



Combined Financial Statements

Root Capital, Inc.

December 31, 2025 and 2024



ROOT CAPITAL, INC.
Combined Financial Statements

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Independent Auditors' Report

Board of Directors of
Root Capital, Inc.

Opinion

We have audited the combined financial statements of Root Capital, Inc. ("Root Capital"), which comprise the combined statements of financial position as of December 31, 2025 and 2024, and the related combined statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of Root Capital as of December 31, 2025 and 2024, 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.

Basis for Opinion

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

Responsibilities of Management for the Combined Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Combined Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

CBIZ CPAs P.C.

Boston, Massachusetts
April 14, 2026

ROOT CAPITAL, INC.

Combined Statements of Financial Position

December 31,

	2025	2024
Assets		
Cash and cash equivalents	\$ 56,899,396	\$ 56,517,223
Escrow funds held for others	782,796	595,427
Short-term investments	13,585,368	16,899,411
Loans receivable, net	34,670,938	28,114,243
Fair value of foreign currency hedges	-	56,015
Interest receivable, net	263,662	219,827
Grants and pledges receivable, net	6,557,397	10,689,017
Guarantees receivable	2,018,325	3,468,326
Prepaid expenses and other assets	1,153,728	1,267,512
Property, equipment and leasehold improvements, net	<u>16,443</u>	<u>35,029</u>
Total assets	<u><u>\$ 115,948,053</u></u>	<u><u>\$ 117,862,030</u></u>
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 1,660,920	\$ 3,402,061
Notes payable	56,331,020	50,995,379
Subordinated debt	3,873,382	6,262,824
Accrued interest payable	582,850	524,108
Escrow funds held for others	782,796	595,427
Fair value of foreign currency hedges	207,238	-
Other liabilities	<u>478,183</u>	<u>501,471</u>
Total liabilities	<u><u>63,916,389</u></u>	<u><u>62,281,270</u></u>
Net assets:		
Without donor restrictions	41,232,831	45,076,007
With donor restrictions	<u>10,798,833</u>	<u>10,504,753</u>
Total net assets	<u><u>52,031,664</u></u>	<u><u>55,580,760</u></u>
Total liabilities and net assets	<u><u>\$ 115,948,053</u></u>	<u><u>\$ 117,862,030</u></u>

ROOT CAPITAL, INC.

Combined Statement of Activities

**Year Ended December 31, 2025
(with comparative totals for 2024)**

	2025			2024
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>	<i>Total</i>
Operating revenue:				
Earned revenue:				
Loan interest	\$ 4,622,578	\$ -	\$ 4,622,578	\$ 4,039,640
Loan fees	1,357,407	-	1,357,407	1,139,019
Provision for loan loss	(991,817)	-	(991,817)	(2,148,883)
Foreign currency translation	109,924	-	109,924	(336,217)
Other revenue	253,866	-	253,866	367,317
Net earned operating revenue	5,351,958	-	5,351,958	3,060,876
Financial revenue (expense):				
Interest and investment return	1,960,204	-	1,960,204	2,565,641
Interest expense	(1,067,505)	-	(1,067,505)	(899,195)
Net financial revenue	892,699	-	892,699	1,666,446
Net earned and financial revenue	6,244,657	-	6,244,657	4,727,322
Contributions and grants	1,446,462	9,213,923	10,660,385	11,600,498
Net assets released from donor restrictions	8,919,843	(8,919,843)	-	-
Total operating revenue	16,610,962	294,080	16,905,042	16,327,820
Operating expenses:				
Program services:				
Finance	6,460,973	-	6,460,973	8,618,986
Advise	4,933,563	-	4,933,563	8,072,209
Catalyze	2,440,958	-	2,440,958	2,967,815
Total program services	13,835,494	-	13,835,494	19,659,010
Supporting services:				
Management and general	6,119,120	-	6,119,120	9,149,704
Fundraising	499,524	-	499,524	1,138,449
Total supporting services	6,618,644	-	6,618,644	10,288,153
Total operating expenses	20,454,138	-	20,454,138	29,947,163
Change in net assets	(3,843,176)	294,080	(3,549,096)	(13,619,343)
Net assets at beginning of year	45,076,007	10,504,753	55,580,760	69,200,103
Net assets at end of year	\$ 41,232,831	\$ 10,798,833	\$ 52,031,664	\$ 55,580,760

See accompanying notes to the combined financial statements.

