SHENANDOAH COMMUNITY CAPITAL FUND, INC.

FINANCIAL AND COMPLIANCE REPORTS

JUNE 30, 2023

PBMares

ASSURANCE, TAX & ADVISORY SERVICES

SHENANDOAH COMMUNITY CAPITAL FUND, INC.

TABLE OF CONTENTS

FINANCIAL SECTION

COMPLIANCE SECTION

FINANCIAL SECTION

PBMares
CPAs and Consultants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Shenandoah Community Capital Fund, Inc. (Organization), which comprise the statement of financial position as of June 30, 2023, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter – Report on the 2022 Financial Statements

The financial statements of the Organization, as of and for the year ended June 30, 2022, were audited by other auditors, whose report, dated June 26, 2023, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS 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 the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

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 GAAS. 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 31, 2024, on our consideration of the Organization'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 the Organization'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 Organization's internal control over financial reporting and compliance.

PBMares, LLP

Harrisonburg, Virginia
May 31, 2024

FINANCIAL STATEMENTS

SHENANDOAH COMMUNITY CAPITAL FUND, INC.

STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and 2022

	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 49,006**	$ 57,364
Restricted cash and cash equivalents	**197,384**	97,450
Grants receivable	**160,846**	166,521
Loans receivable, current portion	**127,889**	120,018
Prepaid expenses and other current assets	**5,929**	5,929
Trade receivables	**2,500**	9,725
Total current assets	**543,554**	457,007
Long-Term Assets		
Operating right-of-use assets	**14,425**	-
Loans receivable, net, long-term portion	**217,858**	282,055
Total long-term assets	**232,283**	282,055
Total assets	**$ 775,837**	$ 739,062
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	**$ 51,217**	$ 67,224
Accrued expenses	**17,791**	10,031
Agency funds liability	**21,853**	14,405
Deferred revenue	**31,595**	1,661
Line of credit	**33,399**	42,025
Operating lease liabilities, current portion	**6,483**	-
Notes payable, current portion	**55,393**	36,643
Total current liabilities	**217,731**	171,989
Long-Term Liabilities		
Operating lease liabilities, long-term portion	**8,112**	-
Notes payable, long-term portion	**295,001**	250,394
Total long-term liabilities	**303,113**	250,394
Net Assets		
Without donor restrictions	**(23,028)**	106,747
With donor restrictions	**278,021**	209,932
Total net assets	**254,993**	316,679
Total liabilities and net assets	**$ 775,837**	$ 739,062

SHENANDOAH COMMUNITY CAPITAL FUND, INC.

STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Support and Gains			
Contributions:			
Individuals, foundations and corporations	$ 32,018	$ -	$ 32,018
State and local government grants	84,214	100,000	184,214
Federal government grants	872,160	-	872,160
Contributed nonfinancial assets	69,141	-	69,141
Loan program interest income	16,961	7,796	24,757
Program income	30,063	-	30,063
Interest income	955	-	955
Net assets released from restriction	39,707	(39,707)	-
Total revenues, support and gains	1,145,219	68,089	1,213,308
Expenses			
Program services	1,021,152	-	1,021,152
Management and general	187,464	-	187,464
Fundraising	66,378	-	66,378
Total expenses	1,274,994	-	1,274,994
Change in net assets	(129,775)	68,089	(61,686)
Net Assets, beginning	106,747	209,932	316,679
Net Assets, ending	$ (23,028)	$ 278,021	$ 254,993

SHENANDOAH COMMUNITY CAPITAL FUND, INC.

STATEMENT OF ACTIVITIES
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Support and Gains			
Contributions:			
Individuals, foundations and corporations	$ 74,526	$ -	$ 74,526
State and local government grants	369,082	20,000	389,082
Federal government grants	438,815	-	438,815
Contributed nonfinancial assets	132,905	-	132,905
Loan program interest income	13,723	7,997	21,720
VIDA program interest income	500	-	500
Training program fees	13,258	-	13,258
Interest income	76	-	76
Net assets released from restriction	22,042	(22,042)	-
Total revenues, support and gains	1,064,927	5,955	1,070,882
Expenses			
Program services	859,393	-	859,393
Management and general	194,568	-	194,568
Fundraising	56,755	-	56,755
Total expenses	1,110,716	-	1,110,716
Change in net assets	(45,789)	5,955	(39,834)
Net Assets, beginning	152,536	203,977	356,513
Net Assets, ending	$ 106,747	$ 209,932	$ 316,679

