



**WESTERN RESERVE COMMUNITY FUND, INC.
(A NONPROFIT ORGANIZATION)**

FINANCIAL STATEMENTS

For the Year Ended December 31, 2023
(With Prior Year Summarized Comparative Information)



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WESTERN RESERVE COMMUNITY FUND, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management of
Western Reserve Community Fund, Inc.

Opinion

We have audited the accompanying financial statements of Western Reserve Community Fund, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Western Reserve Community Fund, Inc. as of December 31, 2023, and the changes in its net assets and its cash flows for the year 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Western Reserve Community Fund, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Western Reserve Community Fund, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be 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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, 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 Western Reserve Community Fund, Inc.'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 Western Reserve Community Fund, Inc.'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.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2024 on our consideration of the Western Reserve Community Fund, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Western Reserve Community Fund, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Western Reserve Community Fund, Inc.'s internal control over financial reporting and compliance.

Summarized Comparative Information

Sikich LLP has previously audited the Western Reserve Community Fund, Inc.'s 2022 financial statements, and expressed an unmodified opinion on those financial statements in a report dated June 21, 2023. Effective as of April 30, 2024, Sikich LLP reorganized and transferred its attest practice to Sikich CPA LLC, a Virginia limited liability company. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sikich CPA LLC

Richfield, Ohio
May 15, 2024

WESTERN RESERVE COMMUNITY FUND, INC.**STATEMENT OF FINANCIAL POSITION**

December 31, 2023

(with summarized comparative financial information at December 31, 2022)

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 6,251,922	\$ 3,113,998
Grants receivable	67,000	1,435,000
Notes receivable, current, net	1,176,137	666,412
Other receivable	49,648	166,464
Prepaid expenses	<u>9,488</u>	<u>7,895</u>
Total current assets	<u>7,554,195</u>	<u>5,389,769</u>
NONCURRENT ASSETS		
Restricted cash for long-term purposes	1,630,000	1,630,000
Notes receivable, long-term	<u>2,444,989</u>	<u>1,793,645</u>
Total noncurrent assets	<u>4,074,989</u>	<u>3,423,645</u>
TOTAL ASSETS	<u><u>\$ 11,629,184</u></u>	<u><u>\$ 8,813,414</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 214,850	\$ 148,662
Accruals	36,900	-
Refundable advance	<u>100,000</u>	<u>100,000</u>
Total current liabilities	<u>351,750</u>	<u>248,662</u>
LONG-TERM LIABILITIES		
Long term debt	3,000,000	2,000,000
Long term related party note payable	<u>-</u>	<u>300,000</u>
Total liabilities	<u>3,351,750</u>	<u>2,548,662</u>
NET ASSETS		
Net assets, without donor restrictions	4,184,470	3,322,895
Net assets, with donor restrictions	<u>4,092,964</u>	<u>2,941,857</u>
Total net assets	<u>8,277,434</u>	<u>6,264,752</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 11,629,184</u></u>	<u><u>\$ 8,813,414</u></u>

See accompanying notes to financial statements.

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WESTERN RESERVE COMMUNITY FUND, INC.

STATEMENT OF ACTIVITIES

for the year ended December 31, 2023

(with summarized comparative information for the year ended December 31, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE				
Grant revenue	\$ 393,966	\$ 2,784,276	\$ 3,178,242	\$ 3,189,924
Loan origination fee income	54,359	-	54,359	35,037
In-kind contributions	164,441	-	164,441	231,916
Interest income	109,040	-	109,040	47,262
Other income	52,312	-	52,312	12,892
Net assets released from restrictions	<u>1,633,169</u>	<u>(1,633,169)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>2,407,287</u>	<u>1,151,107</u>	<u>3,558,394</u>	<u>3,517,031</u>
EXPENSES				
Program services	1,109,468	-	1,109,468	955,858
Management and general operations	395,533	-	395,533	205,703
Fundraising	<u>40,711</u>	<u>-</u>	<u>40,711</u>	<u>20,872</u>
Total expenses	<u>1,545,712</u>	<u>-</u>	<u>1,545,712</u>	<u>1,182,433</u>
CHANGE IN NET ASSETS	861,575	1,151,107	2,012,682	2,334,598
NET ASSETS, BEGINNING OF YEAR	<u>3,322,895</u>	<u>2,941,857</u>	<u>6,264,752</u>	<u>3,930,154</u>
NET ASSETS, END OF YEAR	<u>\$ 4,184,470</u>	<u>\$ 4,092,964</u>	<u>\$ 8,277,434</u>	<u>\$ 6,264,752</u>

WESTERN RESERVE COMMUNITY FUND, INC.

