

ACCIÓN  
SAN DIEGO



Lending. Supporting. Inspiring.

ACCION SAN DIEGO ANNUAL REPORT 2002

# MISSION



Stephanie Henckley, *Twilight Daycare*

ACCION San Diego is committed to increasing income and access to jobs for the city's low- and moderate-income, self-employed men and women who lack access to traditional forms of business credit.

By providing credit and support services to these "microentrepreneurs," the program seeks to increase business and family incomes, create jobs and contribute to the economic revitalization of disenfranchised neighborhoods in San Diego County.



Despite a difficult economic environment in 2002, this year ACCION San Diego made great strides. We had the pleasure of serving hardworking entrepreneurs and seeing businesses develop throughout San Diego County. We welcomed more than 100 new clients and disbursed 207 loans.

With the help of an \$800,000 award from the Community Development Financial Institution, we were able to expand our programs and offer a series of small business workshops in collaboration with the Hispanic Chamber of Commerce, the Union of Pan Asian Communities, and the Small Business Development Center. These partnerships enabled us to optimize resources, minimize the duplication of services, and reach more people in need.

Launched in late 2001, our partnership with the International Rescue Committee (IRC) assists people who fled persecution, war or violence and want to start businesses here in the United States. Through this collaboration, refugees are eligible for loans from ACCION San Diego and essential training from the IRC, allowing them to build their businesses and their skills simultaneously. Since the program's inception, ACCION San Diego has disbursed 14 loans to refugee entrepreneurs—like Suad Serdarevic from Bosnia (see inside).

In 2002, ACCION San Diego also continued to provide ongoing support to existing clients. Long term assistance in the form of additional, larger loans and business skills training enabled clients to expand their businesses, hire additional employees, and positively impact their neighborhoods. This year, we had the pleasure of seeing some of our clients graduate to traditional lending institutions, where they are eligible for larger loans. Six clients were referred to banks and approved for loans totaling \$600,000. Since August 2002, eight additional clients have begun to make this leap, initiating loan applications with conventional lenders.

As ACCION San Diego has grown, we have broadened our programs, reached more hardworking entrepreneurs, and contributed to community development in our neighborhoods. Without the support of our funders, community partners, staff and board members, none of this would be possible. Thank you for your steadfast support of our program over the years.

Sincerely,

William A. Roper, Jr.  
Board Chair

# MESSAGE FROM THE 2002 Chair of the Board

## EMMANUEL BABA

Reaching His Goals with ACCION San Diego

When Emmanuel Baba came to the United States from the Democratic Republic of the Congo, he had all the qualities of a successful small business owner—ambitious, hardworking and courageous. What he lacked was the means to put those qualities to work.

Despite knowing very little English, Emmanuel enrolled in college and eventually graduated with a degree in business administration. After school, he began working as a professional carpet cleaner. Emmanuel knew that if he could buy his equipment instead of renting the machines, he could improve his income. He began looking for a way to start his own business.

He went to the Small Business Association and was referred to ACCION San Diego.

With an initial loan of \$2,000, Emmanuel bought his own equipment, enabling him to secure several valuable contracts and hire two workers.

“It’s a great experience to be in business,” he smiles. “You get freedom, accomplishment and self-worth.”

A year and a half later, Emmanuel has received four loans—the last for \$10,000. His plans include expanding his advertising efforts and buying a more efficient truck so he can build a strong customer base in San Diego and also expand into Orange County.

“At ACCION San Diego, they are like a family,” he says. “They are compassionate and understand the client.”

## SUAD SERDAREVIC

A New Business and a New Life in San Diego

In late 2001, ACCION San Diego developed an inventive partnership with the International Rescue Committee (IRC) to offer business training and loans to refugees who resettle in San Diego. This program offers graduates of the course initial loans up to \$6,000, providing refugees like Suad Serdarevic the resources necessary to establish themselves in the community.

Suad left his home in Bosnia in 1990 to work on a cruise ship. For four years, the strife at home meant he could not return. Finally, faced with the grinding war in Bosnia and the need to support his wife and child, Suad made the difficult decision to come to the United States and start a new life.

Work in the United States consisted of a series of odd jobs, from a trucking company, to an office supply store, to becoming a bus driver. The jobs enabled Suad to survive, but he sought greater stability.

“I wanted to start my own business to make a better life—to do something for my family,” he explains.

One day, Suad saw an ad in the newspaper for ACCION San Diego’s partnership with the IRC. It was just the opportunity he had been looking for. He applied for a loan from ACCION and soon he had a check for \$1,500. With it, he bought a Coverall®



Cleaning franchise and went into business for himself. After completing an IRC business training class, Suad received a second loan—this time for \$3,000. Now, he could purchase more equipment and hire two employees.

“The loans from ACCION helped my business grow,” says Suad. “They gave me options I didn’t have in the beginning.”

Today, Suad works hard, but is happy to be in business for himself. His future plans include purchasing a van and expanding his business.

“Working with ACCION has been a good experience,” he says. “Now, I know I’m building something.”

