

Consolidated Financial Statements and
Report of Independent Certified Public
Accountants

ACCION International and Subsidiaries

December 31, 2021 and 2020

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
ACCION International and Subsidiaries

Qualified opinion

We have audited the consolidated financial statements of ACCION International and subsidiaries (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for qualified opinion

The Organization's investment in Banco Solidario S.A. ("BancoSol"), a foreign affiliate accounted for under the equity method of accounting, is carried at \$120.8 million and \$106.6 million on the consolidated statements of financial position as of December 31, 2021 and 2020. The Organization reported an increase of \$14.2 million as its share of BancoSol's net increase in equity in the consolidated statement of activities for the year ended December 31, 2021. The Organization reported an increase of \$2 million as its share of BancoSol's net increase in equity in the consolidated statement of activities for the year ended December 31, 2020. We were unable to obtain through our own work or use of the work of BancoSol's auditors, sufficient appropriate audit evidence regarding the carrying value of the Organization's investment in BancoSol and the related earnings or loss attributable to the Organization from this investment as of and for the years ended December 31, 2021 and 2020. Financial information to determine the loan loss reserves for BancoSol under accounting principles generally accepted in the United States of America was unavailable due to a moratorium, imposed by Bolivian government regulations as a result of COVID-19, and the limited availability of information on loan payments. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Grant Thornton LLP

Boston, Massachusetts
August 9, 2022

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

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 17,127,321	\$ 15,344,251
Short-term investments	87,062,420	81,535,620
Program notes receivable	3,965,247	550,444
Grants receivable - net	5,351,156	5,549,052
Contributions receivable - net	409,887	508,113
Contracts receivable	987,049	747,711
Prepaid expenses	1,061,150	757,886
Deposits, advances and other receivables	3,593,568	755,401
Total current assets	119,557,798	105,748,478
NONCURRENT ASSETS		
Program notes receivable	1,607,300	1,754,811
Grants receivable - net	-	2,076,971
Contributions receivable - net	544,650	709,190
Investments pledged as guarantee for program letters of credit	2,858,649	2,857,810
Program investments	403,108,577	321,731,775
Deposit on program investment	-	3,590,961
Property and equipment - net	135,676	916,700
Total noncurrent assets	408,254,852	333,638,218
Total assets	\$ 527,812,650	\$ 439,386,696
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 6,796,160	\$ 4,466,032
Deferred revenue	1,202,042	685,224
Bank line of credit	13,404,299	-
Total current liabilities	21,402,501	5,151,256
Total liabilities	21,402,501	5,151,256
NET ASSETS		
Without donor restrictions		
Undesignated	497,425,098	415,159,028
Board designated	-	5,047,080
Total net assets without donor restrictions	497,425,098	420,206,108
With donor restrictions	8,985,051	14,029,332
Total net assets	506,410,149	434,235,440
Total liabilities and net assets	\$ 527,812,650	\$ 439,386,696

