

HOPE ENTERPRISE CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2024 AND 2023



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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 accompanying 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, 2024 and 2023, 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hope Enterprise Corporation and entities under its control as of December 31, 2024 and 2023, 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). 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 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, 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.

Board of Directors
Hope Enterprise Corporation

In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Addison, Texas
March 27, 2025

HOPE ENTERPRISE CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and Cash Equivalents	\$ 44,484,341	\$ 32,775,012
Restricted Cash	18,183,564	7,430,172
Grant and Other Receivables	3,419,618	2,015,058
Contract Revenue Receivable	161,525	166,985
Due from Hope Federal Credit Union	2,993,885	-
Loans Receivable	190,684,755	190,089,798
Allowance for Credit Losses	(1,734,530)	(3,486,097)
Investment Securities	45,701,797	29,060,416
Investment in Secondary Capital of HFCU	38,035,775	38,035,775
Property and Equipment, Net	1,916,903	1,667,546
Other Assets	436,220	542,694
Right-of-Use Asset - Operating	101,669	134,064
Right-of-Use Asset - Financing	6,491	10,387
	<u>344,392,013</u>	<u>298,441,810</u>
Total Assets	<u>\$ 344,392,013</u>	<u>\$ 298,441,810</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 3,323,507	\$ 3,502,917
Payable to Hope Federal Credit Union	-	1,008,457
Deferred Revenue	17,696,261	7,441,799
Notes Payable	80,901,245	64,114,197
Lease Liability - Operating	100,580	160,745
Lease Liability - Financing	7,163	10,839
Total Liabilities	<u>102,028,756</u>	<u>76,238,954</u>
NET ASSETS		
Without Donor Restrictions	45,414,012	32,350,450
Noncontrolling Interests	174,848,796	171,220,109
Total Without Donor Restrictions	<u>220,262,808</u>	<u>203,570,559</u>
With Donor Restrictions	22,100,449	18,632,297
Total Net Assets	<u>242,363,257</u>	<u>222,202,856</u>
Total Liabilities and Net Assets	<u>\$ 344,392,013</u>	<u>\$ 298,441,810</u>

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	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	<u>\$ 220,262,808</u>	<u>\$ 22,100,449</u>	<u>\$ 242,363,257</u>

See accompanying Notes to Consolidated Financial Statements.

HOPE ENTERPRISE CORPORATION
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND GAINS (LOSSES)			
Grants and Contributions	\$ 13,296,215	\$ 1,473,000	\$ 14,769,215
Interest, Dividends, and Related Fees:			
Loans and Other Investments	2,665,074	-	2,665,074
Investment Income, Net	2,034,100	-	2,034,100
Other Gains	79,876	-	79,876
Contract Services Revenue	1,283,341	-	1,283,341
Miscellaneous Loss	(163,085)	-	(163,085)
Subtotal	19,195,521	1,473,000	20,668,521
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	354,766	(354,766)	-
Total Revenues and Gains	19,550,287	1,118,234	20,668,521
EXPENSES			
Program Expenses:			
Development Finance	10,968,461	-	10,968,461
Housing Initiative	601,157	-	601,157
Policy and Advocacy	708,728	-	708,728
Other Programs	5,958,952	-	5,958,952
Total Program Expenses	18,237,298	-	18,237,298
Supporting Services:			
General and Administration Expense	6,703,623	-	6,703,623
Fundraising and Communication	476,718	-	476,718
Total Expenses	25,417,639	-	25,417,639
CHANGE IN NET ASSETS BEFORE NONCONTROLLING INTEREST	(5,867,352)	1,118,234	(4,749,118)
Noncontrolling Interests in Subsidiaries' Net Income	(845,294)	-	(845,294)
CHANGE IN NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST	(6,712,646)	1,118,234	(5,594,412)
Net Assets Attributable to Controlling Interests - Beginning of Year	39,063,096	17,514,063	56,577,159
NET ASSETS ATTRIBUTABLE TO CONTROLLING INTERESTS - END OF YEAR	32,350,450	18,632,297	50,982,747
Net Assets of Noncontrolling Interests	171,220,109	-	171,220,109
NET ASSETS - END OF YEAR	<u>\$ 203,570,559</u>	<u>\$ 18,632,297</u>	<u>\$ 222,202,856</u>

See accompanying Notes to Consolidated Financial Statements.

HOPE ENTERPRISE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets Attributable to Controlling Interests	\$ 16,531,714	\$ (5,594,412)
Adjustments to Reconcile Change in Net Assets to Net		
Cash Provided by Operating Activities:		
Noncontrolling Interests in Subsidiaries' Net Loss	3,341,933	845,294
Depreciation and Amortization	378,340	415,237
Credit for Credit Losses	(1,442,364)	(69,739)
Forgiveness of Mortgage Loan Debt	588,661	714,439
Realized and Unrealized Net Gains on Investments	(176,242)	(729,193)
Changes in Operating Assets and Liabilities:		
Contract Revenue Receivable	5,460	301,855
Grants Receivable	(1,404,560)	(619,412)
Due from Affiliate	(2,993,885)	2,575,199
Operating Right-of-Use Asset	32,395	(64,005)
Other Receivables and Prepaid Expenses	106,474	(95,752)
Accounts Payable and Other Liabilities	(179,410)	715,611
Payable to HFCU	(1,008,457)	1,008,457
Operating Lease Liability	(60,165)	89,052
Deferred Revenue	10,254,462	2,547,653
Net Cash Provided by Operating Activities	<u>23,974,356</u>	<u>2,040,284</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) Decrease in Loans Held for Investment	258,746	(27,267,670)
Increase (Decrease) in Allowance for Credit Losses	(1,751,567)	(384,025)
Purchases of Investments	(20,709,600)	(682,897)
Proceeds from Maturities and Sales of Investments	4,244,461	498,952
Purchase of Property and Equipment	(623,801)	(68,181)
Net Cash Used by Investing Activities	<u>(18,581,761)</u>	<u>(27,903,821)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital Contributions from Noncontrolling Interests	32,050,000	28,950,000
Return of Capital Contributions to Noncontrolling Interests	(30,250,000)	-
Cash Dividends Paid to Noncontrolling Interests	(1,513,246)	(1,868,746)
Proceeds from Issuance of Notes Payable	21,832,384	7,116,519
Payments on Long-Term Borrowings	(5,045,336)	(8,858,713)
Payments on Financing Lease Liability	(3,676)	(3,520)
Net Cash Provided by Financing Activities	<u>17,070,126</u>	<u>25,335,540</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	22,462,721	(527,997)
Cash, Cash Equivalents, Restricted Cash - Beginning of Year	<u>40,205,184</u>	<u>40,733,181</u>
CASH, CASH EQUIVALENTS, RESTRICTED CASH - END OF YEAR	<u><u>\$ 62,667,905</u></u>	<u><u>\$ 40,205,184</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	<u><u>\$ 1,412,646</u></u>	<u><u>\$ 1,287,710</u></u>

See accompanying Notes to Consolidated Financial Statements.

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

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, 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-five 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. 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-five additional limited liability companies included in the consolidated financial statements of the Company. The Company serves as the Managing Member of all twenty-five 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-three 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.

Four CDEs were liquidated at various dates during 2024.

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

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.

At December 31, 2024, the Company's cash accounts exceeded federally insured limits. Although balances at each institution are insured up to \$250,000, management believes cash held in excess of these limits subjects the Company to minimal risk.

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, 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. Cash and cash equivalents at December 31, 2023, totaling \$32,775,012, and restricted cash totaling \$7,430,172, 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 \$40,205,184.

