ACCESS TO CAPITAL FOR ENTREPRENEURS, INC.

FINANCIAL REPORT

DECEMBER 31, 2020

ACCESS TO CAPITAL FOR ENTREPRENEURS, INC.

FINANCIAL REPORT
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MAULDIN & JENKINS
CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Access to Capital for Entrepreneurs, Inc.
Cleveland, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of **Access to Capital for Entrepreneurs, Inc.** (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Access to Capital for Entrepreneurs, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2021, on our consideration of Access to Capital for Entrepreneurs, Inc.'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 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 Access to Capital for Entrepreneurs, Inc.'s internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
March 23, 2021

MAULDIN & JENKINS

ACCESS TO CAPITAL FOR ENTREPRENEURS, INC.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

		2020		2019
ASSETS				
Current assets:				
Cash and cash equivalents	$	**30,999,933**	$	10,121,116
Accounts receivable		**29,000**		4,320
Grants receivable		**1,018,181**		2,181,667
Investments		**71,366**		54,623
Restricted equity securities		**48,200**		39,900
Prepaid expenses		**56,906**		39,960
Current portion of loans receivable		**11,412,350**		5,582,617
Accrued loan interest receivable		**227,143**		108,012
Loan fees receivable		**7,769**		12,640
Other real estate owned		**109,888**		571,717
Total current assets		**43,980,736**		18,716,572
Non-current assets:				
Loan assets				
Gross loans receivable		**42,362,108**		29,022,956
Less allowance for loan losses		**(4,824,265)**		(1,794,313)
		37,537,843		27,228,643
Less current portion of loans receivable		**(11,412,350)**		(5,582,617)
		26,125,493		21,646,026
Other non-current assets				
Grants receivable, non-current		**52,549**		-
Loan loss reserve fund		**1,031,791**		386,603
Agency fund assets		**789,814**		783,701
CA servicing asset		**69,353**		79,770
Discount on retained		**(43,656)**		(52,072)
Security deposit		**1,600**		1,600
		1,901,451		1,199,602
Equipment, net		**19,859**		19,966
Total non-current assets		**28,046,803**		22,865,594
Total Assets	$	**72,027,539**	$	41,582,166
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable and accrued expenses	$	**265,728**	$	161,411
Other current liabilities		**2,892**		47,138
Deferred grant revenue		**773,695**		732,775
FHLB note payable		**-**		250,000
Lines of credit		**-**		55,250
Current portion of long-term debt		**4,199,820**		853,003
Total current liabilities		**5,242,135**		2,099,577
Non-current liabilities:				
Long-term debt				
Notes payable		**23,302,137**		13,315,194
Equity equivalent liabilities		**5,760,000**		3,760,000
Investment bond payable		**6,500,000**		4,500,000
Less current portion		**(4,199,820)**		(853,003)
		31,362,317		20,722,191
Agency fund liabilities		**7,747,579**		783,701
Total non-current liabilities		**39,109,896**		21,505,892
Total liabilities		**44,352,031**		23,605,469
Net assets:				
Without donor restrictions		**25,107,045**		12,588,163
With donor restrictions		**2,568,463**		5,388,534
Total net assets		**27,675,508**		17,976,697
Total Liabilities and Net Assets	$	**72,027,539**	$	41,582,166

See Notes to Financial Statements.

ACCESS TO CAPITAL FOR ENTREPRENEURS, INC.

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support			
Revenue			
Equity capital grants	$ -	$ 577,000	$ 577,000
Reimbursable grant revenues	1,000,792	-	1,000,792
Operational grant revenues	10,586,208	140,000	10,726,208
Contributions	96,170	-	96,170
Interest income on loans	2,468,853	69	2,468,922
Loan fees	862,218	-	862,218
Other interest income	54,334	-	54,334
Other fees	2,180,588	-	2,180,588
Unrealized gain on investments	15,897	-	15,897
Other income	-	-	-
Recovery of restricted assets	-	-	-
Net assets released from restrictions:			
Satisfaction of program restrictions	3,537,140	(3,537,140)	-
	20,802,200	(2,820,071)	17,982,129
Other support			
In-kind contributions	276,821	-	276,821
Total revenue and other support	21,079,021	(2,820,071)	18,258,950
Expenses:			
Program services			
Program expenses	2,544,144	-	2,544,144
Provision for loan loss	3,842,000	-	3,842,000
Interest expense	505,411	-	505,411
Total program services before in-kind expenses	6,891,555	-	6,891,555
In-kind expenses	229,345	-	229,345
Total program services	7,120,900	-	7,120,900
Supporting services			
General and administrative	1,240,931	-	1,240,931
Fundraising	150,832	-	150,832
Total supporting services before in-kind expenses	1,391,763	-	1,391,763
In-kind expenses	47,476	-	47,476
Total supporting services	1,439,239	-	1,439,239
Total expenses	8,560,139	-	8,560,139
Change in net assets	12,518,882	(2,820,071)	9,698,811
Net assets, beginning	12,588,163	5,388,534	17,976,697
Net assets, ending	$ 25,107,045	$ 2,568,463	$ 27,675,508

See Notes to Financial Statements.

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support			
Revenue			
Equity capital grants	$ 1,075,000	$ 703,925	$ 1,778,925
Reimbursable grant revenues	584,958	-	584,958
Operational grant revenues	629,100	2,525,000	3,154,100
Contributions	84,280	-	84,280
Interest income on loans	1,855,040	140,585	1,995,625
Loan fees	934,139	14,274	948,413
Other interest income	64,731	-	64,731
Other fees	117,189	-	117,189
Unrealized gain on investments	15,763	-	15,763
Other income	3,362	-	3,362
Recovery of restricted assets	(44,187)	44,187	-
Net assets released from restrictions:			
Satisfaction of program restrictions	1,700,012	(1,700,012)	-
	7,019,387	1,727,959	8,747,346
Other support			
In-kind contributions	381,259	-	381,259
Total revenue and other support	7,400,646	1,727,959	9,128,605
Expenses:			
Program services			
Program expenses	2,427,712	-	2,427,712
Provision for loan loss	1,182,000	-	1,182,000
Interest expense	511,511	-	511,511
Total program services before in-kind expenses	4,121,223	-	4,121,223
In-kind expenses	332,499	-	332,499
Total program services	4,453,722	-	4,453,722
Supporting services			
General and administrative	1,173,468	-	1,173,468
Fundraising	120,769	-	120,769
Total supporting services before in-kind expenses	1,294,237	-	1,294,237
In-kind expenses	48,760	-	48,760
Total supporting services	1,342,997	-	1,342,997
Total expenses	5,796,719	-	5,796,719
Change in net assets	1,603,927	1,727,959	3,331,886
Net assets, beginning	10,984,236	3,660,575	14,644,811
Net assets, ending	$ 12,588,163	$ 5,388,534	$ 17,976,697

