

ACCION TEXAS, INC.

**Combined Financial Statements
and Additional Information**

December 31, 2010 and 2009

With Independent Auditors' Report Thereon

ACCION TEXAS, INC.

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Independent Auditors' Report

Board of Directors
ACCION Texas, Inc.

We have audited the accompanying combined statements of financial position of ACCION Texas, Inc. (a nonprofit organization) and subsidiary as of December 31, 2010 and 2009, and the related combined statements of activities (comparative totals for 2009), cash flows, and functional expenses (comparative totals for 2009) for the year then ended. These combined financial statements are the responsibility of ACCION's management. Our responsibility is to express an opinion on these combined 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 combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2011 on our consideration of ACCION Texas, Inc. and subsidiary'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* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic combined financial statements of ACCION Texas, Inc. and subsidiary taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic combined financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic combined financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "J. J. Brzezinski, P.C.", is written in a cursive style.

May 2, 2011

ACCION TEXAS, INC.

Combined Statements of Financial Position
December 31, 2010 and 2009

	<u>Assets</u>	
	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 2,890,046	2,527,857
Receivables:		
Microenterprise loans receivable, net of allowance for loan losses of \$2,321,019 for 2010 and \$1,622,990 for 2009	21,689,949	18,764,447
Participation in Citi portfolio, net of allowance for loan losses of \$401,739 for 2010 and \$360,417 for 2009	212,060	196,113
Due from grantors, net of allowance for cost refunds of \$ 241,993 for 2010 and 2009	6,019,959	1,103,948
Accrued interest receivable	157,994	257,668
Accrued late and NSF fees	30,757	58,712
Other	70,653	-
Prepaid expense and other	36,601	27,071
Recovered asset inventory	89,196	51,500
Property and equipment, net of accumulated depreciation of \$1,236,907 for 2010 and \$910,253 for 2009	3,697,681	2,004,271
Restricted cash	439,324	486,906
Total assets	<u>\$ 35,334,220</u>	<u>25,478,493</u>

Liabilities and Net Assets

Liabilities:		
Accounts payable	\$ 521,582	441,704
Accrued liabilities	282,763	264,189
Texas Capital Access Fund Reserve	26,265	26,265
Deferred revenue	11,088	34,372
Notes payable	19,324,978	16,790,775
Equity equivalents	2,500,000	2,500,000
Total liabilities	<u>22,666,676</u>	<u>20,057,305</u>
Net assets:		
Unrestricted	11,440,629	4,257,118
Temporarily restricted	649,752	711,907
Permanently restricted	577,163	452,163
Total net assets	<u>12,667,544</u>	<u>5,421,188</u>
Total liabilities and net assets	<u>\$ 35,334,220</u>	<u>25,478,493</u>

See accompanying notes to financial statements.

ACCION TEXAS, INC.

Combined Statement of Activities

Year Ended December 31, 2010
(With Comparative Totals for 2009)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2010 Total</u>	<u>2009 Total</u>
Public support and revenues:					
Public support					
Contributions	\$ 6,430,118	-	125,000	6,555,118	2,045,374
Grants from government	1,381,930	100,000	-	1,481,930	2,385,042
Revenue:					
Interest	9,236	-	-	9,236	2,792
Microenterprise loan interest and fees	3,207,255	-	-	3,207,255	4,080,568
Portfolio management services	257,506	-	-	257,506	154,181
SBA 504 income	438,055	-	-	438,055	119,733
Incubator - office space rental income	25,073	-	-	25,073	21,967
In-kind contributions	78,251	-	-	78,251	62,127
Miscellaneous revenue	3,693	-	-	3,693	3,804
Total public support and revenue	<u>11,831,117</u>	<u>100,000</u>	<u>125,000</u>	<u>12,056,117</u>	<u>8,875,588</u>
Net assets released from restrictions:	<u>162,155</u>	<u>(162,155)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>11,993,272</u>	<u>(62,155)</u>	<u>125,000</u>	<u>12,056,117</u>	<u>8,875,588</u>
Expenses:					
Program services	7,665,074	-	-	7,665,074	7,549,717
Administration	739,723	-	-	739,723	699,036
Fundraising	477,923	-	-	477,923	329,343
Total expenses	<u>8,882,720</u>	<u>-</u>	<u>-</u>	<u>8,882,720</u>	<u>8,578,096</u>
Change in net assets	3,110,552	(62,155)	125,000	3,173,397	297,492
Net assets acquired	4,072,959	-	-	4,072,959	-
Net assets, beginning	<u>4,257,118</u>	<u>711,907</u>	<u>452,163</u>	<u>5,421,188</u>	<u>5,123,696</u>
Net assets, ending	<u>\$ 11,440,629</u>	<u>649,752</u>	<u>577,163</u>	<u>12,667,544</u>	<u>5,421,188</u>

See accompanying notes to financial statements.