STATEMENT OF FUNCTIONAL EXPENSES

for the year ended December 31, 2023

(with summarized comparative information for the year ended December 31, 2022)

	2023				2022
	Program Services	Management and General Operations	Fundraising	Total	Total
Advertising and marketing expense	\$ -	\$ 1,226	\$ -	\$ 1,226	\$ 1,000
Grant distribution expense	386,280	-	-	386,280	326,198
Loan return expense	196,293	-	-	196,293	280,999
Bank service charge	-	21,125	-	21,125	23,755
Insurance	-	12,068	-	12,068	7,806
Management services - professional fees	437,258	86,472	40,711	564,441	381,916
Materials and supplies	-	2,050	-	2,050	105
Professional services	89,637	20,100	-	109,737	52,200
Bad debt	-	150,409	-	150,409	44,028
Interest	-	59,171	-	59,171	4,755
Miscellaneous	-	42,912	-	42,912	59,671
TOTAL EXPENSES	<u>\$ 1,109,468</u>	<u>\$ 395,533</u>	<u>\$ 40,711</u>	<u>\$ 1,545,712</u>	<u>\$ 1,182,433</u>

WESTERN RESERVE COMMUNITY FUND, INC.**STATEMENT OF CASH FLOWS**

for the year ended December 31, 2023

(with summarized comparative information for the year ended December 31, 2022)

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,012,682	\$ 2,334,598
Adjustments to reconcile change in net assets to net cash from operating activities:		
Bad debt expense	150,409	44,028
Changes in operating assets and liabilities:		
Other receivables	116,816	(169,485)
Grants receivable	1,368,000	(1,337,856)
Prepaid expenses	(1,593)	(1,924)
Accounts payable	66,188	122,222
Accruals	36,900	(10,450)
Net cash from operating activities	<u>3,749,402</u>	<u>981,133</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Advances on notes receivable	(2,024,228)	(1,362,155)
Payment on notes receivable	712,750	649,920
Payment on long term related party note payable	(300,000)	-
Proceeds from long term note payable	<u>1,000,000</u>	<u>2,000,000</u>
Net cash from investing activities	<u>(611,478)</u>	<u>1,287,765</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	3,137,924	2,268,898
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD	<u>4,743,998</u>	<u>2,475,100</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD	<u><u>\$ 7,881,922</u></u>	<u><u>\$ 4,743,998</u></u>

NOTES TO FINANCIAL STATEMENTS
for the years ended December 31, 2021 and 2020

1. NATURE OF ACTIVITIES

Western Reserve Community Fund, Inc. (the Organization) is a nonprofit organization incorporated on March 7, 2019. It was created to help fill the gap in access to capital and provide support in disinvested areas where traditional lenders deem too risky to finance or be the sole lender. The Organization's target market is low-income populations and census tracts within Summit, Medina, Portage, Stark and Wayne counties within Ohio.

As of January 2021, the Organization received certification as a Community Development Financial Institution (CDFI) from the CDFI Fund under the U.S. Department of the Treasury. This designation is given after evaluation of lending track record, mission, and board composition, and is reviewed on an annual basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Financial Statement Presentation – The Organization presents information regarding its financial position and activities according to two classes of net assets as follows:

Net assets without donor restrictions are for general operations and board-designated net assets of the Organization and are not subject to donor-imposed restrictions. These net assets of the Organization may be used at the discretion of management to support the Organization's purposes and operations.

Net assets with donor restrictions are subject to stipulations imposed by donors and grantors. Some donor restrictions are for actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents – All highly liquid investments with an original maturity when purchased of three months or less are considered cash equivalents.