ACCESS TO CAPITAL FOR ENTREPRENEURS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020				
	Program Services	Supporting Services			
	Program Expenses	General and Administrative	Fundraising	Total Supporting Services	Total
Payroll	$ 1,261,964	$ 775,829	$ 130,313	$ 906,142	$ 2,168,106
Payroll taxes	91,754	42,652	9,107	51,759	143,513
Employee benefits	140,339	109,149	10,878	120,027	260,366
Meetings and events	5,410	347	-	347	5,757
Business development	-	11,550	-	11,550	11,550
Dues and memberships	3,513	7,230	-	7,230	10,743
Publications and subscriptions	2,064	701	500	1,201	3,265
Supplies	22,843	17,205	34	17,239	40,082
Postage	5,523	1,139	-	1,139	6,662
Printing	5,736	4,230	-	4,230	9,966
Professional services	782,412	181,688	-	181,688	964,100
Insurance	1,408	21,818	-	21,818	23,226
Rent and utilities	20,935	47,923	-	47,923	68,858
Telephone	15,272	8,728	-	8,728	24,000
Travel expense	5,130	4,197	-	4,197	9,327
Interest expense	505,411	-	-	-	505,411
Provision for loan loss	3,842,000	-	-	-	3,842,000
Depreciation	-	5,048	-	5,048	5,048
Miscellaneous	179,841	1,497	-	1,497	181,338
Total expenses before in-kind expenses	6,891,555	1,240,931	150,832	1,391,763	8,283,318
In-kind expenses	229,345	47,476	-	47,476	276,821
Total expenses	$ 7,120,900	$ 1,288,407	$ 150,832	$ 1,439,239	$ 8,560,139

See Notes to Financial Statements.

	2019				
	Program Services	Supporting Services			
	Program Expenses	General and Administrative	Fundraising	Total Supporting Services	Total
Payroll	$ 1,003,529	$ 691,050	$ 107,384	$ 798,434	$ 1,801,963
Payroll taxes	75,748	46,527	7,663	54,190	129,938
Employee benefits	114,078	91,082	5,122	96,204	210,282
Meetings and events	18,487	28,262	-	28,262	46,749
Business development	340	595	-	595	935
Dues and memberships	4,501	6,405	-	6,405	10,906
Publications and subscriptions	625	1,201	600	1,801	2,426
Supplies	16,668	24,052	-	24,052	40,720
Postage	5,576	261	-	261	5,837
Printing	3,979	4,724	-	4,724	8,703
Professional services	1,054,510	150,139	-	150,139	1,204,649
Insurance	-	22,398	-	22,398	22,398
Rent and utilities	21,111	52,186	-	52,186	73,297
Telephone	17,999	13,139	-	13,139	31,138
Travel expense	46,853	39,346	-	39,346	86,199
Interest expense	511,511	-	-	-	511,511
Provision for loan loss	1,182,000	-	-	-	1,182,000
Depreciation	-	790	-	790	790
Miscellaneous	43,708	1,311	-	1,311	45,019
Total expenses before in-kind expenses	4,121,223	1,173,468	120,769	1,294,237	5,415,460
In-kind expenses	332,499	48,760	-	48,760	381,259
Total expenses	$ 4,453,722	$ 1,222,228	$ 120,769	$ 1,342,997	$ 5,796,719

ACCESS TO CAPITAL FOR ENTREPRENEURS, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
OPERATING ACTIVITIES		
Change in net assets	$ 9,698,811	$ 3,331,886
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized gain on investments	(15,897)	(15,763)
Depreciation	5,048	790
Provision for loan losses	3,842,000	1,182,000
Loan write offs and provision recoveries	(812,048)	-
Contributed grant revenue with donor restrictions	-	(57,025)
Interest income and fees on loans with donor restrictions	-	(140,414)
Gain on sale of other real estate owned	-	3,332
(Increase) decrease in assets:		
Grants, fees, and interest receivable	996,677	(796,248)
Accounts receivable and prepaid expenses	(41,626)	30,930
Other assets	2,001	16,505
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	104,317	(48,830)
Other current liabilities	(44,246)	43,797
Deferred grant revenue	40,920	477,881
Net cash provided by operating activities	13,775,957	4,028,841
INVESTING ACTIVITIES		
Reinvested dividends	(846)	(821)
Purchase of restricted equity securities	(8,300)	(4,300)
Issuance of loans receivable	(25,081,483)	(14,666,501)
Loans receivable payments received	10,854,645	7,011,554
Loan receivable proceeds from asset sale on secondary market	887,687	1,020,240
Decrease (increase) in the loan loss reserve fund	(645,188)	158,960
Purchase of equipment	(4,942)	(18,649)
Proceeds from sale of other real estate owned	461,829	588,724
Net cash (used in) investing activities	(13,536,598)	(5,910,793)
FINANCING ACTIVITIES		
Proceeds from contributed grant revenue with donor restrictions	-	57,025
Proceeds from interest income and fees on loans with donor restrictions	-	140,414
Net proceeds (payments) on lines of credit - lending	(55,250)	54,900
Proceeds from FHLB advance	-	250,000
Payments on FHLB advance	(250,000)	(250,000)
Proceeds from long-term debt	21,168,508	6,070,059
Payments on long-term debt	(223,800)	(1,146,428)
Net cash provided by financing activities	20,639,458	5,175,970
Net increase in cash and cash equivalents	20,878,817	3,294,018
Cash and cash equivalents, beginning of year	10,121,116	6,827,098
Cash and cash equivalents, end of year	$ 30,999,933	$ 10,121,116
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	$ 421,778	$ 495,194
NONCASH TRANSACTIONS		
Other real estate acquired in settlement of loans	$ -	$ 717,944

See Notes to Financial Statements.

