

ACCION TEXAS, INC.
Combined Financial Statements
and Additional Information
December 31, 2009 and 2008
With Independent Auditors' Report Thereon

ACCION TEXAS, INC.

Table of Contents

Financial Statements:

Independent Auditors' Report	1-2
Combined Statement of Financial Position	3
Combined Statement of Activities	4
Combined Statement of Cash Flows	5
Combined Statement of Functional Expenses	6
Notes to Combined Financial Statements	7-19

Single Audit Compliance Information:

Schedule 1 – Schedule of Federal Awards	20
Notes to Schedule of Federal Awards	21
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22-23
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	24-25
Schedule of Prior Audit Findings and Questioned Costs	26
Schedule of Findings and Questioned Costs	27

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Independent Auditors' Report

Board of Directors
ACCION Texas, Inc.

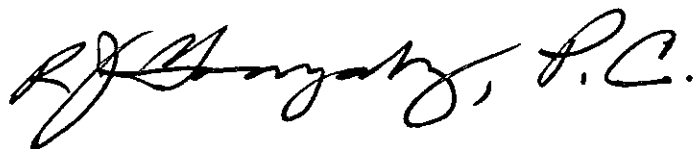
We have audited the accompanying combined statements of financial position of ACCION Texas, Inc. (a nonprofit organization) and subsidiary as of December 31, 2009, and the related combined statements of activities, cash flows, and functional expenses for the year then ended. These combined financial 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, 2009, and the changes in 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 March 10, 2010 on our consideration of ACCION Texas, Inc. and subsidiary's internal control over financial reporting and 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 read in conjunction with this report in considering 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 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 "R. J. Gonzalez, P.C.", written in a cursive style.

March 10, 2010

ACCION TEXAS, INC.

**Combined Statement of Financial Position
December 31, 2009
(With Comparative Figures for 2008)**

<u>Assets</u>		
	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ 2,527,857	1,261,200
Receivables:		
Microenterprise loans receivable, net of allowance for loan losses of \$1,622,990 for 2009 and \$1,248,917 for 2008	18,764,447	19,131,335
Participation in Citi portfolio, net of allowance for loan losses of \$360,417 for 2009 and \$59,126 for 2008	196,113	50,357
Due from grantors, net of allowance for cost refunds of \$ 241,993 for 2009 and 2008	1,103,948	1,311,619
Accrued interest receivable	257,668	200,849
Accrued late and NSF fees	58,712	34,475
Other	-	38,308
Prepaid expense and other	27,071	12,329
Recovered asset inventory	51,500	16,520
Property and equipment, net of accumulated depreciation of \$910,253 for 2009 and \$878,309 for 2008	2,004,271	1,689,971
Restricted cash	486,906	442,752
Total assets	\$ <u>25,478,493</u>	<u>24,189,715</u>

<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable	\$ 441,704	314,315
Accrued liabilities	264,189	297,472
Other payables	-	513
Texas Capital Access Fund Reserve	26,265	22,357
Deferred revenue	34,372	44,372
Notes payable	16,790,775	15,886,990
Equity equivalents	2,500,000	2,500,000
Total liabilities	20,057,305	19,066,019
Net assets:		
Unrestricted	4,257,118	2,725,259
Temporarily restricted	711,907	2,048,437
Permanently restricted	452,163	350,000
Total net assets	5,421,188	5,123,696
Total liabilities and net assets	\$ <u>25,478,493</u>	<u>24,189,715</u>

See accompanying notes to financial statements.

ACCION TEXAS, INC.

