Accion Opportunity Fund Community Development and Subsidiary

Consolidated Financial Statements
and Single Audit Reports and Schedules

June 30, 2022 and 2021

armanino

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Accion Opportunity Fund Community Development and
Subsidiary
San Jose, California

Opinion

We have audited the accompanying consolidated financial statements of Accion Opportunity Fund Community Development (a California nonprofit corporation) and Subsidiary (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Accion Opportunity Fund Community Development and Subsidiary as of June 30, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of 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 Accion Opportunity Fund Community Development 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 these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Accion Opportunity Fund Community Development'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Accion Opportunity Fund Community Development'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 audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated 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 September 28, 2022, on our consideration of the Organization'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 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 the Organization'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 the Organization's internal control over financial reporting and compliance.

Armanino LLP

Armanino LLP
San Jose, California

September 28, 2022

Accion Opportunity Fund Community Development and Subsidiary
Consolidated Statements of Financial Position
June 30, 2022 and 2021
(In thousands)

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	$ 19,220	$ 22,751
Restricted cash (Note 5)	10,656	31,103
Investments (Note 4)	2,983	861
Loans receivable - small business, net (Note 7)	31,250	36,982
Contributions receivable (Note 6)	6,997	3,050
Due from related parties	331	134
Small business interest and fees receivable	1,031	1,362
Prepaid expenses and other	714	367
Total current assets	73,182	96,610
Property and equipment, net (Note 9)	1,928	2,440
Non-current assets		
Loans receivable - small business, net (Note 7)	111,646	100,350
Contribution receivable, net of current portion (Note 6)	10,070	231
Investment in LLCs (Note 2)	849	851
Total non-current assets	122,565	101,432
Total assets	$ 197,675	$ 200,482

Accion Opportunity Fund Community Development and Subsidiary
Consolidated Statements of Financial Position
June 30, 2022 and 2021
(In thousands)

	2022	2021
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	$ 4,851	$ 4,069
Due to related parties	550	-
Notes payable (Notes 10 and 11)	13,882	23,113
Total current liabilities	19,283	27,182
Long-term liabilities		
Accounts payable	-	300
Notes payable, net of current portion (Notes 10 and 11)	104,631	121,169
Total long-term liabilities	104,631	121,469
Total liabilities	123,914	148,651
Net assets		
Without donor restrictions	52,184	44,044
With donor restrictions (Note 12)	21,577	7,787
Total net assets	73,761	51,831
Total liabilities and net assets	$ 197,675	$ 200,482

The accompanying notes are an integral part of these consolidated financial statements.

Accion Opportunity Fund Community Development and Subsidiary
Consolidated Statement of Activities
For the Year Ended June 30, 2022
(In thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and contributions			
Earned revenues			
Interest from loan programs	$ 16,030	$ -	$ 16,030
Loan and other program income	5,519	-	5,519
Income from sale of portfolio	1,059	-	1,059
NMTC program income	2,395	-	2,395
Investment income, net	172	-	172
Service income from related parties	673	-	673
Other income	235	-	235
Total earned revenues	26,083	-	26,083
Contributions and grants			
Contributions	4,930	13,653	18,583
Contributions from related parties	630	9,504	10,134
Forgiveness of Paycheck Protection Program	2,592	-	2,592
Government contracts and grants	-	690	690
Recoveries	797	-	797
In-kind contributions (Note 2)	859	-	859
Net assets released from restriction (Note 12)	10,057	(10,057)	-
Total contributions and grants	19,865	13,790	33,655
Total revenues and contributions	45,948	13,790	59,738
Expenses			
Program services	27,858	-	27,858
Support services			
Management and general	8,016	-	8,016
Fundraising	1,934	-	1,934
Total support services	9,950	-	9,950
Total expenses	37,808	-	37,808
Change in net assets	8,140	13,790	21,930
Net assets, beginning of year	44,044	7,787	51,831
Net assets, end of year	$ 52,184	$ 21,577	$ 73,761

Accion Opportunity Fund Community Development and Subsidiary
Consolidated Statement of Activities
For the Year Ended June 30, 2021
(In thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and contributions			
Earned revenues			
Interest from loan programs	$ 12,601	$ -	$ 12,601
Loan and other program income	7,432	-	7,432
Income from sale of portfolio	676	-	676
NMTC program income	1,452	-	1,452
Investment income, net	73	-	73
Service income from related parties	296	-	296
Other income	187	-	187
Total earned revenues	22,717	-	22,717
Contributions and grants			
Contributions	20,964	4,053	25,017
Contributions from related parties	639	-	639
Government contracts and grants	1,847	1,826	3,673
Recoveries	1,551	-	1,551
Net assets released from restriction (Note 12)	490	(490)	-
Total contributions and grants	25,491	5,389	30,880
Total revenue and contributions	48,208	5,389	53,597
Expenses			
Program services	27,417	-	27,417
Support services			
Management and general	8,497	-	8,497
Fundraising	1,951	-	1,951
Total support services	10,448	-	10,448
Total expenses	37,865	-	37,865
Change in net assets	10,343	5,389	15,732
Net assets, beginning of year	33,701	2,398	36,099
Net assets, end of year	$ 44,044	$ 7,787	$ 51,831

The accompanying notes are an integral part of these consolidated financial statements.

