

Consolidated Financial Statements and
Report of Independent Certified Public
Accountants

ACCION International and Subsidiaries

December 31, 2022 and 2021

Contents

	Page
Report of Independent Certified Public Accountants	3
Consolidated Financial Statements	
Consolidated statements of financial position	5
Consolidated statements of activities	6
Consolidated statements of functional expenses	7
Consolidated statements of cash flows	8
Notes to consolidated financial statements	9

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
ACCION International and Subsidiaries

Qualified opinion

We have audited the consolidated financial statements of ACCION International and subsidiaries (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for qualified opinion

The Company's investment in Banco Solidario S.A. ("BancoSol"), a foreign affiliate accounted for under the equity method of accounting, is carried at \$133.3 million and \$120.8 million on the consolidated statement of financial position as of December 31, 2022, and 2021. The Company included an increase of \$15.9 million and \$14.2 million as its share of BancoSol's net income in the consolidated statement of activities for the years ended December 31, 2022, and 2021. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the Company's investment in BancoSol as of December 31, 2022, and 2021 and the Company's share of BancoSol's net income for the years ended December 31, 2022 and 2021 because we were unable to access the financial information, management, and the auditors of BancoSol. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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

Responsibilities of management for the financial statements

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

maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Grant Thornton LLP

Boston, Massachusetts
June 29, 2023

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

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 16,930,298	\$ 17,127,321
Short-term investments	62,951,709	87,062,420
Program notes receivable	2,463,574	3,965,247
Grants receivable - net	238,188	5,351,156
Contributions receivable - net	272,425	409,887
Contracts receivable	1,080,412	987,049
Prepaid expenses	502,125	1,061,150
Deposits, advances and other receivables	3,361,477	3,593,568
	<u>87,800,208</u>	<u>119,557,798</u>
Noncurrent assets		
Program notes receivable	5,750,000	1,607,300
Grants receivable - net	142,857	-
Contributions receivable - net	371,882	544,650
Investments pledged as guarantee for program letters of credit	2,883,363	2,858,649
Program investments	371,541,625	403,108,577
Property and equipment - net	140,667	135,676
Right-of-use asset	1,847,603	-
	<u>382,677,997</u>	<u>408,254,852</u>
Total assets	<u>\$ 470,478,205</u>	<u>\$ 527,812,650</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 4,053,132	\$ 6,796,160
Current operating lease liabilities	969,461	\$ -
Deferred revenue	1,023,579	1,202,042
Bank line of credit	13,398,129	13,404,299
	<u>19,444,301</u>	<u>21,402,501</u>
Noncurrent liabilities		
Operating lease liabilities	\$ 1,390,489	\$ -
	<u>20,834,790</u>	<u>21,402,501</u>
Net assets		
Without donor restrictions		
Undesignated	445,329,895	497,425,098
Total net assets without donor restrictions	<u>445,329,895</u>	<u>497,425,098</u>
With donor restrictions	4,313,520	8,985,051
Total net assets	<u>449,643,415</u>	<u>506,410,149</u>
Total liabilities and net assets	<u>\$ 470,478,205</u>	<u>\$ 527,812,650</u>

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

ACCION International and Subsidiaries
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years ended December 31,

