

# ACCION TEXAS, INC.

Combined Financial Statements  
Independent Auditor's Reports  
Single Audit Reports

December 31, 2011

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

We have audited the accompanying statement of financial position of ACCION Texas, Inc. (a nonprofit organization) and subsidiary as of December 31, 2011, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the financial statements of ACCION Texas, Inc. as of December 31, 2010. These financial statements were audited by another auditor and, in their report dated May 2, 2011 expressed an unqualified opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ACCION Texas, Inc. and subsidiary as of December 31, 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2012, 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* and important for assessing the results of our audit.

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 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 financial statements. Such information, which is also the responsibility of the Organization's management, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*West, Davis & Company, LLP*

June 22, 2012

**ACCION TEXAS, INC.**  
**COMBINED STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2011**

(WITH COMPARATIVE TOTALS FOR 2010)

<b>Assets</b>	2011	2010
Cash and cash equivalents	\$ 3,703,088	\$ 2,890,046
Cash restricted for loan funds	1,169,606	439,324
Receivables:		
Microenterprise loans receivable, net of allowance for loan losses of \$2,525,116 in 2011 and \$2,321,019 in 2010	23,457,867	21,689,949
Participation in Citi portfolio, net of allowance for loan losses of \$233,610 in 2011 and \$401,739 in 2010	50,819	212,060
Grants receivable, net of allowance for cost refunds of \$241,993 in 2011 and 2010	3,842,628	6,019,959
Accrued interest receivable	175,015	157,994
Accrued late and NSF fees	17,497	30,757
Other	133,701	70,653
Prepaid expenses	84,153	36,601
Recovered asset inventory	80,684	89,196
Property and equipment, net of accumulated depreciation of \$1,499,532 in 2011 and \$1,236,907 in 2010	3,945,678	3,697,681
Total assets	\$ 36,660,736	\$ 35,334,220
<b>Liabilities and Net Assets</b>		
	2011	2010
Liabilities:		
Accounts payable	\$ 289,991	\$ 521,582
Accrued liabilities	368,259	282,763
Texas Capital Access Fund reserve	26,784	26,265
Deferred revenue	40,088	11,088
Notes payable	20,943,843	19,324,978
Equity equivalents	2,154,769	2,500,000
Total liabilities	23,823,734	22,666,676
Commitments and contingencies		
Net assets:		
Unrestricted	10,213,230	11,440,629
Temporarily restricted	2,046,609	649,752
Permanently restricted	577,163	577,163
Total net assets	12,837,002	12,667,544
Total liabilities and net assets	\$ 36,660,736	\$ 35,334,220

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

**ACCION TEXAS, INC.**  
**COMBINED STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2011**  
(WITH COMPARATIVE TOTALS FOR 2010)

	2011			Total	2010
	Unrestricted	Temporarily restricted	Permanently restricted		
<b>Revenue and support:</b>					
Public support:					
Contributions	\$ 1,622,175	69,824	-	\$ 1,691,999	\$ 6,555,118
Governmental grants	1,786,159	1,652,033	-	3,438,192	1,481,930
Revenue:					
Interest	7,723	-	-	7,723	9,236
Microenterprise loan interest and fees	3,835,536	-	-	3,835,536	3,207,255
Portfolio management services	237,926	-	-	237,926	257,506
SBA 504 income	603,877	-	-	603,877	438,055
Incubator - office space rental income	32,016	-	-	32,016	25,073
In-kind contributions	229,441	-	-	229,441	78,251
Miscellaneous revenue	13,036	-	-	13,036	3,693
Total public support and revenue	8,367,889	1,721,857	-	10,089,746	12,056,117
Net assets released from restrictions	325,000	(325,000)	-	-	-
<b>Total revenue and support</b>	<b>8,692,889</b>	<b>1,396,857</b>	<b>-</b>	<b>10,089,746</b>	<b>12,056,117</b>
<b>Expenses:</b>					
Program services - lending	8,516,835	-	-	8,516,835	7,665,074
Management and general	1,031,659	-	-	1,031,659	739,723
Fundraising	371,794	-	-	371,794	477,923
<b>Total expenses</b>	<b>9,920,288</b>	<b>-</b>	<b>-</b>	<b>9,920,288</b>	<b>8,882,720</b>
<b>Excess (deficiency) of revenue and support over expenses</b>	<b>(1,227,399)</b>	<b>1,396,857</b>	<b>-</b>	<b>169,458</b>	<b>3,173,397</b>
<b>Other changes:</b>					
Net assets acquired	-	-	-	-	4,072,959
<b>Change in net assets</b>	<b>(1,227,399)</b>	<b>1,396,857</b>	<b>-</b>	<b>169,458</b>	<b>7,246,356</b>
Net assets at beginning of year	11,440,629	649,752	577,163	12,667,544	5,421,188
<b>Net assets at end of year</b>	<b>\$ 10,213,230</b>	<b>2,046,609</b>	<b>577,163</b>	<b>\$ 12,837,002</b>	<b>\$ 12,667,544</b>

