

Consolidated Financial Statements and Report of  
Independent Certified Public Accountants

**ACCION International**

December 31, 2011 and 2010

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## **Report of Independent Certified Public Accountants**

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We have audited the accompanying consolidated statements of financial position of ACCION International (a New York not-for-profit corporation) and subsidiaries (collectively, Accion) as of December 31, 2011 and 2010, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Accion's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010, and the changes in its net assets, its functional expenses, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidating Schedule of Financial Position and the Consolidating Schedule of Activities is presented for purposes of additional analysis and is 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 audit 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 established by the American Institute of Certified Public Accountants. 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*

Westborough, Massachusetts

June 1, 2012

**ACCION INTERNATIONAL AND SUBSIDIARIES**

Consolidated Statements of Financial Position

December 31, 2011 and 2010

	2011	2010
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 46,545,756	\$ 43,390,258
Restricted cash	-	3,477,077
Investments	77,109,929	102,337,079
Notes receivable from affiliates	350,000	-
Grants receivable - net	5,562,075	5,397,687
Contributions receivable - net	538,920	383,557
Contracts receivable - net	603,101	999,382
Microloans receivable- net	6,457,384	3,625,576
Prepaid expenses	623,085	579,938
Deposits, advances and other receivables	830,792	934,917
Total current assets	<u>138,621,042</u>	<u>161,125,471</u>
<b>NON-CURRENT ASSETS:</b>		
Cash restricted by foundation for long-term purposes	2,529,891	3,465,500
Grants receivable - net	1,475,491	2,245,892
Contributions receivable - net	37,200	41,500
Bridge fund and loan fund investments	7,337,082	8,245,939
Investments in affiliates	172,418,322	250,978,459
Notes receivable from affiliates	1,392,002	403,800
Other non-current assets	-	17,368
Property and equipment - net	768,054	539,113
Total non-current assets	<u>185,958,042</u>	<u>265,937,571</u>
Total assets	<u>\$ 324,579,084</u>	<u>\$ 427,063,042</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued liabilities	\$ 3,107,075	\$ 1,671,810
Deferred revenue	316,614	770,338
Bank line of credit	208,425	322,397
Notes payable	2,538,085	3,265,615
Total current liabilities	<u>6,170,199</u>	<u>6,030,160</u>
<b>NON-CURRENT LIABILITIES:</b>		
Notes payable - net of current portion	<u>3,419,102</u>	<u>3,505,389</u>
Total non-current liabilities	<u>3,419,102</u>	<u>3,505,389</u>
Total liabilities	<u>9,589,301</u>	<u>9,535,549</u>
<b>NET ASSETS:</b>		
Unrestricted:		
ACCION	303,339,317	402,153,705
Non-controlling interests in SCM (Note B)	286,829	784,247
Total unrestricted net assets	<u>303,626,146</u>	<u>402,937,952</u>
Temporarily restricted	<u>11,363,637</u>	<u>14,589,541</u>
Total net assets	<u>314,989,783</u>	<u>417,527,493</u>
Total liabilities and net assets	<u>\$ 324,579,084</u>	<u>\$ 427,063,042</u>

See notes to consolidated financial statements.

## ACCION INTERNATIONAL AND SUBSIDIARIES

Consolidated Statement of Activities

Year ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
<b>REVENUES:</b>			
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>
<b>FUNCTIONAL EXPENSES:</b>			
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>
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 Activities

