

**Consolidated Financial Statements and Report of
Independent Certified Public Accountants**

ACCION International

December 31, 2012 and 2011

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Report of Independent Certified Public Accountants

Board of Directors
ACCION International

Report on the financial statements

We have audited the accompanying consolidated financial statements of ACCION International (a New York non-profit organization) and subsidiaries (collectively the “Accion”), which comprise the consolidated statements of financial position as of December 31, 2012 and 2011, and the related consolidated statements of activities 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 Accion’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 Accion’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ACCION International and subsidiaries as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Supplementary information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating Schedules of Financial Position and Schedules of Activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Grant Thornton LLP

Boston, Massachusetts

June 11, 2013

ACCION INTERNATIONAL AND SUBSIDIARIES

Consolidated Statements of Financial Position

December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 40,449,646	\$ 46,545,756
Short-term investments	80,652,713	77,109,929
Notes receivable from affiliates	200,671	350,000
Grants receivable - net	3,916,877	5,562,075
Contributions receivable - net	328,359	538,920
Contracts receivable - net	428,810	603,101
Microloans receivable- net	11,305,042	6,457,384
Prepaid expenses	1,201,701	623,085
Deposits, advances and other receivables	652,179	830,792
	<u>139,135,998</u>	<u>138,621,042</u>
NON-CURRENT ASSETS:		
Cash restricted by foundation for long-term purposes	1,440,639	2,529,891
Grants receivable - net	2,806,348	1,475,491
Contributions receivable - net	9,525	37,200
Global Bridge Guarantee Program investments	7,494,309	7,337,082
Investments in affiliates	172,797,536	172,418,322
Notes receivable from affiliates	2,000,000	1,392,002
Property and equipment - net	790,123	768,054
	<u>187,338,480</u>	<u>185,958,042</u>
Total current assets	<u>139,135,998</u>	<u>138,621,042</u>
Total non-current assets	<u>187,338,480</u>	<u>185,958,042</u>
Total assets	<u>\$ 326,474,478</u>	<u>\$ 324,579,084</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 3,346,177	\$ 3,107,075
Deferred revenue	209,223	316,614
Bank line of credit	22,585	208,425
Deposit from investor (Note B)	6,349,106	-
Notes payable	1,507,211	2,538,085
	<u>11,434,302</u>	<u>6,170,199</u>
Total current liabilities	<u>11,434,302</u>	<u>6,170,199</u>
NON-CURRENT LIABILITIES:		
Notes payable - net of current portion	4,562,875	3,419,102
	<u>4,562,875</u>	<u>3,419,102</u>
Total non-current liabilities	<u>4,562,875</u>	<u>3,419,102</u>
Total liabilities	<u>15,997,177</u>	<u>9,589,301</u>
NET ASSETS:		
Unrestricted:		
Accion	299,514,988	303,339,317
Non-controlling interest in SCM (Note B)	771,305	286,829
Total unrestricted net assets	<u>300,286,293</u>	<u>303,626,146</u>
Temporarily restricted	10,191,008	11,363,637
	<u>310,477,301</u>	<u>314,989,783</u>
Total net assets	<u>310,477,301</u>	<u>314,989,783</u>
Total liabilities and net assets	<u>\$ 326,474,478</u>	<u>\$ 324,579,084</u>

See notes to consolidated financial statements.

ACCION INTERNATIONAL AND SUBSIDIARIES

Consolidated Statement of Activities

Year ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
REVENUES:			
Contributions and grants	\$ 4,496,216	\$ 7,676,943	\$ 12,173,159
Dividend and interest income from program investments	6,311,683	3,578	6,315,261
Dividend and interest income from short-term investments	3,337,685	-	3,337,685
Management fees (Note F)	11,007,515	-	11,007,515
Contract revenues and training fees	3,027,438	-	3,027,438
Net assets released from restrictions	8,841,803	(8,841,803)	-
	<u>37,022,340</u>	<u>(1,161,282)</u>	<u>35,861,058</u>
FUNCTIONAL EXPENSES:			
Program services:			
Global Programs	17,305,359	-	17,305,359
Microlending	4,247,532	-	4,247,532
Global Investments	5,632,415	-	5,632,415
ACCION Investment Management Company	2,801,514	-	2,801,514
Center for Financial Inclusion	4,031,672	-	4,031,672
Communications	1,856,366	-	1,856,366
	<u>35,874,858</u>	<u>-</u>	<u>35,874,858</u>
Supporting services			
General and administrative	5,308,137	-	5,308,137
Fundraising	3,012,122	-	3,012,122
	<u>8,320,259</u>	<u>-</u>	<u>8,320,259</u>
	<u>44,195,117</u>	<u>-</u>	<u>44,195,117</u>
Change in net assets from operations	(7,172,777)	(1,161,282)	(8,334,059)
Income taxes (Note F)	(3,121,031)	-	(3,121,031)
Equity in income of equity investments	(6,075,778)	-	(6,075,778)
Purchase of interest in SCM by noncontrolling shareholder (Note B)	786,543	-	786,543
Net unrealized loss on investments	(10,967,811)	-	(10,967,811)
Net realized gain on investments	23,509,673	-	23,509,673
Foreign currency translation losses, net	(298,672)	(11,347)	(310,019)
Change in net assets	(3,339,853)	(1,172,629)	(4,512,482)
Net assets - Beginning of year	303,626,146	11,363,637	314,989,783
Net assets - End of year	<u>\$ 300,286,293</u>	<u>\$ 10,191,008</u>	<u>\$ 310,477,301</u>

See notes to consolidated financial statements.

ACCION INTERNATIONAL AND SUBSIDIARIES

Consolidated Statement of Activities

Year ended December 31, 2011

	Unrestricted	Temporarily restricted	Total
REVENUES:			
Contributions and grants	\$ 3,983,070	\$ 5,365,059	\$ 9,348,129
Dividend and interest income from program investments	5,080,492	4,656	5,085,148
Dividend and interest income from short-term investments	3,851,620	-	3,851,620
Management fees	1,184,239	-	1,184,239
Contract revenues and training fees	2,387,608	-	2,387,608
Net assets released from restrictions	8,595,619	(8,595,619)	-
	<u>25,082,648</u>	<u>(3,225,904)</u>	<u>21,856,744</u>
FUNCTIONAL EXPENSES:			
Program services:			
Global Programs	15,888,766	-	15,888,766
Microlending	3,486,864	-	3,486,864
Global Investments	3,453,460	-	3,453,460
ACCION Investment Management Company	1,210,144	-	1,210,144
Center for Financial Inclusion	3,107,620	-	3,107,620
Communications	2,030,057	-	2,030,057
	<u>29,176,911</u>	<u>-</u>	<u>29,176,911</u>
Supporting services			
General and administrative	5,531,893	-	5,531,893
Fundraising	3,330,487	-	3,330,487
	<u>8,862,380</u>	<u>-</u>	<u>8,862,380</u>
	<u>38,039,291</u>	<u>-</u>	<u>38,039,291</u>
Change in net assets from operations	(12,956,643)	(3,225,904)	(16,182,547)
Equity in income of equity investments	2,970,441	-	2,970,441
Change in net unrealized loss on investments	(90,368,991)	-	(90,368,991)
Net realized gain on investments	99,191	-	99,191
Other income	821,103	-	821,103
Foreign currency translation gains, net	123,093	-	123,093
	<u>(99,311,806)</u>	<u>(3,225,904)</u>	<u>(102,537,710)</u>
Change in net assets	(99,311,806)	(3,225,904)	(102,537,710)
Net assets - Beginning of year	402,937,952	14,589,541	417,527,493
Net assets - End of year	<u>\$ 303,626,146</u>	<u>\$ 11,363,637</u>	<u>\$ 314,989,783</u>

See notes to consolidated financial statements.

