



# **DEVELOPMENT FUND OF THE WESTERN RESERVE, INC. AND SUBSIDIARY**

**Consolidated Financial Statements with Report of Independent Auditors  
December 31, 2023 and 2022**

**DEVELOPMENT FUND OF THE WESTERN RESERVE, INC. AND SUBSIDIARY  
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Report of Independent Auditors

To the Board of Directors of  
Development Fund of the Western Reserve, Inc.:

**Opinion**

We have audited the accompanying consolidated financial statements of Development Fund of the Western Reserve, Inc. and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Development Fund of the Western Reserve, Inc. and Subsidiary as of December 31, 2023 and 2022, and the results of their operations and their 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 audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Development Fund of the Western Reserve, Inc. and Subsidiary 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.

**Responsibilities of Management for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Development Fund of the Western Reserve, Inc. and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

**Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Development Fund of the Western Reserve, Inc. and Subsidiary'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Development Fund of the Western Reserve, Inc. and Subsidiary'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.

### **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in the supplementary schedules on pages 26 through 29 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual entities, and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

### **Change in Accounting Principle**

As discussed in Note 2 to the consolidated financial statements, Development Fund of the Western Reserve, Inc. and Subsidiary adopted accounting standards changes related to measuring and disclosing credit losses on financial assets. Our opinion is not modified with respect to this matter.

*Novogradec & Company LLP*

Cleveland, Ohio  
June 18, 2024

**DEVELOPMENT FUND OF THE WESTERN RESERVE, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
December 31, 2023 and 2022

	2023	2022
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,851,322	\$ 2,082,975
Restricted cash	47,340	52,112
Due from related party	-	7,901
Accounts receivable	3	3
Interest receivable	28,320	23,496
Prepaid insurance	5,642	5,642
Prepaid expense	1,875	-
Total current assets	1,934,502	2,172,129
Long-term assets		
Deferred charges, net of accumulated amortization	30,926	38,439
Loan receivable	4,694,875	4,694,875
Less: allowance for credit losses	-	-
Net loans receivable	4,694,875	4,694,875
Investments in subsidiaries	34,783	36,812
Total long-term assets	4,760,584	4,770,126
Total assets	\$ 6,695,086	\$ 6,942,255
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Due to related parties	\$ 25,387	\$ 210,000
Accounts payable	43,089	17,500
Total current liabilities	68,476	227,500
Long-term liabilities		
Note payable - related parties	1,270,000	1,270,000
Note payable, net of unamortized debt issuance costs	1,494,504	1,493,004
Total long-term liabilities	2,764,504	2,763,004
Total liabilities	2,832,980	2,990,504
Net assets		
Net assets without donor restrictions	3,814,966	3,899,787
Net assets with donor restrictions	47,140	51,964
Total net assets	3,862,106	3,951,751
Total liabilities and net assets	\$ 6,695,086	\$ 6,942,255

see accompanying notes

**DEVELOPMENT FUND OF THE WESTERN RESERVE, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
For the years ended December 31, 2023 and 2022

NET ASSETS WITHOUT DONOR RESTRICTIONS	2023	2022
REVENUE		
Sub-allocation fee income	\$ 210,000	\$ 765,000
Ohio sub-allocation fee income	-	105,000
Community reinvestment fees	555,000	210,000
Interest income	117,022	108,447
Asset management fees	389,410	435,097
Audit and tax fee reimbursement	161,500	182,500
Other income	-	5,191
Net assets released from restrictions	4,824	23,830
Total revenue	1,437,756	1,835,065
EXPENSES		
Management services - DFA	485,000	450,000
Grants	555,000	210,000
Professional fees	209,477	163,772
General and administrative expenses	16,858	29,787
Insurance fees	8,624	8,605
Application fees	136,200	10,000
Advertising fees	4,184	6,000
Interest expense	99,900	99,900
Amortization	7,513	8,722
Total expenses	1,522,756	986,786
(Loss) income before equity in net income of investments	(85,000)	848,279
Equity in net income of investments in subsidiaries	179	101
(DECREASE) INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(84,821)	848,380
NET ASSETS WITH DONOR RESTRICTIONS		
Net assets released from restrictions	(4,824)	(23,830)
DECREASE IN NET ASSETS WITH DONOR RESTRICTIONS	(4,824)	(23,830)
CHANGE IN NET ASSETS	(89,645)	824,550
NET ASSETS AT BEGINNING OF YEAR	3,951,751	3,127,201
NET ASSETS AT END OF YEAR	\$ 3,862,106	\$ 3,951,751

see accompanying notes

**DEVELOPMENT FUND OF THE WESTERN RESERVE, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the years ended December 31, 2023 and 2022

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (89,645)	\$ 824,550
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Amortization of deferred charges	7,513	8,722
Interest expense - debt issuance costs	1,500	1,500
Equity in net income of subsidiaries	(179)	(101)
Distributions from subsidiaries	133	114
Changes in operating assets and liabilities:		
Accounts receivable	-	531
Interest receivable	(4,824)	5,514
Prepaid insurance	-	(19)
Prepaid other expenses	(1,875)	-
Due to related parties	-	210,000
Accounts payable	(184,411)	17,421
Accrued interest	-	(10,943)
Net cash (used in) provided by operating activities	(271,788)	1,057,289
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Repayment from (advances to) related party	7,901	(7,901)
Payment of OH NMTC servicing fee	-	(17,500)
Investments in subsidiaries	(700)	(1,756)
Return of capital from investments in subsidiaries	2,775	1,050
Decrease in restricted deposits	-	(25,000)
Net cash provided by (used in) investing activities	9,976	(51,107)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advances from related parties	25,387	-
Net cash provided by financing activities	25,387	-
Net change in cash, cash equivalents and restricted cash	(236,425)	1,006,182
Cash, cash equivalents and restricted cash at beginning of year	2,135,087	1,128,905
Cash, cash equivalents and restricted cash at end of year	\$ 1,898,662	\$ 2,135,087
Cash and cash equivalents	\$ 1,851,322	\$ 2,082,975
Restricted cash	47,340	52,112
Total cash, cash equivalents and restricted cash	\$ 1,898,662	\$ 2,135,087
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid for interest	\$ 98,400	\$ 109,343

see accompanying notes

**DEVELOPMENT FUND OF THE WESTERN RESERVE, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2023 and 2022

1. Organization and purpose

Development Fund of the Western Reserve, Inc., an Ohio non-profit corporation (“DFWR”), was formed on May 26, 2011 to serve or provide investment capital for Low-Income Communities (“LICs”), as defined in Section 45D(e) of the Internal Revenue Code and the Treasury Regulations thereunder, or low-income persons (“Low-Income Persons”). DFWR’s original members were the Development Finance Authority of Summit County (“DFA”), the controlling member, and ConxusNEO (formerly known as Summit Workforce Solutions). ConxusNEO withdrew from DFWR on October 10, 2017 and pursuant to the amended and restated Code of Regulations adopted on October 26, 2017, DFA is the sole member of DFWR. DFWR was certified as a qualified community development entity (“CDE”) under the New Markets Tax Credit (“NMTC”) Program. One hundred percent (100%) of DFWR’s activities are targeted to Low-Income Persons and LICs. DFWR’s service area is comprised of an eighteen county area in Northeast Ohio.