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

ACCION International and Subsidiaries
CONSOLIDATED STATEMENTS OF ACTIVITIES

For the years ended December 31,

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues						
Contributions and grants	\$ 3,311,555	\$ 3,490,605	\$ 6,802,160	\$ 1,919,800	\$ 4,347,493	\$ 6,267,293
Dividend and interest income from program investments	2,094,539	-	2,094,539	127,451	1,380	128,831
Dividend and interest income from short-term investments	1,834,236	-	1,834,236	2,266,213	-	2,266,213
Contract revenues and training fees	2,670,148	-	2,670,148	2,539,712	-	2,539,712
Management service fees	574,421	-	574,421	575,000	-	575,000
Net assets released from restrictions	8,534,886	(8,534,886)	-	10,338,523	(10,338,523)	-
Total revenues	19,019,785	(5,044,281)	13,975,504	17,766,699	(5,989,650)	11,777,049
Functional expenses						
Program services						
Global programs	9,351,999	-	9,351,999	9,368,463	-	9,368,463
Global investments	8,797,438	-	8,797,438	6,069,365	-	6,069,365
Center for financial inclusion	4,689,637	-	4,689,637	5,117,071	-	5,117,071
Communications	1,360,156	-	1,360,156	1,452,227	-	1,452,227
Total program services	24,199,230	-	24,199,230	22,007,126	-	22,007,126
Supporting services						
General and administrative	6,375,151	-	6,375,151	5,182,675	-	5,182,675
Fundraising	2,025,579	-	2,025,579	2,081,087	-	2,081,087
Total supporting services	8,400,730	-	8,400,730	7,263,762	-	7,263,762
Total functional expenses	32,599,960	-	32,599,960	29,270,888	-	29,270,888
Change in net assets from operations	(13,580,175)	(5,044,281)	(18,624,456)	(11,504,189)	(5,989,650)	(17,493,839)
Income tax expense	-	-	-	(12,641)	-	(12,641)
Equity in income of equity investments	75,745,418	-	75,745,418	13,272,433	-	13,272,433
Net unrealized loss on investments	(21,177,713)	-	(21,177,713)	(391,148)	-	(391,148)
Net realized gain on investments	36,273,615	-	36,273,615	11,294,901	-	11,294,901
Foreign currency translation losses, net	(42,140)	-	(42,140)	(38,929)	-	(38,929)
Other	(15)	-	(15)	(1,012)	-	(1,012)
Change in net assets	77,218,990	(5,044,281)	72,174,709	12,619,415	(5,989,650)	6,629,765
Net assets - beginning of year	420,206,108	14,029,332	434,235,440	407,586,693	20,018,982	427,605,675
Net assets - end of year	\$ 497,425,098	\$ 8,985,051	\$ 506,410,149	\$ 420,206,108	\$ 14,029,332	\$ 434,235,440

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

ACCION International and Subsidiaries

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

For the years ended December 31,

2021

	Program Services				Supporting Services		Total Expenses
	Global Programs	Global Investments	Center for Financial Inclusion	Communications	General and Administrative	Fundraising	
Functional expenses							
Salaries and related expenses	\$ 6,093,589	\$ 6,507,609	\$ 2,772,828	\$ 957,923	\$ 3,588,953	\$ 1,356,668	\$ 21,277,570
Professional services	1,504,782	1,662,854	1,538,337	275,175	931,829	271,822	6,184,799
Travel and conferences	134,345	208,742	31,636	14,643	89,957	4,514	483,837
Office and occupancy	427,874	292,747	288,741	91,670	887,083	282,267	2,270,382
Awards and grants	1,089,151	-	-	-	-	71,070	1,160,221
Taxes and penalties	15,229	1,502	(8)	-	11,239	-	27,962
Depreciation and amortization	42,009	26,871	30,497	12,069	770,482	15,918	897,846
Interest and fees	(7,584)	54,717	111	-	38,762	6,794	92,800
Miscellaneous	52,604	42,396	27,495	8,676	56,846	16,526	204,543
Total	\$ 9,351,999	\$ 8,797,438	\$ 4,689,637	\$ 1,360,156	\$ 6,375,151	\$ 2,025,579	\$ 32,599,960

