

**Acumen and Subsidiaries**

Consolidated Financial Statements

December 31, 2012 and 2011

## **Independent Auditors' Report**

### **Board of Directors Acumen Fund, Inc.**

We have audited the accompanying consolidated financial statements of Acumen Fund, Inc. and subsidiaries ("Acumen"), which comprise the consolidated statements of financial position as of December 31, 2012 and 2011, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Acumen Fund, Inc. and subsidiaries as of December 31, 2012 and 2011, and the changes in their consolidated net assets and their consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

We did not audit the financial statements of Acumen Capital Markets I, LP. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Acumen, is based solely on the reports of the other auditors.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedules on pages 19-21 are presented for purposes of additional analysis and are not a required part of the 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 consolidated financial statements. The information has not been subjected to the auditing procedures applied in the audit 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 consolidated 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 relation to the consolidated financial statements as a whole.

*O'Connor Davies, LLP*

May 24, 2013  
New York, New York

**Acumen Fund, Inc. and Subsidiaries**  
Consolidated Statements of Financial Position

	December 31,	
	2012	2011
<b>ASSETS</b>		
Operating Assets		
Cash and cash equivalents	\$ 40,857,136	\$ 44,278,761
Certificates of deposit	489,169	4,407,996
Contributions and pledges receivable	16,750,653	17,361,610
Interest receivable	33,274	19,764
Accounts and other receivables	5,326	16,882
Prepaid expenses and other current assets	278,172	93,676
Interest in charitable remainder trust	344,440	310,788
Property and equipment, net	202,814	142,490
Security deposits	61,087	49,014
Total Operating Assets	59,022,071	66,680,981
Portfolio Assets		
Cash and cash equivalents	220	575,658
Certificates of deposit	294,017	326,061
Interest and dividend receivable	777,816	644,672
Program related equity investments	29,220,281	26,120,411
Program related loans receivable	13,700,659	8,304,089
Total Portfolio Assets	43,992,993	35,970,891
Total Assets	\$ 103,015,064	\$ 102,651,872
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 470,018	\$ 443,991
Accrued salaries and related expenses	605,679	578,119
Deferred income	-	9,326
Notes payable	5,170,250	5,170,250
Accrued interest on notes payable	457,063	288,418
Total Liabilities	6,703,010	6,490,104
Net Assets		
Unrestricted		
Operating	29,398,821	31,390,121
Portfolio funds	43,992,993	35,968,242
Noncontrolling limited partners' interests		
in consolidated entities	1,798,388	2,325,287
Total Unrestricted	75,190,202	69,683,650
Temporarily restricted	21,121,852	26,478,118
Total Net Assets	96,312,054	96,161,768
	\$ 103,015,064	\$ 102,651,872

See notes to consolidated financial statements

**Acumen Fund, Inc. and Subsidiaries**

Consolidated Statements of Activities  
Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Operating Support and Revenue			
Contributions	\$ 5,448,306	\$ 7,706,403	\$ 13,154,709
Provision for uncollectible pledges	(38,776)	(3,139,342)	(3,178,118)
Donated services	1,996,616	1,171,444	3,168,060
Investment income	138,785	21,203	159,988
Change in value of charitable remainder trust	-	33,652	33,652
Other income	61,139	-	61,139
Net assets released from restrictions	<u>6,705,966</u>	<u>(6,705,966)</u>	<u>-</u>
Total Operating Support and Revenue	<u>14,312,036</u>	<u>(912,606)</u>	<u>13,399,430</u>
 Portfolio Revenue			
Interest and dividend income, program related investments	1,027,569	-	1,027,569
Provision for losses	(1,373,621)	-	(1,373,621)
Other investment expenses	(179,739)	-	(179,739)
Net assets released from restrictions	<u>4,443,660</u>	<u>(4,443,660)</u>	<u>-</u>
Total Portfolio Revenue	<u>3,917,869</u>	<u>(4,443,660)</u>	<u>(525,791)</u>
Total Support and Revenue	<u>18,229,905</u>	<u>(5,356,266)</u>	<u>12,873,639</u>
 <b>EXPENSES</b>			
Program Expenses			
Portfolio management	5,869,066	-	5,869,066
Outreach, impact and communications	2,409,776	-	2,409,776
Fellows	<u>905,287</u>	<u>-</u>	<u>905,287</u>
Total Program Expenses	<u>9,184,129</u>	<u>-</u>	<u>9,184,129</u>
Supporting Expenses			
Management and general	1,973,790	-	1,973,790
Fundraising	<u>1,517,048</u>	<u>-</u>	<u>1,517,048</u>
Total Supporting Expenses	<u>3,490,838</u>	<u>-</u>	<u>3,490,838</u>
Total Expenses	<u>12,674,967</u>	<u>-</u>	<u>12,674,967</u>
Change in Net Assets Before Foreign Currency Exchange Loss and Contributed Capital	5,554,938	(5,356,266)	198,672
Foreign currency exchange loss	<u>(48,386)</u>	<u>-</u>	<u>(48,386)</u>
Change in Net Assets	5,506,552	(5,356,266)	150,286
 <b>NET ASSETS</b>			
Beginning of the year	<u>69,683,650</u>	<u>26,478,118</u>	<u>96,161,768</u>
End of the year	<u>\$ 75,190,202</u>	<u>\$ 21,121,852</u>	<u>\$ 96,312,054</u>

