2,500)</b>	-
Prepaid expenses	-	648
Increase (decrease) in operating liabilities:		
Accounts payable	<b>(57,893)</b>	30,994
Net cash used for operating activities	<b>(9,024)</b>	(267,456)
<b>INVESTING ACTIVITIES:</b>		
Acquisition of office equipment	-	(1,266)
<b>FINANCING ACTIVITIES:</b>		
Advances (repayments) to/from related party	<b>(34,881)</b>	322,837
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(43,905)</b>	54,115
CASH, beginning	<b>58,510</b>	4,395
CASH, ending	<b>\$ 14,605</b>	\$ 58,510

**SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:**

Interest accrual on note payable, related party	<b>\$ 13,068</b>	\$ -
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*The accompanying notes are an integral part of these financial statements.*

**GRAMEEN RESEARCH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010 AND 2009**

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 will be 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.

Grameen Research, Inc. 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 generally accepted accounting principles.

**Basis of Presentation:**

In accordance with the authoritative guidance 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. At December 31, 2010 there were no temporary or permanently restricted net assets. The organization had temporary donor-imposed restrictions which were fulfilled during 2009.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

**Use of Estimates:**

The preparation of financial statements in accordance with generally accepted accounting principles 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 Receivable:**

The Organization uses the allowance method to account for uncollectible accounts 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, 2010 and 2009.

**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.

**GRAMEEN RESEARCH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

**Revenue Recognition (Continued):**

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.

**Contributed Services:**

As required by the authoritative guidance related to contributed services, the Organization reports contributed services that materially affect its financial statements. During the years ended December 31, 2010 and 2009, 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.

**Fair Value of Financial Instruments:**

As required by the authoritative guidance related to fair value measurements, the Organization abides by the established fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities (Level 1 measurements), then priority to quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market (Level 2 measurements), then the lowest priority to unobservable inputs (Level 3 measurements). The authoritative guidance delayed for one year the effective date for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). Effective January 1, 2009, the Organization adopted the authoritative guidance for its financial assets. The adoption had no impact on the Organization's financial condition, result of operations or cash flows. The Organization does not anticipate that the adoption of the authoritative guidance for non-financial assets and liabilities will have a material impact on its financial condition, results of operations or cash flows.

The Organization's financial instruments consist of accounts receivable, accounts payable and long-term debt. The recorded values of accounts receivable and accounts payable approximate their fair values based on their short-term nature. The recorded values of notes payable and long-term debt approximate their fair values, as interest approximates market rates.

**Impairment of Long-Lived Assets:**

The authoritative guidance 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 the authoritative guidance.

**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 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:

**GRAMEEN RESEARCH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

**Property and Equipment (Continued):**

	<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 company 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.

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.

**Subsequent Events:**

Transactions subsequent to the year ended December 31, 2010 have been evaluated through March 23, 2011, 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, 2009 financial statements have been reclassified to conform to the December 31, 2010 financial statements presentation. These reclassifications had no effect on previously reported results of activities or unrestricted net assets.

NOTE 3 – RELATED PARTY TRANSACTIONS:

**Note Payable, Related Party:**

The Organization has a promissory note agreement with an affiliated entity. The balance of the note was due in June 2010 with interest on the principle outstanding payable from time to time at the simple annual rate of 4%, from December 2008 until such principal sum is paid with any accrued interest payable in full in arrears as of the maturity date. The maturity date of the note was extended during 2009 until January 2012. The outstanding balance due as of December 31, 2010 and 2009 was \$1,100,000.

**Due to Related Party:**

Amounts due to a related party are unsecured, bear no interest, and have no fixed repayment terms.

**GRAMEEN RESEARCH, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010 AND 2009**

**NOTE 4 - CONCENTRATIONS:**

**Cash:**

The Organization maintains cash balances at financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC), up to \$250,000. The account balances fluctuate greatly during the year and can exceed this limit. The Organization regularly monitors the financial stability of the banks and institutions with which it does business and does not believe it is exposed to any significant credit risk on its cash.

**Concentration of Donations:**

The Organization is dependent on third-party investors for funding. The loss of certain principal investors or a significant reduction in the size of funding they receive could have a material adverse effect on the Organization. The Organization believes that its relationships with its principal investors is satisfactory and does not anticipate any changes in the amount of funding. During 2010, the Organization received \$600,000 in donations from an officer.

**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 – GOING CONCERN:**

As shown in the accompanying financial statements, the Organization's current liabilities exceed its current assets by \$427,996 and \$479,365 and its total liabilities exceed its total assets by \$1,499,523 and \$1,538,235 for the years ended December 31, 2010 and 2009, respectively. The Organization also incurred an operating loss of \$311,735 for the year ended December 31, 2009. These factors raise substantial doubt about the Organization's ability to continue as a going concern. The Organization's president is presently funding the Organization's operations to ensure all cash requirements are met, and has agreed to continue funding the operations for the fiscal year 2011. Additionally, the related party who is due substantial funds from the Organization has agreed to not demand repayment during the upcoming fiscal year. The accompanying financial statements do not include any adjustments that might be necessary if the Organization is unable to continue as a going concern.