

Consolidated Financial Statements  
and Report of Independent Certified Public Accountants

**ACCION INTERNATIONAL**

December 31, 2016 and 2015

# ACCION INTERNATIONAL

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Grant Thornton LLP  
1400 Computer Drive, 3rd Floor  
Westborough, MA 01581  
T 508.926.2200  
F 508.616.2972  
[GrantThornton.com](http://GrantThornton.com)  
[linkd.in/GrantThorntonUS](https://www.linkedin.com/company/grant-thornton-us)  
[twitter.com/GrantThorntonUS](https://twitter.com/GrantThorntonUS)

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors

### **ACCION International**

We have audited the accompanying consolidated financial statements of ACCION International and subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

#### Management's responsibility for the financial statements

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

#### Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ACCION International and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Grant Thornton LLP". The signature is written in a cursive, professional style.

Westborough, Massachusetts  
August 23, 2017

**ACCION INTERNATIONAL AND SUBSIDIARIES**  
**Consolidated Statements of Financial Position**  
**As of December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 26,578,086	\$ 21,591,499
Short-term investments	89,545,845	91,457,399
Notes receivable from affiliates	250,000	992,243
Receivable from investments sold	-	6,249,180
Grants receivable - net	4,664,905	2,311,246
Contributions receivable - net	378,014	345,203
Contracts receivable	1,160,723	1,838,705
Prepaid expenses	1,147,316	971,179
Deposits, advances and other receivables	694,233	543,591
Total current assets	<u>124,419,122</u>	<u>126,300,245</u>
<b>NONCURRENT ASSETS</b>		
Cash restricted by foundation for long-term purposes	-	150,352
Grants receivable - net	5,189,602	2,356,759
Contributions receivable - net	234,000	360,000
Global Bridge Guarantee Program investments	3,313,492	6,771,867
Investments in affiliates	225,163,743	229,963,499
Property and equipment - net	2,059,918	2,345,505
Total noncurrent assets	<u>235,960,755</u>	<u>241,947,982</u>
Total assets	<u>\$ 360,379,877</u>	<u>\$ 368,248,227</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 5,265,529	\$ 4,928,797
Deferred revenue	510,442	574,895
Notes payable	250,000	1,644,976
Total current liabilities	<u>6,025,971</u>	<u>7,148,668</u>
<b>NONCURRENT LIABILITIES</b>		
Notes payable - net of current portion	-	3,773,293
Total noncurrent liabilities	<u>-</u>	<u>3,773,293</u>
Total liabilities	<u>6,025,971</u>	<u>10,921,961</u>
<b>NET ASSETS</b>		
Unrestricted		
Undesignated	327,891,720	336,118,371
Board designated	6,602,266	6,704,262
Noncontrolling interest in holding entities	4,023,621	4,032,795
Total unrestricted net assets	338,517,607	346,855,428
Temporarily restricted	15,836,299	10,470,838
Total net assets	<u>354,353,906</u>	<u>357,326,266</u>
Total liabilities and net assets	<u>\$ 360,379,877</u>	<u>\$ 368,248,227</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, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>REVENUES</b>						
Contributions and grants	\$ 4,976,241	12,564,181	\$ 17,540,422	\$ 10,564,105	\$ 4,384,642	\$ 14,948,747
Dividend and interest income from program investments	2,235,204	2,234	2,237,438	3,537,119	-	3,537,119
Dividend and interest income from short-term investments	3,214,160	-	3,214,160	2,984,494	-	2,984,494
Contract revenues and training fees	3,487,528	-	3,487,528	4,176,551	-	4,176,551
Net assets released from restrictions	<u>7,200,954</u>	<u>(7,200,954)</u>	<u>-</u>	<u>6,244,302</u>	<u>(6,244,302)</u>	<u>-</u>
Total revenues	<u>21,114,087</u>	<u>5,365,461</u>	<u>26,479,548</u>	<u>27,506,571</u>	<u>(1,859,660)</u>	<u>25,646,911</u>
<b>FUNCTIONAL EXPENSES</b>						
Program services						
Global Programs	11,616,745	-	11,616,745	12,020,737	-	12,020,737
Global Investments	6,956,620	-	6,956,620	8,938,179	-	8,938,179
Center for Financial Inclusion	6,381,852	-	6,381,852	7,339,828	-	7,339,828
Communications	<u>1,512,475</u>	<u>-</u>	<u>1,512,475</u>	<u>1,444,695</u>	<u>-</u>	<u>1,444,695</u>
Total program services	<u>26,467,692</u>	<u>-</u>	<u>26,467,692</u>	<u>29,743,439</u>	<u>-</u>	<u>29,743,439</u>
Supporting services						
General and administrative	5,139,923	-	5,139,923	5,229,045	-	5,229,045
Fundraising	<u>2,289,253</u>	<u>-</u>	<u>2,289,253</u>	<u>2,637,253</u>	<u>-</u>	<u>2,637,253</u>
Total supporting services	<u>7,429,176</u>	<u>-</u>	<u>7,429,176</u>	<u>7,866,298</u>	<u>-</u>	<u>7,866,298</u>
Total functional expenses	<u>33,896,868</u>	<u>-</u>	<u>33,896,868</u>	<u>37,609,737</u>	<u>-</u>	<u>37,609,737</u>
Change in net assets from operations	(12,782,781)	5,365,461	(7,417,320)	(10,103,166)	(1,859,660)	(11,962,826)
Income tax expense (Note 9)	(16,048)	-	(16,048)	(7,657)	-	(7,657)
Equity in income of equity investments	12,199,275	-	12,199,275	12,570,762	-	12,570,762
Deconsolidation of SCM	-	-	-	8,210,204	-	8,210,204
Net unrealized loss on investments	(26,450,493)	-	(26,450,493)	(25,967,193)	-	(25,967,193)
Net realized gain on investments	18,754,883	-	18,754,883	11,103,868	-	11,103,868
Foreign currency translation losses, net	(68,172)	-	(68,172)	(202,857)	-	(202,857)
Other	<u>25,515</u>	<u>-</u>	<u>25,515</u>	<u>(200,595)</u>	<u>-</u>	<u>(200,595)</u>
Change in net assets	(8,337,821)	5,365,461	(2,972,360)	(4,596,634)	(1,859,660)	(6,456,294)
Net assets - beginning of year	<u>346,855,428</u>	<u>10,470,838</u>	<u>357,326,266</u>	<u>351,452,062</u>	<u>12,330,498</u>	<u>363,782,560</u>
Net assets - end of year	<u>\$ 338,517,607</u>	<u>\$ 15,836,299</u>	<u>\$ 354,353,906</u>	<u>\$ 346,855,428</u>	<u>\$ 10,470,838</u>	<u>\$ 357,326,266</u>