The Organization maintains its cash in deposit accounts which, at times, may exceed federally insured limits. At December 31, 2022 and 2023, the Organization's cash accounts exceeded federally insured limits by \$7,377,693 and \$4,224,717, respectively. The Organization has not experienced any significant losses in such accounts and management believes it is not exposed to any significant credit risk on its cash.

Cash restricted for long-term purposes includes cash restricted by donors that management indicated will be used in future years and therefore is included as non-current assets on the statement of financial position.

WESTERN RESERVE COMMUNITY FUND, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

for the years ended December 31, 2023

(with summarized comparative financial information for the year ended December 31, 2022)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Cash and Cash Equivalents, (Continued) –

Cash for the purposes of the statement of cash flow is as follows as of December 31:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 6,251,922	\$ 3,113,998
Restricted cash for long-term purposes	<u>1,630,000</u>	<u>1,630,000</u>
Total	<u>\$ 7,881,922</u>	<u>\$ 4,743,998</u>

Other Receivables – Other receivables are stated at the amount management expects to collect from balances outstanding at year end. Receivables are considered past due based on various contractual terms. The Organization performs ongoing credit evaluations of customers and, generally, requires no collateral. Management provides for probable uncollectible amounts through a provision for bad debt expense and adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to other receivables. As of December 31, 2023 and 2022, there was no allowance for doubtful accounts recorded by the Organization.

Grants Receivable – Grant contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets with donor restriction then released when the appropriate use of the grant is funded. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. The Organization had no allowance for grants receivable as of December 31, 2023 and 2022. All grants are receivable within one year.

Grants and contracts with resource providers are recorded as exchange transactions or contributions. Once a transaction is deemed to be a contribution it is evaluated as to whether it is conditional. Unconditional contributions are recognized immediately and classified as either net assets with or without donor restrictions, while conditional contributions received are accounted for as a liability until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional and classified as either net assets with or without restrictions.

The Organization received \$100,000 in conditional contributions at December 31, 2023 and 2022 which are accounted for as refundable advances on the statement of financial position. The refundable advance will be reduced, and the contribution will be recognized as revenue once the related measurable barriers are overcome and right of return no longer exists. The Organization has additional conditional grants outstanding at December 31, 2023 and 2022 of \$2,107,021 and \$1,637,778, respectively that have not been recognized as there are specific barriers that have not yet been achieved and a relating right of return or refusal.

WESTERN RESERVE COMMUNITY FUND, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

for the years ended December 31, 2023

(with summarized comparative financial information for the year ended December 31, 2022)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Notes Receivable – Notes receivable are with organizations that conduct activities that fulfill the charitable purpose of the Organization. Notes receivable are initially recorded on the statement of financial position at cost when approved and remitted. Notes receivable are repaid to the Organization in principal and interest at varying rates under specified arrangements with varying terms and interest rates through 2035. Interest income totaled \$109,040 and \$47,262 in 2023 and 2022 and is included on the statement of activities. Notes receivable outstanding totaled \$3,621,126 and \$2,460,057 as of December 31, 2023 and 2022, respectively.

Notes receivable are considered to be delinquent once they have reached 90 days past due and are placed on nonaccrual status at that time. No loans were considered delinquent at December 31, 2023 and 2022, respectively. Loans are placed on nonaccrual when management believes, after considering economic conditions, business conditions, and collection efforts that the loans are impaired or collection of interest is doubtful. Uncollected interest previously accrued is charged off or an allowance is established by a charge to interest income. Interest income on nonaccrual loans is recognized only to the extent cash payments are received.

At each statement of financial position date, the Organization recognizes an expected allowance for credit losses. In addition, at each reporting date, this estimate is updated to reflect any changes in credit risk since the notes were initially recorded. This estimate is calculated on a pooled basis where similar characteristics exist.

The allowance estimate is derived from a review of the Organization's historical losses based on payment status of the notes and specific circumstances for each note. The estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Organization. Based on the Organization's evaluation of the economic outlook for the city of Akron and surrounding areas, no adjustment to the expected credit loss was recorded at December 31, 2023. The allowance for credit losses was \$64,467 at December 31, 2023 and \$23,945 at December 31, 2022.

