

Consolidated Financial Statements and
Report of Independent Certified Public
Accountants

ACCION International and Subsidiaries

December 31, 2020 and 2019

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GRANT THORNTON LLP

75 State St., 13th Floor
Boston, MA 02109-1527

D +1 617 723 7900
F +1 617 723 3640

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
ACCION International and Subsidiaries

We have audited the accompanying consolidated financial statements of ACCION International and subsidiaries (the "Company"), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the 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 Company'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 Company'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 qualified audit opinion.

Basis for qualified opinion

The Company's investment in Banco Solidario S.A ("BancoSol"), a foreign affiliate accounted for under the equity method of accounting, is carried at \$106.6 million on the consolidated statement of financial position at December 31, 2020. The Company included a decrease of \$2.6 million as its share of BancoSol's net decrease in equity in the consolidated statement of activities for the year ended December 31, 2020. We were unable to obtain through our own work or use of the work of BancoSol's auditors, sufficient appropriate audit evidence about the carrying amount of the Company's investment in BancoSol and the related earnings or loss attributable to the Company from this investment as of and for the year ended December 31, 2020. Financial information to determine the loan loss reserves for BancoSol under accounting principles generally accepted in the United States of America was unavailable due to a moratorium on credit payments imposed by Bolivian government regulations as a result of COVID-19. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, 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, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Boston, Massachusetts
August 31, 2021

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

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 15,344,251	\$ 28,301,453
Short-term investments	81,535,620	61,310,305
Program notes receivable	550,444	670,600
Grants receivable - net	5,549,052	7,533,106
Contributions receivable - net	508,113	267,888
Contracts receivable	747,711	613,776
Prepaid expenses	757,886	1,041,624
Deposits, advances and other receivables	<u>755,401</u>	<u>1,708,966</u>
Total current assets	<u>105,748,478</u>	<u>101,447,718</u>
NONCURRENT ASSETS		
Program notes receivable	1,754,811	-
Grants receivable - net	2,076,971	4,322,286
Contributions receivable - net	709,190	23,373
Investments pledged as guarantee for program letters of credit	2,857,810	3,392,262
Program investments	321,731,775	319,352,641
Deposit on program investment	3,590,961	3,590,961
Property and equipment - net	<u>916,700</u>	<u>1,156,110</u>
Total noncurrent assets	<u>333,638,218</u>	<u>331,837,633</u>
Total assets	<u>\$ 439,386,696</u>	<u>\$ 433,285,351</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 4,466,032	\$ 4,865,251
Deferred revenue	685,224	614,425
Notes payable	<u>-</u>	<u>200,000</u>
Total current liabilities	<u>5,151,256</u>	<u>5,679,676</u>
Total liabilities	<u>5,151,256</u>	<u>5,679,676</u>
NET ASSETS		
Without donor restrictions		
Undesignated	415,159,028	402,110,072
Board designated	<u>5,047,080</u>	<u>5,476,621</u>
Total net assets without donor restrictions	420,206,108	407,586,693
With donor restrictions	<u>14,029,332</u>	<u>20,018,982</u>
Total net assets	<u>434,235,440</u>	<u>427,605,675</u>
Total liabilities and net assets	<u>\$ 439,386,696</u>	<u>\$ 433,285,351</u>

