Accion Opportunity Fund Community Development and Subsidiary

Consolidated Financial Statements
and Single Audit Reports and Schedules

June 30, 2024 and 2023

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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 and Subsidiary (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, 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, 2024 and 2023, 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 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 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.

Change in Accounting Principle

As described in Note 2 to the consolidated financial statements, the Organization has adopted Financial Accounting Standard Board issued Accounting Standard Codification 326, *Financial Instruments - Credit Losses* ("ASC 326"). Our opinion is not modified with respect to that matter.

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2024, 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

October 1, 2024

Accion Opportunity Fund Community Development and Subsidiary
Consolidated Statements of Financial Position
June 30, 2024 and 2023
(In thousands)

	2024	2023
ASSETS		
Cash and cash equivalents	$ 22,014	$ 23,077
Restricted cash (Note 5)	21,613	50,497
Investments (Note 4)	3,729	7,145
Loans receivable - small business, net of allowance for credit losses $11,118 and $7,786, respectively (Note 7)	142,087	121,445
Contribution receivable, net (Note 6)	21,008	20,204
Due from related parties	-	807
Small business interest and fees receivable	1,309	1,188
Prepaid expenses and other	1,776	638
Property and equipment, net (Note 9)	2,033	1,628
Operating lease right-of-use assets	877	1,280
Investment in LLCs	898	855
Total assets	$ 217,344	$ 228,764
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 8,034	$ 5,990
Operating lease liabilities	916	1,316
Notes payable (Notes 10 and 11)	148,603	148,683
Total liabilities	157,553	155,989
Net assets		
Without donor restrictions	43,438	48,534
With donor restrictions (Note 12)	16,353	24,241
Total net assets	59,791	72,775
Total liabilities and net assets	$ 217,344	$ 228,764

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, 2024
(In thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Earned revenues and contributions			
Interest income			
Interest from loan programs	$ 16,521	$ -	$ 16,521
Investment income	3,665	-	3,665
Total interest income	20,186	-	20,186
Less: interest expense	3,865	-	3,865
Net interest margin	16,321	-	16,321
Provision for credit losses	10,548	-	10,548
Other earned revenues			
Loan and other program income	5,637	-	5,637
Income from loan sales	1,175	-	1,175
NMTC program income	2,141	-	2,141
Service income from related parties	677	-	677
Total other earned revenues	9,630	-	9,630
Net earned revenues	15,403	-	15,403
Contributions and grants			
Contributions	3,074	11,397	14,471
Government contracts and grants	-	200	200
In-kind contributions	1,372	-	1,372
Net assets released from restriction	19,485	(19,485)	-
Total contributions and grants	23,931	(7,888)	16,043
Total earned revenues and contributions	39,334	(7,888)	31,446
Expenses			
Program services	32,017	-	32,017
Support services			
Management and general	8,139	-	8,139
Fundraising	2,274	-	2,274
Total support services	10,413	-	10,413
Total expenses	42,430	-	42,430
Change in net assets	(3,096)	(7,888)	(10,984)
Net assets, beginning of year	48,534	24,241	72,775
CECL transition adjustment	(2,000)	-	(2,000)
Net assets, end of year	$ 43,438	$ 16,353	$ 59,791

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, 2023
(In thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Earned revenues and contributions			
Interest income			
Interest from loan programs	$ 16,710	$ -	$ 16,710
Investment income	1,637	-	1,637
Total interest income	18,347	-	18,347
Less: interest expense	3,107	-	3,107
Net interest margin	15,240	-	15,240
Provision for credit losses	8,197	-	8,197
Other earned revenues			
Loan and other program income	3,530	-	3,530
Income from loan sales	1,984	-	1,984
NMTC program income	2,893	-	2,893
Service income from related parties	1,320	-	1,320
Total other earned revenues	9,727	-	9,727
Net earned revenues	16,770	-	16,770
Contribution and grants			
Contributions	4,055	14,300	18,355
Contributions from related parties	500	-	500
Government contracts and grants	1,917	1,651	3,568
In-kind contributions	680	-	680
Net assets released from restriction	13,287	(13,287)	-
Total contribution and grants	20,439	2,664	23,103
Total earned revenues and contributions	37,209	2,664	39,873
Expenses			
Program services	30,854	-	30,854
Support services			
Management and general	6,867	-	6,867
Fundraising	3,138	-	3,138
Total support services	10,005	-	10,005
Total expenses	40,859	-	40,859
Change in net assets	(3,650)	2,664	(986)
Net assets, beginning of year	52,184	21,577	73,761
Net assets, end of year	$ 48,534	$ 24,241	$ 72,775