DFWR’s primary mission is to serve and provide investment capital for low-income communities and low-income persons, consistent with the NMTC Program, and to serve as managing member for subsidiary CDEs.

Throughout the notes to the consolidated financial statements, italicized words or phrases represent defined terms under the NMTC or Section 45D of the Internal Revenue Code of 1986, as amended.

**DEVELOPMENT FUND OF THE WESTERN RESERVE, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2023 and 2022

1. Organization and purpose (continued)

DFWR is an allocatee of NMTCs and has sub-allocated its NMTC allocation to various affiliates for the purpose of making *qualified low-income community investments* (“QLICIs”). As of December 31, 2023 and 2022, the following sub-allocations were made to subsidiary CDEs (“Sub-CDEs”):

Sub-CDE	Sub-Allocation	
	2023	2022
Western Reserve DF Affiliate I, LLC ("Western Reserve I")	\$ 7,000,000	\$ 7,000,000
Western Reserve DF Affiliate II, LLC ("Western Reserve II")	6,500,000	6,500,000
Western Reserve DF Affiliate III, LLC ("Western Reserve III")	6,500,000	6,500,000
Western Reserve DF Affiliate IV, LLC ("Western Reserve IV")	5,000,000	5,000,000
Western Reserve DF Affiliate V, LLC ("Western Reserve V")	5,500,000	5,500,000
Western Reserve DF Affiliate VI, LLC ("Western Reserve VI")	7,500,000	7,500,000
Western Reserve DF Affiliate VII, LLC ("Western Reserve VII")	5,500,000	5,500,000
Western Reserve DF Affiliate VIII, LLC ("Western Reserve VIII")	5,000,000	5,000,000
Western Reserve DF Affiliate IX, LLC ("Western Reserve IX")	5,250,000	5,250,000
Western Reserve DF Affiliate X, LLC ("Western Reserve X")	4,500,000	4,500,000
Western Reserve DF Affiliate XI, LLC ("Western Reserve XI")	6,750,000	6,750,000
Western Reserve DF Affiliate XII, LLC ("Western Reserve XII")	5,000,000	5,000,000
Western Reserve DF Affiliate XIII, LLC ("Western Reserve XIII")	6,500,000	6,500,000
Western Reserve DF Affiliate XIV, LLC ("Western Reserve XIV")	5,500,000	5,500,000
Western Reserve DF Affiliate XV, LLC ("Western Reserve XV")	6,500,000	6,500,000
Western Reserve DF Affiliate XVI, LLC ("Western Reserve XVI")	6,500,000	6,500,000
Western Reserve DF Affiliate XVII, LLC ("Western Resrve XVII")	5,000,000	5,000,000
Western Reserve DF Affiliate XVIII, LLC ("Western Resrve XVIII")	10,500,000	10,500,000
Western Reserve DF Affiliate XIX, LLC ("Western Resrve XIX")	10,000,000	10,000,000
Western Reserve DF Affiliate XX, LLC ("Western Resrve XX")	7,000,000	-
Total	\$ 127,500,000	\$ 120,500,000

In 2017, DFWR sub-allocated the remaining \$6,750,000 of its 2015 NMTC allocation (see Note 8) to Western Reserve XI for purposes of creating a small-QLICI loan fund (“Small-QLICI Fund”). In conjunction with the closing of the Small-QLICI Fund, DFWR made a \$1,929,875 investment in Akron Community Revitalization Fund, LLC (“ACRF” and together with DFWR, the “Corporation”) for 100% ownership of ACRF and a \$27,700 investment in ACRF Lender, LLC (“ACRF Lender” and together with the Sub-CDEs, the “Subsidiaries”) for 0.01% ownership of ACRF Lender.

**DEVELOPMENT FUND OF THE WESTERN RESERVE, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2023 and 2022

2. Summary of significant accounting policies and nature of operations

Basis of accounting

The Corporation prepares its consolidated financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

Principles of consolidation

The consolidated financial statements as of and for the years ended December 31, 2023 and 2022 include the accounts of DFWR and ACRF. All material intercompany balances and transactions have been eliminated.

Basis of presentation

The Corporation is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions. Net assets without donor restrictions consist primarily of board designated operating funds, capital assets, and general operating support.

Net Assets with Donor Restrictions: Net assets that are subject to donor-imposed stipulations. Donor imposed stipulations specify a use for a contributed asset that is more specific than broad limits resulting from the nature of the not-for-profit entity, the environment in which it operates, or the purposes specified in its articles of incorporation or bylaws. Net assets with donor restrictions consist primarily of contributions with temporary donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Use of estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with a maturity of three months or less at the date of acquisition.

Restricted cash is not considered cash and cash equivalents, and includes cash held with financial institutions restricted for uses relating to the Small-QLICI Fund and grant revenue received in prior years (see Note 6).

**DEVELOPMENT FUND OF THE WESTERN RESERVE, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2023 and 2022

2. Summary of significant accounting policies and nature of operations (continued)

Concentration of credit risk

The Corporation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Corporation has not experienced any losses in such accounts. The Corporation believes it is not exposed to any significant credit risk on these accounts.

Economic concentrations

Substantially all of the Corporation's operations are derived from its long-term investments in, loans to and services provided to the Subsidiaries and other affiliated entities, as well as grant income related to these operations. Future operations could be impacted by changes in economic or other conditions that would affect the business of the Subsidiaries or the NMTC industry.

Income taxes

The Corporation is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3).

