ACCION TEXAS, INC.

Combined Financial Statements
Independent Auditor's Reports
Single Audit Reports

December 31, 2012

WEST, DAVIS & COMPANY, LLP
Certified Public Accountants
Austin, Texas

ACCION TEXAS, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
ACCION Texas, Inc.
San Antonio, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of ACCION Texas, Inc. (a nonprofit organization) and subsidiary, which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the financial statements of ACCION Texas, Inc. as of December 31, 2011 and, in our report dated June 22, 2012, we expressed an unqualified opinion on those 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ACCION Texas, Inc. and subsidiary as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of ACCION Texas, Inc. and subsidiary taken as a whole. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* is presented for purposes of additional analysis, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used 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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2013, on our consideration of ACCION Texas, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ACCION Texas, Inc. and subsidiary's internal control over financial reporting and compliance.

West, Davis & Company, LLP

May 3, 2013

ACCION TEXAS, INC.
COMBINED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

Assets

	2012	2011
Cash and cash equivalents	$ 4,360,046	$ 3,703,088
Cash restricted for loan funds	1,192,549	1,169,606
Receivables:		
Loans receivable, net of allowance for loan losses of $2,824,228 in 2012 and $2,525,116 in 2011	25,599,659	23,457,867
Participation in Citi portfolio, net of allowance for loan losses of $43,519 in 2012 and $233,610 in 2011	39,953	50,819
Grants receivable, net of allowance for cost refunds of $241,993 in 2012 and 2011	3,094,432	3,842,628
Accrued interest receivable	168,148	175,015
Accrued late and NSF fees	16,869	17,497
Other	226,279	133,701
Prepaid expenses	78,631	84,153
Recovered asset inventory	80,684	80,684
Property and equipment, net of accumulated depreciation of $1,740,105 in 2012 and $1,499,532 in 2011	4,101,809	3,945,678
Total assets	$ 38,959,059	$ 36,660,736

Liabilities and Net Assets

	2012	2011
Liabilities:		
Accounts payable	$ 466,589	$ 289,991
Accrued liabilities	358,168	368,259
Capital Access Fund reserves	6,703	26,784
Deferred revenue	55,119	40,088
Notes payable	22,976,887	20,943,843
Equity equivalents	1,986,116	2,154,769
Total liabilities	25,849,582	23,823,734
Commitments and contingencies		
Net assets:		
Unrestricted	7,860,685	10,213,230
Temporarily restricted	4,671,629	2,046,609
Permanently restricted	577,163	577,163
Total net assets	13,109,477	12,837,002
Total liabilities and net assets	$ 38,959,059	$ 36,660,736

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

ACCION TEXAS, INC.
COMBINED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

	2012				
	Unrestricted	Temporarily restricted	Permanently restricted	Total	2011
Revenue and support:					
Public support:					
Contributions	$ 1,592,048	3,834,987	-	$ 5,427,035	$ 1,691,999
Governmental grants	212,536	-	-	212,536	3,438,192
Revenue:					
Interest	3,358	-	-	3,358	7,723
Loan interest and fees	4,256,483	-	-	4,256,483	3,835,536
Portfolio management services	297,883	-	-	297,883	237,926
SBA 504 income	1,039,401	-	-	1,039,401	603,877
Gain on sale of loans	53,845	-	-	53,845	-
Incubator - office space rental income	47,990	-	-	47,990	32,016
In-kind contributions	163,813	-	-	163,813	229,441
Miscellaneous revenue	15,028	-	-	15,028	13,036
Total public support and revenue	7,682,385	3,834,987	-	11,517,372	10,089,746
Net assets released from restrictions	1,209,967	(1,209,967)	-	-	-
Total revenue and support	8,892,352	2,625,020	-	11,517,372	10,089,746
Expenses:					
Program services - lending	9,706,465	-	-	9,706,465	8,516,835
Management and general	1,185,683	-	-	1,185,683	1,031,659
Fundraising	352,749	-	-	352,749	371,794
Total expenses	11,244,897	-	-	11,244,897	9,920,288
Change in net assets	(2,352,545)	2,625,020	-	272,475	169,458
Net assets at beginning of year	10,213,230	2,046,609	577,163	12,837,002	12,667,544
Net assets at end of year	$ 7,860,685	4,671,629	577,163	$ 13,109,477	$ 12,837,002