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of activities:

Access to Capital for Entrepreneurs, Inc. (ACE), is a nonprofit organization that provides loans to start and grow businesses. ACE offers its borrowers business development resources to create financially and environmentally sustainable businesses. In 2004, the U.S. Department of Treasury certified ACE as a Community Development Financial Institution (CDFI) to provide access to capital to underserved markets including low income individuals, people of color, and women. Since inception, ACE has helped create or retain more than 8,500 jobs and has helped more than 1,000 small businesses start or expand their operations. ACE derives its income from loan interest and fee income, grants, and donations.

Significant accounting policies:

Basis of presentation:

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

ACE presents its financial statements in accordance with the Financial Accounting Standards Board (FASB)'s *Not-For-Profit* presentation and disclosure guidance. Under this guidance, ACE is required to report information regarding its financial position and activities according to two categories of net assets:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor-imposed restrictions which are used to account for resources available to carry out the purposes of ACE in accordance with the limitations of its bylaws. Board designated net assets are without donor restrictions but are designated by the Board to be spent for specific purposes. At December 31, 2020 and 2019, ACE does not have any board designated net assets.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time as elapsed, when the stipulated purpose for which the resource was restriction has been fulfilled, or both.

Use of estimates:

ACE prepares its financial statements in accordance with generally accepted accounting principles which require management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements, as well as the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies: (Continued)

Revenue recognition and donor-imposed restrictions:

In accordance with FASB's *Not-For-Profit* revenue recognition guidance, unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. All contributions and investment income are available for general use unless specifically restricted by donor.

Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as donor restricted support that increase those net asset classes. Conditional promises to give are not recognized until the barrier is overcome; that is, when the conditions on which they depend are substantially met. Contributions received are recorded as support without donor restriction or donor restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restriction if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions. The Organization has adopted policies that allow for contributions received and expended in the same accounting period to be recorded as without donor restrictions.

Capital and operational grant funding received from various grantors are presented in a manner consistent with *Not-For-Profit* GAAP, and the grantor's grant agreement as grant funds with and without donor restrictions.

Cash and cash equivalents:

Cash and cash equivalents include cash and highly liquid investments that are readily convertible into cash and have a maturity of ninety days or less when purchased. At times, cash and cash equivalents may exceed federally insured amounts. ACE believes it mitigates risks by depositing cash and investing in cash equivalents with reputable financial institutions.

Investments:

Investments consist of donated stock valued at fair value on the date received, and dividends reinvested to purchase additional stock. Realized and unrealized gains and losses on the portfolio are recognized as income or loss.

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies: (Continued)

Restricted equity securities:

Restricted equity securities is the result of ACE joining the Federal Home Loan Bank system in 2015. As a result, ACE is required to maintain an investment in the capital stock of the Federal Home Loan Bank of Atlanta (FHLB). Based on redemption provisions, this stock has no quoted market value and is carried at cost. At its discretion, the FHLB may declare dividends on the stock. Management reviews for impairment based on the ultimate recoverability of the cost basis in these stocks.

Loans receivable and allowance for loan losses:

Loans receivable are stated at unpaid principal balances, less sold loan balances, less the allowance for loan losses, and net deferred loan fees and unearned discounts.

Accrual of interest is discontinued on loans that become past due 90 days or more and for which collateral is inadequate to cover principal and interest, or immediately if management believes, after considering economic and business conditional and collections effects, that a borrower’s financial condition is such that collection is doubtful. When a loan is placed on nonaccrual status, all previously accrued but uncollected interest is reversed against current period interest income. Future collections are applied to principal and then to interest until such loans are brought current, and which time, loans may be returned to accrual status.

A loan is considered impaired when it is probable, based on current information and events, ACE will be unable to collect all principal and interest payments due in accordance with the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest when due. Loans that experience insignificant payments delays and payment shortfalls are not classified as impaired. Impaired loans are measured by either the present value of expected cash flows discontinued at the loan’s effective interest rate, the loan’s obtained market price, or the fair value of the collateral if the loan is collateral dependent. Interest on accruing impaired loans is recognized as long as such loans do not meet the criteria for nonaccrual status.

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to expense. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Changes in the reserves relating to impaired loans are charged or credited to the provision for loan losses. Past due status is determined based on contractual terms. Subsequent recoveries are credited to the allowance.

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies: (Continued)

Loans receivable and allowance for loan losses: (Continued)

The allowance for losses is evaluated on a quarterly basis by management and the loan committee. The allowance for loan loss reserves are maintained at a level which, in management's judgment, is adequate to absorb credit losses inherent in the loan portfolio. The amount of the allowances is based on management's evaluation of the collectability of the loan portfolio, including the nature of the portfolio, credit concentrations, trends in historical loss experience, specific impaired loans, economic conditions, and other risks inherent in the portfolio. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revisions as more information becomes available. Although management uses available information to recognize losses on loans, because of uncertainties associated with local economic conditions, collateral values, and future cash flows on impaired loans, it is reasonably possible that a material change could occur in the allowance for loan losses in the near term.

However, the amount of the change that is reasonably possible cannot be estimated.

The following is an analysis of the allowance for loan losses for the years ended December 31, 2020 and 2019:

	2020	2019
Beginning balance	**$ 1,794,313**	$ 1,160,471
Provision charged to operations	**3,842,000**	1,182,000
Less charge-offs	**(911,585)**	(657,325)
Recoveries	**99,537**	109,166
Ending balance	**$ 4,824,265**	$ 1,794,312

As discussed in Note 3, a cash loan loss reserve fund is also maintained. Additionally management strongly considers allowance and cash reserve percentages broadly recommended by industry practice in setting the allowance amounts.

As a policy, UCC financing statements are properly executed and/or other collateral from customer assets are pledged as part of the loan closing process. Management uses their judgment and outside resources when necessary in assessing the value of assets pledged.

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies: (Continued)

Other real estate owned:

Other real estate owned consisted of foreclosed assets acquired through loan foreclosure held for sale and is initially recorded at the lesser of net receivable value or fair market value less selling costs. Any write-down to fair value at the time of transfer to foreclosed assets is charged to the allowance for loan losses. Annually and subsequent to foreclosure, valuations are performed by management and the assets are carried at the lower of carrying of amount or fair market value less costs to sell. Costs of improvements are capitalized, whereas costs relating to holding foreclosed assets and subsequent write-down to the value are expensed.

Equipment:

Property and equipment are stated at historical cost. Depreciation is computed on the straight-line method over the estimated useful lives of the respective assets, which range from three to twelve years. When items of property and equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in other income. Maintenance and repair items are charged to operations, and major improvements are capitalized.