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues						
Contributions and grants	\$ 2,142,303	\$ 4,825,494	\$ 6,967,797	\$ 3,311,555	\$ 3,490,605	\$ 6,802,160
Dividend and interest income from program investments	2,697,478	-	2,697,478	2,094,539	-	2,094,539
Dividend and interest income from short-term investments	3,347,981	-	3,347,981	1,834,236	-	1,834,236
Contract revenues and training fees	4,607,841	-	4,607,841	2,670,148	-	2,670,148
Management service fees	1,448,141	-	1,448,141	574,421	-	574,421
Net assets released from restrictions	9,497,025	(9,497,025)	-	8,534,886	(8,534,886)	-
Total revenues	23,740,769	(4,671,531)	19,069,238	19,019,785	(5,044,281)	13,975,504
Functional expenses						
Program services						
Global Programs	11,026,497	-	11,026,497	9,351,999	-	9,351,999
Global Investments	7,287,204	-	7,287,204	8,797,438	-	8,797,438
ACCION Impact Management	2,893,141	-	2,893,141	-	-	-
Center for Financial Inclusion	4,296,073	-	4,296,073	4,689,637	-	4,689,637
Communications	1,992,686	-	1,992,686	1,360,156	-	1,360,156
Total program services	27,495,601	-	27,495,601	24,199,230	-	24,199,230
Supporting services						
General and administrative	6,563,069	-	6,563,069	6,375,151	-	6,375,151
Fundraising	2,185,863	-	2,185,863	2,025,579	-	2,025,579
Total supporting services	8,748,932	-	8,748,932	8,400,730	-	8,400,730
Total functional expenses	36,244,533	-	36,244,533	32,599,960	-	32,599,960
Change in net assets from operations	(12,503,764)	(4,671,531)	(17,175,295)	(13,580,175)	(5,044,281)	(18,624,456)
Equity in income of equity investments	(14,562,742)	-	(14,562,742)	75,745,418	-	75,745,418
Net unrealized loss on investments	(25,808,181)	-	(25,808,181)	(21,177,713)	-	(21,177,713)
Net realized gain on investments	841,931	-	841,931	36,273,615	-	36,273,615
Foreign currency translation losses, net	(62,120)	-	(62,120)	(42,140)	-	(42,140)
Other	(327)	-	(327)	(15)	-	(15)
Change in net assets	(52,095,203)	(4,671,531)	(56,766,734)	77,218,990	(5,044,281)	72,174,709
Net assets - beginning of year	497,425,098	8,985,051	506,410,149	420,206,108	14,029,332	434,235,440
Net assets - end of year	\$ 445,329,895	\$ 4,313,520	\$ 449,643,415	\$ 497,425,098	\$ 8,985,051	\$ 506,410,149

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

ACCION International and Subsidiaries
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Years ended December 31,

	Program Services				Supporting Services			Total Expenses
	Global Programs	Global Investments	ACCION Impact Management	Center for Financial Inclusion	Communications	General and Administrative	Fundraising	
Functional expenses								
Salaries and related expenses	\$ 6,248,079	\$ 4,158,016	\$ 1,216,921	\$ 2,935,584	\$ 1,023,066	\$ 4,376,609	\$ 1,643,617	\$ 21,601,892
Professional services	1,722,752	1,988,722	1,475,442	998,241	274,111	1,190,325	297,502	7,947,095
Travel and conferences	1,424,938	421,040	107,155	104,956	547,136	194,272	41,297	2,840,794
Office and occupancy	426,664	328,740	76,442	213,162	116,732	728,884	170,098	2,060,722
Awards and grants	1,080,437	-	-	-	-	-	5,000	1,085,437
Taxes and penalties	24,468	1,501	1,093	105	-	9,250	-	36,417
Depreciation	28,068	5,707	-	7,520	3,429	34,045	4,255	83,024
Interest and fees	(11,260)	371,213	5,154	298	11,809	51,165	4,359	432,738
Miscellaneous	82,351	12,265	10,934	36,207	16,403	(21,481)	19,735	156,414
Total	\$ 11,026,497	\$ 7,287,204	\$ 2,893,141	\$ 4,296,073	\$ 1,992,686	\$ 6,563,069	\$ 2,185,863	\$ 36,244,533

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

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

ACCION International and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31,

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (56,766,735)	\$ 72,174,709
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Unrealized loss on investments	25,808,181	21,177,713
Realized gain on sale of investments	(842,020)	(36,273,615)
Provision for doubtful accounts	4,521	-
Lease adjustment ASC 842	(280,734)	-
Depreciation	83,024	897,846
Equity in income of equity investments	14,562,742	(75,745,419)
Foreign currency translation losses	24,670	17,094
Increase (decrease) in cash and cash equivalents as a result of a change in:		
Prepaid expenses	535,412	(308,041)
Grants receivable	4,970,111	2,274,868
Contributions receivable	310,230	262,765
Deposits, advances and other receivables	225,550	(2,842,572)
Contract payments receivable	(133,167)	(256,770)
Accounts payable and accrued liabilities	(1,073,447)	2,352,953
Deferred revenue	(113,157)	540,159
	(12,684,819)	(15,728,310)
Net cash used in operating activities		
Cash flows from investing activities:		
Purchase of property and equipment	(915,824)	(122,280)
Purchase (return) of short-term investments	(24,714)	(6,532,621)
Purchase of program investments	(18,636,313)	(37,583,236)
Proceeds from sale of program investments and loans	33,660,593	48,399,158
Dividends received from program investments	3,443,453	-
Deposit on program investment	-	3,590,961
Net program loan originations and principal repayments	(4,960,000)	(3,613,645)
	12,567,195	4,138,337
Net cash provided by investing activities		
Cash flows from financing activities:		
Line of credit	(6,170)	13,404,299
Net cash provided by (used in) financing activities	(6,170)	13,404,299
Effect of exchange rate changes on cash	(73,229)	(31,256)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(197,023)	1,783,070
Cash and cash equivalents - beginning of year	17,127,321	15,344,251
Cash and cash equivalents - end of year	\$ 16,930,298	\$ 17,127,321
Supplemental disclosure:		
Noncash transactions:		
Conversion debt to equity	\$ 525,326	\$ 217,538
Cash paid during the period for:		
Interest	364,168	48,745
Taxes	327	85