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 \$17,696,261 and \$7,441,799 at December 31, 2024 and 2023, 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 \$160,141,995 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, 2024 and 2023, the Company did not receive any donated goods or service.

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

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, 2024 and 2023, revenue from these fees totaled \$662,526 and \$715,550, respectively.

The Company receives fees from the Small Business Administration for originating loans under the Paycheck Protection Program (PPP). Revenue from the origination service fees is recognized when the loan is originated. These fees are included in contract services revenue on the consolidated statement of activities. During the years ended December 31, 2024 and 2023, revenue from these fees totaled \$-0- and \$225, 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.

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

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

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.

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, 2024 and 2023.

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

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

Loans Receivable (Continued)

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.

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 \$588,661 and \$714,000 in debt forgiveness during 2024 and 2023, respectively, related to these mortgage loans.

As of December 31, 2024, 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>
2025	\$ 265,040
2026	231,957
2027	222,582
2028	195,582
2029	195,582
Thereafter	823,845
Total	<u>\$ 1,934,588</u>

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

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 collectibility 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 the 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, 2024 AND 2023

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, 2024 AND 2023

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, 2024 AND 2023

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, 2024 AND 2023

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, 2024 AND 2023

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

Income Taxes

The Company 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-one CDE entities are limited liability companies, no income taxes are provided. Additionally, two CDE entities are taxed as C corporations and are subject to income taxes.

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 2019.

Reclassifications

Certain amounts in prior periods have been reclassified in order to conform to the current year presentation.

Subsequent Events

In connection with the preparation of the consolidated financial statements, management of the Company evaluated subsequent events through March 27, 2025, which was the date the consolidated financial statements were available to be issued.

In 2025, the Company acquired additional long-term debt.

Notes Payable acquired in 2025 consist of the following as of March 27, 2025:

Description

3.25% Note Payable, interest due quarterly and maturing in 2030.	\$ 250,000
3.5% Note Payable, interest due annually and maturing in 2030.	3,000,000
3.5% Note Payable, interest due monthly and maturing in 2029.	<u>999,944</u>
Total Notes Payable	<u><u>\$ 4,249,944</u></u>

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

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:

	2024	2023
Grant Receivable in Less Than One Year	\$ 3,234,753	\$ 1,403,043
Grant Receivable in One to Five Years	-	257,750
Subtotal	3,234,753	1,660,793
Less: Adjustment to Reflect Grant Receivables at Fair Value at the Date of Grant, Based on 2.5% Discount Rate in 2024 and 2023	(14,192)	(13,712)
Total Grant Receivables	3,220,561	1,647,081
Other Receivables Due in Less Than One Year	199,057	367,977
Total Grant and Other Receivables	<u>\$ 3,419,618</u>	<u>\$ 2,015,058</u>

NOTE 3 FAIR VALUE MEASUREMENTS

At December 31, 2024 and 2023, 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, 2024			
	Level 1	Level 2	Level 3
Investment Securities	\$ -	\$ 45,701,797	\$ -
	<u>-</u>	<u>\$ 45,701,797</u>	<u>\$ -</u>
			<u>\$ 45,701,797</u>
December 31, 2023			
	Level 1	Level 2	Level 3
Investment Securities	\$ -	\$ 29,060,416	\$ -
	<u>-</u>	<u>\$ 29,060,416</u>	<u>\$ -</u>
			<u>\$ 29,060,416</u>

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 4 INVESTMENT SECURITIES

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

	December 31, 2024	
	Amortized	
	Cost	Fair Value
Government Agencies	\$ 1,902,475	\$ 1,784,636
Residential Mortgage-Backed Securities	18,456,856	16,989,895
Treasuries	15,292,113	15,267,890
U.S. Treasury Bonds	5,682,926	5,453,382
Municipal Bonds	6,670,336	6,205,994
Total	<u>\$ 48,004,706</u>	<u>\$ 45,701,797</u>

	December 31, 2023	
	Amortized	
	Cost	Fair Value
Government Agencies	\$ 2,152,475	\$ 1,979,030
Residential Mortgage-Backed Securities	17,633,958	15,942,166
Treasuries	1,275,484	1,199,877
U.S. Treasury Bonds	4,424,451	4,165,580
Municipal Bonds	6,325,671	5,773,763
Total	<u>\$ 31,812,039</u>	<u>\$ 29,060,416</u>

The amortized cost and approximate fair value of investment securities, by expected maturity as of December 31, 2024 are shown below.

	Amortized	
	Cost	Fair Value
U.S. Treasury and Municipal Bonds and Government Agency Securities:		
Due Within One Year	\$ 14,583,138	\$ 14,592,931
Due After One Year Through Five Years	8,486,969	7,973,498
Due After Five Years Through Ten Years	6,410,853	6,078,304
Due After Ten Years	66,890	67,169
Subtotal	<u>29,547,850</u>	<u>28,711,902</u>
Residential Mortgage-Backed Securities	<u>18,456,856</u>	<u>16,989,895</u>
Total	<u>\$ 48,004,706</u>	<u>\$ 45,701,797</u>

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 5 LOANS, NET

The Company makes loans to small businesses located in rural, economically disadvantaged areas of Alabama, Arkansas, 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.

Included in commercial loans is a concentration in New Market Tax Credit program loans originated by community development entities which aggregated approximately \$174,600,000 and \$173,976,000 at December 31, 2024 and 2023, 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, 2024 and 2023, the Company had approximately \$9,000 and \$4,844,000, 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:

	2024	2023
Commercial Loans	\$ 187,747,260	\$ 186,613,968
Forgivable Mortgage Loans	2,685,150	3,192,190
Other Consumer Mortgage Loans	252,345	283,640
Subtotal	190,684,755	190,089,798
Allowance for Credit Losses	(1,734,530)	(3,486,097)
Total	<u>\$ 188,950,225</u>	<u>\$ 186,603,701</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 \$4,674,000 and \$3,478,746 at December 31, 2024 and 2023, respectively.

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 5 LOANS, NET (CONTINUED)

A summary of the activity in the allowance for credit losses on loans and loan losses for the years ended December 31, 2024 and 2023, respectively, is as follows.

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>

December 31, 2023					
	Balance - Beginning of Year	Charge-Offs	Recoveries	Credit for Loan Losses	Balance - End of Year
Commercial	\$ 3,871,725	\$ (330,807)	\$ 13,500	\$ (69,739)	\$ 3,484,679
Other Consumer Mortgage Loans	1,603	(185)	-	-	1,418
Total	<u>\$ 3,873,328</u>	<u>\$ (330,992)</u>	<u>\$ 13,500</u>	<u>\$ (69,739)</u>	<u>\$ 3,486,097</u>

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, 2024 and 2023.

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, 2024 and 2023, 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.

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 5 LOANS, NET (CONTINUED)

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

	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
	December 31, 2023		
	Commercial	Other Consumer Mortgage Loans	Total
Allowance for Credit Losses:			
Ending Balance: Collateral Dependent	\$ 2,287,200	\$ -	\$ 2,287,200
Loans:			
Ending Balance: Collateral Dependent	\$ 6,075,851	\$ -	\$ 6,075,851

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, 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
	December 31, 2023				
	Pass Categories	Special Mention Category	Substandard Category	Doubtful Category	Total
Commercial Loans	\$ 179,465,045	\$ 494,682	\$ 6,589,643	\$ 64,598	\$ 186,613,968

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 5 LOANS, NET (CONTINUED)

As of December 31, 2024 and 2023, 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, 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
Total	<u>\$ 190,684,755</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 190,684,755</u>

December 31, 2023					
	Current	Past Due 30-89 Days	Past Due Greater Than 90 Days and Accruing Interest	Nonaccrual	Total
Commercial Loans	\$ 186,613,968	\$ -	\$ -	\$ -	\$ 186,613,968
Forgivable Mortgage Loans	3,192,190	-	-	-	3,192,190
Other Consumer Mortgage Loans	283,640	-	-	-	283,640
Total	<u>\$ 190,089,798</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 190,089,798</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. The Company did not enter into any modifications during the years ended December 31, 2024 and 2023.