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires the Corporation to report information regarding its exposure to various tax positions taken by the Corporation. Management has determined whether any tax positions have met the recognition threshold and has measured the Corporation's exposure to those tax positions. Management believes that the Corporation has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state taxing authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Corporation are recorded in expenses. No interest or penalties from federal or state taxing authorities were recorded in the accompanying consolidated financial statements.

**DEVELOPMENT FUND OF THE WESTERN RESERVE, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2023 and 2022

2. Summary of significant accounting policies and nature of operations (continued)

Loans receivable and allowance for loan losses (prior to the adoption of ASU 2016-13 effective January 1, 2023)

Loans receivable are stated at unpaid principal balances, less allowance for loan losses and net of deferred loan origination fees and unearned discounts, as applicable.

Loan origination and commitment fees, as well as certain direct origination costs, are deferred and recognized into income ratably over the term of the loan. Amortization of deferred loan fees is discontinued when a loan is placed on nonaccrual status.

The allowance is increased by a provision for loan losses, which is charged to expense, and reduced by charge-offs, net of recoveries. Management's periodic evaluation of the adequacy of the allowance is based on the Corporation's past loan loss experience, known and other risks inherent in the portfolio, specific impaired loans, and adverse situations. Although management uses available information to recognize losses on loans because of uncertainties associated with local economic conditions, collateral values, and future cash flows of on the impaired loans, it is reasonably possible that a material change could occur in the allowance for loan losses in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

The Corporation considers a loan impaired when based on current information or factors, it is probable that the Corporation will not collect the principal and interest payments according to the loan agreement. Management considers many factors in determining whether a loan is impaired, such as payment history and value of collateral. Loans that are contractually delinquent less than 90 days are generally not considered impaired, unless the borrower has claimed bankruptcy or the Corporation has received specific information concerning the loan impairment. The Corporation reviews delinquent loans to determine impaired accounts. The Corporation measures impairment on a loan-by-loan basis by either using the fair value of collateral or the present value of expected cash flows.

The Corporation's key credit quality indicator is a loan's performance status, defined as accruing or non-accruing. Performing loans are considered to have a lower risk of loss, while nonaccrual loans are those which the Corporation believes have a higher risk of loss. Loans that are 90 days or more past due, based on the contractual terms of the loan, are classified on nonaccrual status. Loans may also be placed on nonaccrual status when management believes, after considering economic conditions, business conditions, and collections efforts, that the loans are impaired or collection of interest is doubtful. Uncollectible 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 and the principal balance is believed to be collectible. There were no loans on nonaccrual status or past due at December 31, 2022.

**DEVELOPMENT FUND OF THE WESTERN RESERVE, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2023 and 2022

2. Summary of significant accounting policies and nature of operations (continued)

Loans receivable and allowance for loan losses (prior to the adoption of ASU 2016-13 effective January 1, 2023) (continued)

A loan previously classified on nonaccrual status will resume accruing interest based on the contractual terms of the loan when payments on the loan become current. Loans may also resume accruing interest if management no longer believes a loan is impaired or the collection of principal and interest is no longer in doubt. As of December 31, 2022, management believed that the Corporation's loan receivable was fully collectible and as such, the allowance for loan loss is zero.

Loans receivable and allowance for credit losses (after the adoption of ASU 2016-13 effective January 1, 2023)

Loans receivable are measured at amortized cost basis and presented at the amount expected to be collected, net of deferred loan origination fees and unearned discounts, as applicable. The Company records an allowance for credit losses based on losses expected to arise over the contractual term of the financial asset. Assets are written off when the Company deems the loan receivable to be uncollectable. Write-offs are recognized as a deduction from the allowance for credit losses. Expected recoveries of amounts previously written off, which do not exceed the aggregate of previous write-offs, are included in determining the allowance account. As of December 31, 2023, management believes that the Company's loans receivable are fully collectable and as such, the allowance for credit losses is zero.

In developing estimates for expected credit losses, management considers historical loss information updated for current conditions and reasonable and supportable forecasts that affect expected collectability using a loss-rate approach. Management considers factors such as the borrower's financial condition, the borrower's ability to make scheduled interest or principal payments based on the current and forecasted direction of the economic and business environment, the remaining payment terms of the loan, the remaining time to maturity, and the value of underlying collateral. Although management uses many factors to estimate credit losses, because of uncertainties associated with local economic conditions, collateral values, and future cash flows, it is reasonably possible that a material change could occur in the allowance for credit losses in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

Loans that are 90 days or more past due, based on the contractual terms of the loan, are classified on nonaccrual status. Uncollectable 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 and the principal balance is believed to be collectable. A loan previously classified on nonaccrual status will resume accruing interest based on the contractual terms of the loan when payments on the loan become current. There were no loans on nonaccrual status or past due at December 31, 2023.

Loan origination and commitment fees, as well as certain direct origination costs, are deferred and recognized into income ratably over the term of the loan. Amortization of deferred loan fees is discontinued when a loan is placed on nonaccrual status.

**DEVELOPMENT FUND OF THE WESTERN RESERVE, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2023 and 2022

2. Summary of significant accounting policies and nature of operations (continued)

Investments in subsidiaries

The Corporation owns a 0.01% membership interest in each of the Sub-CDEs (See Note 1), whose primary mission is providing investment capital for *LICs* or *Low-Income Persons* throughout the Corporation's service area, and ACRF Lender.

Financial Accounting Standards Board Accounting Standards Codification Topic 810-20, Control of Partnerships and Similar Entities, addresses how a corporation should evaluate whether the managing member or other similar entity is presumed to control a limited liability company or other similar entity and accordingly should consolidate the entity. If the investor member has the substantive ability to dissolve the limited liability company or otherwise remove the managing member without cause or has substantive participating rights, the managing member does not control the limited liability company. Substantive participating rights provide the investor member with the ability to effectively participate in significant decisions in the Subsidiaries' ordinary course of business. The Corporation has concluded that for each of the Subsidiaries, the investor member is presumed to have substantive participating rights and that the Corporation is not required to consolidate the Subsidiaries. The Corporation's maximum exposure to loss as a result of its involvement with the investment remains limited to its capital contribution to the Subsidiaries and exposure pursuant to certain indemnification agreements with investor members and/or their affiliates (see Note 10).

The Corporation accounts for its investments in the Subsidiaries under the equity method of accounting because it serves as the managing member for each of the Subsidiaries and derives substantially all of its revenue from services provided to the Subsidiaries. Under the equity method of accounting, the investments are recorded at cost and adjusted for the Corporation's share of income or loss in the Subsidiaries, additional investments in and cash distributions from the Subsidiaries. Since the Corporation has no obligation to fund liabilities of the Subsidiaries beyond its investment, its investment in the Subsidiaries may not be reduced below zero.