2020

	Program Services				Supporting Services		Total Expenses
	Global Programs	Global Investments	Center for Financial Inclusion	Communications	General and Administrative	Fundraising	
Functional expenses							
Salaries and related expenses	\$ 6,353,712	\$ 4,086,518	\$ 2,994,934	\$ 927,104	\$ 3,537,927	\$ 1,516,643	\$ 19,416,838
Professional services	1,125,362	1,291,055	1,555,535	371,996	694,002	184,902	5,222,852
Travel and conferences	202,097	194,896	10,667	9,691	73,665	16,244	507,260
Office and occupancy	477,523	361,693	371,004	119,708	714,021	320,275	2,364,224
Awards and grants	1,048,442	50,000	112,995	-	-	-	1,211,437
Provision for doubtful accounts	6,389	-	-	-	-	-	6,389
Taxes and penalties	27,099	1,240	-	-	10,307	-	38,646
Depreciation and amortization	67,277	41,721	47,904	17,842	73,733	28,037	276,514
Interest and fees	3,256	20,615	8,293	-	39,209	5,334	76,707
Miscellaneous	57,306	21,627	15,739	5,886	39,811	9,652	150,021
Total	\$ 9,368,463	\$ 6,069,365	\$ 5,117,071	\$ 1,452,227	\$ 5,182,675	\$ 2,081,087	\$ 29,270,888

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

ACCION International and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31,

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 72,174,709	\$ 6,629,765
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Unrealized loss on investments	21,177,713	391,148
Realized gain on sale of investments	(36,273,615)	(11,294,901)
Provision for doubtful accounts	-	6,386
Depreciation and amortization	897,846	276,514
Equity in income of equity investments	(75,745,419)	(13,272,433)
Foreign currency translation losses	17,094	(14,423)
Increase (decrease) in cash and cash equivalents as a result of a change in:		
Prepaid expenses	(308,041)	282,353
Grants receivable	2,274,868	4,229,368
Contributions receivable	262,765	(926,042)
Deposits, advances and other receivables	(2,842,572)	942,429
Contract payments receivable	(256,770)	(185,788)
Accounts payable and accrued liabilities	2,352,953	(391,986)
Deferred revenue	540,159	130,080
	<u>(15,728,310)</u>	<u>(13,197,530)</u>
Net cash used in operating activities		
Cash flows from investing activities:		
Purchase of property and equipment	(122,280)	(39,719)
Purchase of short-term investments	(6,532,621)	(16,762,517)
Purchase of program investments	(37,583,236)	(6,103,829)
Proceeds from sale of program investments and loans	48,399,158	21,823,016
Dividends received from program investments	-	4,118,745
Deposit on program investment	3,590,961	-
Net program loan originations and principal repayments	(3,613,645)	(2,603,814)
	<u>4,138,337</u>	<u>431,882</u>
Net cash provided by (used in) investing activities		
Cash flows from financing activities:		
Line of credit	13,404,299	-
Notes payable matured	-	(200,000)
	<u>13,404,299</u>	<u>(200,000)</u>
Net cash provided by (used in) financing activities		
Effect of exchange rate changes on cash	<u>(31,256)</u>	<u>8,446</u>
(Decrease) increase in cash and cash equivalents	1,783,070	(12,957,202)
Cash and cash equivalents - beginning of year	<u>15,344,251</u>	<u>28,301,453</u>
Cash and cash equivalents - end of year	<u>\$ 17,127,321</u>	<u>\$ 15,344,251</u>
Supplemental disclosure:		
Noncash transactions:		
Conversion debt to equity	\$ 217,538	\$ 1,903,736
Cash paid during the period for:		
Interest	839	833
Taxes	85	12,641

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

ACCION International and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1 - NATURE OF ORGANIZATION

ACCION International and its subsidiaries (“Accion”) is Incorporated in New York 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 \$377,172 and \$217,470 and \$416,525 and \$235,683 at December 31, 2021 and 2020, 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 program 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 \$1,711,458 and \$479,756 and \$208,876 and \$376,846 at December 31, 2021 and 2020, respectively.

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

ACC is 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 \$84,526 and \$15,312 and \$54,629 and \$16,948 at December 31, 2021 and 2020, 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, 2021 and 2020

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 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 Accion Venture Lab, LP (“AVL”), a separate legal entity and related party of Accion.

Accion Impact Management, LLC (“AIM US”)

AIM US is a wholly owned subsidiary of Accion and was created in 2021 as a limited liability company. It is a for-profit company incorporated in Delaware for the purpose of managing the social impact fund investments.

