

**Grameen America, Inc.**  
**Consolidated Financial Statements**  
**December 31, 2010**

# Grameen America, Inc.

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December 31, 2010

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## Report of Independent Auditors

To the Board of Directors of  
Grameen America, Inc.:

In our opinion, the accompanying consolidated statement of financial position and the related consolidated statements of activities and changes in net assets and cash flows present fairly, in all material respects, the financial position of Grameen America, Inc. and its subsidiary at December 31, 2010, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Grameen America Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements 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 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

*PriceWaterhouseCoopers LLP*

New York, New York  
June 24, 2011

**Grameen America, Inc.**  
**Consolidated Statement of Financial Position**  
**December 31, 2010**

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*(in thousands of dollars)*

**Assets**

Current assets

Cash and cash equivalents	\$ 3,014
Contributions and grants receivable	2,034
Program loans receivable, net	3,269
Other current assets	<u>2</u>
Total current assets	<u>8,319</u>

Noncurrent assets

Property and equipment, net	28
Other assets	<u>133</u>
Total noncurrent assets	<u>161</u>
Total assets	<u>\$ 8,480</u>

**Liabilities**

Current liabilities

Accounts payable	\$ 11
Accrued expenses	101
Notes and interest payable	<u>384</u>
Total current liabilities	496

Long-term liabilities

Notes and interest payable	<u>3,251</u>
Total liabilities	<u>3,747</u>

**Net assets**

Unrestricted	3,253
Temporarily Restricted	<u>1,480</u>
Total net assets	<u>4,733</u>
Total liabilities and net assets	<u>\$ 8,480</u>

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

**Grameen America, Inc.**  
**Consolidated Statement of Activities and Changes in Net Assets**  
**Year Ended December 31, 2010**

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*(in thousands of dollars)*

**Changes in unrestricted net assets**

Revenues	
Contributions	\$ 1,637
Program loan interest income	347
Net assets released from restrictions	<u>2,392</u>
Total unrestricted revenues	4,376
Expenses	
Program services	2,394
Management and general	<u>602</u>
Total expenses	2,996
Interest expense, net	<u>(49)</u>
Increase in unrestricted net assets	1,331
Unrestricted net assets, beginning	<u>1,922</u>
Unrestricted net assets	<u>\$ 3,253</u>

**Changes in temporarily restricted net assets**

Revenues	
Contributions	\$ 3,504
Net assets released from restrictions	<u>2,392</u>
Increase in temporarily restricted net assets	1,112
Temporarily restricted net assets, beginning	<u>368</u>
Temporarily restricted net assets	<u>\$ 1,480</u>

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

**Grameen America, Inc.**  
**Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2010**

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*(in thousands of dollars)*

**Operating activities**

Change in net assets	\$ 2,443
Adjustments to reconcile change in net assets to net cash provided by operations	
Depreciation expense	12
Interest expense	44
Bad debt expense	55
Change in operating net assets	
Increase in contributions and grants receivable	(1,495)
Increase in program loans receivable	(1,718)
Increase in accounts payable and accrued expenses	61
Decrease in other assets	(91)
Net cash used in operating activities	<u>(689)</u>

**Investing activities**

Purchase of property and equipment	<u>(8)</u>
Net cash used in investing activities	<u>(8)</u>

**Financing activities**

Proceeds from notes payable	2,783
Payments of notes payable	<u>(5)</u>
Net cash provided by financing activities	<u>2,778</u>
Net increase in cash for period	2,081

**Cash**

Beginning of period	<u>933</u>
End of period	<u>\$ 3,014</u>

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

# **Grameen America, Inc.**

## **Notes to Consolidated Financial Statements**

### **December 31, 2010**

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#### **1. Nature of Operations**

Grameen America, Inc. (GAI), a not-for-profit organization, was incorporated in December 2007 under the laws of the Commonwealth of Massachusetts. The mission of the Company 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 Company'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 Company currently operates in the New York City boroughs of Queens, Brooklyn and Manhattan, and in Omaha, Nebraska and maintains administrative offices in New York, NY.

Grameen America, LLC (GA LLC) was organized in December 2007 as a limited liability company under the laws of the state of Delaware. Grameen America, LLC is currently inactive and had no activity in 2010.

Grameen America, Inc. and Grameen America, LLC are collectively referred to in the financial statements as "The Organization."

#### **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 owned subsidiary Grameen America, LLC. All intercompany balances and transactions have been eliminated in consolidation.

##### **Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP 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 Company evaluates its estimates, including those related to the recoverability of program loans receivable, the recoverability of contributions and grants receivable, and the useful lives of property and equipment. 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.

Grameen America, LLC is a single-member limited liability company under the statutes of the Limited Liability Company Act of the State of Delaware. For income tax purposes, its taxable income or loss is reported on the tax return of its sole owner, Grameen America, Inc.

##### **Cash and Cash Equivalents**

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

**Grameen America, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2010**

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**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 (initially no more than \$1,500) to start or expand a business generating income for the individual. The participants are charged simple interest on the declining balance of the loan at an annual rate of 15% over the life of the loan. Generally the terms of the loans are for one year, with equal weekly payments required. The allowance is an estimate based upon the review of the accounts in conjunction with the Organization's limited collection history.

