

Consolidated Financial Statements and  
Report of Independent Certified Public  
Accountants

**ACCION International and Subsidiaries**

December 31, 2019 and 2018

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
ACCION International and Subsidiaries

We have audited the accompanying consolidated financial statements of ACCION International and subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's responsibility for the consolidated financial statements**

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

### **Auditor's responsibility**

Our responsibility is to express an opinion on 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ACCION International and subsidiaries as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Grant Thornton LLP*

Boston, Massachusetts  
October 14, 2020

**ACCION International and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**December 31,**

	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 28,301,453	\$ 14,732,787
Short-term investments	61,310,305	67,237,875
Program notes receivable	670,600	1,134,594
Grants receivable - net	7,533,106	4,634,399
Contributions receivable - net	267,888	151,562
Contracts receivable	613,776	1,284,513
Prepaid expenses	1,041,624	701,633
Deposits, advances and other receivables	1,708,966	798,093
Total current assets	101,447,718	90,675,456
<b>NONCURRENT ASSETS</b>		
Grants receivable - net	4,322,286	410,819
Contributions receivable - net	23,373	100,000
Investments pledged as guarantee for program letters of credit	3,392,262	3,351,551
Program investments	319,352,641	249,406,149
Deposit on program investment	3,590,961	-
Property and equipment - net	1,156,110	1,410,647
Total noncurrent assets	331,837,633	254,679,166
Total assets	\$ 433,285,351	\$ 345,354,622
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 4,865,251	\$ 4,112,499
Deferred revenue	614,425	579,705
Notes payable	200,000	200,000
Total current liabilities	5,679,676	4,892,204
Total liabilities	5,679,676	4,892,204
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	402,110,072	318,065,201
Board designated	5,476,621	5,858,726
Non-controlling interest in holding entities	-	4,339,958
Total net assets without donor restrictions	407,586,693	328,263,885
With donor restrictions	20,018,982	12,198,533
Total net assets	427,605,675	340,462,418
Total liabilities and net assets	\$ 433,285,351	\$ 345,354,622

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

**ACCION International and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**

**December 31,**

	2019			2018		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
<b>Revenues</b>						
Contributions and grants	\$ 3,186,514	\$ 17,288,355	\$ 20,474,869	\$ 2,961,812	\$ 3,412,680	\$ 6,374,492
Dividend and interest income from program investments	1,521,675	-	1,521,675	1,034,286	-	1,034,286
Dividend and interest income from short-term investments	2,110,496	-	2,110,496	2,553,847	-	2,553,847
Contract revenues and training fees	3,688,590	-	3,688,590	3,959,164	-	3,959,164
	431,250	-	431,250	-	-	-
Net assets released from restrictions	9,467,906	(9,467,906)	-	7,731,233	(7,731,233)	-
Total revenues	<u>20,406,431</u>	<u>7,820,449</u>	<u>28,226,880</u>	<u>18,240,342</u>	<u>(4,318,553)</u>	<u>13,921,789</u>
<b>Functional expenses</b>						
Program services						
Global programs	9,776,136	-	9,776,136	8,330,600	-	8,330,600
Global investments	7,639,282	-	7,639,282	8,054,172	-	8,054,172
Center for financial inclusion	6,107,830	-	6,107,830	6,300,135	-	6,300,135
Communications	1,528,444	-	1,528,444	2,156,311	-	2,156,311
Total program services	<u>25,051,692</u>	<u>-</u>	<u>25,051,692</u>	<u>24,841,218</u>	<u>-</u>	<u>24,841,218</u>
Supporting services						
General and administrative	5,186,282	-	5,186,282	5,027,826	-	5,027,826
Fundraising	2,078,684	-	2,078,684	1,854,177	-	1,854,177
Total supporting services	<u>7,264,966</u>	<u>-</u>	<u>7,264,966</u>	<u>6,882,003</u>	<u>-</u>	<u>6,882,003</u>
Total functional expenses	<u>32,316,658</u>	<u>-</u>	<u>32,316,658</u>	<u>31,723,221</u>	<u>-</u>	<u>31,723,221</u>
Change in net assets from operations	(11,910,227)	7,820,449	(4,089,778)	(13,482,879)	(4,318,553)	(17,801,432)
Income tax expense (Note 9)	-	-	-	642	-	642
Equity in income of equity investments	34,216,345	-	34,216,345	11,385,679	-	11,385,679
Net unrealized gain/loss on investments	44,586,309	-	44,586,309	(29,392,026)	-	(29,392,026)
Net realized gain on investments	15,804,946	-	15,804,946	19,884,082	-	19,884,082
Foreign currency translation losses, net	(26,365)	-	(26,365)	(56,237)	-	(56,237)
Minority share return of capital	(3,348,200)	-	(3,348,200)	-	-	-
Other	-	-	-	(326,544)	-	(326,544)
Change in net assets	<u>79,322,808</u>	<u>7,820,449</u>	<u>87,143,257</u>	<u>(11,987,283)</u>	<u>(4,318,553)</u>	<u>(16,305,836)</u>
Net assets - beginning of year	<u>328,263,885</u>	<u>12,198,533</u>	<u>340,462,418</u>	<u>340,251,168</u>	<u>16,517,086</u>	<u>356,768,254</u>
Net assets - end of year	<u>\$ 407,586,693</u>	<u>\$ 20,018,982</u>	<u>\$ 427,605,675</u>	<u>\$ 328,263,885</u>	<u>\$ 12,198,533</u>	<u>\$ 340,462,418</u>

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

**ACCION International and Subsidiaries**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**For the year ended December 31, 2019**

