ACCESSITY

FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Leaf & Cole, LLP
Certified Public Accountants

ACCESSITY
FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

Independent Auditor's Report

To the Board of Directors
Accessity

Opinion

We have audited the accompanying financial statements of Accessity (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Accessity as of December 31, 2021 and 2020, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Accessity, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Accessity'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 financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Accessity'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.

Leaf & Cole LLP

San Diego, California
June 27, 2022

ACCESSITY
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

ASSETS

	2021	2020
Current Assets: (Notes 2, 4, 5, 6, 7 and 12)		
Cash and cash equivalents	$ 7,022,985	$ 7,378,008
Receivables, net:		
Grants	51,732	148,023
Contributions	10,974	3,412
Other	117,164	165,518
Loan interest and fees	72,061	85,303
Current portion of loans receivable	4,111,537	3,018,633
Deposits and prepaid expenses	54,404	48,782
Total Current Assets	11,440,857	10,847,679
Noncurrent Assets: (Notes 2, 7, 8 and 12)		
Loans receivable, net	9,385,373	9,678,663
Loan loss reserve	25,263	18,388
Property and equipment, net	3,676	11,315
Total Noncurrent Assets	9,414,312	9,708,366
TOTAL ASSETS	$ 20,855,169	$ 20,556,045

LIABILITIES AND NET ASSETS

	2021	2020
Current Liabilities: (Notes 2, 9 and 10)		
Accounts payable and accrued expenses	$ 606,421	$ 545,210
Deferred revenue	615,899	416,046
Current portion of notes payable	1,588,268	1,146,106
Total Current Liabilities	2,810,588	2,107,362
Noncurrent Liabilities: (Note 10)		
Notes payable	5,953,408	6,650,000
Less: Current portion	(1,588,268)	(1,146,106)
Total Noncurrent Liabilities	4,365,140	5,503,894
Total Liabilities	7,175,728	7,611,256
Commitments and Contingencies (Notes 12 and 13)		
Net Assets: (Notes 2 and 11)		
Without donor restrictions	13,679,441	11,749,989
With donor restrictions	-	1,194,800
Total Net Assets	13,679,441	12,944,789
TOTAL LIABILITIES AND NET ASSETS	$ 20,855,169	$ 20,556,045

The accompanying notes are an integral part of the financial statements.

ACCESSITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:			
Grants and contributions	$ 2,038,687	$ -	$ 2,038,687
Loan interest and fees	1,303,368	-	1,303,368
Federal awards	499,261	-	499,261
Debts forgiven	352,536	-	352,536
In-kind contributions	75,979	-	75,979
Investment income	3,423	-	3,423
Net assets released from restrictions	1,194,800	(1,194,800)	-
Total Revenue and Support	5,468,054	(1,194,800)	4,273,254
Expenses:			
Program Services	3,176,923	-	3,176,923
Supporting Services:			
Management and general	339,774	-	339,774
Fundraising	21,905	-	21,905
Total Supporting Services	361,679	-	361,679
Total Expenses	3,538,602	-	3,538,602
Change in Net Assets	1,929,452	(1,194,800)	734,652
Net Assets at Beginning of Year	11,749,989	1,194,800	12,944,789
NET ASSETS AT END OF YEAR	$ 13,679,441	$ -	$ 13,679,441

The accompanying notes are an integral part of the financial statements.

ACCESSITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:			
Grants and contributions	$ 3,055,557	$ 1,194,800	$ 4,250,357
Loan interest and fees	1,216,984	-	1,216,984
Federal awards	845,770	-	845,770
In-kind contributions	72,137	-	72,137
Investment income	10,082	-	10,082
Total Revenue and Support	5,200,530	1,194,800	6,395,330
Expenses:			
Program Services	3,053,456	-	3,053,456
Supporting Services:			
Management and general	251,404	-	251,404
Fundraising	25,121	-	25,121
Total Supporting Services	276,525	-	276,525
Total Expenses	3,329,981	-	3,329,981
Change in Net Assets	1,870,549	1,194,800	3,065,349
Net Assets at Beginning of Year	9,879,440	-	9,879,440
NET ASSETS AT END OF YEAR	$ 11,749,989	$ 1,194,800	$ 12,944,789

The accompanying notes are an integral part of the financial statements.