The Organization writes off notes receivable when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or an offset to credit loss expense in the year of recovery, in accordance with the Organization's accounting policy election.

Donated Services and Facilities – Donated services are recognized as in-kind revenues at their estimated fair value when they create or enhance nonfinancial assets or they require specialized skills which would need to be purchased if they were not donated and are provided by individuals possessing such skills. Contributions are recorded as contributions and expenses and at their estimated fair values when received.

NOTES TO FINANCIAL STATEMENTS, Continued

for the years ended December 31, 2023

(with summarized comparative financial information for the year ended December 31, 2022)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Functional Expenses – The costs of providing program and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated between program services, management and general operations, and fundraising expenses. Management services – professional fees are recorded as in-kind expenses are allocated based on estimated time and effort. All other expenses are charged directly to the functional category in which they relate at the time the expense is incurred.

Use of Estimates – The preparation of financial statements in conformity with US GAAP requires management to make 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. While actual results could differ from those estimates, management does not expect those differences to be significant to the financial statements.

Comparative Financial Information – The financial statements include certain prior year summarized comparative information in total but not by functional basis and net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended December 31, 2022, from which the summarized information was derived.

Tax Status – Western Reserve Community Fund, Inc. is a nonprofit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the Organization has not recorded provisions for federal and state income taxes. The Organization is not classified as a private foundation.

The Organization follows guidance issued by the Financial Accounting Standards Board (FASB) on accounting for income taxes and has evaluated its tax positions, expiring statutes of limitations, audits, proposed settlements, change in tax law and new authoritative rulings, and believes that no provision for income taxes is necessary to cover any uncertain tax positions. The Organization’s returns for tax years 2020 and later remain subject to examination by taxing authorities.

Recent Accounting Pronouncements – In June 2016 the FASB issued guidance (FASB ASC 326) which significantly changed how organizations will measure credit losses for most financial assets and certain instruments that aren’t measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide the users of the financial statements with useful information in analyzing an organization’s exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 were notes receivable. The Organization adopted the standard effective January 1, 2023.

The impact of the adoption was not considered material to the financial statements and primarily resulted in new and enhanced disclosures only.

WESTERN RESERVE COMMUNITY FUND, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

for the years ended December 31, 2023

(with summarized comparative financial information for the year ended December 31, 2022)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Subsequent Events – Subsequent events are events or transactions that occur after year end but before the financial statements are issued or are available to be issued. These events and transactions either provide additional evidence about conditions that existed at year end, including estimates inherent in the process of preparing financial statements (that is, recognized subsequent events), or provide evidence about conditions that did not exist at year end but arose after that date (that is, non-recognized subsequent events).

Management has evaluated subsequent events and transactions for potential recognition or disclosure through May 15, 2024, the date the financial statements were available to be issued, and determined that there were no additional significant non-recognized subsequent events through that date.

3. LIQUIDITY

The following represents the Organization's financial assets available for operating expenses and capital expenditures on property and equipment within one year of the statement of financial position date at December 31:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 7,881,922	\$ 4,743,998
Accounts receivable, net	49,648	166,464
Grants receivable	67,000	1,435,000
Notes receivable, current	<u>1,176,137</u>	<u>666,412</u>
Total	<u>9,174,707</u>	<u>7,011,874</u>
Less net assets with donor restrictions	<u>4,092,964</u>	<u>2,941,857</u>
Total financial assets liquid within one year	<u>\$ 5,081,743</u>	<u>\$ 4,070,017</u>

Based on the above financial assets management believes the Organization has the resources to meet cash flow needs.

WESTERN RESERVE COMMUNITY FUND, INC.

NOTES TO FINANCIAL STATEMENTS, Continued
for the years ended December 31, 2023

(with summarized comparative financial information for the year ended December 31, 2022)

4. NOTES RECEIVABLE

Aggregate maturities of notes receivable are as follows:

2024	\$ 1,176,137
2025	678,706
2026	605,697
2027	403,376
2028	225,333
Thereafter	<u>596,344</u>
	<u>3,685,593</u>
Less: Allowance	<u>(64,467)</u>
	<u>\$ 3,621,126</u>

5. FINANCING ARRANGEMENTS

The Organization had a \$200,000 uncollateralized line of credit agreement with the County of Summit, Ohio, for MCCAP purposes which ended in May 2023. Advances outstanding on the credit line are due on demand with no interest. There were no outstanding advances outstanding at December 31, 2022.