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

ACCION International and Subsidiaries

CONSOLIDATED STATEMENTS OF ACTIVITIES

December 31,

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues						
Contributions and grants	\$ 1,919,800	\$ 4,347,493	\$ 6,267,293	\$ 3,186,514	\$ 17,288,355	\$ 20,474,869
Dividend and interest income from program investments	127,451	1,380	128,831	1,521,675	-	1,521,675
Dividend and interest income from short-term investments	2,266,213	-	2,266,213	2,110,496	-	2,110,496
Contract revenues and training fees	2,539,712	-	2,539,712	3,688,590	-	3,688,590
Management service fees	575,000	-	575,000	431,250	-	431,250
Net assets released from restrictions	10,338,523	(10,338,523)	-	9,467,906	(9,467,906)	-
Total revenues	17,766,699	(5,989,650)	11,777,049	20,406,431	7,820,449	28,226,880
Functional expenses						
Program services						
Global programs	9,368,463	-	9,368,463	9,776,136	-	9,776,136
Global investments	6,069,365	-	6,069,365	7,639,282	-	7,639,282
Center for financial inclusion	5,117,071	-	5,117,071	6,107,830	-	6,107,830
Communications	1,452,227	-	1,452,227	1,528,444	-	1,528,444
Total program services	22,007,126	-	22,007,126	25,051,692	-	25,051,692
Supporting services						
General and administrative	5,182,675	-	5,182,675	5,186,282	-	5,186,282
Fundraising	2,081,087	-	2,081,087	2,078,684	-	2,078,684
Total supporting services	7,263,762	-	7,263,762	7,264,966	-	7,264,966
Total functional expenses	29,270,888	-	29,270,888	32,316,658	-	32,316,658
Change in net assets from operations	(11,504,189)	(5,989,650)	(17,493,839)	(11,910,227)	7,820,449	(4,089,778)
Income tax expense (Note 9)	(12,641)	-	(12,641)	-	-	-
Equity in income of equity investments	13,272,433	-	13,272,433	34,216,345	-	34,216,345
Net unrealized (loss) gain on investments	(391,148)	-	(391,148)	44,586,309	-	44,586,309
Net realized gain on investments	11,294,901	-	11,294,901	15,804,946	-	15,804,946
Foreign currency translation losses, net	(38,929)	-	(38,929)	(26,365)	-	(26,365)
Minority share return of capital	-	-	-	(3,348,200)	-	(3,348,200)
Other	(1,012)	-	(1,012)	-	-	-
Change in net assets	12,619,415	(5,989,650)	6,629,765	79,322,808	7,820,449	87,143,257
Net assets - beginning of year	407,586,693	20,018,982	427,605,675	328,263,885	12,198,533	340,462,418
Net assets - end of year	\$ 420,206,108	\$ 14,029,332	\$ 434,235,440	\$ 407,586,693	\$ 20,018,982	\$ 427,605,675

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, 2020

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

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

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

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

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,

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 6,629,765	\$ 87,143,257
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Unrealized loss (gain) on investments	391,148	(44,586,309)
Realized gain on sale of investments	(11,294,901)	(15,804,946)
Provision for doubtful accounts	6,386	2,095
Depreciation and amortization	276,514	296,649
Equity in income of investments	(13,272,433)	(34,216,345)
Foreign currency translation losses	(14,423)	(137)
Return of capital to non-controlling interest	-	3,214,397
Increase (decrease) in cash and cash equivalents as a result of a change in:		
Prepaid expenses	282,353	(342,270)
Grants receivable	4,229,368	(6,810,245)
Contributions receivable	(926,042)	(39,699)
Deposits, advances and other receivables	942,429	(911,463)
Contract payments receivable	(185,788)	728,493
Accounts payable and accrued liabilities	(391,986)	758,898
Deferred revenue	130,080	(24,212)
Net cash used in operating activities	<u>(13,197,530)</u>	<u>(10,591,837)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(39,719)	(43,040)
Sale of short-term investments	(16,762,517)	9,128,922
Purchase of program investments	(6,103,829)	(42,033,444)
Proceeds from sale of program investments and loans	21,823,016	59,572,602
Dividends received from program investments	4,118,745	3,384,717
Deposit on program investment	-	(3,590,961)
Net program loan originations and principal repayments	<u>(2,603,814)</u>	<u>(2,255,059)</u>
Net cash provided by investing activities	<u>431,882</u>	<u>24,163,737</u>
Cash flows from financing activities:		
Notes payable matured	<u>(200,000)</u>	<u>-</u>
Net cash used in financing activities	<u>(200,000)</u>	<u>-</u>
Effect of exchange rate changes on cash	<u>8,446</u>	<u>(3,234)</u>
(Decrease) increase in cash and cash equivalents	(12,957,202)	13,568,666
Cash and cash equivalents - beginning of year	<u>28,301,453</u>	<u>14,732,787</u>
Cash and cash equivalents - end of year	<u>\$ 15,344,251</u>	<u>\$ 28,301,453</u>
Supplemental disclosure:		
Noncash transactions:		
Conversion debt to equity	\$ 1,903,736	\$ 2,199,464
Cash paid during the period for:		
Interest	833	58,217
Taxes	12,641	-

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

ACCION International and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1 - NATURE OF ORGANIZATION

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

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

Fundación Centro Acción Microempresarial ("Centro")

Centro is a non-profit foundation and was incorporated in Bogotá, Colombia as a Latin American operational arm of Accion. The accounts of Centro reflect total assets and liabilities of \$416,525 and \$235,683 and \$326,347 and \$146,156 at December 31, 2020 and 2019, respectively.