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

**ACCION INTERNATIONAL AND SUBSIDIARIES**  
**Consolidated Statement of Functional Expenses**  
Year ended December 31, 2016

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

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

**ACCION INTERNATIONAL AND SUBSIDIARIES**  
**Consolidated Statement of Functional Expenses**  
Year ended December 31, 2015

	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	\$ 7,536,072	\$ 4,145,948	\$ 3,139,895	\$ 768,339	\$ 3,179,476	\$ 1,744,609	\$ 20,514,339
Professional services	1,262,425	3,107,246	2,111,557	295,487	825,764	330,934	7,933,413
Travel and conferences	1,497,903	1,037,705	1,337,235	174,834	379,822	171,539	4,599,038
Office and occupancy	987,108	439,198	480,485	184,395	646,748	323,521	3,061,455
Awards and grants	184,923	-	189,027	-	-	-	373,950
Provision for doubtful accounts	265,334	-	-	-	-	-	265,334
Taxes and penalties	59,055	2,252	-	-	7,841	-	69,148
Depreciation	79,960	55,202	58,344	15,127	115,243	39,422	363,298
Interest and fees	15,873	154,243	1,657	-	48,161	13,844	233,778
Miscellaneous	132,084	(3,615)	21,628	6,513	25,990	13,384	195,984
Total	<u>\$ 12,020,737</u>	<u>\$ 8,938,179</u>	<u>\$ 7,339,828</u>	<u>\$ 1,444,695</u>	<u>\$ 5,229,045</u>	<u>\$ 2,637,253</u>	<u>\$ 37,609,737</u>

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



**ACCION INTERNATIONAL AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**  
**Years ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (2,972,360)	\$ (6,456,294)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Unrealized loss on investments	26,450,493	25,967,193
Realized gain on sale of investments	(18,754,883)	(11,103,868)
Provision for doubtful accounts	2,961	265,334
Depreciation and amortization	380,798	363,298
Equity in income of investments	(12,199,275)	(12,570,762)
Investment by non-controlling interests	-	(159,815)
Foreign currency translation gains	23,318	163,241
Deconsolidation of SCM	-	(8,210,204)
Increase (decrease) in cash and cash equivalents as a result of a change in		
Prepaid expenses	(193,246)	213,632
Grants receivable	(5,183,079)	1,608,170
Contributions receivable	89,679	192,864
Deposits, advances and other receivables	(221,453)	67,741
Receivable from investments sold	6,249,180	(6,249,180)
Contract payments receivable	676,659	(50,129)
Cash restricted by foundation	150,352	(225)
Accounts payable and accrued liabilities	342,580	(646,222)
Deferred revenue	(64,905)	281,310
Net cash used in operating activities	<u>(5,223,181)</u>	<u>(16,323,916)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(92,932)	(122,043)
Purchase (Sale) of short-term investments	5,558,526	(6,189,556)
Purchase of investments	(15,300,223)	(29,793,007)
Proceeds from sale of investments	20,793,162	28,490,258
Proceeds from sale of SCM	-	934,700
Cash of deconsolidated SCM	-	(879,646)
Dividends received from investments in affiliates	1,593,740	1,817,110
Net loan originations and principal repayments	<u>2,840,945</u>	<u>2,783,985</u>
Net cash (used in) provided by investing activities	<u>15,393,218</u>	<u>(2,958,199)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Notes payable received	250,000	182,000
Notes payable paid	<u>(5,418,269)</u>	<u>(1,107,902)</u>
Net cash used in financing activities	<u>(5,168,269)</u>	<u>(925,902)</u>
Effect of exchange rate changes on cash	(15,181)	(232,546)
Increase (decrease) in cash and cash equivalents	4,986,587	(20,440,563)
Cash and cash equivalents - beginning of year	<u>21,591,499</u>	<u>42,032,062</u>
Cash and cash equivalents - end of year	<u>\$ 26,578,086</u>	<u>\$ 21,591,499</u>
<b>Supplemental disclosure:</b>		
<b>Noncash transactions:</b>		
Noncash adjustments related to deconsolidation of SCM	\$ -	\$ 100,262
Conversion debt to equity	\$ 675,000	\$ 700,000
<b>Cash paid during the period for:</b>		
Interest	\$ 63,522	\$ 112,920
Taxes	\$ 12,074	\$ 61,958

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

# ACCION INTERNATIONAL AND SUBSIDIARIES

## Consolidating Schedule of Activities

December 31, 2015

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### 1. NATURE OF ORGANIZATION

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

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Recently Issued Accounting Pronouncements

##### *Leases (Topic 842)*

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases (Topic 842)* (“ASU 2016-02”). ASU 2016-02 establishes a comprehensive new lease accounting model. The new standard clarifies the definitions of a lease, requires a dual approach to lease classification similar to current lease classifications, and causes lessees to recognize leases on the balance sheet as a lease liability with a corresponding right-of-use asset for leases with a lease term of more than twelve months. The new standard is effective for interim and annual periods beginning after December 15, 2019. Early adoption is permitted. The new standard requires a modified retrospective transition for capital or operating leases existing at or enter into after the beginning of the earliest comparative period presented in the financial statements, but it does not require transition accounting for leases that expire prior to the date of the initial application. The Organization has not yet determined the effects, if any, that the adoptions of ASU 2016-02 may have on its financial position, results of operations, cash flows, or disclosures.