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

ACCION International and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 1 - NATURE OF ORGANIZATION

ACCION International and its subsidiaries ("Accion") is Incorporated in New York with offices in Washington, D.C. and subsidiaries as listed in Note 2. Accion is a global non-profit committed to creating a financially 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 \$443,270 and \$237,527 and \$377,172 and \$217,470 at December 31, 2022 and 2021, 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 \$730,909 and \$904,471 and \$1,711,458 and \$479,756 at December 31, 2022 and 2021, respectively.

ACCION Beijing Consultation Services Company, Ltd ("ACC")

ACC is a wholly owned operational subsidiary of Accion in China. ACC is a for-profit company operating in the People's Republic of China. The accounts of ACC reflect total assets and liabilities of \$54,168 and \$10,795 and \$84,526 and \$15,312 at December 31, 2022 and 2021, respectively.

ACCION Africa-Asia Investment Company ("AAAIC")

AAAIC is a wholly owned subsidiary of Accion. AAAIC 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 serving as general partner 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 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, 2022 and 2021

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 serving as general partner 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 and was created in 2018 as a limited liability company in Delaware for the purpose of owning the investment in AQF.

Accion Venture Lab GP, LLC (“AVL GP”)

AVL GP is a wholly owned subsidiary and was created in 2019 as a limited liability company in Delaware for the purpose of serving as general partner to Accion Venture Lab, LP (“AVL”), a separate legal entity and investment fund managed by AIM US.

Accion Impact Management LLC (“AIM US”)

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

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

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

Accion Impact Management India Private Limited (“AIM India”)

AIM India is a wholly owned subsidiary and was created in 2022 as a private limited company. It is a for-profit company incorporated in India for the purpose of providing advisory and consultancy, administrative, operational and support services.

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.

Net assets with donor restrictions

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

ACCION International and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to current year presentations.

Cash and Cash Equivalents

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

Total cash held in foreign accounts was \$1,377,028 and \$1,790,168 at December 31, 2022 and 2021, respectively.

Short-term Investments

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

Investments Pledged as Guarantee for Letters of Credit

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

Program Investments

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

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

ACCION International and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

- 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, 2022 and 2021, Accion identified fourteen and three investments requiring an impairment adjustment totaling \$14,444,975 and \$2,169,738, respectively. These adjustments are reported in the net unrealized loss on investments in the consolidated statement of activities.

Contracts, Contributions and Grants

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

If a grant agreement contains a right of return or right of release from the respective obligation provision on the part of the grantor, and the agreement also contains a barrier to be overcome, Accion recognizes revenue for these conditional contributions when the related barrier to entitlement has been overcome. Funds received in advance of conditions being met are reported as unearned grant revenue and advisory fees within the accompanying consolidated statements of financial position. As of December 31, 2022 and 2021, Accion had been notified of \$808,539 and \$1,072,212, respectively, in conditional promises to give.