SHENANDOAH COMMUNITY CAPITAL FUND, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2023

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

SHENANDOAH COMMUNITY CAPITAL FUND, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2022

	Program Services	Management and General	Fundraising	Total
Salaries and Wages	$ 308,896	$ 82,997	$ 43,354	$ 435,247
Employeee Benefits	26,687	4,420	2,890	33,997
Education and Entrepreneurial Support	254,081	-	-	254,081
Grants to Subrecipients	206,477	-	-	206,477
Legal and Professional Fees	4,000	51,794	-	55,794
Provision for Uncollectible Loans	-	35,134	-	35,134
Office	16,964	6,656	443	24,063
Training, Travel and Meetings	17,192	1,493	2,258	20,943
Marketing and Outreach	3,682	3,434	4,121	11,237
Occupancy	4,831	4,831	-	9,662
Loan Processing and Administration	7,412	-	-	7,412
Staff Development	7,258	-	-	7,258
Subscriptions and Memberships	163	54	3,689	3,906
Insurance	-	3,295	-	3,295
Miscellaneous	1,750	460	-	2,210
Total expenses	$ 859,393	$ 194,568	$ 56,755	$ 1,110,716

SHENANDOAH COMMUNITY CAPITAL FUND, INC.

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2023 and 2022

		2023		2022
Cash Flows from Operating Activities				
Change in net assets	**$**	**(61,686)**	$	(39,834)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Change in loan receivable allowance		**4,212**		9,000
Uncollectible loan write-offs		**35,134**		26,134
Change in current assets and liabilities:				
Decrease (increase):				
Grants receivable		**5,675**		(103,121)
Accrued interest receivable		**-**		(666)
Prepaid expenses		**-**		287
Trade receivable		**7,225**		9,943
Operating right-of-use assets		**(14,425)**		-
Increase (decrease) in:				
Accounts payable		**(16,007)**		59,229
Accrued expenses		**7,760**		7,433
Agency funds liability		**7,448**		(7,951)
Deferred revenue		**29,934**		1,661
Operating lease liabilities		**14,595**		-
Net cash provided by (used in) operating activities		**19,865**		(37,885)
Cash Flows from Investing Activities				
Proceeds from loan repayments		**238,699**		104,035
New loans issued		**(221,719)**		(173,072)
Net cash provided by (used in) investing activities		**16,980**		(69,037)
Cash Flows from Financing Activities				
Net borrowings on line of credit		**(8,626)**		42,025
Proceeds from long-term debt		**100,000**		100,000
Payments on long-term debt		**(36,643)**		(65,758)
Net cash provided by financing activities		**54,731**		76,267
Net change in cash and cash equivalents, and restricted cash and cash equivalents		**91,576**		(30,655)
Cash and Cash Equivalents, and Restricted Cash and Cash Equivalents, beginning of year		**154,814**		185,469
Cash and Cash Equivalents, and Restricted Cash and Cash Equivalents, end of year	**$**	**246,390**	$	154,814

See Notes to Financial Statements.

SHENANDOAH COMMUNITY CAPITAL FUND, INC.

STATEMENTS OF CASH FLOWS (Continued)
Years Ended June 30, 2023 and 2022

		2023		2022
Supplemental Disclosures of Cash Flow Information				
Cash paid for interest	**$**	**3,468**	$	381
Payments on operating leases		**5,590**		-
Supplemental Disclosures of Non-Cash Information				
Right-of-use assets obtained in exchange for new lease liabilities	**$**	**19,688**	$	-

SHENANDOAH COMMUNITY CAPITAL FUND, INC.