Year ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
<b>REVENUES:</b>			
Contributions and grants	\$ 3,221,070	\$ 6,294,076	\$ 9,515,146
Dividend and interest income from program investments	3,915,718	5,640	3,921,358
Dividend and interest income from short-term investments	2,455,330		2,455,330
Management fees	1,207,299	-	1,207,299
Contract revenues and training fees	2,787,870	-	2,787,870
Net assets released from restrictions	6,541,109	(6,541,109)	-
	<u>20,128,396</u>	<u>(241,393)</u>	<u>19,887,003</u>
<b>FUNCTIONAL EXPENSES:</b>			
Program services:			
Global Programs	14,352,961	-	14,352,961
Microlending	581,936	-	581,936
Global Investments	2,431,063	-	2,431,063
ACCION Investment Management Company	1,230,049	-	1,230,049
Center for Financial Inclusion	3,427,496	-	3,427,496
Communications	1,219,438	-	1,219,438
	<u>23,242,943</u>	<u>-</u>	<u>23,242,943</u>
Supporting services			
General and administrative	6,096,247	-	6,096,247
Fundraising	2,653,412	-	2,653,412
	<u>8,749,659</u>	<u>-</u>	<u>8,749,659</u>
	<u>31,992,602</u>	<u>-</u>	<u>31,992,602</u>
Change in net assets from operations	(11,864,206)	(241,393)	(12,105,599)
Equity in income of equity investments	8,054,687	-	8,054,687
Purchase of interest in SCM by noncontrolling shareholder (Note B)	790,923	-	790,923
Net unrealized gain on investments	44,024,109	-	44,024,109
Net realized gain on investments	40,455,512	-	40,455,512
Foreign currency translation gains, net	310,961	-	310,961
	<u>81,771,986</u>	<u>(241,393)</u>	<u>81,530,593</u>
Change in net assets	81,771,986	(241,393)	81,530,593
Net assets - Beginning of year	321,165,966	14,830,934	335,996,900
Net assets - End of year	<u>\$ 402,937,952</u>	<u>\$ 14,589,541</u>	<u>\$ 417,527,493</u>

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	<u>\$ 15,888,766</u>	<u>\$ 3,486,864</u>	<u>3,453,460</u>	<u>\$ 1,210,144</u>	<u>\$ 3,107,620</u>	<u>\$ 2,030,057</u>	<u>\$ 5,531,893</u>	<u>\$ 3,330,487</u>	<u>\$ 38,039,291</u>

See notes to consolidated financial statements.



**ACCION INTERNATIONAL AND SUBSIDIARIES**

Consolidated Statement of Functional Expenses

Year ended December 31, 2010

	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	\$ 8,494,543	\$ 323,090	1,140,217	\$ 800,611	\$ 1,669,162	\$ 599,659	\$ 4,074,984	\$ 1,785,514	\$ 18,887,780
Professional services	2,304,154	36,260	695,143	134,863	618,341	440,789	655,051	242,290	5,126,891
Travel and conferences	1,738,596	14,833	228,634	185,680	801,826	57,828	356,287	132,570	3,516,254
Office and occupancy	1,023,590	101,232	144,499	71,745	195,148	86,673	845,515	439,269	2,907,671
Awards and grants	391,205	-	-	-	111,750	25,000	-	-	527,955
Interest and fees	161,126	3,831	206,054	314	981	21	47,887	25,940	446,154
Depreciation and amortization	202,032	4,435	12,494	-	15,149	5,674	51,997	19,374	311,155
Provision for doubtful accounts	6,368	80,669	-	-	-	-	-	-	87,037
Taxes and penalties	600	(20,277)	-	-	-	-	-	-	(19,677)
Miscellaneous	30,747	37,863	4,022	36,836	15,139	3,794	64,526	8,455	201,382
Total	<u>\$ 14,352,961</u>	<u>\$ 581,936</u>	<u>2,431,063</u>	<u>\$ 1,230,049</u>	<u>\$ 3,427,496</u>	<u>\$ 1,219,438</u>	<u>\$ 6,096,247</u>	<u>\$ 2,653,412</u>	<u>\$ 31,992,602</u>

See notes to consolidated financial statements.