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

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

	<u>2022</u>	<u>2021</u>
Due in one year or less	\$ 510,613	\$ 5,761,043
Due in one to five years	<u>550,000</u>	<u>600,000</u>
	1,060,613	6,361,043
Present value discount (5%)	<u>(35,261)</u>	<u>(55,350)</u>
Net contributions and grants receivable	<u>\$ 1,025,352</u>	<u>\$ 6,305,693</u>

ACCION International and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

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 \$482,493 and \$401,994 in fiscal years 2022 and 2021, 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, AAAIC, AIM US, AIM India, and ADTx GP (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, 2022 and 2021

Recently Issued Accounting Pronouncements

In February 2016, FASB issued ASU No. 2016-02, Leases (“ASC 842”), which 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. The standard requires a modified retrospective transition for capital or operating leases existing at or entered into after the beginning of the earliest comparative period presented in the consolidated financial statements. The remaining lease term under ASC 840 will be used in measuring the initial lease liability and the right-of-use asset. Accion will measure the lease liability based on the remaining lease payments from the transition date. The right of use asset will equal the lease liability adjusted for the deferred rent balance immediately prior to the adoption date. The impact of adoption was immaterial.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment at December 31 consist of the following:

	<u>2022</u>	<u>2021</u>
Furniture, fixtures, equipment and software	\$ 1,356,128	\$ 1,361,023
Leasehold improvements	<u>1,941,374</u>	<u>1,941,628</u>
Property and equipment - gross	3,297,502	3,302,651
Less accumulated depreciation	<u>(3,156,835)</u>	<u>(3,166,975)</u>
Property and equipment - net	<u>\$ 140,667</u>	<u>\$ 135,676</u>

For the years ended December 31, 2022 and 2021, Accion incurred \$83,024 and \$872,502 in depreciation expense, respectively.

NOTE 4 - FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

ACCION International and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

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.

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, 2022 and 2021:

	2022				
	Level 1	Level 2	Level 3	NAV	Total
Short-term investments					
U.S. Treasury and Agency Bonds	\$25,143,270	\$ -	\$ -	\$ -	\$25,143,270
Corporate bonds	-	37,808,439	-	-	37,808,439
Program investments at fair value	-	-	45,668,530	-	45,668,530
Investments pledged as guarantee for letter of credit					
Cash and cash equivalents	2,883,363	-	-	-	2,883,363
Investments measured at NAV	-	-	-	109,706,406	109,706,406
Total investments at fair value	<u>\$ 28,026,633</u>	<u>\$ 37,808,439</u>	<u>\$ 45,668,530</u>	<u>\$ 109,706,406</u>	<u>\$ 221,210,008</u>

	2021				
	Level 1	Level 2	Level 3	NAV	Total
Short-term investments					
U.S. Treasury and Agency Bonds	\$ 30,835,498	\$ -	\$ -	\$ -	\$ 30,835,498
Corporate bonds	-	56,226,921	-	-	56,226,921
Program investments at fair value	-	-	56,153,548	-	56,153,548
Investments pledged as guarantee for letter of credit					
Cash and cash equivalents	2,858,649	-	-	-	2,858,649
Investments measured at NAV	-	-	-	133,970,554	133,970,554
Total investments at fair value	<u>\$ 33,694,147</u>	<u>\$ 56,226,921</u>	<u>\$ 56,153,548</u>	<u>\$ 133,970,554</u>	<u>\$ 280,045,170</u>

ACCION International and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

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, 2022 and 2021. In 2022 and 2021, there were no transfers into and out of level 3 investments.

	Program Investments	
	2022	2021
Beginning balance	\$ 56,153,548	\$ 67,076,286
Purchases	1,703,471	217,539
Sales	-	-
Unrealized gains and losses	(12,188,489)	(11,140,277)
Ending balance	<u>\$ 45,668,530</u>	<u>\$ 56,153,548</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.

Investments	Fair Value as of December 31, 2022	Fair Value as of December 31, 2021	Valuation Technique	Unobservable Input	2022 Rate	2021 Rate
Grassland Finance Limited	\$ 9,189,710	\$ 14,828,109	Modified Discounted Cash Flow	P/BV valuation multiples	0.65x P/BV	12.8% and 0.82x P/BV
Teak Tree Investments Pte. Limited	6,873,505	7,650,358	Modified Discounted Cash Flow	Discount Rate	19.0%	20.10%
Dawn Myanmar Microfinance Pte. Limited	678,040	5,414,620	Modified Discounted Cash Flow	Discount Rate	35.7%	28.60%
Dvara KG FS Pte. Limited	17,374,810	15,582,254	Modified Discounted Cash Flow, Comparable Public Companies and Precedent Transaction Method	Discount Rate, P/BV valuation multiples	20.9% and 1.92x, 2.43x and 1.97x P/BV	18.1% and 1.50x and 2.35x P/BV
Accion Microfinance Bank (AMfB)	5,810,121	6,586,208	Modified Discounted Cash Flow	Discount Rate	28.8%	29.38%
Socrema Banco de Microfinancas SARL	4,139,548	4,156,176	Modified Discounted Cash Flow	Discount Rate	29.2%	29.00%
Dvara Solutions	278,862	580,169	Comparable Public Companies	Enterprise Value/ Revenue Multiple	1.41x	2.1x
UGAFODE	1,323,934	1,355,654	Modified Discounted Cash Flow	Discount Rate	35.3%	N/A
	<u>\$ 45,668,530</u>	<u>\$ 56,153,548</u>				