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

ACCION TEXAS, INC.
COMBINED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

	2012	2011
Cash flows from operating activities:		
Change in net assets	$ 272,475	$ 169,458
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision for loan losses	1,326,463	1,728,553
Depreciation	262,851	262,626
(Increase) decrease in operating assets		
Participation in Citi portfolio	10,866	161,241
Grants receivable	748,196	2,177,330
Accrued interest receivable	6,867	(17,021)
Accrued late and NSF fees	628	13,260
Other receivables	(92,578)	(63,048)
Prepaid expenses	5,522	(47,552)
Recovered asset inventory	-	8,512
Increase (decrease) in operating liabilities		
Accounts payable	176,598	(231,591)
Accrued liabilities	(10,091)	85,496
Capital Access Fund reserves	(20,081)	519
Deferred revenue	15,031	29,000
Net cash provided (used) by operating activities	2,702,747	4,276,783
Cash flows from investing activities:		
Disbursements under loan programs	(17,994,771)	(14,638,455)
Collections under loan programs	13,787,223	11,141,984
Proceeds from sale of loans	739,293	-
Purchase of property and equipment	(418,982)	(510,622)
Net cash provided by investing activities	(3,887,237)	(4,007,093)
Cash flows from financing activities:		
Change in cash restricted for loan fund	(22,943)	(730,282)
Proceeds from notes payable and equity equivalents	3,564,591	4,276,029
Repayments of notes payable and equity equivalents	(1,700,200)	(3,002,395)
Net cash provided by financing activities	1,841,448	543,352
Net increase (decrease) in cash	656,958	813,042
Cash at beginning of year	3,703,088	2,890,046
Cash at end of year	$ 4,360,046	$ 3,703,088
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 713,977	$ 693,125
In-kind donations of fixed assets, occupancy costs, and interest	$ 163,813	$ 229,441

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

ACCION TEXAS, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	2012 Total	2011
Personnel costs:					
Salaries and wages	$ 3,712,579	594,781	227,972	$ 4,535,332	$ 3,493,857
Payroll taxes	331,021	42,565	19,181	392,767	308,328
Employee benefits	432,429	13,792	24,263	470,484	399,368
Total personnel costs	4,476,029	651,138	271,416	5,398,583	4,201,553
Advertising	85,920	23,981	11,267	121,168	132,840
Conferences and meetings	80,263	28,345	5,786	114,394	174,475
Consultants	204,155	166,429	16,575	387,159	437,372
Contracted services	11,059	2,765	-	13,824	9,673
Dues and subscriptions	58,731	64,435	2,127	125,293	66,496
Equipment rental and maintenance	273,844	90,019	-	363,863	253,612
Insurance	88,288	4,905	4,905	98,098	70,000
Interest	716,136	-	-	716,136	680,198
In-kind interest	150,704	-	-	150,704	152,612
Mileage and parking	39,236	4,341	313	43,890	26,626
Occupancy	231,022	13,524	13,524	258,070	253,127
In-kind occupancy	12,409	-	-	12,409	19,429
Office supplies	63,068	15,564	3,125	81,757	78,257
Portfolio expenses	333,939	-	-	333,939	369,232
Postage	37,074	15,227	370	52,671	67,974
Printing	11,294	627	627	12,548	31,875
Professional fees	441,328	22,745	-	464,073	380,194
Loan loss provision	1,251,463	-	-	1,251,463	1,728,553
Service charges and fees	68,786	431	-	69,217	51,047
Taxes	78,030	4,335	4,335	86,700	25,831
Telephone	343,599	14,698	1,991	360,288	241,513
Travel	180,982	49,031	3,245	233,258	144,280
Special programs	232,541	-	-	232,541	60,893
Total expenses before depreciation	9,469,900	1,172,540	339,606	10,982,046	9,657,662
Depreciation	236,565	13,143	13,143	262,851	262,626
Total expenses	$ 9,706,465	1,185,683	352,749	$ 11,244,897	$ 9,920,288
Percent of total expenses	86.3%	10.6%	3.1%	100%	

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

Note 1 – The Organization and Summary of Significant Accounting Policies

Organization and Background

ACCION Texas, Inc. (ATI)'s mission is to stimulate local economic growth and facilitate local efforts to combat poverty through providing credit and other support services to small enterprises that generally do not have access to commercial business credit. Through its loans and services, ATI helps micro entrepreneurs strengthen their businesses, stabilize and increase their incomes, create additional employment and contribute to the economic revitalization of their communities. ATI conducts special outreach efforts to reach disenfranchised, low income, and minority entrepreneurs and is an intermediary lender between commercial banks and micro-entrepreneurs.

ATI is funded primarily by governmental grants, contributions from banks and foundations, and corporate and individual contributions. Representatives of these banks and other organizations often serve as members of the board of directors. ATI is a Texas non-profit corporation organized March 1994.