ROOT CAPITAL, INC.
Combined Statement of Activities
Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue:			
Earned revenue:			
Loan interest	\$ 4,039,640	\$ -	\$ 4,039,640
Loan fees	1,139,019	-	1,139,019
Provision for loan loss	(2,148,883)	-	(2,148,883)
Foreign currency translation	(336,217)	-	(336,217)
Other revenue	367,317	-	367,317
	<u>3,060,876</u>	<u>-</u>	<u>3,060,876</u>
Net earned operating revenue	3,060,876	-	3,060,876
Financial revenue (expense):			
Interest and investment return	2,565,641	-	2,565,641
Interest expense	(899,195)	-	(899,195)
	<u>1,666,446</u>	<u>-</u>	<u>1,666,446</u>
Net financial revenue	1,666,446	-	1,666,446
Net earned and financial revenue	4,727,322	-	4,727,322
Contributions and grants	3,300,260	8,300,238	11,600,498
Net assets released from donor restrictions	16,009,701	(16,009,701)	-
	<u>24,037,283</u>	<u>(7,709,463)</u>	<u>16,327,820</u>
Total operating revenue	24,037,283	(7,709,463)	16,327,820
Operating expenses:			
Program services:			
Finance	8,618,986	-	8,618,986
Advise	8,072,209	-	8,072,209
Catalyze	2,967,815	-	2,967,815
	<u>19,659,010</u>	<u>-</u>	<u>19,659,010</u>
Total program services	19,659,010	-	19,659,010
Supporting services:			
Management and general	9,149,704	-	9,149,704
Fundraising	1,138,449	-	1,138,449
	<u>10,288,153</u>	<u>-</u>	<u>10,288,153</u>
Total supporting services	10,288,153	-	10,288,153
Total operating expenses	29,947,163	-	29,947,163
Change in net assets	(5,909,880)	(7,709,463)	(13,619,343)
Net assets at beginning of year	50,985,887	18,214,216	69,200,103
Net assets at end of year	<u>\$ 45,076,007</u>	<u>\$ 10,504,753</u>	<u>\$ 55,580,760</u>

See accompanying notes to the combined financial statements.

ROOT CAPITAL, INC.

Combined Statement of Functional Expenses

Year Ended December 31, 2025
(with comparative totals for 2024)

	2025				2025			2024	
	Program Services			Total Program Services	Supporting Services		Total Supporting Services	Total	Total
	Finance	Advise	Catalyze		Management and General	Fundraising			
Personnel	\$ 4,904,812	\$ 2,976,211	\$ 2,047,802	\$ 9,928,825	\$ 4,511,942	\$ 393,502	\$ 4,905,444	\$ 14,834,269	\$ 19,665,651
Professional services	568,615	955,898	241,594	1,766,107	516,233	79,008	595,241	2,361,348	3,720,808
Travel, conferences, and workshops	190,448	466,067	53,875	710,390	96,115	15,697	111,812	822,202	2,506,996
Occupancy and telecommunications	210,317	98,833	49,950	359,100	87,539	7,494	95,033	454,133	706,317
Other direct costs	586,781	436,554	47,737	1,071,072	907,291	3,823	911,114	1,982,186	3,347,391
Total	\$ 6,460,973	\$ 4,933,563	\$ 2,440,958	\$ 13,835,494	\$ 6,119,120	\$ 499,524	\$ 6,618,644	\$ 20,454,138	\$ 29,947,163

See accompanying notes to the combined financial statements.

ROOT CAPITAL, INC.

Combined Statement of Functional Expenses

Year Ended December 31, 2024

	<i>Program Services</i>			<i>Total Program Services</i>	<i>Supporting Services</i>		<i>Total Supporting Services</i>	<i>Total</i>
	<i>Finance</i>	<i>Advise</i>	<i>Catalyze</i>		<i>Management and General</i>	<i>Fundraising</i>		
Personnel	\$ 6,241,587	\$ 3,074,305	\$ 2,402,128	\$ 11,718,020	\$ 6,901,772	\$ 1,045,859	\$ 7,947,631	\$ 19,665,651
Professional services	678,291	1,923,260	220,847	2,822,398	886,260	12,150	898,410	3,720,808
Travel, conferences, and workshops	570,020	1,471,689	114,895	2,156,604	336,884	13,508	350,392	2,506,996
Occupancy and telecommunications	350,602	159,531	64,830	574,963	118,707	12,647	131,354	706,317
Other direct costs	778,486	1,443,424	165,115	2,387,025	906,081	54,285	960,366	3,347,391
Total	\$ 8,618,986	\$ 8,072,209	\$ 2,967,815	\$ 19,659,010	\$ 9,149,704	\$ 1,138,449	\$ 10,288,153	\$ 29,947,163

See accompanying notes to the combined financial statements.

ROOT CAPITAL, INC.