ACCION INTERNATIONAL AND SUBSIDIARIES

Consolidated Statement of Functional Expenses

Year ended December 31, 2012

	Program Services					Supporting Services			Total Expenses
	Global Programs	Microlending	Global Investments	ACCION Investment Management Company	Center for Financial Inclusion	Communications	General and Administrative	Fundraising	
FUNCTIONAL EXPENSES:									
Salaries and related expenses	\$ 8,683,469	\$ 2,025,659	\$ 2,058,357	\$ 2,418,221	\$ 2,203,535	\$ 785,556	\$ 3,465,277	\$ 2,045,963	\$ 23,686,037
Professional services	3,370,510	735,654	2,650,562	119,376	634,985	602,933	808,584	287,065	9,209,669
Travel and conferences	2,045,245	120,730	465,792	141,954	884,321	167,253	183,831	109,941	4,119,067
Office and occupancy	1,053,444	450,869	240,926	81,963	270,616	288,972	815,216	513,372	3,715,378
Awards and grants	1,843,804	-	-	-	3,320	-	-	-	1,847,124
Provision for doubtful accounts	55,134	386,052	-	-	-	-	-	-	441,186
Taxes and penalties	49,950	308,454	19,833	-	-	-	6,038	-	384,275
Depreciation and amortization	136,385	46,642	16,436	-	18,612	6,264	44,896	16,673	285,908
Interest and fees	36,608	23,814	156,837	2,380	1,115	-	39,824	25,231	285,809
Miscellaneous	30,810	149,658	23,672	37,620	15,168	5,388	(55,529)	13,877	220,664
Total	\$ 17,305,359	\$ 4,247,532	\$ 5,632,415	\$ 2,801,514	\$ 4,031,672	\$ 1,856,366	\$ 5,308,137	\$ 3,012,122	\$ 44,195,117

See notes to consolidated financial statements.

ACCION INTERNATIONAL AND SUBSIDIARIES

Consolidated Statement of Functional Expenses

Year ended December 31, 2011

	Program Services					Supporting Services			Total Expenses
	Global Programs	Microlending	Global Investments	ACCION Investment Management Company	Center for Financial Inclusion	Communications	General and Administrative	Fundraising	
FUNCTIONAL EXPENSES:									
Salaries and related expenses	\$ 8,562,186	\$ 1,518,347	\$ 1,212,381	\$ 697,696	\$ 1,527,033	\$ 745,116	\$ 3,580,633	\$ 2,039,225	\$ 19,882,617
Professional services	2,851,598	873,961	1,018,755	146,585	433,026	828,310	876,491	389,966	7,418,692
Travel and conferences	1,968,689	53,380	232,846	228,646	849,478	299,386	231,960	249,176	4,113,561
Office and occupancy	887,050	443,429	145,391	89,853	283,062	140,865	828,515	586,904	3,405,069
Awards and grants	1,105,739	-	-	-	-	-	-	-	1,105,739
Taxes and penalties	276,785	142,626	636,492	-	-	-	12,266	-	1,068,169
Interest and fees	52,048	146,066	201,056	2,260	662	-	(85,370)	26,670	343,392
Depreciation and amortization	138,986	3,718	1,973	-	6,449	12,757	78,885	34,213	276,981
Provision for doubtful accounts	(939)	243,626	-	-	-	-	-	-	242,687
Miscellaneous	46,624	61,711	4,566	45,104	7,910	3,623	8,513	4,333	182,384
Total	\$ 15,888,766	\$ 3,486,864	\$ 3,453,460	\$ 1,210,144	\$ 3,107,620	\$ 2,030,057	\$ 5,531,893	\$ 3,330,487	\$ 38,039,291

See notes to consolidated financial statements.

ACCION INTERNATIONAL AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (4,512,482)	\$ (102,537,710)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Unrealized loss on investments	10,967,811	90,368,991
Realized gain on sale of investments	(23,509,673)	(99,191)
Provision for doubtful accounts	441,186	242,687
Depreciation and amortization	285,907	276,982
Equity in income of investments	6,075,778	(2,970,441)
Investment by non-controlling interests	786,543	-
Foreign currency translation gains	244,400	(123,093)
Increase (decrease) in cash and cash equivalents as a result of a change in:		
Change in restricted cash	-	3,449,035
Prepaid expenses	(596,747)	(70,595)
Grants receivable	313,266	606,014
Contributions receivable	238,236	(151,063)
Deposits, advances and other receivables	179,272	102,422
Contract payments receivable	(139,875)	648,383
Cash restricted by foundation	1,089,252	935,609
Accounts payable and accrued liabilities	268,116	1,495,923
Deferred revenue	151,327	(713,418)
Net cash used in operating activities	<u>(7,717,683)</u>	<u>(8,539,465)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(312,749)	(513,273)
Purchase (sale) of short-term investments	(3,379,687)	23,212,970
Purchase of investments	(26,261,980)	(7,947,929)
Proceeds from sale of investments	24,992,202	124,561
Dividends received from investments in affiliates	6,807,415	1,373,334
Net loan originations and principal repayments	(6,255,113)	(3,598,226)
Other noncurrent assets	-	17,368
Net cash (used in) provided by investing activities	<u>(4,409,912)</u>	<u>12,668,805</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Notes payable received	820,899	481,299
Proceeds from deposit from investors	6,349,106	-
Notes payable paid	(708,000)	(1,295,116)
Line of credit borrowing (repayment)	(183,986)	(72,933)
Net cash provided by (used in) financing activities	<u>6,278,019</u>	<u>(886,750)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(246,534)	(87,092)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,096,110)	3,155,498
CASH AND CASH EQUIVALENTS - Beginning of year	46,545,756	43,390,258
CASH AND CASH EQUIVALENTS - End of year	\$ 40,449,646	\$ 46,545,756
Supplemental disclosure		
Interest paid	\$ 132,020	\$ 167,845
Taxes paid	\$ 3,452,949	\$ -

See notes to consolidated financial statements.

ACCION INTERNATIONAL AND SUBSIDIARIES
Notes to Consolidated Financial Statements
As of and for the years ended December 31, 2012 and 2011

NOTE A - NATURE OF ORGANIZATION

ACCION International and its subsidiaries (Accion) headquartered in Boston, Massachusetts with offices in Washington, D.C., Accra, Ghana and Manaus, Brazil and subsidiaries in Bangalore, India, Bogotá, Colombia, Beijing and Chifeng, China, Ebène, Republic of Mauritius and Manaus, Brazil, is an independent, nonprofit microfinance organization dedicated to promoting economic development around the world by providing people in impoverished and developing areas the financial tools they need - small business loans, training, and related financial services - to work their way out of poverty.

NOTE B - 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 was incorporated in Bogotá, Colombia as a Latin American training and technical support arm of Accion. The accounts of Centro reflect total assets and liabilities of \$830,410 and \$792,648 at December 31, 2012, and \$664,099 and \$184,312 at December 31, 2011.

ACCION Investment Management Company, LLC (AIMCO) – AIMCO is a wholly owned subsidiary and was created as a limited liability company in Delaware for the purpose of providing investment management services for ACCION Investments in Microfinance, SPC (“Accion Investments”), a separate legal entity. The accounts of AIMCO reflect total assets and liabilities of \$5,067,213 and \$16,400 at December 31, 2012 and \$105,098 and \$152,754 at December 31, 2011.

ACCION Technical Advisors, India (ATA) – ATA is a wholly owned subsidiary of Accion. ATA is a nonprofit company according to Section 25 of the Indian Companies Act of 1956. ATA was capitalized at \$50,000. The accounts of ATA reflect total assets and liabilities of \$407,569 and \$222,434 at December 31, 2012, and \$195,074 and \$427,478 at December 31, 2011.

