

Consolidated Financial Statements
and Report of Independent Certified Public Accountants

ACCION INTERNATIONAL

December 31, 2018 and 2017

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, 2018 and 2017, 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, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Boston, Massachusetts
September 16, 2019

ACCION INTERNATIONAL AND SUBSIDIARIES
Consolidated Statements of Financial Position
As of December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 14,732,787	\$ 20,856,085
Short-term investments	67,237,875	76,590,543
Notes receivable from affiliates	1,134,594	417,539
Grants receivable - net	4,634,399	8,956,407
Contributions receivable - net	151,562	369,585
Contracts receivable	1,284,513	661,702
Prepaid expenses	701,633	874,525
Deposits, advances and other receivables	798,093	602,716
Total current assets	<u>90,675,456</u>	<u>109,329,102</u>
NONCURRENT ASSETS		
Grants receivable - net	410,819	1,643,953
Contributions receivable - net	100,000	95,200
Investments pledged as guarantee for letters of credit	3,351,551	3,319,440
Investments in affiliates	249,406,149	258,750,244
Property and equipment - net	1,410,647	1,713,369
Total noncurrent assets	<u>254,679,166</u>	<u>265,522,206</u>
Total assets	<u>\$ 345,354,622</u>	<u>\$ 374,851,308</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 4,112,499	\$ 4,541,046
Bank line of credit	-	8,500,000
Payable on sale of stock	-	4,529,938
Deferred revenue	579,705	312,070
Notes payable	200,000	200,000
Total current liabilities	<u>4,892,204</u>	<u>18,083,054</u>
Total liabilities	<u>4,892,204</u>	<u>18,083,054</u>
NET ASSETS		
Without donor restrictions		
Undesignated	318,065,201	329,804,986
Board designated	5,858,726	6,234,999
Noncontrolling interest in holding entities	4,339,958	4,211,183
Total net assets without donor restrictions	<u>328,263,885</u>	<u>340,251,168</u>
With donor restrictions	<u>12,198,533</u>	<u>16,517,086</u>
Total net assets	<u>340,462,418</u>	<u>356,768,254</u>
Total liabilities and net assets	<u>\$ 345,354,622</u>	<u>\$ 374,851,308</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, 2018 and 2017