ACCION TEXAS, INC.

Combined Statements of Cash Flows

Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ 7,246,356	297,492
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	226,889	214,612
Increase in allowance for loan losses	739,351	571,248
(Increase) in microenterprise loans receivable	(3,623,531)	(204,360)
(Increase) in participation in Citi portfolio	(57,269)	(145,756)
(Increase) decrease in due from grantors	(4,916,011)	207,671
(Increase) decrease in accrued interest receivable	99,674	(56,819)
(Increase) decrease in late payment and NSF fees	27,955	(24,237)
(Increase) decrease in other receivables	(70,653)	38,308
(Increase) in prepaid expense and other	(9,530)	(14,742)
(Increase) in recovered asset inventory	(37,696)	(34,980)
Increase in accounts payable	79,878	127,389
Increase (decrease) in accrued liabilities	18,574	(33,283)
(Decrease) in other payables	-	(513)
Increase in TCAF reserve	-	3,908
(Decrease) in deferred revenue	(23,284)	(10,000)
Net cash provided (used) by operating activities	<u>(299,297)</u>	<u>935,938</u>
Cash flows from investing activities:		
Additions of property and equipment, net	<u>(1,920,299)</u>	<u>(528,912)</u>
Net cash used by investing activities	<u>(1,920,299)</u>	<u>(528,912)</u>
Cash flows from financing activities:		
Net proceeds from notes payable and equity equivalents	3,288,500	2,491,000
Payments on notes payable and equity equivalents	<u>(754,297)</u>	<u>(1,587,215)</u>
Net cash provided by financing activities	<u>2,534,203</u>	<u>903,785</u>
Net increase in cash	314,607	1,310,811
Beginning cash and cash equivalents and restricted cash	<u>3,014,763</u>	<u>1,703,952</u>
Ending cash and cash equivalents and restricted cash	<u>\$ 3,329,370</u>	<u>3,014,763</u>
Supplemental data:		
Interest paid	<u>\$ 605,941</u>	<u>586,845</u>
Gifts of office space and interest	<u>\$ 78,251</u>	<u>62,127</u>

See accompanying notes to financial statements

ACCION TEXAS, INC.

Combined Statement of Functional Expenses

Year Ended December 31, 2010
(With Comparative Totals for 2009)

	Program Services	Management & General			Total 2010	Total 2009
		Administration	Fundraising	Total		
Salaries	\$ 1,996,823	304,555	222,528	527,083	2,523,906	2,199,786
Payroll taxes	197,497	24,329	15,430	39,759	237,256	175,328
Fringe benefits	216,972	48,680	20,895	69,575	286,547	347,935
Total salaries and related expenses	2,411,292	377,564	258,853	636,417	3,047,709	2,723,049
Advertising	37,327	3,180	6,088	9,268	46,595	23,727
Conference and meetings	51,205	30,596	2,578	33,174	84,379	57,517
Consultants	277,553	88,375	170,296	258,671	536,224	300,994
Contract service	315	10,491	-	10,491	10,806	5,883
Dues and subscriptions	37,694	22,249	2,632	24,881	62,575	33,891
Equipment rental and maintenance	164,683	37,394	228	37,622	202,305	118,197
Insurance	59,683	7,022	3,511	10,533	70,216	44,882
Interest	605,941	-	-	-	605,941	586,845
In kind interest	57,131	-	-	-	57,131	20,567
Mileage and parking	10,839	1,643	1,598	3,241	14,080	6,579
Occupancy	123,302	16,991	8,495	25,486	148,788	155,488
In kind occupancy	21,120	-	-	-	21,120	41,560
Office supplies	21,752	15,207	539	15,746	37,498	38,049
Portfolio expenses	435,967	-	-	-	435,967	545,945
Postage	44,668	18,617	665	19,282	63,950	49,536
Printing	23,441	2,758	1,379	4,137	27,578	22,929
Professional fees	275,031	33,027	-	33,027	308,058	140,983
Bad debt expense	2,474,645	-	-	-	2,474,645	3,034,097
Service charges and fees	34,577	630	-	630	35,207	32,320
Taxes	30,805	3,231	1,616	4,847	35,652	27,643
Telephone	224,623	15,783	1,744	17,527	242,150	281,547
Travel	48,624	32,276	6,357	38,633	87,257	71,256
Total expenses before depreciation	7,472,218	717,034	466,579	1,183,613	8,655,831	8,363,484
Depreciation	192,856	22,689	11,344	34,033	226,889	214,612
Total expenses	\$ 7,665,074	739,723	477,923	1,217,646	8,882,720	8,578,096
Percent of total expenses	86%	8%	6%	14%	100%	-

