

Consolidated Financial Statements and  
Report of Independent Certified Public  
Accountants

**ACCION International and Subsidiaries**

December 31, 2023

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
ACCION International

### Opinion

We have audited the consolidated financial statements of ACCION International and subsidiaries (the “Organization”), which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for opinion

We conducted our audit of the consolidated financial statements 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 audit opinion.

### Emphasis of matter

As discussed in Note 5 to the consolidated financial statements, the Organization has elected to change its method of accounting for an equity method investment to the fair value option as of January 1, 2023. Our opinion is not modified with respect to this matter.

### Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

**Auditor's responsibilities for the audit of the financial statements**

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

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

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

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

*Grant Thornton LLP*

Boston, Massachusetts  
August 9, 2024

**ACCION International and Subsidiaries**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**December 31, 2023**

**ASSETS**

**Current assets**

Cash and cash equivalents	\$ 12,130,188
Short-term investments	52,368,241
Program notes receivable	6,765,000
Grants receivable - net	5,830,974
Contributions receivable - net	746,066
Contracts receivable	1,013,569
Prepaid expenses	644,346
Deposits, advances and other receivables	<u>4,578,866</u>
Total current assets	<u>84,077,250</u>

**Noncurrent assets**

Grants receivable - net	7,299,296
Contributions receivable - net	628,699
Investments pledged as guarantee for program letters of credit	2,975,035
Program investments	319,322,606
Property and equipment - net	97,767
Right-of-use asset	<u>2,860,411</u>
Total noncurrent assets	<u>333,183,814</u>

Total assets	<u><u>\$ 417,261,064</u></u>
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**LIABILITIES AND NET ASSETS**

**Current liabilities**

Accounts payable and accrued liabilities	\$ 4,848,117
Current operating lease liabilities	1,322,630
Deferred revenue	615,405
Bank line of credit	<u>63,333</u>
Total current liabilities	<u>6,849,485</u>

**Noncurrent liabilities**

Operating lease liabilities	<u>1,450,215</u>
Total liabilities	<u>8,299,700</u>

**Net assets**

Without donor restrictions	390,607,317
With donor restrictions	<u>18,354,047</u>
Total net assets	<u>408,961,364</u>
Total liabilities and net assets	<u><u>\$ 417,261,064</u></u>

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

**ACCION International and Subsidiaries**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**Year ended December 31, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues</b>			
Contributions and grants	\$ 1,896,330	\$ 21,273,241	\$ 23,169,571
Dividend and interest income from program investments	6,149,907	-	6,149,907
Dividend and interest income from short-term investments	2,973,021	-	2,973,021
Contract revenues and training fees	4,662,576	-	4,662,576
Management service fees	3,825,248	-	3,825,248
Net assets released from restrictions	7,232,714	(7,232,714)	-
Total revenues	<u>26,739,796</u>	<u>14,040,527</u>	<u>40,780,323</u>
<b>Functional expenses</b>			
Program services			
Global Programs	10,447,735	-	10,447,735
Global Investments	5,048,967	-	5,048,967
ACCION Impact Management	6,820,400	-	6,820,400
Center for Financial Inclusion	3,784,040	-	3,784,040
Communications	2,487,180	-	2,487,180
Total program services	<u>28,588,322</u>	<u>-</u>	<u>28,588,322</u>
Supporting services			
General and administrative	6,705,048	-	6,705,048
Fundraising	2,957,425	-	2,957,425
Total supporting services	<u>9,662,473</u>	<u>-</u>	<u>9,662,473</u>
Total functional expenses	<u>38,250,795</u>	<u>-</u>	<u>38,250,795</u>
Change in net assets from operations	<u>(11,510,999)</u>	<u>14,040,527</u>	<u>2,529,528</u>
Net unrealized gain on investments	18,718,608	-	18,718,608
Net realized gain on investments	118,988	-	118,988
Foreign currency translation gain, net	15,827	-	15,827
Other	(50,822)	-	(50,822)
Change in net assets	<u>7,291,602</u>	<u>14,040,527</u>	<u>21,332,129</u>
<b>Net assets - beginning of year (Note 5)</b>	<u>383,315,715</u>	<u>4,313,520</u>	<u>387,629,235</u>
<b>Net assets - end of year</b>	<u>\$ 390,607,317</u>	<u>\$ 18,354,047</u>	<u>\$ 408,961,364</u>