**Acumen Fund, Inc. and Subsidiaries**

Consolidated Statements of Activities  
Year Ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Operating Support and Revenue			
Contributions	\$ 7,860,469	\$ 8,385,329	\$ 16,245,798
Provision for uncollectible pledges	(100,000)	(208,449)	(308,449)
Donated services	2,292,226	-	2,292,226
Investment income	237,357	24,053	261,410
Change in value of charitable remainder trust	-	(12,279)	(12,279)
Other income	76,787	-	76,787
Replenishment of released funds	(280,000)	280,000	-
Net assets released from restrictions	<u>5,145,720</u>	<u>(5,145,720)</u>	<u>-</u>
Total Operating Support and Revenue	<u>15,232,559</u>	<u>3,322,934</u>	<u>18,555,493</u>
 Portfolio Revenue			
Interest and dividend income, program related investments	976,852	-	976,852
Provision for losses	(2,199,564)	-	(2,199,564)
Other investment expenses	(202,919)	-	(202,919)
Reclassification of funds	(15,074)	15,074	-
Net assets released from restrictions	<u>1,452,486</u>	<u>(1,452,486)</u>	<u>-</u>
Total Portfolio Revenue	<u>11,781</u>	<u>(1,437,412)</u>	<u>(1,425,631)</u>
Total Support and Revenue	<u>15,244,340</u>	<u>1,885,522</u>	<u>17,129,862</u>
 <b>EXPENSES</b>			
Program Expenses			
Portfolio management	6,408,951	-	6,408,951
Outreach, impact and communications	1,970,154	-	1,970,154
Fellows	960,039	-	960,039
Total Program Expenses	<u>9,339,144</u>	<u>-</u>	<u>9,339,144</u>
Supporting Expenses			
Management and general	1,654,514	-	1,654,514
Fundraising	1,650,490	-	1,650,490
Total Supporting Expenses	<u>3,305,004</u>	<u>-</u>	<u>3,305,004</u>
Total Expenses	<u>12,644,148</u>	<u>-</u>	<u>12,644,148</u>
Change in Net Assets Before Foreign Currency Exchange Loss and Contributed Capital	2,600,192	1,885,522	4,485,714
Foreign currency exchange loss	(314,962)	-	(314,962)
Contributed capital	<u>2,392,563</u>	<u>-</u>	<u>2,392,563</u>
Change in Net Assets	4,677,793	1,885,522	6,563,315
 <b>NET ASSETS</b>			
Beginning of the year	<u>65,005,857</u>	<u>24,592,596</u>	<u>89,598,453</u>
 End of the year	<u>\$ 69,683,650</u>	<u>\$ 26,478,118</u>	<u>\$ 96,161,768</u>

**Acumen Fund, Inc. and Subsidiaries**

Consolidated Statements of Cash Flows

	For the Year Ended December 31,	
	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 150,286	\$ 6,563,315
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	104,125	84,675
Provision for uncollectible pledges and write-offs	3,177,801	2,525,456
Donated securities	(226,682)	(186,591)
Other	-	(1,463)
Change in interest in charitable remainder trust	(33,652)	12,279
Foreign currency exchange loss	(201,358)	(113,560)
Provision for portfolio losses	1,373,621	2,199,564
Investments returned	1,353,720	778,458
Change in operating assets and liabilities		
Pledges receivable, net of discount	(2,566,844)	(2,939,602)
Accrued interest receivable	(146,654)	(40,565)
Accounts and other receivables	11,556	(4,940)
Prepaid expenses and other current assets	(184,496)	83,889
Accounts payable and accrued expenses	222,232	750,492
Deferred income	(9,326)	(2,149)
Net Cash from Operating Activities	3,024,329	9,709,258
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(132,402)	(121,860)
Purchase of investments	-	(800,000)
Proceeds from sale of investments	4,145,509	6,565,201
Program related loans made	(9,571,500)	(4,152,870)
Program related equity investments made	(6,088,020)	(7,590,059)
Repayment of program related loans	4,637,094	2,492,200
Security (deposits) refunds	(12,073)	29,949
Net Cash from Investing Activities	(7,021,392)	(3,577,439)
Change in Cash	(3,997,063)	6,131,819
<b>CASH</b>		
Beginning of year	44,854,419	38,722,600
End of year	\$40,857,356	\$44,854,419
<b>SUPPLEMENTAL CASH FLOWS INFORMATION</b>		
Cash paid for taxes	\$ 88,682	\$ 121,352

See notes to consolidated financial statements

## **Acumen Fund, Inc. and Subsidiaries**

Notes to Consolidated Financial Statements  
December 31, 2012 and 2011

### **1. Organization and Tax Status**

Acumen Fund, Inc., a not for profit organization, aims to elevate the lives of the poor by building financially sustainable and scalable organizations (non-profit and for-profit) that deliver affordable, critical goods and services. A disciplined process is adhered to in selecting and managing its philanthropic investments as well as in measuring the end result. Acumen manages six portfolio areas of expertise, focused on global social needs: (i) Health, (ii) Housing (iii) Water & Sanitation, (iv) Energy,(v) Agriculture and (vi) Education. Acumen Fund, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and has been classified as an organization that is not a private foundation.

In addition to managing its global operations from its New York office, Acumen Fund, Inc. formed Acumen Advisory Services India Private Limited (“Acumen India”) and Acumen (a Pakistan company)(“Acumen Pakistan”); subsidiaries which manage regional operations. Acumen India is a corporation which Acumen Fund, Inc. owns 99.9%. Acumen Pakistan is a company limited by guarantee incorporated in Pakistan under section 42 of the Companies Ordinance, 1984, which is the equivalent to a 501(c)(3) public charity in the United States. Acumen Pakistan is governed by its local Board of Directors. Acumen Fund, Inc. has the right to appoint a majority of the Board of Directors of Acumen Pakistan which comprises of two directors appointed by Acumen Fund, Inc. under the Affiliation and Funding Agreement dated February 2008 and three directors elected by its members. Acumen Pakistan’s membership includes Acumen Fund, Inc. and many Acumen Fund, Inc. employees as well as some outside individuals.

