



# **ACCION USA, Inc.**

Consolidated Financial Statements  
(Together with Independent Auditors' Report)

Years Ended December 31, 2010 and 2009

**ACCION USA, INC.  
CONSOLIDATED FINANCIAL STATEMENTS  
(Together with Independent Auditors' Report)**

**YEARS ENDED DECEMBER 31, 2010 AND 2009**

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
ACCION USA, Inc.

We have audited the accompanying consolidated statements of financial position of ACCION USA, Inc. ("ACCION") as of December 31, 2010 and 2009, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended. These consolidated financial statements are the responsibility of ACCION's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 audits provide a reasonable basis for our opinion.

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

Our audits were made for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information (pages 15-20) is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates to the underlying accounting and other records to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including and comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*MARKS PANETH & SHRON LLP*

New York, NY  
September 30, 2011

**ACCION USA, INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2010 AND 2009**

<b>ASSETS</b>	<u>2010</u>	<u>2009</u>
Cash and cash equivalents (Note 2C)	\$ 5,231,485	\$ 4,414,045
Cash restricted for loan funds (Note 2D)	1,404,665	1,188,039
Contributions and grants receivable, net (Notes 2F and 6)	4,148,040	3,675,254
Interest on loans receivable (Note 2H)	48,510	85,003
Microenterprise loans receivable, net (Notes 2G and 3)	6,194,788	8,732,273
Investments (Notes 2E, 4 and 10)	907,955	890,780
Other assets	398,147	215,201
Property and equipment, net (Notes 2I and 5)	<u>477,026</u>	<u>404,499</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>18,810,616</u></b>	<b>\$ <u>19,605,094</u></b>
 <b>LIABILITIES</b>		
Other liabilities accounts payable and accrued expenses	417,188	322,986
Due to related parties (Note 12)	-	146,711
Notes and recoverable grants payable (Note 7)	10,589,991	12,453,508
Other liabilities	443,050	422,419
Subordinated debt (Note 7)	<u>3,050,000</u>	<u>3,050,000</u>
<b>TOTAL LIABILITIES</b>	<b><u>14,500,229</u></b>	<b><u>16,395,624</u></b>
 <b>COMMITMENTS AND CONTINGENCIES (Note 8)</b>		
 <b>NET ASSETS (Notes 2B and 14)</b>		
Unrestricted	(1,398,492)	(1,585,262)
Temporarily restricted (Note 9)	<u>5,708,879</u>	<u>4,794,732</u>
<b>TOTAL NET ASSETS</b>	<b><u>4,310,387</u></b>	<b><u>3,209,470</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u><u>18,810,616</u></u></b>	<b>\$ <u><u>19,605,094</u></u></b>

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

**ACCION USA, INC.**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2010 Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2009 Total</u>
<b>SUPPORT AND REVENUE:</b>						
Contributions and grants (Notes 2F and 2J)	\$ 2,907,551	\$ 3,525,269	\$ 6,432,820	\$ 2,053,845	\$ 2,657,812	\$ 4,711,657
<b>Revenue:</b>						
Interest on loans (Notes 2H and 3)	926,602	-	926,602	1,644,149	-	1,644,149
Program fees	379,043	-	379,043	477,752	-	477,752
Investment income (Note 4)	22,250	-	22,250	44,429	-	44,429
Other revenue (Note 2G)	201,140	-	201,140	212,261	-	212,261
<b>Total Revenue</b>	<u>1,529,035</u>	<u>-</u>	<u>1,529,035</u>	<u>2,378,591</u>	<u>-</u>	<u>2,378,591</u>
<b>Net assets released from restrictions</b>	<u>2,611,122</u>	<u>(2,611,122)</u>	<u>-</u>	<u>2,256,199</u>	<u>(2,256,199)</u>	<u>-</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>7,047,708</u>	<u>914,147</u>	<u>7,961,855</u>	<u>6,688,635</u>	<u>401,613</u>	<u>7,090,248</u>
<b>EXPENSES:</b>						
Program services - lending	5,477,616	-	5,477,616	8,271,542	-	8,271,542
Supporting services:						
Management and general	891,771	-	891,771	968,696	-	968,696
Fundraising	491,551	-	491,551	569,968	-	569,968
Total supporting services	1,383,322	-	1,383,322	1,538,664	-	1,538,664
<b>TOTAL EXPENSES</b>	<u>6,860,938</u>	<u>-</u>	<u>6,860,938</u>	<u>9,810,206</u>	<u>-</u>	<u>9,810,206</u>
<b>CHANGE IN NET ASSETS</b>	186,770	914,147	1,100,917	(3,121,571)	401,613	(2,719,958)
<b>Net assets - beginning of year</b>	<u>(1,585,262)</u>	<u>4,794,732</u>	<u>3,209,470</u>	<u>1,536,309</u>	<u>4,393,119</u>	<u>5,929,428</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ (1,398,492)</u>	<u>\$ 5,708,879</u>	<u>\$ 4,310,387</u>	<u>\$ (1,585,262)</u>	<u>\$ 4,794,732</u>	<u>\$ 3,209,470</u>