ACCION International and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

NOTE 5 - PROGRAM INVESTMENTS

Program Investments at December 31 consist of the following:

	2022	2021
Investments in microfinance institutions with greater than 20% participation		
Banco Solidario S.A (Bolivia) (equity method)	\$ 133,299,989	\$ 120,792,292
Grassland Finance Limited (Hong Kong) (fair Value)	9,189,710	14,828,108
Teak Tree Investments Pte. Limited (Cayman Islands) (fair value)	6,873,505	7,650,358
Dawn Myanmar Microfinance Pte. Limited (Singapore) (fair value)	678,040	5,414,620
Dvara KGFS Pte. Limited (India) (fair value)	17,374,810	15,582,254
ACCION Investment in Microfinance Nigeria (Nigeria) (fair value)	5,810,121	6,586,208
Socrema Banco De Microfinanças, S.A (Mozambique) (fair value)	4,139,548	4,156,176
Other (various) (fair value and equity method)	1,726,304	2,835,774
	<u>179,092,027</u>	<u>177,845,790</u>
Investments in microfinance institutions with less than 20% participation (measurement exception)		
Credinka (Peru)	1,434,915	2,027,041
Basix Sub-K iTransactions Limited (India)	3,729,056	11,747,053
Northern Arc Capital Limited (India)	21,316,113	21,316,113
Annapurna Finance Private Limited (India)	13,285,506	13,285,506
Papaya Global LTD (Israel)	5,454,156	-
Other (various)	6,721,542	6,496,126
	<u>51,941,288</u>	<u>54,871,839</u>
Investments in mission-related non microfinance institutions with less than 20% participation		
Azimo (UK) (measurement exception)	-	11,391,923
Accion Digital Transformation Fund, LP (Canada)(NAV)	2,021,374	-
Accion Frontier Inclusion Fund, L.P. (Cayman Islands) (NAV)	67,990,936	88,461,257
Accion Quona Inclusion Fund (Cayman Islands) (NAV)	36,665,932	41,759,673
Quona Accion Inclusion Fund III, L.P. (Cayman Islands) (NAV)	2,957,998	3,673,895
Other (various) (NAV and measurement exception)	6,274,812	5,003,193
	<u>115,911,052</u>	<u>150,289,941</u>
Investments in mission-related seed-stage non microfinance institutions with less than 20% participation (measurement exception)		
Konfio Limited (Cayman Islands)	1,381,643	825,042
Other (various)	23,215,615	19,275,965
	<u>24,597,258</u>	<u>20,101,007</u>
Total Program Investments	<u><u>\$ 371,541,625</u></u>	<u><u>\$ 403,108,577</u></u>

ACCION International and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

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

	2022	2021
Carrying amount, beginning of period	\$ 90,472,687	\$ 89,138,084
Measurement exception adjustment	1,079,960	(11,829,321)
Purchases	12,159,864	16,242,825
Sales	(8,962,541)	(3,330,116)
Impairments	(10,893,277)	(2,040,855)
Write offs	(9,883,112)	-
Other adjustments	8,125,060	2,292,070
	<hr/>	<hr/>
Carrying amount, end of period	\$ 82,098,641	\$ 90,472,687

Banco Solidario S.A. (“BancoSol”)

BancoSol is a private commercial bank focused on microenterprises in Bolivia. Accion’s investment in BancoSol, under the equity method of accounting, as of December 31, 2022 and 2021 represented 40% of BancoSol’s total common shares. For the years ended December 31, 2022 and 2021, Accion received dividends of \$3,443,453 and no dividends, respectively. As of December 31, 2022 and 2021 reported its share of BancoSol’s equity with an increase of \$15,951,150 and \$14,163,502, respectively. The accounts of BancoSol reflect total assets and total liabilities of \$2,703,000,000 and \$2,392,681,000 and \$2,514,000,000 and \$2,235,000,000 at December 31, 2022 and 2021, respectively. In fiscal year 2022 and 2021, due to the limitations on availability of payment information used to determine the necessary loan loss reserves associated with the loan portfolio of Bancosol, Accion’s investment in Bancosol was adjusted using data available from fiscal year 2019 and prior.