Combined Statements of Cash Flows

Years Ended December 31,

	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ (3,549,096)	\$ (13,619,343)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	20,020	14,843
Provision for loan loss	1,728,584	2,760,126
Provision for interest loss	95,586	165,463
Realized and unrealized losses (gains) on investments	-	616
Present value discount on grants and pledges	(81,717)	(123,656)
Foreign currency translation	(109,924)	336,217
Changes in assets and liabilities:		
Interest receivable	(139,421)	(99,064)
Grants and pledges receivable	4,213,337	3,344,316
Guarantees receivable	1,450,001	(2,729,866)
Prepaid expenses and other assets	113,784	(280,301)
Accounts payable and accrued expenses	(1,682,399)	1,543,833
Other liabilities	(23,288)	(390,929)
	<u>2,035,467</u>	<u>(9,077,745)</u>
Net cash provided by (used in) operating activities	<u>2,035,467</u>	<u>(9,077,745)</u>
Cash flows from investing activities:		
Purchase of property, equipment and leasehold improvements	(1,434)	(15,225)
Purchases of investments	(36,103,049)	(17,213,420)
Proceeds of investments	39,417,092	21,542,301
Payments on loans receivable	168,776,265	126,668,727
Issuance of loans receivable	(176,803,135)	(128,228,596)
	<u>(4,714,261)</u>	<u>2,753,787</u>
Net cash (used in) provided by investing activities	<u>(4,714,261)</u>	<u>2,753,787</u>
Cash flows from financing activities:		
Principal payments on notes payable	(4,739,033)	(12,005,000)
Proceeds from issuance of notes payable	7,800,000	22,004,745
	<u>3,060,967</u>	<u>9,999,745</u>
Net cash provided by financing activities	<u>3,060,967</u>	<u>9,999,745</u>
Net increase in cash and cash equivalents	382,173	3,675,787
Cash and cash equivalents at the beginning of the year	<u>56,517,223</u>	<u>52,841,436</u>
Cash and cash equivalents at the end of the year	<u>\$ 56,899,396</u>	<u>\$ 56,517,223</u>

ROOT CAPITAL, INC.

Notes to Combined Financial Statements

Note 1 - Nature of Operations and Basis of Organization

Nature of Operations

Root Capital, Inc. (“Root Capital”) is a Massachusetts based non-profit, social investment organization that grows rural prosperity in poor, environmentally vulnerable communities in Africa, Latin America and Southeast Asia by lending capital, delivering financial training, and strengthening market connections for small and growing agricultural businesses. Root Capital combines the accounts of its affiliated entities and any reference to Root Capital comprises these entities. These entities include Asociación Capacitadora y Catalizadora de Desarrollo Empresarial Rural (“ACCDER”), and Root Capital, Mexico A.C. Both of these entities were established and are governed under the laws of their respective countries. Root Capital also has field offices in Costa Rica and Kenya.

Root Capital operates the following programs:

Finance: Root Capital provides loans and lines of credit generally in amounts ranging from \$50,000 to \$4 million to small and growing businesses that source from small-holder farmers, with a particular focus on those businesses that are currently not reached by commercial lenders. Most of Root Capital's loans have tenors of one – three years and are used for working capital to finance the cost of purchasing and processing raw material sourced from small-holder farmers. From time to time, term loans with maximum tenors of seven years are provided in connection with the working capital financing to finance certain fixed asset purchases and investments, including equipment, infrastructure improvements, and agricultural inputs.

Advise: This program provides targeted training to current and prospective clients so they have the skills they need to grow and sustain their businesses. The training varies depending on the needs of the business and may include financial management, gender equity, agronomics or digital business intelligence. The financial management training prepares small and growing businesses with growth potential to qualify for credit and to mitigate the risk of lending to these businesses.

Catalyze: Root Capital seeks to catalyze a thriving financial market to support historically underserved rural small and growing businesses. The program’s strategy is to:

- Innovate - conduct research and development, study impact at the household and business levels, and look for ways to increase impact.
- Accelerate - share learning from work with like-minded peers to build common standards and practices necessary for the industry to thrive and scale.

ROOT CAPITAL, INC.

Notes to Combined Financial Statements

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying combined financial statements are presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. All intercompany transactions have been eliminated in combination.

Cash and Cash Equivalents

Root Capital considers all highly liquid investments with initial maturities of three months or less to be cash equivalents. Cash and cash equivalents are carried at cost plus accrued interest. Root Capital maintains cash balances at financial institutions which exceed federally insured limits. Root Capital monitors its exposure associated with cash and cash equivalents and has not experienced any losses in such accounts. Root Capital has modest amounts on deposit in foreign banks in both dollar and local currencies.