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, 2024
(In thousands)

	Program Services	Management and General	Fundraising	Total
Personnel expenses	$ 16,435	$ 4,426	$ 1,875	$ 22,736
Program operating	6,547	6	-	6,553
Donations	2,674	50	-	2,724
Provision for credit losses	10,548	-	-	10,548
Interest	3,865	-	-	3,865
Information technology	2,736	1,500	111	4,347
Depreciation and amortization	313	212	37	562
Professional services	1,910	1,113	70	3,093
Occupancy	261	176	31	468
Marketing	709	57	63	829
Special events	45	-	27	72
Parking and travel	116	112	19	247
Other	271	487	41	799
Total	46,430	8,139	2,274	56,843
Less: interest included with revenues on the consolidated statement of activities	(3,865)	-	-	(3,865)
Less: provision for credit losses included with revenues on the consolidated statement of activities	(10,548)	-	-	(10,548)
Total	$ 32,017	$ 8,139	$ 2,274	$ 42,430
Percentage of total	75.5 %	19.2 %	5.3 %	100.0 %

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, 2023
(In thousands)

	Program Services	Management and General	Fundraising	Total
Personnel expenses	$ 15,259	$ 3,880	$ 2,462	$ 21,601
Program operating	5,803	-	1	5,804
Donations	3,778	-	-	3,778
Provision for credit losses	8,197	-	-	8,197
Interest	3,107	-	-	3,107
Information technology	3,222	869	178	4,269
Depreciation and amortization	500	278	59	837
Professional services	868	1,005	200	2,073
Occupancy	321	181	37	539
Marketing	553	164	112	829
Special events	5	-	6	11
Parking and travel	154	82	24	260
Other	391	408	59	858
Total	42,158	6,867	3,138	52,163
Less: interest included with revenues on the consolidated statement of activities	(3,107)	-	-	(3,107)
Less: provision for credit losses included with revenues on the consolidated statement of activities	(8,197)	-	-	(8,197)
Total	$ 30,854	$ 6,867	$ 3,138	$ 40,859
Percentage of total	75.5 %	16.8 %	7.7 %	100.0 %

Accion Opportunity Fund Community Development and Subsidiary
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2024 and 2023
(In thousands)

	2024	2023
Cash flows from operating activities		
Change in net assets	$ (10,984)	$ (986)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	562	837
Provision for credit losses	10,548	8,197
Gain on sale of loans	(653)	(1,341)
(Increase) decrease in contribution receivable	(804)	(3,137)
(Increase) decrease in due from related parties	807	(1,026)
(Increase) decrease in small business interest and fees receivable	(121)	(157)
(Increase) decrease in prepaid expenses and other	(735)	76
Increase (decrease) in accounts payable and accrued expenses	1,644	1,176
Net cash provided by operating activities	264	3,639
Cash flows from investing activities		
Disbursements under loan programs	(96,928)	(71,690)
Collections under loan programs	56,684	53,291
Proceeds from sale of loans	7,707	32,994
Purchases of investments	(16,627)	(4,884)
Proceeds from disposition of investments	20,000	716
Acquisition of property and equipment	(967)	(538)
Net cash provided by (used in) investing activities	(30,131)	9,889
Cash flows from financing activities		
Proceeds from notes payable	21,695	55,900
Repayment of notes payable	(21,775)	(25,730)
Net cash provided by (used in) financing activities	(80)	30,170
Net increase (decrease) in cash, cash equivalents and restricted cash	(29,947)	43,698
Cash, cash equivalents and restricted cash, beginning of year	73,574	29,876
Cash, cash equivalents and restricted cash, end of year	$ 43,627	$ 73,574
Cash, cash equivalents and restricted cash consisted of the following:		
Cash and cash equivalents	$ 22,014	$ 23,077
Restricted cash	21,613	50,497
	$ 43,627	$ 73,574