Deferred grant revenue:

ACE defers grant advance payments and grants receivable until the agreed upon services are performed.

Agency relationship:

From time to time, ACE acts as agent on behalf of other organizations, which include DeKalb County. ACE collects cash funds from servicing these loan portfolios that are owned by the other organizations noted above (see Note 12). At December 31, 2020 and 2019, the related cash held for these other organizations was $789,814 and $783,701, respectively.

In addition, ACE acts as agent on behalf of Gwinnett County as the County's service provider for the purpose of administering a $10 million loan program through the Coronavirus Relief Fund. Loans made through this fund are part of ACE's portfolio and client base. Risk of loss is held by the agency relationship and not ACE. At December 31, 2020, the related cash and receivables held for the County was $6,957,765.

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies: (Continued)

Fair value of financial instruments:

ACE follows FASB's fair value measurements and disclosure guidance, which provides a framework for measuring fair value under generally accepted accounting principles. This guidance applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in the FASB issued guidance, 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. In determining fair value, ACE uses various methods including market, income and cost approaches.

Based on these approaches, ACE often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. ACE utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques ACE is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Valuations for assets and liabilities traded in active markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions.

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies: (Continued)

Fair value of financial instruments: (Continued)

Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets and liabilities.

If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of these instruments.

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 ACE believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

For the years ended December 31, 2020 and 2019, the application of valuation techniques applied to similar assets and liabilities has been consistent. The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers.

Income tax status:

ACE qualifies as a tax-exempt organization as described in Internal Revenue Code Section 501(c)(3) and has been classified by the Internal Revenue Service as a publicly supported organization and not as a private foundation. ACE follows the statutory requirements for its income tax accounting and generally avoids risks associated with potentially problematic tax positions that may be challenged upon examination.

Management evaluated ACE's tax positions and concluded that ACE has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provision on accounting for uncertainty in income taxes.

ACE files Form 990 in the U.S. federal jurisdiction and the state of Georgia.

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant accounting policies: (Continued)

Allocation of functional expenses:

The costs of providing the program services and management activities have been summarized on a functional basis in the statements of activities. ACE reports certain categories of expenses that are attributed to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Payroll, payroll taxes employee benefits, meetings and events, business development, dues and memberships, supplies, postage, printing, professional services, telephone, travel expense, miscellaneous and in-kind expenses include certain expenses that are allocated on the basis of estimates of time and effort. Rent and utilities includes certain expenses that are allocated on a square footage basis.

Recent accounting pronouncements:

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for financial statements issued for fiscal years beginning after December 15, 2021. ACE is assessing the impact the new guidance will have on its financial statements.

NOTE 2. LIQUIDITY AND AVAILABILITY

ACE manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. Cash needs of ACE are expected to be met on a monthly basis from grants and contributions received without donor restriction, interest income on unrestricted loans, loan fees, and other fees to be used for operating purposes. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position as of December 31, 2020 and 2019, comprise the following:

	2020	2019
Cash and cash equivalents	**$ 13,131,248**	$ 4,054,553
Accounts receivable	**29,000**	4,320
Accrued interest	**227,143**	102,925
Loan fees receivable	**7,769**	12,640
Grants receivable	**1,018,181**	981,667
Investments	**119,566**	94,523
Current portion of unrestricted loan receivables	**10,492,996**	4,982,843
	$ 25,025,903	$ 10,233,471

NOTE 3. CASH AND CASH EQUIVALENTS

At December 31, 2020 and 2019, cash and cash equivalents included in current assets totaled $30,999,933 and $10,121,116, respectively. Pursuant to loan covenants, cash balances totaling $1,031,791 and $386,603, respectively, were restricted for use as loan loss reserves and were included in the non-current asset section. For the years ended December 31, 2020 and 2019, interest earned on these balances was $54,331 and $64,731 respectively. Additionally, some loan covenants require cash to be maintained in separate accounts.

Cash is maintained at multiple financial institutions and, as a result, credit exposure to any one institution is limited. The Federal Deposit Insurance Corporation (FDIC) secures accounts in insured institutions up to $250,000 per depositor. At times, the balance of ACE accounts may exceed the federally insured limits. As of December 31, 2020 and 2019, ACE's uninsured cash balances totaled $29,221,864 and $7,825,968, respectively. ACE has not experienced any losses on its cash and believes it is not exposed to any significant credit risk on cash.

NOTE 4. RESTRICTED CASH

As of December 31, 2020 and 2019, cash balances totaled $32,031,724 and $10,507,719, respectively. Of these totals, respectively, $30,999,933 and $10,121,116 were included in current assets and $1,031,791 and $386,603 were included in non-current assets.

Due to grant and debt restrictions, some cash balances were restricted as to specific use of the funds and were not available for operations. At December 31, 2020 and 2019, cash restrictions were as follows:

	2020	2019
Current:		
Available for use in lending only	**$ 17,869,194**	$ 6,066,563
Total current	**17,869,194**	6,066,563
Non-current:		
Loan loss reserve funds - SBA (Microloan & CA)	**1,023,989**	376,994
Loan loss reserve funds - USDA (IRP)	**7,802**	9,609
Total non-current	**1,031,791**	386,603
Total restricted cash	**$ 18,900,985**	$ 6,453,166

As prescribed in the U.S. Small Business Administration's (SBA) Community Advantage (CA) Pilot Loan program, ACE is required to maintain various financial, operational, and reporting covenants, which include minimum loan loss reserve fund and allowance requirements. As of December 31, 2020, ACE was in compliance with the covenants.

NOTE 5. EQUIPMENT

At December 31, 2020 and 2019, equipment consisted of the following:

	2020	2019
Computers	$ 29,254	$ 24,312
Equipment	1,015	1,015
Fixtures	13,518	13,518
	43,787	38,845
Less accumulated depreciation	(23,928)	(18,879)
Equipment, net	$ 19,859	$ 19,966

Depreciation expense totaled $5,048 and $790 for the years ended December 31, 2020 and 2019, respectively.

NOTE 6. GRANTS RECEIVABLE

Contracts are recognized as revenue, as allowed by generally accepted accounting principles, as soon as significant contract conditions are met. In connection with working to provide loans to targeted areas and groups and providing other services, ACE was due to receive $1,018,181 and $2,181,667 from outside agencies as of December 31, 2020 and 2019, respectively.

