

HOPE ENTERPRISE CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2025 AND 2024



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HOPE ENTERPRISE CORPORATION
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Hope Enterprise Corporation
Jackson, Mississippi

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Hope Enterprise Corporation and entities under its control (the Company), which comprise the consolidated statements of financial position as of December 31, 2025 and 2024, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Hope Enterprise Corporation and entities under its control as of December 31, 2025 and 2024, and the changes in its consolidated net assets and its consolidated 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 (GAAS) and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the Company 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 the 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 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 the Company's ability to continue as a going concern for one year after the date 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 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 consolidated financial statements.

In performing an audit in accordance with GAAS *Government 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 the Company'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 the Company'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 audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in the following consolidating and combining statements are 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits 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 GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated 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 March 30, 2026, on our consideration of the Company'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 of the effectiveness of the Company'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 Company's internal controls over financials reporting and compliance.



CliftonLarsonAllen LLP

St Cloud, Minnesota
March 30, 2026

HOPE ENTERPRISE CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2025 AND 2024

	2025	2024
ASSETS		
Cash and Cash Equivalents	\$ 30,634,866	\$ 44,484,341
Restricted Cash	24,382,930	18,183,564
Grant and Other Receivables	6,711,077	3,419,618
Contract Revenue Receivable	122,810	161,525
Due from Hope Federal Credit Union	2,822,533	2,993,885
Loans Receivable	200,073,916	190,684,755
Loan Receivable from HFCU	11,677,101	-
Allowance for Credit Losses	(1,783,317)	(1,734,530)
Investment Securities	43,033,631	45,701,797
Notes Receivable Secondary Capital of HFCU	38,035,775	38,035,775
Property and Equipment, Net	2,070,439	1,916,903
Other Assets	925,212	436,220
Right-of-Use Asset - Operating	186,666	101,669
Right-of-Use Asset - Financing	307,831	6,491
	<u>\$ 359,201,470</u>	<u>\$ 344,392,013</u>
Total Assets		
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 2,804,575	\$ 3,323,507
Payable to Hope Federal Credit Union	2,228,220	-
Deferred Revenue	10,832,146	17,696,261
Notes Payable	109,769,141	80,901,245
Lease Liability - Operating	36,483	100,580
Lease Liability - Financing	313,533	7,163
Total Liabilities	<u>125,984,098</u>	<u>102,028,756</u>
NET ASSETS		
Without Donor Restrictions	23,521,063	45,414,012
Noncontrolling Interests	179,942,795	174,848,796
Total Without Donor Restrictions	<u>203,463,858</u>	<u>220,262,808</u>
With Donor Restrictions	29,753,514	22,100,449
Total Net Assets	<u>233,217,372</u>	<u>242,363,257</u>
Total Liabilities and Net Assets	<u>\$ 359,201,470</u>	<u>\$ 344,392,013</u>

See accompanying Notes to Consolidated Financial Statements.

HOPE ENTERPRISE CORPORATION
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND GAINS (LOSSES)			
Grants and Contributions	\$ 12,108,924	\$ 8,276,351	\$ 20,385,275
Interest, Dividends, and Related Fees:			
Loans and Other Investments	2,821,829	-	2,821,829
Investment Income, Net	3,347,948	-	3,347,948
Contract Services Revenue	1,263,490	-	1,263,490
Miscellaneous Income	5,170	-	5,170
Subtotal	19,547,361	8,276,351	27,823,712
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	623,286	(623,286)	-
Total Revenues and Gains	20,170,647	7,653,065	27,823,712
EXPENSES			
Program Expenses:			
Development Finance	18,791,500	-	18,791,500
Housing Initiative	1,186,479	-	1,186,479
Policy and Advocacy	601,847	-	601,847
Other Programs	8,222,680	-	8,222,680
Total Program Expenses	28,802,506	-	28,802,506
Supporting Services:			
General and Administration	10,468,854	-	10,468,854
Fundraising and Communication	1,374,661	-	1,374,661
Total Expenses	40,646,021	-	40,646,021
CHANGE IN NET ASSETS BEFORE NONCONTROLLING INTEREST	(20,475,374)	7,653,065	(12,822,309)
Noncontrolling Interests in Subsidiaries' Net Income	(1,012,085)	-	(1,012,085)
CHANGE IN NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST	(21,487,459)	7,653,065	(13,834,394)
Net Assets Attributable to Controlling Interests - Beginning of Year	45,414,012	22,100,449	67,514,461
Transfer of Net Assets from ECDI	(405,490)	-	(405,490)
NET ASSETS ATTRIBUTABLE TO CONTROLLING INTERESTS - END OF YEAR	23,521,063	29,753,514	53,274,577
Net Assets of Noncontrolling Interests	179,942,795	-	179,942,795
NET ASSETS - END OF YEAR	\$ 203,463,858	\$ 29,753,514	\$ 233,217,372

See accompanying Notes to Consolidated Financial Statements.

HOPE ENTERPRISE CORPORATION
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND GAINS (LOSSES)			
Grants and Contributions	\$ 37,584,799	\$ 3,758,653	\$ 41,343,452
Interest, Dividends, and Related Fees:			
Loans and Other Investments	3,353,445	-	3,353,445
Investment Income, Net	1,866,733	-	1,866,733
Other Losses	(454)	-	(454)
Contract Services Revenue	1,190,297	-	1,190,297
Miscellaneous Loss	(134,491)	-	(134,491)
Subtotal	43,860,329	3,758,653	47,618,982
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	290,501	(290,501)	-
Total Revenues and Gains	44,150,830	3,468,152	47,618,982
EXPENSES			
Program Expenses:			
Development Finance	9,397,838	-	9,397,838
Housing Initiative	915,519	-	915,519
Policy and Advocacy	452,294	-	452,294
Other Programs	8,899,324	-	8,899,324
Total Program Expenses	19,664,975	-	19,664,975
Supporting Services:			
General and Administration Expense	7,482,346	-	7,482,346
Fundraising and Communication	598,014	-	598,014
Total Expenses	27,745,335	-	27,745,335
CHANGE IN NET ASSETS BEFORE NONCONTROLLING INTEREST	16,405,495	3,468,152	19,873,647
Noncontrolling Interests in Subsidiaries' Net Income	(3,341,933)	-	(3,341,933)
CHANGE IN NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST	13,063,562	3,468,152	16,531,714
Net Assets Attributable to Controlling Interests - Beginning of Year	32,350,450	18,632,297	50,982,747
NET ASSETS ATTRIBUTABLE TO CONTROLLING INTERESTS - END OF YEAR	45,414,012	22,100,449	67,514,461
Net Assets of Noncontrolling Interests	174,848,796	-	174,848,796
NET ASSETS - END OF YEAR	\$ 220,262,808	\$ 22,100,449	\$ 242,363,257

See accompanying Notes to Consolidated Financial Statements.

HOPE ENTERPRISE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets Attributable to Controlling Interests	\$ (13,834,394)	\$ 16,531,714
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Noncontrolling Interests in Subsidiaries' Net Loss	1,012,085	3,341,933
Depreciation	185,259	378,340
Credit for Credit Losses	(96,201)	(1,442,364)
Forgiveness of Mortgage Loan Debt	565,975	588,661
Realized and Unrealized Net Gains on Investments	(1,294,151)	(176,242)
Changes in Operating Assets and Liabilities:		
Contract Revenue Receivable	38,715	5,460
Grants Receivable	(3,291,459)	(1,404,560)
Due from Affiliate	171,352	(2,993,885)
Operating Right-of-Use Asset	(84,997)	32,395
Other Receivables and Prepaid Expenses	(488,992)	106,474
Accounts Payable and Other Liabilities	(518,932)	(179,410)
Payable to HFCU	2,228,220	(1,008,457)
Operating Lease Liability	(64,097)	(60,165)
Deferred Revenue	(6,864,115)	10,254,462
Net Cash Provided (Used) by Operating Activities	(22,335,732)	23,974,356
CASH FLOWS FROM INVESTING ACTIVITIES		
Issuance of Loans Held for Investment	(29,796,504)	(38,658,267)
Payments on Loans Held for Investment	19,937,569	38,917,013
Increase (Decrease) in Allowance for Credit Losses	48,787	(1,751,567)
Purchases of Investments	(61,936,502)	(20,709,600)
Proceeds from Maturities and Sales of Investments	65,898,819	4,244,461
Purchase of Property and Equipment	(640,135)	(623,801)
Issuance of Capital Loan	(11,677,101)	-
Net Cash Used by Investing Activities	(18,165,067)	(18,581,761)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital Contributions from Noncontrolling Interests	24,000,000	32,050,000
Return of Capital Contributions to Noncontrolling Interests	(19,000,000)	(30,250,000)
Cash Dividends Paid to Noncontrolling Interests	(1,323,576)	(1,513,246)
Proceeds from Issuance of Notes Payable	29,827,101	21,832,384
Payments on Long-Term Borrowings	(959,205)	(5,045,336)
Payments on Financing Lease Liability	306,370	(3,676)
Net Cash Provided by Financing Activities	32,850,690	17,070,126
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(7,650,109)	22,462,721
Cash, Cash Equivalents, Restricted Cash - Beginning of Year	62,667,905	40,205,184
CASH, CASH EQUIVALENTS, RESTRICTED CASH - END OF YEAR	\$ 55,017,796	\$ 62,667,905
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 2,426,291	\$ 1,412,646

See accompanying Notes to Consolidated Financial Statements.

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Company

Hope Enterprise Corporation is a nonprofit community development financial institution (CDFI) primarily serving Alabama, Arkansas, Georgia, Louisiana, Mississippi, and Tennessee. The goal of Hope Enterprise Corporation is to improve the regional economy through investment, jobs, and growth. The services of Hope Enterprise Corporation include financing, management assistance, financial counseling, and market development and are designed to support business creation and expansion, homeownership, and community development.

Principles of Consolidation

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) and include the accounts of the Hope Enterprise Corporation and entities under its control (the Company) which include ECD Investments, LLC (ECDI), Home Again, Inc. (Home Again), and twenty-four additional limited liability companies. All significant intercompany transactions and balances have been eliminated in consolidation. The preparation of such consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. The allowance for loan losses and the valuation of foreclosed property and investments are determined utilizing material estimates that are particularly susceptible to change in the near term.

ECDI is a limited liability company subsidiary of the Company. The purpose of ECDI is the same as that of the Company. ECDI was terminated in 2025. Home Again is a nonprofit organization in which the Company serves as the primary sponsor and also controls the board of directors. Home Again provides mortgage financing and recovery consultation services to eligible people in the coastal region of Mississippi in the aftermath of Hurricane Katrina and other distressed communities throughout the mid-south.

There are also twenty-four additional limited liability companies included in the consolidated financial statements of the Company. The Company serves as the Managing Member of all twenty-four entities. Debt and equity funding into two of those entities ECD Associates, LLC (ECDA) and ECD New Markets, LLC (ECDNM) is used for secondary capital loans and contributions to Hope Federal Credit Union (HFCU). The remaining twenty-two limited liability companies are Community Development Entities (CDEs) created for investors to benefit from the New Markets Tax Credit program administered by the U.S. Department of the Treasury. Substantially all of the qualified equity investments must be in turn used to provide available investment capital to low-income communities. The CDEs will dissolve after the loans provided by the CDEs mature, in accordance with the terms of the CDE operating agreements. Two CDEs were terminated in 2025.

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The Company manages deposit concentration risk by placing cash accounts with financial institutions believed to be creditworthy. At times, during years ended December 31, 2025 and 2024, cash balances exceeded the related Federal Deposit Insurance Corporation (FDIC) insurance limit of \$250,000. Cash in excess of FDIC insurance limit totaled \$53,324,290 and \$64,181,030 as of December 31, 2025 and 2024, respectively. To date, the Company has not experienced losses in any of these accounts.

Restricted Cash

Restricted cash represents funding from restricted grants and debt that may only be used for specified purposes and not for general corporate matters. Interest income on these funds is included in revenue.

Cash and cash equivalents at December 31, 2025, totaling \$30,634,866 and restricted cash totaling \$24,382,930 as included on the consolidated statement of financial position, equal total cash, cash equivalents, and restricted cash shown of the consolidated statement of cash flows of \$55,017,796. Cash and cash equivalents at December 31, 2024, totaling \$44,484,341, and restricted cash totaling \$18,183,564, as included on the consolidated statement of financial position, equal total cash, cash equivalents, and restricted cash shown of the consolidated statement of cash flows of \$62,667,905.