See accompanying notes to financial statements.

ACCION TEXAS, INC.

Notes to Combined Financial Statements

December 31, 2010

(1) Nature of Activities and Significant Accounting Policies

Nature of Activities

ACCION Texas, Inc. (ACCION)'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, ACCION helps micro entrepreneurs strengthen their businesses, stabilize and increase their incomes, create additional employment and contribute to the economic revitalization of their communities. ACCION conducts special outreach efforts to reach disenfranchised, low income, and minority entrepreneurs and is an intermediary lender between commercial banks and micro-entrepreneurs.

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

Significant Accounting Policies

Basis for Combination

In 2008, ACCION formed a wholly owned subsidiary named AT Microloans I LLC, a Texas limited liability company (Microloans) (see note 13).

The financial statements of ACCION and its wholly owned subsidiary, Microloans, 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.

Estimates

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

(Continued)

ACCION TEXAS, INC.

Notes to Combined Financial Statements

December 31, 2010

(1) Nature of Activities and Significant Accounting Policies (continued)

Cash and Cash Equivalents

For the purpose of the statement of cash flows, ACCION considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Receivables

Microenterprise loans, and other receivables are stated at the amount management expects to collect from balances outstanding at year-end. 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 microenterprise loan balances outstanding at year-end have been adequately provided for by the allowance for loan losses.

Property and Equipment

Property and equipment are 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 5 to 30 years. ACCION capitalizes all purchases of property and equipment exceeding \$500.

Financial Statement Presentation

ACCION's financial statements have been prepared on the accrual basis of accounting and current provisions applicable to nonprofit organizations.

Matching Requirements

Matching requirements of certain federal grant awards have been fully met during the current year.

ACCION TEXAS, INC.

Notes to Combined Financial Statements

December 31, 2010

(1) Nature of Activities and Significant Accounting Policies (continued)

Financial Statement Presentation (continued)

Under these provisions, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, ACCION's net assets and changes therein are classified and reported as follows:

Unrestricted – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted – Net assets subject to temporary restrictions imposed by donors.

Permanently restricted – Net assets with the donor imposed stipulation that the assets be designated toward the creation of an opportunity fund.

When a restriction expires, (that is, when a stipulated time restriction ends or purpose for the 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.

Contributions are considered to be available for unrestricted use unless specifically restricted by donor. Contributions, including unconditional promises to give, are recorded when the donor makes a promise to give to ACCION, that is in substance, unconditional.

Donated Facilities and Services

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 ACCION operates, and interest on below-market interest rate notes payable, are recorded as an expense.

(Continued)

ACCION TEXAS, INC.

Notes to Combined Financial Statements

December 31, 2010

(1) Nature of Activities and Significant Accounting Policies (continued)

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 9.67% of outstanding portfolio as of December 31, 2010. This excludes the cash reserves available to ACCION from Texas Capital Access Program (TCAF) and the allowance for loans losses from the subsidiary. Including TCAF reserves and the allowance from the subsidiary the total allowance and reserves as of December 31, 2010 were 10.9% of outstanding portfolio.

Revenue Recognition

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

Grants from governmental agencies are earned as the related expenses stipulated by the grants are incurred.

Functional Allocation of Costs

The costs of providing the program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, costs are allocated to program services, fund-raising and administration expenses based on actual use or estimated use if actual use is not readily determinable.

Tax Status

ACCION is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code.

Comparative Financial Information

The statements of activities and of functional expenses include prior-year comparative total amounts. Such total amounts do not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such amounts should be read in conjunction with ACCION's financial statements for the year ended December 31, 2009, from which the comparative total amounts were derived.