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

**ACCION International and Subsidiaries**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
Year ended December 31, 2023

	<b>Program Services</b>					<b>Supporting Services</b>		<b>Total Expenses</b>
	<b>Global Programs</b>	<b>Global Investments</b>	<b>ACCION Impact Management</b>	<b>Center for Financial Inclusion</b>	<b>Communications</b>	<b>General and Administrative</b>	<b>Fundraising</b>	
<b>Functional expenses</b>								
Salaries and related expenses	\$ 6,668,408	\$ 2,262,691	\$ 2,680,251	\$ 2,428,123	\$ 1,216,093	\$ 5,076,704	\$ 2,244,059	\$ 22,576,329
Professional services	1,963,535	1,581,701	3,286,264	728,255	525,362	824,200	327,599	9,236,916
Travel and conferences	810,858	209,471	577,814	271,335	580,588	268,279	104,489	2,822,834
Office and occupancy	746,738	158,637	229,837	274,820	135,264	459,079	247,016	2,251,391
Awards and grants	24,196	-	-	53,558	-	181	-	77,935
Taxes and penalties	41,971	1,200	-	-	-	7,642	-	50,813
Depreciation	46,993	3,582	-	6,638	4,001	26,475	6,450	94,139
Interest and fees	(14,693)	820,111	1,569	799	11,753	63,111	5,035	887,685
Miscellaneous	159,729	11,575	44,666	20,511	14,118	(20,623)	22,777	252,753
<b>Total</b>	<b>\$ 10,447,735</b>	<b>\$ 5,048,968</b>	<b>\$ 6,820,401</b>	<b>\$ 3,784,039</b>	<b>\$ 2,487,179</b>	<b>\$ 6,705,048</b>	<b>\$ 2,957,425</b>	<b>\$ 38,250,795</b>

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

**ACCION International and Subsidiaries**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**Year ended December 31, 2023**

<b>Cash flows from operating activities:</b>	
Change in net assets	\$ 21,332,129
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Unrealized gain on investments	(18,718,608)
Realized gain on sale of investments	(118,988)
Provision for doubtful accounts	5,825
Lease adjustment	(87,557)
Depreciation	94,136
Foreign currency translation losses	(23,329)
Increase (decrease) in cash and cash equivalents as a result of a change in:	
Prepaid expenses	(137,648)
Grants receivable	(12,853,873)
Contributions receivable	(730,458)
Deposits, advances and other receivables	(1,098,685)
Contract payments receivable	58,627
Accounts payable and accrued liabilities	264,597
Deferred revenue	(413,798)
	<u>(12,427,630)</u>
Net cash used in operating activities	<u>(12,427,630)</u>
<b>Cash flows from investing activities:</b>	
Purchase of property and equipment	(42,967)
Purchase of short-term investments	(91,672)
Purchase of program investments	(12,973,908)
Proceeds from sale of program investments and loans	34,233,045
Net program loan originations and principal repayments	(200,000)
	<u>20,924,498</u>
Net cash provided by investing activities	<u>20,924,498</u>
<b>Cash flows from financing activities:</b>	
Line of credit	(13,334,797)
	<u>(13,334,797)</u>
Net cash used in financing activities	<u>(13,334,797)</u>
<b>Effect of exchange rate changes on cash</b>	<u>37,819</u>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(4,800,110)</u>
<b>Cash and cash equivalents - beginning of year</b>	<u>16,930,298</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 12,130,188</u>
<b>Supplemental disclosure:</b>	
Noncash transactions:	
Conversion debt to equity	\$ 2,526,213
Cash paid during the period for:	
Interest	778,561
Taxes	50,821

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



## ACCION International and Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2023

#### NOTE 1 - NATURE OF ORGANIZATION

ACCION International and its subsidiaries (“Accion”) is incorporated in New York with an office 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 \$489,786 and \$217,706, respectively, at December 31, 2023.