Grants and Contributions Receivable and Revenue

Unconditional grants and contributions are recognized as revenue in the period the commitment is received. Unconditional grants and contributions to be received over a period of time in excess of one year are recorded at fair value at the date of the grant based upon the present value of payments to be received. Conditional grants and contributions are those with a measurable performance or other barrier and a right of return and are not recognized until the conditions have been met. Contributions received totaling \$10,832,146 and \$17,696,261 at December 31, 2025 and 2024, respectively, have been recognized in the accompanying consolidated statement of financial position as deferred revenue because the conditions on which they depend have not yet been met. Management considers all grants and contributions receivable to be fully collectible and therefore no allowance for uncollectible amounts is necessary. The Company has received approximately \$8,700,000 of conditional grants that have not been recognized because the conditions have not been met as of year-end.

Donated Goods and Services

The fair value of donated goods and services is estimated based on the current market rates for comparable goods and services.

During the years ended December 31, 2025 and 2024, the Company did not receive any donated goods or service.

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Contract Services Revenue and Related Receivables

Contract services revenue is recognized in the period services are rendered. For related receivables, no allowance for credit loss has been deemed necessary. Management determines the allowance by reviewing all outstanding amounts on a monthly basis, identifying troubled accounts and reviewing current economic conditions. Contract receivables are written off when deemed uncollectible. Recoveries of contract receivables previously written off are recorded when received.

The Company receives New Markets Tax Credit (NMTC) allocations as a Community Development Entity (CDE). Revenue from the allocation service fee is recognized when the sub-CDE created by the Company obtains a qualified low-income community investment (QLICI). These fees are included in contract services revenue on the consolidated statements of activities. During the years ended December 31, 2025 and 2024, revenue from these fees totaled \$545,444 and \$662,526, respectively.

Fair Value Measurements

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The Company utilizes a fair value hierarchy for measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs. Three levels of inputs are used to measure fair value:

Level 1 – Valuations based on unadjusted quoted prices for identical assets in active markets accessible at the measurement date.

Level 2 – Valuations derived from (i) quoted prices for similar assets or liabilities in active markets; (ii) quoted prices for identical or similar assets or liabilities in inactive markets; (iii) inputs other than quoted prices that are observable for the asset or liability; and (iv) inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

Level 3 – Valuations derived from unobservable (supported by little or no market activity) inputs that reflect an entity's best estimate of what hypothetical market participants would use to determine a transaction price at the reporting date.

When quoted market prices in active markets are unavailable, the Company determines fair values using various valuation techniques and models based on a range of observable market inputs including pricing models, quoted market price of publicly traded securities with similar duration and yield, time value, yield curve, prepayment speeds, default rates and discounted cash flow. In most cases, these estimates are determined based on independent third party valuation information, and the amounts are disclosed in the Level 2 of the fair value hierarchy. If quoted market prices and independent third party valuation information are unavailable, the Company produces an estimate of fair value based on internally developed valuation techniques, which, depending on the level of observable market inputs, will render the fair value estimate as Level 2 or Level 3.

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Fair Value Measurements (Continued)

The Company generally obtains one quoted market price or dealer quote per instrument. When dealer quotations are used, the Company uses the mid-mark as fair value. As part of the price verification process, valuations based on quotes are corroborated by comparison both to other quotes and to recent trading activity in the same or similar instruments. To the extent the Company determines a price or quote is inconsistent with actual trading activity observed in that investment or similar investments, or if the Company does not believe the quote is reflective of the market value for the investment, the Company would internally develop a fair value using this observable market information.

Loans Receivable

Loans receivable are stated at the amount of unpaid principal, less an allowance for credit losses on loans, and consist of commercial loans, consumer mortgage loans, and forgivable mortgage loans. The commercial loans are typically collateralized by property, equipment, inventories, and/or receivables and are generally guaranteed by the principals of the borrowing business entity.

Interest income is computed on the loan balance outstanding and is accrued as earned. Loans are considered past due if the required principal and interest payments have not been received as of the date such payments are due. Unless collection of interest is reasonably certain, as in the case of a government guarantee, the Company generally discontinues the accrual of interest and recognizes income only as received for loans 90 days or more past due. A loan may also be placed in nonaccrual status when, in management's judgment, the collection of interest is doubtful. All interest accrued but not collected for loans that are placed in nonaccrual status or charged off is reversed through interest income unless management believes the accrued interest is recoverable through the liquidation of collateral. Interest received on nonaccrual loans is either applied against principal or reported as interest income, based on management's assessment regarding the recovery of principal. The Company has determined that the impact of capitalizing nonrefundable fees and other costs is not significant. These costs have been expensed as incurred. Management has also issued loans at below-market rates. Interest income from these loans is imputed based on the market rate offered to those of a similar type. Imputed interest is approximately \$41,000 as of December 31, 2025 and 2024.

A loan is considered impaired when it is probable, based on current information and events, that the Company will be unable to collect all principal and interest payments due in accordance with the contractual terms of the loan agreement. Impaired loans are measured by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent. The amount of impairment, if any, and any subsequent changes are included in the allowance for credit losses. Interest on accruing impaired loans is recognized as long as such loans do not meet the criteria for nonaccrual status.

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Loans Receivable (Continued)

Loans receivable also include forgivable mortgage loans that are made to accommodate the financial needs of qualifying customers. The terms of these loans differ significantly from traditional mortgage loans since they are forgivable over a stated period of time, typically from 5 to 15 years, and only become due upon the sale or transfer of the residence. No principal or interest payments are received for loans made under the forgivable mortgage loan programs. Persons receiving loans under the forgivable mortgage loan programs must meet certain eligibility requirements and agree to occupy the residence for a stated period of time. The Company holds a secured interest in the property until the occupancy period is met. At such time, the interest in the property is transferred to the borrower. No allowance for credit losses has been deemed necessary based on the forgivable nature of the loans and management's evaluation of the excess of the value of the collateral securing the loans over the unforgiven portion of the mortgage loans. The Company recorded approximately \$565,975 and \$588,661 in debt forgiveness during 2025 and 2024, respectively, related to these mortgage loans.

As of December 31, 2025, the Company has a conditional promise to forgive the following amounts over the next five years:

<u>Years Ending December 31,</u>	<u>Amount</u>
2026	\$ 232,957
2027	223,582
2028	218,207
2029	186,082
2030	186,082
Thereafter	<u>637,763</u>
Total	<u>\$ 1,684,673</u>

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

**NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Loans Receivable (Continued)

The Company assigns a risk rating to commercial loans and periodically performs detailed internal reviews of all such loans over a certain threshold to identify credit risks and to assess the overall collectability of the portfolio. During the internal reviews, management monitors and analyzes the financial condition of borrowers and guarantors, trends in the industries in which the borrowers operate and the fair values of collateral securing the loans. These credit quality indicators are used to assign a risk rating to each individual loan. The risk ratings can be grouped into the following major categories, defined as follows:

Pass: Loans classified as Pass are loans with no existing or known potential weaknesses deserving of management's close attention.

Special Mention: Loans classified as Special Mention have a potential weakness that deserves management's close attention. If left uncorrected, this potential weakness may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date. Special Mention loans are not adversely classified and do not expose the Company to sufficient risk to warrant adverse classification.

Substandard: Loans classified as Substandard are not adequately protected by the current net worth and paying capacity of the borrower or of the collateral pledged, if any. Loans classified as Substandard have a well-defined weakness or weaknesses that jeopardize the repayment of the debt. Well defined weaknesses include a borrower's lack of marketability, inadequate cash flow or collateral support, failure to complete construction on time, or failure to fulfill economic expectations. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

Doubtful: Loans classified as Doubtful have all the weaknesses inherent in those classified as Substandard, with the added characteristic that the weaknesses make collection or repayment in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss: Loans classified as Loss are considered uncollectible and anticipated to be charged off.

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Allowance for Credit Losses

The allowance for credit losses on loans is a valuation account that is deducted from the amortized cost basis of loans to present the net amount expected to be collected. The allowance for credit losses on loans is adjusted through the provision for credit losses to the amount of amortized cost basis not expected to be collected at the balance sheet date. Loan losses are charged off against the allowance for credit losses on loans when the Company determines the loan balance to be uncollectible. Cash received on previously charged off amounts is recorded as a recovery to the allowance for credit losses on loans.

The measurement of expected credit losses encompasses information about historical events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Qualitative adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, or delinquencies, as well as for changes in environmental conditions, such as changes in unemployment rates, property values, or other relevant factors.

Expected credit losses are estimated on a collective basis for groups of loans that share similar risk characteristics. Factors that may be considered in aggregating loans for this purpose include but are not necessarily limited to product or collateral type and internal risk ratings. For loans that do not share similar risk characteristics with other loans such as collateral dependent loans, expected credit losses are estimated on an individual basis.

Expected credit losses are estimated over the contractual terms of the loans, adjusted for expected prepayments. The contractual term excludes expected extensions, renewals, and modifications unless the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Company.

Loans are charged off against the allowance for credit losses on loans in the period in which they are deemed uncollectible and recoveries are credited to the allowance for credit losses on loans when received. Expected recoveries on loans previously charged off and expected to be charged-off are included in the allowance for credit losses on loans estimate. Once loans are downgraded to substandard, an assessment of collateral value is made; any outstanding loan balance in excess of fair value less cost to sell is charged off at no later than 180 days delinquency. Additionally, any outstanding balance in excess of fair value of collateral less cost to sell is charged off when the asset is foreclosed by the Company. Commercial and other mortgage loans are charged off when, in management's judgment, they are considered to be uncollectible.

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Allowance for Credit Losses (Continued)

The Company utilized the weighted average remaining maturity (WARM) method in determining expected future credit losses for each of the loan categories. The WARM method considers an estimate of expected credit losses over the remaining life of the financial assets and uses average annual charge-off rates to estimate the allowance for credit losses. For amortizing assets, the remaining contractual life is adjusted by the expected scheduled payments and prepayments. The average annual charge-off rate is applied to the amortization-adjusted remaining life to determine the unadjusted lifetime historical charge-off rate.

The Company's expected loss estimate is anchored in historical credit loss experience, with an emphasis on all available portfolio data. The Company's historical look-back period annual loss rates vary for each loan segment but extend back three years. When historical credit loss experience is not sufficient for a specific portfolio, the entity may supplement its own portfolio data with external models or data.

Qualitative reserves reflect management's overall estimate of the extent to which current expected credit losses on collectively evaluated loans will differ from historical loss experience. The analysis takes into consideration other analytics performed within the organization, such as enterprise and concentration management, along with other credit-related analytics as deemed appropriate. Management attempts to quantify qualitative reserves whenever possible. The CECL methodology applied focuses on evaluation of qualitative and environmental factors, including but not limited to: (i) evaluation of facts and issues related to specific loans; (ii) management's ongoing review and grading of the loan portfolio; (iii) consideration of historical loan loss and delinquency experience on each portfolio segment; (iv) trends in past due and nonperforming loans; (v) the risk characteristics of the various loan segments; (vi) changes in the size and character of the loan portfolio; (vii) concentrations of loans to specific borrowers or industries; (viii) existing economic conditions; (ix) the fair value of underlying collateral; and (x) other qualitative and quantitative factors which could affect expected credit losses.

The Company establishes a specific reserve for individually evaluated loans which do not share similar risk characteristics with the loans evaluated from a collective or pooled basis. These individually evaluated loans are removed from the pooling approach discussed above for the quantitative baseline and include nonaccrual loans and other loans deemed appropriate by management.

Although management believes the allowance for credit losses on loans to be adequate, ultimate losses may vary from its estimates. At least quarterly, the board of directors reviews the adequacy of the allowance for credit losses on loans, including consideration of the relevant risks in the portfolio, current economic conditions, and other factors.

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Investment Securities

Investment securities are carried at fair value based on quoted market prices. Unrealized gains and losses are included in the change in net assets. The primary components that determine a security's fair value are its coupon rate, maturity and credit characteristics. The Company holds these securities as part of its asset/liability strategy and they may be sold as a result of changes in interest rate risk, prepayment risk or other similar economic factors.