**ACCION INTERNATIONAL AND SUBSIDIARIES**

Consolidated Statements of Cash Flows

Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (102,537,710)	\$ 81,530,593
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Unrealized loss (gain) on investments	90,368,991	(44,024,109)
Realized gain on sale of investments	(99,191)	(40,455,512)
Provision for doubtful accounts	242,687	87,037
Depreciation and amortization	276,982	311,155
Equity in income of investments	(2,970,441)	(8,054,687)
Investment by non-controlling interests	-	(790,923)
Foreign currency translation gains	(123,093)	-
Increase (decrease) in cash and cash equivalents as a result of a change in:		
Change in restricted cash	3,449,035	(2,686,154)
Prepaid expenses	(70,595)	(64,922)
Grants receivable	606,014	215,179
Contributions receivable	(151,063)	340,360
Due from ACCION USA	-	146,686
Deposits, advances and other receivables	102,422	(526,272)
Contract payments receivable	648,383	(57,688)
Cash restricted by foundation	935,609	877,004
Accounts payable and accrued liabilities	1,495,923	(397,267)
Deferred revenue	(713,418)	419,716
Net cash used in operating activities	<u>(8,539,465)</u>	<u>(13,129,804)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(513,273)	(25,046)
Purchase of short-term investments	23,212,970	(27,187,312)
Purchase of investments	(7,947,929)	(6,073,691)
Proceeds from sale of investments	124,561	42,012,042
Dividends received from investments in affiliates	1,373,334	1,716,433
Net loan originations and principal repayments	(3,598,226)	(3,706,245)
Other assets	-	17,516
Other noncurrent assets	17,368	(24,442)
Net cash provided by investing activities	<u>12,668,805</u>	<u>6,729,255</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Notes payable received	481,299	368,727
Notes payable paid	(1,295,116)	(389,603)
Line of credit borrowing (repayment)	(72,933)	(693,733)
Net cash used in financing activities	<u>(886,750)</u>	<u>(714,609)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(87,092)	-
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>3,155,498</b>	<b>(7,115,158)</b>
CASH AND CASH EQUIVALENTS - Beginning of year	<u>43,390,258</u>	<u>50,505,416</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 46,545,756</u>	<u>\$ 43,390,258</u>
<u>Supplemental disclosure</u>		
Interest paid	\$ 167,845	\$ 264,822

See notes to consolidated financial statements.

## ACCION INTERNATIONAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements

As of and for the years ended December 31, 2011 and 2010

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### 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 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 \$664,099 and \$184,312 at December 31, 2011, and \$1,215,946 and \$116,118 at December 31, 2010.

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 \$105,098 and \$152,754 at December 31, 2011 and \$546,674 and \$568,424 at December 31, 2010.

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 rupees 500,000 (approximately \$50,000). The accounts of ATA reflect total assets and liabilities of \$195,074 and \$427,478 at December 31, 2011, and \$336,378 and \$453,090 at December 31, 2010.

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 \$61,628 and \$104,932 at December 31, 2011, and \$35,289 and \$55,055 at December 31, 2010.

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. Operations started in December 2009. The accounts of AMC reflect total assets and liabilities of \$7,021,364 and \$2,272,929 at December 31, 2011, and \$4,975,222 and \$643,146 at December 31, 2010.

## ACCION INTERNATIONAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements – Continued  
As of and for the years ended December 31, 2011 and 2010

### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

#### Principles of Consolidation - Continued

ACCIÓN Microfinanças Sociedade de Crédito ao Microempreendedor e à Empresa de Pequeno Porte, S.A. (SCM) – On December 21, 2010, SCM was created as a joint venture 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 73.46% of SCM shares. At December 31, 2010, the \$3,247,167 capital contributed by the shareholders was held in a restricted cash account at the Central Bank of Brazil until January 19, 2011. The non-controlling interest portion of SCM's equity is \$286,829 and \$784,247 at December 31, 2011 and 2010, respectively, as presented on the statement of financial position. The accounts of SCM reflect total assets of \$2,498,822 and \$3,377,077 and liabilities of \$1,150,225 and \$0 at December 31, 2011 and 2010, 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:

	Controlling Interest	Noncontrolling Interest	Total
Balance January 1, 2010	\$ 321,165,966	\$ -	\$ 321,165,966
Purchase of interest in SCM by noncontrolling shareholder	-	790,923	790,923
Change in net assets	80,987,739	(6,676)	80,981,063
Balance December 31, 2010	\$ 402,153,705	\$ 784,247	\$ 402,937,952
Change in net assets	(98,814,388)	(497,418)	(99,311,806)
Balance December 31, 2011	\$ 303,339,317	\$ 286,829	\$ 303,626,146

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.

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, 2011 and 2010.