## 2002 HIGHLIGHTS

In just eight years of operation, ACCION San Diego has disbursed more than \$4.8 million through 1,262 loans. Despite the weak economic conditions that lingered throughout 2002, we continued to serve a growing number of microenterprises in San Diego County, disbursing 207 loans this year alone.

In 2002, we bolstered our community outreach and marketing efforts, working alongside community development allies to bring business credit and technical assistance directly to the neighborhoods that are in greatest need of these services. Together with two Small Business Development Centers and the Union of Pan Asian Communities, we co-sponsored a series of seminars to teach clients how to keep accurate financial records and how to navigate the permitting process. Through a partnership with the Chicano Federation, we offered seed loans for daycare providers. The funds may be used to aid in the daycare licensing process or to purchase toys and equipment. In addition to the loan, daycare trainees

receive a two-hour course on understanding financing and credit for their small business.

Quarterly events held in coordination with the Hispanic Chamber of Commerce and Bankers CDC brought our clients and other small business owners together for networking and learning. We also helped our clients make new contacts through [connectory.com](http://connectory.com),—a regional network of buyers and suppliers. ACCION San Diego worked with the online network to increase its database and provide another means for our clients to spread the word about their businesses.

Finally, this year our self-sufficiency ratio—the percentage of our operational expenses covered by loan revenue—grew to an all-time high of 48.3%. Our growing self-sufficiency ratio illustrates our increasing capacity to serve more clients and make more loans—while covering a good percentage of our costs.

## PABLO PEREZ Sweet Success for Long Time Client

Pablo Perez, owner of Candy El Pecas, has taken the traditional gummy worm and given it a Mexican twist—his are coated in chili powder. The mixture is a little something like Pablo himself: extraordinary and full of punch. And today, thanks to his creativity, hard work, and loans from ACCION San Diego, Pablo's business is on fire.

Although he opened his candy enterprise just five years ago, Pablo now sells his chewy sweets throughout the United States, and in more than 300 local businesses. In Los Angeles alone, he works with three distributors to deliver his distinctive Mexican candies.

A long-time ACCION client, Pablo remembers the difficulties he encountered when he was just starting out. After five years of working for a candy company, Pablo dreamed of starting his own business. He began producing his candy in a small storage space, but he soon outgrew the facilities. Pablo knew he needed to invest in a bigger space if he wanted his business to grow. What he lacked was the capital to make it happen.



That's when a friend referred Pablo to ACCION San Diego. Pablo applied and received a first loan of \$2,500—enough to enable him to move into a large warehouse. Five years later, Pablo is on his fifth loan, for \$10,000. Today, he employs 11 workers and produces enough candy to ship to Arizona, New Jersey, New York, Illinois, Nevada, Oregon and parts of Mexico.

"I want to expand Candy El Pecas," explains Pablo, "and provide more jobs for the community."

# FINANCIAL SUMMARY

BALANCE SHEET	DEC. 2002	DEC. 2001
<b>ASSETS</b>		
Cash and Equivalents	\$ 1,586,913	\$ 479,598
Contributions and Grants Receivable	\$ 67,559	\$ 444,343
Microenterprise Loans Receivable (Net of Allowances for Loan Losses of \$68,570 in 2002 and \$100,156 in 2001.)	\$ 845,693	\$ 901,403
Fixed Assets (Net of Accumulated Depreciation of \$57,261 in 2002 and \$45,842 in 2001.)	\$ 30,334	\$ 41,753
Other Assets	\$ 11,941	\$ 4,534
<b>Total Assets</b>	<b>\$ 2,542,440</b>	<b>\$ 1,871,631</b>
<b>LIABILITIES</b>		
Accrued Expenses and Accounts Payable	\$ 26,313	\$ 52,473
Notes Payable	\$ 1,325,000	\$ 785,000
<b>Total Liabilities</b>	<b>\$ 1,351,313</b>	<b>\$ 837,473</b>
<b>NET ASSETS</b>		
Unrestricted	\$ 762,627	\$ 624,158
Temporarily Restricted	\$ 428,500	\$ 410,000
<b>Total Net Assets</b>	<b>\$ 1,191,127</b>	<b>\$ 1,034,158</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>\$ 2,542,440</b>	<b>\$ 1,871,631</b>
<b>REVENUE AND EXPENSE STATEMENT</b>		
	<b>DEC. 2002</b>	<b>DEC. 2001</b>
<b>REVENUE</b>		
Grants and Contributions		
Unrestricted	\$ 177,485	\$ 245,847
Temporarily Restricted	\$ 28,800	\$ 420,000
In-Kind	\$ 76,757	\$ 77,535
Contract Revenue	\$ 171,503	\$ 145,262
Interest Fees	\$ 162,919	\$ 153,640
Other Income	\$ 21,922	\$ 19,796
<b>Total Public Support and Contributions</b>	<b>\$ 639,386</b>	<b>\$ 1,062,080</b>
<b>EXPENSES</b>		
Program Services	\$ 381,036	\$ 358,743
Supporting Services		
Fundraising	\$ 78,023	\$ 46,810
Grants and Administration	\$ 23,358	\$ 64,249
Total Supporting Services	\$ 101,381	\$ 111,059
<b>Total Expenses</b>	<b>\$ 482,417</b>	<b>\$ 469,802</b>
<b>Change in Net Assets</b>	<b>\$ 156,969</b>	<b>\$ 592,278</b>

Complete financial statements, audited by Nicholas M. Pascall, CPA, are available upon request through ACCION San Diego.