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 \$7,433,233 and \$7,338,845 relative to its obligation to reimburse certain operating expenses of HFCU in 2024 and 2023, respectively.

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 6 RELATED PARTY TRANSACTIONS (CONTINUED)

Secondary capital of HFCU are loans 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.

The following table present information related to Secondary capital of HFCU as of December 31, 2024:

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

Interest income received from HFCU relative to the secondary capital loans was \$411,733 and \$410,608 for the years ended December 31, 2024 and 2023, respectively. No repayments are due on the above secondary capital loans until 2027 and thereafter.

The Company incurred \$79,478 and \$100,000 in 2024 and 2023, respectively for grants to HFCU which are included in development finance expense in the accompanying consolidated statements of activities.

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 6 RELATED PARTY TRANSACTIONS (CONTINUED)

Accounts receivable from HFCU for expense reimbursements totaled \$2,993,885 and \$-0- as of December 31, 2024 and 2023, respectively. Accounts payable to HFCU for grants and contractual services totaled \$-0- and \$1,008,457 as of December 31, 2024 and 2023, respectively. The Company had deposit accounts with HFCU as of December 31, 2024 and 2023, totaling \$61,096,120 and \$35,769,677, respectively.

The Company has a mortgage and note payable to HFCU with an outstanding principal balance of \$694,769 and \$729,001, respectively at December 31, 2024 and 2023. See terms of note at Note 8.

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2024	2023
Computer Equipment	\$ 5,969,476	\$ 5,373,135
Office Equipment and Other	932,831	932,831
Buildings and Improvements	2,027,655	2,027,655
Construction in Progress	33,460	6,000
Subtotal	8,963,422	8,339,621
Less: Accumulated Depreciation	(7,046,519)	(6,672,075)
Total	<u>\$ 1,916,903</u>	<u>\$ 1,667,546</u>

NOTE 8 NOTES PAYABLE

The Company also entered into one loan facility with the bank to provide funding in amounts up to \$85,000,000. The outstanding balance under this loan facility at December 31, 2024 and 2023, are \$-0- and \$4,872,747, respectively. The proceeds of this facility are to be used to provide Paycheck Protection Program loans (see Note 5) and are secured by such outstanding loans. All remaining notes payable of the Company are unsecured except for collateral consisting of a first real estate mortgage on the corporate office facilities relative to the note payable to HFCU.

The Company recognized interest expense of \$23,555 and \$44,131 during 2024 and 2023, respectively, related to its mortgage and note payable to HFCU.

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 8 NOTES PAYABLE (CONTINUED)

Notes payable consist of the following as of December 31:

<u>Description</u>	<u>2024</u>	<u>2023</u>
1% Notes Payable:		
Interest due quarterly and maturing from 2030 through 2034.	\$ 6,000,000	\$ 6,999,417
Interest due quarterly and maturing from 2025 through 2027.	1,000,000	1,000,000
Interest due annually and maturing from 2025 through 2026.	300,000	300,000
Interest due annually and maturing in 2033.	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
Notes Payable to banks with interest due quarterly:		
Interest payable at 3% and maturing in 2025.	35,351	173,708
Interest payable at 3% and maturing in 2030.	15,000,000	5,000,000
Interest payable at 3.25% and maturing from 2025 through 2028.	8,500,000	1,000,000
Interest payable at 3.75% and maturing in 2027.	999,417	-
0.35% Note Payable secured by pledged PPP loans, maturing as the pledged loans mature.	-	4,872,747
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	-
3% Notes Payable:		
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
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.	694,769	729,001

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 8 NOTES PAYABLE (CONTINUED)

<u>Description</u>	<u>2024</u>	<u>2023</u>
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 2025.	400,000	400,000
Nonprofit foundation maturing in 2025.	250,000	250,000
Other Notes Payable, with interest at 1% to 2% and maturing from 2026 to 2027	90,000	75,000
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>\$ 80,901,245</u>	<u>\$ 64,114,197</u>

All notes payable without collateral described above represent unsecured notes.

Notes payable maturities at December 31, 2024, are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2025	\$ 1,457,410
2026	16,184,824
2027	3,706,479
2028	3,636,942
2029	6,134,106
Thereafter	<u>49,781,484</u>
Total	<u>\$ 80,901,245</u>

NOTE 9 NET ASSETS

Net Assets With Donor Restrictions

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

	<u>2024</u>	<u>2023</u>
Net Assets Subject to Expenditures for Specified Purpose:		
Development Finance Activities	\$ 21,227,653	\$ 17,473,001
Housing Initiative Activities	191,685	242,185
Other Program Activities	<u>66,533</u>	<u>262,533</u>
Subtotal	21,485,871	17,977,719
Net Assets Subject to Passage of Time:		
For Periods after December 31	-	40,000
Net Assets to be Maintained in Perpetuity:		
Revolving Loan Funds	<u>614,578</u>	<u>614,578</u>
Total Net Assets with Donor Restrictions	<u>\$ 22,100,449</u>	<u>\$ 18,632,297</u>

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 9 NET ASSETS (CONTINUED)

Noncontrolling Interests

ECDI has 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. 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-three 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 2024 and 2023. Dividends in arrears relative to the ECDI Class A units totaled \$114,775 at December 31, 2024 and 2023.

The changes in noncontrolling interest are as follows:

	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>

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 9 NET ASSETS (CONTINUED)

Noncontrolling Interests (Continued)

	Balance - January 1, 2023	Equity Investment	Dividends Paid	Net Earnings (Loss)	Balance - December 31, 2023
ECD Investments Consolidated	\$ (405,483)	\$ -	\$ -	\$ (7)	\$ (405,490)
ECD Associates Consolidated	1,159,082	-	(25,862)	(16,898)	1,116,322
Hope New Markets 5	3,530,914	-	(98,172)	(155,254)	3,277,488
Hope New Markets 6	10,846,664	-	(18,482)	45,812	10,873,994
Hope New Markets 7	7,721,228	-	(77,592)	63,626	7,707,262
Hope New Markets 8	7,699,607	-	(217,783)	242,613	7,724,437
Hope New Markets 9	8,686,377	-	(310,237)	294,525	8,670,665
Hope New Markets 10	7,779,326	-	(212,399)	198,432	7,765,359
Hope New Markets 11	8,495,764	-	(6,938)	388,067	8,876,893
Hope New Markets 12	9,659,262	-	(81,333)	63,901	9,641,830
Hope New Markets 13	7,690,838	-	(96,390)	121,220	7,715,668
Hope New Markets 14	6,694,621	-	(59,791)	115,463	6,750,293
Hope New Markets 15	13,387,896	-	(100,790)	212,135	13,499,241
Hope New Markets 16	6,688,182	-	(50,652)	106,324	6,743,854
Hope New Markets 17	9,661,974	-	(96,240)	78,782	9,644,516
Hope New Markets 18	6,755,915	-	(44,569)	32,348	6,743,694
Hope New Markets 19	13,512,149	-	(101,246)	76,804	13,487,707
Hope New Markets 20	7,729,245	-	(64,706)	50,740	7,715,279
Hope New Markets 21	6,000,000	-	(66,469)	(153,085)	5,780,446
Hope New Markets 23	-	7,500,000	(33,435)	(241,008)	7,225,557
Hope New Markets 24	-	14,450,000	(100,562)	(428,197)	13,921,241
Hope New Markets 25	-	7,000,000	(5,098)	(251,049)	6,743,853
Total	<u>\$ 143,293,561</u>	<u>\$ 28,950,000</u>	<u>\$ (1,868,746)</u>	<u>\$ 845,294</u>	<u>\$ 171,220,109</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:

