

Consolidated Financial Statements
and Report of Independent Certified Public Accountants

ACCION INTERNATIONAL

December 31, 2017 and 2016

ACCION INTERNATIONAL

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors

ACCION International

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, 2017 and 2016, 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.

Management's responsibility for the 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, 2017 and 2016, 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

Westborough, Massachusetts

July 24, 2018

ACCION INTERNATIONAL AND SUBSIDIARIES
Consolidated Statements of Financial Position
As of December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 20,856,085	\$ 26,578,086
Short-term investments	76,590,543	89,545,845
Notes receivable from affiliates	417,539	250,000
Grants receivable - net	8,956,407	4,664,905
Contributions receivable - net	369,585	378,014
Contracts receivable	661,702	1,160,723
Prepaid expenses	874,525	1,147,316
Deposits, advances and other receivables	602,716	694,233
Total current assets	<u>109,329,102</u>	<u>124,419,122</u>
NONCURRENT ASSETS		
Grants receivable - net	1,643,953	5,189,602
Contributions receivable - net	95,200	234,000
Investments pledged as guarantee for letters of credit	3,319,440	3,313,492
Investments in affiliates	258,750,244	225,163,743
Property and equipment - net	1,713,369	2,059,918
Total noncurrent assets	<u>265,522,206</u>	<u>235,960,755</u>
Total assets	<u>\$ 374,851,308</u>	<u>\$ 360,379,877</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 4,541,046	\$ 5,265,529
Bank line of credit	8,500,000	-
Payable on sale of stock	4,529,938	-
Deferred revenue	312,070	510,442
Notes payable	200,000	250,000
Total current liabilities	<u>18,083,054</u>	<u>6,025,971</u>
Total liabilities	<u>18,083,054</u>	<u>6,025,971</u>
NET ASSETS		
Unrestricted		
Undesignated	329,804,986	327,891,720
Board designated	6,234,999	6,602,266
Noncontrolling interest in holding entities	4,211,183	4,023,621
Total unrestricted net assets	340,251,168	338,517,607
Temporarily restricted	<u>16,517,086</u>	<u>15,836,299</u>
Total net assets	<u>356,768,254</u>	<u>354,353,906</u>
Total liabilities and net assets	<u>\$ 374,851,308</u>	<u>\$ 360,379,877</u>

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, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES						
Contributions and grants	\$ 2,601,900	7,873,992	\$ 10,475,892	\$ 4,976,241	12,564,181	\$ 17,540,422
Dividend and interest income from program investments	2,024,014	(2,234)	2,021,780	2,235,204	2,234	2,237,438
Dividend and interest income from short-term investments	3,208,928	-	3,208,928	3,214,160	-	3,214,160
Contract revenues and training fees	2,623,141	-	2,623,141	3,487,528	-	3,487,528
Net assets released from restrictions	7,190,971	(7,190,971)	-	7,200,954	(7,200,954)	-
Total revenues	<u>17,648,954</u>	<u>680,787</u>	<u>18,329,741</u>	<u>21,114,087</u>	<u>5,365,461</u>	<u>26,479,548</u>
FUNCTIONAL EXPENSES						
Program services						
Global programs	7,858,687	-	7,858,687	11,616,745	-	11,616,745
Global investments	7,143,412	-	7,143,412	6,956,620	-	6,956,620
Center for financial inclusion	6,234,204	-	6,234,204	6,381,852	-	6,381,852
Communications	1,784,210	-	1,784,210	1,512,475	-	1,512,475
Total program services	<u>23,020,513</u>	<u>-</u>	<u>23,020,513</u>	<u>26,467,692</u>	<u>-</u>	<u>26,467,692</u>
Supporting services						
General and administrative	4,934,381	-	4,934,381	5,139,923	-	5,139,923
Fundraising	1,621,668	-	1,621,668	2,289,253	-	2,289,253
Total supporting services	<u>6,556,049</u>	<u>-</u>	<u>6,556,049</u>	<u>7,429,176</u>	<u>-</u>	<u>7,429,176</u>
Total functional expenses	<u>29,576,562</u>	<u>-</u>	<u>29,576,562</u>	<u>33,896,868</u>	<u>-</u>	<u>33,896,868</u>
Change in net assets from operations	(11,927,608)	680,787	(11,246,821)	(12,782,781)	5,365,461	(7,417,320)
Income tax expense (Note 9)	4,263	-	4,263	(16,048)	-	(16,048)
Equity in income of equity investments	8,180,511	-	8,180,511	12,199,275	-	12,199,275
Net unrealized loss on investments	(2,701,522)	-	(2,701,522)	(26,450,493)	-	(26,450,493)
Net realized gain on investments	8,210,150	-	8,210,150	18,754,883	-	18,754,883
Foreign currency translation losses, net	(27,150)	-	(27,150)	(68,172)	-	(68,172)
Other	(5,083)	-	(5,083)	25,515	-	25,515
Change in net assets	<u>1,733,561</u>	<u>680,787</u>	<u>2,414,348</u>	<u>(8,337,821)</u>	<u>5,365,461</u>	<u>(2,972,360)</u>
Net assets - beginning of year	<u>338,517,607</u>	<u>15,836,299</u>	<u>354,353,906</u>	<u>346,855,428</u>	<u>10,470,838</u>	<u>357,326,266</u>
Net assets - end of year	<u>\$ 340,251,168</u>	<u>\$ 16,517,086</u>	<u>\$ 356,768,254</u>	<u>\$ 338,517,607</u>	<u>\$ 15,836,299</u>	<u>\$ 354,353,906</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, 2017