ACCION Beijing Consultation Services Company, Ltd (ACC) - On October 13, 2008, ACC was created as a wholly owned subsidiary of Accion. ACC is a for-profit company operating in the People’s Republic of China. ACC was capitalized at \$600,000. Operations began in March 2009. The accounts of ACC reflect total assets and liabilities of \$64,688 and \$210,655 at December 31, 2012, and \$61,628 and \$104,932 at December 31, 2011.

Chifeng City Yuanbaoshan District ACCION Micro-Credit Company, Ltd (AMC) – On June 1, 2009, AMC was created as a wholly owned subsidiary of Accion. AMC is a for-profit microfinance company operating in the People’s Republic of China. AMC was capitalized at \$4,407,500 in 2009 and an additional \$3,185,000 was contributed by Accion in 2012. The accounts of AMC reflect total assets and liabilities of \$13,440,951 and \$124,531 at December 31, 2012, and \$7,021,364 and \$2,272,929 at December 31, 2011. In November 2012, Accion received a cash deposit of \$6,349,106 from an investor interested in purchasing shares of AMC. The sale of shares in AMC has not occurred as of December 31, 2012 and the deposit is presented as a liability on the statement of financial position.

ACCION INTERNATIONAL AND SUBSIDIARIES
Notes to Consolidated Financial Statements – Continued
As of and for the years ended December 31, 2012 and 2011

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Principles of Consolidation - Continued

ACCION Africa-Asia Investment Company (AAA) – On May 26, 2010, AAA was created as wholly owned subsidiary of Accion. AAA owns several investments in affiliates in Asia and Africa. AAA is a private company incorporated in the Republic of Mauritius. As of December 31, 2012 Accion contributed \$11,666,177 to the capital of AAA. The accounts of AAA reflect total assets and liabilities of \$8,692,815 and \$8,379 at December 31, 2012 and \$3,312,052 and \$7,550 at December 31, 2011.

ACCION Microfinanças Sociedade de Crédito ao Microempreendedor e à Empresa de Pequeno Porte, S.A. (SCM) – On December 21, 2010, SCM was created between Accion, an international governmental organization and an individual investor. SCM is a for profit microfinance company operating in Manaus, Amazonas- Brazil. Accion is the majority shareholder and owns 75.85% of SCM shares. SCM was capitalized at \$2,462,920 in 2010 and an additional \$2,480,657 was contributed in 2012. The non-controlling interest in SCM's equity is \$774,439 and \$286,829 at December 31, 2012 and 2011, respectively, as presented on the statement of financial position. The accounts of SCM reflect total assets of \$3,677,721 and \$2,498,822 and liabilities of \$1,822,649 and \$1,150,225 at December 31, 2012 and 2011, respectively. The following provides 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>Non-controlling Interest</u>	<u>Total</u>
Balance December 31, 2010	\$ 402,153,705	\$ 784,247	\$ 402,937,952
Change in net assets	<u>(98,814,388)</u>	<u>(497,418)</u>	<u>(99,311,806)</u>
Balance December 31, 2011	303,339,317	286,829	303,626,146
Purchase of interest in SCM by outside party	-	786,543	786,543
Change in net assets	<u>(3,824,329)</u>	<u>(302,067)</u>	<u>(4,126,396)</u>
Balance December 31, 2012	\$ <u>299,514,988</u>	\$ <u>771,305</u>	\$ <u>300,286,293</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 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.

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.

ACCION INTERNATIONAL AND SUBSIDIARIES
Notes to Consolidated Financial Statements – Continued
As of and for the years ended December 31, 2012 and 2011

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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, 2012 and 2011.

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 holds \$1,440,639 and \$2,529,891 in cash restricted by a foundation for long term purposes as of December 31, 2012 and 2011, respectively.

Total cash held in foreign accounts was \$6,114,318 and \$3,228,581 at December 31, 2012 and 2011, respectively.

Investments

Short-term investments consist of investments in certificates of deposit, commercial paper, corporate bonds, government reserves funds, mutual funds and US treasury bonds, which invest primarily in securities rated BBB- or better, as determined by Standard & Poor's Corporation. These investments are carried at fair value and 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 with gains and losses included in the consolidated statement of activities.

Investments in Affiliates

With the exception of Accion's investment in Banco Compartamos, whose stock trades on the Mexican Stock exchange, investments in affiliates do not have a readily determinable fair value and, as such, are recorded at cost or under 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 equity method, Accion records its proportional share of the net income in the investment at each measurement date. Under the equity method, Accion 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. Accion did not identify any investments requiring an impairment adjustment in 2012 or 2011.

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 – Continued
As of and for the years ended December 31, 2012 and 2011

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Contributions and Grants

Contributions and grants are received from individuals, private industry, 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. 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 until the transfer is made.

Conditional promises to give are not included in revenues until the conditions are substantially met. Any assets contributed before the conditions are substantially met would be accounted for as a refundable advance. As of December 31, 2012 and 2011, Accion had \$1,925,417 and \$1,177,000 respectively, in conditional promises to give.

Grants and contributions receivable at December 31, 2012 and 2011 include amounts due in future years. Grants and contributions receivable are expected to be collected during the following periods:

Due in one year or less	\$ 4,245,236
Due in one to five years	3,026,348
	<u>7,271,584</u>
Present value discount (approx 5%)	<u>(210,475)</u>
Net contributions receivable	<u>\$ 7,061,109</u>

Microloans Receivable

Loans are stated at their principal balance net of the allowance for loan losses. Interest on loans is included in interest and dividend income from program investments as earned based upon interest rates applied to unpaid principal. Accrual of interest on loans is discontinued when in the judgment of management the collectability of principal or interest becomes doubtful. Past due status is based on the contractual terms of the loan. Interest subsequently received on nonaccrual loans is either applied against principal or recorded as income based on management's judgment as to the collectability of principal. Interest accruals are resumed on such loans only when they are brought fully current as to principal and interest and when, in the judgment of management, the loans are estimated to be fully collectible.

The allowance for loan losses is established as losses are estimated to have occurred through a provision for doubtful accounts charged to functional expenses. Loan losses are charged against the allowance when management believes the un-collectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. The adequacy of the allowance for loan losses is evaluated on a periodic basis by management. Factors considered in evaluating the adequacy of the allowance include current economic conditions and their effect on borrowers, the composition and size of the loan portfolio and experience in other entities. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. Management assessed the provision for doubtful accounts to be \$660,578 and \$322,610 as of December 31, 2012 and 2011, respectively.

ACCION INTERNATIONAL AND SUBSIDIARIES
Notes to Consolidated Financial Statements – Continued
As of and for the years ended December 31, 2012 and 2011

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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. 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 \$2,033,383 and \$1,647,663 in fiscal 2012 and 2011, respectively.

Foreign Currency Translation

The functional currency of Centro is the local currency, which is the Colombian peso. The functional currency of ATA is the local currency which is the Indian rupee. The functional currency of ACC and AMC is the Chinese Yuan Renminbi. The functional currency of SCM is the Brazilian Real. The functional currency of Accion's branch in Ghana is the cedi and the functional currency of Accion's branch in Brazil is the Brazilian Real. 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

The Internal Revenue Service has determined that Accion is exempt from income taxes under Section 501(c)(3), and under Section 509(a) of the Internal Revenue Code. However, certain activities of exempt organizations, to the extent profitable, may be subject to Federal and state taxation as unrelated business income. For taxable subsidiaries, deferred taxes are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates.