ACCESSITY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Total Supporting Services	Total
Salaries and Related Expenses:					
Staff salaries	$ 2,039,029	$ 153,002	$ 15,079	$ 168,081	$ 2,207,110
Payroll taxes and employee benefits	380,023	28,516	2,810	31,326	411,349
Total Salaries and Related Expenses	2,419,052	181,518	17,889	199,407	2,618,459
Nonsalary Related Expenses:					
Accounting and legal	-	61,923	-	61,923	61,923
Bank fees	20,939	1,571	155	1,726	22,665
Dues and subscriptions	6,940	521	51	572	7,512
Equipment rental	4,902	368	36	404	5,306
Insurance	26,417	1,982	196	2,178	28,595
Interest expense	84,382	-	-	-	84,382
Lending expense	200,590	-	-	-	200,590
Meetings and conferences	1,436	108	10	118	1,554
Mileage, parking and transport	6,133	460	46	506	6,639
Miscellaneous expenses	7,000	525	52	577	7,577
Occupancy	103,953	7,800	769	8,569	112,522
Postage and shipping	7,224	180	51	231	7,455
Printing and copying	3,745	281	28	309	4,054
Provision for loan losses	(14,384)	-	-	-	(14,384)
Public relations and marketing	86,238	68,697	1,066	69,763	156,001
Small equipment	31,142	2,337	230	2,567	33,709
Software expense	109,924	8,248	813	9,061	118,985
Supplies	6,544	491	48	539	7,083
Taxes and licenses	1,161	87	9	96	1,257
Telephone	41,756	1,039	295	1,334	43,090
Training	11,652	874	86	960	12,612
Travel, meals and accommodations	1,265	95	9	104	1,369
Total Nonsalary Related Expenses	748,959	157,587	3,950	161,537	910,496
Total Expenses Before Depreciation	3,168,011	339,105	21,839	360,944	3,528,955
Depreciation	8,912	669	66	735	9,647
TOTAL EXPENSES	$ 3,176,923	$ 339,774	$ 21,905	$ 361,679	$ 3,538,602

The accompanying notes are an integral part of the financial statements.

ACCESSITY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Total Supporting Services	Total
Salaries and Related Expenses:					
Staff salaries	$ 1,762,530	$ 136,613	$ 17,990	$ 154,603	$ 1,917,133
Payroll taxes and employee benefits	320,831	24,868	3,274	28,142	348,973
Total Salaries and Related Expenses	2,083,361	161,481	21,264	182,745	2,266,106
Nonsalary Related Expenses:					
Accounting and legal	-	56,939	-	56,939	56,939
Bank fees	16,689	1,294	170	1,464	18,153
Dues and subscriptions	3,338	259	34	293	3,631
Equipment rental	4,460	346	46	392	4,852
Insurance	24,407	1,892	249	2,141	26,548
Interest expense	85,916	-	-	-	85,916
Lending expense	218,856	-	-	-	218,856
Meetings and conferences	2,733	212	28	240	2,973
Mileage, parking and transport	4,971	385	50	435	5,406
Miscellaneous expenses	5,422	420	55	475	5,897
Occupancy	103,295	8,006	1,054	9,060	112,355
Postage and shipping	4,160	322	43	365	4,525
Printing and copying	2,842	220	29	249	3,091
Provision for loan losses	291,211	-	-	-	291,211
Public relations and marketing	35,028	6,702	395	7,097	42,125
Small equipment	16,101	1,248	164	1,412	17,513
Software expense	90,880	7,044	928	7,972	98,852
Supplies	5,650	438	58	496	6,146
Taxes and licenses	1,154	89	12	101	1,255
Telephone	31,507	2,442	322	2,764	34,271
Training	3,928	304	41	345	4,273
Travel, meals and accommodations	7,529	584	77	661	8,190
Total Nonsalary Related Expenses	960,077	89,146	3,755	92,901	1,052,978
Total Expenses Before Depreciation	3,043,438	250,627	25,019	275,646	3,319,084
Depreciation	10,018	777	102	879	10,897
TOTAL EXPENSES	$ 3,053,456	$ 251,404	$ 25,121	$ 276,525	$ 3,329,981

The accompanying notes are an integral part of the financial statements.

ACCESSITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
Cash Flows From Operating Activities:		
Change in net assets	$ 734,652	$ 3,065,349
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	9,647	10,897
Provision for loan losses	(14,384)	291,211
Debts forgiven	(352,536)	-
(Increase) Decrease in:		
Grants receivable	96,291	(110,254)
Contributions receivable	(7,562)	250,963
Other receivables	48,354	427,085
Loan interest and fees receivable	13,242	(18,617)
Deposits and prepaid expenses	(5,622)	(2,579)
Increase in:		
Accounts payable and accrued expenses	61,211	166,514
Deferred revenue	551,849	416,046
Net Cash Provided by Operating Activities	1,135,142	4,496,615
Cash Flows From Investing Activities:		
Funding of loans receivable	(8,013,400)	(8,554,400)
Repayment of loans receivable	7,204,584	3,439,194
Loan loss reserve funded by lender, net	23,586	69,468
Purchase of property and equipment	(2,008)	-
Net Cash Used in Investing Activities	(787,238)	(5,045,738)
Cash Flows From Financing Activities:		
Proceeds from notes payable	71,600	5,000,000
Payments on notes payable	(767,652)	(250,000)
Net Cash (Used in) Provided by Financing Activities	(696,052)	4,750,000
Net (Decrease) Increase in Cash and Restricted Cash and Cash Equivalents	(348,148)	4,200,877
Cash and Restricted Cash and Cash Equivalents at Beginning of Year	7,396,396	3,195,519
CASH AND RESTRICTED CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 7,048,248	$ 7,396,396
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 22,417	$ 24,889
Supplemental Disclosure of Noncash Cash Flow Information:		
Noncash in-kind interest	$ 59,493	$ 61,027