The significant accounting policies followed by ATI are described below to enhance the usefulness of the financial statements to the reader.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities and objectives specified by donors.

Basis of Combination

In 2008, ATI formed a wholly owned subsidiary named AT Microloans I LLC, a Texas limited liability company. The financial statements of ATI and its wholly owned subsidiary, AT Microloans I LLC, are presented in the financial statements on a combined basis as both have common board members and management. Inter-organization transactions and balances have been eliminated for financial statement purposes.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with the disclosure and display requirements of the Financial Accounting Standards Board (FASB) as set forth in its Auditing Standards Codification (ASC) 958, *Presentation of Financial Statements of Not-for-Profit Organizations.* Under these provisions, net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the organization and changes therein are classified and reported as follows:

> Unrestricted net assets – Net assets not subject to donor-imposed stipulations
>
> Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by actions of the organization and/or the passage of time. These balances

represent the unexpended portion of externally restricted contributions and investment return to be used for specific programs or activities.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the organization.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their used is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Contributions, which include unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. All other support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 statement of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

Fair Value Measurements

Investments are shown at their estimated fair value in accordance with FASB ASC 820, “Fair Value Measurements and Disclosures”. Certain financial instruments are carried at cost on the balance sheet, which approximates fair value due to their short-term, highly liquid nature. These instruments include cash and cash equivalents, interest and fees receivable, prepaid expenses, accounts payable, accrued expenses, and deferred revenue.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the organization believes its valuation methods are appropriate and consistent with other organizations, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Revenue Recognition

ATI recognizes loan interest revenue over the term of the loan. Loan fees are earned when the loan transaction is finalized.

Grants from governmental agencies which are conditional on the performance of specified program services or activities are recorded as revenue when the related expenses stipulated by the grants are incurred.

Cash and Cash Equivalents

For purposes of the financial statements, the organization considers all liquid investments having initial maturities of three months or less to be cash equivalents.

Restricted Cash

Restricted cash consists of cash accounts that are required to be maintained for a specific purpose or required by the grantor. Cash accounts restricted are the Individual Development Account Program account, the Goldman Sachs loan loss reserve account, the Small Business Administration Microloan Reserve accounts, and other miscellaneous minor accounts.

Grants Receivable

Grants receivable are stated at the amount management expects to collect from balances outstanding at year-end. Management evaluates the need for an allowance for doubtful accounts applicable to its grants receivable based on various factors, including an assessment of the credit worthiness of its donors, aging of the amount due and historical experience. Based on management's assessment of the credit history with clients having outstanding balances and current relationships with them, it has concluded that realization losses on grants receivable balances outstanding at year-end have been adequately provided for.

Allowance for Loan Losses

The adequacy of the allowance for loan losses is evaluated monthly by management and quarterly by the Board. Following current policy, the allowance reached 9.9% of outstanding portfolio as of December 31, 2012. This excludes the cash reserves available to ATI from state capital access program reserves and the allowance for loans losses from the subsidiary. Including capital access program reserves and the allowance from the subsidiary the total allowance and reserves as of December 31, 2012 were 10.1% of outstanding portfolio.

The allowance for loan losses is based on management’s estimates of the creditworthiness of its borrowers, current economic conditions, and historical information. Ultimate losses, however, may vary materially from current estimates at December 31, 2012.

Property and Equipment

Property and equipment is valued at cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their estimated fair market value on the date donated. Expenses for repairs that materially extend the useful life of an asset are capitalized at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets which range from 3 to 30 years. ATI capitalizes all purchases of property and equipment exceeding $500.

In-Kind Contributions

Donated facilities and services are reflected in the accompanying financial statements at fair market value at the time of receipt. Donated facilities, which include office space at various locations where ATI operates, and interest on below-market interest rate notes payable, are recorded as an expense.

Income Taxes

ATI is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. In addition, ATI qualifies for the charitable contribution deduction under IRC Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under IRC Section 509(a)(2). No provision for income taxes has been made in the accompanying financial statements, as there are no activities subject to unrelated business income tax.

On January 1, 2009, ATI adopted the provisions of Interpretation ("FIN") No. 48, "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109" (ASC 740). ASC 740 prescribes a new threshold for determining when an income tax benefit can be recognized, which is a higher threshold than the one imposed for claiming deductions on income tax returns. The adoption of ASC 740 did not have any impact on ATI’s financial statements.

ATI's tax returns are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitations on those tax returns. In general, the returns have three year statute of limitations.

