

SHENANDOAH COMMUNITY CAPITAL FUND, INC.

FINANCIAL REPORT

JUNE 30, 2024



ASSURANCE, TAX & ADVISORY SERVICES

SHENANDOAH COMMUNITY CAPITAL FUND, INC.

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Shenandoah Community Capital Fund, Inc.

Opinion

We have audited the financial statements of Shenandoah Community Capital Fund, Inc. (Organization), which comprise the statements of financial position as of June 30, 2024 and 2023, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2024 and 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 12 to the financial statements, net assets as of July 1, 2022, has been restated to correct cumulative errors in the June 30, 2022 financial statements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

PBMares, LLP

Harrisonburg, Virginia
May 5, 2025

FINANCIAL STATEMENTS

SHENANDOAH COMMUNITY CAPITAL FUND, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2024 and 2023

	2024	2023
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 13,115	\$ 49,006
Restricted cash and cash equivalents	136,935	197,384
Grants receivable	83,456	160,846
Loans receivable, current portion	127,689	127,889
Prepaid expenses and other current assets	-	5,929
Trade receivables	5,864	2,500
Total current assets	367,059	543,554
Long-Term Assets		
Operating right-of-use assets	18,484	14,425
Loans receivable, net, long-term portion	254,015	217,858
Total long-term assets	272,499	232,283
Total assets	\$ 639,558	\$ 775,837
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 108,887	\$ 51,217
Accrued expenses	19,443	17,791
Agency funds liability	44,750	21,853
Refundable grant advances	-	93,490
Line of credit	48,877	33,399
Operating lease liabilities, current portion	5,893	6,483
Related party loan	23,000	-
Notes payable, current portion	46,788	55,393
Total current liabilities	297,638	279,626
Long-Term Liabilities		
Operating lease liabilities, long-term portion	12,683	8,112
Notes payable, long-term portion	261,825	295,001
Total long-term liabilities	274,508	303,113
Net Assets		
Without donor restrictions	(19,509)	(84,923)
With donor restrictions	86,921	278,021
Total net assets	67,412	193,098
Total liabilities and net assets	\$ 639,558	\$ 775,837

SHENANDOAH COMMUNITY CAPITAL FUND, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Support and Gains			
Contributions:			
Individuals, foundations and corporations	\$ 8,328	\$ -	\$ 8,328
State and local government grants	178,931	-	178,931
Federal government grants	492,254	131,365	623,619
Contributed nonfinancial assets	138,848	-	138,848
Loan program interest income	17,658	150	17,808
Other income	143	-	143
Program income	85,000	-	85,000
Interest income	882	-	882
Net assets released from restriction	322,615	(322,615)	-
Total revenues, support and gains	1,244,659	(191,100)	1,053,559
Expenses			
Program services	903,288	-	903,288
Management and general	243,845	-	243,845
Fundraising	32,112	-	32,112
Total expenses	1,179,245	-	1,179,245
Change in net assets	65,414	(191,100)	(125,686)
Net Assets, beginning	(84,923)	278,021	193,098
Net Assets, ending	\$ (19,509)	\$ 86,921	\$ 67,412

SHENANDOAH COMMUNITY CAPITAL FUND, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Support and Gains			
Contributions:			
Individuals, foundations and corporations	\$ 32,018	\$ -	\$ 32,018
State and local government grants	84,214	100,000	184,214
Federal government grants	872,160	-	872,160
Contributed nonfinancial assets	69,141	-	69,141
Loan program interest income	16,961	7,796	24,757
Program income	30,063	-	30,063
Interest income	955	-	955
Net assets released from restriction	39,707	(39,707)	-
	1,145,219	68,089	1,213,308
Expenses			
Program services	1,021,152	-	1,021,152
Management and general	187,464	-	187,464
Fundraising	66,378	-	66,378
	1,274,994	-	1,274,994
	Change in net assets	68,089	(61,686)
Net Assets, beginning, as previously stated	106,747	209,932	316,679
Restatement	(61,895)	-	(61,895)
Net Assets, beginning, as restated	44,852	209,932	254,784
Net Assets, ending, as restated	\$ (84,923)	\$ 278,021	\$ 447,882