Supplemental disclosure of cash flow information

Cash paid during the year for interest	$ 3,865	$ 3,107

Supplemental schedule of noncash investing and financing activities

Operating lease right-of-use assets obtained in exchange for lease liabilities	$ -	$ 1,366

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 23701d. 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-three 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 28,700 loans totaling $910 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 credit loss reserve partially funded by the State of California as part of its Capital Access Program (see Note 8 - CASH FOR CREDIT 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 credit loss reserve program administered by a government agency and sold to a special purpose credit vehicle where only a portion of the loans, typically 5-10%, remain on the Organization's consolidated statement of financial position. These programs were terminated in fiscal year 2023.

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. As of June 30, 2024, substantially all PPP loans have been fully repaid.

1. ORGANIZATION AND BACKGROUND (continued)

Small Business Lending Program (continued)

The Organization sells participations in its loan portfolio. 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, 2024, the Organization has received a cumulative total of $498 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, 2024 and 2023, the Organization has deployed $498 million and $472 million in Qualified Equity Investments ("QEIs"), respectively.

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, 2022, 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." The rating as of June 30,2023 is not available at this time.

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:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation (continued)

- *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 consolidated 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.

Investments in NMTC Entities

There are 20 NMTC entities, over which the Organization exercises significant influence, and 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 16 - NEW MARKETS TAX CREDITS COMMITMENTS). The Organization has a 0.01% financial interest in each of these entities. As of June 30, 2024 and 2023, the Organization has related-party receivables from certain of these entities related to asset management fees and operating advances totaling $0 thousand.

In fiscal year 2024 and 2023, AOFCD closed three and five entities, respectively, when the projects were unwound and reached the end of the seven-year NMTC compliance period. There are four shelf entities that have not yet been utilized in an NMTC project yet as of June 30, 2024.

The 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 QEIs 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, 2024 and 2023, the balance of investment in Acceso was $871 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. Only limited 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 were no conditional contributions and grants as of June 30, 2024 and 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

In-kind contributions

Donated facilities, equipment, and services are reflected in the accompanying consolidated 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 possessing 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 consolidated financial statements.

During the years ended June 30, 2024 and 2023, the Organization received referral broker's fees valued at $672 thousand and $680 thousand, respectively, and consulting services valued at $700 thousand and $0 thousand, respectively. The Organization values these in-kind professional services based on estimated current rates for similar referral and consulting 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, 2024 and 2023, a present value discount of $551 thousand and $1 million was recorded to the consolidated financial statements, respectively. The Organization annually evaluates the collectability of contributions receivable. As of June 30, 2024 and 2023, an allowance of $275 thousand and $500 thousand was recorded for doubtful accounts for contributions receivable to the consolidated financial statements, respectively.

Loans receivable

Loans receivable are stated at the principal amount outstanding net of the allowance for credit losses (see Note 7 - LOANS RECEIVABLE AND CREDIT 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 periods ending June 30, 2024 and 2023, 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, 2024 and 2023, 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 credit losses

The Organization recognizes credit losses on financial assets measured at amortized cost based on the Current Expected Credit Losses ("CECL") model, as prescribed by Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 326.

The allowance for credit losses represents management's estimate of expected credit losses over the contractual term of financial assets, incorporating historical data, current conditions, and reasonable and supportable forecasts. The allowance is intended to reflect the estimated credit risk inherent in the Organization's financial asset portfolio and is subject to ongoing monitoring and reassessment.

