ACCESSITY

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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

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Independent Auditor's Report

To the Board of Directors
Accessity

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Accessity (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, 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, 2022 and 2021, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 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.

2810 Camino Del Rio South, Suite 200, San Diego, California 92108-3820
619.294.7200, 619.294.7077 fax, www.leaf-cole.com, leafcole@leaf-cole.com

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 and *Government 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 and *Government 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2023, on our consideration of Accessity's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Accessity's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Accessity's internal control over financial reporting and compliance.

Change in Accounting Principle

As described in Note 2 to the financial statements, Accessity adopted accounting standards changes related to accounting for and disclosing leasing arrangements. Our opinion is not modified with respect to this matter.

Leaf & Cole LLP

San Diego, California
June 21, 2023

ACCESSITY
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

ASSETS

	2022	2021
Current Assets: (Notes 2, 3, 4, 5, 6, 7 and 12)		
Cash and cash equivalents	$ 5,435,577	$ 7,022,985
Receivables, net:		
Grants	50,624	51,732
Contributions	114,214	10,974
Other	125,794	117,164
Loan interest and fees	102,515	72,061
Current portion of loans receivable	4,340,941	4,111,537
Deposits and prepaid expenses	65,979	54,404
Total Current Assets	10,235,644	11,440,857
Noncurrent Assets: (Notes 2, 7, 8, 12 and 13)		
Loans receivable, net	9,917,775	9,385,373
Loan loss reserve	16,640	25,263
Property and equipment, net	17,246	3,676
Operating lease right-of-use assets, net	218,089	-
Total Noncurrent Assets	10,169,750	9,414,312
TOTAL ASSETS	$ 20,405,394	$ 20,855,169

LIABILITIES AND NET ASSETS

	2022	2021
Current Liabilities: (Notes 2, 9, 10 and 13)		
Accounts payable and accrued expenses	$ 591,944	$ 606,421
Deferred revenue	280,097	615,899
Current portion of operating lease liabilities	104,698	-
Current portion of notes payable	970,479	1,588,268
Total Current Liabilities	1,947,218	2,810,588
Noncurrent Liabilities: (Notes 10 and 13)		
Long-term portion of operating lease liabilities	119,565	-
Notes payable	4,025,246	5,953,408
Less: Current portion	(970,479)	(1,588,268)
Total Noncurrent Liabilities	3,174,332	4,365,140
Total Liabilities	5,121,550	7,175,728
Commitments and Contingencies (Notes 12 and 13)		
Net Assets: (Notes 2 and 11)		
Without donor restrictions	14,759,392	13,679,441
With donor restrictions	524,452	-
Total Net Assets	15,283,844	13,679,441
TOTAL LIABILITIES AND NET ASSETS	$ 20,405,394	$ 20,855,169

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

ACCESSITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:			
Federal awards	$ 1,597,185	$ 436,174	$ 2,033,359
Loan interest and fees	1,635,295	-	1,635,295
Grants and contributions	356,758	1,257,065	1,613,823
In-kind contributions	59,563	-	59,563
Investment income	10,818	-	10,818
Debts forgiven	2,342	-	2,342
Net assets released from restrictions	1,168,787	(1,168,787)	-
Total Revenue and Support	4,830,748	524,452	5,355,200
Expenses:			
Program Services	3,358,444	-	3,358,444
Supporting Services:			
Management and general	369,481	-	369,481
Fundraising	22,872	-	22,872
Total Supporting Services	392,353	-	392,353
Total Expenses	3,750,797	-	3,750,797
Change in Net Assets	1,079,951	524,452	1,604,403
Net Assets at Beginning of Year	13,679,441	-	13,679,441
NET ASSETS AT END OF YEAR	$ 14,759,392	$ 524,452	$ 15,283,844