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

As of June 30, 2023 and 2022, restricted cash was attributable to the following sources:

	2023	2022
SBA Loan Loss Reserves	**$ 61,247**	$ 45,054
Microloan Revolving Funds	**96,515**	21,409
Other Microloan Funds	**39,622**	30,987
	$ 197,384	$ 97,450

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

	2023	2022
Cash and cash equivalents	**$ 49,006**	$ 57,364
Restricted cash and cash equivalents	**197,384**	97,450
Total cash, cash eqivalents, and restricted cash	**$ 246,390**	$ 154,814

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

Loans receivable: The Organization records amounts funded through its microloan program as loans receivable. The allowance for loan losses reflects management's best estimate of probable losses determined principally on historical experience, economic conditions, and other factors impacting the assessment of the current status of individual accounts. Accounts are also written off once a judgment is obtained as required by the SBA. The allowance for credit losses was $61,212 and $57,000 at June 30, 2023 and 2022, respectively.Interest income on loans is recognized on an accrual basis. In the event a loan payment is ten or more days late, the Organization may assess a penalty of 5% of the borrower's monthly loan payment, not to exceed $25. Interest continues to accrue on the outstanding principal balance of past due loans. The Organization may consider the loan in default once a payment is over 90 days late. Interest no longer accrues on loan receivables that are in default. Such loans are restored to an accrual status only if the loan is brought contractually current and the borrower has demonstrated the ability to make future payments of principal and interest.

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

	2023	2022
Cost-Reimbursement Grants:		
Build to Scale Federal Grant	**$ 11,189**	$ 13,220
Community Navigator Federal Grant	**-**	22,023
Go Virginia Grant (Startup Shenandoah)	**-**	98,702
Virginia Innovoation Partnership Corporation	**75,000**	-
SBA Grant	**54,657**	12,576
Other Grants:		
City of Staunton Grant	**20,000**	20,000
	$ 160,846	$ 166,521

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

The Organization recognizes contribution revenue under cost-reimbursement grants when the grant expenditure is incurred. See Note 9 for more information. Grant receivable amounts under cost reimbursement grants represent expenses incurred but not reimbursed as of June 30, 2023.

Leases: Effective July 1, 2022, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases,* and all related amendments, using the optional transition method.

As part of this adoption, the Organization has elected the practical expedient relief package allowed by the new standard, which does not require the reassessment of (i) whether existing contracts contain a lease, (ii) the lease classification, or (iii) unamortized initial direct costs for existing leases. Additionally, the Organization has made accounting policy elections such as exclusion of short-term leases (leases with terms of 12 months or less and which do not include a purchase option that they are reasonably certain to exercise) from the statement of financial position presentation.

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

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

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

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

See Note 10 for additional information regarding leases.

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

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

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

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

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

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

The majority of SCCF's program revenue is generated from educational training programs. These programs represent a single performance obligation to deliver instructional and consultative services. Revenue from these programs is recognized as services rendered over the enrollment period of the respective program. Payments are generally due prior to the program start date. During the year, the timing of revenue recognition and cash collections may result in a net contract asset or liability. The Organization's contract assets consisted of trade receivables and were $19,668 at July 1, 2021. The Organization's contract liabilities consisted of deferred revenue and were $0 at July 1, 2021.

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

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

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

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

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

Contributed nonfinancial assets: Contributed nonfinancial assets include donated professional services, donated facilities, and other in-kind contributions, which are recorded at the respective fair values of the donated services, rents, or goods received. In addition to contributed nonfinancial assets, volunteers contribute time to program services, administration, and fund-raising activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. See Note 8 for more information.

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

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

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

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

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

Recent accounting pronouncements: In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments,* which creates a new credit impairment standard for assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables, and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of activities as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022 and interim periods within those fiscal years. The Organization is currently evaluating the impact of the pending adoption of this new standard may have on its financial statements.

Reclassifications: Certain amounts in the 2022 financial statements were reclassified to conform to classifications adopted for the 2023 financial statements with no effect on net assets or changes therein.

Subsequent events: Management has evaluated subsequent events through May 31, 2024, which is the date the financial statements were available to be issued.

Note 2. Liquidity and Availability of Resources

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

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

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

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

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

	2023	2022
Cash and Cash Equivalents, less board designated cash of $15,516	**$ 33,490**	$ 57,364
Grants Receivable, less board designated receivables of $6,368	**154,478**	166,521
Financial assets available to meet cash needs for general expenditures within one year	**$ 187,968**	$ 223,885

See Note 9 for more information relating to grants receivable.

The board-designated microloan cash funds and microloan receivables could be utilized for general expenditures within one year based on a board resolution to redirect the funds for operational needs. The Organization does not expect to adopt such a resolution during the year ending June 30, 2024. The Organization also has a line of credit available up to $50,000.