	2018			2017		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
REVENUES						
Contributions and grants	\$ 2,961,812	3,412,680	\$ 6,374,492	\$ 2,601,900	7,873,992	\$ 10,475,892
Dividend and interest income from program investments	1,034,286	-	1,034,286	2,024,014	(2,234)	2,021,780
Dividend and interest income from short-term investments	2,553,847	-	2,553,847	3,208,928	-	3,208,928
Contract revenues and training fees	3,959,164	-	3,959,164	2,623,141	-	2,623,141
Net assets released from restrictions	<u>7,731,233</u>	<u>(7,731,233)</u>	<u>-</u>	<u>7,190,971</u>	<u>(7,190,971)</u>	<u>-</u>
Total revenues	<u>18,240,342</u>	<u>(4,318,553)</u>	<u>13,921,789</u>	<u>17,648,954</u>	<u>680,787</u>	<u>18,329,741</u>
FUNCTIONAL EXPENSES						
Program services						
Global programs	8,330,600	-	8,330,600	7,858,687	-	7,858,687
Global investments	8,054,172	-	8,054,172	7,143,412	-	7,143,412
Center for financial inclusion	6,300,135	-	6,300,135	6,234,204	-	6,234,204
Communications	<u>2,156,311</u>	<u>-</u>	<u>2,156,311</u>	<u>1,784,210</u>	<u>-</u>	<u>1,784,210</u>
Total program services	<u>24,841,218</u>	<u>-</u>	<u>24,841,218</u>	<u>23,020,513</u>	<u>-</u>	<u>23,020,513</u>
Supporting services						
General and administrative	5,027,826	-	5,027,826	4,934,381	-	4,934,381
Fundraising	<u>1,854,177</u>	<u>-</u>	<u>1,854,177</u>	<u>1,621,668</u>	<u>-</u>	<u>1,621,668</u>
Total supporting services	<u>6,882,003</u>	<u>-</u>	<u>6,882,003</u>	<u>6,556,049</u>	<u>-</u>	<u>6,556,049</u>
Total functional expenses	<u>31,723,221</u>	<u>-</u>	<u>31,723,221</u>	<u>29,576,562</u>	<u>-</u>	<u>29,576,562</u>
Change in net assets from operations	(13,482,879)	(4,318,553)	(17,801,432)	(11,927,608)	680,787	(11,246,821)
Income tax expense (Note 9)	642	-	642	4,263	-	4,263
Equity in income of equity investments	11,385,679	-	11,385,679	8,180,511	-	8,180,511
Net unrealized loss on investments	(29,392,026)	-	(29,392,026)	(2,701,522)	-	(2,701,522)
Net realized gain on investments	19,884,082	-	19,884,082	8,210,150	-	8,210,150
Foreign currency translation losses, net	(56,237)	-	(56,237)	(27,150)	-	(27,150)
Other	<u>(326,544)</u>	<u>-</u>	<u>(326,544)</u>	<u>(5,083)</u>	<u>-</u>	<u>(5,083)</u>
Change in net assets	(11,987,283)	(4,318,553)	(16,305,836)	1,733,561	680,787	2,414,348
Net assets - beginning 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>
Net assets - end of year	<u>\$ 328,263,885</u>	<u>\$ 12,198,533</u>	<u>\$ 340,462,418</u>	<u>\$ 340,251,168</u>	<u>\$ 16,517,086</u>	<u>\$ 356,768,254</u>

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, 2018

	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	\$ 5,710,455	\$ 4,152,209	\$ 3,340,667	\$ 1,069,437	\$ 2,834,830	\$ 1,323,381	\$ 18,430,979
Professional services	932,307	2,739,493	1,227,293	852,338	839,233	131,002	6,721,666
Travel and conferences	951,383	651,393	1,077,137	98,828	322,269	96,442	3,197,452
Office and occupancy	530,912	349,391	364,968	101,105	779,681	238,797	2,364,854
Awards and grants	82,612	50,000	176,839	-	-	5,000	314,451
Provision for doubtful accounts	15,611	-	-	-	-	-	15,611
Taxes and penalties	13,280	-	1,908	-	8,519	-	23,707
Depreciation	62,098	50,310	63,210	23,323	96,227	33,004	328,172
Interest and fees	(5,100)	55,593	3,979	-	108,389	9,618	172,479
Miscellaneous	37,042	5,783	44,134	11,280	38,678	16,933	153,850
Total	<u>\$ 8,330,600</u>	<u>\$ 8,054,172</u>	<u>\$ 6,300,135</u>	<u>\$ 2,156,311</u>	<u>\$ 5,027,826</u>	<u>\$ 1,854,177</u>	<u>\$ 31,723,221</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, 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 Statements of Cash Flows
For the years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (16,305,836)	\$ 2,414,348
Adjustments to reconcile change in net assets to net cash used in operating activities		
Unrealized loss on investments	29,392,026	2,701,522
Realized gain on sale of investments	(19,884,082)	(8,210,150)
Provision for doubtful accounts	15,611	(8,844)
Depreciation and amortization	328,172	362,954
Equity in income of investments	(11,385,679)	(8,180,511)
Foreign currency translation gains	19,132	27,150
Increase (decrease) in cash and cash equivalents as a result of a change in		
Prepaid expenses	142,841	287,888
Grants receivable	5,554,773	(745,585)
Contributions receivable	213,223	147,229
Deposits, advances and other receivables	(210,623)	92,111
Contract payments receivable	(643,307)	1,081,003
Accounts payable and accrued liabilities	(390,168)	(741,794)
Deferred revenue	<u>271,286</u>	<u>(179,132)</u>
Net cash used in operating activities	<u>(12,882,631)</u>	<u>(10,951,811)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(30,459)	(15,356)
Sale of short-term investments	6,623,623	13,935,124
Purchase of investments	(23,970,600)	(34,473,874)
Proceeds from sale of investments	36,512,151	10,650,427
Dividends received from investments in affiliates	3,545,918	1,546,763
Payable from sale of stock	(4,529,938)	4,529,938
Net loan originations and principal repayments	<u>(2,885,759)</u>	<u>610,496</u>
Net cash (used in) provided by investing activities	<u>15,264,936</u>	<u>(3,216,482)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Draw (repayment) on bank line of credit	(8,500,000)	8,500,000
Notes payable paid	<u>-</u>	<u>(50,000)</u>
Net cash provided by (used in) financing activities	<u>(8,500,000)</u>	<u>8,450,000</u>
Effect of exchange rate changes on cash	<u>(5,603)</u>	<u>(3,708)</u>
(Decrease) increase in cash and cash equivalents	(6,123,298)	(5,722,001)
Cash and cash equivalents - beginning of year	<u>20,856,085</u>	<u>26,578,086</u>
Cash and cash equivalents - end of year	<u>\$ 14,732,787</u>	<u>\$ 20,856,085</u>
Supplemental disclosure:		
Noncash transactions:		
Conversion debt to equity	\$ 1,138,164	\$ 1,626,131
Cash paid during the period for:		
Interest	\$ 96,671	\$ 171,910
Taxes	2,528	3,685