	<u>Program Services</u>				<u>Supporting Services</u>		<u>Total expenses</u>
	<u>Global programs</u>	<u>Global investments</u>	<u>Center for financial inclusion</u>	<u>Communications</u>	<u>General and administrative</u>	<u>Fundraising</u>	
<b>Functional expenses</b>							
Salaries and related expenses	\$ 6,127,567	\$ 4,104,956	\$ 3,111,495	\$ 923,621	\$ 3,385,037	\$ 1,534,664	\$ 19,187,340
Professional services	1,299,841	2,213,394	1,316,161	339,690	596,883	129,650	5,895,619
Travel and conferences	1,105,719	673,843	1,121,493	110,586	340,532	99,012	3,451,185
Office and occupancy	524,879	363,292	394,798	125,275	675,613	263,720	2,347,577
Awards and grants	609,767	100,000	78,507	-	-	-	788,274
Provision for doubtful accounts	2,111	-	-	-	-	-	2,111
Taxes and penalties	17,471	29,368	184	-	8,553	-	55,576
Depreciation	64,764	40,456	53,964	20,986	83,501	32,978	296,649
Interest and fees	3,326	74,635	7,156	-	50,928	6,142	142,187
Miscellaneous	20,691	39,338	24,072	8,286	45,235	12,518	150,140
Total	<u>\$ 9,776,136</u>	<u>\$ 7,639,282</u>	<u>\$ 6,107,830</u>	<u>\$ 1,528,444</u>	<u>\$ 5,186,282</u>	<u>\$ 2,078,684</u>	<u>\$ 32,316,658</u>

The accompanying notes are an integral part of this consolidated financial statement.

**ACCION International and Subsidiaries**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**For the year ended December 31, 2018**

	Program Services				Supporting Services		Total expenses
	Global programs	Global investments	Center for financial inclusion	Communications	General and administrative	Fundraising	
<b>Functional expenses</b>							
Salaries and related expenses	\$ 5,710,455	\$ 4,152,209	\$ 3,340,667	\$ 1,069,437	\$ 2,834,830	\$ 1,323,381	\$ 18,430,979
Professional services	932,307	2,739,493	1,227,293	852,338	839,233	131,002	6,721,666
Travel and conferences	951,383	651,393	1,077,137	98,828	322,269	96,442	3,197,452
Office and occupancy	530,912	349,391	364,968	101,105	779,681	238,797	2,364,854
Awards and grants	82,612	50,000	176,839	-	-	5,000	314,451
Provision for doubtful accounts	15,611	-	-	-	-	-	15,611
Taxes and penalties	13,280	-	1,908	-	8,519	-	23,707
Depreciation	62,098	50,310	63,210	23,323	96,227	33,004	328,172
Interest and fees	(5,100)	55,593	3,979	-	108,389	9,618	172,479
Miscellaneous	37,042	5,783	44,134	11,280	38,678	16,933	153,850
Total	\$ 8,330,600	\$ 8,054,172	\$ 6,300,135	\$ 2,156,311	\$ 5,027,826	\$ 1,854,177	\$ 31,723,221

The accompanying notes are an integral part of this consolidated financial statement.

**ACCION International and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the years ended December 31,

	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 87,143,257	\$ (16,305,836)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Unrealized loss (gain) on investments	(44,586,309)	29,392,026
Realized gain on sale of investments	(15,804,946)	(19,884,082)
Provision for doubtful accounts	2,095	15,611
Depreciation and amortization	296,649	328,172
Equity in income of investments	(34,216,345)	(11,385,679)
Foreign currency translation gains (losses)	(137)	19,132
Return of capital to non-controlling interest	3,214,397	-
Increase (decrease) in cash and cash equivalents as a result of a change in:		
Prepaid expenses	(342,270)	142,841
Grants receivable	(6,810,245)	5,554,773
Contributions receivable	(39,699)	213,223
Deposits, advances and other receivables	(911,463)	(210,623)
Contract payments receivable	728,493	(643,307)
Accounts payable and accrued liabilities	758,898	(390,168)
Deferred revenue	(24,212)	271,286
	<u>(10,591,837)</u>	<u>(12,882,631)</u>
<b>Net cash used in operating activities</b>		
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(43,040)	(30,459)
Sale of short-term investments	9,128,922	6,623,623
Purchase of program investments	(42,033,444)	(23,970,600)
Proceeds from sale of program investments and loans	59,572,602	36,512,151
Dividends received from program investments	3,384,717	3,545,918
Payable from sale of program investment	-	(4,529,938)
Deposit on program investment	(3,590,961)	-
Net program loan originations and principal repayments	(2,255,059)	(2,885,759)
	<u>24,163,737</u>	<u>15,264,936</u>
<b>Net cash provided by investing activities</b>		
<b>Cash flows from financing activities:</b>		
Draw (repayment) on bank line of credit	-	(8,500,000)
	<u>-</u>	<u>(8,500,000)</u>
<b>Net cash provided by (used in) financing activities</b>		
Effect of exchange rate changes on cash	(3,234)	(5,603)
	<u>(3,234)</u>	<u>(5,603)</u>
<b>(Decrease) increase in cash and cash equivalents</b>	13,568,666	(6,123,298)
Cash and cash equivalents - beginning of year	14,732,787	20,856,085
	<u>14,732,787</u>	<u>20,856,085</u>
Cash and cash equivalents - end of year	\$ 28,301,453	\$ 14,732,787
Supplemental disclosure:		
Noncash transactions:		
Conversion debt to equity	\$ 2,199,464	\$ 1,138,164
Cash paid during the period for:		
Interest	58,217	96,671
Taxes	-	2,528

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

**ACCION International and Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2019 and 2018**

**NOTE 1 - NATURE OF ORGANIZATION**

ACCION International and its subsidiaries (“Accion”) is headquartered in Cambridge, Massachusetts with offices in Washington, D.C. and subsidiaries as listed in Note 2. Accion is a global non-profit committed to creating a financial inclusive world, with a pioneering legacy in microfinance and fintech impact investing. Accion catalyzes financial service providers to deliver high quality, affordable solutions at scale for people who are left out - or poorly served by - the financial sector.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Principles of Consolidation***

The consolidated financial statements include the accounts of Accion and the following entities:

*Fundación Centro Acción Microempresarial (“Centro”)*

Centro is a non-profit foundation and was incorporated in Bogotá, Colombia as a Latin American operational arm of Accion. The accounts of Centro reflect total assets and liabilities of \$326,347 and \$384,101 and \$146,156 and \$252,968 at December 31, 2019 and 2018, respectively.

*ACCION Gateway Fund, LLC (“Gateway”)*

Gateway is a wholly owned subsidiary of Accion and was created as a limited liability company in Delaware to own several programmatic investments.