Note 3. Loans Receivable and Allowance for Credit Losses

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

Future loan payments are as follows:

Year(s) Ending June 30,	Amount
2024	$ 127,889
2025	126,173
2026	79,425
2027	55,981
2028	16,727
Thereafter	764
	$ 406,959

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

The Organization provides in-house loan programs to assist potential and existing small business owners with their funding needs. At June 30, 2023 and 2022, the loans receivable were composed of the following:

	2023	2022
SBA Microloan Funds	**$ 324,637**	$ 320,154
USDA RBEG Microloan Funds	**71,829**	122,197
SCCF Community Loan Fund	**6,368**	15,889
F&M Disaster Relief Fund	**-**	833
Augusta County Fund	**4,125**	-
Total loans receivable	**406,959**	459,073
Less: Allowance for credit losses	**61,212**	57,000
	345,747	402,073
Less: Current portion	**127,889**	120,018
Non-current portion, net allowance	**$ 217,858**	$ 282,055

As of June 30, 2023 and 2022, no amounts of outstanding loans receivable were in excess of 120 days delinquent.

Note 4. Agency Funds

The Organization holds funds in an agency liability account for small businesses through the Virginia Individual Development Accounts program provided by the Virginia Department of Housing and Community Development. The assets relating to agency funds are included in cash and cash equivalents in the accompanying Statement of Financial Position.

Note 5. Line of Credit

On February 2, 2022, the Organization executed an unsecured revolving line of credit agreement with Farmers & Merchants Bank with maximum available borrowings of $50,000. The line of credit is scheduled to expire on February 9, 2025. Monthly interest payments are required on outstanding borrowings. The line of credit bears interest at a variable rate based on the *Wall Street Journal* Prime Rate (8.25% at June 30, 2023) plus 1%, with a minimum rate of 4% and a maximum rate of 24%. Outstanding borrowings under the line of credit are due on demand. As of June 30, 2023 and 2022, the outstanding borrowings amounted to $33,399 and $42,025, respectively.

Note 6. Notes Payable

The Organization's notes payable at June 30, 2023 and 2022 consisted of the following:

	2023	2022
Note payable to the U.S. Small Business Administration for maximum borrowings of $350,000. The note is dated April 27, 2020 and is scheduled to mature in April 2030. The note is non-interest bearing and principal payments were not required during the first 12 months from the date of the note. Based on the outstanding borrowings, the monthly principal payment under the note is $3,054. The loan is secured by the Organization's SBA microloan revolving cash account, the SBA loan loss reserve cash account, and the outstanding microloans that are associated with this note payable. The carrying value of these assets amounted to $352,117 at June 30, 2023.	**$ 250,394**	$ 287,037
Note payable to the U.S. Small Business Administration for maximum borrowings of $200,000. The note is dated January 7, 2023 and is scheduled to mature in January 2033. The note bears interest at 1.125% during the first 12 months and 3.125% thereafter and no payments of principal or interest are due for the first 12 months from the date of the note. Based on the outstanding borrowings, the monthly principal payment under the note is $3,125 when payments begin. The loan is secured by the Organization's SBA microloan revolving cash account, the SBA loan loss reserve cash account, and the outstanding microloans that are associated with this note payable. The carrying value of these assets amounted to $115,953 at June 30, 2023.	**100,000**	-
	350,394	287,037
Less current portion:	**55,393**	36,643
	$ 295,001	$ 250,394

Note 6. Notes Payable (Continued)

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

Year(s) Ending June 30,	Amount
2024	$ 55,393
2025	74,143
2026	74,143
2027	42,893
2028	36,643
Thereafter	67,179
	$ 350,394

Note 7. Net Assets

Net assets at June 30, 2023 and 2022 consisted of the following:

	2023	2022
Without Donor Restrictions:		
Undesignated	**$ (106,159)**	$ 41,965
Microloan revolving fund - board designation	**21,884**	13,319
SBA microloan contractual funding reserves	**61,247**	51,463
Total net assets without donor restrictions	**$ (23,028)**	$ 106,747