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, 2022 and 2021, Accion reported a decrease in fair market value of \$5,638,400 and \$2,404,031, respectively.

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

Teak Tree is a holding company owning indirectly a significant minority in two non-bank microfinance institutions in the Philippines. Accion’s investment in Teak Tree as of December 31, 2022 and 2021 represented 34.64% of Teak Tree’s total common shares. For the years ended December 31, 2022 and 2021, Accion reported a decrease of \$776,853 and \$1,006,570 in fair market value, 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. For the years ended December 31, 2022 and 2021, Accion reported a decrease in fair market value of \$4,736,580 and \$8,786,815, respectively.

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

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

ACCION International and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

For the years ended December 31, 2022 and 2021, Accion reported an increase in fair market value of \$1,792,556 and \$399,621, respectively.

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

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

AINV Nigeria, a Cayman Islands holding company, owned AMfB, a private commercial bank providing financial services to micro and small businesses in Nigeria. For the years ended December 31, 2022 and 2021, Accion reported a decrease of \$776,087 and an increase of \$914,760 in AMfB's fair market value, respectively. For the year ended 2022, Accion received a dividend of \$130,455.

Socrema Banco De Microfinanças, S.A (Socrema)

Socrema is a microfinance bank in the Republic of Mozambique, and provides financial products to the microfinance market. It also supports small and medium enterprises. Accion's investment as of December 31, 2022, and 2021 represented 39.32% of Socrema's total equity shares. For the years ended December 31, 2022, and 2021, Accion reported a decrease of \$16,628 and an increase of \$60,568 in fair market value, respectively.

Credinka S.A. ("Credinka")

Credinka is a non-bank Peruvian microfinance institution. For the years ended December 31, 2022 and 2021, Accion recorded an impairment of \$592,126 and \$1,329,199, 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 of India. For the year ended December 31, 2022 Accion recorded an impairment of \$8,017,997, reflected as unrealized losses.

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. Accion's investment in Northern Arc as of 31 December 2022 and 2021 included 7,699,529 equity shares which represented 5.91% of Northern Arc Capital total shares.

Annapurna Finance Private Limited ("Annapurna")

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

Papaya Global ("Papaya")

Papaya Global ("Papaya"), is an Israeli professional employment organization (PEO). On July 28, 2022, Accion sold its 7.4% stake in Azimo Limited to Papaya Global ("Papaya"). As a result of the sale, Accion received \$4.6M in cash and 594,246 of series D preferred shares with a value of \$5.5 million. Accion's investment as of December 31, 2022 represented 0.15% of Papaya's total shares.

ACCION International and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

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 2022, Accion sold its remaining 7,413,572 shares of Azimo and recorded a realized gain of \$4,601,885.

Accion Digital Transformation Fund, LP (ADTx LP)

Accion Digital Transformation Fund, LP (an Ontario limited partnership) was formed on August 5, 2021 and commenced operations on July 19, 2022 (the "Initial Closing Date"). The Partnership's objective is to achieve social impact by pursuing a venture capital strategy to invest in scaled financial institutions focused on lending to micro, small, and medium enterprises, and low-income underbanked and unbanked populations within emerging markets. In 2022, Accion invested \$2.7 million in ADTx LP.

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 any portion of its capital and profits from AFIF until the end of term on October 23, 2025. In 2022 and 2021, Accion invested \$571,485 and \$1,524,820, respectively, in 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 November 23, 2028. In 2022 and 2021, Accion invested \$2.1 million and \$6.6 million, respectively, in AQF.

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

QAF invests in companies that offer a broad array of inclusive financial services, from small business lending to consumer credit to insurance policies, with a goal of providing access to a full range of high quality, affordable financial services. In 2022, Accion invested \$2.6 million in QAF. In 2022, Accion received \$4.6 million in capital repayments from QAF.

Self Lender, Inc (“Self”)

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

Konfio Limited (“Konfio”)

Konfio is an online lending platform that uses innovative credit algorithms and alternative data analysis to help micro-businesses in Mexico who do not have access to credit obtain affordable working capital loans. In 2021, Accion sold 1,101,047 shares of Konfio and recorded a realized gain of \$8,274,924. In 2022, Accion reported an increase in measurement exception value of \$556,603.