*ACCION Technical Advisors, India (“ATA”)*

ATA is a wholly owned subsidiary of Accion. ATA is a non-profit company according to Section 8 of the Indian Companies Act of 2013 and is the operational arm of Accion in India. The accounts of ATA reflect total assets and liabilities of \$378,642 and \$358,470 and \$363,744 and \$429,163 at December 31, 2019 and 2018, respectively.

*ACCION Beijing Consultation Services Company, Ltd (“ACC”)*

ACC was created as a wholly owned operational subsidiary of Accion in China. ACC is a for-profit company operating in the People’s Republic of China. The accounts of ACC reflect total assets and liabilities of \$87,379 and \$111,637 and \$18,124 and \$274,039 at December 31, 2019 and 2018, respectively.

*ACCION Africa-Asia Investment Company (“AAIC”)*

AAIC is a wholly owned subsidiary of Accion. AAIC was created as a for-profit company incorporated in the Republic of Mauritius to own several program investments in Asia and Africa.

*Accion Frontier Inclusion Fund GP, LLC (“AFIF GP”)*

AFIF GP is a wholly owned subsidiary and was created in 2015 as a limited liability company in Delaware for the purpose of providing general partner services to AFIF, a separate legal entity and investment holding of Accion.

*Accion Frontier Inclusion Fund LP, LLC (“AFIF LP”)*

AFIF LP is a wholly owned subsidiary of Accion and was created in 2015 as a limited liability company in Delaware for the purpose of owning the investment in AFIF.

**ACCION International and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2019 and 2018**

Accion Quona Inclusion Fund GP, LLC (“AQF GP”)

AQF GP is a wholly owned subsidiary and was created in 2018 as a limited liability company in Delaware for the purpose of providing general partner services to AQF, a separate legal entity and investment holding of Accion.

Accion Quona Inclusion Fund LP, LLC (“AQF LP”)

AQF LP is a wholly owned subsidiary of Accion and was created in 2018 as a limited liability company in Delaware for the purpose of owning the investment in AQF.

Accion Investments in Microfinance Nigeria (“AINV Nigeria”)

Accion owned 51% of AINV Nigeria up to December 31, 2018 and 100% as of December 31, 2019. AINV Nigeria was created as a for-profit company incorporated in the Cayman Islands to own an investment in Nigeria in partnership with one minority shareholder.

Accion Venture Lab GP, LLC (“AVL GP”)

AVL GP is a wholly owned subsidiary and was created in 2019 as a limited liability company in Delaware for the purpose of providing general partner services to AVL, a separate legal entity and related party of Accion.

The following table provides details of the changes in net assets without donor restrictions attributable to the non-controlling interests, as well as total net assets without donor restrictions under Accion’s control:

	<u>Controlling Interest</u>	<u>Non-controlling Interest</u>	<u>Total</u>
Balance at December 31, 2018	\$ 323,923,927	\$ 4,339,958	\$ 328,263,885
Change in net assets	83,662,766	(4,339,958)	79,322,808
Balance at December 31, 2019	<u>\$ 407,586,693</u>	<u>\$ -</u>	<u>\$ 407,586,693</u>

All intercompany balances and transactions involving the subsidiaries above have been eliminated in consolidation.

***Basis of Presentation***

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) using the not-for-profit organizations audit guide issued by the American Institute of Certified Public Accountants (“AICPA”). Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Accion and the changes thereof are classified and reported as follows:

Net assets without donor restrictions

Net assets that are not subject to donor-imposed restrictions.

Board designated net assets

Net assets without donor restrictions that are subject to board-imposed limitations.

## ACCION International and Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

#### Net assets with donor restrictions

Contributions, grants, and income whose use by Accion has been limited by donors or grantors to a specific time period or purpose.

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

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less when purchased, excluding amounts restricted by donors for long-term purposes. At times, the cash balances maintained at a single institution may exceed federally insured limits, insured by the Federal Deposit Insurance Corporation. Accion has not experienced any losses in these accounts.

Total cash held in foreign accounts was \$12,681,024 and \$546,471 at December 31, 2019 and 2018, respectively.

#### **Short-term Investments**

Short-term investments consist of certificates of deposit, commercial paper, corporate bonds, government reserves funds, mutual funds and U.S. treasury bonds, invested primarily in fixed income securities rated BBB or better, as determined by Standard & Poor's Corporation. These investments are carried at fair value, determined as the price that would be received to sell the asset. The changes in fair value are reflected in the consolidated statements of activities.

#### **Investments Pledged as Guarantee for Letters of Credit**

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are reported at fair value, determined as the price that would be received to sell the asset, with gains and losses included in the consolidated statements of activities.

#### **Program investments**

Program investments do not have a readily determinable fair value and, as such, are recorded using various methods, depending on the nature of ownership and other factors. The various methods are as follows:

- 1) Fair value based on the measurement alternative - these non-marketable investments are recorded at cost, adjusted for observable price changes for an identical or similar investment of the same issuer. Observable price changes and impairment indicators will be assessed each reporting period.
- 2) Fair value using modeling techniques or the equity method of accounting - When Accion can exercise significant influence, which is generally indicated when its equity position in the affiliate equals or exceeds 20% but does not exceed 50%.
  - a. Under the fair value method, Accion utilizes multiple valuation techniques resulting in a range of acceptable valuations. Significant increases or decreases in the inputs used in these valuation techniques in isolation may result in a significantly lower or higher fair value measurement, respectively. When ownership falls below 20%, if the investment was initially valued using the fair value option, the investment will continue to be valued under the fair value option until it is sold.
  - b. Under the equity method, Accion records its proportional share of the equity of the underlying investment at each measurement date, with the net income in the investment at each measurement date reported in the consolidated statement of activities as a non-operating activity, and dividends as decreases in the investments.

**ACCION International and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2019 and 2018**

- 3) Fair value using Net Asset Value (NAV) - Investments managed by external managers in fund structures that are not readily marketable are reported at fair value utilizing the most current information provided by the external manager, subject to assessments that the information is representative of fair value and in consideration of any factors deemed pertinent to the fair value measurement. As a practical expedient, Accion is permitted under U.S GAAP to estimate the fair value of its investments with external managers using the external managers' reported NAV without further adjustment, unless Accion expects to sell the investment at a value other than NAV or the NAV is not calculated in accordance with U.S GAAP.