SHENANDOAH COMMUNITY CAPITAL FUND, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2024

	Program Services	Management and General	Fundraising	Total
Salaries and Wages	\$ 439,408	\$ 82,389	\$ 27,463	\$ 549,260
Employee Benefits	74,392	13,948	4,649	92,989
Education and Entrepreneurial Support	260,233	-	-	260,233
Grants to Subrecipients	120,550	-	-	120,550
Legal and Professional Fees	-	88,308	-	88,308
Office	-	13,191	-	13,191
Training, travel and meetings	-	9,925	-	9,925
Marketing and Outreach	-	3,971	-	3,971
Occupancy	-	14,610	-	14,610
Loan Processing and Administration	-	3,688	-	3,688
Staff Development	-	7,576	-	7,576
Subscriptions and Memberships	2,280	3,212	-	5,492
Insurance	-	2,512	-	2,512
Miscellaneous	6,425	515	-	6,940
Total expenses	\$ 903,288	\$ 243,845	\$ 32,112	\$ 1,179,245

SHENANDOAH COMMUNITY CAPITAL FUND, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2023

	Program Services	Management and General	Fundraising	Total
Salaries and Wages	\$ 453,146	\$ 69,715	\$ 58,096	\$ 580,957
Employee Benefits	71,783	11,964	8,282	92,029
Education and Entrepreneurial Support	157,363	-	-	157,363
Grants to Subrecipients	247,370	-	-	247,370
Legal and Professional Fees	31,473	35,750	-	67,223
Provision for Uncollectible Loans	-	48,041	-	48,041
Office	6,653	6,653	-	13,306
Training, travel and meetings	11,288	-	-	11,288
Marketing and Outreach	4,002	4,002	-	8,004
Occupancy	7,510	7,510	-	15,020
Loan Processing and Administration	7,842	-	-	7,842
Staff Development	13,922	-	-	13,922
Subscriptions and Memberships	5,367	-	-	5,367
Insurance	-	3,829	-	3,829
Miscellaneous	3,433	-	-	3,433
Total expenses	\$ 1,021,152	\$ 187,464	\$ 66,378	\$ 1,274,994

SHENANDOAH COMMUNITY CAPITAL FUND, INC.

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Change in net assets	\$ (125,686)	\$ (61,686)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Change in loan receivable allowance	(27,733)	4,212
Uncollectible loan write-offs	26,860	35,134
Change in current assets and liabilities:		
Decrease (increase):		
Grants receivable	77,390	5,675
Prepaid expenses	5,929	-
Trade receivable	(3,364)	7,225
Operating right-of-use assets	(4,059)	(14,425)
Increase (decrease) in:		
Accounts payable	57,670	(16,007)
Accrued expenses	1,652	7,760
Agency funds liability	22,897	7,448
Deferred revenue	(93,490)	29,934
Operating lease liabilities	3,981	14,595
Net cash provided by (used in) operating activities	(57,953)	19,865
Cash Flows from Investing Activities		
Proceeds from loan repayments	129,194	238,699
New loans issued	(164,278)	(221,719)
Net cash provided by (used in) investing activities	(35,084)	16,980
Cash Flows from Financing Activities		
Net borrowings on line of credit	15,478	(8,626)
Proceeds from related party loan	23,000	-
Proceeds from long-term debt	-	100,000
Payments on long-term debt	(41,781)	(36,643)
Net cash provided by (used in) financing activities	(3,303)	54,731
Net change in cash and cash equivalents, and restricted cash and cash equivalents	(96,340)	91,576
Cash and Cash Equivalents, and Restricted Cash and Cash Equivalents, beginning of year	246,390	154,814
Cash and Cash Equivalents, and Restricted Cash and Cash Equivalents, end of year	\$ 150,050	\$ 246,390

SHENANDOAH COMMUNITY CAPITAL FUND, INC.