	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	\$ 5,470,974	\$ 3,751,212	\$ 3,356,091	\$ 1,010,682	\$ 2,911,366	\$ 1,102,064	\$ 17,602,389
Professional services	767,432	1,849,055	1,108,974	408,743	764,473	120,173	5,018,850
Travel and conferences	781,165	863,444	1,186,920	186,770	260,349	94,366	3,373,014
Office and occupancy	582,768	368,588	376,900	138,782	688,905	228,272	2,384,215
Awards and grants	148,287	116,545	80,267	-	-	13,350	358,449
Provision for doubtful accounts	(8,844)	-	-	-	-	-	(8,844)
Taxes and penalties	19,869	-	11,666	-	17,316	-	48,851
Depreciation	66,316	61,770	69,522	25,737	101,417	38,193	362,955
Interest and fees	789	102,326	4,803	-	146,880	7,629	262,427
Miscellaneous	29,931	30,472	39,061	13,496	43,675	17,621	174,256
Total	<u>\$ 7,858,687</u>	<u>\$ 7,143,412</u>	<u>\$ 6,234,204</u>	<u>\$ 1,784,210</u>	<u>\$ 4,934,381</u>	<u>\$ 1,621,668</u>	<u>\$ 29,576,562</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, 2016

	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	\$ 6,155,752	\$ 3,209,350	\$ 3,364,624	\$ 867,669	\$ 2,918,327	\$ 1,438,386	\$ 17,954,108
Professional services	3,004,453	1,893,228	1,320,523	275,877	1,025,375	326,349	7,845,805
Travel and conferences	1,328,621	1,306,775	1,069,382	178,376	298,331	163,927	4,345,412
Office and occupancy	717,120	367,026	423,850	163,220	661,283	281,528	2,614,027
Awards and grants	265,674	-	111,310	-	-	-	376,984
Provision for doubtful accounts	2,961	-	-	-	-	-	2,961
Taxes and penalties	31,418	-	-	-	-	-	31,418
Depreciation	75,501	40,577	57,377	22,698	131,717	52,928	380,798
Interest and fees	7,083	113,721	3,185	175	51,101	10,970	186,235
Miscellaneous	28,162	25,943	31,601	4,460	53,789	15,165	159,120
Total	<u>\$ 11,616,745</u>	<u>\$ 6,956,620</u>	<u>\$ 6,381,852</u>	<u>\$ 1,512,475</u>	<u>\$ 5,139,923</u>	<u>\$ 2,289,253</u>	<u>\$ 33,896,868</u>

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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,414,348	\$ (2,972,360)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Unrealized loss on investments	2,701,522	26,450,493
Realized gain on sale of investments	(8,210,150)	(18,754,883)
Provision for doubtful accounts	(8,844)	2,961
Depreciation and amortization	362,954	380,798
Equity in income of investments	(8,180,511)	(12,199,275)
Foreign currency translation gains	27,150	23,318
Increase (decrease) in cash and cash equivalents as a result of a change in		
Prepaid expenses	287,888	(193,246)
Grants receivable	(745,585)	(5,183,079)
Contributions receivable	147,229	89,679
Deposits, advances and other receivables	92,111	(221,453)
Receivable from investments sold	-	6,249,180
Contract payments receivable	1,081,003	676,659
Cash restricted by foundation	-	150,352
Accounts payable and accrued liabilities	(741,794)	342,580
Deposit from investor	4,529,938	
Deferred revenue	(179,132)	(64,905)
Net cash used in operating activities	<u>(6,421,873)</u>	<u>(5,223,181)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(15,356)	(92,932)
Purchase (sale) of short-term investments	13,935,124	5,558,526
Purchase of investments	(34,473,874)	(15,300,223)
Proceeds from sale of investments	10,650,427	20,793,162
Dividends received from investments in affiliates	1,546,763	1,593,740
Net loan originations and principal repayments	610,496	2,840,945
Net cash (used in) provided by investing activities	<u>(7,746,420)</u>	<u>15,393,218</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Draw on bank line of credit	8,500,000	-
Notes payable received	-	250,000
Notes payable paid	(50,000)	(5,418,269)
Net cash provided by (used in) financing activities	<u>8,450,000</u>	<u>(5,168,269)</u>
Effect of exchange rate changes on cash	(3,708)	(15,181)
(Decrease) increase in cash and cash equivalents	(5,722,001)	4,986,587
Cash and cash equivalents - beginning of year	26,578,086	21,591,499
Cash and cash equivalents - end of year	<u>\$ 20,856,085</u>	<u>\$ 26,578,086</u>
Supplemental disclosure:		
Noncash transactions:		
Conversion debt to equity	\$ 1,626,131	\$ 675,000
Cash paid during the period for:		
Interest	\$ 171,910	\$ 63,522
Taxes	3,685	12,074

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

ACCION INTERNATIONAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

1. NATURE OF ORGANIZATION

ACCION International and its subsidiaries (“Accion”) is headquartered in Cambridge, Massachusetts with offices in Washington, D.C., Accra, Ghana and Singapore and subsidiaries as listed in Note 2. Accion is a global nonprofit 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.