Accion adopted the provisions of ASC 740, *Income Taxes* effective January 1, 2009. As required by ASC 740-10, Accion recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority.

Accion applied ASC 740 to all tax positions for which the statute of limitations remained open and determined these were no material unrecognized tax positions as of that date. In addition, there have been no material changes in unrecognized benefits since inception. Management believes that its tax returns for years ending prior to December 31, 2008 are no longer subject to examination by tax authorities in its major tax jurisdictions.

ACCION INTERNATIONAL AND SUBSIDIARIES
Notes to Consolidated Financial Statements – Continued
As of and for the years ended December 31, 2012 and 2011

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Risks and Uncertainties

Accion guarantees 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.

Non-controlling Interest

A non-controlling 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, change in net assets are reported in the consolidated financial statements at the consolidated amounts, which include the amounts attributable to the non-controlling interest. The consolidated statement of activities separately presents Accion as well as the change in net assets attributable to Accion and the non-controlling interest.

NOTE C - 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.

ACCION INTERNATIONAL AND SUBSIDIARIES
Notes to Consolidated Financial Statements – Continued
As of and for the years ended December 31, 2012 and 2011

NOTE C - FAIR VALUE OF FINANCIAL INSTRUMENTS – Continued

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 at fair value:

Contributions and Grants Receivable

Contributions and grants receivable are recognized 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 certificate of deposits and corporate bonds.

The following table sets 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, 2012 and 2011:

	2012			
	Level 1	Level 2	Level 3	Total
Short-term investments:				
U.S. Treasury	\$ 26,079,925	\$ -	\$ -	\$ 26,079,925
Certificate of deposits	-	7,000,000	-	7,000,000
Corporate bonds	-	47,572,787	-	47,572,787
Investment in affiliate at fair value	102,611,355	-	-	102,611,355
Global Bridge Guarantee Program investments:				
Cash and cash equivalents	1,734,865	-	-	1,734,865
Certificate of deposits	-	252,214	-	252,214
Corporate bonds	-	5,507,230	-	5,507,230
	<u>\$ 130,426,145</u>	<u>\$ 60,332,231</u>	<u>\$ -</u>	<u>\$ 190,758,376</u>

ACCION INTERNATIONAL AND SUBSIDIARIES
Notes to Consolidated Financial Statements – Continued
As of and for the years ended December 31, 2012 and 2011

NOTE C - FAIR VALUE OF FINANCIAL INSTRUMENTS – Continued

	2011			
	Level 1	Level 2	Level 3	Total
Short-term investments:				
U.S. Treasury	\$ 291,794	\$ -	\$ -	\$ 291,794
Certificate of deposits	-	8,745,000	-	8,745,000
Corporate bonds	-	68,073,135	-	68,073,135
Investment in affiliate at fair value	113,348,877	-	-	113,348,877
Global Bridge Guarantee Program investments:				
Cash and cash equivalents	1,879,932	-	-	1,879,932
Certificate of deposits	-	252,214	-	252,214
Corporate bonds	-	5,204,936	-	5,204,936
	<u>\$ 115,520,603</u>	<u>\$ 82,275,285</u>	<u>\$ -</u>	<u>\$ 197,795,888</u>

Accion recognizes transfers between fair value hierarchy levels at the approximate date or change in circumstances that cause the transfer. There were no significant transfers between fair value hierarchy levels during the years ended December 31, 2012 and 2011.

The following are Accion's assets accounted for at fair value on a non-recurring basis as of December 31, 2012 and 2011.

December 31, 2012

	Level 1	Level 2	Level 3	Total
Assets				
Contribution and grant receivables	\$ -	\$ -	\$ 7,061,109	\$ 7,061,109
	<u>-</u>	<u>-</u>	<u>7,061,109</u>	<u>7,061,109</u>

December 31, 2011

	Level 1	Level 2	Level 3	Total
Assets				
Contribution and grant receivables	\$ -	\$ -	\$ 7,613,686	\$ 7,613,686
	<u>-</u>	<u>-</u>	<u>7,613,686</u>	<u>7,613,686</u>

ACCION INTERNATIONAL AND SUBSIDIARIES
Notes to Consolidated Financial Statements – Continued
As of and for the years ended December 31, 2012 and 2011

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2012 and 2011 consist of the following:

	<u>2012</u>	<u>2011</u>
Furniture, fixtures, equipment and software	\$ 1,938,311	\$ 1,796,966
Leasehold improvements	710,273	524,581
Subtotal	2,648,584	2,321,547
Less accumulated depreciation	(1,858,461)	(1,553,493)
Property and equipment – net	\$ 790,123	\$ 768,054

Depreciation expense as of December 31, 2012 and 2011 was \$285,908 and \$276,981 respectively as reported on the consolidated statement of functional expenses.

ACCION INTERNATIONAL AND SUBSIDIARIES
Notes to Consolidated Financial Statements – Continued
As of and for the years ended December 31, 2012 and 2011

NOTE E - INVESTMENTS IN AFFILIATES

Investments in affiliates at December 31, 2012 and 2011 consist of the following:

	<u>2012</u>	<u>2011</u>
Investments in microfinance institutions with greater than 20% participation (equity method)		
ACCION Investments in Microfinance, SPC	\$ -	\$ 25,807,293
Akiba Commercial Bank (Tanzania)	1,635,243	-
Banco Solidario S.A (Bolivia)	33,310,836	12,660,935
Swadhaar Finserve (India)	2,996,662	3,026,247
Saija (India)	1,817,733	160,314
	<u> </u>	<u> </u>
Total equity method investments	\$ 39,760,474	\$ 41,654,789
Investments in microfinance institutions with less than 20% participation		
Banco Compartmos (Mexico) (Fair Value)	\$ 102,611,355	\$ 113,348,877
Finamerica (Columbia) (Cost)	1,366,373	1,366,373
Grupo BanDelta Holding, Inc. (Panama) (Cost)	2,542,500	2,542,500
Mibanco (Peru) (Cost)	4,210,438	4,210,438
MIGROF (USA) (Cost)	1,000,000	812,376
ACCION Investments in Microfinance, Sub-Sahara Africa Segregated Portfolio (Africa) (Cost)	4,317,819	-
Other (Cost)	1,961,959	699,002
	<u> </u>	<u> </u>
	\$ 118,010,444	\$ 122,979,566
Investments in mission related non microfinance institutions with less than 20% participation (Cost Method)		
GloboKas Peru SAC (Peru)	\$ 1,659,043	\$ 1,527,793
Leapfrog (USA)	1,864,733	914,439
Lok Capital LLC (Mauritius)	2,184,406	2,216,039
MFX Solutions (USA)	1,250,000	1,250,000
Mobil (MTIL) Zambia	1,626,557	-
Paralife Holdings Inv (Switzerland)	1,200,000	1,200,000
Shubham (India)	1,924,105	-
ZonaMovil (USA)	3,000,014	-
Other	317,760	675,695
	<u> </u>	<u> </u>
	\$ 15,026,618	\$ 7,783,966
Total investments in affiliates	\$ 172,797,536	\$ 172,418,321

ACCION INTERNATIONAL AND SUBSIDIARIES
Notes to Consolidated Financial Statements – Continued
As of and for the years ended December 31, 2012 and 2011

NOTE E - INVESTMENTS IN AFFILIATES - Continued

ACCION Investments in Microfinance, SPC (Accion Investments)

Accion Investments is a segregated portfolio company, incorporated in the Cayman Islands, providing equity and quasi-equity financing to microfinance institutions worldwide. In September 2007, Accion signed a new subscription agreement committing it to invest an additional \$5,313,481 in Accion Investments during the period from September 30, 2007 to December 31, 2011. On October 30, 2012, Accion Investments redeemed the shares of a majority of investors in Accion Investments, including Accion. Accion's 10,880 Class A shares in Accion Investments were redeemed for \$19,373,796. Accion recorded a capital loss of \$3,898,715 as a result of this redemption. On the same day Accion purchased Accion Investments' shares in Banco Solidario S.A. (Bolivia) and Akiba Commercial Bank (Tanzania). In the same transaction, Accion also became owner of 51% of Accion Investments in Microfinance, SPC Sub-Sahara Africa Segregated Portfolio, which owns investments in Accion Microfinance Bank (Nigeria), EB Accion Savings and Loans (Ghana) and EB Accion Microfinance (Cameroon). For the years ended December 31, 2012 and 2011, Accion received dividends of \$5,933,443 and \$409,065, respectively.