ACCION Gateway Fund, LLC ("Gateway")

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

ACCION Technical Advisors, India ("ATA")

ATA is a wholly owned subsidiary of Accion. ATA is a non-profit company according to Section 8 of the Indian Companies Act of 2013 and is the operational arm of Accion in India. The accounts of ATA reflect total assets and liabilities of \$208,876 and \$376,846 and \$378,642 and \$358,470 at December 31, 2020 and 2019, 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 \$54,629 and \$16,948 and \$87,379 and \$18,124 at December 31, 2020 and 2019, respectively.

ACCION Africa-Asia Investment Company ("AAIC")

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

Accion Frontier Inclusion Fund GP, LLC ("AFIF GP")

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

Accion Frontier Inclusion Fund LP, LLC ("AFIF LP")

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

ACCION International and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

Accion Quona Inclusion Fund GP, LLC ("AQF GP")

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

Accion Quona Inclusion Fund LP, LLC ("AQF LP")

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

Accion Investments in Microfinance Nigeria ("AINV Nigeria")

Accion owned 100% of AINV Nigeria as of December 31, 2019. AINV Nigeria was created as a for-profit company incorporated in the Cayman Islands to own ACCION Microfinance Bank Ltd ("AMfB") in Nigeria in partnership with one minority shareholder. Accion Investments in Nigeria was closed as of December 31, 2020, and AMfB's ownership was transferred to Accion.

Accion Venture Lab GP, LLC ("AVL GP")

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

Basis of Presentation

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

Net assets without donor restrictions

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

Board-designated net assets

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

Net assets with donor restrictions

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

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 \$410,440 and \$12,681,024 at December 31, 2020 and 2019, respectively.

ACCION International and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

Short-term Investments

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

Investments Pledged as Guarantee for Letters of Credit

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

Program Investments

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

- 1) Fair value based on the measurement alternative - these non-marketable investments are recorded at cost, adjusted for observable price changes for an identical or similar investment of the same issuer. Observable price changes and impairment indicators will be assessed each reporting period.
- 2) Fair value using modeling techniques or the equity method of accounting - When Accion can exercise significant influence, which is generally indicated when its equity position in the affiliate equals or exceeds 20% but does not exceed 50%.
 - a. Under the fair value method, Accion utilizes multiple valuation techniques resulting in a range of acceptable valuations. Significant increases or decreases in the inputs used in these valuation techniques in isolation may result in a significantly lower or higher fair value measurement, respectively. When ownership falls below 20%, if the investment was initially valued using the fair value option, the investment will continue to be valued under the fair value option until it is sold.
 - b. Under the equity method, Accion records its proportional share of the equity of the underlying investment at each measurement date, with the net income in the investment at each measurement date reported in the consolidated statement of activities as a non-operating activity, and dividends as decreases in the investments.
- 3) Fair value using Net Asset Value ("NAV") - Investments managed by external managers in fund structures that are not readily marketable are reported at fair value utilizing the most current information provided by the external manager, subject to assessments that the information is representative of fair value and in consideration of any factors deemed pertinent to the fair value measurement. As a practical expedient, Accion is permitted under U.S. GAAP to estimate the fair value of its investments with external managers using the external managers' reported NAV without further adjustment, unless Accion expects to sell the investment at a value other than NAV or the NAV is not calculated in accordance with U.S. GAAP.

Certain investments are reviewed periodically to determine whether the underlying value has been impaired. If impairment has been identified and such impairment is deemed to be other than temporary, the carrying value of the investment is written down to the impaired value. For the years ended December 31, 2020 and 2019, Accion identified seven and twelve investments requiring an impairment adjustment totaling \$8,420,870 and \$9,847,725, respectively. These adjustments are reported in the net unrealized loss on investments in the consolidated statement of activities.

ACCION International and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

Contracts, Contributions and Grants

In 2019, Accion adopted Accounting Standards Update (“ASU”) 2018-08, clarifying the scope and the accounting guidance for contributions received and contributions made. ASU 2018-08 clarified and improved the scope and the accounting guidance for contributions received and made, including guidance to help an entity evaluate whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determine whether a contribution is conditional. As required by ASU 2018-08, ACCION applied the requirements to agreements that were entered into after January 1, 2019.

