

Grameen America, Inc.
Consolidated Financial Statements
December 31, 2012 and 2011

Grameen America, Inc.
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December 31, 2012 and 2011

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Independent Auditor's Report

To the Board of Directors of
Grameen America, Inc.

We have audited the accompanying consolidated financial statements of Grameen America, Inc. ("the Organization"), which comprise the consolidated statements of financial position as of December 31, 2012 and 2011, and the related consolidated statements of activities and changes in net assets, and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Grameen America, Inc. at December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

As discussed in Note 3, the 2011 consolidated financial statements have been restated to correct an error.

PricewaterhouseCoopers LLP

June 25, 2013

Grameen America, Inc.
Consolidated Statements of Financial Position
December 31, 2012 and 2011

<i>(in thousands of dollars)</i>	2012	2011
Assets		
Current assets		
Cash and cash equivalents	\$ 6,217	\$ 8,613
Contributions and grants receivable	8,476	2,033
Program loan receivables, net	11,109	6,258
Total current assets	<u>25,802</u>	<u>16,904</u>
Contributions and grants receivable	1,074	1,190
Furniture and equipment, net	10	20
Other assets	277	209
Total assets	<u>\$ 27,163</u>	<u>\$ 18,323</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 19	\$ 15
Accrued expenses	306	149
Notes payable	168	632
Deferred revenue	-	100
Total current liabilities	<u>493</u>	<u>896</u>
Notes payable	<u>7,017</u>	<u>6,043</u>
Total liabilities	<u>7,510</u>	<u>6,939</u>
Net assets		
Unrestricted	7,034	6,185
Temporarily restricted	12,619	5,199
Total net assets	<u>19,653</u>	<u>11,384</u>
Total liabilities and net assets	<u>\$ 27,163</u>	<u>\$ 18,323</u>

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

Grameen America, Inc.
Consolidated Statements of Activities and Changes in Net Assets
Years Ended December 31, 2012 and 2011

<i>(in thousands of dollars)</i>	2012	2011
Changes in unrestricted net assets		
Revenues		
Contributions	\$ 683	\$ 1,067
Program loan interest income	1,311	649
Net assets released from restrictions	4,434	4,781
Total revenues and other support	<u>6,428</u>	<u>6,497</u>
Expenses		
Program services	4,749	3,077
Management and general	830	488
Total expenses	<u>5,579</u>	<u>3,565</u>
Increase in unrestricted net assets	<u>849</u>	<u>2,932</u>
Changes in temporarily restricted net assets		
Contributions	11,854	8,500
Net assets released from restrictions	4,434	4,781
Increase in temporarily restricted net assets	<u>7,420</u>	<u>3,719</u>
Increase in net assets	8,269	6,651
Net assets		
Beginning of the year	<u>11,384</u>	<u>4,733</u>
End of year	<u>\$ 19,653</u>	<u>\$ 11,384</u>

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

Grameen America, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2012 and 2011

<i>(in thousands of dollars)</i>	2012	2011 <i>(Restated)</i>
Operating activities		
Change in net assets	\$ 8,269	\$ 6,651
Adjustments to reconcile change in net assets to net cash provided by operations		
Depreciation expense	14	13
Change in operating net assets		
Increase in contributions and grants receivable	(6,327)	(1,187)
(Decrease) increase in deferred revenue	(100)	100
Increase in accounts payable and accrued expenses	161	52
(Increase) decrease in other assets	(10)	29
Net cash provided by operating activities	<u>2,007</u>	<u>5,658</u>
Investing activities		
Disbursements to borrowers under program-related loans	(34,361)	(18,769)
Payments received on program-related loans receivable	29,510	15,701
Change in restricted cash	(58)	(75)
Purchase of furniture and equipment	(4)	(5)
Net cash used in investing activities	<u>(4,913)</u>	<u>(3,148)</u>
Financing activities		
Proceeds from notes payable	1,511	4,000
Repayments of notes payable	(1,001)	(911)
Net cash provided by financing activities	<u>510</u>	<u>3,089</u>
Net (decrease) increase in cash for period	<u>(2,396)</u>	<u>5,599</u>
Cash		
Beginning of year	<u>8,613</u>	<u>3,014</u>
End of year	<u>\$ 6,217</u>	<u>\$ 8,613</u>

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

Grameen America, Inc.

