ACCESSPOINT CORP /NV/
Form 10QSB
July 07, 2003

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2003

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM ____________________ TO ___________________________

Commission File Number: 000-29217

ACCESSPOINT CORPORATION
(Name of Small Business Issuer in its Charter)

Nevada	95-4721385
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
6171 W. Century Blvd. Suite 200 Los Angeles, California	90045
(Address of Principle Executive Offices)	(Zip Code)

(310) 846-2500
(Issuer's Telephone Number, Including Area Code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE EXCHANGE ACT:

None

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE EXCHANGE ACT:

Common Stock, $0.001 Par Value

The number of the Company's shares of Common Stock outstanding as of March 31, 2003 was 24,163,965.

1

Transitional Small Business Disclosure Format (check one): Yes [ ] No [X]

Accesspoint Corporation
Form 10-QSB QUARTERLY Report
AS OF AND FOR THE QUARTER ENDED MARCH 31, 2002
TABLE OF CONTENTS

2

SPECIAL NOTE REGARDING Forward-Looking Statements

This Form 10-QSB contains forward-looking statements about the business, financial condition and prospects of the Company that reflect assumptions made by management and management's beliefs based on information currently available to it. We can give no assurance that the expectations indicated by such forward-looking statements will be realized. If any of management's assumptions should prove incorrect, or if any of the risks and uncertainties underlying such expectations should materialize, the Company's actual results may differ materially from those indicated by the forward-looking statements.

The key factors that are not within the Company's control and that may have a direct bearing on operating results include, but are not limited to, the acceptance by customers of the Company's products and services, the Company's ability to develop new products and services cost-effectively, the ability of the Company to raise capital in the future, the development by competitors of products or services using improved or alternative technology, the retention of key employees and general economic conditions.

There may be other risks and circumstances that management is unable to predict. When used in this Form 10-QSB, words such as, "believes," "expects," "intends," "plans," "anticipates" "estimates" and similar expressions are intended to identify forward-looking statements, although there may be certain forward-looking statements not accompanied by such expressions. All forward-looking statements are intended to be covered by the safe harbor created by Section 21E of the Securities Exchange Act of 1934.

PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The reviewed consolidated financial statements for the periods ended March 31, 2003 and March 31, 2002 are filed herewith.

3

ACCESSPOINT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2003

TABLE OF CONTENTS

4

ACCESSPOINT CORPORATION
CONSOLIDATED BALANCE SHEETS

ASSETS

	March 31, 2003 (unaudited)	December 31, 2002
Current Assets		
Cash	$13,471	$35,961
Accounts receivable, net	371,875	348,708
Receivable from a related party	70,212	157,172
Prepaid expenses	744	1,488
Total Current Assets	456,302	543,329
Fixed Assets		
Furniture and equipment (net)	126,008	178,139
Total Fixed Assets	126,008	178,139
Other Assets		
Deferred financing costs (net)	1,138,291	1,266,764
Portfolio Purchase	154,667	154,667
Deposits	280,108	280,108
Total Other Assets	1,573,066	1,701,539
Total Assets	$2,155,376	$2,423,007

5

Refer to notes to the financial statements

6

ACCESSPOINT CORPORATION
CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31, 2003 (unaudited)	December 31, 2002
Current Liabilities		
Accounts payable	$1,513,085	$1,527,457
Accrued payroll taxes and penalties	1,343,429	1,412,432
Accrued liabilities	650,124	560,707

Merchant loss reserve	19,465	19,465
Lines of credit	1,317,884	1,364,761
Capitalized leases	413,461	419,460
Notes payable	565,000	565,000
Total Current Liabilities	5,822,448	5,869,282
Total Liabilities	5,822,448	5,869,282
Stockholders' Equity		
Preferred Stock, $.001 par value, 5,000,000 shares authorized, 1,055,600 shares issued and outstanding, respectively	1,056	1,056
Common stock, $.001 par value, 25,000,000 shares authorized, 24,163,965 issued and outstanding, respectively	24,164	24,164
Additional paid in capital	15,114,004	15,114,004
Retained (deficit)	(18,806,296)	(18,585,499)
Total Stockholders' (Deficit)	(3,667,072)	(3,446,275)
Total liabilities and Stockholders' Equity	$2,155,376	$2,423,007

Refer to notes to the financial statements

ACCESSPOINT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended	
	March 31, 2003	March 31, 2002
Sales, net	$3,390,275	$2,981,487
Cost of sales	2,616,291	2,218,823
Gross profit	773,984	762,664
Selling expenses	4,624	1,000

General and administrative expenses	774,595	1,016,869
Income (loss) from operations	(5,235)	(255,205)
Other (Income) Expense		
Interest income	(1,943)	(3,964)
Penalties	2,141	295
Amortization of deferred financing costs	128,473	316,319
Gain on forgiveness of deferred compensation	0	(221,477)
Bad Debt	36,912	143,357
Interest expense	49,979	55,434
Total Other (Income) Expense	215,562	289,964
Income (loss) before income taxes	(220,797)	(545,169)
Provision for income taxes	0	2,400
Net income (loss)	(220,797)	(547,569)
Net loss per share Basic	($0.01)	($0.02)
Weighted average number of shares Basic	24,163,965	23,454,240