Expenses

The costs of providing various programs and other activities of the organization have been summarized on a functional basis by the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs by their natural classification are presented in the statement of functional expenses.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Summarized Financial Information for 2011

The financial information as of December 31, 2011 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

Note 2 – Loans Receivable

ATI offers loans to qualifying businesses. These loans are offered to startup or established businesses. Loans range from $500 to $250,000 with loan terms of 5 to 120 months. Borrowers must have sufficient collateral to cover loan amount. Individual and group loans carry a 6% to 18% annual interest rate, calculated on the declining balance of the loan. During 2012, ATI disbursed $17,994,771 in new loans.

2,186 loans receivable were outstanding as of December 31, 2012 for a total balance receivable of $28,507,359 including participation in the Citi portfolio (note 9), less an allowance for loan losses of $2,867,747.

Loan Delinquency Status:

	ATI Portfolio	%	Citi Portfolio Under ATI Management	%	Total Portfolio	%
Current	$27,559,753	97.0%	510,041	85.1%	28,069,794	96.7%
Past due						
31-60 days	239,732	0.8%	12,794	2.1%	252,526	0.9%
61-90 days	231,838	0.8%	2,701	0.5%	234,539	0.8%
91-120 days	163,217	0.6%	50,243	8.4%	213,460	0.7%
Over 120 days	229,347	0.8%	23,237	3.9%	252,584	0.9%
Subtotal	864,134	3.0%	88,975	14.9%	953,109	3.3%
Total ATI portfolio	28,423,887	100%	599,016	100%	29,022,903	100%
Participation in Citi portfolio	83,472					
Total portfolio	$28,507,359					

Loans are considered delinquent if past due over 31 days and delinquent loans over 180 days are charged off.

Changes in loans receivable during 2012 were as follows:

	ATI Portfolio	Participation in Citi Portfolio	Total
Balance, December 31, 2011	$ 25,982,983	284,429	$ 26,267,412
New loans	17,994,771	-	17,994,771
Loans sold	(739,293)	-	(739,293)
Principal collected on loans	(13,499,086)	(68,643)	(13,567,729)
Loans written off	(1,315,488)	(132,314)	(1,447,802)
Balance, December 31, 2012	$ 28,423,887	83,472	$ 28,507,359

Changes in the allowance for loan losses during 2012 were as follows:

	ATI Portfolio	Participation in Citi Portfolio	Total
Balance, December 31, 2011	$ 2,525,116	233,610	$ 2,758,726
Loans written off	(1,315,488)	(132,314)	(1,447,802)
Loan loss accruals	1,326,463	(75,000)	1,251,463
Recoveries	288,137	17,223	305,360
Balance, December 31, 2012	$ 2,824,228	43,519	$ 2,867,747

Non-performing loans fall into one of the following categories: (1) loans in Chapter 7 bankruptcy that are expecting a reaffirmation agreement, (2) loans enrolled in state Capital Access programs that will be charged off upon confirmation from the related state oversight agency, and (3) loans in the process of real estate foreclosure. There were no non-performing loans at December 31, 2012.

ATI assesses and monitors the credit quality of its loans receivable on an ongoing basis. The Organization uses several internal credit quality indicators, depending on the type of loan receivable and availability of reliable information for that asset type. All loans receivable and considered part of ATI's business loan portfolio; the Organization does not further disaggregate loans by segment or class.

The allowance for possible loan losses is established through a provision for possible loan losses charged to current operations. The provision for possible loan losses is determined based on evaluations of collectability and prior loss experience. The evaluations take into consideration such factors as changes in the nature and volume of the portfolio, overall portfolio quality, specific problem loans and current and anticipated economic conditions that may affect the borrowers' ability to pay. Loans are charged against the allowance for possible loan losses when management believes that the collectability of the principal is unlikely. Recoveries of loans previously charged off are credited to the allowance for possible loan losses.

As a matter of practice, on a continuing basis, the company assesses its loans receivable portfolio, using its internal credit quality indicators. All loans receivable have been assessed and monitored through December 31, 2012.

ATI is exposed to several risk factors related to its loans receivable:

- Interest rate risk associated with a large portion of commercial loans with fixed interest rates.

- Risk of a deteriorating economic climate and its impact on the Organization's collection of loans.

- Economic, industry, and geographic risks associated with secured loans to small businesses primarily in Texas.

Note 3 – Property and Equipment

Property and equipment consists of the following at December 31:

	2012	2011
Land	$ 1,084,426	$ 1,084,426
Buildings	3,298,141	3,064,795
Equipment	645,721	606,465
Software	634,534	593,932
Vehicles	179,092	95,592
Total cost	5,841,914	5,445,210
Less accumulated depreciation	(1,740,105)	(1,499,532)
Net property and equipment	$ 4,101,809	$ 3,945,678

Depreciation expense was $262,851 for the year ended December 31, 2012.