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

If a grant agreement contains a right of return or right of release from the respective obligation provision on the part of the grantor, and the agreement also contains a barrier to be overcome, Accion recognizes revenue for these conditional contributions when the related barrier to entitlement has been overcome. Funds received in advance of conditions being met are reported as unearned grant revenue and advisory fees within the accompanying consolidated statements of financial position. As of December 31, 2020 and 2019, Accion had been notified of \$198,843 and \$705,395, respectively, in conditional promises to give.

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

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

	2020	2019
Due in one year or less	\$ 6,057,165	\$ 7,800,994
Due in one to five years	2,980,820	4,662,942
	9,037,985	12,463,936
Present value discount (5%)	(194,659)	(317,283)
Net contributions and grants receivable	\$ 8,843,326	\$ 12,146,653

ACCION International and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

Property and Equipment

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

Method Used for Allocation of Expenses Among Program and Supporting Services

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

Donated Services

Donated services, which are specialized and which would otherwise need to be purchased, are reflected as contribution revenue and expensed or capitalized, as appropriate, at their fair market values at the date of receipt. Fair market value is determined as the price at which services would have been purchased. Included in contributions and grant revenue, global programs, global investments, and general administrative expenses are donated services, computer equipment, and legal services having an aggregate value of \$361,485 and \$1,300,664 in fiscal years 2020 and 2019, respectively.

Foreign Currency Translation

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

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

Income Tax

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

Risks and Uncertainties

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

ACCION International and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

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

Recently Issued Accounting Pronouncements

Fair Value Measurements (Topic 820)

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

Leases (Topic 842)

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

Accounting Guidance for measurement of financial assets

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

NOTE 3 - FAIR VALUE OF FINANCIAL INSTRUMENTS

As required by existing guidance, Accion reports certain assets at fair value. Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

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

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

Contributions and Grants Receivable

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

Investments

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

ACCION International and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

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, 2020 and 2019:

	2020				
	Level 1	Level 2	Level 3	NAV	Total
Short-term investments					
U.S. Treasury and agency bonds	\$ 34,534,908	\$ -	\$ -	\$ -	\$ 34,534,908
Corporate bonds	-	47,000,713	-	-	47,000,713
Program investments, at fair value	-	-	67,076,286	-	67,076,286
Investments pledged as guarantee for letters of credit					
Cash and cash equivalents	2,857,810	-	-	-	2,857,810
Investments valued at NAV	-	-	-	57,266,859	57,266,859
	<u>\$ 37,392,718</u>	<u>\$ 47,000,713</u>	<u>\$ 67,076,286</u>	<u>\$ 57,266,859</u>	<u>\$ 208,736,576</u>
	2019				
	Level 1	Level 2	Level 3	NAV	Total
Short-term investments					
U.S. Treasury and agency bonds	\$ 26,353,840	\$ -	\$ -	\$ -	\$ 26,353,840
Corporate bonds	-	32,925,331	-	-	32,925,331
Certificate of deposits	-	2,031,134	-	-	2,031,134
Program investments, at fair value	-	-	87,678,531	-	87,678,531
Investments pledged as guarantee for letters of credit					
Cash and cash equivalents	1,411,075	-	-	-	1,411,075
U.S. Treasury	1,616,813	-	-	-	1,616,813
Certificate of deposits	-	364,374	-	-	364,374
Investments valued at NAV	-	-	-	40,279,728	40,279,728
	<u>\$ 29,381,728</u>	<u>\$ 35,320,839</u>	<u>\$ 87,678,531</u>	<u>\$ 40,279,728</u>	<u>\$ 192,660,826</u>

ACCION International and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

The following is a reconciliation of the beginning and ending balances for assets measured at fair value using significant unobservable inputs (Level 3) during the years ended December 31, 2020 and 2019. In 2019, one program investment transferred into Level 3. There were no transfers into and out of Level 3 investments during 2020.