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

ACCION INTERNATIONAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

1. NATURE OF ORGANIZATION

ACCION International and its subsidiaries (“Accion”) is headquartered in Cambridge, Massachusetts with offices in Washington, D.C. and subsidiaries as listed in Note 2. Accion is a global 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 \$384,101 and \$177,110 and \$252,968 and \$106,888 at December 31, 2018 and 2017, 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 \$358,470 and \$201,349 and \$429,163 and \$293,321 at December 31, 2018 and 2017, 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 \$111,637 and \$21,719 and \$274,039 and \$31,919 at December 31, 2018 and 2017, 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 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 INTERNATIONAL AND SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Accion Quona Inclusion Fund LP, LLC (AQF LP) - AQF LP is a wholly owned subsidiary of Accion and was created in 2018 as a limited liability company in Delaware for the purpose of owning the investment in AQF.

Accion Investments in Microfinance Nigeria (AINV Nigeria) - 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.

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

	<u>Controlling Interest</u>	<u>Noncontrolling Interest</u>	<u>Total</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	336,039,985	4,211,183	340,251,168
Change in net assets	<u>(12,116,058)</u>	<u>128,775</u>	<u>(11,987,283)</u>
Balance at December 31, 2018	<u>\$ 323,923,927</u>	<u>\$ 4,339,958</u>	<u>\$ 328,263,885</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:

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.

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

ACCION INTERNATIONAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

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 \$546,471 and \$5,175,122 at December 31, 2018 and 2017, 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 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% but does not exceed 50%. Upon adoption of the fair value method, an investment will remain valued at fair value even if Accion's equity position falls below 20% in subsequent years. 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 December 31, 2018 and 2017 Accion identified two and one investments requiring an impairment adjustment totaling \$4,777,469 and \$2,285,103, respectively. These adjustments are reported in the net unrealized loss on investments in the statement of activities.

Accion's Venture Lab portfolio is comprised of early stage investments and is carried at zero value to reflect the high risk associated with these start-up companies. When the company 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 gain or loss on investments in the statement of activities.

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.