The accompanying notes are an integral part of the financial statements.

Note 1 - Organization:

Accessity, (the "Organization") is a not-for-profit corporation, incorporated in the State of California on May 31, 1994, and was organized for the primary purpose of creating economic opportunity for low-to-moderate income business owners who lack access to traditional sources of credit in San Diego County, California. The Organization has since expanded service to include Imperial, Los Angeles, Orange, Riverside and San Bernardino Counties in California.

Through business loans (of $300 to $100,000) and support services, the Organization's mission is to open doors of financial opportunity to those historically with less access to capital and business support: entrepreneurs of color, women, immigrant, and low-to-moderate income entrepreneurs, so they can build a prosperous business and livelihood for themselves and their families, while also strengthening our communities. The Organization is primarily funded by contributions from banks, foundations, corporations, government entities, and individuals. The Organization also earns interest and fees on its loan portfolio.

The Organization's license from Accion International was extended through to March 31, 2021, at which time the Organization rebranded changing its legal name from Accion San Diego to Accessity. The Organization's independent 501(c)(3) status, Employer Identification Number (EIN), mission, staff and board leadership, as well as locations and phone numbers remain the same. The website was updated to www.accessity.org.

Note 2 - Significant Accounting Policies:

Accounting Method

The financial statements of the Organization have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes thereon are classified and reported as follows:

- Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

- Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Note 2 - Significant Accounting Policies: (Continued)

Estimates

The preparation of 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties

The Organization may invest in various types of investment securities which are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statements of financial position.

Fair Value Measurements

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). The Organization had no financial instruments measured at fair value at December 31, 2021 and 2020.

Allowance for Doubtful Accounts

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding receivables. Management believes that all contributions, grants, and other receivables were fully collectible; therefore, no allowance for doubtful accounts receivable was recorded at December 31, 2021 and 2020.

Note 2 - Significant Accounting Policies: (Continued)

Loans Receivable

Loans receivable are recorded at unpaid principal balances, less an allowance for loan losses. Interest on loans may range from 1% to 19% and is recognized as income based on the daily principal amount outstanding. A loan is considered delinquent when a payment is not made on or before the scheduled due date and is placed on nonaccrual status after 90 days. There were 11 and 16 loans on nonaccrual status at December 31, 2021 and 2020, respectively. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received. An allowance for loan losses is maintained to absorb potential losses inherent in the loan portfolio. When all or a portion of a loan balance reaches 180 days delinquent, it is deemed uncollectible, and the remaining loan balance is charged off to the allowance for loan losses. Recoveries of loans previously charged off are credited to the allowance for loan losses. The provision for loan losses charged to expense is determined monthly based on past delinquency, write-off trends and loan loss guarantee program coverage in place. Collateral is secured based on the particular loan profile. Generally, collateral on loans will cover a portion of the loan balance only. Impaired loans are recorded at unpaid principal balances, net of an allowance for uncollectible balances, which approximate the present value of the expected future cash flows. For loans that are considered impaired, the provision for loan losses charged to expense is determined monthly based on past delinquency and write-off trends. The interest income on an impaired loan is recognized in the same manner as noted above.

Management evaluates loans for credit quality monthly, but more frequently if certain circumstances occur, such as material new information which becomes available and indicates a potential change in credit risk. Credit quality is based on the aging status of the loan and by payment activity.

The allowance for loan losses is increased by charges to income and decreased by charge-offs, net of recoveries. Loan losses are charged against the allowance (charge-offs) when management believes the uncollectibility of a loan balance is confirmed. Repossessed collateral is reported at net realizable value on or soon after acquisition based on an evaluation completed on the collateral. Management's periodic evaluation of the adequacy of the allowance is based on the Organization's past and current loan-loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay and current economic conditions.