During 2022, the Organization entered into a uncollateralized loan agreement with a CDFI. Loan proceeds totaled \$2,000,000 with interest at 2.5%. Interest only payments are due each month and outstanding principal and accrued interest amounts are due in July 2027. Amounts outstanding totaled \$2,000,000 at December 31, 2023 and 2022. This loan is not collateralized.

During 2023, the Organization entered into a EQ2 loan agreement with Third Federal Bank in the amount of \$500,000 with interest at 2.0%. Interest only payments are due quarterly and outstanding principal and accrued interest amounts are due in April 2033. Amounts outstanding totaled \$500,000 at December 31, 2023. This loan is not collateralized.

During 2023, the Organization entered into a EQ2 loan agreement with Premier Bank in the amount of \$500,000 with interest at 2.5%. Interest only payments are due quarterly and outstanding principal and accrued interest amounts are due in June 2033. Amounts outstanding totaled \$500,000 at December 31, 2023. This loan is not collateralized.

WESTERN RESERVE COMMUNITY FUND, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

for the years ended December 31, 2023

(with summarized comparative financial information for the year ended December 31, 2022)

6. NET ASSETS

Net assets with donor restriction are available for the following purposes as of December 31:

	<u>2023</u>	<u>2022</u>
DFWR Regional Loan Fund (KSU)	\$ -	\$ 20,000
Summit County Energy Efficient Fund	1,763	6,456
DFWR Regional Loan Fund (LCH&D)	80,464	130,000
Minority Contractor Capital Access Program	1,000,000	1,000,000
DFWR Loan Loss Reserve	100,000	100,000
Akron Resiliency Fund	280,000	280,000
Akron Development Corporation – Loan loss reserve	250,000	250,000
Summit County Affordable Housing Trust Fund	200,000	250,000
DFWR Regional Loan Fund (East End)	130,000	130,000
Summit County - Energy Efficiency Fund	250,000	250,000
CDFI Fund – FA Grant 21	-	175,000
DFWR Jetro grant fund	110,000	110,000
DFWR Mercy grant fund	100,000	100,000
Loan capital for outside of Akron	-	85,000
CDFI Fund – FA Grant 22	149,089	-
DFWR YMCA Grant	110,000	-
DFWR Oberlin Grant	105,000	-
DFWR RMHA	150,000	-
DFWR Lincoln Electric	100,000	-
DFWR GreatWave	90,000	-
THRIVE	722,107	-
CDFI Fund – Equitable Recovery Program	164,541	-
CDFI Fund – Rapid Response Program	-	<u>105,401</u>
Total	<u>\$ 4,092,964</u>	<u>\$ 2,941,857</u>

Net assets with donor restrictions totaling \$1,633,169 in 2023 and \$625,379 in 2022 were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

7. RELATED PARTY

The Organization entered into a Management Services Agreement with the Development Finance Authority of Summit County (DFA) as of November 12, 2019 with quarterly payments beginning on March 15, 2020. Amounts payable to the DFA totaled \$400,000 for 2023 and \$150,000 for 2022. The Organization receives professional services as part of the Management Services Agreement.

WESTERN RESERVE COMMUNITY FUND, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

for the years ended December 31, 2023

(with summarized comparative financial information for the year ended December 31, 2022)

7. RELATED PARTY, (Continued)

The Organization received donated management services professional fees valued at \$164,441 and \$231,916 as of December 31, 2023 and 2022, respectively, which are included in in-kind contributions and expense in the statement of activities. The Organization valued the management services professional fees at the estimated fair value based on individuals' wages and an estimate of time and effort which was then reduced by the agreed upon management service fee paid of \$400,000 in 2023 and \$150,000 in 2022. The Organization allocated the professional fees amongst programming and supporting services based on an estimate of time and effort. No donated professional fees were received with donor restrictions.