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

**ACCION TEXAS, INC.**  
**COMBINED STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2011**  
(WITH COMPARATIVE TOTALS FOR 2010)

	2011	2010
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 169,458	\$ 7,246,356
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision for loan losses	1,728,553	2,474,645
Depreciation	262,626	226,889
(Increase) decrease in operating assets		
Participation in Citi portfolio	161,241	(57,269)
Grants receivable	2,177,330	(4,916,011)
Accrued interest receivable	(17,021)	99,674
Accrued late and NSF fees	13,260	27,955
Other receivables	(63,048)	(70,653)
Prepaid expenses	(47,552)	(9,530)
Recovered asset inventory	8,512	(37,696)
Increase (decrease) in operating liabilities		
Accounts payable	(231,591)	79,878
Accrued liabilities	85,496	18,574
TCAF reserve	519	-
Deferred revenue	29,000	(23,284)
	<u>4,276,783</u>	<u>5,059,528</u>
<b>Cash flows from investing activities:</b>		
Disbursements under loan programs	(14,638,455)	(12,839,861)
Collections under loan programs	11,141,984	7,481,036
Purchase of property and equipment	(510,622)	(1,920,299)
	<u>(4,007,093)</u>	<u>(7,279,124)</u>
<b>Cash flows from financing activities:</b>		
Change in cash restricted for loan fund	(730,282)	47,582
Proceeds from notes payable and equity equivalents	4,276,029	3,288,500
Repayments of notes payable and equity equivalents	(3,002,395)	(754,297)
	<u>543,352</u>	<u>2,581,785</u>
Net cash provided by financing activities	<u>543,352</u>	<u>2,581,785</u>
Net increase (decrease) in cash	813,042	362,189
Cash at beginning of year	<u>2,890,046</u>	<u>2,527,857</u>
<b>Cash at end of year</b>	<u>\$ 3,703,088</u>	<u>\$ 2,890,046</u>
<b>Supplementary Disclosure of Cash Flow Information:</b>		
Cash paid during the year for interest	<u>\$ 693,125</u>	<u>\$ 605,941</u>
In-kind donations of fixed assets, occupancy costs, and interest	<u>\$ 229,441</u>	<u>\$ 78,251</u>

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

**ACCION TEXAS, INC.**  
**COMBINED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2011**  
(WITH COMPARATIVE TOTALS FOR 2010)