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

**ACCION USA, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Program Services - Lending</b>	<b>Supporting Services</b>		<b>2010 Total</b>
		<b>Management and General</b>	<b>Fundraising</b>	
Personnel costs	\$ 2,869,819	\$ 568,402	\$ 331,118	\$ 3,769,339
Professional fees and marketing (Note 2J)	608,664	120,392	70,381	799,437
Office and occupancy (Note 8)	508,264	92,579	51,666	652,509
Travel and conferences	57,548	28,530	9,609	95,687
Interest and fees (Note 7)	381,935	8,774	4,053	394,762
Depreciation and amortization (Note 5)	124,727	24,795	14,498	164,020
Loan loss provision (Note 3)	877,293	-	-	877,293
Other expenses	49,366	48,299	10,226	107,891
<b>TOTAL EXPENSES</b>	<b>\$ 5,477,616</b>	<b>\$ 891,771</b>	<b>\$ 491,551</b>	<b>\$ 6,860,938</b>

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

**ACCION USA, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>Program Services - Lending</b>	<b>Supporting Services</b>		<b>2009 Total</b>
		<b>Management and General</b>	<b>Fundraising</b>	
Personnel costs	\$ 3,174,344	\$ 627,038	\$ 354,200	\$ 4,155,582
Professional fees and marketing (Note 2J)	728,963	152,750	110,708	992,421
Office and occupancy (Note 8)	582,734	103,491	54,218	740,443
Travel and conferences	57,693	29,159	6,204	93,056
Interest and fees (Note 7)	591,692	10,944	5,170	607,806
Depreciation and amortization (Note 5)	140,053	27,658	15,649	183,360
Loan loss provision (Note 3)	2,890,164	-	-	2,890,164
Other expenses	105,899	17,656	23,819	147,374
<b>TOTAL EXPENSES</b>	<b>\$ 8,271,542</b>	<b>\$ 968,696</b>	<b>\$ 569,968</b>	<b>\$ 9,810,206</b>

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

**ACCION USA, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	<u>2010</u>	<u>2009</u>
Change in net assets	\$ 1,100,917	\$ (2,719,958)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision for loan losses	877,293	2,890,164
Depreciation and amortization	164,020	183,360
Net realized loss/(gain) on investments	3,346	(8,583)
Unrealized (gain)/loss on investments	(12,106)	4,274
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Contributions and grants receivable	(472,786)	1,308,494
Loan interest receivable	36,493	51,461
Other assets	(182,946)	(8,924)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	94,202	(67,305)
Due to related parties	(146,711)	(150,433)
Other liabilities	20,631	28,010
 <b>Net Cash Provided by Operating Activities</b>	 <u>1,482,353</u>	 <u>1,510,560</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Disbursements under loan programs	(4,356,071)	(4,295,167)
Collections under loan programs	6,016,263	9,028,797
Purchase of investments	(158,415)	(790,007)
Proceeds from sale of investments	150,000	769,232
Purchases of property and equipment	(236,547)	(90,990)
 <b>Net Cash Provided by Investing Activities</b>	 <u>1,415,230</u>	 <u>4,621,865</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Change in cash restricted for loan fund	(216,626)	628,498
Proceeds from notes payable	946,450	533,960
Repayments of notes payable	(2,809,967)	(5,988,863)
 <b>Net Cash Used by Financing Activities</b>	 <u>(2,080,143)</u>	 <u>(4,826,405)</u>
 <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	 817,440	 1,306,020
Cash and cash equivalents - beginning of year	<u>4,414,045</u>	<u>3,108,025</u>
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	 <u>\$ 5,231,485</u>	 <u>\$ 4,414,045</u>
 <b>Supplementary Disclosure of Cash Flow Information:</b>		
Cash paid during the year for interest	<u>\$ 332,667</u>	<u>\$ 541,516</u>

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



**ACCION USA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010 AND 2009**

**NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES**

The mission of ACCION USA, Inc. (“ACCION”) is to stimulate the economic development of disadvantaged areas throughout the United States by providing credit and other support services to entrepreneurs that do not have access to commercial business credit. Through its loans and services, ACCION helps micro entrepreneurs strengthen their businesses, stabilize and increase their incomes, create additional employment and contribute to the economic revitalization of their communities.

In addition, ACCION manages the ‘ACCION’ brand in the United States (on behalf of ACCION International) and licenses its brand to regional affiliates including ACCION Texas-Louisiana, ACCION New Mexico-Arizona-Colorado, ACCION Chicago and ACCION San Diego. The licensing agreement allows each affiliate to utilize the ‘ACCION’ brand within specific geographic areas of the United States and provides information sharing and minimum performance standards among the affiliates (collectively, the “ACCION Network in the U.S.”). No other financial or operational support is provided through the license agreement.

ACCION is a New York not-for-profit corporation that changed its name from “ACCION New York, Inc.” (hereafter “AUSA-NY”) in December of 2008, in connection with a historic combination with ACCION USA, Inc. (a Massachusetts not-for-profit corporation, hereafter ‘AUSA-MA’). As a result of the combination, ACCION is the sole member of AUSA-MA, which gives it the authority to elect the members of the Board of Directors and approve key transactions of AUSA-MA.