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:			
Federal awards	$ 499,261	$ -	$ 499,261
Loan interest and fees	1,303,368	-	1,303,368
Grants and contributions	2,038,687	-	2,038,687
In-kind contributions	75,979	-	75,979
Investment income	3,423	-	3,423
Debts forgiven	352,536	-	352,536
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	3,131,655	-	3,131,655
Supporting Services:			
Management and general	385,068	-	385,068
Fundraising	21,879	-	21,879
Total Supporting Services	406,947	-	406,947
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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Total Supporting Services	Total
Salaries and Related Expenses:					
Staff salaries	$ 2,231,775	$ 167,465	$ 16,505	$ 183,970	$ 2,415,745
Payroll taxes and employee benefits	439,572	32,984	3,251	36,235	475,807
Total Salaries and Related Expenses	2,671,347	200,449	19,756	220,205	2,891,552
Nonsalary Related Expenses:					
Accounting and legal	-	69,089	-	69,089	69,089
Bank fees	21,314	1,599	158	1,757	23,071
Dues and subscriptions	4,807	361	35	396	5,203
Equipment rental	5,367	403	39	442	5,809
Insurance	31,729	2,381	235	2,616	34,345
Interest expense	66,452	-	-	-	66,452
Lease expense	43,787	68,294	-	68,294	112,081
Lending expense	281,815	-	-	-	281,815
Meetings and conferences	6,989	524	52	576	7,565
Mileage, parking and transport	11,696	878	86	964	12,660
Miscellaneous expenses	8,207	616	57	673	8,880
Occupancy	14,492	1,087	108	1,195	15,687
Postage and shipping	4,000	300	30	330	4,330
Printing and copying	1,234	93	9	102	1,336
Provision for loan losses	(126,731)	-	-	-	(126,731)
Public relations and marketing	88,460	6,638	654	7,292	95,752
Small equipment	7,907	593	59	652	8,559
Software expense	134,111	10,063	992	11,055	145,166
Supplies	3,027	227	23	250	3,277
Taxes and licenses	1,442	108	11	119	1,561
Telephone	36,896	2,769	272	3,041	39,937
Training	12,095	908	89	997	13,092
Travel, meals and accommodations	24,299	1,823	180	2,003	26,302
Total Nonsalary Related Expenses	683,395	168,754	3,089	171,843	855,238
Total Expenses Before Depreciation	3,354,742	369,203	22,845	392,048	3,746,790
Depreciation	3,702	278	27	305	4,007
TOTAL EXPENSES	$ 3,358,444	$ 369,481	$ 22,872	$ 392,353	$ 3,750,797

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	588	83	9	92	680
Insurance	26,417	1,982	196	2,178	28,595
Interest expense	84,382	-	-	-	84,382
Lease expense	54,731	50,214	-	50,214	104,945
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	53	578	7,578
Occupancy	8,268	3,165	769	3,934	12,202
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	703,691	202,881	3,924	206,805	910,496
Total Expenses Before Depreciation	3,122,743	384,399	21,813	406,212	3,528,955
Depreciation	8,912	669	66	735	9,647
TOTAL EXPENSES	$ 3,131,655	$ 385,068	$ 21,879	$ 406,947	$ 3,538,602

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

ACCESSITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

		2022		2021
Cash Flows From Operating Activities:				
Change in net assets	$	1,604,403	$	734,652
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation		4,007		9,647
Provision for loan losses		(126,731)		(14,384)
Debts forgiven		(2,342)		(352,536)
(Increase) Decrease in:				
Grants receivable		1,108		96,291
Contributions receivable		(103,240)		(7,562)
Other receivables		(8,630)		48,354
Loan interest and fees receivable		(30,454)		13,242
Deposits and prepaid expenses		(11,575)		(5,622)
Operating lease right-of-use assets, net		(218,089)		-
Increase (Decrease) in:				
Accounts payable and accrued expenses		(14,477)		61,211
Deferred revenue		(335,802)		551,849
Operating lease liabilities		224,263		-
Net Cash Provided by Operating Activities		982,441		1,135,142
Cash Flows From Investing Activities:				
Funding of loans receivable		(9,141,881)		(8,013,400)
Repayment and sales of loans receivable		8,674,247		7,204,584
(Decrease) Increase in loan loss reserve funded by lender, net		(167,441)		23,586
Purchase of property and equipment		(17,577)		(2,008)
Net Cash Used in Investing Activities		(652,652)		(787,238)
Cash Flows From Financing Activities:				
Proceeds from notes payable		-		71,600
Payments on notes payable		(1,925,820)		(767,652)
Net Cash Used in Financing Activities		(1,925,820)		(696,052)
Net Decrease in Cash and Restricted Cash and Cash Equivalents		(1,596,031)		(348,148)
Cash and Restricted Cash and Cash Equivalents at Beginning of Year		7,048,248		7,396,396
CASH AND RESTRICTED CASH AND CASH EQUIVALENTS AT END OF YEAR	$	5,452,217	$	7,048,248
Supplemental Disclosure of Cash Flow Information:				
Cash paid for interest	$	24,944	$	22,417
Cash paid for amounts included in the measurement of lease liabilities	$	105,906	$	-
Supplemental Disclosure of Noncash Cash Flow Information:				
Noncash in-kind contribution of goods and services	$	59,563	$	75,979
Operating right-of-use assets upon ASC 842 implementation	$	318,788	$	-
Operating right-of-use assets after ASC 842 implementation	$	1,189	$	-