In December 2008, Acumen Fund, Inc. formed a limited partnership, Acumen Capital Markets I, LP (“ACM”), in which it serves as general partner and manager. ACM is to have a total capitalization of \$15.8 million towards which Acumen has made a commitment of \$1.1 million. ACM makes portfolio investments consistent with and as an extension of Acumen’s charitable activities. ACM is a Delaware limited partnership. Accordingly for income tax purposes, the partners report their respective portions of ACM income and expense in their income tax returns.

The accompanying consolidated financial statements of Acumen Fund, Inc. include the accounts of Acumen Fund, Inc., Acumen India, Acumen Pakistan and ACM (collectively Acumen).

### **2. Summary of Significant Accounting Policies**

#### ***Principles of Consolidated Financial Statements***

All significant intercompany account balances and transactions have been eliminated in consolidation.

#### ***Basis of Presentation***

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).



## **Acumen Fund, Inc. and Subsidiaries**

Notes to Consolidated Financial Statements  
December 31, 2012 and 2011

### **2. Summary of Significant Accounting Policies (*continued*)**

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

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly actual results could differ from those estimates.

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

Acumen considers all highly liquid investments available for operations, with a maturity of three months or less at the time of purchase to be cash equivalents.

#### ***Fair Value of Financial Instruments***

Acumen follows Financial Accounting Standards Board (FASB) guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

#### ***Contributions and Pledges Receivable***

Contributions and unconditional promises to give are recorded as support when signed pledges are unconditional and are classified as either unrestricted, temporarily restricted, or permanently restricted support.

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 discounts on those amounts are computed using rates applicable to the years in which the promises are received and consider market and credit risk as applicable. Amortization of the discounts and changes in allowance for doubtful accounts are included in contribution support in the statements of activities.

#### ***Allowance for Doubtful Accounts***

An allowance for doubtful accounts is established for contributions receivable where there exists doubt as to whether amounts will be fully collected. The determination of this allowance is an estimate based on Acumen's historical experience, review of account balances and expectations relative to collections.

## **Acumen Fund, Inc. and Subsidiaries**

Notes to Consolidated Financial Statements  
December 31, 2012 and 2011

### **2. Summary of Significant Accounting Policies (*continued*)**

#### ***Property and Equipment***

Property and equipment are stated at cost. Acumen capitalizes all purchases of property and equipment greater than \$1,000. Depreciation is recognized using the straight-line method over the estimated useful lives of the assets.

#### ***Net Asset Presentation***

Acumen reports information regarding its financial position and activities according to three classes of net assets based on donor restrictions: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets based on the presence or absence of donor imposed restrictions.

#### ***In-kind Contributions***

Donated services are stated in the financial statements at fair value if those services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and that would typically be purchased if not provided by donation.

#### ***Beneficial Interest in a Charitable Remainder Trust***

Acumen has a beneficial interest in a charitable remainder trust. Under the terms of the trust, distributions are made from the trust to designated beneficiaries for the remainder of their lives. The remainder of the assets in the trust will be transferred to Acumen. The trust is held and managed by an independent trustee. As of December 31, 2012, the value of Acumen's estimated interest in the remainder trusts was approximated using a 7% discount rate over the remaining life expectancy of the income beneficiaries.

#### ***Program Related Equity Investments***

Equity investments are reflected at cost less an allowance for impairment in value. Whether a valuation allowance is necessary due to impairment is determined based on various factors, including the enterprise's cash flow from operations and other pertinent factors related to the enterprise's operations and ability to attract additional capital from other investors.

#### ***Program Related Loans Receivable***

Loans are carried at an amount equal to the assets transferred if the loans are at the market interest rate applicable to the borrower. If the contractual interest rate is lower than the market rate, the difference between the cash transferred to the borrower and the present value of the contractual payments for the loan at the effective interest rate is recognized as contribution expense.

## **Acumen Fund, Inc. and Subsidiaries**

Notes to Consolidated Financial Statements  
December 31, 2012 and 2011

### **2. Summary of Significant Accounting Policies (*continued*)**

#### ***Program Related Loans Receivable***

Each loan is analyzed for significant risk factors and appropriate interest rates are charged (currently ranging from 2% to 19%). Determining whether a valuation allowance is necessary due to impairment is based on various factors, including the debtor's cash flow from operations and other pertinent factors related to the debtor's operations and ability to attract additional capital from other investors. Repayment terms differ for each loan.

#### ***Grant Expense***

Grant expense is recognized at the time a grant is authorized. Grants which are conditional on the recipient fulfilling certain obligations prior to receiving funds are recognized at the time those conditions are satisfied. Grants payable later than one year from the end of a fiscal year are discounted to present value.

#### ***Allocation of Expenses***

Certain expenses are allocated to program or supporting services based on management's estimates.

#### ***Reclassifications***

Certain amounts in the December 31, 2011 financial statements have been reclassified for comparative purposes only.

#### ***Accounting for Uncertainty in Income Taxes***

Acumen recognizes the effect of income tax positions only when they are more than likely than not of being sustained. Management has determined that Acumen had no uncertain tax positions that would require financial statement recognition. Acumen is no longer subject to audits by the United States taxing jurisdictions for periods prior to December 31, 2009.

#### ***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is May 24, 2013.

### **3. Concentration of Credit Risk**

Financial instruments that potentially subject Acumen to concentrations of credit risk consist principally of cash and cash equivalents and program related portfolio loans and equity investments. At times cash balances held at financial institutions may be in excess of federally insured limits. Acumen also maintains bank accounts in India and Pakistan. There is no insurance on these accounts. Acumen has not experienced any losses on its cash deposits.