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 \$252,968 and \$106,888 and \$256,095 and \$84,862 at December 31, 2017 and 2016, 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 investments in affiliates.

ACCION Technical Advisors, India (ATA) - ATA is a wholly owned subsidiary of Accion. ATA is a nonprofit 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 \$429,163 and \$293,321 and \$452,327 and \$233,386 at December 31, 2017 and 2016, 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 \$274,039 and \$31,919 and \$259,407 and \$67,865 at December 31, 2017 and 2016, 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 investments in affiliates 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 Investments in Microfinance Nigeria (AINV Nigeria) - AINV Nigeria is a 51% owned subsidiary of Accion. 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 INTERNATIONAL AND SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2017 and 2016

Accion Investments in Microfinance Cameroon (AINV Cameroon) - AINV Cameroon is a 51% owned subsidiary of Accion. AINV Cameroon was created as a for-profit company incorporated in the Cayman Islands to own an investment in Cameroon in partnership with one minority shareholder.

Accion Investments in Microfinance Ghana (AINV Ghana) - AINV Ghana is a 51% owned subsidiary of Accion. AINV Ghana was created as a for-profit company incorporated in the Cayman Islands to own an investment in Ghana in partnership with one minority shareholder.

The following table provides details of the changes in total unrestricted net assets attributable to the non-controlling interests, as well as total unrestricted net assets under Accion's control:

	<u>Controlling Interest</u>	<u>Noncontrolling Interest</u>	<u>Total</u>
Balance at December 31, 2015	\$ 342,822,633	\$ 4,032,795	\$ 346,855,428
Change in net assets	<u>(8,328,647)</u>	<u>(9,174)</u>	<u>(8,337,821)</u>
Balance at December 31, 2016	334,493,986	4,023,621	338,517,607
Change in net assets	<u>1,545,999</u>	<u>187,562</u>	<u>1,733,561</u>
Balance at December 31, 2017	<u>\$ 336,039,985</u>	<u>\$ 4,211,183</u>	<u>\$ 340,251,168</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 ("US GAAP") using the Not-for-Profit Organizations Audit Guide issued by the American Institute of Certified Public Accountants. 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:

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

Board designated Net Assets - Unrestricted net assets that are subject to board imposed restrictions.

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

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that are maintained permanently by Accion. Accion had no permanently restricted net assets at December 31, 2017 and 2016.

ACCION INTERNATIONAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

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 \$5,175,122 and \$2,547,962 at December 31, 2017 and 2016, 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 statement 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 statement of activities.

Investments in Affiliates

With the exception of Accion's investment in Genera, formerly known as Compartamos, whose stock trades on the Mexican Stock exchange and therefore is valued based on the price in that active market, investments in affiliates do not have a readily determinable fair value and, as such, are recorded at cost or under the fair market value or the equity method of accounting whenever Accion can exercise significant influence, which is generally indicated when its equity position in the affiliate equals or exceeds 20% and does not exceed 50%. Under the fair value method, Accion utilizes multiple valuation techniques resulting in a range of acceptable valuations; under the equity method, Accion records its proportional share of the net income in the investment at each measurement date, and records dividends as decreases in the investments. Investments in affiliates carried at cost are reviewed periodically to determine whether the underlying value of the affiliate 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 2017 and 2016 Accion identified one and three investments requiring an impairment adjustment totaling \$2,285,103 and \$2,784,316, respectively. These adjustments are reported in the net unrealized loss on investments in the statement of activities.

Accion's Venture Lab portfolio comprises of early stage investments and is carried at zero value to reflect the high risk associated with start-up companies. When the investment successfully breaks even and secures a second round of financing with new investors, the investment is no longer valued at zero and is accounted for following one of the valuation methods described above. These valuation adjustments are recorded in the net unrealized loss on investments in the statement of activities.

ACCION INTERNATIONAL AND SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2017 and 2016

Contract Revenue and Training Fees

Contract revenue and training fees consist of mission-related consulting agreements with microfinance institutions. Revenue is recognized based on the proportional performance method.

Contributions and Grants

Contributions and grants are received from individuals, private institutions, foundations, and government agencies. Contributions and grants may be designated by the donor for a specific purpose or given on an unrestricted basis. All contributions and grants are considered to be available for general use unless specifically restricted by the donor. Contributions and grants, including unconditional promises to give, are recorded at fair value when received. Fair value is determined as the amount to be received less the net present value, using a risk adjusted interest rate. Contributions and grants restricted for purposes which have not been fulfilled at the measurement date are accounted for as temporarily restricted revenue. Amounts received which are required by the donor to be passed on to other organizations are recorded as a liability and reflected in accounts payable and accrued liabilities in the consolidated statements of financial position until the transfer is made.

Conditional promises to give are not recorded as revenues until the conditions are substantially met. Any assets contributed before the conditions are substantially met would be accounted for as a refundable advance and reflected in accounts payable and accrued liabilities in the consolidated statements of financial position. As of December 31, 2017 and 2016, Accion had been notified of \$1,401,718 and \$848,472, respectively in conditional promises to give. They will be recorded when it is probable that conditions will be met.