AUSA-NY and AUSA-MA are nonprofit charitable and civic organizations exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The consolidated financial statements reflect the consolidated results of both entities.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- A. ACCION’s financial statements have been prepared on the accrual basis of accounting using accounting principles generally accepted in the United States of America (hereafter “GAAP”).
- B. ACCION reports grants, gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, ACCION reports the support as unrestricted.
- C. Cash and cash equivalents consist of all highly liquid instruments purchased with original maturities of 90 days or less except for those amounts held for long-term investment purposes, which are included in investments.
- D. Restricted cash consists of amounts for which the use has been restricted for specific loan programs.
- E. Investments are reported at fair value based on quoted market prices, with investment income included in the statement of activities. Other revenue, as reported, includes the effects of fluctuations in the market values of the investments throughout the year.
- F. Pledges are recorded as revenue when the pledge is made. Long-term pledges are considered implicitly time restricted. Management evaluates the need for an allowance for doubtful accounts applicable to its contributions and grants receivable based on various factors, including an assessment of the credit worthiness of its donors, ageing of the amount due and historical experience. As of December 31, 2010 and 2009, management determined that an allowance for doubtful accounts was not necessary for contributions and grants receivable.
- G. Management considers a loan to be impaired when it is more than 30 days delinquent or when it is probable that ACCION will be unable to collect all amounts due according to the contractual terms of the loan agreement. The allowance for doubtful accounts reflects loan impairment and is calculated using impairment rates approved by the Board of Directors and based on the aging of the loan and historical write-off trends. Impaired loans are written off when they exceed 180 days or earlier when, in the opinion of management, they are deemed to be uncollectible. Subsequent recoveries are recognized as income in the year they are received.

**ACCION USA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010 AND 2009**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- H. Interest income on loans is recognized based on the principal amount outstanding and the related rate of interest. The accrual of interest on loans is discontinued when, contractually, a loan becomes 90 days past due. When a loan is placed on nonaccrual status (i.e., after 90 days of delinquency), all interest previously accrued but not collected is reversed against current period interest income. When the loan is taken off nonaccrual status or when the loan becomes current, the accrual of interest income is resumed.
- I. Property and equipment is stated at cost less accumulated depreciation. These amounts do not purport to represent replacement or realizable values. ACCION capitalizes all property and equipment having a useful life of greater than one year and a cost of \$500 or more. Expenses for maintenance and repairs are charged to operations as incurred. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts, with any net gain or loss reflected in the statement of activities for the period. Leasehold improvements are amortized over the lesser of their estimated useful lives or the term of the lease. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. In addition to tangible assets, ACCION also capitalizes the internal and external costs incurred to develop internal-use computer software during the application development stage. This includes the cost to develop or obtain software that allows for access or conversion of old data by new systems. Capitalized software is amortized over its estimated useful life.
- J. Donated goods and services are recognized in the financial statements if the services or goods enhance or create nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation. ACCION received contributed legal and video services that are valued at the standard market rates that would have been incurred by ACCION to obtain such services. Contributed services are reported as revenue and expense in the accompanying consolidated statements of activities, because they meet the criteria for recognition. ACCION received contributed services of \$202,814 and \$664,814 during 2010 and 2009, respectively. During 2009, ACCION also received donated goods of \$2,503.
- K. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 10.
- L. Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through September 30, 2011 the date the consolidated financial statements were available to be issued. No events have occurred subsequent to the consolidated statement of financial position date through September 30, 2011 that would require adjustment or disclosure in the consolidated financial statements.
- M. ACCION has no uncertain tax positions as of December 31, 2010 and 2009 in accordance with Accounting Standards Codification (“ASC”) Topic 740, Income Taxes, which provides standards for establishing and classifying any tax provisions for uncertain tax positions. ACCION is no longer subject to federal or state and local income tax examinations by tax authorities for years ended before December 31, 2007.
- N. Effective January 1, 2010, ACCION adopted Accounting Standards Updated 2010-6 (“ASU 2010-6”), Fair Value Measurements and Disclosures (Topic 820), Improving Disclosures about Fair Value Measurements. ASU 2010-6 modified existing disclosures to require disclosures by asset or liability class when providing fair value measurement disclosures (see Note 10).
- O. The preparation of financial statements in conformity 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 disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.
- P. Certain disclosures in the December 31, 2009 consolidated financial statements have been reclassified to conform to the December 31, 2010 presentation.

**ACCION USA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010 AND 2009**

**NOTE 3 – MICROENTERPRISE LOANS RECEIVABLE**

Microenterprise loans receivable as of December 31, 2010 and 2009, respectively:

	<u>2010</u>	<u>2009</u>
Gross microenterprise loans receivable	\$ 7,441,799	\$ 10,543,249
Allowance for loan losses	<u>(1,247,011)</u>	<u>(1,810,976)</u>
	<u>\$ 6,194,788</u>	<u>\$ 8,732,273</u>

Below is the loan loss allowance activity for the years ended December 31, 2010 and 2009, respectively:

	<u>2010</u>	<u>2009</u>
Balance beginning of year	\$ 1,810,976	\$ 1,755,372
Provision for loan losses	877,293	2,890,164
Loans written-off	<u>(1,441,258)</u>	<u>(2,834,560)</u>
	<u>\$ 1,247,011</u>	<u>\$ 1,810,976</u>

As of December 31, 2010 and 2009, loans on nonaccrual status amounted to \$384,714 and \$461,195, respectively. The portion of the allowance for loan losses related to nonaccrual status loans was \$292,996 and \$340,841 as of December 31, 2010 and 2009, respectively. ACCION stops recording interest on nonaccrual loans (i.e., after 90 days of delinquency) as soon as they are classified as such. Interest income on these loans is accounted for on a cash basis or cost recovery method until the loans qualify for return to accrual status.