NOTE 7. DEFERRED GRANT REVENUE

At December 31, 2020 and 2019, ACE had available $773,695 and $732,775, respectively, in disbursed funds provided for operating expenses associated with grants from funders.

NOTE 8. NOTES PAYABLE

At December 31, 2020 and 2019, notes payable consists of the following:

	2020	2019
Senior Debt with Undrawn Commitments		
SBA #13 - (September 2020) Note payable collateralized by all assets derived from loans made with proceeds, and with funds on deposit in ACE's SBA Loan Loss Reserve Fund and SBA Microloan Revolving Fund. Interest at 0.00%, subject to annual adjustment by SBA, with monthly payments amortized based on variable interest plus payments for the first year accrued. Matures in September 2030. Maximum draw amount of $2,395,000.	$ -	$ -
Mountain Valley Community Bank LOC - (Renewed in May 2020) Unsecured line of credit, monthly interest at 3.0% and a maturity date of May 2021. Maximum draw amount of $2,000,000.	$ -	$ -

NOTE 8. NOTES PAYABLE (Continued)

Bank of America - CA LOC - (Renewed in December 2019) Unrestricted line of credit, interest at Bank's Prime Rate, minus 1.00% with a 1.00% floor (3.25% at December 31, 2020) and a maturity date of June 2022. Specifically for the SBA CA loan program to fund the guaranteed loan portion. Maximum draw amount of $750,000.	**$ -**	$ 55,250
	$ -	$ 55,250
Senior Debt		
Annie E. Casey Foundation, Inc. - (Amended in September 2018) Unsecured note payable with quarterly interest only payments at 3.00% per annum. The outstanding principal balance is due at maturity in two separate $2,000,000 balloon payments scheduled in April 2022 and April 2023.	**$ 4,000,000**	$ 4,000,000
Bank of America - PRI (May 2012) Unsecured note payable. Quarterly interest-only payments at 3.00% until maturity in May 2022. Principal payments of $250,000 each due in May 2019 and May 2021 with all outstanding principal due at maturity in May 2022.	**$ 750,000**	$ 750,000
Community Foundation of Greater Atlanta, Inc. – (Amended in May 2019) Unsecured note payable. Quarterly interest only payments at 2.00%. Principal due at maturity. Matures in June 2023.	**$ 1,250,000**	$ 1,250,000
CNote Group, Inc. – (May 2018) Unsecured note payable. Monthly interest only payments at 3.70%. Principal due at maturity. Principal balance is made up of multiple tranches that have varying maturities through March 2022.	**$ 1,455,476**	$ 659,437
The Domestic and Foreign Missionary Society of the Protestant Episcopal Church in the USA – (February 2020) Unsecured note payable. Quarterly interest payments at 3.50%, with all outstanding principal and interest due at maturity. Matures in March 2023.	**$ 300,000**	$ -

NOTE 8. NOTES PAYABLE (Continued)

FHLB - (Renewed in December 2019) Note payable secured by capital grant. Monthly interest only payments at 2.72%. Principal due at maturity. Paid off in December 2020.	**$ -**	$ 250,000
Ameris Bank (Formerly Hamilton State Bank - (Refinanced in January 2018) Unsecured note payable. Monthly interest only payments at 4.25%, then unpaid outstanding balance of principal and interest due at maturity. Matured in January 2021.	**$ 500,000**	$ 500,000
Opportunity Finance Network - (Renewed in October 2018) Unsecured note payable. Quarterly payments at 2.71%, and unpaid outstanding principal and interest balance due at maturity. Matures in December 2021.	**$ 1,000,000**	$ 1,000,000
Opportunity Finance Network - (August 2020) Unsecured note payable of $800,000 related to OFN and $3,200,000 related to Google Endeavor LLC (administered by OFN) collectively under the same credit agreement. Quarterly interest payments at 1.00% through June 2021 and 3.00% between July 2021 and May 2030 due beginning June 2021, and unpaid outstanding principal and interest balance due at maturity. Matures in May 2030.	**$ 4,000,000**	$ -
PNC Bank - (Refinanced in January 2019) Unsecured note payable. Quarterly interest payments at 4.285%, with all outstanding principal and interest due at maturity. Matures in January 2025.	**$ 1,000,000**	$ 1,000,000
Regions - (February 2017) Unsecured note payable. Monthly interest only payments at 3.00%, with outstanding principal and interest due at maturity. Matured in February 2021.	**$ 500,000**	$ 500,000
Appalachian Community Capital - (July 2017) Unsecured note payable. Monthly interest only payments at a cost of funds variable rate of approximately 3.55%. Principal due at maturity. Matures in July 2023.	**$ 1,000,000**	$ 1,000,000

NOTE 8. NOTES PAYABLE (Continued)

Atlantic Capital Bank - (March 2018) Unsecured note payable used to refinance the previous two Atlantic Capital Bank notes. Monthly interest only payments at 2.50%, then unpaid outstanding balance of principal and interest due at maturity. Matures in March 2021, with automatic extension through March 2022.	**$ 500,000**	$ 500,000
Impact Assets - (Amended in April 2019) Unsecured note payable. Semi-annual interest only payments at 1.00%. Matures in April 2024.	**$ 25,000**	$ 25,000
SBA #7 - (December 2010) Note payable collateralized by all assets derived from loans made with proceeds, and with funds on deposit in ACE's SBA-7 Loan Loss Reserve Fund and SBA-7 Microloan Revolving Fund. Interest at 0.25%, subject to annual adjustment by SBA, with monthly payments amortized based on variable interest plus payments for the first year accrued. Paid off in December 2020.	**$ -**	$ 30,266
SBA #8 - (May 2011) Note payable collateralized by all assets derived from loans made with proceeds, and with funds on deposit in ACE's SBA-8 Loan Loss Reserve Fund and SBA-8 Microloan Revolving Fund. Interest at 0.875%, subject to annual adjustment by SBA, with monthly payments amortized based on variable interest plus payments for the first year accrued. Matures in May 2021.	**$ 69,392**	$ 133,977
SBA #9 - (November 2013) Note payable collateralized by all assets derived from loans made with proceeds, and with funds on deposit in ACE's SBA Loan Loss Reserve Fund and SBA Microloan Revolving Fund. Interest at 0.125%, subject to annual adjustment by SBA, with monthly payments amortized based on variable interest plus payments for the first year accrued. Matures in November 2023.	**$ 201,250**	$ 233,697
SBA #10 - (April 2016) Note payable collateralized by all assets derived from loans made with proceeds, and with funds on deposit in ACE's SBA Loan Loss Reserve Fund and SBA Microloan Revolving Fund. Interest at 0.00%, subject to annual adjustment by SBA, with monthly payments amortized based on variable interest plus payments for the first year accrued. Matures in April 2026.	**$ 322,830**	$ 351,852