Escrow Funds

As a condition of certain tripartite lending agreements and servicing agreements, Root Capital holds in escrow short-term funds in accordance with the terms of these agreements.

Short-term Investments

The short-term investments are recorded at fair market value as per the fair value policies later in this section. As of December 31, 2025, short-term investments are primarily U.S. Treasury Bills. In the prior year, short-term investments also included Certificates of Deposit. Short-term investments are considered Level 1 within the fair value hierarchy at December 31, 2025 and 2024.

Loans Receivable and Allowance for Expected Credit Losses

Loans receivable are presented at cost net of an allowance for expected credit losses. The allowance for expected credit losses is an estimate of expected losses of loan principal and interest due to borrower non-performance and is determined under Root Capital's allowance for expected credit losses policy. All outstanding loans are risk-rated on a regular basis based on performance factors related to compliance with terms including covenants and reporting requirements, production, management, buyers and other factors. A risk rating score combined with a financial review and delinquency level are used to systematically classify the risk level of each loan. Loans receivable are pooled based on sharing specific risk factors which are reassessed on a periodic basis. The allowance is an amount that management believes will be adequate to absorb losses on existing loans that may become uncollectible.

Expected credit losses are developed using information such as overall historical experience, as its customers' credit history, financial condition, industry, credit reports, and current and future economic and market conditions along with consideration of performance to terms and other forward-looking information. Allowances can be affected by changes in the industry, customer repayment issues or customer bankruptcies when such events are reasonable and supportable. Historical information is used in addition to reasonable and supportable forecast periods, where applicable.

ROOT CAPITAL, INC.

Notes to Combined Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Grants and Pledges Receivable

Grants and pledges receivable represent amounts due from donors. For amounts expected to be collected in more than one year, such amounts are stated at their net present value using a risk adjusted discount rate when such grants and pledges are made which is considered a non-recurring Level 2 fair value measurement method as per the fair value policies outlined later in this section. Management considers all amounts to be fully collectable. Accordingly, an allowance for doubtful accounts has not been established.

Conditional grants are not recognized until the conditions are substantially met. Any assets contributed before the related conditions have been substantially met are accounted for as a liability on the combined statements of financial position.

Property, Equipment and Leasehold Improvements

Root Capital capitalizes assets at cost when they have a useful life of greater than one year and they have a cost of \$10,000 or more. Depreciation is calculated on the straight-line basis over the estimated useful lives of the related assets which is generally three to five years (certain software) and five years (furniture and equipment). Leasehold improvements are amortized over the lesser of the life of the asset or the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred.

Income Taxes

Root Capital is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and accordingly, is generally exempt from Federal and state income taxes. Accordingly, no provision for income taxes is made in the combined financial statements.

Root Capital has determined that its status as a tax exempt entity and its determinations as to its income being related and unrelated are not uncertain tax positions within the meaning of generally accepted accounting principles for its open tax years. Root Capital's Federal and state income tax returns are generally open for examination for three years following the date filed.

Root Capital operates on an exempt basis when such treatment is available in its various locations of operation in accordance with local laws. Accordingly, income tax disclosures have been excluded given their limited amounts in the combined financial statements.

Net Asset Classification

Net assets are reported as follows:

Without donor restrictions are those net resources that bear no donor restrictions. Also included in net assets without donor restrictions is the net investment in property, equipment and leasehold improvements.

With donor restrictions net assets are those unexpended financial resources that are restricted by donors as to purpose or timing of expenditure. Net assets with donor restrictions primarily relate to funds that support Root Capital's mission.

ROOT CAPITAL, INC.

Notes to Combined Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Contributions and Grants Revenue

Contributions and grants with donor restrictions and without donor restrictions are recorded as revenue in the year that a verifiable commitment is made from the donor if such amounts are unconditional. Certain grants have conditions and thus revenue is recognized only upon meeting the required barrier to entitlement. For example, federal guarantees are recorded as revenue when Root Capital has a right to make a request for reimbursement under the program. To the extent that contributions and grants are with donor restrictions, such amounts are reflected as released from restriction when the purpose restriction has been met, when the passage of time has occurred or both. Donor intentions are not recorded as revenue until the earlier of it becoming a commitment or when such amounts are received.

Earned Revenue

Revenue from loan interest is recognized as earned over the life of the loan on unpaid principal balances based on the interest rates noted in the respective agreements unless the underlying loan is in nonaccrual status.

Loan fees are recognized as earned which is generally over the term of the related loan.