AKIBA Commercial Bank Ltd. (Akiba)

Akiba is a private commercial bank focused on serving micro, small and medium enterprises and low income households in Tanzania. In 2012, Accion purchased 1,649,464 shares of Akiba from Accion Investments, representing 20% of Akiba's total common shares. The accounts of Akiba reflect total assets and total liabilities of \$77.2 and \$66.9 million and \$63.4 and \$54.4 million, respectively, at December 31, 2012 and 2011.

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, 2012 and 2011 represented 47.56% and 23.94% of BancoSol's total common shares, respectively. In 2012, Accion purchased 941,684 shares of BancoSol. On November 26, 2012 Accion sold 133,040 shares of BancoSol to Danish Microfinance Partners for \$5,657,343.82. In addition, earlier in 2012 Accion purchased 223,797 shares of BancoSol. For the years ended December 31, 2012 and 2011, Accion received dividends of \$873,971 and \$964,268, respectively and reported its share of BancoSol's equity with a decrease of \$8,852,273 and an increase of \$3,071,354 respectively. The accounts of BancoSol reflect total assets and total liabilities of \$911,745,553 and \$841,705,947 and \$732,024,146 and \$679,139,933, at December 31, 2012 and 2011 respectively.

Swadhaar Finserve (Swadhaar)

Swadhaar is a nonbank microfinance institution operating in Mumbai, India. In 2011, Accion purchased 6,700,000 shares of Swadhaar. Accion's investment in Swadhaar as of December 31, 2012 and 2011 represented 38% of Swadhaar's common shares, respectively. For the years ended December 31, 2012 and 2011, Accion reported its share of Swadhaar's net loss as \$29,584 and \$1,142,240, respectively. The accounts of Swadhaar reflect total assets and total liabilities of \$18,851,442 and \$10,970,026 and, \$13,854,635 and \$5,894,999 respectively, at December 31, 2012 and 2011.

ACCION INTERNATIONAL AND SUBSIDIARIES
Notes to Consolidated Financial Statements – Continued
As of and for the years ended December 31, 2012 and 2011

NOTE E - INVESTMENTS IN AFFILIATES - Continued

Saija Finance (Saija)

Saija is a nonbank microfinance institution operating in Bihar, India. During 2012, Accion participated in a re-capitalization of the company with an investment of \$2.25 million for a total of 10,762,808 shares. Accion's investment in Saija as of December 31, 2012 and 2011 represented 41% and 49.5% of Saija's common shares, respectively. For the years ended December 31, 2012 and 2011, Accion reported its share of Saija's net loss of \$592,581 and \$315,905, respectively. The accounts of Saija reflect total assets and total liabilities of \$4,951,664 and \$475,202 and, \$1,509,402 and \$1,185,533 respectively, at December 31, 2012 and 2011.

Banco Compartamos Institución de Banca Múltiple (Compartamos)

Compartamos is Mexico's largest microfinance institution operating in Mexico. Accion accounts for its investment in Compartamos at fair market value based on quoted market prices, on the Mexican exchange. As of December 31, 2012 and 2011, Accion's investment in Compartamos represented 4.36% and 5.56% of Compartamos's common shares, respectively. In 2012, Accion sold 20,028,399 shares, equal to 22% of its holdings and realized a gain of approximately \$25 million. Accion did not sell or purchase any shares during the year ended December 31, 2011. For the years ended December 31, 2012 and 2011, Accion received dividends of \$1,975,518 and \$2,201,728, respectively, and reported an unrealized loss on investment of approximately \$10 million and \$88 million, respectively.

Finamérica Compañía de Financiamiento Comercial (Finamérica)

Finamérica is a nonbank microfinance institution operating in Colombia. Accion's investment in Finamérica as of December 31, 2012 and 2011 represented 6.30% of Finamérica's total common shares. For the year ended December 31, 2012 and 2011, Accion received and reported dividend income of \$387,354 and \$181,626 respectively.

Grupo BanDelta Holding Corp., Inc. (BanDelta)

BanDelta is the holding company of Banco Delta S.A., a microfinance-specialized bank in Panama. Accion's investment in BanDelta as of December 31, 2012 and 2011 represented 11.38% and 12.1% of BanDelta's common shares, respectively. For the years ended December 31, 2012 and 2011, Accion received and reported dividend income of \$50,137 and \$50,000, respectively.

Banco de la Microempresa S.A. (Mibanco)

Mibanco is Peru's first for-profit, fully-regulated commercial bank dedicated to microenterprise operating in Peru. In 2011, Accion purchased an additional 1,339,312 shares of Mibanco for \$3.288 million. Accion's investment in Mibanco as of December 31, 2012 and 2011 represented 6.33% and 6.36% of Mibanco's common shares, respectively. For the years ended December 31, 2012 and 2011, Accion received dividends of \$749,942 and \$592,363.

ACCION INTERNATIONAL AND SUBSIDIARIES
Notes to Consolidated Financial Statements – Continued
As of and for the years ended December 31, 2012 and 2011

NOTE E - INVESTMENTS IN AFFILIATES - Continued

Microfinance Growth Fund, LLC (MIGROF)

MIGROF, a Delaware Company, commenced operations on March 20, 2010. MIGROF provides loans to microfinance institutions which facilitate funding to small and micro enterprises in Latin America and the Caribbean. In 2012, Accion purchased additional shares at a cost of \$187,624. Accion's investment in MIGROF as of December 31, 2012 and 2011 was \$1,000,000 and \$812,376, respectively, representing 3.6% ownership for both years.

Accion Investments in Microfinance Sub-Sahara Africa Segregated Portfolio (Sub-Sahara Africa)

In October 2012, Accion purchased 2,335 Class B Shares of Sub Sahara Africa, representing 51% of the total portfolio and indirectly 12.24% of Accion Microfinance Bank in Nigeria; 15.3% of EB-Accion Savings & Loans in Ghana; and 15.3% of EB-Accion Microfinance in Cameroon.

GloboKas Peru SAC (GKN)

GKN, the Peruvian subsidiary of GTV GlobokasNet LLC, which is headquartered in Maryland, U.S.A was founded in Peru, in 2007. GKN 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. In 2012 and 2011, Accion purchased 234,375 and 942,488 of preferred shares (Series C), representing 16.31% and 16% of GKN's total shares, respectively.

Leapfrog Financial Inclusion Fund (Leapfrog)

Leapfrog, incorporated in Mauritius in December 2008, is a global investment fund focused exclusively on micro-insurance and other financial products to meet the financial needs of low-income people in developing countries beyond working capital credit. As of December 31, 2012 and 2011, Accion's total commitment in Leapfrog was \$3 million with total invested capital of \$1,864,732 and \$914,437, respectively, representing 2.2% ownership equity in Leapfrog for both years.