NOTE 8. NOTES PAYABLE (Continued)

SBA #11 - (April 2018) Note payable collateralized by all assets derived from loans made with proceeds, and with funds on deposit in ACE's SBA Loan Loss Reserve Fund and SBA Microloan Revolving Fund. Interest at 2.625%, subject to annual adjustment by SBA, with monthly payments amortized based on variable interest plus payments for the first year accrued. Matures in April 2028.	**$ 890,084**	$ 939,075
SBA #12 - (April 2020) Note payable collateralized by all assets derived from loans made with proceeds, and with funds on deposit in ACE's SBA Loan Loss Reserve Fund and SBA Microloan Revolving Fund. Interest at 0.00%, subject to annual adjustment by SBA, with monthly payments amortized based on variable interest plus payments for the first year accrued. Matures in April 2030.	**$ 2,000,000**	$ -
SBA PPP - (April 2020) Unsecured note payable. Interest at 1.00% with payments due starting 10 months after the end of the covered period. Matures in April 2022.	**$ 355,000**	$ -
USDA - IRP - (May 2004) Note payable collateralized by all assets of ACE derived from the loans and essentially all assets of the respective ultimate recipients. Interest per annum at 1%. Annual principal and interest payments due in May. Matures in May 2038.	**$ 414,459**	$ 441,890
FRB - (April 2016) Note payable collateralized by the principal amount of the PPP loan outstanding at the time the PPP loan is pledged as PPP Liquidity Facility ("PPPLF") Collateral. Interest at 0.35%. Matures with the maturity of the last PPPLF Collateral loan.	**$ 2,768,646**	$ -
	$ 23,302,137	$ 13,565,194

NOTE 8. NOTES PAYABLE (Continued)

Equity Equivalent Liabilities

Bank OZK (Formerly Community & Southern Bank) - (February 2016) Equity equivalent liability security subordinated to all other creditors of Borrower; except it shall be on par with any other equity equivalent investments; not secured by ACE assets. Quarterly interest only payments at LIBOR plus 1.50% through February 2026. Maturity date may be extended to February 2028.	**$ 250,000**	$ 250,000
Union Bank - (January 2019) Equity equivalent liability security subordinated to all other creditors of Borrower; except it shall be on par with any other equity equivalent investments; not secured by ACE assets. Quarterly interest only payments at 3.00%, with all outstanding principal and interest due at maturity. Matures in April 2024.	**$ 2,000,000**	$ 1,000,000
Paulsen EQ2 - (January 2019) Equity equivalent liability security subordinated to all other creditors of Borrower; except it shall be on par with any other equity equivalent investments; not secured by ACE assets. Annual interest only payments at 2.00%, with all outstanding principal and interest due at maturity. Matures in November 2029.	**$ 10,000**	$ 10,000
South State Bank - (January 2018) Equity equivalent liability security subordinated to all other creditors of Borrower; except it shall be on par with any other equity equivalent investments; not secured by ACE assets. Commencing March 2018, quarterly interest only payments at 3.00% through March 2028. Commencing March 2028, quarterly principal payments of $25,000 will be made with interest payments. Matures in January 2033.	**$ 500,000**	$ 500,000
South State Bank - (October 2018) Equity equivalent liability security subordinated to all other creditors of Borrower; except it shall be on par with any other equity equivalent investments; not secured by ACE assets. Commencing December 2018, quarterly interest only payments at 3.00% through December 2028. Commencing December 2028, quarterly principal payments of $25,000 will be made with interest payments. Matures in October 2033.	**$ 500,000**	$ 500,000

NOTE 8. NOTES PAYABLE (Continued)

Wells Fargo - EQ2 - (January 2012) Equity equivalent liability security subordinated to all other creditors of Borrower; except it shall be on par with any other equity equivalent investments; not secured by ACE assets. Quarterly interest only payments at 2% per annum through January 2022. Maturity date may be extended to January 2024.	**$ 150,000**	$ 150,000
Wells Fargo - EQ2 - (October 2014) Equity equivalent liability security subordinated to all other creditors of Borrower; except it shall be on par with any other equity equivalent investments; not secured by ACE assets. Quarterly interest only payments at 2% per annum through October 2024. Maturity date may be extended to January 2026.	**$ 250,000**	$ 250,000
Wells Fargo - EQ2 - (April 2016) Equity equivalent liability security subordinated to all other creditors of Borrower; except it shall be on par with any other equity equivalent investments; not secured by ACE assets. Quarterly interest only payments at 2% per annum through April 2026. Maturity date may be extended to April 2028.	**$ 1,100,000**	$ 1,100,000
Fifth Third - (January 2020) Equity equivalent liability security subordinated in right of payment to the prior payment in full of the Senior Debt. Quarterly interest only payments at 3% per annum through April 2026. Matures in January 2030.	**$ 1,000,000**	$ -
	$ 5,760,000	$ 3,760,000

Investment Bond

The Northern Trust Company - (July 2016) Unsecured investment bond. Semi-annual interest only payments at 1.00%. Matures in July 2021. Bond issuer may redeem the investment, in whole or in part, at any time without penalty, upon at least thirty days prior written notice to the bond holder.	**$ 1,000,000**	$ 1,000,000

NOTE 8. NOTES PAYABLE (Continued)

The Northern Trust Company - (June 2018) Unsecured investment bond. Semi-annual interest only payments at 2.00%. Matures in June 2023. Bond issuer may redeem the investment, in whole or in part, at any time without penalty, upon at least ten days prior written notice to the bond holder.	**$ 3,000,000**	$ 3,000,000
The Northern Trust Company - (April 2020) Unsecured investment bond. Semi-annual interest only payments at 0.25%. Matures in April 2022. Bond issuer may redeem the investment, in whole or in part, at any time without penalty, upon at least ten days prior written notice to the bond holder.	**$ 2,000,000**	$ -
PNC BANK - (January 2019) Unsecured debenture. Quarterly interest only payments at 3.75%, with all outstanding principal and interest due at maturity. Matures in January 2029. Bond issuer may redeem the investment, in whole or in part, at any time without penalty, upon at least ten days prior written notice to the bond holder.	**$ 500,000**	$ 500,000
	$ 6,500,000	$ 4,500,000

At December 31, 2020 and 2019, outstanding notes payable balances are summarized as follows:

	2020	2019
Senior debt with undrawn commitments	**$ -**	$ 55,250
Senior debt	**23,302,137**	13,565,194
Equity equivalent liabilities	**5,760,000**	3,760,000
Investment bond	**6,500,000**	4,500,000
Total notes payable	**35,562,137**	21,880,444
Less current portion	**(4,199,820)**	(1,158,253)
	$ 31,362,317	$ 20,722,191

At December 31, 2020 and 2019, ACE has $5,245,000 and $1,794,750 available of undrawn commitments on senior debt, respectively.