Refer to notes to the financial statements

8

ACCESSPOINT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Three Months Ended	
	March 31, 2003	March 31, 2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss)	($220,797)	($547,569)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization	128,473	316,319
Depreciation	52,131	83,785
Gain on forgiveness of deferred compensation		(221,477)

Decrease (Increase) in receivables	(23,167)	(128,895)
Decrease (Increase) in inventory	0	(2,038)
Decrease in other current assets	91,775	0
Decrease in prepaid expenses	744	773
Decrease in deposits	0	461
(Decrease) Increase in accounts payable and accrued expenses	75,045	181,326
Increase in accrued payroll taxes	(69,003)	(131,646)
Increase in accrued loss contingencies	0	35,000
Total adjustments	255,998	133,608
Net cash contributed by (used in) operations	35,201	(413,961)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	0	(15,095)
Net cash (used in) investing activities	0	(15,095)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of notes payable	0	703,252
Payments on notes payable		(201,250)
Payments on capital leases	(5,999)	(13,217)
Sale of stock	0	56,509
Payments on line of credit	(46,877)	0
Net cash provided by (used in) financing activities	(52,876)	545,294
Net change in cash	(17,675)	116,238
Cash at beginning of period	35,961	78,229
Cash at end of period	$18,286	$194,467
Supplemental cash flows disclosures:		
Income tax payments	$0	$2,400
Interest payments	$0	$1,022

Refer to notes to the financial statements

ACCESSPOINT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
MARCH 31, 2003 AND 2002

Note A - NATURE OF OPERATIONS

Incorporated in the State of Nevada, Accesspoint Corporation ("the Company") is a "C" Corporation as defined by the Internal Revenue Code. As of March 31, 2003, the Company has combined its mature Internet Application Services technology platform with its credit card and check-processing platform to provide bundled payment acceptance, processing and business management services. These programs provide customers with multiple payment acceptance capabilities including credit card and check transaction, a fully operational e-commerce and business management Website, and a central Web based management system for servicing both the brick-and-mortar and web based sides to each business.

The Accesspoint advantage is full transaction processing, settlement and software delivered as a bundled service for the cost of an industry standard transaction fee. Furthermore, as a result of the Company's systems, prospective clients can be approved in a short period, instead of the several-day time frame typically implemented by the Company's competition.

In November 2000, the Company launched its card processing division, managed by its wholly owned subsidiary, Processing Source International, Inc. and began earning card processing revenues in addition to its check processing revenues through the underwriting and processing of these electronic payment transactions in its growing merchant base.

The Company has targeted the Independent Sales Organization (ISO) and Independent Agent marketplace as a prime driver and sales channel for its services. The Company's operating systems makes it simple for these sale organizations to electronically submit a client's application, track the progress of that application, monitor merchant service, and even track commissions, all in real time via a private label portal provided by the Company.

ACCESSPOINT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
MARCH 31, 2003 AND 2002

Note B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unaudited Interim Financial Information

The accompanying financial statements have been prepared by Accesspoint Corporation, ("Accesspoint" or the "Company") pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") Form 10-QSB and Item 310 of regulation S-B, and generally accepted accounting principles for interim financial reporting. These financial statements are unaudited and, in the opinion of management, include all adjustments (consisting of normal recurring adjustments and accruals) necessary for a fair presentation of the balance sheets, operations results, and cash flows for the periods presented. Operating results for the three months ended March 31, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003, or any future period, due to seasonal and other factors. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting policies have been omitted in accordance with the rules and regulations of the SEC. These financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes, included in the Company's Annual Report for the year ended December 31, 2002.

Revenues, expenses, assets and liabilities can vary during each quarter of the year. Therefore, the results and trends in these interim consolidated financial statements may not be the same as those for the full year.

Revenue Recognition

The Company recognizes revenue from; settlement fees for electronic payment processing, credit and debit card payment settlement, check conversion and financial processing programs and transaction fees related to the use of its software and credit card processing products, licensing of its software products. Revenue from software and hardware sales and services are recognized as products are shipped, downloaded, or used.

The Company reports income and expenses on the accrual basis for both financial and income tax reporting purposes.

Principles of Consolidation

The consolidated financial statements include the accounts of Accesspoint Corporation, and its wholly owned subsidiaries Processing Source International, Inc. (PSI) and Black Sun Graphics, Inc. (BSG), collectively referred to within as the Company. All material intercompany accounts, transactions and profits have been eliminated in consolidation.

Risks and Uncertainties

The Company is subject to substantial risks from, among other things, intense competition from the providers of financial electronic payment processing, settlement services, software development and e-commerce service companies specifically and the technology industry in general, other risks associated with the Internet services industry, financing, liquidity requirements, rapidly changing customer requirements, limited operating history, and the volatility of public markets.