STATEMENTS OF CASH FLOWS (Continued)
Years Ended June 30, 2024 and 2023

	2024		2023
<hr/>			
Supplemental Disclosures of Cash Flow Information			
Cash paid for interest	\$ 4,154	\$	3,468
Payments on operating leases	6,963		5,590
Supplemental Disclosures of Non-Cash Information			
Right-of-use assets obtained in exchange for new lease liabilities	\$ -	\$	19,688

SHENANDOAH COMMUNITY CAPITAL FUND, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Nature of organization: Shenandoah Community Capital Fund, Inc. (SCCF or Organization), formerly known as Staunton Creative Community Fund, was incorporated in 2008 as a 501(c)(3) not-for-profit Virginia corporation. SCCF operates throughout the Shenandoah Valley with a mission of helping to build a more accessible and equitable ecosystem for entrepreneurs and small business owners in the Shenandoah Valley. The Organization receives funding from federal, state, and local entities, corporations, foundations, and individual donors. The services of SCCF include:

- Providing loans to entrepreneurs, startups, or existing small businesses.
- Offering technical assistance to loan clients throughout the life of the loan.
- Offering acceleration and business incubation programs to entrepreneurs trying to start, sustain, or grow scalable businesses in the Shenandoah Valley.
- Providing community-based training classes and workshops in a wide variety of topics relevant to business management.
- Helping to build and sustain an ecosystem that leverages organizational partnerships throughout the region to support entrepreneurial activity.

The Organization serves the Shenandoah Valley Region. The region comprises ten counties (Warren, Clarke, Frederick, Page, Shenandoah, Augusta, Bath, Highland, Rockbridge and Rockingham) and six independent cities (Winchester, Buena Vista, Harrisonburg, Lexington, Stanton and Waynesboro). The region also includes all towns within the counties listed.

Basis of accounting: The Organization's financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Classifications of net assets: The Organization reports information regarding its financial position and activities within two classes of net assets based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions: Net assets without donor restriction generally result from revenues derived from providing services, receiving unrestricted contributions and realized gains and losses, less expenses incurred in providing services, raising contributions, and performing administrative functions.

Net Assets With Donor Restrictions: Net assets with donor restrictions generally result from time and purpose restrictions, as well as perpetual restrictions. Time and purpose restrictions generally represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. Perpetual restrictions generally represent the historical cost (market value at date of gift) of contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by the Organization.

SHENANDOAH COMMUNITY CAPITAL FUND, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Classifications of net assets (continued): The Organization has elected to report contributions and grants restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and cash equivalents, and restricted cash and cash equivalents: For purposes of reporting cash flows, the Organization considers all highly-liquid debt instruments with a maturity of three months or less to be cash equivalents. Cash in bank accounts in excess of federally-insured limits is subject to credit risk.

In accordance with the Small Business Administration's (SBA) Microloan Program, the Organization is required to maintain separate bank accounts for the proceeds received from SBA loans, and may only withdraw funds to make microloan disbursements, make loan payments to the SBA, and to establish the Loan Loss Reserve Fund (LLRF) for the respective SBA loan. Separate bank accounts must be maintained for the LLRFs, which require minimum funding equal to 15% of outstanding loans receivable made from SBA loans. The Organization's restricted cash includes the cash funds required under SBA contractual requirements and funds restricted by donors for long-term purposes.

As of June 30, 2024 and 2023, restricted cash was attributable to the following sources:

	<u>2024</u>	<u>2023</u>
SBA Loan Loss Reserves	\$ 87,541	\$ 61,247
Microloan Revolving Funds	45,929	96,515
Other Microloan Funds	3,465	39,622
	<u>\$ 136,935</u>	<u>\$ 197,384</u>

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position to the sum of the corresponding amounts within the statement of cash flows:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 13,115	\$ 49,006
Restricted cash and cash equivalents	136,935	197,384
Total cash, cash equivalents, and restricted cash	<u>\$ 150,050</u>	<u>\$ 246,390</u>