	2024	2023
Cash and Cash Equivalents	\$ 44,484,341	\$ 32,775,012
Grants Receivables	3,234,753	1,403,043
Investment Securities	45,701,797	29,060,416
Loans Receivable	29,209,315	2,324,907
Loan Guarantees Receivable from SBA	-	1,398,446
Interest Receivable	161,525	166,985
Financial Assets, at Year End	122,791,731	67,128,809
Less Those Not Available for General Expenditures within One Year, Due to:		
Restricted by Donors	(22,100,449)	(18,632,297)
Lines of Credit Secured by Loan Guarantees Receivable from SBA	-	(1,398,446)
Financial Assets Available to Meet Cash Needs for General Expenditure within One Year	<u>\$ 100,691,282</u>	<u>\$ 47,098,066</u>

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

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 \$150,807 in 2024 and \$118,006 in 2023.

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 approximately \$2,394,675 and \$195,000 at December 31, 2024 and 2023, 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, 2024 AND 2023

NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Credit Enhancement Loans

As of December 31, 2024, the Company has loans outstanding that are partially collateralized by credit enhancement guarantees from the Company through a charter school credit enhancement program. Total credit enhancement guarantees from the Company for these loans aggregated \$15,620,386 and \$11,195,223 as of December 31, 2024 and 2023, 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 \$2,433,367 and \$25,000 as of December 31, 2024 and 2023, 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 \$1,959,672 and \$1,774,498 as of December 31, 2024 and 2023, 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 \$470,452 as of December 31, 2024.

Deferred Compensation Plan

The Company has an executive employment agreement with its principal executive which entitles the principal executive 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 \$434,288 and \$389,799 as of December 31, 2024 and 2023, respectively.

Concentrations

Contributions totaling \$28,000,000 and \$7,125,000 were received from one and three donors in years ended December 31, 2024 and 2023, respectively, representing 68% and 48% 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, 2024 AND 2023

NOTE 13 LEASES

The Company leases office space and equipment under a long-term, noncancelable lease agreements. The leases expire at various dates from 2025 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:

	2024	2023
Finance Lease Cost:		
Amortization of Right-of-Use Assets	\$ 3,895	\$ 3,895
Interest on Lease Liabilities	381	535
Operating Lease Cost	58,233	57,498
Total Lease Cost	<u>\$ 62,509</u>	<u>\$ 61,928</u>

Other Information:

Cash Paid for Amounts Included in the

Measurement of Lease Liabilities:

Operating Cash Flows from Finance Leases	\$ 381	\$ 535
Operating Cash Flows from Operating Leases	\$ 59,784	\$ 56,994
Financing Cash Flows from Finance Leases	\$ 3,676	\$ 3,520

Right-of-use Assets Obtained in Exchange for New

Operating Lease Liabilities:	\$ 5,426	\$ 48,381
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Weighted-Average Remaining Lease Term -

Finance Leases	1.8 Years	2.8 Years
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Weighted-Average Remaining Lease Term -

Operating Leases	1.8 Years	2.6 Years
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Weighted-Average Discount Rate - Finance Leases	4.31 %	4.31 %
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Weighted-Average Discount Rate - Operating Leases	4.28 %	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, 2024, is as follows:

<u>Year Ending December 31,</u>	<u>Operating</u>	<u>Finance</u>	<u>Totals</u>
2025	\$ 59,477	\$ 4,056	\$ 63,533
2026	42,295	3,380	45,675
2027	1,470	-	1,470
2028	735	-	735
Undiscounted Cash Flows	103,977	7,436	111,413
Less: Imputed Interest	(3,397)	(273)	(3,670)
Total Present Value	<u>\$ 100,580</u>	<u>\$ 7,163</u>	<u>\$ 107,743</u>
Short-Term Lease Liabilities	\$ (56,795)	\$ (3,837)	\$ (60,632)
Long-Term Lease Liabilities	(43,785)	(3,326)	(47,111)
Total Lease Liabilities	<u>\$ (100,580)</u>	<u>\$ (7,163)</u>	<u>\$ (107,743)</u>

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 14 FUNCTIONAL CLASSIFICATION OF EXPENSES

A summary of 2024 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	\$ 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	1,602,775	16	-	79,078	1,681,869	26,494	67	26,561	1,708,430
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	(1,442,207)	(156)	-	-	(1,442,363)	-	-	-	(1,442,363)
Depreciation	-	-	-	20,383	20,383	354,060	-	354,060	374,443
Lease Expense	523	-	-	-	523	63,730	-	63,730	64,253
Total	<u>\$ 9,397,838</u>	<u>\$ 915,519</u>	<u>\$ 452,294</u>	<u>\$ 8,899,324</u>	<u>\$ 19,664,975</u>	<u>\$ 7,482,346</u>	<u>\$ 598,014</u>	<u>\$ 8,080,360</u>	<u>\$ 27,745,335</u>

HOPE ENTERPRISE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 14 FUNCTIONAL CLASSIFICATION OF EXPENSES (CONTINUED)

A summary of 2023 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	\$ 551,245	\$ 14,678	\$ 496,845	\$ 1,433,726	\$ 2,496,494	\$ 2,366,860	\$ 367,395	\$ 2,734,255	\$ 5,230,749
Bank Fees	15,675	-	-	-	15,675	23,758	-	23,758	39,433
Conferences and Employee Training	4,374	-	26,212	214,077	244,663	36,810	21,310	58,120	302,783
Contractual Services	823,020	-	7,900	3,269,179	4,100,099	652,738	40,704	693,442	4,793,541
Dues, Fees, and Memberships	6,394	1,000	32,621	6,381	46,396	89,069	1,633	90,702	137,098
Equipment, Furniture, and Fixtures	80,481	11	2,378	405,279	488,149	336,518	2,933	339,451	827,600
Forgiveness of Mortgage Loan Debt	219,386	495,053	-	-	714,439	-	-	-	714,439
HFCU Operational Support	7,438,845	-	-	-	7,438,845	-	-	-	7,438,845
Insurance	-	-	-	-	-	244,505	-	244,505	244,505
Miscellaneous	18,305	9,813	7,872	100,036	136,026	190,223	4,153	194,376	330,402
Office Supplies	3,603	850	7,772	229,437	241,662	91,035	7,079	98,114	339,776
Pass Through Grants	1,606,310	-	-	21,900	1,628,210	200,000	-	200,000	1,828,210
Professional Fees	9,271	-	-	31,594	40,865	217,778	-	217,778	258,643
Rent and Employee Parking	7,584	-	-	2,250	9,834	12,153	-	12,153	21,987
Repairs and Maintenance	8,708	-	-	2,658	11,366	122,334	-	122,334	133,700
Service Fees	159,023	53,855	29,637	40,272	282,787	98,438	506	98,944	381,731
Staff Recruitment and Relocation	20,400	-	-	-	20,400	32,800	-	32,800	53,200
Telephone and Utilities	7,030	5	1,071	45,966	54,072	97,748	821	98,569	152,641
Travel	34,071	8,708	96,420	155,732	294,931	146,415	30,184	176,599	471,530
Interest	41,659	-	-	-	41,659	1,237,643	-	1,237,643	1,279,302
Provision for Credit Losses	(86,923)	17,184	-	-	(69,739)	-	-	-	(69,739)
Depreciation	-	-	-	465	465	410,878	-	410,878	411,343
Lease Expense	-	-	-	-	-	95,920	-	95,920	95,920
Total	<u>\$ 10,968,461</u>	<u>\$ 601,157</u>	<u>\$ 708,728</u>	<u>\$ 5,958,952</u>	<u>\$ 18,237,298</u>	<u>\$ 6,703,623</u>	<u>\$ 476,718</u>	<u>\$ 7,180,341</u>	<u>\$ 25,417,639</u>