Note 4 – Notes Payable

Notes payable consist of the following:

Lender	Interest Rate	Maturity Date	Balance 12/31/2012	Collateral
Adorers of the Blood of Christ	2.00%	Oct-14	$ 50,000	-
Adrian Dominican Sisters	3.00%	Jan-16	100,000	-
Alison Wenger Boone	2.00%	Jan-14	25,000	-
Amegy Bank	4.50%	Jul-13	400,000	-
Amegy Bank	4.50%	Jun-13	500,000	-
Anna Brooke Gutzler	2.00%	Jan-14	4,859	-
Annie E. Casey Foundation	3.00%	Apr-13	1,000,000	-
Bank of America	3.00%	Jan-17	1,600,000	-
Bank One	4.00%	Dec-14	52,799	-
BBVA Compass Bank	5.85%	Aug-15	86,616	-
BBVA Compass - Subordinated	2.00%	Dec-14	150,000	-
BBVA Compass - Subordinated	2.00%	Jun-14	250,000	-
Bernard McGraw	2.00%	Feb-14	1,000	-
Brandon Seale	3.00%	Jun-13	5,000	-
Broadway National Bank	3.25%	Jul-13	75,000	-
Broadway National Bank	4.00%	Oct-13	500,000	-
Cadence Bank	3.00%	Feb-14	452,542	-
Calvert Social Investment Fnd	5.00%	May-13	200,000	-
Calvert Social Investment Fnd	4.50%	Jul-13	500,000	-
Capital One	2.50%	Feb-14	500,000	-

ACCION TEXAS, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

Lender	Interest Rate	Maturity Date	Balance 12/31/2012	Collateral
Carla Marshall & Lawrence Doxey	2.00%	Nov-13	105,060	-
Carmen Barraza Casas	3.00%	Mar-16	25,000	-
CDFI Fund	2.12%	Jan-16	1,000,000	-
CDFI Fund	0.00%	Jun-19	200,000	-
Charles A. Gonzalez	0.00%	Jan-14	1,000	-
Christus Health	3.00%	Oct-13	800,000	-
Comerica	3.25%	Feb-19	54,989	-
Communities at Work Fund	4.30%	Sep-15	500,000	-
Craig Alan Davis	3.00%	Jun-14	10,000	-
Creed, Inc.	3.00%	Feb-14	5,000	-
Daniel Lopez & Gina Amatangelo	0.00%	Dec-13	6,000	-
Debra Salge	2.00%	Feb-14	1,000	-
Dept. of Treasury	0.62%	Jun-15	750,000	-
Dr. Charles Conlon	2.00%	Jan-14	25,000	-
Dr. Harry J. Shafer	2.00%	Jan-14	2,000	-
Dr. William Elizondo	1.00%	Oct-13	1,000	-
East West Bank	3.00%	Aug-13	250,000	-
Edward R. or Luz Elena Day	2.00%	Nov-13	10,000	-
Edward R. or Luz Elena Day	2.00%	Oct-13	3,000	-
Eliot Lee	2.00%	Jan-14	1,000	-
First Citizens Bank	3.00%	Feb-14	50,000	-
Frost National Bank	4.50%	Aug-13	250,000	-
Goldman Sachs	3.75%	Apr-19	830,185	* 830,185
Green Bank	4.00%	May-17	363,587	-
Heartspring Methodist Fnd	2.00%	Dec-13	200,000	-
IBC Bank	2.00%	Dec-14	40,000	-
Immaculate Heart of Mary Church	2.00%	May-13	35,000	-
Immaculate Heart of Mary Church	2.00%	May-13	80,000	-
Immaculate Heart of Mary Church	2.00%	Dec-13	10,000	-
Immaculate Heart of Mary Church	2.00%	May-13	20,000	-
Jaime G. Perez	3.00%	Aug-14	30,000	-
James & Judy Adams	0.00%	May-13	10,000	-
Jefferson State Bank	2.00%	Nov-14	2,141	-
John & Margaret Foley	2.00%	Jun-13	1,500	-
JP Morgan Chase	5.00%	Mar-15	424,556	-
JP Morgan Chase	4.00%	Dec-14	211,190	-
Julio Delgado Jr.	2.00%	Jun-14	3,411	-
Kay Simpson	3.00%	Feb-13	39,500	-
Kimberly Norvell	3.00%	Aug-14	2,000	-
Kiva	0.00%		448,774	-