## Acumen Fund, Inc. and Subsidiaries

Notes to Consolidated Financial Statements  
December 31, 2012 and 2011

### 3. Concentration of Credit Risk *(continued)*

Program related portfolio loans receivable and equity investments are associated with projects based in developing countries. As such, the projects and related investments are subject to various uncertainties including, but not limited to, political, commercial and currency risk.

### 4. Contributions and Pledges Receivable

Pledges receivable are shown net of a discount to present value using rates ranging from .4% to 5% on payments due in future years.

Contributions and pledges receivable are due as follows at December 31:

	<u>2012</u>	<u>2011</u>
Due within:		
Up to one year	\$ 12,328,849	\$ 10,210,114
One to five years	<u>8,726,896</u>	<u>8,673,102</u>
	21,055,745	18,883,216
Present value discount	(647,842)	(1,042,157)
Allowance for doubtful accounts	<u>(3,657,250)</u>	<u>(479,449)</u>
Pledges receivable, net	<u>\$ 16,750,653</u>	<u>\$ 17,361,610</u>

### 5. Fair Value Measurements

Acumen's beneficial interest in charitable remainder trusts is measured at fair value on a recurring basis. The beneficial interest in charitable remainder trusts are Level 3 inputs using the fair value hierarchy.

The following is a reconciliation of the beginning and ending balances for Level 3 assets for 2012:

Beginning balance	\$ 310,788
Change in present value of beneficial interest in remainder trust	<u>33,652</u>
Ending balance	<u>\$ 344,440</u>

## Acumen Fund, Inc. and Subsidiaries

Notes to Consolidated Financial Statements  
December 31, 2012 and 2011

### 6. Property and Equipment

Property and equipment at December 31 consist of the following:

	2012	2011
Computer equipment and website development	\$ 377,149	\$ 500,446
Leasehold improvements and equipment	352,867	339,422
Furniture	125,698	62,189
	855,714	902,057
Accumulated depreciation	(652,900)	(759,567)
	\$ 202,814	\$ 142,490

Depreciation expense for 2012 and 2011 was \$104,122 and \$84,674, respectively.

### 7. Program Related Loans Receivable

Program related portfolio loans receivable consist of loans advanced to projects located throughout the developing world related to Acumen's portfolio activities. Loans receivable are carried at a cost of \$15,136,195 and \$9,406,540 less an allowance for uncollectible amounts of \$1,208,205 and \$988,891 and a foreign currency adjustment of \$227,331 and \$113,560 at December 31, 2012 and 2011.

Contractual interest rates on program related loans at December 31, 2012 and 2011 were equal to the market rates and therefore no contribution expense was recorded.

The following is an analysis by class of the past due program related portfolio loans at December 31, 2012 and 2011:

	2012					
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 days	Total Past Due	Current	Total Financing Receivable
	Health	\$ -	\$ -	\$ 991,667	\$ 991,667	\$ 5,131,098
Water	34,240	-	-	34,240	358,448	392,688
Housing	-	-	112,500	112,500	1,028,120	1,140,620
Total	\$ 34,240	\$ -	\$ 1,104,167	\$ 1,138,407	\$ 6,517,666	\$ 7,656,073
	2011					
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 days	Total Past Due	Current	Total Financing Receivable
Health	\$ 105,395	\$ -	\$ 1,431,901	\$ 1,537,296	\$ 2,482,035	\$ 4,019,331
Total	\$ 105,395	\$ -	\$ 1,431,901	\$ 1,537,296	\$ 2,482,035	\$ 4,019,331

## Acumen Fund, Inc. and Subsidiaries

Notes to Consolidated Financial Statements  
December 31, 2012 and 2011

### 7. Program Related Loans Receivable *(continued)*

The following reflects the activity in the valuation allowance account for the years ended December 31, 2012 and 2011 by class of financing receivables and the recorded investment in financing receivables related to each balance in the valuation allowance account at December 31, 2012 and 2011.

	2012				Total
	Health	Agriculture	Housing	Water and Sanitation	
<b>Allowance for credit losses</b>					
Beginning balance	\$ 761,091	\$ 33,850	\$ 126,490	\$ 67,460	\$ 988,891
Charge-offs	(7,897)	(33,850)	-	-	(41,747)
Provision	100,000	-	105,039	56,022	261,061
Ending balance	<u>\$ 853,194</u>	<u>\$ -</u>	<u>\$ 231,529</u>	<u>\$ 123,482</u>	<u>\$ 1,208,205</u>
Ending balance, individually evaluated for impairment	<u>\$ 853,194</u>	<u>\$ -</u>	<u>\$ 231,529</u>	<u>\$ 123,482</u>	<u>\$ 1,208,205</u>
<b>Financing receivables</b>					
Ending balance	<u>\$2,034,109</u>	<u>\$ -</u>	<u>\$ 463,058</u>	<u>\$164,643</u>	<u>\$ 2,661,810</u>
Ending balance, individually evaluated for impairment	<u>\$2,034,109</u>	<u>\$ -</u>	<u>\$ 463,058</u>	<u>\$164,643</u>	<u>\$ 2,661,810</u>
	2011				
	Health	Agriculture	Housing	Water and Sanitation	Total
<b>Allowance for credit losses</b>					
Beginning balance	\$ 829,126	\$ -	\$ -	\$ -	\$ 829,126
Charge-offs	(134,795)	-	-	-	(134,795)
Provision	66,760	33,850	126,490	67,460	294,560
Ending balance	<u>\$ 761,091</u>	<u>\$ 33,850</u>	<u>\$ 126,490</u>	<u>\$ 67,460</u>	<u>\$ 988,891</u>
Ending balance, individually evaluated for impairment	<u>\$ 761,091</u>	<u>\$ 33,850</u>	<u>\$ 126,490</u>	<u>\$ 67,460</u>	<u>\$ 988,891</u>
<b>Financing receivables</b>					
Ending balance	<u>\$1,644,639</u>	<u>\$ 677,000</u>	<u>\$ 505,960</u>	<u>\$179,897</u>	<u>\$ 3,007,496</u>
Ending balance, individually evaluated for impairment	<u>\$1,644,639</u>	<u>\$ 677,000</u>	<u>\$ 505,960</u>	<u>\$179,897</u>	<u>\$ 3,007,496</u>