Certain investments are reviewed periodically to determine whether the underlying value has been impaired. If impairment has been identified and such impairment is deemed to be other than temporary, the carrying value of the investment is written down to the impaired value. For the years ended December 31, 2019 and 2018, Accion identified twelve and three investments requiring an impairment adjustment totaling \$9,847,725 and \$5,644,132, respectively. These adjustments are reported in the net unrealized loss on investments in the consolidated statement of activities.

***Contracts, Contributions and Grants***

In 2019, Accion adopted Accounting Standards Update ("ASU") 2018-08, clarifying the scope and the accounting guidance for contributions received and contributions made. ASU 2018-08 clarified and improved the scope and the accounting guidance for contributions received and made, including guidance to help an entity evaluate whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determine whether a contribution is conditional. As required by ASU 2018-08, ACCION applied the requirements to agreements that either were not completed as of December 31, 2018 or entered into after January 1, 2019.

Beginning in 2019, with the adoption of ASU 2018-08, Accion recognizes contracts and grants as either contributions or exchange transaction revenues, depending on whether the transaction is reciprocal or nonreciprocal. For contributions, revenue is recognized when a contribution becomes unconditional, that is, when the conditions on which they depend are substantially met. Grants are evaluated as to whether they qualify as exchange transactions or contributions. Grants that are treated as exchange transactions are reported as revenue without donor restrictions when expenses are incurred in accordance with the terms of the agreement. The excess of amounts received in exchange transactions over the amount of expenditures incurred are classified as deferred revenue on the consolidated statements of financial position.

If a grant agreement contains a right of return or right of release from the respective obligation provision on the part of the grantor, and the agreement also contains a barrier to be overcome, Accion recognizes revenue for these conditional contributions when the related barrier to entitlement has been overcome. Funds received in advance of conditions being met are reported as unearned grant revenue and advisory fees within the accompanying consolidated balance sheets. As of December 31, 2019 and 2018, Accion had been notified of \$705,395 and \$1,047,027 respectively, in conditional promises to give.

Pledges of contributions to be received after one year are discounted to present value using an appropriate discount rate (credit adjusted) which articulates with the collection period of the respective pledge. Amortization of the discount is recorded as additional contribution revenue in accordance with donor imposed restrictions, if any. An allowance for doubtful accounts is determined based upon annual review of account balances, including age of the balance, the credit worthiness of the respective donor, and historical collection experience.

**ACCION International and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2019 and 2018**

Grants and contributions receivable at December 31 include amounts due in future years. Grants and contributions receivable are expected to be collected during the following periods:

	<u>2019</u>	<u>2018</u>
Due in one year or less	\$ 7,800,994	\$ 4,785,961
Due in one to five years	<u>4,662,942</u>	<u>575,000</u>
	12,463,936	5,360,961
Present value discount (5%)	<u>(317,283)</u>	<u>(64,181)</u>
Net contributions and grants receivable	<u>\$ 12,146,653</u>	<u>\$ 5,296,780</u>

***Property and Equipment***

Furniture, fixtures, and equipment are recorded at cost and depreciated on a straight-line basis over their useful lives, which range from three to ten years. Leasehold improvements are recorded at cost and amortized on a straight-line basis over the shorter of the life of the lease or estimated useful life of the improvement. Donated equipment is recorded at the fair market value as of the date the gift is made and amortized over its useful life.

***Method Used for Allocation of Expenses Among Program and Supporting Services***

The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting services of Accion. Those expenses include rent, office expenses, depreciation and information technology services. Accion allocates these expenses based on square footage or headcount.

***Donated Services***

Donated services, which are specialized and which would otherwise need to be purchased, are reflected as contribution revenue and expensed or capitalized, as appropriate, at their fair market values at the date of receipt. Fair market value is determined as the price at which services would have been purchased. Included in contributions and grant revenue, global programs, global investments, and general administrative expenses are donated services, computer equipment, and legal services having an aggregate value of \$1,300,664 and \$1,094,519 in fiscal years 2019 and 2018, respectively.

***Foreign Currency Translation***

The functional currency of Centro is the Colombian peso. The functional currency of ATA is the Indian rupee. The functional currency of ACC is the Chinese yuan renminbi. The functional currency of Accion's branch in Ghana is the cedi. Assets and liabilities of these subsidiaries are translated into U.S. dollars using the current exchange rates at the date of the consolidated statement of financial position. Changes in net assets are translated using the average rate for the fiscal year.

Foreign currency exchange transaction gains and losses are recorded in the consolidated statements of activities.

## ACCION International and Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

#### ***Income Tax***

Accion is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (“IRC”) and is generally exempt from income taxes pursuant to Section 501(a). Centro and ATA are registered charitable organizations in Colombia and India, respectively. Gateway, AFIF GP, AFIF LP, and AVL GP, single member limited liability companies, are fully consolidated on the federal form 990 of their single member, Accion. ACC, AAIC and AINV Nigeria (see Note 2) are taxable subsidiaries of Accion, filing their own tax returns. The income tax consequences, if any, are reflected in the consolidated financial statements, and do not have a material effect, individually or in the aggregate, upon Accion’s consolidated financial statements. Accion believes it has taken no uncertain tax positions.

#### ***Risks and Uncertainties***

Accion facilitates access to letters of credit for affiliates outside the United States, which may involve significant risks not present in domestic transactions. For example, foreign companies usually are not bound by uniform accounting, auditing, and financial reporting requirements and standards of practice comparable to those applicable to domestic companies. Other risks include political or financial instability or diplomatic and other developments which could affect foreign operations and investments in foreign-based entities.

#### ***Non-controlling Interest***

A non-controlling interest is defined as the portion of the net assets in a subsidiary not attributable, directly or indirectly, to a parent. Revenues, expenses, gains, losses and change in net assets are reported in the consolidated financial statements at the consolidated amounts, which include the amounts attributable to the non-controlling interest.

