A large orange circle is positioned on the left side of the page, partially cut off by the edge. It contains the text for the consolidated financial statements.

**CONSOLIDATED  
FINANCIAL  
STATEMENTS AND  
REPORT OF  
INDEPENDENT  
CERTIFIED PUBLIC  
ACCOUNTANTS**

**ACCION NEW MEXICO, INC.**

**December 31, 2010 and 2009**

atkinson

PRECISE. PERSONAL. PROACTIVE.

## CONTENTS

	Page
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS .....	1-2
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION.....	3
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS .....	4-5
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES .....	6-7
CONSOLIDATED STATEMENTS OF CASH FLOWS .....	8-9
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS .....	10-27
SCHEDULES AND REPORTS REQUIRED BY OMB CIRCULAR A-133	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	28
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</i> <i>AUDITING STANDARDS</i> .....	29-30
REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 .....	31-32
SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....	33-34
IDENTIFICATION OF AUDIT PRINCIPAL .....	35



CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
ACCION New Mexico, Inc.

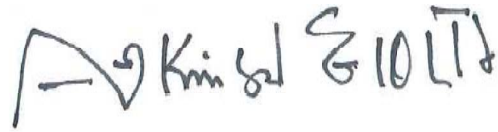
We have audited the accompanying consolidated statements of financial position of ACCION New Mexico, Inc. (a not-for-profit organization) as of December 31, 2010 and 2009, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These consolidated financial statements are the responsibility of ACCION New Mexico, Inc.'s management. Our responsibility is to express an opinion on these 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2011, on our consideration of ACCION New Mexico, 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 should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the 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 consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in the relation to the consolidated financial statements as a whole.

A handwritten signature in black ink, appearing to read "Atkinson & Co., Ltd.", written in a cursive style.

**Atkinson & Co., Ltd.**

Albuquerque, New Mexico  
April 11, 2011

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

December 31, 2010 and 2009

**ASSETS**

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 1,130,268	\$ 2,270,732
Restricted endowment cash	78,243	258,022
Investment securities held for sale	8,400	8,400
Investment securities	3,267,575	3,276,637
Restricted endowment investment securities	1,212,023	881,214
Accounts receivable	24,573	27,867
Silent auction inventory	-	5,034
Contributions receivable, net of discounts and allowance for doubtful accounts of \$210,196 in 2010 and \$252,623 in 2009	704,212	991,660
Grants receivable	262,699	645,177
Microenterprise loans receivable, less allowance for loan losses of \$812,897 in 2010 and \$648,781 in 2009	5,232,428	6,062,902
Derivative instrument	355,076	230,244
Prepaid expenses	12,817	19,607
Property and equipment, less accumulated depreciation of \$165,633 in 2010 and \$203,342 in 2009	2,440,141	52,664
Construction in progress	-	550,914
Land	<u>1,003,216</u>	<u>1,003,216</u>
Total assets	<u>\$ 15,731,671</u>	<u>\$ 16,284,290</u>

**LIABILITIES AND NET ASSETS**

	<u>2010</u>	<u>2009</u>
LIABILITIES		
Accounts payable	\$ 87,522	\$ 236,622
Accrued payroll	83,769	104,291
Other accrued liabilities	62,630	68,814
Notes payable	5,437,825	5,436,313
Secured debt	<u>2,598,656</u>	<u>3,297,826</u>
Total liabilities	8,270,402	9,143,866
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS		
Unrestricted	4,796,317	4,461,074
Temporarily restricted	802,842	818,636
Permanently restricted	<u>1,862,110</u>	<u>1,860,714</u>
Total net assets	<u>7,461,269</u>	<u>7,140,424</u>
Total liabilities and net assets	<u>\$ 15,731,671</u>	<u>\$ 16,284,290</u>

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

ACCION New Mexico, Inc.

**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

Year ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>				
Contributions	\$ 364,816	\$ 450,259	\$ 1,396	\$ 816,471
Investment income, net of expenses of \$45,514	173,196	-	-	173,196
Federal awards	1,104,823	-	-	1,104,823
Loan interest and fees	821,508	-	-	821,508
In-kind contributions	527,520	-	-	527,520
Other revenue	316,468	-	-	316,468
Loss on disposal of assets	<u>(6,797)</u>	<u>-</u>	<u>-</u>	<u>(6,797)</u>
 Total revenue and support	 3,301,534	 450,259	 1,396	 3,753,189
 Net assets released from restrictions	 466,053	 (466,053)	 -	 -
<b>EXPENSES</b>				
Program services	3,207,613	-	-	3,207,613
Fundraising	195,466	-	-	195,466
Support	<u>154,381</u>	<u>-</u>	<u>-</u>	<u>154,381</u>
 Total operating expenses	 <u>3,557,460</u>	 <u>-</u>	 <u>-</u>	 <u>3,557,460</u>
 <b>CHANGES IN NET ASSETS FROM OPERATIONS</b>	 210,127	 (15,794)	 1,396	 195,729
 Net realized/unrealized gains on investments	 <u>125,116</u>	 <u>-</u>	 <u>-</u>	 <u>125,116</u>
 <b>CHANGES IN NET ASSETS</b>	 335,243	 (15,794)	 1,396	 320,845
 Net assets, beginning of year	 <u>4,461,074</u>	 <u>818,636</u>	 <u>1,860,714</u>	 <u>7,140,424</u>
 Net assets, end of year	 <u>\$ 4,796,317</u>	 <u>\$ 802,842</u>	 <u>\$ 1,862,110</u>	 <u>\$ 7,461,269</u>

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

ACCION New Mexico, Inc.