Premiums and discounts on investment securities are recognized as adjustments to interest income by the interest method over the period to maturity and are adjusted for prepayments as applicable. For callable debt securities purchased at a premium, the amortization period is shortened to the earliest call date. The specific identification method is used to compute the realized gains or losses on the sale of these assets. Security purchases and sales are accounted for on the trade date.

Property and Equipment

Property and equipment are stated at cost, if purchased, and estimated fair value at the date received, if donated to the Company. Depreciation on property and equipment is calculated principally by the straight-line method over the estimated useful lives of the assets which generally range from 3 to 39 years. The carrying value of long-lived assets is reviewed if facts and circumstances indicate a potential impairment of carrying value may have occurred utilizing relevant cash flow and profitability information. Impairment losses are recorded when the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts.

Foreclosed Property

Property acquired through, or in lieu of, loan foreclosure is held for sale and is initially recorded at the fair value of the property acquired at the date of foreclosure net of estimated selling costs, which establishes a new cost basis. Loan balances in excess of the fair value of the property acquired at the date of foreclosure are charged to the allowance for loan credit losses on loans.

A valuation allowance and a corresponding charge to operations is established to reflect declines in value subsequent to acquisition, if any, below the new basis. Required developmental costs associated with foreclosed property under construction are capitalized and considered in determining the fair value of the property. Operating expenses of such properties, net of related income, and gains and losses on their disposition are included in program expenses.

Leases

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating right-of-use (ROU) asset, and operating lease liability on the consolidated statements of financial position. Finance leases are included in financing ROU asset, and financing lease liability on the consolidated statements of financial position.

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Leases (Continued)

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most leases do not provide an implicit rate, the Company uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Company has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or ROU assets on the consolidated statements of financial position. The Company has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In determining the discount rate used to measure the ROU asset and lease liability, the Company uses rates implicit in the lease, or if not readily available, a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

**NOTE 1 NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Income Taxes

Hope Enterprise Corporation and Home Again have received rulings from the Internal Revenue Service for exemption from income taxes as public charities under Internal Revenue Code Sections 501(c)(3) and 509 (a)(2). Since ECDI, ECDA, ECDNM, and the twenty CDE entities are limited liability companies, no income taxes are provided. Additionally, two CDE entities are organized as C corporations and are subject to income tax.

Potential exposures involving tax positions taken that may be challenged by taxing authorities contain assumptions based upon past experiences and judgments about potential actions by taxing jurisdictions. Management does not believe that the ultimate settlement of these items will result in a material amount. With minimum exceptions, the Company is no longer subject to income tax examinations prior to 2020.

Subsequent Events

In connection with the preparation of the consolidated financial statements, management of the Company evaluated subsequent events through March 30, 2026, which was the date the consolidated financial statements were available to be issued.

NOTE 2 GRANT AND OTHER RECEIVABLES

The Company's management anticipates grant receivables will be received and available for support of the Company's programs. The makeup of grant and other receivables are as follows:

	<u>2025</u>	<u>2024</u>
Grant Receivable in Less Than One Year	\$ 848,807	\$ 3,234,753
Grant Receivable in One to Five Years	766,667	-
Less: Adjustment to Reflect Grant Receivables at Fair Value at the Date of Grant, Based on 2.5% Discount Rate in 2025 and 2024	<u>(40,518)</u>	<u>(14,192)</u>
Total Grant Receivables	1,574,956	3,220,561
Cash Settlement from the Sale of Investment Securities Due in Less Than One Year	4,938,601	-
Other Receivables Due in Less Than One Year	<u>197,520</u>	<u>199,057</u>
Total Grant and Other Receivables	<u><u>\$ 6,711,077</u></u>	<u><u>\$ 3,419,618</u></u>

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 3 FAIR VALUE MEASUREMENTS

At December 31, 2025 and 2024, the only items carried at fair value in the accompanying consolidated statements of financial position were investment securities, certain collateral-dependent impaired loans, and certain foreclosed property. Investment securities are measured at fair value on a recurring basis with changes in fair value recognized as a change in net assets, whereas impaired loans and foreclosed property are carried at the lower of cost or fair value on a nonrecurring basis and are written down to fair value upon initial recognition or subsequent impairment. Fair value amounts for collateral-dependent loans are generally based on internally developed collateral valuations. These valuations incorporate measures such as recent sales prices for comparable properties or customized discounting criteria.

The fair value measurements by input level follow:

	December 31, 2025			
	Level 1	Level 2	Level 3	Total
Investment Securities	\$ -	\$ 43,033,631	\$ -	\$ 43,033,631
	December 31, 2024			
	Level 1	Level 2	Level 3	Total
Investment Securities	\$ -	\$ 45,701,797	\$ -	\$ 45,701,797

NOTE 4 INVESTMENT SECURITIES

Investment securities, presented in the consolidated financial statements at fair value, are categorized as follows as of December 31:

	2025	2024
Government Agencies	\$ 668,395	\$ 1,784,636
Residential Mortgage-Backed Securities	11,912,876	16,989,895
U.S. Treasury Notes	21,520,408	15,267,890
U.S. Treasury Bonds	2,795,895	5,453,382
Municipal Bonds	6,136,057	6,205,994
Total	\$ 43,033,631	\$ 45,701,797

NOTE 5 LOANS, NET

The Company makes loans to small businesses located in rural, economically disadvantaged areas of Alabama, Arkansas, Georgia, Louisiana, Mississippi, and Tennessee. Such loans, the proceeds of which normally provide working capital and equipment financing to undercapitalized businesses that may be unable to obtain credit from conventional financing sources, have a higher than typical degree of risk. The Company also made a loan to HFCU during the year ended December 31, 2025 which is detailed in Note 6.

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 5 LOANS, NET (CONTINUED)

Included in commercial loans is a concentration in New Market Tax Credit program loans originated by community development entities which aggregated approximately \$179,500,000 and \$174,600,000 at December 31, 2025 and 2024, respectively. These interest-only loans have seven-year repayment terms.

The Coronavirus Aid, Relief and Economic Security Act (CARES Act) was signed into law on March 27, 2020. The CARES Act provided economic relief to individuals and businesses through the PPP, which allowed financial institutions to grant forgivable, guaranteed Small Business Administration (SBA) loans. The PPP loans do not require payments until six months after funding, mature at 24 or 60 months and bear interest at 1.00%. During the years ended December 31, 2025 and 2024, the Company had approximately \$-0- and \$9,000, respectively, of PPP loans outstanding reported in commercial loans. Management determined that the impact of deferring origination fees associated with the loans was not significant.

The composition of loans as of December 31 is as follows:

	2025	2024
Commercial Loans	\$ 197,456,478	\$ 187,747,260
Forgivable Mortgage Loans	2,382,640	2,685,150
Other Consumer Mortgage Loans	234,798	252,345
Loans Receivable from HFCU	11,677,101	-
Subtotal	<u>211,751,017</u>	<u>190,684,755</u>
Allowance for Credit Losses	<u>(1,783,317)</u>	<u>(1,734,530)</u>
Total	<u>\$ 209,967,700</u>	<u>\$ 188,950,225</u>

The Company has sold loan participations to various other companies, which are secured by commercial property. These loan participations were sold without recourse and the Company performs all loan servicing functions on these loans. Loan participations sold and excluded from the commercial loan segment above totaled approximately \$4,594,000 and \$4,674,000 at December 31, 2025 and 2024, respectively.

A summary of the activity in the allowance for credit losses on loans and loan losses for the years ended December 31, 2025 and 2024, respectively, is as follows.

	December 31, 2025				
	Balance - Beginning of Year	Charge-Offs	Recoveries	Credit for Loan Losses	Balance - End of Year
Commercial	\$ 1,733,268	\$ (34,404)	\$ 179,480	\$ (96,201)	\$ 1,782,143
Other Consumer Mortgage Loans	1,262	(88)	-	-	1,174
Total	<u>\$ 1,734,530</u>	<u>\$ (34,492)</u>	<u>\$ 179,480</u>	<u>\$ (96,201)</u>	<u>\$ 1,783,317</u>

	December 31, 2024				
	Balance - Beginning of Year	Charge-Offs	Recoveries	Credit for Loan Losses	Balance - End of Year
Commercial	\$ 3,484,679	\$ (309,047)	-	\$ (1,442,364)	\$ 1,733,268
Other Consumer Mortgage Loans	1,418	(156)	-	-	1,262
Total	<u>\$ 3,486,097</u>	<u>\$ (309,203)</u>	<u>\$ -</u>	<u>\$ (1,442,364)</u>	<u>\$ 1,734,530</u>

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 5 LOANS, NET (CONTINUED)

Because they do not represent a credit risk, management has determined that a reserve for forgivable mortgage loans is unnecessary.

The Company has determined an allowance for credit losses on unfunded commitments was not material to the consolidated financial statements as of December 31, 2025 and 2024.

The provision for credit losses is determined by the Company as the amount to be added to the allowance for credit losses for various types of financial instruments including loans, investment securities, and unfunded commitments after net charge-offs have been deducted to bring the allowance for credit losses to a level that, in management's judgment, is necessary to absorb expected credit losses over the lives of the respective financial instruments. The components of the credit for credit losses included in the statements of income for the years ended December 31, 2025 and 2024, related entirely to loans.

A loan is considered to be collateral dependent when, based upon management's assessment, the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. For collateral dependent loans, expected credit losses are based on the estimated fair value of the collateral at the balance sheet date, with consideration for estimated selling costs if satisfaction of the loan depends on the sale of the collateral. The following tables present collateral dependent loans by portfolio segment and collateral type, including those loans with and without a related allowance allocation.

The allowance for credit losses for loans considered to be collateral dependent is as follows:

	December 31, 2025		
	Commercial	Other Consumer Mortgage Loans	Total
Allowance for Credit Losses:			
Ending Balance: Collateral Dependent	\$ 95,385	\$ -	\$ 95,385
Loans:			
Ending Balance: Collateral Dependent	\$ 704,422	\$ -	\$ 704,422
	December 31, 2024		
	Commercial	Other Consumer Mortgage Loans	Total
Allowance for Credit Losses:			
Ending Balance: Collateral Dependent	\$ 124,411	\$ -	\$ 124,411
Loans:			
Ending Balance: Collateral Dependent	\$ 807,177	\$ -	\$ 807,177

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 5 LOANS, NET (CONTINUED)

Collateral dependent commercial real estate loans, both owner occupied and non-owner occupied are valued by independent external appraisals. These external appraisals are prepared using the sales comparison approach and income approach valuation techniques. Estimated fair values are reduced to account for sales commissions, broker fees, unpaid property taxes and additional selling expenses to arrive at an estimated net realizable value.

Management may make subsequent unobservable adjustments to the collateral dependent loan appraisals.

The following tables show the commercial loan portfolio allocated by management's internal risk ratings:

December 31, 2025					
	Pass Categories	Special Mention Category	Substandard Category	Doubtful Category	Total
Commercial Loans	\$ 167,527,919	\$ 29,766,976	\$ 74,857	\$ 86,726	\$ 197,456,478

December 31, 2024					
	Pass Categories	Special Mention Category	Substandard Category	Doubtful Category	Total
Commercial Loans	\$ 186,402,527	\$ 537,521	\$ 718,433	\$ 88,779	\$ 187,747,260

As of December 31, 2025 and 2024, all other consumer and forgivable mortgage loans were performing.

The following tables show an aging analysis of the loan portfolio by time past due:

December 31, 2025					
	Current	Past Due 30-89 Days	Past Due Greater Than 90 Days and Accruing Interest	Nonaccrual	Total
Commercial Loans	\$ 197,456,478	\$ -	\$ -	\$ -	\$ 197,456,478
Forgivable Mortgage Loans	2,382,640	-	-	-	2,382,640
Other Consumer Mortgage Loans	181,070	46,307	-	7,421	234,798
Loan Receivable from HFCU	11,677,101	-	-	-	11,677,101
Total	<u>\$ 211,697,289</u>	<u>\$ 46,307</u>	<u>\$ -</u>	<u>\$ 7,421</u>	<u>\$ 211,751,017</u>

December 31, 2024					
	Current	Past Due 30-89 Days	Past Due Greater Than 90 Days and Accruing Interest	Nonaccrual	Total
Commercial Loans	\$ 187,747,260	\$ -	\$ -	\$ -	\$ 187,747,260
Forgivable Mortgage Loans	2,685,150	-	-	-	2,685,150
Other Consumer Mortgage Loans	252,345	-	-	-	252,345
Loan Receivable from HFCU	-	-	-	-	-
Total	<u>\$ 190,684,755</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 190,684,755</u>

Modifications to borrowers experiencing financial difficulties may include interest rate reductions, principal or interest forgiveness, forbearance, term extensions, and other actions intended to minimize economic loss and to avoid foreclosure or repossession of collateral.