To the extent that equity losses are incurred when the Corporation's carrying value of its investment in any of the Subsidiaries has reached a zero balance, any losses will be suspended to be used against future income.

The Corporation has adopted the nature of distributions approach for the classification of distributions received from equity method investees in the consolidated statements of cash flows. In accordance with this approach, distributions received from the Subsidiaries are classified as either operating or investing cash inflows based on the nature of the activities of the Subsidiaries that generated the distributions. Returns on investments are classified as operating activities in the consolidated statements of cash flows, while returns of investment are classified as investing activities.

**DEVELOPMENT FUND OF THE WESTERN RESERVE, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2023 and 2022

2. Summary of significant accounting policies and nature of operations (continued)

Investments in subsidiaries (continued)

The Corporation has implemented policies and practices for assessing impairment for its investments. Periodically, the carrying values are evaluated and the Corporation records a write down if it is determined that the impairment in value exists. If impairment exists, the carrying value is reduced to its fair value. Fair value is determined based on future cash flows and estimated tax benefits to be received. There were no impairment losses recognized for the years ended December 31, 2023 or 2022.

Deferred charges and amortization

Deferred charges as of both December 31, 2023 and 2022 consist of servicing fees paid to the State of Ohio Development Services Agency in an aggregate amount of \$70,000. These fees are recorded at cost and amortized ratably over the applicable NMTC compliance period using the straight-line method. Accumulated amortization as of December 31, 2023 and 2022 was \$39,074 and \$31,561, respectively.

Contributions

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Unconditional pledges to give are recorded as contributions when pledged at the net present value of the amounts expected to be collected. Unconditional pledges to give that are expected to be received in future periods are discounted annually using the current interest rate the funds would earn. Amortization of the discount is recorded as contribution revenue.

Revenue recognition

Revenue derived from the sub-allocation and transaction fees related to the closing of transactions by the Corporation's Subsidiaries is recognized when the earnings process is complete, generally at the time of the closing of the underlying transaction. Interest income is recognized when earned in accordance with the contractual terms of the loan agreement and promissory notes. Advance interest payments are deferred and classified as liabilities until earned. Fee income is recognized when earned in accordance with the underlying agreement.

**DEVELOPMENT FUND OF THE WESTERN RESERVE, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2023 and 2022

2. Summary of significant accounting policies and nature of operations (continued)

Functional expenses

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting service. Accordingly, certain costs have been allocated among program services, administrative and support, and fundraising services benefited (see Note 12). Such allocations are determined by management on an equitable basis.

The expenses that are allocated include management services – DFA and general and administrative expenses. Management services – DFA is allocated based on estimates of time and effort, and general and administrative expenses are allocated based on an analysis of specific costs incurred.

Change in accounting principle

In June 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* to provide financial statement users with improved information about expected credit losses on financial assets, as well as improve users’ ability to understand the realizability of assets held at each reporting period.

The Corporation adopted ASU 2016-13 effective January 1, 2023, and any necessary adjustment was recognized through a cumulative effect adjustment to net assets as of the effective date. Credit loss disclosures for the year ended December 31, 2022 are made under the prior guidance provided by FASB ASC 310.

With respect to measuring expected credit losses for the Corporation’s loans receivable, ASU 2016-13 did not have a material impact on the consolidated financial statements.

3. Loan receivable – Twain Investment Fund 240, LLC

On July 27, 2017, ACRF entered into a loan agreement with Twain Investment Fund 240, LLC (“Twain”) for the amount of \$4,694,875 (the “Leverage Loan”). Pursuant to the loan agreement, interest accrues at a fixed rate of 2.3089% per annum. The Leverage Loan is secured by the 99.99% interest Twain holds in Western Reserve XI.

Interest-only payments are due on the 10<sup>th</sup> day of the last month of each calendar quarter, commencing on September 10, 2017 through June 10, 2027. Commencing on September 10, 2027, quarterly payments of principal and interest are due in an amount sufficient to amortize the outstanding principal balance of the Leverage Loan by the maturity date of July 31, 2047 (“Leverage Loan Maturity Date”). On June 1, 2020, the promissory note was amended to defer the interest payments due from Twain on June 10, 2020 and September 10, 2020, which shall be due and payable as of the Leverage Loan Maturity Date. As of both December 31, 2023 and 2022, the principal balance outstanding was \$4,694,875. For each of the years ended December 31, 2023 and 2022, interest earned was \$108,400. As of December 31, 2023 and 2022, interest receivable was \$28,320 and \$23,496, respectively.

**DEVELOPMENT FUND OF THE WESTERN RESERVE, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2023 and 2022

4. Note payable

ADF Loan

On July 26, 2017, ACRF entered into a loan agreement with Akron Development Fund I, Ltd. ("ADF") for a loan in the amount of \$1,500,000 (the "ADF Loan"). Pursuant to the loan agreement, interest accrues at a fixed rate of 2.75% per annum. The loan is secured by the Leverage Loan and related documents. Interest-only payments commenced on September 30, 2017 and are due on the last day of the last month of each calendar quarter through and including June 30, 2027. On the maturity date of July 31, 2027 ("ADF Loan Maturity Date"), the entire principal balance and any accrued interest is due. As of both December 31, 2023 and 2022, the outstanding principal balance of the ADF Loan was \$1,500,000. For each of the years ended December 31, 2023 and 2022, interest incurred on the ADF Loan was \$41,250.

Debt issuance costs of \$15,000 are being amortized to interest expense over the term of the ADF Loan. For each of the years ended December 31, 2023 and 2022, the effective interest rate on the ADF Loan, including amortization of debt issuance costs, was 2.85%. For each of the years ended December 31, 2023 and 2022, amortization of debt issuance costs was \$1,500, and is recorded as interest expense in the accompanying consolidated statements of activities and changes in net assets.

Note payable consists of the following as of December 31, 2023 and 2022:

	2023	2022
Principal balance	\$ 1,500,000	\$ 1,500,000
Less: unamortized debt issuance costs	5,496	6,996
Note payable, net of debt issuance costs	\$ 1,494,504	\$ 1,493,004

5. Related party transactions

Due from related party

During 2023, the Corporation paid for certain expenses of an affiliate. These advances are non-interest bearing and payable upon demand. As of December 31, 2023 and 2022, due from related party was \$0 and \$7,901, respectively.