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, 2022 and 2021.

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, 2022 and 2021.

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 1.00% to 18.99% 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 6 and 11 loans on nonaccrual status at December 31, 2022 and 2021, 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 $(126,731) and $(14,384) for the years ended December 31, 2022 and 2021, 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 $704,676 and $2,013,176 at December 31, 2022 and 2021, 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 $68,884 and $241,433 related to TDR's at December 31, 2022 and 2021, 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 $16,640 and $25,263 at December 31, 2022 and 2021, 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 $4,007 and $9,647 for the years ended December 31, 2022 and 2021, 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 $220,269 and $186,224 at December 31, 2022 and 2021, 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, 2022 and 2021, 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 are recorded at their fair value based upon the rates normally charged by the provider. The Organization recorded in-kind contributions, of 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 using publicly available information. Donated services, facilities, and below market interest totaled $59,563 and $75,979 for the years ended December 31, 2022 and 2021, respectively, and have been reported as in-kind contributions and expenses and were used to support the Organization's program services.

	2022	2021
Below market interest on notes payable	$ 41,480	$ 59,493
Donated workshop presenter services	10,143	4,747
Donated other services	3,288	5,914
In-kind rent	3,075	5,775
Donated legal services	1,577	-
Gift certificates	-	50
Total In-Kind Contributions	$ 59,563	$ 75,979

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, 2022 and 2021, 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, 2022, 2021, 2020 and 2019 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.

Operating Leases

The Organization entered into office and equipment leases (Note 13). Pursuant to the guidance for accounting for leases, the Organization accounts for the leases as operating leases.

The Organization determines if an arrangement is a lease at inception. An arrangement is a lease if the arrangement conveys a right to direct the use of and to obtain substantially all of the economic benefits from the use of an asset for a period of time in exchange for consideration.

Operating lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Organization uses the risk-free rate in determining the present value of lease payments.

The operating lease right-of-use asset also included any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. The lease agreements do not contain any material residual value guarantees or material restrictive covenants. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

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:

	2022	2021
Cash and money market funds	$ 5,435,577	$ 6,765,133
Certificate of deposit	-	257,852
Cash and Cash Equivalents	5,435,577	7,022,985
Loan loss reserve	16,640	25,263
Total Cash and Restricted Cash and Cash Equivalents	$ 5,452,217	$ 7,048,248

Note 2 - Significant Accounting Policies: (Continued)

Cash and Restricted Cash and Cash Equivalents (Continued)

The certificate of deposit earned interest at an annual rate of 0.35% and matured August 2022. Upon maturity, the certificate of deposit was rolled into a money market account.

Accounting Pronouncements Adopted

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification *("ASC") 842, Leases ("FASB ASC 842")* to increase transparency and comparability among organizations by requiring the recognition of lease assets and lease liabilities on the statement of financial position by lessees and the disclosures of key information about leasing arrangements.

FASB ASC 842 was adopted January 1, 2022 with certain practical expedients available. The Organization adopted this guidance Accounting Standards Codification (ASC) 842 in 2022 using the effective date transition method which allows the Organization to apply the guidance for the current year presentation and not adjust the prior year numbers. The Organization elected the package of practical expedients that allows an entity to not reassess (i) whether any expired or existing contracts are or contain leases, (ii) lease classification for any expired or existing leases and (iii) initial direct costs for any expired or existing leases. The Organization did not elect to use hindsight for leases existing at the adoption date.