The Organization utilizes a loss rate approach in determining its lifetime expected credit losses on its loans to customers. This method is used for calculating an estimate of losses based primarily on historical loss experience. In determining its loss rates, the Organization evaluates information related to its historical losses, adjusted for current conditions and further adjusted for the period of time that it can reasonably forecast. The Organization may extrapolate the loss rate for a product when its loss history doesn't have a full life cycle. Qualitative factors, such as changes in economic conditions and industry trends, are incorporated into the estimation process to reflect the current credit environment.

Financial assets are grouped based on similar risk characteristics and credit risk management practices. Factors considered in grouping financial assets include product type, asset class, geographic location, and credit risk profiles. The rationale for grouping decisions is documented and ensures consistency in the application of the CECL model across asset categories. The Organization also continually evaluates such grouping decisions and adjusts as needed from period to period as risk characteristic change.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allowance for credit losses (continued)

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 for working capital loans, and 120 days delinquent for trucking loans. Recoveries from the borrower, or the underlying collateral, of loans previously charged off are credited to the allowance. Recoveries from cash credit loss reserve funded by the California Capital Access Program ("CalCAP") are also credited to credit loss (see Note 8 - CASH FOR CREDIT 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 credit loss reserves available. The allowance for credit losses is presented in Note 7 - LOANS RECEIVABLE AND CREDIT 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 consolidated 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, equipment, and intangibles

Acquired property, equipment, and intangible assets exceeding $10 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 and amortization is computed using the straight-line method over the estimated useful lives of the assets which are five years for furniture, five 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 consolidated 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

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses* (Topic 326). This ASU introduces a new credit loss methodology, Current Expected Credit Losses (“CECL”), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU.

The CECL methodology utilizes a lifetime “expected credit loss” measurement objective for the recognition of credit losses for loans, held-to-maturity securities, and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The methodology replaces the multiple existing impairment methods in current GAAP, which generally require that a loss be incurred before it is recognized.

On July 1, 2023, the Organization adopted the guidance prospectively with a cumulative adjustment to net assets. The Organization has not restated comparative information for the fiscal year 2023 and, therefore, the comparative information for fiscal year 2023 is reported under the prior model and is not comparable to the information presented for fiscal year 2024.

At adoption, the Organization recognized an incremental allowance for credit losses on its loans to customers of approximately $2 million. Additionally, the Organization recorded an approximately $2 million decrease in net assets associated with the increased estimated credit losses.

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, 2024 and 2023, 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, 2024 and 2023 , the Organization assessed the amount of state taxes, if any, to be immaterial to its consolidated financial statements and did not accrue any tax liability in its consolidated 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, 2020, and forward. The State of California tax jurisdiction is subject to potential examination for years ended June 30, 2019 and forward. As of June 30, 2024 and 2023, management did not identify any uncertain tax positions.

3. LIQUIDITY

The Organization presents a classified consolidated 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, 2024 and 2023, respectively, for operations and programs needs are as follows:

	2024		2023	
	Operations	Programs	Operations	Programs
Available Cash and Investments				
Cash and cash equivalents	$ 22,014	$ -	$ 23,077	$ -
Loan funds	-	17,317	-	45,667
Investments	3,729	-	7,145	-
Total available cash and investments	25,743	17,317	30,222	45,667
Receivables - current				
Loans receivable	-	35,165	-	41,281
Contributions receivable	336	8,284	1,130	11,661
Due from related parties	-	-	807	-
Small business interest and fees receivable	1,309	-	1,188	-
Total receivables - current	1,645	43,449	3,125	52,942
Total financial assets available for use within one year	$ 27,388	$ 60,766	$ 33,347	$ 98,609

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, 2024 and 2023, 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 $8 million, of which $0 is drawn and has committed loan program credit facilities in the aggregate amount of $23 million of which $18 million was drawn as of June 30, 2024.

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:

	2024	2023
Money market	$ 2,153	$ 591
Mutual funds	1,077	1,662
US Treasury bill	499	4,892
Total investments	$ 3,729	$ 7,145

Investment income (losses) during the year consisted of the following:

	2024	2023
Interest income	$ 3,621	$ 1,645
Net realized and unrealized income (losses)	44	(8)
Total investment income	$ 3,665	$ 1,637

Interest income consisted of interest earned from cash, cash equivalent and restricted cash in the amount of approximately $4 million.

