

1997 Annual Report



BUILDING *assets,*
BUILDING *lives*



ACCION

San Diego is

committed

to providing credit

and training to

microentrepreneurs,

particularly those who

are home-based,

whose efforts not only

support their families

but create jobs

and contribute to the

revitalization of their

neighborhoods.



OUR MISSION

MESSAGE FROM THE CHAIR OF THE BOARD



As I step back and observe ACCION San Diego after three years in operation, it is remarkable to see how well the program is working. This past year, we expanded our services significantly, assisting 172 clients—38 percent more than last year—and increasing the total amount we loaned by 44 percent.

ACCION San Diego also grew in terms of its relationships with the greater community. This past year alone, our organization forged alliances with the city's Office of Small Business, the Enterprise Community Program, the Livable Neighborhoods Program and many other community organizations to expand the umbrella of support available for San Diego's microentrepreneurs.

We also strengthened our relationships with funding partners. Of particular note is a \$400,000 loan from Wells Fargo Bank which will significantly improve our balance sheet and reduce our future borrowing costs.

Most importantly, ACCION San Diego is working for its clients. Every day, we see success stories among the people with whom we work, such as Lynn Luckey (see page 3). And now, a new study by ACCION International has quantified and documented these successes. The study demonstrates extraordinary growth in our clients' business equity, profits and household income after they receive loans from ACCION San Diego. As First Lady Hillary Rodham Clinton commented, the study "shows that it takes a long-term commitment to lift people up economically, but that such a commitment makes a very real difference in people's lives."

We couldn't agree more. It is great to see that after a relatively short time—just three years—ACCION San Diego is making a difference in San Diego's communities. We are proud to be helping and look forward to expanding our role in the future.

Sincerely,

William A. Roper, Jr.
ACCION San Diego
Board Chair

Chair's Message

Lynn Luckey "Luckey You"

Lynn Luckey's business began 18 years ago when she went to a baby shower with a homemade gift—a baby outfit she had painted

including one from the San Diego Zoo for 7,000 painted shirts. Her husband quit his job to manage the burgeoning business.

No bank would lend to me." Without working capital, Lynn could barely keep the business solvent. Then, she heard about ACCION San Diego. "I thought, Wow!" she remembers, "there are people set up to help small businesses like mine. ACCION was like a gift from God."

the money back and the next time she needed working capital, ACCION trusted her with a second loan. "It came at a crucial time," Lynn says. "And in business, timing is everything."

Now Lynn has taken full charge of the financial side of her business and pulled through the tough times. Today *Luckey You* employs Lynn, her mother, three silkscreeners, and twelve outside contractors. ☀️

But things didn't go smoothly forever. Five years ago, Lynn and her husband divorced, which left the business

in serious financial straits. "It was ugly," Lynn remembers. "On paper I showed a \$45,000 loss.

When Lynn got her next big order from the San Diego Zoo, ACCION stepped in and paid for the raw materials. That way Lynn could complete the order and bring in the resulting profit. She paid

herself. Everybody at the shower asked to buy one. Before she knew it, Lynn had dozens of orders,



Measuring Impact

A new study by ACCION International demonstrates the dramatic impact of microcredit on borrowers. The survey of 849 ACCION clients from across the U.S. found that after two loans, borrowers took home an average of \$455 more in income each month — an increase of 38 percent. Results were even more striking for low-income borrowers, who increased their take-home pay by an average of 54 percent.

**U.S. Treasury Department defines low-income as households with incomes below 80% of the area median income.*

THE BOTTOM LINE

Our customers in San Diego showed particularly strong gains. On average, our clients increased monthly profits by 65 percent after one loan. After two loans, total business equity grew 188 percent. Between 1995 and 1997, our loans helped to generate 23 new jobs among the 63 San Diego businesses surveyed.

Our clients also reported non-financial benefits, such as increased pride, self realization, family cohesiveness, and greater community participation as a result of ACCION San Diego's investment in their businesses. ☀️

1997 represented a third year of strong growth for ACCION San Diego and our clients. We loaned a total of \$486,694 to help 172 San Diego microentrepreneurs grow their businesses. That total included 83 new clients—a 33 percent increase over the previous year.

While expanding our lending, we have also developed several new programs to assist San Diego's microentrepreneurs:

- Recognizing the limited opportunities our borrowers have for business training, we joined forces with the Foundation for Enterprise Development and the MAAC Project to offer a business management course for Spanish-speaking entrepreneurs.
- We teamed up with the Chicano Federation and Local Initiative Support Corporation to establish a loan program for child care providers.
- With the Livable Neighborhoods Program, we initiated the development of a business improvement association in the Barrio Logan community.
- We began working with the Façade Improvement Program to provide capital for façade renovations within San Diego's Business Improvement Districts.
- Working with the Business Improvement Districts, we helped create a small business loan pool for Mid City businesses, which are denied credit at a rate 50 percent higher than the national loan denial rate.