**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS - CONTINUED**

Year ended December 31, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE AND SUPPORT</b>				
Contributions	\$ 163,057	\$ 563,153	\$ 4,408	\$ 730,618
Investment income, net of expenses of \$40,268	134,851	-	-	134,851
Federal awards	784,848	-	-	784,848
Special events, net of expenses of \$75,465	100,091	-	-	100,091
Loan interest and fees	878,966	-	-	878,966
In-kind contributions	269,610	-	-	269,610
Other revenue	155,515	-	-	155,515
	<u>2,486,938</u>	<u>563,153</u>	<u>4,408</u>	<u>3,054,499</u>
Total revenue and support	2,486,938	563,153	4,408	3,054,499
Net assets released from restrictions	649,059	(649,059)	-	-
<b>EXPENSES</b>				
Program services	2,628,412	-	-	2,628,412
Fundraising	173,095	-	-	173,095
Support	78,874	-	-	78,874
	<u>2,880,381</u>	<u>-</u>	<u>-</u>	<u>2,880,381</u>
Total operating expenses	2,880,381	-	-	2,880,381
<b>CHANGES IN NET ASSETS FROM OPERATIONS</b>	255,616	(85,906)	4,408	174,118
Net realized/unrealized gains on investments	203,144	-	-	203,144
<b>CHANGES IN NET ASSETS</b>	458,760	(85,906)	4,408	377,262
Net assets, beginning of year	4,002,314	904,542	1,856,306	6,763,162
Net assets, end of year	<u>\$ 4,461,074</u>	<u>\$ 818,636</u>	<u>\$ 1,860,714</u>	<u>\$ 7,140,424</u>

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

ACCION New Mexico, Inc.

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**

Year ended December 31, 2010

	<u>Program Services</u>	<u>Fund Raising</u>	<u>Support</u>	<u>Total</u>
Salaries	\$ 950,284	\$ 117,514	\$ 90,658	\$ 1,158,456
Loan loss provision	696,426	-	-	696,426
Marketing and development	388,566	30,720	-	419,286
Interest	317,372	-	-	317,372
Professional fees	189,994	4,418	26,511	220,923
Employee benefits	83,009	10,274	7,935	101,218
Occupancy	83,342	5,545	6,361	95,248
Travel	89,105	3,713	-	92,818
Payroll taxes	76,008	9,407	7,266	92,681
Loan servicing expense	70,248	-	-	70,248
Temporary services	49,167	2,731	2,731	54,629
Telephone	48,450	2,692	2,692	53,834
Depreciation and amortization	42,508	3,036	5,060	50,604
Conferences and meetings	32,772	-	-	32,772
Miscellaneous expense	24,504	-	-	24,504
Supplies	19,238	1,069	1,069	21,376
Postage	18,979	2,109	-	21,088
Insurance	10,551	-	3,517	14,068
Equipment rent and maintenance	10,463	581	581	11,625
Subscriptions and dues	6,627	1,657	-	8,284
	<u>\$ 3,207,613</u>	<u>\$ 195,466</u>	<u>\$ 154,381</u>	<u>\$ 3,557,460</u>
Total	<u>\$ 3,207,613</u>	<u>\$ 195,466</u>	<u>\$ 154,381</u>	<u>\$ 3,557,460</u>

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

ACCION New Mexico, Inc.

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES - CONTINUED**

Year ended December 31, 2009

	Program Services	Fund Raising	Support	Total
Salaries	\$ 885,614	\$ 101,714	\$ 43,915	\$ 1,031,243
Loan loss provision	492,345	-	-	492,345
Interest	338,078	-	-	338,078
Marketing and development	205,557	24,907	-	230,464
Professional fees	159,769	8,876	8,876	177,521
Employee benefits	75,396	8,659	3,739	87,794
Occupancy	72,220	4,805	5,512	82,537
Payroll taxes	69,456	7,977	3,444	80,877
Temporary services	64,040	3,558	3,558	71,156
Loan servicing expense	65,343	-	-	65,343
Travel	48,391	5,377	-	53,768
Telephone	47,053	1,486	991	49,530
Depreciation and amortization	19,267	1,376	2,294	22,937
Miscellaneous expense	20,004	-	-	20,004
Postage	14,154	1,573	-	15,727
Supplies	13,259	737	737	14,733
Conferences and meetings	12,300	-	-	12,300
Equipment rent and maintenance	12,160	-	-	12,160
Insurance	5,808	-	5,808	11,616
Subscriptions and dues	8,198	2,050	-	10,248
	<u>8,198</u>	<u>2,050</u>	<u>-</u>	<u>10,248</u>
 Total	 <u>\$ 2,628,412</u>	 <u>\$ 173,095</u>	 <u>\$ 78,874</u>	 <u>\$ 2,880,381</u>