#### ***Recently Issued Accounting Pronouncements***

##### *Leases (Topic 842)*

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases (Topic 842)* (“ASU 2016-02”). ASU 2016-02 establishes a comprehensive new lease accounting model. The new standard clarifies the definitions of a lease, requires a dual approach to lease classification similar to current lease classifications, and causes lessees to recognize leases on the balance sheet as a lease liability with a corresponding right-of-use asset for leases with a lease term of more than 12 months. The new standard is effective for interim and annual periods beginning after December 15, 2021. Early adoption is permitted. The new standard requires a modified retrospective transition for capital or operating leases existing at or enter into after the beginning of the earliest comparative period presented in the consolidated financial statements, but it does not require transition accounting for leases that expire prior to the date of the initial application. The organization has not yet determined the effects that the adoption of ASU 2016-02 may have on its financial position, results of operations, cash flows, or disclosures.

##### *Accounting Guidance for Contributions Received and Contributions Made*

In June 2018, the FASB issued ASU 2018-08, *clarifying the scope and the accounting guidance for contributions received and contributions made*, to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) with the scope of Topic 958, *Not-for-Profit Entities*, or as an exchange (reciprocal) transaction subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for fiscal year ending December 31, 2019 for Accion as a resource recipient. Management evaluated that this standard has no impact on the consolidated financial statements of Accion.

**ACCION International and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2019 and 2018**

*Accounting Guidance for measurement of financial assets*

In January 2016, the FASB issued ASU 2016-01, Financial instruments - overall recognition and measurement of financial assets and financial liabilities. ASU 2016-01 eliminates the concept of valuation at cost for equity investments where the company exercises no significant influence. Such investments are now valued at fair value on the balance sheet with changes in fair value recognized in net income. If the investment does not have a readily determinable fair value, the company may adopt the measurement exception under U.S. GAAP measurement ASC 321. For Accion, ASU 2016-01 is effective for fiscal year ending December 31, 2019 and is not retroactive to prior years. The impact related to the change in accounting for equity securities for the fiscal year ended December 31, 2019 was \$41.4 million of net unrealized investment gains.

**NOTE 3 - FAIR VALUE OF FINANCIAL INSTRUMENTS**

As required by existing guidance, Accion reports certain assets at fair value. Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value hierarchy 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 below:

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities;
- Level 2 - Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 includes values determined using pricing models, discounted cash flow methodologies, or similar techniques reflecting Accion's own assumptions.

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for assets recorded at fair value.

***Contributions and Grants Receivable***

Contributions and grants receivable are reported based on non-recurring fair value measurements. Multi-year pledges are recorded at the present value of future cash flows using a discount rate, adjusted for market conditions, to estimate fair value.

***Investments***

Investments whose values are based on quoted market prices in active markets are classified as Level 1 assets. These investments primarily include money market funds, U.S. Treasury, and equity securities. Investments, whose values are based on quoted prices in markets that are not active, and for prices obtained from comparable securities of issuers with similar credit ratings, are classified as Level 2 assets. These investments include certificates of deposits and corporate bonds. Investments whose values are based on unobservable inputs based on little or no market activity are classified as Level 3 assets. These investments include program investments held at fair value that are not traded in active markets.

**ACCION International and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2019 and 2018**

The following tables set forth, by level within the fair value hierarchy, the financial assets and liabilities recorded at fair value on a recurring basis as of December 31, 2019 and 2018:

	<b>2019</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Short-term investments				
U.S. Treasury and Agency Bonds.	\$ 26,353,840	-	-	\$ 26,353,840
Corporate bonds	-	32,925,331	-	32,925,331
Certificate of Deposits	-	2,031,134	-	2,031,134
Program investment at fair value	-	-	87,678,531	87,678,531
Investments pledged as guarantee for letters of credit				
Cash and cash equivalents	1,411,075	-	-	1,411,074
U.S. Treasury Certificate of Deposits	1,616,813	-	-	1,616,813
Certificate of Deposits	-	364,374	-	364,374
Investments valued at NAV	-	-	-	40,279,728
	<u>\$ 29,381,728</u>	<u>\$ 35,320,839</u>	<u>\$ 87,678,531</u>	<u>\$ 192,660,826</u>

	<b>2018</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Short-term investments				
U.S. Treasury	\$ 11,347,204	\$ -	\$ -	\$ 11,347,204
Corporate bonds	-	55,890,671	-	55,890,671
Program investment at fair value	-	-	92,609,621	92,609,621
Investments pledged as guarantee for letters of credit				
Cash and cash equivalents	340,254	-	-	340,254
Certificate of Deposits	-	2,563,592	-	2,563,592
Corporate bonds	-	447,705	-	447,705
	<u>\$ 11,687,458</u>	<u>\$ 58,901,968</u>	<u>\$ 92,609,621</u>	<u>\$ 163,199,047</u>

**ACCION International and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2019 and 2018**

The following is a reconciliation of the beginning and ending balances for assets measured at fair value using significant unobservable inputs (Level 3) during the years ended December 31, 2019 and 2018. There were no transfers into and out of Level 3 investments during 2018. In 2019, one program investment transferred into Level 3.

	<b>Program investments</b>	
	<b>2019</b>	<b>2018</b>
Beginning balance	\$ 92,609,621	\$ 98,427,028
Change from cost to fair value	7,819,881	-
Net sales and purchases	(4,315,156)	(610,555)
Unrealized net loss	(8,435,815)	(5,206,852)
Ending balance	<u>\$ 87,678,531</u>	<u>\$ 92,609,621</u>

The table below sets forth a summary of valuation techniques and quantitative information utilized in determining the fair value of Accion's Level 3 investments as of December 31.

Investment	Fair Value as of December 31, 2019	Fair Value as of December 31, 2018	Valuation Technique	Unobservable Input	Rate
Grassland Finance limited	\$ 19,215,455	\$ 20,995,612	Multiple	Multiple	
Teak Tree Investments Pte. Limited	7,140,000	6,781,378	Multiple	Multiple	
Dawn Myanmar Microfinance pte. Limited	13,671,497	5,332,406	Discounted Cash Flows	Discount Rate	26.12%
Aye Finance	21,034,816	10,894,789	Comparative transaction	comparable multiple	
Dvara KGFS Pte. Limited	14,531,663	-	Discounted Cash Flows	Discount Rate	21.06%
AMfB	6,274,555	-	Multiple	Multiple	
Socremo Banco de Mircorfinancas SARL	4,209,692	3,787,332	Multiple	Multiple	
Dvara Solutions	999,600	-	Discounted Cash Flows	Discount Rate	21.63%
IMFR	-	44,239,844	N/A	N/A	
UGAFODE	601,253	578,260	Discounted Cash Flows	Discount Rate	32.84%
	<u>\$ 87,678,531</u>	<u>\$ 92,609,621</u>			