ACCESSPOINT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
MARCH 31, 2003 AND 2002

Note B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingencies

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company's management and legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's financial statements. If the assessment indicates that a potential material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material would be disclosed.

Loss contingencies considered to be remote by management are generally not disclosed unless they involve guarantees, in which case the guarantee would be disclosed.

Reserve for Merchant Credit Losses

The Company establishes reserves for merchant credit losses, which arise as a result of, among other things, cardholder dissatisfaction with merchandise quality or merchant services. Such disputes may not be resolved in the merchant's favor. In these cases, the transaction is "charged back" to the merchant and the purchase is refunded to the customer by the merchant. If the merchant is unable to grant a refund, the Company or, under limited circumstances, the Company and the processing bank, must bear the credit risk for the full amount of the transaction. The Company estimates its potential loss for chargebacks based primarily on historical experience. Obtaining collateral from merchants considered higher risk often mitigates the risk of loss. At March 31, 2003 and March 31, 2002, the Company had aggregate collateral classified as merchant loss reserves of $19,465 and $99,465, respectively.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include collectibility of accounts receivable, accounts payable, sales returns and recoverability of long-term assets.

Allowance for Doubtful Accounts

The Company has made an allowance for doubtful accounts for trade receivables.

Fixed Assets

Property and equipment are stated at cost less accumulated depreciation. Expenditures for major additions and improvements are capitalized, and minor replacements, maintenance and repairs are charged to expense as incurred. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, or the remaining term of the lease, as follows:

Furniture and Fixtures	5 years
Equipment	5 years
Hardware and Software	3 years

Note B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasehold Improvements

Amortization of leasehold improvements is computed using the straight-line method over the shorter of the remaining lease term or the estimated useful lives of the improvements.

Capital Leases

Assets held under capital leases are recorded at the lower of the net present value of the minimum lease payments or the fair value of the leased asset at the inception of the lease. Depreciation is computed using the straight-line method over the shorter of the estimated useful lives of the assets or the period of the related lease.

Inventory

Inventory is valued at the lower of cost or market. Cost is determined on the weighted average method. As of March 31, 2003 there was no inventory. As of March 31, 2002, inventory consisted only of finished goods.

Concentration of Credit Risk

Concentration of credit risk with respect to trade accounts receivable is not diversified. As of March 31, 2003 91% of the trade receivable were from Chase Merchant Services, LLC. The loss of Chase Merchant Services to our Company would be severely detrimental and could result in the termination and liquidation of our Company. Our Company actively evaluates the creditworthiness of Chase Merchant Services, LLC and is confident that the failure of the firm is neither likely nor imminent

Advertising

Advertising costs are expensed in the year incurred.

Earnings Per Share

Earnings per common share amounts are computed by dividing net income amounts by weighted-average common stock and common stock equivalents shares (when dilutive) outstanding during the period. Diluted earnings per share were not presented because they were considered to be anti-dilutive.

Stock-Based Compensation

The Company accounts for stock-based employee compensation arrangements in accordance with the provisions of Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees," and complies with the disclosure provisions of Statement of Financial Accounting Standards ("SFAS") 123, "Accounting for Stock-Based Compensation." Under APB 25, compensation cost is recognized over the vesting period based on the difference, if any, on the date of grant between the fair value of the Company's stock and the amount an employee must pay to acquire the stock.

Note C - STOCK AND STOCK WARRANTS

The Company has two classes of capital stock: Preferred Stock and Common Stock. Holders of common stock are entitled to one vote for each share held. Preferred stock holders are not entitled to voting privileges and are convertible into Common Stock under certain circumstances on a share-for-share basis.

At March 31, 2003, the Company has 25,000,000 common shares authorized and 24,163,965 shares issued and outstanding. The Company had 5,000,000 preferred shares authorized and 1,055,600 shares issued and outstanding.

At March 31, 2003, the Company does not have enough common stock reserved for the possible exercise of options and warrants which could total:

Exercise of common stock warrants	482,223
Exercise of employee stock options	1,776,445
	2,258,668

The Company intends to increase the authorized number of shares by proxy of its shareholders subsequent to March 31, 2003.

Note D - LOSS PER SHARE

Basic net loss per share is computed using the weighted average number of common shares outstanding. The dilutive effect of earnings per share were not presented because they were considered to be anti-dilutive. The computations of basic net loss per share as of March 31, 2003 and 2002 are as follows:

	2003	2002
Net (loss) from operations	$(220,797)	$(547,569)
Basic weighted average shares	24,163,965	23,454,240
Net (loss) per share from continuing operations:		
Basic	($0.01)	($0.02)

Note E - LITIGATION AND CONTINGENCIES

The Company is subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities. Listed below are only those matters considered to be material to the Company by management and its counsel.

Citicorp - During 2001 the Company vacated office facilities it had leased under an operating lease agreement in Chicago, Illinois. The lessor subsequently filed suit against the Company for the remaining amount of unpaid rent and other various expenses. A judgment was filed against the Company in the amount of $95,000. As of March 31, 2003 the Company has accrued for the liability in full on its Balance Sheet. No payments have been made.