##### *Revenue from Contracts with Customers (Topic 606)*

In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date (“ASU 2015-14”). ASU 2015-14 defers by one year the effective date of ASU No. 2014-09, Revenue from Contracts with Customers (“ASU 2017-09”). The deferral results in ASU 2014-09 being effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted for interim and annual periods beginning after December 15, 2016. The main provision of ASU 2014-09 is to recognize revenue when the control of the goods or services transfers to the customer, as opposed to the existing guidance of recognizing revenue when the risks and rewards transfer to the customer. The Organization has not completed its assessment and has not yet determined whether the impact of the adoption of this standard on its financial position, results of operations, cash flows, or disclosures will be material.

# ACCION INTERNATIONAL AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

### December 31, 2016 and 2015

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#### 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 \$256,095 and \$106,888 and \$332,652 and \$244,646 at December 31, 2016 and 2015, respectively.

*ACCION Gateway Fund, LLC (Gateway)* - Gateway is a wholly owned subsidiary of Accion and was created as a limited liability company in Delaware to own several investments in affiliates.

*ACCION Technical Advisors, India (ATA)* - ATA is a wholly owned subsidiary of Accion. ATA is a nonprofit company according to Section 8 of the Indian Companies Act of 2013 and is the operational arm of Accion in India. The accounts of ATA reflect total assets and liabilities of \$452,327 and \$233,386 and \$343,044 and \$165,250 at December 31, 2016 and 2015, respectively.

*ACCION Beijing Consultation Services Company, Ltd (ACC)* - ACC was created as a wholly owned subsidiary of Accion as the operational arm 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 \$259,407 and \$67,865 and \$233,412 and \$104,378 at December 31, 2016 and 2015, respectively.

*ACCION Africa-Asia Investment Company (AAIC)* - AAIC is a wholly owned subsidiary of Accion. AAIC was created as a for-profit company incorporated in the Republic of Mauritius to own several investments in affiliates in Asia and Africa.

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

*Accion Frontier Inclusion Fund LP, LLC (AFIF LP)* - AFIF LP is a wholly owned subsidiary of Accion and was created in 2015 as a limited liability company in Delaware for the purpose of owning the investment in AFIF.

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

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

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

**ACCION INTERNATIONAL AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**December 31, 2016 and 2015**

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

	<u>Controlling Interest</u>	<u>Noncontrolling Interest</u>	<u>Total</u>
<b>Balance at December 31, 2014</b>	\$ 347,563,625	\$ 3,888,437	\$ 351,452,062
Purchase of interest in AINV Nigeria, AINV Cameroon, AINV Ghana by outside party	-	19,600	19,600
Change in net assets	<u>(4,740,992)</u>	<u>124,758</u>	<u>(4,616,234)</u>
<b>Balance at December 31, 2015</b>	342,822,633	4,032,795	346,855,428
Change in net assets	<u>(8,328,647)</u>	<u>(9,174)</u>	<u>(8,337,821)</u>
<b>Balance at December 31, 2016</b>	<u>\$ 334,493,986</u>	<u>\$ 4,023,621</u>	<u>\$ 338,517,607</u>

All intercompany balances and transactions involving the subsidiaries above have been eliminated in consolidation.

**Basis of Presentation**

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

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

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

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

*Permanently Restricted Net Assets* - Net assets subject to donor-imposed stipulations that are maintained permanently by Accion. Accion had no permanently restricted net assets at December 31, 2016 and 2015.

**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.

# **ACCION INTERNATIONAL AND SUBSIDIARIES**

## **Notes to Consolidated Financial Statements**

### **December 31, 2016 and 2015**

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Accion holds \$150,352 in cash restricted by a foundation for long term purposes as of December 31, 2015. Accion holds no cash balance restricted by a foundation as of December 31, 2016.

Total cash held in foreign accounts was \$2,547,962 and \$1,153,423 at December 31, 2016 and 2015, respectively.

#### **Short-term Investments**

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

#### **Global Bridge Guarantee Program Investments**

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

#### **Investments in Affiliates**

With the exception of Accion's investment in Genera, formerly known as Compartamos, whose stock trades on the Mexican Stock exchange and therefore is valued based on the price in that active market, investments in affiliates do not have a readily determinable fair value and, as such, are recorded at cost or under the fair market value or the equity method of accounting whenever Accion can exercise significant influence, which is generally indicated when its equity position in the affiliate equals or exceeds 20% and does not exceed 50%. Under the fair value method, Accion utilizes multiple valuation techniques resulting in a range of acceptable valuations; under the equity method, Accion records its proportional share of the net income in the investment at each measurement date, and records dividends as decreases in the investments. Investments in affiliates carried at cost are reviewed periodically to determine whether the underlying value of the affiliate has been impaired. If impairment has been identified and such impairment is deemed to be other than temporary, the carrying value of the investment is written down to the impaired value. For the years ended 2016 and 2015 Accion identified four and three investments requiring an impairment adjustment totaling \$2,784,316 and \$4,289,760, respectively. These adjustments are reported in the net unrealized loss on investments in the statement of activities.

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

#### **Contract Revenue and Training Fees**

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

**ACCION INTERNATIONAL AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
December 31, 2016 and 2015

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**Contributions and Grants**

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

Conditional promises to give are not recorded as revenues until the conditions are substantially met. Any assets contributed before the conditions are substantially met would be accounted for as a refundable advance and reflected in accounts payable and accrued liabilities in the consolidated statements of financial position. As of December 31, 2016 and 2015, Accion had been notified of \$848,472 and \$555,785, respectively in conditional promises to give. They will be recorded when conditions have been met.