(Continued)

ACCION TEXAS, INC.

Notes to Combined Financial Statements

December 31, 2010

(2) 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 Texas Capital Access Fund accounts, the Small Business Administration Microloan Reserve Accounts, and other miscellaneous minor accounts.

(3) Microenterprise Loans Receivable

ACCION offers loans to qualifying businesses. These loans are offered to startup or established businesses. Loans range from \$500 to \$100,000 with loan terms of 5 to 72 months. Borrower must have sufficient collateral to cover loan amount. Individual and group loans carry an 8% to 18% annual interest rate, calculated on the declining balance of the loan. During 2010, ACCION disbursed \$12,839,861 in new loans including loans sold to Citi (see note 13).

2,058 loans receivable were outstanding as of December 31, 2010 for a total balance receivable of \$24,624,767 including participation in Citi portfolio, less an allowance for loan losses of \$2,722,058.

Loan Delinquency Status:

	ACCION Portfolio		Citi Portfolio Under ACCION Management		Total Portfolio	
	\$	%	\$	%	\$	%
Current	22,556,648	93.9	5,372,292	94.1	27,928,940	94.0
Past due						
31-60 days	427,311	1.8	155,125	2.7	582,436	1.9
61-90 days	398,723	1.7	88,074	1.6	486,797	1.6
91-120 days	195,133	0.8	92,976	1.6	288,109	1.0
Over 120 days	433,153	1.8	2,080	0.0	435,233	1.5
Sub total	1,454,320	6.1	338,255	5.9	1,792,575	6.0
Total ACCION portfolio	24,010,968	100.0	5,710,547	100.0	29,721,515	100.0
Participation in Citi portfolio	613,799					
Total portfolio	\$ 24,624,767					

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

(Continued)

ACCION TEXAS, INC.

Notes to Combined Financial Statements

December 31, 2010

(3) Microenterprise Loans Receivable (continued)

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 the Texas Capital Access Program that will be charged off upon confirmation from the Office of the Governor-Economic Development and Tourism, and (3) loans in the process of real estate foreclosure. There were no non-performing loans at December 31, 2010.

(4) Property and Equipment

Property and equipment as of December 31, 2010 consisted of the following:

Land	\$	1,084,426
Buildings		2,630,726
Equipment		543,236
Software		580,608
Vehicles		<u>95,592</u>
Total cost		4,934,588
Less: Accumulated depreciation		<u>1,236,907</u>
Net property and equipment	\$	<u><u>3,697,681</u></u>

Depreciation charged to 2010 expense was \$226,889.

(Continued)

ACCION TEXAS, INC.

Notes to Combined Financial Statements

December 31, 2010

(5) Notes Payable

Notes payable consist of the following:

<u>Lender</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance 12/31/2010</u>	<u>Collateral</u>
Adorers of the Blood of Christ	2.00%	Oct-14	\$ 50,000	-
Alian Johnson	3.00%	Oct-14	7,500	-
Alias Antwain Johnson	3.00%	Jul-14	15,000	-
Amegy Bank	4.50%	Jul-11	400,000	-
American Bank	5.00%	Mar-11	100,000	-
Annie E. Casey Foundation	3.00%	Apr-13	1,000,000	-
Bank of America	3.00%	Dec-12	450,000	-
Bank of America	3.00%	Sep-11	55,000	-
Bank of America	2.00%	Dec-11	83,774	-
Bank One	4.00%	Dec-14	52,799	-
Brandon F. Seale	3.00%	Jun-11	5,000	-
Broadway National Bank	3.25%	Jul-11	75,000	-
Broadway National Bank	4.00%	Oct-11	500,000	-
Calvert Social Investment Foundation	5.00%	May-13	200,000	-
Calvert Social Investment Foundation	4.50%	Jul-13	500,000	-
Capital One	3.00%	Feb-11	400,000	-
Capital One	5.50%	Feb-11	200,000	-
Carla Marshall & Lawrence Doxsey	3.00%	Nov-11	100,000	-
Charles A. Gonzalez	0.00%	Jan-11	1,000	-
Christopher Burke	3.00%	Aug-11	16,000	-
Communities at Work Fund	4.30%	Sep-15	500,000	-
Community Development Financial Institutions Fund	2.12%	Jan-16	1,000,000	-
Community Development Financial Institutions Fund	0.00%	Jun-19	200,000	-
Compass Bank	5.85%	Aug-15	101,297	-
Compass Bank	2.00%	Dec-14	150,000	-

(Continued)

ACCION TEXAS, INC.