	Program Investments	
	2020	2019
Beginning balance	\$ 87,678,531	\$ 92,609,620
Transfers into Level 3	-	7,819,882
Transfers out of Level 3		
Purchases	-	19,795,145
Sales	(3,735,986)	(24,110,301)
Change in unrealized gains or losses	(16,866,259)	(8,435,815)
Ending balance	<u>\$ 67,076,286</u>	<u>\$ 87,678,531</u>

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

Investment	Fair Value as of December 31, 2020	Fair Value as of December 31, 2019	Valuation Technique	Unobservable Input	2020 Rates	2019 Rates
Grassland Finance limited	\$ 17,232,140	\$ 19,215,455	Discounted cash flows	Discount rate	12.60%	N/A
Teak Tree Investments Pte. Limited	8,656,928	7,140,000	Discounted cash flows	Discount rate	19.50%	N/A
Dawn Myanmar Microfinance pte. Limited	14,201,434	13,671,497	Discounted cash flows	Discount rate	25.20%	26.12%
Aye Finance	-	21,034,816	N/A	N/A	N/A	N/A
Dvara KGFS Pte. Limited	15,182,632	14,531,663	Discounted cash flows	Discount rate	18.80%	21.06%
AMfB	5,671,448	6,274,555	Discounted cash flows	Discount rate	28.50%	N/A
Socremo Banco de Mircorfinancas SARL	4,095,608	4,209,692	Comparative transaction	N/A	N/A	21.63%
Dvara Solutions	926,090	999,600	Discounted cash flows	Discount rate	18.85%	32.84%
UGAFODE	1,110,006	601,253	Comparative transaction	-	-	-
	<u>\$ 67,076,286</u>	<u>\$ 87,678,531</u>				

ACCION International and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at December 31 consist of the following:

	<u>2020</u>	<u>2019</u>
Furniture, fixtures, equipment and software	\$ 1,382,147	\$ 1,404,209
Leasehold improvements	<u>1,941,670</u>	<u>1,977,755</u>
Property and equipment - gross	3,323,817	3,381,964
Less accumulated depreciation	<u>(2,407,117)</u>	<u>(2,225,854)</u>
Property and equipment - net	<u>\$ 916,700</u>	<u>\$ 1,156,110</u>

ACCION International and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

NOTE 5 - PROGRAM INVESTMENTS

Program investments at December 31 consist of the following:

	2020	2019
Investments in microfinance institutions with greater than 20% participation		
Banco Solidario S.A (Bolivia) (Equity Method)	\$ 106,628,790	\$ 109,260,685
Saija (India) (Equity Method)	1,136,796	4,477,839
Grassland Finance Limited (Hong Kong) (Fair Value)	17,232,140	19,215,455
Teak Tree Investments Pte. Limited (Cayman Islands) (Fair Value)	8,656,928	7,140,000
Dawn Myanmar Microfinance Pte. Limited (Singapore) (Fair Value)	14,201,434	13,671,497
Aye Finance (India) (Fair Value)	-	21,034,816
Dvara KGFS Pte. Limited (India) (Fair Value)	15,182,632	14,531,663
ACCION Investments in Nigeria (Cayman Islands) (Fair Value)	-	6,274,555
ACCION Microfinance Bank Ltd. (Nigeria) (Fair Value)	5,671,448	-
Other (Various) (Fair Value)	6,131,704	5,810,545
	<u>174,841,872</u>	<u>201,417,055</u>
Investments in microfinance institutions with less than 20% participation (measurement exception)		
Credinka (Peru)	3,356,241	5,505,502
Basix Sub-K iTransactions Limited (India)	11,747,053	11,747,053
Northern Arc Capital Limited (India)	21,316,113	21,316,113
Other (Various)	6,137,569	5,628,134
	<u>42,556,976</u>	<u>44,196,802</u>
Investments in mission-related non microfinance institutions with less than 20% participation		
Azimo (UK) (Measurement exception)	11,391,924	11,391,924
Accion Frontier Inclusion Fund, L.P. (Cayman Islands) (NAV)	48,383,624	35,678,072
Accion Quona Inclusion Fund, L.P. (Cayman Islands) (NAV)	8,700,564	4,140,828
Other (Various) (Measurement exception)	4,862,934	4,733,186
	<u>73,339,046</u>	<u>55,944,010</u>
Investments in mission-related seed-stage non microfinance institutions with less than 20% participation (measurement exception)		
Self Lender, Inc (USA)	9,668,745	612,095
Konfio Limited (Cayman Islands)	7,480,855	7,480,854
Other (Various)	13,844,281	9,701,825
	<u>30,993,881</u>	<u>17,794,774</u>
Total program investments	<u>\$ 321,731,775</u>	<u>\$ 319,352,641</u>