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

	<u>2016</u>	<u>2015</u>
Due in one year or less	\$ 5,042,919	\$ 2,656,449
Due in one to five years	<u>5,756,602</u>	<u>2,937,759</u>
	10,799,521	5,594,208
Present value discount (5%)	<u>(333,000)</u>	<u>(221,000)</u>
Net contributions and grants receivable	<u>\$ 10,466,521</u>	<u>\$ 5,373,208</u>

**Property and Equipment**

Furniture, fixtures, and equipment are recorded at cost and depreciated on a straight-line basis over their useful lives, which range from 3 to 10 years. Leasehold improvements are recorded at cost and amortized on a straight-line basis over the shorter of the life of the lease or estimated useful life of the improvement. Donated equipment is recorded at the fair market value as of the date the gift is made and amortized over its useful life.

**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 \$2,944,354 and \$1,144,858 in fiscal 2016 and 2015, respectively.

# **ACCION INTERNATIONAL AND SUBSIDIARIES**

## **Notes to Consolidated Financial Statements**

### **December 31, 2016 and 2015**

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#### **Foreign Currency Translation**

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

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

#### **Income Tax**

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

#### **Risks and Uncertainties**

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

#### **Noncontrolling Interest**

A noncontrolling interest is defined as the portion of the net assets in a subsidiary not attributable, directly or indirectly, to a parent. Revenues, expenses, gains, losses and change in net assets are reported in the consolidated financial statements at the consolidated amounts, which include the amounts attributable to the noncontrolling interest. The consolidated statement of activities separately presents Accion, as well as the change in net assets attributable to Accion and the noncontrolling interest.

# ACCION INTERNATIONAL AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

December 31, 2016 and 2015

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### 3. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

#### **Contributions and Grants Receivable**

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

#### **Investments**

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



**ACCION INTERNATIONAL AND SUBSIDIARIES**  
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The following tables set forth, by level within the fair value hierarchy, the financial assets and liabilities recorded at fair value on a recurring basis as of December 31, 2016 and 2015:

	<b>2016</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Short-term investments				
U.S. Treasury	\$ 31,535,719	\$ -	\$ -	\$ 31,535,719
Corporate bonds	-	58,010,125	-	58,010,125
Investment in affiliates at fair value	39,585,911	-	41,587,942	81,173,853
Global Bridge Guarantee Program investments				
Cash and cash equivalents	453,975	-	-	453,975
Corporate bonds	-	2,859,517	-	2,859,517
	<u>\$ 71,575,605</u>	<u>\$ 60,869,642</u>	<u>\$ 41,587,942</u>	<u>\$ 174,033,189</u>
	<b>2015</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Short-term investments				
U.S. Treasury	\$ 31,697,579	\$ -	\$ -	\$ 31,697,579
Certificates of deposits	-	1,000,000	-	1,000,000
Corporate bonds	-	58,759,820	-	58,759,820
Investment in affiliates at fair value	67,959,207	-	33,899,643	101,858,850
Global Bridge Guarantee Program investments				
Cash and cash equivalents	1,706,102	-	-	1,706,102
Certificate of deposits	-	252,215	-	252,215
Corporate bonds	-	4,813,550	-	4,813,550
	<u>\$ 101,362,888</u>	<u>\$ 64,825,585</u>	<u>\$ 33,899,643</u>	<u>\$ 200,088,116</u>

Accion recognizes transfers between fair value hierarchy levels at the approximate date or change in circumstances that cause the transfer. There were no transfers between fair value hierarchy levels during the years ended December 31, 2016 and 2015.

**ACCION INTERNATIONAL AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
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The following is a reconciliation of the beginning and ending balances for assets measured at fair value using significant unobservable inputs (Level 3) during the years then ended December 31, 2016 and 2015.

	<b>Investments in Affiliates</b>	
	<b>2016</b>	<b>2015</b>
<b>Beginning balance</b>	\$ 33,899,645	\$ 24,775,762
Purchases	4,744,915	1,379,230
Unrealized net gains	<u>2,943,382</u>	<u>7,744,653</u>
<b>Ending balance</b>	<u>\$ 41,587,942</u>	<u>\$ 33,899,645</u>

Contributions and grants receivable, totaling \$10,466,521 and \$5,373,208 as of December 31, 2016 and 2015, respectively, are accounted for at fair value on a non-recurring basis as level 3 assets.

**4. PROPERTY AND EQUIPMENT**

Property and equipment at December 31 consists of the following:

	<b>2016</b>	<b>2015</b>
Furniture, fixtures, equipment and software	\$ 1,398,859	\$ 1,425,713
Leasehold improvements	<u>1,979,307</u>	<u>2,195,883</u>
Property and equipment- gross	3,378,166	3,621,596
Less accumulated depreciation	<u>(1,318,248)</u>	<u>(1,276,091)</u>
Property and equipment - net	<u>\$ 2,059,918</u>	<u>\$ 2,345,505</u>

Depreciation expense as of December 31, 2016 and 2015 was \$ 380,798 and \$363,298, respectively, as reported on the consolidated statement of functional expenses.