As a result of the adoption of FASB ASV 842 on January 1, 2022, right-of-use assets of $318,788 and operating lease liabilities of $325,587 were recorded.

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. ASU 2020-07 improves transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit entities. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. This standard is applied on a retrospective basis. The adoption had no effect on the 2022 financial statements.

Subsequent Events

The Organization has evaluated subsequent events through June 21, 2023, 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, except as disclosed in Note 13.

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:

	2022	2021
Financial assets at year-end:		
Cash and cash equivalents	$ 5,435,577	$ 7,022,985
Receivables, net - current	4,734,088	4,363,468
Less: Cash and cash equivalents held for donor - specified purposes	(524,452)	-
Cash and cash equivalents held for loan reserve	(134,054)	(152,125)
Financial assets available to meet cash needs for general expenditures within one year	$ 9,511,159	$ 11,234,328

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

Note 4 - Grants Receivable:

Grants receivable consist of the following at December 31:

	2022	2021
City of San Diego - Community Development Block Grant	$ 50,624	$ 51,732
Total Grants Receivable	$ 50,624	$ 51,732

Note 5 - Contributions Receivable:

Contributions receivable consists of the following at December 31:

	2022	2021
Due in less than one year	$ 114,214	$ 10,974

Note 6 - Other Receivables:

Other receivables consist of the receivables from sold loans and loan loss recoveries requested but not received and totaled $125,794 and $117,164 at December 31, 2022 and 2021, respectively.

Note 7 - Loans Receivable:

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

Funding Source	Interest Rates	2022	2021
Accessity	2.99% - 18.49%	$ 6,417,495	$ 5,132,806
San Diego County	1.00%	2,471,091	3,940,415
Wells Fargo Bank	2.99% - 18.99%	2,063,488	2,064,170
Community Development Financial Institution	3.99% - 18.99%	1,873,302	998,671
Comerica Bank	3.99% - 18.99%	998,616	974,782
Pacific Premier Bank	3.99% - 14.99%	486,693	487,708
Private sources	2.99% - 18.99%	239,788	137,897
Torrey Pines Bank	3.99% - 16.00%	72,374	39,971
Jacobs Foundation	3.99% - 14.00%	26,072	39,047
California Bank and Trust	14.99% - 16.00%	3,074	8,727
Civic San Diego	3.99% - 14.00%	-	183,434
Total Loans Receivable		14,651,993	14,007,628
Less: Allowance for loan losses		(393,277)	(510,718)
Loans receivable, net		14,258,716	13,496,910
Less: Current portion of loans receivable		(4,340,941)	(4,111,537)
Loans Receivable, Noncurrent		$ 9,917,775	$ 9,385,373

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

	2022	2021
Balance at Beginning of Year	$ 510,718	$ 487,132
Recoveries	549,309	174,708
Loan loss reserve (used) funded by lender	(117,441)	23,586
Provision for loan losses	(126,731)	(14,384)
Loans charged off	(422,578)	(160,324)
Balance at End of Year	$ 393,277	$ 510,718

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, $399,939 and $107,871 for the years ended December 31, 2022 and 2021, respectively, were covered by these agreements (Note 12).

Note 7 - Loans Receivable: (Continued)

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

2022							
	Past Due					Total	
Current	1-30 Days	31-60 Days	61-90 Days	91-120 Days	>120 Days	Past Due	Balance
$ 14,079,667	$ 384,496	$ 24,641	$ 60,233	$ 6,518	$ 96,438	$ 572,326	$ 14,651,993

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

2022			2021		
	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
$ 14,651,993	$ 108,222	$ -	$ 14,007,628	$ 176,913	$ -

The Organization sold loans which 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, 2022 and 2021, the principal balance of the sold loans totaled $2,547,902 and $1,429,414, respectively.

Note 8 - Property and Equipment:

Property and equipment consist of the following at December 31:

	2022	2021
Leasehold improvements	$ 76,718	$ 70,421
Computer software	43,484	43,484
Computer equipment	30,427	19,147
Furniture and equipment	7,092	7,092
Subtotal	157,721	140,144
Less: Accumulated depreciation	(140,475)	(136,468)
Property and Equipment, Net	$ 17,246	$ 3,676

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 was 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.