SHENANDOAH COMMUNITY CAPITAL FUND, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Loans receivable: The Organization records amounts funded through its microloan program as loans receivable. The allowance for loan losses reflects management's best estimate of probable losses determined principally on historical experience, economic conditions, and other factors impacting the assessment of the current status of individual accounts. Accounts are also written off once a judgment is obtained as required by the SBA. The allowance for credit losses was \$33,479 and \$61,212 at June 30, 2024 and 2023, respectively. Interest income on loans is recognized on an accrual basis. In the event a loan payment is ten or more days late, the Organization may assess a penalty of 5% of the borrower's monthly loan payment, not to exceed \$25. Interest continues to accrue on the outstanding principal balance of past due loans. The Organization may consider the loan in default once a payment is over 90 days late. Interest no longer accrues on loan receivables that are in default. Such loans are restored to an accrual status only if the loan is brought contractually current and the borrower has demonstrated the ability to make future payments of principal and interest.

Grants receivable: Outstanding grants receivable consisted of the following at June 30:

	<u>2024</u>	<u>2023</u>
Cost-Reimbursement Grants:		
Build to Scale Federal Grant	\$ 65,099	\$ 11,189
Virginia Innovation Partnership Corporation	-	75,000
SBA Grant	18,357	54,657
Other Grants:		
City of Staunton Grant	-	20,000
	<u>\$ 83,456</u>	<u>\$ 160,846</u>

The above grant receivables are expected to be collected in full. Accordingly, management has not established an allowance for potential uncollectible amounts.

The Organization recognizes contribution revenue under cost-reimbursement grants when the grant expenditure is incurred. See Note 10 for more information. Grant receivable amounts under cost reimbursement grants represent expenses incurred but not reimbursed as of June 30, 2024.

Leases: The Organization follows Financial Accounting Standards Board (FASB) Accounting Standards Update No. 2016-02, *Leases*, and all related amendments. The Organization has made accounting policy elections such as exclusion of short-term leases (leases with terms of 12 months or less and which do not include a purchase option that they are reasonably certain to exercise) from the statement of financial position presentation.

SHENANDOAH COMMUNITY CAPITAL FUND, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Leases (continued): At contract inception, the Organization determines if a contract is or contains a lease and whether it is an operating lease or a finance lease. The Organization does not separate components for real estate leases.

For leases that have a lease term greater than one year, the Organization initially recognizes current and non-current lease liabilities and right-of-use (ROU) assets at the lease commencement date, which is the date that the lessor makes an underlying asset available for use by the Organization. ROU assets represent the Organization's right to use an underlying asset for the lease term and current and non-current lease liabilities represent the present value of the Organization's obligation to make lease payments over the lease term. The discount rate used to determine the present value of the lease payments is generally the rate implicit in the lease agreement. If the discount rate in the lease agreement is not readily determinable, the Organization uses its incremental borrowing rate.

The incremental borrowing rate for the lease term is determined by adjusting the Organization's unsecured borrowing rate for a similar term to approximate a collateralized borrowing rate. The Organization's lease terms for each of its leases represents the non-cancelable period for which the Organization has the right to use an underlying asset, together with all of the following: (i) periods covered by an option to extend the lease, if the Organization is reasonably certain to exercise that option, (ii) periods covered by an option to terminate the lease if the Organization is reasonably certain to not exercise that option, and (iii) periods covered by an option to extend (or not to terminate) the lease in which the exercise of the option is controlled by the lessor. The Organization recognizes lease expense as an operating expense on a straight-line basis over the lease term.

See Note 11 for additional information regarding leases.

Support and revenue recognition: The Organization follows the following five-step model for recognizing revenue from contracts with customers:

1. Identify the contract with a customer;
2. Identify the performance obligations in a contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when or as performance obligations are satisfied.

The Organization's revenue streams under contracts with customers is generated from educational training programs. The Organization's revenue is recognized when a given performance obligation is satisfied, either over a period of time or at a point in time. The majority of the Organization's revenue under contracts with customers is primarily earned in the United States of America and the majority of customers are entrepreneurs.