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>2017</u>	<u>2016</u>
Due in one year or less	\$ 9,325,992	\$ 5,042,919
Due in one to five years	<u>1,825,953</u>	<u>5,756,602</u>
	11,151,945	10,799,521
Present value discount (5%)	<u>(86,800)</u>	<u>(333,000)</u>
Net contributions and grants receivable	<u>\$ 11,065,145</u>	<u>\$ 10,466,521</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 3 to 10 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.

ACCION INTERNATIONAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

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 \$955,614 and \$2,944,354 in fiscal 2017 and 2016, 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 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 statements of activities.

Income Tax

Accion is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code 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 and AFIF LP, single member limited liability companies, are fully consolidated on the federal form 990 of their single member, Accion. ACC, AAIC, AINV Nigeria, AINV Cameroon and AINV Ghana (see Note 2) are taxable subsidiaries of Accion, filing their own tax returns. The income tax consequences, if any, are reflected in the financial statements, and do not have a material effect, individually or in the aggregate, upon Accion's 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.

Noncontrolling Interest

A noncontrolling 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 noncontrolling interest. The consolidated statement of activities separately presents Accion, as well as the change in net assets attributable to Accion and the noncontrolling interest.

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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 twelve months. The new standard is effective for interim and annual periods beginning after December 15, 2019. 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 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 adoptions of ASU 2016-02 may have on its financial position, results of operations, cash flows, or disclosures.

Revenue from Contracts with Customers (Topic 606)

In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date (“ASU 2015-14”). ASU 2015-14 defers by one year the effective date of ASU No. 2014-09, Revenue from Contracts with Customers (“ASU 2014-09”). The deferral results in ASU 2014-09 being effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted for interim and annual periods beginning after December 15, 2016. The main provision of ASU 2014-09 is to recognize revenue when the control of the goods or services transfers to the customer, as opposed to the existing guidance of recognizing revenue when the risks and rewards transfer to the customer. The Organization has not completed its assessment and has not yet determined whether the impact of the adoption of this standard on its financial position, results of operations, cash flows, or disclosures will be material.

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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;
- 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, inputs that are not observable, 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 investments in affiliates held at fair value that are not traded in active markets.

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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, 2017 and 2016:

	2017			
	Level 1	Level 2	Level 3	Total
Short-term investments				
U.S. Treasury	\$ 22,976,947	\$ -	\$ -	\$ 22,976,947
Corporate bonds	-	53,613,596	-	53,613,596
Investment in affiliates at fair value	12,897,006	-	98,427,027	111,324,033
Investments pledged as guarantee for letters of credit				
Cash and cash equivalents	61,661	-	-	61,661
Corporate bonds	-	3,257,779	-	3,257,779
	<u>\$ 35,935,614</u>	<u>\$ 56,871,375</u>	<u>\$ 98,427,027</u>	<u>\$ 191,234,016</u>
	2016			
	Level 1	Level 2	Level 3	Total
Short-term investments				
U.S. Treasury	\$ 31,535,719	\$ -	\$ -	\$ 31,535,719
Corporate bonds	-	58,010,125	-	58,010,125
Investment in affiliates at fair value	39,585,911	-	41,587,942	81,173,853
Investments pledged as guarantee for letters of credit				
Cash and cash equivalents	453,975	-	-	453,975
Corporate bonds	-	2,859,517	-	2,859,517
	<u>\$ 71,575,605</u>	<u>\$ 60,869,642</u>	<u>\$ 41,587,942</u>	<u>\$ 174,033,189</u>

Accion recognizes transfers between fair value hierarchy levels at the approximate date or change in circumstances that cause the transfer. There were no transfers between fair value hierarchy levels during the years ended December 31, 2017 and 2016.

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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 then ended December 31, 2017 and 2016.

	Investments in Affiliates	
	2017	2016
Beginning balance	\$ 41,587,942	\$ 33,899,645
Change from cost to fair value	12,537,193	-
Purchases	15,207,004	4,744,915
Unrealized net gains	<u>29,094,889</u>	<u>2,943,382</u>
Ending balance	<u>\$ 98,427,028</u>	<u>\$ 41,587,942</u>

Contributions and grants receivable, totaling \$11,065,145 and \$10,466,521 as of December 31, 2017 and 2016, respectively, are accounted for at fair value on a non-recurring basis as level 3 assets.

4. PROPERTY AND EQUIPMENT

Property and equipment at December 31 consists of the following:

	2017	2016
Furniture, fixtures, equipment and software	\$ 1,399,031	\$ 1,398,859
Leasehold improvements	<u>1,981,589</u>	<u>1,979,307</u>
Property and equipment- gross	3,380,620	3,378,166
Less accumulated depreciation	<u>(1,667,251)</u>	<u>(1,318,248)</u>
Property and equipment - net	<u>\$ 1,713,369</u>	<u>\$ 2,059,918</u>

Depreciation expense as of December 31, 2017 and 2016 was \$362,955 and \$380,798, respectively, as reported on the consolidated statement of functional expenses.