Accion Digital Transformation Fund GP, LLC (“ADTx GP”)

ADTx GP is a wholly owned subsidiary and was created in 2021 as a limited liability company in Delaware for the purpose of providing general partner services to ADTx, a separate legal entity and investment fund managed by AIM.

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.

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.

ACCION International and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

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 \$1,790,168 and \$410,440 at December 31, 2021 and 2020, 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 are assessed at 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, 2021 and 2020

- 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, 2021 and 2020, Accion identified three and seven investments requiring an impairment adjustment totaling \$2,169,738 and \$8,420,870, respectively. These adjustments are reported in the net unrealized loss on investments in the consolidated statement of activities.

Contracts, Contributions and Grants

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 statements of financial position. As of December 31, 2021 and 2020, Accion had been notified of \$1,072,212 and \$198,843, 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.

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>2021</u>	<u>2020</u>
Due in one year or less	\$ 5,761,043	\$ 6,057,165
Due in one to five years	600,000	2,980,820
	<u>6,361,043</u>	<u>9,037,985</u>
Present value discount (5%)	<u>(55,350)</u>	<u>(194,659)</u>
Net contributions and grants receivable	<u>\$ 6,305,693</u>	<u>\$ 8,843,326</u>

ACCION International and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

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 \$401,994 and \$361,485 in fiscal years 2021 and 2020, 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. 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.

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, AIM, (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.

ACCION International and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

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.

Recently Issued Accounting Pronouncements

Fair Value Measurements (Topic 820)

In August 2018, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2018-13, *Fair Value Measurements, Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement* (“ASU 2018-13”). The disclosure framework project's objective and primary focus are to improve the effectiveness of disclosures in the notes to financial statements by facilitating clear communication of the information required by generally accepted accounting principles that is most important to users the financial statements. The amendments in this update modify the disclosure requirements on fair value measurements in Topic 820, *Fair Value Measurement*. This new guidance is effective for years beginning after January 1, 2020. ACCION has adopted this guidance and concluded that the impact of this guidance is limited to additional required disclosures.

Leases (Topic 842)

In February 2016, FASB issued 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.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment at December 31 consist of the following:

	<u>2021</u>	<u>2020</u>
Furniture, fixtures, equipment and software	\$ 1,361,023	\$ 1,382,147
Leasehold improvements	<u>1,941,628</u>	<u>1,941,670</u>
Property and equipment - gross	3,302,651	3,323,817
Less accumulated depreciation	<u>(3,166,975)</u>	<u>(2,407,117)</u>
Property and equipment - net	<u>\$ 135,676</u>	<u>\$ 916,700</u>

For the years ended December 31, 2021 and 2020, Accion incurred \$872,502 and \$235,350 in depreciation expense, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

NOTE 4 - 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, 2021 and 2020

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, 2021 and 2020:

	2021				
	Level 1	Level 2	Level 3	NAV	Total
Short-term investments					
U.S. Treasury and Agency Bonds	\$ 30,835,498	\$ -	\$ -	\$ -	\$ 30,835,498
Corporate bonds	-	56,226,921	-	-	56,226,921
Program investments at fair value	-	-	56,153,548	-	56,153,548
Investments pledged as guarantee for letter of credit					
Cash and cash equivalents	2,858,649	-	-	-	2,858,649
Investments measured at NAV	-	-	-	133,970,554	133,970,554
Total investments at fair value	<u>\$ 33,694,147</u>	<u>\$ 56,226,921</u>	<u>\$ 56,153,548</u>	<u>\$ 133,970,554</u>	<u>\$ 280,045,170</u>
	2020				
	Level 1	Level 2	Level 3	NAV	Total
Short-term investments					
U.S. Treasury and Agency Bonds	\$ 34,534,908	\$ -	\$ -	\$ -	\$ 34,534,908
Corporate bonds	-	47,000,713	-	-	47,000,713
Program investments at fair value	-	-	67,076,286	-	67,076,286
Investments pledged as guarantee for letter of credit					
Cash and cash equivalents	2,857,810	-	-	-	2,857,810
Investments measured at NAV	-	-	-	57,266,859	57,266,859
Total investments at fair value	<u>\$ 37,392,718</u>	<u>\$ 47,000,713</u>	<u>\$ 67,076,286</u>	<u>\$ 57,266,859</u>	<u>\$ 208,736,576</u>

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, 2021 and 2020. In 2021 and 2020, there were no transfers into and out of level 3 investments.