Notes to Consolidated Financial Statements

December 31, 2012 and 2011

1. Nature of Operations

Grameen America, Inc. (GAI) is the parent organization of the wholly-controlled entities including Grameen America California LLC, Grameen America Indiana LLC, Grameen Nebraska LLC, Grameen America Iowa LLC and Grameen America North Carolina LLC collectively referred to in the financial statements as "The Organization."

Grameen America Inc. is a not-for-profit organization incorporated in December 2007 under the laws of the Commonwealth of Massachusetts. The mission of the Organization is to assist with alleviating poverty in the United States through entrepreneurship, in accordance with the Grameen model of micro lending initiated by professor Muhammad Yunus and the Grameen Bank of Bangladesh. The Organization's model includes providing micro loans at manageable interest rates, creating a culture of savings and individual responsibility through mutual cooperation, and educating the working poor through financial management. The Organization currently operates in New York (NY), Omaha (NE), Indianapolis (IN), Charlotte (NC), San Francisco (CA) and Los Angeles (CA). Grameen America, Inc. also maintains administrative offices in New York, NY.

2. Summary of Significant Accounting Policies

Basis of Accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting, in conformity with generally accepted accounting principles in the United States of America ("U.S. GAAP").

Principles of Consolidation

The consolidated financial statements include the financial statements of Grameen America, Inc. and its wholly-controlled entities. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. On an on-going basis, the Organization evaluates its estimates, including those related to the recoverability of program loans receivable and the recoverability of contributions and grants receivable. Actual results may differ from those estimates.

Income Tax Status

Grameen America, Inc. is a not-for-profit organization exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) as determined by the Internal Revenue Service in its letter dated September 3, 2008. Management is not aware of any circumstances that would change the original determination.

Cash and Cash Equivalents

Cash equivalents are highly liquid investments with an original maturity of three months or less.

Program Loans Receivable, Net

The Organization uses the allowance method to account for potentially uncollectible loans to program participants. Program participants are individuals who meet the Federal poverty guidelines, and who are given small loans to start or expand a business generating income for the individual. The participants are charged simple interest on the declining balance of the loan.

Grameen America, Inc.
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December 31, 2012 and 2011

Generally the terms of the loans are for one year or less, with equal weekly payments. Our business depends on the creditworthiness of our participants and their ability to fulfill their obligations to us and the members of their borrowing group. We maintain an allowance that reflects management's judgment and estimation of losses inherent in the portfolio. We review our allowance for adequacy considering economic conditions and trends and credit quality indicators, including past write-off experience and level of past due loans. Based on the review performed by management we have historically booked an allowance in the range of 1.5 - 2.5% of the gross program loan receivable balance.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to a concentration of credit risk consist of cash and program loans receivable. Cash is deposited with high-credit quality financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC), up to \$250,000. The account balances fluctuate during the year and can exceed this limit. The Organization regularly monitors the financial stability of the banks and does not believe it is exposed to any significant credit risk on its cash. The Organization's program loans receivable are derived from micro loans provided to individuals. Concentrations of credit risk with respect to loans receivable are limited because a large number of customers make up the Organization's customer base. At December 31, 2012 and 2011, no single borrower represents greater than 0.07% and 0.25%, respectively, of total program loans receivable. The Organization manages credit risk through credit limits and monitoring procedures. The Organization performs ongoing credit evaluations of its customers but does not require collateral to support the loans.

The Organization is dependent on donations and contributions for funding. The Organization believes that its relationships with its principal contributors are satisfactory and does not anticipate any changes in the amount of funding. For the years ended December 31, 2012 and 2011, our largest five donors accounted for approximately 48% and 63%, respectively, of unrestricted and temporary restricted contribution revenue and 60% and 71%, respectively, of contributions and grants receivable as of December 31, 2012 and 2011.