**ACCION INTERNATIONAL AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
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**5. INVESTMENTS IN AFFILIATES**

Investments in affiliates at December 31 consist of the following:

	<u>2016</u>	<u>2015</u>
Investments in microfinance institutions with greater than 20% participation		
Akiba Commercial Bank (Tanzania) (Equity Method)	\$ 3,107,253	\$ 2,386,305
Banco Solidario S.A (Bolivia) (Equity Method)	79,621,925	70,045,426
Swadhaar Finserve (India) (Equity Method)	2,741,609	2,731,767
Saija (India) (Equity Method)	1,855,922	1,907,495
Grassland Finance Limited (Hong Kong) (Fair Value)	25,918,152	23,091,597
Teak Tree Investments Pte. Ltd. (Cayman Islands) (Fair Value)	6,064,689	5,550,000
Dawn Myanmar Microfinance Pte. Ltd. (Singapore) (Fair Value)	2,805,727	3,878,816
UGAFODE Microfinance Limited (Uganda) (Fair Value)	610,030	1,379,230
Aye Finance (India) (Fair Value)	6,189,344	-
	<u>128,914,651</u>	<u>110,970,636</u>
Investments in microfinance institutions with less than 20% participation		
Genera SAB de C.V. (formerly Compartamos) (Mexico) (Fair Value)	39,585,911	67,959,207
Ban Compartir S.A. (Colombia) (Cost)	1,568,165	1,568,165
Microfinance Growth Fund, LLC (USA) (Cost)	1,000,000	1,000,000
ACCION Investment in Microfinance Nigeria (Cayman Islands) (Cost)	7,819,882	7,819,882
Desarrolladora e Impulsora de Negocios (CrediConfia) (Mexico) (Cost)	1,220,000	2,037,081
Credinka (Peru) (Cost)	6,496,315	4,979,176
IFMR Holdings Private Limited (India) (Cost)	12,537,193	12,537,193
Other (Various) (Cost)	745,310	745,310
	<u>70,972,776</u>	<u>98,646,014</u>
Investments in mission-related non microfinance institutions with less than 20% participation (Cost Method)		
GloboKas Peru SAC (Peru)	2,424,963	1,959,043
Leapfrog Financial Inclusion Fund (USA)	1,728,583	1,606,955
MFX Solutions (USA)	1,250,000	1,250,000
Zoono Transactions International (Zambia)	3,214,904	2,421,514
Shubham Housing Development Finance Company (India)	3,356,109	3,356,109
ZonaMovil, Inc (Tiaxa) (USA)	2,000,014	3,500,014
Azimo (UK)	4,776,071	3,648,307
Accion Frontier Inclusion Fund, L.P. (Cayman Islands)*	6,124,507	1,119,746
Other (Various)	401,165	1,485,161
	<u>25,276,316</u>	<u>20,346,849</u>
Total investments in affiliates	<u>\$ 225,163,743</u>	<u>\$ 229,963,499</u>

\* Accounted for at cost in 2016 and equity in 2015.

## **ACCION INTERNATIONAL AND SUBSIDIARIES**

### **Notes to Consolidated Financial Statements**

#### **December 31, 2016 and 2015**

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#### **Akiba Commercial Bank Ltd. (ACB)**

ACB is a private commercial bank focused on serving micro, small and medium enterprises and low income households in Tanzania. Accion's investment in ACB as of December 31, 2016 and 2015 represented 20% of ACB's total common shares. For the years ended December 31, 2016 and 2015, Accion received a dividend of \$53,042 and \$21,642, and reported its share of ACB's equity with an increase of \$773,990 and a decrease of \$140,476, respectively. The accounts of ACB reflect total assets and total liabilities of \$99.5 and \$84.0 and \$77.3 and \$65.4 million at December 31, 2016 and 2015, respectively.

#### **Banco Solidario S.A. (BancoSol)**

BancoSol is a private commercial bank focused on microenterprises in Bolivia. Accion's investment in BancoSol as of December 31, 2016 and 2015 represented 39.98% of BancoSol's total common shares. For the year ended December 31, 2016 and 2015, Accion received a dividend of \$1,540,698 and \$1,817,110, and reported its share of BancoSol's equity with an increase of \$11,117,197 and \$13,224,106, respectively. The accounts of BancoSol reflect total assets and total liabilities of \$1.6 and \$1.5 and \$1.4 and \$1.3 billion at December 31, 2016 and 2015.

#### **Swadhaar FinServe (Swadhaar)**

Swadhaar is a microfinance business correspondent operating in Mumbai, India. Accion's investment in Swadhaar as of December 31, 2016 and 2015 represented 35.94% of Swadhaar's total common shares. For the years ended December 31, 2016 and 2015, Accion reported its share of Swadhaar's equity with an increase of \$9,842 and a decrease of \$78,516, respectively. The accounts of Swadhaar reflect total assets and total liabilities of \$9.7 and \$2.0 and \$8.5 and \$0.9 million at December 31, 2016 and 2015, respectively.

#### **Saija Finance (Saija)**

Saija is a nonbank microfinance institution operating in Bihar, India. Accion's investment in Saija as of December 31, 2016 and 2015 represented 40.60% of Saija's total common shares. For the years ended December 31, 2016 and 2015, Accion reported its share of Saija's equity with a decrease of \$51,573 and a decrease of \$84,533, respectively. The accounts of Saija reflect total assets and total liabilities of \$41.5 and \$36.9 and \$33.6 and \$28.9 million at December 31, 2016 and 2015, respectively.

#### **Grassland Finance Limited (Grassland)**

Grassland is a holding company focused on investing in financial services institutions that provide loans and other financial services to China's vast number of micro, small and medium enterprises. Accion's investment in Grassland as of December 31 2016 and 2015 represented 26.33% and 27.24% of Grassland's total common shares. For the year ended December 31, 2016 and 2015, Accion reported an increase in fair market value of \$2,826,556 and \$6,239,379, respectively. The accounts of Grassland reflect total assets and total liabilities of \$77.8 and \$18.7 and \$68.2 and \$6.4 million at December 31, 2016 and 2015, respectively.

#### **Teak Tree Investments Pte. Ltd. (Teak Tree)**

Teak Tree is a holding company owning indirectly a significant minority in two nonbank microfinance institutions in the Philippines. Accion's investment in Teak Tree as of December 31, 2016 and 2015 represented 28.78% of Teak Tree's total common shares. For the year ended December 31, 2016 and 2015, Accion reported an increase in fair market value of \$514,689 and \$1,606,457 respectively. The accounts of

## **ACCION INTERNATIONAL AND SUBSIDIARIES**

### **Notes to Consolidated Financial Statements**

#### **December 31, 2016 and 2015**

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Teak Tree reflect total assets and total liabilities of \$23.8 and \$0.1 and \$23.7 and \$23.5 million at December 31, 2016 and 2015, respectively.