Accion Opportunity Fund Community Development and Subsidiary
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2022
(In thousands)

	Program Services	Management and General	Fundraising	Total
Salaries and benefits	$ 11,802	$ 4,129	$ 1,647	$ 17,578
Program operating	6,215	3	3	6,221
Information technology	1,012	2,136	39	3,187
Interest	2,831	-	-	2,831
Provision for loan losses	2,450	-	-	2,450
Donations	1,609	-	-	1,609
Professional services	363	710	37	1,110
Depreciation and amortization	529	331	64	924
Other	286	335	40	661
Marketing	426	124	1	551
Occupancy	302	185	36	523
Parking and travel	33	58	14	105
Special events	-	5	53	58
Total	$ 27,858	$ 8,016	$ 1,934	$ 37,808
Percentage of total	73.7 %	21.2 %	5.1 %	100.0 %

Accion Opportunity Fund Community Development and Subsidiary
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2021
(In thousands)

	Program Services	Management and General	Fundraising	Total
Salaries and benefits	$ 6,591	$ 6,219	$ 1,547	$ 14,357
Program operating	5,927	-	-	5,927
Information technology	1,327	328	102	1,757
Interest	2,330	-	-	2,330
Provision for loan losses	4,227	-	-	4,227
Donations	4,325	-	-	4,325
Professional services	698	592	51	1,341
Depreciation and amortization	1,011	411	115	1,537
Other	334	413	48	795
Marketing	52	278	-	330
Occupancy	607	246	69	922
Parking and travel	(12)	3	(1)	(10)
Special events	-	7	20	27
Total	$ 27,417	$ 8,497	$ 1,951	$ 37,865
Percentage of total	72.4 %	22.4 %	5.2 %	100.0 %

The accompanying notes are an integral part of these consolidated financial statements.

Accion Opportunity Fund Community Development and Subsidiary
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021
(In thousands)

	2022	2021
Cash flows from operating activities		
Change in net assets	$ 21,930	$ 15,732
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	924	1,537
Provision for loan losses	2,450	4,227
Forgiveness of notes and interest payable	(2,557)	(346)
(Increase) decrease in contribution receivable	(13,983)	1,033
(Increase) decrease in due from related parties	235	(61)
(Increase) decrease in small business interest and fees receivable	331	(292)
(Increase) decrease in prepaid expenses and other	(29)	176
Increase (decrease) in accounts payable and accrued expenses	(69)	1,053
Increase (decrease) in due to related parties	550	-
Net cash provided by operating activities	9,782	23,059
Cash flows from investing activities		
Disbursements under loan programs	(113,225)	(120,460)
Collections under loan programs	78,582	49,949
Proceeds from sale of loans	26,628	17,956
Purchases of investments	(4,227)	(114)
Proceeds from disposition of investments	2,106	11
Acquisition of property and equipment	(412)	(476)
Net cash used in investing activities	(10,548)	(53,134)
Cash flows from financing activities		
Proceeds from notes payable	30,726	85,223
Repayment of notes payable	(53,938)	(32,875)
Net cash provided by (used in) financing activities	(23,212)	52,348
Net increase (decrease) in cash, cash equivalents and restricted cash	(23,978)	22,273
Cash, cash equivalents and restricted cash, beginning of year	53,854	31,581
Cash, cash equivalents and restricted cash, end of year	$ 29,876	$ 53,854
Cash, cash equivalents and restricted cash consisted of the following:		
Cash and cash equivalents	$ 19,220	$ 22,751
Restricted cash	10,656	31,103
	$ 29,876	$ 53,854

Supplemental disclosure of cash flow information

	2022	2021
Cash paid during the year for interest	$ 2,758	$ 2,278

The accompanying notes are an integral part of these consolidated financial statements.

1. ORGANIZATION AND BACKGROUND

Accion Opportunity Fund Community Development and Subsidiary (the "Organization" or "AOFCD"), is a Community Development Financial Institution certified by the U.S. Department of the Treasury and was previously named Opportunity Fund Community Development. The Organization was formed as a for-profit organization on December 8, 1993. On September 30, 2000, the Organization converted to a California nonprofit public benefit corporation. Since then, the Organization has been classified as a publicly supported, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from California franchise taxes under Revenue and Taxation Code Section 23701(d). With the purpose of significantly expanding its mission outreach in the United States, effective February 28, 2020, the Organization combined with Accion Opportunity Fund ("AOF", formerly Accion, The US Network, Inc.), a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, incorporated in the state of Delaware. AOFCD is a member-controlled organization and AOF is its sole member.

The Organization's mission is to drive economic mobility by delivering affordable capital and responsible financial solutions to determined entrepreneurs and communities. The Organization relies on earned revenue from interest and fee income generated by its mission-oriented programs as well as charitable donations from individuals and institutions to fund the costs of its operations. The Organization also borrows funds from individuals and institutions to use for its small business lending program and for general operating expenses. The Organization maintains offices in California and its programs primarily reach clients and borrowers in California but also in forty-four other states.

Small Business Lending Program

The Organization makes loans to small businesses that lack access to affordable credit from traditional sources. Since inception, the Organization has made over 24,500 loans totaling $738 million to small businesses whose owners are primarily people of color and low and moderate income. Many loans to California-based borrowers are enrolled in a loan loss reserve partially funded by the State of California as part of its Capital Access Program (see Note 8 - CASH FOR LOAN LOSS RESERVES).