	Program Services	Supporting Services		2011 Total	2010
		Management and General	Fundraising		
Personnel costs:					
Salaries and wages	\$ 2,797,864	455,429	240,564	3,493,857	2,523,906
Payroll taxes	257,842	29,591	20,895	308,328	237,256
Employee benefits	293,322	80,550	25,496	399,368	286,547
Total personnel costs	3,349,028	565,570	286,955	4,201,553	3,047,709
Advertising	120,296	11,668	876	132,840	46,595
Conferences and meetings	130,885	39,758	3,832	174,475	84,379
Consultants	253,607	147,915	35,850	437,372	536,224
Contracted services	-	9,673	-	9,673	10,806
Dues and subscriptions	48,019	15,916	2,561	66,496	62,575
Equipment rental and maintenance	212,026	41,108	478	253,612	202,305
Insurance	59,500	7,000	3,500	70,000	70,216
Interest	680,198	-	-	680,198	605,941
In-kind interest	152,612	-	-	152,612	57,131
Mileage and parking	21,514	4,655	457	26,626	14,080
Occupancy	215,158	25,313	12,656	253,127	148,788
In-kind occupancy	19,429	-	-	19,429	21,120
Office supplies	64,397	12,655	1,205	78,257	37,498
Portfolio expenses	369,232	-	-	369,232	435,967
Postage	45,999	21,576	399	67,974	63,950
Printing	27,093	3,188	1,594	31,875	27,578
Professional fees	350,508	29,686	-	380,194	308,058
Loan loss provision	1,728,553	-	-	1,728,553	2,474,645
Service charges and fees	50,299	748	-	51,047	35,207
Taxes	21,956	2,583	1,292	25,831	35,652
Telephone	230,863	7,449	3,201	241,513	242,150
Travel	81,538	58,935	3,807	144,280	87,257
Special programs	60,893	-	-	60,893	-
Total expenses before depreciation	8,293,603	1,005,396	358,663	9,657,662	8,655,831
Depreciation	223,232	26,263	13,131	262,626	226,889
Total expenses	\$ 8,516,835	1,031,659	371,794	9,920,288	8,882,720
Percent of total expenses	85.9%	10.4%	3.7%	100%	

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



**ACCION TEXAS, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2011**

**Note 1 – The Organization and Summary of Significant Accounting Policies**

*Organization and Background*

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 and foundations, and corporate and individual contributions. 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.

The significant accounting policies followed by ACCION Texas, Inc. 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, ACCION formed a wholly owned subsidiary named AT Microloans I LLC, a Texas limited liability company. The financial statements of ACCION 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

**ACCION TEXAS, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2011**

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 use 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*

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

**ACCION TEXAS, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2011**

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 Texas Capital Access Fund accounts, 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 9.71% of outstanding portfolio as of December 31, 2011. 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, 2011 were 10.5% 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, 2011.

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

**ACCION TEXAS, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2011**

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

*Income Taxes*

ACCION is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. In addition, ACCION 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, ACCION 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 ACCION's financial statements.

ACCION'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.

*Concentration of Support and Revenues*

ACCION Texas, Inc. is largely funded through federal, state and local governmental contracts and grants. It also derives funding from private contracts and public support. ACCION received approximately 34% of its total revenue from governmental grants and contracts for the year ended December 31, 2011.

*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 2010*

The financial information as of December 31, 2010 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

**ACCION TEXAS, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2011**

*Recent Accounting Pronouncements*

New authoritative accounting guidance (Accounting Standards Update No. 2010-20) under ASC Topic 310, "Receivables", amends the current disclosure required by ASC Topic 310. As a result of these amendments, an entity is required to disaggregate by portfolio segment or class certain existing disclosures and provide certain new disclosures about its loans receivable and related allowance for credit losses. The disclosures as of the end of a reporting period are effective for nonpublic entities for annual reporting periods ending on or after December 15, 2011. The new guidance significantly expands the Organization's credit quality disclosures but has not had any impact on the Organization's consolidated statement of financial position and statement of activities.

**Note 2 – Microenterprise Loans Receivable**

ACCION 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. Borrower 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 2011, ACCION disbursed \$14,638,455 in new loans.

1,895 loans receivable were outstanding as of December 31, 2011 for a total balance receivable of \$26,267,413 including participation in the Citi portfolio (note 9), less an allowance for loan losses of \$2,758,726.