Other

Accion invests in several other microfinance institutions or other organizations providing products and technologies to support and complement the development of microfinance. For the years ended December 31, 2022, and 2021, Accion received dividends of \$1.8 million and no dividends, respectively, from these investments.

ACCION International and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

Venture Lab Portfolio

In 2012 Accion launched Venture Lab, a seed-stage investment initiative for financial inclusion start-ups. As of December 31, 2022 and 2021, Accion had invested in 43 and 44 companies for a total cost of \$19.2 million and \$17 million, respectively. As of December 31, 2022 and 2021, Accion carried these purchases at the measurement exception, net of any impairment.

NOTE 6 - RELATED PARTY TRANSACTIONS

Quona Capital Management, Ltd (“Quona”) was created in partnership with Accion for the purpose of providing investment services for AFIF, an investment held by Accion. Accion also provides information technology support to Quona through a shared service agreement. Under the agreement, certain salaries and technology costs incurred by Accion are charged to Quona. Such amount aggregated \$1,923 and \$23,352 in 2022 and 2021, 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 \$132,937 and \$292,866 for the years ended December 31, 2022 and 2021, respectively.

Accion Venture Lab, LP (“AVL”) is a fund launched in partnership with Accion. AVL invests in financial technology start-ups that improve financial access for the globally underserved. In accordance with the partnership agreement, Accion co-invests alongside AVL on an agreed pro-rata basis. AVL, GP is the general partner and Accion is the investment manager. Under the partnership agreement, Accion provided investment management services to AVL. These amounts aggregated to \$575,000 and \$484,421 for the years ended December 31, 2022 and 2021, respectively and were paid by the limited partners of AVL.

Accion Impact Management LLC (“AIM US”) was created in partnership with Accion as an SEC Registered Investment Adviser for the purpose of managing Accion's third-party investment management activities. Accion also provides information technology and operational support to AIM US through a shared service agreement created in 2022. Under the agreement, related costs incurred by Accion are charged to AIM US. Such amounts aggregated to \$255,369 in 2022.

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

NOTE 7 - INVESTMENTS PLEDGED AS GUARANTEE TO LETTERS OF CREDIT

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

	<u>2022</u>	<u>2021</u>
Investments pledged as guarantee to letters of credit		
Cash and cash equivalents	\$ 2,883,363	\$ 2,858,649
	<u>\$ 2,883,363</u>	<u>\$ 2,858,649</u>

NOTE 8 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

ACCION International and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2022 and 2021

Operating Leases

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

2023	\$ 1,493,064
2024	1,185,068
2025	<u>401,146</u>
 Total	 <u>\$ 3,079,278</u>

In 2021, Accion subleased the Cambridge office for the remainder of the lease, ending in 2025. Future rent receivables from the subleasing agreement amount to \$1,744,358 at December 31, 2022. Total rent expense was \$1,021,842 and \$833,859 for the years ended December 31, 2022 and 2021, respectively.

NOTE 10 - EMPLOYEE BENEFIT PLAN

Accion has established a defined contribution retirement plan which is available to substantially all salaried employees. Accion's contribution to this plan is based on a percentage of participant salaries and totaled \$694,037 and \$571,073 in 2022 and 2021, respectively.

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
Global Programs	\$ 2,703,166	\$ 5,752,213
Global Investments	382,269	829,847
Fundraising	645,050	1,091,541
Center for Financial Inclusion	<u>583,036</u>	<u>1,311,450</u>
 Total	 <u>\$ 4,313,520</u>	 <u>\$ 8,985,051</u>

NOTE 12 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject Accion to concentrations of credit risk are investments, cash equivalents, and other interest-bearing investments. Approximately 36% and 30% of Accion's program investments are invested in the common stock of BancoSol, a Bolivian-based bank (see Note 5) as of December 31, 2022 and 2021, respectively. In addition, one donor represented 59% and 82% of contributions receivable as of December 31, 2022 and 2021, respectively.

NOTE 13 - SUBSEQUENT EVENTS

Management has reviewed the Company's operations for potential disclosure or financial statement impacts related to events occurring after December 31, 2022 through June 29, 2023, the date of issuance of these consolidated financial statements.