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 5 LOANS, NET (CONTINUED)

The Company did not enter into any modifications during the years ended December 31, 2025 and 2024.

The Company does not have material commitments to lend additional funds to borrowers with loans whose terms have been modified in troubled debt restructurings or whose loans are in nonaccrual.

NOTE 6 RELATED PARTY TRANSACTIONS

Under the terms of its contractual arrangements with HFCU, the Company has agreed to reimburse HFCU for certain operating expenses and losses incurred on loans considered to be higher risk than typically underwritten by regulated financial institutions such as HFCU. Such obligations are limited so as to not provide HFCU with annual net income of more than \$240,000. HFCU and the Company share the same members of management and certain HFCU members are also borrowers from the Company and its subsidiaries. The Company incurred expenses of \$16,818,864 and \$7,433,233 relative to its obligation to reimburse certain operating expenses of HFCU in 2025 and 2024, respectively.

Secondary capital of HFCU are notes that require principal repayments, unless HFCU (i) is unable to fully service existing senior indebtedness, (ii) is unable to satisfy its operating expenses, or (iii) does not have available cash flows for the withdrawals of funds for the account. If such loans are not required to be repaid, they will be recognized as expense in the period the losses are incurred.

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 6 RELATED PARTY TRANSACTIONS (CONTINUED)

The following table present information related to Secondary capital of HFCU as of December 31, 2025:

<u>Description</u>	<u>2025</u>	<u>2024</u>
Fixed Rate Note ECD New Markets, LLC, at an interest rate of 1.00%, maturing on September 30, 2026.	\$ 550,000	\$ 550,000
Fixed Rate Note ECD New Markets, LLC, at an interest rate of 1.00%, maturing on December 20, 2026.	550,000	550,000
Fixed Rate Note Hope Enterprise Corporation at an interest rate of 1.00%, maturing on January 13, 2028.	2,000,000	2,000,000
Fixed Rate Note Hope Enterprise Corporation at an interest rate of 1.00%, maturing on January 13, 2028.	3,000,000	3,000,000
Fixed Rate Note ECD New Markets, LLC, at an interest rate of 1.00%, maturing on June 22, 2027.	825,000	825,000
Fixed Rate Note Hope Enterprise Corporation at an interest rate of 1.00%, maturing on April 29, 2027.	1,000,000	1,000,000
Fixed Rate Note Hope Enterprise Corporation at an interest rate of 1.00%, maturing on December 31, 2027.	5,000,000	5,000,000
Fixed Rate Note Hope Enterprise Corporation at an interest rate of 1.00%, maturing on December 31, 2027.	1,500,000	1,500,000
Fixed Rate Note Hope Enterprise Corporation at an interest rate of 1.00%, maturing on December 31, 2027.	14,560,775	14,560,775
Fixed Rate Note Hope Enterprise Corporation at an interest rate of 1.00%, maturing on December 31, 2027.	3,000,000	3,000,000
Fixed Rate Note Hope Enterprise Corporation at an interest rate of 1.00%, maturing on December 31, 2027.	2,000,000	2,000,000
Fixed Rate Note ECD New Markets, LLC, at an interest rate of 1.00%, maturing on January 1, 2029.	1,050,000	1,050,000
Fixed Rate Note Hope Enterprise Corporation at an interest rate of 3.00%, maturing on December 17, 2030.	3,000,000	3,000,000
Total Secondary Capital of HFCU	<u>\$ 38,035,775</u>	<u>\$ 38,035,775</u>

Interest income received from HFCU relative to the secondary capital notes was \$410,608 and \$411,733 for the years ended December 31, 2025 and 2024, respectively. No repayments are due on the above secondary capital notes until 2026 and thereafter.

The Company incurred \$700,000 and \$79,478 in 2025 and 2024, respectively for grants to HFCU which are included in development finance expense in the accompanying consolidated statements of activities.

Accounts receivable from HFCU for expense reimbursements totaled \$2,822,535 and \$2,993,885 as of December 31, 2025 and 2024, respectively. Accounts payable to HFCU for grants and contractual services totaled \$0- as of December 31, 2025 and 2024. The Company had deposit accounts with HFCU as of December 31, 2025 and 2024, totaling \$49,267,739 and \$61,096,120, respectively.

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 6 RELATED PARTY TRANSACTIONS (CONTINUED)

The Company has a mortgage payable to HFCU with an outstanding principal balance of \$672,278 and \$694,769, respectively at December 31, 2025 and 2024. The Company recognized interest expense of \$34,756 and \$23,555 during 2025 and 2024, respectively, related to its mortgage payable to HFCU. See terms of mortgage payable at Note 8.

The Company has a note payable to HFCU with an outstanding principal balance of \$5,327,101 and \$-0-, respectively at December 31, 2025 and 2024. The Company recognized interest expense of \$188,668 and \$-0- during 2025 and 2024, respectively, related to its note payable to HFCU. See terms of note at Note 8.

In April 2025, the Company issued a loan to HFCU. Annual interest to be charged on the outstanding and unpaid principal balance of this loan is fixed at 2.1% and the loan is maturing in 2057. The outstanding principal balance was of \$11,677,101 and \$-0-, respectively at December 31, 2025 and 2024. Interest and principal payments are received quarterly. The Company recognized interest income of \$17,269 and \$-0- during 2025 and 2024, respectively, related to its loan receivable from HFCU.

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2025</u>	<u>2024</u>
Computer Equipment	\$ 6,565,663	\$ 5,969,476
Office Equipment and Other	990,203	932,831
Buildings and Improvements	2,030,950	2,027,655
Construction in Progress	16,741	33,460
Subtotal	<u>9,603,557</u>	<u>8,963,422</u>
Less: Accumulated Depreciation	<u>(7,533,118)</u>	<u>(7,046,519)</u>
Total	<u>\$ 2,070,439</u>	<u>\$ 1,916,903</u>

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 8 NOTES PAYABLE

Notes payable consist of the following as of December 31:

<u>Description</u>	<u>2025</u>	<u>2024</u>
1% Notes Payable:		
Interest due quarterly and maturing from 2030 through 2034.	\$ 6,000,000	\$ 6,000,000
Interest due quarterly and maturing from 2025 through 2027.	750,000	1,000,000
Interest due annually and maturing from 2025 through 2026.	50,000	300,000
Interest due annually and maturing in 2033.	7,211,090	4,211,090
Interest due quarterly and at maturity, March 2031.	5,000,000	5,000,000
1.5 % Notes Payable:		
Note Payable, interest due quarterly and maturing in 2026.	560,775	560,775
Note Payable, interest due quarterly and maturing in 2027.	141,605	141,605
Note Payable, interest due quarterly and maturing in 2028.	110,000	110,000
2.4% Note Payable, interest due quarterly and maturing in 2031.	4,000,000	4,000,000
1.35% Note Payable with interest due monthly, maturing in 2029	999,944	999,944
2% Note Payable:		
Interest due quarterly and maturing from 2031 to 2033.	5,000,000	5,000,000
Interest due semi-annually and maturing in 2026.	3,000,000	3,000,000
Interest due quarterly and maturing in 2027.	1,500,000	1,500,000
Interest due quarterly and maturing in 2029.	106,294	106,294
3% Notes Payable:		
Interest due quarterly and maturing in 2025.	-	35,351
Interest due quarterly and maturing in 2026.	4,000,000	4,000,000
Interest due quarterly and maturing in 2028.	3,000,000	3,000,000
Interest due quarterly and maturing in 2030.	10,000,000	10,000,000
Interest due quarterly and maturing in 2035.	6,500,000	-
Interest due quarterly until January 2027, interest and principal payments due quarterly until maturity in 2030	15,000,000	15,000,000
3.25% Notes Payable:		
Interest due quarterly and maturing from 2025 though 2028	10,598,637	8,500,000
Interest due quarterly and maturing in 2030.	250,000	-
3.5% Notes Payable:		
Interest due annually and maturing in 2028.	2,000,000	-
Interest due annually and maturing in 2030.	3,000,000	-
3.75% Notes Payable:		
Interest due quarterly and maturing in 2027	1,999,417	999,417

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 8 NOTES PAYABLE (CONTINUED)

<u>Description</u>	<u>2025</u>	<u>2024</u>
3.6195% Notes Payable:		
Interest due quarterly until March 2032, interest and principal payments due quarterly until maturity in 2057	\$ 1,738,125	\$ -
Interest due quarterly until March 2032, interest and principal payments due quarterly until maturity in 2040	4,511,875	-
4.75% Mortgage Payable to HFCU with monthly installments of \$5,099, including interest at Prime plus 1.5%, payable until final balloon in February 2031.	672,278	694,769
5% Note Payable to HFCU with monthly interest payments until April 2027, monthly interest and principal payment until maturity in 2040	5,327,101	-
Note Payable to nonprofit foundation bearing interest at 2% with interest due quarterly, maturing in 2026.	250,000	250,000
Note Payable to nonprofit foundation bearing interest at 2% with interest due quarterly and maturing from 2026 through 2028.	752,000	752,000
Interest Free Notes Payable:		
Nonprofit foundation maturing in 2026.	400,000	400,000
Nonprofit foundation maturing in 2035.	250,000	250,000
Other Notes Payable, with interest at 1% to 2% and maturing from 2026 to 2027	90,000	90,000
2% Line of Credit with interest due monthly, maturing in 2029.	<u>5,000,000</u>	<u>5,000,000</u>
Total Notes Payable	<u>\$ 109,769,141</u>	<u>\$ 80,901,245</u>

Mortgage payable to HFCU totaling \$672,278 and 694,769 as of December 31, 2025 and 2024, respectively is secured by real estate collateral.

All other notes payable described above represent unsecured notes without collateral.

Certain long-term notes payable listed above are subject to covenant compliance requirements. As of December 31, 2025, the company was not in compliance with certain required financial ratios on three notes payable. Due to this noncompliance, the outstanding principal amounts for these three loans totaling \$12,252,000 were reclassified as current as of December 31, 2025. All notes payable were in compliance with required financial covenants as of December 31, 2024.

Notes payable maturities at December 31, 2025, are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2026	\$ 30,934,795
2027	8,255,741
2028	9,318,130
2029	5,175,775
2030	23,434,132
Thereafter	<u>32,650,568</u>
Total	<u>\$ 109,769,141</u>

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 9 NET ASSETS

Net Assets With Donor Restrictions

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

	2025	2024
Net Assets Subject to Expenditures for Specified Purpose:		
Development Finance Activities	\$ 27,848,003	\$ 21,227,653
Housing Initiative Activities	1,162,400	191,685
Other Program Activities	128,533	66,533
Subtotal	29,138,936	21,485,871
Net Assets to be Maintained in Perpetuity:		
Revolving Loan Funds	614,578	614,578
Total Net Assets with Donor Restrictions	\$ 29,753,514	\$ 22,100,449

Noncontrolling Interests

ECDI issued 220 Class A units at \$25,000 per unit. The owners of the Class A units may elect three of the seven members of the management committee of ECDI. The Company, the sole Class B unit holder, appoints the other four members. ECDI was terminated in 2025. The Company is the sole managing member of ECDA and elects three of the five board of directors of ECDNM. ECDA is the primary investing member of ECDNM. The Company is the sole managing member of twenty-two additional New Market Tax Credit entities and elects two of the three board of directors of each company. Although the Company controls the board of directors of these entities, the Company has only a minor investment in these entities and thus receives minimal allocations of earnings or losses. Further, the Company received minimal distributions from these entities during 2025 and 2024. Dividends in arrears relative to the ECDI Class A units totaled \$-0- and \$114,775 at December 31, 2025 and 2024, respectively.