##### ACCION Gateway Fund, L.L.C. (“Gateway”)

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

##### ACCION Technical Advisors, India (“ATA”)

ATA is a wholly owned subsidiary of Accion. ATA is a non-profit company according to Section 8 of the Indian Companies Act of 2013 and is the operational arm of Accion in India. The accounts of ATA reflect total assets and liabilities of \$1,171,402 and \$290,285, respectively, at December 31, 2023.

##### 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. ACC closed operations as of December 31, 2023, and deregistered effective January 2024.

##### 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 ownership in the investment in AFIF.

**ACCION International and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2023**

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 and registered investment advisor 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 Pvt Ltd (“AIM India”)

AIM India is a wholly owned subsidiary of AIM US 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, 2023**

***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 set by the Federal Deposit Insurance Corporation. Accion has not experienced any losses in these accounts.

Total cash held in foreign accounts was \$2,010,338 on December 31, 2023.

***Short-Term Investments***

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

***Investments Pledged as Guarantee for Letters of Credit***

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

***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.
- 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

ACCION International and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2023

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 is deemed other than temporary, the carrying value of the investment is written down to the impaired value. For the year ended December 31, 2023, Accion identified 7 investments requiring an impairment adjustment totaling \$3,686,567. These adjustments are reported in the net unrealized gain/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 treated as exchange transactions are reported as revenue without donor restrictions when expenses are incurred in accordance with the agreement's terms. The excess amounts received in exchange transactions over the amounts of expenditures incurred are classified as deferred revenue on the consolidated statement 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 before conditions are met are reported as unearned grant revenue and advisory fees within the consolidated statement of financial position. As of December 31, 2023, Accion had been notified of \$365,232, in conditional promises to give.

Pledges of contributions to be received after one year are discounted to present value. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any.

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

	<u>2023</u>
Due in one year or less	\$ 6,577,040
Due in one to five years	<u>8,493,784</u>
	15,070,824
Present value discount (5.26%)	<u>(565,789)</u>
Net contributions and grants receivable	<u>\$ 14,505,035</u>

**Property and Equipment**

Furniture, fixtures, and equipment are recorded at cost and depreciated on a straight-line basis over their useful lives, which range from 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.

## ACCION International and Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2023

#### ***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 programs 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 by 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 \$637,602 in fiscal year 2023.

#### ***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 statement 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 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.

#### ***Recently Issued Accounting Pronouncements***

On January 1, 2023, the Organization adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASC 326), using the modified retrospective approach. This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets

**ACCION International and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2023**

measured at amortized cost, including trade receivables. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using allowance for uncollectible accounts. Accion adopted ASC 326 as of January 1, 2023 and there was no impact upon adoption.

**NOTE 3 - PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2023 consist of the following:

	<u>2023</u>
Furniture, fixtures, equipment and software	\$ 1,369,184
Leasehold improvements	<u>1,965,388</u>
Property and equipment - gross	3,334,572
Less accumulated depreciation	<u>(3,236,805)</u>
Property and equipment - net	<u>\$ 97,767</u>

For the year ended December 31, 2023, Accion incurred \$94,136 in depreciation expense.

**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.
- 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.

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.