Roycap - As of March 31, 2003 the Company was in default on its loan agreement with Roycap for repayment of a $450,000 loan, plus accrued interest, which was due on October 16, 2001. In June 2002, Roycap filed formal suit on its claim. The Company has recently entered into a settlement agreement wherein it stipulated to a $730,000 judgment. The entire settlement amount has been accrued.

Bentley Promissory Notes - Various family trusts related to James W. Bentley, a former Director of the Company, have filed three related actions seeking to collect in excess of $500,000 in promissory notes allegedly due. The Company believes these claims were settled by the June 26, 2002 Settlement and in any event, believes the sums due are substantially less than claimed. The Company continues to fight these actions vigorously.

Merchants Warehouse.com - This is a claim against PSI for breach of an independent sales agent agreement. The claim is disputed. The matter was submitted to arbitration and was heard by the arbitrator. The arbitrator made an interim award of $296,720 and denied the Company's counterclaim. The Company is directed to pay the agent residuals according to the terms of the Company's agreement with the agent. The Company has made all payments to the agent since the date of the award. The amount of the award has been accrued.

Northwest Systems, LLC - Two inter-related claims, one lawsuit and one arbitration claim arising out of a dispute over a contract whereby PSI agreed to purchase certain merchant accounts from Northwest Systems, LLC ("NWS"). The first case (lawsuit) seeks to recover damages of $300,000 for alleged breach of the contact to purchase, while the second case (arbitration) claims that NWS has not been paid all residual payments due it under its agency contract with PSI. In May 2003, an award in the arbitration claim in the amount of $149,000 was made for the benefit of the plaintiff. The Company has accrued the entire amount of the judgment. The Company continues to vigorously defend itself against the lawsuit.

EAB Leasing Corp. - This action by an equipment lessor on a defaulted lease was settled. Pursuant to the settlement, a stipulated judgment was entered in the amount of $72,000, which has been fully accrued. The Company is paying this off at the rate of $3,000 per month.

Note E - LITIGATION AND CONTINGENCIES (CONTINUED)

Moceri Leasing Co. - This is an action by an equipment lessor on a defaulted lease. The Company is vigorously defending itself against this claim. The total amount, estimated to be $25,000, of any potential judgment for the value of the equipment, has been fully accrued.

Leverage Leasing Co. - This is an action by an equipment lessor on a defaulted lease. An out-of-state judgment in the amount of $34,000 has been made against the Company. The Company is paying this judgment off at the rate of $2,000 per month and has paid $6,000. The total amount of the remaining judgment for the value of the equipment has been accrued.

CIT Communications Co. - This is an action by an equipment lessor on a defaulted lease. The Company is vigorously defending itself against this claim. The total amount of any potential judgment for the value of the equipment has been accrued.

Global Attorneys Network Co. - This is an action filed on behalf of an equipment lessor on a defaulted lease. In April 2003 the matter was settled for $16,900. This amount has been accrued. No payments have been made.

Arden Realty, Inc. - This is an action brought by a former landlord of PSI to recover unpaid rent. The Company has entered into a settlement agreement with a stipulated judgment of $57,789. The Company has paid $20,000 toward the satisfaction of this judgment. The remaining balance has been accrued.

Floratos, Loll & Devine - This is a claim asserted by former attorneys for the Company for services performed. The Company has entered into a settlement agreement with a stipulated judgment in the approximate amount of $85,000. The Company has made payments totaling $20,000 against the judgment. The remaining amount has been accrued.

Bas Mulder - This is a lawsuit filed by the former owner and employee of Black Sun Graphics, Inc. ("BSG"), claiming damages in excess of $430,000 related to the purchase of BSG by the Company. The Company intends to vigorously defend this action. The Company has entered into a verbal agreement to settle the action and has satisfied part of the terms of the verbal agreement. No trial date has been set. An accrual has been made for the potential of an adverse outcome.

Note E - LITIGATION AND CONTINGENCIES (CONTINUED)

Bentley v. William R. Barber, et al. - On March 22, 2002, James Bentley ("Plaintiff"), a shareholder and former employee and director of the Company, filed a shareholder derivative lawsuit against the Company and several individual defendants for breach of contract, breach of fiduciary duty, misappropriation of trade secret, recovery of personal property, imposition of a constructive trust, unfair competition in violation of Business and Profession Code Section 17200, conversion, unfair business practices, and usurpation of corporate opportunity. On several occasion, Plaintiff also sought provisional remedies with the Court, including multiple applications for preliminary injunction and the appointment of a receiver. To date, none of Plaintiff's requests for provisional relief have been granted. On June 26, 2002, the parties to the action executed a Settlement Agreement. Plaintiff purported to rescind the Settlement Agreement in early December 2002. Plaintiff thereafter filed an ex parte application for temporary restraining order, which the court denied on December 24, 2002. The Court set a hearing for Plaintiff's application for preliminary injunction in late January 2003. Plaintiff thereafter continued the hearing on the application for preliminary injunction on several occasions. Ultimately, after Defendant's; opposition to the preliminary injunction request was filed; Plaintiff took his application for preliminary injunction off calendar completely. A number of depositions and law and motion were conducted during January and February 2003. Trial has been set for October 20, 2003. The Company will vigorously contest Plaintiff's allegations and contention, including vigorously pursuing discovery in the case to obtain all information necessary to conduct a proper defense. The Company has recorded no liability for the potential of an adverse outcome of the action.