As of December 31, 2020 and 2019, multiple notes payable agreements include various financial, operational, and reporting covenants, respectively.

NOTE 8. NOTES PAYABLE (Continued)

The aggregate principal repayments required on long-term debt are as follows for the year ending December 31:

2021	$ 4,199,820
2022	8,953,572
2023	8,808,629
2024	1,699,456
2025	1,424,456
Thereafter	10,476,204
	$ 35,562,137

NOTE 9. CONCENTRATION RISKS

ACE has a potential risk associated with the concentration of support received from governmental agencies. Any change in finding future funding could have an adverse impact on ACE. In addition, by the nature of lending, a significant downturn in the regional economy could also have an adverse impact.

NOTE 10. RELATED PARTY TRANSACTIONS

ACE leases office space in Cleveland, Georgia from Robinson-Fricks Development Company, which is owned in part by the spouse of ACE's President and CEO. ACE leases a condo in Decatur, Georgia from the spouse of ACE's President and CEO. See Note 15 for lease terms.

NOTE 11. ANALYSIS OF LOANS

The following represents the amounts past due as of December 31, 2020 and 2019:

	2020	2019
Payments past due: 91-120 days	$ 10,550	$ 7,633
Payments past due: 120+ days	-	281,425
Total payments past due	$ 10,550	$ 289,058
Principal balances for loans with payments 91+ days past due	$ 177,941	$ 1,180,956

NOTE 12. LOAN SERVICE AGREEMENTS

ACE services the loans it holds, handling the processing of the payments. In addition, ACE also services loans totaling $17,080,976 as of December 31, 2020 and $14,980,501 as of December 31, 2019 that are owned by DeKalb County. These loans are not owned by ACE and, therefore, are not reflected in the financial statements.

NOTE 13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes at December 31:

	2020	2019
Subject to expenditure for specified purpose:		
Operating activities	**$ 96,008**	$ 2,007,553
Lending activities	**474,234**	1,382,760
Total subject to expenditure for specified purpose:	**570,242**	3,390,313
Perpetual in nature:		
Lending activities	**1,998,221**	1,998,221
Total perpetual in nature:	**1,998,221**	1,998,221
Total net assets with donor restrictions:	**$ 2,568,463**	$ 5,388,534

Net assets with donor restrictions are comprised of the following at December 31:

	2020	2019
Subject to expenditure for specified purpose:		
Cash and cash equivalents	**$ 570,242**	$ 2,090,313
Grants receivable	**-**	1,200,000
Loans receivable	**-**	100,000
Total subject to expenditure for specified purpose:	**570,242**	3,390,313
Perpetual in nature:		
Cash and cash equivalents	**255,910**	246,666
Loans receivable	**1,742,311**	1,751,555
Total perpetual in nature:	**1,998,221**	1,998,221
Total net assets with donor restrictions:	**$ 2,568,463**	$ 5,388,534

NOTE 14. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during 2020 and 2019 by incurring expenses satisfying the restricted purposes specified by donors as follows:

	2020	2019
Operating activities	**$ 2,051,898**	$ 976,807
Lending activities	**1,485,242**	723,205
	$ 3,537,140	$ 1,700,012

NOTE 15. OPERATING LEASES

ACE leases office space in Cleveland, Georgia from Robinson-Fricks Development Company. The lease expires in December 2021. Robinson-Fricks Development Company is owned in part by the spouse of ACE's President and CEO. ACE has no plans to build its own office space in the near future.

In September 2019, ACE entered into a lease for a condo to be used for employee travel in Decatur, Georgia from the spouse of ACE's President and CEO. The lease expires in August 2021.

In April 2016, ACE entered into a month-to-month lease for office space in Atlanta, Georgia. Rent expense was approximately $57,350 and $55,000, respectively, for the years ended December 31, 2020 and 2019.

Other non-cancellable leases include copier leases which expire at various times through February 2021. Lease payments for the years ended December 31, 2020 and 2019 totaled $10,102 and $8,584, respectively.

Future minimum payments through the terms of the leases are as follows for the year ending December 31:

2021	**$ 56,712**
2022	**8,199**
2023	**3,465**
2024	**157**
	$ 68,533

NOTE 16. INVESTMENTS

The following table sets forth by level, within the fair value hierarchy described in Note 1, ACE's investments at fair value as of December 31, 2020:

	Level 1	Level 2	Level 3	Total
Equity securities	**$ 71,366**	**$ -**	**$ -**	**$ 71,366**

The following table sets forth by level, within the fair value hierarchy described in Note 1, ACE's investments at fair value as of December 31, 2019:

	Level 1	Level 2	Level 3	Total
Equity securities	$ 54,623	$ -	$ -	$ 54,623

NOTE 17. NEW MARKET TAX CREDIT

On May 22, 2018, ACE and another company (referred to as "Company C") entered into an MOU laying out the terms for a partnership between Company C and ACE to distribute Company C's New Market Tax Credit allocation in accordance with the terms and conditions of Company C's Allocation Agreement dated May 4, 2017.

ACE will provide services leading the day-to-day management of any Small Business Loan Pools established by the Governing Board of Company C with the affirmative vote by the ACE-appointed board member in exchange for shared revenues.

ACE shall not be responsible for New Markets Tax Credit compliance monitoring, servicing of the loans once made, or any other matters described and set forth in the Contract for New Market Tax Credits Services between Company C and any other entity.

On June 13, 2019, as part of the agreement between ACE and Company C, ACE entered into a promissory note receivable agreement for $3,000,000. Under the terms of the notes, Company C will make monthly interest-only payments at the fixed rate of 8% beginning on June 28th until maturity in June 2026. The balance on this note receivable was $3,000,000 at December 31, 2020 and 2019, respectively and was included in loan assets on the balance sheet.