**NOTE 4 – INVESTMENTS**

Investments consist of the following as of December 31, 2010 and 2009, respectively:

	<u>2010</u>	<u>2009</u>
Cash and money market funds	\$ 69,596	\$ 133,545
U.S. Treasury notes	835,085	753,980
Corporate stock	<u>3,274</u>	<u>3,255</u>
	<u>\$ 907,955</u>	<u>\$ 890,780</u>

Investments are subject to market volatility that could substantially change their carrying value in the near term.

Investment income consists of the following for the years ended December 31, 2010 and 2009, respectively:

	<u>2010</u>	<u>2009</u>
Interest and dividends	\$ 22,250	\$ 44,429
Net realized (loss)/gain on investments	(3,346)	8,583
Net unrealized gain/(loss) on investments	<u>12,106</u>	<u>(4,274)</u>
	<u>\$ 31,010</u>	<u>\$ 48,738</u>

For the years ended December 31, 2010 and 2009, investment fees of \$9,299 and \$9,063, respectively, have been recorded as an expense in the accompanying consolidated financial statements.

**ACCION USA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010 AND 2009**

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of December 31, 2010 and 2009, respectively:

	<u>2010</u>	<u>2009</u>	<u>Estimated Useful Lives</u>
Leasehold improvements	\$ 246,339	\$ 246,339	5 - 10 years
Capitalized software	884,562	530,169	3 - 5 years
Furniture, fixtures and equipment	<u>99,368</u>	<u>217,214</u>	3 - 5 years
Total cost	1,230,269	993,722	
Less: accumulated depreciation and amortization	<u>(753,243)</u>	<u>(589,223)</u>	
Net book value	<u>\$ 477,026</u>	<u>\$ 404,499</u>	

Depreciation and amortization expense amounted to \$164,020 and \$183,360 for the years ended December 31, 2010 and 2009, respectively.

**NOTE 6 – CONTRIBUTIONS AND GRANTS RECEIVABLE**

Contributions receivable due in more than one year are recorded at the net present value, determined using a discount rate commensurate with the interpolated yield on U.S. treasury obligations with comparable maturities. The discount rates used as of December 31, 2010 and 2009 ranged from 0.12% to 1.52% and 1.70% to 2.69%, respectively, and represented maturities ranging from 2 to 5 years. Amortization of the discount is reflected as contribution revenue in the accompanying consolidated financial statements. Restricted pledges are reported as additions to the appropriate restricted net asset account.

Contributions and grants receivable consist of the following as of December 31, 2010 and 2009, respectively:

	<u>2010</u>	<u>2009</u>
Amounts due:		
Within one year	\$ 3,410,646	\$ 2,790,787
Within one to five years	<u>751,250</u>	<u>939,375</u>
Gross contributions and grants receivable	4,161,866	3,730,162
Discount for net present value	<u>(13,856)</u>	<u>(54,908)</u>
Net contributions and grants receivable	<u>\$ 4,148,010</u>	<u>\$ 3,675,254</u>

**NOTE 7 – NOTES PAYABLE AND SUBORDINATED DEBT**

The following is a summary of ACCION's credit agreements with various banks and other lenders to fund its operating and microlending activities at December 31, 2010 and 2009, respectively:

	<u>2010</u>	<u>2009</u>
<u>Recoverable grants – unsecured</u>		
Evergreen arrangements with no definitive maturity date. These recoverable grants are non-interest bearing.	\$ 448,964	\$ 412,261
<u>Notes payable – unsecured</u>		
Maturity terms range from 1 to 10 years, fixed interest rates ranging from 0% to 4% and floating interest rates ranging from the Federal Funds Rate to LIBOR plus 1% per annum (1.32% at December 31, 2010 and 1.45% at December 31, 2009).	10,141,027	12,041,247

**ACCION USA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010 AND 2009**

**NOTE 7 – NOTES PAYABLE AND SUBORDINATED DEBT (Continued)**

	2010	2009
<u>Subordinated debt – EQ2 Loans – unsecured</u>		
The equity equivalent investment, commonly referred to in the community development financing industry as an “EQ2 Loan”, is a capital product designed by lenders to increase available funding and investments to economically disadvantaged communities. EQ2 loans are subordinated to ACCION’s other loan agreements.		
Maturity terms range from 3 to 5 years with fixed interest rates ranging from 2% to 90% of the five (5)-year U.S. Treasury rate adjusted quarterly (not to exceed 4.5%). No principal payments are required until maturity.		
	3,050,000	3,050,000
	\$ 13,639,991	\$ 15,503,508

Future annual principal payments due are as follows for the years that end after December 31, 2010:

<u>Years ending on December 31:</u>	<u>Amount</u>
2011	\$ 2,264,984
2012	2,780,907
2013	4,238,705
2014	1,609,951
2015	1,953,380
Thereafter	792,064
Total	\$ 13,639,991

The 2011 principal payments include \$621,326 of term loans from individual philanthropic donors who have historically renewed and extended their loans. Management expects these loans to renew once again.