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 9 NET ASSETS (CONTINUED)

Noncontrolling Interests (Continued)

The changes in noncontrolling interest are as follows:

	Balance - January 1, 2025	Equity Investment	Dividends Paid	Net Earnings (Loss)	Balance - December 31, 2025
ECD Investments Consolidated	\$ (405,407)	\$ 405,489	\$ -	\$ (82)	\$ -
ECD Associates Consolidated	1,080,493	-	(45,582)	9,845	1,044,756
Hope New Markets 6	10,904,465	(11,000,000)	(48,200)	143,735	-
Hope New Markets 10	7,765,359	(8,000,000)	33,685	200,956	-
Hope New Markets 11	8,917,261	-	(9,819)	69,438	8,976,880
Hope New Markets 12	9,641,855	-	(81,333)	98,835	9,659,357
Hope New Markets 13	7,715,668	-	(96,391)	110,357	7,729,634
Hope New Markets 14	6,750,293	-	(59,791)	72,012	6,762,514
Hope New Markets 15	13,499,241	-	(100,790)	125,231	13,523,682
Hope New Markets 16	6,743,855	-	(50,652)	62,873	6,756,076
Hope New Markets 17	9,644,516	-	(96,241)	113,699	9,661,974
Hope New Markets 18	6,743,694	-	(44,569)	56,789	6,755,914
Hope New Markets 19	13,487,707	-	(101,247)	125,687	13,512,147
Hope New Markets 20	7,715,280	-	(64,706)	78,673	7,729,247
Hope New Markets 21	5,780,446	-	(72,293)	82,768	5,790,921
Hope New Markets 22	-	9,000,000	(51,507)	(262,112)	8,686,381
Hope New Markets 23	7,225,556	-	(35,268)	44,664	7,234,952
Hope New Markets 24	13,921,241	-	(104,029)	129,256	13,946,468
Hope New Markets 25	6,743,853	-	(39,896)	48,601	6,752,558
Hope New Markets 26	16,407,610	-	(120,360)	120,360	16,407,610
Hope New Markets 27	6,514,785	-	(55,400)	55,399	6,514,784
Hope New Markets 28	8,051,025	-	(50,225)	18,837	8,019,637
Hope New Markets 29	-	5,000,000	(26,404)	(147,828)	4,825,768
Hope New Markets 33	-	10,000,000	(2,557)	(345,908)	9,651,535
Total	<u>\$ 174,848,796</u>	<u>\$ 5,405,489</u>	<u>\$ (1,323,575)</u>	<u>\$ 1,012,085</u>	<u>\$ 179,942,795</u>

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 9 NET ASSETS (CONTINUED)

Noncontrolling Interests (Continued)

	Balance - January 1, 2024	Equity Investment	Dividends Paid	Net Earnings (Loss)	Balance - December 31, 2024
ECD Investments Consolidated	\$ (405,490)	\$ -	\$ -	\$ 83	\$ (405,407)
ECD Associates Consolidated	1,116,322	-	(45,529)	9,700	1,080,493
Hope New Markets 5	3,277,488	(6,000,000)	262,908	2,459,604	-
Hope New Markets 6	10,873,994	-	(36,728)	67,199	10,904,465
Hope New Markets 7	7,707,262	(7,760,000)	(45,502)	98,240	-
Hope New Markets 8	7,724,437	(7,760,000)	(152,104)	187,667	-
Hope New Markets 9	8,670,665	(8,730,000)	(171,465)	230,800	-
Hope New Markets 10	7,765,359	-	(212,399)	212,399	7,765,359
Hope New Markets 11	8,876,893	-	(8,243)	48,611	8,917,261
Hope New Markets 12	9,641,830	-	(81,333)	81,358	9,641,855
Hope New Markets 13	7,715,668	-	(96,390)	96,390	7,715,668
Hope New Markets 14	6,750,293	-	(59,791)	59,791	6,750,293
Hope New Markets 15	13,499,241	-	(100,790)	100,790	13,499,241
Hope New Markets 16	6,743,854	-	(50,652)	50,653	6,743,855
Hope New Markets 17	9,644,516	-	(96,240)	96,240	9,644,516
Hope New Markets 18	6,743,694	-	(44,569)	44,569	6,743,694
Hope New Markets 19	13,487,707	-	(101,246)	101,246	13,487,707
Hope New Markets 20	7,715,279	-	(64,706)	64,707	7,715,280
Hope New Markets 21	5,780,446	-	(72,293)	72,293	5,780,446
Hope New Markets 23	7,225,557	-	(35,194)	35,193	7,225,556
Hope New Markets 24	13,921,241	-	(104,030)	104,030	13,921,241
Hope New Markets 25	6,743,853	-	(39,896)	39,896	6,743,853
Hope New Markets 26	-	17,000,000	(93,613)	(498,777)	16,407,610
Hope New Markets 27	-	6,750,000	(43,089)	(192,126)	6,514,785
Hope New Markets 28	-	8,300,000	(20,352)	(228,623)	8,051,025
Total	<u>\$ 171,220,109</u>	<u>\$ 1,800,000</u>	<u>\$ (1,513,246)</u>	<u>\$ 3,341,933</u>	<u>\$ 174,848,796</u>

NOTE 10 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, are comprised of the following:

	2025	2024
Cash and Cash Equivalents	\$ 30,634,866	\$ 44,484,341
Grants and Other Receivables	5,787,408	3,234,753
Investment Securities	43,033,631	45,701,797
Loans Receivable	49,332,520	29,209,315
Interest Receivable	122,810	161,525
Financial Assets, at Year End	<u>128,911,235</u>	<u>122,791,731</u>
Less Those Not Available for General Expenditures within One Year, Due to:		
Restricted by Donors	<u>(29,753,514)</u>	<u>(22,100,449)</u>
Financial Assets Available to Meet Cash Needs for General Expenditure within One Year	<u>\$ 99,157,721</u>	<u>\$ 100,691,282</u>

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 10 LIQUIDITY AND AVAILABILITY (CONTINUED)

The Company's liquidity management policy has structured its financial assets to be available for its general expenditures and other obligations that come due. The Company invests cash in excess of daily requirements in short-term investments. In the event of an unanticipated liquidity need, the Company also could draw upon available loan facilities as discussed in Note 8.

NOTE 11 EMPLOYEE BENEFIT PLAN

The Company sponsors a defined contribution 401(k) plan (the Plan) for all employees. The Company contributes 100% of the first 4% contributed by each employee. Expenses of the Plan were \$210,610 and \$150,807 as of December 31, 2025 and 2024, respectively.

NOTE 12 COMMITMENTS AND CONTINGENCIES

Off-Consolidated Statement of Financial Condition Activities

The Company is a party to conditional commitments to lend funds in the normal course of business to meet the financing needs of its customers. These commitments represent financial instruments to extend credit that involve, to varying degrees, elements of credit and interest rate risk in excess of amounts recognized in the consolidated financial statements.

The Company's exposure to credit loss is represented by the contractual notional amount of these instruments. The Company uses the same credit policies in making commitments as it does for those loans recorded in the consolidated financial statements.

The Company's maximum exposure to credit loss in the event of nonperformance by the other party for loan commitments (including unused lines of credit) was \$4,927,425 and \$2,394,675 at December 31, 2025 and 2024, respectively.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Because many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit is based on management's credit evaluation of the counterparty. Collateral held varies but may include consumer assets, residential real estate, commercial real estate, and member share balances.

Unfunded commitments under revolving credit lines are commitments for possible future extensions of credit to existing members. These lines-of-credit are uncollateralized and usually do not contain a specified maturity date and may not be drawn upon to the total extent to which the Company is committed.

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Credit Enhancement Loans

The Company uses certain federal funds to provided credit enhancements to guarantee loans to eligible charter schools from various lenders. Credit enhancement guarantees from the Company for these loans totaled \$14,615,043 and \$15,620,386 as of December 31, 2025 and 2024, respectively.

The Company uses Equitable Recovery Program (ERP) to provide credit enhancement to guarantee loans to businesses with less than \$1,000,000 in annual gross revenue in ERP-eligible geographies. Total credit enhancement guarantees from the Company for these loans aggregated \$3,612,477 and \$2,433,377 as of December 31, 2025 and 2024, respectively.

The Company utilizes Hope Recyclable Credit Enhancement Fund, an internal program utilized to support collateral shortfalls to small businesses. Total credit enhancement guarantees from the Company for these loans aggregated \$1,699,503 and \$1,959,672 as of December 31, 2025 and 2024, respectively.

In 2024, the Company established a Y-16 Program, a mortgage financing provided for low-income tax credit tenants to purchase their home after renting for 15 years. Total credit enhancement guarantees from the Company for these loans aggregated \$516,537 and \$470,452 as of December 31, 2025 and 2024, respectively.

Deferred Compensation Plan

The Company has an executive employment agreement with its principal executives which entitles the principal executives to receive certain benefits based upon years of service and attainment of certain incentives. The Company accrued a liability for past services relative to this deferred compensation arrangement, which was \$506,003 and \$434,288 as of December 31, 2025 and 2024, respectively.

Concentrations

Contributions totaling approximately \$10,700,000 and \$28,000,000 were received from three donors and one donor in years ended December 31, 2025 and 2024, respectively, representing 53% and 68% of total contributions revenue, respectively. Should these contribution levels decrease, the Company may be adversely affected.

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 13 LEASES

The Company leases office space and equipment under long-term, noncancelable lease agreements. These leases expire at various dates from 2026 to 2028. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases.

The following table provides quantitative information concerning the Company's leases.

Lease Cost:

Finance Lease Cost:	2025	2024
Amortization of Right-of-Use Assets	\$ 156,093	\$ 3,895
Interest on Lease Liabilities	11,258	381
Operating Lease Cost	<u>58,968</u>	<u>58,233</u>
Total Lease Cost	<u>\$ 226,319</u>	<u>\$ 62,509</u>

Other Information:

Cash Paid for Amounts Included in the
Measurement of Lease Liabilities:

Operating Cash Flows from Finance Leases	\$ 11,258	\$ 381
Operating Cash Flows from Operating Leases	\$ 59,477	\$ 59,784
Financing Cash Flows from Finance Leases	\$ 306,370	\$ 3,676

Right-of-use Assets Obtained in Exchange for New
Finance Lease Liabilities:

\$ 457,080	\$ -
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Right-of-use Assets Obtained in Exchange for New
Operating Lease Liabilities:

\$ -	\$ 5,426
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Weighted-Average Remaining Lease Term -
Finance Leases

2.6 Years	1.8 Years
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Weighted-Average Remaining Lease Term -
Operating Leases

1.0 Year	1.8 Years
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Weighted-Average Discount Rate - Finance Leases

3.70 %	4.31 %
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Weighted-Average Discount Rate - Operating Leases

4.30 %	4.28 %
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The Company classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2025, is as follows:

<u>Year Ending December 31,</u>	<u>Operating</u>	<u>Finance</u>	<u>Totals</u>
2025	\$ 35,100	\$ 161,293	\$ 196,393
2026	1,470	157,914	159,384
2027	628	-	628
Undiscounted Cash Flows	37,198	319,207	356,405
Less: Imputed Interest	(715)	(5,674)	(6,389)
Total Present Value	<u>\$ 36,483</u>	<u>\$ 313,533</u>	<u>\$ 350,016</u>
Short-Term Lease Liabilities	\$ (34,449)	\$ (155,620)	\$ (190,069)
Long-Term Lease Liabilities	(2,034)	(157,913)	(159,947)
Total Lease Liabilities	<u>\$ (36,483)</u>	<u>\$ (313,533)</u>	<u>\$ (350,016)</u>

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 14 CONTINGENCIES

The Company is a party to certain claims, legal actions, and complaints arising in the ordinary course of business. In the opinion of management, all such matters are adequately covered by insurance or involve such amounts that unfavorable dispositions would not have a material effect on the Company's financial position.

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 15 FUNCTIONAL CLASSIFICATION OF EXPENSES

A summary of 2025 expenses summarized by functional and natural classification follows. Costs are either charged directly to program activities or supporting services based on specific identification or are allocated among the programs and supporting services benefited. The expenses that are allocated include office supplies, telephone and utilities expense, which are allocated on the basis of time and effort incurred for program activities compared to time and effort incurred for supporting services.