## ACCION INTERNATIONAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements – Continued

As of and for the years ended December 31, 2011 and 2010

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### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

#### **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.

As of December 31, 2010, Accion had \$3,477,077 of restricted cash relating to the capitalization of SCM. The restricted cash represents a balance that was legally restricted in an escrow account and was released from this legal restriction in January 2011. Accion also holds \$2,529,891 and \$3,465,500 cash restricted by a foundation for long term purposes as of December 31, 2011 and 2010, respectively.

Total cash held in foreign accounts was \$3,228,581 and \$2,280,731 at December 31, 2011 and 2010, respectively.

#### **Reclassifications**

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

#### **Investments**

Short-term investments consist of investments in certificates of deposit, commercial paper, corporate bonds, government reserves fund, and mutual funds, 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.

#### **Bridge and Loan Fund 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 Bolsa 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 2011 or 2010.

## ACCION INTERNATIONAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements – Continued  
As of and for the years ended December 31, 2011 and 2010

### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

#### 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.

#### 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.

#### Contributions and Grants - Continued

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, 2011 and 2010, Accion had \$1,177,000 and \$1,381,300, respectively, in conditional promises to give.

Grants and contributions receivable at December 31, 2011 and 2010 include amounts due in future years. Grants and contributions receivable are expected to be collected during the following periods:

	<u>2011</u>	<u>2010</u>
2011	\$ -	\$ 5,781,244
2012	6,100,995	2,145,088
2013	1,617,491	260,000
2014	26,000	10,000
	<u>\$ 7,744,486</u>	<u>\$ 8,196,332</u>
Less net present value discount at 5% in 2011 and 2010	<u>(130,726)</u>	<u>(127,696)</u>
Total grant and contributions receivable - net	<u>\$ 7,613,686</u>	<u>\$ 8,068,636</u>

## ACCION INTERNATIONAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements – Continued

As of and for the years ended December 31, 2011 and 2010

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### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

#### **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 earnings. 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 \$322,610 and \$83,236 as of December 31, 2011 and 2010, respectively.

#### **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 private 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 \$1,647,663 and \$762,353 in fiscal 2011 and 2010, 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. 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.

## ACCION INTERNATIONAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements – Continued

As of and for the years ended December 31, 2011 and 2010

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### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

#### 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. For the years ended December 31, 2011 and 2010, income taxes for these subsidiaries were respectively \$17,316 and \$20,277.

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.

#### 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

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:



## ACCION INTERNATIONAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements – Continued  
As of and for the years ended December 31, 2011 and 2010

### NOTE C - FAIR VALUE OF FINANCIAL INSTRUMENTS – Continued

- 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 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, mutual 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, 2011 and 2010:

	2011			
	Level 1	Level 2	Level 3	Total
Short-term investments:				
U.S. Treasury	\$ 291,794	\$ -	\$ -	\$ 291,974
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
Bridge fund and loan fund 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 INTERNATIONAL AND SUBSIDIARIES**

Notes to Consolidated Financial Statements – Continued  
As of and for the years ended December 31, 2011 and 2010

**NOTE C - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued**

	2010			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Short-term investments				
Mutual funds	\$ 30,218,444	\$ -	\$ -	\$ 30,218,444
Certificate of deposits	-	8,745,000		8,745,000
Corporate bonds	-	63,373,635	-	63,373,635
Investment in affiliate	201,082,239	-	-	201,082,239
Bridge fund and loan fund investments:				
Cash and cash equivalents	758,053	-	-	758,053
U.S. Treasury	524,674	-	-	5,204,936
Corporate bonds	-	6,963,212	-	6,963,212
	<u>\$ 232,583,410</u>	<u>\$ 79,081,847</u>	<u>\$ -</u>	<u>\$ 311,665,257</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, 2011 and 2010.

The following are Accion's assets accounted for at fair value on a non-recurring basis as of December 31, 2011 and 2010.