ACCION International and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

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

	2020	2019
Carrying amount, beginning of period	\$ 77,630,357	\$ 30,932,727
Measurement exception adjustment	11,546,757	41,477,519
Purchases	5,403,006	427,979
Impairments	(5,458,702)	(5,584,962)
Other adjustments	16,666	10,377,094
	<u>\$ 89,138,084</u>	<u>\$ 77,630,357</u>
Carrying amount, end of period		

Banco Solidario S.A. ("BancoSol")

BancoSol is a private commercial bank focused on microenterprises in Bolivia. Accion's investment in Banco Solidario S.A. ("BancoSol"), a foreign affiliate accounted for under the equity method of accounting, is carried at \$107 million and \$109 million on the consolidated statements of financial position as of December 31, 2020 and 2019, respectively. Accion's investment in BancoSol as of December 31, 2020 and 2019 represented 40% of BancoSol's total common shares. For the years ended December 31, 2020 and 2019, Accion received a dividend of \$4,118,745 and \$3,384,717, respectively, and reported its share of BancoSol's equity with an increase of \$2,042,836 and \$17,518,947, respectively. In 2020, Accion sold 23,870 shares of BancoSol and recorded a realized loss of \$128,235. The accounts of BancoSol reflect total assets and total liabilities of \$2,297,000,000 and \$2,054,000,000 and \$2,088,000,000 and \$1,840,000,000 at December 31, 2020 and 2019, respectively. In fiscal year 2020, due to the limitations on availability of payment information used to determine the necessary loan loss reserves associated with the loan portfolio of Bancosol, the investment in Bancosol was adjusted using data available from fiscal year 2019 and prior.

Saija Finance ("Saija")

Saija is a non-bank microfinance institution operating in Bihar, India. Accion's investment in Saija as of December 31, 2020 and 2019 represented 45.20% of Saija's total common shares. For the years ended December 31, 2020 and 2019, Accion reported its share of Saija's equity with a decrease of \$362,210 and an increase of \$189,445, respectively. For the year ended December 31, 2020, Accion reported an impairment of \$2,978,833 reflected in equity income in equity investments. The accounts of Saija reflect total assets and total liabilities of \$33,500,000 and \$24,400,000 and \$56,600,000 and \$46,700,000 at December 31, 2020 and 2019, respectively.

Grassland Finance Limited ("Grassland")

Grassland is a holding company focused on investing in financial services institutions that provide loans and other financial services to China's vast number of micro, small, and medium enterprises. For the years ended December 31, 2020 and 2019, Accion reported a decrease in fair market value of \$1,983,315 and \$1,780,157, respectively.

ACCION International and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

Teak Tree Investments Pte. Ltd. (“Teak Tree”)

Teak Tree is a holding company owning indirectly a significant minority in two non-bank microfinance institutions in the Philippines. Accion's investment in Teak Tree as of December 31, 2020 and 2019 represented 28.92% and 28.92% of Teak Tree's total common shares. For the years ended December 31, 2020 and 2019, Accion reported an increase in fair market value of \$1,516,928 and a decrease of \$194,741, respectively.

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

Dawn Myanmar is a holding company owning 100% of Early Dawn Micro-Finance Ltd., a non-bank microfinance institution in Myanmar. In 2019, Accion purchased 1,500,000 additional shares of Dawn Myanmar. For the years ended December 31, 2020 and 2019, Accion reported an increase in fair market value of \$529,937 and \$6,879,091, respectively.

Aye Finance Private Limited (“Aye Finance”)

Aye Finance is a non-bank microfinance institution providing financial services to micro and small businesses in Northern India. In 2020, Accion sold its 2,713,516 remaining shares of Aye Finance and recorded a realized gain of \$17,246,184. For the year ended December 31, 2019, Accion reported an increase in fair market value of \$10,140,027.

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

IFMR was an Indian holding-cum-operating company, with two main subsidiaries: IFMR Capital, which provided debt to microfinance institutions and other financial service providers to the base of the pyramid in India, and IFMR Channels, which provided financial services in rural areas in India.

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

As part of the demerger of IFMR, Accion received 2,364,896 shares of Dvara KGFS in 2019. For the year ended December 31, 2020, Accion reported an increase in fair market value of \$650,969. For the year ended December 31, 2019, Accion reported a decrease in fair market value of \$2,948,463.