Interest expense was \$337,674 and \$535,154 for the years ended December 31, 2010 and 2009, respectively.

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

Lease Commitments – ACCION leased space in New York, Boston, Atlanta and Miami during the year ended December 31, 2010. The leases ranged in maturity from month-to-month to year 2020 and include escalation increases, which are amortized on a straight-line basis. Deferred rent of \$19,803 and \$33,493 is included in other liabilities in the accompanying consolidated financial statements as of December 31, 2010 and 2009, respectively. The estimated annual amortization of deferred rent for the five years following December 31, 2010 is \$2,690 for 2011, \$13,690 for 2012, and \$3,423 for 2013.

Future minimum lease payments are due as follows for the years ending after December 31, 2010:

2011	\$ 146,106
2012	157,361
2013	58,868
2014	26,634
2015	27,493
Thereafter	146,213
	\$ 562,674

**ACCION USA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010 AND 2009**

**NOTE 8 – COMMITMENTS AND CONTINGENCIES (Continued)**

Rent expense of \$312,277 and \$328,122 was included in office and occupancy expenses in the accompanying consolidated statement of functional expenses for the years ended December 31, 2010 and 2009, respectively,

ACCION International provided ACCION a one-year \$500,000 line of credit support agreement that expired June 30, 2011. There were no balances outstanding under this line of credit as of December 31, 2010 or subsequent to year end through June 30, 2011.

**NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets were available as of December 31, 2010 and 2009 for the following purposes and restrictions:

<b><u>Government Grants:</u></b>	2010	2009
Pollution emission-reduction program for New York/New Jersey ports	\$ 1,500,000	\$ 1,500,000
Microlending in Florida, Georgia, Massachusetts and New York	190,310	343,500
<b><u>Private Grants:</u></b>		
ACCION Network in the U.S.	750,000	-
Partial payment guarantee on note due 2014	375,000	375,000
Financial literacy program	262,500	-
Lending to women	175,000	-
Florida-related lending program	112,000	-
Microlending to New York City cart vendors	6,483	310,748
Technology support	-	157,140
Combination of AUSA-NY and AUSA-MA	-	84,529
Tax support work in Florida	-	50,000
New England advisory board development	-	49,539
Microlending in Northwestern United States	-	25,439
Microlending in Long Island, New York	-	25,000
Work with Boston-based Brazilian immigrants	-	12,500
Other geographic microlending support	329,001	186,771
<b><u>Loan Fund Grants:</u></b>		
Geographic specific women lending (Florida, Georgia and New York)	760,000	752,500
Upper Manhattan microloan capital (New York)	486,237	373,737
Food industry-specific microloan capital (Massachusetts)	436,521	285,502
New York State microloan capital	180,000	180,000
Non-geographic women lending	88,000	40,000
Lower Manhattan microloan capital (New York)	26,327	26,327
Florida State microloan capital	31,500	16,500
	<b>\$ 5,708,879</b>	<b>\$ 4,794,732</b>

**NOTE 10 – FAIR VALUE MEASUREMENTS**

In determining fair value, ACCION utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs, to the extent possible in its assessment of fair value. The fair value hierarchy defines three levels as follows:

Level 1: Valuations based on quoted prices unadjusted in an active market that are accessible at the measurement date for identical assets or liabilities.

Level 2: Valuations based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available.

**ACCION USA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010 AND 2009**

**NOTE 10 – FAIR VALUE MEASUREMENTS (Continued)**

Financial assets carried at fair value at December 31, 2010 and 2009, are classified as Level 1 as follows:

	<u>2010</u>	<u>2009</u>
ASSETS CARRIED AT FAIR VALUE		
Investments:		
Money market funds	\$ 50,000	\$ 50,000
U.S. Treasury notes	835,085	753,980
Corporate stock: manufacturing	<u>3,274</u>	<u>3,255</u>
<b>TOTAL ASSETS AT FAIR VALUE</b>	<b><u>\$ 888,359</u></b>	<b><u>\$ 807,235</u></b>

**NOTE 11 – CONCENTRATIONS**

ACCION maintains its cash and cash equivalents with several banks which at times may exceed federally insured limits. The amount that is federally insured is subject to FDIC's limit of \$250,000 per depositor per insured bank. Under the Dodd-Frank Act, beginning December 31, 2010 through December 31, 2012, all noninterest-bearing transaction accounts are fully insured, regardless of the balances of the account and the ownership capacity of the funds. Amounts held in excess of FDIC insurance limits at December 31, 2010 and 2009, were approximately \$508,000 and approximately \$4,295,000, respectively.

**NOTE 12 – RELATED-PARTY TRANSACTIONS**

ACCION entered into a shared services agreement with ACCION International for the use of shared office space and equipment, administrative support and information technology support that was effective December 31, 2008. The agreement does not have a maturity date but can be terminated by either party in writing with ninety (90) days advance notice. As of December 31, 2010 and 2009, the amounts due to ACCION International related to these activities were \$0 and \$146,711, respectively.