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5. INVESTMENTS IN AFFILIATES

Investments in affiliates at December 31 consist of the following:

	<u>2017</u>	<u>2016</u>
Investments in microfinance institutions with greater than 20% participation		
Akiba Commercial Bank (Tanzania) (Equity Method)	\$ -	\$ 3,107,253
Banco Solidario S.A (Bolivia) (Equity Method)	88,013,149	79,621,925
Swadhaar Finserve (India) (Equity Method)	2,311,544	2,741,609
Saija (India) (Equity Method)	2,522,046	1,855,922
Grassland Finance Limited (Hong Kong) (Fair Value)	24,090,498	25,918,152
Teak Tree Investments Pte. Ltd. (Cayman Islands) (Fair Value)	7,447,944	6,064,689
Dawn Myanmar Microfinance Pte. Ltd. (Singapore) (Fair Value)	3,868,500	2,805,727
UGAFODE Microfinance Limited (Uganda) (Fair Value)	588,374	610,030
Aye Finance (India) (Fair Value)	12,409,263	6,189,344
IFMR Holdings Private Limited (India) (Fair Value)*	45,492,512	12,537,193
SOCREMO Banco de Microfinanças, SARL (Mozambique) (Fair Value)	4,529,938	-
	<u>191,273,768</u>	<u>141,451,844</u>
Investments in microfinance institutions with less than 20% participation		
Genera SAB de C.V. (formerly Compartamos) (Mexico) (Fair Value)	12,897,007	39,585,911
Ban Compartir S.A. (Colombia) (Cost)	2,101,583	1,568,165
Microfinance Growth Fund, LLC (USA) (Cost)	-	1,000,000
ACCION Investment in Microfinance Nigeria (Cayman Islands) (Cost)	7,819,882	7,819,882
Desarrolladora e Impulsora de Negocios (CrediConfia) (Mexico) (Cost)	1,220,000	1,220,000
Credinka (Peru) (Cost)	7,528,628	6,496,315
Financiera FAMA, S.A. (Nicaragua) (Cost)	2,711,075	10,000
Other (Various) (Cost)	760,811	735,310
	<u>35,038,986</u>	<u>58,435,583</u>
Investments in mission-related non microfinance institutions with less than 20% participation (Cost Method)		
GloboKas Peru SAC (Peru)	3,002,358	2,424,963
Leapfrog Financial Inclusion Fund (USA)	1,104,721	1,728,583
MFX Solutions (USA)	1,270,000	1,250,000
Zoona Transactions International (Zambia)	4,840,387	3,214,904
Shubham Housing Development Finance Company (India)	3,356,109	3,356,109
ZonaMovil, Inc (Tiaxa) (USA)	2,000,014	2,000,014
Azimo (UK)	5,268,571	4,776,071
Accion Frontier Inclusion Fund, L.P. (Cayman Islands)	11,440,071	6,124,507
Other (Various)	155,259	401,165
	<u>32,437,490</u>	<u>25,276,316</u>
Total investments in affiliates	<u>\$ 258,750,244</u>	<u>\$ 225,163,743</u>

* Accounted for at Fair Value in 2017 and Cost in 2016.

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Akiba Commercial Bank Ltd. (ACB)

ACB is a private commercial bank focused on serving micro, small and medium enterprises and low income households in Tanzania. Accion's investment in ACB as of December 31, 2017 and 2016 represented 20% of ACB's total common shares. Accion did not receive a dividend from ACB for the year ended December 31, 2017. For the year ended December 31, 2016, Accion received a dividend of \$53,042, and Accion reported its share of ACB's equity with an decrease of \$822,149 and an increase of \$773,990, respectively. As of December 31, 2017, based on Akiba's performance Accion estimated fair market value at zero and recorded an impairment of \$2.3 million. The accounts of ACB reflect total assets and total liabilities of \$81.6 and \$99.5 and \$70.2 and \$77.3 million at December 31, 2017 and 2016, respectively.

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, 2017 and 2016 represented 39.98% of BancoSol's total common shares. For the years ended December 31, 2017 and 2016, Accion received a dividend of \$1,546,763 and \$1,540,698, and reported its share of BancoSol's equity with an increase of \$9,937,986 and \$11,117,197, respectively. The accounts of BancoSol reflect total assets and total liabilities of \$1.8 and \$1.6 and \$1.6 and \$1.4 billion at December 31, 2017 and 2016.

Swadhaar FinServe (Swadhaar)

Swadhaar is a microfinance business correspondent operating in Mumbai, India. Accion's investment in Swadhaar as of December 31, 2017 and 2016 represented 35.94% of Swadhaar's total common shares. For the years ended December 31, 2017 and 2016, Accion reported its share of Swadhaar's equity with a decrease of \$430,065 and an increase of \$9,842, respectively. The accounts of Swadhaar reflect total assets and total liabilities of \$16.4 and \$9.7 and \$9.9 and \$8.5 million at December 31, 2017 and 2016, respectively.

Saija Finance (Saija)

Saija is a nonbank microfinance institution operating in Bihar, India. In 2017, Accion purchased an additional 7,500,000 shares of Saija. Accion's investment in Saija as of December 31, 2017 and 2016 represented 40.99% and 40.60% of Saija's total common shares. For the years ended December 31, 2017 and 2016, Accion reported its share of Saija's equity with a decrease of \$505,262 and \$51,573, respectively. The accounts of Saija reflect total assets and total liabilities of \$46.9 and \$41.5 and \$40.7 and \$33.6 million at December 31, 2017 and 2016, 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. Accion's investment in Grassland as of December 31 2017 and 2016 represented 26.33% of Grassland's total common shares. For the year ended December 31, 2017 and 2016, Accion reported a decrease in fair market value of \$1,827,654 and an increase of \$2,826,556, respectively. The accounts of Grassland reflect total assets and total liabilities of \$156.7 and \$77.8 and \$92.4 and \$68.2 million at December 31, 2017 and 2016, respectively.