**December 31, 2011**

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

**December 31, 2010**

<b>Assets</b>				
Contribution and grant receivables	\$ -	\$ -	\$ 8,068,636	\$ 8,068,636
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,068,636</u>	<u>\$ 8,068,636</u>

**ACCION INTERNATIONAL AND SUBSIDIARIES**

Notes to Consolidated Financial Statements – Continued  
As of and for the years ended December 31, 2011 and 2010

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**NOTE D - PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
Furniture, fixtures, equipment and software	\$ <b>1,796,966</b>	\$ 1,308,180
Leasehold improvements	<u>524,581</u>	<u>519,854</u>
Subtotal	\$ <b>2,321,547</b>	\$ 1,828,034
Less accumulated depreciation	<u>(1,553,493)</u>	<u>(1,288,921)</u>
Property and equipment – net	\$ <u><b>768,054</b></u>	\$ <u>539,113</u>

Depreciation expense as of December 31, 2011 and 2010 was \$276,981 and \$311,155 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, 2011 and 2010**NOTE E - INVESTMENTS IN AFFILIATES**

Investments in affiliates at December 31, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
Investments in microfinance institutions with greater than 20% participation (Equity Method):		
ACCION Investments, SPC	\$ 25,807,293	\$ 23,419,025
Banco Solidaron S.A. (Bolivia)	12,660,935	10,553,849
Swadhaar Finserve (India)	3,026,247	2,337,116
Saija (India) and Foncap (Argentina)	160,314	476,219
	<u>41,654,789</u>	<u>36,786,209</u>
Total investments in microfinance institutions with greater than 20% participation		
Investments in microfinance institutions with less than 20% participation:		
Banco Compartmos (Mexico) (Fair Value)	113,348,877	201,082,239
Grupo DanDelta Holding, Inc. (Panama) (Cost)	2,542,500	2,542,500
Finamerica (Columbia) (Cost)	1,366,373	1,366,373
Mi Banco (Peru) (Cost)	4,210,438	922,175
Other (Cost)	1,511,378	1,501,379
	<u>122,979,566</u>	<u>207,414,666</u>
Total investments in microfinance institutions with less than 20% participation		
Investments in mission-related non microfinance institutions with less than 20% participation (Cost Method):		
Paralife Holdings Inv (Switzerland)	1,200,000	1,200,000
MFX Solutions (USA)	1,250,000	1,250,000
Lok Capital LLC (Mauritius)	2,216,039	2,340,600
GloboKas Peru SAC (Peru)	1,527,793	1,000,000
Other	1,590,134	986,984
	<u>7,783,966</u>	<u>6,777,584</u>
Total investments in mission-related non microfinance institutions with less than 20% participation		
Total investments in affiliates	\$ <u>172,418,322</u>	\$ <u>250,978,459</u>

## ACCION INTERNATIONAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements – Continued  
As of and for the years ended December 31, 2011 and 2010

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### 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. Accion's remaining commitment to fund Accion Investments was \$803,405 as of December 31, 2011. Accion's investment in Accion Investments as of December 31, 2011 and 2010 represented 25.98% and 27.27%, respectively, of Accion Investments' total paid-in-capital. For the years ended December 31, 2011 and 2010, Accion received dividends of \$409,065 in both years ended December 31, 2011 and 2010. Accion reported its share of Accion Investments' net income of \$1,426,095 and \$5,533,080, respectively. The accounts of Accion Investments reflect total assets and total liabilities of \$99,325,812 and \$8,943,614 and \$85,875,149 and \$93,093, at December 31, 2011 and 2010.

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

BancoSol with operations in Bolivia is the world's first private commercial bank to focus exclusively on microfinance. Accion's investment in BancoSol as of December 31, 2011 and 2010 represented 23.94% of BancoSol's total common shares. There are no future capital commitments. For the years ended December 31, 2011 and 2010, Accion received dividends of \$964,268 and \$1,307,366, and reported its share of BancoSol's net income of \$3,071,354 and \$2,892,916, respectively. The accounts of BancoSol reflect total assets and total liabilities of \$732,024,146 and \$679,139,933 and \$603,880,978 and \$559,792,772, respectively, at December 31, 2011 and 2010.

#### ***Swadhaar Finserve (Swadhaar)***

Swadhaar is a nonbank microfinance institution operating in Mumbai, India. In 2011 and 2010, Accion purchased 6,700,000 and 10,550,000 shares of Swadhaar. Accion's investment in Swadhaar as of December 31, 2011 and 2010 represented 38% and 35% of Swadhaar's common shares, respectively. For the years ended December 31, 2011 and 2010, Accion reported its share of Swadhaar's net loss as \$1,142,240 and \$470,061, respectively. The accounts of Swadhaar reflect total assets and total liabilities of \$13,854,635 and \$5,894,999 and \$12,791,395 and \$6,113,920, respectively, at December 31, 2011 and 2010.