Lok Capital LLC (Lok)

Lok is a Mauritius-based venture fund dedicated to providing equity investments to microfinance institutions in India. In 2012 and 2011, Accion redeemed 895 and 1,211 shares, respectively. In 2012, Accion purchased an additional 544 shares. Accion's investment in Lok as of December 31, 2012 and 2011 was \$2,184,406 and \$2,216,039, respectively, representing 11.36% of Lok's total common shares, for both years.

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, 2012 and 2011 was \$1,250,000, representing 10.61% and 10.77% of MFX's common shares, respectively.

ACCION INTERNATIONAL AND SUBSIDIARIES
Notes to Consolidated Financial Statements – Continued
As of and for the years ended December 31, 2012 and 2011

NOTE E - INVESTMENTS IN AFFILIATES - Continued

Mobile Transactions International (Mobile)

Established in 2007 and operating under the brand name “Zoono”, Mobile is a third party provider of an array of mobile payment solutions in Zambia. The bulk of Mobile’s revenue is earned through its core product offerings of money transfers, ordering & supplier payments, and agent payments. In 2012, Accion invested \$1.6 million representing 18.16% ownership equity in Mobile.

ParaLife Holdings Inv (ParaLife)

ParaLife is a Swiss-based for-profit enterprise offering life insurance and other micro-insurance products to low-income people in developing nations with a special emphasis on people with disabilities and their families. Accion’s investment in ParaLife as of December 31, 2012 and 2011 was \$1,200,000, representing 3.85% and 4.5% of ParaLife’s total common shares, respectively.

Shubham Housing Development Finance Company (Shubham)

Launched in May 2011, 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). In 2012, Accion invested \$1,924,104 for 198,410 Series B Compulsory Convertible Preferred Shares (CCCPs) and 10 Class A Series B shares representing 10% ownership equity in Shubham.

Zonamovil, Inc (Tiixa)

Tiixa is a business solutions provider for Mobile Network Operators (MNOs). Tiixa is currently focused on Latin America and South East Asia. Tiixa 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. In 2012, Accion purchased 652,773 shares of Series F Preferred Stock representing 4.11% ownership equity in Tiixa.

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.

NOTE F - RELATED PARTY TRANSACTIONS

ACCION East, formerly known as ACCION USA, shares office space with Accion in Boston, Massachusetts. The use and cost allocation of this shared office space as well as finance and 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 \$326,150 in 2012 and \$159,818 in 2011 and are reflected as contract revenue in the accompanying consolidated statements of activities.

ACCION INTERNATIONAL AND SUBSIDIARIES
Notes to Consolidated Financial Statements – Continued
As of and for the years ended December 31, 2012 and 2011

NOTE F- RELATED PARTY TRANSACTIONS - Continued

AIMCO was created for the purpose of providing investment services for Accion Investments, an equity method investment holding of Accion. AIMCO received investment management fees from Accion Investments of \$11,007,515 and \$1,184,238 for the years ended December 31, 2012 and 2011, respectively. On October 30, 2012, Accion Investments closed its fund and compensated AIMCO with a closing management fee of \$9,879,126. For the year ended December 31, 2012, income tax expense included \$3,121,032 income taxes on AIMCO's management fees income related to the sale of ACCION Investment in Microfinance, SPC (See note E).

NOTE G – GLOBAL BRIDGE GUARANTEE PROGRAM INVESTMENTS

Global Bridge Guarantee Program investments (at fair value) at December 31, 2012 and 2011 consist of the following:

	<u>2012</u>	<u>2011</u>
Global Bridge Guarantee Program investments:		
Cash and cash equivalents	\$ 1,734,865	\$ 1,879,932
Certificate of deposits	252,214	252,214
Corporate bonds	<u>5,507,230</u>	<u>5,204,936</u>
	<u>\$ 7,494,309</u>	<u>\$ 7,337,082</u>

The Global Bridge Guarantee Program borrows funds by issuing notes payable and utilize 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.

There are cash or cash equivalents held within Global Bridge Guarantee Program investments to reserve against potential loan losses totaling \$1,252,762 and \$1,140,724 at December 31, 2012 and 2011, respectively.

ACCION INTERNATIONAL AND SUBSIDIARIES
Notes to Consolidated Financial Statements – Continued
As of and for the years ended December 31, 2012 and 2011

NOTE H - NOTES PAYABLE

Notes payable as of December 31, 2012 and 2011 consist of the following:

	<u>2012</u>	<u>2011</u>
Global Bridge Guarantee Program - unsecured notes payable to foundations, institutions, individuals, and religious organizations; various interest rates from 0% to 5% per annum; due in varying amounts through 2023	\$ 6,070,086	\$ <u>5,957,187</u>
Total notes payable	\$ <u>6,070,086</u>	\$ <u>5,957,187</u>

The scheduled principal repayments under these notes as of December 31, 2012, are as follows:

2013	\$ 1,507,211
2014	1,176,435
2015	1,841,305
2016	745,135
2017	300,000
Thereafter	<u>500,000</u>
	<u>\$ 6,070,086</u>

NOTE I - INCOME TAXES

The provision for income taxes for the years ended December 31, 2012 and 2011 is comprised of the following:

	<u>2012</u>	<u>2011</u>
Current provision		
Federal	\$ 2,473,009	\$ -
State	648,023	-
Foreign	<u>98,732</u>	-
	3,219,764	-
Deferred provision (benefit)	<u>(15,274)</u>	<u>17,316</u>
Provision (benefit) for income taxes	\$ <u>3,204,490</u>	\$ <u>17,316</u>

ACCION INTERNATIONAL AND SUBSIDIARIES
Notes to Consolidated Financial Statements – Continued
As of and for the years ended December 31, 2012 and 2011

NOTE I - INCOME TAXES - Continued

Deferred income tax assets at December 31, 2012 and 2011 consist of the following:

	<u>2012</u>	<u>2011</u>
Deferred income tax assets		
Net operating loss carryforwards	\$ 495,000	\$ 140,000
Provision for doubtful accounts	<u>44,660</u>	<u>28,936</u>
	<u>539,660</u>	168,936
Less: valuation allowance	<u>(495,000)</u>	<u>(140,000)</u>
	<u>\$ 44,660</u>	<u>\$ 28,936</u>

The available net operating loss carryforwards at December 31, 2012 and 2011 are \$3,303,000 and \$934,000 respectively. Deferred income tax assets and liabilities are attributed to temporary differences between financial and taxable reports applying a blended income tax rate of 15 percent. Management has concluded that it is more likely than not that a portion of its deferred tax asset as of December 31, 2012 and 2011 will not be realized and as such a valuation allowance has been recorded.

NOTE J - 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. These accounts are included in bridge fund and loan fund investments in the consolidated statements of financial position (see Note G).

At December 31, 2012 and 2011, the Global Bridge Fund was contingently liable for letters of credit in the amount of \$3,500,000 and \$3,375,000, respectively.

Bank Line of Credit

At December 31, 2012, Accion had a \$4,000,000 loan facility with Bank of America. The loan facility includes a line of credit at a rate of interest of LIBOR plus 1.75% plus an annual fixed fee and a sublimit working capital agreement of \$1,000,000 for the benefit of ACCION Technical Advisors India at a fixed rate of 15.25%. There was no balance outstanding in both years under the line of credit and there was a balance of \$22,585 and \$208,425 outstanding under the India sublimit agreement at December 31, 2012 and 2011, respectively. The loan facility has an expiration date of July 31, 2013.

At December 31, 2012, ACCIÓN Microfinanças Sociedade de Crédito ao Microempreendedor e à Empresa de Pequeno Porte, S.A. had a \$244,000 loan facility with Bradesco Bank at a fixed rate of 26.82%. There was no outstanding balance under the line of credit as of December 31, 2012 and 2011. The loan facility has an expiration date of February 1, 2013.