Beginning in June 2020, in response to COVID-19, the Organization began offering lower cost loans with interest rates from 4-4.25% to select borrowers who were severely impacted by COVID-19. The Organization also began participating in select public-private partnerships that offer low-rate loan programs. These loans are typically backstopped by a loan loss reserve program administered by a government program and sold to a special purpose credit vehicle where only a portion of the loans, typically 5-10%, remain on the Organization's statement of financial position.

In April 2020 the Organization was approved as a Paycheck Protection Program ("PPP") lender by the U.S. Small Business Administration. This product for small businesses ranges in size based on the payroll of the company, has a 1% fixed interest rate, and may be fully forgivable if the funds are used for an eligible purpose.

1. ORGANIZATION AND BACKGROUND (continued)

Small Business Lending Program (continued)

The Organization sells participations in its loan portfolio to a few institutions. The purpose of these sales is to manage credit concentration in the Organization's portfolio and to generate liquidity to provide for additional loan growth. Loans are typically sold at a premium over face value and the Organization retains the servicing of the loans, for which it charges a monthly fee.

New Market Tax Credits Program

In 2003, the Organization was certified by the U.S. Department of Treasury Community Development Financial Institution Fund ("CDFI Fund") as a Community Development Entity ("CDE") under its New Market Tax Credit ("NMTC") program. As of June 30, 2022, the Organization has received a cumulative total of $443 million of tax credit allocations. The Organization through its subsidiary CDE, the LCD New Markets Fund, LLC, uses these allocations to attract new capital to support large real estate projects providing high community impact in low-income areas. As of June 30, 2022 and 2021, the Organization has deployed $424 million and $388 million in Qualified Equity Investments ("QEIs"), respectively.

COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic, which continues to spread throughout the United States. The extent of the impact of COVID-19 on the Organization's business and financial results will depend on future developments, potentially including increased losses in the loan portfolio, increased uncertainty in underwriting of small business loans, and uncertain demand for new small business loans. The ultimate extent of the impact of any epidemic, pandemic or other health crisis on the Organization's mission, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted. Accordingly, the Organization cannot predict the extent to which its financial condition and results of operations will be affected.

Ratings

The Organization is rated by Aeris, a national organization which provides ratings, data, and advisory services to support investment in CDFIs. As analyzed June 30, 2021, the Organization is rated AA-, four-star. AA- is a rating of Financial Strength and Performance demonstrating the Organization "has very strong financial strength, performance, and risk management practices relative to its size, complexity, and risk profile." Four-star is the highest possible impact rating, demonstrating "exceptional alignment of its impact mission, strategies, activities, and data."

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

The Organization presents information regarding its consolidated financial position and activities according to two classes of net assets:

- *Net assets without donor restrictions* - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.
- *Net assets with donor restrictions* - Net assets with donor-imposed time or purpose restrictions. Restricted net assets with donors' restrictions become unrestricted when the time restriction expires or the donor stipulated purpose has been accomplished, at which time they are reported in the statement of activities as net assets released from restrictions.

Principles of Consolidation

The consolidated financial statements include the accounts of a subsidiary, LCD New Markets Fund, LLC (the "LLC") of which the Organization is the managing member with a 99% interest. The LLC is a Delaware limited liability company that was formed in April 2003. All material intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Reclassifications

Certain 2021 balances have been reclassified to conform to the 2022 consolidated financial statement presentation. These reclassifications have no effect on previously reported change in net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in NMTC Entities

The following NMTC entities, over which the Organization exercises significant influence, are included in the consolidated financial statements using the equity method of accounting. The investment is recorded at cost then adjusted for the Organization's proportionate share of undistributed earnings or losses (see Note 15 - COMMITMENTS). The Organization has a 0.01% financial interest in each of the following entities. As of June 30, 2022 and 2021, the Organization has related-party receivables from certain of the following entities related to asset management fees and operating advances totaling $16 thousand and $16 thousand, respectively.

NMTC entities consist of the following:

LCD New Markets Fund XV, LLC *
LCD New Markets Fund XVI, LLC *
LCD New Markets Fund XVII, LLC **
LCD New Markets Fund XVIII, LLC **
LCD New Markets Fund XIX, LLC
LCD New Markets Fund XX, LLC
LCD New Markets Fund XXI, LLC
LCD New Markets Fund XXII, LLC
LCD New Markets Fund XXIII, LLC
LCD New Markets Fund XXIV, LLC
LCD New Markets Fund XXV, LLC
LCD New Markets Fund XXVI, LLC
LCD New Markets Fund XXVII, LLC
LCD New Markets Fund XXVIII, LLC
LCD New Markets Fund XXIX, LLC
LCD New Markets Fund XXX, LLC
LCD New Markets Fund XXXI, LLC
LCD New Markets Fund XXXII, LLC
LCD New Markets Fund XXXIII, LLC
LCD New Markets Fund XXXIV, LLC
LCD New Markets Fund XXXV, LLC
LCD New Markets Fund XXXVI, LLC***
LCD New Markets Fund XXXVII, LLC
LCD New Markets Fund XXXVIII, LLC***
LCD New Markets Fund XXXIX, LLC***
LCD New Markets Fund XL, LLC***
LCD New Markets Fund XLI, LLC***
LCD New Markets Fund XLII, LLC***
LCD New Markets Fund XLIII, LLC***
LCD New Markets Fund XLIV, LLC***
LCD New Markets Fund XLV, LLC***
LCD New Markets Fund XLVI, LLC***

* These entities were closed during fiscal year 2021, when the projects were unwound and reached the end of the seven-year NMTC compliance period.