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Teak Tree Investments Pte. Ltd. (Teak Tree)

Teak Tree is a holding company owning indirectly a significant minority in two nonbank microfinance institutions in the Philippines. In 2017, Accion purchased an additional 261,805 shares of Teak Tree. Accion's investment in Teak Tree as of December 31, 2017 and 2016 represented 28.89% and 28.78% of Teak Tree's total common shares. For the years ended December 31, 2017 and 2016, Accion reported an increase in fair market value of \$1,121,450 and \$514,689 respectively. The accounts of Teak Tree reflect total assets and total liabilities of \$27.5 and \$23.8 and \$0.3 and \$23.7 million at December 31, 2017 and 2016, respectively.

Dawn Myanmar Microfinance Pte. Ltd. (Dawn Myanmar)

Dawn Myanmar is a holding company owning 100% of Early Dawn Micro-Finance Ltd., a nonbank microfinance institution in Myanmar. Accion's investment in Dawn Myanmar as of December 31, 2017 and 2016 represented 40% of Dawn Myanmar's total common shares. For the years ended December 31, 2017 and 2016, Accion reported an increase in fair market value of \$1,062,773, and a decrease in fair market value of \$1,073,089, respectively. The accounts of Dawn Myanmar reflect total assets and total liabilities of \$13.7 and \$12.1 and \$5.9 and \$10.3 million at December 31, 2017 and 2016, respectively.

UGAFODE Microfinance Limited (UGAFODE)

UGAFODE is a nonbank microfinance institution licensed by the Central Bank of Uganda to provide focused quality financial services and a wide array of quality financial products in Uganda. In 2016, Accion purchased 17,400 additional shares of UGAFODE. In 2017, Accion converted \$201,131 of debt into 79,000 shares. Accion's investment in UGAFODE as of December 31, 2017 and 2016 represented 29.93% and 29.30% of UGAFODE's total common shares. For the year ended December 31, 2017, Accion reported a decrease in fair market value of \$222,787. For the year ended December 31, 2016, Accion did not report any change in fair market value. The accounts of UGAFODE reflect total assets and total liabilities of \$13.5 and \$13.8 and \$10.1 and \$11.8 million at December 31, 2016 and 2015, respectively.

Aye Finance Private Limited (Aye Finance)

Aye Finance is a nonbank microfinance institution providing financial services to micro and small businesses in Northern India. In 2016, Accion purchased 2,045,573 additional shares of Aye Finance. Accion's investment in Aye Finance as of December 31, 2017 and 2016 represented 25.55% of Aye Finance's total common shares. As of December 31, 2017 and 2016, Accion reported an increase in fair market value of \$6,219,771 and \$1,504,880, respectively. The accounts of Aye Finance reflect total assets and total liabilities of \$56.2 and \$21.6 and \$42.0 and \$7.0 million at December 31, 2017 and 2016, respectively.

IFMR Holdings Private Limited (IFMR)

IFMR, an Indian holding-cum-operating company, has two main subsidiaries: IFMR Capital, which provides debt to microfinance institutions and other financial service providers to the base of the pyramid in India, and IFMR Channels, which provides financial services in rural areas in India. In 2017, Accion purchased an additional 860,118 shares of IFMR. As of December 2017 and 2016, Accion's investment in IFMR represented 31.42% and 18.82% of IFMR's total shares. For the year ended December 31, 2017, Accion reported an increase in fair market value of \$22,741,190. For the year ended December 31, 2016, Accion reported IFMR under the Cost method. The accounts of IFMR reflect total assets and total liabilities of \$629.6 and \$13.8 and \$629.6 and \$11.8 million at December 31, 2017 and 2016, respectively.

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SOCREMO Banco de Microfinanças, SARL (SOCREMO)

SOCREMO is a private commercial bank focused on microenterprises in Mozambique. In 2017, Accion purchased 599,091 shares of SOCREMO. Accion's investment in SOCREMO as of December 31, 2017 represented 39.32% of SOCREMO's total common shares. For the year ended December 31, 2017, Accion did not report any change in fair market value. The accounts of SOCREMO reflect total assets and total liabilities of \$24.7 and \$15.8 million at December 31, 2017.

Genera SAB de C.V (Genera)

Genera, formerly known as Compartamos, is a holding company owning the majority of Banco Compartamos Institución de Banca Múltiple, the largest microfinance bank operating in Mexico. Accion accounts for its investment in Genera at fair market value based on quoted market prices on the Mexican exchange. As of December 31, 2017 and 2016, Accion's investment in Genera represented 0.95% and 1.50% of Genera's total common shares. In 2017, Accion sold 8,980,503 shares, equal to 37% of its holdings and realized a gain of \$7.7 million. In 2016, Accion sold 10.7 million shares, equal to 30.43% of its holdings and realized a gain of \$19.2 million. For the years ended December 31, 2017 and 2016, Accion reported a change in unrealized loss of \$26.5 million and \$28 million, respectively. For the year ended December 31, 2017 and 2016, Accion received a dividend of \$1,033,799 and \$1,469,038, respectively.