ACCION International and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment at December 31 consist of the following:

	<u>2019</u>	<u>2018</u>
Furniture, fixtures, equipment and software	\$ 1,404,209	\$ 1,368,549
Leasehold improvements	<u>1,977,755</u>	<u>1,975,866</u>
Property and equipment - gross	3,381,964	3,344,415
Less accumulated depreciation	<u>(2,225,854)</u>	<u>(1,933,768)</u>
Property and equipment - net	<u>\$ 1,156,110</u>	<u>\$ 1,410,647</u>

**ACCION International and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2019 and 2018**

**NOTE 5 - PROGRAM INVESTMENTS**

Program investments at December 31 consist of the following:

	<u>2019</u>	<u>2018</u>
Investments in microfinance institutions with greater than 20% Participation		
Banco Solidario S.A (Bolivia) (Equity Method)	\$ 109,260,685	\$ 95,126,454
Saija (India) (Equity Method)	4,477,839	4,288,394
Grassland Finance Limited (Hong Kong) (Fair Value)	19,215,455	20,995,612
Teak Tree Investments Pte. Limited (Cayman Islands) (Fair Value)	7,140,000	6,781,378
Dawn Myanmar Microfinance Pte. Limited (Singapore) (Fair Value)	13,671,497	5,332,406
Aye Finance (India) (Fair Value)	21,034,816	10,894,789
IFMR Holdings Private Limited (India) (Fair Value)	-	44,239,844
Dvara KGFS Pte. Limited (India) (formerly part of IFMR) (Fair Value)	14,531,663	-
ACCION Investment in Microfinance Nigeria (Nigeria) (Fair Value)	6,274,555	-
Other (Various) (Fair Value)	5,810,545	4,365,592
	<u>201,417,055</u>	<u>192,024,469</u>
Investments in microfinance institutions with less than 20% participation (Measurement exception)		
ACCION Investment in Microfinance Nigeria (Cayman Islands)	-	7,819,882
Credinka (Peru)	5,505,502	7,528,628
Basix Sub-K iTransactions Limited (India)	11,747,053	3,777,153
Northern Arc Capital Limited (India) (formerly part of IFMR)	21,316,113	-
Other (Various)	5,628,134	6,695,970
	<u>44,196,802</u>	<u>25,821,633</u>
Investments in mission-related non microfinance institutions with less than 20% participation		
Azimo (UK) (Measurement exception)	11,391,924	5,879,246
Accion Frontier Inclusion Fund, L.P. (Cayman Islands) (NAV)	35,678,072	16,896,974
Other (Various) (NAV)	8,874,014	8,783,827
	<u>55,944,010</u>	<u>31,560,047</u>
Investments in mission-related seed-stage non microfinance institutions with less than 20% participation (Measurement exception)		
Konfio Limited (Cayman Islands)	7,480,854	-
Other (Various)	10,313,920	-
	<u>17,794,774</u>	<u>-</u>
Total program investments	<u>\$ 319,352,641</u>	<u>\$ 249,406,149</u>

**ACCION International and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2019 and 2018**

The carrying value of equity securities without readily determinable fair values has been adjusted as follows during the fiscal years ended December 31:

	<u>2019</u>
Carrying amount, beginning of period	\$ 30,932,727
Measurement exception adjustment	41,477,519
Purchases	427,979
Impairments	(5,584,962)
Other adjustment	<u>10,377,094</u>
Carrying amount, end of period	<u>\$ 77,630,357</u>

***Banco Solidario S.A. (“BancoSol”)***

BancoSol is a private commercial bank focused on microenterprises in Bolivia. Accion’s investment in BancoSol as of December 31, 2019 and 2018 represented 39.98% of BancoSol’s total common shares. For the years ended December 31, 2019 and 2018, Accion received a dividend of \$3,384,717 and \$3,545,918, respectively, and reported its share of BancoSol’s equity with an increase of \$17,518,947 and \$10,659,224, respectively. The accounts of BancoSol reflect total assets and total liabilities of \$2,088,000,000 and \$1,840,000,000 and \$1,960,000,000 and \$1,760,000,000 at December 31, 2019 and 2018, respectively.

***Saija Finance (“Saija”)***

Saija is a non-bank microfinance institution operating in Bihar, India. In 2018, Accion purchased 7,500,000 additional shares of Saija. Accion’s investment in Saija as of December 31, 2019 and 2018 represented 45.20% and 43.09% of Saija’s total common shares, respectively. For the years ended December 31, 2019 and 2018, Accion reported its share of Saija’s equity with an increase of \$189,445 and \$598,280, respectively. The accounts of Saija reflect total assets and total liabilities of \$56,600,000 and \$46,700,000 and \$70,700,000 and \$60,700,000 at December 31, 2019 and 2018, respectively.

***Grassland Finance Limited (“Grassland”)***

Grassland is a holding company focused on investing in financial services institutions that provide loans and other financial services to China’s vast number of micro, small, and medium enterprises. For the years ended December 31, 2019 and 2018, Accion reported a decrease in fair market value of \$1,780,157 and \$3,094,886, respectively.

***Teak Tree Investments Pte. Ltd. (Teak Tree)***

Teak Tree is a holding company owning indirectly a significant minority in two non-bank microfinance institutions in the Philippines. Tree’s total common shares, respectively. For the years ended December 31, 2019 and 2018, Accion reported an increase in fair market value of \$194,741 and a decrease of \$666,566, respectively.

## ACCION International and Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018

#### ***Dawn Myanmar Microfinance Pte. Ltd. (“Dawn Myanmar”)***

Dawn Myanmar is a holding company owning 100% of Early Dawn Micro-Finance Ltd., a non-bank microfinance institution in Myanmar. In 2019 and 2018, Accion purchased 1,500,000 and 2,400,000 additional shares of Dawn Myanmar, respectively. For the years ended December 31, 2019 and 2018, Accion reported an increase in fair market value of \$6,879,091 and a decrease of \$936,092, respectively.