	Program Investments	
	2021	2020
Beginning balance	\$ 67,076,286	\$ 87,678,531
Purchases	217,539	-
Sales	-	(3,735,986)
Unrealized gains and losses	(11,140,277)	(16,866,259)
Ending balance	<u>\$ 56,153,548</u>	<u>\$ 67,076,286</u>

ACCION International and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

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.

<u>Investments</u>	<u>Fair Value as of December 31, 2021</u>	<u>Fair Value as of December 31, 2020</u>	<u>Valuation Technique</u>	<u>Unobservable Input</u>	<u>2021 Rate</u>	<u>2021 Rate</u>
Grassland Finance Limited	\$ 14,828,109	\$ 17,232,140	Modified Discounted Cash Flow and Comparable Public Companies	Discount Rate, P/BV valuation multiples	12.8% and 0.82/BV	12.60%
Teak Tree Investments Pte. Limited	7,650,358	8,656,928	Modified Discounted Cash Flow	Discount Rate	20.10%	19.50%
Dawn Myanmar Microfinance Pte. Limited	5,414,620	14,201,434	Modified Discounted Cash Flow	Discount Rate	28.60%	25.20%
Dvara KG FS Pte. Limited	15,582,254	15,182,632	Modified Discounted Cash Flow	Discount Rate, P/BV valuation multiples	18.1% and 1.50, and 2.35/BV	18.80%
AM fB	6,586,208	5,671,448	Modified Discounted Cash Flow	Discount Rate	29.38%	28.50%
Socremo Banco de Mircorfinancas SARL	4,156,176	4,095,608	Modified Discounted Cash Flow	Discount Rate	29.00%	21.63%
Dvara Solutions	580,169	926,090	Revenue Multiple under Relative Valuation Approach	Rev. Mul x BV	2.1x	32.84%
UGAFODE	<u>1,355,654</u>	<u>1,110,006</u>	Comparative transaction	N/A	N/A	
	<u>\$ 56,153,548</u>	<u>\$ 67,076,286</u>				

ACCION International and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

NOTE 5 - PROGRAM INVESTMENTS

Program investments at December 31 consist of the following:

	<u>2021</u>	<u>2020</u>
Investments in microfinance institutions with greater than 20% participation		
Banco Solidario S.A (Bolivia) (equity method)	\$ 120,792,292	\$ 106,628,790
Saija (India) (equity method)	899,951	1,136,796
Grassland Finance Limited (Hong Kong) (fair Value)	14,828,108	17,232,140
Teak Tree Investments Pte. Limited (Cayman Islands) (fair value)	7,650,358	8,656,928
Dawn Myanmar Microfinance Pte. Limited (Singapore) (fair value)	5,414,620	14,201,434
Dvara KGFS Pte. Limited (India) (formerly part of IFMR) (fair value)	15,582,254	15,182,632
ACCION Investment in Microfinance Nigeria (Nigeria) (fair value)	6,586,208	5,671,448
Other (various) (fair value)	6,091,999	6,131,704
	<u>177,845,790</u>	<u>174,841,872</u>
Investments in microfinance institutions with less than 20% participation (measurement exception)		
Credinka (Peru)	2,027,041	3,356,241
Basix Sub-K iTransactions Limited (India)	11,747,053	11,747,053
Northern Arc Capital Limited (India) (formerly part of IFMR)	21,316,113	21,316,113
Annapurna Finance Private Limited (India)	13,285,506	-
Other (various)	6,496,126	6,137,569
	<u>54,871,839</u>	<u>42,556,976</u>
Investments in mission-related non microfinance institutions with less than 20% participation		
Azimo (UK) (measurement exception)	11,391,923	11,391,924
Accion Frontier Inclusion Fund, L.P. (Cayman Islands) (NAV)	88,461,257	48,383,624
Accion Quona Inclusion Fund (Cayman Islands) (NAV)	41,759,673	8,700,564
Quona Accion Inclusion Fund III, L.P. (Cayman Islands) (NAV)	3,673,895	-
Other (various) (measurement exception)	5,003,193	4,862,934
	<u>150,289,941</u>	<u>73,339,046</u>
Investments in mission-related seed-stage non microfinance institutions with less than 20% participation (Measurement exception)		
Konfio Limited (Cayman Islands)	825,042	7,480,855
Self Lender, Inc (USA)	-	9,668,745
Other (various)	19,275,965	13,844,281
	<u>20,101,007</u>	<u>30,993,881</u>
 Total program investments	 <u>\$ 403,108,577</u>	 <u>\$ 321,731,775</u>