In addition to the shared services agreement, ACCION entered into a trademark licensing agreement with ACCION International that was effective December 31, 2008 and has an initial three-year term. The agreement provides for the legal use of the 'ACCION' brand by AUSA-NY and AUSA-MA and maintains ACCION's role (until creation of new entity described in Note 15) as the sub-licensor of the brand to the affiliates, which currently includes ACCION Texas-Louisiana, ACCION New Mexico-Arizona-Colorado, ACCION Chicago and ACCION San Diego. In addition to defining the geographic coverage area, the trademark licensing agreement establishes the royalty fee for ACCION International and the performance standards required for continued use of the brand.

**NOTE 13 – RETIREMENT PLAN**

ACCION participates in a retirement savings plan covering all employees who meet the minimum service requirements. ACCION has the option to match its employee's contributions up to 5% of employee salaries. The expense was \$60,601 and \$92,357 for the years that ended December 31, 2010 and 2009, respectively.

**NOTE 14 – DEFICIT IN UNRESTRICTED NET ASSETS**

During the year ending December 31, 2010, ACCION activities resulted in an unrestricted surplus of \$186,770, which reduced the overall deficit in unrestricted net assets to \$1,398,492 as of December 31, 2010. Total net assets, however, are positive at \$4,310,387 because of \$5,708,879 in temporarily restricted net assets that support ACCION's core lending activity and most of which are expected to be released to unrestricted net assets within a year (see Note 9).

After incurring a loss in 2009, ACCION took a number of steps to eliminate the unrestricted net asset deficit. These included an organization-wide focus on fundraising, budgeting future fundraising revenue in line with achieved levels, reducing our cost structure in line with the lower revenue expectations, continued improvement in loan portfolio quality and increasing the income generated from our loan portfolio.

**ACCION USA, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010 AND 2009**

**NOTE 15 – SUBSEQUENT EVENT**

In an effort to significantly increase the number of microentrepreneurs served by the ACCION Network in the U.S., the Boards of ACCION, ACCION International and each of the U.S. regional affiliates agreed to the formation of a new entity that would assume, among other responsibilities, the management of the 'ACCION' brand in the United States from ACCION to a newly formed entity. In addition, the new entity would seek national fundraising opportunities, set new standards and facilitate sharing of best practices among the members of the ACCION Network in the U.S. ACCION recognized \$750,000 in 2010 and an additional \$375,000 in 2011 for grants specifically related to the formation of the new entity.



**ACCION USA, INC.**  
**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2010**

	<u>AUSA-NY</u>	<u>AUSA-MA</u>	<u>Total</u>	<u>Consolidating Eliminations</u>	<u>Consolidated Total</u>
<b>ASSETS</b>					
Cash and cash equivalents	2,157,540	\$ 3,073,945	\$ 5,231,485	\$ -	\$ 5,231,485
Cash restricted for loan funds	840,269	564,396	1,404,665	-	1,404,665
Contributions and grants receivable, net	3,301,844	846,196	4,148,040	-	4,148,040
Loan interest receivable	27,562	20,948	48,510	-	48,510
Microenterprise loans receivable, net	3,636,645	2,558,143	6,194,788	-	6,194,788
Investments	3,274	904,681	907,955	-	907,955
Other assets	2,027,793	661,481	2,689,274	(2,291,127)	398,147
Property and equipment, net	392,814	84,212	477,026	-	477,026
<b>TOTAL ASSETS</b>	<u>\$ 12,387,741</u>	<u>\$ 8,714,002</u>	<u>\$ 21,101,743</u>	<u>\$ (2,291,127)</u>	<u>\$ 18,810,616</u>
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	329,830	87,358	\$ 417,188	\$ -	\$ 417,188
Due to related parties	571,655	1,719,472	2,291,127	(2,291,127)	-
Notes payable	4,394,585	6,195,406	10,589,991	-	10,589,991
Other liabilities	37,528	405,522	443,050	-	443,050
Subordinated debt	2,550,000	500,000	3,050,000	-	3,050,000
<b>TOTAL LIABILITIES</b>	<u>7,883,598</u>	<u>8,907,758</u>	<u>16,791,356</u>	<u>(2,291,127)</u>	<u>14,500,229</u>
<b>COMMITMENTS AND CONTINGENCIES</b>					
<b>NET ASSETS</b>					
Unrestricted	630,040	(2,028,532)	(1,398,492)	-	(1,398,492)
Temporarily restricted	3,874,103	1,834,776	5,708,879	-	5,708,879
<b>TOTAL NET ASSETS</b>	<u>4,504,143</u>	<u>(193,756)</u>	<u>4,310,387</u>	<u>-</u>	<u>4,310,387</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 12,387,741</u>	<u>\$ 8,714,002</u>	<u>\$ 21,101,743</u>	<u>\$ (2,291,127)</u>	<u>\$ 18,810,616</u>

See Independent Auditors' Report.