Combined Statement of Activities

Year Ended December 31, 2009
(With Comparative Totals for 2008)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009 Total	2008 Total
Public support and revenues:					
Public support					
Contributions	\$ 2,035,374	-	10,000	2,045,374	1,800,989
Grants from government	2,385,042	-	-	2,385,042	1,821,929
Revenue:					
Interest	2,792	-	-	2,792	17,827
Microenterprise loan interest and fees	4,080,568	-	-	4,080,568	3,808,073
Portfolio management services	154,181	-	-	154,181	46,251
SBA 504 income	119,733	-	-	119,733	2,612
Incubator - office space rental income	21,967	-	-	21,967	-
In-kind contributions	62,127	-	-	62,127	181,048
Miscellaneous revenue	3,804	-	-	3,804	760
Total public support and revenue	8,865,588	-	10,000	8,875,588	7,679,489
Net assets released to/from restrictions:					
Increase in restricted cash reserves	(152,258)	60,095	92,163	-	-
Satisfaction of program restrictions	1,396,625	(1,396,625)	-	-	-
Total revenues and other support	10,109,955	(1,336,530)	102,163	8,875,588	7,679,489
Expenses:					
Program services	7,549,717	-	-	7,549,717	5,635,336
Administration	699,036	-	-	699,036	644,846
Fundraising	329,343	-	-	329,343	283,397
Total expenses	8,578,096	-	-	8,578,096	6,563,579
Change in net assets	1,531,859	(1,336,530)	102,163	297,492	1,115,910
Net assets, beginning	2,725,259	2,048,437	350,000	5,123,696	4,007,786
Net assets, ending	\$ 4,257,118	711,907	452,163	5,421,188	5,123,696

See accompanying notes to financial statements.

ACCION TEXAS, INC.
Combined Statement of Cash Flows
Year Ended December 31, 2009
(With Comparative Figures for 2008)

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	\$ 297,492	1,115,910
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	214,612	220,307
Increase in allowance for loan losses	571,248	261,087
(Increase) in microenterprise loans receivable	(204,360)	(3,386,536)
(Increase) in participation in Citi portfolio	(145,756)	(109,483)
Increase in allowance for cost refunds	-	241,993
(Increase) decrease in due from grantors	207,671	(613,579)
(Increase) in accrued interest receivable	(56,819)	(71,355)
(Increase) decrease in late payment and NSF fees	(24,237)	(13,471)
(Increase) decrease in other receivables	38,308	(238,284)
(Increase) decrease in prepaid expense and other	(14,742)	(7,663)
(Increase) decrease in recovered asset inventory	(34,980)	16,085
Increase (decrease) in accounts payable	127,389	28,476
Increase (decrease) in accrued liabilities	(33,283)	86,612
Increase (decrease) in other payables	(513)	(5,751)
Increase (decrease) in TCAF reserve	3,908	(25,559)
Increase (decrease) in deferred revenue	(10,000)	44,372
Net cash provided (used) by operating activities	<u>935,938</u>	<u>(2,456,839)</u>
Cash flows from investing activities:		
Additions of property and equipment, net	<u>(528,912)</u>	<u>(432,642)</u>
Net cash used by investing activities	<u>(528,912)</u>	<u>(432,642)</u>
Cash flows from financing activities:		
Net proceeds from notes payable and equity equivalents	2,491,000	4,713,500
Payments on notes payable and equity equivalents	<u>(1,587,215)</u>	<u>(704,919)</u>
Net cash provided by financing activities	<u>903,785</u>	<u>4,008,581</u>
Net increase in cash	1,310,811	1,119,100
Beginning cash and cash equivalents and restricted cash	<u>1,703,952</u>	<u>584,852</u>
Ending cash and cash equivalents and restricted cash	<u>\$ 3,014,763</u>	<u>1,703,952</u>
Supplemental data:		
Interest paid	<u>\$ 586,845</u>	<u>567,975</u>
Gifts of office space and interest	<u>\$ 62,127</u>	<u>181,048</u>

See accompanying notes to financial statements

ACCION TEXAS, INC.