#### ***Aye Finance Private Limited (“Aye Finance”)***

Aye Finance is a non-bank microfinance institution providing financial services to micro and small businesses in Northern India. In 2018, Accion sold 1,474,776 shares of Aye Finance, and recorded a realized gain of \$4,741,808. For the years ended December 31, 2019 and 2018, Accion reported an increase in fair market value of \$10,140,027 and a decrease of \$565,997 respectively.

#### ***IFMR Holdings Private Limited (“IFMR”) and Dvara Kshetriya Gramin Financial Services Private Limited (“Dvara KGFS”)***

IFMR was an Indian holding-cum-operating company, with two main subsidiaries: IFMR Capital, which provided debt to microfinance institutions and other financial service providers to the base of the pyramid in India, and IFMR Channels, which provided financial services in rural areas in India. In 2018, Accion purchased an additional 36,801 shares of IFMR. As of December 31, 2018, Accion reported a decrease in fair market value of \$2,611,647.

In 2019, IFMR demerged and Accion's ownership in IFMR was allocated between three new entities: Dvara KGFS a non-bank providing financial services to the base of the pyramid in India, Dvara Solutions Private Limited (“Dvara Solutions”) a financial service company providing technology services to financial institutions and Northern Arc Capital Limited (“Northern Arc”) a non-bank providing debt to microfinance institutions and other financial service providers.

As part of the demerger of IFMR, Accion received 2,364,896 shares of Dvara KGFS in 2019. As of December 31, 2019, Accion reported a decrease in fair market value of \$2,948,463.

Accion's ownership in Dvara Solutions is included in other- investment in microfinance institutions with greater than 20% participation and Accion's ownership in Northern Arc is reported below.

#### ***ACCION Investment in Microfinance Nigeria (“AINV Nigeria”)***

AINV Nigeria, a Cayman Islands holding company, owns ACCION Microfinance Bank Ltd. (“AMfB”), a private commercial bank providing financial services to micro and small businesses in Nigeria. As of December 31, 2018, Accion owned 51% of AINV Nigeria. In 2019, Accion purchased the remaining 49% minority shares of AINV Nigeria. For the years ended December 31, 2019 and 2018, Accion received from AINV Nigeria a dividend of \$141,023 and \$141,398, respectively. For the year ended December 31, 2019, Accion reported a decrease in fair market value of \$713,585.

#### ***Credinka S.A. (“Credinka”)***

Credinka is a non-bank Peruvian microfinance institution. As of December 31, 2019, Accion recorded an impairment of \$2,023,125 reflected as an unrealized loss.

#### ***Basix Sub-K iTransactions Limited (“Sub-K”)***

Sub-K is a service company offering affordable, accessible and scalable digital payment solutions to the Bottom of the Pyramid segment in rural and urban areas in India. Accion purchased 1,199,802 shares of Sub-K in November 2018.

**ACCION International and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2019 and 2018**

***Northern Arc Capital Limited (“Northern Arc”)***

Northern Arc is a non-bank institution providing loans to microfinance institutions and other financial service providers in India. As part of the demerger of IFMR, Accion received 7,699,529 shares of Northern Arc in 2019.

***Azimo Limited (“Azimo”)***

Azimo, based in the UK, provides online lower cost overseas money transfer services to various locations including bank accounts, home delivery, mobile wallets or cash collection locations. In 2018, Accion purchased \$530,800 towards future shares, respectively.

***Accion Frontier Inclusion Fund, L.P. (“AFIF”)***

AFIF was launched in October 2015 and is the first dedicated financial technology fund for the underbanked in emerging markets. In 2019 and 2018, Accion invested \$3.7 and \$5.5 million, respectively, in AFIF.

***Konfio Limited (“Konfio”)***

Konfio is an online lending platform that uses innovative credit algorithms and alternative data analysis to help micro-businesses in Mexico who do not have access to credit obtain affordable working capital loans. In 2019, Accion sold 207,893 shares of Konfio.

***Other***

Accion invests in several other microfinance institutions or other organizations providing products and technologies to support and complement the development of microfinance. The investments are individually under \$1 million and are recorded at fair value, NAV or measurement exception net of any temporary impairment. For the year ended December 31, 2019, Accion did not receive a dividend from these investments. For the year ended December 31, 2018, Accion received a dividend of \$72,776 from one of these investments.

***Venture Lab Portfolio***

In 2012 Accion launched Venture Lab, a seed-stage investment initiative for financial inclusion start-ups. As of December 31, 2019 and 2018, Accion had invested in 34 companies for a total cost of \$20 and \$18 million, respectively. As of December 31, 2018, per the investment policy described in Note 2, Accion carried these purchases at zero value until such time as a triggering event occurs to indicate a basis for value to be reported. As of December 31, 2019, Accion carried these purchases at the measurement exception, net of any impairment.

**NOTE 6 - RELATED PARTY TRANSACTIONS**

ACCION, the U.S. Network (the “U.S. Network”) is a network of microfinance institutions in the U.S. related to Accion through a brand licensing agreement. Accion provides accounting and information technology support to the U.S. Network through a shared services agreement and through Accion’s membership in the U.S. Network. Under the agreement, certain salaries incurred by Accion are charged to the U.S. Network. Such amounts aggregated \$14,832 and \$10,415 in 2019 and 2018, respectively, and are reflected as contract revenue in the accompanying consolidated statements of activities.

**ACCION International and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2019 and 2018**

ACCION East, formerly known as ACCION USA and a member of the U.S. Network, shares office space with Accion in Cambridge, Massachusetts. The use and cost allocation of this shared office space as well as administrative support is administered through a shared services agreement. Under the agreement, certain salaries and occupancy expenses incurred by Accion are charged to ACCION East. Such amounts aggregated to \$61,237 and \$62,882 in 2019 and 2018, respectively, and are reflected as contract revenue in the accompanying consolidated statements of activities.

Quona Capital Management, Ltd (“Quona”) was created in partnership with Accion for the purpose of providing investment services for AFIF, an investment held by Accion. Accion also provides information technology support to Quona through a shared service agreement. Under the agreement, certain salaries and technology costs incurred by Accion are charged to Quona. Such amount aggregated \$18,364 and \$25,835 in 2019 and 2018, respectively. Quona also provides portfolio management services to Accion through a management fee agreement. Under such agreement, Accion recorded management fees and related expenses of \$442,872 and \$473,852 for the years ended December 31, 2019 and 2018, respectively.