During 2021, the Organization entered into a loan agreement with the DFA. Loan proceeds totaled \$300,000 with interest at 1.5%. Interest only payments are due each quarter and outstanding principal and accrued interest amounts are due in October 2031. Amounts outstanding totaled \$300,000 at December 31, 2022. In April of 2023, the loan was repaid in full.

WESTERN RESERVE COMMUNITY FUND, INC.

SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended December 31, 2023

Federal Grantor/ Pass-through Grantor/ Program Title	Assistance Listing Number	Federal Expenditures	Passed Through To Subrecipients
<u>Department of Housing and Urban Development</u>			
Community Development Block Grant Passed through City of Akron, Ohio Akron Resiliency Fund - COVID	14.218	\$ 717,773	\$ -
Entitlement Grant Cluster	14.218 *	717,773	-
<u>Department of Treasury</u>			
Community Development Financial Institutions Program-21 FA	21.020	175,000	-
Community Development Financial Institutions Program-22 FA	21.020	175,911	-
Community Development Financial Institutions Program	21.020	350,911	-
Community Development Financial Institutions Fund Equitable Recovery Program	21.033	69,662	-
Community Development Financial Institutions Fund Rapid Response Program	21.024	307,701	-
Department of Treasury		728,274	-
		\$ 1,446,047	\$ -

* Denotes major federal program

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the years ended December 31, 2023 and 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The accompanying supplemental schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Western Reserve Community Fund, Inc. (the Organization) under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

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

2. SUBRECIPIENTS

The Organization did not provide federal awards to subrecipients during the year ended December 31, 2023.

3. NON-CASH ASSISTANCE, LOANS OUTSTANDING, AND INSURANCE

The Organization did not receive any federal non-cash assistance, federal loans or federal insurance for the year ended December 31, 2023.

4. DE MINIMIS RATE

The Organization did not elect to use the de minimis rate of 10% for the year ended December 31, 2023.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors and Management of
Western Reserve Community Fund, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Western Reserve Community Fund, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 15, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Western Reserve Community Fund, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of Western Reserve Community Fund, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Western Reserve Community Fund, Inc.'s internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Western Reserve Community Fund, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Western Reserve Community Fund, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sibich CPA LLC

Richfield, OH
May 15, 2024

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

To the Boards of Directors and Management of the
Western Reserve Community Fund, Inc.:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Program

We have audited Western Reserve Community Fund, Inc.’s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Western Reserve Community Fund, Inc.’s major federal programs for the year ended December 31, 2023. The Western Reserve Community Fund, Inc.’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Western Reserve Community Fund, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Western Reserve Community Fund, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Western Reserve Community Fund, Inc.’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Western Reserve Community Fund, Inc.’s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Western Reserve Community Fund, Inc.'s compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Western Reserve Community Fund, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Western Reserve Community Fund, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Western Reserve Community Fund, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Western Reserve Community Fund, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance.

Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Sikich CPA LLC

Richfield, OH
May 15, 2024

WESTERN RESERVE COMMUNITY FUND, INC.

**SUPPLEMENTAL SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended December 31, 2023**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

	<u>Yes</u>	<u>No</u>	<u>None Reported</u>
Type of auditor’s report issued – unmodified			
Internal control over financial reporting:			
• Material weakness(es) identified?	_____	_____ v _____	_____
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____	_____	_____ v _____
Noncompliance material to financial statements noted?	_____	_____ v _____	_____

Federal Awards

Internal control over major programs:			
• Material weakness(es) identified?	_____	_____ v _____	_____
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____	_____	_____ v _____
Type of auditor’s report issued on compliance for major programs – unmodified			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	_____	_____ v _____	_____

Identification of major program:
 U.S. Department of Housing and urban Development
 Community Development Block Grant
 Passed through the City of Akron, Ohio:
 Akron Resiliency Fund - COVID
 ALN 14.218

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

	<u>Yes</u>	<u>No</u>
Auditee qualified as low-risk auditee?	_____ v _____	_____

WESTERN RESERVE COMMUNITY FUND, INC.

**SUPPLEMENTAL SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended December 31, 2023**

Section II – Financial Statement Audit Findings – None

Section III – Major Federal Award Programs Findings and Questioned Costs – None

Section IV – Prior Year Findings – None