ACRF Lender Loan Payable

On July 27, 2017, ACRF entered into a loan agreement with ACRF Lender for the amount of \$1,270,000 (the "ACRF Lender Loan"). Pursuant to the loan agreement, interest accrues at a fixed rate of 4.50% per annum. The loan is secured by the Leverage Loan and related documents.

**DEVELOPMENT FUND OF THE WESTERN RESERVE, INC. AND SUBSIDIARY**  
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5. Related party transactions (continued)

ACRF Lender Loan Payable (continued)

Interest-only payments commenced on September 30, 2017 and are due on the 20<sup>th</sup> day of the last month of each calendar quarter. On the maturity date of July 31, 2027 (“ACRF Lender Loan Maturity Date”), the entire principal balance and any accrued interest is due. As of both December 31, 2023 and 2022, the outstanding principal balance of the ACRF Lender Loan was \$1,270,000. For each of the years ended December 31, 2023 and 2022, interest incurred and paid on the ACRF Lender Loan was \$57,150.

Management services - Development Finance Authority of Summit County

Pursuant to the Amended and Restated Management Services Agreement between the Corporation and DFA (the “Amended Management Agreement”), DFA agreed to provide management, financial, operational compliance and administrative services dated March 22, 2023, as necessary to assist the Corporation in fulfilling its on-going, day-to-day responsibilities. Pursuant to the Amended Management Agreement, the Corporation pays DFA a fee in exchange for these services in an amount equal to (a) \$380,000, payable in quarterly installments, to compensate DFA for the use of its staff and resources; (b) in the event the Corporation closes on future projects, fifty percent (50%) of all (i) closing fees and (ii) any ongoing administrative fees received by the Corporation, not to exceed \$200,000 per year; and (c) all out-of-pocket expenses incurred by DFA and its service personnel consisting of travel, outside consultants, conference calls, postage, courier costs and other miscellaneous expenses. Prior to the adoption of the amendment in 2023, the annual fixed fee payable to DFA was \$250,000.

For the years ended December 31, 2023 and 2022, the Corporation incurred and paid management services fees pursuant to the Amended Management Agreement of \$485,000 and \$450,000, respectively.

Sub-allocation fee income

Pursuant to the operating agreements of the Sub-CDEs, at the respective closing date of each of the underlying transactions, and in consideration for services rendered in connection with the sub-allocation and organization of the Sub-CDEs and the issuance of qualified equity investments, the Corporation is entitled to receive fees equal to 3% of the *qualified equity investments* (“QEIs”) issued by the Sub-CDEs.

During the year ended December 31, 2023, the Corporation earned and received a sub-allocation fee in the amount of \$210,000 from Western Reserve XX.

**DEVELOPMENT FUND OF THE WESTERN RESERVE, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2023 and 2022

5. Related party transactions (continued)

Sub-allocation fee income (continued)

During the year ended December 31, 2022, the Corporation earned and received sub-allocation fees in the amounts of \$150,000, \$315,000 and \$300,000 from Western Reserve XVII, Western Reserve XVIII, and Western Reserve XIX, respectively.

Asset management fee income

Pursuant to the operating agreements of the Sub-CDEs, the Corporations entitled to receive annual asset management fees, prorated for partial years, for administering, managing, and directing the business of the Sub-CDEs to comply with all of the NMTC Program requirements as follows:

Sub-CDE	Annual Fee
Western Reserve IV	\$ 25,000
Western Reserve V	27,500
Western Reserve VI	37,500
Western Reserve VII	27,500
Western Reserve VIII	25,000
Western Reserve IX	26,250
Western Reserve X	22,500
Western Reserve XI	33,750
Western Reserve XII	25,000
Western Reserve XIII	32,500
Western Reserve XV	32,500
Western Reserve XIV	27,500
Western Reserve XVI	32,500
Western Reserve XVII	25,000
Western Reserve XVIII	52,500
Western Reserve XIX	50,000
Western Reserve XX	35,000
Total	\$ 537,500

On March 21, 2018, DFWR, as managing member of Western Reserve XI, entered into a fee waiver agreement with the investor member of Western Reserve XI. Pursuant to the fee waiver agreement, DFWR has waived its right to asset management fees in an amount up to \$65,000 plus such additional amount that it is entitled to receive under the operating agreement of Western Reserve XI to enable the operating income of Western Reserve XI to equal the annual amounts reflected in the financial projections.

**DEVELOPMENT FUND OF THE WESTERN RESERVE, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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5. Related party transactions (continued)

Asset management fee income (continued)

As of December 31, 2022, the cumulative amount of asset management fees waived by DFWR was \$107,187. The full amount of the waived fees were earned and received from Western Reserve XI during the year ended December 31, 2022.

For the years ended December 31, 2023 and 2022, asset management fees earned were \$389,410 and \$435,097, respectively.

Audit and tax fee reimbursement

For the years ended December 31, 2023 and 2022, the Corporation received audit and tax fee reimbursements from the Sub-CDEs totaling \$161,500 and \$182,500, respectively.

Investments in Subsidiaries

Pursuant to the operating agreements of the Subsidiaries, the Corporation made capital contribution totaling \$40,450 and \$39,750 as of December 31, 2023 and 2022, respectively, in exchange for a 0.01% ownership interest in each of the Subsidiaries. The investment balance in the Subsidiaries at December 31, 2023 and 2022 was \$34,783 and \$36,812, respectively. The equity in the net income of the Subsidiaries for the years ended December 31, 2023 and 2022 was \$179 and \$101, respectively. As of December 31, 2023 and 2022, the Corporation had made all required contributions.

Summarized financial information of the Subsidiaries as of December 31, 2023 and 2022 is as follows:

	2023	2022
Assets	\$ 70,321,891	\$ 92,184,092
Liabilities	\$ 481	\$ 373
Members' equity	70,321,410	92,183,719
Total liabilities & members' equity	\$ 70,321,891	\$ 92,184,092

**DEVELOPMENT FUND OF THE WESTERN RESERVE, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2023 and 2022

5. Related party transactions (continued)

Investments in Subsidiaries (continued)

Summarized financial information of the Subsidiaries for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
Revenue	\$ 1,939,274	\$ 1,833,743
Expenses	(2,819,107)	(1,161,208)
Net income	\$ (879,833)	\$ 672,535

Western Reserve VI, Western Reserve VII, Western Reserve VIII, Western Reserve IX and Western Reserve X reached the end of the NMTC compliance period during 2023 and the Corporation received a return of capital in the amounts of \$750, \$550, \$500, \$525, \$525 and \$450, respectively, upon the redemption of the Corporation’s membership interests.