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 320,845	\$ 377,262
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Net realized and unrealized gains on investments	(125,116)	(203,144)
Depreciation and amortization	50,604	22,937
Loss on disposal of assets	6,797	-
Amortization of note payable closing fee	1,512	4,425
Loan loss provision	696,426	492,345
Present value discount	24,716	4,125
Uncollectible contribution allowance	81,807	31,542
Donated stock	(9,151)	(17,046)
Donated materials and services for building	(185,677)	-
Change in fair value of derivative instrument	(124,832)	(40,564)
Change in other assets and liabilities:		
Accounts receivable	3,294	27,947
Contributions receivable	180,925	223,335
Grants receivable	382,478	(645,177)
Prepaid expenses	6,790	(11,663)
Inventory	5,034	(5,034)
Accounts payable	(149,100)	195,638
Accrued payroll	(20,522)	(1,786)
Other accrued liabilities	(6,184)	53,143
	<u>1,140,646</u>	<u>508,285</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	1,817,734	8,156,767
Purchase of investments	(2,005,214)	(8,841,672)
Purchase of property and equipment	(1,708,287)	(566,043)
Investment of microenterprise loans	(2,693,716)	(3,827,075)
Repayments and recoveries of microenterprise loans	2,827,764	2,290,286
	<u>(1,761,719)</u>	<u>(2,787,737)</u>

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED**

Years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from secured debt	865,220	1,545,877
Repayment of secured debt	(1,564,390)	(1,640,908)
Proceeds from line-of-credit	-	(610,000)
Proceeds from notes payable	-	3,491,250
Repayment from notes payable	-	(2,500,000)
	<u>          </u>	<u>          </u>
Net cash (used in) provided by financing activities	<u>(699,170)</u>	<u>286,219</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,320,243)</b>	<b>(1,993,233)</b>
Cash and cash equivalents, beginning of year	<u>2,528,754</u>	<u>4,521,987</u>
Cash and cash equivalents, end of year	<u>\$ 1,208,511</u>	<u>\$ 2,528,754</u>

**SUPPLEMENTAL DATA**

In-kind revenues	\$ 527,520	\$ 269,610
In-kind expenses	341,843	269,610
Interest paid	194,873	189,156

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2010 and 2009

**NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

A summary of significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Organization

ACCION New Mexico, Inc. (ACCION) was organized in March 1994 as an independent, private, New Mexico non-profit corporation to provide microenterprises in New Mexico with credit and business support not otherwise available from the commercial lending sector. During 2008, ACCION expanded its geographic markets to include Arizona and Colorado. ACCION is substantially funded by contributions from foundations, individuals, banks, and other corporate contributors. ACCION licenses its name from a supporting organization of ACCION International.

In August 2007, in conjunction with First Community Bank, ACCION created a New Mexico limited liability company named ACCION NM 2007A, LLC (LLC). The LLC's purpose is to further the mission of ACCION by the formation of capital to be deployed by ACCION. The LLC's initial members are ACCION, who is the managing member with a voting interest of fifty-one percent (51%), and First Community Bank who has a voting interest of forty-nine percent (49%). Members share net income, gain, net loss, and distributions of the LLC in accordance with their percentage interests of the aggregate capital accounts which, for 2010 and 2009 were 0.08% for ACCION and 99.92% for First Community Bank.

The accompanying consolidated financial statements include the accounts of ACCION New Mexico, Inc. and its subsidiary, ACCION NM 2007A, LLC. All material intercompany accounts and transactions have been eliminated.

2. Federal Income Taxes

ACCION is exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), except to the extent it has unrelated business income. ACCION had no material unrelated business taxable income in 2010 and 2009. The LLC, a pass-through taxable entity, had no material taxable income in 2010 or 2009.

ACCION has adopted the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10, *Accounting for Income Taxes*. There were no uncertain tax positions taken by ACCION for the year ended December 31, 2010. ACCION's policy is to classify income tax penalties and interest, when applicable, according to their natural classification. Under the statute of limitations, ACCION's tax returns are no longer subject to examination by tax authorities for years prior to 2007.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

December 31, 2010 and 2009

**NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

3. Use of Estimates

The preparation of the accompanying consolidated financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from those estimates. It is reasonably possible that conditions which existed at the date of the consolidated financial statements could change in the near term due to current volatility in market and economic conditions. Such future changes, if significant, could lead to changes in estimates used in calculating the allowance for loan losses and uncollectible contributions receivable. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the consolidated financial statements in future periods.

4. Cash and Cash Equivalents

For purposes of the accompanying consolidated statements of cash flows, ACCION considers all highly liquid instruments with original maturities of three months or less and restricted endowment cash to be cash equivalents. Cash and cash equivalents include cash-on-hand, cash in banks, and money market accounts held with a brokerage firm.

5. Concentrations of Risk

Financial instruments that potentially subject ACCION to concentration of credit risk include cash balances. ACCION's cash is held with various financial institutions. At times, such amounts may exceed Federal Deposit Insurance Corporation limits, currently \$250,000. ACCION limits that amount of credit exposure with any one financial institution and believes that no significant credit risk exists with respect to cash.

Additionally, financial instruments that potentially subject ACCION to credit risk are primarily loans receivable. See Note C for all policies concerning credit risk. ACCION provides micro lending to qualifying small business entities in New Mexico, Arizona, and Colorado. ACCION considers these locations as geographic concentrations potentially subject to risk.