	2023	2022
With Donor Restrictions:		
USDA RBEG	**$ 143,021**	$ 174,932
Time restricted	**95,000**	20,000
Purpose restricted	**25,000**	-
Loan reserve funds	**15,000**	15,000
Total net assets with donor restrictions	**$ 278,021**	$ 209,932

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

Note 7. Net Assets (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2023 and 2022:

	2023	2022
Expiration of time restriction	**$ 39,707**	$ 22,042

Note 8. Contributed Nonfinancial Assets

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

	2023	2022
Donated Services		
Entrepreneurial support and mentorship	**$ 12,440**	$ 69,788
Marketing and advertising	**-**	9,007
New ventures consulting	**56,701**	15,330
Donated Facilities	**-**	38,780
Total contributed nonfinancial assets	**$ 69,141**	$ 132,905

Note 9. Concentrations in Revenue and Support

The Organization receives grant funding from federal and state agencies. Revenue from federal grants totaled 72% and 41% for the years ended June 30, 2023 and 2022, respectively. Grants receivable from federal agencies accounted for 41% and 29% of total grants receivable at June 30, 2023 and 2022. Due to the reliance upon federal grants, delays in receiving this funding may at times have a significant impact on cash available for operations.

The Organization was awarded a significant grant under the Virginia Growth and Opportunity Act (Go Virginia) with an effective date of July 1, 2020. The grant was scheduled to expire on June 30, 2022, but was extended through September 30, 2022. Under the grant, the Organization is eligible for grant funds up to $628,953 from the Commonwealth of Virginia. The grant also requires the Organization to match at least 50% of the grant funds from non-state sources of funding, which results in a matching fund requirement of at least $315,310. Matching funds shall be expended prior to, or in proportion to, the direct funding awarded from the Commonwealth of Virginia. The grant is structured as a cost-reimbursement grant. During the year ended June 30, 2022, the support related to the Go Virginia grant, including matching contributions, amounted to approximately 35% of total revenues and support.

The Organization was awarded a significant grant under the American Rescue Plan Act (Community Navigator Pilot Program). The grant period began on December 1, 2021 and was scheduled to expire on November 30, 2023. Under the grant, the Organization is eligible for grant funds up to $1,000,000 from the U.S. Small Business Administration. The grant is structured as a cost reimbursement grant. During the years ended June 30, 2023 and 2022, the support related to this grant amounted to approximately 46% and 25% of total revenues and support, respectively.

Note 9. Concentrations in Revenue and Support (Continued)

The Organization was awarded a significant grant under the Build to Scale program, which is administered by the U.S. Economic Development Administration. The grant period began on October 1, 2021 and is scheduled to expire on September 30, 2024. Under the grant, the Organization is eligible for grant funds up to $750,000. The grant requires the Organization to match 100% of the grant funds, which results in a matching fund requirement of at least $750,000. The available grant funding is structured as a cost reimbursement grant. During the years ended June 30, 2023 and 2022, the support related to this grant, including matching contributions, amounted to approximately 10% and 20%, respectively.

Note 10. Leases

The Organization has an operating lease for office space which expires August 2025. The lease requires monthly payments of $559, escalating 3% each year.

Total operating lease expense for the year ended June 30, 2023 was $5,759. Total short-term lease expense for the year ended June 30, 2023 was $9,261.

Lease expense under ASC 840 for the year ended June 30, 2022 was $9,662.

The weighted-average remaining lease terms and incremental borrowing rates are as follows at June 30, 2023:

Operating Leases:	
Weighted-average remaining lease term	2.17 years
Weighted-average incremental borrowing rate	3.54%

The following is a schedule by year of future minimum payments required under the lease, together with their total present value as of June 30, 2023:

Year Ending June 30,	Amount
2024	$ 6,786
2025	7,082
2026	1,186
Total minimum lease payments	15,054
Less: amount representing interest	(459)
Present value of minimum lease payments	14,595
Current portion	6,483
Non-current portion	$ 8,112

COMPLIANCE SECTION

SHENANDOAH COMMUNITY CAPITAL FUND, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Passed Through to Subrecipient	Total Federal Expenditures
ECONOMIC DEVELOPMENT ADMINISTRATION				
Direct payments:				
Build to Scale	11.024	N/A	$ -	$ 239,633
Total Economic Development Administration				239,633
SMALL BUSINESS ADMINISTRATION				
Direct payments:				
Microloan Program	59.046	N/A	-	546,558
Community Navigator Pilot Program	59.077	N/A	-	562,632
Total Small Business Administration				1,109,190
Total Expenditures of Federal Awards			$ -	$ 1,348,823