**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 throughout the New York City area. 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, 2010, no single borrower represents greater than 0.25% 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 generally does not require collateral to support the loans.

The Organization is dependent on third-party donations and contributions for funding. The loss of certain principal contributors or a significant reduction in the size of funding it receives could have a material adverse effect on the Organization. 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 year ended December 31, 2010, our largest five donors accounted for approximately 53% of Contribution revenue and 64% of Contributions and grants receivable as of December 31, 2010. Our largest two donors each accounted for 19% of Contribution revenue for the year ended December 31, 2010. One of them also accounted for 49% of Contributions and grants receivable as of December 31, 2010.

**Property and Equipment**

All property and equipment is recorded at cost. Major additions and improvements are capitalized, while repairs which do not improve or extend the lives of the respective assets are expensed in the year incurred. Depreciation is computed using the straight-line method over the assets' estimated useful lives, which are between 5 and 10 years.

Management reviews the carrying value of long-lived assets for impairment whenever certain events or changes in circumstances indicate that the carrying value may not be recoverable. Based on that review, an impairment loss representing the amount of excess of the carrying value of the asset over its fair value would be recognized in income. No impairments were recognized in 2010.



**Grameen America, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2010**

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**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 as net assets released from restrictions.

**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. Contributions are considered to be unrestricted unless specifically restricted by the donor.

The Organization reports contributions in the temporarily or permanently 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. 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. No allowance for uncollectible contributions and grants receivable was considered necessary as of December 31, 2010.

**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 year ended December 31, 2010, donated legal services requiring specialized skills in the amount of \$817,369 were reflected as revenue and expense in the financial statements. For the year ended December 31, 2010, donated lease space for offices in the amount of \$33,741 was reflected as revenue and expense in the financial statements.

**Advertising**

Advertising costs are expensed as incurred. Advertising expenses charged to operations for the year ended December 31, 2010 was \$7,719.

**3. Program Loans Receivable**

Program loans receivable consisted of the following at December 31, 2010:

*(in thousands of dollars)*

Program loans receivable	\$	3,349
Allowance		<u>(80)</u>
Program loans receivable, net	\$	<u>3,269</u>

**Grameen America, Inc.**  
**Notes to Consolidated Financial Statements**  
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**4. Property and Equipment, net**

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

*(in thousands of dollars)*

Furniture	\$	5
Equipment		39
		<u>44</u>
Less: Accumulated depreciation		16
Property and equipment, net	\$	<u>28</u>

**5. Notes Payable**

As of December 31, 2010, the Organization had several different borrowings outstanding from third parties, the key terms of which are described below.

As of December 31, 2010, the Organization had borrowings of \$750,000 with a fixed interest rate of 0.375%. Principal payments are due throughout the term of the loan and the maturity date is February 11, 2020. As required by the loan agreement, the Organization maintained a bank deposit in the amount of \$112,500 as of December 31, 2010 as collateral, which is included in Other assets on the statement of financial position.

As of December 31, 2010, the Organization had borrowings of \$1,000,000 with a fixed interest rate of 2% and a maturity date of March 30, 2015.

As of December 31, 2010, the Organization had borrowings of \$500,000 with a fixed interest rate of 3% and a maturity date of June 1, 2015.

As of December 31, 2010, the Organization had borrowings of \$250,000 with a fixed interest rate of 1% and a maturity date of September 30, 2012.

As of December 31, 2010, the Organization had borrowings of \$250,000 with a fixed interest rate of 4.5% and a maturity date of December 1, 2013.

As of December 31, 2010, the Organization had borrowings of \$5,000 with a fixed interest rate of 1% and a maturity date of July 1, 2011.

As of December 31, 2010, the Organization had borrowings outstanding from related parties of \$810,100 with varying interest rates and maturity dates as described in Note 6.

The Organization has the following principal payments due: \$355,813 in 2011, \$860,148 in 2012, \$332,735 in 2013, \$83,060 in 2014, \$1,583,358 in 2015 and \$349,986 in 2016 and thereafter.

**6. Related Party Transactions**

The Company has transactions and relationships with related parties. Because of these relationships, it is possible that the terms of these transactions are not the same as those which would result from transactions among wholly unrelated parties.

**Grameen America, Inc.**  
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On December 31, 2008, the Organization entered into a promissory note agreement with an affiliated entity for \$477,723. The note was originally due on July 1, 2010 with interest on the principal outstanding at the simple annual rate of 4%, from December 31, 2008 until such principal sum is paid with any accrued interest payable in full in arrears as of the maturity date. In March 2010, the Organization entered into an amendment to the original note agreement, whereby the maturity was extended to January 3, 2012. The outstanding principal as of December 31, 2010 is \$477,723. Interest in the amount of \$37,434 has been accrued on the note at December 31, 2010. Both the principal and the accrued interest have been classified as noncurrent on the statement of financial position.