	Program Activities					Supporting Services			Total Expenses
	Development Finance	Housing Initiative	Policy and Advocacy	Other Programs	Programs Subtotal	General and Administration	Fundraising and Communication	Supporting Subtotal	
Salaries, Employee Taxes, and Benefits	\$ 712,248	\$ 577,902	\$ 541,517	\$ 2,104,197	\$ 3,935,864	\$ 3,922,275	\$ 659,503	\$ 4,581,778	\$ 8,517,642
Bank Fees	811	-	-	-	811	25,939	-	25,939	26,750
Conferences and Employee Training	6,893	1,178	3,640	250,376	262,087	29,336	39,510	68,846	330,933
Contractual Services	181,908	146,806	7,500	4,109,306	4,445,520	249,844	646,184	896,028	5,341,548
Dues, Fees, and Memberships	1,612	1,839	13,646	42,770	59,867	62,464	2,617	65,081	124,948
Equipment, Furniture, and Fixtures	78,394	238	171	359,218	438,021	1,036,206	3,539	1,039,745	1,477,766
Forgiveness of Mortgage Loan Debt	326,052	239,548	-	-	565,600	375	-	375	565,975
HFCU Operational Support	16,818,864	-	-	-	16,818,864	-	-	-	16,818,864
Insurance	-	-	-	-	-	249,006	-	249,006	249,006
Miscellaneous	76,227	(113)	96	143,015	219,225	4,961	-	4,961	224,186
Office Supplies	2,683	915	165	243,385	247,148	78,063	6,981	85,044	332,192
Pass Through Grants	396,187	123,185	-	226,280	745,652	768,049	-	768,049	1,513,701
Professional Fees	12,278	22,400	-	299,233	333,911	337,724	-	337,724	671,635
Rent and Employee Parking	559	-	-	5,400	5,959	7,162	-	7,162	13,121
Repairs and Maintenance	35,242	-	-	104,918	140,160	110,116	-	110,116	250,276
Service Fees	141,366	51,386	-	6,021	198,773	215,417	-	215,417	414,190
Staff Recruitment and Relocation	-	-	-	1,200	1,200	36,000	-	36,000	37,200
Telephone and Utilities	4,801	-	-	174,170	178,971	38,974	-	38,974	217,945
Travel	83,027	21,283	35,112	122,861	262,283	319,432	16,327	335,759	598,042
Interest	-	-	-	-	-	2,440,270	-	2,440,270	2,440,270
Provision for Credit Losses	(96,113)	(88)	-	-	(96,201)	-	-	-	(96,201)
Depreciation	8,440	-	-	30,330	38,770	447,828	-	447,828	486,598
Lease Expense	21	-	-	-	21	89,413	-	89,413	89,434
Total	\$ 18,791,500	\$ 1,186,479	\$ 601,847	\$ 8,222,680	\$ 28,802,506	\$ 10,468,854	\$ 1,374,661	\$ 11,843,515	\$ 40,646,021

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 15 FUNCTIONAL CLASSIFICATION OF EXPENSES (CONTINUED)

A summary of 2024 expenses summarized by functional and natural classification follows.

	Program Activities				Supporting Services				Total Expenses
	Development Finance	Housing Initiative	Policy and Advocacy	Other Programs	Programs Subtotal	General and Administration	Fundraising and Communication	Supporting Subtotal	
Salaries, Employee Taxes, and Benefits	\$ 577,650	\$ 470,401	\$ 381,067	\$ 1,831,896	\$ 3,261,014	\$ 3,175,405	\$ 464,675	\$ 3,640,080	\$ 6,901,094
Bank Fees	5,139	-	-	-	5,139	24,569	-	24,569	29,708
Conferences and Employee Training	124,989	841	5,200	199,852	330,882	49,404	5,358	54,762	385,644
Contractual Services	117,714	4,800	4,500	5,674,736	5,801,750	578,932	82,560	661,492	6,463,242
Dues, Fees, and Memberships	7,935	670	9,544	41,868	60,017	21,581	4,570	26,151	86,168
Equipment, Furniture, and Fixtures	72,544	-	171	241,276	313,991	561,678	4,383	566,061	880,052
Forgiveness of Mortgage Loan Debt	224,052	364,609	-	-	588,661	-	-	-	588,661
HFCU Operational Support	7,433,233	-	-	-	7,433,233	-	-	-	7,433,233
Insurance	-	-	-	-	-	240,147	-	240,147	240,147
Miscellaneous	1,602,776	16	-	79,078	1,681,870	26,494	67	26,561	1,708,431
Office Supplies	394	715	156	156,495	157,760	83,477	14,245	97,722	255,482
Pass Through Grants	429,248	-	-	202,276	631,524	-	-	-	631,524
Professional Fees	-	-	-	117,709	117,709	276,467	-	276,467	394,176
Rent and Employee Parking	2,420	-	-	5,400	7,820	9,721	-	9,721	17,541
Repairs and Maintenance	11,682	-	-	48,911	60,593	140,356	-	140,356	200,949
Service Fees	67,305	60,755	-	-	128,060	174,669	-	174,669	302,729
Staff Recruitment and Relocation	56,400	-	-	-	56,400	-	-	-	56,400
Telephone and Utilities	3,979	-	51	146,425	150,455	73,890	-	73,890	224,345
Travel	49,234	12,868	51,605	133,019	246,726	253,972	22,156	276,128	522,854
Interest	52,829	-	-	-	52,829	1,373,794	-	1,373,794	1,426,623
Provision for Credit Losses	(1,442,208)	(156)	-	-	(1,442,364)	-	-	-	(1,442,364)
Depreciation	-	-	-	20,383	20,383	354,060	-	354,060	374,443
Lease Expense	523	-	-	-	523	63,730	-	63,730	64,253
Total	\$ 9,397,838	\$ 915,519	\$ 452,294	\$ 8,899,324	\$ 19,664,975	\$ 7,482,346	\$ 598,014	\$ 8,080,360	\$ 27,745,335

HOPE ENTERPRISE CORPORATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2025
(SEE INDEPENDENT AUDITORS' REPORT)

	ECD Investments, LLC	Home Again, Inc.	Hope Enterprise Corporation	New Markets Tax Credit Companies	Eliminations	Consolidated
ASSETS						
Cash and Cash Equivalents	\$ -	\$ 800,245	\$ 29,060,790	\$ 773,831	\$ -	\$ 30,634,866
Restricted Cash	-	-	24,382,930	-	-	24,382,930
Grant and Other Receivables	-	10,040	6,606,892	94,145	-	6,711,077
Contract Revenue Receivable	-	-	70,248	52,562	-	122,810
Due from Hope Federal Credit Union and Affiliates	-	-	2,900,573	-	(78,040)	2,822,533
Loans Receivable	-	2,260,747	18,363,169	179,450,000	-	200,073,916
Loan Receivable from HFCU	-	-	11,677,101	-	-	11,677,101
Allowance for Credit Losses	-	(5,100)	(880,966)	(897,251)	-	(1,783,317)
Investment Securities	-	-	43,033,631	-	-	43,033,631
Investment in Subsidiary	-	-	1,269,598	-	(1,269,598)	-
Investment in Secondary Capital of HFCU	-	-	35,060,775	2,975,000	-	38,035,775
Property and Equipment, Net	-	-	2,070,439	-	-	2,070,439
Other Assets	-	40,000	785,212	100,000	-	925,212
Right-of-Use Asset - Operating	-	-	186,666	-	-	186,666
Right-of-Use Asset - Financing	-	-	307,831	-	-	307,831
Total Assets	<u>\$ -</u>	<u>\$ 3,105,932</u>	<u>\$ 174,894,889</u>	<u>\$ 182,548,287</u>	<u>\$ (1,347,638)</u>	<u>\$ 359,201,470</u>
LIABILITIES AND NET ASSETS						
LIABILITIES						
Accounts Payable and Accrued Expenses	\$ -	\$ (406)	\$ 2,753,882	\$ 51,443	\$ (344)	\$ 2,804,575
Payable to Hope Federal Credit Union	-	-	2,228,220	-	-	2,228,220
Due to Affiliates	-	3,362	-	74,334	(77,696)	-
Deferred Revenue	-	-	10,698,138	134,008	-	10,832,146
Notes Payable	-	-	109,769,141	-	-	109,769,141
Lease Liability - Operating	-	-	36,483	-	-	36,483
Lease Liability - Financing	-	-	313,533	-	-	313,533
Total Liabilities	<u>-</u>	<u>2,956</u>	<u>125,799,397</u>	<u>259,785</u>	<u>(78,040)</u>	<u>125,984,098</u>
NET ASSETS						
Noncontrolling Interests	-	-	-	179,942,795	-	179,942,795
Without Donor Restrictions	-	3,102,976	19,341,978	2,345,707	(1,269,598)	23,521,063
With Donor Restrictions	-	-	29,753,514	-	-	29,753,514
Total Net Assets (Deficit)	<u>-</u>	<u>3,102,976</u>	<u>49,095,492</u>	<u>182,288,502</u>	<u>(1,269,598)</u>	<u>233,217,372</u>
Total Liabilities and Net Assets	<u>\$ -</u>	<u>\$ 3,105,932</u>	<u>\$ 174,894,889</u>	<u>\$ 182,548,287</u>	<u>\$ (1,347,638)</u>	<u>\$ 359,201,470</u>

HOPE ENTERPRISE CORPORATION
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025
(SEE INDEPENDENT AUDITORS' REPORT)

	ECD Investments, LLC	Home Again, Inc.	Hope Enterprise Corporation	New Markets Tax Credit Companies	Eliminations	Consolidated
REVENUES AND GAINS						
Grants and Contributions	\$ -	\$ 10,040	\$ 20,375,235	\$ -	\$ -	\$ 20,385,275
Interest, Dividends, and Related Fees:						
Loans and Other Investments	-	-	618,542	2,203,287	-	2,821,829
Investment Income, Net	-	8,333	3,339,680	45	(110)	3,347,948
Contract Services Revenue	-	75,120	2,490,021	300,393	(1,602,044)	1,263,490
Miscellaneous Income	-	-	1,404	3,766	-	5,170
Total Revenues and Gains	<u>-</u>	<u>93,493</u>	<u>26,824,882</u>	<u>2,507,491</u>	<u>(1,602,154)</u>	<u>27,823,712</u>
EXPENSES						
Program Expenses:						
Development Finance	-	313,916	18,603,609	1,476,019	(1,602,044)	18,791,500
Housing Initiative	-	-	1,186,479	-	-	1,186,479
Policy and Advocacy	-	-	601,847	-	-	601,847
Other Programs	-	-	8,222,680	-	-	8,222,680
Total Program Expenses	<u>-</u>	<u>313,916</u>	<u>28,614,615</u>	<u>1,476,019</u>	<u>(1,602,044)</u>	<u>28,802,506</u>
General and Administration Expense	-	-	10,468,854	-	-	10,468,854
Fundraising and Communication	-	-	1,374,661	-	-	1,374,661
Total Expenses	<u>-</u>	<u>313,916</u>	<u>40,458,130</u>	<u>1,476,019</u>	<u>(1,602,044)</u>	<u>40,646,021</u>
CHANGE IN NET ASSETS BEFORE NONCONTROLLING INTEREST	-	(220,423)	(13,633,248)	1,031,472	(110)	(12,822,309)
Noncontrolling Interests in Subsidiaries' Net Income	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,012,085)</u>	<u>-</u>	<u>(1,012,085)</u>
CHANGE IN NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST	-	(220,423)	(13,633,248)	19,387	(110)	(13,834,394)
Net Assets Attributable to Controlling Interest - Beginning of Year	(9,537)	3,323,399	63,644,767	2,325,930	(1,770,098)	67,514,461
Return of Capital	-	-	-	(1,831)	1,831	-
Capital Contribution	-	-	-	2,400	(2,400)	-
Dividends Paid to Controlling Interests	-	-	-	(179)	179	-
Transfer of Net Assets from ECDI	<u>9,537</u>	<u>-</u>	<u>(916,027)</u>	<u>-</u>	<u>501,000</u>	<u>(405,490)</u>
NET ASSETS ATTRIBUTABLE TO CONTROLLING INTERESTS - END OF YEAR	-	3,102,976	49,095,492	2,345,707	(1,269,598)	53,274,577
Net Assets of Noncontrolling Interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>179,942,795</u>	<u>-</u>	<u>179,942,795</u>
NET ASSETS (DEFICIT) - END OF YEAR	<u>\$ -</u>	<u>\$ 3,102,976</u>	<u>\$ 49,095,492</u>	<u>\$ 182,288,502</u>	<u>\$ (1,269,598)</u>	<u>\$ 233,217,372</u>