6. Investments

Investments are carried at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized gains and losses are recorded on a specific identification method upon the sale of investment assets. Realized and unrealized gains and losses on investments are reported as a non-operating item after changes in net assets from operations. The fair market value of investments is subject to ongoing fluctuation. The amount ultimately realized upon disposition will differ from the amounts reported in these financial statements.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

December 31, 2010 and 2009

**NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

7. Derivative Financial Instrument

Under generally accepted accounting principles, the fair value of ACCION's derivative financial instrument is reported as an asset or liability in the accompanying consolidated statements of financial position. The change in fair value is recognized as an addition to or deduction from net assets in the accompanying consolidated statements of activities. The derivative is considered a Level 3 investment within the fair value hierarchy. See Note I.

8. Property and Equipment

Property and equipment are stated at cost. ACCION capitalizes all acquisitions greater than \$1,000. Donated property is recorded at estimated fair value as of the date of donation. Depreciation is provided for all depreciable assets on a straight-line basis over the estimated useful lives of the assets, and is allocated to each functional category based on utilization. Construction in progress and land are not depreciated. Depreciation expense for December 31, 2010 and 2009 was \$50,604 and \$22,937, respectively.

9. Net Assets

The accompanying consolidated financial statements are prepared in accordance with GAAP for non-profit organizations. Under these provisions, net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of ACCION and changes therein are classified and reported as follows:

**Unrestricted Net Assets** – net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

**Temporarily Restricted Net Assets** – net assets that are subject to donor-imposed stipulations that may or will be met by the occurrence of a specific event or the passage of time. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated statements of activities as net assets released from restrictions.

**Permanently Restricted Net Assets** – net assets required to be maintained in perpetuity, with only the income used for operating activities, due to donor-imposed restrictions.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

December 31, 2010 and 2009

**NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**10. Donated Services

Contributed services are recognized if the services received create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed services are recorded at the fair value of the service received. For the years ended December 31, 2010 and 2009, ACCION received and recognized \$219,343 and \$120,688 of donated services, respectively. The recognized donated services included legal, marketing, and other professional services related to the programs, management, and general operations of ACCION.

11. Functional Allocation of Expenses

The costs of providing the fundraising activities, various programs, and supporting services have been allocated to functions based on payroll hours, square footage utilized, and/or actual expenses incurred in the accompanying consolidated statements of functional expenses. Allocation of joint costs involving fundraising activities was allocated among the functional categories as ACCION satisfied the criteria of FASB ASC 958-720-45, *Not-for-Profit Entities*. Activities involving joint costs typically comprise public relations type events that include both a program and fundraising intent. Joint costs were allocated as follows:

	<u>2010</u>	<u>2009</u>
Program expense	\$ 39,765	\$ 37,995
Fundraising	<u>6,779</u>	<u>19,669</u>
Total joint costs	<u>\$ 46,554</u>	<u>\$ 57,664</u>

12. Reclassified Amounts

Certain 2009 amounts have been reclassified to be consistent with the presentation of 2010 amounts.

13. Subsequent Events

Subsequent events have been evaluated through April 11, 2011, the date the financial statements are available to be issued, to determine whether such events should be recorded or disclosed in the consolidated financial statements for the year ended December 31, 2010. Management believes no material subsequent events, except as described in Note Q, have arisen that would require disclosure or accrual.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

December 31, 2010 and 2009

**NOTE B – CONTRIBUTIONS RECEIVABLE**

Contributions received, including unconditional promises to give, are recognized as revenue in the period received and are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence of any donor restrictions.

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on pledges is computed using the risk-free interest rate applicable to the year in which the promise is received in addition to a risk factor determined by management. The effective rate used to discount unconditional promises to give was 8.5% at December 31, 2010 and 2009. Amortization of the discount is included in contribution revenue. ACCION has provided an allowance for doubtful accounts which includes all pledges outstanding greater than 90 days unless specifically excluded by management and an additional 2% of the remaining outstanding balances.

Contributions receivable for each of the years succeeding December 31, 2010 and 2009, are expected to occur as follows:

	<u>2010</u>	<u>2009</u>
In less than one year	\$ 368,177	\$ 739,946
In one to five years	<u>546,231</u>	<u>504,337</u>
	914,408	1,244,283
Less: Allowance for doubtful accounts	(118,751)	(185,894)
Less: Discount to net present value	<u>(91,445)</u>	<u>(66,729)</u>
	<u>\$ 704,212</u>	<u>\$ 991,660</u>

Contributions receivable are primarily from individuals, major charitable foundations, and local businesses. Contributions made by either ACCION's Board of Directors or employees were approximately \$182,000 and \$294,000 as of December 31, 2010 and 2009, respectively.

ACCION is the beneficiary of several bequests. No value has been assigned to the conditional promises as no formal documentation has been obtained from the donors.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

December 31, 2010 and 2009

**NOTE C - LOANS RECEIVABLE**

Loans receivable are recorded at unpaid principal balances. Interest on loans is recognized as income based on the daily principal amount outstanding. A loan is considered delinquent when a payment is not made on or before the scheduled due date and is placed on nonaccrual status. Loans on nonaccrual status as of December 31, 2010 and 2009 were \$367,615 and \$416,286, respectively. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received. An allowance for loan losses is maintained to absorb potential loss inherent in the loan portfolio. When all or a portion of a loan balance is deemed uncollectible, such amount is charged off to the allowance for loan losses. Recoveries of loans previously charged off are credited to the allowance for loan losses. The provision for loan losses charged to expense is determined monthly based on past delinquency and write-off trends. Collateral is secured based on the particular loan profile. Generally, collateral on loans will cover a portion of the loan balance only.