ACCION International and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

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

	2021	2020
Carrying amount, beginning of period	\$ 89,138,084	\$ 77,630,357
Measurement exception adjustment	(11,829,321)	11,546,757
Purchases	16,242,825	5,403,006
Sales	(3,330,116)	-
Impairments	251,215	(5,458,702)
Other adjustment	-	16,666
Carrying amount, end of period	<u>\$ 90,472,687</u>	<u>\$ 89,138,084</u>

Banco Solidario S.A. (“BancoSol”)

BancoSol is a private commercial bank focused on microenterprises in Bolivia. Accion’s investment in BancoSol, accounted for under the equity method of accounting, as of December 31, 2021 and 2020 represented 40% of BancoSol’s total common shares. For the year ended December 31, 2021, Accion did not receive a dividend. For the year ended December 31, 2020, Accion received a dividend of \$4,118,745. As of December 31, 2021 and 2020 reported its share of BancoSol’s equity with an increase of \$14,163,502 and \$2,042,836, respectively. In 2020, Accion sold 23,870 shares of BancoSol and recorded a realized loss of \$128,235. The accounts of BancoSol reflect total assets and total liabilities of \$2,514,000,000 and \$2,235,000,000 and \$2,297,000,000 and \$2,054,000,000 at December 31, 2021 and 2020, respectively. In fiscal year 2021 and 2020, due to the limitations on availability of payment information used to determine the necessary loan loss reserves associated with the loan portfolio of Bancosol, Accion’s investment in Bancosol was adjusted using data available from fiscal year 2019 and prior.

Saija Finance (“Saija”)

Saija is a non-bank microfinance institution operating in Bihar, India. Accion’s investment in Saija as of December 31, 2021 and 2020 represented 33.49% and 45.20% of Saija’s total common shares, respectively. For the years ended December 31, 2021 and 2020, Accion reported its share of Saija’s equity with a decrease of \$236,845 and \$362,210, respectively. For the year ended December 31, 2020, Accion reported an impairment of \$2,978,833 reflected in equity income in equity investments. The accounts of Saija reflect total assets and total liabilities of \$17,670,000 and \$15,000,000 and \$33,500,000 and \$24,400,000 at December 31, 2021 and 2020, 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, 2021 and 2020, Accion reported a decrease in fair market value of \$2,404,031 and \$1,983,315, 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. Accion’s investment in Teak Tree as of December 31, 2021 and 2020 represented 28.92% of Teak Tree’s total common shares. For the years ended December 31, 2021 and 2020, Accion reported a decrease in fair market value of \$1,006,570 and an increase of \$1,516,928, respectively.