#### **Dawn Myanmar Microfinance Pte. Ltd. (Dawn Myanmar)**

Dawn Myanmar is a holding company owning 100% of Early Dawn Micro-Finance Ltd., a nonbank microfinance institution in Myanmar. Accion purchased 1,120,000 shares of Dawn Myanmar in 2015. Accion's investment in Dawn Myanmar as of December 31, 2016 and 2015 represented 40% of Dawn Myanmar's total common shares. For the year ended December 31, 2016 and 2015, Accion reported a decrease in fair market value of \$1,073,089 and \$101,184 respectively. The accounts of Dawn Myanmar reflect total assets and total liabilities of \$12.1 and \$4.2 and \$10.3 and \$1.3 million at December 31, 2016 and 2015, respectively.

#### **UGAFODE Microfinance Limited (UGAFODE)**

UGAFODE is a nonbank microfinance institution licensed by the Central Bank of Uganda to provide focused quality financial services and a wide array of quality financial products in Uganda. In November 2015, Accion purchased 399,380 shares of UGAFODE. Accion's investment in UGAFODE as of December 31, 2016 and 2015 represented 29.30% and 28.07% of UGAFODE's total common shares. For the year ended December 31, 2016, Accion reported a decrease in fair market value of \$829,651. For the year ended December 31, 2015, Accion did not report any change in fair market value. The accounts of UGAFODE reflect total assets and total liabilities of \$13.8 and \$10.7 and \$11.8 and \$8.3 million at December 31, 2016 and 2015, respectively.

#### **Aye Finance Private Limited (Aye Finance)**

Aye Finance is a nonbank microfinance institution providing financial services to micro and small businesses in Northern India. In 2015, Accion purchased 2,142,719 shares of Aye Finance and in 2016, Accion purchased 2,045,573 additional shares. Accion's investment in Aye Finance as of December 31, 2016 and 2015 represented 25.55% and 23.51% of Aye Finance's total common shares. For the year ended December 31, 2015, as an early stage investment, Accion recorded Aye Finance's value at zero. As of December 31, 2016, Aye Finance met the early stage investment policy criteria (see note 2); and Accion accounted a value representing the purchase costs and an increase in fair market value of \$1,504,880. The accounts of Aye Finance reflect total assets and total liabilities of \$21.6 and \$8.2 and \$7.0 and \$3.6 million at December 31, 2016 and 2015, respectively.

#### **Genera SAB de C.V (Genera)**

Genera, formerly known as Compartamos is a holding company owning the majority of Banco Compartamos Institución de Banca Múltiple, the largest microfinance bank operating in Mexico. Accion accounts for its investment in Genera at fair market value based on quoted market prices on the Mexican exchange. As of December 31, 2016 and 2015, Accion's investment in Genera represented 1.50% and 2.63% of Genera's common shares. In 2015, Accion sold 10 million shares, equal to 22.31% of its holdings and realized a gain of approximately \$17.2 million. In 2016, Accion sold 10.7 million shares, equal to 30.43% of its holdings and realized a gain of approximately \$19.2 million. For the years ended December 31, 2016 and 2015, Accion reported an unrealized loss of \$28 million and \$22 million, respectively. For the year ended December 31, 2016 and 2015, Accion received a dividend of \$1,469,038 and \$2,095,453, respectively.

## **ACCION INTERNATIONAL AND SUBSIDIARIES**

### **Notes to Consolidated Financial Statements**

**December 31, 2016 and 2015**

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#### **Banco Compartir S.A. (BanCompartir)**

Formerly known as Finamérica, BanCompartir is a microfinance bank operating in Colombia. Accion's investment in BanCompartir as of December 31, 2016 and 2015 represented 6.45% of BanCompartir's total common shares.

#### **Microfinance Growth Fund, LLC (MIGROF)**

MIGROF, a Delaware company, provides loans to microfinance institutions which facilitate funding to small and micro enterprises in Latin America and the Caribbean. Accion's investment in MIGROF as of December 31, 2016 and 2015 represented 3.6 % ownership. For the years ended December 31, 2016 and 2015, Accion received a dividend of \$89,230 and \$89,982.

#### **Accion Investment in Microfinance Nigeria (AINV Nigeria)**

AINV Nigeria, a Cayman Islands holding company, owns 35.77% of ACCION Microfinance Bank Ltd. ("AMfB"), a Nigeria microfinance institution. As of December 31, 2015, Accion owned 51% of AINV Nigeria and indirectly 18.24% of AMfB. For the year ended December 31, 2015, AINV received a dividend of \$200,435 from AMfB. AINV did not receive a dividend from AMfB for the year ended December 31, 2016.

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

CrediConfia is a nonbank Mexican microfinance institution. In May 2012, Accion agreed to provide technical assistance over three years in exchange for common shares. Through this agreement Accion acquired a total of 341,655 shares including 49,051 and 114,451 shares acquired in 2016 and 2015, respectively. Accion's investment in CrediConfia as of December 31, 2016 and 2015 represented 10.32% and 14.27% of CrediConfia's total common shares. Accion purchased 886,603 additional shares in 2016. In 2016, Accion estimated fair market value below cost and recorded an unrealized loss of \$1.02 million.

#### **Credinka S.A. (Credinka)**

Credinka is a nonbank Peruvian microfinance institution. In September 2014, Accion purchased 5,921,963 shares. Accion's investment in Credinka as of December 31, 2016 and 2015 represented 8.67% and 7.06% of Credinka's total common shares. Accion purchased 3,076,470 and 1,676,228 additional shares of Credinka in 2016 and 2015, respectively.

#### **IFMR Holdings Private Limited (IFMR)**

IFMR, an Indian holding-cum-operating company, has two main subsidiaries IFMR Capital which provides debt to microfinance institutions and other financial service providers to the base of the pyramid in India, and IFMR Channels, which provides financial services in rural areas in India. In August 2015, Accion acquired 453,427 shares. As of December 2016 and 2015, Accion's investment in IFMR represented 18.82% and 19.37% of IFMR's total shares.