Impaired loans are recorded at unpaid principal balances, net of an allowance for uncollectible balances, which approximate present value of expected future cash flows. For loans that are considered impaired, the provision for loan losses charged to expense is determined monthly based on past delinquency and write-off trends. The interest income on impaired loans is recognized in the same manner as noted above.

Activity in the allowance for loan loss follows:

	<u>2010</u>	<u>2009</u>
Balance at beginning of year	\$ 648,781	\$ 337,467
Provision charged to expense	696,426	492,345
Loans charged off	(563,838)	(203,502)
Recoveries	<u>31,528</u>	<u>22,471</u>
Balance at end of year	<u>\$ 812,897</u>	<u>\$ 648,781</u>

ACCION has a secured debt agreement that limits its risk of loan loss on certain loans. Of the loans charged off reflected in the table above, approximately \$251,000 and \$149,000 in 2010 and 2009, respectively, were covered by this agreement resulting in the lender taking losses of approximately \$189,000 and \$112,000 in 2010 and 2009, respectively. See Note I for further details about this agreement.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2010 and 2009

## NOTE D - INVESTMENTS

Investments, including restricted endowment investment securities, are stated at fair value and consist of the following at December 31, 2010 and 2009:

	2010		
	Cost	Fair Value	Unrealized Gain
Government and agency securities	\$ 2,355,664	\$ 2,404,336	\$ 48,672
Equity securities	703,144	811,064	107,920
Mutual funds	677,370	689,733	12,363
Corporate bonds	451,594	459,212	7,618
Other	105,152	115,253	10,101
<b>Total</b>	<b>\$ 4,292,924</b>	<b>\$ 4,479,598</b>	<b>\$ 186,674</b>

	2009		
	Cost	Fair Value	Unrealized Gain (Loss)
Government and agency securities	\$ 2,263,521	\$ 2,280,091	\$ 16,570
Mutual funds	666,323	691,860	25,537
Corporate bonds	551,470	547,600	(3,870)
Equity securities	499,739	528,594	28,855
Other	108,108	109,706	1,598
<b>Total</b>	<b>\$ 4,089,161</b>	<b>\$ 4,157,851</b>	<b>\$ 68,690</b>

Investment returns consist of the following:

	2010	2009
Interest and dividends	\$ 218,710	\$ 175,119
Investment fees	(45,514)	(40,268)
	<b>\$ 173,196</b>	<b>\$ 134,851</b>

	2010	2009
Realized gains	\$ 49,343	\$ 139,524
Unrealized gains	75,773	63,620
	<b>\$ 125,116</b>	<b>\$ 203,144</b>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

December 31, 2010 and 2009

**NOTE E - FAIR VALUE MEASUREMENTS**

GAAP establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that ACCION has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2010.

*Mutual funds:* Valued at the net asset value (NAV) of shares held by the respective mutual fund. Net asset value is based on aggregate fair values of all individual shares traded on active markets.

*Equity securities:* Valued at publicly traded market value.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

December 31, 2010 and 2009

**NOTE E - FAIR VALUE MEASUREMENTS - CONTINUED**

*Embedded derivative instrument:* Estimated based on the present value of the estimated allowance for loan loss on 75% of participation loans.

*Unconditional promises to give:* Valued at net realizable value based on risk free interest rate plus a risk factor determined at the time of the gift.

*Government and agency securities and corporate bonds:* Valued at the closing price reported on the active market on which the individual securities and bonds are traded.

*Alternative investments:* Valued at the closing price as determined by the independent administrator of the investment funds.

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 ACCION believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**Assets at Fair Value as of December 31, 2010**

	Level 1	Level 2	Level 3	Total
Government and agency securities	\$ 2,404,336	\$ -	\$ -	\$ 2,404,336
Equity securities	811,064	-	-	811,064
Contributions receivable	-	-	704,212	704,212
Mutual funds	689,733	-	-	689,733
Corporate bonds	459,212	-	-	459,212
Embedded derivative instrument	-	-	355,076	355,076
Alternative investments	-	-	115,253	115,253
Total assets at fair value	<u>\$ 4,364,345</u>	<u>\$ -</u>	<u>\$ 1,174,541</u>	<u>\$ 5,538,886</u>

**Assets at Fair Value as of December 31, 2009**

	Level 1	Level 2	Level 3	Total
Government and agency securities	\$ 2,280,091	\$ -	\$ -	\$ 2,280,091
Contributions receivable	-	-	991,660	991,660
Mutual funds	691,860	-	-	691,860
Corporate bonds	547,600	-	-	547,600
Equity securities	528,594	-	-	528,594
Embedded derivative instrument	-	-	230,244	230,244
Alternative investments	-	-	109,706	109,706
Total assets at fair value	<u>\$ 4,048,145</u>	<u>\$ -</u>	<u>\$ 1,331,610</u>	<u>\$ 5,379,755</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

December 31, 2010 and 2009

**NOTE E - FAIR VALUE MEASUREMENTS - CONTINUED**

The following table sets forth a summary of changes in the fair value of ACCION's level 3 assets for the year ended December 31, 2010:

	Derivative Instrument	Contributions Receivable, Net	Alternative Investments
Balance, beginning of year	\$ 230,244	\$ 991,660	\$ 109,706
Change in market value	124,832	-	5,547
Contributions, payments, discounts, allowance (net)	-	252,780	-
Purchases, sales, issuances, and settlements (net)	-	(540,228)	-
Balance, end of year	<u>\$ 355,076</u>	<u>\$ 704,212</u>	<u>\$ 115,253</u>

**NOTE F - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31, 2010 and 2009:

	2010	2009
Building	\$ 2,217,442	\$ -
Furniture and office equipment	216,018	47,824
Computer equipment	172,314	208,182
Leasehold improvements	-	4,540
	2,605,774	260,546
Less accumulated depreciation	(165,633)	(207,882)
Total	<u>\$ 2,440,141</u>	<u>\$ 52,664</u>
Construction in progress	<u>\$ -</u>	<u>\$ 550,914</u>
Land	<u>\$ 1,003,216</u>	<u>\$ 1,003,216</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

December 31, 2010 and 2009

**NOTE G - LINE-OF-CREDIT OUTSTANDING**

ACCION has a line-of-credit with a financial institution. The agreement allows for draws up to \$300,000 and expires November 5, 2011. The financial institution does not charge interest on the line-of-credit and ACCION imputes interest when there is an outstanding balance. The line-of-credit is unsecured. At December 31, 2010 and 2009, there were no borrowings against the line-of-credit.

**NOTE H - NOTES PAYABLE**

	<u>2010</u>	<u>2009</u>
U.S. Department of Treasury, full payment due September 2017, 0% interest until September 2012, and then interest at 1.4% per annum.	\$ 500,000	\$ 500,000
Note payable to financial institution, full payment due April 2011, 2% interest per annum.	20,000	20,000
Note payable to bank, full payment due June 2011, 0% interest per annum.	1,000,000	1,000,000
Note payable to bank, full payment due February 2017, 2% interest per annum.	425,000	425,000
Note payable to bank, due December 17, 2017, 3% interest per annum. Includes unamortized closing costs of \$7,175 in 2010 and \$8,687 in 2009.	<u>3,492,825</u>	<u>3,491,313</u>
	<u>\$ 5,437,825</u>	<u>\$ 5,436,313</u>

At December 31, 2010, future note payments are as follows:

2011	\$ 1,020,000
2012	-
2013	750,000
2014	750,000
2015	1,000,000
Thereafter	<u>1,917,825</u>
	<u>\$ 5,437,825</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

December 31, 2010 and 2009

**NOTE H - NOTES PAYABLE - CONTINUED**

ACCION recorded \$122,500 in imputed interest, using a rate of 8.5%, as an in-kind contribution on these notes during each of the years ended December 31, 2010 and 2009. ACCION also incurred \$115,812 and \$92,765 in interest expense for these notes for the years ended December 31, 2010 and 2009, respectively.

The terms of the notes payable to the banks place certain restrictions on ACCION, principally to meet certain financial position and performance tests. The primary requirements include minimum capital requirement, minimum loan loss allowance, and maximum bank concentration. At December 31, 2010, ACCION was in compliance with all such requirements. All notes payable are unsecured.

**NOTE I - SECURED DEBT**

ACCION has an ongoing Memorandum of Agreement (MOU) with a third-party to purchase a portion of loans made in New Mexico by ACCION. The third-party will purchase 75% of the principal disbursed for individual loans designated for participation by ACCION (participation loans). In accordance with GAAP, this agreement does not qualify as a sale and, therefore, is accounted for as secured debt. The agreement provides for funding of up to \$5,000,000, to be reduced annually by net write-offs in excess of \$150,000, in revolving funding for loans made by ACCION.

ACCION must repay the secured debt as ACCION collects principal payments on the participation loans. If the borrower does not repay the participation loan, ACCION is not required to repay the related secured debt or accrued interest. This arrangement is considered an embedded derivative, and its fair value of \$355,076 and \$230,244 as of December 31, 2010 and 2009, respectively, is recorded as an asset on the accompanying consolidated statements of financial position. The fair value is estimated based on the present value of estimated allowance for loan loss on 75% of the participation loans. Additions are included in other revenue on the accompanying consolidated statements of activities. Reductions are recorded as decreases in the derivative instrument and other revenue.

The secured debt bears interest, payable monthly as collected on the participation loans, at 3% of the outstanding balance, \$2,598,656 and \$3,297,826 as of December 31, 2010 and 2009, respectively. The remaining interest earned on the participation loans is retained by ACCION. Interest expense on the secured debt was \$79,061 and \$96,391 for the years ended December 31, 2010 and 2009, respectively. The MOU has a termination provision requiring reasonable notice from either party. In the event of termination, outstanding loans will be handled in the ordinary course of business under the terms of the MOU until the joint portfolio is collected.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

December 31, 2010 and 2009

**NOTE J - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at December 31, 2010 and 2009 are available for the following:

	<u>2010</u>	<u>2009</u>
Restricted by time	\$ 877,407	\$ 743,205
Restricted for purpose:		
Scale Academy	-	45,000
Family Economic Security and Community Development	-	42,657
Women's Financial Literacy	-	9,848
Technical Assistance	<u>122,664</u>	<u>72,236</u>
Temporarily restricted net assets	1,000,071	912,946
Less: Allowance for uncollectible unconditional promises to give	(108,755)	(28,208)
Less: Discount on unconditional promises to give	<u>(88,474)</u>	<u>(66,102)</u>
	<u>\$ 802,842</u>	<u>\$ 818,636</u>