**ACCION International and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2023**

**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, 2023:

	Level 1	Level 2	Level 3	NAV	Total
Short-term investments					
U.S. Treasury, Agency Bonds and Equity Securities	\$ 23,629,793	\$ -	\$ -	\$ -	\$ 23,629,793
Corporate bonds	-	28,738,448	-	-	28,738,448
Program investments at fair value	-	-	137,334,009	-	137,334,009
Investments pledged as guarantee for letter of credit	2,975,035	-	-	-	2,975,035
Investments measured at NAV	-	-	-	105,524,946	105,524,946
 Total investments at fair value	<u>\$ 26,604,828</u>	<u>\$ 28,738,448</u>	<u>\$ 137,334,009</u>	<u>\$ 105,524,946</u>	<u>\$ 298,202,231</u>

The following is a reconciliation of the beginning and ending balances for assets measured at fair value using significant unobservable inputs (Level 3) during the year ended December 31, 2023. In 2023, there was a transfer into and out of level 3 investments.

	2023
Beginning balance	\$ 45,668,530
Sales	(2,445,814)
Investment transferred into Level 3	71,285,810
Unrealized gains and losses	<u>22,825,483</u>
 Ending balance	<u>\$ 137,334,009</u>

**ACCION International and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2023**

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, 2023.

<u>Investments</u>	<u>Fair Value as of December 31, 2023</u>	<u>Valuation Technique</u>	<u>Unobservable Input</u>	<u>2023 Rate</u>
Banco Solidario S.A.	\$ 94,108,593	Comparable Public Companies, Precedent Transaction Method, and Dividend Discount Model	Discount Rate and P/BV valuation multiples	Weighted P/BV of 0.70x (0.90x, 0.81x and 0.40x)
Dvara KG FS Pte. Limited	19,000,119	Modified Discounted Cash Flow, Comparable Public Companies, and Precedent Transaction Method	Discount Rate and P/BV valuation multiples	19.6% and a weighted P/BV of 1.98x (2.07x, 1.82x and 2.13x)
Teak Tree Investments Pte. Limited	7,841,320	Modified Discounted Cash Flow	Discount Rate and P/BV valuation multiple	18.2% and 0.85x P/BV
Grassland Finance Limited	7,287,049	Modified Discounted Cash Flow	P/BV valuation multiples	0.71x P/BV
Socremo Banco de Microfinancas SARL	3,874,646	Modified Discounted Cash Flow	Discount Rate and P/BV valuation multiple	28.7% and 0.96x P/BV
Accion Microfinance Bank (AMfB)	2,530,968	Modified Discounted Cash Flow	Discount Rate and P/BV valuation multiple	28.6% and 0.92x P/BV
UGAFODE Microfinance Ltd	1,670,827	Modified Discounted Cash Flow	Discount Rate and P/BV valuation multiples	32.7% and 1.5x P/BV
Dawn Myanmar Microfinance Pte. Limited	699,296	Modified Discounted Cash Flow	Discount Rate and P/BV valuation multiple	41.7% and 0.12x P/BV
Dvara Solutions	321,191	Comparable Public Companies	Enterprise Value/Revenue Multiple	1.50x
	<u>\$ 137,334,009</u>			



**ACCION International and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2023**

**NOTE 5 - PROGRAM INVESTMENTS**

Program Investments at December 31, 2023 consist of the following:

	<u>2023</u>
Investments in mission-related institutions with greater than 20% participation	
Banco Solidario S.A (Bolivia) (fair value)	\$ 94,108,593
Dvara KGFS Pte. Limited (India) (fair value)	19,000,119
Teak Tree Investments Pte. Limited (Cayman Islands) (fair value)	7,841,320
Grassland Finance Limited (Hong Kong) (fair value)	7,287,049
Socremo Banco De Microfinanças, S.A (Mozambique) (fair value)	3,874,646
Accion Microfinance Bank Ltd. (AMfB) (Nigeria) (fair value)	2,530,968
UGAFODE Microfinance Ltd (Uganda) (fair value)	1,670,827
Other (various) (fair value and equity method)	<u>1,155,536</u>
	<u>137,469,058</u>
Investments in mission-related institutions with less than 20% participation (measurement exception)	
Basix Sub-K iTransactions Limited (India)	3,729,056
Northern Arc Capital Limited (India)	21,316,113
Papaya Global LTD (Israel)	5,454,156
Other (various)	<u>6,683,209</u>
	<u>37,182,534</u>
Investments in mission-related institutions with less than 20% participation	
Accion Digital Transformation Fund, LP (Canada) (NAV)	5,378,393
Accion Frontier Inclusion Fund, L.P. (Cayman Islands) (NAV)	69,057,042
Accion Quona Inclusion Fund (Cayman Islands) (NAV)	27,364,612
Quona Accion Inclusion Fund III, L.P. (Cayman Islands) (NAV)	3,714,058
Other (various) (NAV and measurement exception)	<u>2,151,936</u>
	<u>107,666,041</u>
Investments in mission-related seed-stage institutions with less than 20% participation (measurement exception)	
Aquaexchange Agritech Private Limited (India)	2,094,345
Indinvoice Tech Solutions Private Limited (Cashinvoice) (India)	2,171,876
Destacame SpA (Chile)	3,270,623
Lula Lend Proprietary Limited (South Africa)	4,723,000
Tienda Pago Holdings Inc. (USA)	2,022,286
Other (various)	<u>22,722,843</u>
	<u>37,004,973</u>
 Total program investments	 <u><u>\$ 319,322,606</u></u>

**ACCION International and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2023**

The carrying value of equity securities without readily determinable fair values has been adjusted during the fiscal year ended December 31, 2023 as follows:

	<u>2023</u>
Carrying amount, beginning of period	\$ 82,098,641
Measurement exception adjustment	795,988
Purchases	10,925,036
Sales	(14,448,953)
Write-offs	(5,348,680)
Impairments	<u>1,662,113</u>
Carrying amount, end of period	<u>\$ 75,684,145</u>

***Banco Solidario S.A. (“BancoSol”)***

BancoSol is a private commercial bank focused on microenterprises in Bolivia. As of January 1, 2023, Accion transitioned Banco Sol's valuation methodology from the equity-method to fair value. This change in accounting principle from one acceptable method to another is aimed to simplify the complexity associated with accounting for the investment in Banco Sol in accordance with U.S. GAAP. As a result, the net assets without donor restrictions as of January 1, 2023, were adjusted from \$445,329,895 to \$383,315,715, reflecting a decrease of \$62,014,180. As of December 31, 2023, Accion's fair value of its 6,762,520 shares (39.80% shareholding) in BancoSol was \$94,108,593. For the year ended December 31, 2023, Accion received dividends of \$4,299,335.

***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. Grassland continues to implement shareholders' decision to wind-up the company and its operating subsidiaries due to China's worsening business environment. The company completed its first capital repatriation to its shareholders in October 2023 with \$2.45 million being returned to Accion. For the year ended December 31, 2023, Accion reported an increase in fair market value of \$543,152.

***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, 2023 represented 40.05% of Teak Tree's total common shares. For the year ended December 31, 2023, Accion reported an increase of \$967,815 in fair market value.

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

Dvara KGFS is a non-banking financial institution that provides financial services in remote areas in India. The Company's mission is to maximize the well-being of individuals and enterprises in rural areas by providing access to financial services via a differentiated wealth management approach. As of December 31, 2023, Accion held 2,658,375 shares of Dvara KGFS, representing 23.03% of the total shares, and reported an increase in fair market value of \$1,625,309.

**ACCION International and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2023**

***Accion Microfinance Bank Ltd. (“AMfB”)***

AMfB is a microfinance bank providing financial services to micro and small businesses in Nigeria. As of December 31, 2023, Accion owned 443,184,162 common shares, representing a 35.74% stake in AMfB. For the year ended December 31, 2023, Accion reported a decrease of \$3,279,153 in AMfB’s fair market value and received a dividend of \$101,529.