SHENANDOAH COMMUNITY CAPITAL FUND. INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Shenandoah Community Capital Fund, Inc. (Organization) under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note 2. Summary of Significant Accounting Policies

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

Note 3. Indirect Cost Rate

The Organization has elected to use the 10-percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

Note 4. Federal Microloan Program

The Federal Microloan Program listed subsequently is administered directly by the Organization and balances and transactions relating to these programs are included in the financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2023 consisted of:

Program Title	Federal Assistance Listing Number	Amount Outstanding
Small Business Administration		
Microloans	59.046	$ 324,637

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
Shenandoah Community Capital 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 (*Government Auditing Standards*), the financial statements of Shenandoah Community Capital Fund, Inc. (Organization), which comprise the statement of financial position as of June 30, 2023, 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 31, 2024.

Report on Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-01, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Organization's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

PBMares, LLP

Harrisonburg, Virginia
May 31, 2024

PBMares CPAs and Consultants

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

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

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Shenandoah Community Capital Fund, Inc.'s (Organization) 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 the Organization's major federal program for the year ended June 30, 2023. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 the Organization 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 the major federal program. Our audit does not provide a legal determination of the Organization'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 the Organization'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 the Organization'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 GAAS, *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 the Organization's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *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 the Organization'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 the Organization'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 the Organization'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.

PBMares, LLP

Harrisonburg, Virginia
May 31, 2024

SHENANDOAH COMMUNITY CAPITAL FUND, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

Section I. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:		Unmodified

Internal control over financial reporting:

• Material weakness(es) identified?	_Yes	✓No
• Significant deficiency(ies) identified?	✓Yes	_None Reported
Noncompliance material to financial statements noted?	_Yes	✓No

Federal Awards

Internal control over the major federal program:

• Material weakness(es) identified?	_Yes	✓No
• Significant deficiency(ies) identified?	_Yes	✓None Reported
Type of auditor's report issued on compliance for the major federal program:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_Yes	✓No

Identification of the major federal program:

Assistance Listing Number	Name of Federal Program or Cluster
59.077	Community Navigator Pilot Program

Dollar threshold used to distinguish between Type A and Type B Programs	$750,000	
Auditee qualified as low-risk auditee?	_Yes	✓No

Section II. Financial Statement Findings

A. Significant Deficiency in Internal Control

2023-01: Significant Deficiency in Internal Control Due to Lack of Segregation of Duties

Criteria: The Organization is required to design and implement controls over financial reporting and to ensure these controls are operating as designed.

Condition: The Organization does not have adequate segregation of duties in order to detect material misstatements.

Context: While performing the audit, we identified multiple processes where adequate review did not exist.

Cause: Limited staff size due to budget constraints.

Effect: These circumstances create opportunities for errors and misstatements to go undetected.

Recommendation: We recommend management implement proper segregation of duties involving the outsourced accountant and Board of Directors.

View of Responsible Officials: The Organization concurs with the finding.

Section III. Federal Award Findings and Questioned Costs

None reported.

SHENANDOAH
COMMUNITY CAPITAL FUND

11 N. Central Ave. Suite 210
Staunton, VA 24401
540-213-0333
hello@sccfva.org
www.sccfva.org

SHENANDOAH COMMUNITY CAPITAL FUND, INC.
CORRECTIVE ACTION PLAN
Year Ended June 30, 2023

A. Significant Deficiency in Internal Control

Identifying Number: 2023-01: Significant Deficiency Due to Lack of Segregation of Duties

Finding:

There is a lack of segregation of duties over key financial processes.

Correction Action Taken:

Due to a very small staff, there was not a clear segregation of financial duties. The Organization recognized this deficiency and has hired a third-party outsourced accountant. Additionally, certain financial processes will be delegated down to operational positions to draft data and documents.

The Organization will regularly evaluate these controls and processes and update as needed.

Ryan Hall, Executive Director, is responsible for the corrective action plan.

SHENANDOAH COMMUNITY CAPITAL FUND, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2023

The prior year audit disclosed no findings.