During the year ended December 31, 2021, the Organization received a conditional award from CDFI totaling $1,826,265. Funds were to be requested as the conditions of the grant were met which included meeting certain lending benchmarks. As required by the grant, $50,000 was used to fund loan loss reserves in both 2022 and 2021. In 2021 the Organization received $913,133 and recognized revenue from the award totaling $247,234. The remaining $913,132 was received in 2022 and the Organization recognized revenue amounting to $656,597. Deferred revenue under the grant totaled $206,535, and $615,899 at December 31, 2022 and 2021, respectively.

During the year ended December 31, 2022, the Organization received a conditional award from the CDFI totaling $625,000. The Organization recognized revenue amounting to $551,438 which is included in federal awards. Deferred revenue under the grant totaled $73,562 at December 31, 2022.

Deferred revenue consists of the following at December 31:

	2022	2021
CDFI grant	$ 280,097	$ 615,899
Total Deferred Revenue	$ 280,097	$ 615,899

Note 10 - Notes Payable:

Notes payable consist of the following at December 31:

		2022		2021
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.	$	2,775,246	$	4,303,408
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
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 on January 6, 2022.		-		400,000
Total Notes Payable	$	4,025,246	$	5,953,408

As of December 31, 2022 and 2021, accrued interest on notes payable totaled $3,750 and $3,722, respectively and is included in accounts payable and accrued expenses.

Future principal payments on notes payable are as follows:

Years Ended December 31		
2023	$	970,478
2024		902,384
2025		902,384
2026		750,000
2027		-
Thereafter		500,000
	$	4,025,246

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:

	2022	2021
Subject to Expenditure for Specified Purpose:		
Loan participation	$ 524,452	$ -
Total Net Assets With Donor Restrictions	$ 524,452	$ -

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:

	2022	2021
Purpose Restrictions Accomplished:		
Loan participation	$ 1,168,787	$ 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, 2022 and 2021, 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 $15,000.

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

Nor-Cal 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:

	2022	2021
Number of Loans	159	149
Loan Balance	$ 5,579,438	$ 4,177,712
Loan Guarantee	$ 4,463,550	$ 3,342,170

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.

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

	2022	2021
Number of Loans	133	89
Loan Balance	$ 4,522,744	$ 2,370,814
Loan Guarantee	$ 3,618,195	$ 1,896,652

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.

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

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:

	2022	2021
Number of Loans	334	373
Loan Balance	$ 4,028,520	$ 8,117,560
Loan Guarantee	$ 3,827,094	$ 7,711,682

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 2023, the minimum threshold shall be ten percent (10%) The annual recapture was $-0- for each of the years ended December 31, 2022 and 2021, given this threshold minimum.

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

California Capital Access Program (CalCAP) (Continued)

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:

	2022	2021
Number of Loans	76	116
Loan Balance	$ 472,780	$ 595,642
Loan Loss Reserve	$ 31,714	$ 39,955

Note 13 - Commitments and Contingencies:

Operating Leases

The Organization leases office space under an operating lease that expired January 31, 2023. The monthly rental amount is $8,457 until the end of lease, January 31, 2023. The office space lease was renewed on February 1, 2023 for two years plus an option to renew for another five years. The monthly rental for the renewed lease agreement starts at $8,510 with an annual escalation rate of 3%.

In addition, the Organization leases equipment comprising of a digital copier and a postage machine through May 2025. The total monthly rental amount for these leases is $394.

The following summarizes the line items in the statement of financial position for the operating leases at December 31, 2022:

Operating lease right-of-use assets	$ 218,089
Operating lease liabilities - current portion	$ 104,698
Operating lease liabilities - long-term portion	119,565
Total operating lease liabilities	$ 224,263

The following summarizes the weighted average remaining lease term and discount rate as of December 31, 2022:

Weighted average remaining lease term – Office space	25 months
Weighted average remaining lease term – Equipment	28 months
Weighted average discount rate – Office space	1.30%
Weighted average discount rate – Equipment	0.96%

Note 13 - Commitments and Contingencies: (Continued)

Operating Leases (Continued)

The following summarizes the line items in the statement of operations which include the components of lease expense for the year ended December 31, 2022:

Amortization of operating right-of-use asset	$ 101,888
Operating lease expense	10,193
Total lease expense	$ 112,081

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

Years Ended December 31	Office Space	Equipment	Total
2023	$ 102,064	$ 4,728	$ 106,792
2024	104,924	4,728	109,652
2025	8,765	1,904	10,669
Total Lease Payments	215,753	11,360	227,113
Less: Discount	(2,806)	(44)	(2,850)
Total	$ 212,947	$ 11,316	$ 224,263

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 $60,188 and $57,948 to the Plan for the years ended December 31, 2022 and 2021, respectively 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, 2022 and 2021.