ACCION International and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

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. For the years ended December 31, 2021 and 2020, Accion reported a decrease in fair market value of \$8,786,815 and an increase of \$529,937, 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 2020, Accion sold its 2,713,516 remaining shares of Aye Finance and recorded a realized gain of \$17,246,184.

Dvara Kshetriya Gramin Financial Services Private Limited (“Dvara KGFS”)

Accion’s ownership is allocated between three entities: Dvara KGFS, a non-bank providing financial services to the base of the pyramid in India, Dvara Solutions Private Limited, a financial services company providing technology services to financial institutions, and Northern Arc Capital Limited, a non-bank providing debt to microfinance institutions and other financial service providers.

For the years ended December 31, 2021 and 2020, Accion reported an increase in fair market value of \$399,621 and \$650,969, respectively.

Accion’s ownership in Dvara Solutions is included in Other - investments in microfinance institutions with greater than 20% participation.

ACCION Investment in Nigeria (AINV Nigeria) and ACCION Microfinance Bank Ltd. (“AMfB”)

AINV Nigeria, a Cayman Islands holding company, owned AMfB, a private commercial bank providing financial services to micro and small businesses in Nigeria. In 2020, AINV Nigeria was dissolved and AMfB’s ownership was transferred to Accion. For the years ended December 31, 2021 and 2020, Accion reported an increase of \$914,760 and a decrease of \$603,107 in AMfB’s fair market value, respectively.

Credinka S.A. (“Credinka”)

Credinka is a non-bank Peruvian microfinance institution. For the years ended December 31, 2021 and 2020, Accion recorded an impairment of \$1,329,199 and \$2,149,261, respectively, reflected as unrealized losses.

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. For the year ended December 31, 2020 Accion received a dividend of \$3,168.

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.

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.

ACCION International and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

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. Accion does not have the right to withdraw all or any portion of its capital and profits from AFIF until the end of its term. In 2021 and 2020, Accion invested \$1.5 million and \$2.4 million, respectively, in AFIF. In 2020, Accion received \$3.5 million in capital repayments from AFIF.

Accion Quona Inclusion Fund, L.P. (“AQF”)

AQF was launched in 2018 and is the second dedicated financial technology fund for the underbanked in emerging markets. Accion does not have the right to withdraw all or any portion of its capital and profits from AQF until the end of its term. In 2021 and 2020, Accion invested \$6.6 million and \$3.8 million, respectively, in AQF.

Self Lender, Inc (“Self”)

Self is creating a responsible way for people to build credit and savings at the same time with a credit builder account. In 2021, Accion sold its remaining 1,496,316 shares of Self and recorded a realized gain of \$24,570,101.

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 2021, Accion sold 1,101,047 shares of Konfio and recorded a realized gain of \$8,274,924.

Annapurna Finance Private Limited (“Annapurna”)

Annapurna is a microfinance institution in India, serving low-income households and digitizes the product offerings and customer engagement for two million customers; more than 90 percent are women and more than 80 percent live in rural areas. In 2021 Accion purchased 8,492,569 shares of Annapurna.

Quona Accion Inclusion Fund III, L.P. (“QAF”)

QAF invests in companies that offer a broad array of inclusive financial services, from small business lending to consumer credit to insurance policies, with a goal of providing access to a full range of high quality, affordable financial services. In 2021, Accion invested \$3.7 million in QAF.

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 \$3 million and are recorded at fair value, NAV or measurement exception net of any temporary impairment. For the years ended December 31, 2021 and 2020, Accion did not receive a dividend from 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, 2021 and 2020, Accion had invested in 44 and 48 companies for a total cost of \$17 million and \$15 million, respectively. As of December 31, 2021 and 2020, Accion carried these purchases at the measurement exception, net of any impairment.

ACCION International and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

NOTE 6 - RELATED PARTY TRANSACTIONS

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 \$23,352 and \$27,196 in 2021 and 2020, 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 \$292,866 and \$416,499 for the years ended December 31, 2021 and 2020, 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. These amounts aggregated to \$484,421 and \$575,000 for the years ended December 31, 2021 and 2020, respectively and were paid by the limited partners of AVL.