ACCION INTERNATIONAL AND SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

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 revenue with donor restrictions. 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, 2018 and 2017, Accion had been notified of \$611,864 and \$1,401,718, respectively in conditional promises to give. They will be recorded when it is probable that the 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>2018</u>	<u>2017</u>
Due in one year or less	\$ 4,785,961	\$ 9,325,992
Due in one to five years	<u>575,000</u>	<u>1,825,953</u>
	5,360,961	11,151,945
Present value discount (5%)	<u>(64,181)</u>	<u>(86,800)</u>
Net contributions and grants receivable	<u>\$ 5,296,780</u>	<u>\$ 11,065,145</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, 2018 and 2017

Method used for Allocation of Expenses Among Program and Supporting Services

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

Donated Services

Donated services which are specialized and which would otherwise need to be purchased are reflected as contribution revenue and expensed or capitalized, as appropriate, at their fair market values at the date of receipt. Fair market value is determined as the price at which services would have been purchased. Included in contributions and grant revenue, global programs, global investments, and general administrative expenses are donated services, computer equipment, and legal services having an aggregate value of \$1,094,519 and \$955,614 in fiscal 2018 and 2017, 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 and AINV Nigeria (see Note 2) are taxable subsidiaries of Accion, filing their own tax returns. The income tax consequences, if any, are reflected in the 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.

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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 adoption of ASU 2016-02 may have on its financial position, results of operations, cash flows, or disclosures.

Accounting Guidance for Contributions Received and Contributions Made

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) with the scope of Topic 958, Not-for-Profit Entities, or as an exchange (reciprocal) transaction subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for fiscal year ending December 31, 2019 for Accion as a resource recipient. Management is in the process of evaluating the impact of this standard on the financial statements of Accion.

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.

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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 investments in affiliates held at fair value that are not traded in active markets.

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, 2018 and 2017:

	2018			
	Level 1	Level 2	Level 3	Total
Short-term investments				
U.S. Treasury	\$ 11,347,204	\$ -	\$ -	\$ 11,347,204
Corporate bonds	-	55,890,671	-	55,890,671
Investment in affiliates at fair value	-	-	92,609,621	92,609,621
Investments pledged as guarantee for letters of credit				
Cash and cash equivalents	340,255	-	-	340,255
Certificate of Deposits	-	2,563,592	-	2,563,592
Corporate bonds	-	447,705	-	447,705
	<u>\$ 11,687,458</u>	<u>\$ 58,901,968</u>	<u>\$ 92,609,621</u>	<u>\$ 163,199,047</u>

	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>

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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, 2018 and 2017. There were no transfers into and out of level 3 investments during 2018. In 2017 one program investment transferred into level 3.

	Investments in Affiliates	
	2018	2017
Beginning balance	\$ 98,427,028	\$ 41,587,942
Change from cost to fair value	-	12,537,193
Net sales and purchases	(610,555)	15,207,004
Unrealized net gain (loss)	<u>(5,206,852)</u>	<u>29,094,889</u>
Ending balance	<u>\$ 92,609,621</u>	<u>\$ 98,427,028</u>

4. PROPERTY AND EQUIPMENT

Property and equipment at December 31 consists of the following:

	2018	2017
Furniture, fixtures, equipment and software	\$ 1,368,549	\$ 1,399,031
Leasehold improvements	<u>1,975,866</u>	<u>1,981,589</u>
Property and equipment- gross	3,344,415	3,380,620
Less accumulated depreciation	<u>(1,933,768)</u>	<u>(1,667,251)</u>
Property and equipment - net	<u>\$ 1,410,647</u>	<u>\$ 1,713,369</u>