Banco Compartir S.A. (BanCompartir)

Formerly known as Finamérica, BanCompartir is a microfinance bank operating in Colombia. Accion's investment in BanCompartir as of December 31, 2017 and 2016 represented 6.79% of BanCompartir's total common shares. In 2017, Accion purchased 1,612,641 additional shares of BanCompartir.

Microfinance Growth Fund, LLC (MIGROF)

MIGROF, a Delaware company, provides loans to microfinance institutions which facilitate funding to small and micro enterprises in Latin America and the Caribbean. Accion's investment in MIGROF as of December 31, 2016 represented 3.6% ownership. As of December 31, 2017, the fund closed and Accion received its final return of capital. For the years ended December 31, 2017 and 2016, Accion received a dividend of \$51,393 and \$89,230, respectively.

Accion Investment in Microfinance Nigeria (AINV Nigeria)

AINV Nigeria, a Cayman Islands holding company, owns ACCION Microfinance Bank Ltd. ("AMfB"), a Nigeria microfinance institution. As of December 31, 2017 and 2016, Accion owned 51% of AINV Nigeria and indirectly 18.24% of AMfB. For the year ended December 31, 2017, AINV received a dividend of \$413,340 from AMfB. AINV did not receive a dividend from AMfB for the year ended December 31, 2016.

Desarrolladora e Impulsora de Negocios, S.A.P.I. de C.V., SOFOM., E.N.R (CrediConfia)

CrediConfia is a nonbank Mexican microfinance institution. Accion's investment in CrediConfia as of December 31, 2017 and 2016 represented 10.32% of CrediConfia's total common shares. In May 2012, Accion agreed to provide technical assistance over four years in exchange for common shares. Through this agreement Accion acquired a total of 49,051 shares in 2016. Accion purchased 886,603 additional shares in 2016. As of December 31, 2016, Accion estimated fair market value below cost and recorded an

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unrealized loss of \$1.02 million. As of December 31, 2017, Accion did not record any change in fair market value.

Credinka S.A. (Credinka)

Credinka is a nonbank Peruvian microfinance institution. Accion's investment in Credinka as of December 31, 2017 and 2016 represented 9.44% and 8.67% of Credinka's total common shares. Accion purchased 1,676,338 and 3,076,470 additional shares of Credinka in 2017 and 2016, respectively.

Financiera FAMA, S.A. (FAMA)

FAMA is a nonbank Nicaraguan microfinance institution. As of December 31, 2017 and 2016, Accion's investment in FAMA represented 20% and 8.02% of FAMA's total shares. In 2017, Accion purchased 15,733 additional shares. For the year ended December 31, 2017, Accion received a dividend of \$38,255. For the year ended December 31, 2016, Accion did not receive a dividend.

GloboKas Peru SAC (GKN)

GKN, the Peruvian subsidiary of GTV GlobokasNet LLC, is a provider of business and financial transaction data transmission services, including processing and settlement services to banks, microfinance institutions, NGOs and corporations seeking cashless payment solutions. As of December 31, 2017 and 2016, Accion's investment in GKN represented 17.79% and 16.90% of GKN's total shares. In 2017 and 2016, Accion purchased 415,503 and 323,722 additional shares, respectively.

Leapfrog Financial Inclusion Fund (Leapfrog)

Leapfrog, incorporated in Mauritius, is a global investment fund focused exclusively on micro-insurance and other financial products to meet the financial needs beyond working-capital credit of low-income people in developing countries. As of December 31, 2017 and 2016, Accion's total investment in Leapfrog represented 2.22% of Leapfrog's total shares. For the year ended December 31, 2017, Accion did not receive a dividend. In 2016, Accion received a dividend of \$1,923. In 2017 Accion purchased 55,848 shares and sold 679,709 shares of Leapfrog. In 2016, Accion purchased 121,628 shares of Leapfrog.

MFX Solutions (MFX)

MFX is a US-based for-profit enterprise providing microfinance lenders with the expertise to quantify currency risk along with affordable and accessible hedging instruments to mitigate currency risk. Accion's investment in MFX as of December 31, 2017 and 2016 represented 8.28% and 8.49% of MFX's total common shares. In 2017, Accion purchased 20,000 additional shares of MFX.

Zoona Transactions International (Zoona)

Formerly known as Mobile Transactions International, Zoona is a third-party provider of an array of mobile payment solutions in Zambia. The bulk of Zoona's revenue is earned through its core product offerings of money transfers, ordering and supplier payments, and agent payments. Accion's investment in Zoona as of December 31, 2017 and 2016 represented 17.66% and 17.35% of Zoona's total common shares. In 2017 and 2016, Accion purchased 88,442 and 94,085 additional shares, respectively.

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Shubham Housing Development Finance Company (Shubham)

Shubham focuses on mortgage lending for quality affordable urban and semi-urban housing in India. Shubham targets informal sector workers (vegetable vendors, rickshaw pullers, etc), slum rehabilitation program customers, and anyone who does not have access to regular home loans (under/un-banked). Accion's investment in Shubham as of December 31, 2017 and 2016 represented 8.80% of Shubham's total common shares.