All impaired loans at December 31, 2012 and 2011 are included in the ending balance of financing receivables.

## Acumen Fund, Inc. and Subsidiaries

Notes to Consolidated Financial Statements  
December 31, 2011 and 2010

### 7. Program Related Loans Receivable *(continued)*

Acumen assesses the risk of their financing receivables internally as either performing or monitoring. Performing receivables are investments that meet repayment benchmarks on a timely basis. Monitoring receivables are investments that are either behind in their repayment schedules or the overall health of the investee organization is lessened based upon an assessment of the investee. The following is the recorded investment in financing receivables using Acumen's internally assigned credit quality indicators.

	2012		
	Performing	Monitoring	Total
Health	\$2,749,520	\$2,381,578	\$ 5,131,098
Agriculture	1,742,230	4,471,354	6,213,584
Energy	1,000,000	-	1,000,000
Housing	-	1,140,620	1,140,620
Water and Sanitation	-	392,688	392,688
Education	50,000	-	50,000
	5,541,750	8,386,240	13,927,990
Foreign Currency Adjustment			(227,331)
			\$13,700,659
	2011		
	Performing	Monitoring	Total
Health	\$1,738,104	\$2,281,227	\$ 4,019,331
Agriculture	1,876,781	643,150	2,519,931
Energy	375,000	-	375,000
Housing	575,894	379,470	955,364
Water and Sanitation	104,000	444,023	548,023
	4,669,779	3,747,870	8,417,649
Foreign Currency Adjustment			(113,560)
			\$ 8,304,089

Expected repayments (exclusive of provisions for conversion to equity positions in the project) are as follows:

2013	\$ 4,410,490
2014	1,236,362
2015	2,504,625
2016	1,737,503
2017	2,778,477
2018 and thereafter	2,468,738
	\$ 15,136,195

## Acumen Fund, Inc. and Subsidiaries

Notes to Consolidated Financial Statements  
December 31, 2012 and 2011

### 8. Program Related Equity Investments

Program related equity investments consist of funds invested for equity positions in business enterprises in connection with Acumen's portfolio activities. Equity investments are carried at cost of \$34,295,306 and \$30,261,005 less a valuation allowance of \$5,075,025 and \$4,140,594 at December 31, 2012 and 2011.

Acumen holds a significant ownership percentage in certain of its program related equity investments however it does not have controlling financial or majority voting interest in those investments. The shareholder agreements provide for the original project developer to maintain a controlling majority of the voting rights on the board of directors and for Acumen to maintain only a minority of such rights. Acumen does not heavily participate in the management or direction of ongoing operations or operating decisions. In addition, Acumen's significant ownership percentage in some cases is only temporary and will be diluted at such time the enterprise receives further capitalization from local investors. Accordingly, in consideration of these circumstances, Acumen does not present the accounts and transactions of these enterprises as part of its consolidated financial statements.

### 9. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following at December 31:

	<u>2012</u>	<u>2011</u>
Education	\$ 3,166,750	\$ 3,856,539
Water	1,642,912	183,202
Agriculture	1,340,817	2,604,417
Health	328,593	3,080,205
Energy	2,487,101	4,800,308
Fellows	2,205,425	2,467,082
Donor imposed time restrictions	9,950,254	9,486,365
	<u>\$ 21,121,852</u>	<u>\$ 26,478,118</u>



## Acumen Fund, Inc. and Subsidiaries

Notes to Consolidated Financial Statements  
December 31, 2012 and 2011

### 9. Temporarily Restricted Net Assets *(continued)*

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by the donor or as a result of the expiration of donor imposed time restrictions as follows:

	2012	2011
Housing	\$ -	\$ 16,666
Education	614,979	1,200
Water	526,000	67,239
Agriculture	1,266,031	2,166,564
Health	2,750,000	37,301
Energy	2,577,552	-
Fellows	860,904	-
Other	288,825	-
Donor imposed time restrictions	<u>2,265,335</u>	<u>4,309,236</u>
	<u>\$ 11,149,626</u>	<u>\$ 6,598,206</u>

### 10. Notes Payable

ACM has a \$5,270,250 promissory note and security agreement (the "Notes") with certain of its limited partners and others for the purpose of providing investment capital to social entrepreneurs that seek to build viable businesses that serve the poor. The Notes are unsecured, unguaranteed, and uninsured with a fixed rate of interest of 3% per annum. The interest is payable quarterly if, in the reasonable discretion of the Investment Manager, cash is available for payment at such time. The principal on the Notes and any unpaid interest shall be payable at the end of the term solely out of the assets of ACM. ACM shall have no obligation to pay interest and principal unless it has unencumbered assets sufficient to pay such amounts. The Investment Manager shall have no obligation to liquidate assets of ACM or make capital calls to its partners in order to make payments of interest at any time prior to maturity of the Note.