Accion Venture Lab, LP (“AVL”) is a fund launched in April 2019 and created in partnership with Accion. AVL invests in financial technology start-ups that improve financial access for the globally underserved. In accordance with the partnership agreement, Accion co-invests alongside AVL on an agreed pro rata basis. AVL, GP is the general partner and Accion is the investment manager. Under the partnership agreement, Accion provided investment management services to AVL in the amount of \$431,250 for the year ended December 31, 2019.

Related party transactions with AFIF and AQF are disclosed in Note 5.

**NOTE 7 - INVESTMENTS PLEDGED AS GUARANTEE TO LETTERS OF CREDIT**

Investments pledged as guarantee to letters of credit (see Note 10) (at fair value) at December 31 consist of the following:

	<u>2019</u>	<u>2018</u>
Investments pledged as guarantee to letters of credit		
Cash and cash equivalents	\$ 1,411,075	\$ 340,254
U.S. Treasury	1,616,813	-
Certificate of deposits	364,374	2,563,592
Corporate bonds	-	447,705
	<u>\$ 3,392,262</u>	<u>\$ 3,351,551</u>

**NOTE 8 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

Over the years, returns on program investments have enabled Accion to accumulate operating reserves which are invested in short-term investments (see Note 1). These operating reserves are used to fund new program investments and also fund program expenditures in excess of Accion’s yearly revenue. As a result, Accion’s annual budget allows for a recurring deficit. Accion can draw temporarily on a bank line of credit (see Note 10) in the event short-term investments cannot be immediately liquidated.

**ACCION International and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2019 and 2018**

The following reflects Accion's financial assets as of the balance sheet date, reduced by amounts not available for general use within one year of the consolidated statements of financial position date because of contractual or donor-imposed restrictions or internal designations.

	<u>2019</u>	<u>2018</u>
Current assets, excluding non-financial assets	\$ 99,660,530	\$ 89,680,259
Subtract: board-designated quasi-endowment	(5,476,621)	(5,858,726)
Add: release from board-designated quasi-endowment	<u>540,000</u>	<u>540,000</u>
Financial assets available to meet cash needs for general expenditures or program investments within one year	<u>\$ 94,723,909</u>	<u>\$ 84,361,533</u>

**NOTE 9 - INCOME TAXES**

The provision for income taxes for the years ended December 31 is comprised of the following:

	<u>2019</u>	<u>2018</u>
Current provision		
Foreign	\$ -	\$ (642)
Provision for income taxes	<u>\$ -</u>	<u>\$ (642)</u>

**NOTE 10 - COMMITMENTS AND CONTINGENCIES**

***Letters of Credit***

In order to obtain letters of credit used as collateral on bank loans made to affiliates globally, Accion has placed investments in certain accounts as a guarantee. These accounts are included in investments pledged as guarantee to letters of credit in the consolidated statements of financial position (see Note 7).

At December 31, 2019 and 2018, Accion was contingently liable for letters of credit in the amount of \$1,030,000 and \$1,855,000, respectively.

***Bank Line of Credit***

At December 31, 2019 and 2018 Accion had a \$35,000,000 line of credit with JPMorgan Chase Bank, N.A. ("JPMC"). The line of credit includes short-term advances made at JPMC's discretion, on mutually agreed terms determined from time to time. As of December 31, 2019, and 2018, there was no outstanding balance under the line of credit.

***Capital Calls***

For the years ended December 31, 2019 and 2018, Accion had \$22,220,000 and \$27,370,000, respectively, in capital call commitments with investment affiliates. The balance will be disbursed on an as-needed basis.

**ACCION International and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2019 and 2018**

**Operating Leases**

Accion leases office space in various countries in which they operate. These leases expire over periods ranging from June 2020 through May 2025. The remaining net minimum payment obligation under these leases is as follows:

2020	\$ 1,398,470
2021	1,353,332
2022	1,363,077
2023	1,398,233
2024	1,093,821
Thereafter	<u>320,897</u>
 Total	 <u>\$ 6,927,830</u>

Rent expense was \$1,130,664 and \$1,090,324 for the years ended December 31, 2019 and 2018, respectively.

**NOTE 11 - EMPLOYEE BENEFIT PLAN**

Accion has established a defined contribution retirement plan which is available to substantially all salaried employees. Accion's contribution to this plan is based on a percentage of participant salaries and totaled \$638,386 and \$648,135 in 2019 and 2018, respectively.

**NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions have been restricted by donors to be used in a specific time period, for a specific location, or scope of work. Net assets with donor restrictions are available as of December 31 for the following purposes:

	<u>2019</u>	<u>2018</u>
Global programs	\$ 12,226,218	\$ 3,938,370
Global investments	2,491,693	2,079,647
Fundraising	67,087	165,418
Center for Financial Inclusion	<u>5,233,984</u>	<u>6,015,100</u>
 Total	 <u>\$ 20,018,982</u>	 <u>\$ 12,198,533</u>

**NOTE 13 - CONCENTRATIONS OF CREDIT RISK**

Financial instruments that potentially subject Accion to concentrations of credit risk are investments, cash equivalents, and other interest-bearing investments. Approximately 34% and 39% of Accion's program investments are invested in the common stock of BancoSol, a Bolivian-based bank (see Note 5) as of December 31, 2019 and 2018. In addition, one donor represented 89% and 42% of contributions receivable as of December 31, 2019 and 2018, respectively.

**ACCION International and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2019 and 2018**

**NOTE 14 - SUBSEQUENT EVENTS**

The current Coronavirus pandemic has had an economic impact on the United States and the international community. While the Company has not experienced a material adverse impact as of the date of these consolidated financial statements, the future impact, if any, cannot be determined.

Management has reviewed the Company's operations for potential disclosure or financial statement impacts related to events occurring after December 31, 2019 through October 14, 2020, the date of issuance of these consolidated financial statements.

On January 31, 2020 Accion sold its remaining shares of Aye Finance and recorded a realized gain of \$17,000,000. On February 14, 2020, Accion purchased 9,900 additional shares of Nomissa Mobile Solutions Private Limited.