HOPE ENTERPRISE CORPORATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2024
(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	\$ -	\$ 820,753	\$ 42,604,746	\$ 1,058,842	\$ -	\$ 44,484,341
Restricted Cash	-	-	18,183,564	-	-	18,183,564
Grant and Other Receivables	-	-	3,345,729	73,889	-	3,419,618
Contract Revenue Receivable	-	-	41,129.00	120,396	-	161,525
Due from Hope Federal Credit Union and Affiliates	-	-	3,516,675	-	(522,790)	2,993,885
Loans Receivable	-	2,474,466	13,610,289	174,600,000	-	190,684,755
Allowance for Credit Losses	-	(5,100)	(638,364)	(1,091,066)	-	(1,734,530)
Investment Securities	-	-	45,701,797	-	-	45,701,797
Investment in Subsidiary	-	-	1,770,098	-	(1,770,098)	-
Investment in Secondary Capital of HFCU	-	-	35,060,775	2,975,000	-	38,035,775
Property and Equipment, Net	-	-	1,916,903	-	-	1,916,903
Other Assets	-	40,000	326,220	70,000	-	436,220
Right-of-Use Asset - Operating	-	-	101,669	-	-	101,669
Right-of-Use Asset - Financing	-	-	6,491	-	-	6,491
Total Assets	<u>\$ -</u>	<u>\$ 3,330,119</u>	<u>\$ 165,547,721</u>	<u>\$ 177,807,061</u>	<u>\$ (2,292,888)</u>	<u>\$ 344,392,013</u>
LIABILITIES AND NET ASSETS						
LIABILITIES						
Accounts Payable and Accrued Expenses	\$ (84)	\$ (379)	\$ 3,297,705	\$ 26,609	\$ (344)	\$ 3,323,507
Due to Affiliates	415,028	7,099	-	100,319	(522,446)	-
Deferred Revenue	-	-	17,596,261	100,000	-	17,696,261
Notes Payable	-	-	80,901,245	-	-	80,901,245
Lease Liability - Operating	-	-	100,580	-	-	100,580
Lease Liability - Financing	-	-	7,163	-	-	7,163
Total Liabilities	<u>414,944</u>	<u>6,720</u>	<u>101,902,954</u>	<u>226,928</u>	<u>(522,790)</u>	<u>102,028,756</u>
NET ASSETS						
Noncontrolling Interests	(405,407)	-	-	175,254,203	-	174,848,796
Without Donor Restrictions	(9,537)	3,323,399	41,544,318	2,325,930	(1,770,098)	45,414,012
With Donor Restrictions	-	-	22,100,449	-	-	22,100,449
Total Net Assets (Deficit)	<u>(414,944)</u>	<u>3,323,399</u>	<u>63,644,767</u>	<u>177,580,133</u>	<u>(1,770,098)</u>	<u>242,363,257</u>
Total Liabilities and Net Assets	<u>\$ -</u>	<u>\$ 3,330,119</u>	<u>\$ 165,547,721</u>	<u>\$ 177,807,061</u>	<u>\$ (2,292,888)</u>	<u>\$ 344,392,013</u>

HOPE ENTERPRISE CORPORATION
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2024
(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	\$ -	\$ 75,793	\$ 41,267,659	\$ -	\$ -	\$ 41,343,452
Interest, Dividends, and Related Fees:						
Loans and Other Investments	-	-	634,044	2,719,401	-	3,353,445
Investment Income, Net	-	8,333	1,858,475	-	(75)	1,866,733
Other Gains (Losses)	-	25,000	(25,454)	-	-	(454)
Contract Services Revenue	-	-	2,675,354	287,066	(1,772,123)	1,190,297
Miscellaneous Loss	-	-	(134,491)	-	-	(134,491)
Total Revenues and Gains	-	109,126	46,275,587	3,006,467	(1,772,198)	47,618,982
EXPENSES						
Program Expenses:						
Development Finance	-	276,022	11,249,057	(355,118)	(1,772,123)	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	-	276,022	21,516,194	(355,118)	(1,772,123)	19,664,975
General and Administration Expense	-	-	7,482,346	-	-	7,482,346
Fundraising and Communication	-	-	598,014	-	-	598,014
Total Expenses	-	276,022	29,596,554	(355,118)	(1,772,123)	27,745,335
CHANGE IN NET ASSETS BEFORE NONCONTROLLING INTEREST	-	(166,896)	16,679,033	3,361,585	(75)	19,873,647
Noncontrolling Interests in Subsidiaries' Net Income	-	-	-	(3,341,933)	-	(3,341,933)
CHANGE IN NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST	-	(166,896)	16,679,033	19,652	(75)	16,531,714
Net Assets Attributable to Controlling Interest -						
Beginning of Year	(9,537)	3,490,295	46,965,734	2,306,249	(1,769,994)	50,982,747
Return of Capital	-	-	-	(2,970)	2,970	-
Capital Contribution	-	-	-	3,205	(3,205)	-
Dividends Paid to Controlling Interests	-	-	-	(206)	206	-
NET ASSETS ATTRIBUTABLE TO CONTROLLING INTERESTS - END OF YEAR	(9,537)	3,323,399	63,644,767	2,325,930	(1,770,098)	67,514,461
Net Assets of Noncontrolling Interests	(405,407)	-	-	175,254,203	-	174,848,796
NET ASSETS (DEFICIT) - END OF YEAR	<u>\$ (414,944)</u>	<u>\$ 3,323,399</u>	<u>\$ 63,644,767</u>	<u>\$ 177,580,133</u>	<u>\$ (1,770,098)</u>	<u>\$ 242,363,257</u>

HOPE ENTERPRISE CORPORATION
DETAILS OF NEW MARKETS TAX CREDIT COMPANIES
COMBINING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2024
(SEE INDEPENDENT AUDITORS' REPORT)