PC Connection - This is an action by an equipment lessor. The parties signed a stipulation judgment in January 2003 in the amount of $15,660. This amount has been accrued.

Other Litigation - The Company is currently involved in other litigation regarding breach on capital lease agreements. The total amount being sought is $27,000, with full credit for interest and attorney's fees. It is likely the plaintiffs will prevail and the company has set up an allowance to cover any unfavorable outcomes.

Note F - PAYROLL TAXES

The Company is currently in negotiations with the United States Department of the Treasury, Internal Revenue Service ("IRS") in regards to unpaid employment taxes. The IRS has made formal demand of amounts due and unpaid, including interest and penalties, from the Company, and has appropriately filed tax liens against all assets of the Company. The Company has filed a request for an "Offer in Compromise" of all amounts owed by the Company. The IRS has recorded the request and any other collection activity until it has had time to review the matter. As of the date of this report the IRS has responded to the Company and is reviewing the offer.

Note F - PAYROLL TAXES (continued)

The Company has recorded its liability in full to the IRS, including penalties and interest, on its balance sheet. As of March 31, 2003, the Company has accrued liability of approximately $1,310,720 to the IRS.

The Company also owes unpaid employment taxes to the California Employment Development Department ("EDD"). The Company has entered into an installment agreement with the EDD and has been making all required payments. The Company has recorded penalties and interest to the EDD as a liability on its balance sheet. As of March 31, 2003, the Company has remaining liability of approximately $32,709 to the EDD.

Note G - COMMITMENTS

In October 2002, the Company entered into a Master Support Services Agreement ("Agreement") with Merchants Billing Services ("MBS"). This Agreement called for the payment of $180,000 per month for salaries, office space & utilities, travel & entertainment, telecommunications, professional services and a management fee, with a quarterly adjustment of the payment based on actual expenses for the preceding three months activity. The Agreement is for an initial period of one year, but in March 2003, the Company received notification of MBS's intention to terminate the agreement effective June 30, 2003, this notification of termination was subsequently amended to September 17, 2003. The disinterested members of the Board have accepted this amendment. Effective July 1, 2003, the Company resumed payments to employees and vendors. While the Agreement remains in effect, the range of services provided by MBS no longer includes payments to the Company's employees and vendors. There are no future minimum payments under the Agreement. For the three months ended March 31, 2003 the Company made payments totaling $540,000 under the Agreement. As of March 31, 2003, the Company owed MBS $3,342 which is included in accounts payable.

Associated with the Agreement was the assignment of that certain Agreement of Sublease ("Sublease") dated as of August 2002 between Veridian and the Company. Veridian and the landlord Carlsberg Properties, Inc agreed upon the assignment of the Sublease.

Operating lease expense for the three months ended March 31, 2003 and 2002 was $30,000 and $526,580, respectively.

Note H - DEFERRED FINANCING COSTS

In December 2001, the Company, in accordance with APB 21 and SAB 79 the Company has recorded a deferred financing cost asset of $6,326,381. This amount is based on the number of shares that three shareholders directly transferred to Net Integrated Systems, Inc. ("NIS") as an inducement for NIS to enter into the Revolving Line of Credit Agreement. In October 2002, the Revolving Line of Credit Agreement and related Management Agreement with NIS, was terminated. This resulted in the Company recording a write down on the deferred financing cost asset of $3,756,927 in the year ended December 31, 2002.

The Company will amortize the remaining deferred financing cost over the life of the line of credit, which is five years. For the three months ended March 31, 2003 and March 31, 2002 the Company recorded amortization expense of $128,473 and $316,319 respectively.

ACCESSPOINT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
MARCH 31, 2003 AND 2002

Note I - RELATED PARTY TRANSACTIONS

The Company has entered into a number of relationships that fit the definition provided by Statement of Financial Accounting Standards No. 57, "Related Party Disclosures". An entity that can control or significantly influence the management or operating policies of another entity to the extent one of the entities may be prevented from pursuing its own interests. As of March 31, 2003, the following related party relationships existed between the Company, its shareholders, officers and directors:

MBS, is jointly owned by Becky Takeda, President and Chief Executive Officer of the Company and William R. Barber, Director of the Company, is also an agent of the Company and sells the Company's products and services through its own network of subagents and sales personnel. As of March 31, 2003, under the terms of the agency agreement with MBS, the Company paid $123,202 in residuals. Refer to Note H Commitments for further discussion of the operating arrangement between the Company and MBS.

Note J - SUBSEQUENT EVENTS

In June 2003, Mr. William Barber the Company's President and Chief Executive Officer resigned, effective on the date of his notice. The Board accepted his resignation. Ms. Becky Takeda, has been appointed interim President and Chief Executive Officer until September 17, 2003. She assumes this new position effective July 1, 2003. Ms. Takeda also serves as the President of Merchants Billing Services, Inc., which provides the Company with a range of administrative and support services.