Finally, 1997 was marked by growing public acknowledgement and support of our efforts. Wells Fargo Bank became a major partner of ACCION San Diego with a five-year, \$400,000 loan at 0 percent interest for the first three years. The Monsanto Foundation joined in with a generous grant of \$48,500. And in 1997, ACCION San Diego received one of the first-ever Presidential Awards for Excellence in Microenterprise Development. ☀

Creating Community Partnerships



*Client Trinidad Baron,
Owner of "Tri-B International"*

ADVANCING U.S. MICROENTERPRISE

Villa Pontanares Mills, ACCION San Diego President & CEO, met with key U.S. officials responsible for national economic development, welfare reform and small and microbusiness lending to discuss increasing resources to the microbusiness sector. Discussion centered on how to tap into the \$7 trillion U.S. banking industry and the multi-trillion dollar insurance and investment house industries to increase funding for microlending in the United States. Ms. Mills met with Federal Reserve Chairman Alan Greenspan, Secretary of the Treasury Robert Rubin, then-U.S. Comptroller of the Currency Eugene Ludwig, Director of the Office of Thrift Supervision Ellen Seidman, and Gene Sperling, Special Assistant to the President and Chairman of the National Economic Council. ☀



ACCION CEO Villa Pontanares Mills (right) met with Federal Reserve Chairman Alan Greenspan to discuss microenterprise lending.

FINANCIAL SUMMARY

Statement of Financial Position	Dec. 1997	Dec. 1996
Assets		
Cash and equivalents	\$ 246,136	\$ 139,560
Contributions receivable	\$ 93,500	\$ 18,755
Contract receivable	\$ 5,558	\$ —
Microenterprise loans receivable, net of allowance for loan losses	\$ 269,780	\$ 205,762
Fixed assets	\$ 16,348	\$ 11,100
Total assets	\$ 631,222	\$ 375,177
Liabilities		
Accounts payable and accrued liabilities	\$ 9,567	\$ 7,622
Loans payable	\$ 507,000	\$ 308,112
Total liabilities	\$ 516,567	\$ 315,734
Net assets	\$ 114,755	\$ 59,443
Total liabilities & net assets	\$ 631,322	\$ 375,177

Statement of Activities	Year Ended 12/31/97	Year Ended 12/31/96
Unrestricted Net Assets		
Support		
Contributions	\$ 116,100	\$ 48,343
Revenue		
Loan interest and fees	\$ 56,435	\$ 34,894
Other interest	\$ 5,477	\$ 1,871
Total revenue	\$ 61,912	\$ 36,765
Total support and revenue	\$ 178,012	\$ 85,108
Net assets released from restrictions	\$ 100,110	\$ 266,455
Total	\$ 278,122	\$ 351,563
Expenses		
Program services	\$ 253,265	\$ 157,673
Support services	\$ 79,051	\$ 111,528
Total expenses	\$ 332,316	\$ 269,201
Change in unrestricted net assets	\$ (54,194)	\$ 82,362

Temporarily Restricted Net Assets

Support		
Contributions	\$ 109,506	\$ 178,109
In-kind contributions	\$ 38,627	\$ 47,275
Total support	\$ 148,133	\$ 225,384
Revenue		
Contract revenue	\$ 61,483	\$ —
Total support and revenue	\$ 209,616	\$ 225,384
Net assets released from restrictions	\$ (100,110)	\$ (266,455)
Change in temporarily restricted net assets	\$ 109,506	\$ (41,071)
Net increase in net assets	\$ 55,312	\$ 41,291
Net assets at beginning of year, as restated	\$ 59,443	\$ 18,152
Net assets at end of year	\$ 114,755	\$ 59,443

1997 STATISTICS

Indicator	1997
New Clients	83
Number of Loans Disbursed	163
Amount Loaned	\$486,694
Active Portfolio (at 12/31/97)	\$317,388
Active Clients (at 12/31/97)	128
Average Loan	\$2,986
Portfolio at Risk*	12.3%
Percentage Self-Sufficiency	24%
Totals to Date (as of 12/31/97)	
Clients Served	216
Number of Loans Disbursed	372
Amount Disbursed	\$1,089,131
Loss Rate	6%

*Portfolio at risk is the total balance of loans with any payment past due more than 30 days, divided by the active portfolio.

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

BOARD OF DIRECTORS

William Roper

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Founder

William D. Lynch
Foundation

Lynell Berkey

Executive Vice President/CAO
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Villa Pontanares Mills

President & CEO

ACCION San Diego

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*Senior Vice President,
U.S. Division*

ACCION International

Urban Miyares

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Disabled Businesspersons
Association

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San Diego Citizens
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San Diego

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Managing Partner

Mulvaney, Kahan & Barry

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FUNDING PARTNERS

ACCION International

Arco Foundation

Bank of America

City of San Diego,
Community
Development Block
Grant

Comerica Bank

FICAH/Monsanto
Foundation

Girard Foundation

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William D. Lynch
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ACCION SAN DIEGO STAFF

Villa Pontanares Mills
President & CEO

Patti Mason
Operations Manager

Susan Lamping
*Program Manager/
Loan Officer*

Richard Paredes
Loan Officer

Maricela Leon
Administrative Coordinator