HOPE ENTERPRISE CORPORATION
DETAILS OF NEW MARKETS TAX CREDIT COMPANIES
COMBINING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2025
(SEE INDEPENDENT AUDITORS' REPORT)

	ECD Associates, LLC Consolidated	Hope New Markets 6 LLC	Hope New Markets 10 LLC	Hope New Markets 11 LLC	Hope New Markets 12 LLC
ASSETS					
Cash and Cash Equivalents	\$ 397,573	\$ -	\$ -	\$ 303,193	\$ 1,159
Grant and Other Receivables	-	-	-	30,000	-
Contract Revenue Receivable	-	-	-	-	7,680
Loans Receivable	-	-	-	8,730,000	9,700,000
Allowance for Credit Losses	-	-	-	(43,650)	(48,500)
Investment in Secondary Capital of HFCU	2,975,000	-	-	-	-
Other Assets	-	-	-	-	-
Total Assets	<u>\$ 3,372,573</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,019,543</u>	<u>\$ 9,660,339</u>
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts Payable and Accrued Expenses	\$ -	\$ -	\$ -	\$ 11,768	\$ -
Due to Affiliates	-	-	-	30,000	15
Deferred Revenue	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,768</u>	<u>15</u>
NET ASSETS					
Noncontrolling Interests	1,044,756	-	-	8,976,880	9,659,357
Without Donor Restrictions	2,327,817	-	-	895	967
Total Net Assets	<u>3,372,573</u>	<u>-</u>	<u>-</u>	<u>8,977,775</u>	<u>9,660,324</u>
Total Liabilities and Net Assets	<u>\$ 3,372,573</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,019,543</u>	<u>\$ 9,660,339</u>

HOPE ENTERPRISE CORPORATION
DETAILS OF NEW MARKETS TAX CREDIT COMPANIES
COMBINING STATEMENT OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2025
(SEE INDEPENDENT AUDITORS' REPORT)

	Hope New Markets 13 LLC	Hope New Markets 14 LLC	Hope New Markets 15 LLC	Hope New Markets 16 LLC	Hope New Markets 17 LLC
ASSETS					
Cash and Cash Equivalents	\$ 800	\$ 700	\$ 1,400	\$ 4,500	\$ 1,000
Grant and Other Receivables	-	-	-	207	-
Contract Revenue Receivable	8,406	6,441	11,535	1	10,441
Loans Receivable	7,760,000	6,790,000	13,580,000	6,790,000	9,700,000
Allowance for Credit Losses	(38,800)	(33,950)	(67,900)	(33,950)	(48,500)
Investment in Secondary Capital of HFCU	-	-	-	-	-
Other Assets	-	-	-	-	-
Total Assets	<u>\$ 7,730,406</u>	<u>\$ 6,763,191</u>	<u>\$ 13,525,035</u>	<u>\$ 6,760,758</u>	<u>\$ 9,662,941</u>
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts Payable and Accrued Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Affiliates	-	-	-	-	-
Deferred Revenue	-	-	-	4,008	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,008</u>	<u>-</u>
NET ASSETS					
Noncontrolling Interests	7,729,634	6,762,514	13,523,682	6,756,076	9,661,974
Without Donor Restrictions	772	677	1,353	674	967
Total Net Assets	<u>7,730,406</u>	<u>6,763,191</u>	<u>13,525,035</u>	<u>6,756,750</u>	<u>9,662,941</u>
Total Liabilities and Net Assets	<u>\$ 7,730,406</u>	<u>\$ 6,763,191</u>	<u>\$ 13,525,035</u>	<u>\$ 6,760,758</u>	<u>\$ 9,662,941</u>

HOPE ENTERPRISE CORPORATION
DETAILS OF NEW MARKETS TAX CREDIT COMPANIES
COMBINING STATEMENT OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2025
(SEE INDEPENDENT AUDITORS' REPORT)

	Hope New Markets 18 LLC	Hope New Markets 19 LLC	Hope New Markets 20 LLC	Hope New Markets 21 LLC	Hope New Markets 22 LLC
ASSETS					
Cash and Cash Equivalents	\$ 10,541	\$ 11,400	\$ 760	\$ 600	\$ 900
Grant and Other Receivables	-	-	20,000	-	-
Contract Revenue Receivable	-	-	8,058	-	-
Loans Receivable	6,790,000	13,580,000	7,760,000	5,820,000	8,730,000
Allowance for Credit Losses	(33,950)	(67,900)	(38,800)	(29,100)	(43,650)
Investment in Secondary Capital of HFCU	-	-	-	-	-
Other Assets	-	-	-	10,000	10,000
Total Assets	<u>\$ 6,766,591</u>	<u>\$ 13,523,500</u>	<u>\$ 7,750,018</u>	<u>\$ 5,801,500</u>	<u>\$ 8,697,250</u>
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts Payable and Accrued Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Affiliates	-	-	10,000	-	-
Deferred Revenue	10,000	10,000	10,000	10,000	10,000
Total Liabilities	<u>10,000</u>	<u>10,000</u>	<u>20,000</u>	<u>10,000</u>	<u>10,000</u>
NET ASSETS					
Noncontrolling Interests	6,755,914	13,512,147	7,729,247	5,790,921	8,686,381
Without Donor Restrictions	677	1,353	771	579	869
Total Net Assets	<u>6,756,591</u>	<u>13,513,500</u>	<u>7,730,018</u>	<u>5,791,500</u>	<u>8,687,250</u>
Total Liabilities and Net Assets	<u>\$ 6,766,591</u>	<u>\$ 13,523,500</u>	<u>\$ 7,750,018</u>	<u>\$ 5,801,500</u>	<u>\$ 8,697,250</u>

HOPE ENTERPRISE CORPORATION
DETAILS OF NEW MARKETS TAX CREDIT COMPANIES
COMBINING STATEMENT OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2025
(SEE INDEPENDENT AUDITORS' REPORT)

	Hope New Markets 23 LLC	Hope New Markets 24 LLC	Hope New Markets 25 LLC	Hope New Markets 26 LLC	Hope New Markets 27 LLC
ASSETS					
Cash and Cash Equivalents	\$ 17,492	\$ 1,445	\$ 6,926	\$ 1,700	\$ 628
Grant and Other Receivables	-	-	43,811	-	47
Contract Revenue Receivable	-	-	-	-	-
Loans Receivable	7,275,000	14,016,500	6,790,000	16,490,000	6,547,500
Allowance for Credit Losses	(36,375)	(70,083)	(33,950)	(82,450)	(32,738)
Investment in Secondary Capital of HFCU	-	-	-	-	-
Other Assets	10,000	10,000	10,000	10,000	10,000
	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
Total Assets	<u>\$ 7,266,117</u>	<u>\$ 13,957,862</u>	<u>\$ 6,816,787</u>	<u>\$ 16,419,250</u>	<u>\$ 6,525,437</u>
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts Payable and Accrued Expenses	\$ 20,439	\$ -	\$ 19,236	\$ -	\$ -
Due to Affiliates	1	-	34,318	-	-
Deferred Revenue	10,000	10,000	10,000	10,000	10,000
Total Liabilities	<u>30,440</u>	<u>10,000</u>	<u>63,554</u>	<u>10,000</u>	<u>10,000</u>
NET ASSETS					
Noncontrolling Interests	7,234,952	13,946,468	6,752,558	16,407,610	6,514,784
Without Donor Restrictions	725	1,394	675	1,640	653
Total Net Assets	<u>7,235,677</u>	<u>13,947,862</u>	<u>6,753,233</u>	<u>16,409,250</u>	<u>6,515,437</u>
Total Liabilities and Net Assets	<u>\$ 7,266,117</u>	<u>\$ 13,957,862</u>	<u>\$ 6,816,787</u>	<u>\$ 16,419,250</u>	<u>\$ 6,525,437</u>

HOPE ENTERPRISE CORPORATION
DETAILS OF NEW MARKETS TAX CREDIT COMPANIES
COMBINING STATEMENT OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2025
(SEE INDEPENDENT AUDITORS' REPORT)

	Hope New Markets 28 LLC	Hope New Markets 29 LLC	Hope New Markets 33 LLC	Combined
ASSETS				
Cash and Cash Equivalents	\$ 9,614	\$ 500	\$ 1,000	\$ 773,831
Grant and Other Receivables	80	-	-	94,145
Contract Revenue Receivable	-	-	-	52,562
Loans Receivable	8,051,000	4,850,000	9,700,000	179,450,000
Allowance for Credit Losses	(40,255)	(24,250)	(48,500)	(897,251)
Investment in Secondary Capital of HFCU	-	-	-	2,975,000
Other Assets	10,000	10,000	10,000	100,000
	\$ 8,030,439	\$ 4,836,250	\$ 9,662,500	\$ 182,548,287
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts Payable and Accrued Expenses	\$ -	\$ -	\$ -	\$ 51,443
Due to Affiliates	-	-	-	74,334
Deferred Revenue	10,000	10,000	10,000	134,008
Total Liabilities	10,000	10,000	10,000	259,785
NET ASSETS				
Noncontrolling Interests	8,019,637	4,825,768	9,651,535	179,942,795
Without Donor Restrictions	802	482	965	2,345,707
Total Net Assets	8,020,439	4,826,250	9,652,500	182,288,502
Total Liabilities and Net Assets	\$ 8,030,439	\$ 4,836,250	\$ 9,662,500	\$ 182,548,287

HOPE ENTERPRISE CORPORATION
DETAILS OF NEW MARKETS TAX CREDIT COMPANIES
COMBINING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025
(SEE INDEPENDENT AUDITORS' REPORT)

	ECD Associates, LLC Consolidated	Hope New Markets 6 LLC	Hope New Markets 10 LLC	Hope New Markets 11 LLC	Hope New Markets 12 LLC
REVENUES AND GAINS					
Interest, Dividends, and Related Fees:					
Loans and Other Investments	\$ 29,749	\$ 101,874	\$ 163,985	\$ 87,300	\$ 106,385
Contract Services Revenue	-	20,000	30,000	20,000	20,000
Total Revenues and Gains	<u>29,749</u>	<u>121,874</u>	<u>193,985</u>	<u>107,300</u>	<u>126,385</u>
EXPENSES					
Program Expenses:					
Development Finance	699	(21,875)	(6,991)	37,855	27,540
Total Expenses	<u>699</u>	<u>(21,875)</u>	<u>(6,991)</u>	<u>37,855</u>	<u>27,540</u>
CHANGE IN NET ASSETS BEFORE NONCONTROLLING INTERESTS IN SUBSIDIARIES' INCOME	29,050	143,749	200,976	69,445	98,845
Noncontrolling Interests in Subsidiaries' Net (Income) Loss	<u>(9,763)</u>	<u>(143,735)</u>	<u>(200,956)</u>	<u>(69,438)</u>	<u>(98,835)</u>
CHANGE IN NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST	19,287	14	20	7	10
Net Assets Attributable to Controlling Interest - Beginning of Year	2,308,530	1,074	778	889	965
Return of Capital	-	(1,050)	(781)	-	-
Capital Contribution	-	-	-	-	-
Dividends Paid to Controlling Interests	<u>-</u>	<u>(38)</u>	<u>(17)</u>	<u>(1)</u>	<u>(8)</u>
NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST - END OF YEAR	2,327,817	-	-	895	967
Net Assets of Noncontrolling Interests	<u>1,044,756</u>	<u>-</u>	<u>-</u>	<u>8,976,880</u>	<u>9,659,357</u>
NET ASSETS - END OF YEAR	<u>\$ 3,372,573</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,977,775</u>	<u>\$ 9,660,324</u>

HOPE ENTERPRISE CORPORATION
DETAILS OF NEW MARKETS TAX CREDIT COMPANIES
COMBINING STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED DECEMBER 31, 2025
(SEE INDEPENDENT AUDITORS' REPORT)