Operating Revenue and Expenses

Revenue is presented following the standards used by financial institutions. Operating expenses include direct program expenses and supporting services expenses as reported on the combined statements of functional expenses.

Foreign currency transactions are translated monthly using average exchange rates for the period. Foreign currency translation adjustments are recorded at year end using the exchange rate as published in public data sources. Currency hedges are likewise measured at year end which would be considered a Level 2 fair value measurement as per the fair value policies elsewhere in this section.

Fair Value Measurements

Root Capital reports certain assets and liabilities at fair value on a recurring and non-recurring basis depending on the underlying accounting policy for the particular item. Recurring fair value measures include short-term investment and currency swaps. Non-recurring fair value measures include grants and pledges receivable. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

ROOT CAPITAL, INC.

Notes to Combined Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

Fair value standards require an entity to maximize the use of observable inputs (such as quoted market prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. Fair value standards require Root Capital to categorize financial instruments into a three-level hierarchy based on the priority of inputs to the valuation technique as follows:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments which are generally included in this category include listed equity and debt securities that are publicly traded on an exchange.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument, as well as the effects of market, interest and credit risk. Instruments with readily available actively quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that different assumptions or changes in values of these instruments could occur which could materially affect amounts reported in these combined financial statements.

Use of Estimates

The preparation of the combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the combined financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

ROOT CAPITAL, INC.

Notes to Combined Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the combined statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Each functional classification includes all expenses related to the underlying operations by natural classification. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques. Certain costs for occupancy and telecommunications costs including rent, maintenance and utilities are allocated based on headcount. Certain costs of the communications department and the information technology department are allocated based on estimates of time and effort.

Note 3 - Loans Receivable and Collateral Dependent Impaired Loans

Following is a summary of Root Capital's loans receivable as of December 31:

	2025			
	Number of Loans	Outstanding Principal	Credit Loss Allowance	Net
Loans receivable (with interest at rates averaging 10% - 11%)	84	\$ 35,814,793	\$ 1,143,855	\$ 34,670,938
Total loans receivable	84	\$ 35,814,793	\$ 1,143,855	\$ 34,670,938
	2024			
	Number of Loans	Outstanding Principal	Credit Loss Allowance	Net
Loans receivable (with interest at rates averaging 10% - 11%)	101	\$ 30,521,091	\$ 2,406,848	\$ 28,114,243
Total loans receivable	101	\$ 30,521,091	\$ 2,406,848	\$ 28,114,243

ROOT CAPITAL, INC.

Notes to Combined Financial Statements

Note 3 - Loans Receivable and Collateral Dependent Impaired Loans Receivable (Continued)

Scheduled repayments of loans receivable are as follows at December 31, 2025:

Year Ending December 31,	
2026	\$ 34,592,764
2027	810,495
2028	168,000
2029	<u>163,003</u>
	35,734,262
Less: allowance for loan losses	(1,143,855)
Deferred origination fees, net of loan origination costs	<u>80,531</u>
Net loan receivable	<u><u>\$ 34,670,938</u></u>

Most loans receivable are denominated in United States dollars with modest amounts being in various other currencies at December 31, 2025 and 2024.

Loans receivable average balances were approximately \$49,826,000 and \$45,586,000 for the years ended December 31, 2025 and 2024, respectively. The highest loans receivable balances were \$73,495,000 and 64,297,000 for the years ended December 31, 2025 and 2024, respectively.

Guarantee Agreements

Root Capital has various loan guarantee agreements in place which are summarized below:

Guarantor and Facility	Amount of Obligation	Term of Coverage	Outstanding Loan Balances	Claims in 2025	Claims in 2024
USAID Development Credit Authority 50% Maximum Ghana Loan Portfolio Guarantee	Maximum obligations of \$5,542,500	Through June 2025	\$ 361,189	\$ -	\$ 126,021
United States International Development Finance Corporation ("DFC") 75% Maximum Loan Portfolio	Maximum obligations of \$70,000,000	Through April 2027	29,620,760	3,973,489	992,324

Uncommitted and unused amounts remaining under these guarantee programs amounted to approximately \$36,650,000 and \$42,168,000 for the years ended December 31, 2025 and 2024, respectively. Management estimates the amounts it will recover under these programs as an integral part of its loan loss estimating process, but such amounts cannot be recovered under these programs until the loss is incurred.

ROOT CAPITAL, INC.