Depreciation expense as of December 31, 2018 and 2017 was \$328,172 and \$362,955, 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>2018</u>	<u>2017</u>
Investments in microfinance institutions with greater than 20% participation		
Banco Solidario S.A (Bolivia) (Equity Method)	95,126,454	88,013,149
Swadhaar Finserve (India) (Equity Method)	-	2,311,544
Saija (India) (Equity Method)	4,288,394	2,522,046
Grassland Finance Limited (Hong Kong) (Fair Value)	20,995,612	24,090,498
Teak Tree Investments Pte. Ltd. (Cayman Islands) (Fair Value)	6,781,378	7,447,944
Dawn Myanmar Microfinance Pte. Ltd. (Singapore) (Fair Value)	5,332,406	3,868,500
UGAFODE Microfinance Limited (Uganda) (Fair Value)	578,260	588,374
Aye Finance (India) (Fair Value)	10,894,789	12,409,263
IFMR Holdings Private Limited (India) (Fair Value)	44,239,844	45,492,512
SOCREMO Banco de Microfinanças, SARL (Mozambique) (Fair Value)	3,787,332	4,529,938
	<u>192,024,469</u>	<u>191,273,768</u>
Investments in microfinance institutions with less than 20% participation		
Genera SAB de C.V. (formerly Compartamos) (Mexico) (Fair Value)	-	12,897,007
Banco Compartir S.A. (Colombia) (Cost)	2,101,583	2,101,583
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	7,528,628
Financiera FAMA, S.A. (Nicaragua) (Cost)	2,711,075	2,711,075
SubK (India) (Cost)	3,777,153	-
Other (Various) (Cost)	663,312	760,811
	<u>25,821,633</u>	<u>35,038,986</u>
Investments in mission-related non microfinance institutions with less than 20% participation (Cost Method)		
GloboKas Peru SAC (Peru)	3,002,358	3,002,358
Leapfrog Financial Inclusion Fund (USA)	410,074	1,104,721
MFX Solutions (USA)	1,270,000	1,270,000
Zoona Transactions International (Zambia)	2,649,614	4,840,387
Shubham Housing Development Finance Company (India)	-	3,356,109
ZonaMovil, Inc (Tiaxa) (USA)	-	2,000,014
Azimo (UK)	5,879,246	5,268,571
Accion Frontier Inclusion Fund, L.P. (Cayman Islands)	16,896,974	11,440,071
Accion Quona Inclusion Fund, L.P. (Cayman Islands)	1,296,522	-
Other (Various)	155,259	155,259
	<u>31,560,047</u>	<u>32,437,490</u>
Total investments in affiliates	<u>\$ 249,406,149</u>	<u>\$ 258,750,244</u>

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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, 2018 and 2017 represented 39.98% of BancoSol's total common shares. For the years ended December 31, 2018 and 2017, Accion received a dividend of \$3,545,918 and \$1,546,763, and reported its share of BancoSol's equity with an increase of \$10,659,224 and \$9,937,986, respectively. The accounts of BancoSol reflect total assets and total liabilities of \$1.96 and \$1.74 and \$1.76 and \$1.57 billion at December 31, 2018 and 2017.

Swadhaar FinServe (Swadhaar)

Swadhaar is a microfinance business correspondent operating in Mumbai, India. In 2018 Accion sold its remaining 19,650,000 shares in Swadhaar and realized a gain of \$1,146,094. Accion's investment in Swadhaar as of December 31, 2017 represented 35.94% of Swadhaar's total common shares. For the year ended December 31, 2017, Accion reported its share of Swadhaar's equity with a decrease of \$430,065. The accounts of Swadhaar reflected total assets and total liabilities of \$16.4 and \$9.7 million at December 31, 2017.

Saija Finance (Saija)

Saija is a nonbank microfinance institution operating in Bihar, India. In both 2018 and 2017, Accion purchased 7,500,000 additional shares of Saija. Accion's investment in Saija as of December 31, 2018 and 2017 represented 43.09% and 40.99% of Saija's total common shares. For the years ended December 31, 2018 and 2017, Accion reported its share of Saija's equity with an increase of \$598,280 and a decrease of \$505,262, respectively. The accounts of Saija reflect total assets and total liabilities of \$70.7 and \$60.7 and \$46.9 and \$41.5 million at December 31, 2018 and 2017, 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 2018 and 2017 represented 26.33% of Grassland's total common shares. For the year ended December 31, 2018 and 2017, Accion reported a decrease in fair market value of \$3,094,886 and \$1,827,654, respectively. The accounts of Grassland reflect total assets and total liabilities of \$153.8 and \$88.0 and \$156.7 and \$77.8 million at December 31, 2018 and 2017, respectively.