Notes to Combined Financial Statements

December 31, 2010

(5) Notes Payable (continued)

<u>Lender</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance 12/31/2010</u>	<u>Collateral</u>
Compass Bank	2.00%	Jun-14	\$ 250,000	-
Craig Alan Davis	3.00%	Jun-14	10,000	-
Daniel Lopez & Gina Amatangelo	0.00%	Dec-11	5,000	-
Debra Salge	4.00%	Febr-11	1,000	-
Delia G. Martinez	3.00%	Oct-12	3,000	-
Dept. of Treasury	0.62%	Jun-15	703,958	-
Dr. Charles Conlon	1.00%	Jan-11	25,000	-
Dr. Pat LeMay Burr	4.00%	May-11	5,000	-
East West Bank	3.00%	Aug-11	250,000	-
Eliot Lee	5.00%	Jan-11	1,000	-
Encore Bank	3.00%	Feb-12	500,000	-
Episcopal Church in the USA	4.00%	Sep-11	250,000	-
Frost National Bank	4.00%	May-11	100,000	-
Frost Bank	2.00%	Feb-15	108,643	-
Frost Bank	5.00%	Dec-17	97,056	-
Harry Shafer	4.00%	Jan-11	2,000	-
Heartspring Methodist Foundation	3.85%	Dec-11	200,000	-
Immaculate Heart of Mary Church	4.00%	May-11	50,000	-
Immaculate Heart of Mary Church	4.00%	May-11	80,000	-
Immaculate Heart of Mary Church	4.00%	Dec-11	10,000	-
IBC Bank	2.00%	Dec-14	33,862	-
International Bank of Commerce	5.50%	Jan-11	25,000	-
Jaime G. Perez	3.00%	Aug-14	30,000	-
James & Judy Adams	0.00%	May-12	10,000	-
Jefferson State Bank	2.00%	Nov-14	5,965	-
John & Margaret Foley	3.50%	Jun-11	1,500	-
JP Morgan Chase	5.00%	Mar-15	824,556	-
JP Morgan Chase	4.00%	Dec-14	211,190	-

(Continued)

ACCION TEXAS, INC.

Notes to Combined Financial Statements

December 31, 2010

(5) Notes Payable (continued)

<u>Lender</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance 12/31/2010</u>	<u>Collateral</u>
JP Morgan Chase	4.00%	Dec-11	\$ 500,000	-
Kirti Kailashnath Mehra	3.00%	Apr-14	16,000	-
Kiva	0.00%	Open	198,073	-
M. Elizabeth Blissman	4.00%	Jan-11	4,000	-
Main Street Bank	3.00%	May-12	400,000	-
Maria Berriozabal	4.00%	Mar-11	20,000	-
Mary Ray Heard	3.00%	May-11	500	-
Mary T. Green	3.00%	Feb-11	1,000	-
Matthew Bomersbach	3.50%	Jun-11	500	-
Michael Turpin	3.00%	Feb-14	3,000	-
Michael Villarreal	4.00%	Oct-11	5,000	-
Monarch Community Fund	4.50%	Oct-13	200,000	-
Opportunity Finance Network	4.00%	Mar-11	400,000	-
Opportunity Finance Network	3.00%	Jan-18	2,500,000	-
Raza Development Fund	7.00%	Mar-11	100,000	-
Red River Bank	0.00%	Jun-11	250,000	-
Redman Foundation	3.00%	Nov-13	10,000	-
Robert Boehlert	3.00%	Nov-11	20,000	-
Rose Mary Fry	3.00%	Aug-11	1,000	-
Santuario Sisterfarm	4.00%	Dec-11	110,000	-
Sisters of St. Dominic	2.00%	Nov-11	50,000	-
Sisters of Charity Houston	2.00%	Aug-13	200,000	-
Sisters of the I.W.B.S./CC	4.00%	Jan-11	510,000	-
Southside Bank	0.228%	Mar-13	14,808	-
Sterling Bank	3.25%	Feb-19	68,545	-
Texas Bank and Trust Co.	3.00%	Mar-11	25,000	-
The Basilian Fathers of Toronto	3.00%	Mar-12	50,000	-
The Parish of Caddo	3.00%	Aug-12	100,000	-
The Society of the Divine Word	3.00%	Mar-11	50,000	-
Small Business Administration	3.25%	Oct-12	51,417	7,712
Small Business Administration	1.63%	Jul-14	217,431	32,614
Small Business Administration	1.38%	May-18	663,359	99,503

(Continued)

ACCION TEXAS, INC.