**ACCION USA, INC.**  
**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2009**

	<u>AUSA-NY</u>	<u>AUSA-MA</u>	<u>Total</u>	<u>Consolidating Eliminations</u>	<u>Consolidated Total</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,680,131	\$ 2,733,914	\$ 4,414,045	\$ -	\$ 4,414,045
Cash restricted for loan funds	619,566	568,473	1,188,039	-	1,188,039
Contributions and grants receivable, net	2,556,597	1,118,657	3,675,254	-	3,675,254
Loan interest receivable	56,997	28,006	85,003	-	85,003
Microenterprise loans receivable, net	5,388,615	3,343,658	8,732,273	-	8,732,273
Investments	3,255	887,525	890,780	-	890,780
Other assets	1,205,842	229,848	1,435,690	(1,220,489)	215,201
Property and equipment, net	306,046	98,453	404,499	-	404,499
<b>TOTAL ASSETS</b>	<u>11,817,049</u>	<u>9,008,534</u>	<u>20,825,583</u>	<u>(1,220,489)</u>	<u>19,605,094</u>
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	229,854	93,132	322,986	-	322,986
Due to related parties	211,118	1,156,082	1,367,200	(1,220,489)	146,711
Notes payable	6,272,182	6,181,326	12,453,508	-	12,453,508
Other liabilities	33,493	388,926	422,419	-	422,419
Subordinated debt	2,550,000	500,000	3,050,000	-	3,050,000
<b>TOTAL LIABILITIES</b>	<u>9,296,647</u>	<u>8,319,466</u>	<u>17,616,113</u>	<u>(1,220,489)</u>	<u>16,395,624</u>
<b>COMMITMENTS AND CONTINGENCIES</b>					
<b>NET ASSETS</b>					
Unrestricted	(830,968)	(754,294)	(1,585,262)	-	(1,585,262)
Temporarily restricted	3,351,370	1,443,362	4,794,732	-	4,794,732
<b>TOTAL NET ASSETS</b>	<u>2,520,402</u>	<u>689,068</u>	<u>3,209,470</u>	<u>-</u>	<u>3,209,470</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 11,817,049</u>	<u>\$ 9,008,534</u>	<u>\$ 20,825,583</u>	<u>\$ (1,220,489)</u>	<u>\$ 19,605,094</u>

See Independent Auditors' Report.

**ACCION USA, INC.**  
**CONSOLIDATING SCHEDULE OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>AUSA-NY</u>	<u>AUSA-MA</u>	<u>Total</u>	<u>Consolidating Eliminations</u>	<u>Consolidated Totals</u>
<b>SUPPORT AND REVENUE:</b>					
Contributions and grants	4,870,573	1,562,247	\$ 6,432,820	\$ -	\$ 6,432,820
<b>Revenue:</b>					
Interest on loans	517,631	408,971	926,602	-	926,602
Program fees	216,082	162,961	379,043	-	379,043
Investment income	4,555	17,695	22,250	-	22,250
Other revenue	122,083	79,057	201,140	-	201,140
<b>Total Revenue</b>	<u>860,351</u>	<u>668,684</u>	<u>1,529,035</u>	<u>-</u>	<u>1,529,035</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>5,730,924</u>	<u>2,230,931</u>	<u>7,961,855</u>	<u>-</u>	<u>7,961,855</u>
<b>EXPENSES:</b>					
Program services - lending	2,956,486	2,521,130	5,477,616	-	5,477,616
Supporting services:					
Management and general	514,118	377,653	891,771	-	891,771
Fundraising	276,579	214,972	491,551	-	491,551
Total supporting services	790,697	592,625	1,383,322	-	1,383,322
<b>TOTAL EXPENSES</b>	<u>3,747,183</u>	<u>3,113,755</u>	<u>6,860,938</u>	<u>-</u>	<u>6,860,938</u>
<b>CHANGE IN NET ASSETS</b>	1,983,741	(882,824)	1,100,917	-	1,100,917
<b>Net assets - beginning of year</b>	2,520,402	689,068	3,209,470	-	3,209,470
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 4,504,143</u>	<u>\$ (193,756)</u>	<u>\$ 4,310,387</u>	<u>\$ -</u>	<u>\$ 4,310,387</u>

See Independent Auditors' Report.

**ACCION USA, INC.**  
**CONSOLIDATING SCHEDULE OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>AUSA-NY</u>	<u>AUSA-MA</u>	<u>Total</u>	<u>Consolidating Eliminations</u>	<u>Consolidated Totals</u>
<b>SUPPORT AND REVENUE:</b>					
Contributions and grants	\$ 3,051,661	\$ 1,659,996	\$ 4,711,657	\$ -	\$ 4,711,657
<b>Revenue:</b>					
Interest on loans	1,017,390	626,759	1,644,149	-	1,644,149
Program fees	278,931	198,821	477,752	-	477,752
Investment income	13,035	31,394	44,429	-	44,429
Other revenue	148,304	63,957	212,261	-	212,261
<b>Total Revenue</b>	<u>1,457,660</u>	<u>920,931</u>	<u>2,378,591</u>	<u>-</u>	<u>2,378,591</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>4,509,321</u>	<u>2,580,927</u>	<u>7,090,248</u>	<u>-</u>	<u>7,090,248</u>
<b>EXPENSES:</b>					
Program services - lending	4,137,192	4,134,350	8,271,542	-	8,271,542
Supporting services:					
Management and general	500,525	468,171	968,696	-	968,696
Fundraising	305,667	264,301	569,968	-	569,968
Total supporting services	806,192	732,472	1,538,664	-	1,538,664
<b>TOTAL EXPENSES</b>	<u>4,943,384</u>	<u>4,866,822</u>	<u>9,810,206</u>	<u>-</u>	<u>9,810,206</u>
<b>CHANGE IN NET ASSETS</b>	(434,063)	(2,285,895)	(2,719,958)	-	(2,719,958)
<b>Net assets - beginning of year</b>	<u>2,954,465</u>	<u>2,974,963</u>	<u>5,929,428</u>	<u>-</u>	<u>5,929,428</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 2,520,402</u>	<u>\$ 689,068</u>	<u>\$ 3,209,470</u>	<u>\$ -</u>	<u>\$ 3,209,470</u>

See Independent Auditors' Report.