Furniture and Equipment

All furniture and equipment is recorded at cost. Additions and improvements are capitalized, while repairs are expensed in the year incurred. Depreciation is computed using the straight-line method over the assets' estimated useful lives, which are between 3 and 5 years.

Net Assets

Net assets are classified in two categories: unrestricted or temporarily restricted. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Temporarily restricted net assets are contributions with temporary, donor-imposed time or purpose restrictions. Temporarily restricted net assets become unrestricted when the time restrictions expire or the contributions are used for their restricted purposes, at which time they are reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions. At December 31, 2012 and 2011, all temporarily restricted net assets relate to funds received by donors or grantors for the Organization to provide loans and services at their various branch locations.

Revenues and Support

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received or promised. Conditional contributions are recorded when the conditions have been met.

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The Organization reports contributions in the temporarily restricted net asset class if they are received with donor stipulations as to their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are released and reclassified to unrestricted net assets in the consolidated statement of activities and changes in net assets. Donor-restricted contributions are initially reported in the temporarily restricted net asset class, even if it is anticipated such restrictions will be met in the current reporting period. Based on historical collection trends, no allowance for uncollectible contributions and grants receivable was recorded as of December 31, 2012 and 2011.

Contributed Services and Property

Contributed services are reported at fair value in the financial statements for voluntary donations of services when those services (1) create or enhance nonfinancial assets or (2) require specialized skills provided by individuals possessing those skills and are services which would be typically purchased if not provided by donation.

The Organization generally pays for services requiring specific expertise. However, some individuals may volunteer their time and perform a variety of tasks that assist the Organization as well as serving on the Board of Directors. For the years ended December 31, 2012 and 2011, donated legal services requiring specialized skills in the amount of \$397,181 and \$294,496 were reflected as revenue and expense in the consolidated statements of activities and changes in net assets. For the years ended December 31, 2012 and 2011, donated space for offices in the amount of \$101,032 and \$69,907 was reflected as revenue and expense in the consolidated statements of activities and changes in net assets.

Advertising

Advertising costs are expensed as incurred. Advertising expense charged to operations for the year ended December 31, 2012 and 2011 was \$3,677 and \$2,353, respectively.

3. Restatement of the 2011 Consolidated Financial Statements

The Organization has restated the 2011 consolidated financial statements to correct an error in the presentation of program loans provided to borrowers and receipt of payment on those loans in the consolidated statement of cash flows. The impact of the restatement to the 2011 consolidated financial statements is as follows:

(in thousands of dollars)

Financial Statement Caption	As Reported	As Restated
Consolidated Statement of Cash Flows		
Operating Activities:		
Increase in program loan receivable	\$ (3,068)	\$ -
Net cash provided by operating activities	2,515	5,658 *
Investing Activities:		
Disbursement to borrowers under program-related loans	-	(18,769) *
Payments received on program-related loans	-	15,701 *
Net cash used in investing activities	(5)	(3,148) *

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There was no impact to the 2011 consolidated statement of financial position or statement of activities and changes in net assets as a result of the restatement.

* During 2012, a reclassification of \$75 was made in 2011 to conform to the current year presentation that impacted the operating and investing cash flows for restricted cash.

4. Program Loans Receivable

Program loans receivable consisted of the following at December 31, 2012 and 2011:

<i>(in thousands of dollars)</i>	2012	2011
Program loans receivable	\$ 11,321	\$ 6,417
Allowance	<u>(212)</u>	<u>(159)</u>
Program loans receivable, net	<u>\$ 11,109</u>	<u>\$ 6,258</u>

5. Furniture and Equipment, Net

Furniture and equipment consisted of the following at December 31, 2012 and 2011:

<i>(in thousands of dollars)</i>	2012	2011
Furniture	\$ 9	\$ 8
Equipment	44	41
Less: Accumulated depreciation	<u>(43)</u>	<u>(29)</u>
Furniture and equipment, net	<u>\$ 10</u>	<u>\$ 20</u>