** These entities were closed during fiscal year 2022, when the projects were unwound and reached the end of the seven-year NMTC compliance period.

*** These are shelf entities that have not yet been utilized in an NMTC project yet, as of June 30, 2022.

The above limited liability companies were formed in the State of Delaware to qualify as CDEs under the provisions of Section 45D of the Internal Revenue Code and to make qualified Low Income Community Investments from the proceeds of Qualified Equity Investments received from the NMTC Investor Entities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in Acceso Loan Fund, LLC

On December 9, 2019, the Organization entered into an agreement with Acceso Loan Fund, LLC, a Delaware limited liability company ("Acceso"). Acceso is organized to provide loans to small businesses that would otherwise have difficulty accessing capital, particularly minority owned businesses by (i) investing in loans to small businesses, (ii) managing and monitoring such investments, and (iii) engaging in any other activities incidental or ancillary thereto or otherwise permitted by the Delaware Act as the Manager deems necessary or advisable. The Organization's capital investment in Acceso has been made through a generous contribution from a corporate donor. The Organization accounted for the investment activities using the equity method of accounting. As of June 30, 2022 and 2021 , the balance of investment in Acceso was $830 thousand and $830 thousand, respectively.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with initial maturities of three months or less at the date of purchase to be cash equivalents. The Organization maintains cash and cash equivalents with commercial banks and other major financial institutions. By policy, the Organization invests in low risk highly liquid investments at top rated financial institutions. Most deposits exceed Federal Deposit Insurance Corporation ("FDIC") limits of $250 thousand. Management believes it is not exposed to any significant risk on its cash accounts.

Restricted Cash

Restricted cash consists of cash accounts that are required by the donor to be maintained for a specific purpose or loan program.

Contribution and Grants Revenue Recognition

Contributions and grants that are restricted by the donor are reported as an increase in net assets without donor restrictions during the reporting period in which the restrictions are met, otherwise such support is reported as an increase in net assets with donor restrictions. All other contributions and grants are recognized as revenue when received or promised without conditions.

Conditional contributions and grants are not recognized until they become unconditional, which is when donor stipulated barriers are overcome and the Organization is entitled to the assets transferred or promised. There was no conditional contributions and grants as of June 30, 2022.

Loan Program Revenue Recognition

Loan interest revenue is recognized using the contractual maturity and the stated interest rate on the loan. Loan origination fees are earned when the loan transaction is funded.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In-kind Contributions

Donated facilities, equipment, and services are reflected in the accompanying financial statements at fair market value at the time of receipt. Donated services are recognized if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals processing those skills, and would typically need to be purchased if not provided by donation. Other volunteer services that do not meet these criteria are not recognized in the financial statements.

During the years ended June 30, 2022 and 2021 , the Organization received legal pro-bono services valued at $68 thousand and $0 thousand, respectively, referral broker's fees valued at $791 thousand and $0 thousand, respectively. The Organization values these in-kind professional services based on estimated current rates for similar legal and referral services.

Contributions Receivable

Contributions receivable consist of unconditional pledges that have not yet been received. The Organization records a present value discount for the future cash flows of these pledges, if material to the consolidated financial statements. As of June 30, 2022 and 2021, a present value discount of $842 thousand and $0 was recorded to the consolidated financial statements, respectively. The Organization annually evaluates the collectability of contributions receivable. As of June 30, 2022 and 2021, an allowance of $500 thousand and $0 was recorded for doubtful accounts for contributions receivable to the consolidated financial statements.

Loans Receivable

Loans receivable are stated at the principal amount outstanding net of the allowance for loan losses (see Note 7 - LOANS RECEIVABLE AND LOAN LOSS RESERVE). Interest income on a loan is accrued on the principal outstanding at the loan's stated interest rate.

The Organization prepares an annual assessment of its originations fee income and the costs associated with the origination of loans to evaluate whether the capitalization and amortization of these fees and costs is material to the consolidated financial statements. The net amount of deferred origination fees and costs, if any, would be reported as part of the loans receivable balance. For the years ended June 30, 2022 and 2021 , the Organization did not defer any origination fees or costs because they were immaterial to the consolidated financial statements taken as a whole.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Sale and Assignment of Loans Receivable

The Organization sells participations in its loan portfolio and retains a percentage of ownership of 5-10% in each loan along with the servicing. As of June 30, 2022 and 2021, the Organization has not recorded a servicing asset or servicing liability as the fees the Organization earns approximates adequate compensation for the costs associated with servicing the participated loans.

Allowance for Loan Losses

The allowance for loan losses represents management's estimate of probable losses inherent in the Organization's loan portfolio. Credit exposures deemed to be uncollectible are charged to the allowance when management believes collectability of the principal is unlikely which usually occurs when the loan is 150 days delinquent. Recoveries from the borrower, or the underlying collateral, of loans previously charged off are credited to the allowance. Recoveries from cash loan loss reserve funded by the California Capital Access Program ("CalCAP") are recorded as contributions and grants - recoveries (see Note 8 - CASH FOR LOAN LOSS RESERVES). Management evaluates the adequacy of the allowance based on historical losses by product or channel along with consideration of the adequacy of cash loan loss reserves available. The allowance for loan losses is presented in Note 7 - LOANS RECEIVABLE AND LOAN LOSS RESERVE.