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

Saija is a nonbank microfinance institution operating in Bihar, India. In 2009, Accion purchased 1,960,396 shares of Saija. Accion's investment in Saija as of December 31, 2011 and 2010 represented 49.50% of Saija's common shares, respectively. For the years ended December 31, 2011 and 2010, Accion reported its share of Saija's net loss as \$315,905 and net income as \$112,100, respectively. The accounts of Saija reflect total assets and total liabilities of \$1,509,402 and \$1,185,533 and \$3,521,683 and \$2,559,623, respectively, at December 31, 2011 and 2010.

## ACCION INTERNATIONAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements – Continued

As of and for the years ended December 31, 2011 and 2010

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### NOTE E - INVESTMENTS IN AFFILIATES - Continued

#### **Banco Compartamos Institución de Banca Múltiple (Compartamos)**

Compartamos is Mexico's largest microfinance institution and became the first microcredit lender in the world to issue debt in the capital markets. Accion accounts for its investment in Compartamos at fair market value based on quoted market prices, on the Mexican exchange. In December 2010, Banco Compartamos SA completed an exchange offer to switch its shares into holding company, Compartamos SAB de CV, with an exchange factor of four shares of the holding for each share acquired of the Bank. Upon closing the exchange offer, Accion owned 94,452,912 shares of the new holding company equivalent to 5.4% ownership. As of December 31, 2011, Accion's investment in Compartamos represented 5.56% of Compartamos's common shares. In 2010, Accion sold 7,000,000 shares, equal to 23% of its holdings and realized a gain of approximately \$38 million. Accion did not sell or purchase any shares in the year ending December 31, 2011. For the years ended December 31, 2011 and 2010, Accion received dividends of \$2,201,728 and \$2,105,820, respectively, and reported an unrealized loss on investment of approximately \$88 million and an unrealized gain of approximately \$45 million, 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, 2011 and 2010 represented 12.1% and 12.1% of BanDelta's common shares, respectively. For the years ended December 31, 2011 and 2010, Accion received and reported dividend income of \$50,000 in both years.

#### **Finamérica Compania de Financiamiento Comercial (Finamérica)**

Finamérica is a nonbank microfinance institution operating in Bogotá, Colombia. Accion's investment in Finamérica as of December 31, 2011 and 2010 was \$1,366,373. Accion's investment in Finamérica as of December 31, 2011 and 2010 represented 6.30% of Finamérica's total common shares. For the year ended December 31, 2011 and 2010, Accion received and reported dividend income of \$181,626 and \$71,358.

#### **Mibanco (Banco de la Microempresa S.A.)**

Mibanco (Banco de la Microempresa S.A.) is Peru's first for-profit, fully-regulated commercial bank dedicated to microenterprise. The bank began operations on May 1998 in Lima, Peru and currently has 52 branches in metropolitan Lima, Callao, and over 51 other locations throughout all of Peru. Accion provides ongoing technical assistance to Mibanco helping in the development of new products and efficiencies. In 2011, Accion purchased an additional 1,339,312 shares for \$3.288 million. Accion's investment in Mibanco as of December 31, 2011 and 2010 represented 6.36% and 6.33% of Mibanco's common shares, respectively. For the years ended December 31, 2011 and 2010, Accion received dividends of \$592,363 and \$623,005. The accounts of Mibanco reflect total assets and total liabilities of \$1.9 and \$1.7 billion and \$1.6 and \$1.4 billion, respectively, at December 31, 2011 and 2010.

## ACCION INTERNATIONAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements – Continued  
As of and for the years ended December 31, 2011 and 2010

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### NOTE E - INVESTMENTS IN AFFILIATES - Continued

#### **ParaLife Holdings Inv (ParaLife)**

ParaLife is a Swiss-based for-profit enterprise offering life insurance and other microinsurance 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, 2011 and 2010 was \$1,200,000, representing 4.5% and 4.26% of ParaLife's total common shares, 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, 2011 and 2010 was \$1,250,000, representing 10.77% and 11.45% of MFX's common shares, respectively.