5. RESTRICTED CASH

Restricted cash consisted of the following:

	2024	2023
Cash for loan program	$ 17,317	$ 45,667
Cash for credit loss reserves (1)	4,296	4,830
Total cash - programs	$ 21,613	$ 50,497

(1) The Organization and the State of California's CalCAP program (see Note 8 - CASH FOR CREDIT 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 collections of contributions receivable are expected as follows:

Year ending June 30,	
2025	$ 16,623
2026	3,590
2027	1,620
	21,833
Less: present value discount and allowance	(825)
Total contributions receivable, net of discount and allowance	$ 21,008

For the year ended June 30, 2024, the Organization had six corporate entities who provided approximately 69% of total contributions.

For the year ended June 30, 2023, the Organization had one government entity who provided approximately 10% of total contributions, one corporate entity who provided 12% and one individual who provided approximately 18% 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, 2024 and 2023, contributions from these related parties included in revenue totaled $0 million and $3 million respectively. Additionally, contribution receivable from related parties as of June 30, 2024 and 2023 totaled $6 million and $10 million, respectively.

7. LOANS RECEIVABLE AND CREDIT LOSS RESERVE

Small business loans

The Organization offers loans to small businesses from $15 to $250 thousand with fixed interest rates ranging from 8.99% to 29.99% and terms of up to 72 months. During the years ended June 30, 2024 and 2023, the Organization disbursed $97 million to 1,806 borrowers and $72 million to 2,322 borrowers in the Small Business Program, respectively.

The Organization has an industry concentration in trucking loans. For the years ended June 30, 2024 and 2023, the Organization originated 62% and 38%, respectively, of trucking-related loans as a percentage of total loan originations. As of June 30, 2024 and 2023, the Organization's trucking-related loans receivable as a percentage of total loans receivable was 66% and 64%, respectively.

(In thousands)

7. LOANS RECEIVABLE AND CREDIT LOSS RESERVE (continued)

Small business loans (continued)

Small business program loans receivable are as follows:

	2024	2023
Total portfolio under management	$ 189,911	$ 191,631
Less third parties' portfolios under management (1)	(36,706)	(62,400)
	153,205	129,231
Less allowance for credit losses	(11,118)	(7,786)
Total net loans receivable	$ 142,087	$ 121,445

(1) Balance of loan participations owned by third parties / investors. In fiscal year 2024 and 2023, the Organization sold participations in 265 loans for a total of $7 million, and 749 loans for a total of $32 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, 2024, there were 218 TDRs in the Organization's small business portfolio accounting for a total of $4 million representing 2.34% of the total portfolio. As of June 30, 2023, there were 180 TDRs accounting for $2 million representing 1.70% of the total portfolio.

Aging schedule

2024 aging schedule by category

	Balance	Current	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	150+ Days
Small business loans	$ 149,623	$ 144,389	$ 1,533	$ 1,471	$ 1,149	$ 851	$ 230
Small business loans - TDRs	3,582	2,900	264	75	140	83	120
Total loans receivable	$ 153,205	$ 147,289	$ 1,797	$ 1,546	$ 1,289	$ 934	$ 350
		96.14 %	1.17 %	1.01 %	0.84 %	0.61 %	0.23 %

(In thousands)

7. LOANS RECEIVABLE AND CREDIT LOSS RESERVE (continued)

Aging schedule (continued)

2023 aging schedule by category

	Balance	Current	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	150+ Days
Small business loans	$ 127,037	$ 120,306	$ 2,045	$ 1,551	$ 919	$ 1,536	$ 680
Small business loans - TDRs	2,194	1,836	145	115	16	41	41
Total loans receivable	$ 129,231	$ 122,142	$ 2,190	$ 1,666	$ 935	$ 1,577	$ 721
		94.52 %	1.69 %	1.29 %	0.72 %	1.22 %	0.56 %