Investments

The Organization invests in marketable securities and fixed income instruments. Investments are recorded at fair value. Unrealized gains and losses represent market fluctuations and are recorded on a monthly basis through the Statement of Activities. Interest and dividend income are recognized when earned (see Note 4 - INVESTMENTS).

Fair Value Measurements

Investments are shown at their estimated fair value in accordance with FASB ASC 820, "Fair Value Measurements and Disclosures." Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized gains and losses are recorded using the specific identification method upon the sale of investment assets. The fair value of investments is subject to ongoing fluctuation. The amount ultimately realized upon disposition will differ from the amounts reported in these consolidated financial statements.

Certain items are carried at cost on the consolidated statement of financial position, which approximates fair value due to their short-term, highly liquid nature. These items include cash and cash equivalents, interest and fees receivable, prepaid expenses, accounts payable and accrued expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other organizations, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Property, Equipment, and Intangibles

Acquired property, equipment, and intangible assets exceeding $5 thousand are capitalized and recorded at amortized cost. Donated assets are valued at their estimated fair market value on the date donated. Expenses for repairs that materially extend the useful life of an asset are capitalized at cost.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets which are five years for furniture, three years for computers and software, and four years for intangibles. Leasehold improvements are amortized using the straight-line method over the lesser of the assets' estimated useful lives or the term of the applicable lease.

Functional Expense Allocation

The costs of providing the various program and supporting services have been summarized on a functional basis in the consolidated statement of activities and statement of functional expenses. Accordingly, certain costs have been allocated, based on estimates of time, space, and other factors, among the classifications.

New Accounting Pronouncement

The Organization has adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)". Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, Revenue Recognition. The core principle of the guidance in ASU 2014-09 is that an Organization should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. This may include identifying performance obligations in the contract, estimated the amount of variable consideration to include in the transaction price and allocating the transaction price to each performance obligation. ASU No. 2014-09 was effective July 1, 2020 for the Organization. Upon adoption there was no material impact on the Organizations' financial position or changes in net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status

The Organization is exempt from federal income taxes under the provisions of Section 501(c) (3) of the Internal Revenue Code. In addition, the Organization qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Income which is not related to exempt purposes less applicable deductions, is subject to federal and state corporate income taxes. The Organization had no unrelated business income for the years ended June 30, 2022 and 2021, respectively.

The Organization is exempt from California state income taxes under the provision of Section 23701d of the Revenue and Taxation Code. The Organization may be liable for income taxes based on income earned in other states and in which it has not yet applied for exemption. As of June 30, 2022 and 2021 , the Organization assessed the amount of state taxes, if any, to be immaterial to its financial statements and did not accrue any tax liability in its Statement of Financial Position.

Uncertain Tax Positions

The Organization is subject to potential examination by taxing authorities for income tax returns filed in the U.S. federal jurisdiction and the State of California. The tax years that remain subject to potential examination for the U.S. federal jurisdiction are years ended June 30, 2019, and forward. The State of California tax jurisdiction is subject to potential examination for years ended June 30, 2018 and forward. As of June 30, 2022 and 2021, management did not identify any uncertain tax positions

3. LIQUIDITY

The Organization presents a classified statement of financial position where the current assets are listed by order of liquidity and purpose.

(In thousands)

3. LIQUIDITY (continued)

The financial assets that are available within one year of June 30, 2022 and 2021, respectively, for operations and programs needs are as follows:

	2022		2021	
	Operations	Programs	Operations	Programs
Available Cash and Investments				
Cash and cash equivalents	$ 19,220	$ -	$ 22,751	$ -
Loan funds	-	6,408	-	27,166
Investments	2,983	-	861	-
Total available cash and investments	22,203	6,408	23,612	27,166
Receivables - current				
Loans receivable	-	31,250	-	36,982
Contributions receivable	520	6,477	11	3,039
Due from related parties	331	-	134	-
Small business interest and fees receivable	1,031	-	1,362	-
Total receivables - current	1,882	37,727	1,507	40,021
Total financial assets available for use within one year	$ 24,085	$ 44,135	$ 25,119	$ 67,187

The Organization's management reports on its operating and program liquidity position on a quarterly basis to the Finance Committee of the Board. The Organization manages its liquidity to be in compliance with its loan covenants. The Organization's loan covenants require it to keep at least 90 days of operating cash on hand. For the periods ended June 30, 2022 and 2021, the Organization was in compliance with this loan covenant. To help manage the Organization's liquidity needs, it has operating lines of credit in the amount of $16 million, of which $0.5 million is drawn and also has committed loan program credit facilities in the aggregate amount of $23 million of which only $10.5 million is drawn as of June 30, 2022.

4. INVESTMENTS

The Organization follows the provisions of the Fair Value Measurements and Disclosure topic of the FASB ASC (820-10-35). These standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs consist of significant unobservable inputs. All investments are at quoted prices in active markets for identical assets (Level 1 input).

(In thousands)

4. INVESTMENTS (continued)

Investments consisted of the following:

	2022	2021
Money market	$ 1,359	$ 184
Mutual funds	1,624	677
Total investments	$ 2,983	$ 861

Investment earnings (losses) during the years consisted of the following:

	2022	2021
Interest income	$ 49	$ 83
Net realized and unrealized income (losses)	123	(10)
Total investment earnings	$ 172	$ 73

5. RESTRICTED CASH

Restricted cash consisted of the following:

	2022	2021
Cash for loan program	$ 6,408	$ 27,166
Cash for loan loss reserves (1)	4,248	3,937
Total restricted cash	$ 10,656	$ 31,103

(1) The Organization and the State of California's CalCAP program (see Note 8 - CASH FOR LOAN LOSS RESERVES) jointly own a cash account held at a commercial bank. Each entity owns its individual contributions made to the program when enrolling eligible loans.