***Socremo Banco De Microfinanças, S.A (“Socremo”)***

Socremo is a microfinance bank in the Republic of Mozambique that provides financial products to the microfinance market and supports small and medium enterprises. Accion’s investment as of December 31, 2023 represented 39.32% of Socremo’s total equity shares. For the year ended December 31, 2023, Accion reported a decrease of \$264,901 in fair market value.

***UGAFODE Microfinance Ltd (“Ugafode”)***

Ugafode is a deposit-taking microfinance institution regulated by the Central Bank of Uganda. The bank operates 23 branches across the country and offers saving and loan products, mobile banking, and money transfer services. As of 31 December 2023, Accion’s investment in Ugafode includes 2,507,476 ordinary shares, representing 25.07% of Ugafode’s total shares. For the year ended December 31, 2023, Accion reported an increase of \$346,893 in fair market value.

***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. As of December 31, 2023, the company’s investment in Sub K included 100 equity shares and 1,199,702 compulsory convertible preferred shares, representing 15.49% of Sub K’s total shares.

***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 December 31, 2023 included 7,699,529 equity shares which represented 5.90% of Northern Arc Capital total shares.

***Papaya Global (“Papaya”)***

Papaya Global (“Papaya”) is an Israeli professional employment organization (PEO). As of December 31, 2023, Accion’s investment represented 0.15% of Papaya’s total shares.

***Accion Digital Transformation Fund, LP (“ADTx LP”)***

Accion Digital Transformation Fund, LP (an Ontario limited partnership) was formed in 2021 and commenced operations in 2022. 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 2023, Accion invested \$6.5 million in ADTx LP and received \$2.9 million in repayments from 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 the term on October 23, 2025. In 2023, Accion invested \$138,639 in AFIF.

## ACCION International and Subsidiaries

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2023

#### ***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 2023, Accion invested \$848,835 million 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 2023, Accion invested \$775,378 in QAF.

#### ***Aquaexchange Agritech Private Limited (“Aquaexchange”)***

Aquaexchange, is an end-to-end platform for Indian aquaculture farmers, providing farm management solutions, access to farming inputs, market linkages, and financing. As of December 31, 2023, Accion's investment represented 11.82% of Aquaexchange's total shares.

#### ***Indinvoice Tech Solutions Private Limited (“Cashinvoice”)***

Cashinvoice, an Indian company, is a digital invoice exchange that leverages technology to bring financial institutions, large corporations, and their MSME suppliers and customers onto a single platform. As of December 31, 2023, Accion's investment represented 9.32% of Cashinvoice's total shares.

#### ***Destacame SpA (“Destcame”)***

Destacame launched in Chile in 2015 and Mexico in 2017, is a digital platform that gives users control over their data. The platform also aims to help users build their financial capabilities and access better products. As of December 31, 2023, Accion's investment represented 4.71% of Destacame's total shares.

#### ***Lula Lend Proprietary Limited (Lula Lend”)***

Lula Lend, provides short-term loans to small businesses in South Africa, leveraging digital platforms and data analytics. Applicants apply online, link in financial statements and other transaction data, and receive a credit decision within minutes. Upon acceptance, loans are funded within 24 hours. As of December 31, 2023, Accion's investment represented 5.19% of Lula Lend's total shares.

#### ***Tienda Pago Holdings Inc. (“Tienda Pago”)***

Tienda Pago is a US-based MSME lender that provides short-term working capital loans through a mobile platform to small store owners. They partner with FMCG distributors to pay for inventory purchases by small store owners, who then repay Tienda Pago from their sales. As of December 31, 2023, Accion's investment represented 3.63% of Tienda Pago's total shares.

#### ***Other***

Accion invests in other mission-related institutions, providing products and technologies to support microfinance development and seed-stage investment initiatives for financial inclusion start-ups. As of December 31, 2023, Accion carried these investments at the measurement exception, net of any impairment, and received no dividends from these investments.