#### **Lok Capital LLC (LOK)**

LOK is a Mauritius-based venture fund dedicated to providing equity investments to microfinance institutions in India. Accion International has committed to purchase additional shares worth \$54,400 in the future. In 2010, ACCION purchased 7,805 and redeemed 1,337 shares. In 2011, Accion redeemed an additional 1,211 shares. ACCION's investment in LOK as of December 31, 2011 and 2010 was \$2,216,039 and \$2,340,600, respectively, representing 11% of LOK's total common shares, for both years.

#### **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 2011 and 2010, ACCION purchased 942,488 and 1,339,312 of preferred shares (Series C), representing 16% and 10% of GKN's total shares, respectively..

#### **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 \$159,818 in 2011 and \$151,362 in 2010 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, 2011 and 2010

### 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 \$1,184,238 and \$1,207,299 for the years ended December 31, 2011 and 2010, respectively.

### NOTE G - BRIDGE FUND AND LOAN FUND INVESTMENTS

Bridge fund and loan fund investments (at fair value) at December 31, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
Global and Latin America Bridge Funds:		
Cash and cash equivalents	\$ 1,879,932	\$ 505,972
U.S. Treasury and U.S. government agencies	-	524,674
Certificate of deposits	252,214	252,080
Corporate bonds	<u>5,204,936</u>	<u>6,963,212</u>
	<u>\$ 7,337,082</u>	<u>\$ 8,245,938</u>

The Global and Latin American Bridge Funds (GBF and LABF, respectively) borrow 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 countries. 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 bridge and loan fund investments to reserve against potential loan fund losses totaling \$1,140,724 and \$1,187,934 at December 31, 2011 and 2010, respectively.

### NOTE H - NOTES PAYABLE

Notes payable as of December 31, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
Global and Latin America Bridge Funds – 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.	\$ 5,957,187	\$ 6,771,005
Total notes payable	<u>\$ 5,957,187</u>	<u>\$ 6,771,005</u>



## ACCION INTERNATIONAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements – Continued  
As of and for the years ended December 31, 2011 and 2010

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### NOTE H - NOTES PAYABLE – Continued

The scheduled principal repayments under these notes as of December 31, 2011, are as follows:

2012	\$	2,538,085
2013		1,242,043
2014		641,000
2015		321,059
2016 and thereafter		<u>1,215,000</u>
Total	\$	<u>5,957,187</u>

### NOTE I - INCOME TAXES

Deferred income tax assets at December 31, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
Deferred income tax assets		
Net operating loss carryforwards	\$ <b>140,000</b>	\$ -
Provision for doubtful accounts	<u>28,936</u>	<u>20,819</u>
	<b>168,936</b>	20,819
Less: valuation allowance	<u>(140,000)</u>	<u>-</u>
	<u>\$ <b>28,936</b></u>	<u>20,819</u>

The available net operating loss carryforwards at December 31, 2011 are \$934,000. 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, 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, 2011 and 2010, the Global Bridge Fund was contingently liable for letters of credit in the amount of \$3,375,000 and \$3,750,000, respectively.

## ACCION INTERNATIONAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements – Continued  
As of and for the years ended December 31, 2011 and 2010

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### NOTE J - COMMITMENTS AND CONTINGENCIES - Continued

#### ***Bank Line of Credit***

At December 31, 2011, 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 \$208,425 and \$322,398 outstanding under the India sublimit agreement at December 31, 2011 and 2010, respectively. The loan facility has an expiration date of July 31, 2012.

#### ***Capital Calls***

For the years ended December 31, 2011 and 2010, Accion had approximately \$5 million and \$6 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 2012.

#### ***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 June 2014. The remaining net minimum payment obligation under these leases is as follows:

<u>Years Ending December 31,</u>	
2012	\$ 1,291,920
2013	874,820
2014	<u>277,077</u>
Total	\$ <u>2,443,817</u>

Rent expense was approximately \$1,639,000 and \$1,416,000 for the years ended December 31, 2011 and 2010, 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 \$453,704 and \$369,428 in 2011 and 2010, respectively.