	Hope New Markets 13 LLC	Hope New Markets 14 LLC	Hope New Markets 15 LLC	Hope New Markets 16 LLC	Hope New Markets 17 LLC
REVENUES AND GAINS					
Interest, Dividends, and Related Fees:					
Loans and Other Investments	\$ 116,400	\$ 77,297	\$ 135,800	\$ 68,157	\$ 121,250
Contract Services Revenue	20,000	10,000	10,000	10,000	10,000
Total Revenues and Gains	<u>136,400</u>	<u>87,297</u>	<u>145,800</u>	<u>78,157</u>	<u>131,250</u>
EXPENSES					
Program Expenses:					
Development Finance	26,032	15,278	20,556	15,278	17,540
Total Expenses	<u>26,032</u>	<u>15,278</u>	<u>20,556</u>	<u>15,278</u>	<u>17,540</u>
CHANGE IN NET ASSETS BEFORE NONCONTROLLING INTERESTS IN SUBSIDIARIES' INCOME	110,368	72,019	125,244	62,879	113,710
Noncontrolling Interests in Subsidiaries' Net (Income) Loss	<u>(110,357)</u>	<u>(72,012)</u>	<u>(125,231)</u>	<u>(62,873)</u>	<u>(113,699)</u>
CHANGE IN NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST	11	7	13	6	11
Net Assets Attributable to Controlling Interest - Beginning of Year	770	676	1,350	674	965
Return of Capital	-	-	-	-	-
Capital Contribution	-	-	-	-	-
Dividends Paid to Controlling Interests	<u>(9)</u>	<u>(6)</u>	<u>(10)</u>	<u>(6)</u>	<u>(9)</u>
NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST - END OF YEAR	772	677	1,353	674	967
Net Assets of Noncontrolling Interests	<u>7,729,634</u>	<u>6,762,514</u>	<u>13,523,682</u>	<u>6,756,076</u>	<u>9,661,974</u>
NET ASSETS - END OF YEAR	<u>\$ 7,730,406</u>	<u>\$ 6,763,191</u>	<u>\$ 13,525,035</u>	<u>\$ 6,756,750</u>	<u>\$ 9,662,941</u>

HOPE ENTERPRISE CORPORATION
DETAILS OF NEW MARKETS TAX CREDIT COMPANIES
COMBINING STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED DECEMBER 31, 2025
(SEE INDEPENDENT AUDITORS' REPORT)

	Hope New Markets 18 LLC	Hope New Markets 19 LLC	Hope New Markets 20 LLC	Hope New Markets 21 LLC	Hope New Markets 22 LLC
REVENUES AND GAINS					
Interest, Dividends, and Related Fees:					
Loans and Other Investments	\$ 72,573	\$ 157,256	\$ 96,713	\$ 87,300	\$ 87,887
Contract Services Revenue	10,100	10,000	10,000	10,000	10,000
Total Revenues and Gains	<u>82,673</u>	<u>167,256</u>	<u>106,713</u>	<u>97,300</u>	<u>97,887</u>
EXPENSES					
Program Expenses:					
Development Finance	25,878	41,556	28,032	14,524	360,025
Total Expenses	<u>25,878</u>	<u>41,556</u>	<u>28,032</u>	<u>14,524</u>	<u>360,025</u>
CHANGE IN NET ASSETS BEFORE NONCONTROLLING INTERESTS IN SUBSIDIARIES' INCOME	56,795	125,700	78,681	82,776	(262,138)
Noncontrolling Interests in Subsidiaries' Net (Income) Loss	<u>(56,789)</u>	<u>(125,687)</u>	<u>(78,673)</u>	<u>(82,768)</u>	<u>262,112</u>
CHANGE IN NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST	6	13	8	8	(26)
Net Assets Attributable to Controlling Interest - Beginning of Year	675	1,349	770	578	-
Return of Capital	-	-	-	-	-
Capital Contribution	-	-	-	-	900
Dividends Paid to Controlling Interests	<u>(4)</u>	<u>(9)</u>	<u>(7)</u>	<u>(7)</u>	<u>(5)</u>
NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST - END OF YEAR	677	1,353	771	579	869
Net Assets of Noncontrolling Interests	<u>6,755,914</u>	<u>13,512,147</u>	<u>7,729,247</u>	<u>5,790,921</u>	<u>8,686,381</u>
NET ASSETS - END OF YEAR	<u>\$ 6,756,591</u>	<u>\$ 13,513,500</u>	<u>\$ 7,730,018</u>	<u>\$ 5,791,500</u>	<u>\$ 8,687,250</u>

HOPE ENTERPRISE CORPORATION
DETAILS OF NEW MARKETS TAX CREDIT COMPANIES
COMBINING STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED DECEMBER 31, 2025
(SEE INDEPENDENT AUDITORS' REPORT)

	Hope New Markets 23 LLC	Hope New Markets 24 LLC	Hope New Markets 25 LLC	Hope New Markets 26 LLC	Hope New Markets 27 LLC
REVENUES AND GAINS					
Interest, Dividends, and Related Fees:					
Loans and Other Investments	\$ 72,750	\$ 140,165	\$ 67,900	\$ 188,372	\$ 82,406
Contract Services Revenue	10,000	10,000	29,236	10,000	10,000
Total Revenues and Gains	<u>82,750</u>	<u>150,165</u>	<u>97,136</u>	<u>198,372</u>	<u>92,406</u>
EXPENSES					
Program Expenses:					
Development Finance	38,082	20,896	48,530	78,000	37,001
Total Expenses	<u>38,082</u>	<u>20,896</u>	<u>48,530</u>	<u>78,000</u>	<u>37,001</u>
CHANGE IN NET ASSETS BEFORE NONCONTROLLING INTERESTS IN SUBSIDIARIES' INCOME	44,668	129,269	48,606	120,372	55,405
Noncontrolling Interests in Subsidiaries' Net (Income) Loss	<u>(44,664)</u>	<u>(129,256)</u>	<u>(48,601)</u>	<u>(120,360)</u>	<u>(55,399)</u>
CHANGE IN NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST	4	13	5	12	6
Net Assets Attributable to Controlling Interest - Beginning of Year	724	1,392	674	1,640	652
Return of Capital	-	-	-	-	-
Capital Contribution	-	-	-	-	-
Dividends Paid to Controlling Interests	<u>(3)</u>	<u>(11)</u>	<u>(4)</u>	<u>(12)</u>	<u>(5)</u>
NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST - END OF YEAR	725	1,394	675	1,640	653
Net Assets of Noncontrolling Interests	<u>7,234,952</u>	<u>13,946,468</u>	<u>6,752,558</u>	<u>16,407,610</u>	<u>6,514,784</u>
NET ASSETS - END OF YEAR	<u>\$ 7,235,677</u>	<u>\$ 13,947,862</u>	<u>\$ 6,753,233</u>	<u>\$ 16,409,250</u>	<u>\$ 6,515,437</u>

HOPE ENTERPRISE CORPORATION
DETAILS OF NEW MARKETS TAX CREDIT COMPANIES
COMBINING STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED DECEMBER 31, 2025
(SEE INDEPENDENT AUDITORS' REPORT)

	Hope New Markets 28 LLC	Hope New Markets 29 LLC	Hope New Markets 33 LLC	Combined
REVENUES AND GAINS				
Interest, Dividends, and Related Fees:				
Loans and Other Investments	\$ 92,294	\$ 45,156	\$ 4,363	\$ 2,203,332
Contract Services Revenue	10,000	13,766	11,057	304,159
Total Revenues and Gains	<u>102,294</u>	<u>58,922</u>	<u>15,420</u>	<u>2,507,491</u>
EXPENSES				
Program Expenses:				
Development Finance	83,455	206,765	361,363	1,476,019
Total Expenses	<u>83,455</u>	<u>206,765</u>	<u>361,363</u>	<u>1,476,019</u>
CHANGE IN NET ASSETS BEFORE NONCONTROLLING INTERESTS IN SUBSIDIARIES' INCOME	18,839	(147,843)	(345,943)	1,031,472
Noncontrolling Interests in Subsidiaries' Net (Income) Loss	<u>(18,837)</u>	<u>147,828</u>	<u>345,908</u>	<u>(1,012,085)</u>
CHANGE IN NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST	2	(15)	(35)	19,387
Net Assets Attributable to Controlling Interest - Beginning of Year	805	-	-	2,325,930
Return of Capital	-	-	-	(1,831)
Capital Contribution	-	500	1,000	2,400
Dividends Paid to Controlling Interests	<u>(5)</u>	<u>(3)</u>	<u>-</u>	<u>(179)</u>
NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST - END OF YEAR	802	482	965	2,345,707
Net Assets of Noncontrolling Interests	<u>8,019,637</u>	<u>4,825,768</u>	<u>9,651,535</u>	<u>179,942,795</u>
NET ASSETS - END OF YEAR	<u>\$ 8,020,439</u>	<u>\$ 4,826,250</u>	<u>\$ 9,652,500</u>	<u>\$ 182,288,502</u>

HOPE ENTERPRISE CORPORATION
ECD ASSOCIATES, LLC
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 2025
(SEE INDEPENDENT AUDITORS' REPORT)

	<u>ECD New Markets, LLC</u>	<u>ECD Associates, LLC</u>	<u>Eliminations</u>	<u>ECD Associates, LLC Consolidated</u>
ASSETS				
Cash and Cash Equivalents	\$ 173,781	\$ 223,792	\$ -	\$ 397,573
Investment in Subsidiary	-	3,505,000	(3,505,000)	-
Investment in Secondary Capital of HFCU	2,975,000	-	-	2,975,000
 Total Assets	 <u>\$ 3,148,781</u>	 <u>\$ 3,728,792</u>	 <u>\$ (3,505,000)</u>	 <u>\$ 3,372,573</u>
 LIABILITIES AND CAPITAL				
LIABILITIES				
Accounts Payable and Accrued Expenses	\$ -	\$ -	\$ -	\$ -
Total Liabilities	-	-	-	-
 CAPITAL				
Managing Members	100	1,000	-	1,100
Investor Members	11,729,968	2,804,228	(3,505,000)	11,029,196
Retained Earnings (Deficit)	(8,581,287)	923,564	-	(7,657,723)
Total Capital	<u>3,148,781</u>	<u>3,728,792</u>	<u>(3,505,000)</u>	<u>3,372,573</u>
 Total Liabilities and Capital	 <u>\$ 3,148,781</u>	 <u>\$ 3,728,792</u>	 <u>\$ (3,505,000)</u>	 <u>\$ 3,372,573</u>

HOPE ENTERPRISE CORPORATION
ECD ASSOCIATES, LLC
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025
(SEE INDEPENDENT AUDITORS' REPORT)

	<u>ECD New Markets, LLC</u>	<u>ECD Associates, LLC</u>	<u>Eliminations</u>	<u>ECD Associates, LLC Consolidated</u>
REVENUES				
Interest, Dividends, and Related Fees:				
Loans and Other Investments	\$ 29,750	\$ 19,250	\$ (19,250)	\$ 29,750
Total Revenues and Gains	<u>29,750</u>	<u>19,250</u>	<u>(19,250)</u>	<u>29,750</u>
EXPENSES				
Program Expenses:				
Development Finance	306	393	-	699
Total Expenses	<u>306</u>	<u>393</u>	<u>-</u>	<u>699</u>
CHANGE IN NET ASSETS BEFORE NONCONTROLLING INTERESTS IN SUBSIDIARIES' INCOME	29,444	18,857	(19,250)	29,051
Noncontrolling Interests in Subsidiaries' Net Income	<u>(3,426)</u>	<u>(6,338)</u>	<u>-</u>	<u>(9,764)</u>
CHANGE IN NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST	26,018	12,519	(19,250)	19,287
Net Assets Attributable to Controlling Interest - Beginning of Year	3,650,412	2,163,118	(3,505,000)	2,308,530
Dividends Paid to Controlling Interest	<u>(19,250)</u>	<u>-</u>	<u>19,250</u>	<u>-</u>
NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST - END OF YEAR	3,657,180	2,175,637	(3,505,000)	2,327,817
Net Assets of Noncontrolling Interests	<u>(508,399)</u>	<u>1,553,155</u>	<u>-</u>	<u>1,044,756</u>
NET ASSETS - END OF YEAR	<u>\$ 3,148,781</u>	<u>\$ 3,728,792</u>	<u>\$ (3,505,000)</u>	<u>\$ 3,372,573</u>



**INDEPENDENT AUDITORS' 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***

Supervisory Committee and Board of Directors
Hope Enterprise Corporation
Jackson, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hope Enterprise Corporation, which comprise the statement of financial position as of December 31, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 30, 2026.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hope Enterprise Corporation'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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

St Cloud, Minnesota
March 30, 2026



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