Revenue is recognized in the period in which it is earned. The Organization performs an evaluation at contract inception focused on whether a performance obligation is satisfied over time or at a point in time. All contracts by the Organization are recognized at a point in time.

SHENANDOAH COMMUNITY CAPITAL FUND, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Support and revenue recognition (continued): The revenue streams noted above do not include significant financing components as the performance obligations are typically satisfied within a year of receipt of payment. Economic factors driven by consumer confidence, employment, inflation and other world events impact the timing and level of cash received and revenue recognized by the Organization. Periods of economic downturn resulting from any of the above factors may result in declines of future cash flows and recognized revenue by the Organization, or have a positive impact on cash flows in favorable economic conditions.

The majority of SCCF's program revenue is generated from educational training programs. These programs represent a single performance obligation to deliver instructional and consultative services. Revenue from these programs is recognized as services rendered over the enrollment period of the respective program. Payments are generally due prior to the program start date. During the year, the timing of revenue recognition and cash collections may result in a net contract asset or liability. The Organization's contract assets consisted of trade receivables and were \$9,725 at July 1, 2022.

Contributions: Gifts of cash and other assets are classified with or without donor restrictions based on the existence or absence of donor-imposed restrictions. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Income and gains and losses on investments are reported as follows:

- As increases in net assets with donor restrictions if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- As increases in net assets with donor restrictions if the terms of the gift impose restrictions on the use of the income; and
- As increases in net assets without donor restrictions in all other cases.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the net assets with donor restriction class and a reclassification to net assets without donor restriction is made to reflect the expiration of such restrictions.

Contributions of land, buildings and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the without donor restrictions net asset class. Contributions of cash or other assets to be used to acquire land, buildings and equipment, with such donor stipulations are reported as revenues of the with donor restrictions net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Contributed nonfinancial assets: Contributed nonfinancial assets include donated professional services, donated facilities, and other in-kind contributions, which are recorded at the respective fair values of the donated services, rents, or goods received. In addition to contributed nonfinancial assets, volunteers contribute time to program services, administration, and fund-raising activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. See Note 9 for more information.

SHENANDOAH COMMUNITY CAPITAL FUND, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Functional allocation of expenses: The Organization has three functional expense areas to which all expenses are allocated: program services, management and general, and fundraising.

Where expenses are attributable to more than one functional expense area, they require allocation on a consistent and reasonable basis. Salaries and benefits expenses are allocated based on staff time and effort spent on program services, management and general, and fundraising. Other allocable expenses, including legal and professional fees, office expenses, marketing and outreach, and occupancy, are allocated based on the underlying nature of the transactions.

Income tax status: The Organization is a non-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization adopted the provisions of accounting for uncertainty in income tax positions required by the *Income Taxes* Topic of the FASB Accounting Standards Codification. However, management does not believe that the Organization is exposed to any such positions as they are defined in this guidance. The Organization files Form 990, *Return of Organization Exempt from Income Tax*, annually with the United States Department of the Treasury. Returns remain open to inspection for three years from the date of filing.

Estimates and assumptions: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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. Significant estimates relate to the determination of an allowance for uncollectible loans receivable, estimated useful lives of depreciable assets, and allocation of expenses by function. Actual results could differ from those estimates.

Subsequent events: Management has evaluated subsequent events through May 5, 2025, which is the date the financial statements were available to be issued.

Note 2. Liquidity and Availability of Resources

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

The Organization considers contribution and grant revenue without donor restrictions and contribution and grant revenue with donor restrictions for use in current programs that are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include program services, management and general expenses, and fundraising expenses expected to be paid in the subsequent year.

The Organization manages its cash available to meet general expenditures under the following guiding principles:

- Operating within a prudent range of financial soundness and stability;
- Maintaining adequate liquid assets to fund near-term operating needs; and
- Maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be met.

SHENANDOAH COMMUNITY CAPITAL FUND, INC.