The provision for loan losses in the statements of activities totaling $(14,384) and $291,211 for the years ended December 31, 2021 and 2020, respectively, results from the combination of an estimate by management of loan losses that occurred during the current period and the ongoing adjustment of prior estimates of losses occurring in prior periods. Because of these factors, it is reasonably possible that the allowance for losses on loans may change materially in the near term. While management uses available information to recognize losses on loans, future additions to the allowances may be necessary based on changes in local economic conditions.

Accrual of interest on a loan is discontinued when management believes that the borrower's financial condition is such that collection of interest is doubtful. Uncollectible interest previously accrued is charged-off by means of a charge to interest income. Income is subsequently recognized only to the extent cash payments are received until, in management's judgment, the borrower's ability to make periodic interest and principal payments is back to normal, in which case the loan is returned to accrual status.

Note 2 - Significant Accounting Policies: (Continued)

Loans Receivable (Continued)

Loans that have been modified and economic concessions that have been granted to borrowers who have experienced financial difficulties are considered a troubled debt restructuring (TDR). These concessions typically would result from the Organization's loss mitigation activities and may include suspension of interest, payment extensions, forgiveness of principal, forbearance, and other actions. Specifically, loans are considered TDR's when, in order to stay current on loan payments, a borrower has needed one payment extension of longer than three months duration, or two payment extensions of three months duration in the life of the loan. If these clients perform pursuant to the modified terms, the loans may be placed back on accrual status, but they will still be reported as TDR's. After a loan is restructured once, it may not be modified again. Total TDR's outstanding were $2,013,176 and $3,628,830 at December 31, 2021 and 2020, respectively. The specific valuation allowance for these TDR's has been calculated based on the reserve factor as calculated by management in the evaluation of the allowance for loan losses. Included within the allowance for loan losses was $241,433 and $287,718 related to TDR's at December 31, 2021 and 2020, respectively.

When the Organization modifies loans in a TDR, it evaluates any possible impairment similar to other impaired loans based on the present value of expected future cash flows, discounted at the contractual interest rate of the original loan agreement. If the Organization determines that the value of the modified loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount), impairment is recognized through an allowance estimate or a charge-off to the allowance. In periods subsequent to modification, the Organization evaluates TDR's, including those that have payment defaults, for possible impairment and recognizes impairment through the allowance.

Loan Loss Reserve

The Organization participates in a program to establish a cash reserve to be used to cover loan losses for enrolled loans. Deposits to the reserve are received from the Organization and the State of California. The portion of deposits received from the State of California are refundable to California Capital Access Program (CalCAP) if the program is terminated and excess deposits remain in the reserve account. The Organization has recorded a loan loss reserve equal to the portion non-refundable to the State of California. The loan loss reserve totaled $25,263 and $18,388 at December 31, 2021 and 2020, respectively.

Capitalization and Depreciation

The Organization capitalizes all expenditures in excess of $2,000 for property and equipment at cost, while donations of property and equipment are recorded at their estimated fair values. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Note 2 - Significant Accounting Policies: (Continued)

Capitalization and Depreciation (Continued)

Property and equipment are depreciated using the straight-line method over the estimated useful asset lives as follows:

Leasehold improvements	10 years
Computer software	3 years
Computer equipment	3 years
Furniture and equipment	3 years

Depreciation totaled $9,647 and $10,897 for the years ended December 31, 2021 and 2020, respectively.

Maintenance and repairs are charged to operations as incurred. Upon sale or disposition of property or equipment, the asset account is reduced by the cost and the accumulated depreciation account is reduced by the depreciation taken prior to the sale. Any resultant gain or loss is then recorded as income or expense.

Compensated Absences

Accumulated unpaid paid time off (PTO) totaling $186,224 and $156,932 at December 31, 2021 and 2020, respectively, is accrued when incurred and included in incentive and PTO payable as a component of accounts payable and accrued expenses.

Revenue Recognition

Grants and contributions are recognized when the donor makes a promise to give to the Organization that is in substance, unconditional. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions are recorded as without donor restriction or with donor restriction depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When the stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restrictions. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Federal grant awards are recognized in the period in which the related work is performed in accordance with the terms of the grant award. Grants receivable are recorded when revenue earned under a grant award exceeds the cash received. Deferred revenue is recorded when cash received under a grant award exceeds the revenue earned.

Loan Origination Fees

Accessity prepares an annual assessment of its origination fee income and the cost associated with the originated loans to evaluate whether the capitalization and amortization of these fees are material to the financial statements. The net amount of deferred origination fees, if any, would be reported as part of the loans receivable balance. For the years ended December 31, 2021 and 2020, Accessity did not defer any origination fees because they were immaterial to the financial statements taken as a whole.