Accion's ownership in Dvara Solutions is included in Other - investments in microfinance institutions with greater than 20% participation and Accion's ownership in Northern Arc is disclosed below.

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

AINV Nigeria, a Cayman Islands holding company, owned AMfB, a private commercial bank providing financial services to micro and small businesses in Nigeria. In 2019, Accion purchased the remaining 49% minority shares of AINV Nigeria. In 2020, AINV Nigeria was dissolved and AMfB's ownership was transferred to Accion. For the year ended December 31, 2019, Accion received from AINV Nigeria a dividend of \$141,023. For the year ended December 31, 2020, Accion reported a decrease in fair market value of \$ 603,107 in AMfB and for the year ended December 31, 2019 a decrease in fair market value of \$713,585 in AINV Nigeria.

ACCION International and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

Credinka S.A. (“Credinka”)

Credinka is a non-bank Peruvian microfinance institution. For the years ended December 31, 2020 and 2019, Accion recorded an impairment of \$2,149,261 and \$2,023,125, respectively, reflected as unrealized losses.

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

Sub-K is a service company offering affordable, accessible and scalable digital payment solutions to the bottom of the pyramid segment in rural and urban areas in India. For the year ended December 31, 2020 Accion received a dividend of \$3,168.

Northern Arc Capital Limited (“Northern Arc”)

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

Azimo Limited (“Azimo”)

Azimo, based in the UK, provides online lower cost overseas money transfer services to various locations including bank accounts, home delivery, mobile wallets or cash collection locations.

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

AFIF was launched in October 2015 and is the first dedicated financial technology fund for the underbanked in emerging markets. Accion does not have the right to withdraw all or any portion of its capital and profits from AFIF until the end of its term. In 2020 and 2019, Accion invested \$2.4 million and \$3.7 million, respectively, in AFIF. In 2020 and 2019, Accion received \$3.5 million and \$1.4 million, respectively, in capital repayments from AFIF.

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

AQF was launched in 2018 and is the second dedicated financial technology fund for the underbanked in emerging markets. Accion does not have the right to withdraw all or any portion of its capital and profits from AQF until the end of its term. In 2020 and 2019, Accion invested \$3.8 million and \$4.9 million, respectively, in AQF. In 2019, Accion received \$1.0 million in capital repayments from AQF.

Self Lender, Inc (“Self”)

Self is creating a responsible way for people to build credit and savings at the same time with a credit builder account.

Konfio Limited (“Konfio”)

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

ACCION International and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

Other

Accion invests in several other microfinance institutions or other organizations providing products and technologies to support and complement the development of microfinance. The investments are individually under \$3 million and are recorded at fair value, NAV or measurement exception net of any temporary impairment. For the years ended December 31, 2020 and 2019, Accion did not receive a dividend from these investments.

Venture Lab Portfolio

In 2012 Accion launched Venture Lab, a seed-stage investment initiative for financial inclusion start-ups. As of December 31, 2020 and 2019, Accion had invested in 48 companies for a total cost of \$15 million and \$20 million, respectively. As of December 31, 2020 and 2019, Accion carried these purchases at the measurement exception, net of any impairment.

NOTE 6 - RELATED PARTY TRANSACTIONS

ACCION, the U.S. Network (the "U.S. Network"), was a network of microfinance institutions in the U.S. related to Accion through a brand licensing agreement. In February 2020, the U.S. Network combined its operations with Opportunity Fund Community Development, the largest microfinance institution in the US, creating Accion Opportunity Fund Inc ("AOF"). Accion provided accounting and information technology support to the U.S. Network through a shared services agreement and Accion's membership in the U.S. Network. Under this agreement, certain costs incurred by Accion were charged to the U.S. Network. Such amounts aggregated to \$14,832 in 2019. In 2020, Accion charged AOF \$5,500 through a brand licensing agreement and \$5,674 through a technical assistance contract. All amounts are reflected as contract revenue in the accompanying consolidated statements of activities.

ACCION East, formerly known as ACCION USA, was a member of the U.S. Network and shared office space with Accion in Cambridge, Massachusetts. The use and cost allocation of this shared office space as well as administrative support was administered through a shared services agreement. Under the agreement, certain salaries and occupancy expenses incurred by Accion were charged to ACCION East. Such amounts aggregated to \$15,299 and \$61,237 in 2020 and 2019, respectively, and are reflected as contract revenue in the accompanying consolidated statements of activities. In 2020, Accion East became Ascendus and is no longer sharing office space with Accion.