ACCION INTERNATIONAL AND SUBSIDIARIES
Notes to Consolidated Financial Statements – Continued
As of and for the years ended December 31, 2012 and 2011

NOTE J - COMMITMENTS AND CONTINGENCIES - Continued

Capital Calls

For the years ended December 31, 2012 and 2011, Accion had approximately \$3 million and \$5 million, respectively, in capital call commitments with investment affiliates. The balance will be disbursed on an as needed basis during a commitment period extending to 2013.

Operating Leases

Accion leases office space in Boston, Massachusetts, Washington, D.C., Bogotá, Colombia, Bangalore, India, Accra, Ghana, Beijing, China, Chifeng, China and Manaus, Brazil. These leases expire over periods ranging from July 2012 through April 2017. The remaining net minimum payment obligation under these leases is as follows:

2013	\$	1,062,805
2014		404,598
2015		119,410
2016		110,077
2017		<u>110,077</u>
Total	\$	<u><u>1,806,967</u></u>

Rent expense was approximately \$1,640,000 and \$1,639,000 for the years ended December 31, 2012 and 2011, respectively.

NOTE K - 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 \$551,503 and \$453,704 in 2012 and 2011, respectively.

ACCION INTERNATIONAL AND SUBSIDIARIES
Notes to Consolidated Financial Statements – Continued
As of and for the years ended December 31, 2012 and 2011

NOTE L - 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, 2012 and 2011, for the following purposes:

	<u>2012</u>	<u>2011</u>
Global programs	\$ 3,805,200	\$ 8,400,843
Global investments	343,074	1,186,569
Center for financial inclusion	<u>6,042,734</u>	<u>1,776,225</u>
Total	<u>\$ 10,191,008</u>	<u>\$ 11,363,637</u>

NOTE M - 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, approximately 59% of Accion's investments in affiliates are invested in the common stock of Banco Compartamos, a Mexican-based bank (see Note E).

NOTE N - SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 11, 2013, which is the date financial statements were available for issuance. There were no subsequent events that require adjustments to or disclosure in the financial statements.

SUPPLEMENTAL INFORMATION

ACCION INTERNATIONAL AND SUBSIDIARIES
Consolidating Schedule of Financial Position
December 31, 2012

	<u>ACCION International*</u>	<u>Microlending Subsidiaries**</u>	<u>Elimination Entries</u>	<u>Consolidated</u>
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 35,231,067	\$ 5,218,579	\$	\$ 40,449,646
Investments	80,652,713			80,652,713
Notes receivable from affiliates	200,671			200,671
Grants receivable - net	3,916,877			3,916,877
Contributions receivable - net	328,359			328,359
Contract receivables - net	428,810			428,810
Microloans receivable- net		11,305,042		11,305,042
Prepaid expenses	1,075,101	126,600		1,201,701
Deposits, advances and other receivables	525,688	126,491		652,179
	<u>122,359,286</u>	<u>16,776,712</u>	<u>-</u>	<u>139,135,998</u>
NON-CURRENT ASSETS:				
Cash restricted by foundation for long-term purposes	1,440,639			1,440,639
Grants receivable - net	2,806,348			2,806,348
Contributions receivable - net	9,525			9,525
Global Bridge Guarantee Program investments	7,494,309			7,494,309
Investments in affiliates	172,797,536			172,797,536
Investments in subsidiaries	17,330,030		(17,330,030)	-
Notes receivable from affiliates - net of current portion	3,400,000		(1,400,000)	2,000,000
Property and equipment - net	448,163	341,960		790,123
	<u>205,726,550</u>	<u>341,960</u>	<u>(18,730,030)</u>	<u>187,338,480</u>
Total current assets	<u>122,359,286</u>	<u>16,776,712</u>	<u>-</u>	<u>139,135,998</u>
Total non-current assets	<u>205,726,550</u>	<u>341,960</u>	<u>(18,730,030)</u>	<u>187,338,480</u>
Total assets	<u>\$ 328,085,836</u>	<u>\$ 17,118,672</u>	<u>\$ (18,730,030)</u>	<u>\$ 326,474,478</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable and accrued liabilities	\$ 3,043,162	\$ 303,015	\$	\$ 3,346,177
Deferred revenue	209,223			209,223
Bank line of credit	(221,580)	244,165		22,585
Deposit from investor	6,349,106			6,349,106
Notes payable	1,507,211			1,507,211
	<u>10,887,122</u>	<u>547,180</u>	<u>-</u>	<u>11,434,302</u>
Total current liabilities	<u>10,887,122</u>	<u>547,180</u>	<u>-</u>	<u>11,434,302</u>
NON-CURRENT LIABILITIES:				
Notes payable - net of current portion	4,562,875	1,400,000	(1,400,000)	4,562,875
	<u>4,562,875</u>	<u>1,400,000</u>	<u>(1,400,000)</u>	<u>4,562,875</u>
Total non-current liabilities	<u>4,562,875</u>	<u>1,400,000</u>	<u>(1,400,000)</u>	<u>4,562,875</u>
Total liabilities	<u>15,449,997</u>	<u>1,947,180</u>	<u>(1,400,000)</u>	<u>15,997,177</u>
NET ASSETS:				
Capital		17,330,030	(17,330,030)	-
Unrestricted:				
ACCION	302,456,648	(2,170,355)	(771,305)	299,514,988
Non-controlling interests in SCM (Note B)			771,305	771,305
Total unrestricted net assets	<u>302,456,648</u>	<u>(2,170,355)</u>	<u>-</u>	<u>300,286,293</u>
Temporarily restricted	10,179,191	11,817	-	10,191,008
	<u>312,635,839</u>	<u>15,171,492</u>	<u>(17,330,030)</u>	<u>310,477,301</u>
Total net assets	<u>312,635,839</u>	<u>15,171,492</u>	<u>(17,330,030)</u>	<u>310,477,301</u>
Total liabilities and net assets	<u>\$ 328,085,836</u>	<u>\$ 17,118,672</u>	<u>\$ (18,730,030)</u>	<u>\$ 326,474,478</u>

* ACCION International includes Centro ACCION Microempresarial, ACCION Investment Management Company LLC, ACCION Technical Advisors, ACCION Beijing Consultation Services Company, Ltd and ACCION Africa Asia Investment Company.

** Microlending subsidiaries include Chifeng City Yuanbaoshan District ACCION Micro-Credit Company Ltd and ACCION Microfinancas-Sociedade de Credito ao Microempreendedor e a Empresa de Pequeno Porte, SA.

ACCION INTERNATIONAL AND SUBSIDIARIES
Consolidating Schedule of Financial Position
December 31, 2011