Note 2 - Significant Accounting Policies: (Continued)

Donated Services, Facilities and Below Market Interest

The Organization has received donations for professional services, supplies and below market rent and interest. The professional services and supplies are recorded at their fair value. The Organization recorded in-kind contributions, as well as rent and interest expense using the difference between the actual rent or interest rate charged and the fair value of the rent or loan interest rate. Donated services, facilities, and below market interest totaled $75,979 and $72,137 for the years ended December 31, 2021 and 2020, respectively, and have been reported as in-kind contributions and expenses.

	2021	2020
Below market interest on notes payable	$ 59,493	$ 61,027
Donated other services	5,914	5,671
In-kind rent	5,775	-
Donated workshop presenter services	4,747	425
Gift certificates	50	-
Donated legal services	-	5,014
Total In-Kind Contributions	$ 75,979	$ 72,137

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization with programs and various assignments. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The donated services by volunteers for the years ended December 31, 2021 and 2020, did not meet the requirements above, therefore no amounts were recognized in the financial statements for volunteer time.

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among its various programs and supporting services. Expenditures which can be identified with a specific program or support services are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records, space utilized and estimates made by the Organization's management.

Income Taxes

The Organization is a public charity and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization is not a private foundation.

The Organization's Return of Organization Exempt from Income Tax for the years ended December 31, 2021, 2020, 2019 and 2018 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three to four years after the returns were filed.

Note 2 - Significant Accounting Policies: (Continued)

Concentrations

The Organization maintains its cash in bank deposit accounts and money market funds which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

The Organization provides micro lending to qualifying small business entities in several counties in Southern California. The Organization considers this a geographic concentration potentially subject to risk. Additionally, financial instruments that potentially subject the Organization to credit risk are primarily loans receivable.

Cash and Restricted Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Certificates of deposits that may be redeemed without a significant penalty are considered cash and cash equivalents regardless of the maturity. The following is a reconciliation of cash and restricted cash and cash equivalents reported within the statements of financial position that sum to the total in the statements of cash flows at December 31:

	2021	2020
Cash and money market funds	$ 6,765,133	$ 6,862,650
Certificate of deposit	257,852	515,358
Cash and Cash Equivalents	7,022,985	7,378,008
Loan loss reserve	25,263	18,388
Total Cash and Restricted Cash and Cash Equivalents	$ 7,048,248	$ 7,396,396

The certificate of deposit bears interest at an annual rate of 0.35% and matures August 2022. Upon maturity, the certificate of deposit will be rolled to a money market account.

Subsequent Events

The Organization has evaluated subsequent events through June 27, 2022, which is the date the financial statements are available for issuance, and concluded that there were no events or transactions that needed to be disclosed.

Note 3 - Liquidity and Availability:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2021	2020
Financial assets at year-end:		
Cash and cash equivalents	$ 7,022,985	$ 7,378,008
Receivables, net - current	4,363,468	3,420,889
Less: Cash and cash equivalents held for donor - specified purposes	-	(1,194,800)
Cash and cash equivalents held for loan reserve	(152,125)	(91,702)
Financial assets available to meet cash needs for general expenditures within one year	$ 11,234,328	$ 9,512,395

As part of the liquidity management plan of the Organization, cash in excess of daily requirements are invested in short-term certificates of deposit and money market funds.

Note 4 - Grants Receivable:

Grants receivable consist of the following at December 31:

	2021	2020
City of San Diego - Community Development Block Grant	$ 51,732	$ 98,023
Accion U.S. Network	-	50,000
Total Grants Receivable	$ 51,732	$ 148,023

Note 5 - Contributions Receivable:

Contributions receivable consists of the following at December 31:

	2021	2020
Due in less than one year	$ 10,974	$ 3,412

Note 6 - Other Receivables:

Other receivables consist of the receivables from sold loans and loan loss recoveries requested but not received and totaled $117,164 and $165,518 at December 31, 2021 and 2020, respectively.

Note 7 - Loans Receivable:

Loans receivable were funded from various sources and consist of the following at December 31:

Funding Source	Interest Rates	2021	2020
Accessity	1.00% - 18.00%	$ 5,132,806	$ 4,672,611
San Diego County	1.00%	3,940,415	4,477,640
Wells Fargo Bank	2.99% - 18.99%	2,064,170	963,433
Community Development Financial Institution	3.99% - 18.99%	998,671	1,097,958
Comerica Bank	3.99% - 18.99%	974,782	936,388
Pacific Premier Bank	3.99% - 18.00%	487,708	491,234
Civic San Diego	3.99% - 18.00%	183,434	361,642
Private sources	3.99% - 18.99%	137,897	95,449
Torrey Pines Bank	3.99% - 15.00%	39,971	31,677
Jacobs Foundation	3.99% - 12.00%	39,047	48,434
California Bank and Trust	15.5% - 18.00%	8,727	7,962
Total Loans Receivable		14,007,628	13,184,428
Less: Allowance for loan losses		(510,718)	(487,132)
Loans receivable, net		13,496,910	12,697,296
Less: Current portion of loans receivable		(4,111,537)	(3,018,633)
Loans Receivable, Noncurrent		$ 9,385,373	$ 9,678,663