NOTES TO FINANCIAL STATEMENTS

Note 2. Liquidity and Availability of Resources (Continued)

Financial assets available for general expenditure without donor or other restrictions limiting their use, within one year of the statements of financial position date, consist of the following:

	<u>2024</u>	<u>2023</u>
Cash and Cash Equivalents, less board designated cash of \$15,516 in 2023	\$ 13,115	\$ 33,490
Grants Receivable, less board designated receivables of \$6,368 in 2023	<u>83,456</u>	<u>154,478</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 96,571</u>	<u>\$ 187,968</u>

See Note 10 for more information relating to grants receivable.

The board-designated microloan cash funds and microloan receivables could be utilized for general expenditures within one year based on a board resolution to redirect the funds for operational needs. The Organization also has a line of credit available up to \$50,000. See Note 5 for further details.

Note 3. Loans Receivable and Allowance for Credit Losses

The Organization offers loans ranging from \$500 to \$50,000 to new and existing small businesses through its microloan fund programs. Microloans outstanding have varying interest rates and maturity dates, and are stated at carrying cost. All loans are personally guaranteed and collateralized by borrower's assets that may include inventory, receivables, cash accounts, equipment, supplies, and contract rights. In certain circumstances, a cosigner may be required. The Organization's Loan Review Committee (LRC) analyzes the feasibility of all completed loan applications, with the exception of Lightning Loans. The LRC has authority to approve up to a cumulative amount of \$20,000 for each applicant, taking into account all current outstanding loans. All requests exceeding \$20,000 are presented to the Board of Directors for a final decision. The Organization is a member of the Credit Builders Alliance, which allows reporting of delinquent and timely payment history of a borrower and cosigner.

Future loan payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2025	\$ 127,689
2026	113,416
2027	90,538
2028	65,937
2029	<u>17,603</u>
	<u>\$ 415,183</u>

Management's estimate of the loan receivable allowance is based on consideration of past payment history, economic conditions, and other factors impacting the assessment of the current status of individual accounts. Accounts are written off once management determines that accounts are uncollectible. Accounts are also written off once a judgment is obtained, as required by the SBA.

SHENANDOAH COMMUNITY CAPITAL FUND, INC.

NOTES TO FINANCIAL STATEMENTS

Note 3. Loans Receivable and Allowance for Credit Losses (Continued)

The Organization provides in-house loan programs to assist potential and existing small business owners with their funding needs. At June 30, 2024 and 2023, the loans receivable were composed of the following:

	2024	2023
SBA Microloan Funds	\$ 308,428	\$ 324,637
USDA RBEG Microloan Funds	61,484	71,829
SCCF Community Loan Fund	-	6,368
Walker Program Loan Fund	1,855	-
Augusta County Fund	43,416	4,125
Total loans receivable	415,183	406,959
Less: Allowance for credit losses	33,479	61,212
	381,704	345,747
Less: Current portion	127,689	127,889
Non-current portion, net allowance	\$ 254,015	\$ 217,858

As of June 30, 2024 and 2023, no amounts of outstanding loans receivable were in excess of 120 days delinquent.

Note 4. Agency Funds

In 2023 the Organization held funds in an agency liability account for small businesses through the Virginia Individual Development Accounts program provided by the Virginia Department of Housing and Community Development. The assets relating to agency funds are included in cash and cash equivalents in the accompanying Statement of Financial Position. This program is no longer in place as of 2024 and thus the liability has been eliminated in the current year.

The remaining agency liability relates to payments received from the Economic Development Authority of Augusta County, Virginia (EDA). The EDA has an established loan fund with the Organization to provide up to \$100,000 for loans to small businesses. The EDA has provided \$44,750 and 21,853 under this program as of June 30, 2024 and 2023, respectively.