6. Notes Payable

Notes payable at December 31, 2012 and 2011 consisted of fixed-rate loans from foundations, institutions and individuals with various interest rates ranging from 0% to 4.5%, respectively, per annum and due in varying amounts through 2021. The agreements also contain provisions whereby the Organization is required to maintain specific financial ratios (i.e., current, net asset, capital, loan receivable coverage, liquidity), maintain net income at break-even and maintain a minimum loan loss reserve fund of 15% of total microloans current outstanding within 120 days. At December 31, 2012 and 2011, the Organization was in compliance with these financial ratios and requirements. The Organization treats the loan loss reserve as restricted cash for accounting purposes, which is reported within other assets in the consolidated statements of financial position. At December 31, 2012 and 2011, respectively, the loan loss reserve was \$258,331 and \$200,290.

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The scheduled principal repayments under these notes as of December 31, 2012 are as follows:

(in thousands of dollars)

2013	\$	168
2014		255
2015		1,905
2016		1,509
2017		1,909
2018 and later		1,439
	<u>\$</u>	<u>7,185</u>

7. Commitments and Contingencies

The Organization leases office space in New York, Omaha, Indianapolis, Charlotte, San Francisco and Los Angeles. These leases expire over periods ranging from March 2013 through October 2016. The remaining minimum payment obligations under these leases are as follows:

(in thousands of dollars)

2013	\$	153
2014		154
2015		86
2016		49
2017		37
	<u>\$</u>	<u>479</u>

Total rent expense for the year ended December 31, 2012 and 2011 is \$120 and \$80, respectively, excluding rent expense related to donated office space discussed in Note 2 above.

Contributions and grants receivable at December 31, 2012 consisted of unconditional promises to give from foundations, institutions and individuals. The scheduled receivables under these commitments are as follows:

(in thousands of dollars)

Less than 1 year	\$	8,476
1–5 years		1,074
Total	<u>\$</u>	<u>9,550</u>

8. Related Party Transactions

On December 31, 2008, the Organization entered into a promissory note agreement with an affiliated entity for \$477,723. The principal balance was repaid in 2011, and accrued interest of \$46,299 was forgiven and was treated as a contribution to the Organization.

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On December 31, 2008, the Organization entered into a promissory note agreement with a related party in the amount of \$50,000. The principal outstanding balance and accrued interest of \$4,667 was repaid in 2011.

On July 1, 2009, the Organization entered into a promissory note agreement with an affiliated entity in the amount of \$200,000. The principal outstanding balance and accrued interest of \$12,066 was repaid in 2011.

On July 1, 2009, the Organization entered into a promissory note agreement with an affiliated entity in the amount of \$82,377. The principal outstanding balance and accrued interest of \$4,970 was repaid in 2011.

9. Functional Allocation of Expenses

The costs of providing program activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated for the programs and supporting services benefited based on management's estimates.

	December 31, 2012		
<i>(in thousands of dollars)</i>	Program Services	Support Services	Total Expenses
Salaries and benefits	\$ 3,245	\$ 400	\$ 3,645
Professional fees	618	272	890
Office expense	386	43	429
Rent and utilities	120	-	120
Other expense	157	69	226
Travel	160	19	179
License and insurance expense	36	10	46
Advertising and events	27	17	44
	\$ 4,749	\$ 830	\$ 5,579

	December 31, 2011		
<i>(in thousands of dollars)</i>	Program Services	Support Services	Total Expenses
Salaries and benefits	\$ 2,084	\$ 271	\$ 2,355
Professional fees	341	136	477
Office expense	229	30	259
Rent and utilities	126	24	150
Other expense	165	6	171
Travel	87	8	95
License and insurance expense	30	8	38
Advertising and events	15	5	20
	\$ 3,077	\$ 488	\$ 3,565

As discussed in Note 2 above, noncash contributions of legal services and office space in the amounts of \$397 and \$101 are included in professional fees and rent and utilities, respectively.

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10. Disclosure of Fair Value of Financial Instruments

The Organization currently has no financial instruments subject to fair value measurement on a recurring basis. For notes payable and accounts payable the net carrying value of these items approximates their fair value.

11. Subsequent Events

The Organization performed an evaluation of subsequent events through June 25, 2013, which is the date the consolidated financial statements were available to be issued.