**ACCION International and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2023**

**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 amounts aggregated to \$8,215 in 2023.

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. Such amounts aggregated to \$47,917 in 2023 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. AIM US managed Accion's investments, and generated revenues of \$3,825,248 in 2023. Accion also provided 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 \$897,992 in 2023. AIM US also performed programmatic work on behalf of Accion via sub-award grants in the amount of \$577,360.

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

**NOTE 7 - 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 8) in the event short-term investments cannot be immediately liquidated. The following reflects Accion's financial assets as of the financial position date, reduced by amounts not available for general use within one year of the consolidated statement of financial position date because of contractual or donor-imposed restrictions or internal designations.

	<u>2023</u>
Financial assets available to meet cash needs for general expenditures or program investments within one year	<u>\$ 83,110,467</u>

**NOTE 8 - 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 statement of financial position, in the amount of \$2,975,035.

As of December 31, 2023, Accion was contingently liable for a standby letter of credit issued as part of the sublease agreement in the amount of \$185,744.

**ACCION International and Subsidiaries**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**December 31, 2023**

***Bank Line of Credit***

At December 31, 2023 Accion had a \$30,000,000 line of credit with JPMorgan Chase Bank, N.A. (“JPMC”). The line of credit includes short-term advances made at JPMC’s discretion, on mutually agreed terms periodically. As of December 31, 2023, there was no outstanding balance under the line of credit.

***Capital Calls***

For the year ended December 31, 2023, Accion had \$15,788,310 in commitments for future capital calls related to program investments.

***Other***

Accion and its subsidiaries are involved in legal actions occurring in the normal course of activities. While the final outcomes cannot be determined at this time, Accion is of the opinion that the resolution of these legal actions will not have a material effect on Accion’s consolidated statement of financial position.

A subsidiary of Accion has an ongoing dispute with the Tax Authority of India. While the final outcomes cannot be determined at this time, Accion is of the opinion that a loss associated with this dispute is unlikely to occur and cannot be reasonably estimated to be recorded in the financial statements.

***Operating Leases***

Accion leases office space in various countries in which they operate. These leases expire over periods ranging from June 2023 through October 2026. The remaining net minimum payment obligation under these leases is as follows:

2024	\$	1,447,566
2025		1,021,959
2026		<u>531,512</u>
Total	\$	<u>3,001,037</u>

In 2021, Accion subleased the Cambridge, MA office for the remainder of the lease, ending in 2025. Future rent receivables from the subleasing agreement amount to \$1,062,525 at December 31, 2023. Total rent expense was \$1,244,479 for the year ended December 31, 2023.

**NOTE 9 - 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 \$763,981 in 2023.

ACCION International and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

December 31, 2023

**NOTE 10 - 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, 2023 for the following purposes:

	<u>2023</u>
Global programs	\$ 11,345,131
Global investments	2,921,103
Fundraising	1,059,057
Center for financial inclusion	<u>3,028,756</u>
Total	<u>\$ 18,354,047</u>

**NOTE 11 - CONCENTRATIONS OF CREDIT RISK**

Financial instruments that potentially subject Accion to concentrations of credit risk are investments, cash equivalents, and other interest-bearing investments. In addition, one institutional donor represented 92% of grants receivable as of December 31, 2023.

**NOTE 12 - SUBSEQUENT EVENTS**

Management has reviewed the Organization's operations for potential disclosure or financial statement impacts related to events occurring after December 31, 2023 through August 9, 2024, the date of issuance of these consolidated financial statements.

On April 4, 2024, Accion successfully transferred its Accion Venture Lab Holdings, LLC investment warehousing portfolio to Accion Venture Lab Fund II, LP. As a result of this transaction, Accion received a total payment of \$14,773,169. This payment comprised the purchase price of \$13,749,817, an interest payment of \$964,540, and reimbursable expenses totaling \$58,813.