Combined Statement of Functional Expenses

**Year Ended December 31, 2009
(With Comparative Totals for 2008)**

	<u>Program Services</u>	<u>Management & General</u>		<u>Total</u>	<u>Total 2009</u>	<u>Total 2008</u>
		<u>Administration</u>	<u>Fundraising</u>			
Salaries	\$ 1,712,349	302,194	185,243	487,437	2,199,786	1,973,374
Payroll taxes	142,434	17,742	15,152	32,894	175,328	155,760
Fringe benefits	243,729	84,216	19,990	104,206	347,935	273,959
Total salaries and related expenses	2,098,512	404,152	220,385	624,537	2,723,049	2,403,093
Advertising	16,457	6,685	585	7,270	23,727	32,674
Conference and meetings	34,269	22,613	635	23,248	57,517	41,630
Consultants	131,705	89,465	79,824	169,289	300,994	126,132
Contract service	-	5,883	-	5,883	5,883	8,062
Dues and subscriptions	17,957	15,721	213	15,934	33,891	33,892
Equipment rental and maintenance	103,094	14,671	432	15,103	118,197	67,850
Insurance	38,150	4,488	2,244	6,732	44,882	19,240
Interest paid or accrued	586,845	-	-	-	586,845	567,975
In kind interest	20,567	-	-	-	20,567	141,077
Mileage and parking	3,190	2,766	623	3,389	6,579	9,852
Occupancy	132,165	15,549	7,774	23,323	155,488	72,039
In kind occupancy	41,560	-	-	-	41,560	38,471
Office supplies	28,087	9,548	414	9,962	38,049	36,058
Portfolio expenses	545,945	-	-	-	545,945	522,074
Postage	36,308	12,764	464	13,228	49,536	39,245
Printing	19,490	2,293	1,146	3,439	22,929	32,570
Professional fees	136,038	4,945	-	4,945	140,983	72,121
Bad debt expense	3,034,097	-	-	-	3,034,097	1,475,970
Provision for cost refunds	-	-	-	-	-	241,993
Service charges and fees	31,473	847	-	847	32,320	36,532
Taxes	23,497	2,764	1,382	4,146	27,643	22,801
Telephone	255,558	25,945	44	25,989	281,547	241,729
Travel	32,333	36,476	2,447	38,923	71,256	60,192
Total expenses before depreciation	7,367,297	677,575	318,612	996,187	8,363,484	6,343,272
Depreciation	182,420	21,461	10,731	32,192	214,612	220,307
Total expenses	\$ 7,549,717	699,036	329,343	1,028,379	8,578,096	6,563,579
Percent of total expenses	88%	8%	4%	12%	100%	-

See accompanying notes to financial statements.

ACCION TEXAS, INC.

Notes to Combined Financial Statements

December 31, 2009

(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.

Organization

ACCION is a Texas non-profit corporation organized March 1994.

Significant Accounting Policies

Basis for Combination

During 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.

(Continued)

ACCION TEXAS, INC.

Notes to Combined Financial Statements

December 31, 2009

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

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.

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.

(Continued)

ACCION TEXAS, INC.

Notes to Combined Financial Statements

December 31, 2009

(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, 2009

(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 7.97% of outstanding portfolio as of December 31, 2009. 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, 2009 were 9.6% 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, 2008, from which the comparative total amounts were derived.

(Continued)

ACCION TEXAS, INC.

Notes to Combined Financial Statements

December 31, 2009

(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, and the Small Business Administration Microloan Reserve 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 2009, ACCION disbursed \$15,875,346 in new loans including loans sold to Citi (see note 13).

2,101 loans receivable were outstanding as of December 31, 2009 for a total balance receivable of \$20,943,967 including participation in Citi portfolio, less an allowance for loan losses of \$1,983,407.

Loan Delinquency Status:

	ACCION		Citi Portfolio Under ACCION		Total	
	<u>Portfolio</u>	<u>%</u>	<u>Management</u>	<u>%</u>	<u>Portfolio</u>	<u>%</u>
Current	\$ 18,884,547	92.6	\$ 5,224,858	95.9	24,109,405	93.3
Past due						
31-60 days	382,788	1.9	56,092	1.0	438,880	1.7
61-90 days	257,107	1.3	53,780	1.0	310,887	1.2
91-120 days	232,515	1.1	69,925	1.3	302,440	1.2
Over 120 days	630,480	3.1	45,860	0.8	676,340	2.6
Sub total	1,502,890	7.4	225,657	4.1	1,728,547	6.7
Total ACCION						
portfolio	20,387,437	100.0	\$ 5,450,515	100.0	25,837,952	100.0
Participation in						
Citi portfolio	556,530					
Total portfolio	\$ 20,943,967					

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, 2009

(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, 2009.

(4) Property and Equipment

Property and equipment as of December 31, 2009 consisted of the following:

Land	\$	250,000
Buildings		1,734,546
Equipment		420,996
Software		423,982
Vehicles		<u>85,000</u>
Total cost		2,914,524
Less: Accumulated depreciation		<u>910,253</u>
Net property and equipment	\$	<u><u>2,004,271</u></u>

Depreciation charged to 2009 expense was \$214,612.