	ACCION International*	Microlending Subsidiaries**	Elimination Entries	Consolidated
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 43,859,212	\$ 2,686,544	\$	\$ 46,545,756
Restricted cash				-
Investments	77,109,929			77,109,929
Notes receivable from affiliates	350,000			350,000
Grants receivable - net	5,562,075			5,562,075
Contributions receivable - net	538,920			538,920
Contract receivables - net	603,101			603,101
Microloans receivable- net		6,457,384		6,457,384
Prepaid expenses	543,635	79,450		623,085
Deposits, advances and other receivables	743,469	87,323		830,792
Total current assets	129,310,341	9,310,701	-	138,621,042
NON-CURRENT ASSETS:				
Cash restricted by foundation for long-term purposes	2,529,891			2,529,891
Grants receivable - net	1,475,491			1,475,491
Contributions receivable - net	37,200			37,200
Global Bridge Guarantee Program investments	7,337,082	-		7,337,082
Investments in affiliates	172,418,322			172,418,322
Investments in subsidiaries	6,870,420		(6,870,420)	-
Notes receivable from affiliates - net of current portion	4,481,934		(3,089,932)	1,392,002
Other non-current assets				-
Property and equipment - net	558,569	209,485		768,054
Total non-current assets	195,708,909	209,485	(9,960,352)	185,958,042
Total assets	\$ 325,019,250	\$ 9,520,186	\$ (9,960,352)	\$ 324,579,084
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable and accrued liabilities	\$ 2,847,134	\$ 259,941	\$	\$ 3,107,075
Deferred revenue	243,334	73,280		316,614
Bank line of credit	208,425			208,425
Notes payable	2,538,085			2,538,085
Total current liabilities	5,836,978	333,221	-	6,170,199
NON-CURRENT LIABILITIES:				
Notes payable - net of current portion	3,419,102	3,089,932	(3,089,932)	3,419,102
Total non-current liabilities	3,419,102	3,089,932	(3,089,932)	3,419,102
Total liabilities	9,256,080	3,423,153	(3,089,932)	9,589,301
NET ASSETS:				
Capital		6,870,420	(6,870,420)	-
Unrestricted:				
ACCION	304,399,533	(773,387)	(286,829)	303,339,317
Non-controlling interests in SCM (Note B)			286,829	286,829
Total unrestricted net assets	304,399,533	(773,387)	-	303,626,146
Temporarily restricted	11,363,637			11,363,637
Total net assets	315,763,170	6,097,033	(6,870,420)	314,989,783
Total liabilities and net assets	\$ 325,019,250	\$ 9,520,186	\$ (9,960,352)	\$ 324,579,084

* ACCION International includes Centro ACCION Microempresarial, ACCION Investment Management Company LLC, ACCION Technical Advisors, ACCION Beijing Consultation Services Company, Ltd and ACCION Africa-Asia Investment Company.

** Microlending subsidiaries include Chifeng City Yuanbaoshan District ACCION Micro-Credit Company Ltd and ACCION Microfinancas-Sociedade de Credito ao Microempreendedor e a Empresa de Pequeno Porte, SA.

ACCION INTERNATIONAL AND SUBSIDIARIES
Consolidating Schedule of Activities
Year ended December 31, 2012

	<u>ACCION International*</u>	<u>Microlending Subsidiaries**</u>	<u>Elimination Entries</u>	<u>Consolidated</u>
REVENUES:				
Contributions and grants	\$ 12,036,750	\$ 136,409	\$ -	\$ 12,173,159
Dividend and interest income from program services	4,279,143	2,289,688	(253,570)	6,315,261
Dividend and interest income from short-term investments	3,196,342	141,343	-	3,337,685
Management fees	11,007,515	-	-	11,007,515
Contract revenues and training fees	3,242,720	3,600	(218,882)	3,027,438
Net assets released from restrictions	-	-	-	-
Total revenues	33,762,470	2,571,040	(472,452)	35,861,058
FUNCTIONAL EXPENSES:				
Program services:				
Global Programs	17,305,359	-	-	17,305,359
Microlending	215,282	4,504,702	(472,452)	4,247,532
Global Investments	5,632,415	-	-	5,632,415
ACCION Investment Management Company	2,801,514	-	-	2,801,514
Center for Financial Inclusion	4,031,672	-	-	4,031,672
Communications	1,856,366	-	-	1,856,366
Total program services	31,842,608	4,504,702	(472,452)	35,874,858
Supporting services				
General and administrative	5,308,137	-	-	5,308,137
Fundraising	3,012,122	-	-	3,012,122
Total supporting services	8,320,259	-	-	8,320,259
Total functional expenses	40,162,867	4,504,702	(472,452)	44,195,117
Change in net assets from operations	(6,400,397)	(1,933,662)	-	(8,334,059)
Income taxes	(3,121,031)	-	-	(3,121,031)
Equity in income of equity investments	(6,075,778)	-	-	(6,075,778)
Purchase of interest in SCM from noncontrolling shareholder	-	786,543	-	786,543
Change in net unrealized gain on investments	(10,967,811)	-	-	(10,967,811)
Net realized gain on investments	23,509,673	-	-	23,509,673
Foreign currency translation gains, net	(71,987)	(238,032)	-	(310,019)
Change in net assets	(3,127,331)	(1,385,151)	-	(4,512,482)
Net assets - Beginning of year	315,763,170	(773,387)	-	314,989,783
Net assets - End of year:				
Unrestricted	302,456,648	(2,170,355)	-	300,286,293
Temporary restricted	10,179,191	11,817	-	10,191,008
Net assets - End of year	\$ 312,635,839	\$ (2,158,538)	\$ -	\$ 310,477,301

* ACCION International includes Centro ACCION Microempresarial, ACCION Investment Management Company LLC, ACCION Technical Advisors, ACCION Beijing Consultation Services Company, Ltd and ACCION Africa Asia Investment Company.

** Microlending subsidiaries include Chifeng City Yuanbaoshan District ACCION Micro-Credit Company Ltd and ACCION Microfinancas-Sociedade de Credito ao Microempreendedor e a Empresa de Pequeno Porte, SA.

ACCION INTERNATIONAL AND SUBSIDIARIES

Consolidating Schedule of Activities

Year ended December 31, 2011

	ACCION International*	Microlending Subsidiaries**	Elimination Entries	Consolidated
REVENUES:				
Contributions and grants	\$ 9,348,129	\$	\$	\$ 9,348,129
Dividend and interest income from program services	3,835,390	1,372,629	(122,871)	5,085,148
Dividend and interest income from short-term investments	3,554,674	296,946		3,851,620
Management fees	1,184,239			1,184,239
Contract revenues and training fees	2,598,320		(210,712)	2,387,608
Net assets released from restrictions				-
Total revenues	20,520,752	1,669,575	(333,583)	21,856,744
FUNCTIONAL EXPENSES:				
Program services:				
Global Programs	15,888,766			15,888,766
Microlending	333,583	3,486,864	(333,583)	3,486,864
Global Investments	3,453,460			3,453,460
ACCION Investment Management Company	1,210,144			1,210,144
Center for Financial Inclusion	3,107,620			3,107,620
Communications	2,030,057			2,030,057
Total program services	26,023,630	3,486,864	(333,583)	29,176,911
Supporting services				
General and administrative	5,531,893			5,531,893
Fundraising	3,330,487			3,330,487
Total supporting services	8,862,380	-	-	8,862,380
Total functional expenses	34,886,010	3,486,864	(333,583)	38,039,291
Change in net assets from operations	(14,365,258)	(1,817,289)	-	(16,182,547)
Equity in income of equity investments	2,970,441			2,970,441
Change in net unrealized gain on investments	(90,443,772)	74,781		(90,368,991)
Net realized gain on investments	99,191			99,191
Other change to net equity	840,299	(19,196)		821,103
Foreign currency translation gains, net	73,509	49,584		123,093
Change in net assets	(100,825,590)	(1,712,120)	-	(102,537,710)
Net assets - Beginning of year	416,588,760	938,733		417,527,493
Net assets - End of year:				
Unrestricted	304,399,533	(773,387)		303,626,146
Temporary restricted	11,363,637			11,363,637
Net assets - End of year	\$ 315,763,170	\$ (773,387)	\$ -	\$ 314,989,783

* ACCION International includes Centro ACCION Microempresarial, ACCION Investment Management Company LLC, ACCION Technical Advisors, ACCION Beijing Consultation Services Company, Ltd and ACCION Africa-Asia Investment Company.

** Microlending subsidiaries include Chifeng City Yuanbaoshan District ACCION Micro-Credit Company Ltd and ACCION Microfinancas-Sociedade de Credito ao Microempreendedor e a Empresa de Pequeno Porte, SA.