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>2021</u>	<u>2020</u>
Investments pledged as guarantee to letters of credit		
Cash and cash equivalents	\$ 2,858,649	\$ 2,857,810
	<u>\$ 2,858,649</u>	<u>\$ 2,857,810</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 fund program expenditures in excess of Accion’s yearly operating 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, 2021 and 2020

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>2021</u>	<u>2020</u>
Current assets, excluding non-financial assets	\$ 117,993,247	\$ 104,349,425
Subtract: board-designated quasi-endowment	-	(5,047,080)
Add: release from board-designated quasi-endowment	<u>600,000</u>	<u>560,000</u>
Financial assets available to meet cash needs for general expenditures or program investments within one year	<u>\$ 118,593,247</u>	<u>\$ 99,862,345</u>

NOTE 9 - 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, 2020, Accion was not contingently liable for any letters of credit. As of December 31, 2021, Accion was contingently liable for a letter of comfort in the amount of \$672,707, and a standby letter of credit issued as part of the sublease agreement in the amount of \$185,744.

Bank Line of Credit

At December 31, 2021 and 2020 Accion had a \$30,000,000 and \$25,000,000 line of credit, respectively, 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, 2021, there was an outstanding balance under the line of credit of \$13.4 million and there was no outstanding balance under the line of credit as of December 31, 2020.

Capital Calls

For the years ended December 31, 2021 and 2020, Accion had \$14,214,278 and \$16,123,638, respectively, in commitments for future capital calls with investment affiliates

Operating Leases

Accion leases office space in various countries in which they operate. These leases expire over periods ranging from June 2021 through May 2025. The remaining net minimum payment obligation under these leases is as follows:

2022	\$ 1,463,184
2023	1,507,070
2024	1,207,458
2025	<u>416,325</u>
Total	<u>\$ 4,594,037</u>

ACCION International and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2021 and 2020

In 2021, Accion subleased the Cambridge office for the remainder of the lease, ending in 2025. Future rent receivables from the subleasing agreement amount to \$2,368,858 at December 31, 2021. Total rent expense was \$833,859 and \$1,240,244 for the years ended December 31, 2021 and 2020, respectively.

NOTE 10 - 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 \$571,073 and \$637,554 in 2021 and 2020, respectively.

NOTE 11 - 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:

	2021	2020
Global programs	\$ 5,752,213	\$ 8,621,410
Global investments	829,847	1,078,503
Fundraising	1,091,541	1,109,513
Center for Financial Inclusion	1,311,450	3,219,906
Total	<u>\$ 8,985,051</u>	<u>\$ 14,029,332</u>

NOTE 12 - 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 30% and 33% of Accion's program investments are invested in the common stock of BancoSol, a Bolivian-based bank (see Note 5) as of December 31, 2021 and 2020, respectively. In addition, one donor represented 82% and 81% of contributions receivable as of December 31, 2021 and 2020, respectively.

NOTE 13 - SUBSEQUENT EVENTS

Management has reviewed the Company's operations for potential disclosure or financial statement impacts related to events occurring after December 31, 2021 through August 9, 2022, the date of issuance of these consolidated financial statements.

On July 28, 2022, Accion sold its 7.4% stake in Azimo Limited to Papaya Global ("Papaya"), an Israeli professional employment organization (PEO). As a result of the sale, Accion received \$4.6M in cash and 594,246 of series D preferred shares in Papaya with a value of \$5.5M. Accion recorded a \$4.6M gain on the sale of Azimo.

Accion Impact Management India Private Limited ("AIM India")

AIM India is a wholly owned subsidiary of Accion and was created in 2022 as a limited liability company. It is a for-profit company incorporated in Mumbai, India for the purpose of managing the social impact fund investments.