Western Reserve IV and Western Reserve V reached the end of the NMTC compliance period during 2022 and the Corporation received a return of capital in the amounts of \$500 and \$550, respectively, upon the redemption of the Corporation’s membership interests.

Due to related parties

During 2023, the Corporation was required to reimburse Western Reserve XI for certain operating expenses. As of December 31, 2023, \$387 was owed to Western Reserve XI.

During 2023, DFA paid for certain operating expenses of the Corporation. As of December 31, 2023, \$25,000 was owed to DFA.

6. Grants

For each of the years ended December 31, 2023 and 2022, there was no grant revenue recognized. However, during the years ended December 31, 2022 and 2021, \$4,824 and \$23,830, respectively, of grant revenue from prior years was released from restrictions and is included in net assets without donor restrictions in the accompanying consolidated statements of activities and changes in net assets.

There were no grants receivable as of December 31, 2023 and 2022.

During 2023 and 2022, DFWR agreed to make grants and entered into grant agreements with Western Reserve Community Fund, Inc. (“WRCF”) to help finance projects organized to support further economic development and job creation in the amounts of \$555,000 and \$210,000, respectively. As of December 31, 2023 and 2022, grants payable amounted to \$0 and \$210,000, respectively, and are included in due to related parties on the accompanying consolidated statements of financial position.

**DEVELOPMENT FUND OF THE WESTERN RESERVE, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2023 and 2022

7. Net assets

Net assets without donor restrictions

Net assets without donor restrictions consist of the following as of December 31:

	2023	2022
Undesignated	\$ 3,814,966	\$ 3,899,787
Total net assets without donor restrictions	\$ 3,814,966	\$ 3,899,787

Net assets with donor restrictions

Net assets with donor restrictions consist of the following as of December 31:

	2023	2022
Grants	\$ 47,140	\$ 51,964
Total net assets with donor restrictions	\$ 47,140	\$ 51,964

8. Federal new markets tax credits

Pursuant to the Allocation Agreements among the Corporation, the Sub-CDEs and other subsidiary CDEs of the Corporation, and the Community Development Financial Institutions Fund (“CDFI Fund”), dated April 11, 2012, August 20, 2015, August 16, 2019, and October 26, 2021, the Corporation was allocated the authority to issue \$20,000,000, \$45,000,000, \$30,000,000, and \$50,000,000 of QEIs, respectively. Equity investments received by the Sub-CDEs may be designated as QEIs if they meet the requirements of Internal Revenue Code Section 45D and Treasury Regulation Section 1.45D-1. NMTCs are allowed to be claimed by the members of the Sub-CDEs over a seven-year period spanning six years and a day for any equity investment that is designated a QEI by the Sub-CDEs.

In order to qualify for these credits, the Corporation and the Sub-CDEs must comply with requirements of Internal Revenue Code Section 45D and Treasury Regulation Section 1.45D-1 during the seven-year credit period. Failure to comply with the requirements could result in the recapture of NMTCs that have been previously claimed as well as the loss of any future NMTCs. The three events that can cause recapture are: [1] the Corporation or any of the Sub-CDEs ceases to be a CDE; [2] failing to ensure that for each annual period in the seven-year credit period, at least 85 percent of the qualified equity investments received by the Sub-CDEs are continuously invested in any low-income community investment (which may include 5% of the qualified equity investments received to be held as loan loss reserves); and [3] a QEI is redeemed by the Sub-CDEs. Failure by the Corporation or Sub-CDEs to meet any of the above requirements may also cause the Corporation to be in default of the Allocation Agreements.

**DEVELOPMENT FUND OF THE WESTERN RESERVE, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2023 and 2022

8. Federal new markets tax credits (continued)

The Corporation has established an advisory board (“Advisory Board”) in order to maintain accountability to the low-income communities served by the Corporation. At least 20% of the Advisory Board membership must be representative of the low-income communities served.

9. State of Ohio new markets tax credits

Pursuant to the State of Ohio Administrative Code Chapter 122:22 New Markets Tax Credits (the “Ohio Statute”), during 2011, 2013, 2015, 2019, 2020, and 2021, the Corporation applied for and received the authority to issue up to \$2,564,102, \$5,128,205, \$2,564,102, \$5,128,204, \$5,128,204, and \$5,128,204, respectively, in Ohio qualified equity investments (“Ohio QEIs”). Under the Ohio Statute, the Sub-CDEs’ members will be allowed to claim State of Ohio NMTCs over seven periods spanning six years and one day for any equity investment made by such member that is designated as an Ohio QEI within the meaning of the Ohio Statute and has at least 85% of its cash purchase price used by the issuer to make qualified low income community investments.

As of December 31, 2023 and 2022, the Corporation sub-allocated its State of Ohio NMTC allocation to its Subsidiaries as follows:

Sub-CDE	Sub-Allocation	
	2023	2022
Western Reserve II	\$ 2,564,103	\$ 2,564,103
Western Reserve III	2,564,102	2,564,102
Western Reserve VII	2,564,102	2,564,102
Western Reserve XIII	2,564,103	2,564,103
Western Reserve XV	2,564,103	2,564,103
Western Reserve XIV	2,564,102	2,564,102
Western Reserve XVI	2,564,102	2,564,102
Western Reserve XVIII	2,564,102	2,564,102
Western Reserve XIX	2,564,102	2,564,102
Total	\$ 23,076,921	\$ 23,076,921

**DEVELOPMENT FUND OF THE WESTERN RESERVE, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2023 and 2022

9. State of Ohio new markets tax credits (continued)

There were no closings requiring State of Ohio NMTC sub-allocation fees during 2023.

Pursuant to the operating agreements of Western Reserve XVIII and Western Reserve XIX, each of the respective approved qualified active low-income community businesses was required to pay the Corporation a one-time sub-allocation fee of \$65,000 and \$40,000, respectively, at closing in connection with the State of Ohio NMTC allocations. For the year ended December 31, 2022, \$105,000 of State of Ohio NMTC sub-allocation fees was earned and received.