At December 31, 2012 and 2011, ACM had drawn \$5,270,250, representing 100% of the Note commitment, \$100,000 of which was from Acumen Fund, Inc. and has been eliminated in consolidation.

### 11. In-Kind Contributions

In-kind contributions for the years ended December 31 are as follows:

	2012	2011
Rent	\$ 1,507,444	\$ 319,062
Legal services	<u>1,660,616</u>	<u>1,973,164</u>
	<u>\$ 3,168,060</u>	<u>\$ 2,292,226</u>

## Acumen Fund, Inc. and Subsidiaries

Notes to Consolidated Financial Statements  
December 31, 2011 and 2010

### 12. Retirement Plan

Acumen Fund, Inc. maintains a 401(k) defined contribution retirement plan covering eligible employees. Acumen Fund, Inc. contributes 3% of the employees' compensation, inclusive of bonuses. Acumen Fund, Inc. plan expenses were \$104,090 and \$91,976 for 2012 and 2011.

### 13. Commitments and Contingencies

#### *Leases*

Acumen occupies its primary office location at no charge under an agreement for donated occupancy which expires in October 31, 2015. Donated occupancy recognized in the consolidated statement of activities for 2012 and 2011 totaled \$336,000 and \$319,062, respectively.

Acumen also occupies office space in connection with its global operations under operating leases which provide for minimum annual rental payments as follows:

2013	\$ 155,179
2014	127,228
2015	<u>38,467</u>
	<u>\$ 320,874</u>

Rent expense (including donated occupancy) for 2012 and 2011 was \$575,362 and \$506,956, respectively.

#### *Program Grants, Loans and Investments*

Since 2001, Acumen has made portfolio loan and equity disbursements in excess of \$65.7 million. Together with committed disbursements approved but not yet made of approximately \$11.4 million, Acumen's cumulative investments under management total over \$77.1 million.

The following summarizes Acumen's portfolio disbursements for the years ended December 31:

	<u>2012</u>	<u>2011</u>
Loans	\$ 9,571,500	\$ 2,777,399
Equity investments	<u>6,088,020</u>	<u>6,450,059</u>
	<u>\$ 15,659,520</u>	<u>\$ 9,227,458</u>

## Acumen Fund, Inc. and Subsidiaries

Notes to Consolidated Financial Statements  
December 31, 2012 and 2011

### 13. Commitments and Contingencies (*continued*)

At December 31, 2012 and 2011 approximately \$11.4 million and \$14.1 million in program disbursements have been committed and remains contingent upon the approval of interim progress reports and statements. Approximately \$4.6 million of additional program disbursements were committed in 2012. Subsequent disbursements are to be made upon Acumen's satisfaction that recipients have demonstrated progress towards the stated objectives of the disbursements.

#### ***Standby Letters of Credit***

At December 31, 2012 and 2011, Acumen had outstanding standby letters of credit in the total amount of \$294,000, as guarantees for program related lending activities. The letters of credit were issued in lieu of direct portfolio loan disbursements and certificates of deposit were purchased as collateral for the letters of credit.

#### ***Committed Capital***

At December 31, 2012 and 2011, ACM limited partners had a commitment to make program loans or investments of \$9,570,250 and Acumen Fund, Inc. had a commitment to make program loans or investments of \$1,000,000. Acumen Fund, Inc. may draw down these commitments to enable ACM to make investments, to pay fees and expenses or to provide reserves. At December 31, 2012 and 2011, ACM's funded partner commitments amounted to \$4,635,208. The ratio of total contributed capital to total committed capital is 44%.

\* \* \* \* \*

## **Supplementary Financial Information**

**Acumen Fund, Inc. and Subsidiaries**

Consolidating Schedule of Financial Position  
December 31, 2012  
(with summarized totals at December 31, 2011)