Loan Delinquency Status:

	ACCION		Citi Portfolio Under ACCION		Total	
	Portfolio	%	Management	%	Portfolio	%
Current	\$25,260,515	97.2%	2,356,485	93.7%	27,617,000	96.9%
Past due						
31-60 days	276,985	1.1%	47,593	1.9%	324,578	1.1%
61-90 days	126,112	0.5%	31,784	1.3%	157,896	0.6%
91-120 days	139,830	0.5%	53,790	2.1%	193,620	0.7%
Over 120 days	179,541	0.7%	25,350	1.0%	204,891	0.7%
Subtotal	722,468	2.8%	158,517	6.3%	880,985	3.1%
Total ACCION portfolio	25,982,983	100%	2,515,002	100%	28,497,985	100%
Participation in Citi portfolio	284,429					
Total portfolio	\$26,267,412					

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

**ACCION TEXAS, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2011**

Changes in loans receivable during 2011 were as follows:

	ACCION <u>Portfolio</u>	Participation in <u>Citi Portfolio</u>	<u>Total</u>
Balance, December 31, 2010	\$ 24,010,968	613,799	\$ 24,624,767
New loans	14,638,455	-	14,638,455
Principal collected on loans	(10,662,397)	(126,809)	(10,789,206)
Loans written off	<u>(2,004,043)</u>	<u>(202,561)</u>	<u>(2,206,604)</u>
Balance, December 31, 2011	<u>\$ 25,982,983</u>	<u>284,429</u>	<u>\$ 26,267,412</u>

Changes in the allowance for loan losses during 2011 were as follows:

	ACCION <u>Portfolio</u>	Participation in <u>Citi Portfolio</u>	<u>Total</u>
Balance, December 31, 2010	\$ 2,321,019	401,739	\$ 2,722,758
Loans written off	(2,004,043)	(202,561)	(2,206,604)
Loan loss accruals	1,728,553	-	1,728,553
Recoveries	<u>479,587</u>	<u>34,432</u>	<u>514,019</u>
Balance, December 31, 2011	<u>\$ 2,525,116</u>	<u>233,610</u>	<u>\$ 2,758,726</u>

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, 2011.

ACCION 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 are considered part of ACCION'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, 2011.

**ACCION TEXAS, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2011**

ACCION 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:

	<u>2011</u>	<u>2010</u>
Land	\$ 1,084,426	\$ 1,084,426
Buildings	3,064,795	2,630,726
Equipment	606,465	543,236
Software	593,932	580,608
Vehicles	95,592	95,592
Total cost	<u>5,445,210</u>	<u>4,934,588</u>
Less accumulated depreciation	<u>(1,499,532)</u>	<u>(1,236,907)</u>
Net property and equipment	<u>\$ 3,945,678</u>	<u>\$ 3,697,681</u>

Depreciation expense was \$262,626 for the year ended December 31, 2011.

**Note 4 – Notes Payable**

Notes payable consist of the following:

<u>Lender</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance 12/31/2011</u>	<u>Collateral</u>
Adorers of the Blood of Christ	2.00%	Oct-14	\$ 50,000	-
Adrian Dominican Sisters	3.00%	Jan-16	100,000	-
Alian Johnson	3.00%	Oct-14	7,500	-
Alias Antwain Johnson	3.00%	Jul-14	15,000	-
Amegy Bank	4.50%	Jul-12	400,000	-
Annie E. Casey Foundation	3.00%	Apr-13	1,000,000	-
Bank of America	3.00%	Jan-17	1,800,000	-
Bank One	4.00%	Dec-14	52,799	-
BBVA Compass Bank	5.85%	Aug-15	94,363	-
BBVA Compass - Subordinated	2.00%	Dec-14	150,000	-
BBVA Compass - Subordinated	2.00%	Jun-14	250,000	-