10. Contingency

Pursuant to certain indemnification agreements entered into for the underlying NMTC transactions, the Corporation is obligated to reimburse an affiliate of the Sub-CDEs' respective investor members for any loss, damage, liability or claim incurred by the investor member in connection with certain specified NMTC recapture events, as defined in each indemnification agreement. As of December 31, 2023 and 2022, no claims or payments had been made relative to the indemnities and the Corporation is not aware of the occurrence of any recapture event. The Corporation has evaluated its exposure pursuant to the indemnification agreements and has determined the maximum dollar amount of such exposure as of December 31, 2023 to be equal to the NMTCs totaling \$27,007,500 and State of Ohio NMTCs totaling \$6,000,000 in addition to any penalties, interest, and applicable IRR true-up amounts on an after tax basis. The Corporation has determined the likelihood of a recapture event to be remote after considering the historical rate of recapture and related factors. Accordingly, no liability has been recorded relative to the indemnification agreements.

**DEVELOPMENT FUND OF THE WESTERN RESERVE, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2023 and 2022

11. Liquidity and availability of resources

The Corporation has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The following reflects the Corporation's financial assets as of the statement of financial position date, reduced by the amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts not available include cash set aside for restricted grant uses, additional financing costs related to the Small-QLICI Fund, amortizing deferred charges that are nonmarketable, and investments in Subsidiaries.

	2023	2022
Total assets, end of year	\$ 6,695,086	\$ 6,942,255
Less nonfinancial assets:		
Prepaid expenses	(7,517)	(5,642)
Financial assets, end of year	6,687,569	6,936,613
Less those unavailable for general expenditure within one year due to:		
Cash restricted for Small-QLICI Fund	(47,259)	(52,031)
Grants restricted for other use	(81)	(81)
Deferred charges, net of accumulated amortization	(30,926)	(38,439)
Investments in subsidiaries	(34,783)	(36,812)
Loans receivable not expected to be repaid within one year	(4,694,875)	(4,694,875)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,879,645	\$ 2,114,375

**DEVELOPMENT FUND OF THE WESTERN RESERVE, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2023 and 2022

12. Functional expense allocation

The allocation of functional expenses for the years ended December 31, 2023 and 2022 is as follows:

	2023			
	Program Services	Administrative and Support	Fundraising	Total
Management services - DFA	\$ 323,687	\$ 94,890	\$ 66,423	\$ 485,000
Grants	555,000	-	-	555,000
Professional fees	209,477	-	-	209,477
General and administrative expenses	16,858	-	-	16,858
Insurance fees	8,624	-	-	8,624
Application fees	136,200	-	-	136,200
Advertising fees	-	4,184	-	4,184
Interest expense	99,900	-	-	99,900
Amortization	7,513	-	-	7,513
Total expenditures	\$ 1,357,259	\$ 99,074	\$ 66,423	\$ 1,522,756
	2022			
	Program Services	Administrative and Support	Fundraising	Total
Management services - DFA	\$ 342,792	\$ 67,770	\$ 39,438	\$ 450,000
Grants	210,000	-	-	210,000
Professional fees	163,772	-	-	163,772
General and administrative expenses	29,788	-	-	29,788
Insurance fees	8,605	-	-	8,605
Application fees	10,000	-	-	10,000
Advertising fees	-	6,000	-	6,000
Interest expense	99,900	-	-	99,900
Amortization	8,722	-	-	8,722
Total expenditures	\$ 873,578	\$ 73,770	\$ 39,438	\$ 986,786

**DEVELOPMENT FUND OF THE WESTERN RESERVE, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2023 and 2022

13. Subsequent events

Subsequent events have been evaluated through June 18, 2024, which is the date the consolidated financial statements were available to be issued. The following is a summary of significant transactions through June 18, 2024.

On January 8, 2024, the Corporation made an investment in the amount of \$800 to Western Reserve DF Affiliate XXI, LLC (“Western Reserve XXI”) and received a sub-allocation fee in the amount of \$240,000 in connection with Western Reserve XXI’s closing.

On March 20, 2024, the Corporation made an investment in the amount of \$950 to Western Reserve DF Affiliate XXII, LLC (“Western Reserve XXII”) and received a sub-allocation fee in the amount of \$285,000 in connection with Western Reserve XXII’s closing.



## **SUPPLEMENTARY INFORMATION**

**DEVELOPMENT FUND OF THE WESTERN RESERVE, INC. AND SUBSIDIARY**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
December 31, 2023

	DFWR	ACRF	Eliminations	Consolidated Total
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 1,810,106	\$ 41,216	\$ -	\$ 1,851,322
Restricted cash	47,340	-	-	47,340
Accounts receivable	3	-	-	3
Interest receivable	-	28,320	-	28,320
Prepaid insurance	5,642	-	-	5,642
Prepaid expense	1,875	-	-	1,875
Total current assets	<u>1,864,966</u>	<u>69,536</u>	<u>-</u>	<u>1,934,502</u>
Long-term assets				
Deferred charges, net of accumulated amortization	30,926	-	-	30,926
Investments in subsidiaries	2,034,690	-	(1,999,907)	34,783
Loan receivable	-	4,694,875	-	4,694,875
Total long-term assets	<u>2,065,616</u>	<u>4,694,875</u>	<u>(1,999,907)</u>	<u>4,760,584</u>
Total assets	<u>\$ 3,930,582</u>	<u>\$ 4,764,411</u>	<u>\$ (1,999,907)</u>	<u>\$ 6,695,086</u>
<b>LIABILITIES AND NET ASSETS</b>				
Current liabilities				
Due to related parties	\$ 25,387	\$ -	\$ -	\$ 25,387
Accounts payable	43,089	-	-	43,089
Total current liabilities	<u>68,476</u>	<u>-</u>	<u>-</u>	<u>68,476</u>
Long-term liabilities				
Note payable - related party	-	1,270,000	-	1,270,000
Note payable, net of unamortized debt issuance costs	-	1,494,504	-	1,494,504
Total long-term liabilities	<u>-</u>	<u>2,764,504</u>	<u>-</u>	<u>2,764,504</u>
Net assets	<u>3,862,106</u>	<u>1,999,907</u>	<u>(1,999,907)</u>	<u>3,862,106</u>
Total liabilities and net assets	<u>\$ 3,930,582</u>	<u>\$ 4,764,411</u>	<u>\$ (1,999,907)</u>	<u>\$ 6,695,086</u>

see report of independent auditors

**DEVELOPMENT FUND OF THE WESTERN RESERVE, INC. AND SUBSIDIARY**  
**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
For the year ended December 31, 2023