**NOTE K - PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets may be invested in ACCION's loan portfolio, cash, land, or investments, as designated by the donor. Permanently restricted net assets at December 31, 2010 and 2009 were restricted for the following purposes:

	<u>2010</u>	<u>2009</u>
Loan portfolio	\$ 685,418	\$ 628,685
Land or building	500,000	500,000
Operations	<u>676,692</u>	<u>732,029</u>
	<u>\$ 1,862,110</u>	<u>\$ 1,860,714</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

December 31, 2010 and 2009

**NOTE L - ENDOWMENT FUNDS**

1. Interpretation of Relevant Law

ACCION's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) adopted by the State of New Mexico during 2009 as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, ACCION classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to permanent endowments, and (3) accumulations of investment income to the permanent endowment funds made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Absent any donor restrictions, investment income will be classified as unrestricted. ACCION's endowments include only donor-restricted endowment funds.

The following table reflects permanently restricted net assets subject to UPMIFA. Excluded permanently restricted net assets at December 31, 2010 and 2009 are \$500,000 land and \$175,000 micro enterprise loan made from endowment corpus as permitted by the donor. Also excluded are \$37,000 and \$68,251 as of December 31, 2010 and 2009, respectively, of endowment pledges receivable from donors and other miscellaneous items.

***Endowment Net Asset Composition by Type of Fund as of December 31, 2010***

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 1,150,110	\$ 1,150,110
Total funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,150,110</u>	<u>\$ 1,150,110</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

December 31, 2010 and 2009

**NOTE L - ENDOWMENT FUNDS - CONTINUED**

1. Interpretation of Relevant Law - Continued

***Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2010***

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ -	\$ 1,117,463	\$ 1,117,463
Investment Return:				
Investment income	38,389	-	-	38,389
Net appreciation (realized and unrealized)	43,781	-	-	43,781
	82,170	-	1,117,463	1,199,633
Contributions	-	-	32,647	32,647
Appropriation of endowment assets for expenditure	(71,791)	-	-	(71,791)
Other changes:				
Administration fees	(10,379)	-	-	(10,379)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,150,110</u>	<u>\$ 1,150,110</u>

***Endowment Net Asset Composition by Type of Fund as of December 31, 2009***

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,117,463</u>	<u>\$ 1,117,463</u>
Total funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,117,463</u>	<u>\$ 1,117,463</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

December 31, 2010 and 2009

**NOTE L - ENDOWMENT FUNDS - CONTINUED**

1. Interpretation of Relevant Law - Continued

***Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2009***

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (125,797)	\$ -	\$ 978,068	\$ 852,271
Investment Return:				
Investment income	35,540	-	-	35,540
Net appreciation (realized and unrealized)	229,194	-	-	229,194
	138,937	-	978,068	1,117,005
Contributions	-	-	139,395	139,395
Appropriation of endowment assets for expenditure	(130,417)	-	-	(130,417)
Other changes:				
Administration fees	(8,520)	-	-	(8,520)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,117,463</u>	<u>\$ 1,117,463</u>

	<u>2010</u>	<u>2009</u>
Permanently restricted net assets		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	\$ 1,150,110	\$ 1,117,463
Land and building	500,000	500,000
Pledges and loans receivable	212,000	243,251
Total permanently restricted net assets	<u>\$ 1,862,110</u>	<u>\$ 1,860,714</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

December 31, 2010 and 2009

**NOTE L - ENDOWMENT FUNDS - CONTINUED**

2. Investment and Spending Objectives

Endowment funds may be invested in ACCION's loan portfolio, cash, or investments, as designated by the donor. Portions of ACCION's investment balances meet liquidity needs and preserve capital. Investment and interest income earned on endowment restricted assets are considered unrestricted and are available for spending. Remaining endowment funds are invested on a time horizon of three to seven years. The overall return goal targets an excess of the current bond yield while protecting principal. The primary risk control mechanism for endowment funds is asset allocation, and within the asset allocation, diversification between asset classes. Currently, the target asset allocation model for endowment funds is 60% equities, 25% fixed income, and 15% alternative investments (such as gold and real estate). These targets were met during the current year. Investment advisors have been retained for investment purposes and the investment committee periodically monitors performance.

From time to time, the fair value of assets associated with individual donor-restricted funds may fall below the level that the donor or UPMIFA requires ACCION to retain as a fund of perpetual duration. There were no deficiencies in endowment funds as of December 31, 2010 and 2009.

**NOTE M - NON-CONTROLLING INTEREST**

ACCION records non-controlling interest for a portion of net assets, which is owned by a third-party, First Community Bank, also a related party. First Community Bank contributed \$1,200,000 to ACCION, LLC (ALLC) in 2007 and has a 49% voting interest in ALLC. There has been no significant income reported by ALLC. The non-controlling interest in ALLC of \$1,199,797 is reflected as part of unrestricted net assets on the accompanying consolidated statements of financial position.