Note 5. Line of Credit

On February 2, 2022, the Organization executed an unsecured revolving line of credit agreement with Farmers & Merchants Bank with maximum available borrowings of \$50,000. The line of credit is scheduled to expire on February 9, 2025. The Organization is currently negotiating a renewal agreement with the Bank. Monthly interest payments are required on outstanding borrowings. The line of credit bears interest at a variable rate based on the *Wall Street Journal* Prime Rate (8.50% at June 30, 2024) plus 1%, with a minimum rate of 4% and a maximum rate of 24%. Outstanding borrowings under the line of credit are due on demand. As of June 30, 2024 and 2023, the outstanding borrowings amounted to \$48,877 and \$33,399, respectively.

SHENANDOAH COMMUNITY CAPITAL FUND, INC.

NOTES TO FINANCIAL STATEMENTS

Note 6. Notes Payable

The Organization's notes payable at June 30, 2024 and 2023 consisted of the following:

	<u>2024</u>	<u>2023</u>
Note payable to the U.S. Small Business Administration for maximum borrowings of \$350,000. The note is dated April 27, 2020 and is scheduled to mature in April 2030. The note is non-interest bearing and principal payments were not required during the first 12 months from the date of the note. Based on the outstanding borrowings, the monthly principal payment under the note is \$3,054. The loan is secured by the Organization's SBA microloan revolving cash account, the SBA loan loss reserve cash account, and the outstanding microloans that are associated with this note payable. The carrying value of these assets amounted to \$328,518 at June 30, 2024.	\$ 213,751	\$ 250,394
Note payable to the U.S. Small Business Administration for maximum borrowings of \$200,000. The note is dated January 7, 2023 and is scheduled to mature in January 2033. The note bears interest at 1.125% during the first 12 months and 3.125% thereafter and no payments of principal or interest are due for the first 12 months from the date of the note. Based on the outstanding borrowings, the monthly principal payment under the note is \$3,125 when payments begin. The loan is secured by the Organization's SBA microloan revolving cash account, the SBA loan loss reserve cash account, and the outstanding microloans that are associated with this note payable. The carrying value of these assets amounted to \$109,545 at June 30, 2024.	94,862	100,000
	308,613	350,394
Less current portion:	46,788	55,393
	\$ 261,825	\$ 295,001

The principal maturities of long-term debt, based on current required monthly principal payments, are scheduled as follows for the next five years ending June 30 and thereafter:

<u>Year(s) Ending June 30,</u>	<u>Amount</u>
2025	\$ 46,788
2026	46,788
2027	46,788
2028	46,788
2029	46,788
Thereafter	74,673
	\$ 308,613

SHENANDOAH COMMUNITY CAPITAL FUND, INC.

NOTES TO FINANCIAL STATEMENTS

Note 7. Related Party Loan

In 2024, the Organization received a loan from an employee totaling \$23,000. The loan bears no interest and was due back to the employee on August 30, 2024 in one lump sum payment, however the due date was extended and is now on a month-to-month basis.

Note 8. Net Assets

Net assets at June 30, 2024 and 2023 consisted of the following:

	2024	2023
Without Donor Restrictions:		
Undesignated	\$ (107,050)	\$ (168,054)
Microloan revolving fund - board designation	-	21,884
SBA microloan contractual funding reserves	87,541	61,247
Total net assets without donor restrictions	\$ (19,509)	\$ (84,923)
	2024	2023
With Donor Restrictions:		
USDA RBEG	\$ 2,965	\$ 143,021
Time restricted	83,456	95,000
Purpose restricted	500	25,000
Loan reserve funds	-	15,000
Total net assets with donor restrictions	\$ 86,921	\$ 278,021

The USDA RBEG amount represents a revolving loan fund, which is perpetual in nature, as the original amount received is required to be lent out continuously. The earnings on these funds must also be lent out continuously, other than amounts approved by the USDA to be used for the Organization's operational expenses. If a loan defaults and is written off, the amount is recorded as net assets released from restriction.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2024 and 2023:

	2024	2023
Expiration of time restriction	\$ 322,615	\$ 39,707

SHENANDOAH COMMUNITY CAPITAL FUND, INC.