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. Accion's investment in Teak Tree as of December 31, 2018 and 2017 represented 28.88% and 28.89% of Teak Tree's total common shares. For the years ended December 31, 2018 and 2017, Accion reported a decrease in fair market value of \$666,566 and an increase of \$1,121,450 respectively. The accounts of Teak Tree reflect total assets and total liabilities of \$28.9 million and \$142,000 and \$27.5 million and \$30,000 at December 31, 2018 and 2017, 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. In 2018, Accion purchased 2.4 million additional shares of Dawn Myanmar. Accion's investment in Dawn Myanmar as of December 31, 2018 and 2017 represented 40% of

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Dawn Myanmar's total common shares. For the years ended December 31, 2018 and 2017, Accion reported a decrease in fair market value of \$936,092, and an increase in fair market value of \$1,062,773, respectively. The accounts of Dawn Myanmar reflect total assets and total liabilities of \$46.6 and \$32.7 and \$28.3 and \$20.2 million at December 31, 2018 and 2017, 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 2017, Accion converted \$201,131 of debt into 79,000 shares. Accion's investment in UGAFODE as of December 31, 2018 and 2017 represented 29.70% and 29.93% of UGAFODE's total common shares. For the years ended December 31, 2018 and 2017, Accion reported a decrease in fair market value of \$10,114 and 222,787, respectively. The accounts of UGAFODE reflect total assets and total liabilities of \$13.4 and \$10.1 and \$13.5 and \$13.8 million at December 31, 2018 and 2017, 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 2018, Accion sold 1,474,776 shares of Aye Finance, and recorded a realized gain of \$4,741,808. Accion's investment in Aye Finance as of December 31, 2018 and 2017 represented 12.26% and 25.55% of Aye Finance's total common shares. For the years ended December 31, 2018 and 2017, Accion reported a decrease in fair market value of \$565,997 and an increase in fair market value of \$6,219,771, respectively. The accounts of Aye Finance reflect total assets and total liabilities of \$181.7 and \$110.8 and \$73.6 and \$60.8 million at March 31, 2018 and 2017, 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 2018, Accion purchased an additional 36,801 shares of IFMR. As of December 2018 and 2017, Accion's investment in IFMR represented 31.45% and 31.42% of IFMR's total shares. For the year ended December 31, 2018 and 2017, Accion reported a decrease in fair market value of \$2,611,647 and an increase in fair market value of \$22,741,190, respectively. The accounts of IFMR reflect total assets and total liabilities of \$43.8 and \$1.3 and \$44.1 million and \$153.7 thousand at December 31, 2018 and 2017, respectively.

SOCREMO Banco de Microfinanças, SARL (SOCREMO)

SOCREMO is a private commercial bank focused on microenterprises in Mozambique. Accion's investment in SOCREMO as of December 31, 2018 and 2017 represented 39.32% of SOCREMO's total common shares. For the year ended December 31, 2018, Accion reported a decrease in fair market value of \$742,606. 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 \$25.6 and \$15.7 and \$24.7 and \$15.8 million at December 31, 2018 and 2017, respectively.

Gentera SAB de C.V (Gentera)

Gentera, 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 Gentera at fair market value based on quoted market prices on the Mexican

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exchange. In 2018, Accion sold its remaining 15,472,395 shares and realized a gain of \$12.5 million. In 2017, Accion sold 8,980,503 shares, equal to 37% of its holdings and realized a gain of \$7.7 million. For the years ended December 31, 2018 and 2017, Accion reported a change in unrealized loss of \$12.7 million and \$26.5 million, 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, 2018 and 2017 represented 6.48% and 6.79% of BanCompartir's total common shares, respectively. In 2017, Accion purchased 1,612,641 additional shares of BanCompartir.