(In thousands)

6. CONTRIBUTIONS RECEIVABLE

Future maturities of contributions receivables are as follows:

Year ending June 30,		
2023	$	7,147
2024		5,522
2025		2,920
2026		2,820
		18,409
Less: discount and allowance		(1,342)
Total contributions receivable, net of discount and allowance	$	17,067

For the year ended June 30, 2022, the Organization had three individuals who provided approximately 46% of total contributions.

For the year ended June 30, 2021, the Organization had one government entity who provided approximately 6% of total contributions, one corporate entity who provided 11% and one individual who provided approximately 49% of total contributions.

The Organization considers members of the board of directors, the executive team, and their immediate family members to be related parties. For the years ended June 30, 2022 and 2021, contributions from these related parties included in revenue totaled $9.9 million and $291 thousand, respectively. Additionally, contributions receivable from related parties as of June 30, 2022 and 2021 totaled $7.0 million and $5 thousand of which $2.5 million and $5 thousand, were classified as current assets, respectively.

7. LOANS RECEIVABLE AND LOAN LOSS RESERVE

Small Business Loans

The Organization offers loans to small businesses from $5 to $250 thousand with fixed interest rates ranging from 5.9% to 24.9% and terms of up to 60 months. For borrowers who qualify for various public-private partnerships which we participate in and described in Note 1, the Organization also offers lower cost loans with interest rates ranging from 4.0 to 4.25%. During the years ended June 30, 2022 and 2021 , the Organization disbursed $113.2 million to 2,450 borrowers and $97.3 million to 1,690 borrowers in the Small Business Program, respectively.

(In thousands)

7. LOANS RECEIVABLE AND LOAN LOSS RESERVE (continued)

Small Business Loans (continued)

In April 2020 the Organization was approved as a Paycheck Protection Program ("PPP") lender by the U.S. Small Business Administration. This product for small businesses ranges in size based on the payroll of the company, has a 1% fixed interest rate, and may be fully forgivable if the funds are used for an eligible purpose. During the year ended June 30, 2021, the Organization disbursed $23.1 million among 1,367 PPP loans, the program ended in June 2021. During fiscal year 2022, the Organization has helped 1,786 borrowers obtain loan forgiveness from the SBA for loans amounts totaling $28.7 million.

In total, during the years ended June 30, 2022 and 2021 , the Organization disbursed $113.2 million among 2,450 loans and $120.5 million among 3,057 loans in the Small Business Program, respectively, combining standard and PPP loans.

For the years ended June 30, 2022 and 2021 , the Organization originated 57% and 54%, respectively, of trucking-related loans as a percentage of total loan originations. As of June 30, 2022 and 2021, the Organization's trucking-related loans receivable as a percentage of total loans receivable was 63% and 60%, respectively

Small business program loans receivable are as follows:

	2022	2021
Total portfolio under management	$ 203,306	$ 197,507
Less third parties' portfolios under management (1)	(54,019)	(54,846)
	149,287	142,661
Less allowance for loan losses	(6,391)	(5,329)
Total net loans receivable	$ 142,896	$ 137,332

(1) Balance of loan participations owned by third parties / investors. In fiscal year 2022 and 2021, the Organization sold participations in 308 loans for a total of $26.7 million, and 311 loans for a total of $17.9 million, respectively.

Troubled Debt Restructurings ("TDRs")

As a result of an evaluation of a borrower's financial circumstances, the Organization may modify the terms of a loan that the Organization otherwise would not consider but for the borrower's financial difficulties.

As of June 30, 2022, there were 168 TDRs in the Organization's small business portfolio accounting for a total of $2.0 million representing 1.32% of the total portfolio. As of June 30, 2021, there were 224 TDRs accounting for $3.2 million representing 2.2% of the total portfolio.

(In thousands)

7. LOANS RECEIVABLE AND LOAN LOSS RESERVE (continued)

Aging schedule

2022 aging schedule by category

	Balance	Current	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	150+ Days
Small business loans	$ 147,319	$145,487	$ 697	$ 325	$ 387	$ 235	$ 188
Small business loans - TDRs	1,968	1,702	56	143	67	-	-
Total loans receivable	$ 149,287	$147,189	$ 753	$ 468	$ 454	$ 235	$ 188
		98.59 %	0.50 %	0.31 %	0.30 %	0.16 %	0.13 %

2021 aging schedule by category

	Balance	Current	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	150+ Days
Small business loans	$ 139,477	$138,791	$ 383	$ 132	$ 119	$ 39	$ 13
Small business loans - TDRs	3,184	2,871	95	39	78	88	13
Total loans receivable	$ 142,661	$141,662	$ 478	$ 171	$ 197	$ 127	$ 26
		99.31 %	0.34 %	0.12 %	0.14 %	0.09 %	0.02 %

Payment Deferrals and Forgiveness

As a result of the COVID-19 global pandemic, the Organization raised a significant amount of funds to help small businesses survive the crisis. Clients with difficulty making their payment and attesting hardship could be eligible for up to three payment deferrals. As of June 30, 2022, the Organization deferred $179 thousand of borrower payments to 138 unique clients. Additionally, clients with prolonged hardship could be eligible for all or a portion of their payment forgiven. As of June 30, 2022, the Organization extended forgiveness totaling $1.5 million on 2,085 payments.