Zonamovil, Inc (Tiaxa)

Tiaxa is a business solutions provider for Mobile Network Operators ("MNOs"). Tiaxa is currently focused on Latin America and South East Asia. Tiaxa offers turnkey solutions for real-time pricing and billing of pre-paid mobile phone transactions, as well as value added and business intelligence services to help MNOs and corporations market more effectively to their customers. As of December 31, 2017 and 2016, Accion's investment in Tiaxa represented 3.96% of Tiaxa's total shares. As of December 31, 2016, Accion estimated a fair market value for Tiaxa below cost and recorded an unrealized loss of \$1.5 million. As of December 31, 2017 Accion did not record any change in fair market value.

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 2016, Accion purchased 1,013,734 shares of Azimo. In 2017, Accion purchased \$492,500 towards future shares. As of December 31, 2017 and 2016, Accion's investment in Azimo represented 8.06% and 8.90% of Azimo's total shares.

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. As of December 31, 2017 and 2016, Accion's investment in AFIF represented 17.62% and 18.27% ownership. In 2017 and 2016, Accion invested an additional \$5.3 million and \$4.7 million in AFIF. For the years ended 2017 and 2016, AFIF reimbursed \$51,912 and \$499,680, respectively, of organization expenses incurred to create the fund which were initially paid by Accion.

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 cost net of any temporary impairment. For the years ended December 31, 2017 and 2016, Accion did not receive dividends 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, 2017 and 2016, Accion had invested in 28 and 19 companies for a total cost of \$14 million and \$10 million, respectively. As per the investment policy described in Note 2, Accion recorded these purchases at zero value. In 2016, Aye Finance also met the Venture Lab's policy criteria and was transferred to the microfinance institutions portfolio and recorded at fair market value. As of December 31, 2017 and 2016 one and two investments were written off, in the amount of \$318,182 and \$437,610 respectively.

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6. RELATED PARTY TRANSACTIONS

ACCION, the US Network (the “US 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 US Network through a shared services agreement and through Accion’s membership in the US Network. Under the agreement, certain salaries incurred by Accion are charged to the US Network. Such amounts aggregated \$9,502 and \$45,894 in 2017 and 2016, respectively, and are reflected as contract revenue in the accompanying consolidated statements of activities.

ACCION East, formerly known as ACCION USA and a member of the US 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 \$55,218 and \$83,626 in 2017 and 2016, 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, a cost investment holding of 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 \$29,734 and \$20,869 in 2017 and 2016, 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 \$465,404 and \$449,584 for the year ended December 31, 2017 and 2016, respectively.

Related party transactions with AFIF are disclosed in Note 5.

7. INVESTMENTS PLEDGED AS GUARANTEE TO LETTERS OF CREDIT

Investments pledged as guarantee to letters of credit (see Note 9) (at fair value) at December 31 consist of the following:

	<u>2017</u>	<u>2016</u>
Investments pledged as guarantee to letters of credit		
Cash and cash equivalents	\$ 61,661	\$ 453,975
Certificate of deposits	-	-
Corporate bonds	<u>3,257,779</u>	<u>2,859,517</u>
	<u>\$ 3,319,440</u>	<u>\$ 3,313,492</u>

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8. INCOME TAXES

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

	<u>2017</u>	<u>2016</u>
Current provision		
Foreign	\$ (4,263)	\$ 16,048
Provision for income taxes	<u>\$ (4,263)</u>	<u>\$ 16,048</u>

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, 2017 and 2016, Accion was contingently liable for letters of credit in the amount of \$1,730,000 and \$2,409,213, respectively.

Bank Line of Credit

At December 31, 2017 and 2016, 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, 2017, there was an outstanding balance under the line of credit of \$8.5 million. There was no outstanding balance under the line of credit as of December 31, 2016.

Capital Calls

For the years ended December 31, 2017 and 2016, Accion had \$17.5 and \$23.6 million in capital call commitments with investment affiliates. The balance will be disbursed on an as-needed basis.

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Operating Leases

Accion leases office space in various countries in which they operate. These leases expire over periods ranging from February 2018 through May 2025. The remaining net minimum payment obligation under these leases is as follows:

2018	\$ 1,315,398
2019	1,355,505
2020	1,394,300
2021	1,342,183
Thereafter	<u>4,176,028</u>
Total	<u>\$ 9,583,414</u>

Rent expense was \$1,445,873 and \$1,233,087 for the years ended December 31, 2017 and 2016, respectively.

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 \$557,799 and \$616,038 in 2017 and 2016, respectively.

11. TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2017</u>	<u>2016</u>
Global programs	\$ 5,232,848	\$ 1,776,258
Global investments	3,302,917	4,360,056
Fundraising	315,778	461,284
Center for Financial Inclusion	<u>7,665,543</u>	<u>9,238,701</u>
Total	<u>\$ 16,517,086</u>	<u>\$ 15,836,299</u>

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 34% and 30% of Accion's investments in affiliates are invested in the common stock of BancoSol, a Bolivian-based bank (see Note 5) as of December 31, 2017 and 2016, respectively. In addition, one donor represented 49% and 85% of contributions receivable as of December 31, 2017 and 2016, respectively.

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13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 24, 2018, which is the date financial statements were available for issuance. There were no subsequent events that required adjustments or disclosure in the financial statements.