Notes to Combined Financial Statements

December 31, 2010

(5) Notes Payable (continued)

Small Business Administration	3.12%	Sep-11	\$	47,656	7,148
Small Business Administration	0.08%	Jun-13		237,172	35,575
Small Business Administration	4.63%	Jul-17		556,096	83,414
USDA	1.00%	Apr-34		429,821	-
Wells Fargo Bank	2.00%	Aug-13		200,000	-
Wells Fargo Bank	2.00%	Jan-13		250,000	-
Wells Fargo Bank	3.00%	Jun-11		200,000	-
Wells Fargo Bank	2.00%	Jul-13		250,000	-
Wells Fargo Bank	0.00%	Dec-14		452,500	-
Wendell Brock	3.00%	Feb-11		5,000	-
William Elizondo, Dr.	1.00%	Oct-11		1,000	-
			\$	<u>19,324,978</u>	<u>265,966</u>

Scheduled principal payments of notes payable are as follows:

Year ending December 31,

2011	\$	5,591,930
2012		1,564,417
2013		3,611,980
2014		1,105,247
2015		3,129,811
Thereafter		<u>4,321,593</u>
	\$	<u>19,324,978</u>

ACCION TEXAS, INC.

Notes to Combined Financial Statements

December 31, 2010

(6) 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. The interest rate for the following notes is 1.00% to 5.00% and payment of interest is required quarterly and semi-annually. Interest payments are current at December 31, 2010. Equity equivalents consist of the following loans:

Guaranty Bank	\$	100,000
Guaranty Bank		100,000
Guaranty Bank		500,000
Guaranty Federal Bank		1,000,000
Raza Development Fund		100,000
Raza Development Fund		200,000
Wells Fargo Bank		250,000
Wells Fargo CDC		250,000
	\$	<u>2,500,000</u>

(7) Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes:

For subsequent years' activities:

Texas Capital Access Fund	\$	26,744
United Way-Houston Opportunity Fund		225,000
Capital One IDA Program		7,175
Building fund		<u>100,000</u>
Subtotal		358,919

For required reserves:

Small Business Administration		<u>290,833</u>
	\$	<u>649,752</u>

(Continued)

ACCION TEXAS, INC.

Notes to Combined Financial Statements

December 31, 2010

(7) Restrictions on Net Assets (continued)

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 as follows:

Texas Capital Access Fund	\$	(443)
Capital One IDA Program		21,235
SBA required reserves		<u>141,363</u>
Total net assets released from restrictions	\$	<u>162,155</u>

Permanently restricted net assets consist of various contributions received from banks and individuals restricted in perpetuity for loans to micro enterprises.

(8) Retirement Plan

ACCION has a defined contribution 401(k) plan covering all employees with at least one year of service who agree to make contributions to the plan. Under the plan, ACCION contributes 50 cents for every dollar contributed by the participant up to 6% of the employee's salary on an annual basis. Total retirement plan expense charged to operations was \$29,940 in 2010.

(9) Concentrations

Financial instruments which potentially subject ACCION to credit risk consist of periodic temporary investments of excess cash and loan receivables. ACCION places its temporary excess cash in high quality short-term money market instruments and certificates of deposit at local banks. At times such instruments may be in excess of the federally insured limits. Microenterprise loans receivable which can be affected by the economic climate are considered to be a concentration of credit risk.

To conduct its microenterprise loan operations, ACCION depends on the availability of financing primarily from commercial banks and the federal government. At December 31, 2010, the largest two sources of financing, Opportunity Finance Network and Small Business Administration, represented approximately 21% of notes payable and equity equivalents.

ACCION TEXAS, INC.

Notes to Combined Financial Statements

December 31, 2010

(10) Contingencies

Contracts with governmental agencies are subject to final determination of the eligibility of costs by the grantor. Should any costs be found ineligible, ACCION will be responsible for reimbursing the Grantor for these amounts.

(11) Operating Leases

ACCION leases copiers and computer equipment under operating leases expiring through September 2014. Lease expense charged to operations for the year ended December 31, 2010 was \$159,087.