NOTES TO FINANCIAL STATEMENTS

Note 9. Contributed Nonfinancial Assets

The Organization received the following contributions of nonfinancial assets for the year ended June 30:

	<u>2024</u>	<u>2023</u>
Donated Services		
Entrepreneurial support and mentorship	\$ 1,702	\$ 12,440
New ventures consulting	137,146	56,701
Total contributed nonfinancial assets	\$ 138,848	\$ 69,141

Note 10. Concentrations in Revenue and Support

The Organization receives grant funding from federal and state agencies. Revenue from federal grants totaled 59% and 72% for the years ended June 30, 2024 and 2023, respectively. Grants receivable from federal agencies accounted for 100% and 41% of total grants receivable at June 30, 2024 and 2023. Due to the reliance upon federal grants, delays in receiving this funding may at times have a significant impact on cash available for operations.

The Organization was awarded a significant grant under the American Rescue Plan Act (Community Navigator Pilot Program). The grant period began on December 1, 2021 and was scheduled to expire on November 30, 2023. Under the grant, the Organization is eligible for grant funds up to \$1,000,000 from the U.S. Small Business Administration. The grant is structured as a cost reimbursement grant. During the years ended June 30, 2024 and 2023, the support related to this grant amounted to approximately 22% and 46% of total revenues and support, respectively.

The Organization was awarded a significant grant under the Build to Scale program, which is administered by the U.S. Economic Development Administration. The grant period began on October 1, 2021 and is scheduled to expire on September 30, 2024. Under the grant, the Organization is eligible for grant funds up to \$750,000. The grant requires the Organization to match 100% of the grant funds, which results in a matching fund requirement of at least \$750,000. The available grant funding is structured as a cost reimbursement grant. During the years ended June 30, 2024 and 2023, the support related to this grant, including matching contributions, amounted to approximately 33% and 20%, respectively.

Note 11. Leases

The Organization has an operating lease for office space which expires March 2027. The lease requires monthly payments of \$605, escalating 5% each year. The new lease was entered into in April 2024. Previously, the organization had an operating lease that required monthly payments of \$559 with a 3% escalation each year.

Total operating lease expense for the year ended June 30, 2024 and 2023 was \$7,090 and \$5,759, respectively. Total short-term lease expense for the year ended June 30, 2024 and 2023 was \$7,520 and \$9,261, respectively.

SHENANDOAH COMMUNITY CAPITAL FUND, INC.

NOTES TO FINANCIAL STATEMENTS

Note 11. Leases (Continued)

The weighted-average remaining lease terms and incremental borrowing rates are as follows at June 30, 2024:

	<u>2024</u>	<u>2023</u>
Operating Leases:		
Weighted-average remaining lease term	2.75 years	2.17 years
Weighted-average incremental borrowing rate	9.50%	3.54%

The following is a schedule by year of future minimum payments required under the lease, together with their total present value as of June 30, 2024:

<u>Year Ending June 30,</u>	<u>Amount</u>
2025	\$ 7,351
2026	7,718
2027	<u>6,003</u>
Total minimum lease payments	21,072
Less: amount representing interest	<u>(2,496)</u>
Present value of minimum lease payments	18,576
Current portion	<u>5,893</u>
Non-current portion	<u><u>\$ 12,683</u></u>

Note 12. Restatement

As of July 1, 2022, the following restatement has been made due to the discovery of a prior year error in grant recognition:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net Assets, July 1, 2022 as previously reported	\$ 106,747	\$ 209,932	\$ 316,679
Correction of prior year grant recognition	<u>(61,895)</u>	<u>-</u>	<u>(61,895)</u>
Net Assets, July 1, 2022 as restated	<u>\$ 44,852</u>	<u>\$ 209,932</u>	<u>\$ 254,784</u>
	<u>Balance</u>		
Refundable grant advances, June 30, 2023 as previously reported	\$ 31,595		
Correction of prior year grant recognition	<u>61,895</u>		
Refundable grant advances, June 30, 2023 as restated	<u><u>\$ 93,490</u></u>		