	DFWR	ACRF	Eliminations	Consolidated Total
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>				
<b>REVENUE</b>				
Sub-allocation fee income	\$ 210,000	\$ -	\$ -	\$ 210,000
Ohio sub-allocation fee income	-	-	-	-
Community Reinvestment fees	555,000	-	-	555,000
Interest income	8,622	108,400	-	117,022
Asset management fees	389,410	-	-	389,410
Audit and tax fee reimbursement	171,500	-	(10,000)	161,500
Other income	-	-	-	-
Net assets released from restrictions	4,824	-	-	4,824
Total revenue	1,339,356	108,400	(10,000)	1,437,756
<b>EXPENSES</b>				
Management services - DFA	485,000	-	-	485,000
Grants	555,000	-	-	555,000
Professional fees	209,477	10,000	(10,000)	209,477
General and administrative expenses	16,828	30	-	16,858
Insurance fees	8,624	-	-	8,624
Application fees	136,200	-	-	136,200
Advertising fees	4,184	-	-	4,184
Interest expense	-	99,900	-	99,900
Amortization	7,513	-	-	7,513
Total expenses	1,422,826	109,930	(10,000)	1,522,756
Loss before equity in net income of investments	(83,470)	(1,530)	-	(85,000)
Equity in net (loss) income of investments in subsidiaries	(1,351)	-	1,530	179
<b>INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	(84,821)	(1,530)	1,530	(84,821)
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>				
Net assets released from restrictions	(4,824)	-	-	(4,824)
<b>DECREASE IN NET ASSETS WITH DONOR RESTRICTIONS</b>	(4,824)	-	-	(4,824)
<b>CHANGE IN NET ASSETS</b>	(89,645)	(1,530)	1,530	(89,645)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	3,951,751	1,996,614	(1,996,614)	3,951,751
Capital contributions	-	4,823	(4,823)	-
<b>NET ASSETS AT END OF YEAR</b>	\$ 3,862,106	\$ 1,999,907	\$ (1,999,907)	\$ 3,862,106

see report of independent auditors

**DEVELOPMENT FUND OF THE WESTERN RESERVE, INC. AND SUBSIDIARY**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
December 31, 2022

	DFWR	ACRF	Eliminations	Consolidated Total
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 2,041,728	\$ 41,247	\$ -	\$ 2,082,975
Restricted cash	52,112	-	-	52,112
Due from related parties	7,901	-	-	7,901
Accounts receivable	3	-	-	3
Interest receivable	-	23,496	-	23,496
Prepaid insurance	5,642	-	-	5,642
Total current assets	2,107,386	64,743	-	2,172,129
Long-term assets				
Deferred charges, net of accumulated amortization	38,439	-	-	38,439
Investments in subsidiaries	2,033,426	-	(1,996,614)	36,812
Loan receivable	-	4,694,875	-	4,694,875
Total long-term assets	2,071,865	4,694,875	(1,996,614)	4,770,126
Total assets	\$ 4,179,251	\$ 4,759,618	\$ (1,996,614)	\$ 6,942,255
<b>LIABILITIES AND NET ASSETS</b>				
Current liabilities				
Due to related parties	\$ 210,000	\$ -	\$ -	\$ 210,000
Accounts payable	17,500	-	-	17,500
Total current liabilities	227,500	-	-	227,500
Long-term liabilities				
Note payable - related party	-	1,270,000	-	1,270,000
Note payable, net of unamortized debt issuance costs	-	1,493,004	-	1,493,004
Total long-term liabilities	-	2,763,004	-	2,763,004
Net assets	3,951,751	1,996,614	(1,996,614)	3,951,751
Total liabilities and net assets	\$ 4,179,251	\$ 4,759,618	\$ (1,996,614)	\$ 6,942,255

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**DEVELOPMENT FUND OF THE WESTERN RESERVE, INC. AND SUBSIDIARY**  
**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
For the year ended December 31, 2022

	DFWR	ACRF	Eliminations	Consolidated Total
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>				
<b>REVENUE</b>				
Sub-allocation fee income	\$ 765,000	\$ -	\$ -	\$ 765,000
Ohio sub-allocation fee income	105,000	-	-	105,000
Success fee	210,000	-	-	210,000
Interest income	47	108,400	-	108,447
Asset management fees	435,097	-	-	435,097
Servicing fees	0	-	-	-
Audit and tax fee reimbursement	192,500	-	(10,000)	182,500
Other income	5,191	-	-	5,191
Net assets released from restrictions	23,830	-	-	23,830
Total revenue	<u>1,736,665</u>	<u>108,400</u>	<u>(10,000)</u>	<u>1,835,065</u>
<b>EXPENSES</b>				
Management services - DFA	450,000	-	-	450,000
Grants	210,000	-	-	210,000
Professional fees	163,772	10,000	(10,000)	163,772
General and administrative expenses	29,744	43	-	29,787
Insurance fees	8,605	-	-	8,605
Application fees	10,000	-	-	10,000
Advertising fees	6,000	-	-	6,000
Interest expense	-	99,900	-	99,900
Amortization	8,722	-	-	8,722
Total expenses	<u>886,843</u>	<u>109,943</u>	<u>(10,000)</u>	<u>986,786</u>
Income (loss) before equity in net income of investments	849,822	(1,543)	-	848,279
Equity in net (loss) income of investments in subsidiaries	<u>(1,442)</u>	<u>-</u>	<u>1,543</u>	<u>101</u>
<b>INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>				
	848,380	(1,543)	1,543	848,380
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>				
Net assets released from restrictions	<u>(23,830)</u>	<u>-</u>	<u>-</u>	<u>(23,830)</u>
<b>DECREASE IN NET ASSETS WITH DONOR RESTRICTIONS</b>				
	<u>(23,830)</u>	<u>-</u>	<u>-</u>	<u>(23,830)</u>
<b>CHANGE IN NET ASSETS</b>	824,550	(1,543)	1,543	824,550
<b>NET ASSETS AT BEGINNING OF YEAR</b>	3,127,201	1,974,660	(1,974,660)	3,127,201
Capital contributions	<u>-</u>	<u>23,497</u>	<u>(23,497)</u>	<u>-</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 3,951,751</u>	<u>\$ 1,996,614</u>	<u>\$ (1,996,614)</u>	<u>\$ 3,951,751</u>

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