	Acumen Fund, Inc.			Acumen India	Acumen Pakistan	Acumen Capital Markets I, LP	Eliminating Entries	2012 Total	2011 Total
	Unrestricted	Temporarily Restricted	Total						
<b>ASSETS</b>									
<b>Operating Assets</b>									
Cash and cash equivalents	\$ 29,969,749	\$ 6,159,135	\$ 36,128,884	\$ 570,070	\$ 598,534	\$ 3,559,648	\$ -	\$ 40,857,136	\$ 44,278,761
Certificates of deposit	489,169	-	489,169	-	-	-	-	489,169	4,407,996
Contributions and pledges receivable, net	2,132,376	14,618,277	16,750,653	-	-	-	-	16,750,653	17,361,610
Interest receivable	6,653	-	6,653	-	26,621	-	-	33,274	19,764
Investment in subsidiaries	500,959	-	500,959	-	-	-	(500,959)	-	-
Loans to subsidiaries	918,750	-	918,750	-	-	-	(918,750)	-	-
Accounts and other receivables	395,329	-	395,329	796,998	257	-	(1,187,258)	5,326	16,882
Prepaid expenses and other current assets	149,814	-	149,814	83,860	18,798	25,700	-	278,172	93,676
Interest in charitable remainder trust	-	344,440	344,440	-	-	-	-	344,440	310,788
Property and equipment, net	118,864	-	118,864	53,639	30,311	-	-	202,814	142,490
Security deposits	13,187	-	13,187	46,768	1,132	-	-	61,087	49,014
Total Operating Assets	34,694,850	21,121,852	55,816,702	1,551,335	675,653	3,585,348	(2,606,967)	59,022,071	66,680,981
<b>Portfolio Assets</b>									
Cash and cash equivalents	220	-	220	-	-	-	-	220	575,658
Certificates of deposit	294,017	-	294,017	-	-	-	-	294,017	326,061
Interest and dividend receivable	753,160	-	753,160	-	-	24,656	-	777,816	644,672
Program related portfolio equity investments	25,775,656	-	25,775,656	-	-	3,964,625	(520,000)	29,220,281	26,120,411
Program related portfolio loans receivable	12,149,201	-	12,149,201	-	812,925	838,533	(100,000)	13,700,659	8,304,089
Total Portfolio Assets	38,972,254	-	38,972,254	-	812,925	4,827,814	(620,000)	43,992,993	35,970,891
	<u>\$ 73,667,104</u>	<u>\$ 21,121,852</u>	<u>\$ 94,788,956</u>	<u>\$ 1,551,335</u>	<u>\$ 1,488,578</u>	<u>\$ 8,413,162</u>	<u>\$ (3,226,967)</u>	<u>\$ 103,015,064</u>	<u>\$ 102,651,872</u>
<b>LIABILITIES AND NET ASSETS</b>									
<b>Liabilities</b>									
Accounts payable and accrued expenses	\$ 1,223,884	\$ -	\$ 1,223,884	\$ 36,730	\$ 26,481	\$ 429,639	\$ (1,246,716)	\$ 470,018	\$ 443,991
Accrued salaries and related expenses	540,204	-	540,204	42,716	22,759	-	-	605,679	578,119
Deferred income	-	-	-	-	-	-	-	-	9,326
Intercompany Loan	-	-	-	-	918,009	-	(918,009)	-	-
Notes payable	-	-	-	-	-	5,270,250	(100,000)	5,170,250	5,170,250
Accrued interest on notes payable	-	-	-	-	-	457,063	-	457,063	288,418
Total Liabilities	1,764,088	-	1,764,088	79,446	967,249	6,156,952	(2,264,725)	6,703,010	6,490,104
<b>Net Assets</b>									
<b>Unrestricted</b>									
Operating	32,930,762	-	32,930,762	-	(291,596)	-	(3,240,345)	29,398,821	31,390,121
Portfolio funds	38,972,254	-	38,972,254	-	812,925	-	4,207,814	43,992,993	35,968,242
Noncontrolling limited partners' interests in consolidated subsidiaries	-	-	-	-	-	-	1,798,388	1,798,388	2,325,287
Total Unrestricted	71,903,016	-	71,903,016	-	521,329	-	2,765,857	75,190,202	69,683,650
Temporarily restricted	-	21,121,852	21,121,852	-	-	-	-	21,121,852	26,478,118
Contributed capital	-	-	-	554,506	-	-	(554,506)	-	-
Stockholder's equity	-	-	-	917,383	-	-	(917,383)	-	-
Partners' capital	-	-	-	-	-	2,256,210	(2,256,210)	-	-
Total Net Assets	71,903,016	21,121,852	93,024,868	1,471,889	521,329	2,256,210	(962,242)	96,312,054	96,161,768
	<u>\$ 73,667,104</u>	<u>\$ 21,121,852</u>	<u>\$ 94,788,956</u>	<u>\$ 1,551,335</u>	<u>\$ 1,488,578</u>	<u>\$ 8,413,162</u>	<u>\$ (3,226,967)</u>	<u>\$ 103,015,064</u>	<u>\$ 102,651,872</u>

**Acumen Fund, Inc. and Subsidiaries**

Consolidating Schedule of Activities  
Year Ended December 31, 2012

(with summarized totals for the year ended December 31, 2011)