**ACCION TEXAS, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2011**

Lender	Interest Rate	Maturity Date	Balance 12/31/2011	Collateral
Brandon Seale	3.00%	Jun-12	5,000	-
Broadway National Bank	3.25%	Jul-12	75,000	-
Broadway National Bank	4.00%	Oct-12	500,000	-
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	-
Carla Marshall & Lawrence Doxey	2.00%	Nov-12	103,000	-
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-13	1,000	-
Christian Pineda	2.00%	Feb-13	3,000	-
Christus Health	3.00%	Oct-13	800,000	-
Comerica	3.25%	Feb-19	61,878	-
Communities at Work Fund	4.30%	Sep-15	500,000	-
Craig Alan Davis	3.00%	Jun-14	10,000	-
Daniel Lopez & Gina Amatangelo	0.00%	Dec-13	5,000	-
David F. De Roode	2.00%	Oct-12	100,000	-
Debra Salge	4.00%	Feb-12	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-12	25,000	-
Dr. Harry J. Shafer	4.00%	Jan-13	2,000	-
Dr. William Elizondo	1.00%	Oct-12	1,000	-
East West Bank	3.00%	Aug-12	250,000	-
Edward R. or Luz Elena Day	2.00%	Oct-12	3,000	-
Eliot Lee	3.00%	Jan-12	1,000	-
Encore Bank	3.00%	Feb-13	471,291	-
First Citizens Bank	3.00%	Feb-13	50,000	-
Frost National Bank	2.00%	Feb-15	108,643	-
Green Bank	4.00%	May-12	400,000	-
Heartspring Methodist Fnd	2.00%	Dec-13	200,000	-
IBC Bank	2.00%	Dec-14	33,862	-
Immaculate Heart of Mary Church	3.00%	May-12	35,000	-
Immaculate Heart of Mary Church	3.00%	May-12	80,000	-
Immaculate Heart of Mary Church	3.00%	Dec-12	10,000	-
Irving G. Hernandez	3.00%	Apr-14	8,000	-
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	4,641	-
John & Margaret Foley	3.50%	Jun-12	1,500	-



**ACCION TEXAS, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2011**

Lender	Interest Rate	Maturity Date	Balance 12/31/2011	Collateral
JP Morgan Chase	5.00%	Mar-15	624,556	-
JP Morgan Chase	4.00%	Dec-14	211,190	-
JP Morgan Chase	4.00%	Dec-12	500,000	-
Julio Delgado Jr.	2.00%	Jun-14	3,411	-
Katrechia Johnson	3.00%	Jun-12	500	-
Kay Simpson	3.00%	Feb-13	39,500	-
Kimberly Norvell	3.00%	Aug-14	2,000	-
Kirti Kailashnath Mehra	3.00%	Apr-14	16,000	-
Kiva	0.00%		451,852	-
Luis Arguello	2.00%	Mar-15	3,000	-
M. Elizabeth Blissman	4.00%	Jan-12	4,000	-
Maria Berriozabal	4.00%	Mar-12	20,800	-
Mary Ray Heard	3.00%	May-12	500	-
Mary T. Green	3.00%	Jan-13	1,000	-
Matthew Bomersback	3.00%	Jun-12	500	-
Michael Turpin	3.00%	Feb-14	3,000	-
Michael Villarreal	4.00%	Oct-12	5,000	-
Monarch Community Fund	4.50%	Oct-13	200,000	-
Opportunity Finance Network	4.00%	Apr-14	400,000	-
Opportunity Finance Network	3.00%	Jan-18	2,500,000	-
Oscar Malacara	2.00%	Jul-16	10,000	-
Pat Lemay Burr	4.00%	May-12	5,000	-
Patrick McKelvey	3.00%	Jan-12	2,000	-
REAP Green Enterprise	3.00%	May-12	100,000	-
Red River Bank	3.00%	Jun-12	116,000	-
Redman Foundation	3.00%	Nov-13	10,000	-
Residential Energy Assistance	3.00%	May-12	450,000	-
Robert Boehlert	2.00%	Nov-12	20,000	-
Rose Mary Fry	3.00%	Aug-12	1,000	-
Sheila Beissel	2.00%	Mar-12	15,000	-
Sisters of St. Dominic	2.00%	Nov-12	50,000	-
Sisters of Charity Houston	2.00%	Aug-13	200,000	-
Sisters of the IWBS/CC	3.00%	Jan-13	510,000	-
Society of the Divine Word	3.00%	Mar-12	50,000	-
Southside Bank	3.00%	Mar-13	8,441	-
Sustainable Communities Fund	3.00%	Jun-12	40,000	-
Sustainable Communities Fund	3.00%	Jun-12	25,000	-
Texas Bank and Trust Co.	3.00%	Mar-13	15,804	-
The Basilian Fathers of Toronto	3.00%	Mar-12	50,000	-