	ECD Associates, LLC Consolidated	Hope New Markets 5 LLC	Hope New Markets 6 LLC	Hope New Markets 7 LLC	Hope New Markets 8 LLC
ASSETS					
Cash and Cash Equivalents	\$ 414,023	\$ -	\$ 322,431	\$ -	\$ -
Grant and Other Receivables	-	-	-	-	-
Contract Revenue Receivable	-	-	9,728	-	-
Loans Receivable	-	-	10,670,000	-	-
Allowance for Credit Losses	-	-	(72,556)	-	-
Investment in Secondary Capital of HFCU	2,975,000	-	-	-	-
Other Assets	-	-	-	-	-
Total Assets	<u>\$ 3,389,023</u>	<u>\$ -</u>	<u>\$ 10,929,603</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts Payable and Accrued Expenses	\$ -	\$ -	\$ 17,189	\$ -	\$ -
Due to Affiliates	-	-	6,875	-	-
Deferred Revenue	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>24,064</u>	<u>-</u>	<u>-</u>
NET ASSETS					
Noncontrolling Interests	1,080,493	-	10,904,465	-	-
Without Donor Restrictions	<u>2,308,530</u>	<u>-</u>	<u>1,074</u>	<u>-</u>	<u>-</u>
Total Net Assets	<u>3,389,023</u>	<u>-</u>	<u>10,905,539</u>	<u>-</u>	<u>-</u>
Total Liabilities and Net Assets	<u>\$ 3,389,023</u>	<u>\$ -</u>	<u>\$ 10,929,603</u>	<u>\$ -</u>	<u>\$ -</u>

HOPE ENTERPRISE CORPORATION
DETAILS OF NEW MARKETS TAX CREDIT COMPANIES
COMBINING STATEMENT OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2024
(SEE INDEPENDENT AUDITORS' REPORT)

	Hope New Markets 9 LLC	Hope New Markets 10 LLC	Hope New Markets 11 LLC	Hope New Markets 12 LLC	Hope New Markets 13 LLC
ASSETS					
Cash and Cash Equivalents	\$ -	\$ 800	\$ 248,213	\$ 1,115	\$ 800
Grant and Other Receivables	-	20,000	10,000	-	-
Contract Revenue Receivable	-	58,105	-	7,680	8,406
Loans Receivable	-	7,760,000	8,730,000	9,700,000	7,760,000
Allowance for Credit Losses	-	(52,768)	(59,364)	(65,960)	(52,768)
Investment in Secondary Capital of HFCU	-	-	-	-	-
Other Assets	-	-	-	-	-
Total Assets	<u>\$ -</u>	<u>\$ 7,786,137</u>	<u>\$ 8,928,849</u>	<u>\$ 9,642,835</u>	<u>\$ 7,716,438</u>
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts Payable and Accrued Expenses	\$ -	\$ -	\$ 699	\$ -	\$ -
Due to Affiliates	-	20,000	10,000	15	-
Deferred Revenue	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>20,000</u>	<u>10,699</u>	<u>15</u>	<u>-</u>
NET ASSETS					
Noncontrolling Interests	-	7,765,359	8,917,261	9,641,855	7,715,668
Without Donor Restrictions	-	778	889	965	770
Total Net Assets	<u>-</u>	<u>7,766,137</u>	<u>8,918,150</u>	<u>9,642,820</u>	<u>7,716,438</u>
Total Liabilities and Net Assets	<u>\$ -</u>	<u>\$ 7,786,137</u>	<u>\$ 8,928,849</u>	<u>\$ 9,642,835</u>	<u>\$ 7,716,438</u>

HOPE ENTERPRISE CORPORATION
DETAILS OF NEW MARKETS TAX CREDIT COMPANIES
COMBINING STATEMENT OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2024
(SEE INDEPENDENT AUDITORS' REPORT)

	Hope New Markets 14 LLC	Hope New Markets 15 LLC	Hope New Markets 16 LLC	Hope New Markets 17 LLC	Hope New Markets 18 LLC
ASSETS					
Cash and Cash Equivalents	\$ 700	\$ 1,400	\$ 493	\$ 1,000	\$ 10,541
Grant and Other Receivables	-	-	207	-	-
Contract Revenue Receivable	6,441	11,535	1	10,441	-
Loans Receivable	6,790,000	13,580,000	6,790,000	9,700,000	6,790,000
Allowance for Credit Losses	(46,172)	(92,344)	(46,172)	(65,960)	(46,172)
Investment in Secondary Capital of HFCU	-	-	-	-	-
Other Assets	-	-	-	-	-
Total Assets	<u>\$ 6,750,969</u>	<u>\$ 13,500,591</u>	<u>\$ 6,744,529</u>	<u>\$ 9,645,481</u>	<u>\$ 6,754,369</u>
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts Payable and Accrued Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Affiliates	-	-	-	-	-
Deferred Revenue	-	-	-	-	10,000
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
NET ASSETS					
Noncontrolling Interests	6,750,293	13,499,241	6,743,855	9,644,516	6,743,694
Without Donor Restrictions	676	1,350	674	965	675
Total Net Assets	<u>6,750,969</u>	<u>13,500,591</u>	<u>6,744,529</u>	<u>9,645,481</u>	<u>6,744,369</u>
Total Liabilities and Net Assets	<u>\$ 6,750,969</u>	<u>\$ 13,500,591</u>	<u>\$ 6,744,529</u>	<u>\$ 9,645,481</u>	<u>\$ 6,754,369</u>

HOPE ENTERPRISE CORPORATION
DETAILS OF NEW MARKETS TAX CREDIT COMPANIES
COMBINING STATEMENT OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2024
(SEE INDEPENDENT AUDITORS' REPORT)

	Hope New Markets 19 LLC	Hope New Markets 20 LLC	Hope New Markets 21 LLC	Hope New Markets 23 LLC	Hope New Markets 24 LLC
ASSETS					
Cash and Cash Equivalents	\$ 11,400	\$ 759	\$ 600	\$ 19,553	\$ 1,445
Grant and Other Receivables	-	20,000	-	10,000	-
Contract Revenue Receivable	-	8,059	-	-	-
Loans Receivable	13,580,000	7,760,000	5,820,000	7,275,000	14,016,500
Allowance for Credit Losses	(92,344)	(52,768)	(39,576)	(49,470)	(95,312)
Investment in Secondary Capital of HFCU	-	-	-	-	-
Other Assets	-	-	10,000	10,000	10,000
Total Assets	<u>\$ 13,499,056</u>	<u>\$ 7,736,050</u>	<u>\$ 5,791,024</u>	<u>\$ 7,265,083</u>	<u>\$ 13,932,633</u>
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts Payable and Accrued Expenses	\$ -	\$ -	\$ -	\$ 5,340	\$ -
Due to Affiliates	-	10,000	-	23,463	-
Deferred Revenue	10,000	10,000	10,000	10,000	10,000
Total Liabilities	<u>10,000</u>	<u>20,000</u>	<u>10,000</u>	<u>38,803</u>	<u>10,000</u>
NET ASSETS					
Noncontrolling Interests	13,487,707	7,715,280	5,780,446	7,225,556	13,921,241
Without Donor Restrictions	1,349	770	578	724	1,392
Total Net Assets	<u>13,489,056</u>	<u>7,716,050</u>	<u>5,781,024</u>	<u>7,226,280</u>	<u>13,922,633</u>
Total Liabilities and Net Assets	<u>\$ 13,499,056</u>	<u>\$ 7,736,050</u>	<u>\$ 5,791,024</u>	<u>\$ 7,265,083</u>	<u>\$ 13,932,633</u>

HOPE ENTERPRISE CORPORATION
DETAILS OF NEW MARKETS TAX CREDIT COMPANIES
COMBINING STATEMENT OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2024
(SEE INDEPENDENT AUDITORS' REPORT)