On December 31, 2008, the Organization entered into a promissory note agreement with a related party in the amount of \$50,000. The balance of the note was originally due on July 1, 2010 with interest on the principal outstanding at the simple annual rate of 4%, from December 31, 2008 until such principal sum is paid with any accrued interest payable in full in arrears as of the maturity date. In March 2010, the Organization entered into an amendment to the original note agreement, whereby the maturity was extended to January 3, 2012. The principal outstanding as of December 31, 2010 is \$50,000. Interest in the amount of \$3,500 has been accrued on the note at December 31, 2010. Both the principal and the accrued interest have been classified as noncurrent on the statement of financial position.

On July 1, 2009, the Organization entered into a promissory note agreement with an affiliated entity. The balance of the note is due on January 3, 2011 with interest on the principal outstanding at the simple annual rate of 4%, from July 1, 2009 until such principal sum is paid with any accrued interest payable in full in arrears as of the maturity date. The note has a maximum borrowing limit of \$200,000. The principal outstanding as of December 31, 2010 is \$200,000. Interest in the amount of \$11,683 has been accrued on the note at December 31, 2010. Both the principal and the accrued interest have been classified as current liabilities on the statement of financial position. The balance of the note was paid on January 3, 2011.

On July 1, 2009, the Organization entered into a promissory note agreement with an affiliated entity in the amount of \$82,377. The balance of the note is due on January 3, 2011 with interest on the principal outstanding at the simple annual rate of 4%, from July 1, 2009 until such principal sum is paid with any accrued interest payable in full in arrears as of the maturity date. The principal outstanding as of December 31, 2010 is \$82,377. Interest in the amount of \$4,943 has been accrued on the note at December 31, 2010. Both the principal and the accrued interest have been classified as current liabilities on the statement of financial position. The balance of the note was paid on January 3, 2011.

On December 31, 2009, the Organization received an unconditional promise to give from an affiliated entity in the amount of \$600,000. The amount receivable as of December 31, 2010 is \$350,000 and is due on or before December 31, 2011.

**7. Commitments and Contingencies**

On April 1, 2009, the Organization entered into a two-year lease for office space in Jackson Heights, New York, which expires on March 31, 2011. The lease requires monthly rental payments of approximately \$1,900 for the first year and \$2,014 for the second year. The lease contains a provision allowing cancellation of the lease after eighteen months, without significant penalty, given proper sixty days notice, as defined in the agreement. As a result the Organization has a noncancelable minimum lease commitment of \$4,028 in 2011.

**Grameen America, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2010**

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On November 19, 2009, the Organization entered into an eighteen-month lease for office space in Manhattan, New York, which expires on June 30, 2011. The lease requires monthly rental payments of approximately \$1,600 for the first year and \$1,680 for the subsequent six months. The lease contains an option to renew the lease after eighteen months, with an annual 5% rent increase. The option must be exercised in writing by March 31, 2011. As a result the Organization has a noncancelable minimum lease commitment of \$10,080 in 2011.

On January 1, 2010, the Organization entered into a five-year lease for office space in Brooklyn, New York, which expires on December 31, 2014. The lease requires monthly rental payments of approximately \$850 for the first three years and \$875 and \$901 for the fourth and fifth years respectively. As a result, the Organization has a noncancelable minimum lease commitments of \$10,200 in 2011, \$10,200 in 2012, \$10,500 in 2013 and \$10,812 in 2014.

The Organization has a two-year operating lease agreement for office space in Omaha, Nebraska, which expires on June 1, 2012. The lease requires monthly rental payments of approximately \$850. The lease contains a provision allowing cancellation of the lease, without significant penalty, given proper ninety days notice defined in the agreement.

Total rent expense for the year ended December 31, 2010 is \$60,736 excluding rent expense related to donated office space discussed in Note 2 above.

**8. Functional Allocation of Expenses**

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

<i>(in thousands of dollars)</i>	<b>Program Services</b>	<b>Support Services</b>	<b>Total Expenses</b>
Salaries and benefits	\$ 1,318	\$ 211	\$ 1,529
Professional fees	619	323	942
Office expense	187	37	224
Rent and utilities	91	12	103
Other expense	61	5	66
Travel	75	9	84
License and insurance expense	25	1	26
Advertising and events	18	4	22
	<u>\$ 2,394</u>	<u>\$ 602</u>	<u>\$ 2,996</u>

As discussed in Note 2 above, non-cash contributions of legal services and office space in the amounts of \$817,369 and \$33,741 are included in Professional fees and Rent and utilities, respectively.

**Grameen America, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2010**

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**9. Temporarily Restricted Net Assets**

Temporarily restricted net assets are restricted for the following purposes as of December 31, 2010:

*(in thousands of dollars)*

Iowa Operations	\$	50
New York City Operations		277
Bay Area Operations		1,000
SBA Loan Loss Reserve		153
	\$	<u>1,480</u>

Temporarily restricted net assets were released from restrictions in fiscal 2010 in fulfillment of the following purposes:

*(in thousands of dollars)*

Omaha Operations	\$	1,659
New York City Operations		733
	\$	<u>2,392</u>

**10. Subsequent Events**

We have evaluated subsequent events through the issuance date of our consolidated financial statements on June 24, 2011, and determined there have not been any events that occurred that would require adjustments or disclosure.