(Continued)

ACCION TEXAS, INC.

Notes to Combined Financial Statements

December 31, 2009

(5) Notes Payable

Notes payable consist of the following:

<u>Lender</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance 12/31/2009</u>	<u>Collateral</u>
Adorers of the Blood of Christ	2.00%	Oct-14	\$ 50,000	-
Adrian Dominican Generalate	4.00%	Aug-10	50,000	-
Alian Johnson	3.00%	Oct-14	7,500	-
Amegy Bank	4.50%	Mar-10	300,000	-
Amegy Bank	5.00%	Jul-10	400,000	-
American Bank	3.00%	Mar-10	100,000	-
Annie E. Casey Foundation	3.00%	Apr-13	1,000,000	-
Bank of America	3.00%	Dec-12	650,000	-
Bank of America	3.00%	Sep-11	60,000	-
Brandon F. Seale	3.00%	Jun-10	5,000	-
Broadway National Bank	3.00%	Jul-10	75,000	-
Broadway National Bank	4.00%	Oct-10	500,000	-
Calvert Social Investment Foundation	5.00%	May-13	200,000	-
Calvert Social Investment Foundation	4.50%	Mar-10	500,000	-
Capital One	3.00%	Feb-11	400,000	-
Capital One	6.00%	Feb-11	200,000	-
Carolyn Courville	5.00%	Aug-12	22,500	-
Community Development Financial Institutions Fund	2.00%	Jan-11	1,000,000	-
Community Development Financial Institutions Fund	0.00%	Jun-19	200,000	-
Christus Health	2.00%	Dec-10	175,000	-
Compass Bank	3.00%	Jul-10	123,797	-
Daniel Lopez & Gina Amatangelo	0.00%	Dec-10	5,000	-
Debra Salgae	4.00%	Febr-10	1,000	-
Delia G. Martinez	3.00%	Oct-12	3,000	-
Dr. Charles Conlon	1.00%	Febr-10	25,000	-
Dr. Pat LeMay Burr	4.00%	May-10	5,000	-

(Continued)

ACCION TEXAS, INC.

Notes to Combined Financial Statements

December 31, 2009

(5) Notes Payable (continued)

<u>Lender</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance 12/31/2009</u>	<u>Collateral</u>
Eliot Lee	5.00%	Sep-10	\$ 1,000	-
Encore Bank	3.00%	Feb-12	500,000	-
Charles A. Gonzalez	0.00%	Oct-10	1,000	-
Episcopal Church in the USA	4.00%	Sep-11	250,000	-
Frost National Bank	4.00%	Mar-10	100,000	-
Grupo Omega GP LLC	3.00%	Aug-12	5,000	-
Harry Shafer	4.00%	Oct-10	2,000	-
Hearthspring Methodist Foundation	3.85%	Dec-11	200,000	-
Hector Noriega	5.00%	Jul-12	20,000	-
Immaculate Heart of Mary Church	4.00%	May-10	50,000	-
Immaculate Heart of Mary Church	4.00%	May-10	80,000	-
Immaculate Heart of Mary Church	4.00%	Nov-10	10,000	-
International Bank of Commerce	6.00%	Jan-10	25,000	-
Jaime G. Perez	3.00%	Aug-14	30,000	-
James & Judy Adams	0.00%	May-12	10,000	-
Jefferson State Bank	4.00%	Feb-10	52,260	-
John & Margaret Foley	4.00%	Jun-10	1,500	-
JP Morgan Chase	2.00%	Dec-11	1,025,000	-
Kirti Kailashnath Mehra	3.00%	Apr-14	16,000	-
Lucia Haua	3.00%	Feb-14	20,000	-
Main Street Bank	P+.75%	May-12	400,000	-
Mary Ray Heard	4.00%	May-10	500	-
Mary T. Green	3.00%	Feb-10	1,000	-
Matthew Bomersbach	4.00%	Jun-10	500	-
Medwheels, Inc.	0.00%	Jun-10	1,000	-
Michael Villarreal	4.00%	Oct-10	5,000	-
Monarch Community Fund	4.50%	Oct-13	200,000	-
Nicolas Ramires Arteaga	3.00%	Aug-12	15,000	-
Opportunity Finance Network	4.00%	Mar-11	400,000	-

(Continued)

ACCION TEXAS, INC.