**ACCION USA, INC.**  
**CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>AUSA-NY</u>				<u>AUSA-MA</u>				<u>ACCION USA, INC.</u>			
	<u>Program Services - Lending</u>	<u>Supporting Services</u>		<u>Total</u>	<u>Program Services - Lending</u>	<u>Supporting Services</u>		<u>Total</u>	<u>Program Services - Lending</u>	<u>Supporting Services</u>		<u>Consolidated Total</u>
		<u>Management and General</u>	<u>Fundraising</u>			<u>Management and General</u>	<u>Fundraising</u>			<u>Management and General</u>	<u>Fundraising</u>	
Personnel costs	\$ 1,496,500	\$ 299,146	\$ 175,886	\$ 1,971,532	\$ 1,373,319	\$ 269,256	\$ 155,232	\$ 1,797,807	\$ 2,869,819	\$ 568,402	\$ 331,118	\$ 3,769,339
Professional fees and marketing	427,923	84,956	49,951	562,830	180,741	35,436	20,430	236,607	608,664	120,392	70,381	799,437
Office and occupancy	294,682	55,910	29,038	379,630	213,582	36,669	22,628	272,879	508,264	92,579	51,666	652,509
Travel and conferences	29,440	22,842	4,446	56,728	28,108	5,688	5,163	38,959	57,548	28,530	9,609	95,687
Interest and fees	195,698	3,644	1,446	200,788	186,237	5,130	2,607	193,974	381,935	8,774	4,053	394,762
Depreciation and amortization	88,968	17,784	10,456	117,208	35,759	7,011	4,042	46,812	124,727	24,795	14,498	164,020
Loan loss provision	414,792	-	-	414,792	462,501	-	-	462,501	877,293	-	-	877,293
Other expenses	8,483	29,836	5,356	43,675	40,883	18,463	4,870	64,216	49,366	48,299	10,226	107,891
<b>TOTAL EXPENSES</b>	<u>\$ 2,956,486</u>	<u>\$ 514,118</u>	<u>\$ 276,579</u>	<u>\$ 3,747,183</u>	<u>\$ 2,521,130</u>	<u>\$ 377,653</u>	<u>\$ 214,972</u>	<u>\$ 3,113,755</u>	<u>\$ 5,477,616</u>	<u>\$ 891,771</u>	<u>\$ 491,551</u>	<u>\$ 6,860,938</u>

**ACCION USA, INC.**  
**CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>AUSA-NY</u>				<u>AUSA-MA</u>				<u>ACCION USA, INC.</u>			
	<u>Program Services - Lending</u>	<u>Supporting Services</u>		<u>Total</u>	<u>Program Services - Lending</u>	<u>Supporting Services</u>		<u>Total</u>	<u>Program Services - Lending</u>	<u>Supporting Services</u>		<u>Consolidated Total</u>
		<u>Management and General</u>	<u>Fundraising</u>			<u>Management and General</u>	<u>Fundraising</u>			<u>Management and General</u>	<u>Fundraising</u>	
Personnel costs	\$ 1,625,520	\$ 320,848	\$ 182,233	\$ 2,128,601	\$ 1,548,824	\$ 306,190	\$ 171,967	\$ 2,026,981	\$ 3,174,344	\$ 627,038	\$ 354,200	\$ 4,155,582
Professional fees and marketing	345,263	74,622	69,789	489,674	383,700	78,128	40,919	502,747	728,963	152,750	110,708	992,421
Office and occupancy	331,832	61,473	28,353	421,658	250,902	42,018	25,865	318,785	582,734	103,491	54,218	740,443
Travel and conferences	29,266	22,010	1,688	52,964	28,427	7,149	4,516	40,092	57,693	29,159	6,204	93,056
Interest and fees	334,837	3,412	1,447	339,696	256,855	7,532	3,723	268,110	591,692	10,944	5,170	607,806
Depreciation and amortization	92,005	18,160	10,314	120,479	48,048	9,498	5,335	62,881	140,053	27,658	15,649	183,360
Loan loss provision	1,362,938	-	-	1,362,938	1,527,226	-	-	1,527,226	2,890,164	-	-	2,890,164
Other expenses	15,531	-	11,843	27,374	90,368	17,656	11,976	120,000	105,899	17,656	23,819	147,374
<b>TOTAL EXPENSES</b>	<u>\$ 4,137,192</u>	<u>\$ 500,525</u>	<u>\$ 305,667</u>	<u>\$ 4,943,384</u>	<u>\$ 4,134,350</u>	<u>\$ 468,171</u>	<u>\$ 264,301</u>	<u>\$ 4,866,822</u>	<u>\$ 8,271,542</u>	<u>\$ 968,696</u>	<u>\$ 569,968</u>	<u>\$ 9,810,206</u>