Notes to Combined Financial Statements

Note 4 - Allowance for Expected Credit Losses

Allowance for Expected Credit Losses

The allowance for expected credit loss policy groups loans in pools based on shared characteristics. The allowance for expected credit loss rates are reviewed and updated periodically. The probable loss for loans in the Large, Secured, Impaired pool and loans that are collateral dependent is calculated at the individual loan level, based on collateral value. No allowance is recorded for loans in the Large, Secured, Impaired pool if collateral values for those loans exceed the outstanding principal balance. The probable loss for all other impaired loans is calculated using historical loss rates. In considering the allowance for expected credit losses, Root Capital includes only hard collateral, which consists of real estate, equipment and machinery. Although Root Capital obtains other types of collateral such as inventory and trade receivables, those types of collateral are generally more difficult to track and assign value, therefore management has excluded them from the calculation of the allowance for expected credit losses.

The allowance for expected credit losses is calculated using various factors that consider probable loss, recoveries, and impact of guarantees, where applicable. The probable loss is calculated by combining the analysis of the likelihood that loans will end up in default and the total credit exposure at the time of default. The recovery rate reflects the expected recoveries on loans. The liquid guarantee rate reflects the actual guarantees on the loans as a percentage of the outstanding balance. For all current loans, the probable loss rate uses a forward-looking analysis that estimates the expected loss at the time of underwriting. For impaired loans, the probable loss rate uses the historical loss experience to determine the expected loss.

The following rates were effective as of December 31, 2025 and 2024 (shown prior to the application of guarantees) for the secured and unsecured loans:

<i>Loan Pool</i>	<i>2025</i>	<i>2024</i>
Current	6%	6%
Large, secured, impaired		
Current restructure	0% to 16%	0% to 16%
Special mention	0% to 50%	0% to 50%
Substandard	0% to 83%	0% to 83%
Doubtful	0% to 89%	0% to 89%
Other impaired		
Current restructure	23%	23%
Special mention	41%	41%
Substandard	61%	61%
Doubtful	70%	70%
Collateral dependent	Based on collateral value	Based on collateral value

ROOT CAPITAL, INC.

Notes to Combined Financial Statements

Note 4 - Allowance for Expected Credit Losses (Continued)

Allowance for Expected Credit Losses (Continued)

The activity within the allowance for expected credit losses consisted of the following for the years ended December 31:

	2025	2024
Balance, beginning of year	\$ 2,406,848	\$ 1,706,456
Write-offs	(5,640,755)	(5,906,332)
Recoveries	3,385,945	4,457,840
Provision for expected credit losses	<u>991,817</u>	<u>2,148,884</u>
Balance, end of year	<u>\$ 1,143,855</u>	<u>\$ 2,406,848</u>

Summary of loan risk composition as of December 31:

	2025			
	Outstanding Principal	Percent of Portfolio	Allowance for Expected Credit Losses	Percent of Provision
Current	\$ 33,691,185	94 %	\$ 896,485	79 %
Special mention	1,594,025	5 %	164,983	15 %
Substandard	444,717	1 %	67,465	6 %
Doubtful	<u>84,866</u>	<u>0 %</u>	<u>14,922</u>	<u>1 %</u>
Total	<u>\$ 35,814,793</u>	<u>100 %</u>	<u>\$ 1,143,855</u>	<u>100 %</u>
	2024			
	Outstanding Principal	Percent of Portfolio	Allowance for Expected Credit Losses	Percent of Provision
Current	\$ 23,592,024	77 %	\$ 593,487	25 %
Special mention	4,637,257	15 %	893,835	37 %
Substandard	1,765,265	6 %	589,579	24 %
Doubtful	<u>526,545</u>	<u>2 %</u>	<u>329,947</u>	<u>14 %</u>
Total	<u>\$ 30,521,091</u>	<u>100 %</u>	<u>\$ 2,406,848</u>	<u>100 %</u>

Loans are written off when it is determined that the likelihood and/or timing of repayment are highly uncertain.

ROOT CAPITAL, INC.

Notes to Combined Financial Statements

Note 4 - Allowance for Expected Credit Losses (Continued)

Allowance for Interest Losses

Root Capital also records an allowance for potential losses on interest receivable for all loans through the date that they were placed on non-accrual. Root Capital presents the provisioning expense associated with such allowances against interest revenue on loans in the accompanying combined statements of activities. The balance of the allowance for losses on interest receivable was \$90,474 and \$125,335 as of December 31, 2025 and 2024, respectively.

Guarantees and Recoveries

As previously disclosed in Note 3, certain loans issued by Root Capital are guaranteed fully or partially by third parties such as the United States International Development Finance Corporation (“DFC”). A guarantee receivable is established upon write-off of the guaranteed loan. Amounts that are expected to be recovered under these programs, but are not yet recoverable under guarantee arrangements, are estimated and thus lower the amount required to be reserved as an allowance for expected credit losses. Other recoveries that are not related to guarantees are recognized as they become known which is generally when cash is received. All recoveries are presented as a reduction to gross write-offs.