Elizabeth Robertson, *Chauncey's Pet Pantry*

## IMPACT

INDICATOR	2002	2001
New Clients	100	113
Number of Loans Disbursed	207	217
Amount Loaned	\$826,870	\$939,022
Active Portfolio (at 12/31/02)	\$913,635	\$1,001,559
Active Clients (at 12/31/02)	254	256
Average Loan Balance	\$3,995	\$4,327
Portfolio at Risk—Moving Average <sup>1</sup>	3.58%	4.45%
Loss Rate <sup>2</sup>	7.50%	2.50%
Percentage Self-sufficiency <sup>3</sup>	48.29%	47.40%

CUMULATIVE TOTALS TO DATE	2002
Clients Served	667
Number of Loans Disbursed	1,262
Amount Disbursed	\$4,866,414
Historical Loss Rate	5%

- 1 Portfolio at risk is equal to the total outstanding loan balance of loans past due more than 30 days divided by the total loan portfolio.
- 2 ACCION San Diego wrote off two old restructured loans in 2002, totaling approx. \$29k. Although we were still receiving payments on these loans, the risk became higher with time. The board decided to take a conservative approach and write-off the loans and book the monthly payments as write-off recoveries. If these two loans had been written-off in 2001, the year-end loss rate for 2002 would have been 3.65%. 2001 ended with a loss rate of 2.5%. ACCION San Diego has maintained an average loss rate since program inception of 5%.
- 3 Self-sufficiency is calculated by dividing revenue from lending operations by total expenses.

# ACCION

## SAN DIEGO

1250 6th Avenue, Suite 500  
San Diego, CA 92101  
Phone: 619-685-1380  
Fax: 619-685-1470  
Email: info@accionsandiego.org  
www.accionsandiego.org

### 2002 BOARD OF DIRECTORS

William A. Roper, Chairman  
**Board Chair**  
*Senior Corporate Executive*  
*Vice President*  
SAIC

William Burrus  
*President & CEO*  
ACCION USA

William D. Lynch  
The William D. Lynch Foundation

Linda Cole  
*National Director of Microlending*  
Citibank

Thomas E. Darcy  
*Executive Vice President &*  
*Chief Financial Officer*  
SAIC

Tom Ferrara  
*Executive Vice President &*  
*Chief Credit Officer*  
Neighborhood National Bank

Karla Hertzog  
*President*  
Innovative Employee Solutions

John Moulton  
*Partner*  
*Technology Group*  
Deloitte & Touche LLP

Urban Miyares  
*President*  
Disabled Businesspersons  
Association

Andy Shedd  
*Compliance Officer/Internal Audit*  
Silvergate Bank

Mary Walshok, Ph.D  
*Dean & Vice Chancellor,*  
*Extended Studies and*  
*Public Programs*  
University of California San Diego

Carol Wallace  
*President & CEO*  
San Diego Convention  
Center Corporation

Art Rivera  
*Vice President &*  
*Corporate Affairs Manager,*  
*Community Investment &*  
*Development*  
Washington Mutual Bank

Gordon P. Boerner  
*Senior Vice President &*  
*Director of Business &*  
*Community Development*  
San Diego National Bank

### ACCION SAN DIEGO STAFF

(as of July 1, 2003)

Patti Mason  
**President & CEO**

Carolina Velasquez  
**Director of Operations**

Lara Fernandez  
**Loan Officer**

María Montaña  
**Loan Officer**

Melida Sanchez  
**Loan Officer**

Manuel Pérez-Preve  
**Office Manager**

Kerry Yip  
**AmeriCorps\*VISTA Volunteer**

### FUNDING PARTNERS

Betterworld Together Foundation  
California Bank & Trust  
California Federal Bank  
Chase Manhattan Bank  
City of San Diego, Community  
Development Block Grant  
City of San Diego, TOT Grant  
Comerica Bank  
Community Development Financial  
Institution, U.S. Dept. of  
the Treasury  
Deloitte & Touche LLP  
Guaranty Bank  
Imperial Bank  
Imperial Capital Bank  
Innovative Employee Solutions  
J.P. Morgan Chase Foundation  
William D. Lynch Foundation  
Northern Trust Bank  
SAIC  
Mr. & Mrs. J. Sragovicz  
San Diego National Bank  
Share Our Strength Foundation  
Sunrise Bank of San Diego  
U.S. Bancorp Foundation  
Washington Mutual Bank  
Washington Mutual Foundation  
Wells Fargo Foundation



Shane and Anna Behrendt, *Souvenir Stop*