ACCION TEXAS, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012

Lender	Interest Rate	Maturity Date	Balance 12/31/2012	Collateral
Luis Arguello	2.00%	Mar-15	3,000	-
M. Elizabeth Blissman	2.00%	Jan-14	4,000	-
Maria Berriozabal	2.00%	Mar-13	20,800	-
Mary T. Green	2.00%	Jan-14	1,000	-
Michael Turpin	3.00%	Feb-14	3,000	-
Monarch Community Fund	4.50%	Oct-13	200,000	-
Nazareth Literary Institution	1.00%	May-14	50,000	-
Opportunity Finance Network	4.00%	Apr-14	400,000	-
Opportunity Finance Network	3.00%	Jan-18	2,500,000	-
Philip Gates	2.00%	Mar-13	15,000	-
REAP Green Enterprise	3.00%	May-13	100,000	-
Red River Bank	3.00%	Jun-13	116,000	-
Redman Foundation	3.00%	Nov-13	10,000	-
Residential Energy Assistance	3.00%	May-13	450,000	-
Robert Boehlert	2.00%	Nov-13	20,000	-
Rose Mary Fry	2.00%	Aug-13	1,000	-
Sheila Beissel	2.00%	Mar-13	15,000	-
Sisters of St. Dominic	2.00%	Nov-13	50,000	-
Sisters of Charity Houston	2.00%	Aug-13	200,000	-
Sisters of the IWBS/CC	3.00%	Jan-14	510,000	-
Sisters of the IWBS/CC	2.00%	Nov-13	250,000	-
Society of the Divine Word	3.00%	Mar-13	50,000	-
Southside Bank	3.00%	Mar-13	2,062	-
Sustainable Communities Fund	3.00%	Jun-13	41,200	-
Sustainable Communities Fund	3.00%	Jun-13	25,750	-
Texas Bank and Trust Co.	3.00%	Mar-13	3,215	-
The Basilian Fathers of Toronto	3.00%	Apr-15	100,000	-
Small Business Administration	1.63%	Jul-14	97,962	* 112,656
Small Business Administration	1.38%	May-18	552,030	* 634,835
Small Business Administration	0.08%	Jun-13	42,767	* 49,182
Small Business Administration	4.63%	Jul-17	401,387	* 461,595
Small Business Administration	0.38%	Dec-21	750,000	* 862,500
Small Business Administration	0.38%	Dec-21	750,000	* 862,500
Tides Foundation	0.00%	Mar-15	100,000	-
Tolleson Private Bank	3.00%	Jun-13	50,000	-
USDA	1.00%	Apr-34	374,505	* 374,505
Valerie L. Wenger	2.00%	Jun-13	10,000	-
Wells Fargo Bank	2.00%	Aug-13	200,000	-
Wells Fargo Bank	2.00%	Sep-13	250,000	-

Lender	Interest Rate	Maturity Date	Balance 12/31/2012	Collateral
Wells Fargo Bank-Subordinated	0.00%	Jun-13	200,000	-
Wells Fargo Bank-Subordinated	2.00%	Jul-13	250,000	-
Wells Fargo Bank-Subordinated	0.00%	Dec-14	452,500	-
William M. Cunningham	2.00%	Apr-13	100,000	-
Total			$22,976,887	

* Collateralized by loans receivable

Scheduled principal payments of notes payable are as follows:

Years Ending December 31,	
2013	$ 7,673,854
2014	3,388,404
2015	1,964,172
2016	1,125,000
2017	2,364,974
Thereafter	6,460,483
	$ 22,976,887

Note 5 – Equity Equivalents

An equity equivalent is an unsecured general obligation. It is fully subordinated to the right of repayment of all other creditors. The obligation has a rolling term and therefore, an indeterminate maturity. Payment of interest is required quarterly and semi-annually. Interest payments are current at December 31, 2012. Equity equivalents consist of the following loans:

Lender	Interest Rate	Balance 12/31/2012	Balance 12/31/2011
BBVA Compass Bank	2.00%	$ 100,000	$ 100,000
BBVA Compass Bank	2.00%	500,000	500,000
BBVA Compass Bank	4.50%	586,116	754,769
Raza Development Fund	1.00%	100,000	100,000
Raza Development Fund	2.00%	200,000	200,000
Wells Fargo Bank	3.00%	250,000	250,000
Wells Fargo Bank	2.00%	250,000	250,000
Total		$1,986,116	$ 2,154,769

Note 6 – Restrictions on Net Assets

Temporarily restricted net assets at December 31, 2012 are available for the following purposes:

For subsequent years' activities:		
Capital Campaign	$	961,875
Capital One IDA Program		48,899
Goldman Sachs Foundation		1,351,729
U.S. Economic Development Administration building fund		796,278
Subtotal		3,158,781
For required reserves:		
Small Business Administration		669,785
Goldman Sachs Bank		480,000
U.S. Department of Agriculture		25,000
Loan programs		338,063
Subtotal		1,512,848
Total temporarily restricted net assets	$	4,671,629

The net assets for all programs are restricted to use as defined by the grantor.