The activity in the allowance for loan losses consisted of the following for the years ended December 31:

	2021	2020
Balance at Beginning of Year	$ 487,132	$ 408,457
Recoveries	174,708	125,874
Loan loss reserve (used) funded by lender	23,586	69,468
Provision for loan losses	(14,384)	291,211
Loans charged off	(160,324)	(407,878)
Balance at End of Year	$ 510,718	$ 487,132

The Organization has secured guarantee agreements that limit its risk of loan loss on certain loans. Of the loans charged off reflected in the table above, $107,871 and $223,112 for the years ended December 31, 2021 and 2020, respectively, were covered by these agreements (Note 12).

The following tables present the aging for loans receivable and the status of interest accruals at December 31:

2021							
	Past Due					Total	
Current	1-30 Days	31-60 Days	61-90 Days	91-120 Days	>120 Days	Past Due	Balance
$ 13,529,368	$ 300,499	$ 70,688	$ 9,863	$ 77,210	$ 20,000	$ 478,260	$ 14,007,628

Note 7 - Loans Receivable: (Continued)

2020							
		Past Due				Total	
Current	1-30 Days	31-60 Days	61-90 Days	91-120 Days	>120 Days	Past Due	Balance
$ 12,817,478	$ 202,396	$ 40,745	$ 9,840	$ 59,355	$ 54,614	$ 164,554	$ 13,184,428

2021			2020		
	Status of Interest Accruals			Status of Interest Accruals	
Total Loans Receivable	Total Loans Receivable on Nonaccrual Status	Loans Receivable Past Due > 120 Days and Still Accruing Interest	Total Loans Receivable	Total Loans Receivable on Nonaccrual Status	Loans Receivable Past Due > 120 Days and Still Accruing Interest
$ 14,007,628	$ 176,913	$ -	$ 13,184,428	$ 150,345	$ -

The Organization sold loans to Pacific Mercantile Bank in previous years. The loans are excluded from the Organization's loan portfolio, but the Organization continues to service the borrowers and remits all principal and interest collections to the buyer. As of December 31, 2021 and 2020, the principal balance of the sold loans totaled $2,415 and $26,093, respectively.

Note 8 - Property and Equipment:

Property and equipment consist of the following at December 31:

	2021	2020
Leasehold improvements	$ 70,421	$ 70,421
Computer software	43,484	43,484
Computer equipment	19,147	17,139
Furniture and equipment	7,092	7,092
Subtotal	140,144	138,136
Less: Accumulated depreciation	(136,468)	(126,821)
Property and Equipment, Net	$ 3,676	$ 11,315

Note 9 - Deferred Revenue:

During the year ended December 31, 2020 the Organization received a conditional award from the Community Development Financial Institution Program (CDFI) totaling $714,000. This award is conditioned upon the Organization funding loans to specific target markets that are either lower income or lacking access to financial products. In addition, the Organization must meet certain lending benchmarks annually. The Organization recognized revenue under the award when the conditions on which it depends had been met. The Organization recognized revenue from the award totaling $64,050 and $649,950 for the years ended December 31, 2021 and 2020, respectively which is included in Federal awards.

Note 9 - Deferred Revenue: (Continued)

During the year ended December 31, 2021, the Organization received a conditional award from CDFI totaling $1,826,265 with $913,132 to be requested in the future as the conditions of the grant are met which include meeting certain lending benchmarks. As required by the grant, $50,000 was used to fund loan loss reserves. The Organization recognized revenue from the award totaling $247,234 which is included in federal awards. Deferred revenue under the grant totaled $615,899 at December 31, 2021.

In response to the pandemic, the Organization applied for and received a loan, at 1% interest, from the Small Business Administration in the amount of $351,996 under the Paycheck Protection Program (PPP). The loan and accrued interest are forgivable after 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The Organization satisfied the terms and conditions of forgiveness of the PPP loan, and recognized the amount received as revenue included in debts forgiven during the year ended December 31, 2021, when forgiveness was granted by the lender.