	Hope New Markets 25 LLC	Hope New Markets 26 LLC	Hope New Markets 27 LLC	Hope New Markets 28 LLC	Combined
ASSETS					
Cash and Cash Equivalents	\$ 20,406	\$ 1,700	\$ 633	\$ 830	\$ 1,058,842
Grant and Other Receivables	13,640	-	42	-	73,889
Contract Revenue Receivable	-	-	-	-	120,396
Loans Receivable	6,790,000	16,490,000	6,547,500	8,051,000	174,600,000
Allowance for Credit Losses	(46,172)	(82,450)	(32,738)	-	(1,091,066)
Investment in Secondary Capital of HFCU	-	-	-	-	2,975,000
Other Assets	10,000	10,000	10,000	10,000	70,000
Total Assets	<u>\$ 6,787,874</u>	<u>\$ 16,419,250</u>	<u>\$ 6,525,437</u>	<u>\$ 8,061,830</u>	<u>\$ 177,807,061</u>
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts Payable and Accrued Expenses	\$ 3,381	\$ -	\$ -	\$ -	\$ 26,609
Due to Affiliates	29,966	-	-	-	100,319
Deferred Revenue	10,000	10,000	10,000	10,000	100,000
Total Liabilities	<u>43,347</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>226,928</u>
NET ASSETS					
Noncontrolling Interests	6,743,853	16,407,610	6,514,785	8,051,025	175,254,203
Without Donor Restrictions	674	1,640	652	805	2,325,930
Total Net Assets	<u>6,744,527</u>	<u>16,409,250</u>	<u>6,515,437</u>	<u>8,051,830</u>	<u>177,580,133</u>
Total Liabilities and Net Assets	<u>\$ 6,787,874</u>	<u>\$ 16,419,250</u>	<u>\$ 6,525,437</u>	<u>\$ 8,061,830</u>	<u>\$ 177,807,061</u>

HOPE ENTERPRISE CORPORATION
DETAILS OF NEW MARKETS TAX CREDIT COMPANIES
COMBINING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2024
(SEE INDEPENDENT AUDITORS' REPORT)

	ECD Associates, LLC Consolidated	Hope New Markets 5 LLC	Hope New Markets 6 LLC	Hope New Markets 7 LLC	Hope New Markets 8 LLC
REVENUES AND GAINS					
Interest, Dividends, and Related Fees:					
Loans and Other Investments	\$ 29,832	\$ 330,274	\$ 112,953	\$ 45,482	\$ 147,307
Contract Services Revenue	-	30,000	10,000	14,722	13,000
Total Revenues and Gains	<u>29,832</u>	<u>360,274</u>	<u>122,953</u>	<u>60,204</u>	<u>160,307</u>
EXPENSES					
Program Expenses:					
Development Finance	<u>730</u>	<u>(2,099,576)</u>	<u>55,747</u>	<u>(38,046)</u>	<u>(27,379)</u>
Total Expenses	<u>730</u>	<u>(2,099,576)</u>	<u>55,747</u>	<u>(38,046)</u>	<u>(27,379)</u>
CHANGE IN NET ASSETS BEFORE NONCONTROLLING INTERESTS IN SUBSIDIARIES' INCOME	29,102	2,459,850	67,206	98,250	187,686
Noncontrolling Interests in Subsidiaries' Net (Income) Loss	<u>(9,783)</u>	<u>(2,459,604)</u>	<u>(67,199)</u>	<u>(98,240)</u>	<u>(187,667)</u>
CHANGE IN NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST	19,319	246	7	10	19
Net Assets Attributable to Controlling Interest - Beginning of Year	2,289,211	329	1,072	770	769
Return of Capital	-	(565)	-	(775)	(766)
Capital Contribution	-	-	-	-	-
Dividends Paid to Controlling Interests	<u>-</u>	<u>(10)</u>	<u>(5)</u>	<u>(5)</u>	<u>(22)</u>
NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST - END OF YEAR	2,308,530	-	1,074	-	-
Net Assets of Noncontrolling Interests	<u>1,080,493</u>	<u>-</u>	<u>10,904,465</u>	<u>-</u>	<u>-</u>
NET ASSETS - END OF YEAR	<u>\$ 3,389,023</u>	<u>\$ -</u>	<u>\$ 10,905,539</u>	<u>\$ -</u>	<u>\$ -</u>

HOPE ENTERPRISE CORPORATION
DETAILS OF NEW MARKETS TAX CREDIT COMPANIES
COMBINING STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED DECEMBER 31, 2024
(SEE INDEPENDENT AUDITORS' REPORT)

	Hope New Markets 9 LLC	Hope New Markets 10 LLC	Hope New Markets 11 LLC	Hope New Markets 12 LLC	Hope New Markets 13 LLC
REVENUES AND GAINS					
Interest, Dividends, and Related Fees:					
Loans and Other Investments	\$ 171,509	\$ 232,420	\$ 87,300	\$ 106,367	\$ 116,400
Contract Services Revenue	24,688	10,000	10,000	10,000	10,000
Total Revenues and Gains	196,197	242,420	97,300	116,367	126,400
EXPENSES					
Program Expenses:					
Development Finance	(34,626)	30,000	48,684	35,001	30,000
Total Expenses	(34,626)	30,000	48,684	35,001	30,000
CHANGE IN NET ASSETS BEFORE NONCONTROLLING INTERESTS IN SUBSIDIARIES' INCOME	230,823	212,420	48,616	81,366	96,400
Noncontrolling Interests in Subsidiaries' Net (Income) Loss	(230,800)	(212,399)	(48,611)	(81,358)	(96,390)
CHANGE IN NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST	23	21	5	8	10
Net Assets Attributable to Controlling Interest - Beginning of Year	872	778	885	964	771
Return of Capital	(864)	-	-	-	-
Capital Contribution	-	-	-	-	-
Dividends Paid to Controlling Interests	(31)	(21)	(1)	(7)	(11)
NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST - END OF YEAR	-	778	889	965	770
Net Assets of Noncontrolling Interests	-	7,765,359	8,917,261	9,641,855	7,715,668
NET ASSETS - END OF YEAR	\$ -	\$ 7,766,137	\$ 8,918,150	\$ 9,642,820	\$ 7,716,438

HOPE ENTERPRISE CORPORATION
DETAILS OF NEW MARKETS TAX CREDIT COMPANIES
COMBINING STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED DECEMBER 31, 2024
(SEE INDEPENDENT AUDITORS' REPORT)

	Hope New Markets 14 LLC	Hope New Markets 15 LLC	Hope New Markets 16 LLC	Hope New Markets 17 LLC	Hope New Markets 18 LLC
REVENUES AND GAINS					
Interest, Dividends, and Related Fees:					
Loans and Other Investments	\$ 77,297	\$ 135,800	\$ 68,158	\$ 121,250	\$ 72,573
Contract Services Revenue	10,000	10,000	10,000	10,000	10,100
Total Revenues and Gains	87,297	145,800	78,158	131,250	82,673
EXPENSES					
Program Expenses:					
Development Finance	27,500	45,000	27,500	35,000	38,100
Total Expenses	27,500	45,000	27,500	35,000	38,100
CHANGE IN NET ASSETS BEFORE NONCONTROLLING INTERESTS IN SUBSIDIARIES' INCOME	59,797	100,800	50,658	96,250	44,573
Noncontrolling Interests in Subsidiaries' Net (Income) Loss	(59,791)	(100,790)	(50,653)	(96,240)	(44,569)
CHANGE IN NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST	6	10	5	10	4
Net Assets Attributable to Controlling Interest - Beginning of Year	676	1,350	674	965	675
Return of Capital	-	-	-	-	-
Capital Contribution	-	-	-	-	-
Dividends Paid to Controlling Interests	(6)	(10)	(5)	(10)	(4)
NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST - END OF YEAR	676	1,350	674	965	675
Net Assets of Noncontrolling Interests	6,750,293	13,499,241	6,743,855	9,644,516	6,743,694
NET ASSETS - END OF YEAR	<u>\$ 6,750,969</u>	<u>\$ 13,500,591</u>	<u>\$ 6,744,529</u>	<u>\$ 9,645,481</u>	<u>\$ 6,744,369</u>