Notes to Combined Financial Statements

December 31, 2009

(5) Notes Payable (continued)

<u>Lender</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance 12/31/2009</u>	<u>Collateral</u>
Opportunity Finance Network	3.00%	Jan-18	\$ 2,500,000	-
Raul Rafael Barajas & Laquitez	4.00%	Sep-15	20,000	-
Raza Development Fund	7.00%	Sep-10	500,000	-
River City Capital Corporation	4.00%	Jan-10	89,888	-
Rose Mary Fry	5.00%	Aug-10	1,000	-
Santuario Sisterfarm	4.00%	Sep-10	80,000	-
Santuario Sisterfarm	4.00%	Mar-10	50,000	-
Sisters Charity of Cincinnati	3.00%	Dec-10	26,135	-
Sisters of Charity of the Incarnate Word	2.00%	Jun-10	100,000	-
Sisters of Inca Word & Blessed Sacrament	5.00%	Aug-10	310,000	-
Sisters of St. Dominic	2.00%	Nov-10	50,000	-
Sisters of the Incarnate Word - Corpus Christi	5.00%	Aug-10	200,000	-
Society of the Divine Word	3.00%	Mar-10	50,000	-
Southside Bank	0.00%	Mar-13	20,000	-
Sterling Bank	3.00%	Feb-19	75,000	-
Sterling Bank	3.00%	Mar-10	150,000	-
Texas Bank and Trust Co.	3.00%	Mar-11	25,000	-
The Basilian Fathers of Toronto	3.00%	Mar-12	50,000	-
The Congregation of the Sister of C.I.W.	2.00%	Jun-10	100,000	-
Small Business Administration	5.00%	Jul-10	43,380	149,876
Small Business Administration	3.00%	Sep-11	150,100	108,655
Small Business Administration	.075%	Jun-13	347,341	64,022
Small Business Administration	5.00%	Jul-17	641,089	109,642
United Commercial Bank	3.00%	Aug-10	250,000	-
USDA	1.00%	Apr-34	431,285	-
Washington Mutual	4.00%	Dec-11	500,000	-
Wells Fargo Bank	2.00%	Aug-13	200,000	-
Wells Fargo Bank	2.00%	Jan-13	250,000	-
Wells Fargo Bank – El Paso	0.00%	Mar-10	100,000	-
William Elizondo	1.00%	Oct-10	1,000	-
			<u>\$ 16,790,775</u>	<u>432,195</u>

(Continued)

ACCION TEXAS, INC.

Notes to Combined Financial Statements

December 31, 2009

(5) Notes Payable (continued)

Scheduled principal payments of notes payable are as follows:

Year ending December 31,

2010	\$	4,896,960
2011		4,460,100
2012		1,675,500
2013		1,967,341
2014		123,500
Thereafter		<u>3,667,374</u>
	\$	<u>16,790,775</u>

(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, 2009. 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		<u>250,000</u>
	\$	<u>2,500,000</u>

ACCION TEXAS, INC.

Notes to Combined Financial Statements

December 31, 2009

(7) Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes:

For subsequent years' activities:

Texas Capital Access Fund	\$ 26,301
United Way-Houston Opportunity Fund	225,000
Capital One IDA Program	<u>28,410</u>
Subtotal	279,711

For required reserves:

Small Business Administration	<u>432,195</u>
	\$ <u><u>711,906</u></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:

Hurricane Ike Relief	\$ 200,685
Capital One IDA Program	15,940
The Rees-Jones Foundation-West Dallas Office	180,000
CDFI	<u>1,000,000</u>
Total net assets released from restrictions	\$ <u><u>1,396,625</u></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 \$32,095 in 2009.

ACCION TEXAS, INC.

Notes to Combined Financial Statements

December 31, 2009

(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, 2009, the largest two sources of financing, Community Development Financial Institutions Fund and Small Business Administration, represented approximately 12% of notes payable and equity equivalents.