**NOTE N - EMPLOYEE SAVINGS PLAN**

ACCION sponsors a tax-deferred saving incentive match plan, which covers full-time employees who earned at least \$5,000 with ACCION in the previous calendar year. ACCION will match up to 3% of an employee's annual compensation, and these contributions are 100% vested. Employee contribution limits for the years ended December 31, 2010 and 2009 were \$11,500 and \$10,500, respectively. For the years ended December 31, 2010 and 2009, ACCION's expense for the plan was \$23,160 and \$20,207, respectively.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

December 31, 2010 and 2009

**NOTE O - LEASE OBLIGATIONS**

During 2006, ACCION entered into an operating lease, with an annual termination option, for office space that expired in 2011. ACCION elected to terminate the lease effective October 2010. Rent expense for the years ended December 31, 2010 and 2009 was \$49,127 and \$68,071, respectively. The 2009 amount includes in-kind rent of \$9,000.

**NOTE P - CONTINGENCIES**

Expenditures under grant programs may be subject to program or compliance audits by the grantor which may result in disallowed program expenditures. There are no such audits in progress at December 31, 2010.

**NOTE Q - SUBSEQUENT EVENT**

On January 28, 2011, State regulators closed First Community Bank and sold it to US Bank. First Community Bank had a 49% voting interest and contributed 99.92% of the capital to ACCION NM 2007A, LLC. Management has been in contact with US Bank and it is their opinion that US Bank will uphold the original agreement between First Community Bank and ACCION.

**SCHEDULES AND REPORTS REQUIRED  
BY OMB CIRCULAR A-133**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the year ended December 31, 2010

<b>Federal Grantor - Pass-through Grantor - Program Title -</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>Department of Treasury</b>		
Community Development Financial Institutions Funds Program	21.020	\$ 654,900
<b>Department of Commerce, Economic Development Administration</b>		
ARRA Construction of ACCION's Regional Headquarters	11.307	<u>1,104,750</u>
		<u>\$ 1,759,650</u>

**Notes to Schedule of Expenditures of Federal Awards****NOTE A**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of ACCION New Mexico, Inc. 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, *Audit 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 basic financial statements.

**Reconciliation to Financial Statements****Community Development Financial Institutions Program**

Remaining unrestricted net assets at December 31, 2009	\$ 936,919
Remaining temporarily restricted net assets at December 31, 2009	72,236
Increase to unrestricted and temporarily restricted net assets recorded during 2010	90,800
Reported federal expenditures in 2010	(654,900)
Remaining unrestricted net assets at December 31, 2010	(322,155)
Remaining temporarily restricted net assets at December 31, 2010	<u>(122,900)</u>
	<u>\$ -</u>

**Department of Commerce, Economic Development Administration**

Expenditures	\$ 1,104,750
Immaterial difference	<u>73</u>

<b>Reported Federal Awards Revenue Per Financial Statements</b>	<u>\$ 1,104,823</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 New Mexico, Inc.

We have audited the consolidated financial statements of ACCION New Mexico, Inc. (ACCION) as of and for the year ended December 31, 2010, and have issued our report thereon dated April 11, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered ACCION'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of ACCION's internal control over financial reporting.

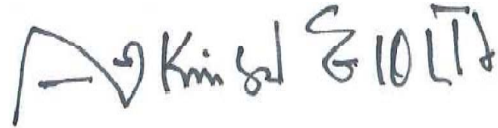
*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination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

On consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we conserved to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ACCION's consolidated 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 ACCION, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink, appearing to read "Atkinson & Co., Ltd.", with a stylized flourish on the left side.

**Atkinson & Co., Ltd.**

Albuquerque, New Mexico  
April 11, 2011



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**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A  
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors  
ACCION New Mexico, Inc.

Compliance

We have audited the compliance of ACCION New Mexico, Inc. (ACCION) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of ACCION's major federal programs for the year ended December 31, 2010. ACCION's major federal program is identified in the summary of auditors' 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's management. Our responsibility is to express an opinion on ACCION'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'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's compliance with those requirements.

In our opinion, ACCION complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2010.

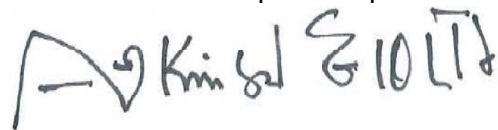
## Internal Control Over Compliance

The management of ACCION 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's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of ACCION's internal control over compliance. Accordingly, we do not express an opinion of the effectiveness of ACCION's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, others within ACCION, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink, appearing to read "Atkinson & Co., Ltd.", with a stylized flourish on the left side.

**Atkinson & Co., Ltd.**

Albuquerque, New Mexico  
April 11, 2011

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the year ended December 31, 2010

**Section I – Summary of Auditor’s Results**

***Financial Statements:***

Type of auditor’s report issued Unqualified

***Internal Control Over Financial Reporting:***

Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

***Federal Awards:***

Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

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 OMB Circular A-133? No

***Identification of major programs:***

**CFDA Numbers**

**Name of Federal Program or Cluster**

11.307

Department of Commerce Economic Development Administration

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes



**IDENTIFICATION OF AUDIT PRINCIPAL**

December 31, 2010

Audit Principal:	<u>Martin E. Mathisen, CPA</u>
Name and address of independent accounting firm:	<u>Atkinson &amp; Co., Ltd.</u> <u>6501 Americas Parkway NE</u> <u>Suite 700</u> <u>Albuquerque, New Mexico 87110</u>
Audit period:	<u>Year ended December 31, 2010</u>
Telephone Number:	<u>(505) 843-6492</u>
Federal Employee ID Number:	<u>85-0211867</u>

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