Future minimum lease payments under the operating leases in excess of one year as of December 31, 2010 are:

2011	\$ 177,864
2012	151,550
2013	94,328
2014	<u>24,891</u>
	\$ <u>448,633</u>

(12) Fair Value of Financial Instruments

At December 31, 2010 and 2009 estimated fair values and carrying amounts of financial instruments, including cash and cash equivalents, microenterprise loans receivable, accounts payable, accrued and other liabilities, notes payable, and equity equivalents are identical.

(13) Loan Sale Agreement

ACCION and AT Microloans I LLC have entered into agreements with Citibank, National Association (Citi) for the periodic sale to Citi of loans originated by ACCION. The aggregate loan acquisition price of all loans under the agreements shall not exceed thirty million dollars. At December 31, 2010, approximately \$10,584,000 in loans had been sold to Citi under the agreement.

ACCION retains a participation in the expected cash flows and losses of the portfolio sold to Citi. It also services the loans. At December 31, 2010, the remaining participation in loans sold to Citi was \$613,799 which is reflected in the accompanying combined statement of financial position as participation in Citi portfolio.

ACCION TEXAS, INC.

Notes to Combined Financial Statements

December 31, 2010

(14) Acquisitions

To create a one-stop shop for small business lending in the San Antonio metropolitan area, ACCION acquired the assets and assumed the liabilities of Community Development Loan Corporation (CDLC) and acquired certain assets and liabilities of San Antonio Local Development Company, Inc. dba South Texas Business Fund (STBF) from the City of San Antonio, Texas. The sole consideration paid by ACCION was the assumption of the related liabilities. All the assets acquired and liabilities assumed during 2010 have been incorporated into the financial statements of ACCION, as follows:

<u>CDLF:</u>	
Cash and cash equivalents	\$ 699,482
Loans receivable	1,285,554
Allowance for loan losses	(229,911)
Accrued interest receivable	(13,900)
Due from grantors	173,554
Property and equipment	714,671
Accumulated depreciation	(99,597)
Restricted cash	89,138
Notes payable	(2,599,747)
Net assets acquired	\$ <u>19,244</u>
 <u>STBF</u>	
Cash and cash equivalents	\$ 2,144,326
Loans receivable	3,200,335
Allowance for loan losses	(236,257)
Due from grantors	17,521
Property and equipment	1,640
Notes payable	(932,207)
Expenses	8,434
Income	(150,077)
Net assets acquired	<u>4,053,715</u>
 Total net assets acquired	 \$ <u>4,072,959</u>

(15) Subsequent Events

ACCION has evaluated subsequent events through May 2, 2011, which is the date the financial statements were available to be issued.

SINGLE AUDIT COMPLIANCE INFORMATION

ACCION TEXAS, INC.

Schedule of Expenditures of Federal Awards

Year ended December 31, 2010

<u>Disbursements/Grantor/ Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>	<u>Expenditures</u>
<u>Community Development Financial Institutions Fund</u>				
ARRA - CDFI Financial Assistance	21.020	081-FA-007543	\$ 1,000,000	\$ 750,000
<u>US Small Business Administration</u>				
ARRA - Microloan Demonstration Program - Grant	59.046	SBA-HQ 10 Y 0003	407,575	407,575
ARRA - Microloan Program - Loans	59.046	375-138-4009	2,250,000	1,130,129
ARRA - Microloan Program - Loans	59.046	489-163-4204	750,000	462,300
Total US Small Business Administration				2,000,004
<u>US Department of Agriculture</u>				
Intermediary Relending Program	10.767	Not Applicable	750,000	332,056
<u>Economic Development Administration</u>				
ARRA - Investments for Public Works and Economic Development Facilities	11.300	EDA 08-79-04434	600,000	202,542
Total Direct Federal Awards				3,284,602
<u>US Department of Housing and Urban Development (HUD)</u>				
Passed through City of El Paso: Transitional Housing; Permanent Housing for Homeless Persons with Disabilities; Innovative Supportive Housing; Supportive Services for Homeless Persons not in Conjunction with Supportive Housing; Safe Havens; and HMIS	14.235	Not Applicable	100,000	29,875
Passed through City of San Antonio, Texas: Community Development Block Grants Section 108 Loan Guarantees	14.248		100,000	100,000
Total Federal Awards				\$ 3,414,477

See independent auditors' report on supplementary data.