(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 a router system under operating leases expiring through August 2013. Lease expense charged to operations for the year ended December 31, 2009 was \$93,939.

Future minimum lease payments under the operating leases in excess of one year as of December 31, 2009 are:

2010	\$ 115,816
2011	115,816
2012	115,816
2013	<u>74,134</u>
	\$ <u>421,582</u>

ACCION TEXAS, INC.

Notes to Combined Financial Statements

December 31, 2009

(12) Fair Value of Financial Instruments

At December 31, 2009 and 2008 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, 2009, approximately \$6,778,000 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, 2009, the remaining participation in loans sold to Citi was \$556,530 which is reflected in the accompanying combined statement of financial position as participation in Citi portfolio.

SINGLE AUDIT COMPLIANCE INFORMATION

ACCION TEXAS, INC.

Schedule of Federal Awards

Year ended December 31, 2009

<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>				
CDFI Financial Assistance	21.020	081-FA-007543	\$ <u>1,000,000</u>	\$ <u>1,000,000</u>
<u>US Small Business Administration</u>				
Microloan Demonstration Program - Grant	59.046	SBA-HQ 09 Y 0067	417,182	417,182
Microloan Program - Loans	59.046	375-138-4009	2,250,000	1,096,710
Microloan Program - Loans	59.046	489-163-4204	<u>750,000</u>	<u>601,513</u>
Total US Small Business Administration				<u>2,115,405</u>
<u>US Department of Agriculture</u>				
Intermediary Relending Program	10.767	Not Applicable	<u>750,000</u>	<u>61,151</u>
<u>Economic Development Administration</u>				
Public Work and Economic Development Program	11.300	EDA 08-01-04168	<u>600,000</u>	<u>323,816</u>
Total Direct Federal Awards				<u>3,500,372</u>
<u>US Department of Housing and Urban Development (HUD)</u>				
Passed through City of Arlington, Texas Community Development Block Grant (CDBG)	14.218	07-609	<u>500,000</u>	<u>32,477</u>
<u>US Department of Commerce</u>				
Passed through City of El Paso, Texas North American Development Bank	11.307	2001-039-TX-P	<u>100,000</u>	<u>39,332</u>
Total Federal Awards			\$ <u>3,572,181</u>	

See independent auditors' report on supplementary data.

ACCION TEXAS, INC.

Notes to Schedule of Federal Awards

Year ended December 31, 2009

(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, 2009. 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	1,698,223	1,181,910
Department of Agriculture	10.767	N/A	<u>431,285</u>

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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, 2009, and have issued our report thereon dated March 10, 2010. 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 *control deficiency* 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 *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the 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 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, reading "R. J. Gonzalez, P.C.", is positioned to the right of the text block.

March 10, 2010

RINALDO J. GONZALEZ
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**Report on Compliance with Requirements Applicable to
each Major Program and Internal Control over Compliance
in Accordance with OMB Circular A-133**

Board of Directors
ACCION Texas, Inc.

Compliance

We have audited the compliance of ACCION Texas, Inc. and subsidiary 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, 2009. 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; 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 on ACCION Texas, Inc.'s compliance with those requirements.

In our opinion, ACCION Texas, Inc. and subsidiary 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, 2009.

Internal Control Over Compliance

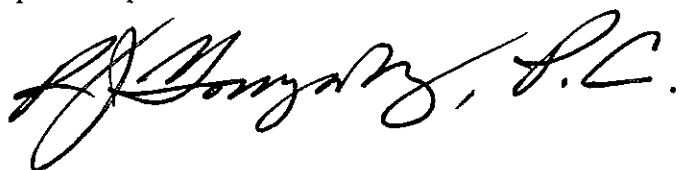
The management of ACCION Texas, Inc. and subsidiary is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered ACCION Texas, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program 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 *control 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 function, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the 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 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.



March 10, 2010

ACCION TEXAS, INC.

Schedule of Prior Audit Findings and Questioned Costs

Year ended December 31, 2009

<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, 2009

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

CFDA 21.020 CDFI Financial Assistance

Dollar threshold used to distinguish between type A and type B programs	\$300,000
Auditee qualified as low-risk auditee	Yes

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