In June 2003, Merchants Billings Services, Inc. extended the termination of its Master Support Services Agreement with the Company through September 17, 2003, through a rescission of its prior notification of termination of that same agreement. Effective July 1, 2003, the Company resumes payments to employees and vendors. While the Agreement remains in effect, the range of services provided by MBS no longer includes payments to the Company's employees and vendors. For the period of April 1 - June 30, 2003, the Company paid MBS a total of $180,000, due to the lower billing based on prior period actual activity.

ACCESSPOINT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
MARCH 31, 2003 AND 2002

Note K - GOING CONCERN

The accompanying financial statements, which have been prepared in conformity with accounting principles generally accepted in the United States of America, contemplates the continuation of the Company as a going concern. However, the Company has sustained significant recurring operating losses, has limited capital resources, is involved in several pending lawsuits and has been assessed by the Internal Revenue Service for unpaid payroll taxes. Continuation of the Company as a going concern is contingent upon the ability of the Company to expand its operations, generate increased revenues, secure additional sources of financing and sell a portion of the merchant portfolio. However, there is no assurance that the Company will realize the necessary capital expansion.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the financial statements and related notes contained elsewhere in this document. The discussion contained herein relates to the financial statements, which have been prepared in accordance with GAAP.

THE DISCUSSION IN THIS SECTION AND OTHER PARTS OF THIS REGISTRATION STATEMENT CONTAINS CERTAIN FORWARD-LOOKING STATEMENTS SUCH AS STATEMENTS OF THE COMPANY'S PLANS, OBJECTIVES, EXPECTATIONS AND INTENTIONS. THESE STATEMENTS INVOLVE RISKS AND UNCERTAINTIES. THEY ARE MADE AS OF THE DATE OF THIS REPORT, AND THE COMPANY ASSUMES NO OBLIGATION TO UPDATE THEM.

A. PLAN OF OPERATION

Our primary software products consist of: Merchant Manager Enterprise, a complete and secure fully-hosted e-commerce solution for small to midsize businesses, which provides an on-line store, catalog and credit card processing abilities; Transaction Manager, an on-line credit card and ACH processing solution for small to midsize businesses; and Merchant Manager, a hosted e-commerce solution providing a simple-to-learn and simple-to-use set of tools derived from Merchant Manager Enterprise. We provide hosting services in conjunction with the software products.

During the coming twelve months, we will not be able to satisfy the cash requirements and have no financing alternatives to satisfy the obligations except for the sale of a portion of the merchant portfolio. The plans for the coming twelve months include the contemplation of a sale of the merchant portfolio for the purpose of recapitalizing the company and paying down debt. Should a portion of the merchant portfolio be sold, we will be forced to reduce the staffing levels in line with the reduction in revenue realized. During the coming twelve months, we will continue to pursue enhancements of the existing Merchant Manager and Transaction Manager products to meet the demands of an increasingly competitive marketplace. We do not anticipate the development of any products during the coming twelve-month period and will not expend significant resources on the research or development of new product lines.

B. RESULTS OF OPERATIONS

Three Months Ended March 31, 2003 Compared With Three Months Ended March 31, 2002.

Revenues for the three months ended March 31, 2003 increased to $3,390,275 from $2,981,487 for the three months ended March 31, 2002. The increase of $408,788, 14%, is due primarily to the increased revenues associated with credit card processing which resulted in an overall increase in sales.

Cost of sales for the three months ended March 31, 2003 increased to $2,616,291 from $2,218,823 for the three months ended March 31, 2002. The increase of $397,468, 18%, resulted primarily from the increase in cost of sales associated with credit card processing resulting from an overall increase in sales.

Selling and marketing expenses for the three months ended March 31, 2003 increased to $4,624 from $1,000 for the three months ended March 31, 2002. This increase of $3,624 resulted from the updating of the websites.

General and administrative expenses for the three months ended March 31, 2003 decreased to $774,595 from $1,016,869 for the three months ended March 31, 2002. The decrease of $242,274, or (24%), resulted primarily from a decrease of salaries and wages, occupancy costs, and other operating efficiencies realized through the consolidation of three offices into one.

Interest expense, net, for the three months ended March 31, 2003 was $49,979, as compared to $55,434 for the three months ended March 31, 2002. The decrease of $5,455, or 10%, resulted primarily from the Company's lower level of indebtedness and reduced borrowing costs.

Other (Income) Expense, net of Interest expense was $165,583 for the three months ended March 31, 2003, as compared to $234,530 for the three months ended March 31, 2002. These decrease of $68,947, or 29% resulted primarily from the amortization of deferred financing costs for the three months ended March 31, 2003, as compared to the three months ended March 31, 2002.

Net losses for the three months ended March 31, 2003 were ($220,797), as compared to ($547,569) for the three months ended March 31, 2002. The difference in loss of $326,772, or 64%, was primarily related to increased revenues and a reduction of salaries and other operating efficiencies.

C. LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents at March 31, 2003 were $13,471, compared to $35,961 at December 31, 2002, a decrease of ($22,490), which represented a decline of 63%.

Net Cash used in operations decreased $449,162 for the three months ended March 31, 2003 to a contribution of $35,201 or 108%. This efficiency was primarily accomplished by increased effectiveness in operations.

Net Cash used in investing activities decreased from $15,095 as of March 31, 2002 to $0 as of March 31, 2003. This decrease of $15,095, was due to the lack of funds available for investment..

During the three months ended March 31, 2003, the Company used net cash of $52,876 for financing activities as compared to the generation of $545,294 for the three months ended March 31, 2002. The decrease of $598,170, or 110% resulted from the cessation of all private placement fundraising activities and the associated payment of outstanding obligations.

We had, at March 31, 2003, negative working capital. We believe that cash generated from operations will not be sufficient to fund the current and anticipated cash requirements. The plans for the coming twelve months include the contemplation of a sale of the merchant portfolio for the purpose of recapitalizing the company and paying down debt. Should a portion of the merchant portfolio be sold, we will be forced to reduce the staffing levels in line with the reduction in revenue realized.

D. NET OPERATING LOSS

For federal income tax purposes, we have net operating loss carryforwards of approximately $13,833,000 as of March 31, 2003 and $10,760,000, as of March 31, 2002. These carryforwards will expire at various dates through the year 2015. The use of such net operating loss carryforwards to be offset against future taxable income, if achieved, may be subject to specified annual limitations.

PART II
OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of the business activities. We describe below only those matters that we consider to be material.

Citicorp - During 2001 we vacated office facilities we had leased under an operating lease agreement in Chicago, Illinois. The lessor subsequently filed suit against us for the remaining amount of unpaid rent and other various expenses. A judgment was filed against us in the amount of $95,000. As of March 31, 2003 we have accrued for the liability in full on the Balance Sheet. No payments have been made.

Roycap - As of March 31, 2003 we were in default on the loan agreement with Roycap for repayment of a $450,000 loan, plus accrued interest, which was due on October 16, 2001. In June 2002, Roycap filed formal suit on its claim. We have recently entered into a settlement agreement, stipulating to a $730,000 judgment. As of March 31, 2003 we have accrued for the liability in full on the Balance Sheet. No payments have been made.

Bentley Promissory Notes - Various family trusts related to James W. Bentley, a former director, have filed three related actions seeking to collect in excess of $500,000 in promissory notes allegedly due. We believe these claims were settled by the June 26, 2002 Settlement. Pursuant to the terms of that Settlement, Net Integrated Systems, Inc. assumed the repayment of the Bentley notes and contributed the total indebtedness to the Company as a capital contribution in September 2002. We continue to fight these actions vigorously.

Merchants Warehouse.com ("MWC") - MWC filed a claim against PSI for breach of an independent sales agent agreement. We dispute the claim. The matter was submitted to arbitration and was heard by the arbitrator. The arbitrator made in interim award of $296,720 in favor of MWC and denied the counterclaim. The arbitrator directed us to pay the agent residuals according to the terms of the agreement with the agent. We have made all payments to the agent since the date of the award. The amount of the award has been accrued.

Northwest Systems, LLC ("NWS") - NWS filed two inter-related claims, one lawsuit and one arbitration claim arising out of a dispute over a contract. PSI had agreed to purchase certain merchant accounts from NWS. In the lawsuit, NWS seeks to recover damages for alleged breach of the contact to purchase NWS. In the arbitration, NWS claims that NWS has not been paid all residual payments due it under its agency contract with PSI. We are vigorously defending against these claims. In May 2003, an award in the arbitration claim in the amount of $149,000 was made for the benefit of the plaintiff. The Company has accrued the entire amount of the judgment. The Company continues to vigorously defend itself against the lawsuit. We have accrued all potential residual payments due to Northwest Systems, LLC.

EAB Leasing Corp. ("EAB") - We settled a lawsuit by EAB over an equipment lease. Pursuant to the settlement, we stipulated to a judgment in the amount of $72,000. We are paying this off at the rate of $3,000 per month.

Moceri Leasing Co. ("Moceri") - Moceri, an equipment lessor, claims that we defaulted on an equipment lease. We are vigorously defending against this claim. The total amount of any potential judgment for the value of the equipment has been accrued in the amount of $25,000.

Leverage Leasing Co. ("LLC") - LLC, an equipment lessor, claims that we defaulted on an equipment lease. We are vigorously defending against this claim. The total amount of any potential judgment for the value of the equipment has been accrued in the amount of $32,977. The Company is paying this judgment off at the rate of $2,000 per month and has paid $6,000. The total amount of the remaining judgment for the value of the equipment has been accrued.

CIT Communications Co. ("CIT") - CIT, an equipment lessor, claims that we defaulted on an equipment lease. We are vigorously defending against this claim. The total amount of any potential judgment for the value of the equipment has been accrued.