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, 2018 and 2017, Accion owned 51% of AINV Nigeria and indirectly 18.24% of AMfB. For the years ended December 31, 2018 and 2017, Accion received a dividend of \$139,230 and \$200,603 from AINV.

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, 2018 and 2017 represented 10.31% of CrediConfia's total common shares.

Credinka S.A. (Credinka)

Credinka is a nonbank Peruvian microfinance institution. Accion's investment in Credinka as of December 31, 2018 and 2017 represented 8.24% and 9.44% of Credinka's total common shares. Accion purchased 1,676,338 additional shares of Credinka in 2017.

Basix Sub-K ITransactions Limited (Sub-K)

Sub-K is a service company that offers affordable, accessible and scalable digital payment solutions to the Bottom of the Pyramid segment in rural and urban areas and seeks to bridge the digital divide and create a "financially included society". Accion's investment in Sub-K as of December 31, 2018 represented 18.58% of Sub-K's total common shares. Accion purchased 1,199,802 shares of Sub-K in November 2018.

Financiera FAMA, S.A. (FAMA)

FAMA is a nonbank Nicaraguan microfinance institution. As of December 31, 2018 and 2017, Accion's investment in FAMA represented 20% 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, 2018 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, 2018 and 2017, Accion's investment in GKN represented 17.79% of GKN's total shares. In 2017, Accion purchased 415,503 additional shares.

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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, 2018 and 2017, Accion's total investment in Leapfrog represented 2.22% and 2.24% of Leapfrog's total shares, respectively. In 2018 Accion purchased 11,804 shares and sold 706,451 shares of Leapfrog and recorded a realized gain of \$439,187. In 2017 Accion purchased 55,848 shares and sold 679,709 shares of Leapfrog and recorded a realized gain of \$279,999.

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, 2018 and 2017 represented 8.28% 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, 2018 and 2017 represented 17.66% of Zoona's total common shares. As of December 31, 2018 Accion estimated a fair market value for Zoona below cost and recorded an unrealized loss of \$2.8M. In 2018, Accion purchased a convertible note for \$1,303,736. In 2017, Accion purchased 88,442 additional shares.

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 represented 8.8% of Shubham's total shares. In 2018, Accion sold its remaining 301,725 shares and recorded a realized gain of \$2,147,176.

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. Due to delays in a restructuring process and continued uncertainty about the Company's future growth, Accion wrote off its investment in Tiaxa in 2018 for a realized loss of \$2.2 million net of prior years' unrealized losses.

Azimo Limited (Azimo)

Azimo, based in the UK, provides online lower cost overseas money transfer services to various locations including bank accounts, home delivery, mobile wallets or cash collection locations. In 2018 and 2017, Accion purchased \$530,800 and \$492,500 towards future shares, respectively. As of December 31, 2018 and 2017, Accion's investment in Azimo represented 8.98% and 8.06% of Azimo's total shares.

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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, 2018 and 2017, Accion's investment in AFIF represented 17.62% ownership. In 2018 and 2017, Accion invested \$5.5 million and \$5.3 million, respectively, in AFIF. In 2017, AFIF reimbursed \$51,912 of organization expenses incurred to create the fund which were initially paid by Accion.

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. As of December 31, 2018, Accion's investment in AQF represented 20% ownership. In 2018, Accion invested \$1.5 million in AQF.

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, 2018, Accion received a dividend of \$72,776 from one of these investments. In 2017, 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, 2018 and 2017, Accion had invested in 34 and 28 companies for a total cost of \$18 million and \$14 million, respectively. As per the investment policy described in Note 2, Accion carries these purchases at zero value until such time as a triggering event occurs to indicate a basis for value to be reported.