Deferred revenue consists of the following at December 31:

	2021	2020
CDFI grant	$ 615,899	$ 64,050
Payroll protection program loan	-	351,996
Total Deferred Revenue	$ 615,899	$ 416,046

Note 10 - Notes Payable:

Notes payable consist of the following at December 31:

	2021	2020
Unsecured note payable to the San Diego Foundation. The note bears no interest, with quarterly payments equal to the total amount of collections on the business loans granted by the Organization using the proceeds from the note payable. The outstanding principal balance will also be reduced by uncollected amounts on such business loans not to exceed 5% of the original principal amount. Any remaining balance will be due at maturity, December 31, 2025.	$ 4,303,408	$ 5,000,000
Unsecured note payable to Wells Fargo Community Development Corporation. The note bears interest at a fixed rate of 2% of the outstanding balance annually, with interest only payments due quarterly. All outstanding principal and any accrued but unpaid interest will be due at maturity November 16, 2025. The note terms can be extended two additional years at a modified interest rate.	750,000	750,000
Unsecured note payable to Pacific Premier Bank. The note bears interest at a fixed rate of 2% of the outstanding balance annually, with interest payments due quarterly. All outstanding principal and any accrued but unpaid interest will be due at maturity, December 31, 2029. The note terms can be extended five additional years at a modified interest rate.	500,000	500,000

Note 10 - Notes Payable: (Continued)

	2021	2020
Unsecured note payable to Civic San Diego. The note bears no interest. The outstanding principal balance will be due at maturity, January 10, 2022, and was paid in full subsequent to year end.	$ 400,000	$ 400,000
Total Notes Payable	$ 5,953,408	$ 6,650,000

As of December 31, 2021 and 2020, accrued interest on notes payable totaled $3,722 and $1,250, respectively and is included in accounts payable and accrued expenses.

Future principal payments on notes payable are as follows:

Years Ended December 31	
2022	$ 1,588,268
2023	1,231,329
2024	1,080,156
2025	1,553,655
2026	-
Thereafter	500,000
	$ 5,953,408

Note 11 - Net Assets With Donor Restrictions:

Net assets with donor restrictions represent contributions received or receivable by the Organization, which are limited in their use by time or donor-imposed restrictions. Net assets with donor restrictions are available for the following purposes at December 31:

	2021	2020
Subject to Expenditure for Specified Purpose:		
Loan participation	$ -	$ 1,194,800
Total Net Assets With Donor Restrictions	$ -	$ 1,194,800

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by the donors are as follows for the years ended December 31:

	2021	2020
Purpose Restrictions Accomplished:		
Loan participation	$ 1,194,800	$ -

Note 12 - Loan Guarantee and Reserve Programs:

The Organization participates in the Nor-Cal Financial Development Corporation (FDC), the California Southern FDC, the California Southern FDC Disaster loss guarantee program and the California CAP loan loss reserve program. These programs provide loan loss recoveries between 80% and 100% on enrolled loans depending on the characteristics of the loan and the program. The total balance covered by loan guarantee and reserve programs is reduced by the total loans sold but serviced to arrive at the total loans receivable as of December 31, 2021 and 2020, respectively. The following summarizes, by program, the loan balances and the related loan loss guarantees or reserves:

Nor-Cal FDC

The Organization participates in the Nor-Cal FDC loan loss guarantee program which guarantees loans up to 80% of the loan balance at the time of the loss claim, with no minimum dollar exposure and a maximum dollar exposure of $50 million, and a maximum term of seven years. A guarantee fee of 2.5% ($300 minimum) is charged to the client in addition to a $250 application fee. If a loan defaults, Accessity can use the loan guarantee to recover the loss, up to the guarantee percentage of the loan loss, at the time of claim. Minimum loan amount to qualify for this program is $25,000.

The following summarizes the number of loans, the loan balance and the related loan guarantee as of and for the years ended December 31:

	2021	2020
Number of Loans	149	105
Loan Balance	$ 4,177,712	$ 2,759,683
Loan Guarantee	$ 3,342,170	$ 2,167,746

California Southern FDC

The Organization participates in California Southern FDC loan loss guarantee program which guarantees loans up to 80% of the loan balance at the time of the loss claim, with no minimum dollar exposure, a maximum dollar exposure of $50 million and a maximum term of seven years. A guarantee fee of 2.5% ($300 minimum) is charged to the client in addition to a $250 application fee. If a loan defaults the Organization can use the loan guarantee to recover the loss up to the guarantee percentage of the loan loss at the time of the claim. Minimum loan amount to qualify for this program is $25,000.

Note 12 - Loan Guarantee and Reserve Programs: (Continued)

California Southern FDC (Continued)

The following summarizes the number of loans, the loan balance and the related loan guarantee as of and for the years ended December 31:

	2021	2020
Number of Loans	89	70
Loan Balance	$ 2,370,814	$ 2,108,339
Loan Guarantee	$ 1,896,652	$ 1,667,346

This is the minimum guaranteed amount of coverage. The actual guaranteed percent coverage varies by loan within the portfolio, and therefore the actual dollar amount covered by guarantee may exceed the minimum guaranteed amount.