Global Attorneys Network Co. ("GAN") - GAN, an equipment lessor, claims that we defaulted on an equipment lease. We are vigorously defending itself against this claim. In April 2003, the matter was settled for $16,900. No payments have been made. The total amount of any potential judgment for the value of the equipment has been accrued.

Arden Realty, Inc. ("Arden") - Arden is a former landlord of PSI. Arden brought this action to recover unpaid rent. The Company has entered into a settlement agreement with a stipulated judgment of $57,789. We have paid $20,000 toward the satisfaction of this judgment. We are making monthly payments of $5,000. The remaining balance has been accrued.

Floratos, Loll & Devine ("FLD") - The former attorneys have made a claim for services performed. We have entered into a settlement agreement with a stipulated judgment in the approximate amount of $85,000. We have accrued this liability. $20,000 in payments have been made.

Bas Mulder ("Mulder") - Mulder is the former owner and employee of Black Sun Graphics, Inc. ("BSG"). Mulder claims damages in excess of $430,000 related to the purchase of BSG. We intend to vigorously defend this action. We have entered into a verbal agreement to settle the action. We have satisfied part of the terms of the verbal agreement. No trial date has been set. An accrual has been made for the potential of an adverse outcome

Bentley v. William R. Barber, et al. - On March 22, 2002, James Bentley ("Plaintiff"), a shareholder and former employee and director of the Company, filed a shareholder derivative lawsuit against the Company and several individual defendants for breach of contract, breach of fiduciary duty, misappropriation of trade secret, recovery of personal property, imposition of a constructive trust, unfair competition in violation of Business and Profession Code Section 17200, conversion, unfair business practices, and usurpation of corporate opportunity. On several occasion, Plaintiff also sought provisional remedies with the Court, including multiple applications for preliminary injunction and the appointment of a receiver. To date, none of Plaintiff's requests for provisional relief have been granted. On June 26, 2002, the parties to the action executed a Settlement Agreement. Plaintiff purported to rescind the Settlement Agreement in early December 2002. Plaintiff thereafter filed an ex parte application for temporary restraining order, which the court denied on December 24, 2002. The Court set a hearing for Plaintiff's application for preliminary injunction in late January 2003. Plaintiff thereafter continued the hearing on the application for preliminary injunction on several occasions. Ultimately, after Defendant's; opposition to the preliminary injunction request was filed; Plaintiff took his application for preliminary injunction off calendar completely. A number of depositions and law and motion were conducted during January and February 2003. Trial has been set for October 20, 2003. The Company will vigorously contest Plaintiff's allegations and contention, including vigorously pursuing discovery in the case to obtain all information necessary to conduct a proper defense. The Company has recorded no liability for the potential of an adverse outcome of the action.

PC Connection - This is an action by an equipment lessor. The parties signed a stipulation judgment in January 2003 in the amount of $15,660. This amount has been accrued.

Other Litigation - The Company is currently involved in other litigation regarding breach on capital lease agreements. The total amount being sought is $27,000, with full credit for interest and attorney's fees. It is likely the plaintiffs will prevail and the company has set up an allowance to cover any unfavorable outcomes.

For a similar discussion of Legal Proceedings, please refer to Note F, Litigation and Contingencies, attached as a part of the financial statements filed herewith and incorporated hereby.

ITEM 2. CHANGES IN SECURITIES

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of security holders, through the solicitation of proxies or otherwise, during the quarter ended March 31, 2003.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

A. Exhibits

The following Exhibits are incorporated herein by reference or are filed with this report as indicated below.

Exhibit No.	Description
21.00	*List of Subsidiaries

* Incorporated by reference from the exhibit to the Annual Report on Form 10-KSB filed by us on April 16, 2001

B. REPORTS ON FORM 8-K

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Los Angeles, State of California, on the 27th day of June, 2003.

Dated: June 30, 2003

ACCESSPOINT CORPORATION

By
/s/_Becky_Takeda__________________

Becky Takeda,
Chief Executive Officer, President

By
/s/_Lawrence_C._Early______________
Lawrence C. Early
Controller

25

Pursuant to the requirements of the Securities Act of 1934, this report has been signed by the following persons in the capacities and on the dates indicated:

Signature	Title	Dat
/s/_Joe_Byers_________ Joe Byers	Director	June 30,
/s/_Mike_Savage_______ Mike Savage	Director	June 30,
/s/_Wiliam_R._Barber_ William R. Barber	Director	June 30,
/s/_Gene_Valentine____ Gene Valentine	Chairman of the Board of Directors	June 30,

26

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES OXLEY ACT OF 2002

CERTIFICATIONS*

I, Becky Takeda, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Accesspoint Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: June 30, 2003

/s/_Becky_Takeda__________________
Becky Takeda
Chief Executive Officer, President

27

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES OXLEY ACT OF 2002

CERTIFICATIONS*

I, Lawrence Early, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Accesspoint Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective

actions with regard to significant deficiencies and material weaknesses.

Date: June 30, 2003

/s/_Lawrence_C._Early______________
Lawrence C. Early
Controller