Allowance for Loan Losses

The Organization maintains both an allowance for loan losses and cash loan loss reserves (see Note 8 - CASH FOR LOAN LOSS RESERVES) which together are adequate to cover probable losses inherent in its loan portfolio.

(In thousands)

7. LOANS RECEIVABLE AND LOAN LOSS RESERVE (continued)

Allowance for Loan Losses (continued)

The following table summarizes the allowance for loan losses as follows:

	2022	2021
Balance, beginning of year	$ 5,329	$ 5,638
Provisions for loan losses	2,450	4,226
Loans charged-off	(1,388)	(4,535)
Balance, end of year	$ 6,391	$ 5,329

8. CASH FOR LOAN LOSS RESERVES

The Organization participates in a State of California program called the California Capital Access Program ("CalCAP") that has been funded in part by the Small Business Credit Initiative ("SSBCI"). SSBCI is a federal program that provides funding to states to expand access to credit for small businesses. Through this program the state provides cash reserves that protect the Organization against potential credit losses. When an enrolled loan is deemed uncollectable, the Organization can claim 100% of the loss to the available CalCAP cash reserves. A significant majority of the Organization's loans to California-based businesses are enrolled in this program.

On an annual basis, the State of California can recapture a portion of its contributions to the Small Business Reserve for those loans no longer in the program subject to certain defined minimum thresholds. During the years ending June 30, 2022 and 2021, CalCAP withdrew $0 and $804 thousand, respectively.

Cash for loan loss reserves consist of the following:

	2022	2021
Opportunity Fund contributions to CalCAP Reserve	$ 4,248	$ 3,937
State contributions to CalCAP Small Business Reserve (1)	161	372
State contributions to CalCAP ARB Reserve (2)	8,023	4,380
Total cash for loan loss reserves	$ 12,432	$ 8,689

(1) Reserves for small business loans with general purpose. This portion of the reserve is not included in the Organization's Statement of Financial Position.

(2) State reserves for loans extended to businesses in the trucking industry with the purpose of meeting environmental standards of the State of California. The Organization is not required to contribute to this reserve and it is not included in the Statement of Financial Position.

(In thousands)

9. PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following:

	2022	2021
Furniture	$ 227	$ 227
Computers and equipment	339	179
Software	2,849	2,598
Software-in-kind	2,655	2,655
Intangible asset	1,600	1,600
Leasehold improvements	177	177
	7,847	7,436
Accumulated depreciation and amortization	(5,919)	(4,996)
Total property and equipment, net	$ 1,928	$ 2,440

Depreciation and amortization expense for the years ended June 30, 2022 and 2021 was $924 thousand and $1,537 thousand, respectively.

10. REVOLVING LINES OF CREDIT

The organization has entered into multiple agreements with banks for lines of credit totaling $39 million. These lines of credit mature between March 2023 and December 2028 and carry annual interest rates between 3.00% and 4.75%. The aggregate outstanding balances as of June 30, 2022 and 2021 were $11.0 million and $13.5 million, respectively.

11. NOTES PAYABLE

The organization has entered into multiple notes payable agreements with various institutions for a total of $110.26 million. These notes payable mature between October 2022 and November 2030 and carry annual interest rates between 0% and 4.5%.

The Organization entered into multiple agreements with individual investors in the amount of $8.25 million. These impact investments mature between August 2022 and May 2027 and carry annual interest rates between 0.64% and 3.39%.

In April 2020, the Organization entered into a $2.6 million loan with Beneficial State Bank pursuant to the Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. This loan was forgiven by the SBA in September 2021.

Certain of the notes payable agreements require the Organization to comply with various financial covenants. The Organization was in compliance, or received a temporary waiver, on all covenants as of June 30, 2022 and 2021.

(In thousands)

11. NOTES PAYABLE (continued)

Future maturities of all debts are as follows:

Year ending June 30,		
2023	$	13,882
2024		23,482
2025		6,347
2026		46,365
2027		20,437
Thereafter		8,000
		118,513
Current portion		(13,882)
Total long-term notes payable	$	104,631

12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were for the following purposes:

	Balance at June 30, 2021	Additions to Restrictions	Releases from Restrictions	Balance at June 30, 2022
Small business operating	$ 5,716	$ 10,050	$ (5,933)	$ 9,833
Time-restricted operating grants	2,071	13,797	(4,124)	11,744
	$ 7,787	$ 23,847	$ (10,057)	$ 21,577

Net assets with donor restrictions were for the following purposes:

	Balance at June 30, 2020	Additions to Restrictions	Releases from Restrictions	Balance at June 30, 2021
Small business operating	$ 86	$ 5,716	$ (86)	$ 5,716
Time-restricted operating grants	2,312	163	(404)	2,071
	$ 2,398	$ 5,879	$ (490)	$ 7,787

13. RELATED PARTY TRANSACTIONS

AOFCD provides certain administrative, development and program related services to AOF and receives reimbursement for the associated expenses. For the years ended June 30, 2022 and 2021, AOFCD recorded $673 thousand and $296 thousand in reimbursement from AOF, respectively. As of June 30, 2022 and 2021, AOFCD had a receivable of $181 thousand and $134 thousand for the reimbursement.