#### **GloboKas Peru SAC (GKN)**

GKN, the Peruvian subsidiary of GTV GlobokasNet LLC, is a provider of business and financial transaction data transmission services, including processing and settlement services to banks, microfinance institutions, NGOs and corporations seeking cashless payment solutions. As of December 31, 2016 and

## **ACCION INTERNATIONAL AND SUBSIDIARIES**

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2015, Accion's investment in GKN represented 16.90% and 16.17% of GKN's total shares. In 2016, Accion purchased 323,722 additional shares.

#### **Leapfrog Financial Inclusion Fund (Leapfrog)**

Leapfrog, incorporated in Mauritius, is a global investment fund focused exclusively on micro-insurance and other financial products to meet the financial needs beyond working-capital credit of low-income people in developing countries. As of December 31, 2016 and 2015, Accion's total investment in Leapfrog represented 2.22% of Leapfrog's total shares. For the year ended December 31, 2016 and 2015, Accion received a dividend of \$1,923 and \$17,331, respectively. In 2016 and 2015, Accion purchased 121,628 and 239,574 shares of Leapfrog, respectively.

#### **MFX Solutions (MFX)**

MFX is a US-based for-profit enterprise providing microfinance lenders with the expertise to quantify currency risk along with affordable and accessible hedging instruments to mitigate currency risk. Accion's investment in MFX as of December 31, 2016 and 2015 represented 8.49% of MFX's total common shares.

#### **Zoona Transactions International (Zoona)**

Formerly known as Mobile Transactions International, Zoona is a third-party provider of an array of mobile payment solutions in Zambia. The bulk of Zoona's revenue is earned through its core product offerings of money transfers, ordering and supplier payments, and agent payments. Accion's investment in Zoona as of December 31, 2016 and 2015 represented 17.35% of Zoona's total common shares. In 2016, Accion purchased 94,085 additional equity shares.

#### **Shubham Housing Development Finance Company (Shubham)**

Shubham focuses on mortgage lending for quality affordable urban and semi-urban housing in India. Shubham targets informal sector workers (vegetable vendors, rickshaw pullers, etc), slum rehabilitation program customers, and anyone who does not have access to regular home loans (under/un-banked). Accion's investment in Shubham as of December 31, 2016 and 2015 represented 8.80% and 8.62% of Shubham's total common shares.

#### **Zonamovil, Inc (Tiaxa)**

Tiaxa is a business solutions provider for Mobile Network Operators ("MNOs"). Tiaxa is currently focused on Latin America and South East Asia. Tiaxa offers turnkey solutions for real-time pricing and billing of pre-paid mobile phone transactions, as well as value added and business intelligence services to help MNOs and corporations market more effectively to their customers. As of December 31, 2016 and 2015, Accion's investment in Tiaxa represented 3.96% of Tiaxa's total shares. In 2016, Accion estimated a fair market value for Tiaxa below cost and recorded an unrealized loss of \$1.5 million.

#### **Azimo Limited (Azimo)**

Azimo, based in the UK, provides online lower cost overseas money transfer services to various locations including bank accounts, home delivery, mobile wallets or cash collection locations. In 2016 and 2015, Accion purchased 1,013,734 and 1,253,783 shares of Azimo. As of December 31, 2016 and 2015, Accion's investment in Azimo represented 8.90% and 9.18% of Azimo's total shares.

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## **Notes to Consolidated Financial Statements**

### **December 31, 2016 and 2015**

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#### **Accion Frontier Inclusion Fund, L.P. (AFIF)**

AFIF was launched in October 2015 and is the first dedicated financial technology fund for the underbanked in emerging markets. As of December 31, 2016 and 2015, Accion's investment in AFIF represented 18.27% and 25% ownership. For the year ended December 31, 2015, Accion reported its share of AFIF's equity with an increase of \$349,819. For the year ended December 31, 2016 Accion accounted for AFIF at cost. The accounts of AFIF reflect total assets and total liabilities of \$34.4 million and \$401,687 and \$10.5 million and \$6.7 million at December 31, 2016 and 2015, respectively. For the years ended 2016 and 2015, AFIF reimbursed \$499,680 and \$808,341, respectively, of organization expenses incurred to create the fund which were initially paid by Accion.

#### **Other**

Accion invests in several other microfinance institutions or other organizations providing products and technologies to support and complement the development of microfinance. The investments are individually under \$1 million and are recorded at cost net of any temporary impairment. For the years ended December 31, 2016 and 2015, Accion did not receive dividends from these investments.

#### **Venture Lab Portfolio**

In 2012 Accion launched Venture Lab, a seed-stage investment initiative for financial inclusion start-ups. As of December 31, 2016 and 2015, Accion had invested in 19 and 16 companies for a total cost of \$8.5 million and \$5.8 million, respectively. As per the investment policy described in Note 2, Accion recorded these purchases at zero value. In 2015, one company met the Venture Lab's policy criteria as described in Note 2 and was sold. In 2016, Aye Finance also met the Venture Lab's policy criteria and was transferred to the microfinance institutions portfolio and recorded at fair market value. As of December 31, 2016 and 2015 two and one investments were written off, in the amount of \$437,610 and \$250,000 respectively.

## **6. RELATED PARTY TRANSACTIONS**

ACCION, the US Network (the US Network) is a network of microfinance institutions in the U.S. related to Accion through a brand licensing agreement. Accion provides accounting and information technology support to the US Network through a shared services agreement and through Accion's membership in the US Network. Under the agreement, certain salaries incurred by Accion are charged to the US Network. Such amounts aggregated \$45,894 and \$41,548 in 2016 and 2015, respectively, and are reflected as contract revenue in the accompanying consolidated statements of activities.