**ACCION TEXAS, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2011**

Lender	Interest Rate	Maturity Date	Balance 12/31/2011	Collateral
Small Business Administration	3.25%	Oct-12	22,169	* 25,494
Small Business Administration	1.63%	Jul-14	158,178	* 181,905
Small Business Administration	1.38%	May-18	624,273	* 717,914
Small Business Administration	0.08%	Jun-13	140,200	* 161,230
Small Business Administration	4.63%	Jul-17	482,667	* 555,067
Tolleson Private Bank	3.00%	Jun-12	50,000	-
USDA	1.00%	Apr-34	402,367	* 402,367
Wells Fargo Bank	2.00%	Aug-13	200,000	-
Wells Fargo Bank	2.00%	Jan-13	250,000	-
Wells Fargo Bank-Subordinated	0.00%	Jun-12	200,000	-
Wells Fargo Bank-Subordinated	2.00%	Jul-13	250,000	-
Wells Fargo Bank-Subordinated	0.00%	Dec-14	452,500	-
Wendell Brock	3.00%	Feb-12	5,000	-
William M. Cunningham	3.00%	Apr-12	100,000	-
Total			<u>\$20,943,843</u>	

\* Collateralized by loans receivable

Scheduled principal payments of notes payable are as follows:

Years Ending December 31,

2012	\$ 3,835,969
2013	5,057,237
2014	2,358,081
2015	2,034,520
2016	1,135,000
Thereafter	<u>6,523,036</u>
	<u>\$ 20,943,843</u>

**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, 2011. Equity equivalents consist of the following loans:

Lender	Interest Rate	Balance 12/31/2011	Balance 12/31/2010
BBVA Compass Bank	2.00%	\$ -	\$ 100,000
BBVA Compass Bank	2.00%	100,000	100,000

**ACCION TEXAS, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2011**

Lender	Interest Rate	Balance 12/31/2011	Balance 12/31/2010
BBVA Compass Bank	2.00%	500,000	500,000
BBVA Compass Bank	4.50%	754,769	1,000,000
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		<u>\$2,154,769</u>	<u>\$ 2,500,000</u>

**Note 6 – Restrictions on Net Assets**

Temporarily restricted net assets are available for the following purposes:

For subsequent years' activities:

Texas Capital Access Fund	\$ 26,784
Capital One IDA Program	76,999
U.S. Economic Development Administration building fund	<u>1,315,000</u>
Subtotal	1,418,783

For required reserves:

Small Business Administration	<u>627,826</u>
Total temporarily restricted net assets	<u>\$ 2,046,609</u>

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:

United Way - Houston Opportunity Fund	\$ 225,000
Building fund	<u>100,000</u>
Total net assets released from restrictions	<u>\$ 325,000</u>

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

**Note 7 – 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 \$28,945 in 2011.

**ACCION TEXAS, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2011**

**Note 8 – Operating Leases Commitments**

ACCION leases copiers and computer equipment under operating leases expiring through September of 2014. Lease expense charged to operations for the year ended December 31, 2011 was \$177,864.