The following is a breakdown of total recoveries recognized as of December 31:

	2025	2024
Recoveries:		
DFC Guarantees	\$ 2,796,247	\$ 3,613,395
Other	<u>589,698</u>	<u>844,445</u>
Total	<u>\$ 3,385,945</u>	<u>\$ 4,457,840</u>

Impaired Loans

A loan is considered impaired when, based on current information and events, it is likely that Root Capital will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Loans are considered non-current 30 days after a missed payment that remains unpaid or as otherwise determined by performance indicators other than delinquency.

Borrower performance is monitored on a regular basis by Root Capital, based on financial and other information that may be required from borrowers. In some instances, third party contractors provide the required reporting. At a minimum, all loans are risk rated every two months, or as soon as monitoring information indicates the need to change a rating. Loans classified as non-current (Special Mention, Substandard, and Doubtful) are monitored more closely with increased attention from senior staff.

ROOT CAPITAL, INC.

Notes to Combined Financial Statements

Note 4 - Allowance for Expected Credit Losses (Continued)

Impaired Loans (Continued)

Root Capital's delinquency classification methodology is based on days late which is summarized as follows:

<i>Loan Type</i>	<i>Special Mention</i>	<i>Substandard</i>	<i>Doubtful</i>	<i>Written Off</i>
Loans with payments due in full at maturity	30	90	180	270
Loans with amortization schedules or scheduled interest	30	90	270	360
Restructured loans	30	90	180	270

Non-Accrual

Loans classified as Substandard or Doubtful are automatically placed on non-accrual status from the first day of the month following the month they are downgraded. Authorized senior lending staff may also place other loans on non-accrual status as deemed appropriate on a per-loan basis.

Non-accrual status does not change the contractual obligations of the borrower to pay amounts outstanding plus interest; however, Root Capital stops recording interest income for financial reporting purposes when non-accrual status occurs. Accrual status for a particular borrower's loans resumes if the borrower is upgraded to a risk classification of Special Mention or better based on satisfactory performance under modified loan terms and receipt of at least one scheduled payment.

Restructured Loans

A loan restructure is a modification to loan terms that results from the borrower's inability to perform under its existing loan terms due to a business weakness that is not temporary (more than 90 days). Restructured loan amounts and related reserves were not significant in 2025 and 2024 and thus management has omitted detailed disclosures.

ROOT CAPITAL, INC.

Notes to Combined Financial Statements

Note 5 - Grants and Pledges Receivable

Grants and pledges receivable were due as follows at December 31:

	2025	2024
One year or less	\$ 5,015,362	\$ 7,542,518
One to five years	<u>1,600,000</u>	<u>3,286,181</u>
Total grants and pledges receivable	6,615,362	10,828,699
Less: discounts	<u>(57,965)</u>	<u>(139,682)</u>
Net grants and pledges receivable	<u>\$ 6,557,397</u>	<u>\$ 10,689,017</u>

Conditional grants were \$1,997,819 and \$3,105,236 at December 31, 2025 and 2024, respectively. The conditions generally relate to milestones that are included in the various grant agreements. Grants are concentrated among a few grantors with there being five grants in 2025 and four grants in 2024 that are each greater than 10% of total grants receivable in 2025. These grantors amounted to approximately \$4,536,000 and \$7,800,000 of the grants outstanding at December 31, 2025 and 2024, respectively.

Note 6 - Notes Payable, Subordinated Debt and Line of Credit

Notes Payable

Root Capital had 176 and 175 unsecured notes payable as of December 31, 2025 and 2024, respectively. Interest rates are modest, and interest payments are due annually with principal due at various dates through 2035.

Subordinated Debt

Root Capital had 14 unsecured notes payable as of December 31, 2025 and 2024, respectively. Interest rates are modest, and interest payments are due annually with principal due at various dates through 2034. These notes are subordinate to the notes payable above.

Notes payable and subordinated debt are as follows as of December 31:

<i>Investor</i>	<u>2025</u>	<u>2024</u>
	<i>Outstanding Principal</i>	<i>Outstanding Principal</i>
Corporation	\$ 22,000,000	\$ 16,000,000
Foundation	15,007,227	18,624,229
Individual	15,837,150	14,873,948
Other	<u>7,360,025</u>	<u>7,760,026</u>
	<u>\$ 60,204,402</u>	<u>\$ 57,258,203</u>

ROOT CAPITAL, INC.