HOPE ENTERPRISE CORPORATION
DETAILS OF NEW MARKETS TAX CREDIT COMPANIES
COMBINING STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED DECEMBER 31, 2024
(SEE INDEPENDENT AUDITORS' REPORT)

	Hope New Markets 19 LLC	Hope New Markets 20 LLC	Hope New Markets 21 LLC	Hope New Markets 23 LLC	Hope New Markets 24 LLC
REVENUES AND GAINS					
Interest, Dividends, and Related Fees:					
Loans and Other Investments	\$ 157,256	\$ 96,713	\$ 87,300	\$ 72,750	\$ 140,165
Contract Services Revenue	10,000	10,000	10,000	10,000	10,000
Total Revenues and Gains	167,256	106,713	97,300	82,750	150,165
EXPENSES					
Program Expenses:					
Development Finance	66,000	42,000	25,000	47,553	46,125
Total Expenses	66,000	42,000	25,000	47,553	46,125
CHANGE IN NET ASSETS BEFORE NONCONTROLLING INTERESTS IN SUBSIDIARIES' INCOME	101,256	64,713	72,300	35,197	104,040
Noncontrolling Interests in Subsidiaries' Net (Income) Loss	(101,246)	(64,707)	(72,293)	(35,193)	(104,030)
CHANGE IN NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST	10	6	7	4	10
Net Assets Attributable to Controlling Interest - Beginning of Year	1,349	771	578	723	1,392
Return of Capital	-	-	-	-	-
Capital Contribution	-	-	-	-	-
Dividends Paid to Controlling Interests	(10)	(7)	(7)	(3)	(10)
NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST - END OF YEAR	1,349	770	578	724	1,392
Net Assets of Noncontrolling Interests	13,487,707	7,715,280	5,780,446	7,225,556	13,921,241
NET ASSETS - END OF YEAR	<u>\$ 13,489,056</u>	<u>\$ 7,716,050</u>	<u>\$ 5,781,024</u>	<u>\$ 7,226,280</u>	<u>\$ 13,922,633</u>

HOPE ENTERPRISE CORPORATION
DETAILS OF NEW MARKETS TAX CREDIT COMPANIES
COMBINING STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED DECEMBER 31, 2024
(SEE INDEPENDENT AUDITORS' REPORT)

	Hope New Markets 25 LLC	Hope New Markets 26 LLC	Hope New Markets 27 LLC	Hope New Markets 28 LLC	Combined
REVENUES AND GAINS					
Interest, Dividends, and Related Fees:					
Loans and Other Investments	\$ 67,900	\$ 146,512	\$ 64,093	\$ 31,790	\$ 2,719,401
Contract Services Revenue	24,556	10,000	10,000	10,000	287,066
Total Revenues and Gains	92,456	156,512	74,093	41,790	3,006,467
EXPENSES					
Program Expenses:					
Development Finance	52,556	655,339	266,238	270,436	(355,118)
Total Expenses	52,556	655,339	266,238	270,436	(355,118)
CHANGE IN NET ASSETS BEFORE NONCONTROLLING INTERESTS IN SUBSIDIARIES' INCOME	39,900	(498,827)	(192,145)	(228,646)	3,361,585
Noncontrolling Interests in Subsidiaries' Net (Income) Loss	(39,896)	498,777	192,126	228,623	(3,341,933)
CHANGE IN NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST	4	(50)	(19)	(23)	19,652
Net Assets Attributable to Controlling Interest - Beginning of Year	675	-	-	-	2,306,249
Return of Capital	-	-	-	-	(2,970)
Capital Contribution	-	1,700	675	830	3,205
Dividends Paid to Controlling Interests	(5)	(10)	(4)	(2)	(206)
NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST - END OF YEAR	674	1,640	652	805	2,325,930
Net Assets of Noncontrolling Interests	6,743,853	16,407,610	6,514,785	8,051,025	175,254,203
NET ASSETS - END OF YEAR	<u>\$ 6,744,527</u>	<u>\$ 16,409,250</u>	<u>\$ 6,515,437</u>	<u>\$ 8,051,830</u>	<u>\$ 177,580,133</u>

HOPE ENTERPRISE CORPORATION
ECD ASSOCIATES, LLC
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 2024
(SEE INDEPENDENT AUDITORS' REPORT)

	ECD New Markets, LLC	ECD Associates, LLC	Eliminations	ECD Associates, LLC Consolidated
ASSETS				
Cash and Cash Equivalents	\$ 174,088	\$ 239,935	\$ -	\$ 414,023
Investment in Subsidiary	-	3,505,000	(3,505,000)	-
Investment in Secondary Capital of HFCU	2,975,000	-	-	2,975,000
Total Assets	<u>\$ 3,149,088</u>	<u>\$ 3,744,935</u>	<u>\$ (3,505,000)</u>	<u>\$ 3,389,023</u>
LIABILITIES AND CAPITAL				
LIABILITIES				
Accounts Payable and Accrued Expenses	\$ -	\$ -	\$ -	\$ -
Total Liabilities	-	-	-	-
CAPITAL				
Managing Members	100	1,000	-	1,100
Investor Members	11,759,800	2,839,228	(3,505,000)	11,094,028
Retained Earnings (Deficit)	(8,610,812)	904,707	-	(7,706,105)
Total Capital	<u>3,149,088</u>	<u>3,744,935</u>	<u>(3,505,000)</u>	<u>3,389,023</u>
Total Liabilities and Capital	<u>\$ 3,149,088</u>	<u>\$ 3,744,935</u>	<u>\$ (3,505,000)</u>	<u>\$ 3,389,023</u>

HOPE ENTERPRISE CORPORATION
ECD ASSOCIATES, LLC
CONSOLIDATING STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2024
(SEE INDEPENDENT AUDITORS' REPORT)

	ECD New Markets, LLC	ECD Associates, LLC	Eliminations	ECD Associates, LLC Consolidated
REVENUES				
Interest, Dividends, and Related Fees:				
Loans and Other Investments	\$ 29,832	\$ 19,303	\$ (19,303)	\$ 29,832
Total Revenues and Gains	29,832	19,303	(19,303)	29,832
EXPENSES				
Program Expenses:				
Development Finance	307	423	-	730
Total Expenses	307	423	-	730
CHANGE IN NET ASSETS BEFORE NONCONTROLLING INTERESTS IN SUBSIDIARIES' INCOME	29,525	18,880	(19,303)	29,102
Noncontrolling Interests in Subsidiaries' Net Income	(3,436)	(6,347)	-	(9,783)
CHANGE IN NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST	26,089	12,533	(19,303)	19,319
Net Assets Attributable to Controlling Interest - Beginning of Year	3,643,626	2,150,585	(3,505,000)	2,289,211
Dividends Paid to Controlling Interest	(19,303)	-	19,303	-
NET ASSETS ATTRIBUTABLE TO CONTROLLING INTEREST - END OF YEAR	3,650,412	2,163,118	(3,505,000)	2,308,530
Net Assets of Noncontrolling Interests	(501,324)	1,581,817	-	1,080,493
NET ASSETS - END OF YEAR	<u>\$ 3,149,088</u>	<u>\$ 3,744,935</u>	<u>\$ (3,505,000)</u>	<u>\$ 3,389,023</u>



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