## ACCION INTERNATIONAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements – Continued  
As of and for the years ended December 31, 2011 and 2010

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### 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, 2011 and 2010, for the following purposes:

	<u>2011</u>	<u>2010</u>
Global programs	\$ 8,400,843	\$ 11,755,746
Global investments	1,186,569	1,142,074
Center for financial inclusion	<u>1,776,225</u>	<u>\$ 1,691,721</u>
Total	<u>\$ 11,363,637</u>	<u>\$ 14,589,541</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 66% 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 1, 2012, 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.

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SUPPLEMENTAL INFORMATION

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**ACCION INTERNATIONAL AND SUBSIDIARIES**

Consolidating Schedule of Financial Position

December 31, 2011

	<u>ACCION International*</u>	<u>Microlending Subsidiaries**</u>	<u>Elimination entries</u>	<u>Consolidated</u>
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
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
	<u>129,310,341</u>	<u>9,310,701</u>	<u>-</u>	<u>138,621,042</u>
<b>NON-CURRENT ASSETS:</b>				
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
Bridge fund and loan fund 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
	<u>195,708,909</u>	<u>209,485</u>	<u>(9,960,352)</u>	<u>185,958,042</u>
Total non-current assets	<u>195,708,909</u>	<u>209,485</u>	<u>(9,960,352)</u>	<u>185,958,042</u>
Total assets	<u>\$ 325,019,250</u>	<u>\$ 9,520,186</u>	<u>\$ (9,960,352)</u>	<u>\$ 324,579,084</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES:</b>				
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
	<u>5,836,978</u>	<u>333,221</u>	<u>-</u>	<u>6,170,199</u>
Total current liabilities	<u>5,836,978</u>	<u>333,221</u>	<u>-</u>	<u>6,170,199</u>
<b>NON-CURRENT LIABILITIES:</b>				
Notes payable - net of current portion	3,419,102	3,089,932	(3,089,932)	3,419,102
	<u>3,419,102</u>	<u>3,089,932</u>	<u>(3,089,932)</u>	<u>3,419,102</u>
Total non-current liabilities	<u>3,419,102</u>	<u>3,089,932</u>	<u>(3,089,932)</u>	<u>3,419,102</u>
Total liabilities	<u>9,256,080</u>	<u>3,423,153</u>	<u>(3,089,932)</u>	<u>9,589,301</u>
<b>NET ASSETS:</b>				
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	<u>304,399,533</u>	<u>(773,387)</u>	<u>-</u>	<u>303,626,146</u>
Temporarily restricted	11,363,637			11,363,637
	<u>315,763,170</u>	<u>6,097,033</u>	<u>(6,870,420)</u>	<u>314,989,783</u>
Total net assets	<u>315,763,170</u>	<u>6,097,033</u>	<u>(6,870,420)</u>	<u>314,989,783</u>
Total liabilities and net assets	<u>\$ 325,019,250</u>	<u>\$ 9,520,186</u>	<u>\$ (9,960,352)</u>	<u>\$ 324,579,084</u>

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

\*\*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

	<u>ACCION International*</u>	<u>Microlending Subsidiaries**</u>	<u>Elimination entries</u>	<u>Consolidated</u>
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				-
	<u>20,520,752</u>	<u>1,669,575</u>	<u>(333,583)</u>	<u>21,856,744</u>
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
	<u>26,023,630</u>	<u>3,486,864</u>	<u>(333,583)</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>-</u>	<u>8,862,380</u>
	<u>34,886,010</u>	<u>3,486,864</u>	<u>(333,583)</u>	<u>38,039,291</u>
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
	<u>(100,825,590)</u>	<u>(1,712,120)</u>	<u>-</u>	<u>(102,537,710)</u>
Net assets - Beginning of year	<u>416,588,760</u>	<u>938,733</u>		<u>417,527,493</u>
Net assets - End of year:				
Unrestricted	304,399,533	(773,387)		303,626,146
Temporary restricted	11,363,637			11,363,637
	<u>315,763,170</u>	<u>(773,387)</u>	<u>-</u>	<u>314,989,783</u>

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

\*\*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.