Allowance for credit losses

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

The following table summarizes the allowance for credit losses:

	2024	2023
Balance, beginning of year	$ 7,786	$ 6,391
CECL adjustment	2,000	-
Loans charged-off	(17,013)	(6,802)
Provision for credit losses	10,548	8,197
Loans recoveries	7,797	-
Balance, end of year	$ 11,118	$ 7,786

The following table summarizes the activities of allowance for credit losses by segment:

	Equipment Finance	Working Capital	R&D	Public Partnership	Total
Loans charged-off	$ (8,169)	$ (4,360)	$ (2,484)	$ (2,000)	$ (17,013)
Provision for credit losses	3,660	4,488	1,508	892	10,548
Loans recoveries	6,664	113	-	1,020	7,797

(In thousands)

8. CASH FOR CREDIT 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 up to 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, 2024 and 2023 , CalCAP withdrew $0 thousand and $287 thousand, respectively. During 2024, the CalCAP released $3 million of remaining funds held in the Small Business Reserve program back to AOFCD as there were no outstanding remaining loans in the program.

Cash for credit loss reserves consist of the following:

	2024	2023
Opportunity Fund contributions to CalCAP SSBCI 1 Reserve	$ -	$ 4,775
Opportunity Fund contributions to CalCAP SSBCI 2 Reserve	4,297	56
State contributions to CalCAP SSBCI 1 Reserve (1)	-	60
State contributions to CalCAP SSBCI 2 Reserve (1)	2,572	68
State contributions to CalCAP ARB Reserve (2)	9,371	9,348
Total cash for credit loss reserves	$ 16,240	$ 14,307

(1) Reserves for small business loans with general purpose. This portion of the reserve is not included in the Organization's consolidated 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 consolidated statement of financial position.

(In thousands)

9. PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following:

	2024	2023
Furniture	$ 121	$ 121
Computers and equipment	362	362
Software	4,344	3,377
Software-in-kind	2,655	2,655
Intangible asset	1,600	1,600
Leasehold improvements	177	177
	9,259	8,292
Accumulated depreciation and amortization	(7,226)	(6,664)
Total property and equipment, net	$ 2,033	$ 1,628

Depreciation and amortization expense for the years ended June 30, 2024 and 2023 were $562 thousand and $837 thousand, respectively.

10. REVOLVING LINES OF CREDIT

The Organization has entered into multiple agreements with banks and other financial institutions for lines of credit totaling $23 million. These lines of credit mature between July 2023 and December 2028 and carry annual interest rates between 3.00% and 7.10%. The aggregate outstanding balances as of June 30, 2024 and 2023, were $18 million and $13 million, respectively.

11. NOTES PAYABLE

The Organization has entered into multiple notes payable agreements with various institutions for a total of $121 million. These notes payable mature between November 2024 and December 2033 and carry annual interest rates between 0.50% and 4.50%.

The Organization entered into multiple agreements with individual investors in the amount of $9 million. These impact investments mature between August 2024 and June 2029 and carry annual interest rates between 0.78% and 3.00%.

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, 2024 and 2023.

(In thousands)

11. NOTES PAYABLE (continued)

Future maturities of all debts are as follows:

Year ending June 30,	
2025	$ 8,150
2026	49,994
2027	22,877
2028	33,082
2029	9,500
Thereafter	25,000
	148,603
Current portion	(8,150)
Total long-term notes payable	$ 140,453

12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were for the following purposes:

	Balance at June 30, 2023	Additions to Restrictions	Releases from Restrictions	Balance at June 30, 2024
Small business operating	$ 13,749	$ 11,597	$ (12,047)	$ 13,299
Time-restricted operating grants	10,492	-	(7,438)	3,054
	$ 24,241	$ 11,597	$ (19,485)	$ 16,353

Net assets with donor restrictions were for the following purposes:

	Balance at June 30, 2022	Additions to Restrictions	Releases from Restrictions	Balance at June 30, 2023
Small business operating	$ 9,833	$ 12,826	$ (8,910)	$ 13,749
Time-restricted operating grants	11,744	3,125	(4,377)	10,492
	$ 21,577	$ 15,951	$ (13,287)	$ 24,241

(In thousands)

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, 2024 and 2023, AOFCD recorded $677 thousand and $1 million in reimbursement from AOF, respectively. As of June 30, 2024 and 2023, AOFCD had a receivable of $0 thousand and $807 thousand for the reimbursement, respectively.