In addition, AOFCD will occasionally receive cash payments for AOF grants which it subsequently disburses to grantees or makes grants on behalf of AOF in advance of receiving payment from AOF. AOFCD records a corresponding payable to AOF for the cash payments received in advance of distribution or records a receivable for grants disbursed prior to receiving a payment from AOF. As of June 30, 2022, AOFCD had recorded a payable to AOF of $550 thousand and a receivable of $150 thousand for these activities.

Additionally, for the years ended June 30, 2022 and 2021, contributions from AOF included in revenue totaled $150 thousand and $348 thousand, respectively.

14. RETIREMENT PLAN

The Organization provides a defined contribution 403(b) retirement savings plan ("Plan") for all eligible full-time and part-time employees. The Plan provides for employee contributions, through a salary reduction agreement, plus employer contributions at the Organization's discretion. During the years ended June 30, 2022 and 2021 , the Organization contributed approximately $495 thousand and $250 thousand, respectively, to the Plan for participating employees.

15. COMMITMENTS

<u>New Markets Tax Credits Commitments</u>

The Organization provides indemnifications for its various NMTC projects in an event of a tax benefit recapture. The NMTC tax benefit recapture risk is based on the initial QEI amount, adjusted based on the life of the project. The indemnification period ends after ten years and nine months: seven years of the tax benefit period and three years nine months after the last tax return showing benefits has been filed.

The following recapture events may trigger indemnification by the Organization: (1) the CDE ceases to be a qualified CDE; (2) the CDE fails to invest the substantially all the QEI in Qualified Loan Income Community Investments ("QLICIs") (the "substantially all test"), or (3) the QEI is redeemed before the end of the tax credit period. Management has taken significant steps to mitigate these potential indemnification risks and believes that the likelihood of a recapture event is remote.

(In thousands)

15. COMMITMENTS (continued)

New Markets Tax Credits Commitments (continued)

Total amounts currently at risk are $95 million and future amounts are $38 million. The maturity dates range from November 2022 through January 2033 at which times the Organization is no longer liable.

Operating Leases Commitments

The Organization is obligated under non-cancelable operating leases for facilities and office equipment, which expire at various times.

The scheduled minimum lease payments under the lease terms are as follows:

Year ending June 30,		
2023	$	574
2024		107
2025		111
2026		114
Thereafter		49
	$	955

Rental expense for the years ended June 30, 2022 and 2021 , was $523 thousand and $922 thousand, respectively.

16. SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of the consolidated financial statements, September 28, 2022, which is the date the consolidated financial statements were available to be issued.

The Organization did not have subsequent events that required recognition or disclosure in the consolidated financial statements for the year ended June 30, 2022.

SINGLE AUDIT REPORTS AND SCHEDULES

armanino

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
Accion Opportunity Fund Community Development and Subsidiary
San Jose, California

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 consolidated financial statements of Accion Opportunity Fund Community Development (a California nonprofit corporation) and Subsidiary (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the consolidated financial statements, and have issued our report thereon dated September 28, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated 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 consolidated 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.

Armanino LLP

Armanino LLP
San Jose, California

September 28, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Accion Opportunity Fund Community Development and Subsidiary
San Jose, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Accion Opportunity Fund Community Development (a California nonprofit corporation) and Subsidiary (the "Organization")'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 each of the Organization's major federal programs for the year ended June 30, 2022. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each 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 the Organization 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 each major federal program. Our audit does not provide a legal determination of the Organization'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 the Organization's federal programs.

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 the Organization'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 the Organization's compliance with the requirements of each 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 the Organization'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 the Organization'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 the Organization'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 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 weakness 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.

Armanino LLP

Armanino LLP
San Jose, California

September 28, 2022

Accion Opportunity Fund Community Development and Subsidiary
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022
(In thousands)

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Contract Number	Total Federal Expenditures
Expenditures of Federal Awards			
U.S. Department of Treasury			
Direct awards			
Community Development Financial Institutions Rapid Response Program	21.024	21RRP056443	$ 1,826
Total U.S. Department of Treasury			1,826
Total Expenditures of Federal Awards			$ 1,826

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Accion Opportunity Fund Community Development and Subsidiary
Notes to Schedule of Expenditures of Federal Awards
June 30, 2022
(In thousands)

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Accion Opportunity Fund Community Development (a California nonprofit corporation) and Subsidiary (the "Organization") under programs of the federal government for the year ended June 30, 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 the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

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 limited as to reimbursement. Pass-through entity identifying numbers are presented where available and applicable.

Grant periods for certain of the grants included in the Schedule are different from the fiscal year of the Organization. Expenditures reported in the Schedule only include expenditures for the period of July 1, 2021 through June 30, 2022, which is the Organization's fiscal year.

3. INDIRECT COSTS

The Organization has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Accion Opportunity Fund Community Development and Subsidiary
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022
(In thousands)

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

Name of Federal Program or Cluster	Assistance Listing Number
Community Development Financial Institutions Rapid Response Program	21.024

Dollar threshold used to distinguish between Type A and Type B programs	$750 thousand
Auditee qualified as low-risk auditee?	Yes

Accion Opportunity Fund Community Development and Subsidiary
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022
(In thousands)

SECTION II - SUMMARY OF FINANCIAL STATEMENT FINDINGS

There are no financial statement findings to be reported.

SECTION III - SUMMARY OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings to be reported.

Accion Opportunity Fund Community Development and Subsidiary
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2022

There were no prior year findings.