Note 13 - Commitments and Contingencies: (Continued)

Legal Matters

The Organization is subject to claims that arise out of the normal course of business. The Organization maintains insurance coverage and uses various risk management activities which, combined, management believes are sufficient to ensure that the final outcome of any claims or proceedings will not have an adverse material effect on the financial position, operations, or liquidity of the Organization.

Coronavirus Pandemic Contingency

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Organization is closely monitoring its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on Organization's donors, borrowers, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Organization's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

ACCESSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

Federal Grants/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Agency or Pass-Through Number	Pass Through to Subrecipient	Federal Expenditures	Total Federal Expenditures
U.S. Department of Housing and Urban Development:					
Pass-Through Program From:					
CDBG - Entitlement Grants Cluster:					
City of San Diego:					
Community Development Block Grants/Entitlement Grants	14.218	10012298	$ -	$ 209,425	$ 209,425
Total CDBG - Entitlement Grants Cluster			-	209,425	209,425
Total U.S. Department of Housing and Urban Development			-	209,425	209,425
U.S. Department of the Treasury:					
Direct Program:					
CDFI Cluster:					
Community Development Finanical Institutions Program	21.020	211FA056287	-	551,438	551,438
Community Development Finanical Institutions Rapid Response Program	21.024	21RRP056388	-	1,272,496	1,272,496
Total CDFI Cluster			-	1,823,934	1,823,934
Total U.S. Department of the Treasury			-	1,823,934	1,823,934
Total Expenditures of Federal Awards			$ -	$ 2,033,359	$ 2,033,359

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Accessity under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Accessity, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Accessity.

Note 2 - Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Accessity has elected not to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

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

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Board of Directors
Accessity

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Accessity (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated June 21, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Accessity's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Accessity's internal control. Accordingly, we do not express an opinion on the effectiveness of Accessity's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

2810 Camino Del Rio South, Suite 200, San Diego, California 92108-3820
619.294.7200, 619.294.7077 fax, www.leaf-cole.com, leafcole@leaf-cole.com

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Accessity's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Leaf & Cole LLP

San Diego, California
June 21, 2023

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

**Independent Auditor's Report on Compliance
for the Major Program and on Internal Control Over
Compliance Required by the Uniform Guidance**

To the Board of Directors
Accessity

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Accessity's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Accessity's major federal program for the year ended December 31, 2022. Accessity's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Accessity complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Accessity and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for major federal program. Our audit does not provide a legal determination of Accessity's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Accessity's federal program.

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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Accessity's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Accessity's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

- Identify and assess the risks of material noncompliance, 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 Accessity's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Accessity's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Accessity's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Leaf & Cole LLP

San Diego, California
June 21, 2023

ACCESSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with U.S. GAAP:	Unmodified	
Internal control over financial reporting:		
Material weaknesses identified?	_____ Yes	X No
Significant deficiencies identified?	_____ Yes	X No
Noncompliance material to financial statements noted?	_____ Yes	X No

Federal Awards

Type of auditor's report issued on compliance for the major programs:	Unmodified	
Internal control over major programs:		
Material weaknesses identified?	_____ Yes	X No
Significant deficiencies identified?	_____ Yes	X No
Any audit findings disclosed that are required to be Reported in accordance with 2 CFR 200.516(a)?	_____ Yes	X No

Identification of the major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
	CDFI Cluster:
21.020	Community Development Financial Institutions Program
21.024	Community Development Financial Institutions Rapid Response Program

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000	
Auditee qualified as low-risk auditee?	_____ Yes	X No

Section II - Financial Statement Findings:

None

Section III- Federal Award Findings and Questioned Costs:

None

ACCESSITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2022

There were no prior audit findings for Accessity relative to federal awards.