In addition, AOFCD will occasionally make 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 revenue for the cash payments made for AOF. For the years ended June 30, 2024 and 2023, contributions from AOF included in revenue totaled $0 thousand and $500 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, 2024 and 2023, the Organization contributed approximately $567 thousand and $697 thousand, respectively, to the Plan for participating employees.

15. LEASES

In December 2022, the Organization entered a non-cancelable operating lease for office facilities and office equipment in the City of San Jose effective July 1, 2023, with a monthly rent of $28 thousand. The lease will expire in July 2026.

The Organization also entered a non-cancelable operating lease for office facilities and office equipment in the city of Commerce effective July 1, 2021, with a monthly rent of $8 thousand. The lease will expire in November 2026.

Additional information related to the two leases are as follows:

Operating right-of-use obtained in exchange for operating lease liability	$ 877
Operating lease liabilities	916
Discount rate	2.55 %
Weighted average remaining term	2.2 years

(In thousands)

15. LEASES (continued)

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

Year ending June 30,		
2025	$	441
2026		454
2027		48
		943
Less: imputed interest		(27)
	$	916

Lease expenses for the years ended June 30, 2024 and 2023, was $469 thousand and $539 thousand, respectively.

16. NEW MARKETS TAX CREDITS COMMITMENTS

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 AOFCD: (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.

Total amounts currently at risk are $102 million and future amounts are $40 million. The maturity dates range from December 2024 through December 2034 at which times AOFCD is no longer liable.

17. SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of the consolidated financial statements, October 1, 2024, which is the date the consolidated financial statements were available to be issued.

17. SUBSEQUENT EVENTS (continued)

In August 2024, AOFCD received a $23 million unrestricted grant from one individual. This is the largest individual donation the Organization has received in its history. The grant accelerates the Organization's efforts to reach thousands of underserved entrepreneurs and will be used for strategic and other purposes.

In September 2024, AOFCD received notification from the CDFI Fund that it has received a $60 million allocation of New Market Tax Credits.

SINGLE AUDIT REPORTS AND SCHEDULES

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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 and Subsidiary (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2024, 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 October 1, 2024.

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 consolidated 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 consolidated 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

October 1, 2024

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM, INTERNAL CONTROL OVER COMPLIANCE, AND ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 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 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, 2024. 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, 2024.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of the Organization as of and for the year ended June 30, 2024, and have issued our report thereon dated October 1, 2024, which contained an unmodified opinion on those consolidated financial statements. 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 is presented for purposes of additional analysis as required by the Uniform Guidance 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Armanino LLP

Armanino^LLP
San Jose, California

October 1, 2024

Accion Opportunity Fund Community Development and Subsidiary
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024
(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 the Treasury			
Direct awards			
Community Development Financial Institutions Program	21.020	211FA056442	$ 690
Community Development Financial Institutions Fund Equitable Recovery Program (CDFI ERP)	21.033	22ERPO61587	1,403
Total U.S. Department of the Treasury			2,093
Total Expenditures of Federal Awards			$ 2,093

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, 2024
(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 and Subsidiary (the "Organization") under programs of the federal government for the year ended June 30, 2024. 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.

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, 2024
(In thousands)

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Consolidated 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 consolidated 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 Fund Equitable Recovery Program (CDFI ERP)	21.033

Dollar threshold used to distinguish between Type A and Type B programs	$750 thousand
Auditee qualified as low-risk auditee?	No

Accion Opportunity Fund Community Development and Subsidiary
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024
(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, 2024

There were no prior year findings.