NOTE 18. SUBSEQUENT EVENTS

ACE has evaluated subsequent events through March 23, 2021, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

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
Access to Capital for Entrepreneurs, Inc.
Cleveland, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Access to Capital for Entrepreneurs, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 23, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Access to Capital for Entrepreneurs, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Access to Capital for Entrepreneurs, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Access to Capital for Entrepreneurs, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
March 23, 2021

MAULDIN & JENKINS

MAULDIN & JENKINS
CPAs & ADVISORS

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

To the Board of Directors
Access to Capital for Entrepreneurs, Inc.
Cleveland, Georgia

Report on Compliance for Each Major Federal Program

We have audited Access to Capital for Entrepreneurs, Inc.'s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Access to Capital for Entrepreneurs, Inc.'s major federal programs for the year ended December 31, 2020. Access to Capital for Entrepreneurs, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Access to Capital for Entrepreneurs, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Access to Capital for Entrepreneurs, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Access to Capital for Entrepreneurs, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Access to Capital for Entrepreneurs, Inc. 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 December 31, 2020.

Report on Internal Control Over Compliance

Management of Access to Capital for Entrepreneurs, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Access to Capital for Entrepreneurs, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Access to Capital for Entrepreneurs, Inc.'s 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
March 23, 2021

ACCESS TO CAPITAL FOR ENTREPRENEURS, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Access to Capital for Entrepreneurs, Inc. under programs for the federal government for the year ended December 31, 2020. 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 Access to Capital for Entrepreneurs, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Access to Capital for Entrepreneurs, Inc.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(2) Pass-through entity identifying numbers are presented where available.

(3) Access to Capital for Entrepreneurs, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed the under the Uniform Guidance.

NOTE 3. DIRECT LOANS

ACE has received multiple Small Business Administration (SBA) direct loans under the SBA's microloan program and a loan from the United States Department of Agriculture (USDA) under the intermediary relending program. The loan balance outstanding at the beginning of the year was $2,130,757 balance of the loan outstanding at December 31, 2020 consists of:

CFDA Number	Program Name	Outstanding Balance at December 31, 2020
10.767	Intermediary Relending Program	$ 144,589
59.046	Microloan Program – Direct Loans	2,658,336
		$ 2,802,926

ACCESS TO CAPITAL FOR ENTREPRENEURS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

Federal Grantor/Program	CFDA Number	Grant ID Number	Name of Grant	Federal Expenditures
Small Business Administration				
Direct funded awards:				
Microloan Program - Direct Loans	59.046	4332395008	SBA #7	1,372
Microloan Program - Direct Loans	59.046	4617835002	SBA #8	95,160
Microloan Program - Direct Loans	59.046	6420655002	SBA #9	182,983
Microloan Program - Direct Loans	59.046	8350045010	SBA #10	296,062
Microloan Program - Direct Loans	59.046	8350045010	SBA #11	810,385
Microloan Program - Direct Loans	59.046	5684997001	SBA #12	1,272,374
Microloan Program - Formula Grant	59.046	SBAHQ-19-Y-0036	MICRO-2019-01	209,446
Microloan Program - Formula Grant	59.046	SBAOCAML200066-01-00	MICRO-2020-01	179,341
Womens Business Ownership Assistance	59.043	SBAHQ-19-W-0019	OWBO-2019-02	112,500
Womens Business Ownership Assistance	59.043	SBAHQ-19-W-0019 modified	OWBO-WKPLN-2020-1	37,500
COVID 19 Womens Business Ownership Assistance	59.043	SBAHQ20C0082	OWBO-COVID-1	280,000
Subtotal				3,477,123
U.S. Department of Agriculture				
Direct funded awards:				
Intermediary Relending Program	10.767	Loan D	IRP	144,589
Rural Business Enterprise Grant	10.769	RBEG Grant	RBEG	992
Rural Business Enterprise Grant	10.769	RBEG Grant	RBEG - Haralson	3,035
Rural Business Enterprise Grant	10.769	RBEG Grant	RBEG - Lumpkin	61,227
Rural Business Enterprise Grant	10.769	RBEG Grant	RBEG - Fannin	67,285
Subtotal				277,128
U.S. Department of Treasury				
Direct funded awards:				
Community Development Financial Institutions Progran	21.020	171FA021131	FA - CORE	945,609
Community Development Financial Institutions Progran	21.020	181FA022877	FA - CORE	322,121
Community Development Financial Institutions Progran	21.020	191FA051097	FA - CORE	796,478
Community Development Financial Institutions Progran	21.020	201FA054933	FA - CORE	520,000
COVID 19 Coronavirus Relief Fund	21.019	Gwinnett Co Contract	Gwinnett County	10,000,000
Subtotal				12,584,208
Appalachian Regional Commission				
Direct funded awards:				
Appalachian Research, Technical Assistance, and Demonstrations Project Program	23.011	GA-10091	ARC RLF	1,765,094
Appalachian Research, Technical Assistance, and Demonstrations Project Program	23.011	GA-19530-19	NWGA SBDI	181,005
COVID 19 Appalachian Research, Technical Assistance, and Demonstrations Project Program	23.011	ACE [1]	ARC-ACC	150,000
				2,096,099
Total Expenditures of Federal Awards				$ 18,434,558

ACCESS TO CAPITAL FOR ENTREPRENEURS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

• Material weakness(es) identified?	______	Yes	X	No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	______	Yes	X	None Reported
Noncompliance material to financial statements noted?	______	Yes	X	No

Federal Awards

Internal control over major programs:

• Material weakness(es) identified?	______	Yes	X	No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	______	Yes	X	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 section 200.516(a)?	______	Yes	X	No

Identification of major programs

CFDA No. 23.011	Appalachian Research, Technical Assistance, and Demonstration Projects
CFDA No. 21.019	Coronavirus Relief Fund

Dollar threshold used to distinguish between type A and type B programs:
$750,000

Auditee qualified as low-risk auditee?	X	Yes	______	No
Financial statement findings?	______	Yes	X	No
Findings and questioned costs for Federal awards?	______	Yes	X	No

II. FINANCIAL STATEMENT FINDINGS

NONE REPORTED.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE REPORTED.

II. FINANCIAL STATEMENT FINDINGS

NONE REPORTED.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE REPORTED.