ACCION East, formerly known as ACCION USA and a member of the US Network, shares office space with Accion in Cambridge, Massachusetts. The use and cost allocation of this shared office space as well as administrative support is administered through a shared services agreement. Under the agreement, certain salaries and occupancy expenses incurred by Accion are charged to ACCION East. Such amounts aggregated to \$83,626 and \$103,241 in 2016 and 2015, respectively, and are reflected as contract revenue in the accompanying consolidated statements of activities.

Quona Capital Management, Ltd (Quona) was created in partnership with Accion for the purpose of providing investment services for AFIF, an equity method investment holding of Accion in 2015 and a cost method investment holding in 2016. On December 30, 2014, Accion provided a \$250,000 secured loan to Quona. The outstanding principal amount of \$242,243 at a fixed rate of 5.19% was reported as note receivable from affiliates in the statement of financial position in 2015 and was fully repaid in December



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2016. 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 \$20,869 and \$44,032 in 2016 and 2015 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 \$449,584 and \$88,823 for the year ended December 31, 2016 and 2015, respectively.

Related party transactions with AFIF are disclosed in Note 5.

**7. GLOBAL BRIDGE GUARANTEE PROGRAM INVESTMENTS**

Global Bridge Guarantee Program investments (at fair value) at December 31 consist of the following:

	<u>2016</u>	<u>2015</u>
Global Bridge Guarantee Program investments		
Cash and cash equivalents	\$ 453,975	\$ 1,706,101
Certificate of deposits	-	252,215
Corporate bonds	<u>2,859,517</u>	<u>4,813,551</u>
	<u>\$ 3,313,492</u>	<u>\$ 6,771,867</u>

In 2015 the Global Bridge Guarantee Program borrowed funds by issuing notes payable and utilizing the proceeds to purchase investments rated BBB or better. These investments serve as collateral for letters of credit issued in favor of banks which lend funds to independent microfinance institutions in their counties. The microfinance institutions then lend those funds to self-employed, low-income individuals who would not otherwise have access to bank loans. In 2016 the Global Bridge Guarantee Program ended. Notes payable were fully repaid and Accion used its own cash reserves to fund the Bridge Guarantee Program investments. Moving forward, Accion will reference the Bridge Guarantee Program investments as investments pledged as a guarantee to the letters of credit described in Note 10.

In 2015 there were cash or cash equivalents and corporate bonds held within Global Bridge Guarantee Program investments to reserve against potential loan losses totaling \$1,289,622. In 2016, the repayment of the notes payable eliminated the need for a reserve against loan losses.

**8. NOTES PAYABLE**

As noted in Note 7, Accion ended its Global Bridge Guarantee Program and has no outstanding notes payables as of December 31, 2016. In 2015 the Global Bridge Guarantee Program included unsecured notes payable to foundations, institutions, and religious organizations, at various interest rates ranging from 0% to 5% per annum totaling \$5,418,270. In 2016, as explained in Note 7, the notes payable were repaid.

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**9. INCOME TAXES**

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

	<u>2016</u>	<u>2015</u>
Current provision		
Foreign	\$ 16,048	\$ 7,657
Provision for income taxes	<u>\$ 16,048</u>	<u>\$ 7,657</u>

**10. COMMITMENTS AND CONTINGENCIES**

**Letters of Credit**

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

At December 31, 2016 and 2015, Accion was contingently liable for letters of credit in the amount of \$2,409,213 and \$3,480,000, respectively.

**Bank Line of Credit**

At December 31, 2016 and 2015, Accion had a \$35,000,000 line of credit with JPMorgan Chase Bank, N.A. (“JPMC”). The line of credit includes short term advances made at JPMC’s discretion, on mutually agreed terms determined from time to time. There was no outstanding balance under the line of credit as of December 31, 2016 and 2015.

**Capital Calls**

For the years ended December 31, 2016 and 2015, Accion had approximately \$23.6 and \$21.5 million in capital call commitments with investment affiliates. The balance will be disbursed on an as-needed basis.

**Operating Leases**

Accion leases office space in various countries in which they operate. These leases expire over periods ranging from February 2017 through May 2025. The remaining net minimum payment obligation under these leases is as follows:

2017	\$ 1,322,402
2018	1,238,215
2019	1,277,458
2020	1,312,350
2021	1,328,340
Thereafter	<u>4,176,028</u>
Total	<u>\$ 10,654,793</u>

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Rent expense was \$1,233,087 and \$1,351,808 for the years ended December 31, 2016 and 2015, respectively.

**11. EMPLOYEE BENEFIT PLAN**

Accion has established a defined contribution retirement plan which is available to substantially all salaried employees. Accion's contribution to this plan is based on a percentage of participant salaries and totaled \$616,038 and \$637,575 in 2016 and 2015, respectively.

**12. TEMPORARILY RESTRICTED NET ASSETS**

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

	<u>2016</u>	<u>2015</u>
Global programs	\$ 1,776,258	\$ 1,952,688
Global investments	4,360,056	997,671
Fundraising	461,284	689,555
Center for Financial Inclusion	<u>9,238,701</u>	<u>6,830,924</u>
Total	<u>\$ 15,836,299</u>	<u>\$ 10,470,838</u>

**13. CONCENTRATIONS OF CREDIT RISK**

Financial instruments that potentially subject Accion to concentrations of credit risk are investments, cash equivalents, and other interest-bearing investments. Approximately 35% and 30% of Accion's investments in affiliates are invested in the common stock of BancoSol, a Bolivian-based bank (see Note 5) as of December 31, 2016 and 2015, respectively. In addition, one donor represented 85% and 52% of contributions receivable as of December 31, 2016 and 2015, respectively.

**14. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through August 23, 2017, which is the date financial statements were available for issuance.

On March 27, 2017, Accion invested an additional \$10M in IFMR by purchasing 429,955 additional equity shares and 208,607 compulsorily convertible preference shares. Accion also received 430,163 bonus equity shares. This purchase was financed by drawing on the line of credit.