California Southern FDC Disaster Loss Guarantee Program

In 2020, the Organization began participation in the California Southern FDC Disaster Loss Guarantee Program in response to COVID-19 which provided 95% guarantees on loans to businesses that had been negatively impacted as a result of the pandemic. If a loan defaults, the Organization can use the guarantee to recover the loss at 95% of the loan loss at the time of the claim.

The following summarizes the number of loans, the loan balance and the related loan guarantee as of and for the years ended December 31:

	2021	2020
Number of Loans	373	230
Loan Balance	$ 8,117,560	$ 7,042,174
Loan Guarantee	$ 7,711,682	$ 6,690,065

Note 12 - Loan Guarantee and Reserve Programs: (Continued)

California Capital Access Program (CalCAP)

The Organization participates in the CalCAP loan loss reserve program which guarantees certain loan defaults up to 100% of the loan balance at the time of the loss. By participating in CalCAP's program, the Organization has mitigated the risk of losses to the portfolio. Premiums are paid into the portfolio loss reserve account (2% by Accessity, 2% by the borrower). CalCAP then adds 100% of the lender (Accessity) premium (2%) to the reserve account. If a covered loan defaults, the Organization has the option to draw funds from this reserve to cover the loss or the funds can remain in the reserve account for future needs. The Organization does not record the CalCAP amount until the funds are drawn down due to the recapture component described in the next paragraph. Minimum loan amount to qualify for this program is $5,001.

There is a recapture component to the program in which CalCAP has the right to recapture the amount they contributed (2% match) upon maturity of the loan or 5 years after enrollment (whichever comes first). CalCAP limits the amount of annual recapture to ensure that the balance remaining in the Loss Reserve Account immediately following recapture is greater than the minimum threshold set as a percentage of the outstanding principal balance of loans enrolled in the 60 months prior to each annual recapture. Beginning in 2022, the minimum threshold shall be ten percent (10%) The annual recapture was $-0- for the years ended December 31, 2021 and 2020, respectively given this threshold minimum.

The following summarizes the number of loans, the loan balance and the related loan loss reserve as of and for the years ended December 31:

	2021	2020
Number of Loans	116	182
Loan Balance	$ 595,642	$ 1,058,006
Loan Loss Reserve	$ 39,955	$ 24,167

Note 13 - Commitments and Contingency:

Lease Obligations

The Organization leases office space under an operating lease that expires January 31, 2023. The monthly rental amount is $7,972 with annual increase of 3% until the end of lease, January 31, 2023. Occupancy expense, including common area maintenance charges, totaled $112,522 and $112,355 for the years ended December 31, 2021 and 2020, respectively.

In addition, the Organization leases a digital copier and a postage machine through May 2025. Equipment rental, including maintenance charges, totaled $5,306 and $4,852 for the years ended December 31, 2021 and 2020, respectively, and are included under equipment rental.

Note 13 - Commitments and Contingency: (Continued)

Lease Obligations (Continued)

The following is a schedule of the future minimum lease payments under the leases:

Years Ended December 31	Office Space	Equipment	Total
2022	$ 101,244	$ 4,728	$ 105,972
2023	8,457	4,728	13,185
2024	-	4,728	4,728
2025	-	1,805	1,805
Total	$ 109,701	$ 15,989	$ 125,690

Retirement Plan

The Organization offers eligible employees the opportunity for participation in a 403(b) retirement plan. Employees may contribute to the Plan up to the maximum amount allowed by the Internal Revenue Code. The Organization contributes a matching contribution equal to 3% of compensation. The Organization contributed $57,948 and $44,875 to the Plan for the years ended December 31, 2021 and 2020 and is included in payroll taxes and employees benefits in the statements of functional expenses.

Grants

Expenditures under grant programs may be subject to program or compliance audits by the grantor which may result in disallowed program expenditures. The Organization is not aware of any such audits in progress at December 31, 2021 and 2020.

Coronavirus Pandemic Contingency

On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, the state of California declared a state of emergency on March 3, 2020 and received federal Major Disaster Declaration on March 22, 2020. It is anticipated that these impacts will continue for some time. The potential impacts to the Organization include redeployment of staff to work remotely. Their ability to work remotely has allowed for the continuation of lending, servicing and other program services.

As a result of the COVID-19 pandemic, the Organization provided existing loan accommodations, the majority of those borrowers have since resumed payment. In addition, the Organization developed and deployed a significant amount of Covid Relief loans (373 loans and $8,117,560), described in Note 12, FDC Disaster Loss Guarantee Program, which has continued. It is anticipated that macroenvironment impacts could remain for some time with unknown duration and could affect future performance of the portfolio or the Organization’s operating costs. As a result, the Organization is unable to determine or predict exact overall impact that these events will have on operations, liquidity, or capital resources.