	Acumen Fund, Inc.			Acumen India	Acumen Pakistan	Acumen Capital Markets I, LP	Eliminating Entries	2012 Total	2011 Total
	Unrestricted	Temporarily Restricted	Total						
<b>REVENUE</b>									
Operating Revenue, Gains and Other Support									
Contributions	\$ 4,643,319	\$ 7,706,403	\$ 12,349,722	\$ 407,670	\$ 774,916	\$ -	\$ (377,599)	\$ 13,154,709	\$ 16,245,798
Provision for uncollectible amounts	(38,776)	(3,139,342)	(3,178,118)	-	-	-	-	(3,178,118)	(308,449)
Donated services	1,996,616	1,171,444	3,168,060	-	-	-	-	3,168,060	2,292,226
Program fees	390,260	-	390,260	949,359	-	-	(1,339,619)	-	-
Investment income	83,212	21,203	104,415	-	45,707	9,866	-	159,988	261,410
Change in value of charitable remainder trust	-	33,652	33,652	-	-	-	-	33,652	(12,279)
Other income	56,493	-	56,493	-	4,646	-	-	61,139	76,787
Net assets released from restrictions	<u>6,705,966</u>	<u>(6,705,966)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Revenue, Gains and Other Support	13,837,090	(912,606)	12,924,484	1,357,029	825,269	9,866	(1,717,218)	13,399,430	18,555,493
Portfolio Revenue and Losses									
Interest and dividend income - program related investments	844,043	-	844,043	-	88,042	95,484	-	1,027,569	976,852
Provision for portfolio losses	(1,103,775)	-	(1,103,775)	-	(269,846)	-	-	(1,373,621)	(2,199,564)
Other portfolio investment expenses	(11,094)	-	(11,094)	-	-	(168,645)	-	(179,739)	(202,919)
Net assets released from restriction - portfolio	<u>4,443,660</u>	<u>(4,443,660)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Portfolio Revenue and Losses	<u>4,172,834</u>	<u>(4,443,660)</u>	<u>(270,826)</u>	<u>-</u>	<u>(181,804)</u>	<u>(73,161)</u>	<u>-</u>	<u>(525,791)</u>	<u>(1,425,631)</u>
Total Revenues	<u>18,009,924</u>	<u>(5,356,266)</u>	<u>12,653,658</u>	<u>1,357,029</u>	<u>643,465</u>	<u>(63,295)</u>	<u>(1,717,218)</u>	<u>12,873,639</u>	<u>17,129,862</u>
<b>EXPENSES</b>									
Program Services									
Portfolio management	6,052,143	-	6,052,143	632,497	392,606	477,572	(1,685,752)	5,869,066	6,408,951
Outreach, impact and communication	2,379,601	-	2,379,601	12,781	17,394	-	-	2,409,776	1,970,154
Fellows	<u>845,866</u>	<u>-</u>	<u>845,866</u>	<u>20,915</u>	<u>38,506</u>	<u>-</u>	<u>-</u>	<u>905,287</u>	<u>960,039</u>
Total Program Services	9,277,610	-	9,277,610	666,193	448,506	477,572	(1,685,752)	9,184,129	9,339,144
Supporting Services									
Management and general	1,819,435	-	1,819,435	72,416	81,939	-	-	1,973,790	1,654,514
Fundraising	<u>1,365,723</u>	<u>-</u>	<u>1,365,723</u>	<u>122,171</u>	<u>29,154</u>	<u>-</u>	<u>-</u>	<u>1,517,048</u>	<u>1,650,490</u>
Total Supporting Services	<u>3,185,158</u>	<u>-</u>	<u>3,185,158</u>	<u>194,587</u>	<u>111,093</u>	<u>-</u>	<u>-</u>	<u>3,490,838</u>	<u>3,305,004</u>
Total Expenses	<u>12,462,768</u>	<u>-</u>	<u>12,462,768</u>	<u>860,780</u>	<u>559,599</u>	<u>477,572</u>	<u>(1,685,752)</u>	<u>12,674,967</u>	<u>12,644,148</u>
Increase (Decrease) in Net Assets Before Foreign Currency									
Exchange Loss and Contributed Capital	5,547,156	(5,356,266)	190,890	496,249	83,866	(540,867)	(31,466)	198,672	4,485,714
Foreign currency exchange loss	78,004	-	78,004	(22,381)	(106,585)	(309)	2,885	(48,386)	(314,962)
Contributed capital	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,392,563</u>
Change in Net Assets	5,625,160	(5,356,266)	268,894	473,868	(22,719)	(541,176)	(28,581)	150,286	6,563,315
<b>NET ASSETS</b>									
Beginning of the year	<u>66,277,856</u>	<u>26,478,118</u>	<u>92,755,974</u>	<u>998,021</u>	<u>544,048</u>	<u>2,797,386</u>	<u>(933,661)</u>	<u>96,161,768</u>	<u>89,598,453</u>
End of the year	<u>\$71,903,016</u>	<u>\$21,121,852</u>	<u>\$93,024,868</u>	<u>\$1,471,889</u>	<u>\$ 521,329</u>	<u>\$ 2,256,210</u>	<u>\$ (962,242)</u>	<u>\$96,312,054</u>	<u>\$96,161,768</u>

See independent auditors' report

**Acumen Fund, Inc. and Subsidiaries**

Consolidating Schedule of Functional Expenses  
December 31, 2012  
(with summarized totals at December 31, 2011)

	Program Services						2012 Total	2011 Total
	Portfolio	Outreach, Impact and		Total	Management	Fundraising		
	Management	Communications	Fellows		and General			
Salaries	\$ 2,342,342	\$ 1,177,943	\$ 302,477	\$ 3,822,762	\$ 1,068,091	\$ 812,957	\$ 5,703,810	\$ 5,246,351
Payroll taxes and employee benefits	355,216	247,723	162,331	765,270	350,053	140,763	1,256,086	1,049,828
Professional fees	207,686	36,022	18,102	261,810	43,538	38,600	343,948	374,419
Consulting fees	323,452	583,329	150,865	1,057,646	174,042	166,956	1,398,644	1,484,763
Program grants	55,787	-	-	55,787	-	-	55,787	-
Donated legal services	1,596,652	-	-	1,596,652	63,964	-	1,660,616	1,973,164
Donated space	117,600	94,080	23,520	235,200	53,760	47,040	336,000	319,062
Travel	345,744	106,603	168,556	620,903	42,181	77,881	740,965	794,694
Meetings	42,687	16,722	49,656	109,065	11,177	80,697	200,939	401,510
Marketing material	8,561	24,530	-	33,091	629	16,198	49,918	77,216
Technology expenses	46,489	36,907	3,807	87,203	62,052	34,225	183,480	152,866
Telephone	44,047	32,422	8,009	84,478	24,751	23,686	132,915	150,469
Office supplies, printing and postage	37,655	16,584	5,507	59,746	11,667	9,027	80,440	104,646
Occupancy	171,405	17,936	2,440	191,781	25,662	21,919	239,362	187,894
Insurance	44,787	3,608	3,860	52,255	11,256	10,222	73,733	52,157
Investment fees and bank charges	24,324	-	80	24,404	1,279	20,550	46,233	39,380
Corporate tax expense	52,517	-	1,484	54,001	3,873	4,570	62,444	107,727
Miscellaneous	3,715	960	313	4,988	221	313	5,522	43,327
Total Expenses before depreciation	5,820,666	2,395,369	901,007	9,117,042	1,948,196	1,505,604	12,570,842	12,559,473
Depreciation	48,398	14,409	4,280	67,087	25,594	11,444	104,125	84,675
Total Expenses	<u>\$ 5,869,064</u>	<u>\$ 2,409,778</u>	<u>\$ 905,287</u>	<u>\$ 9,184,129</u>	<u>\$ 1,973,790</u>	<u>\$ 1,517,048</u>	<u>\$ 12,674,967</u>	<u>\$ 12,644,148</u>