ACCION TEXAS, INC.

Notes to Schedule of Federal Awards

Year ended December 31, 2010

(1) Basis of Presentation

The accompanying schedule of federal awards includes the federal grant activity of ACCION 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

ACCION had the following loan balances outstanding at December 31, 2010. Amounts of new loans made are included in the following loan balances outstanding and are also included in the expenditures presented in the schedule.

<u>Program</u>	<u>Federal CDFA Number</u>	<u>New Loans</u>	<u>Amount Outstanding</u>
CDFI – Microloan Support Program	21.020	\$ N/A	1,200,000
Small Business Administration Microloan Demonstration Program	59.046	1,592,430	1,773,131
Department of Agriculture	10.767	N/A	<u>429,821</u>

RINALDO J. GONZALEZ

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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***

Board of Directors
ACCION Texas, Inc.

We have audited the financial statements of ACCION Texas, Inc. and subsidiary as of and for the year ended December 31, 2010, and have issued our report thereon dated May 2, 2011. 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.

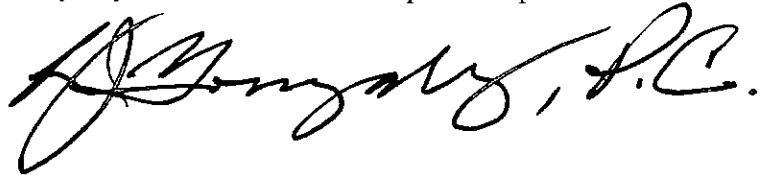
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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 the audit committee, management, others within the organization and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "J. Gonzalez, P.C.", is written in a cursive style.

May 2, 2011

RINALDO J. GONZALEZ
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**Independent Auditor's Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major
Program and on Internal Control over Compliance in
Accordance with OMB Circular A-133**

Board of Directors
ACCION Texas, Inc.

Compliance

We have audited ACCION Texas, Inc. and subsidiary's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of ACCION Texas, Inc. and subsidiary's major federal programs for the year ended December 31, 2010. 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. and subsidiary complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

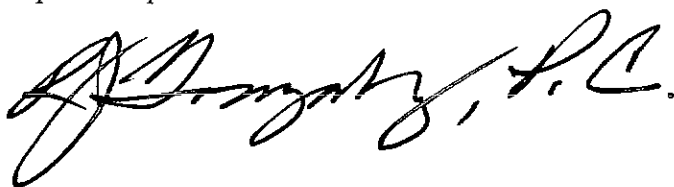
Internal Control Over Compliance

The management of ACCION Texas, Inc. and subsidiary 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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report in internal control over compliance in accordance with OMB Circular A-133, 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 internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, 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 deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, 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 was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 for the information of the audit committee, management, others within the organization and federal awarding entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "J. Douglas, P.C.", is positioned to the right of the text. The signature is fluid and cursive, with a large initial "J" and a distinct "P.C." at the end.

May 2, 2011

ACCION TEXAS, INC.

Schedule of Prior Audit Findings and Questioned Costs

Year ended December 31, 2010

<u>Program</u>	<u>Prior Year's Finding/Noncompliance</u>	<u>Questioned Costs</u>
	None.	

ACCION TEXAS, INC.

Schedule of Findings and Questioned Costs

Year ended December 31, 2010

Summary of Auditors' Results

Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified	None
Significant deficiencies identified that are not considered to be material weakness(es)	None
Noncompliance material to the financial statements.	None

Federal Awards

Internal control over major programs:	
Material weakness(es) identified	None
Significant deficiencies identified that are not considered to be material weakness(es)	None
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133	None

Major Programs

Federal Programs

CFDA 59.046 U.S. Small Business Administration Micro Loan Program – American Recovery and Reinvestment Act	
CFDA 21.020 CDFI Financial Assistance – American Recovery and Reinvestment Act	
CFDA 11.300 Investments for Public Works and Economic Development Facilities – American Recovery and Reinvestment Act	
Dollar threshold used to distinguish between type A and type B programs	\$300,000
Auditee qualified as low-risk auditee	Yes

ACCION TEXAS, INC.

Schedule of Findings and Questioned Costs, Continued

Year ended December 31, 2010

Findings – Financial Statements Audit	None
Findings and Questioned Costs – Major Federal Award Programs Audit	None