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by the donors during 2012 as follows:

Capital One IDA Program	$	51,100
Goldman Sachs Foundation		130,258
U.S. Economic Development Administration building fund		518,722
Small Business Administration reserves		183,041
Loan program reserves		217,562
Texas Capital Access Fund reserves		26,784
Other operating reserves		82,500
Total net assets released from restrictions	$	1,209,967

Permanently restricted net assets of $577,163 at December 31, 2012 and 2011 consist of various contributions received from banks and individuals restricted in perpetuity for loans to micro enterprises.

Note 7 – Retirement Plan

ATI has a defined contribution 401(k) plan covering all employees with at least three months and 390 hours of service. Employees are automatically enrolled to contribute 3% of the employee's salary unless they select a different amount or sign a waiver within 90 days of their enrollment date. Under the plan, ATI matches 100% of the employee's contributions up to 3% of the employee's salary, plus 50% of the employee's contributions up to the next 2% of the employee's salary. Total retirement plan expense charged to operations was $36,325 in 2012.

Note 8 – Operating Leases Commitments

ATI leases office space under noncancelable operating leases expiring through September of 2017. ATI leases copiers and computer equipment under operating leases expiring through March of 2017. Lease expense charged to operations for the year ended December 31, 2012 was $396,417.

Future minimum lease payments under the operating leases in excess of one year as of December 31, 2012 are:

Years Ending December 31,		
2013	$	499,439
2014		139,081
2015		86,428
2016		76,299
2017		33,752
	$	834,999

Note 9 – Loan Sale Agreement

ATI and AT Microloans I LLC have entered into agreements with Citibank, National Association (Citi) for the periodic sale to Citi of loans originated by ATI. The aggregate loan acquisition price of all loans under the agreements shall not exceed thirty million dollars. At December 31, 2012, approximately $10,584,000 in loans had been sold to Citi under the agreement.

ATI retains a participation in the expected cash flows and losses of the portfolio sold to Citi. It also services the loans. At December 31, 2012, the remaining participation in loans sold to Citi, net of the allowance for loan losses, was $39,953, which is reflected in the accompanying combined statement of financial position as participation in Citi portfolio.

ATI entered into an agreement with Suntrust Bank in December of 2012 for the sale to Suntrust of $739,293 of loans originated by ATI guaranteed by the U.S. Small Business Administration. ATI services the mortgage loans sold to Suntrust under the agreement. Gain on the sale of the loans totaled $53,845 in 2012 and is reported on the statement of activities.

Note 10 – Concentrations of Credit Risk

ATI provides financing to small businesses in Texas, Alabama, Arkansas, Kentucky, Louisiana, Mississippi, Missouri, and Tennessee. The organization has been in business since 1994. Financial instruments that potentially subject the organization to concentrations of credit risk consist of cash and equivalents, notes payable, and revenue from government grants and contracts.

ATI maintains cash accounts in various financial institutions. Beginning December 31, 2010 through December 31, 2012, the Federal Deposit Insurance Corporation fully insures the total non-interest bearing cash balances in a financial institution. Interest bearing balances are insured up to $250,000. At December 31, 2012 the cash balances in excess of FDIC limits approximated $178,454.

At December 31, 2012, ATI was scheduled to make $7,673,854 in principal repayments on its outstanding notes payable during 2013. Based on its experience with lenders renewing their loans to ATI, the Organization believes that it is maintaining cash balances sufficient to cover all notes payable amounts due in 2013.

ATI receives substantial funding through grants and contracts with governmental agencies. Concentrations of credit risk with respect to grants and contracts receivable are reduced due to the limited amount of credit risk exposure from government grants and contracts.

Note 11 – Commitments and Contingencies

ATI's grant and contract programs are subject to inspection and audit by the appropriate governmental funding agencies. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, ATI has no provision for the possible disallowance of program costs included in its financial statements.

Note 12 – Evaluation of Subsequent Events

ATI adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 165, "Subsequent Events" (ASC 855), as of January 1, 2009. ASC 855 established new accounting and disclosure requirements for subsequent events. Management has evaluated subsequent events through May 3, 2013, the date on which the financial statements were available to be issued.

REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*
AND OMB CIRCULAR A-133

WEST, DAVIS & COMPANY, LLP
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
ACCION Texas, Inc.
San Antonio, Texas

We have audited the financial statements of ACCION Texas, Inc. (a nonprofit organization) as of and for the year ended December 31, 2012, and have issued our report thereon dated May 3, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered ACCION Texas, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ACCION Texas, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of ACCION Texas, Inc.'s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ACCION Texas, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

West, Davis & Company, LLP

May 3, 2013

WEST, DAVIS & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
ACCION Texas, Inc.
San Antonio, Texas

Compliance

We have audited the compliance of ACCION Texas, Inc. (a nonprofit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2012. ACCION Texas, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of ACCION Texas, Inc.'s management. Our responsibility is to express an opinion on ACCION Texas, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ACCION Texas, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of ACCION Texas, Inc.'s compliance with those requirements.

In our opinion, ACCION Texas, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2012.

Internal Control Over Compliance

The management of ACCION Texas, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered ACCION Texas, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of ACCION Texas, Inc.'s internal control over compliance.

A deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a significant deficiency, or combination of significant deficiencies, that results in a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected by the entity's internal control on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

West, Davis & Company, LLP

May 3, 2013

ACCION TEXAS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2012

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Grantor/ Pass-through Identifying Number	Program or Award Amount	Federal Expenditures
U.S. Small Business Administration				
Women's Business Ownership Assistance	59.043	SBA HQ 11 W 0007	123,367	$ 90,697
Microloan Demonstration Program - Grant	59.046	SBA HQ 11 Y 0037	502,035	231,061
Microloan Program - Loans	59.046	482-773-5005	750,000	263,997
Microloan Program - Loans	59.046	482-772-5002	750,000	8,036
Total U.S. Small Business Administration				593,791
U.S. Department of Agriculture				
Intermediary Relending Program	10.767		750,000	192,771
U.S. Department of Commerce				
Financial Assistance Award CD-450	11.307	EDA 08-01-04656	1,315,000	566,642
Passed Through City of El Paso				
North American Development Bank	11.307	2001-039-TX-P	100,000	87,773
Total U.S. Department of Commerce				654,415
U.S. Department of Housing and Urban Development				
Passed through the City of San Antonio				
Community Development Block Grants - Section 108 Loan Guarantees	14.248		100,000	100,000
Passed through the State of Louisiana, Office of Community Development				
Community Development Block Grant	14.218		2,400,000	85,093
Total U.S. Department of Housing and Urban Development				185,093
U.S. Department of the Treasury, Community Development Financial Institutions Fund				
CDFI Financial Assistance - 2011	21.020	111FA009999	1,500,000	1,500,000
Total Expenditures of Federal Awards				$ 3,126,070

See accompanying notes to schedule of expenditures of federal awards.

ACCION TEXAS, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2012

1. Basis of Presentation

The accompanying schedule of federal awards includes the federal grant activity of ATI and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2. Loans Outstanding

ATI had the following loan balances outstanding at December 31, 2012. Amounts of new loans made are included in the following loan balances outstanding and are also included in the expenditures presented in the schedule.

Program	Federal CFDA Number	New Loans	Amount Outstanding
CDFI - Microloan Support Program	21.020	$ -	$ 1,200,000
Small Business Administration Microloan Demonstration Program	59.046	1,500,000	2,594,147
Department of Agriculture	10.767	-	374,505

ACCION TEXAS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2012

Section 1 – Summary of Auditors' Results

Financial Statements

1. Type of Auditors' report issued - **unqualified**

2. Significant deficiency(ies) in internal control identified in the audit of the financial statements - **no**

3. Material weakness(es) in internal control identified in the audit of the financial statements - **none**

4. Noncompliance that is material to the financial statements noted - **none**

Federal Awards

5. Significant deficiency(ies) in internal control over major programs identified in the audit of the financial statements - **no**

6. Material weakness(es) in internal control over major programs identified in the audit of the financial statements - **none**

7. The type of auditors' report issued on compliance for major programs - **unqualified**

8. Audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 - **none**

Identification of Major Programs

- U.S. Department of the Treasury Community Development Financial Institutions Program (CFDA No. 21.020)
- U.S. Department of Commerce Economic Adjustment Assistance Program (CFDA No. 11.307)

9. Dollar threshold used to distinguish between Type A and Type B programs - **$300,000**

10. Is the auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133? - **yes**

Section 2 – Financial Statement Findings

11. Findings related to the financial statements reported in accordance with *Government Auditing Standards* - **none**

Section 3 – Federal Award Findings and Questioned Costs

12. Findings and questioned costs relating to federal awards - **none**

ACCION TEXAS, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2012

There were no single audit findings issued for the year ended December 31, 2011.