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 \$27,196 and \$18,364 in 2020 and 2019, 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 \$416,499 and \$442,872 for the years ended December 31, 2020 and 2019, respectively.

Accion Venture Lab, LP ("AVL") is a fund launched in April 2019 and created in partnership with Accion. AVL invests in financial technology start-ups that improve financial access for the globally underserved. In accordance with the partnership agreement, Accion co-invests alongside AVL on an agreed pro-rata basis. AVL, GP is the general partner and Accion is the investment manager. Under the partnership agreement, Accion provided investment management services to AVL in the amounts \$575,000 and \$431,250 for the years ended December 31, 2020 and 2019, respectively.

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

ACCION International and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

NOTE 7 - INVESTMENTS PLEDGED AS GUARANTEE TO LETTERS OF CREDIT

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

	<u>2020</u>	<u>2019</u>
Investments pledged as guarantee to letters of credit		
Cash and cash equivalents	\$ 2,857,810	\$ 1,411,075
U.S. Treasury	-	1,616,813
Certificate of deposits	-	364,374
	<u>\$ 2,857,810</u>	<u>\$ 3,392,262</u>

NOTE 8 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

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

	<u>2020</u>	<u>2019</u>
Current assets, excluding non-financial assets	\$ 106,104,236	\$ 99,660,530
Subtract: board-designated quasi-endowment	(5,047,080)	(5,476,621)
Add: release from board-designated quasi-endowment	<u>560,000</u>	<u>540,000</u>
Financial assets available to meet cash needs for general expenditures or program investments within one year	<u>\$ 101,617,156</u>	<u>\$ 94,723,909</u>

NOTE 9 - INCOME TAXES

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

	<u>2020</u>	<u>2019</u>
Current provision		
Foreign	\$ 12,641	\$ -
Provision for income taxes	<u>\$ 12,641</u>	<u>\$ -</u>

ACCION International and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Letters of Credit

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

At December 31, 2020, Accion was no longer contingently liable for any letters of credit. As of December 31, 2019, Accion was contingently liable for letters of credit in the amount of \$1,030,000.

Bank Line of Credit

At December 31, 2020 and 2019 Accion had a \$25,000,000 and \$35,000,000 line of credit, respectively, with JPMorgan Chase Bank, N.A. ("JPMC"). The line of credit includes short-term advances made at JPMC's discretion, on mutually agreed terms determined from time to time. As of December 31, 2020 and 2019, there was no outstanding balance under the line of credit.

Capital Calls

For the years ended December 31, 2020 and 2019, Accion had \$16,123,638 and \$22,220,000, respectively, in capital call commitments with investment affiliates. The balance will be disbursed on an as-needed basis.

Operating Leases

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

2021	\$ 1,381,995
2022	1,363,077
2023	1,398,233
2024	1,093,821
2025	320,898
Thereafter	<u>-</u>
Total	<u>\$ 5,558,024</u>

Rent expense was \$1,240,244 and \$1,130,664 for the years ended December 31, 2020 and 2019, respectively.

NOTE 11 - EMPLOYEE BENEFIT PLAN

Accion has established a defined contribution retirement plan which is available to substantially all salaried employees. Accion's contribution to this plan is based on a percentage of participant salaries and totaled \$637,554 and \$638,386 in 2020 and 2019, respectively.

ACCION International and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2020 and 2019

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS

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

	2020	2019
Global programs	\$ 8,621,410	\$ 12,226,218
Global investments	1,078,503	2,491,693
Fundraising	1,109,513	67,087
Center for Financial Inclusion	3,219,906	5,233,984
Total	\$ 14,029,332	\$ 20,018,982

NOTE 13 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject Accion to concentrations of credit risk are investments, cash equivalents, and other interest-bearing investments. Approximately 33% and 34% of Accion's program investments are invested in the common stock of BancoSol, a Bolivian-based bank (see Note 5) as of December 31, 2020 and 2019, respectively. In addition, one donor represented 81% and 89% of contributions receivable as of December 31, 2020 and 2019, respectively.

NOTE 14 - SUBSEQUENT EVENTS

Management has reviewed the Company's operations for potential disclosure or financial statement impacts related to events occurring after December 31, 2020 through August 31, 2021, the date of issuance of these consolidated financial statements.