Notes to Combined Financial Statements

Note 6 - Notes Payable, Subordinated Debt and Line of Credit (Continued)

Notes are concentrated among a few investors with there being two notes in 2025 and 2024 that are each greater than 10% of total notes payable. These investors amounted to approximately \$26,805,000 and \$20,800,000 of the notes outstanding in 2025 and 2024, respectively.

Maturities of notes payable and subordinated debt were as follows at December 31, 2025:

2026	\$ 17,005,617
2027	16,167,507
2028	2,665,000
2029	740,000
2030	1,936,278
Thereafter	<u>21,690,000</u>
Total	<u><u>\$ 60,204,402</u></u>

Certain debt agreements contain various covenants that require Root Capital to maintain certain financial ratios and to meet other non-financial matters in order to stay in compliance with the requirements.

Note 7 - Net Assets

Net assets consisted of the following at December 31:

	<u>2025</u>		<i>Total</i>
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	
Investment in property, equipment and leasehold improvements, net	\$ 16,443	\$ -	\$ 16,443
Undesignated net assets	41,216,388	-	41,216,388
Time restricted	-	2,613,475	2,613,475
Purpose restricted	-	<u>8,185,358</u>	<u>8,185,358</u>
Total	<u><u>\$ 41,232,831</u></u>	<u><u>\$ 10,798,833</u></u>	<u><u>\$ 52,031,664</u></u>

ROOT CAPITAL, INC.

Notes to Combined Financial Statements

Note 7 - Net Assets (Continued)

	2024		Total
	Without Donor Restrictions	With Donor Restrictions	
Investment in property, equipment and leasehold improvements, net	\$ 35,029	\$ -	\$ 35,029
Undesignated net assets	45,040,978	-	45,040,978
Time restricted	-	2,903,063	2,903,063
Purpose restricted	-	7,601,690	7,601,690
Total	<u>\$ 45,076,007</u>	<u>\$ 10,504,753</u>	<u>\$ 55,580,760</u>

Note 8 - Contingencies

Litigation

In the ordinary course of business, Root Capital is involved in a number of litigation matters. In the opinion of management, these matters will not have a significant effect on the combined financial statements of Root Capital.

Note 9 - Foreign Exchange

Fair Value of Currency Swap

Root Capital uses derivative instruments when practical to manage foreign exchange risk related to loans receivable exposures denominated in foreign currencies. Foreign exchange gains and losses from hedging were generally effective in offsetting losses and gains on underlying exposures. Root Capital monitors its positions with, and the credit quality of, the financial institutions that are party to any of its financial transactions.

The following table presents the fair value forward contracts as of December 31:

Currency	2025			2024		
	Notional (FX)	Notional (USD)	Fair Value (USD)	Notional (FX)	Notional (USD)	Fair Value (USD)
Euro	€ (1,000,000)	\$ (1,063,515)	\$ (113,612)	€ (1,510,174)	\$ (1,644,583)	\$ 77,832
Ghanaian New Cedi	GHS (7,436,340)	(612,485)	(80,239)	GHS (5,317,051)	(304,480)	(21,817)
Colombian Peso	COP (422,024,438)	(97,804)	(13,387)	COP -	-	-
Totals		<u>\$ (1,773,804)</u>	<u>\$ (207,238)</u>	Totals	<u>\$ (1,949,063)</u>	<u>\$ 56,015</u>

ROOT CAPITAL, INC.

Notes to Combined Financial Statements

Note 10 - Liquidity and Availability of Resources

Root Capital regularly monitors liquidity required to meet its operating needs and other contractual commitments. When reviewing available resources required to meet its expenditures over a 12-month period, all expenditures are considered related to its ongoing activities. Root Capital has generated positive operating cash flows for the fiscal year ended December 31, 2025.

The following summarizes the financial assets available to meet its expenditures as of December 31:

	2025	2024
Financial assets available within 12 months:		
Cash and cash equivalents	\$ 39,893,779	\$ 39,007,993
Short-term investments	13,585,368	16,899,411
Loans receivable, net due in one year or less available for expenditures	33,482,992	26,247,614
Interest receivable, net due in one year or less available for expenditures	263,662	219,827
Grants and pledges receivable, net due in one year or less available for expenditures	<u>5,015,362</u>	<u>7,542,518</u>
Total financial assets available within 12 months	<u>\$ 92,241,163</u>	<u>\$ 89,917,363</u>

Note 11 - Subsequent Events

Root Capital has evaluated events and transactions for potential recognition or disclosure through April 14, 2026, the date the combined financial statements were available to be issued.

Management determined that no items through that date required recognition or disclosure within these combined financial statements.