Future minimum lease payments under the operating leases in excess of one year as of December 31, 2011 are:

Years Ending December 31,	
2012	\$ 396,417
2013	326,254
2014	225,202
Thereafter	-
	<u>\$ 947,873</u>

**Note 9 – 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, 2011, 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, 2011, the remaining participation in loans sold to Citi was \$284,429 which is reflected in the accompanying combined statement of financial position as participation in Citi portfolio.

**Note 10 – Concentrations of Credit Risk**

ACCION Texas, Inc. 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.

ACCION 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, 2011 the cash balances in excess of FDIC limits approximated \$2.7 million.

**ACCION TEXAS, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2011**

At December 31, 2011, ACCION was scheduled to make \$3,835,969 in principal repayments on its outstanding notes payable during 2012. Based on its experience with lenders renewing their loans to ACCION, the Organization believes that it is maintaining cash balances sufficient to cover all notes payable amounts due in 2012.

The primary sources of ACCION's revenues are 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**

ACCION'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, ACCION has no provision for the possible disallowance of program costs included in its financial statements.

**Note 12 – Evaluation of Subsequent Events**

ACCION 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 June 22, 2012, the date on which the financial statements were available to be issued.

During 2011, ACCION received a \$2.4 million Community Development Block Grant through the State of Louisiana Office of Community Development in order to fund ACCION's activities under the Louisiana Innovation Loan and Technical Assistance Program. Revenue from this grant has not been recognized on the 2011 statement of activities, as substantial performance had not yet begun during 2011. ACCION anticipates actively performing activities under this grant in 2012.

**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, 2011, and have issued our report thereon dated June 22, 2012. 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*

June 22, 2012



# WEST, DAVIS & COMPANY, LLP

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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, 2011. 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, 2011.

### **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*

June 22, 2012

**ACCION TEXAS, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2011**

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Program or Award Amount</u>	<u>Federal Expenditures</u>
U.S. Small Business Administration				
Women's Business Ownership Assistance	59.043	SBA HQ 11 W 0014	123,367	\$ 123,367
Microloan Demonstration Program - Grant	59.046	SBA HQ 11 Y 0037	502,035	212,857
ARRA - Microloan Program - Loans	59.046	489-163-4106	750,000	456,186
ARRA - Microloan Program - Loans	59.046	489-163-4204	750,000	344,270
Total U.S. Small Business Administration				<u>1,136,680</u>
U.S. Department of Agriculture				
Intermediary Relending Program	10.767	Not applicable	750,000	<u>720,474</u>
Economic Development Administration				
Public Work and Economic Development Program	11.300	EDA 08-79-04434	600,000	562,942
Financial Assistance Award CD-450	11.307	EDA 08-01-04656	1,315,000	-
Total Economic Development Administration				<u>562,942</u>
U.S. Department of Commerce				
Passed Through City of El Paso				
North American Development Bank	11.307	2001-039-TX-P	100,000	<u>100,000</u>
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	-
Total U.S. Department of Housing and Urban Development				<u>100,000</u>
U.S. Department of the Treasury, Community				
Development Financial Institutions Fund				
CDFI Financial Assistance - 2011	21.020	111FA009999	1,500,000	-
Total Expenditures of Federal Awards				<u>\$ 2,620,096</u>

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, 2011**

**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, 2011. 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 CFDA Number</u>	<u>New Loans</u>	<u>Amount Outstanding</u>
CDFI - Microloan Support Program	21.020	\$ -	\$ 1,200,000
Small Business Administration Microloan Demonstration Program	59.046	-	1,427,487
Department of Agriculture	10.767	-	402,367

**ACCION TEXAS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2011**

**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. Small Business Administration Micro Loan Program – American Recovery and Reinvestment Act (CFDA No. 59.046)
  - U.S. Department of Agriculture Intermediary Relending Program (CFDA No. 10.767)
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, 2011

There were no single audit findings issued for the year ended December 31, 2010.