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 \$10,415 and \$9,502 in 2018 and 2017, 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 \$62,882 and \$55,218 in 2018 and 2017, respectively, and are reflected as contract revenue in the accompanying consolidated statements of activities.

Quona Capital Management, Ltd (Quona) was created in partnership with Accion for the purpose of providing investment services for AFIF, an investment held by Accion. Accion also provides information technology support to Quona through a shared service agreement. Under the agreement, certain salaries and technology costs incurred by Accion are charged to Quona. Such amount aggregated \$25,835 and \$29,734 in 2018 and 2017, respectively. Quona also provides portfolio management services to Accion through a management

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fee agreement. Under such agreement, Accion recorded management fees and related expenses of \$473,852 and \$465,404 for the year ended December 31, 2018 and 2017, 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 10) (at fair value) at December 31 consist of the following:

	<u>2018</u>	<u>2017</u>
Investments pledged as guarantee to letters of credit		
Cash and cash equivalents	\$ 340,255	\$ 61,661
Certificate of deposits	2,563,592	-
Corporate bonds	<u>447,705</u>	<u>3,257,779</u>
	<u>\$ 3,351,551</u>	<u>\$ 3,319,440</u>

8. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

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 balance sheet date because of contractual or donor-imposed restrictions or internal designations.

	<u>2018</u>	<u>2017</u>
Current assets, excluding non-financial assets	\$ 89,680,259	\$ 108,188,936
Subtract: board-designated quasi-endowment	(5,858,726)	(6,234,999)
Add: release from board-designated quasi-endowment	<u>540,000</u>	<u>500,000</u>
Financial assets available to meet cash needs for general expenditures or program investments within one year	<u>\$ 84,361,533</u>	<u>\$ 102,453,937</u>

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9. INCOME TAXES

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

	<u>2018</u>	<u>2017</u>
Current provision		
Foreign	\$ (642)	\$ (4,263)
Provision for income taxes	<u>\$ (642)</u>	<u>\$ (4,263)</u>

10. COMMITMENTS AND CONTINGENCIES

Letters of Credit

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

At December 31, 2018 and 2017, Accion was contingently liable for letters of credit in the amount of \$1,855,000 and \$1,730,000, respectively.

Bank Line of Credit

At December 31, 2018 and 2017 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, 2018, there was no outstanding balance under the line of credit. There was an outstanding balance under the line of credit of \$8.5 million as of December 31, 2017.

Capital Calls

For the years ended December 31, 2018 and 2017, Accion had \$27.37 million and \$17.5 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:

2019	\$ 1,349,131
2020	1,387,608
2021	1,341,052
2022	1,363,077
2023	1,398,233
Thereafter	<u>1,414,718</u>
Total	<u>\$ 8,253,819</u>

Rent expense was \$1,090,324 and \$1,445,873 for the years ended December 31, 2018 and 2017, respectively.

11. EMPLOYEE BENEFIT PLAN

Accion has established a defined contribution retirement plan which is available to substantially all salaried employees. Accion's contribution to this plan is based on a percentage of participant salaries and totaled \$648,135 and \$557,799 in 2018 and 2017, respectively.

12. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2018</u>	<u>2017</u>
Global programs	\$ 3,938,370	\$ 5,232,848
Global investments	2,079,646	3,302,917
Fundraising	165,418	315,778
Center for Financial Inclusion	<u>6,015,100</u>	<u>7,665,543</u>
Total	<u>\$ 12,198,533</u>	<u>\$ 16,517,086</u>

13. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject Accion to concentrations of credit risk are investments, cash equivalents, and other interest-bearing investments. Approximately 39% and 34% 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, 2018 and 2017, respectively. In addition, one donor represented 42% and 49% of contributions receivable as of December 31, 2018 and 2017, respectively.

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14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 16, 2019, which is the date financial statements were available for issuance. On February 6, 2019 Accion received a \$12M grant to bring digital transformation to financial service providers and their 10 million micro entrepreneurs over a four year period.